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## CHICAGO BOARD OF TRADE MARKET NEWS

### Week in Review: CME Corn July Contract

\$/Bu	Friday 1 July	Monday 4 July	Tuesday 5 July	Wednesday 6 July	Thursday 7 July
<b>Change</b>	-0.0575	-	-0.0900	-0.8250	0.0045
<b>Closing Price</b>	3.5300	-	3.4400	3.3575	3.3620
<b>Factors Affecting the Market</b>	More acres, more stocks and better weather continued to weigh on the market.	Market closed.	The intraday was actually much lower than the close due to macroeconomic concerns and favorable weather.	The failure of bad weather to develop is forcing funds to continue selling off their long positions.	The intraday was higher but the CONAB announcement plus a large corn sale to Mexico kept it positive at the close.

**Outlook:** Last week's planted acreage and stocks reports continued to reverberate through the market. Having more than expected acres of corn and larger than expected stocks, the largest in 29 years, invoked heavy downward pressure on prices. Moreover, the new crop remains at 75 percent good to excellent condition. In addition, corn silking was at 15 percent, up from last year's 10 percent and the average of 13 percent. Corn inspected for export was an unimpressive 45.9 million bushels last week.

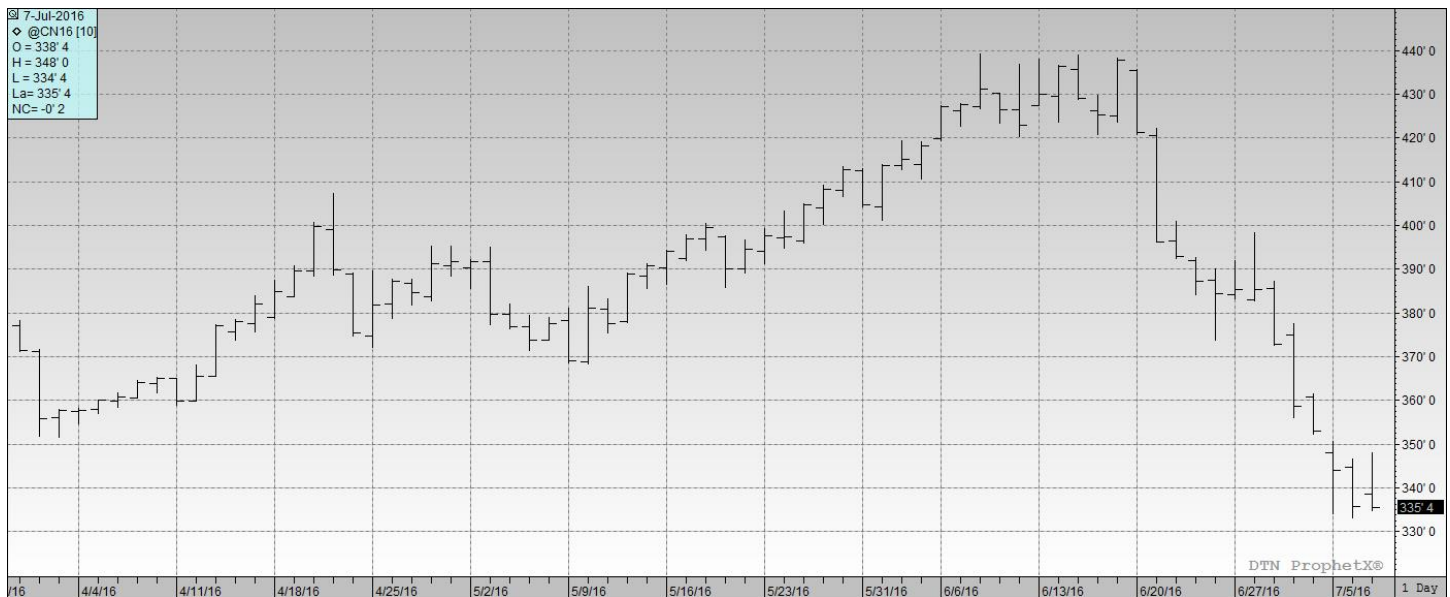
**For more information on the contents of this newsletter or the U.S. Grains Council, its mission and programs, please contact Manuel Sanchez or Alvaro Cordero at (202) 789-0789.**

*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.*

Despite a view that the market is over-sold, the CONAB report is the only thing that kept the market from retesting the April 1, 2016 low of \$3.5575/bushel. Indeed, the market was due a snapback correction and it found a rationale in CONAB's announcement that the Brazilian corn crop is over 7 MMT smaller than forecast one month ago. This was apparent even before CONAB's announcement given that prices in Brazil for feed alternatives such as millet and sorghum have been soaring and are now at parity with corn. Still not accounted for in the market is the fact that the Argentine corn crop continues to get soaked with rain, slowing harvest and raising moisture levels to 18-19 percent. This means continuing penalties for non-delivery, plus the risk of damage.

