U.S. GRAINS COUNCIL

Market Perspectives

February 23, 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.

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.

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract					
$/Bu	**Friday 17 February**	**Monday 20 February**	**Tuesday 21 February**	**Wednesday 22 February**	**Thursday 23 February**
Change	-5.250	0.000	1.0000	1.7500	-5.5000
Closing Price	368.25	0.000	369.25	371.00	365.50
Factors Affecting the Market	Corn fell from seven-month highs on commercial selling. Demand has been bullish for corn, especially for exports, but 2017 supply forecasts remain bold and price oppressive. The U.S. dollar was stronger which helped encourage selling.	Markets were closed for the President's Day holiday.	Corn was up slightly, despite solidly bullish export news. Exports of 45.4 million bushels put YTD exports up 74 percent. U.S. FOB corn prices are 30 cents cheaper than Brazil, indicating continuing export opportunities. Outside markets were higher.	USDA announced the cancellation of a 5.4-million-bushel sale to South Korea but long corn/short soybean spreads kept the market in the green. The dollar index fell 11 points while other outside markets were mixed, with lower crude oil.	The USDA estimated 2017 U.S. corn acres at 90 million, down 4 million from 2016. Private consulting estimates pegged Brazilian production at 93 MMT, up 36 percent YOY. A falling dollar offered little support for the fundamentally-driven market today.

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: At the USDA Ag Outlook forum this morning, USDA Chief Economist Rob Johansson gave the organization's current 2017 outlook for U.S. crops and livestock. The USDA pegged the 8-crop acre figure at 249.8 million in 2017, down 1.4 percent from last year, while corn acres are estimated at 90 million, down 4 million (4.3 percent) from 2016. These initial estimates may be low, as history suggests, but they confirm much of the market's feeling: that corn acres will fall in 2017.

The fall in corn acres is largely driven by the economic situation for row crop farmers, especially the current corn/soybean price ratio. Currently, soybean prices are 2.6 times greater than corn and this profitability dynamic is pulling acres away from corn. However, USDA did raise the U.S. average, on-farm corn price 10 cents to $3.50 per bushel. The move is partly driven by increasing feed demand for corn (red meat and poultry production is set to grow 3.1 percent this year) and partly by a solid outlook for corn export demand.

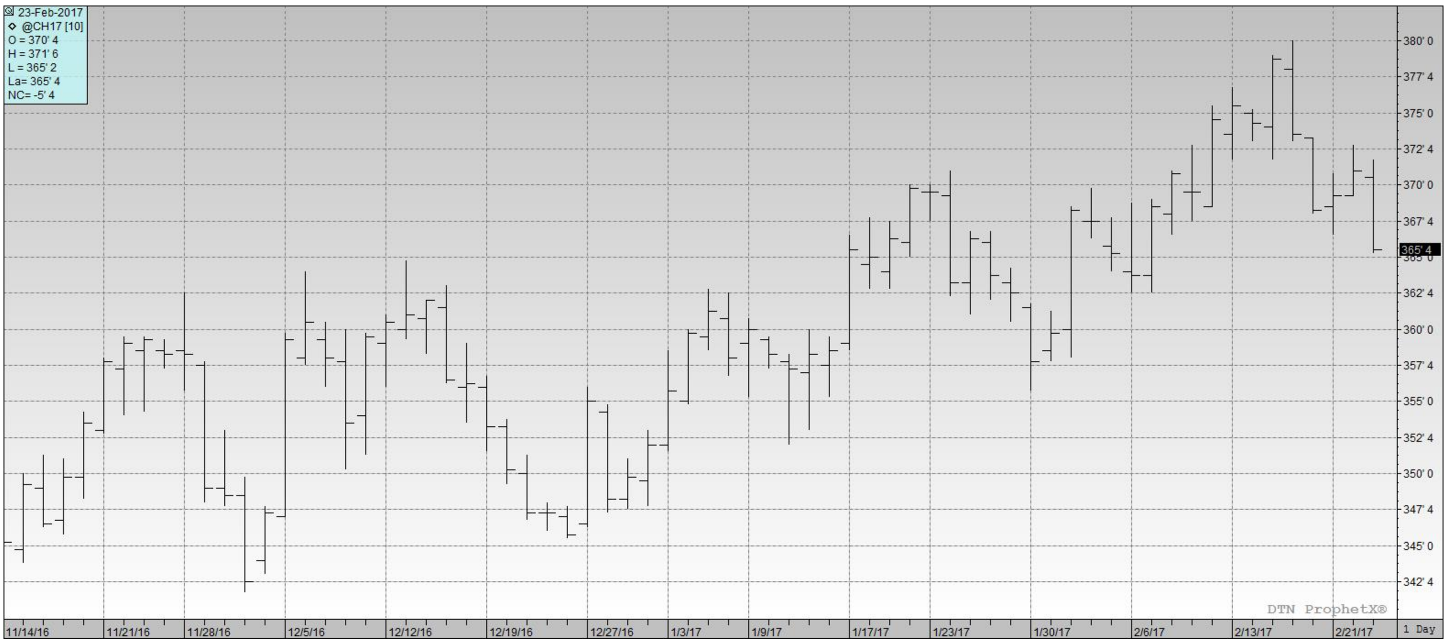
If the forecasted 90 million acres of corn planting will be realized, when combined with the typical harvesting of 92 percent of those acres and a trendline yield, U.S. corn production for 2017/18 will be near 13.9 billion bushels. Despite low corn prices, this seems too low a production forecast and USDA will likely increase planted area estimates in future reports.

