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CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
\$/Bu	Friday 30 September	Monday 3 October	Tuesday 4 October	Wednesday 5 October	Thursday 6 October
Change	0.0750	0.0925	0.0225	-0.0050	-0.0750
Closing Price	3.3675	3.4600	3.4825	3.4775	3.4050
Factors Affecting the Market	Initially lower on news of China corn exports, a lower than expected quarterly stocks report caused a later rally.	Countering intuition, corn followed soybeans higher and technical strength reinforced the volume of buying.	Corn was firm on technical support and closed at its highest level since mid-July.	A very quiet market for corn, and although there was some profit taking it remains in a technically friendly posture.	Rise in the dollar, profit taking following expected export boom, no other news – take your pick. It will stabilize tomorrow.

Outlook: USDA reported that 24 percent of the corn crop is now harvested, slightly below the five-year average for this date, but maturity is above average. It rated 73 percent of the corn crop in good/excellent condition, down 1 percent from a week earlier but 5 percent above the volume rated good/excellent at this time last year.

For more information on the contents of this newsletter or the U.S. Grains Council, its mission and programs, please contact Manuel Sanchez or Alvaro Cordero at (202) 789-0789.

The U.S. Grains Council is a private, non-profit partnership of producers and agribusinesses committed to building and expanding international markets for U.S. barley, corn, grain sorghum and their products. The Council is headquartered in Washington, D.C. and has ten international offices that oversee programs in more than 50 countries. Financial support from our private industry members, including state checkoffs, agribusinesses, state entities and others, triggers federal matching funds from the USDA resulting in a combined program value of more than \$26 million.

Average yields coming out of the fields have grown larger as the harvest moves northward into areas previously overly damp; there is a lot of grain in storage but the news this week was bullish. First up was the quarterly stocks report which showed corn on hand on September 1 at 0.5 percent larger than a year earlier, but that was 0.8 percent smaller than the volume expected by the trade. Adding to the fever was corn exports, which were expected to be higher but surprised many by clocking in at 2.6 MMT this past week, which is above the pace needed to hit USDA's forecast.

The rising volume of exports has added 13.4 percent to the volume being rail shipped versus a comparable period a year ago. This has the effect of pushing rail freight rates higher and thus pressuring interior basis levels lower. Despite abundant feed wheat, it cannot compete in the domestic market with the low prices on corn and sorghum. Sorghum prices should drop some based on exports falling off pace from USDA's forecast.

A mid-October rally is not unusual and the new resistance level is \$3.65/bushel.

CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending October 6, 2016			
Commodity	6-Oct	30-Sep	Net Change
Corn			
Dec 16	340.50	336.75	3.75
Mar 17	350.25	346.50	3.75
May 17	357.50	353.50	4.00
Jul 17	364.50	360.25	4.25
Soybeans			
Nov 16	958.50	954.00	4.50
Jan 17	964.75	959.25	5.50
Mar 17	971.00	965.50	5.50
May 17	976.75	971.75	5.00
Soymeal			
Oct 16	301.50	297.90	3.60
Dec 16	303.10	299.60	3.50
Jan 17	304.20	300.20	4.00
Mar 17	305.70	302.10	3.60
Soyoil			
Oct 16	33.10	33.24	-0.14
Dec 16	33.30	33.44	-0.14
Jan 17	33.54	33.67	-0.13
Mar 17	33.80	33.91	-0.11
SRW			
Dec 16	395.75	402.00	-6.25
Mar 17	417.00	424.75	-7.75
May 17	431.25	438.00	-6.75
Jul 17	442.75	447.50	-4.75
HRW			
Dec 16	405.00	415.50	-10.50
Mar 17	421.50	432.00	-10.50
May 17	432.25	442.50	-10.25
Jul 17	442.75	452.50	-9.75
MGEX (HRS)			
Dec 16	524.75	514.50	10.25
Mar 17	528.00	521.00	7.00
May 17	533.00	527.75	5.25
Jul 17	539.25	535.50	3.75

