



July 27, 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 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 December Contract					
\$/Bu	Friday July 21	Monday July 24	Tuesday July 25	Wednesday July 26	Thursday July 27
<b>Change</b>	-11.250	-2.750	-8.500	3.7500	1.7500
<b>Closing Price</b>	393.50	390.75	382.25	386.00	387.75
<b>Factors Affecting the Market</b>	The hot temperatures were no match for bears who see better weather ahead. Temperatures were very hot across the Midwest today but are expected to moderate next week. Outside markets were broadly weaker with the dollar down 38 points, and crude oil off \$1.15; equities fell.	Better weather forecasts sent corn down again, even as USDA's export report was bullish. USDA said 36.8 million bushels were exported last week, putting the YTD total up 33 percent. Friday's CFTC data showed funds still bullish corn but that is likely changing. Cash corn prices fell to recent lows.	A good crop progress report from USDA sent corn lower. 67 percent of corn is silking and 8 percent is in the dough stage, even as good/excellent ratings fell 2 percent to 62 percent. Cooler temperatures are expected for next week which added to the selling. The dollar was steady while crude oil rose \$1.55/barrel.	Some buying was noted as yesterday's selloff brought corn close to \$3.75 – the key support level of the past 9 months. Commercials are likely buying "cheap" corn as funds sell off the weather rally. The dollar fell 68 points as the Fed decided to keep interest rates unchanged.	Lighter than expected rains and expanding drought areas reported in the latest Drought Monitor kept corn higher on light volume. The dollar gained back almost all of yesterday's losses as durable goods orders were higher than expected. Other outside markets were mixed.

**Outlook:** The battle between weather risk and old-crop supplies continues. Weather risk seems to be falling but drought is spreading through the western Corn Belt. At the same time, old crop corn supplies are ample and any decent production this year will ensure more than sufficient supplies. The market is trying to figure out just how much risk the weather forecasts really have left.

December corn futures fell hard this week and are near their key support point for the past nine months. Weather forecasts turned more favorable with moderating temperatures and increased precipitation changes for much of the Corn Belt. With USDA's report showing 62 percent of corn in good/excellent condition and 67 percent of the corn silking, the crop seems "good enough" to sell off some of the weather premium. At the same time, however, today's Drought Monitor showed expanding drought in NE, IA, and (of course) MT and the Dakotas. This shows the crop is not fully without yield risk, and futures will continue to trade with some premium.

Old crop export sales this week totaled 3.6 million bushels, more than the 1.7 million needed weekly to reach USDA's projections. New crop sales reached 19.2 million bushels, bringing the outstanding NMY sales to 157.5 million, less than last year's 281 million. The report was neutral-to-bearish corn, especially given the 13-cent premium FOB NOLA corn carries to FOB Paranagua corn. The price difference may indicate Brazil is sufficiently competitive to stifle new-crop corn sales for the near future. That, combined with large carry-over stocks from the 2016/17 marketing year, may mean the U.S. will have more than enough corn this fall.

From a technical perspective, December corn is range bound, caught between major support at \$3.75 and resistance at \$4.05 and \$4.15. The market sees \$3.75 corn as “too cheap” given the lingering weather risks while prices over \$4.00 are “too high” given that crop conditions aren’t *that* bad. Stochastic indicators show the contract as slightly oversold today and some modest upswing is likely in the coming days. However, bears won’t let the contract get too high without a fundamental reason (i.e., much worse crop ratings) holding them off. For now, choppy, sideways trading is the most likely outlook for corn’s harvest contract.

