



**August 17, 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 August 11	Monday August 14	Tuesday August 15	Wednesday August 16	Thursday August 17
<b>Change</b>	3.750	1.500	-7.750	-2.000	-2.250
<b>Closing Price</b>	374.75	376.25	368.50	366.50	364.25
<b>Factors Affecting the Market</b>	A slightly higher close came from commercial buying and technically oversold conditions. The market remains pressured from USDA's yield estimate. Prevent plant acres were estimated at 0.95 million, surprisingly low. Outside markets were higher.	December corn rebounded from its 2017 low to finish slightly higher. More rain is expected in the Midwest which will keep selling pressure active. Export inspections were solid, keeping YTD totals up 27 percent. Outside markets were mixed with lower crude oil.	Forecasted rain sent corn to new lows. Iowa is expected to receive substantial rain. USDA said 61 percent of corn has entered the dough stage and 16 percent is dented, close to the typical development pace. The dollar gained for a second day in a row.	December corn made a new contract low for the 3rd straight day. Speculative traders are selling longs and getting short, pressuring the market. They may return as buyers later, but not until USDA lowers yield estimates. Outside markets were mixed.	The market came within a quarter-cent of putting in a new low again today. However, \$3.64 seems to be a short-run support point. Export sales were unexciting and exports were less than needed. Gulf corn is now cheaper than Brazil so exports could improve.

**Outlook:** Traders have not been kind to the corn market. December corn futures have lost 14 cents in the past two weeks and over 40 cents since the end of July. The biggest factors have been improved weather across the Corn Belt and USDA's 2017 yield projection of 169.5 BPA.

Despite better weather and USDA's projection of a large corn crop, skepticism remains. Farmers and crop scouts across the Midwest are reporting severely dry fields and ears with significant pollination issues. Additionally, parts of Iowa have been hotter and drier in 2017 than they were during the massive 2012 drought. These factors all but assure that USDA will lower its yield estimate in a later WASDE report. Until then, however, the market has to trade the best available information, which – in this case – means trading a 169.5 BPA national yield.

USDA's export sales report was neutral/slightly bullish for corn. Old crop net sales of 2.5 million bushels were above the 1.1 million needed in this week's report while the 27.5 million bushels exported last week were half of the 41.1 million required. This week's activity puts total 2016/17 sales at 2.223 billion bushels, nearly equal to USDA's export forecast. YTD exports stand at 2.086 billion bushels, 23 percent ahead of last year and on-target for total demand of 2.243 billion bushels.

Bearish news came from reports this week that Brazilian farmers – particularly those in Mato Grosso – are having to store corn in open air piles on the ground due to lack of storage space. Brazil's incredible production this year has outweighed its storage capacity, which would typically induce a wave a farmer selling and pressure price. However, falling prices at the CBOT this week have pressured U.S. and Brazilian export prices, effectively discouraging any farmer sales in Brazil. The lack of selling now means U.S. farmers may face more competition later in the marketing year.

From a technical perspective, December corn is heading lower with little to stop it. The market is oversold but the contract has consistently put in new lows this week. Psychological support will likely be found at \$3.60 and more at the life-of-contract low at \$3.58 ½. At some point, the market will have to reckon with USDA's probable yield reductions in the September, or more likely October, WASDE – but that time is not now.