Prices in Chicago could go lower but future declines will become harder to defend at some point, and the risk of adverse weather impacts is not completely over. Some say that anything below \$3.50 is risky.

## CBOT JULY CORN FUTURES



Source: Prophet X

**Current Market Values:**

<b>Futures Price Performance: Week Ending July 7, 2016</b>			
<b>Commodity</b>	<b>7-Jul</b>	<b>1-Jul</b>	<b>Net Change</b>
<b>Corn</b>			
Jul 16	335.50	353.00	-17.50
Sep 16	341.75	360.00	-18.25
Dec 16	348.50	367.00	-18.50
Mar 17	357.25	376.00	-18.75
<b>Soybeans</b>			
Jul 16	1054.25	1168.75	-114.50
Aug 16	1050.50	1164.25	-113.75
Sep 16	1034.00	1148.75	-114.75
Nov 16	1024.75	1137.50	-112.75
<b>Soymeal</b>			
Jul 16	370.00	404.80	-34.80
Aug 16	367.20	404.20	-37.00
Sep 16	363.80	401.00	-37.20
Oct 16	361.20	398.50	-37.30
<b>Soyoil</b>			
Jul 16	29.73	31.03	-1.30
Aug 16	29.79	31.18	-1.39
Sep 16	29.90	31.30	-1.40
Oct 16	29.96	31.39	-1.43
<b>SRW</b>			
Jul 16	412.00	416.25	-4.25
Sep 16	425.50	430.25	-4.75
Dec 16	446.25	450.75	-4.50
Mar 17	464.00	468.75	-4.75
<b>HRW</b>			
Jul 16	396.50	394.25	2.25
Sep 16	412.25	411.50	0.75
Dec 16	436.50	436.25	0.25
Mar 17	452.75	452.75	0.00
<b>MGEX (HRS)</b>			
Jul 16	486.00	489.25	-3.25
Sep 16	495.25	500.00	-4.75
Dec 16	511.50	516.00	-4.50
Mar 17	527.00	531.00	-4.00

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

## U.S. WEATHER/CROP PROGRESS

Note: With planting essentially complete in the U.S. the crop planting progress table has been removed from this report.

U.S. Crop Condition: July 3, 2016					
	Very Poor	Poor	Fair	Good	Excellent
Corn	1%	4%	20%	59%	16%
Sorghum	-	3%	28%	60%	9%
Barley	-	2%	23%	60%	15%

Source: USDA

**U.S. Drought Monitor Weather Forecast:** During the next 5 days (July 7-11), moderate precipitation (more than an inch) should fall along the northern tier of States (Washington-Oregon eastward to New England), and in the northern and central Great Plains, Midwest, Tennessee and Ohio Valleys, and Appalachians. The greatest totals (more than 2.5 inches) were forecast for North Dakota, the western Corn Belt, the Tennessee Valley, and northern New England. Little or no precipitation was expected for the southwestern quarter of the Nation, the southern Plains, and Florida. Temperatures should average below-normal in the West, northern Plains, upper Midwest, and New England, with above-normal readings in the southern Plains and along the southern and mid-Atlantic Coast States.

The NWS 6- to 10-day outlook for July 12-16 favors above-median precipitation along the U.S.-Canadian border, the Midwest, Tennessee Valley, and the southern Appalachians, with sub-median rainfall probable for most of the West and Rockies, south-central Plains, along the Gulf Coast, and in New England. Temperatures are likely to be subnormal in the northwestern quarter of the nation, while the odds favor above-normal readings in most of the eastern half of the U.S. and the southern Plains.

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

## U.S. EXPORT STATISTICS

U.S. Export Sales and Exports: Week Ending June 23, 2016					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	700,200	530,700	1,582.4	7,635.5	31%
Corn	617,400	1,497,200	34,170.9	46,882.6	3%
Sorghum	86,000	56,300	6,846.2	7,748.7	-8%
Barley	100	400	2.1	10.2	20%

Source: USDA, World Perspectives, Inc.