One key factor for the corn crop this year will be, as it always is, the weather. Interestingly, ocean temperatures are currently such that predicting the summer weather is going to be more difficult this year. The Pacific La Nina event has ended and the U.S. Climate Prediction Center recently raised the odds of an El Nino event occurring in 2017 to 50 percent. Currently, Pacific Ocean conditions are so close to "normal" that meteorologists' ability to forecast summer weather is being hampered. Accordingly, the USDA is likely to leave their estimate of 2017/18 U.S. corn yields at trendline (or "normal") values for the time being.

Corn futures have come under pressure during this holiday-shortened trading week. The March contract fell 5.5 cents Thursday as Brazilian production estimates came in higher than expected. The Brazilian weather has been favorable and Brazil's private analysis firm AgroConsult pegged the nation's production at 93 MMT, which if realized would be a 39 percent year-over-year gain. Such a large crop from the largest competitor to U.S. corn exports could add financial difficulty to much of the American farm economy.

From a technical standpoint, corn futures are correcting this week by falling back to their trendline. Support at the 40-day moving average has been found and, if it continues to hold, offers upside potential for the contract next week. Still, barring any weather events, the outlook for corn is a slow, uphill battle in which gradual improvements in demand will outweigh a large supply scenario.

CBOT MARCH CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending February 23, 2017			
Commodity	**23-Feb**	**17-Feb**	**Net Change**
Corn			
Mar 17	365.50	368.25	-2.75
May 17	372.50	375.50	-3.00
Jul 17	379.75	382.50	-2.75
Sep 17	385.75	388.25	-2.50
Soybeans			
Mar 17	1011.50	1032.50	-21.00
May 17	1022.50	1043.25	-20.75
Jul 17	1031.50	1052.25	-20.75
Aug 17	1031.25	1051.50	-20.25
Soymeal			
Mar 17	330.80	339.60	-8.80
May 17	335.20	343.90	-8.70
Jul 17	338.40	346.90	-8.50
Aug 17	337.50	345.30	-7.80
Soyoil			
Mar 17	32.32	32.89	-0.57
May 17	32.59	33.16	-0.57
Jul 17	32.87	33.41	-0.54
Aug 17	32.97	33.51	-0.54
SRW			
Mar 17	438.00	441.00	-3.00
May 17	453.50	455.50	-2.00
Jul 17	467.00	468.50	-1.50
Sep 17	482.00	484.00	-2.00
HRW			
Mar 17	457.75	456.25	1.50
May 17	471.50	469.25	2.25
Jul 17	483.00	481.00	2.00
Sep 17	497.25	495.00	2.25
MGEX (HRS)			
Mar 17	544.00	546.25	-2.25
May 17	553.25	554.50	-1.25
Jul 17	559.50	560.50	-1.00
Sep 17	565.50	565.50	0.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: In the day since the Tuesday morning cutoff time of this week's USDM, a low-pressure system dropped half an inch or more of precipitation across parts of California, Oregon, and the Northern Rockies, while another surface low gave half an inch to 2 inches of rain to parts of Florida, Alabama, and Georgia. For February 22-28, the western low will track across the central CONUS to the Northeast, followed by a second low taking a similar track, and a third low will bring more precipitation to the West. A tenth of an inch or more of precipitation is forecast for much of the West, the Lower Mississippi Valley, and parts of Florida, with 1 inch or more along the west coast, Central Rockies, and in a band from the Central

Plains and Ohio Valley to the Northeast. Up to 3 inches of new precipitation may fall in the D1-D2 area of southern coastal California and the Sierra Nevada, with up to 2 inches in parts of the Midwest to Northeast.

