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## CHICAGO BOARD OF TRADE MARKET NEWS

### Week in Review: CME Corn July Contract

\$/Bu	Friday 8 July	Monday 11 July	Tuesday 12 July	Wednesday 13 July	Thursday 14 July
<b>Change</b>	0.1425	-0.0600	0.0600	0.1600	-0.0350
<b>Closing Price</b>	3.4900	3.4375	3.4975	3.6575	3.6225
<b>Factors Affecting the Market</b>	Taking account of reduced a Brazilian crop and solid U.S. export sales, the market made gains late in the session.	In spite of strong exports, the market focused on an anticipated bearish USDA report on Tuesday.	A slightly less bearish WASDE prompted the market to give back what it had taken away just the day before.	The impending heat wave in the Midwest put a grip on the market.	Despite the need for a weather premium, corn was dragged down by a large decline in soybeans.

**Outlook:** After losing \$1/bushel the previous week, the market absorbed a less bearish than expected WASDE report and a high pressure ridge starting next week that will impose above normal temps (+10-15 degrees to near 100F/37.7C) and have little moisture for the Midwest corn crop. The endurance of the ridge is the question? Will it last just a couple of weeks or will it endure well into August? Half of the crop is pollinated but a long heat wave will impact on the filling of the ears. This will impose a see-saw situation on the market as

**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.*

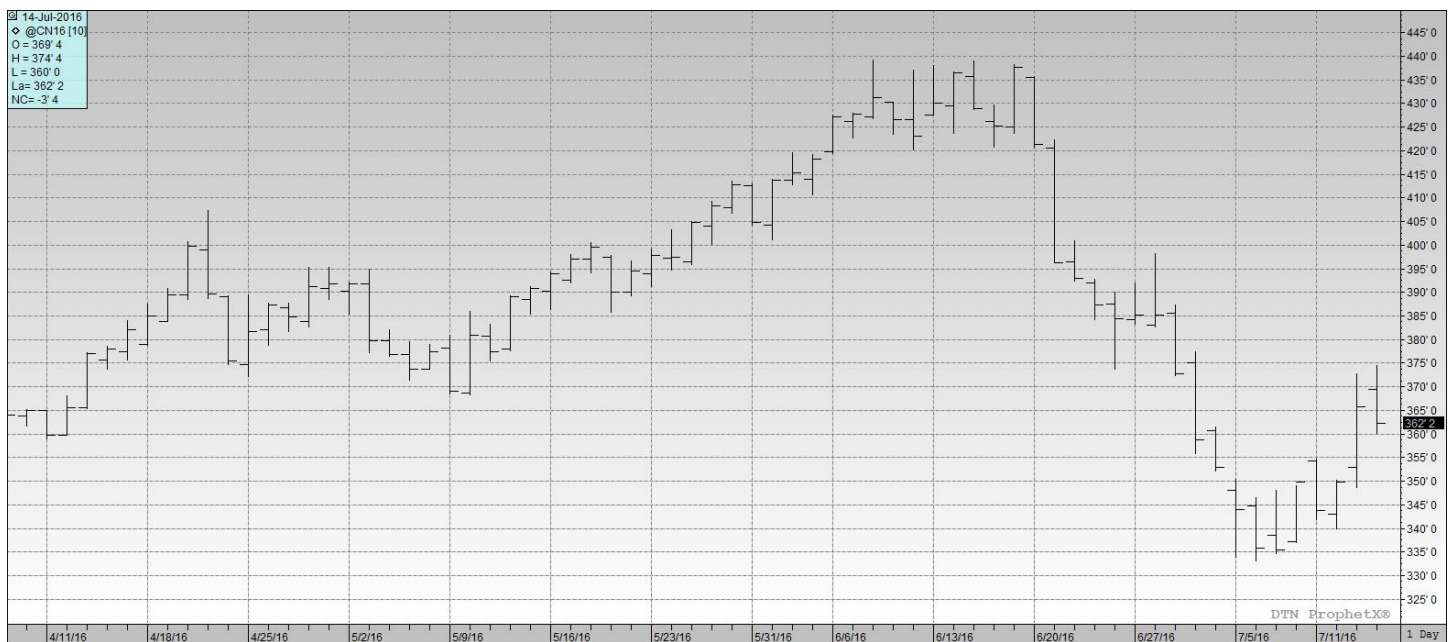
Brexit and the June 30 USDA reports bled out all of the weather premium that now must be put at least partially back into place.