## CBOT DECEMBER CORN FUTURES



Source: Prophet X

**Current Market Values:**

<b>Futures Price Performance: Week Ending August 17, 2017</b>			
<b>Commodity</b>	<b>17-Aug</b>	<b>11-Aug</b>	<b>Net Change</b>
<b>Corn</b>			
Sep 17	350.50	360.75	-10.25
Dec 17	364.25	374.75	-10.50
Mar 18	376.25	386.50	-10.25
May 18	382.25	392.75	-10.50
<b>Soybeans</b>			
Sep 17	930.25	938.25	-8.00
Nov 17	933.00	945.00	-12.00
Jan 18	941.25	953.75	-12.50
Mar 18	949.50	962.00	-12.50
<b>Soymeal</b>			
Sep 17	296.10	299.50	-3.40
Oct 17	297.70	301.20	-3.50
Dec 17	300.00	304.20	-4.20
Jan 18	301.20	305.30	-4.10
<b>Soyoil</b>			
Sep 17	33.21	33.63	-0.42
Oct 17	33.34	33.74	-0.40
Dec 17	33.55	33.99	-0.44
Jan 18	33.69	34.13	-0.44
<b>SRW</b>			
Sep 17	414.00	439.25	-25.25
Dec 17	440.75	467.00	-26.25
Mar 18	463.75	488.75	-25.00
May 18	479.25	503.75	-24.50
<b>HRW</b>			
Sep 17	414.25	441.25	-27.00
Dec 17	442.00	469.25	-27.25
Mar 18	460.50	487.25	-26.75
May 18	475.00	501.25	-26.25
<b>MGEX (HRS)</b>			
Sep 17	670.25	674.00	-3.75
Dec 17	684.25	688.25	-4.00
Mar 18	684.50	690.25	-5.75
May 18	674.75	680.75	-6.00

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

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

<b>U.S. Crop Condition: August 14, 2017</b>					
<b>Commodity</b>	<b>Very Poor</b>	<b>Poor</b>	<b>Fair</b>	<b>Good</b>	<b>Excellent</b>
Corn	3%	9%	26%	49%	13%
Sorghum	2%	6%	28%	54%	10%
Barley	9%	13%	29%	39%	10%

Source: USDA

**U.S. Drought Monitor Weather Forecast:** For the week of August 16-23, rain is forecast across most of the contiguous United States, save most of the western quarter and part of eastern to southern Texas. Rainfall may be in excess of two inches or more in some areas that will significantly benefit, including much of the Plains from North Dakota south through Oklahoma, parts of the Midwest where dry conditions have recently crept in, and across much of the East Coast states. Over the next few days, temperatures are broadly forecast to be in the 70s to 80s across much of the northern tier and 80s to 90s across much of South. Temperatures in the 90s and higher are likely limited mostly to Texas, southwestern Arizona, and southern California.

Looking further ahead into the second week period, above-average temperatures are favored across most of the contiguous U.S., particularly in southern Texas, Florida, and part of the upper Midwest to the mid- and North Atlantic states. Wetter-than-average conditions are favored across much of the eastern two-thirds of the contiguous U.S., part of the west and most notably western New Mexico. Drier-than-average conditions are favored across most of Texas and Oklahoma, along with the northwestern tier of the Contiguous U.S.

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 August 10, 2017					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	709,100	545,900	5,927.6	11,161.2	0%
Corn	250,800	698,500	52,990.7	56,473.2	13%
Sorghum	17,500	69,300	4,621.4	4,849.0	-41%
Barley	0	500	6.4	36.3	208%

Source: USDA/FAS

**Corn:** Net sales of 62,400 MT for 2016/2017 were up 20 percent from the previous week, but down 61 percent from the prior 4-week average. Increases were reported for South Korea (71,900 MT), China (68,200 MT, including 65,000 MT switched from unknown destinations), Colombia (50,400 MT, including 30,000 MT switched from unknown destinations), Peru (48,300 MT, including 45,000 MT switched from unknown destinations), and Mexico (47,600 MT, including 30,000 MT switched from unknown destinations). Reductions were reported for unknown destinations (260,800 MT) and Portugal (25,000 MT). For 2017/2018, net sales of 671,800 MT were reported primarily for Mexico (283,300 MT), unknown destinations (168,800 MT), and Japan (102,000 MT). Exports of 698,500 MT were down 28 percent from the previous week and 30 percent from the prior 4-week average. The primary destinations were Mexico (304,800 MT), South Korea (71,500 MT), China (67,000 MT), Colombia (46,900 MT), and Peru (38,200 MT).

**Optional Origin Sales:** For 2016/2017, options were exercised to export 68,000 MT to South Korea from the United States. The current optional origin outstanding balance is 54,000 MT, all unknown destinations. For 2017/2018, the current outstanding balance is 112,000 MT, all unknown destinations.

**Barley:** No net sales were reported for the week. Exports of 500 MT were reported to Taiwan (300 MT) and Japan (200 MT).

