U.S. GRAINS COUNCIL

Market Perspectives

February 9, 2017

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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.

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract					
$/Bu	Friday 3 February	Monday 6 February	Tuesday 7 February	Wednesday 8 February	Thursday 9 February
Change	-2.250	-1.500	4.7500	2.2500	-1.2500
Closing Price	365.25	363.75	368.50	370.75	369.50
Factors Affecting the Market	Lack of buying interest left corn down but higher for the week. Private forecasts pegged Brazil's and Argentina's crops as still more than ample. Corn still has 4-5 months where exports will not be pressured by Brazil's crop. The U.S. dollar index was off slightly.	More weather concerns in Argentina were noted but Brazil's possible record production left the market unresponsive to weather news. Export inspections were bullish at 77 percent of the prior year. A stronger dollar took the edge off the corn market's early rally today.	Corn jumped higher on good demand, signaled by USDA's announcement of 5 million bushels sold to Japan today. The U.S. dollar moved sharply higher on news that U.S. December exports were up $5 billion from November, a larger than expected gain.	Corn touched a 6-month high today but closed below this mark. Ending stocks are expected to fall in the WASDE report, adding to present bullishness. Brazil and Argentina are the countries of focus for this WASDE, however. Outside markets were mixed.	The WASDE was neutral/bearish corn, though intra-commodity spread trading buoyed the market. USDA did not change S. American production but lowered U.S. ending stocks. The report leaves traders little reason to change previously held positions or beliefs.

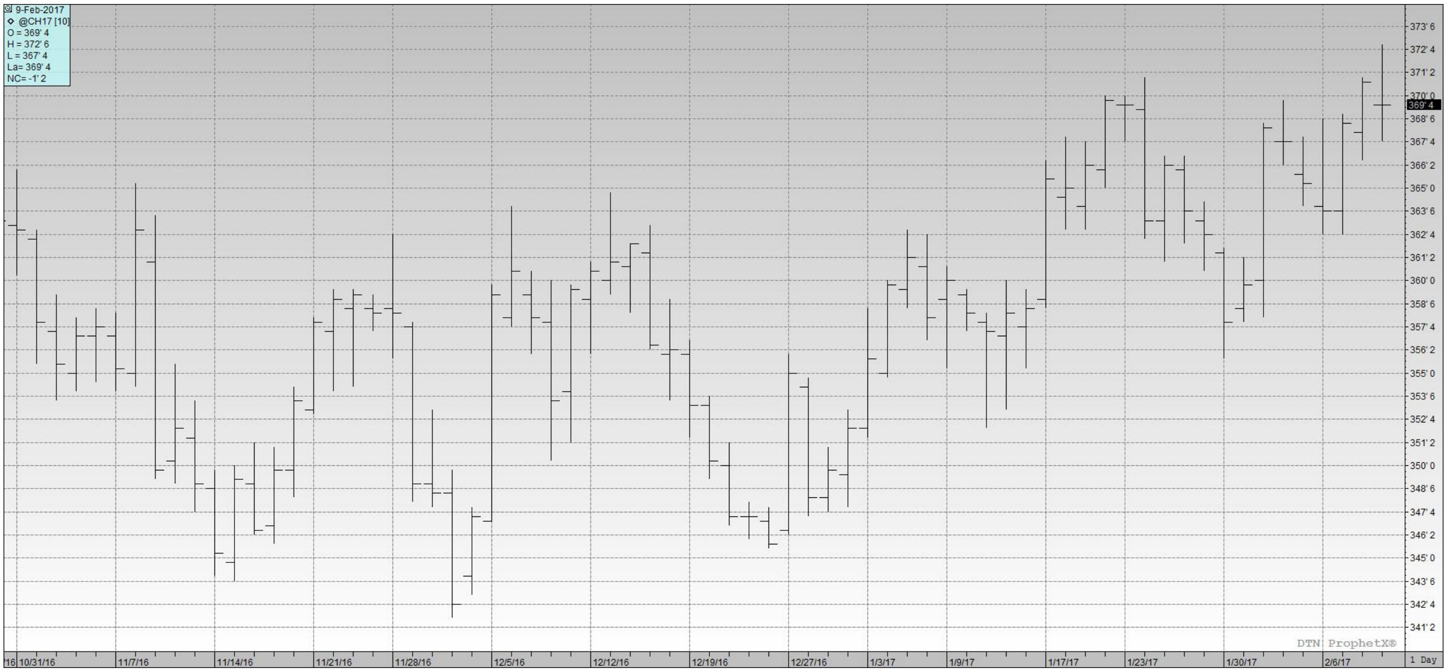
USGC is looking for a new manager of global trade. This position supports worldwide activities, monitors and tracks trade issues and manages programs to expand markets. More information can be found here.

