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## 2016 MARKET PERSPECTIVES READERSHIP SURVEY

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In an effort to better serve the readers of *Market Perspectives*, the U.S. Grains Council requests that you take a few moments to complete a quick seven-question survey on the newsletter. Your time and insights are greatly appreciated. We look forward to continuing to provide you with valuable market intelligence!

Please follow this [link](#) to access the e-survey. Thank you!

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***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.*

## CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
\$/Bu	Friday 21 October	Monday 24 October	Tuesday 25 October	Wednesday 26 October	Thursday 27 October
<b>Change</b>	1.500	-4.250	1.0000	4.7500	3.5000
<b>Closing Price</b>	352.500	348.250	349.250	354.000	357.500
<b>Factors Affecting the Market</b>	Markets finished a quiet week with a quiet day. Harvest is at its peak with no major weather concerns in sight. Managed money traders pared short positions and added to their longs this week. Unexpected late season ethanol demand remains a bullish factor.	Weekly exports were bullish but a mild technical correction and heavy commercial selling turned the session lower for the day. A 12-point rise in the U.S. dollar and lower crude oil prices dampened buying enthusiasm as well.	Quiet trading occurred on a light news day. Harvest continues with no surprises and the market has accepted the 15-billion-bushel corn crop. Demand was the focus today, but not enough to move prices substantially. Outside markets were lower.	Commercial buying and rain-delayed planting in Argentina moved markets higher. Ethanol production dropped but domestic demand remains strong. Outside markets were mixed, with crude oil falling 78 cents and equities slightly higher.	Corn climbed above \$3.55/bushel again as active commercial buying signals strong demand. Wheat and soybeans helped boost corn markets for the day. Outside markets were mixed with crude oil up and equities nearly flat.

**Outlook:** Corn markets paused this week amid what looks to be a building rally. Having put in apparent harvest lows and climbed 36 cents from there, the corn market listlessly considered the effects of South American weather, the U.S. harvest, and export demand this week. Concerns are growing over rain in Argentina that is delaying plantings. While the weather developments certainly need to be monitored, it will take severely adverse weather in December and January to exact meaningful changes on South American, U.S., or world balance sheets. On the U.S. front, corn harvest made an impressive jump this past week as farmers, largely finished with the soybean harvest, turned their attention to their corn fields. On Monday, the USDA reported 61 percent of the U.S. corn harvest was complete, 9 percent below last year's harvest and on-track with the 5-year average. Iowa's harvest continues to run slightly behind normal but significant impacts are not expected.

Supply shortages in South America have allowed the U.S. to export *massive* volumes of corn so far this year. Reports are surfacing that the U.S. may set new records for exports in October with the strong program that has occurred so far. Year to date, new crop exports are almost double what they were this time last year. Accumulated exports through October 20 this year totaled 8.044 MMT compared to 4.623 MMT the same week last year. Total U.S. corn export bookings (exports plus outstanding sales) were up 85 percent from 2015.

Last Friday's (October 21) CFTC Commitments of Traders report showed some interesting developments. Apparently believing the harvest low is behind and seeing opportunities for expanded export demand,

managed money traders pared down short positions by 46,000 contracts and added 23,000 to their long positions. Meanwhile, commercial traders, seeing opportunities to take advantage of low prices and strong demand, added 41,000 contracts to their long positions. The details of the report seem to implicate a growing view that corn prices have upward potential.

December corn futures retreated below \$3.50 in light trading on Monday and Tuesday as the market took a breather and reassessed demand implications. Wednesday and Thursday ushered in commercial and fund buying that sent December futures over the \$3.50 mark again. Importantly, the nearby contract closed above its 100-day moving average on Thursday which sets the stage for a test of resistance at \$3.59 ¼, the October 20 high. From there, physiological resistance at \$3.70 will likely be uncovered with further resistance at \$3.80, the July 14 high. A test of the \$3.80 mark will likely require significant bullish fundamental developments in addition to current demand strength. On the downside, support for the contract lies at Monday's low and again at the 10-day moving average (\$3.48 ¼). Going forward, corn futures will slowly continue in the minor uptrend they've formed, buoyed by strong exports and pressured by global supplies.

## CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

<b>Futures Price Performance: Week Ending October 27, 2016</b>			
<b>Commodity</b>	<b>27-Oct</b>	<b>21-Oct</b>	<b>Net Change</b>
<b>Corn</b>			
Dec 16	357.50	352.50	5.00
Mar 17	366.25	362.25	4.00
May 17	373.00	369.00	4.00
Jul 17	379.50	375.00	4.50
<b>Soybeans</b>			
Nov 16	1014.25	983.00	31.25
Jan 17	1025.00	992.25	32.75
Mar 17	1031.25	998.75	32.50
May 17	1036.25	1005.50	30.75
<b>Soymeal</b>			
Dec 16	327.60	306.50	21.10
Jan 17	328.60	308.00	20.60
Mar 17	328.90	309.40	19.50
May 17	328.80	311.20	17.60
<b>Soyoil</b>			
Dec 16	35.11	35.12	-0.01
Jan 17	35.32	35.38	-0.06
Mar 17	35.44	35.60	-0.16
May 17	35.56	35.78	-0.22
<b>SRW</b>			
Dec 16	414.50	414.50	0.00
Mar 17	433.50	435.00	-1.50
May 17	448.75	450.50	-1.75
Jul 17	462.50	462.50	0.00
<b>HRW</b>			
Dec 16	417.00	421.50	-4.50
Mar 17	435.00	439.25	-4.25
May 17	447.00	451.00	-4.00
Jul 17	458.25	461.75	-3.50
<b>MGEX (HRS)</b>			
Dec 16	525.50	529.00	-3.50
Mar 17	531.50	532.25	-0.75
May 17	538.75	538.00	0.75
Jul 17	545.50	544.50	1.00

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

## U.S. WEATHER/CROP PROGRESS

**U.S. Drought Monitor Weather Forecast:** The NWS WPC 7-Day Quantitative Precipitation Forecast (QPF) calls for significant precipitation accumulations in northern California (two-to-ten inches) and western portions of Oregon and Washington (two-to-six inches). One-to-two inches of precipitation are forecasted for northern portions of the Midwest, while one-to-four inches are forecasted for the Northeast. Conversely, most of the southern tier of the conterminous U.S. will be dry. The CPC 6-10 day outlooks call for a high probability of above-normal temperatures across the entire conterminous U.S., apart from California and western Nevada where there is a high probability of below-normal temperatures. Below-normal precipitation is forecasted for the eastern third of the U.S. as well as the South and Desert Southwest. A high probability of above-normal precipitation is expected across the remainder of the West, Plains, and the western half of the Midwest.

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

## U.S. EXPORT STATISTICS

U.S. Export Sales and Exports: Week Ending October 20, 2016					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	655,700	264,100	10,767.3	16,068.3	26%
Corn	908,400	524,300	8,044.6	23,283.4	85%
Sorghum	800	61,800	436.6	1,056.2	-71%
Barley	0	200	7.1	13.8	-44%

Source: USDA, World Perspectives, Inc.

**Corn:** Net sales of 799,300 MT for 2016/2017 were down 21 percent from the previous week and 29 percent from the prior 4-week average. Increases were for Mexico (545,200 MT), the Netherlands (68,800 MT, including 65,000 MT switched from unknown destinations), Japan (65,000 MT), Guatemala (38,100 MT, including 33,900 MT switched from unknown destinations), and the Dominican Republic (33,500 MT, including 30,000 MT switched from unknown destinations). Reductions were for unknown destinations (48,200 MT), Colombia (6,200 MT), and El Salvador (1,500 MT). Exports of 524,300 MT were down 37 percent from the previous week and 56 percent from the prior 4-week average. The primary destinations were Mexico (180,200 MT), the Netherlands (68,800 MT), South Korea (56,200 MT), Colombia (30,600 MT), Panama (29,300 MT), Peru (25,000 MT), and Guatemala (23,700 MT).