The WASDE lowered the disappearance of corn for feed and ethanol uses, but more than offset that with an increase in expected exports. Even so, carryout levels remain large, 1.7 billion bushels in 2015/16 and over 2 billion bushels in 2016/17. The trend remains bearish with resistance to any movement above \$3.68/bushel. Bears can try to push it below the current support level of \$3.46/bushel but there is no indication that farmers are willing to sell at such a level.

Last week's corn exports and outstanding export sales (668,055 MT and 1,242,125 MT, respectively) were considered neutral to bearish despite year-to-date levels being 31 percent above a year ago and 71 percent above the five-year average. This is because they are not at a pace to meet USDA's forecast for the year. Moreover, Argentina is expected to have cleared up its logistical hurdles and be more export competitive in September.

CME increased the required level of margin by speculators and the July contract expires today.

## CBOT JULY CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending July 14, 2016			
Commodity	14-Jul	8-Jul	Net Change
<b>Corn</b>			
Jul 16	362.25	349.75	12.50
Sep 16	357.75	355.00	2.75
Dec 16	364.75	362.50	2.25
Mar 17	372.50	370.50	2.00
<b>Soybeans</b>			
Jul 16	1111.50	1089.75	21.75
Aug 16	1083.75	1083.25	0.50
Sep 16	1073.25	1068.50	4.75
Nov 16	1062.25	1057.75	4.50
<b>Soymeal</b>			
Jul 16	381.30	378.70	2.60
Aug 16	373.20	376.30	-3.10
Sep 16	371.40	373.70	-2.30
Oct 16	369.00	371.10	-2.10
<b>Soyoil</b>			
Jul 16	31.12	30.27	0.85
Aug 16	30.67	30.35	0.32
Sep 16	30.80	30.46	0.34
Oct 16	30.92	30.57	0.35
<b>SRW</b>			
Jul 16	421.75	420.75	1.00
Sep 16	434.00	435.00	-1.00
Dec 16	458.50	456.50	2.00
Mar 17	479.75	474.50	5.25
<b>HRW</b>			
Jul 16	406.00	405.25	0.75
Sep 16	417.75	421.25	-3.50
Dec 16	443.75	446.00	-2.25
Mar 17	460.75	462.50	-1.75
<b>MGEX (HRS)</b>			
Jul 16	487.75	497.75	-10.00
Sep 16	500.00	501.00	-1.00
Dec 16	515.00	516.25	-1.25
Mar 17	529.75	530.75	-1.00

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

## U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: July 10, 2016					
	Very Poor	Poor	Fair	Good	Excellent
Corn	1%	4%	19%	58%	18%
Sorghum	-	2%	29%	58%	11%
Barley	1%	3%	22%	59%	15%

Source: USDA

**U.S. Drought Monitor Weather Forecast:** During the next 5 days (July 14-18), light to moderate precipitation (0.75-1.5 inches) is expected across much of the northern and central Plains, Midwest, Tennessee Valley, southern Appalachians, Carolinas, southern Louisiana and Florida, and the Northeast, with the largest totals (2-3.5 inches) in the south-central Plains, southern Appalachians, and North Carolina. Little or no rain is forecast for much of the Far West, Rockies, southern Plains, and coastal New England. Temperatures should average above normal in the Southwest and southern High Plains, Deep South, and in the Atlantic Coast States, with subnormal readings in the Northwest, northern Plains, and Midwest.

The NWS 6- to 10-day outlook for July 19-23 favors sub-median precipitation for much of the lower 48 States (West, northern Rockies, Plains, Midwest), except for odds tilted toward above-median rainfall in the Southwest, and small areas of the Pacific Northwest, southern Texas and Florida, and eastern Carolinas. The chances for above normal temperatures are high across much of the contiguous U.S., especially in the North Central States. Exceptions to this include the Pacific Northwest where subnormal readings are likely.