Outlook: The USDA surprised the corn market today by announcing that – nothing is changing. Traders had been expecting changes in Brazilian and Argentinian production but both the U.S. and international supply and demand situations were left essentially unchanged. The U.S. corn balance sheet was the same as the January report except for a minor adjustment to Food, Seed, and Industrial (up 35 million bushels, 25 million of which was from ethanol) and ending stocks (down 35 million bushels). The U.S. ending stocks to use ratio was lowered 0.2 percent to 15.9 percent while the annual average farm price was unchanged at $3.40/bushel.

Of more interest was the USDA's decision to leave Brazilian and Argentinian production figures unchanged. For traders anticipating either a bearish increase in Brazilian production or a bullish cut to Argentina's crop, today's report was disappointing. The decision to leave unchanged (or at least postpone changes to) South American production does leave open opportunities for the USDA to make larger revisions in the March report. Interestingly, USDA did lower the global ending stocks figure for corn, citing higher corn use in China and a draw-down in the EU's ending stocks. Global ending stocks are now projected at 217.56 MMT, down from January's 220.98 MMT projection.

The price action of the March corn contract has been interesting this week. Ever-increasing moving averages are supporting the market, which broke a 6-month high Thursday before the WASDE report. The WASDE's implications for the corn market were neutral-to-bearish but corn finished the day only 1.25 cents lower. The higher close was largely the result of large intra-commodity spreads (long soybeans and short corn or wheat) being unwound as the WASDE was more bearish for soybeans. Funds are still long the corn market and today's report offers little reason to change their positions. It's worth noting the December 2017 corn contract closed at $3.95 ¾ today, which may provide some attractive hedging opportunities for farmers.

CBOT MARCH CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending February 9, 2017			
Commodity	**9-Feb**	**3-Feb**	**Net Change**
Corn			
Mar 17	369.50	365.25	4.25
May 17	377.25	372.75	4.50
Jul 17	384.00	379.75	4.25
Sep 17	389.75	386.00	3.75
Soybeans			
Mar 17	1050.50	1027.00	23.50
May 17	1061.50	1037.25	24.25
Jul 17	1069.50	1045.75	23.75
Aug 17	1066.75	1043.75	23.00
Soymeal			
Mar 17	338.40	331.60	6.80
May 17	342.60	335.30	7.30
Jul 17	345.10	338.10	7.00
Aug 17	343.30	336.30	7.00
Soyoil			
Mar 17	34.67	33.86	0.81
May 17	34.95	34.15	0.80
Jul 17	35.16	34.42	0.74
Aug 17	35.19	34.51	0.68
SRW			
Mar 17	443.50	430.25	13.25
May 17	455.25	443.00	12.25
Jul 17	467.00	456.25	10.75
Sep 17	479.25	471.00	8.25
HRW			
Mar 17	451.25	440.50	10.75
May 17	463.50	453.50	10.00
Jul 17	475.00	465.75	9.25
Sep 17	488.75	480.25	8.50
MGEX (HRS)			
Mar 17	568.50	558.25	10.25
May 17	566.50	556.00	10.50
Jul 17	567.25	559.50	7.75
Sep 17	568.00	562.25	5.75

**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 moderate-to-heavy precipitation accumulations in northern California as well as western Oregon, western Washington, northern Idaho, and northwestern Wyoming. Moving eastward, lesser precipitation accumulations (less than 1.5 inches) are forecast for Texas, northern portions of the Mid-Atlantic, and eastern portions of the Midwest. Some heavier precipitation amounts (2 to 3 inches) are forecast for New England for the seven-day period. The CPC 6-10 day outlooks call for a high probability of above-normal temperatures across the entire conterminous U.S., with the exception of New England where below-normal temperatures are forecast to prevail. Below-normal precipitation is forecast for the Intermountain West, central and northern

Plains, and the Midwest while above-normal precipitation is expected along the West Coast, South, and New England.

