U.S. GRAINS COUNCIL

Market Perspectives

March 16, 2017

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CHICAGO BOARD OF TRADE MARKET NEWS

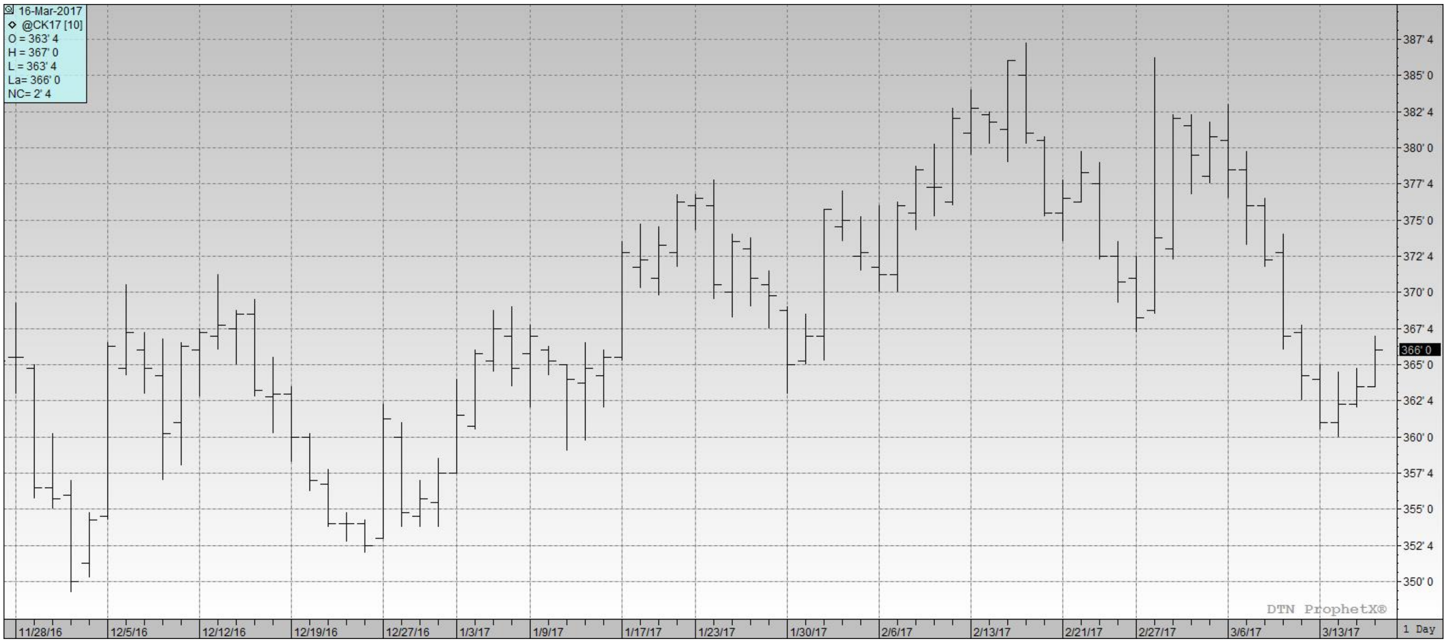
Week in Review: CME Corn May Contract					
$/Bu	**Friday March 10**	**Monday March 13**	**Tuesday March 14**	**Wednesday March 15**	**Thursday March 16**
Change	-2.750	-3.250	1.2500	1.2500	2.5000
Closing Price	364.25	361.00	362.25	363.50	366.00
Factors Affecting the Market	South American production numbers pushed the market lower. Brazil's and Argentina's exports together grew 811 million bushels in the March WASDE. The dollar was lower and irrelevant. Equities were higher on good payroll numbers.	Bearish supplies overcame bullish demand. The market focused on global supplies though export inspections data were bullish (61 million bushels). Cash markets were lower, pressured by futures. Outside markets were mixed.	USDA said 4.7 million bushels were sold to Mexico and China bought 3 cargoes from the PNW, highlighting U.S. corn demand. FOB NOLA prices are 30 cents cheaper than any other origin, buying international demand. The dollar was higher while equities were lower.	Good news for demand came from two sources: higher ethanol production and the Fed's rate increase which sent the dollar lower. Good weather keeps expectations of record Brazilian harvests alive. Crude oil was higher as were equities on the heels of the Fed's decision.	Bullish export numbers and commercial buying extended gains. The USDA reported 49.4 million bushels were sold last week, putting YTD exports up 66 percent. Outside markets were lower following yesterday's Fed-induced exuberance with the dollar mostly flat.