**Optional Origin Sales:** For 2016/2017, new optional origin sales totaling 60,000 MT were reported for unknown destinations. Sales totaling 118,000 MT were switched from unknown destinations to Japan. Options were exercised to export 114,100 MT from Japan to other than the United States. Decreases totaling 3,900 MT were reported for Japan. The current outstanding balance of 345,000 MT, is for unknown destinations (280,000 MT) and Taiwan (65,000 MT).

**Export Adjustments:** Accumulated exports to Niger were adjusted down 16,000 MT for week ending October 13, 2016. The correct destination is Nigeria and is included in this week's report.

**Barley:** No net sales were reported for the week. Exports of 200 MT were reported to Taiwan.

**Sorghum:** Net sales of 300 MT for 2016/2017 resulted as increases for China (57,500 MT, including 58,000 MT switched from unknown destinations and decreases of 500 MT) and South Korea (800 MT), were partially offset by reductions for unknown destinations (58,000 MT). Exports of 61,800 MT were reported to China (57,500 MT) and Mexico (4,300 MT).

### U.S. Export Inspections: Week Ending October 20, 2016

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	0	735	24,993	21,923	114%
Corn	541,527	879,101	8,356,998	4,765,504	175%
Sorghum	73,267	5,846	539,829	1,815,942	30%
Soybeans	2,739,744	2,508,997	10,454,187	9,435,861	111%
Wheat	244,331	465,122	11,286,398	8,878,763	127%

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 October 20, 2016

Region	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	0	0%	-	-	0	0%
Atlantic	2,767	1%	-	-	0	0%
Gulf	409,724	76%	-	-	66,083	90%
PNW	0	0%	-	-	0	0%
Interior Export Rail	129,036	24%	-	-	7,184	10%
<b>Total (Metric Tons)</b>	<b>541,527</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>73,267</b>	<b>100%</b>
White Corn Shipments by Country (MT)			-	-		
Total White Corn (MT)			-	-		
Sorghum Shipments by Country (MT)					8,600	to Chad
					64,667	to Mexico
<b>Total Sorghum (MT)</b>					<b>73,267</b>	

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 November	+0.76 Z	\$170.66	+1.00 Z	\$180.11
LH November	+0.78 Z	\$171.45	+1.00 Z	\$180.11
December	+0.78 Z	\$171.45	+0.98 Z	\$179.32

#2 White Corn (U.S. \$/MT FOB Vessel)		
Max. 15.0% Moisture	November	December
Gulf	\$183	\$183

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
November	+0.90 Z	\$176.17	+0.85 Z	\$174.20
December	+0.85 Z	\$174.20	+0.80 Z	\$172.23

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)		
	November	December
New Orleans	\$140	\$140
<i>Quantity 5,000 MT</i>		
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)		
Bulk 60% Pro.	November	December
New Orleans	\$570	\$570
<i>*5-10,000 MT Minimum</i>		
Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. \$/ST)		
	November	December
Rail Delvd. East Coast	\$520	-
Rail Delvd. Chicago	\$500	-
Truck Delvd. Channahon/Elwood	\$503	-

*\*All prices are market estimates.*

DDGS Price Table: October 27, 2016 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	November	December	January
Barge CIF New Orleans	166	167	168
FOB Vessel GULF	177	178	178
Rail delivered PNW	181	183	184
Rail delivered California	185	187	189
Mid-Bridge Laredo, TX	181	182	184
FOB Lethbridge, Alberta	162	169	171
40 ft. Containers to South Korea (Busan)	189	189	189
40 ft. Containers to Taiwan (Kaohsiung)	193	193	193
40 ft. Containers to Philippines (Manila)	195	195	195
40 ft. Containers to Indonesia (Jakarta)	193	193	193
40 ft. Containers to Malaysia (Port Kelang)	195	195	195
40 ft. Containers to Vietnam (HCMC)	203	203	203
40 ft. Containers to Japan (Yokohama)	197	197	197
40 ft. containers to Thailand (LCMB)	193	193	193
40 ft. Containers to Shanghai, China	191	191	191
KC & Elwood, IL Rail Yard (delivered Ramp)	149	151	152

