U.S. GRAINS COUNCIL

Market Perspectives

December 8, 2016

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract

$/Bu	Friday 2 December	Monday 5 December	Tuesday 6 December	Wednesday 7 December	Thursday 8 December
Change	4.750	12.000	1.2500	-2.5000	-4.5000
Closing Price	347.250	359.250	360.500	358.000	353.500
Factors Affecting the Market	The collapsing Dec/Mar spread sent March corn higher as commercials back away from demand. South American is expecting a big crop, but dryness is a concern. The dollar was lower despite good nonfarm payroll numbers.	Corn jumped on bullish export inspections/short covering. Export inspections are up 89 percent YOY with non-commercial traders covering shorts. Outside markets were supportive: a lower dollar plus higher crude and equities.	Fund buying and Argentina's dry weather were bullish today. Funds covered nearly 7,000 contracts as South American weather will be dry for the next week. USDA said ethanol exports hit a five-year record in October.	Ethanol production was positive yet light trading pressured prices. Fund short covering is likely complete and farmer selling may pick up after the two-day rally. Cash prices reached four-month highs while the dollar was lower.	Weakness in the soy complex and pre-WASDE caution sent corn lower. Brazil's crop size remains a bearish concern that may stifle U.S. exports. Outside markets held a mixed influence, with the dollar up sharply along with crude oil and equities.

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.

Outlook: Active trading pushed the March corn contract 11 cents higher this week as continued export strength and ethanol demand keep the market afloat. Last week's break at the CBOT did indeed stimulate additional export buying and three days of a lower U.S. dollar supported the effort. Excellent ethanol exports are turning margins across the Midwest higher still, and margins in some areas are nearly $1/bushel higher than this time last year. The ethanol industry is certainly supporting cash corn prices and doing its part to work through the massive 2016 U.S. corn crop.

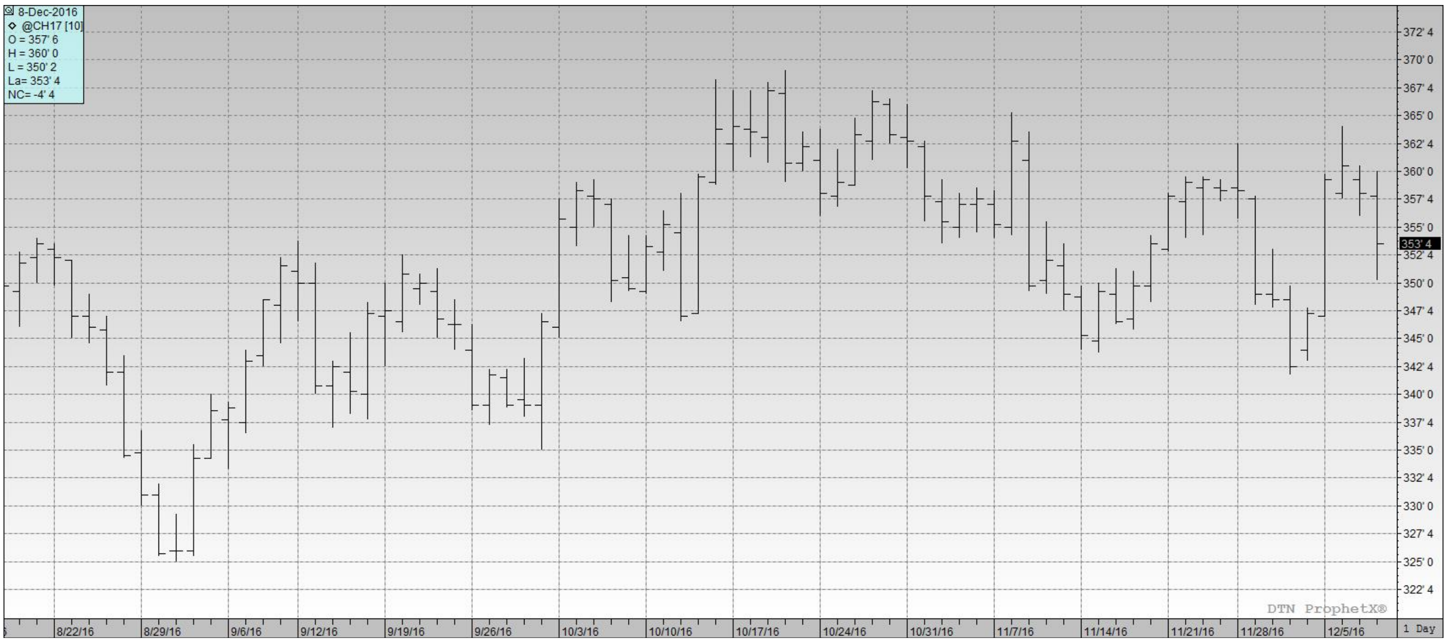
The latest USDA export data is bullish for corn, exceeding what was needed to reach USDA's demand projections. Weekly export sales for the 2016/17 crop totaled 63.2 million bushels while shipments totaled 53.8 million. Shipments were 10 million bushels above what was needed this week. Year to date exports are 80 percent higher than at this point in the 2015/16 crop year, indicative of just now aggressive U.S. exporters have been and how competitive U.S. prices are.