Outlook: The ongoing battle between "big supply" and "big demand" continued this week, with supply bears winning early in the week and demand bulls gaining ground toward the end. Following the WASDE report in which Brazilian and Argentinian exports were increased to 780 million bushels over last year, corn prices came under substantial selling pressure. The May corn contract approached the lowest prices of 2017 on Monday but brisk U.S. export sales and export inspections put a bid under the market starting Tuesday. USDA announced the sale of 4.7 million bushels of corn to Mexico on Tuesday and China purchased three cargoes (195,000 MT) of PNW corn. China still has considerable corn in stock and the purchase is indicative that not all those stocks are of usable quality.

The USDA's weekly Export Sales report was bullish for corn this week as 58 million bushels in net sales were recorded, of which 49.4 were for the 2016/17 marketing year. This was well above the 18.7 million bushels needed to meet USDA's export projections for the year. Moreover, it was above the 29.9 million bushels needed to meet USDA's projections when seasonal trends are incorporated. Weakness in the U.S. dollar last week was helpful in promoting exports, as was the drop in CBOT prices.

From a technical perspective, May corn futures became oversold this week and subsequently found support at $3.60. In the short-term, the contract has some upward potential but longer term technicals are more bearish. Despite a 2 ½ cent gain today, May corn failed to close above its 100-day moving average at $3.67; a signal which may prompt traders to stack up additional sell orders at that point. Should bears succeed in holding back the current corrective movement in the market, a close below $3.60 would be needed to confirm the resumption of a minor downtrend. Following that, the next bearish downside target is $3.52. Should the contract close *above* the 100-day moving average, the next significant patch of resistance lies at $3.74-3.75. A test of this target would likely bring fund buying back from its recent hiatus.

CBOT MAY CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending March 16, 2017			
Commodity	**16-Mar**	**10-Mar**	**Net Change**
Corn			
May 17	366.00	364.25	1.75
Jul 17	373.50	372.00	1.50
Sep 17	380.00	379.25	0.75
Dec 17	387.50	386.50	1.00
Soybeans			
May 17	1001.50	1006.50	-5.00
Jul 17	1011.50	1016.25	-4.75
Aug 17	1012.50	1017.25	-4.75
Sep 17	1002.50	1006.00	-3.50
Soymeal			
May 17	329.30	328.70	0.60
Jul 17	332.60	332.10	0.50
Aug 17	331.70	331.40	0.30
Sep 17	330.30	330.10	0.20
Soyoil			
May 17	32.26	32.68	-0.42
Jul 17	32.54	32.95	-0.41
Aug 17	32.63	33.04	-0.41
Sep 17	32.71	33.11	-0.40
SRW			
May 17	436.00	440.50	-4.50
Jul 17	451.00	456.25	-5.25
Sep 17	465.50	471.00	-5.50
Dec 17	483.75	488.75	-5.00
HRW			
May 17	450.00	455.50	-5.50
Jul 17	461.75	467.50	-5.75
Sep 17	476.00	482.50	-6.50
Dec 17	495.25	502.00	-6.75
MGEX (HRS)			
May 17	548.00	538.50	9.50
Jul 17	553.25	545.75	7.50
Sep 17	559.25	552.25	7.00
Dec 17	568.00	561.75	6.25

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: Over the next 5-7 days, the impact of the winter storm over New England will subside and another system will make its way across the Ohio River valley. Precipitation is anticipated to be greatest over an area from Kentucky to New York. Another series of storms will impact the Pacific Northwest from Washington to California, possibly bringing several inches of precipitation to the area. Temperatures are expected to be warmer than normal over most areas west of the Missouri River valley, with departures of up to 8-10 degrees above normal possible. Cooler than normal temperatures will dominate the eastern seaboard, with departures of 6-9 degrees below normal possible over portions of the Southeast.