Little to no precipitation is forecast for the Northern and Southern Great Plains and parts of the coastal Southeast. A trough west/ridge east pattern should keep temperatures cooler than normal in the western CONUS and warmer than normal in the east. For March 1-8, the odds favor drier-than-normal conditions from the Southwest to Central Plains and parts of Florida, and wetter-than-normal conditions along the northern tier states in the CONUS, and most of the country along and east of the Mississippi River. Odds favor cooler-than-normal weather across the western CONUS, and warmer-than-normal weather across the eastern half of the CONUS as well as the Southern Plains.

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 Monday, February 20 holiday, weekly U.S. export sales will be published on Friday, February 24. Updated U.S. export sales will be published in the March 2 edition of *Market Perspectives*.

U.S. Export Sales and Exports: Week Ending February 9, 2017					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	574,200	389,100	16,973.4	23,984.1	39%
Corn	1,020,800	1,251,700	22,053.2	41,972.9	63%
Sorghum	149,500	153,000	2,302.7	3,384.9	-46%
Barley	0	0	13.5	16.9	-35%

Corn: Net sales of 783,500 MT for 2016/2017 were down 19 percent from the previous week and 35 percent from the prior 4-week average. Increases were for Japan (708,800 MT, including 90,800 MT switched from unknown destinations and decreases of 4,500 MT), Peru (83,600 MT, including 108,000 switched from unknown destinations and decreases of 1,600 MT), Mexico (69,200 MT), Morocco (69,000 MT, including 65,000 MT switched from unknown destinations), and Chile (43,600 MT, including 45,000 MT switched from Peru and decreases of 1,400 MT). Reductions were reported for unknown destinations (381,200 MT), Venezuela (18,000 MT), and Honduras (3,500 MT). For 2017/2018, net sales of 285,200 MT were reported for Japan (229,000 MT), Mexico (30,000 MT), and Costa Rica (26,200 MT). Exports of 1,251,700 MT were up 11 percent from the previous week and 32 percent from the prior 4-week average. The primary destinations were Japan (382,200 MT), Mexico (233,700 MT), Peru (154,600 MT), South Korea (72,500 MT), and Morocco (69,000 MT).

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

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

Sorghum: Net sales of 134,900 MT for 2016/2017 were up noticeably from the previous week and from the prior 4-week average. Increases were for China (174,500 MT, including 113,000 MT switched from unknown destinations), Japan (13,000 MT, including 3,000 MT switched from unknown destinations and decreases of 100 MT), the Republic of South Africa (9,500 MT, switched from unknown destinations), and Mexico (7,900 MT, including decreases of 4,000 MT). Reductions were reported for unknown destinations (70,000 MT). Exports of 153,000 MT were up noticeably from the previous week and up 40 percent from the prior 4-week average. The destinations were China (121,600 MT), Japan (18,000 MT), the Republic of South Africa (9,500 MT), and Mexico (3,900 MT).

U.S. Export Inspections: Week Ending February 16, 2017					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	96	48	30,927	29,702	104%
Corn	1,152,233	1,255,893	24,422,897	14,027,258	174%
Sorghum	179,386	205,360	3,044,203	5,047,825	60%
Soybeans	1,076,390	1,145,532	42,665,362	37,550,639	114%
Wheat	558,252	324,794	18,376,473	14,421,155	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 16, 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	819,832	73%	32,801	94%	110,885	62%
PNW	197,539	18%	0	0%	63,586	35%
Interior Export Rail	100,041	9%	2,020	6%	4,915	3%
Total (Metric Tons)	1,117,412	100%	34,821	100%	179,386	100%
White Corn Shipments by Country (MT)			10,801	to Colombia		
			22,000	to Honduras		
			2,020	to Mexico		
			34,821			
Total White Corn (MT)						
Sorghum Shipments by Country (MT)					171,042	to China
					3,405	to Djibouti
					24	to Japan
					294	to Indonesia
					4,621	to Mexico
Total Sorghum (MT)					179,386	