## CBOT DECEMBER CORN FUTURES



Source: Prophet X

**Current Market Values:**

<b>Futures Price Performance: Week Ending July 27, 2017</b>			
<b>Commodity</b>	<b>27-Jul</b>	<b>21-Jul</b>	<b>Net Change</b>
<b>Corn</b>			
Sep 17	374.25	379.75	-5.50
Dec 17	387.75	393.50	-5.75
Mar 18	399.25	404.50	-5.25
May 18	404.50	409.50	-5.00
<b>Soybeans</b>			
Aug 17	994.75	1009.00	-14.25
Sep 17	1000.00	1014.25	-14.25
Nov 17	1007.50	1022.25	-14.75
Jan 18	1016.00	1030.75	-14.75
<b>Soymeal</b>			
Aug 17	322.30	329.70	-7.40
Sep 17	324.40	331.70	-7.30
Oct 17	326.20	333.60	-7.40
Dec 17	329.00	336.80	-7.80
<b>Soyoil</b>			
Aug 17	33.85	33.80	0.05
Sep 17	33.97	33.93	0.04
Oct 17	34.07	34.04	0.03
Dec 17	34.29	34.27	0.02
<b>SRW</b>			
Sep 17	479.75	499.25	-19.50
Dec 17	504.75	522.50	-17.75
Mar 18	525.25	543.00	-17.75
May 18	537.00	553.00	-16.00
<b>HRW</b>			
Sep 17	481.00	496.00	-15.00
Dec 17	508.00	522.75	-14.75
Mar 18	525.75	540.00	-14.25
May 18	539.00	552.75	-13.75
<b>MGEX (HRS)</b>			
Sep 17	736.50	765.75	-29.25
Dec 17	746.50	773.50	-27.00
Mar 18	744.25	769.75	-25.50
May 18	736.50	758.75	-22.25

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

**U.S. WEATHER/CROP PROGRESS**

<b>U.S. Crop Condition: July 23, 2017</b>					
<b>Commodity</b>	<b>Very Poor</b>	<b>Poor</b>	<b>Fair</b>	<b>Good</b>	<b>Excellent</b>
Corn	4%	8%	26%	49%	13%
Sorghum	2%	6%	33%	52%	7%
Barley	5%	9%	35%	43%	8%

Source: USDA

**U.S. Drought Monitor Weather Forecast:** In the 2 days since the Tuesday morning cutoff time of this week's USDM, heavy rains moved across parts of the northern and central Plains and Midwest, and monsoon showers and thunderstorms brought additional rain to parts of the Southwest. For July 27-31, 1-2 inches of rain is forecast for parts of the Midwest to Mid-Atlantic region, coastal Southeast, and Southwest to southern High Plains. Rainfall amounts may be locally as high as 3 inches from the Midwest to Mid-Atlantic, as high as 5 inches in the coastal Southeast, and as high as 6 inches in the central Rockies to southern High Plains. Less than an inch is predicted for much of the Plains, Northeast, Great Lakes, and Lower Mississippi Valley, while no rain is expected for most of the Far West and parts of the northern and southern Plains. Temperatures are predicted to be warmer than normal in the West and cooler than normal in the East. For August 1-9, odds favor drier-than-normal weather in the Northwest, northern Plains, and Upper Mississippi Valley, and wetter-than-normal weather across the Southwest, southern Plains, and Southeast. The Northeast likely will start out drier than normal but end up wetter than normal. Odds favor warmer-than-normal temperatures for the West, northern Plains, and parts of the East Coast, and cooler-than-normal temperatures for the southern Plains to Ohio Valley.

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 July 20, 2017					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	514,200	476,600	4,230.2	9,917.8	2%
Corn	300,300	894,300	50,228.1	56,322.0	16%
Sorghum	53,500	53,900	4,282.1	4,671.6	-41%
Barley	100	100	4.3	35.8	217%

Source: USDA/FAS

**Corn:** Net sales of 92,000 MT for 2016/2017--a marketing-year low--were down 80 percent from the previous week and 66 percent from the prior 4-week average. Increases were for Japan (192,700 MT, including 143,000 MT switched from unknown destinations and decreases of 42,400 MT), Mexico (57,500 MT), Colombia (12,400 MT, including 25,000 MT switched from unknown destinations, 11,300 MT switched from Panama, and decreases of 48,000 MT), El Salvador (9,000 MT, including 6,700 MT switched from Nicaragua), and Portugal (7,600 MT). Reductions were reported for unknown destinations (194,500 MT) and Nicaragua (6,700 MT). For 2017/2018, net sales of 486,600 MT were reported primarily for unknown destinations (160,000 MT), Mexico (136,400 MT), and Japan (63,000 MT). Exports of 894,300 MT were down 14 percent from the previous week and 12 percent from the prior 4-week average. The primary destinations were Japan (295,400 MT), Mexico (248,100 MT), Taiwan (79,300 MT), Portugal (72,300 MT), and Colombia (54,900 MT).