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 February 2, 2017					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	607,700	606,100	16,584.3	23,415.0	37%
Corn	1,184,600	1,124,700	20,801.5	41,189.4	67%
Sorghum	24,100	60,700	2,149.7	3,250.0	-47%
Barley	0	100	13.5	16.9	-35%

Corn: Net sales of 971,700 MT for 2016/2017 were down 15 percent from the previous week and 13 percent from the prior 4-week average. Increases were for Japan (401,700 MT, including 145,900 MT switched from unknown destinations and decreases of 2,200 MT), unknown destinations (183,600 MT), Mexico (149,500 MT, including decreases of 900 MT), South Korea (125,300 MT, including 63,000 MT switched from unknown destinations and decreases of 8,000 MT), and Colombia (78,600 MT, including decreases of 1,700 MT). Reductions were reported for Taiwan (66,500 MT), Jamaica (56,100 MT), the Dominican Republic (23,400 MT), Nicaragua (9,500 MT), and Costa Rica (400 MT). For 2017/2018, net sales of 34,500 MT were reported for unknown destinations. Exports of 1,124,700 MT were up 47 percent from the previous week and 34 percent from the prior 4-week average. The primary destinations were Mexico (208,100 MT), Japan (194,500 MT), Colombia (188,300 MT), Taiwan (76,800 MT), and Saudi Arabia (73,700 MT).

Optional Origin Sales: For 2016/2017, the current optional origin outstanding balance of 760,000 MT is for South Korea (536,000 MT) and unknown destinations (224,000 MT).

Barley: No net sales were reported for the week. Exports of 100 MT were reported to Japan.

Sorghum: Net sales of 8,300 MT for 2016/2017 were down 86 percent from the previous week and 84 percent from the prior 4-week average. Increases were for China (37,300 MT, including 53,000 MT switched from unknown destinations and decreases of 15,700 MT), Japan (20,000 MT), and Mexico (4,100 MT). Reductions were reported for unknown destinations (53,000 MT). Exports of 60,700 MT were down 70 percent from the previous week and 56 percent from the prior 4-week average. The destinations were China (49,100 MT), Mexico (11,000 MT), and Indonesia (600 MT).

U.S. Export Inspections: Week Ending February 2, 2017					
Commodity (MT)	**Export Inspections**		**Current Market YTD**	**Previous YTD**	**YTD as Percent of Previous**
	Current Week	**Previous Week**			
Barley	288	575	30,783	29,188	105%
Corn	1,113,212	1,062,502	22,004,792	12,421,009	177%
Sorghum	118,431	240,053	2,658,624	4,657,850	57%
Soybeans	1,635,714	1,636,557	40,428,675	34,261,895	118%
Wheat	618,235	332,060	17,426,427	13,765,807	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 February 2, 2017						
Region	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Lakes	0	0%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Gulf	766,421	73%	60,108	100%	102,618	87%
PNW	125,908	12%	98	0%	0	0%
Interior Export Rail	160,677	15%	0	0%	15,813	13%
Total (Metric Tons)	1,053,006	100%	60,206	100%	118,431	100%
White Corn Shipments by Country (MT)			28,610	to Mexico		
			31,498	to South Africa		
			98	to Korea		
Total White Corn (MT)			60,206			
Sorghum Shipments by Country (MT)					101,094	to China
					2,014	to Haiti
					1,420	to Indonesia
					98	to Korea
					13,805	to Mexico
Total Sorghum (MT)					118,431	

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	+0.65 H	$171.05	-	-
March	+0.63 H	$170.27	+0.90 H	$180.90
LH March	+0.57 H	$167.90	+0.90 H	$180.90
April	+0.47 K	$167.02	+0.75 K	$178.04

Due to a lack of trade volume we are unable to provide white corn prices 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**
February	-	-	+0.55 H	$167.12
March	+0.65 H	$171.05	+0.55 H	$167.12