**Sorghum:** Net sales of 17,500 MT for 2016/2017 resulted as increases for China (73,500 MT, including 66,000 MT switched from unknown destinations) and Japan (10,000 MT), were partially offset by reductions for unknown destinations (66,000 MT). Exports of 69,300 MT were down 32 percent from the previous week and

28 percent from the prior 4-week average. The destinations were China (68,500 MT), Mexico (600 MT), and South Korea (200 MT).

U.S. Export Inspections: Week Ending August 10, 2017					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	2,195	2,468	12,227	16,524	74%
Corn	756,935	979,006	54,558,862	42,872,666	127%
Sorghum	69,625	105,951	5,703,473	8,492,320	67%
Soybeans	570,012	686,770	55,646,044	48,605,520	114%
Wheat	511,528	635,987	6,172,952	5,501,563	112%

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 August 10, 2017						
Region	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	14,557	2%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Gulf	366,632	51%	38,874	100%	66,793	96%
PNW	198,632	28%	0	0%	122	0%
Interior Export Rail	138,240	19%	0	0%	2,710	4%
<b>Total (Metric Tons)</b>	<b>718,061</b>	<b>100%</b>	<b>38,874</b>	<b>100%</b>	<b>69,625</b>	<b>100%</b>
White Corn Shipments by Country (MT)			7,374	to Colombia		
			31,500	to Mexico		
<b>Total White Corn (MT)</b>			<b>38,874</b>			
Sorghum Shipments by Country (MT)					66,940	to China
					122	to S. Korea
					2,563	to Mexico
<b>Total Sorghum (MT)</b>					<b>69,625</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	+0.52 U	\$158.46	-	-
September	+0.54 U	\$159.24	+0.74 Z	\$172.53
October	+0.51 Z	\$163.47	+0.83 Z	\$176.07

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
August	-	-	+1.10 Z	\$186.70
September	+1.05 Z	\$184.73	+1.10 Z	\$186.70

<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>	-	\$139.50	\$139.50
<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>	-	\$590	\$590
<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	\$535	-
<b>Rail Delvd. Chicago</b>	-	\$530	-
<b>Truck Delvd. Chicago</b>	\$520	\$520	-

<b>DDGS Price Table: August 17, 2017 (USD/MT)</b> (Quantity, availability, payment and delivery terms vary)			
<b>Delivery Point</b> <b>Quality Min. 35% Pro-fat combined</b>	<b>September</b>	<b>October</b>	<b>November</b>
Barge CIF New Orleans	160	162	164
FOB Vessel GULF	174	173	174
Rail delivered PNW	189	189	189
Rail delivered California	191	191	191
Mid-Bridge Laredo, TX	190	190	190
FOB Lethbridge, Alberta	169	170	170
40 ft. Containers to South Korea (Busan)	188	188	188
40 ft. Containers to Taiwan (Kaohsiung)	186	186	186
40 ft. Containers to Philippines (Manila)	197	197	197
40 ft. Containers to Indonesia (Jakarta)	189	189	189
40 ft. Containers to Malaysia (Port Kelang)	187	187	187
40 ft. Containers to Vietnam (HCMC)	192	192	192
40 ft. Containers to Japan (Yokohama)	197	197	197
40 ft. containers to Thailand (LCMB)	189	189	189
40 ft. Containers to China (Shanghai)	192	192	192
40 ft. Containers to Bangladesh (Chittagong)	213	213	213
40 ft. Containers to Myanmar (Yangon)	213	213	213
KC & Elwood, IL Rail Yard (delivered Ramp)	153	155	155

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 are higher in light trading, despite continued weakness in corn futures. FOB ethanol plant prices rose to \$112.34/ton, putting DDGS at 100 percent of cash corn values and 39 percent of Kansas City soybean meal. Both ratios are up from last week.

On the international front, prices for DDGS FOB U.S. Gulf were essentially steady, gaining \$0.25/MT to end at \$174.25/MT. This came despite a \$1.50/MT decrease in Barge CIF NOLA values. FOB Gulf DDGS prices gained versus falling FOB corn prices, leaving the DDGS/corn price ratio at 101 percent. This is only the second time in 2017 the ratio has been above 100 percent, and DDGS still appear undervalued relative to historic norms.