*Optional Origin Sales:* The current optional origin outstanding balance for 2016/2017 of 122,000 MT is for South Korea (68,000 MT) and unknown destinations (54,000 MT). The current outstanding balance for 2017/2018 of 112,000 MT is for unknown destinations.

**Barley:** Net sales of 100 MT for 2017/2018 were down 99 percent from the previous and 95 percent from the prior 4-week average. Increases were reported for Japan. Exports of 100 MT were reported to Taiwan.

**Sorghum:** Net sales of 52,000 MT for 2016/2017 were reported for (China, switched from unknown destinations). Exports of 53,900 MT were down 9 percent from the previous week and 14 percent from the prior 4-week average. The destinations were China (51,500 MT) and Mexico (2,400 MT).

U.S. Export Inspections: Week Ending July 20, 2017					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	0	98	5,319	9,965	53%
Corn	935,262	1,122,852	51,810,524	39,067,047	133%
Sorghum	106,940	61,318	5,305,244	7,946,793	67%
Soybeans	596,920	298,072	53,892,797	46,133,619	117%
Wheat	451,665	593,328	4,387,947	3,693,264	119%

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 20, 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	504,628	58%	57,050	88%	101,790	95%
PNW	268,203	31%	0	0%	0	0%
Interior Export Rail	97,498	11%	7,883	12%	5,150	5%
<b>Total (Metric Tons)</b>	<b>870,329</b>	<b>100%</b>	<b>64,933</b>	<b>100%</b>	<b>106,940</b>	<b>100%</b>
White Corn Shipments by Country (MT)			7,700	to El Salvador		
			17,600	to Honduras		
			39,633	to Mexico		
<b>Total White Corn (MT)</b>			<b>64,933</b>			
Sorghum Shipments by Country (MT)					101,790	to China
					5,150	to Mexico
<b>Total Sorghum (MT)</b>					<b>106,940</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)
August	+0.43 U	\$164.26	+0.56 Z	\$174.69
LH August	+0.40 U	\$163.08	+0.56 Z	\$174.69
September	+0.34 U	\$160.72	+0.64 Z	\$177.84
October	+0.36 Z	\$166.82	+0.80 Z	\$184.14

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
August	+1.00 Z	\$192.02	+0.90 Z	\$188.08
September	+1.00 Z	\$192.02	+0.90 Z	\$188.08

<b>Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)</b>			
	<b>August</b>	<b>September</b>	<b>October</b>
<b>New Orleans</b>	-	\$140	\$140
<i>Quantity 5,000 MT</i>			
<b>Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)</b>			
<b>Bulk 60% Pro.</b>	<b>August</b>	<b>September</b>	<b>October</b>
<b>New Orleans</b>	-	\$595	\$595
<i>*5-10,000 MT Minimum</i>			
<b>Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. \$/ST)</b>			
	<b>August</b>	<b>September</b>	<b>October</b>
<b>Rail Delvd. Savannah</b>	\$535	\$545	-
<b>Rail Delvd. Chicago</b>	\$520	\$520	-
<b>Truck Delvd. Chicago</b>	\$525	\$525	-