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 July 7, 2016

Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	397,000	341,300	2,457.3	8,778.6	35%
Corn	772,500	1,242,600	36,684.0	47,920.1	3%
Sorghum	70,300	117,000	7,027.0	7,849.5	-7%
Barley	500	1,200	3.3	10.7	23%

Source: USDA, World Perspectives, Inc.

**Corn:** Net sales of 667,800 MT for 2015/2016 were up 81 percent from the previous week and 2 percent from the prior 4-week average. Increases were reported for Japan (231,400 MT, including 183,200 MT switched from unknown destinations and decreases of 62,800 MT), South Korea (190,000 MT, including 68,000 MT switched from unknown destinations and decreases of 1,500 MT), Peru (162,100 MT, including 85,000 MT switched from unknown destinations and decreases of 800 MT), Mexico (75,400 MT), Morocco (66,300 MT, including 2,000 MT switched from unknown destinations and decreases of 200 MT), Venezuela (63,700 MT), and Egypt (59,400 MT, including 54,000 MT switched from unknown destinations). Reductions were reported for unknown destinations (322,000 MT), the United Arab Emirates (2,000 MT), Costa Rica (1,500 MT), Ireland (500 MT), and Nicaragua (400 MT). For 2016/2017, net sales of 687,800 MT were reported primarily for Mexico (259,500 MT), Japan (198,000 MT), unknown destinations (178,100 MT), and Peru (30,000 MT). Exports of 1,242,600 MT were down 2 percent from the previous week and 9 percent from the prior 4-week average. The primary destinations were Japan (357,900 MT), Mexico (285,300 MT), South Korea (138,900 MT), Peru (88,200 MT), Morocco (64,500 MT), and Egypt (59,400 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 500 MT for 2016/2017 were reported for Taiwan. Exports of 1,200 MT--a marketing-year-high--were reported to Vietnam (1,000 MT) and South Korea (200 MT).

**Sorghum:** Net sales of 42,800 MT for 2015/2016 resulted as increases for China (86,300 MT, including 56,000 MT switched from unknown destinations), were partially offset by reductions for Colombia (25,000 MT), unknown destinations (17,500 MT), and Mexico (1,000 MT). For 2016/2017, net sales of 12,000 MT were reported for Mexico. Exports of 117,000 MT were up 83 percent from the previous week and 37 percent from the prior 4-week average. The destinations were China (115,500 MT) and Mexico (1,400 MT).

**U.S. Export Inspections: Week Ending July 7, 2016**

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	1,977	719	7,082	4,799	148%
Corn	1,357,903	1,194,824	36,416,882	37,923,448	96%
Sorghum	124,600	82,349	7,696,430	7,631,065	101%
Soybeans	374,016	192,870	44,829,858	48,255,968	93%
Wheat	375,279	571,210	2,653,137	1,881,812	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 July 7, 2016**

Region	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	19,533	1%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Gulf	825,840	63%	36,030	86%	114,254	92%
PNW	356,289	27%	0	0%	0	0%
Interior Export Rail	114,523	9%	5,688	14%	10,346	8%
<b>Total (Metric Tons)</b>	<b>1,316,185</b>	<b>100%</b>	<b>41,718</b>	<b>100%</b>	<b>124,600</b>	<b>100%</b>
White Corn Shipments by Country (MT)			5,901	Honduras		
			35,817	Mexico		
<b>Total White Corn (MT)</b>			<b>41,718</b>			
Sorghum Shipments by Country (MT)					114,254	to China
					10,346	to Mexico
<b>Total Sorghum (MT)</b>					<b>124,600</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)
FH August	+1.10 U	\$184.14	+1.14 U	\$185.72
LH August	+1.10 U	\$184.14	+1.14 U	\$185.72
September	+1.10 U	\$184.14	+1.20 U	\$188.08
October	+1.07 Z	\$185.72	+1.22 Z	\$191.62

#2 White Corn (U.S. \$/MT FOB Vessel)		
Max. 15.0% Moisture	November	December
Gulf	\$225	\$225

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
August	-	-	+0.90 Z	\$179.03
September	-	-	+0.90 Z	\$179.03
October	-	-	+0.90 Z	\$179.03

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
New Orleans	\$183	\$170	\$170
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	September	October	November
New Orleans	\$695	\$705	\$710
*5-10,000 MT Minimum			

\*All prices are market estimates.

