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**CHICAGO BOARD OF TRADE MARKET NEWS**

**Week in Review: CME Corn March Contract**

\$/Bu	Friday 29 January	Monday 1 February	Tuesday 2 February	Wednesday 3 February	Thursday 4 February
<b>Change</b>	0.0650	-0.0075	0.0125	-0.0150	-0.0250
<b>Closing Price</b>	3.720	3.7125	3.7250	3.7100	3.6850
<b>Factors Affecting the Market</b>	Macroeconomic factors plus exports meeting expectations helped push corn higher.	Corn was tossed around between larger financial markets and the lack of any extraordinary demand. It opened lower, stood back up by noon but then ended the day fractionally lower.	Volume was heavy with talk of funds reducing their risk of being overly short. Corn managed a small rally at the end of the day to close at what had been a resistance point.	Corn was not one of the beneficiaries of the weaker dollar in today’s trading. Funds turned to selling 4,500 contracts.	A weaker dollar enabled a stronger open but then corn went negative with news that Brazil increased its forecasted corn production by 1 MMT to 83.3 MMT, 2.2 percent above USDA’s forecast.

**Outlook:** Grain market analysts continue to point at macro or external factors such as currency valuations and the oil market for what is happening to their studied products, but the bottom line is the market continues to

**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.*

largely trade sideways. The fall in the value of the dollar is providing a floor but it is still unclear whether March corn can break above what has been steady resistance at \$3.75/bushel.

There are many conflicting pressures ranging from a possibly improved weather outlook in Brazil and Argentina, to the machinations in the currency markets. Fund managers tanked corn in January but have been selling their short positions of late, acknowledging the fact that the Fed cannot raise interest rates. Without doubt the downward pressure on the dollar will prompt some competitive devaluations to occur elsewhere.

Corn is having to compete with lots of low-cost wheat, which is likely to cause the U.S. corn export pace to slow. The trade will be watching what USDA does with this number in this coming Tuesday's February WASDE report.

Corn prices are low, which leaves an upside potential as the only alternative. Private forecasters are accommodating with some citing a wet spring and then hot and dry summer denting the crop as the El Nino to La Nina weather pattern takes its toll. Bill Kirk of Weather Trends 360 told a Chicago audience this past week to expect \$6-\$7 corn this summer. BMI Research was less provocative with a forecast of corn at \$4.10/bushel in 2016 based on lower output in North and South America.

## CBOT MARCH CORN FUTURES



Source: Prophet X

**Current Market Values:**

<b>Futures Price Performance: Week Ending February 4, 2016</b>			
<b>Commodity</b>	<b>4-Feb</b>	<b>29-Jan</b>	<b>Net Change</b>
<b>Corn</b>			
Mar 16	368.50	372.00	-3.50
May 16	373.50	376.75	-3.25
Jul 16	378.75	381.50	-2.75
Sep 16	383.75	386.00	-2.25
<b>Soybeans</b>			
Mar 16	874.50	882.25	-7.75
May 16	877.50	884.50	-7.00
Jul 16	883.75	890.00	-6.25
Aug 16	886.00	891.75	-5.75
<b>Soymeal</b>			
Mar 16	267.60	272.40	-4.80
May 16	269.50	274.40	-4.90
Jul 16	272.10	276.60	-4.50
Aug 16	273.30	277.70	-4.40
<b>Soyoil</b>			
Mar 16	31.24	30.88	0.36
May 16	31.46	31.09	0.37
Jul 16	31.69	31.33	0.36
Aug 16	31.75	31.38	0.37
<b>SRW</b>			
Mar 16	472.75	479.25	-6.50
May 16	476.75	485.00	-8.25
Jul 16	481.75	490.50	-8.75
Sep 16	489.75	499.50	-9.75
<b>HRW</b>			
Mar 16	459.75	472.00	-12.25
May 16	469.75	482.25	-12.50
Jul 16	479.75	492.25	-12.50
Sep 16	493.50	505.75	-12.25
<b>MGEX (HRS)</b>			
Mar 16	494.50	500.00	-5.50
May 16	500.25	505.50	-5.25
Jul 16	507.25	512.00	-4.75
Sep 16	517.50	521.75	-4.25

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

## U.S. WEATHER/CROP PROGRESS

**U.S. Drought Monitor Weather Forecast:** During February 4-8, 1-3 inches of precipitation is expected to fall across New England, New York, and the mid-Atlantic region, while 2-5 inches is forecast across parts of the Southeast. This should reduce, if not eliminate, some of the D0 coverage in this part of the country. For the northwestern quarter of the contiguous U.S., the mountainous areas can expect precipitation amounts (liquid equivalent) to range from about 0.5-1.5 inches, with perhaps as much as 4-6 inch amounts confined to the Olympic Peninsula and northern Cascades in Washington state.