<b>DDGS Price Table: July 27, 2017 (USD/MT)</b> (Quantity, availability, payment and delivery terms vary)			
<b>Delivery Point</b> <b>Quality Min. 35% Pro-fat combined</b>	<b>August</b>	<b>September</b>	<b>October</b>
Barge CIF New Orleans	162	164	167
FOB Vessel GULF	176	171	174
Rail delivered PNW	194	195	196
Rail delivered California	197	198	199
Mid-Bridge Laredo, TX	193	194	195
FOB Lethbridge, Alberta	167	168	171
40 ft. Containers to South Korea (Busan)	184	184	188
40 ft. Containers to Taiwan (Kaohsiung)	186	186	189
40 ft. Containers to Philippines (Manila)	190	190	-
40 ft. Containers to Indonesia (Jakarta)	190	190	197
40 ft. Containers to Malaysia (Port Kelang)	188	188	195
40 ft. Containers to Vietnam (HCMC)	200	200	-
40 ft. Containers to Japan (Yokohama)	188	188	195
40 ft. containers to Thailand (LCMB)	189	189	193
40 ft. Containers to China (Shanghai)	190	190	192
40 ft. Containers to Bangladesh (Chittagong)	218	218	222
40 ft. Containers to Myanmar (Yangon)	216	216	216
KC & Elwood, IL Rail Yard (delivered Ramp)	151	152	154

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:** Merchandisers are reporting that DDGS prices are more supply/demand driven right now than following corn/soybean futures prices. The barge market is supporting broadly higher prices but is keeping domestic delivered prices at a discount to containerized product. Sellers successfully increased domestic prices a few dollars without much resistance early this week, but weaker CBOT corn is generating some pushback late this week.

Domestically, merchandisers are noting DDGS are a "fantastic value" and that feed inclusion rates are being kept high. It's easy to see why. DDGS are priced at 95 percent of cash corn and 37 percent of KC soybean meal and retain a \$1.97 per-protein unit cost advantage over soybean meal. FOB Gulf DDGS are priced at 107 percent of corn's value.



International interest is picking up, especially to Indonesia and South Korea, but the current price spread is limiting completed trades. U.S. ethanol plants and merchandisers are factoring in a significant carry in the corn market that is also being priced into DDGS. International demand, however, has been flat. Reportedly, there are several shorts in the export market trying to cover which is helping keep a carry in the DDGS market.

## COUNTRY NEWS

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**China:** Sinograin sold 56 percent of the 3.35 MMT of reserve corn it offered for sale on July 21. Most of the grain sold was 2014 corn with an average price of 1,454 yuan (\$215.80) with a small amount of 2013 crop sold at 1,265 yuan (\$187.75). None of the imported corn offered for sale received a bid. Offers this week are to include 800 KMT of the 2014 crop 3.65 MMTs from 2013 and 2014 crops on Friday. (Bloomberg)

**EU:** The EU proposed reducing the biofuel mandate from 7 percent in 2021 to 3.8 percent in 2030 but the Impact Assessment Institute, a think tank, found “fundamental shortcomings” in the Commission’s Impact Assessment. Specifically, there was insufficient justification for a negative opinion as it lacked supporting analyses and failed to differentiate the GHG emission performance of the fuels. Environmental NGOs lump all crop-based biofuels together and are pressuring the Commission to completely ban them after 2020, insisting that only advanced biofuels should be used. (Euractiv)

**India:** The new Goods Services Tax (GST) is posing problems on implementation. Corn seed previously faced zero tax but now is charged 5 percent and ethanol will be assessed 18 percent, the second highest tax category. (Reuters; High Plains Journal)