*Price unit: Cents and quarter-cents/bu (5,000 bu)

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: Over the next 5-7 days, many across the Southeast and along the eastern seaboard will be watching to see what Hurricane Matthew does. There is a potential for significant rains over drought areas, so it will be watched closely. Precipitation is anticipated over much of the central United States from New Mexico northeastward into the Great Lakes, with some areas projected to receive 2-3 inches of rain. Another storm system will impact the Pacific Northwest, bringing with it heavy rains along the coastal regions of Washington and Oregon. Temperatures during this time remain above normal, with only those areas along the coastal region, where rain is expected, projected to record temperatures near normal or slightly below normal.

The 6-10 day outlooks show all of the United States having above-normal chances of recording temperatures that are above normal; the greatest chances are in the Plains. Precipitation during this time is anticipated to be greatest over the Pacific Northwest. There are higher chances of below-normal precipitation along the East Coast and in the Plains.

Follow this link to view current U.S. and international weather patterns and the future outlook: [Weather and Crop Bulletin](#).

U.S. EXPORT STATISTICS

U.S. Export Sales and Exports: Week Ending September 29, 2016					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	396,900	700,700	9,663.1	14,417.5	27%
Corn	2,095,800	1,390,200	5,432.2	20,603.8	87%
Sorghum	6,100	19,500	307.4	996.5	-71%
Barley	200	200	5.9	13.6	-43%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 2,060,800 MT were reported for 2016/2017. The primary destinations were Mexico (1,251,100 MT), Japan (200,100 MT, including 75,400 MT switched from unknown destinations and decreases of 4,500 MT), Saudi Arabia (136,800 MT, including 111,000 MT switched from unknown destinations and decreases of 900 MT), South Korea (128,300 MT, including 125,000 MT switched from unknown destinations and decreases of 400 MT), and Colombia (86,000 MT, including 32,000 MT switched from unknown destinations, and decreases of 8,600 MT). Reductions were for unknown destinations (92,900 MT), Costa Rica (9,900 MT), and Chile (2,900 MT). For 2017/2018, net sales of 541,000 MT were reported for Mexico. Exports of 1,390,200 MT were reported to Japan (376,000 MT), South Korea (261,800 MT), Mexico (166,400 MT), Saudi Arabia (136,800 MT), Taiwan (76,200 MT), Chile (69,800 MT), and Colombia (69,100 MT).

Optional Origin Sales: For 2016/2017, options were exercised the export 58,000 MT to Japan (switched from unknown destinations) from the United States. The current outstanding balance of 283,000 MT, is for unknown destinations (218,000 MT), and Taiwan (65,000 MT).

Barley: Net sales of 200 MT for 2016/2017 were reported for Taiwan (100 MT) and Japan (100 MT). Exports of 200 MT were reported to Taiwan.

Sorghum: Net sales of 5,000 MT for 2016/2017 resulted as increases for Japan (9,300 MT, including 8,100 MT switched from unknown destinations and decreases of 1,100 MT) and Nigeria (2,400 MT), were partially offset by reductions for unknown destinations (6,600 MT). Exports of 19,500 MT were reported to Japan (19,300 MT) and Mexico (200 MT).

U.S. Export Inspections: Week Ending September 29, 2016

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	1,297	1,198	24,258	20,528	118%
Corn	1,470,209	1,357,463	5,759,125	3,252,160	177%
Sorghum	24,154	123,040	372,733	1,041,122	36%
Soybeans	1,104,196	386,034	3,398,250	2,499,306	136%
Wheat	641,897	881,025	10,100,388	8,032,915	126%

Source: USDA/AMS. *Marketing Year is June 1-May 31 for wheat and barley and September 1-August 31 for corn, sorghum and soybeans. Week-to-week reports will vary due to exporter reported conditions and cancellations to previous week's reports.