CNF prices to Southeast Asia were mixed this week, gaining \$1/MT on average. Prices for 40-foot containers to Japan and the Philippines increased, with smaller gains in other markets. Given the light trading that has occurred so far, it is likely international buyers are waiting for corn prices to stabilize and provide direction for DDGS before purchasing.

DDGS production for the 2016/17 marketing year is projected to increase 4 percent from last year, ending at 37.3 MMT. Based on the outlook for greater ethanol production in the 2017/18 marketing year, DDGS production will rise commensurately, reaching 37.6 MMT. According to the USDA ERS, 73 percent of DDGS are consumed domestically while the rest are exported. Given growing DDGS production and the financial pressure that is building for livestock producers in the U.S., DDGS exports will likely increase, both in volume and as a share of production, in 2017.

## COUNTRY NEWS

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**Argentina:** Corn planted area will increase by 5 percent to 10 percent in the 2017/2018 marketing year, spurred by greater profitability than soybeans. Some estimate that production could reach 46 MMT, versus 40 MMT in 2016/2017. Corn planting, which starts in September, will also occur on 400,000 hectares of land that did not get planted to wheat due to weather. Fertilizer sales will be up by 8 percent.

**Brazil:** FS Bioenergia inaugurated the country's first corn to ethanol plant. It will produce 240 million liters (63.4 million U.S. gallons) of ethanol each year. Agriculture Minister Blairo Maggi lamented that current corn prices do not cover the cost of production and noted that 10 such plants could consume 6 MMT per year. (Reuters)

**China:** January delivery of corn at the Dalian futures market hit 1,741 yuan/MT (\$263.78), the highest close since April of 2016, largely on supply concerns. An August USDA/FAS GAIN report lowered China's corn production to 210 MMT, a 5 MMT reduction from the Department's July estimate. (Bloomberg; World-Grain)

China State Grain Reserve Corn Sales						
Date	Crop Year	Amount Offered	Amount Sold	Percent	Price Yuan	Price USD
August 17	2014	304,083	123,811	41	1,420	212.88
	2013	505,987	15,000	3	1,250	187.39

Source: Bloomberg/National Grain Trade Center



## 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	\$39.00	Up \$2.00	Handymax at \$39.50/MT
55,000 U.S. PNW-Japan	\$20.00	Up \$1.00	Handymax at \$20.25/MT
55,000 U.S. Gulf-China	\$38.00	Up \$2.00	North China
PNW to China	\$19.25	Up \$1.00	
25,000 U.S. Gulf-Veracruz, México	\$15.00	Up \$1.00	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	\$13.00	Up \$1.25	Deep draft and 6,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$18.00 \$28.50	Up \$1.25 Up \$1.50	West Coast Colombia at \$26.50
40-45,000 U.S. Gulf-Guatemala	\$26.00	Up \$1.00	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$27.25 \$30.25	Up 1.25	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$26.50	Up \$1.50	5,000 MT discharge rate
55,000 U.S. Gulf-Egypt	\$24.25	Up \$1.75	55,000-60,000 MT
PNW to Egypt	\$23.75	Up \$1.25	St. Lawrence to Egypt \$24.50
60-70,000 U.S. Gulf-Europe-Rotterdam	\$15.50	Up \$1.25	Handymax at +\$1.50 more
Brazil, Santos-China	\$30.00	Up \$2.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port upriver	\$28.50	Up \$2.00	
Amazonia-China	\$33.00	Up \$2.00	
56-60,000 Argentina-China Upriver with Top-Off	\$36.25	Up \$2.00	—

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's uptick in Capesize vessel paper markets and rates combined with good grain freight demand from the U.S. Gulf and East Coast-South America provided support and higher values in Dry-Bulk markets.

Some corn sales have been made from Brazil to East Coast-Mexico. These were concluded a few weeks ago and calculated on a wide corn basis spread U.S. Gulf vs. Santos, Brazil, and with ocean freight rates of \$21-\$22.00/MT to Veracruz – versus relative freight from the U.S. Gulf to Veracruz at \$13.00/MT. The current corn Basis FOB Brazil is considerably higher today, and the ocean freight spreads are a bit wider, so we will have to see if these sales ship as originally intended or get swapped out for U.S. Gulf corn. Export traders are anticipating that container shipping lines will install a \$100/TEU GRI in October.