The cheapest FOB corn available still comes from the U.S. Gulf, though Argentina and Brazil are gaining competitiveness. The spread between U.S. Gulf corn and Argentina (upriver) and Brazilian quotes narrowed this week to roughly -$17/ton, down form -$20/ton last week. In the coming months, U.S. corn will undergo its seasonal loss of competitiveness, especially as the Brazilian crop comes to market. However, the large discount present in the market today provides exporters with plenty of opportunities to move U.S. product to the world. In the near term, international demand is the most variable factor for U.S. exporters with supply competition becoming more relevant in the spring. Fortunately, demand is typically the more slowly moving portion of the export equation and U.S. exports should remain robust in the short run.

Both managed money funds and commercial firms are now net short the corn market, and both added to their bearish bets last week per the CFTC. However, fund short covering has been prevalent this week (indicated by a contraction in March CBOT open interest) and the CFTC data to be released Friday will likely show that funds are becoming more neutral rather than purely bearish.

The March CBOT contract has settled into a decidedly cyclical trading pattern, relegated to a 20-cent trading range. The Relative Strength Index (RSI) and stochastic indicators are neutral while the 10, 20, and 40-day moving averages are consolidating. No trend is underway, nor does one appear to be emerging, and trading will likely continue as selling rallies and buying breaks.

CBOT MARCH CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending December 8, 2016			
Commodity	**8-Dec**	**2-Dec**	**Net Change**
Corn			
Dec 16	346.50	337.50	9.00
Mar 17	353.50	347.25	6.25
May 17	360.25	354.25	6.00
Jul 17	367.75	361.75	6.00
Soybeans			
Jan 17	1027.00	1027.50	-0.50
Mar 17	1037.75	1037.25	0.50
May 17	1045.25	1044.50	0.75
Jul 17	1050.50	1049.25	1.25
Soymeal			
Dec 16	312.40	310.70	1.70
Jan 17	313.70	312.50	1.20
Mar 17	317.80	315.60	2.20
May 17	320.20	317.90	2.30
Soyoil			
Dec 16	37.05	37.51	-0.46
Jan 17	37.26	37.72	-0.46
Mar 17	37.54	37.99	-0.45
May 17	37.69	38.10	-0.41
SRW			
Dec 16	390.75	387.50	3.25
Mar 17	408.25	404.25	4.00
May 17	418.75	417.00	1.75
Jul 17	430.25	431.00	-0.75
HRW			
Dec 16	387.00	390.00	-3.00
Mar 17	404.75	408.75	-4.00
May 17	416.25	420.50	-4.25
Jul 17	428.50	432.50	-4.00
MGEX (HRS)			
Dec 16	535.75	543.00	-7.25
Mar 17	531.00	538.50	-7.50
May 17	533.75	540.00	-6.25
Jul 17	537.25	542.75	-5.50

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: During the next five days (December 8-12), moderate precipitation (0.5-1.5 inches) is anticipated from Tennessee through the Great Lakes region, which will at least help preclude additional deterioration for the Tennessee and Ohio Valleys. For most other areas east of the Rockies, precipitation amounts are expected to be less than a half-inch. Locally heavy amounts of precipitation (liquid equivalent of 2-4 inches) are predicted for the higher elevations of the Rockies. Most of the expected precipitation for the Pacific Coast states is forecast to fall in areas that are not currently in drought, except for the Sierras where up to 7 inches (liquid equivalent) is anticipated.

For the ensuing five-day period (December 13-17), odds favor above-median precipitation across approximately the northern and eastern halves of the contiguous U.S., while odds favor below-median precipitation from Arizona eastward to the southern Great Plains.

