U.S. GRAINS COUNCIL

# Market Perspectives

**December 15, 2016**

***Developing Markets • Enabling Trade • Improving Lives***

**CONTENTS**



## CHICAGO BOARD OF TRADE MARKET NEWS

| Week in Review: CME Corn March Contract | | | | | |
|---|---|---|---|---|---|
| **$/Bu** | **Friday 9 December** | **Monday 12 December** | **Tuesday 13 December** | **Wednesday 14 December** | **Thursday 15 December** |
| **Change** | 6.000 | 1.000 | 0.5000 | 1.0000 | -5.5000 |
| **Closing Price** | 359.500 | 360.500 | 361.000 | 362.000 | 356.500 |
| **Factors Affecting the Market** | The Dec. WASDE left U.S. corn numbers unchanged but commercial buying sent the market higher. Ethanol production is running high and supporting cash markets. Crude oil and equities were supportive of today's action. | Dry weather in Argentina and good export inspections were supportive today. The WASDE's higher production in Brazil and China tempered gains. Strong Midwest basis and a lower dollar index were supportive. | A narrowing spread between the Dec. and March contracts shows good near-term commercial demand. Little new news exists and South American weather is the focus for now. Outside markets were mixed. | Record ethanol production was reported, sending corn higher. Good weather has allowed ethanol production to remain above USDA's projected levels. The USD made a new 13-year high after the Fed raised interest rates 0.25 percent. | The large jump in the USD lowered corn futures which also ignored dry weather concerns in Argentina. Natural export sales did nothing to stave off the dollar's effects. Crude oil was off slightly while equities posted gains. |


***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:** The fight between surprisingly bullish factors and pending possibly hugely bearish factors continues in the corn market. On one hand, exports and ethanol production have been better than expected which is keeping bulls at the table. This, combined with a more positive macroeconomic outlook that is prompting funds to push more money into the market, is creating a surprisingly strong undertone to the corn markets in the near term. However, a massive Brazilian crop is coming which could quickly shut the door on U.S. exports and give the bears a winning edge.

The December WASDE was a non-event for the U.S. crop, though increases in Brazil and China's crop were unexpected. Brazil's production was increased due to larger-than-expected planted area and higher yields, especially for the "safrinha" crop, which if realized would be a record large at 86.5 MMT. Brazil's exports were also increased by 2.5 MMT to 28 MMT which could limit U.S. export opportunities. China's production was increased as well, based on new information from China's National Bureau of Statistics. China's import/export figures were left unchanged from the November report but ending stocks were increased. China's increased corn production may serve to lower demand for U.S. ethanol in the coming year.

The upward trend in ethanol margins that has been in place since the beginning of 2016 is still intact and current levels show producers are making excellent profits. Margins have been sufficiently good as to motivate ethanol producers to exceed USDA's projections for corn use nearly every week this marketing year (September 1-August 31), using an average of 3 million bushels above expectations. A large portion of the ethanol market's strength has been driven by exports, however, and potential threats to export opportunities will quickly exact a toll on producers' margins.

The boom in ethanol production during the last half of 2016 is adding significant support to the corn market which should continue into next year. Farmers, adhering to the old adage "buy low, sell high", have been holding tightly to their crop which has caused ethanol producers to put a bid under the cash market. Cash prices, and the March future basis, have both been climbing as ethanol plants have plenty of room to bid higher for corn right now.

Looking forward, corn still seems relegated to range-bound trading but the presence of buying strength is noted. Traditionally, the March futures contract is less volatile during the winter months and, given the dynamics currently in place, it is likely to hold to this pattern for now. The technicals are again showing some bullish indicators with upward sloping moving averages and today's close that remained above the key $3.56 level. However, it will take a strong close above $3.64 to create any serious bullish momentum and the next resistance would be found only 5 cents higher at $3.69. Should the bears win in the next few days, the next support point will be at $3.50 ¼ followed by $3.41 ¾.