\*The values above reflect those of the week ending June 23, 2016. Updated export sales values will be available in next week's edition of *Market Perspectives* or on July 8, 2016 via USDA/FAS' website.

The following report is from the week ending June 23, 2016. The updated export sales report will be available in next week's edition of *Market Perspectives* or on July 8, 2016 via USDA/FAS' website.

**Corn:** Net sales of 468,500 MT for 2015/2016 were down 46 percent from the previous week and 59 percent from the prior 4-week average. Increases were reported for South Korea (259,800 MT, including 131,000 MT switched from unknown destinations and decreases of 6,000 MT), Japan (140,300 MT, including 156,800 MT switched from unknown destinations and decreases of 54,000 MT), Vietnam (112,000 MT, including 125,000 MT switched from unknown destinations), Taiwan (65,800 MT), Colombia (60,000 MT), Egypt (58,800 MT, including 65,000 MT switched from unknown destinations and decreases of 6,200 MT), and Portugal (54,000 MT, including 50,000 MT switched from unknown destinations). Reductions were reported for unknown destinations (461,800 MT), Algeria (3,700 MT), Guatemala (2,600 MT), and Nicaragua (2,500 MT). For 2016/2017, net sales of 536,100 MT were reported for South Korea (138,000 MT), Mexico (135,900 MT), Japan (120,000 MT), Costa Rica (84,200 MT), and unknown destinations (48,500 MT). Exports of 1,497,200 MT were up 24 percent from the previous week and 29 percent from the prior 4-week average. The primary destinations were Japan (370,200 MT), Mexico (283,600 MT), Vietnam (176,400 MT), South Korea (125,900 MT), Peru (99,000 MT), and Chile (77,800 MT).

**Optional Origin Sales:** For 2015/2016, the current optional origin outstanding sales balance is 394,800 MT, all unknown destinations.

**Barley:** Net sales of 1,000 MT for 2016/2017 were reported for Vietnam. Exports of 400 MT were reported to Taiwan.

**Sorghum:** Net sales of 84,600 MT for 2015/2016 were down 50 percent from the previous week and 38 percent from the prior 4-week average. Increases reported for China (112,600 MT, including 53,000 MT switched from unknown destinations and decreases of 1,400 MT) and Colombia (25,000 MT), were partially offset by reductions for unknown destinations (53,000 MT). Exports of 56,300 MT were up noticeably from the previous week, but down 33 percent from the prior 4-week average. The destinations were China (53,100 MT) and Mexico (3,200 MT).



**U.S. Export Inspections: Week Ending June 30, 2016**

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	499	2,495	4,885	3,943	124%
Corn	1,164,887	1,451,227	35,029,042	36,866,363	95%
Sorghum	81,124	121,705	7,570,605	7,530,534	101%
Soybeans	191,426	295,816	44,454,692	48,109,838	92%
Wheat	560,598	513,769	2,267,246	1,609,921	141%

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 June 30, 2016**

Region	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	19,552	2%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Gulf	465,106	41%	35,674	100%	6,460	8%
PNW	511,785	45%	0	0%	62,999	78%
Interior Export Rail	132,770	12%	0	0%	11,665	14%
<b>Total (Metric Tons)</b>	<b>1,129,213</b>	<b>100%</b>	<b>35,674</b>	<b>100%</b>	<b>81,124</b>	<b>100%</b>
White Corn Shipments by Country (MT)			10,450	to Colombia		
			5,682	to El Salvador		
			7,748	to Honduras		
			2,996	to Japan		
			8,798	to Mexico		
<b>Total White Corn (MT)</b>			<b>35,674</b>			
Sorghum Shipments by Country (MT)					6,460	to Zimbabwe
					62,999	to China
					11,665	to Mexico
<b>Total Sorghum (MT)</b>					<b>81,124</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)
<b>FH August</b>	+0.98 U	\$173.12	+0.99 U	\$173.51
<b>LH August</b>	+1.01 U	\$174.30	+0.99 U	\$173.51
<b>September</b>	+1.08 U	\$177.06	+1.04 U	\$175.48
<b>October</b>	+1.07 Z	\$179.32	+1.08 Z	\$179.71

Please note that given the lack of volume in the white corn trade we are unable to provide accurate pricing figures 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
<b>August</b>	-	-	+0.90 Z	\$172.63
<b>September</b>	-	-	+0.90 Z	\$172.63
<b>October</b>	-	-	+0.90 Z	\$172.63

Please note that given the lack of volume in the feed barley trade we are unable to provide accurate pricing figures for today's report.

