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CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract

\$/Bu	Friday 23 December	Monday 26 December	Tuesday 27 December	Wednesday 28 December	Thursday 29 December
Change	-1.500	-	9.2500	-6.7500	1.5000
Closing Price	345.750	-	355.000	348.250	349.750
Factors Affecting the Market	Narrow, light volume, pre-holiday trading ended in a softer close. South American rains weighed on the market; traders mostly avoided position taking pre-holiday. Outside markets should have been supportive but were ignored.	Markets were closed for observance of the Christmas holiday.	Corn was up on sympathy buying spilling over from soybeans. Dry weather in Brazil prompted short covering in grains. Corn export inspections were bullish at 38.2 million bu and put YTD totals at 80 percent of last year.	Soybeans pulled corn lower as investment funds resumed selling. Commercial buying was active on the price break; spreading was minimal. Also weighing against the corn market was an 18-point rise in the U.S. dollar and lower equities.	With the export sales report delayed until Friday, ethanol was the news today. Ethanol production fell but stocks fell further, propping up futures. Ethanol’s rise boosted corn as did higher wheat prices and a 56-point drop in the dollar.

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.

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Outlook: Bears have won the directional battles for corn in recent days, except for Tuesday's bullish pop. Prior to Tuesday, resolution of Argentina's dryness and pre-holiday aversion to building positions left the market with a decidedly weaker tone. Tuesday's trading, however, featured a 9 ¼ cent rally as a high-pressure ridge over Brazil implied hot, dry weather for the world's second largest soybean producer. This, of course, sent soybean futures sharply higher and the corn market became caught up in the excitement. The current weather has little implication for Brazil's corn crop but if it persists long enough it could impact the yet-to-be-planted *safrinha* crop. While the weather news is far more relevant for the soy markets, it was one of the few interesting news pieces uncovered this week.

Historically high ethanol production continued this week even though production figures slipped slightly from the week prior. Ethanol exports must have been solid in pre-Christmas trading as production, stocks, and gasoline supplied (a measure of ethanol consumption) all fell. The only factor that could have produced such an event is strong ethanol exports. U.S. ethanol exports are up 13 percent YTD on a value basis and up 21 percent on a volume basis. The strong ethanol program has been helpful for U.S. corn markets and USDA will likely raise their forecast of corn used in ethanol in the January WASDE.

March corn is miraculously still holding above the bullish trendline formed from the September 1 contract low and the intraday low on December 1. Pre-holiday trading briefly sent the contract below the trendline but Tuesday's rally pulled prices above it once again. Funds are still short the contract but the Brazilian weather situation ushered in some short covering buying. At these prices, commercials are becoming opportunistic buyers and a pattern of buying price breaks is emerging. While it's still tough to be "bullish" the corn market, there appears to be more upside potential than downside risk at this point.

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CBOT MARCH CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending December 29, 2016			
Commodity	29-Dec	23-Dec	Net Change
Corn			
Mar 17	349.75	345.75	4.00
May 17	355.75	352.50	3.25
Jul 17	363.00	360.00	3.00
Sep 17	370.25	367.25	3.00
Soybeans			
Jan 17	1003.25	989.00	14.25
Mar 17	1012.75	997.50	15.25
May 17	1021.25	1006.50	14.75
Jul 17	1027.75	1013.25	14.50
Soymeal			
Jan 17	314.80	308.00	6.80
Mar 17	319.00	311.60	7.40
May 17	321.80	314.30	7.50
Jul 17	324.60	317.40	7.20
Soyoil			
Jan 17	34.52	34.60	-0.08
Mar 17	34.79	34.88	-0.09
May 17	35.04	35.14	-0.10
Jul 17	35.26	35.35	-0.09
SRW			
Mar 17	404.75	393.50	11.25
May 17	417.75	406.75	11.00
Jul 17	431.75	420.75	11.00
Sep 17	445.50	435.25	10.25
HRW			
Mar 17	415.25	406.25	9.00
May 17	427.00	417.50	9.50
Jul 17	438.25	429.00	9.25
Sep 17	452.00	443.25	8.75
MGEX (HRS)			
Mar 17	535.50	530.75	4.75
May 17	531.75	528.50	3.25
Jul 17	535.25	532.25	3.00
Sep 17	541.25	538.25	3.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: On December 29-30, a significant snow storm will unfold across the Northeast, with wind and snow extending southward through the Appalachians. The heaviest snow should fall in the Adirondacks and much of New England. Late in the week, heavy rain can be expected in parts of the Southeast, with freezing rain possible in the Mid-Atlantic States. Five-day precipitation totals could reach 1 to 3 inches or more in New England and parts of the Southeast. Meanwhile, disorganized Western storminess could result in local totals in excess of an inch, especially in the Pacific Northwest. Generally dry weather will prevail during the next 5 days across the northern and central Plains and the western Corn Belt.