USDA Grain Inspections for Export Report: Week Ending September 29, 2016

Region	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	0	0%	0	0%	0	0%
Atlantic	41,652	3%	0	0%	0	0%
Gulf	747,546	51%	7,770	76%	19,252	80%
PNW	487,949	33%	0	0%	0	0%
Interior Export Rail	182,897	13%	2,395	24%	4,902	20%
Total (Metric Tons)	1,460,044	0%	10,165	100%	24,154	100%
White Corn Shipments by Country (MT)			7,770	to Colombia		
			2,395	to Mexico		
			10,165			
Total White Corn (MT)						
Sorghum Shipments by Country (MT)					19,252	to Japan
					4,902	to Mexico
Total Sorghum (MT)					24,154	

Source: USDA, World Perspectives, Inc.



FOB

Yellow Corn (USD/MT FOB Vessel)				
YC FOB Vessel Max. 15.0% Moisture	GULF		PNW	
	Basis (#2 YC)	Flat Price (#2 YC)	Basis (#2 YC)	Flat Price (#2 YC)
FH October	+0.75 Z	\$163.57	+1.20 Z	\$181.29
October	+0.75 Z	\$163.57	+1.20 Z	\$181.29
FH November	+0.78 Z	\$164.75	+1.18 Z	\$180.50
November	+0.82 Z	\$166.33	+1.18 Z	\$180.50

#2 White Corn (U.S. \$/MT FOB Vessel)			
Max. 15.0% Moisture	October	November	December
Gulf	-	\$199	\$199

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
October	+1.00 Z	\$173.42	+1.10 Z	\$177.35
November	+0.95 Z	\$171.45	+0.95 Z	\$171.45

Please note that given the lack of volume in the feed barley trade we are unable to provide accurate pricing figures for today's report.

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	October	November	December
New Orleans	-	\$150	\$150
<i>Quantity 5,000 MT</i>			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	October	November	December
New Orleans	-	\$557.50	\$557.50
<i>*5-10,000 MT Minimum</i>			
Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. \$/ST)			
	October	November	December
Rail Delvd. East Coast	\$520	-	-
Rail Delvd. Chicago	\$500	-	-
Truck Delvd. Channahon/Elwood	\$498	-	-

**All prices are market estimates.*

DDGS Price Table: October 6, 2016 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	October	November	December
Barge CIF New Orleans	158	159	160
FOB Vessel GULF	165	166	167
Rail delivered PNW	168	170	171
Rail delivered California	171	172	173
Mid-Bridge Laredo, TX	172	175	176
FOB Lethbridge, Alberta	140	140	140
40 ft. Containers to South Korea (Busan)	196	192	192
40 ft. Containers to Taiwan (Kaohsiung)	197	192	192
40 ft. Containers to Philippines (Manila)	204	199	200
40 ft. Containers to Indonesia (Jakarta)	200	196	196
40 ft. Containers to Malaysia (Port Kelang)	203	199	200
40 ft. Containers to Vietnam (HCMC)	207	203	203
40 ft. Containers to Japan (Yokohama)	209	204	204
40 ft. containers to Thailand (LCMB)	198	194	194
40 ft. Containers to Shanghai, China	204	199	199
KC & Elwood, IL Rail Yard (delivered Ramp)	147	148	148

Source: WPI, *Prices are based on offer indications only; terms of delivery, payment and quality may vary from one supplier to another, impacting the actual value of the price.

DISTILLER'S DRIED GRAINS WITH SOLUBLES (DDGS)

DDGS Comments: For the same reasons that U.S. DDGS exports have been up the past few months (+6 percent in August over July), the decline in prices this past week was fully anticipated due to market conditions. That is why it was a relatively modest drop. Product destined to Yokohama took the biggest hit, but most other Asian market destinations were down an average \$1-5/container, or around 2 percent or less. Some importers may game market softness to rewrite contracts but demand remains strong in top markets such as Mexico, Vietnam and South Korea.