Barley: Feed Barley (FOB USD/MT)			
	February	**March**	**April**
FOB PNW	$185	$190	$195

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)		
	February	**March**
New Orleans	$139	$139
Quantity 5,000 MT		

Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)		
Bulk 60% Pro.	**February**	**March**
New Orleans	$590	$590
**5-10,000 MT Minimum*		

Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. $/ST)		
	February	**March**
Rail Delvd. East Coast	$555	$555
Rail Delvd. Chicago	$530	$540
Truck Delvd. Chicago	$550	$550
Truck Delvd. Channahon/Elwood	-	-

All prices are market estimates.

DDGS Price Table: February 9, 2017 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**February**	**March**	**April**
Barge CIF New Orleans	144	147	150
FOB Vessel GULF	154	158	161
Rail delivered PNW	174	176	178
Rail delivered California	176	178	180
Mid-Bridge Laredo, TX	175	177	179
40 ft. Containers to South Korea (Busan)	177	176	179
40 ft. Containers to Taiwan (Kaohsiung)	176	175	178
40 ft. Containers to Philippines (Manila)	181	184	188
40 ft. Containers to Indonesia (Jakarta)	180	179	183
40 ft. Containers to Malaysia (Port Kelang)	183	182	185
40 ft. Containers to Vietnam (HCMC)	184	179	184
40 ft. Containers to Japan (Yokohama)	182	181	184
40 ft. containers to Thailand (LCMB)	180	179	182
40 ft. Containers to China (Shanghai)	177	175	179
KC & Elwood, IL Rail Yard (delivered Ramp)	138	138	140

*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: DDGS prices were sharply higher this week, led by increases in the FOB Gulf market. The price jump was motivated by increased buying interest that is being reported by merchandisers across the U.S. Some report that container prices are rising and container availability is being factored in along with the typical post-Chinese New Year tightness in the market. Prices for 40-foot containers to Southeast Asia were up $5/MT on average this week with Malaysian and Indonesian buyers leading the way.

FOB Gulf prices were up $3/MT for February shipment this week and reached 90 percent of FOB corn values for the first time in 2017. Interestingly, prices for Barge CNF NOLA and FOB Gulf shipments are increasing through April. The shape of the forward curve may be signaling higher demand and possibly tighter supplies in the coming months.

Higher soybean meal prices are certainly helpful to the DDGS market right now. After their mid-January race higher, nearby futures prices retreated, found support, and are starting to move higher again. The price action is increasing the competitiveness of DDGS in feed rations, where the per-protein unit cost of DDGS (FOB ethanol plants) is now $3.32 less than for soybean meal. On the FOB Gulf market, soybean meal gained $5/MT this week, leaving the FOB per-protein unit cost of DDGS $2.02 less than that of soybean meal.

Ethanol Comments: Ethanol production retreated from last week's record high, with daily output falling 6,000 barrels to 1.055 million for the week. As has become commonplace to note in many analytical articles, this pace is still well above any previous records or averages for this time of year. Despite the production slowdown, ethanol stocks grew 1 percent last week to 22.085 million barrels even as gasoline consumption increased by 8 percent. The jump in gasoline consumption and stocks together is concerning for the industry as it may be indicative of an export slowdown. Ethanol exports have been brisk this year (up 27 percent through December 2016) and have added significant value to ethanol producers' margins. A prolonged export downturn would certainly apply strong economic pressure to the ethanol industry. However, the start of the U.S. spring driving season is only weeks away and the seasonal increase in consumption could ward off any effects of slowing exports.

Gains were noted in production margins across all four reference markets this week. On average, margins increased $0.12/bushel this week and stand $0.11/bushel higher that one year earlier. Iowa margins saw the strongest gains while more modest improvements were noted in Illinois, Nebraska, and South Dakota.

- Illinois differential is $1.28 per bushel, in comparison to $1.18 the prior week and $1.29 a year ago.
- Iowa differential is $1.23 per bushel, in comparison to $0.99 the prior week and $1.16 a year ago.
- Nebraska differential is $1.35 per bushel, in comparison to $1.27 the prior week and $1.39 a year ago.
- South Dakota differential is $1.81 per bushel, in comparison to $1.74 the prior week and $1.38 a year ago.