During the ensuing 5 days (February 9-13), there are elevated odds of above-median precipitation from the Dakotas eastward across the Great Lakes to the northern Atlantic Coast. Below-median precipitation is favored for most of the remainder of the contiguous U.S.

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

## U.S. EXPORT STATISTICS

Export Sales and Exports: Week Ending January 28, 2016					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	93,400	230,300	12,736.0	16,776.5	-17%
Corn	1,130,200	660,700	11,920.1	24,225.4	-25%
Sorghum	192,300	165,600	4,090.7	5,923.8	-16%
Barley	0	0	22.6	26.1	-81%

Source: USDA, World Perspectives, Inc.

**Corn:** Net sales of 1,129,100 MT for 2015/2016 were up 38 percent from the previous week and 56 percent from the prior 4-week average. Increases were reported for Mexico (301,400 MT), Colombia (248,300 MT, including 77,500 MT switched from unknown destinations and decreases of 200 MT), Japan (209,300 MT, including 39,600 MT switched from unknown destinations and decreases of 200 MT), South Korea (66,100 MT, including 63,000 MT switched from unknown destinations and decreases of 200 MT), Egypt (64,700 MT, including 60,000 MT switched from unknown destinations), and Peru (63,500 MT). Net sales of 14,400 MT for 2016/2017 for Japan (10,200 MT) and Mexico (5,000 MT), were partially offset by reductions for Nicaragua (800 MT). Exports of 660,700 MT were up 2 percent from the previous week and 19 percent from the prior 4-week average. The primary destinations were Mexico (195,600 MT), Colombia (155,700 MT), South Korea (67,300 MT), Japan (64,700 MT), Egypt (64,700 MT), Peru (38,500 MT), and Guatemala (26,700 MT).

**Optional Origin Sales:** For 2015/2016, the current outstanding balance totals 398,000 MT, all unknown destinations.

**Barley:** There were no sales or exports reported during the week.

**Sorghum:** Net sales of 187,000 MT for 2015/2016 were reported for China (112,300 MT), unknown destinations (61,300 MT), and Mexico (13,500 MT). Exports of 165,600 MT were up 65 percent from the previous week and 13 percent from prior 4-week average. The destinations were China (162,200 MT) and Mexico (3,300 MT).

**U.S. Export Inspections: Week Ending January 28, 2016**

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	490	318	29,188	123,292	24%
Corn	681,807	599,765	11,917,591	14,965,869	80%
Sorghum	165,724	154,276	4,410,643	3,845,899	115%
Soybeans	1,153,438	1,198,206	32,780,843	37,469,748	87%
Wheat	281,936	187,903	13,364,492	15,185,841	88%

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 January 28, 2016**

Last Week	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	490	0%
Gulf	503,538	76%	14,302	74%	161,302	97%
PNW	66,149	10%	0	0%	0	0%
Interior Export Rail	92,828	14%	4,990	26%	3,932	2%
<b>Total (Metric Tons)</b>	<b>662,515</b>	<b>100%</b>	<b>19,292</b>	<b>100%</b>	<b>165,724</b>	<b>100%</b>
<b>White Corn Shipments by Country (MT)</b>			6,324	to Colombia		
			12,968	to Mexico		
<b>Total White Corn (MT)</b>			<b>19,292</b>			
<b>Sorghum Shipments by Country (MT)</b>					161,792	to China
					3,932	to Mexico
<b>Total Sorghum (MT)</b>					<b>165,724</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)
LH February	+0.75 H	\$174.60	-	-
March 5	+0.65 H	\$170.66	+0.80 H	\$176.56
March	+0.62 H	\$169.48	+0.80 H	\$176.56
April	+0.54 K	\$168.30	+0.79 K	\$178.14

#2 White Corn (U.S. \$/MT FOB Vessel)		
Max. 15.0% Moisture	February	March
Gulf	\$205	\$205

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
March	+0.80 H	\$176.56	+0.90 H	\$180.50
April	+0.80 K	\$178.53	+0.90 K	\$182.47
May	+0.80 K	\$178.53	+0.90 K	\$182.47

Barley: Feed Barley (FOB USD/MT)			
	February	March	April
FOB PNW	\$130	\$130	\$130

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	LH February	March	April
New Orleans	\$171	\$171	\$171
<i>Quantity 5,000 MT</i>			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	LH February	March	April
New Orleans	\$545	\$545	\$545
<i>*5-10,000 MT Minimum</i>			

\*All prices are market estimates.