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 December 1, 2016					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	522,800	555,500	13,048.6	19,368.8	32%
Corn	1,606,900	1,366,400	13,094.1	31,577.8	74%
Sorghum	7,000	232,900	979.8	2,654.1	-43%
Barley	0	900	10.2	15.2	-42%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 1,495,400 MT for 2016/2017 were up 96 percent from the previous week and 12 percent from the prior 4-week average. Increases were for Peru (426,000 MT, including decreases of 7,700 MT), Japan (320,800 MT, including 147,900 MT switched from unknown destinations), Mexico (218,800 MT, including 28,000 MT switched from unknown destinations, 20,000 MT switched from Canada, and decreases of 12,800 MT), South Korea (206,100 MT), and Saudi Arabia (182,000 MT, including 176,000 MT switched from unknown destinations and decreases of 1,600 MT). Reductions were for unknown destinations (469,800 MT) and Canada (16,400 MT). For 2017/2018, net sales of 1,000 MT were reported for Nicaragua. Exports of 1,366,400 MT were up 69 percent from the previous week and 94 percent from the prior 4-week average. The primary destinations were Japan (292,000 MT), Mexico (256,700 MT), Taiwan (214,000 MT), Saudi Arabia (182,000 MT), and Peru (72,800 MT).

Optional Origin Sales: For 2016/2017, options were exercised to export 65,000 MT to Taiwan from the United States. The current optional origin outstanding balance of 546,000 MT is for unknown destinations (274,000 MT) and South Korea (272,000 MT).

Barley: No net sales were reported for the week. Exports of 900 MT were reported to Japan.

Sorghum: Net sales reductions of 10,400 MT for 2016/2017--a marketing-year low--were down noticeably from the previous week and from the prior 4-week average. Increases reported for China (44,600 MT, including 55,000 MT switched from unknown destinations and decreases of 17,300 MT) and Nigeria (100 MT), were more than offset by reductions for unknown destinations (55,000 MT) and Mexico (100 MT). Exports of 232,900 MT--a marketing-year high--were up noticeably from the previous week and from the prior 4-week average. The destinations were China (210,200 MT), Mexico (22,100 MT), and Nigeria (700 MT).

U.S. Export Inspections: Week Ending December 1, 2016					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	269	538	26,412	27,107	97%
Corn	1,150,233	828,927	13,717,535	7,264,186	189%
Sorghum	119,325	165,790	1,110,671	3,104,447	36%
Soybeans	1,910,189	2,229,018	26,054,496	21,938,590	119%
Wheat	453,633	245,111	13,568,216	10,528,214	129%

*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 December 1, 2016						
Region	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	39,973	4%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Gulf	607,427	54%	22,109	86%	106,441	89%
PNW	363,236	32%	0	0%	0	0%
Interior Export Rail	113,995	10%	3,493	14%	12,884	11%
Total (Metric Tons)	1,124,631	100%	25,602	100%	119,325	100%
White Corn Shipments by Country (MT)			12,109	to Colombia		
			5,000	to Costa Rica		
			5,000	to El Salvador		
			3,493	to Mexico		
Total White Corn (MT)			25,602			
Sorghum Shipments by Country (MT)					106,441	to China
					12,884	to Mexico
Total Sorghum (MT)					119,325	

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)
December	+0.55 Z	$158.06	-	-
January	+0.55 H	$160.82	+0.84 H	$172.23
February	+0.55 H	$160.82	+0.84 H	$172.23

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

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
January	+0.85 H	$172.63	+0.70 H	$166.72
February	+0.85 H	$172.63	+0.70 H	$166.72

Barley: Feed Barley (FOB USD/MT)		
	December	January
FOB PNW	$180	$190

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	December	January	February
New Orleans	-	$149	$149
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	December	January	February
New Orleans	-	$580	$580
**5-10,000 MT Minimum*			

Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. $/ST)		
	December	January
Rail Delvd. East Coast	-	-
Rail Delvd. Chicago	$540	$535
Truck Delvd. Chicago	$535	$535
Truck Delvd. Channahon/Elwood	-	-

All prices are market estimates.