DDGS Price Table: July 14, 2016 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	August	September	October
Barge CIF New Orleans	202	199	198
FOB Vessel GULF	208	208	206
Rail delivered PNW	209	207	206
Rail delivered California	212	209	209
Mid-Bridge Laredo, TX	209	207	207
FOB Lethbridge, Alberta	174	173	174
40 ft. Containers to South Korea (Busan)	224	222	222
40 ft. Containers to Taiwan (Kaohsiung)	222	219	219
40 ft. Containers to Philippines (Manila)	232	231	231
40 ft. Containers to Indonesia (Jakarta)	226	225	225
40 ft. Containers to Malaysia (Port Kelang)	229	227	227
40 ft. Containers to Vietnam (HCMC)	233	231	231
40 ft. Containers to Japan (Yokohama)	225	223	223
40 ft. containers to Thailand (LCMB)	226	225	225
40 ft. Containers to Shanghai, China	223	220	220
KC & Elwood, IL Rail Yard (delivered Ramp)	195	191	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:** Container shipments of DDGS to Asian markets continued to decline in price with an average \$6/container decline to Southeast Asia and a reportedly large \$22/container drop in price for sales to Japan. Overall, sales were modest this past week but buyers have become more comfortable making bids as they perceive the market to have settled into terms that are concurrently more certain and attractive. However, that certainty may not last as rates for containers FOB Gulf jumped by \$10/container this past week and that will now likely reverberate into overseas markets. Moreover, the impending Midwest heat wave will start rebuilding the weather premium into the futures market, and this may eventually become reflected in DDGS prices.

**Ethanol Comments:** Ethanol production this past week increased by 20,000 barrels per day to an average of 1 million barrels per day; stocks were reduced by 426,000 barrels to 21.13 million barrels. However, gasoline usage took a decline that is unusual for this time of year.

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

- Illinois differential is \$2.40 per bushel, in comparison to \$2.20 the prior week and \$1.62 a year ago.



July 14, 2016

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- Iowa differential is \$2.37 per bushel, in comparison to \$2.23 the prior week and \$1.59 a year ago.
- Nebraska differential is \$1.98 per bushel, in comparison to \$1.99 the prior week and \$1.28 a year ago.
- South Dakota differential is \$2.42 per bushel, in comparison to \$2.22 the prior week and \$1.42 a year ago.

## COUNTRY NEWS

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**Argentina:** Exporters and local authorities met on July 14, 2016 to discuss extending the expiration dates for export licenses. Exporters are arguing an extension is required because the rains have delayed harvest and more time is needed to execute the exports. (WPI)

**Black Sea:** The corn crop is developing well and is expected to be large, putting heavy pressure on the feed wheat market as August shipment values fall below \$155/MT. (WPI)

**China:** Corn prices climbed this past week to an average \$294.70/MT but corn starch prices fell -\$8.20/MT to \$23.90/MT on lower demand. Ethanol prices held steady. (WPI)

**India:** The government will raise the mandatory ethanol blend rate to 22.5 percent but the question is how that demand will be met. At present there is inadequate feed stock (sugar/molasses) and gasoline demand is growing steadily (+7 percent per year and higher). Separately, the government has approved duty free imports of 500 KMT of corn that are designed to check domestic prices and prevent hoarding. (WPI; Bloomberg)