DDGS Price Table: February 4, 2016 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	Feb.	Mar.	Apr.
Barge CIF New Orleans	173	172	170
FOB Vessel GULF	181	180	178
Rail delivered PNW	197	197	196
Rail delivered California	200	200	198
Mid-Bridge Laredo, TX	194	194	192
FOB Lethbridge, Alberta	167	167	165
40 ft. Containers to South Korea (Busan)	216	209	208
40 ft. Containers to Taiwan (Kaohsiung)	214	208	207
40 ft. Containers to Philippines (Manila)	233	221	220
40 ft. Containers to Indonesia (Jakarta)	229	222	221
40 ft. Containers to Malaysia (Port Kelang)	231	219	218
40 ft. Containers to Vietnam (HCMC)	230	222	222
40 ft. Containers to Japan (Yokohama)	230	215	214
40 ft. containers to Thailand (LCMB)	224	219	218
40 ft. Containers to Shanghai, China	218	209	207
KC & Elwood, IL Rail Yard (delivered Ramp)	189	176	174

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 average of prices for DDGS delivery in February at 16 delivery points fell an average of less than 1 percent last week. The price change for March/April delivery was -2.8 percent. There was a 1 percent increase for DDGS designated FOB Gulf. Larger declines for container deliveries in February/March/April were experienced in Laredo, Texas and Ho Chi Minh City, Vietnam. Prices were stronger overall for product delivered for rail shipment at Elwood, Illinois. This is a relatively firm market, especially in the nearby given the usual supply/demand dynamics experienced during this time of year.

Merchandisers reported small sales to Taiwan during the past week. U.S. DDGS exports to China for 2015 through the end of November (6.1 MMT) were up nearly 42 percent from the full 12-month total in 2014 (4.3 MMT).

**Ethanol Comments:** Ethanol production was down last week by an average 2 thousand barrels per day. However, that was not enough to offset the winter drop in demand for gasoline, especially during the record East Coast blizzard. As a result, surplus stocks were pushed higher by 4.3 percent to 22.4 million barrels for the week ending January 29, 2016. That is the highest level of stocks since March of 2012. However, some in the trade says that prices around the Gulf are up, likely due to export demand. Meanwhile, the Energy Information Agency reported that ethanol exports were down in November 2015, a 12 percent decline on the monthly average for the first 11 months of the year.

Meanwhile, the margin between the corn price and the value of ethanol and coproducts jumped last week in all four tracked markets (see below).

- Illinois differential is \$1.35 per bushel, in comparison to \$1.10 the prior week and \$1.81 a year ago.
- Iowa differential is \$1.21 per bushel, in comparison to \$0.98 the prior week and \$1.56 a year ago.
- Nebraska differential is \$1.41 per bushel, in comparison to \$1.17 the prior week and \$1.43 a year ago.
- South Dakota differential is \$1.55 per bushel, in comparison to \$1.19 the prior week and \$1.68 a year ago.

## COUNTRY NEWS

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**Argentina:** The newly liberalized export policy is bringing to reality the predicted rush in corn exports. January saw more than 1.5 MMT in corn exports and nearly 2 MMT are slated for February. The pace is expected to continue until dwindling in June and drying up by August. (WPI) A private forecaster has pegged the new corn crop at 26 MMT, a 30 percent increase over last year. (Dow Jones)

**Brazil:** CONAB raised its forecast for 2015/16 Brazilian corn production by 1 MMT to 83.3 MMT versus a USDA prediction of 81.5 MMT. (Dow Jones)

**Canada:** Stats Canada reports that barley stocks as of December 31 were at 5.666 MMT, which is slightly above the trade's estimate of 5.4 MMT. (Dow Jones)

**China:** Domestic corn prices are holding steady with some demand improvement evolving around food marketers preparing for the upcoming Spring Festival. However, there is still no policy to deal with the outsized supply of corn. (WPI)