COUNTRY NEWS

Brazil: Conab raised its 2017 corn production estimate by nearly 3 MMT 87.409 MMT. If realized, it will be a 31 percent larger output than last year's crop. USDA kept its forecast for Brazilian production at 86.5 MMT. (Reuters)

China: Feed mills in the northeast provinces are being subsidized to buy corn from farmers and Beijing is encouraging provinces to undertake their own measures. Removing the price support has lowered prices and domestic corn is expected to be competitive until at least July; further boosting domestic corn disappearance are the antidumping duties imposed on U.S. distiller's dried grains. As a result, CNGOIC boosted its forecast of domestic corn use by 21 MMT.

Speculators are piling into Dalian corn futures in expectation that the government will successfully drive down the supply/demand ratio. They have pushed corn futures to an 18-month high (up 20 percent since September 30). Still, some contend that the increased demand does not significantly change the market fundamentally since there is still a huge surplus. The government intends to drive down corn production by -670,000 hectares (-4 percent) to 215 MMT this coming season. Corn imports this year are forecast at 800 KMT, though USDA still predicts it will be 3 MMT. (Reuters; Bloomberg)

Saudi Arabia: State grain buyer Saudi Grains Organization (SAGO) purchased 1.5 MMT of animal feed barley in a tender. This is the second purchase of its kind since SAGO took responsibility for supplies in October. (Reuters)

South Africa: Assuming armyworms are managed properly, wet weather is expected to boost corn production by 60 percent over last year's drought burdened crop. Instead of importing 3 MMT of corn like it did last year, South Africa may be exporting 1 MMT of corn in 2016-2017. (WorldGrain)

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	$35.75	Up $0.50	Handymax at $36.00/MT
55,000 U.S. PNW-Japan	$18.25	Up $0.50	Handymax at $18.25/MT
55,000 U.S. Gulf-China PNW to China	$34.50 $17.50	Up $0.50 Up $0.50	North China
25,000 U.S. Gulf-Veracruz, México	$15.75	Up $0.25	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	$14.00	Up $0.25	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$19.25 $31.25	Up $0.25 Up $0.25	West Coast Colombia at $27.75
40-45,000 U.S. Gulf-Guatemala	$25.75	Up $0.25	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	$24.25 $27.25	Up $0.25 Up $0.25	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$23.25	Up $0.25	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$21.25 $24.75	Up $0.25 Up $0.25	55,000 -60,000 MT St. Lawrence to Egypt $22.50
60-70,000 U.S. Gulf-Europe-Rotterdam	$14.20	Unchanged	Handymax at +$1.50 more
Brazil, Santos-China Itacoatiara Port up river Amazonia-China	$23.75 $23.50 $30.75	Up $0.75 Up $0.75 Up $0.75	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$32.00	Up $0.50	—

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: Ocean freight traders seems to be returning to the job slowly after the Lunar New Year holiday. This week has been mostly quiet with little trading. This light volume of activity of course has not provided very much support for the markets, but rates do seem to be up just a little. Most of the related news so far has been about the poor financial conditions at both dry-bulk and container shipping companies.

Updates derived from my trip to the Panama Canal Authority: The new lock is working with a reduced draft of 45 feet, but there is hope to go to 46 feet in a couple of weeks. It will probably be later this year before they get to a 47-foot draft and next year before they get to 50 feet. The big container vessels pay $800,000-$900,000 in transit tolls. LNG vessels pay about $400,000, and a Neo-Panamax dry-bulk vessel would pay about $280,000 in tolls.

In that the new canal is currently working/locking through just six vessels per day at the new lock, they have created more demand for the new lock than they have capacity. Given the difference in toll structures this has to create an interesting dilemma for a Sovereign Service company. Their objective is to work their way up to eight transits per day and then eventually up to 10 or maybe 11 per day by next year. Note that there is an existing plot of land that has been designated for future expansion to another lock set if needed at a later time.