The 6-10 day outlooks show that the probability of below-normal temperatures will be greatest over California, the upper Midwest and into New England. The highest probabilities of above-normal temperatures are centered over Texas, with much of the South and Rocky Mountain regions anticipating warmer than normal temperatures. The highest probabilities of above-normal precipitation will be over California and Nevada and into the Ohio River Valley. Drier than normal conditions are anticipated over Texas and the Gulf Coast as well as the upper Midwest, where the greatest probabilities of below-normal precipitation exist.

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 March 9, 2017					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	365,900	619,300	19,136.0	25,366.4	37%
Corn	1,318,700	1,580,400	27,790.3	45,404.8	51%
Sorghum	18,300	133,400	2,768.1	3,613.3	-44%
Barley	6,400	0	15.0	24.3	-10%

Corn: Net sales of 1,255,400 MT for 2016/2017 were up 69 percent from the previous week and 70 percent from the prior 4-week average. Increases were for Mexico (300,400 MT, including 120,500 MT switched from unknown destinations and decreases of 12,800 MT), Japan (282,600 MT, including 88,400 MT switched from unknown destinations and decreases of 87,500 MT), Colombia (182,200 MT, including 157,500 MT switched from unknown destinations), South Korea (129,900 MT, including decreases of 600 MT), and Taiwan (91,200 MT, including 61,800 MT switched from unknown destinations and decreases of 1,600 MT). Reductions were reported for Nicaragua (1,800 MT). For 2017/2018, net sales of 218,100 MT were reported primarily for Mexico (90,000 MT), Panama (78,500 MT), and unknown destinations (22,400 MT). Exports of 1,580,400 MT--a marketing-year high--were up 9 percent from the previous week and 17 percent from the prior 4-week average. The primary destinations were Japan (485,200 MT), Colombia (267,000 MT), Mexico (231,100 MT), Taiwan (132,300 MT), and South Korea (132,200 MT).

Optional Origin Sales: For 2016/2017, decreases in optional origin sales totaling 50,000 MT were reported for unknown destinations. The current optional origin outstanding balance of 638,000 MT is for unknown destinations (243,000 MT) and South Korea (395,000 MT).

Barley: Net sales of 6,400 MT for 2016/2017 were reported for Japan (6,000 MT) and Taiwan (400 MT). For 2017/2018, net sales of 1,900 MT were reported for Japan. There were no exports reported during the week.

Sorghum: Net sales of 16,000 MT for 2016/2017 were down 86 percent from the previous week and 82 percent from the prior 4-week average. Increases were for China (53,300 MT, including 51,300 MT switched from unknown destinations), Japan (13,300 MT, including 3,000 MT switched from unknown destinations and decreases of 900 MT), and Mexico (5,100 MT). Reductions were reported for unknown destinations (55,700 MT). Exports of 133,400 MT were up noticeably from the previous week and up 10 percent from the prior 4-week average. The destinations were China (103,300 MT), Japan (28,400 MT), and Mexico (1,700 MT).

U.S. Export Inspections: Week Ending March 9, 2017					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	144	120	31,359	30,045	104%
Corn	1,547,022	1,450,003	28,910,380	16,553,724	175%
Sorghum	143,109	55,641	3,377,703	5,413,688	62%
Soybeans	656,288	946,047	44,992,939	40,417,104	111%
Wheat	519,127	583,534	20,035,161	15,664,810	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.*

USDA Grain Inspections for Export Report: Week Ending March 9, 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	924,903	61%	30,175	94%	128,660	90%
PNW	448,341	30%	0	0%	11,000	8%
Interior Export Rail	141,607	9%	1,996	6%	3,449	2%
Total (Metric Tons)	1,514,851	100%	32,171	100%	143,109	100%
White Corn Shipments by Country (MT)			30,175	to Afghanistan		
			1,996	to Mexico		
Total White Corn (MT)			32,171			
Sorghum Shipments by Country (MT)					103,341	to China
					18,399	to Japan
					17,920	to Kenya
					3,449	to Mexico
Total Sorghum (MT)					143,109	

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 25	+0.55 K	$165.74	-	-
FH April	+0.49 K	$163.38	+0.77 K	$174.40
LH April	+0.45 K	$161.80	+0.77 K	$174.40
May	+0.45 K	$161.80	+0.70 K	$171.64
June	+0.43 N	$163.97	+0.71 N	$174.99

#2 White Corn (U.S. $/MT FOB Vessel)		
Max. 15.0% Moisture	April	May
Gulf	$200	$200

