U.S. GRAINS COUNCIL

Market Perspectives

August 18, 2016

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Friday 12 August**	**Monday 15 August**	**Tuesday 16 August**	**Wednesday 17 August**	**Thursday 18 August**
Change	0.013	0.040	0.0025	0.0250	0.0225
Closing Price	3.33	3.37	3.3725	3.3975	3.42
Factors Affecting the Market	December futures reached new contract lows as the USDA pegged the 2016 U.S. yield at 175 bu/acre and 15 billion bushels of production. Markets closed higher as the world situation may pull stocks estimates lower.	Markets traded a wide range, debating the accuracy of the USDA's yield. Strength in the soybean market spilled over, adding to export-induced bullishness. Managed money is still short by 147,000 contracts.	Markets lacked direction as 74 percent of the crop is in good or excellent condition and U.S. exports are increasing due to Brazil's production shortfall. Mild support came from a weaker U.S. dollar.	Markets were caught between record ethanol production with decreasing stocks and selling pressure at $3.40. The overall tone is still bearish but waiting for more information about yields before moving strongly lower.	Corn closed higher in light trading for the fifth consecutive day following the WASDE's record yield forecast. Active exports and strong ethanol production are providing short-term support along with a falling U.S. dollar.

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.

Outlook: Last Friday's WASDE report was surprising indeed. The report forecasted a national corn yield of 175 bushels per acre and production of 15.15 billion bushels. If realized, this would easily be the largest yield and crop on record. The report's yield estimate is the first this year based on test plots and actual ear weights, rather than statistical forecasts. The record production forecasts brought USDA's total supply estimate to 16.9 billion bushels, 9.8 percent larger than the 2015/16 crop.

Export forecasts were increased by 125 million bushels to 2.175 billion bushels given the tightness of Brazilian supplies. Despite 3 million bushels of increased total corn use for the year, ending stocks will swell to 2.409 billion bushels, a 40 percent increase over the 2015/16 crop. The forecast represents an overwhelming corn supply for the U.S. which will yield a largely negative financial tone for many corn farmers this year. The USDA lowered farm gate price forecasts for the 2016/17 crop year to $2.85-$3.45 per bushel.

Thursday's export sales report was neutral-to-bearish with sales of 6.6 million bushels and shipments of 45.9 million bushels. The weekly figures mean this year's exports will likely fall short of USDA's projected 1.925-billion-bushel export volume for the 2015/16 crop. U.S. exports could continue their modestly strong activity of recent months into early 2017, however, given the demise of the Brazilian crop and tight supplies elsewhere in South America.

After the USDA's record report, December corn futures closed higher for five consecutive days – a large divergence from what was expected. Many argue the trade had already factored a record yield into prices before the WASDE and now prices are working their way slightly higher as the market waits for confirmation of large yields. Additional support has come from significant strength in the soybean markets and from a lower U.S. dollar. More than likely, however, traders are simply somewhat skeptical the 175 bushel per acre yield will actually be realized and are pricing in a risk premium for now.

December futures were technically oversold before the report and this week's higher prices may simply be a reflection of exhausted bearish sentiment. From a technical standpoint, December corn closed today just above the first key resistance mark of $3.4175. The next resistance will likely be found at $3.45 while support lies at $3.37 and again at $3.33 Farmer selling is still nonexistent but the U.S. national corn basis is slightly weaker than last week at $0.30 under the September contract with river terminals weaker and Gulf basis steady.

CBOT DECEMBER CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending August 18, 2016			
Commodity	**18-Aug**	**12-Aug**	**Net Change**
Corn			
Sep 16	332.00	322.25	9.75
Dec 16	342.00	333.00	9.00
Mar 17	351.75	343.50	8.25
May 17	358.75	350.25	8.50
Soybeans			
Sep 16	1032.25	999.00	33.25
Nov 16	1014.50	981.75	32.75
Jan 17	1014.50	982.25	32.25
Mar 17	1007.75	976.50	31.25
Soymeal			
Sep 16	334.40	332.50	1.90
Oct 16	332.50	330.00	2.50
Dec 16	331.20	327.80	3.40
Jan 17	328.50	325.30	3.20
Soyoil			
Sep 16	34.19	32.03	2.16
Oct 16	34.33	32.16	2.17
Dec 16	34.61	32.45	2.16
Jan 17	34.84	32.67	2.17
SRW			
Sep 16	427.00	422.50	4.50
Dec 16	444.25	440.00	4.25
Mar 17	462.50	462.00	0.50
May 17	474.75	475.00	-0.25
HRW			
Sep 16	421.00	416.25	4.75
Dec 16	446.75	442.25	4.50
Mar 17	462.25	458.00	4.25
May 17	472.25	468.50	3.75
MGEX (HRS)			
Sep 16	527.75	513.75	14.00
Dec 16	526.00	516.00	10.00
Mar 17	534.75	529.00	5.75
May 17	541.75	537.75	4.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: August 14, 2016					
	Very Poor	Poor	Fair	Good	Excellent
Corn	2%	5%	19%	53%	21%
Sorghum	1%	6%	28%	52%	13%
Barley	1%	4%	24%	56%	15%