DDGS Price Table: December 8, 2016 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**December**	**January**	**February**
Barge CIF New Orleans	152	155	156
FOB Vessel GULF	162	165	165
Rail delivered PNW	177	180	182
Rail delivered California	181	184	186
Mid-Bridge Laredo, TX	176	178	179
FOB Lethbridge, Alberta	149	150	150
40 ft. Containers to South Korea (Busan)	196	198	201
40 ft. Containers to Taiwan (Kaohsiung)	191	194	197
40 ft. Containers to Philippines (Manila)	207	210	213
40 ft. Containers to Indonesia (Jakarta)	197	199	202
40 ft. Containers to Malaysia (Port Kelang)	198	201	204
40 ft. Containers to Japan (Yokohama)	195	200	200
40 ft. containers to Thailand (LCMB)	197	199	202
KC & Elwood, IL Rail Yard (delivered Ramp)	148	150	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 DDGS market has a decidedly mixed tone this week: Prices in the Eastern Corn Belt have retreated modestly while Chicago, IL prices are up $10/ton. Western Corn Belt prices were steady this week but could see an increase next week with some cold weather. The cold front across the Rocky Mountains and Midwest plains this week will certainly increase feeding demand for DDGS and Western Corn Belt producers stand to see demand increase. The 11-cent weekly gain in CBOT corn prices will also encourage the purchase of DDGS which now stand at 34 percent of corn prices. DDGS are also remaining very competitive against soybean meal, priced $2.32/protein unit under their soy-derived competitor.

The latest grain crushing's report from the USDA noted that October DDGS production was down slightly from September. October production came in at 1.93 MMT and the continued strength in ethanol production means monthly DDGS supplies will be near 2 MMT for November and likely December also.

The latest export data also shows exports of U.S. DDGS increased in October, gaining 1 percent to total 1.005 MMT. Mexico was the largest destination for DDGS in October, buying 131,000 MT – an increase of 7 percent from September.

Ethanol Comments: Ethanol production continues to impress, gaining 11,000 barrels per day (1.1 percent) this week to total 1.023 million. This marks the sixth straight week production has exceeded 1 million barrels per day, the longest such streak in history. The added production expanded ethanol stocks this week which totaled 18.53 million barrels, up 0.4 percent from the week prior. Cold weather in parts of the country and the end of the Thanksgiving holiday travel season left gasoline consumption down 3 percent this week. Ethanol stocks were up only slightly while gasoline consumption was down, implying exports remain strong for U.S. ethanol producers.

The strength of the U.S. ethanol export program this year is especially evidenced by the five-year record high that was achieved in October. Earlier this week, the USDA noted October ethanol exports totaled 131.6 million gallons, up 32 percent from September and 69 percent from August. Shipments to Brazil and Canada were especially strong with Brazil importing an additional 25 million gallons from September's baseline and Canadian imports climbing 25 percent. To date, Canada, Brazil, and China are vying for the top export destination for U.S. ethanol.

Ethanol margins were broadly higher again this week and increased in three of the four reference markets, though gains were smaller than last week's. Ethanol producers in South Dakota saw the only decrease in margins, losing $0.08/bushel this week, though their margins are nearly $1.00/bushel higher than last year. Margins in other states were higher, with Nebraska seeing the largest increase at $0.11/bushel. Margins remain extremely strong against year-ago levels, averaging $0.69/bushel higher across the Midwest.

- Illinois differential is $2.23 per bushel, in comparison to $2.17 the prior week and $1.67 a year ago.
- Iowa differential is $2.07 per bushel, in comparison to $2.04 the prior week and $1.43 a year ago.
- Nebraska differential is $2.25 per bushel, in comparison to $2.14 the prior week and $1.61 a year ago.
- South Dakota differential is $2.41 per bushel, in comparison to $2.49 the prior week and $1.50 a year ago.

COUNTRY NEWS

Brazil: USDA may lower its estimate for Brazilian corn exports this year given that its export pace is below the trend necessary to meet the projection. However, Conab estimates new crop production at 83.8 MMT, up 25.9 percent. The average estimate of traders indicates an 89.2 MMT crop in 2016/17. Corn exports are seen rising to 24 MMT. (Bloomberg)

Canada: Rain and snow are delaying the oat harvest and the rest is lower production (-13 percent), poorer quality and higher prices. Since the end of September, oat prices have rallied from seven-year lows to the larges harvest rally in a decade. Meanwhile, U.S. oat production was harvested earlier than usual and is generally better quality. (Bloomberg)