The NWS 6- to 10-day outlook for January 3-7, 2017, calls for the likelihood of above-normal temperatures along the Atlantic Seaboard, while colder-than-normal conditions can be expected across the remainder of the country. Meanwhile, odds will be tilted toward wetter-than-normal weather across most of the U.S., but below-normal precipitation should occur in much of Texas, northern California, and the Northwest.

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

U.S. EXPORT STATISTICS

Due to the Christmas holiday the next U.S. export sales report will be released Friday, December 30, 2016. The January 5, 2017 edition of Market Perspectives will feature updated U.S. export sales data.

U.S. Export Inspections: Week Ending December 22, 2016

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	611	318	28,589	27,425	104%
Corn	970,506	805,241	16,399,308	9,125,610	180%
Sorghum	167,241	206,362	1,722,669	3,708,403	46%
Soybeans	1,710,188	1,741,703	31,376,361	26,313,035	119%
Wheat	520,975	483,807	15,111,595	11,802,775	128%

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 22, 2016						
Region	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	0	0%	0	0%	0	0%
Atlantic	196	0%	0	0%	0	0%
Gulf	627,358	72%	94,617	100%	161,045	96%
PNW	121,473	14%	0	0%	0	0%
Interior Export Rail	126,862	14%	0	0%	6,196	4%
Total (Metric Tons)	875,889	100%	94,617	100%	167,241	100%
White Corn Shipments by Country (MT)			7,806	to Colombia		
			38,870	to Mexico		
			5941	to Nicaragua		
			42,000	to South Africa		
Total White Corn (MT)			94,617			
Sorghum Shipments by Country (MT)					161,045	to China
					294	to Indonesia
					5,413	to Mexico
					489	to Nigeria
Total Sorghum (MT)					167,241	

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 January	+0.72 H	\$166.03	+0.93 H	\$174.30
LH January	+0.70 H	\$165.25	+0.93 H	\$174.30
February	+0.62 H	\$162.10	+0.90 H	\$173.12

Due to the low volume of trade in the market, we are unable to provide accurate White Corn FOB values for this week's report.

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
January	-	-	+0.68 H	\$164.46
February	-	-	+0.68 H	\$164.46

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Barley: Feed Barley (FOB USD/MT)		
	January	February
FOB PNW	\$185	\$190

Due to the low volume of trade in the market, we are unable to provide accurate CGFP/CGM FOB values for this week's report.

Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. \$/ST)		
	January	February
Rail Delvd. East Coast	-	\$565
Rail Delvd. Chicago	-	\$535
Truck Delvd. Chicago	\$555	\$545
Truck Delvd. Channahon/Elwood	-	-

*All prices are market estimates.