Baltic-Panamax Dry-Bulk Indices				
February 9, 2017	**This Week**	**Last Week**	**Difference**	**Percent Change**
Route				
P2A: Gulf/Atlantic – Japan	12,914	12,969	-55	-0.4%
P3A: PNW/Pacific– Japan	6,202	5,659	543	9.6%

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:

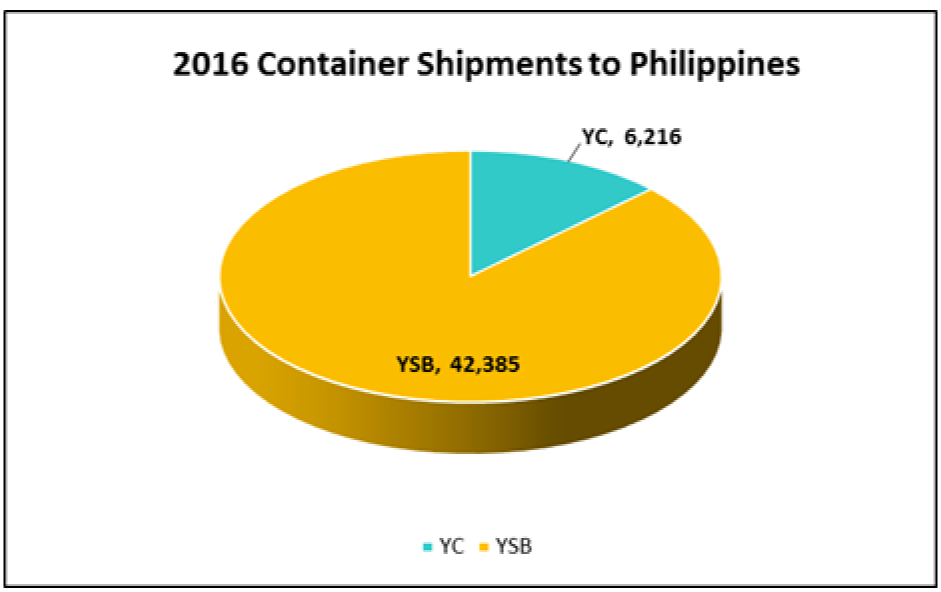
Week Ending February 9, 2017	
Four weeks ago:	$5.40-$6.30
Three weeks ago:	$5.70-$5.95
Two weeks ago:	$5.05-$5.85
One week ago:	$4.95-$5.15
This week	$4.70-$4.90

Source: O'Neil Commodity Consulting

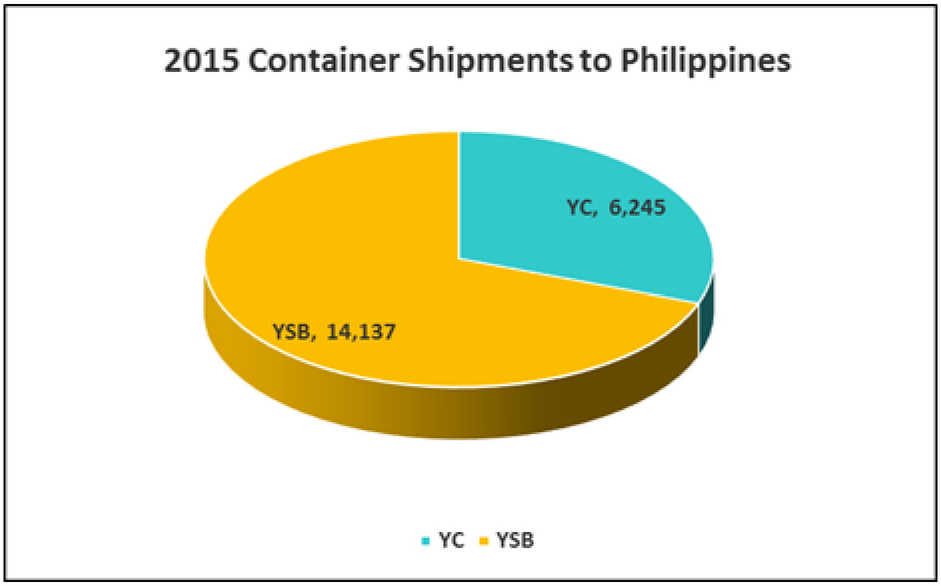
U.S.-Asia Market Spreads					
February 9, 2017	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
#2 Corn	0.85	0.55	0.30	$11.81	PNW
Soybeans	0.75	0.50	0.25	$9.84	PNW
Ocean Freight	$17.50	$34.50	0.43-0.46	($17.00)	March