China: The Ministry of Agriculture's outlook committee has lowered the forecast 2016/17 corn crop by 1 MMT to a total of 214.6 MMT. Corn starch and alcohol refineries have boosted output on higher profits via lower priced corn. (Bloomberg) China National Grains and Oils Information Center has already lowered projected corn consumption in the new marketing year because prices have risen due to recent new rules on trucking and the consequent increased use of imported sorghum and barley. Projected sorghum imports were raised by 1 MMT to 4.5 MMT. (Reuters)

China is now aiming to double ethanol output from the current 2.1 MMT to 4 MMT by 2020 in order to have 15 percent of energy derived from non-fossil fuel sources. However, it will still control the amount of grain used for ethanol unless it is unfit for human consumption. (Reuters) China's Commerce Ministry has proposed and the

National Development and Reform Commission is receiving public comment on allowing foreign investment in edible oils processing and fuel ethanol production. (Bloomberg)

Peru: USDA reports that Peru was the single largest purchaser of corn this past week, 426 KMT, which was that country's largest single-week purchase on record. (Reuters).

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	$37.50	Up $0.50	Handymax at $38.00/MT
55,000 U.S. PNW-Japan	$20.00	Unchanged	Handymax at $20.50/MT
58-60,000 U.S. Gulf-China PNW to China	$36.75 $19.25	Up $0.75 Unchanged	North China
25,000 U.S. Gulf-Veracruz, México	$16.75	Up $1.25	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	$15.00	Up $1.00	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$19.50 $31.50	Up $1.00 Up $1.25	West Coast Colombia at $29.00
43,000 U.S. Gulf-Guatemala	$26.00	Up $1.75	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	$24.50 $26.75	Up $1.00 Up $1.00	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$23.75	Up $1.00	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$22.75 $26.25	Up $1.00 Up $1.00	55,000 -60,000 MT St. Lawrence to Egypt $23.00
65-75,000 U.S. Gulf-Europe-Rotterdam	$16.00	Unchanged	Handymax at +$1.50 more
Brazil, Santos-China Itacoatiara Port up river Amazonia-China	$23.50 $23.00 $32.00	Up $1.50 Up $1.50 Up $1.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$32.00	Up $1.00	—

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: The market rally of the past month is not totally over, but it does seem to be losing momentum. The Baltic Freight Futures appear to be adjusting downward to better mirror what is happening in the physical markets. The Capesize vessel market took the biggest hit this week and now the 2017 outlook is looking gloomier for the capes. It was the Capesize and Panamax markets that led the recent market rally. The Handysize and Supramax vessel markets are holding up better than others as these are thinner and more specialized markets.

However, when you look at the forward curve for all Dry-Bulk vessel types you notice a distinct inverse relationship to current spot rates. So, there is obviously a lack of market confidence in the ability of rates being able to sustain current values. I hope vessel owners take full advantage of what they can extract in the near-term.

Baltic-Panamax Dry-Bulk Indices				
December 8, 2016 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	18,104	17,546	558	3.2%
P3A: PNW/Pacific– Japan	8,535	8,643	-108	-1.2%

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:

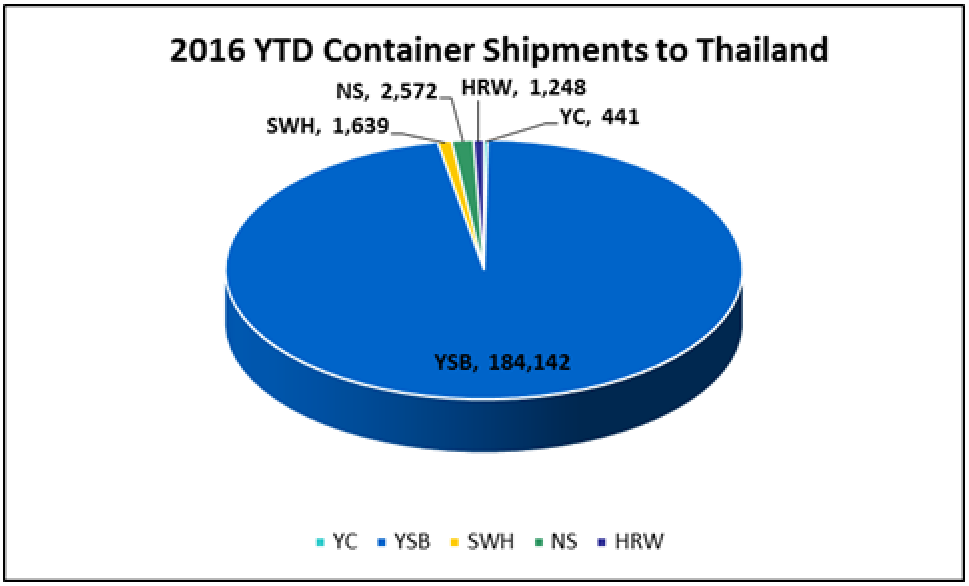
Week Ending December 8, 2016	
Four weeks ago:	$5.75-$6.00
Three weeks ago:	$5.80-$6.25
Two weeks ago:	-
One week ago:	$6.25-$6.50
This week	$5.50-$6.20