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
April	+0.60 K	$167.71	+0.50 K	$163.77
May	+0.55 K	$165.74	+0.50 K	$163.77

Barley: Feed Barley (FOB USD/MT)			
	March	April	May
FOB PNW	$195	$195	$200

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	April	May	June
New Orleans	$135	$135	$135
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**April**	**May**	**June**
New Orleans	$600	$600	$600
**5-10,000 MT Minimum*			
Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. $/ST)			
	March	**April**	**May**
Rail Delvd. East Coast	$560	$560	-
Rail Delvd. Chicago	$545	$545	$535
Truck Delvd. Chicago	$550	$550	$535
Truck Delvd. Channahon/Elwood	-	-	

All prices are market estimates.

DDGS Price Table: March 16, 2017 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**April**	**May**	**June**
Barge CIF New Orleans	136	137	138
FOB Vessel GULF	146	147	148
Rail delivered PNW	161	163	164
Rail delivered California	165	166	167
Mid-Bridge Laredo, TX	163	164	165
FOB Lethbridge, Alberta	136	140	142
40 ft. Containers to South Korea (Busan)	172	172	174
40 ft. Containers to Taiwan (Kaohsiung)	171	172	174
40 ft. Containers to Philippines (Manila)	179	180	183
40 ft. Containers to Indonesia (Jakarta)	176	178	180
40 ft. Containers to Malaysia (Port Kelang)	177	178	180
40 ft. Containers to Vietnam (HCMC)	186	186	191
40 ft. Containers to Japan (Yokohama)	186	186	191
40 ft. containers to Thailand (LCMB)	173	174	176
40 ft. Containers to China (Shanghai)	178	178	183
KC & Elwood, IL Rail Yard (delivered Ramp)	129	131	134

*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 softer tone which permeated the DDGS market at the start of the week has firmed, with merchandisers reporting increased buying interest when FOB vessel prices dip below $150/MT. Prices for FOB Gulf DDGS increased $1/MT this week to $146, moving the DDGS/corn price ratio above 90 percent for the first time in two weeks. Prices for 40-foot containers to Southeast Asia were largely steady this week, except for those destined to Japan where prices increased $13/MT for April delivery. Prices to Vietnam were $5-8/MT higher as well. Finally, CNF containers to Southeast Asia from NOLA were quoted at $199/MT, up $5 for the week.

Movement of DDGS onto the export market is limited and suppliers are sending product to river markets at significantly better values than it can be put into shipping containers. Traders are reporting an $8/ton spread in the domestic market on trucks and a $12/MT spread on export business to Southeast Asia. Demand from this region has been limited as buyers work through their current inventories. Even so, steadiness in NOLA bulk prices brought support to the container market, noted above. While some further increase in demand is possible in the second quarter, expected freight rate increases make for unattractive forward quotes.

In the U.S., FOB plant prices were softer again this week as increases in ethanol production prevented any supply drawdown. Still, softer pricing allowed DDGS to regain some pricing advantage against soybean meal and the per-protein unit cost advantaged held by DDGS increased above $3 this week. Looking forward, increased buying interest should buoy prices but if ethanol production continues to rise contrary to its seasonal decrease, the additional supply may limit upward price momentum.

COUNTRY NEWS

China: Ji Tao Han of New Hope Liuhe says that growth in per capita meat consumption will come from rural areas whereas urban Chinese will seek better quality meat. Jean-Yves Chow of Mizuho Bank says that corn production this year will be down by nearly 10 MMT to a total of 215 MMT, but demand for feed will also decline due to avian influenza and a slower recovery in pig numbers. Meanwhile, the FAS attaché says poultry production will be 11 MMT, down from 12.3 MMT in 2016. Chow believes total corn demand this year will be 230 MMT and not the 237 MMT forecast by USDA.