## CBOT MARCH CORN FUTURES


*Source: Prophet X*

**Current Market Values:**

| Futures Price Performance: Week Ending December 15, 2016 | | | |
|---|---|---|---|
| **Commodity** | **15-Dec** | **9-Dec** | **Net Change** |
| **Corn** | | | |
| Mar 17 | 356.50 | 359.50 | -3.00 |
| May 17 | 363.25 | 366.25 | -3.00 |
| Jul 17 | 370.75 | 373.50 | -2.75 |
| Sep 17 | 377.50 | 380.25 | -2.75 |
| **Soybeans** | | | |
| Jan 17 | 1029.00 | 1037.50 | -8.50 |
| Mar 17 | 1039.25 | 1048.50 | -9.25 |
| May 17 | 1046.50 | 1056.25 | -9.75 |
| Jul 17 | 1051.50 | 1061.75 | -10.25 |
| **Soymeal** | | | |
| Jan 17 | 314.00 | 318.80 | -4.80 |
| Mar 17 | 318.40 | 322.90 | -4.50 |
| May 17 | 321.00 | 325.30 | -4.30 |
| Jul 17 | 323.80 | 327.50 | -3.70 |
| **Soyoil** | | | |
| Jan 17 | 36.74 | 36.94 | -0.20 |
| Mar 17 | 37.01 | 37.21 | -0.20 |
| May 17 | 37.18 | 37.37 | -0.19 |
| Jul 17 | 37.35 | 37.50 | -0.15 |
| **SRW** | | | |
| Mar 17 | 409.25 | 416.25 | -7.00 |
| May 17 | 421.25 | 426.50 | -5.25 |
| Jul 17 | 433.75 | 438.50 | -4.75 |
| Sep 17 | 446.50 | 452.50 | -6.00 |
| **HRW** | | | |
| Mar 17 | 412.75 | 413.50 | -0.75 |
| May 17 | 424.25 | 425.25 | -1.00 |
| Jul 17 | 436.25 | 437.50 | -1.25 |
| Sep 17 | 451.00 | 453.25 | -2.25 |
| **MGEX (HRS)** | | | |
| Mar 17 | 538.00 | 536.25 | 1.75 |
| May 17 | 534.25 | 538.50 | -4.25 |
| Jul 17 | 537.75 | 543.50 | -5.75 |
| Sep 17 | 543.50 | 548.75 | -5.25 |

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

## U.S. WEATHER/CROP PROGRESS

**U.S. Drought Monitor Weather Forecast:** Expected precipitation in the next five days (December 15-19) is expected to be moderate to heavy (1.0-2.5 inches) from the central Gulf Coast area north-northeastward across the Tennessee and Ohio Valleys, the Great Lakes region, the mid-Atlantic, and the Northeast. Though this will be beneficial to these regions, it may not be quite enough to justify a one-category improvement for next week. For South Dakota, precipitation amounts are anticipated to range between 0.5-1.0 inch. In the higher elevations of the northern and central Rockies, and for the Mogollon Rim in central Arizona, precipitation amounts are forecast to range from 1.5 to 3.5 inches (liquid equivalent). Coastal California is also anticipated to receive significant precipitation during this period, on the order of 1.5-2.5 inches. Higher amounts (perhaps up to 10-inches, liquid equivalent) are forecast in the climatologically wetter areas of far northwestern California, and the Sierras.

For the ensuing five-day period (December 20-24), above-median precipitation is favored for the Lower Mississippi and Tennessee Valleys, the Southeast and southern mid-Atlantic, the Pacific Northwest and northern Rockies, and nearly all of Alaska. Odds favor below-median precipitation from California eastward across the Four Corner states, continuing northeastward across the northern and central Plains, and Middle and Upper Mississippi Valley.