Source: O'Neil Commodity Consulting

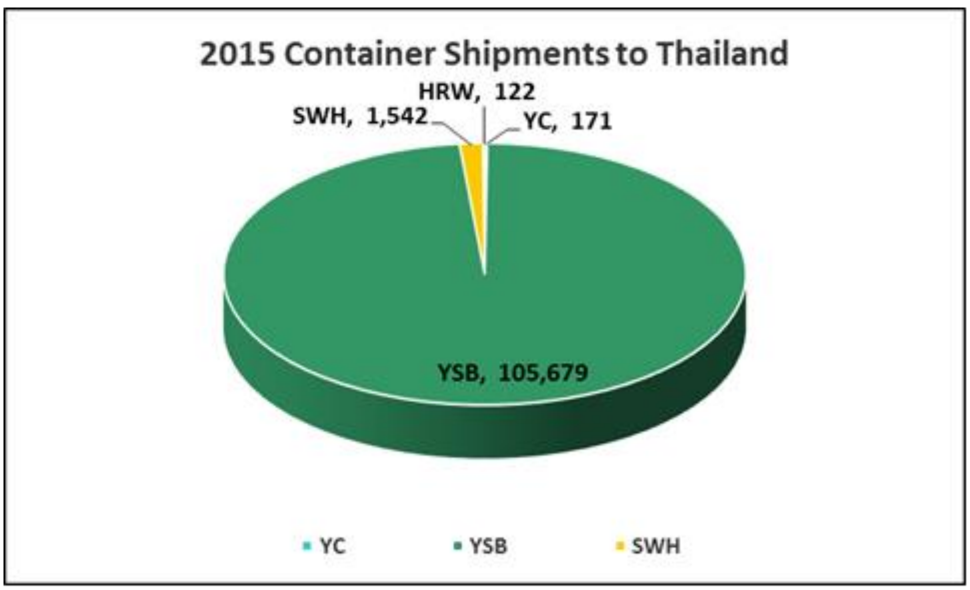
U.S.-Asia Market Spreads					
December 8, 2016	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
#2 Corn	0.83	0.52	0.31	$12.20	PNW
Soybeans	0.74	0.43	0.31	$12.20	PNW
Ocean Freight	$19.25	$36.75	0.44-0.48	($17.50)	January

Source: O'Neil Commodity Consulting

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



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

U.S. GRAINS COUNCIL

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December 8, 2016

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International Freight Rates for Feed Grains – Select Routes Estimated Spot Price ($/MT) – Week Ending December 8, 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**	$29.00	$30.50	$30.00	$25.50	$25.00	$29.50	$29.50	$29.00
	Brazil	$22.00	$24.00	$25.50	$25.50	$27.50	$19.00	$27.00	$28.00
Corn (White)	**Argentina**	$29.00	$30.50	$30.00	$25.50	$25.00	$29.50	$29.50	$29.00
	Brazil	$22.00	$24.00	$25.50	$25.50	$27.50	$19.00	$27.00	$28.00
Barley	**Argentina**	$29.00	$30.50	$30.00	$25.50	$25.00	$29.50	$29.50	$29.00
	Brazil	$22.00	$24.00	$25.50	$25.50	$27.50	$19.00	$27.00	$28.00
Sorghum	**Argentina**	$29.00	$30.50	$30.00	$25.50	$25.00	$29.50	$29.50	$29.00
	Brazil	$22.00	$24.00	$25.50	$25.50	$27.50	$19.00	$27.00	$28.00

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 (%): December 8, 2016			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.50	3.50	3.50
LIBOR (6 month)	1.29	1.29	1.25
LIBOR (1 year)	1.64	1.65	1.56

Source: www.bankrate.com