## 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	Unchanged	Handymax at \$32.25/MT
55,000 U.S. PNW-Japan	\$17.50	Up \$0.50	Handymax at \$18.00/MT
58-60,000 U.S. Gulf-China	\$29.25	Unchanged	North China
PNW to China	\$16.00	Up \$0.50	
30,000 U.S. Gulf-Veracruz, México	\$15.50	Unchanged	4,000 MT daily discharge rate
40-45,000 U.S. Gulf-Veracruz, México	\$13.75	Unchanged	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	Unchanged Unchanged	West Coast Colombia at \$23.50
43,000 U.S. Gulf-Guatemala	\$23.50	Unchanged	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$33.75 \$34.75	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$34.25	Unchanged	5,000 discharge rate
55,000 U.S. Gulf-Egypt	\$24.75	Unchanged	55,000 -60,000 MT St. Lawrence to Egypt \$23.50
PNW to Egypt	\$25.50	Unchanged	
65-75,000 U.S. Gulf-Europe-Rotterdam	\$15.25	Down \$0.25	Handymax at +\$1.25 more
Brazil, Santos-China	\$20.25	Down \$0.25	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port up river Amazonia-China	\$19.50	Down \$0.25	
Amazonia-China	\$30.00	Down \$0.25	48-53,000 MT (11.5-meter draft)
56-60,000 Argentina-China Upriver with Top-Off	\$29.00	Unchanged	

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:** I must admit that it is difficult for me to see the true justification for the rally in the Dry-Bulk freight markets. But the rally continued on this week, especially in the Baltic indices. Iron ore exports from Western Australia to China reached record levels over the past week, but the Capesize freight actually slipped back slightly as there are still too many vessels versus cargo.

It is the Panamax, Supramax and Handymax markets that are giving support to the market. Capesize vessel daily hire rates are \$7,000/day for August. Panamax Dry-Bulk daily hire rates are up to \$6,450 for Q4 but are just \$5,800/day for 2017. Handymax vessels are getting close to \$7,000/day for Q4 and out into 2017. All these hire rates are better than the \$4,600-\$5,500/day that was seen earlier this year, though still not as big a jump as is indicated by the rise in the Baltic Indices. As mentioned last week, the physical freight market has moved up a bit, but not at all to the degree reflected in the current Baltic Indices. I have heard that much of the buying activity on the Baltic may be due more to paper short covering than actual physical demand.

In closing, we will have to watch to see which of these markets adjusts first to come into better alignment.

Baltic-Panamax Dry-Bulk Indices				
July 13, 2016	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	11,431	11,188	243	2.2%
P3A: PNW/Pacific– Japan	6,233	5,901	332	5.6%

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:

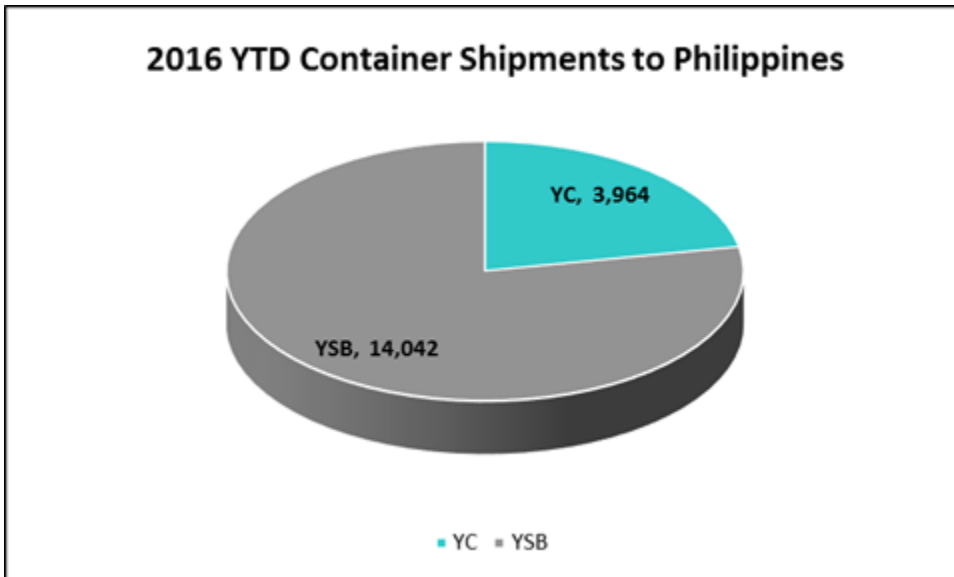
Week of July 13, 2016	
Four weeks ago:	\$4.80-\$4.95
Three weeks ago:	\$4.25-\$4.45
Two weeks ago:	\$4.35-\$4.45
One week ago:	\$4.65-\$4.75
This week	\$4.50-\$4.55