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)
March	+0.63 H	$168.69	+1.40 H	$199.00
LH March	+0.57 H	$166.33	+1.40 H	$199.00
April	+0.45 K	$164.36	+0.75 K	$176.17

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**March**	**April**	**May**
Gulf	$203	$203	$203

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
February	-	-	+0.50 H	$163.57
March	+0.60 H	$167.51	+0.50 H	$163.57

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

**Prices reflect the week of February 16, 2017.*

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	March	**April**	**May**
New Orleans	$140	$140	$140
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**March**	**April**	**May**
New Orleans	$600	$600	$600
**5-10,000 MT Minimum*			

Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. $/ST)		
	March	**April**
Rail Delvd. East Coast	$565	$560
Rail Delvd. Chicago	$550	$540
Truck Delvd. Chicago	-	$540
Truck Delvd. Channahon/Elwood	-	-

*****_All prices are market estimates._

DDGS Price Table: February 23, 2017 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**March**	**April**	**May**
Barge CIF New Orleans	146	148	149
FOB Vessel GULF	156	157	158
Rail delivered PNW	175	177	179
Rail delivered California	178	180	181
Mid-Bridge Laredo, TX	173	175	176
FOB Lethbridge, Alberta	149	150	152
40 ft. Containers to South Korea (Busan)	185	186	189
40 ft. Containers to Taiwan (Kaohsiung)	184	185	189
40 ft. Containers to Philippines (Manila)	192	193	196
40 ft. Containers to Indonesia (Jakarta)	189	190	194
40 ft. Containers to Malaysia (Port Kelang)	190	191	195
40 ft. Containers to Vietnam (HCMC)	198	198	203
40 ft. Containers to Japan (Yokohama)	194	195	198
40 ft. containers to Thailand (LCMB)	186	187	191
40 ft. Containers to China (Shanghai)	185	186	190
KC & Elwood, IL Rail Yard (delivered Ramp)	138	140	142

*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 have stabilized this week with buyers having filled near-term needs and not wanting to chase the market higher. Barge CIF NOLA prices fell only $0.50/MT this week while FOB Gulf prices climbed $1/MT. Part of the reason for the slowdown is reduced Midwest feed demand, driven by warmer weather this week. Oddly, the Chicago market is reported as lagging other markets' gains, though explanatory reasons are few. Internationally, 40-foot container prices to Vietnam jumped $14/MT this week for March shipment while those to Japan climbed $9/MT. Other Southeast Asia destinations experienced smaller pricing gains, rising $1/MT on average.

Soybean meal futures have retreated this week which is limiting merchandizers' ability to ask for higher DDGS prices. The downturn in soybean meal prices reduced the per-protein unit advantage of DDGS, though the ethanol co-product retains a $1.60 advantage FOB U.S. Gulf. Additionally, traders are reporting tightness in equipment from the Chinese New Year slowdown that is typical for this time of year. The growth in U.S. ethanol stocks and deteriorating margins will likely increase ethanol plant downtime in the near future, helping reduce DDGS supplies and supporting prices.

Ethanol Comments: Weekly ethanol production fell by 6 million gallons this week (down 0.6 percent to 304 million gallons) as ethanol stocks continued to build. Over 169,000 barrels were added to ethanol stocks, following the seasonal pattern typical for this time of year. Seasonally, ethanol stocks will start to decline in the next 3-4 weeks as driving picks up across the U.S. Gasoline consumption and the stocks drawdown could come earlier this year due to the good weather across much of the U.S.

Ethanol production margins fell this week across all four reference markets, led by Nebraska which saw the steepest declines. Across the U.S., margins were $0.15 per bushel weaker this week but are still above year-ago levels by $0.14. Interesting patterns are starting to emerge between the futures-implied and cash ethanol margins. Cash margins are in line with those typical for this time of year and are between 2015 and 2016 levels. Futures-implied margins, however, are significantly higher than what they were in February, 2016. The difference could be indicative of better times ahead for ethanol producers or simply indicate arbitrage opportunities exist for cash and futures traders. DDGS prices have been strengthening in recent weeks and could help improve production margins going forward.