DDGS Price Table: December 29, 2016 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	January	February	March
Barge CIF New Orleans	144	146	147
FOB Vessel GULF	153	155	157
Rail delivered PNW	176	178	181
Rail delivered California	179	180	183
Mid-Bridge Laredo, TX	175	177	178
FOB Lethbridge, Alberta	148	149	151
40 ft. Containers to South Korea (Busan)	189	189	191
40 ft. Containers to Taiwan (Kaohsiung)	188	189	190
40 ft. Containers to Philippines (Manila)	200	200	201
40 ft. Containers to Indonesia (Jakarta)	193	194	195
40 ft. Containers to Malaysia (Port Kelang)	194	195	196
40 ft. Containers to Vietnam (HCMC)	197	197	198
40 ft. Containers to Japan (Yokohama)	197	197	198
40 ft. containers to Thailand (LCMB)	192	193	194
40 ft. Containers to Shanghai, China	200	200	202
KC & Elwood, IL Rail Yard (delivered Ramp)	144	145	147

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: It's been a quiet week for DDGS trading and prices are mixed. Prices for product delivered to the PNW and California held their value the best this week, with January delivery prices steady to \$2/ton higher. FOB plant prices were strongest for producers in Nebraska, Kansas, Iowa, and Minnesota while

Chicago area prices were weaker. International prices had a softer tone this week because of holiday-reduced demand.

This week's drop in ethanol production and the seasonal decline expected in January should be supportive for FOB prices in the near term. Add to that the potential for increased Midwest feed demand motivated by cold January weather and the outlook is for prices to remain steady to higher for the near future.

Ethanol Comments: Ethanol margins were sharply down this week across all four reference markets. Producers in Illinois saw their margins slip the most this week as they fell \$0.61/bushel. Ethanol producers are still enjoying comparatively good margins, which are up \$0.95/bushel over last year on average, despite this week's deterioration in margins. Ethanol production fell this week to 1.028 million barrels/day (-0.8 percent) while stocks dropped 377,000 barrels (-2 percent) to 18.683 million. Production is expected to fall seasonally heading into the new year but will remain well above historic norms.

- Illinois differential is \$2.06 per bushel, in comparison to \$2.67 the prior week and \$1.29 a year ago.
- Iowa differential is \$2.21 per bushel, in comparison to \$2.59 the prior week and \$1.12 a year ago.
- Nebraska differential is \$2.20 per bushel, in comparison to \$2.62 the prior week and \$1.33 a year ago.
- South Dakota differential is \$2.51 per bushel, in comparison to \$2.88 the prior week and \$1.45 a year ago.

COUNTRY NEWS

Argentina: Drought replaced by excessive wetness will cause late corn seeding. Some dry spots persist but encompass less than 10 percent of the corn area. (Reuters)

Brazil: It remains dry in the northern part of the country but rains are benefiting the larger corn production areas in Central Brazil. Favorable conditions for corn are expected to persist over the next two weeks. (Reuters)

China: The cost of sorghum, DDGS and other animal feed ingredients have risen recently, hurting the profits of pig farmers already finding greater competition from poultry. Meanwhile, to drive down the large stockpiles of corn, the state grain bureau says it will support its increased use in feed, ethanol and biodegradable plastic. The Ministry of Finance announced it may adjust import tariffs on ethanol. (Reuters)

Russia: The agriculture agency Rosselkhoznadzor announced that 227 KMT of corn have been shipped to Japan thus far this season, versus just 13 KMT the whole of last year. (Bloomberg)

South Africa: The corn crop will benefit from an expected upturn in rains next week. (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	\$35.50	Unchanged	Handymax at \$36.50/MT
55,000 U.S. PNW-Japan	\$18.25	Unchanged	Handymax at \$20.00/MT
55,000 U.S. Gulf-China	\$34.00	Unchanged	North China
PNW to China	\$17.50	Unchanged	
25,000 U.S. Gulf-Veracruz, México	\$16.00	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	\$14.25	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$18.50 \$30.50	Unchanged Unchanged	West Coast Colombia at \$27.50
40-45,000 U.S. Gulf-Guatemala	\$25.00	Unchanged	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$23.50 \$26.25	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$23.25	Unchanged	5,000 discharge rate
55,000 U.S. Gulf-Egypt	\$21.25	Unchanged	55,000 -60,000 MT St. Lawrence to Egypt \$21.50
PNW to Egypt	\$24.50	Unchanged	
60-70,000 U.S. Gulf-Europe-Rotterdam	\$14.00	Unchanged	Handymax at +\$1.50 more
Brazil, Santos-China	\$21.50	Unchanged	54-58,000 Supramax- Panamax 60-66,000 Post Panamax
Itacoatiara Port up river	\$21.50	Unchanged	
Amazonia-China	\$30.00	Unchanged	
56-60,000 Argentina-China Upriver with Top-Off	\$31.00	Unchanged	—