**EU:** Export licenses were issued this past week for 212 KMT of barley and 376 KMT of maize. (Thompson Reuters)

**Jordan:** The government will tender for 100 KMT of feed barley, optional origin. (Thompson Reuters)

**Zimbabwe:** This landlocked and drought stricken country has made arrangements with the Mozambique railway lines to ensure passage of up to 120,000 MT a month of maize. (WPI)



## 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	\$22.50	Down \$0.25	Handymax at \$24.00/MT
55,000 U.S. PNW-Japan	\$12.50	Unchanged	Handymax at \$13.00/MT
55,000 U.S. Gulf-China	\$20.00	Unchanged	North China
PNW to China	\$11.50	Unchanged	
30,000 U.S. Gulf-Veracruz, México	\$12.00	Unchanged	4,000 MT daily discharge rate
40-45,000 U.S. Gulf-Veracruz, México	\$10.25	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$13.50 \$24.75	Up \$0.25 Unchanged	West Coast Colombia at \$20.25
36-40,000 U.S. Gulf-Guatemala	\$20.50	Up \$0.25	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$27.00 \$29.25	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$26.00	Unchanged	5,000 discharge rate
55,000 U.S. Gulf-Egypt	\$18.00	Unchanged	55,000 -60,000 MT St. Lawrence to Egypt \$18.50
PNW to Egypt	\$20.25	Unchanged	
65-75,000 U.S. Gulf-Europe-Rotterdam	\$11.50	Unchanged	Handymax at +\$1.25 more
Brazil, Santos-China	\$14.00 \$12.50	Up \$0.50 Up \$0.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port up river Amazonia-China	\$24.00	Unchanged	48-53,000 MT (11.5-meter draft)
56-60,000 Argentina-China Upriver with Top-Off	\$21.25	Up \$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 quickly approaching the Lunar New Year, February 8-13, 2016, and global freight markets are expected to get even quieter during the holiday. I do not see anyone rushing to cover urgent needs so things will probably remain rather flat. It does, however, seem like we have finally found bottom. The Capesize market between Western Australia has resisted going lower than the \$2.85 mark and the Baltic Panamax Index showed a very slight

uptick this week. Capesize vessels are still getting \$2,800- \$3,000/day and say they need close to \$6,000/day to break even. Panamax Dry-Bulk vessels are trading in the \$2,300-\$2,500/day range. Of course, charter party demurrage rates are running much higher than this.

With a grim market outlook for the next 9-12 months it will be interesting to see how long it takes some vessel owners, or their financial backers, to through in the towel.

Due to high water and too much silting, the Associated Bar Pilots of the Port of New Orleans (Mississippi River port of NOLA) have been forced to reduce their maximum draft recommendation at the South West Pass to 41 feet from 47 feet. This does not so much affect U.S. Gulf shipments to Asia that transit the Panama Canal because the current draft restriction there is 39.6 feet. But, it will have an impact on grain cargoes going out through the Atlantic or going to Asia via the Cape. As a general rule on Panamax vessels you can calculate about 2,000 MT less cargo per vessel for every foot of draft reduction.

Baltic-Panamax Dry-Bulk Indices				
February 4, 2016	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	5,540	5,258	282	5.4%
P3A: PNW/Pacific– Japan	2,025	2,008	17	0.8%

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:

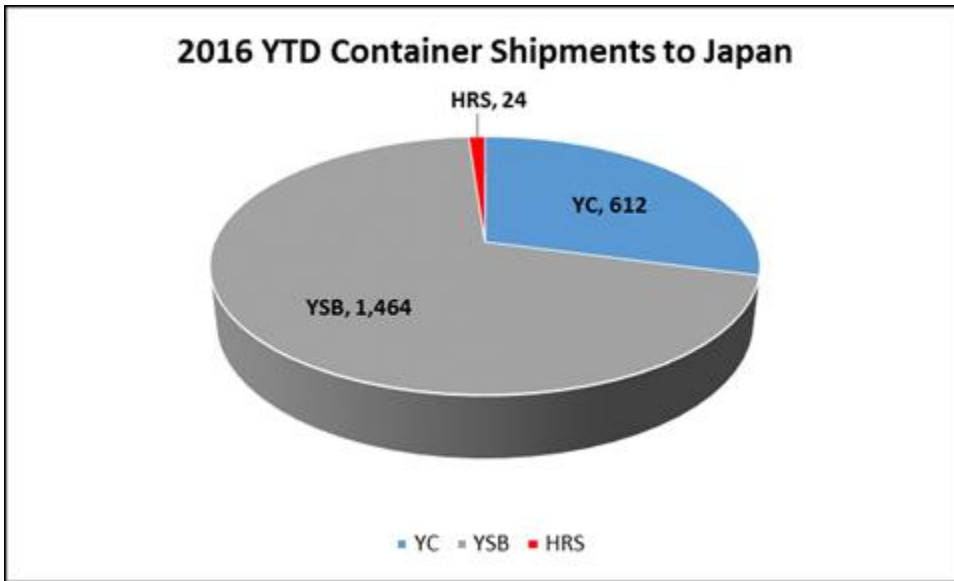
Week of February 4, 2016	
Four weeks ago:	\$2.85-\$3.30
Three weeks ago:	\$2.85-\$2.95
Two weeks ago:	\$2.90-\$2.95
One week ago:	\$2.90-\$3.10
This week	\$2.85-\$3.00