Source: O'Neil Commodity Consulting

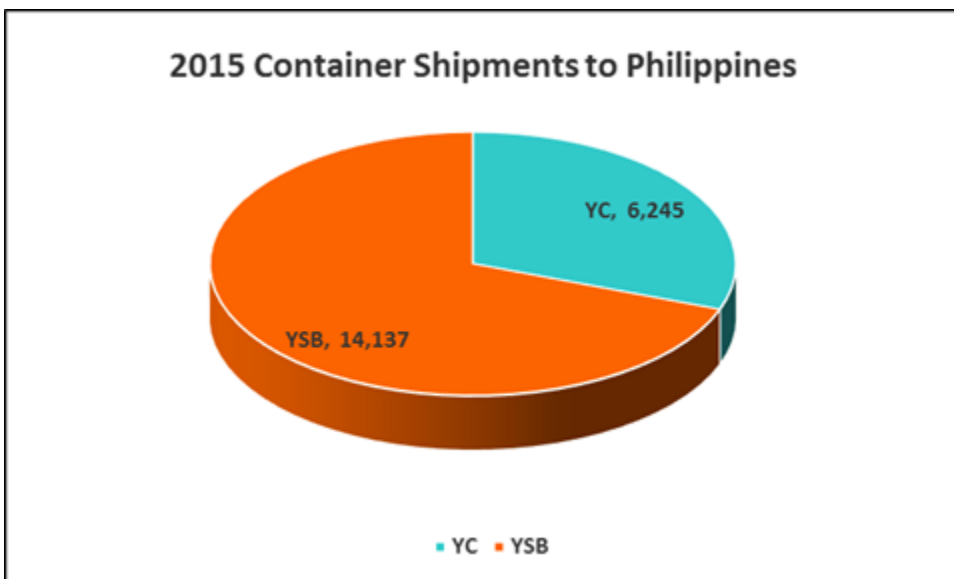
U.S.-Asia Market Spreads					
July 13, 2016	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	1.21	1.01	0.20	\$7.87	PNW
Soybeans	1.15	1.08	0.07	\$2.76	PNW
Ocean Freight	\$16.00	\$29.25	0.34-0.36	(\$13.25)	August

Source: O'Neil Commodity Consulting

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



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 14, 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	\$28.25	\$30.00	\$29.00	\$24.50	\$23.75	\$28.50	\$29.00	\$28.00
	Brazil	\$20.50	\$23.50	\$22.75	\$13.75	\$15.50	\$17.25	\$24.00	\$25.00
Corn (White)	Argentina	\$28.25	\$30.00	\$29.00	\$24.50	\$23.75	\$28.50	\$29.00	\$28.00
	Brazil	\$20.50	\$23.50	\$22.75	\$13.75	\$15.50	\$17.25	\$24.00	\$25.00
Barley	Argentina	\$28.25	\$30.00	\$29.00	\$24.50	\$23.75	\$28.50	\$29.00	\$28.00
	Brazil	\$20.50	\$23.50	\$22.75	\$13.75	\$15.50	\$17.25	\$24.00	\$25.00
Sorghum	Argentina	\$28.25	\$30.00	\$29.00	\$24.50	\$23.75	\$28.50	\$29.00	\$28.00
	Brazil	\$20.50	\$23.50	\$22.75	\$13.75	\$15.50	\$17.25	\$24.00	\$25.00

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 13, 2016			
	Current Week	Last Week	Last Month
U.S. Prime	3.50	3.50	3.50
LIBOR (6 month)	0.97	0.99	0.93
LIBOR (1 year)	1.25	1.23	1.27

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