Ethanol Comments: U.S. ethanol exports were up 12 percent in August over July, with Brazil the top monthly customer (+65 percent) followed by Canada and India. Brazil incurred its fourth month in a row of declining ethanol exports. Despite some of the best margins in two years, U.S. ethanol production was down 9,000 barrels per day this past week to 980 thousand barrels per day. In a related fashion, stocks fell by 401,000 barrels dropping the overall total to 20.18 million barrels. The margin between the corn price and the value of ethanol and coproducts across the four regularly tracked reference markets is detailed below.

- Illinois differential is \$2.34 per bushel, in comparison to \$2.26 the prior week and \$1.72 a year ago.
- Iowa differential is \$2.24 per bushel, in comparison to \$2.05 the prior week and \$1.54 a year ago.
- Nebraska differential is \$1.93 per bushel, in comparison to \$1.82 the prior week and \$1.70 a year ago.

- South Dakota differential is \$2.41 per bushel, in comparison to \$2.21 the prior week and \$1.74 a year ago.

COUNTRY NEWS

Argentina: The country's barley production area is smaller this year and the spread between malting quality and feed is so great that farmers will be patient in hopes of earning the malt premium. (WPI)

Brazil: Corn export commitments were raised to 9.65 MMT, up 0.465 MMT from last month, but remaining 9.19 MMT lower than last year. (MDIFT)

China: Despite feed imports of possibly 20 MMT, two state-owned companies have been given authority to export up to 2 MMT of corn. (Reuters)

Ukraine: Feed wheat is being offered at \$160/MT for November, which is at parity with corn and thus it still holds an advantage to feed millers. Meanwhile, Mariupol Port is being expanded, adding 2 MMT in capacity by 2019. (Various; Bloomberg)

OCEAN FREIGHT MARKETS AND SPREAD

Bulk Freight Indices for HSS — Heavy Grain, Sorghum and Soybeans*			
Route and Vessel Size	Current Week (USD/MT)	Change from Previous Report	Remarks
55,000 U.S. Gulf-Japan	\$29.75	Down \$0.25	Handymax at \$30.50/MT
55,000 U.S. PNW-Japan	\$16.25	Down \$0.25	Handymax at \$17.00/MT
58-60,000 U.S. Gulf-China	\$28.50	Down \$0.25	North China
PNW to China	\$15.25	Down \$0.25	
30,000 U.S. Gulf-Veracruz, México	\$14.25	Down \$0.25	4,000 MT daily discharge rate
40-45,000 U.S. Gulf-Veracruz, México	\$12.50	Down \$0.25	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$16.00 \$27.50	Down \$0.25 Down \$0.50	West Coast Colombia at \$22.25
43,000 U.S. Gulf-Guatemala	\$22.00	Down \$0.50	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$21.75 \$23.25	Down \$0.25 Down \$0.25	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$20.75	Down \$0.25	5,000 discharge rate
55,000 U.S. Gulf-Egypt	\$20.25	Down \$0.25	55,000 -60,000 MT St. Lawrence to Egypt \$20.50
PNW to Egypt	\$21.25	Down \$0.25	
65-75,000 U.S. Gulf-Europe-Rotterdam	\$15.00	Down \$0.50	Handymax at +\$1.50 more
Brazil, Santos-China	\$19.25	Down \$0.25	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port up river Amazonia-China	\$18.50	Down \$0.25	
Amazonia-China	\$29.25	Down \$0.25	48-53,000 MT (11.5-meter draft)
56-60,000 Argentina-China Upriver with Top-Off	\$28.25	Down \$0.50	—

Source: O'Neil Commodity Consulting

*Numbers for this table based on previous night's closing values.