**South Africa:** The Crop Estimates Committee raised its estimate for this year’s corn crop by 2.2 percent to 15.97 MMT (9.51 MMT white and 6.46 MMT yellow corn), more than double last year’s drought stricken total. White corn is fetching \$145.52/MT and yellow corn is earning \$155.28/MT). (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	\$37.50	Down \$0.75	Handymax at \$38.00/MT
55,000 U.S. PNW-Japan	\$19.25	Down \$0.50	Handymax at \$19.75/MT
55,000 U.S. Gulf-China	\$36.50	Down \$0.75	North China
PNW to China	\$18.50	Down \$0.50	
25,000 U.S. Gulf-Veracruz, México	\$14.00	Down \$0.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	\$11.75	Down \$0.25	Deep draft and 6,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$16.75 \$27.00	Down \$0.25 Unchanged	West Coast Colombia at \$25.50
40-45,000 U.S. Gulf-Guatemala	\$25.00	Down \$0.25	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$26.25 \$29.25	Down \$0.25	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$25.25	Down \$0.25	5,000 discharge rate
55,000 U.S. Gulf-Egypt	\$22.75	Down \$0.25	55,000 -60,000 MT
PNW to Egypt	\$22.75	Down \$0.25	St. Lawrence to Egypt \$23.00
60-70,000 U.S. Gulf-Europe-Rotterdam	\$14.00	Up \$0.50	Handymax at +\$1.50 more
Brazil, Santos-China	\$28.00	Down \$0.75	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port upriver	\$27.00	Down \$0.75	
Amazonia-China	\$31.00	Down \$0.75	
56-60,000 Argentina-China Upriver with Top-Off	\$34.50	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:** Global ocean freight markets are following a very familiar pattern. It is a bit like riding a roller coaster at the park; things go up for a week or two and then they roll back down. Many in the industry are expecting to see a steady market improvement (increase) take hold by the year's end. I think the general consensus is that things have definitely bottomed out and eventually have to move upward. Of course, this theory is contingent upon continued scrapping of vessels and no increase in new building activity. Can owners do that? They always have an itchy hand that wants to grow the fleet at the first sign of improved economics. Hopefully the banks will keep them from doing that. It has been interesting to watch the Capesize market move in different directions than the Panamax and Supramax markets. This week the Capes were up while the smaller vessels were down.

Baltic-Panamax Dry-Bulk Indices				
July 27, 2017	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	15,477	16,584	-1,107	-6.7%
P3A: PNW/Pacific– Japan	8,141	9,251	-1,110	-12.0%
S1C: U.S. Gulf-China-S. Japan	17,506	19,061	-1,555	-8.2%

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:

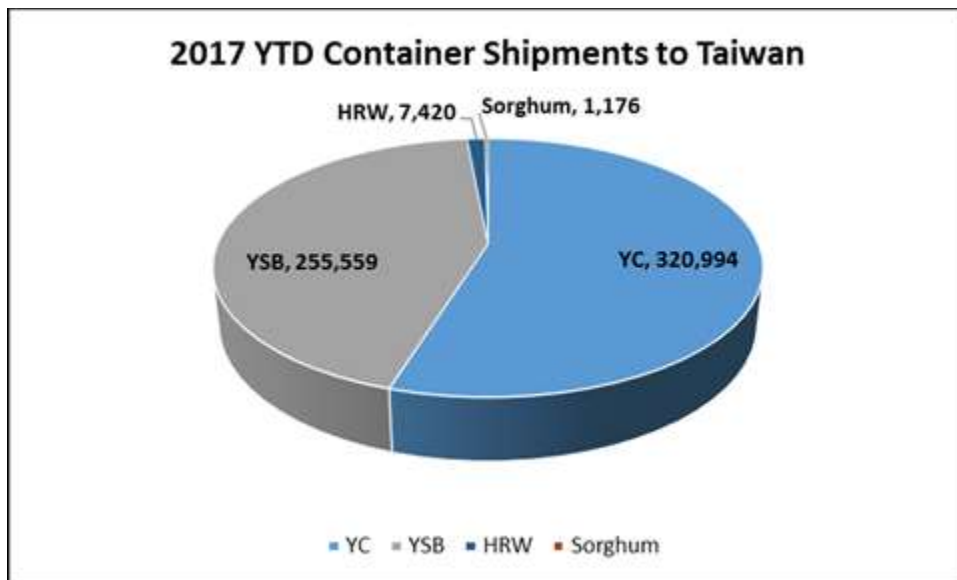
Week Ending July 27, 2017	
Four weeks ago:	\$4.55 - \$5.25
Three weeks ago:	\$4.55 - \$5.20
Two weeks ago:	\$4.30 - \$5.65
One week ago:	\$4.50 - \$5.50
This week	\$5.50 - \$6.00