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 8, 2016 | | | | | |
|---|---|---|---|---|---|
| **Commodity** | **Gross Sales (MT)** | **Exports (MT)** | **YTD Exports (000MT)** | **YTD Bookings (000MT)** | **% Change YTD Bookings** |
| Wheat | 568,800 | 422,000 | 13,470.6 | 19,900.1 | 33% |
| Corn | 1,642,300 | 835,700 | 13,929.8 | 33,093.8 | 77% |
| Sorghum | 263,900 | 111,400 | 1,091.2 | 2,914.3 | -39% |
| Barley | 1,300 | 500 | 10.8 | 16.6 | -36% |

*Source: USDA, World Perspectives, Inc.*

**Corn:** Net sales of 1,516,000 MT for 2016/2017 were up 1 percent from the previous week and 8 percent from the prior 4-week average. Increases were for South Korea (538,200 MT, including 65,000 MT switched from unknown destinations), Mexico (342,800 MT, including decreases of 15,500 MT), Japan (171,500 MT, including 24,800 MT switched from unknown destinations and decreases of 400 MT), Colombia (162,200 MT, including 45,000 MT switched from unknown destinations and decreases of 300 MT), and Taiwan (154,000 MT, including 65,000 MT switched from unknown destinations and decreases of 200 MT). Reductions were for unknown destinations (296,400 MT), Honduras (14,400 MT), and Nicaragua (3,600 MT). For 2017/2018, net sales of 24,100 MT were reported for El Salvador (13,000 MT) and Mexico (11,100 MT). Exports of 835,700 MT were down 39 percent from the previous week, but up 2 percent from the prior 4-week average. The primary destinations were Mexico (198,600 MT), Saudi Arabia (131,100 MT), Japan (103,600 MT), Taiwan (87,100 MT), and South Korea (68,500 MT).

*Optional Origin Sales:* For 2016/2017, new optional origin sales totaling 332,000 MT were reported for South Korea. Sales totaling 69,800 MT were switched from unknown destinations to Colombia and Japan. The current optional origin outstanding balance of 878,000 MT is for South Korea (604,000 MT) and unknown destinations (274,000 MT).

**Barley:** Net sales of 1,300 MT for 2016/2017--marketing-year high--were reported for Japan. Exports of 500 MT were reported to Japan.

**Sorghum:** Net sales of 260,200 MT for 2016/2017 were up noticeably from the previous week and 24 percent from the prior 4-week average. Increases were reported for China (208,500 MT, including 58,000 MT switched from unknown destinations and decreases of 700 MT) and unknown destinations (54,500 MT). Reductions were reported for Mexico (2,800 MT). Exports of 111,400 MT were down 52 percent from the previous week, but up 7 percent from the prior 4-week average. The destinations were China (109,300 MT), Indonesia (1,000 MT), and Mexico (1,000 MT).

| U.S. Export Inspections: Week Ending December 8, 2016 | | | | | |
|---|---|---|---|---|---|
| Commodity (MT) | Export Inspections | | Current Market YTD | Previous YTD | YTD as Percent of Previous |
| | Current Week | Previous Week | | | |
| **Barley** | 0 | 1,199 | 27,342 | 27,425 | 100% |
| **Corn** | 860,927 | 1,163,998 | 14,592,227 | 7,831,021 | 186% |
| **Sorghum** | 227,418 | 130,302 | 1,349,066 | 3,233,546 | 42% |
| **Soybeans** | 1,837,632 | 1,921,135 | 27,905,963 | 23,359,021 | 119% |
| **Wheat** | 440,805 | 546,142 | 14,101,823 | 10,964,429 | 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.*

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| USDA Grain Inspections for Export Report: Week Ending December 8, 2016 | | | | | | |
|---|---|---|---|---|---|---|
| **Region** | **YC** | **% of Total** | **WC** | **% of Total** | **Sorghum** | **% of Total** |
| **Lakes** | 26,263 | 3% | 0 | 0% | 0 | 0% |
| **Atlantic** | 0 | 0% | 0 | 0% | 0 | 0% |
| **Gulf** | 485,670 | 59% | 36,000 | 92% | 220,120 | 97% |
| **PNW** | 189,564 | 23% | 0 | 0% | 0 | 0% |
| **Interior Export Rail** | 120,436 | 15% | 2,994 | 8% | 7,298 | 3% |
| **Total (Metric Tons)** | 821,933 | 100% | 38,994 | 100% | 227,418 | 100% |
| **White Corn Shipments by Country (MT)** | | | 36,000 | to South Africa | | |
| | | | 2,994 | to Mexico | | |
| **Total White Corn (MT)** | | | 38,994 | | | |
| **Sorghum Shipments by Country (MT)** | | | | | 220,120 | to China |
| | | | | | 6,818 | to Mexico |
| | | | | | 480 | To Nigeria |
| **Total Sorghum (MT)** | | | | | 227,418 | |