Separately, JSC researcher Takaki Shigemoto says that Dalian corn futures are the highest since April on speculation that the government will do more to spur demand and reduce inventories. (Bloomberg) China booked at least three cargoes of U.S. corn totaling 195,000 MT with delivery in late spring. (Reuters)

Iran: Oil production increased following the end of sanctions, and the improved revenues has spurred an all-time high in corn imports. Domestic Iranian corn has challenges from temperature and moisture. The increased imports are mostly helping Ukraine. (UkrAgroConsult)

Japan: Continental Rice President Nobuyuki Chino says that the small purchase (30 KMT) of Chinese corn is over. (Bloomberg)

South America: USDA, private analysts and even Brazil's CONAB have on average tended to under-estimate the size of the corn crop in the region. The tendency to go too low in March with corn production forecasts for Brazil and Argentina lends to the view that the crops will be bigger than currently forecast. (Reuters) AgriMoney reports that CONAB has raised its estimate of the combined Brazilian corn crops to 88.969 MMT.

South Korea: Authorities have already culled 35.36 million birds (19 percent of chickens) due to avian influenza and more flocks are scheduled to be culled. (Bloomberg)

Vietnam: The government intends to impose an E5 ethanol blend requirement beginning in 2018. Two previously moth-balled plants have been reopened because current ethanol production is less than half of the 7.5 million tons of ethanol needed to meet the requirement. (Biofuels Digest)

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	$38.50	Down $0.50	Handymax at $37.50/MT
55,000 U.S. PNW-Japan	$21.00	Down $0.25	Handymax at $19.50/MT
55,000 U.S. Gulf-China PNW to China	$37.25 $20.25	Down $0.25 Down $0.25	North China
25,000 U.S. Gulf-Veracruz, México	$17.00	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	$15.25	Unchanged	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$22.00 $34.50	Down $0.25 Down $0.50	West Coast Colombia at $29.00
40-45,000 U.S. Gulf-Guatemala	$25.75	Down $1.00	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	$26.50 $28.75	Down $0.50 Down $0.50	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$25.50	Down $0.50	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$23.50 $26.50	Down $0.50 Down $0.50	55,000 -60,000 MT St. Lawrence to Egypt $23.00
60-70,000 U.S. Gulf-Europe-Rotterdam	$15.50	Unchanged	Handymax at +$1.50 more
Brazil, Santos-China Itacoatiara Port up river Amazonia-China	$28.50 $28.00 $32.00	Down $1.00 Down $1.00 Down $1.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$37.50	Down $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: This week it was a case of "what goes up must come down" or "the party can't last forever." There just wasn't enough justification to keep market values up that high. We continue to be in a bumpy market and must expect things to move up and down going forward. The real issue is where rates will end up at year's end, and where they happen to be at the moment when a vessel needs booked.

My long-term projection is that things will probably be a little bit higher 6-9 months out, but we will get opportunities to lock in good (lower) rates from time to time if no one gets greedy.

U.S. interior rail logistics to West Coast ports in the PNW seem to have returned to a basic level of normalcy. Grain shuttle trains are getting through and delivered in normal volumes, and logistics are clearing up. We do however still have a very have a very healthy vessel lineup of 63 ships waiting to load. So, business off the PNW remains robust.

Baltic-Panamax Dry-Bulk Indices				
March 16, 2017 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	13,962	15,056	-1,094	-7.3%
P3A: PNW/Pacific– Japan	9,913	10,390	-477	-4.6%
S1C: U.S. Gulf-China-S. Japan	20,244	20,781	-537	-2.6%

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:

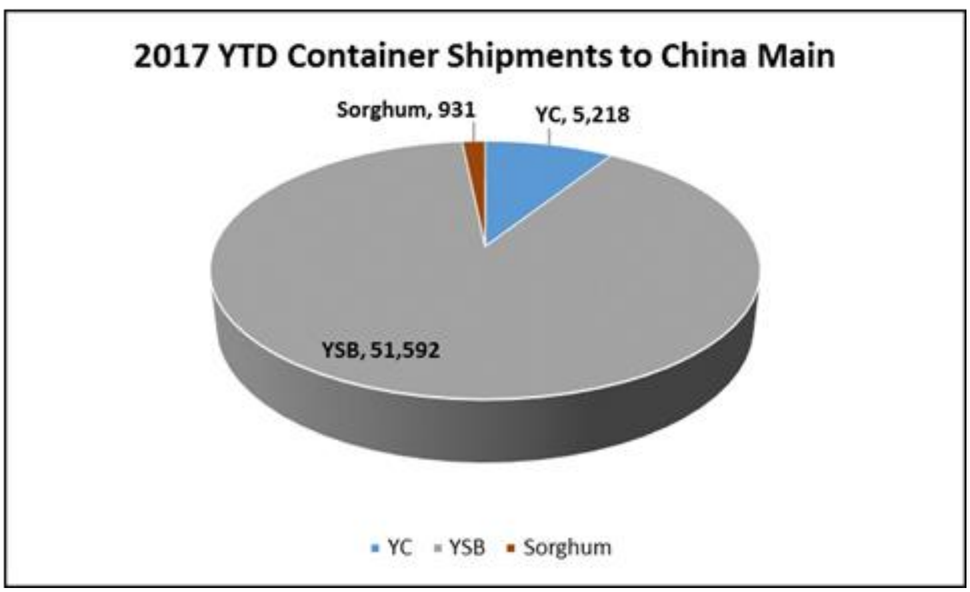
Week Ending March 16, 2017	
Four weeks ago:	$3.85-$4.10
Three weeks ago:	$4.20-$5.40
Two weeks ago:	$5.35-$6.00
One week ago:	$6.15-$6.45
This week	$6.15-$6.65