Source: O'Neil Commodity Consulting

U.S.-Asia Market Spreads					
July 27, 2017	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	0.58	0.33	0.25	\$9.84	PNW
Soybeans	0.75	0.50	0.25	\$9.84	PNW
Ocean Freight	\$19.25	\$37.50	0.46-0.50	<b>\$18.25</b>	August

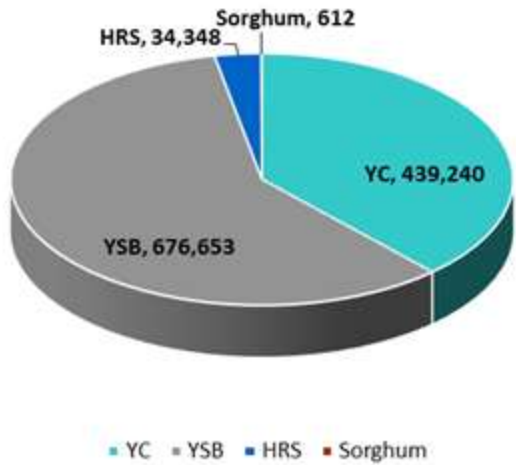
Source: O'Neil Commodity Consulting

The charts below represent YTD 2017 versus 2016 annual totals for container shipments to Taiwan.