*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)** |
| **January** | +0.53 H | $161.21 | +0.83 H | $173.02 |
| **February** | +0.53 H | $161.21 | +0.83 H | $173.02 |

| #2 White Corn (U.S. $/MT FOB Vessel) | | | |
|---|---|---|---|
| **Max. 15.0% Moisture** | **January** | **February** | **March** |
| **Gulf** | $198 | $198 | $198 |

| 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 | $173.81 | +0.70 H | $167.90 |
| **February** | +0.85 H | $173.81 | +0.70 H | $167.90 |

| Barley: Feed Barley (FOB USD/MT) | | |
|---|---|---|
| | **January** | **February** |
| **FOB PNW** | $185 | $190 |

| Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT) | | | |
|---|---|---|---|
| | January | February | March |
| **New Orleans** | $140 | $140 | $140 |
| *Quantity 5,000 MT* | | | |
| **Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)** | | | |
| **Bulk 60% Pro.** | **January** | **February** | **March** |
| **New Orleans** | $590 | $590 | $590 |
| **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** | - | - |
| **Truck Delvd. Chicago** | $535 | $535 |
| **Truck Delvd. Channahon/Elwood** | - | - |

***All prices are market estimates.***

| DDGS Price Table: December 15, 2016 (USD/MT)<br>(Quantity, availability, payment and delivery terms vary) | | | |
|---|---|---|---|
| **Delivery Point<br>Quality Min. 35% Pro-fat combined** | **January** | **February** | **March** |
| Barge CIF New Orleans | 152 | 153 | 154 |
| FOB Vessel GULF | 164 | 165 | 166 |
| Rail delivered PNW | 176 | 177 | 178 |
| Rail delivered California | 179 | 180 | 181 |
| Mid-Bridge Laredo, TX | 177 | 178 | 179 |
| FOB Lethbridge, Alberta | 149 | 149 | 149 |
| 40 ft. Containers to South Korea (Busan) | 195 | 198 | 199 |
| 40 ft. Containers to Taiwan (Kaohsiung) | 191 | 194 | 195 |
| 40 ft. Containers to Philippines (Manila) | 210 | 213 | 213 |
| 40 ft. Containers to Indonesia (Jakarta) | 198 | 200 | 201 |
| 40 ft. Containers to Malaysia (Port Kelang) | 199 | 202 | 203 |
| 40 ft. Containers to Japan (Yokohama) | 197 | 198 | 199 |
| 40 ft. containers to Thailand (LCMB) | 198 | 200 | 201 |
| KC & Elwood, IL Rail Yard (delivered Ramp) | 145 | 147 | 149 |

*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:** Trading volume has been light this week as sellers are defending prices while buyers are waiting to see if any price reductions will come. Consequently, prices have been largely flat to slightly lower this week but strength was noted in prices for containers destined for Southeast Asia. Prices in Minnesota, Iowa, and Kansas were higher this week on increased feed demand from the cold weather while Nebraska and South Dakota prices were unchanged. DDGS remain very competitive against soybean meal in feed rations on a per protein unit cost basis, priced $2.53 below soymeal. FOB Gulf prices were slightly lower this week as exporters work to keep DDGS competitive with corn in the export program. DDGS are priced at 102 percent of FOB Gulf corn and are finding ways to remain competitive as exporters seek to ship corn before the Brazilian export program begins.

Recent research is suggesting that DDGS may have future demand from human nutrition. A South Dakota State University graduate student recently presented research where DDG flour was used in a whole-wheat flatbread that is popular in Asian countries. The work has also expanded to include naan bread which is popular in India, Pakistan, and Afghanistan. The goal of this research is to use the 40 percent dietary fiber and 36 percent protein in DDGS to produce flour-based products (i.e., breads) that are more nutritionally rich. If research in this area proved fruitful, it could be positive for the U.S. corn industry. Human consumption of DDGS could transform a by-product into a primary product and make the "food versus fuel" argument even more complex.