Source: O'Neil Commodity Consulting

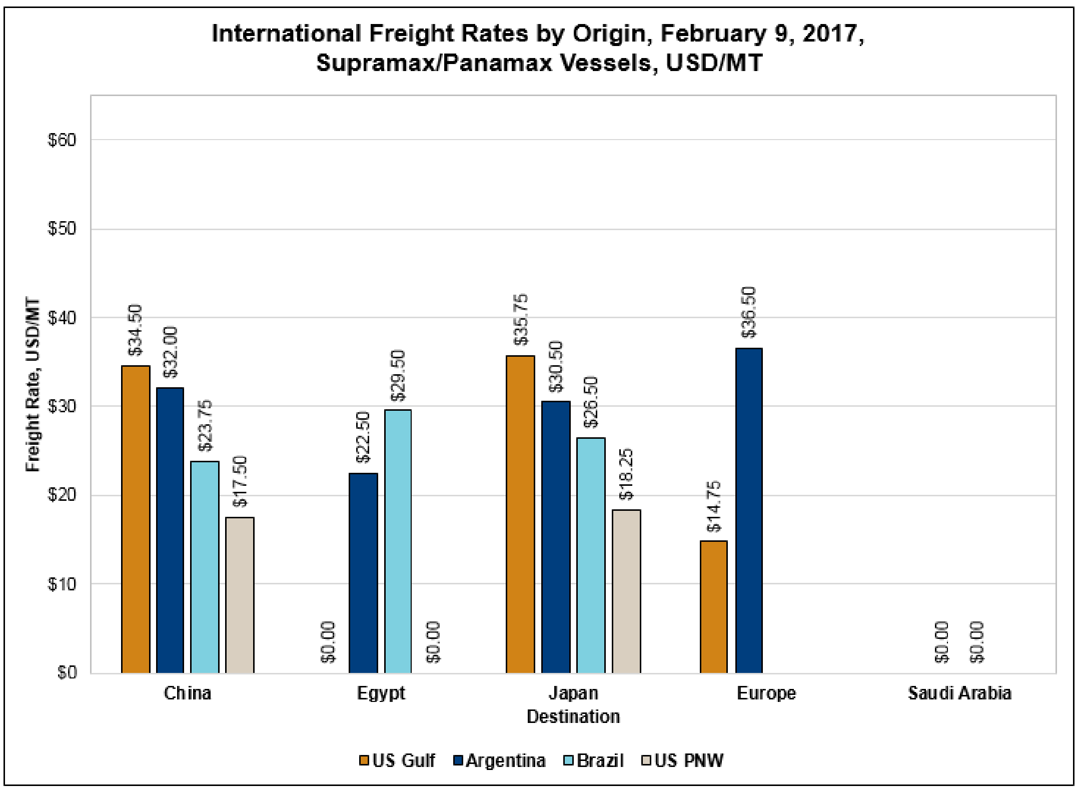
The charts below represent January-December 2016 annual totals versus January-December 2015 annual totals for container shipments to the Philippines.