Source: O'Neil Commodity Consulting

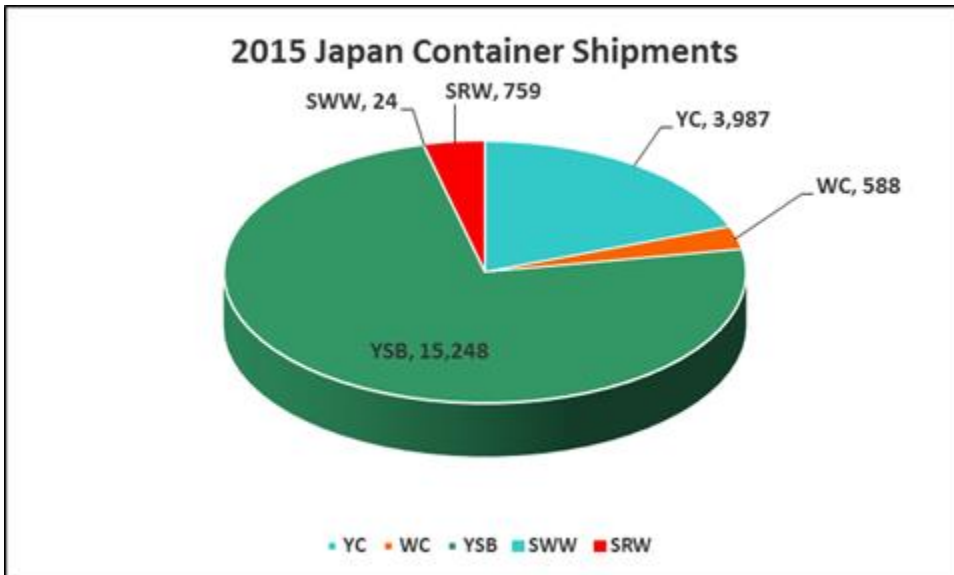
U.S.-Asia Market Spreads					
February 4, 2016	PNW	Gulf	Bushel Spread	MT Spread	Advantage
# 2 Corn	0.76	0.61	0.15	\$5.91	PNW
Soybeans	1.00	0.75	0.25	\$9.84	Gulf
Ocean Freight	\$11.50	\$20.00	0.22-0.23	(\$8.50)	March

Source: O'Neil Commodity Consulting

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

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price (\$/MT) – Week Ending February 4, 2016								
Commodity	Origins	China	Japan	Korea	Colombia	Morocco	Egypt	Saudi Arabia
Corn (Yellow)	Argentina	\$21	\$23	\$22	\$23	\$23	\$18	-
	Brazil	\$13.50	\$15	\$14	\$20	\$17	\$13	-
Corn (White)	Argentina	\$21	\$23	\$22	\$23	\$23	\$18	-
	Brazil	\$13.50	\$15	\$14	\$20	\$17	\$13	-
Barley	Argentina	\$21	\$23	\$22	\$23	\$23	\$18	-
	Brazil	\$13.50	\$15	\$14	\$20	\$17	\$13	-
Sorghum	Argentina	\$21	\$23	\$22	\$23	\$23	\$18	-
	Brazil	\$13.50	\$15	\$14	\$20	\$17	\$13	-

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 (%): February 3, 2016			
	Current Week	Last Week	Last Month
U.S. Prime	3.50	3.50	3.50
LIBOR (6 month)	0.86	0.86	0.85
LIBOR (1 year)	1.14	1.16	1.18

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