Source: USDA

U.S. Drought Monitor Weather Forecast: During the next 5 days (August 18-22), the Far West should stay seasonably dry. Meanwhile, the heaviest rains (1-4 inches) should fall on the southern Great Plains and upper Delta (TX-OK-AR), from southern Montana and northern Wyoming eastward to northern sections of Wisconsin and Michigan, on the southern Appalachians, and along the coast of the Carolinas. 5-day temperatures will be above-normal in the Far West and the Atlantic Coast States while subnormal readings are expected in the middle third of the Nation.

During August 23-27, the odds favor above-median precipitation in the southern three-quarters of the Plains, while sub-median rainfall is favored in Arizona, the Pacific Northwest, and mid-Atlantic southward to the central Gulf Coast. Subnormal temperatures are likely in the southern two-thirds of the Rockies and Plains, the Tennessee and lower Ohio Valleys, and central Appalachians, while above-normal readings are favored in the Pacific Northwest and along the East Coast.

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 August 11, 2016					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	524,900	717,900	5,069.7	11,186.2	21%
Corn	256,900	1,166,300	43,053.7	49,797.6	5%
Sorghum	60,700	79,600	7,634.7	8,207.8	-4%
Barley	0	0	4.7	11.7	-51%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 167,400 MT for 2015/2016--a marketing-year low--were down 72 percent from the previous week and 61 percent from the prior 4-week average. Increases were reported for Japan (97,700 MT, including 31,000 MT switched from unknown destinations and decreases of 5,700 MT), South Korea (96,100 MT, including 95,000 MT switched from unknown destinations), Peru (88,300 MT, including 70,500 switched from unknown destinations), Canada (32,100 MT), and Morocco (28,100 MT). Reductions were reported for unknown destinations (250,100 MT), the French West Indies (5,600 MT), the Dominican Republic (1,500 MT), and Guatemala (1,300 MT). For 2016/2017, net sales of 1,042,700 MT were reported primarily for Mexico (425,200 MT), unknown destinations (269,300 MT), and Japan (152,400 MT). Exports of 1,166,300 MT were down 19 percent from the previous week and 10 percent from the prior 4-week average. The primary destinations were Japan (306,800 MT), Mexico (194,900 MT), Taiwan (144,500 MT), Peru (143,500 MT), and South Korea (96,400 MT).

Optional Origin Sales: For 2015/2016, new optional origin sales totaling 3,000 MT were reported for South Korea. Sales totaling 60,800 MT were switched from unknown destinations to South Korea. Options were exercised to export 63,800 to South Korea from other than the United States. The current outstanding balance is 334,000 MT, all unknown destinations. For 2016/2017, the current outstanding balance is 65,000 MT, all Taiwan.

Barley: Net sales reductions of 100 MT of 2016/2017 were reported for South Korea. There were no exports reported during the week.

Sorghum: Net sales of 60,700 MT for 2015/2016 were reported for China (56,600 MT, including 55,000 MT switched from unknown destinations), unknown destinations (3,000 MT), and Japan (1,000 MT). For 2016/2017, net sales of 8,100 MT were reported for unknown destinations. Exports of 79,600 MT were down 67 percent from the previous week and 40 percent from the prior 4-week average. The destinations were China (56,600 MT), Japan (11,200 MT), Mexico (10,900 MT), and Indonesia (900 MT).