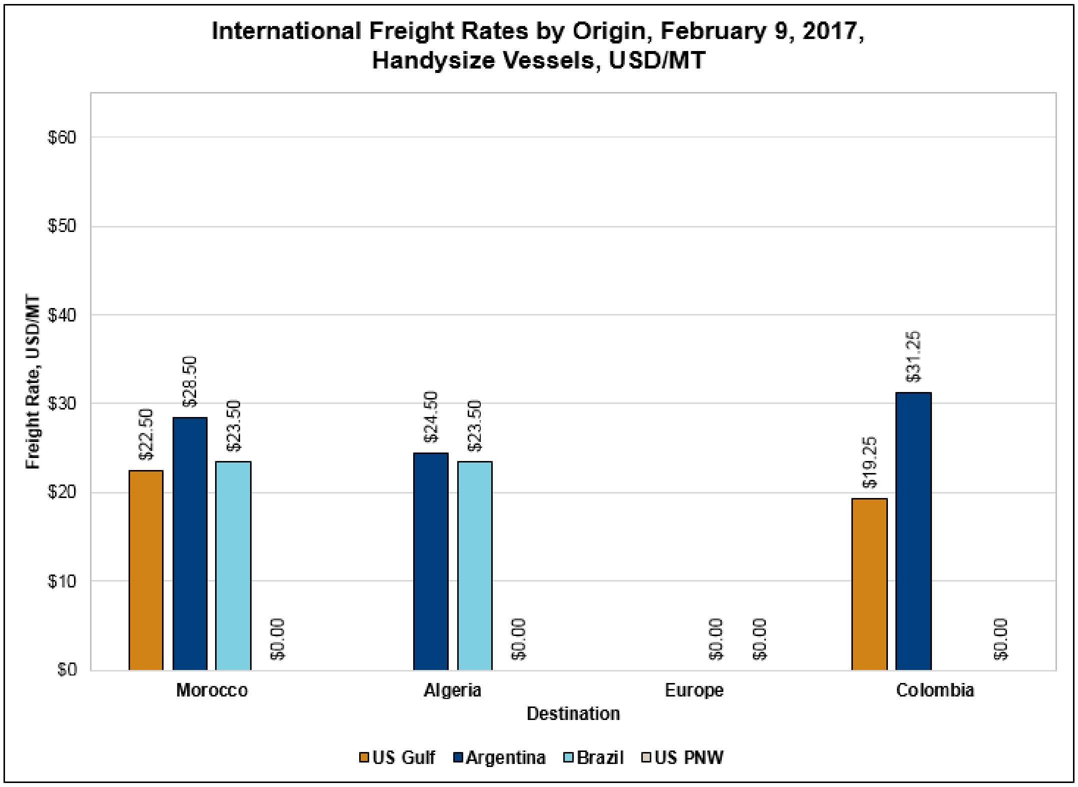
Source: O'Neil Commodity Consulting



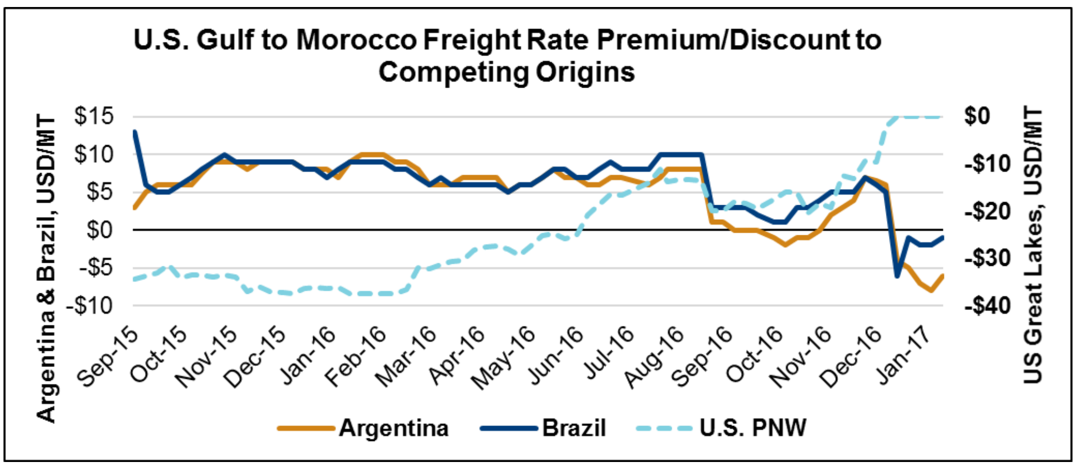
Source: O'Neil Commodity Consulting



Source: DTN, O'Neil Commodity Consulting and WPI



Source: DTN, O'Neil Commodity Consulting and WPI



Source: DTN, O'Neil Commodity Consulting and WPI

INTEREST RATES

Interest Rates (%): February 9, 2017			
	Current Week	Last Week	Last Month
U.S. Prime	3.75	3.75	3.75
LIBOR (6 month)	1.34	1.35	1.33
LIBOR (1 year)	1.71	1.72	1.70

Source: www.bankrate.com