**Ethanol Comments:** Ethanol plants have been running overtime and exceeding production expectations nearly every week this marketing year. Last week, ethanol producers processed 109 million bushels of corn when only 100.5 million were needed to meet USDA's annual forecast. A strong export market and excellent production margins are driving the production boom. The odds are ever increasing that the USDA will increase their expectations for ethanol use in the 2016/17 crop year which will likely motivate a mild reduction in U.S. ending stocks.

Ethanol margins were slightly higher again this week and increased in three of the four reference markets. Nebraska ethanol producers saw the only decrease in margins, losing $0.01/bushel this week, though their margins are $0.68/bushel higher than last year. Margins in other states were higher, with Iowa and South Dakota seeing increases near $0.20/bushel this week.

- Illinois differential is $2.30 per bushel, in comparison to $2.23 the prior week and $1.53 a year ago.
- Iowa differential is $2.27 per bushel, in comparison to $2.07 the prior week and $1.34 a year ago.
- Nebraska differential is $2.24 per bushel, in comparison to $2.25 the prior week and $1.56 a year ago.
- South Dakota differential is $2.60 per bushel, in comparison to $2.41 the prior week and $1.48 a year ago.

## COUNTRY NEWS

**Argentina**: Corn prices have rallied based on limited rainfall in key growing areas. However, there is still time for precipitation to improve things. (Reuters)

**Brazil:** USDA raised the projected upcoming corn crop by 3 MMT to 86.5 MMT, a 29 percent increase over last year's drought stricken crop. A higher final yield could take the total crop size even larger. (USDA)

**China**: At least four cargoes of corn were bought from Ukraine ahead of 2017 import quotas being issued. A small volume of U.S. corn has already been booked for 2017 but most imports have been from Ukraine.

The province of Heilongjiang sold 48 KMT of corn this week, or 20 percent of this year's harvest.

China Railway Corp is increasing the volume of corn it is moving in northeastern regions to stabilize prices and targets moving a total of 11 MMT before the late January Lunar New Year. Truck rules have also been relaxed.

A spokesman for state-owned Chinatex Corp. says that China is unlikely to significantly increase corn exports even when prices fall to their lowest (1,300 yuan/MT; $187/MT) in March/April. Small amounts have been exported, mostly to North Korea. China's domestic corn demand will increase by 25 MMT in 2016/17 to 231 MMT; government stocks are between 250-260 MMT. (Bloomberg)

**France:** The French farm ministry says that this year's maize harvest will be 11.8 MMT and not the 12.3 MMT projected last month. It predicts that next year's winter barley area will be down 4.1 percent to 1.38 million hectares. By contrast, the consultancy Strategie Grains predicts that maize and barley production will increase slightly in 2017. (Reuters)

**South Africa**: The government announced that genetically modified white and yellow corn would now be allowed to be imported. The country has already about 65 percent of its drought induced import needs, meaning an opportunity for the balance to be from GMO crops. (Bloomberg)