Source: O'Neil Commodity Consulting

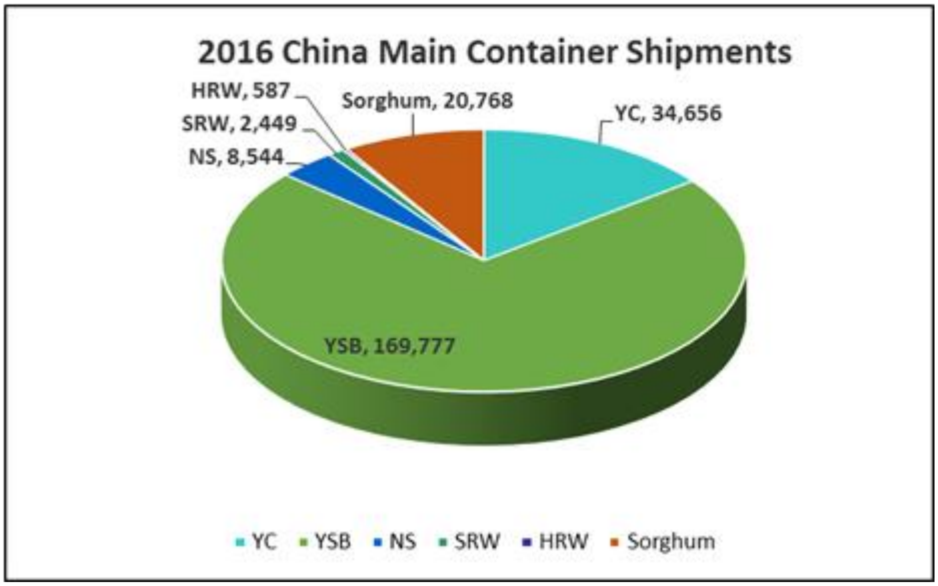
U.S.-Asia Market Spreads					
March 16, 2017	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
#2 Corn	0.73	0.48	0.25	$9.84	PNW
Soybeans	0.66	0.35	0.31	$12.20	PNW
Ocean Freight	$20.25	$37.25	0.43-0.46	($17.00)	April