OCEAN FREIGHT COMMENTS

Transportation and Export Report: Jay O'Neil, O'Neil Commodity Consulting: China has been out this week on their Golden Week holiday and this has added to the rather dull and quiet markets. Overall freight markets feel soft, but they have also been quiet this week and therefore do not warrant much change in the rate estimates.

According to vessel owner Pacific Basin: "Despite record scrapping levels, new deliveries of dry bulk ships will outpace the number of vessels demolished by the end of 2016, leaving an unwelcome net fleet growth for the year of 2 percent...in the Capesize and Panamax markets, you are left with a one-way transportation model. It is very difficult to get backhaul cargo because the ships are too big. You are carrying iron ore from Brazil or Australia to China and going back empty, so how can you differentiate yourself as a ship owner? It is only price that counts."

So, the problem is not yet solved for the shipping industry (Dry-Bulk or Container) and it is still going to be a long voyage back to profitability. I frankly cannot see a true recovery on the horizon yet and believe it will be at least 2018 before the industry has a chance for any meaningful improvement. Of course, that also means that the same is true for my 401K and IRA retirement accounts.

Baltic-Panamax Dry-Bulk Indices

October 6, 2016	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	10,604	10,933	-329	-3.0%
P3A: PNW/Pacific– Japan	5,824	6,227	-403	-6.5%

Source: O'Neil Commodity Consulting

Below is a recent history of freight values for Capesize vessels of iron ore from Western Australia to South China:

Week Ending October 6, 2016

Four weeks ago:	\$5.05-\$5.40
Three weeks ago:	\$5.55-\$5.90
Two weeks ago:	\$5.90-\$6.40
One week ago:	\$5.80-\$6.40
This week	\$5.25-\$6.10