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 Holiday season is upon us. The Baltic Exchange is closed for the week and the shipping market is extremely quiet. I presume everyone is simply enjoying the holidays and trying hard not to think much about business. Given this situation, and the fact that I normally do not publish a report for this holiday week, this will be an abbreviated report. About the only thing that can be said for the markets is that they are indeed thin this week and continue to be soft. I am expecting rates to continue on a lower path when most return to the office next week.

We must also consider that we will soon transition from our Western holidays into the Lunar New Year on January 28. China will be on holiday (Chinese New Year, and Golden Week from January 27 to February 3). This obviously will not aid market liquidity and will keep things uncertain until we return to a normal work schedule. The Baltic Indices and ocean freight rates are unchanged from last week due to the closed markets. U.S. export grain demand from Asia and rail and ocean freight rate spread advantages are increasing vessel lineups in the PNW.

Baltic-Panamax Dry-Bulk Indices				
December 29, 2016	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	11,638	15,867	-4,229	-26.7%
P3A: PNW/Pacific– Japan	5,658	7,362	-1,704	-23.1%

Source: O'Neil Commodity Consulting

*Rates are unchanged from the week of December 22, 2016

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

Week Ending December 29, 2016	
Four weeks ago:	-
Three weeks ago:	\$6.25-\$6.50
Two weeks ago:	\$5.50-\$6.20
One week ago:	\$5.10-\$5.85
This week	\$4.95-\$5.10

Source: O'Neil Commodity Consulting

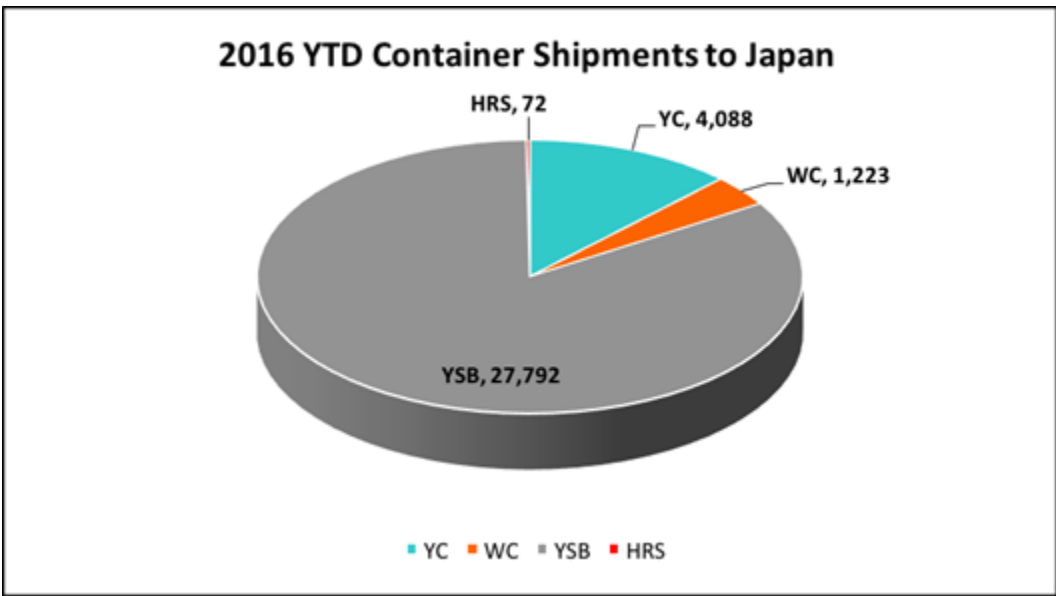
*Rates are unchanged from the week of December 22, 2016