Source: O'Neil Commodity Consulting

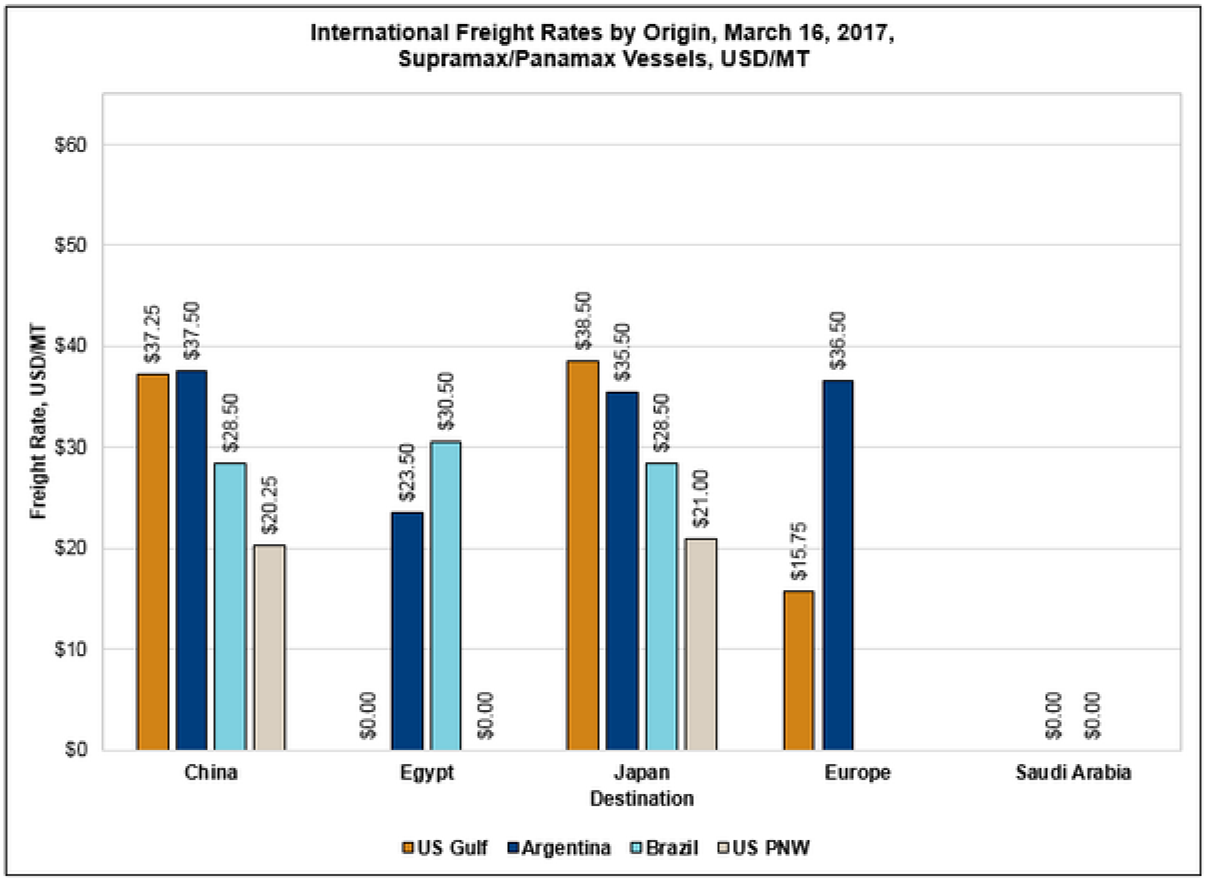
The charts below represent YTD 2017 versus January-December 2016 annual totals for container shipments to China.