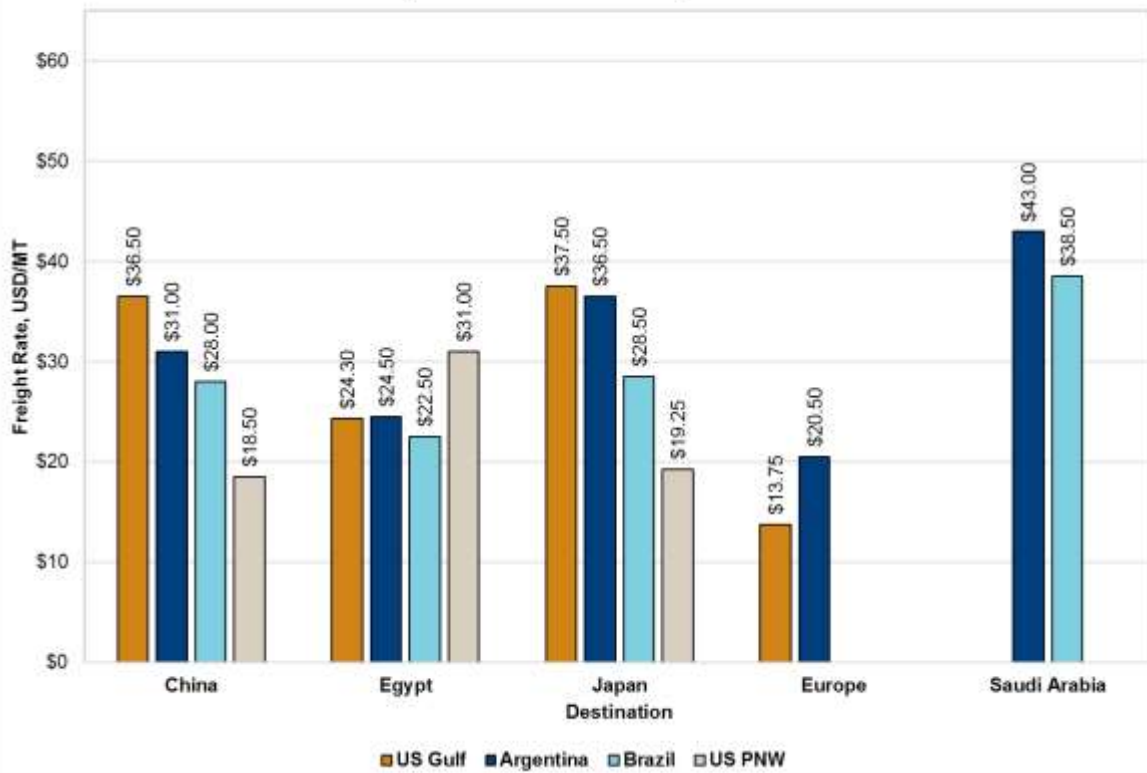
Source: O'Neil Commodity Consulting

### 2016 Container Shipments to Taiwan



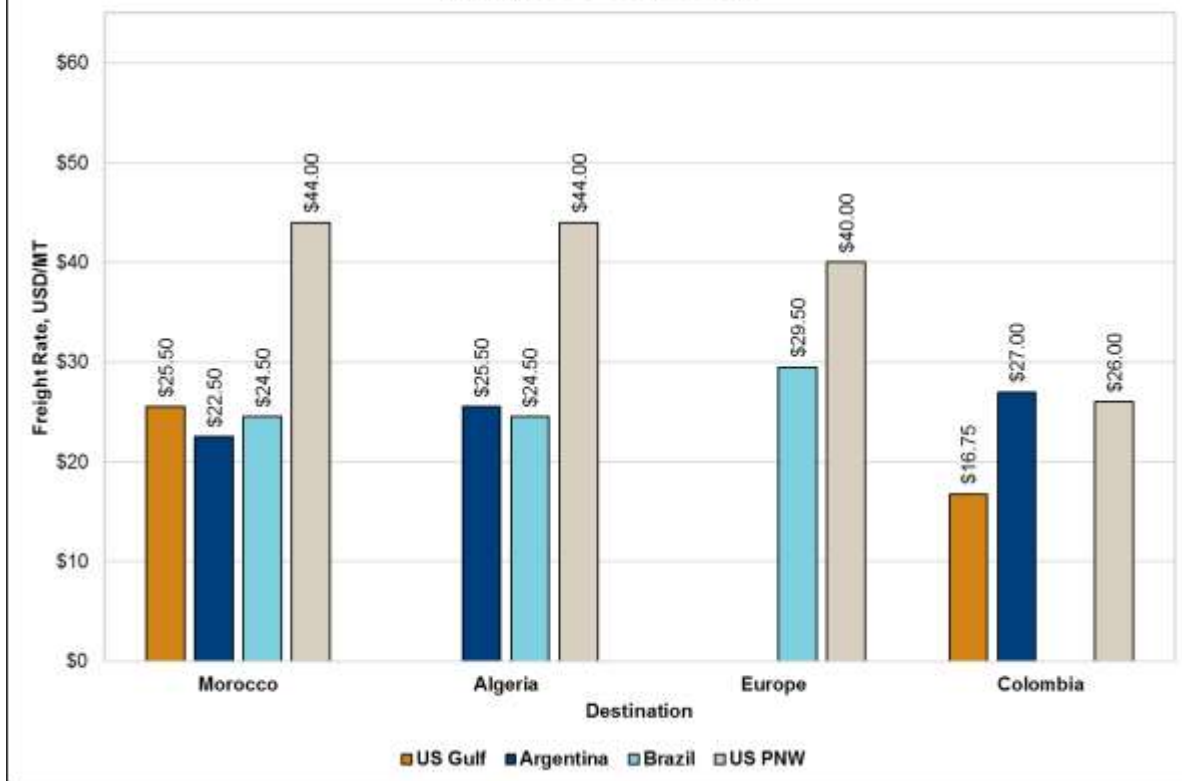
Source: O'Neil Commodity Consulting

### International Freight Rates by Origin, July 27, 2017, Supramax/Panamax Vessels, USD/MT



Source: DTN, O'Neil Commodity Consulting and WPI

**International Freight Rates by Origin, July 27, 2017,  
Handysize Vessels, USD/MT**



Source: DTN, O'Neil Commodity Consulting and WPI

**U.S. Gulf to Morocco Freight Rate Premium/Discount to  
Competing Origins**



Source: DTN, O'Neil Commodity Consulting and WPI

## INTEREST RATES

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<b>Interest Rates (%): July 27, 2017</b>			
	<b>Current Week</b>	<b>Last Week</b>	<b>Last Month</b>
<b>U.S. Prime</b>	4.25	4.25	4.25
<b>LIBOR (6 month)</b>	1.45	1.46	1.45
<b>LIBOR (1 year)</b>	1.74	1.73	1.73

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