- Illinois differential is $1.41 per bushel, in comparison to $1.58 the prior week and $1.28 a year ago.
- Iowa differential is $1.35 per bushel, in comparison to $1.47 the prior week and $1.23 a year ago.
- Nebraska differential is $1.58 per bushel, in comparison to $1.82 the prior week and $1.35 a year ago.
- South Dakota differential is $1.88 per bushel, in comparison to $1.96 the prior week and $1.81 a year ago.

Ethanol producers received some good news on the political front this week when President Trump sent a letter to the National Ethanol Conference in San Diego pledging his support for the RFS. The letter noted the administration values the contribution of renewable fuels to the economy and the nation's fuel independence. The letter came one day before the EPA closed public comments on what entities should be responsible for adhering to the RFS.

COUNTRY NEWS

Algeria: The state grains agency, OAIC, purchased around 50 KMT of feed barley under an optional origin contract. Prices were $182-183/MT with first half March delivery. (Reuters)

Argentina: The amount of ethanol blended into gasoline could double over the next two to three years. The government is seeking to reduce dependence on imported energy by producing more ethanol. (Reuters)

China: Beijing is negotiating the export sale of 15 to 23 KMT of corn to Japan. Slow delivery of U.S. corn out of the PNW is creating the opportunity for China to unload surplus corn.

Kenya: Ukraine is supplying 450 KMT of yellow corn to Kenya for feed use to free up locally produced white corn for human food use. (Bloomberg)

Zimbabwe: Maize production is expected to triple from last year's drought stricken 512 KMT to 1.8 MMT this year. (Philippines News Agency)

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	$36.50	Up $0.75	Handymax at $37.00/MT
55,000 U.S. PNW-Japan	$19.00	Up $0.50	Handymax at $19.50/MT
55,000 U.S. Gulf-China PNW to China	$35.00 $18.25	Up $0.50 Up $0.50	North China
25,000 U.S. Gulf-Veracruz, México	$16.00	Up $0.25	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	$14.25	Up $0.25	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$20.25 $32.25	Up $1.00 Up $1.00	West Coast Colombia at $28.25
40-45,000 U.S. Gulf-Guatemala	$25.25	Down $0.50	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	$25.00 $27.25	Up $0.75 Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$24.00	Up $0.75	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$22.00 $25.25	Up $0.75 Up $0.50	55,000 -60,000 MT St. Lawrence to Egypt $23.00
60-70,000 U.S. Gulf-Europe-Rotterdam	$14.75	Up $0.75	Handymax at +$1.50 more
Brazil, Santos-China Itacoatiara Port up river Amazonia-China	$25.25 $24.75 $29.00	Up $0.50 Up $0.25 Down $2.75	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$34.00	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: It turned out to be an up market at the end of the week. Ocean freight markets showed a little more buying interest at week's end as Chinese purchases of iron ore cargoes picked up. Players in the Baltic paper market took this as a sign of recovery and jumped on the band wagon.

Most of the new price support showed up in the U.S. PNW/Pacific market (due to the continued loading delays and vessel backups) and in the East Coast South American markets as the soybean harvest and shipping season gains steam down there. More vessels are ballasting to South America to get in line. Vessel lineup in the PNW, which increased to more than 83 ships last week, is now down to about 65 (half of which are wheat). Last week I estimated FOB vessel corn values from the PNW at +1.40 H and thought I was aiming high; then a spot shuttle train traded at +2.05 H delivered PNW. This week I am hearing a corn shuttle market closer to +1.80 H. I will not try to guess the FOB vessel value for March. Rail logistics, however, are slowly improving and will take another four weeks to get back to a level of normalcy – providing Mother Nature doesn't throw a curve ball at us.

I heard that the BNSF delivered about 18 shuttle trains into PNW export facilities on Monday (a record number) and 14 trains on Tuesday. Looks like they will be trying to get up to an average of 11-12 train deliveries per day as we move forward. So, things are gradually improving. Fingers crossed.