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## 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 | $36.75 | Down $0.75 | Handymax at $37.00/MT |
| 55,000 U.S. PNW-Japan | $19.25 | Down $0.75 | Handymax at $20.00/MT |
| 55,000 U.S. Gulf-China<br>PNW to China | $35.75<br>$18.50 | Down $1.00<br>Down $0.75 | North China |
| 25,000 U.S. Gulf-Veracruz, México | $16.25 | Down $0.50 | 3,000 MT daily discharge rate |
| 35-40,000 U.S. Gulf-Veracruz, México | $14.50 | Down $0.50 | Deep draft and 8,000 MT per day discharge rate. |
| 25/35,000 U.S. Gulf-East Coast Colombia, from Argentina | $19.00<br>$31.00 | Down $0.50<br>Down $0.50 | West Coast Colombia at $28.00 |
| 40-45,000 U.S. Gulf-Guatemala | $25.50 | Down $0.50 | Acajutla/Quetzal - 8,000 out |
| 26-30,000 U.S. Gulf-Algeria | $24.00<br>$26.25 | Down $0.50<br>Down $0.50 | 8,000 MT daily discharge<br>3,000 MT daily discharge |
| 25-30,000 U.S. Gulf-Morocco | $23.25 | Down $0.50 | 5,000 discharge rate |
| 55,000 U.S. Gulf-Egypt<br>PNW to Egypt | $21.75<br>$25.25 | Down $1.00<br>Down $1.00 | 55,000 -60,000 MT<br>St. Lawrence to Egypt<br>$22.25 |
| 60-70,000 U.S. Gulf-Europe-Rotterdam | $15.00 | Down $1.00 | Handymax at +$1.50 more |
| Brazil, Santos-China<br>Itacoatiara Port up river<br>Amazonia-China | $22.50<br>$22.50<br>$31.00 | Down $1.00<br>Down $0.50<br>Down $1.00 | 54-58,000 Supramax-Panamax<br>60-66,000 Post Panamax |
| 56-60,000 Argentina-China Upriver with Top-Off | $31.00 | Down $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:** As expected by some, the market rally of the past month was a bit too much, too fast, with too much owner optimism regarding its sustainability. The rally did provide vessel owners with an early Christmas present, but now the batteries are quickly wearing out. This week saw more vessel tonnage entering the market and chasing values and there was just not enough good business to pass around to all. In the Dry-Bulk Panamax sector daily hire rates dropped to $10,300/day and Q1 hire rates slumped to $6,500/day. If you are a buyer in the Supramax or Handymax market you will find that the physical market has been slower to adjust. As we move further into the holiday period there will be fewer players in their offices and markets will get even thinner.

| Baltic-Panamax Dry-Bulk Indices | | | | |
|---|---|---|---|---|
| **December 14, 2016**<br>Route | **This Week** | **Last Week** | **Difference** | **Percent Change** |
| P2A: Gulf/Atlantic – Japan | 15,867 | 18,104 | -2,237 | -12.4% |
| P3A: PNW/Pacific– Japan | 7,362 | 8,535 | -1,173 | -13.7% |

*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:

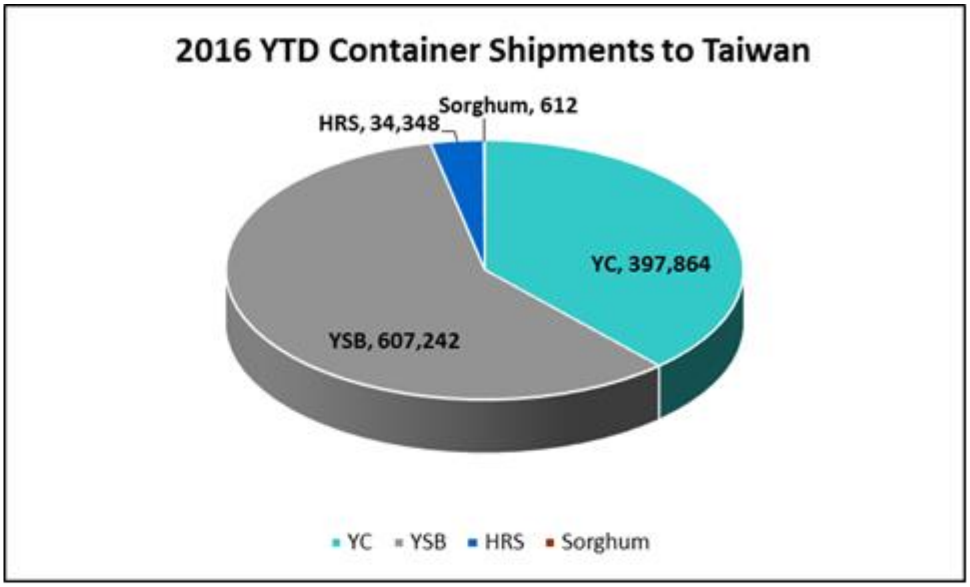
| Week Ending December 14, 2016 | |
|---|---|
| Four weeks ago: | $5.80-$6.25 |
| Three weeks ago: | - |
| Two weeks ago: | $6.25-$6.50 |
| One week ago: | $5.50-$6.20 |
| This week | $5.10-$5.85 |