U.S.-Asia Market Spreads					
December 29, 2016	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	0.95	0.56	0.39	\$15.35	PNW
Soybeans	0.90	0.50	0.40	\$15.75	PNW
Ocean Freight	\$17.50	\$34.00	0.42-0.45	(\$16.50)	January

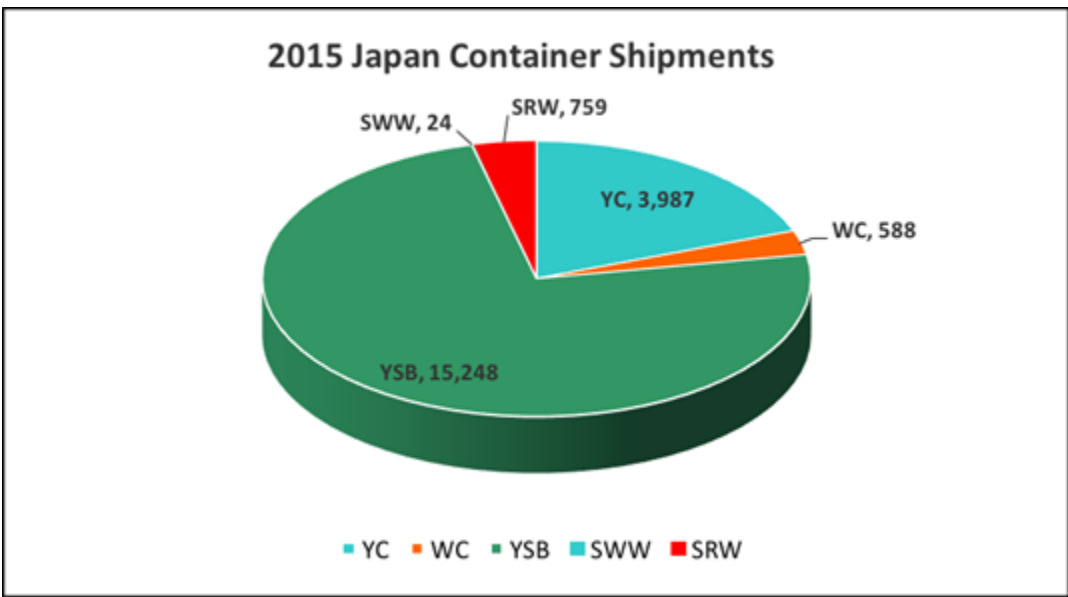
Source: O'Neil Commodity Consulting

*Values are unchanged from the week of December 22, 2016

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



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

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International Freight Rates for Feed Grains – Select Routes Estimated Spot Price (\$/MT) – Week Ending December 29, 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	\$27.50	\$29.00	\$28.50	\$26.00	\$24.00	\$28.50	\$28.50	\$27.50
	Brazil	\$20.75	\$22.50	\$24.00	\$24.50	\$26.50	\$18.00	\$26.00	\$26.00
Corn (White)	Argentina	\$27.50	\$29.00	\$28.50	\$26.00	\$24.00	\$28.50	\$28.50	\$27.50
	Brazil	\$20.75	\$22.50	\$24.00	\$24.50	\$26.50	\$18.00	\$26.00	\$26.00
Barley	Argentina	\$27.50	\$29.00	\$28.50	\$26.00	\$24.00	\$28.50	\$28.50	\$27.50
	Brazil	\$20.75	\$22.50	\$24.00	\$24.50	\$26.50	\$18.00	\$26.00	\$26.00
Sorghum	Argentina	\$27.50	\$29.00	\$28.50	\$26.00	\$24.00	\$28.50	\$28.50	\$27.50
	Brazil	\$20.75	\$22.50	\$24.00	\$24.50	\$26.50	\$18.00	\$26.00	\$26.00

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

Source: World Perspectives, Inc.

*Prices are unchanged from the week of December 22, 2016.

INTEREST RATES

Interest Rates (%): December 29, 2016			
	Current Week	Last Week	Last Month
U.S. Prime	3.75	3.75	3.50
LIBOR (6 month)	1.32	1.32	1.29
LIBOR (1 year)	1.69	1.70	1.65

Source: www.bankrate.com