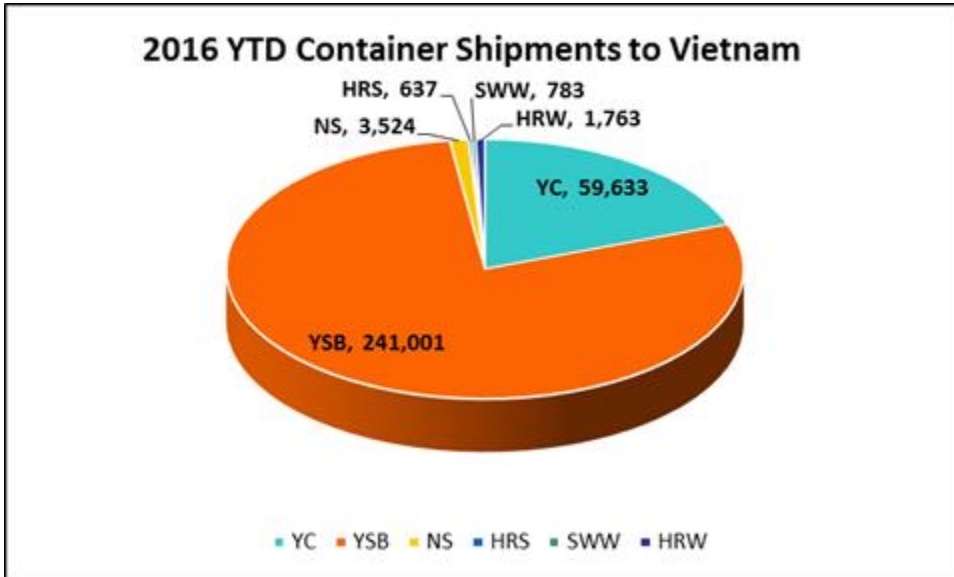
Source: O'Neil Commodity Consulting

U.S.-Asia Market Spreads

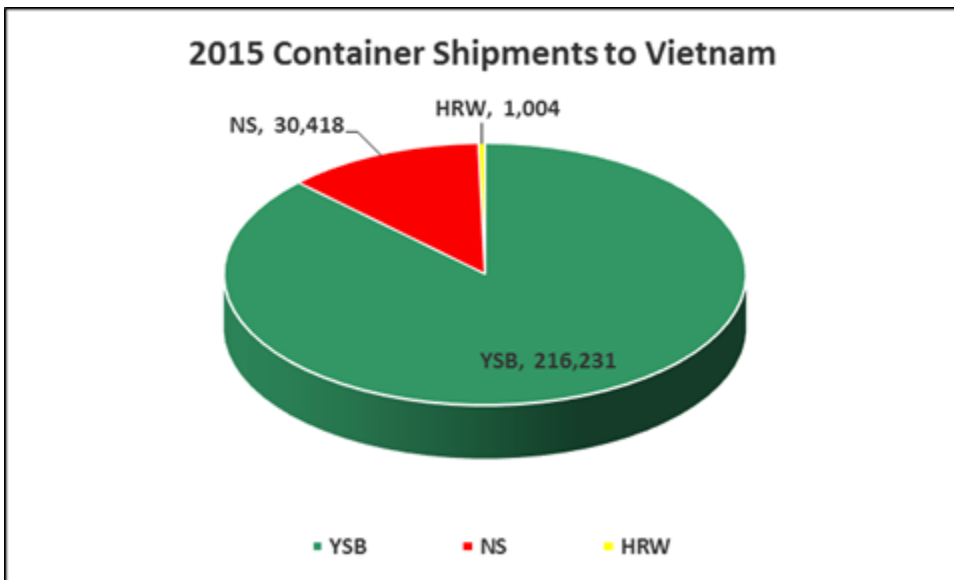
October 6, 2016	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	1.07	0.75	0.32	\$12.60	PNW
Soybeans	1.20	0.89	0.31	\$12.20	PNW
Ocean Freight	\$16.25	\$29.00	0.32-0.35	(\$12.75)	November

Source: O'Neil Commodity Consulting

The charts below represent year-to-date 2016 versus January-December 2015 annual totals for container shipments to Vietnam.



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

October 6, 2016

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International Freight Rates for Feed Grains – Select Routes Estimated Spot Price (\$/MT) – Week Ending October 6, 2016									
Commodity	Origins	China	Japan	Korea	Morocco	Egypt	Saudi Arabia	Morocco	Colombia
Vessel Size		PNMX	PNMX	PNMX	PNMX	PNMX	PNMX	Handy	Handy
Corn (Yellow)	Argentina	\$25.25	\$27.25	\$26.25	\$21.50	\$21.25	\$25.75	\$28.25	\$27.75
	Brazil	\$18.25	\$20.75	\$20.00	\$11.50	\$14.25	\$15.50	\$23.50	\$24.50
Corn (White)	Argentina	\$25.25	\$27.25	\$26.25	\$21.50	\$21.25	\$25.75	\$28.25	\$27.75
	Brazil	\$18.25	\$20.75	\$20.00	\$11.50	\$14.25	\$15.50	\$23.50	\$24.50
Barley	Argentina	\$25.25	\$27.25	\$26.25	\$21.50	\$21.25	\$25.75	\$28.25	\$27.75
	Brazil	\$18.25	\$20.75	\$20.00	\$11.50	\$14.25	\$15.50	\$23.50	\$24.50
Sorghum	Argentina	\$25.25	\$27.25	\$26.25	\$21.50	\$21.25	\$25.75	\$28.25	\$27.75
	Brazil	\$18.25	\$20.75	\$20.00	\$11.50	\$14.25	\$15.50	\$23.50	\$24.50

Note: Bid-ask spreads can vary in width and initial offers may be higher on less active routes.

Source: World Perspectives, Inc.

INTEREST RATES

Interest Rates (%): October 4, 2016			
	Current Week	Last Week	Last Month
U.S. Prime	3.50	3.50	3.50
LIBOR (6 month)	1.25	1.24	1.25
LIBOR (1 year)	1.55	1.56	1.56

Source: www.bankrate.com