U.S. Export Inspections: Week Ending August 11, 2016

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	1,497	3,165	16,524	6,072	272%
Corn	1,172,641	1,488,516	42,872,545	42,836,347	100%
Sorghum	110,192	220,144	8,481,272	8,576,342	99%
Soybeans	746,371	1,015,179	48,408,501	49,397,688	98%
Wheat	625,154	407,212	5,395,291	4,154,136	130%

*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 11, 2016						
Region	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Lakes	74,120	6%	0	0%	0	0%
Atlantic	27500	2%	0	0%	0	0%
Gulf	613,156	52%	0	0%	93,553	85%
PNW	318,228	27%	0	0%	11,177	10%
Interior Export Rail	136,222	12%	3,415	100%	5,462	5%
Total (Metric Tons)	1,169,226	0%	3,415	100%	110,192	100%
White Corn Shipments by Country (MT)			122	to Korea		
			3,293	to Mexico		
Total White Corn (MT)			3,415			
Sorghum Shipments by Country (MT)					56,643	to China
					36,910	to Djibouti
					11,177	to Japan
					5,462	to Mexico
Total Sorghum (MT)					110,192	

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)**
LH September	+1.03 U	$171.25	+1.36 Z	$188.18
FH October	+1.00 Z	$174.01	+1.39 Z	$189.36
October	+1.04 Z	$175.58	+1.39 Z	$189.36
November	+1.05 Z	$175.97	+1.35 Z	$187.78

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**
September	+1.15 Z	$179.91	+1.15 Z	$179.91
October	+1.15 Z	$179.91	+1.15 Z	$179.91

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)			
	September	**October**	**November**
New Orleans	$157.50	$160	$162.5
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**September**	**October**	**November**
New Orleans	$650	$650	$650
**5-10,000 MT Minimum*			

***All prices are market estimates.*

DDGS Price Table: August 18, 2016 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**September**	**October**	**November**
Barge CIF New Orleans	182	181	180
FOB Vessel GULF	192	192	192
Rail delivered PNW	184	185	185
Rail delivered California	188	189	189
Mid-Bridge Laredo, TX	187	186	186
FOB Lethbridge, Alberta	163	161	161
40 ft. Containers to South Korea (Busan)	208	206	206
40 ft. Containers to Taiwan (Kaohsiung)	208	205	205
40 ft. Containers to Philippines (Manila)	214	211	211
40 ft. Containers to Indonesia (Jakarta)	211	209	209
40 ft. Containers to Malaysia (Port Kelang)	215	212	212
40 ft. Containers to Vietnam (HCMC)	220	217	217
40 ft. Containers to Japan (Yokohama)	220	215	215
40 ft. containers to Thailand (LCMB)	209	207	207
40 ft. Containers to Shanghai, China	215	210	210
KC & Elwood, IL Rail Yard (delivered Ramp)	167	165	164

*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: Stronger corn prices in the week following the USDA report have led the DDGS market higher. Prices for product to the U.S. Gulf and NOLA increased by an average of $9/ton for delivery in the coming three months. Demand for other U.S. agricultural products at the Gulf has slowed this week, leading to more competitive offers in hopes of attracting more business. Shipments to Southeast Asia were priced higher this week as well with prices for 40-foot containers to Japan increasing by $6/ton for September delivery and $3/ton for October and November delivery. Containers destined for Vietnam, Malaysia, and China were priced steady to slightly higher.

The increase in DDGS prices is somewhat surprising given the tied-for-record large ethanol production noted at the end of last week. This may be indicative of improving end user demand or buyers simply returning to the market after sitting last week out waiting for the WASDE. In either case, tepid ethanol margins across the U.S. may slow production and leave DDGS supplies modestly tighter. DDGS still have a price advantage over soybean meal on a per unit of protein basis, making them more attractive to include in feed rations.

Ethanol Comments: The July WASDE report lowered expectations for corn use in ethanol for the 2015/16 crop year by 25 million bushels. The most recent report estimated 5.2 billion bushels will be used for ethanol and corn formerly pegged for the ethanol grind was added to exports. Estimates for the 2016/17 crop year were left unchanged at 5.275 billion bushels.

Ethanol production tied mid-July's record-high this week, reaching 1.029 million barrels and climbing over 11,000 barrels over the previous week's strong production. The strong production pace so far in 2016 prompted the EIA to increase forecasts for total ethanol production this year, with production expected to average 980,000 barrels per day or 15.1 billion gallons. Despite the record production, ethanol stocks fell for the third consecutive week as strong export sales outpaced production. U.S. gasoline consumption held steady this week at 9.726 million barrels per day, an increase of 0.6 percent from the same time last year.