Baltic-Panamax Dry-Bulk Indices				
February 23, 2017 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	12,291	12,553	-262	-2.1%
P3A: PNW/Pacific– Japan	7,704	6,891	813	11.8%
S1C: U.S. Gulf-China-S. Japan	19,369	16,708	2,661	15.9%

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:

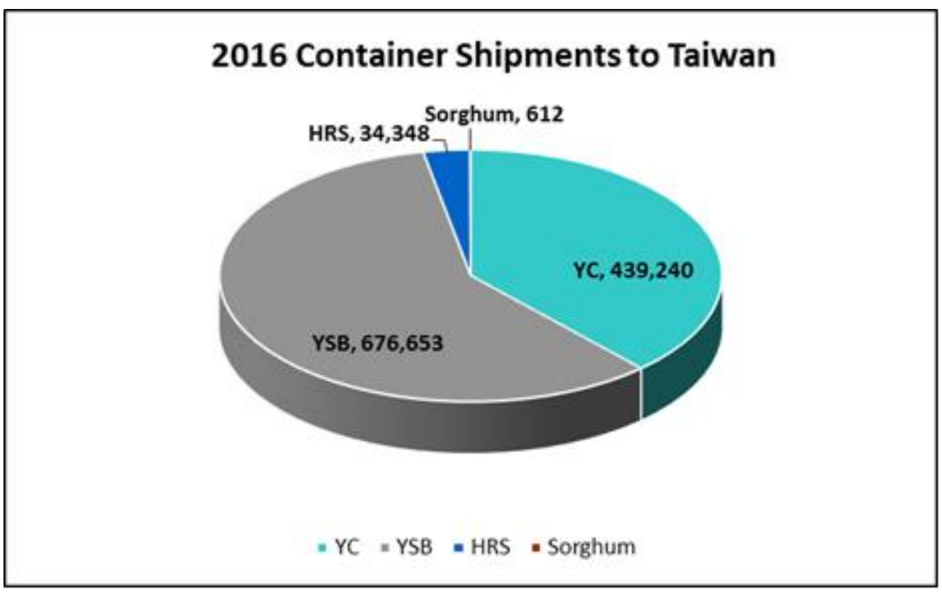
Week Ending February 23, 2017	
Four weeks ago:	$5.05-$5.85
Three weeks ago:	$4.95-$5.15
Two weeks ago:	$4.70-$4.90
One week ago:	$3.85-$4.10
This week	$4.20-$5.40

Source: O'Neil Commodity Consulting

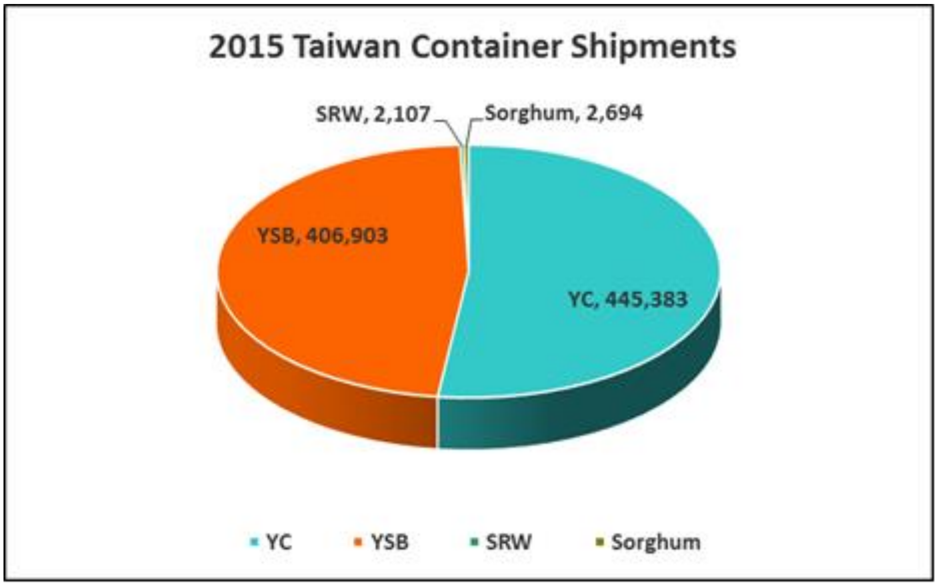
U.S.-Asia Market Spreads					
February 23, 2017	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
#2 Corn	0.78	0.46	0.32	$12.60	PNW
Soybeans	0.73	0.40	0.33	$12.99	PNW
Ocean Freight	$18.25	$35.00	0.43-0.46	($16.75)	April