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	July	August	September
<b>New Orleans</b>	\$172.50	\$172.50	\$176
<i>Quantity 5,000 MT</i>			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
	July	August	September
<b>Bulk 60% Pro. New Orleans</b>	\$670	\$670	\$670
<i>*5-10,000 MT Minimum</i>			

*\*All prices are market estimates.*

DDGS Price Table: July 7, 2016 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	July	August	September
Barge CIF New Orleans	189	184	184
FOB Vessel GULF	197	194	195
Rail delivered PNW	191	190	190
Rail delivered California	195	195	194
Mid-Bridge Laredo, TX	195	194	193
FOB Lethbridge, Alberta	173	169	168
40 ft. Containers to South Korea (Busan)	236	228	226
40 ft. Containers to Taiwan (Kaohsiung)	236	227	225
40 ft. Containers to Philippines (Manila)	250	238	234
40 ft. Containers to Indonesia (Jakarta)	239	234	232
40 ft. Containers to Malaysia (Port Kelang)	240	234	231
40 ft. Containers to Vietnam (HCMC)	245	240	237
40 ft. Containers to Japan (Yokohama)	257	247	242
40 ft. containers to Thailand (LCMB)	243	233	231
40 ft. Containers to Shanghai, China	243	233	228
KC & Elwood, IL Rail Yard (delivered Ramp)	195	190	189

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 continued to track those of corn in a downward spiral with near-term July delivery plunging the most and FOB Gulf taking a hit. The only market to show strength this past week were containers of DDGS to Japan for August/September delivery, which were up a few dollars. In fact, the largest reductions have been in the nearby July market with less impact in the August/September delivery months.

The DDGS market will likely stabilize now that corn futures have potentially found a near bottom. With pollination at hand and the market sending a clear signal that price has stabilized, it will be clearly attractive enough to stimulate additional demand.

**Ethanol Comments:** The U.S. ethanol market is increasingly being influenced by exports. Platts reports that the U.S. West Coast is being positioned to become the new export outlet for ethanol being shipped to Asia. The shorter turnaround and avoidance of congestion at the Gulf are pluses, though the lower cost of barging the fuel down the Mississippi and the larger number of available tankers remain an advantage for NOLA.

Ethanol production this past week at an average of 984 thousand barrels per day was 19 percent below a week ago, and yet stocks on hand rose by 1.8 percent to 21.6 million barrels.



The margin between the corn price and the value of ethanol and coproducts was higher this past week in all four reference markets (see below), and the spread versus this time last year continues to widen.

- Illinois differential is \$2.20 per bushel, in comparison to \$1.92 the prior week and \$1.74 a year ago.
- Iowa differential is \$2.23 per bushel, in comparison to \$2.03 the prior week and \$1.52 a year ago.
- Nebraska differential is \$1.99 per bushel, in comparison to \$1.67 the prior week and \$1.37 a year ago.
- South Dakota differential is \$2.22 per bushel, in comparison to \$2.09 the prior week and \$1.65 a year ago.

## COUNTRY NEWS

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**China:** Corn for January delivery fell to \$227.86/MT on the Dalian Exchange while the sale of government stocks from 2012 netted \$247.77/MT in Guangdong. (Bloomberg)

**Brazil:** Agriculture Minister Blairo Maggi announced that he intends to raise the minimum corn price in order to boost production next year. Rabobank forecasts as much as a 15 percent increase in corn area in 2016/17. (Bloomberg) However, farmers in Brazil say that the lack of money, either through credit or barter, means that planted acreage will actually decline. (WPI)

**India:** More government corn imports are contemplated despite the fact that higher non-GMO based prices would force feed and consequently poultry and egg prices to the point of demand destruction. Importing GMO corn would save at least 15 percent of the cost. Spot corn prices are up over 40 percent in just over the past two months. (WPI)

**India:** Ethanol Production will decline by 8 percent to 1.9 billion liters next year due to two straight growing seasons with fewer sugarcane acres. The country is expected to import 600 million liters, versus 440 million liters in the current year. (FAS/GAIN)