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:** The recent rally in corn futures will likely be supportive for DDGS as we approach the year's end. Markets in recent weeks have observed buyers filling only near-term needs while waiting for corn's harvest low to procure product. Now that corn futures have almost certainly achieved their harvest low buyers will begin covering beyond their near-term needs and deferred shipment prices will strengthen. Moreover, the rally in soybean meal will also be supportive to DDGS use in feed rations. On a per protein unit basis, soybean meal gained \$0.10 this week while DDGS held relatively steady (declining a mere \$0.04). If the soybean complex rally continues, DDGS will have opportunities to make inroads in some livestock rations.

Traders are reporting that the market does indeed have a firmer tone this week. U.S. prices for November delivery increased \$9/ton this week with FOB Gulf prices climbing \$11/ton. Canadian rail prices jumped \$19/ton for November delivery and \$24/ton for December this week. Current prices have sparked some value buying for U.S. Gulf shipments to Southeast Asia, and prices for shipment to Taiwan and the Philippines rose modestly this week.

**Ethanol Comments:** Ethanol margins are predominantly lower this week and incentivized plants to lower production by 7,000 barrels per day from last week, with production reaching 991,000 barrels per day. Ethanol stocks jumped 877,000 barrels this week (5 percent) even as gasoline consumption rose 749,000 barrels per day this week.



The margin between the corn price and the value of ethanol and coproducts was lower this past week across three of the four reference markets (see below), with South Dakota posting the only weekly gains. Compared to this same week last year, the spread is roughly \$0.40 higher in all reference markets.

- Illinois differential is \$2.12 per bushel, in comparison to \$2.29 the prior week and \$1.68 a year ago.
- Iowa differential is \$2.12 per bushel, in comparison to \$2.29 the prior week and \$1.68 a year ago.
- Nebraska differential is \$2.08 per bushel, in comparison to \$2.09 the prior week and \$1.71 a year ago.
- South Dakota differential is \$2.16 per bushel, in comparison to \$2.09 the prior week and \$1.74 a year ago.

## COUNTRY NEWS

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**Argentina:** A corn production revival in this country is threatened by La Nina. This includes a \$1.2 billion investment in port facilities in the port of Rosario by multinationals. (Reuters)

**China:** Adhering to old practices, China Grain Reserves Corp. will purchase nearly a half million tons of corn in Heilongjiang Province at 1,400 yuan/ton (\$206), to prop up prices. The total production will slide 4.8 percent this year. (Bloomberg; Shanghai JCI)

**India:** The barley malt business has been robust due to the craft beer craze in the west but that has started to temper. Now the view is on India where beer consumption is rising. A European merchandiser is investing in local malting to take advantage of the trend. (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	\$31.75	Unchanged	Handymax at \$32.25/MT
55,000 U.S. PNW-Japan	\$17.50	Down \$0.50	Handymax at \$18.00/MT
58-60,000 U.S. Gulf-China	\$31.00	Unchanged	North China
PNW to China	\$16.50	Down \$0.25	
25,000 U.S. Gulf-Veracruz, México	\$14.00	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	\$12.50	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$16.75 \$28.00	Unchanged Unchanged	West Coast Colombia at \$23.00
43,000 U.S. Gulf-Guatemala	\$22.75	Unchanged	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$21.75 \$24.25	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$21.00	Unchanged	5,000 discharge rate
55,000 U.S. Gulf-Egypt	\$19.50	Unchanged	55,000 -60,000 MT St. Lawrence to Egypt \$17.50
PNW to Egypt	\$22.25	Unchanged	
65-75,000 U.S. Gulf-Europe-Rotterdam	\$14.00	Down \$0.50	Handymax at +\$1.50 more
Brazil, Santos-China	\$20.00 \$19.50	Down \$0.25 Down \$0.25	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port up river Amazonia-China	\$29.00	Down \$0.25	
56-60,000 Argentina-China Upriver with Top-Off	\$28.00	Down \$0.25	—