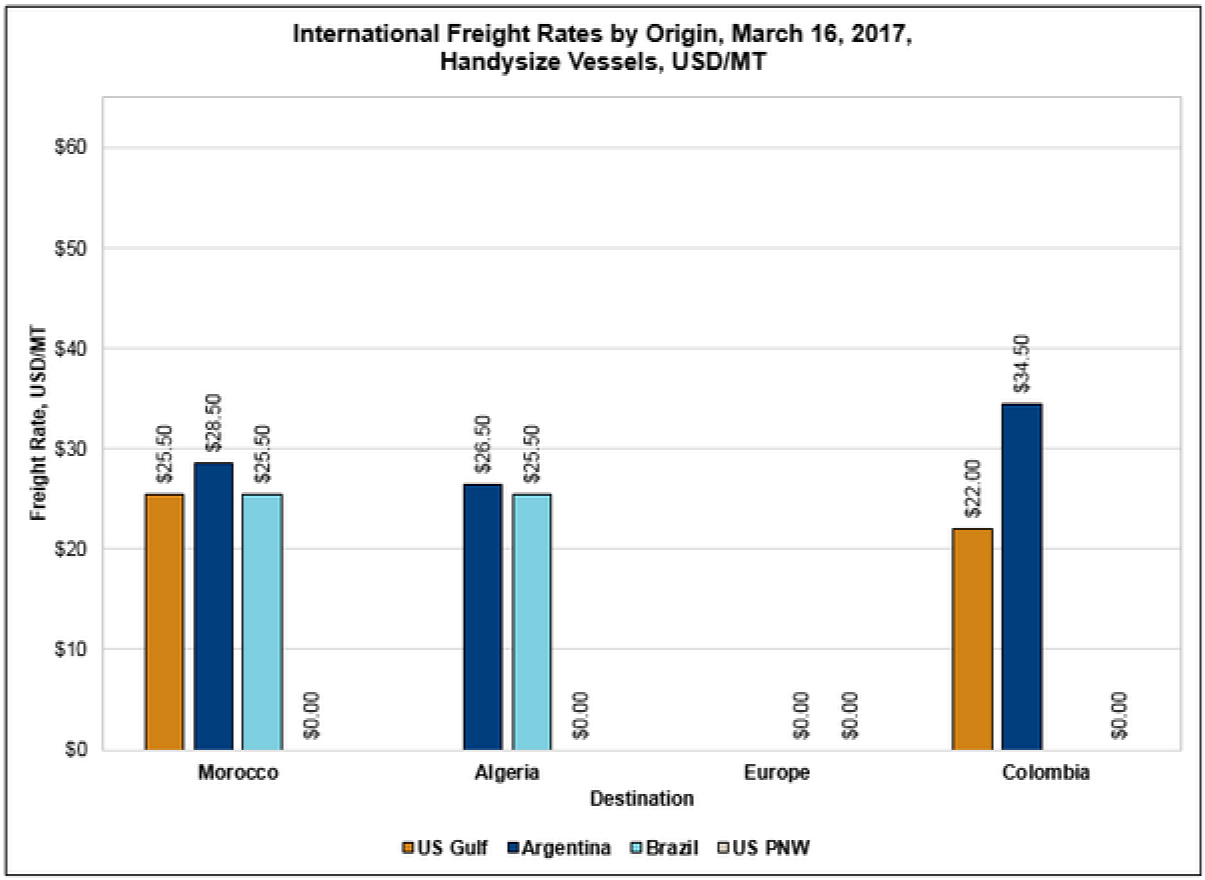
Source: O'Neil Commodity Consulting



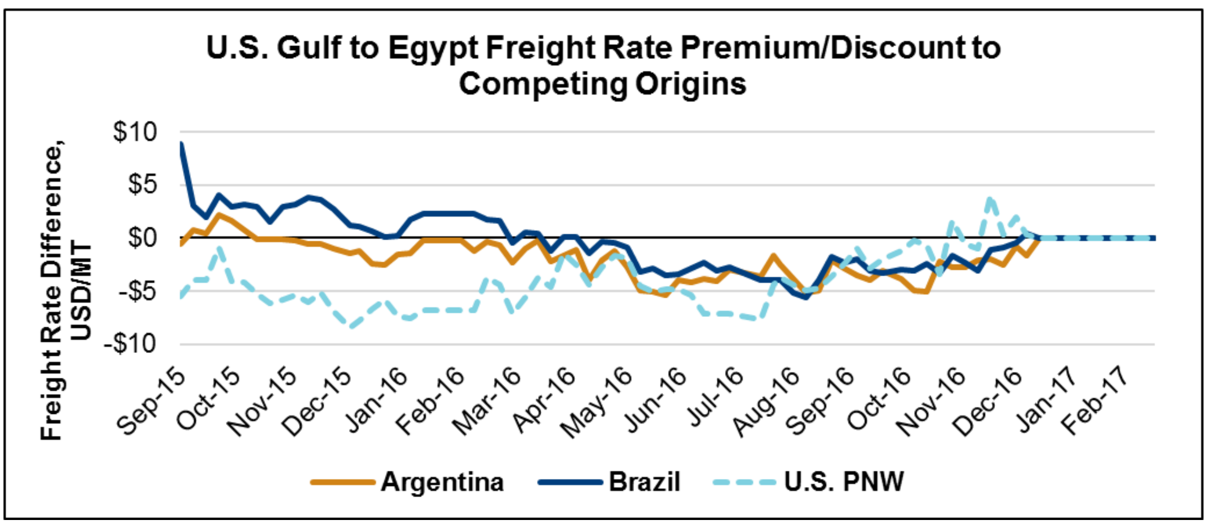
Source: O'Neil Commodity Consulting



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 (%): March 16, 2017			
	Current Week	Last Week	Last Month
U.S. Prime	3.75	3.75	3.75
LIBOR (6 month)	1.43	1.42	1.34
LIBOR (1 year)	1.82	1.80	1.71

Source: www.bankrate.com