Source: O'Neil Commodity Consulting

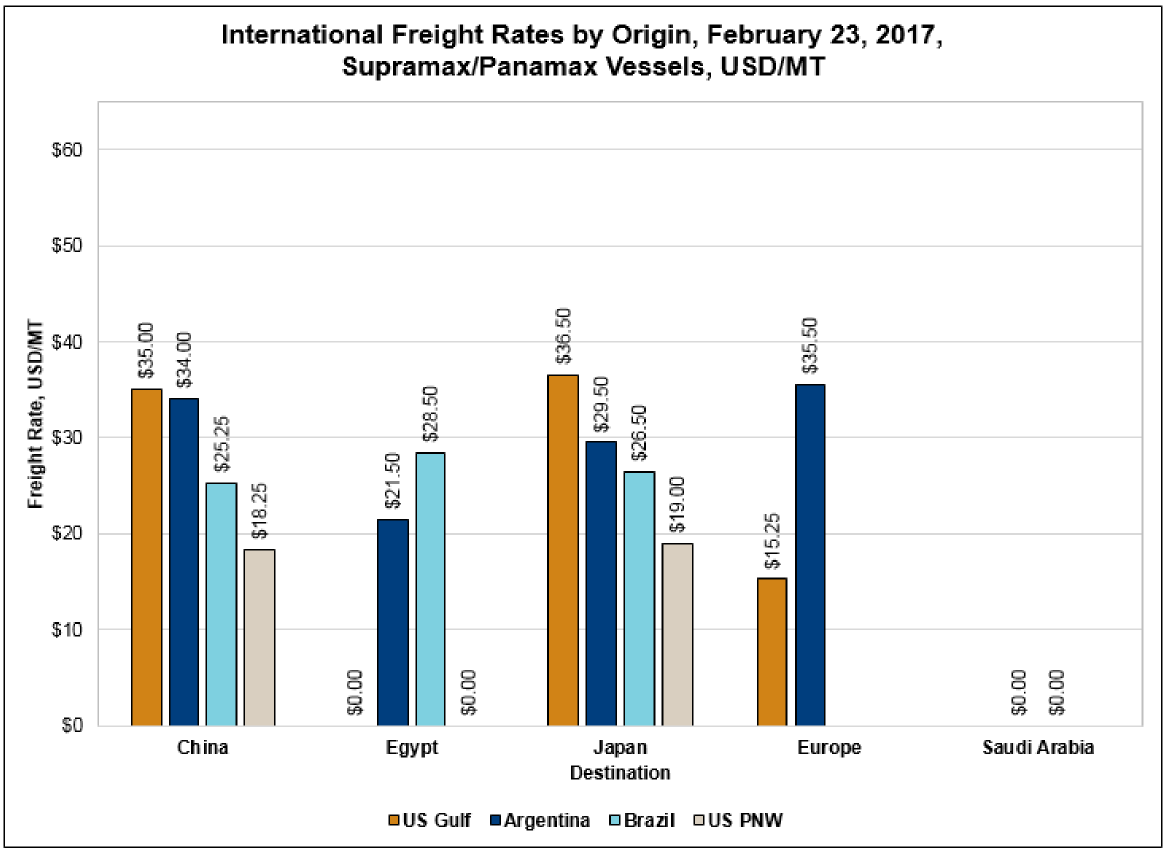
The charts below represent January-December 2016 annual totals versus January-December 2015 annual totals for container shipments to Taiwan.