## 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	\$31.25	Up \$2.00	Handymax at \$32.00/MT
55,000 U.S. PNW-Japan	\$17.00	Up \$1.00	Handymax at \$16.50/MT
58-60,000 U.S. Gulf-China	\$29.25	Up \$2.00	North China
PNW to China	\$15.50	Up \$0.75	
30,000 U.S. Gulf-Veracruz, México	\$15.50	Up \$1.00	4,000 MT daily discharge rate
40-45,000 U.S. Gulf-Veracruz, México	\$13.75	Up \$1.00	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$16.75 \$28.25	Up \$1.00 Up \$0.50	West Coast Colombia at \$23.50
43,000 U.S. Gulf-Guatemala	\$23.50	Up \$1.25	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$33.75 \$34.75	Up \$1.50 Up \$1.75	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$34.25	Up \$1.50	5,000 discharge rate
55,000 U.S. Gulf-Egypt	\$24.75	Up \$1.50	55,000 -60,000 MT St. Lawrence to Egypt \$23.50
PNW to Egypt	\$25.50	Up \$1.50	
65-75,000 U.S. Gulf-Europe-Rotterdam	\$15.50	Up \$0.50	Handymax at +\$1.25 more
Brazil, Santos-China	\$20.50	Up \$1.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port up river Amazonia-China	\$19.75	Up \$1.50	
Amazonia-China	\$30.25	Up \$1.25	48-53,000 MT (11.5-meter draft)
56-60,000 Argentina-China Upriver with Top-Off	\$29.00	Up \$1.50	—

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:** Traders at the Baltic Freight Exchange think that things have turned around and are worthy of higher values. Baltic indices continued their upward momentum this week and reached levels not seen since September 2015. Market support was based on tightness of freight in the North Atlantic Panamax and Handymax sectors.

All-in-all, it looks like the Baltic Index for Panamax vessels and the physical markets hit bottom on February 1, 2016 and have bounced around and moved higher each month since.

On February 1, 2016 the P-2 Panamax Baltic Index in the Atlantic was at a low of 5,244; it is now 11,188, up 5,944 or 113 percent. During the same period the P-3 Panamax Index hit a low of 1,938; it is now 5,901, up 3,963 or 204 percent. Average daily hire rates for Panamax vessels over this time period have moved from around \$4,500/day to \$6,400/day, a jump of \$1,900/day or 42 percent.

Over the same period the physical freight market has risen from a low of \$22.50/MT (U.S. Gulf to Japan) to \$31.25/MT (up 39 percent), and Panamax rates from the U.S. PNW to Japan have gone from \$12.75/MT to 17.00 (up 33 percent). Obviously the physical markets have not been as enthusiastic as the Baltic indices. This is one market rally that has certainly not been led by the Capesize market; it is the smaller ships doing the work. The Baltic Exchange traders may be getting a bit too excited. We will have to see, as we still have an oversupply of ships.

Baltic-Panamax Dry-Bulk Indices				
July 7, 2016	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	11,188	9,763	1,425	14.6%
P3A: PNW/Pacific– Japan	5,901	5,305	596	11.2%

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:

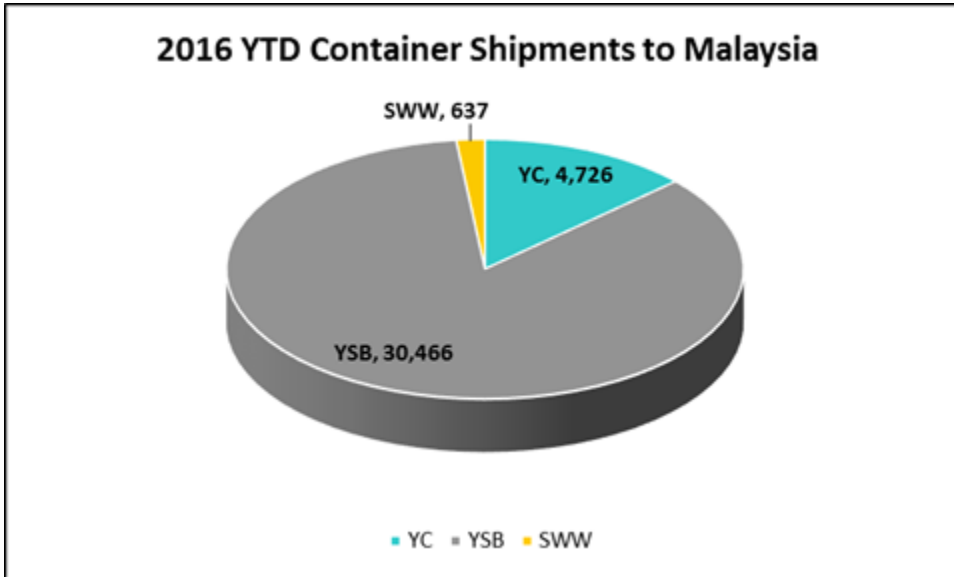
Week of July 7, 2016	
Four weeks ago:	\$4.55-\$5.05
Three weeks ago:	\$4.80-\$4.95
Two weeks ago	\$4.25-\$4.45
One week ago:	\$4.35-\$4.45
This week	\$4.65-\$4.75