*Source: O'Neil Commodity Consulting*

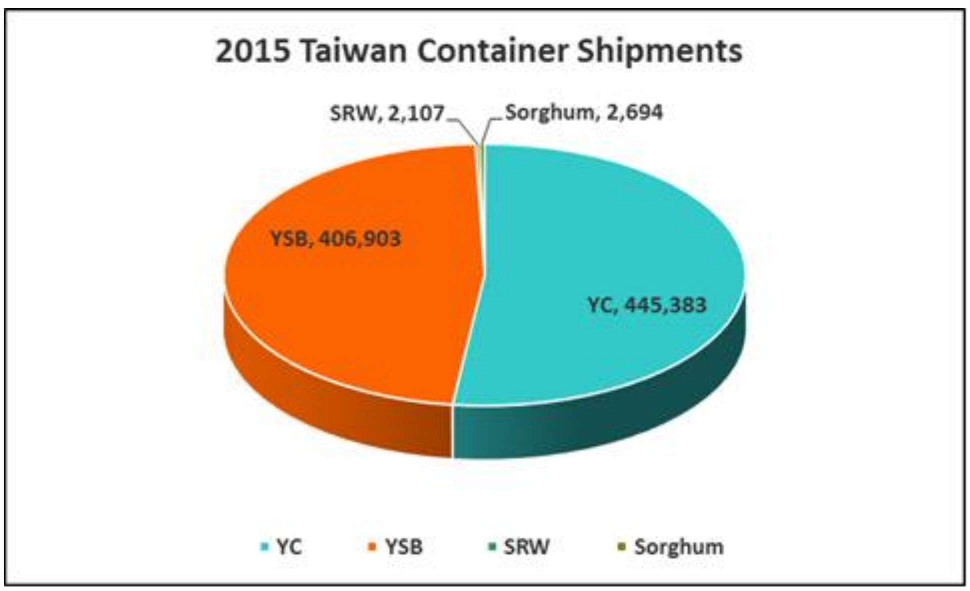
| U.S.-Asia Market Spreads | | | | | |
|---|---|---|---|---|---|
| **December 14, 2016** | **PNW** | **Gulf** | **Bushel Spread** | **MT Spread** | **Advantage** |
| #2 Corn | 0.93 | 0.55 | 0.38 | $14.96 | PNW |
| Soybeans | 0.90 | 0.57 | 0.33 | $12.99 | PNW |
| Ocean Freight | $18.50 | $35.75 | 0.44-0.48 | ($17.25) | January |

*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*




*Source: O'Neil Commodity Consulting*

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| International Freight Rates for Feed Grains – Select Routes<br>Estimated Spot Price ($/MT) – Week Ending December 15, 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** | $28.75 | $30.25 | $29.75 | $27.25 | $24.75 | $29.25 | $29.25 | $28.75 |
| | **Brazil** | $21.75 | $23.75 | $25.25 | $25.25 | $27.25 | $18.75 | $26.75 | $27.25 |
| **Corn (White)** | **Argentina** | $28.75 | $30.25 | $29.75 | $27.25 | $24.75 | $29.25 | $29.25 | $28.75 |
| | **Brazil** | $21.75 | $23.75 | $25.25 | $25.25 | $27.25 | $18.75 | $26.75 | $27.25 |
| **Barley** | **Argentina** | $28.75 | $30.25 | $29.75 | $27.25 | $24.75 | $29.25 | $29.25 | $28.75 |
| | **Brazil** | $21.75 | $23.75 | $25.25 | $25.25 | $27.25 | $18.75 | $26.75 | $27.25 |
| **Sorghum** | **Argentina** | $28.75 | $30.25 | $29.75 | $27.25 | $24.75 | $29.25 | $29.25 | $28.75 |
| | **Brazil** | $21.75 | $23.75 | $25.25 | $25.25 | $27.25 | $18.75 | $26.75 | $27.25 |

*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 15, 2016 | | | |
|---|---|---|---|
| | **Current Week** | **Last Week** | **Last Month** |
| **U.S. Prime** | 3.50 | 3.50 | 3.50 |
| **LIBOR (6 month)** | 1.30 | 1.29 | 1.27 |
| **LIBOR (1 year)** | 1.64 | 1.64 | 1.59 |

*Source: www.bankrate.com*