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:** We are in the peak of the U.S. fall corn, sorghum and soybean harvest, and domestic rail and barge transportation/logistics appear to be hitting on all cylinders. It is a bit amazing, yet refreshing to be where we are in a record harvest period and not experiencing higher domestic freight costs. Exports are very good for most crops and port capacity is handling the volumes quite well. There are vessel lineups, loading delays and long days worked, but no one is in crisis mode. The only exception to this would be those looking for additional storage capacity in the interior. Dry-Bulk ocean freight rates hit a bottom in February and have improved slightly since then, but the summer rally in rates seems to be losing steam. Even though rates hit bottom and have bounced back a bit, things are still desperate for vessel owners and we remain far from a true recovery.

Just this week I'm hearing analysts project that it could be 2019 or 2020 before things improve for the Dry-Bulk sector. I would not buy any stocks in these companies just yet. The container line markets seemed to have hit at least a temporary bottom this summer, and have bounced up \$150-\$200/container over the last two-three weeks. However, I'm not hearing anyone suggest that things cannot – or will not – get worse again come February-March 2017. Many are still expecting more bankruptcies in this sector.

Baltic-Panamax Dry-Bulk Indices				
October 27, 2016	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	12,258	12,135	123	1.0%
P3A: PNW/Pacific– Japan	7,404	7,564	-160	-2.1%

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 27, 2016	
Four weeks ago:	\$5.80-\$6.40
Three weeks ago:	\$5.25-\$6.40
Two weeks ago:	\$6.00-\$6.45
One week ago:	\$5.35-\$6.10
This week	\$4.90-\$5.10

Source: O'Neil Commodity Consulting

U.S.-Asia Market Spreads					
October 27, 2016	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	0.97	0.79	0.18	\$7.09	PNW
Soybeans	1.05	0.75	0.30	\$11.81	PNW
Ocean Freight	\$16.50	\$31.00	0.37-0.39	(\$14.50)	November

Source: O'Neil Commodity Consulting

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



Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price (\$/MT) – Week Ending October 27, 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	\$26.50	\$28.00	\$27.25	\$22.75	\$22.25	\$27.00	\$28.75	\$28.25
	Brazil	\$19.25	\$21.75	\$21.00	\$12.75	\$25.50	\$16.25	\$24.00	\$25.00
Corn (White)	Argentina	\$26.50	\$28.00	\$27.25	\$22.75	\$22.25	\$27.00	\$28.75	\$28.25
	Brazil	\$19.25	\$21.75	\$21.00	\$12.75	\$25.50	\$16.25	\$24.00	\$25.00
Barley	Argentina	\$26.50	\$28.00	\$27.25	\$22.75	\$22.25	\$27.00	\$28.75	\$28.25
	Brazil	\$19.25	\$21.75	\$21.00	\$12.75	\$25.50	\$16.25	\$24.00	\$25.00
Sorghum	Argentina	\$26.50	\$28.00	\$27.25	\$22.75	\$22.25	\$27.00	\$28.75	\$28.25
	Brazil	\$19.25	\$21.75	\$21.00	\$12.75	\$25.50	\$16.25	\$24.00	\$25.00

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 26, 2016			
	Current Week	Last Week	Last Month
U.S. Prime	3.50	3.50	3.50
LIBOR (6 month)	1.26	1.26	1.24
LIBOR (1 year)	1.57	1.59	1.56

Source: [www.bankrate.com](http://www.bankrate.com)