Source: O'Neil Commodity Consulting

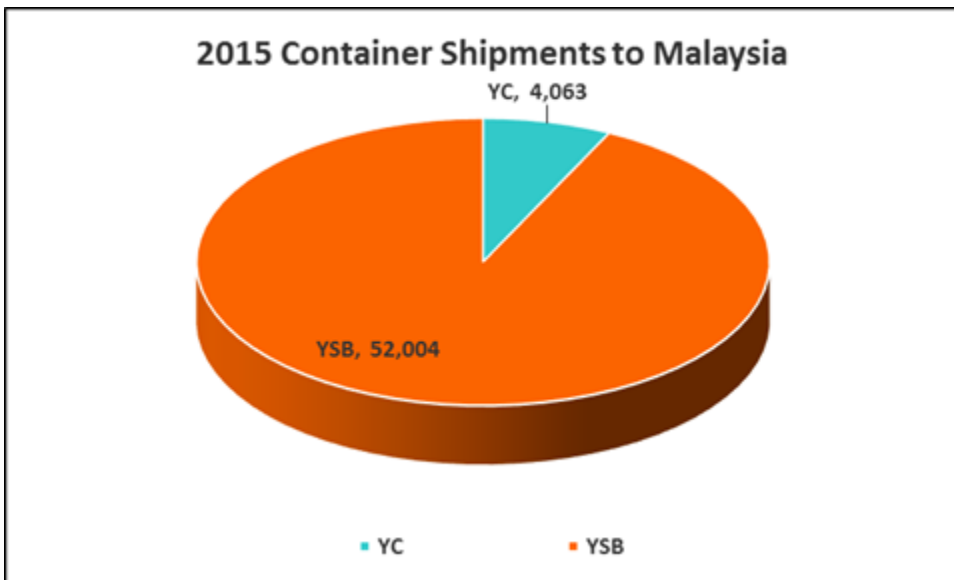
U.S.-Asia Market Spreads					
July 7, 2016	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	1.14	0.98	0.16	\$6.30	PNW
Soybeans	1.15	1.15	0.00	\$0.00	PNW
Ocean Freight	\$15.50	\$29.25	0.35-0.37	(\$13.75)	July

Source: O'Neil Commodity Consulting

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



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price (\$/MT) – Week Ending July 7, 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	\$29.75	\$28.50	\$24.00	\$23.00	\$28.00	\$28.50	\$27.50
	Brazil	\$20.00	\$23.00	\$22.00	\$13.00	\$15.00	\$16.75	\$23.50	\$24.75
Corn (White)	Argentina	\$27.50	\$29.75	\$28.50	\$24.00	\$23.00	\$28.00	\$28.50	\$27.50
	Brazil	\$20.00	\$23.00	\$22.00	\$13.00	\$15.00	\$16.75	\$23.50	\$24.75
Barley	Argentina	\$27.50	\$29.75	\$28.50	\$24.00	\$23.00	\$28.00	\$28.50	\$27.50
	Brazil	\$20.00	\$23.00	\$22.00	\$13.00	\$15.00	\$16.75	\$23.50	\$24.75
Sorghum	Argentina	\$27.50	\$29.75	\$28.50	\$24.00	\$23.00	\$28.00	\$28.50	\$27.50
	Brazil	\$20.00	\$23.00	\$22.00	\$13.00	\$15.00	\$16.75	\$23.50	\$24.75

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 (%): July 6, 2016			
	Current Week	Last Week	Last Month
U.S. Prime	3.50	3.50	3.50
LIBOR (6 month)	0.99	0.90	0.95
LIBOR (1 year)	1.23	1.25	1.33

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