The improved freight markets have motivated some vessel owners to step back into the new vessel ordering game. If this continues the 2020 Dry-Bulk fleet will start growing again and the markets will be forced to punish everyone in the industry. Someone please tell owners to keep their hands in the pockets and their wallets closed to protect their investments.

Baltic-Panamax Dry-Bulk Indices				
August 17, 2017	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	17,677	16,532	1,145	6.9%
P3A: PNW/Pacific– Japan	9,881	8,832	1,049	11.9%
S1C: U.S. Gulf-China-S. Japan	18,036	16,417	1,619	9.9%

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 August 17, 2017	
Four weeks ago:	\$4.50 - \$5.50
Three weeks ago:	\$5.50 - \$6.00
Two weeks ago:	\$5.60 - \$6.40
One week ago:	\$6.15 - \$6.50
This week	\$6.90 - \$7.25

Source: O'Neil Commodity Consulting

U.S.-Asia Market Spreads					
August 17, 2017	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	0.82	0.52	0.30	\$11.81	PNW
Soybeans	0.95	0.68	0.27	\$10.63	PNW
Ocean Freight	\$19.25	\$38.00	0.48-0.51	<b>\$18.75</b>	Sept.

Source: O'Neil Commodity Consulting

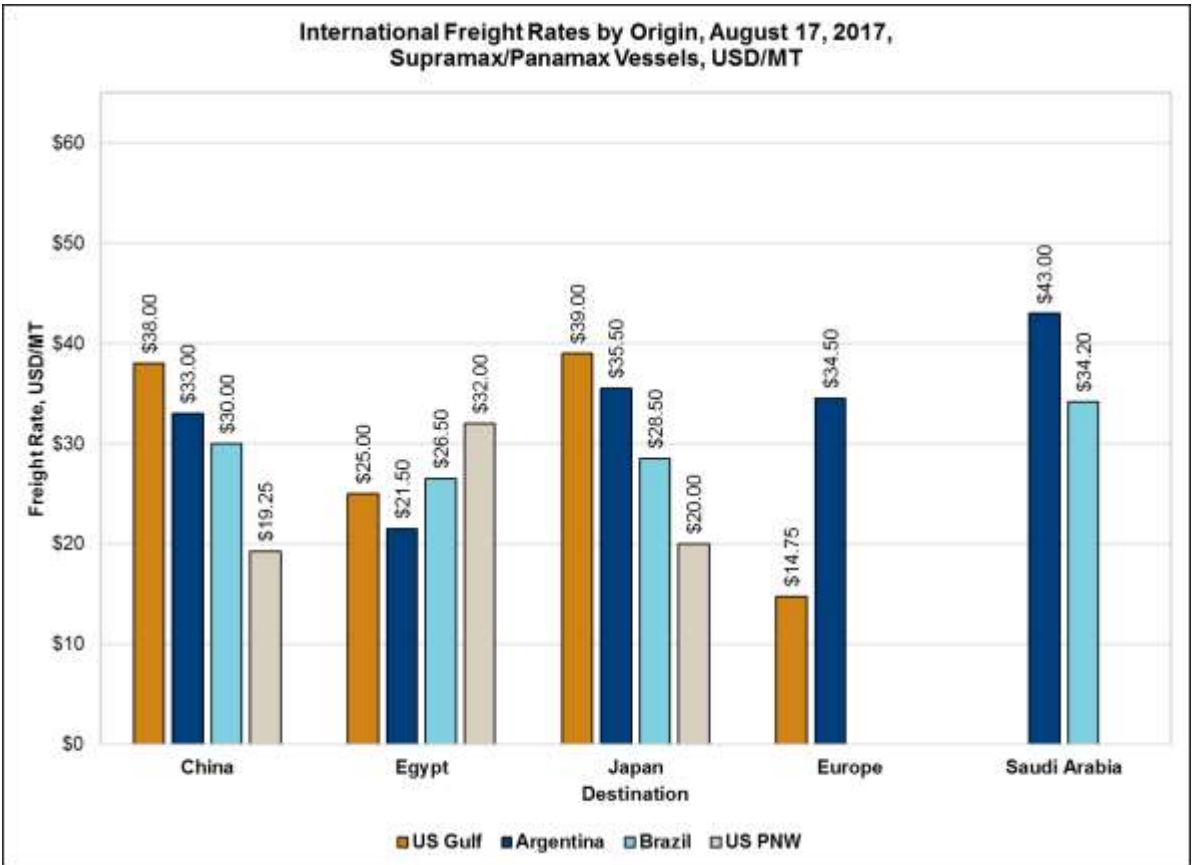
The charts below represent YTD 2017 versus 2016 annual totals for container shipments to Indonesia.