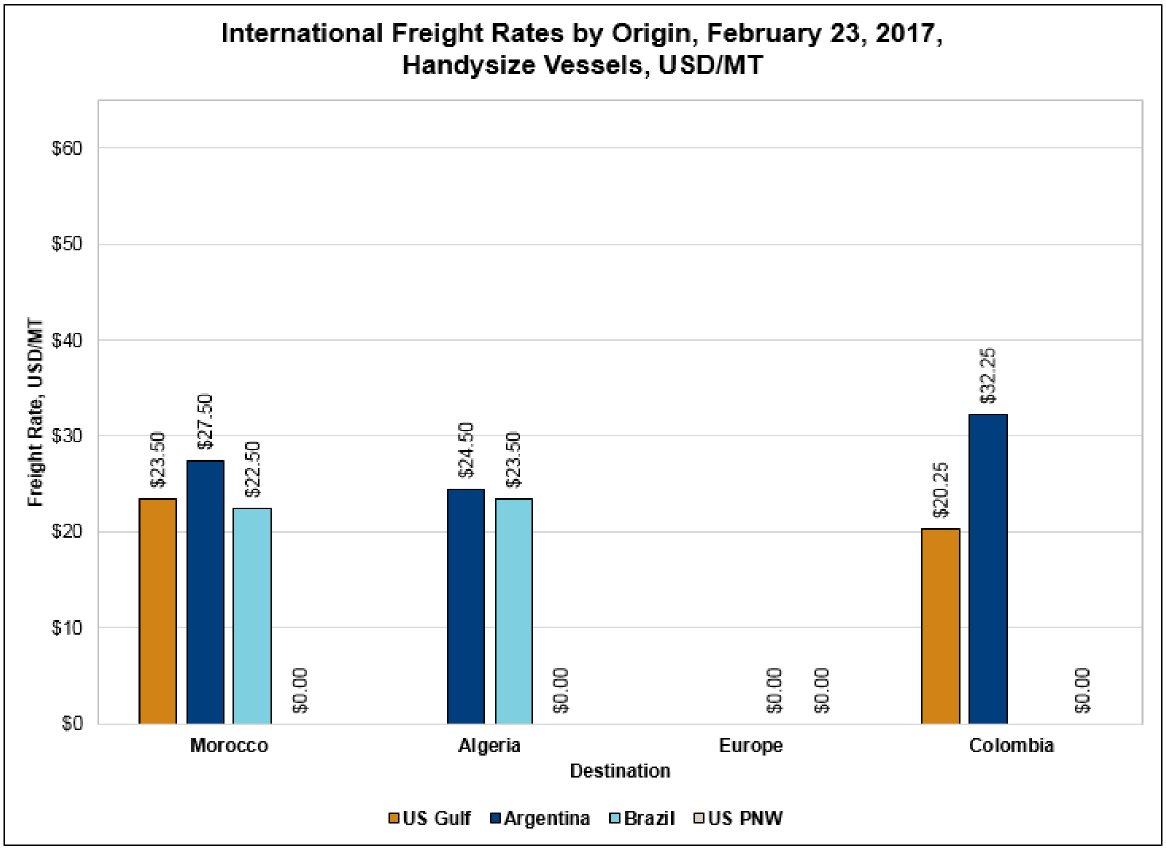
Source: O'Neil Commodity Consulting



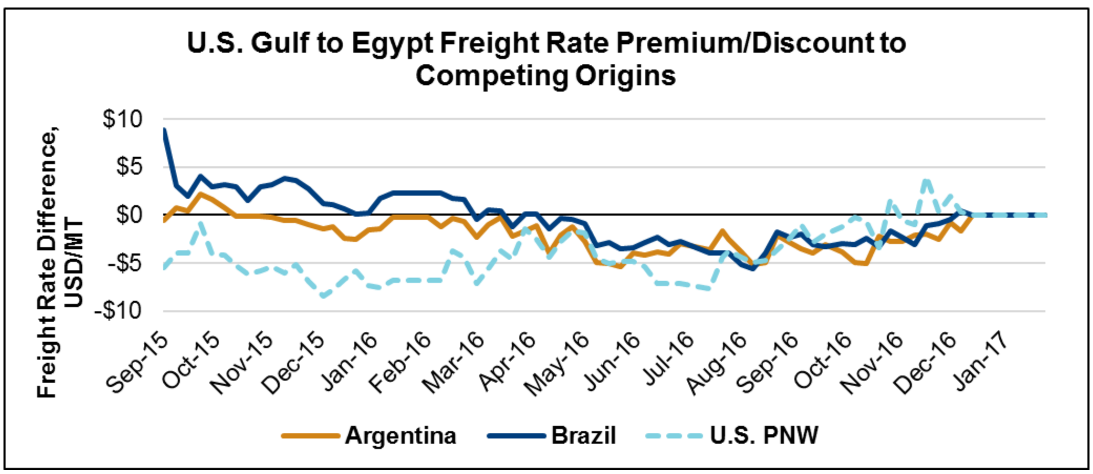
Source: O'Neil Commodity Consulting



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 23, 2017			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.75	3.75	3.75
LIBOR (6 month)	1.36	1.34	1.35
LIBOR (1 year)	1.74	1.71	1.73

Source: www.bankrate.com