Source: O'Neil Commodity Consulting

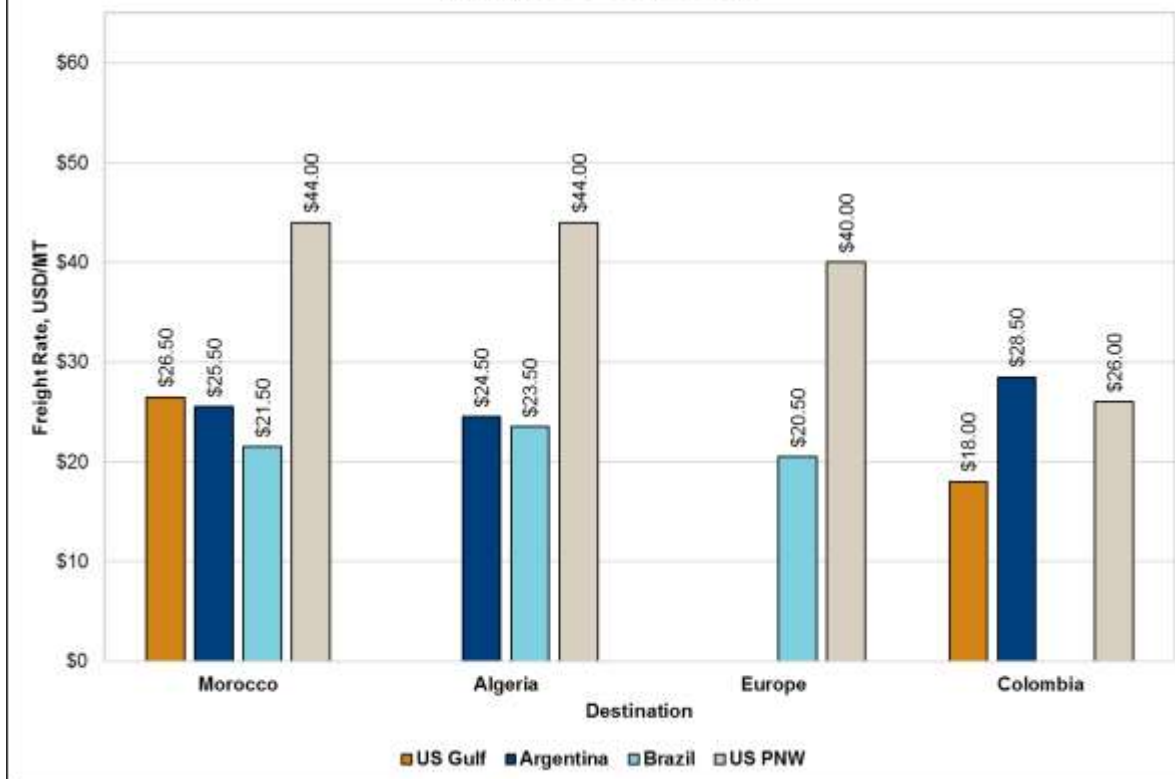


Source: O'Neil Commodity Consulting



Source: DTN, O'Neil Commodity Consulting and WPI

**International Freight Rates by Origin, August 17, 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 (%): August 17, 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	1.45	1.46
<b>LIBOR (1 year)</b>	1.73	1.73	1.75

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