The margin between the corn price and the value of ethanol and coproducts was stronger this past week in all of the four reference markets (see below), and the spread versus this time last year narrowed for all markets except Illinois, which rose $0.20 year-over-year this week.

- Illinois differential is $1.89 per bushel, in comparison to $1.72 the prior week and $1.69 a year ago.
- Iowa differential is $1.72 per bushel, in comparison to $1.64 the prior week and $1.74 a year ago.
- Nebraska differential is $1.45 per bushel, in comparison to $1.37 the prior week and $1.41 a year ago.
- South Dakota differential is $1.80 per bushel, in comparison to $1.70 the prior week and $1.86 a year ago.

COUNTRY NEWS

Argentina: Farmers will plant corn on 4.5 million hectares for 2016/17, up 25 percent from the 3.6 million hectares planted in 2015/16, according to the Buenos Aires Grain Exchange. (Reuters)

China: Buyers took about 12 percent of the corn offered for sale out of government stocks this past week at prices roughly 27 percent below acquisition costs. However, with world prices continuing to fall, auctions prices will have to follow in order to shed inventory. (Bloomberg)

EU: Craft breweries in the U.S. are expanding at 20 percent per year and they use three times as much malt as conventional breweries. This is driving increased U.S. imports of malt from Europe. (Bloomberg)

Jordan: The government is tendering once more (closes August 24) for 100,000 of feed grade barley. The imposition of new quality and financing requirements stymied earlier purchase attempts. (Reuters)

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	$29.25	Up $0.75	Handymax at $30.25/MT
55,000 U.S. PNW-Japan	$16.50	Up $0.50	Handymax at $17.00/MT
58-60,000 U.S. Gulf-China PNW to China	$28.00 $15.50	Up $1.50 Up $0.50	North China
30,000 U.S. Gulf-Veracruz, México	$15.25	Up $0.50	4,000 MT daily discharge rate
40-45,000 U.S. Gulf-Veracruz, México	$13.25	Up $0.25	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$16.25 $27.50	Up $0.50 Up $0.50	West Coast Colombia at $22.50
43,000 U.S. Gulf-Guatemala	$22.75	Up $0.25	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	$33.00 $33.50	Up $0.50 Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$33.75	Up $0.50	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$22.00 $24.25	Up $0.50 Up $0.50	55,000 -60,000 MT St. Lawrence to Egypt $22.50
65-75,000 U.S. Gulf-Europe-Rotterdam	$15.00	Up $0.50	Handymax at +$1.25 more
Brazil, Santos-China Itacoatiara Port up river Amazonia-China	$19.75 $18.75 $28.50	Up $0.75 Up $0.75 Up $0.75	54-58,000 Supramax-Panamax 60-66,000 Post Panamax 48-53,000 MT (11.5-meter draft)
56-60,000 Argentina-China Upriver with Top-Off	$28.50	Up $1.00	—

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, the Baltic Index traders tried to claw back some of last week's losses; business from the U.S. Gulf and Black Sea regions is providing support for the Panamax market. Fall harvest is getting close. For now, rates are just moving back and forth in approximately a $1.00/MT range.

As mentioned last week, it is interesting to see 9-10 bigger vessels of 81-91,000 DWT (70-78,000 MT of cargo) in the U.S. Gulf waiting to load soybeans for China. These vessels could, but most likely will not, be going through the new Panama Canal locks due to the cost of tolls. With cheap freight rates and low fuel costs the vessels that can fit through the old locks will do so. Those that cannot will be going all the way around the Cape to China. To date, no Dry-Bulk cargo vessels have used the new Panama locks. It has been container, LNG and tanker vessels that have been utilizing the new expanded lock system. It just isn't economical for Dry-Bulk vessels to use the new locks in this market. For example, a Supramax (55,000 DWT) vessel is required to pay 9 percent more than the previous toll to transit the Panamax locks and 49 percent more than the previous toll to transit the Neopanamax locks.

Baltic-Panamax Dry-Bulk Indices				
August 18, 2016 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	10,703	10,296	407	4.0%
P3A: PNW/Pacific– Japan	5,512	5,275	237	4.5%

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:

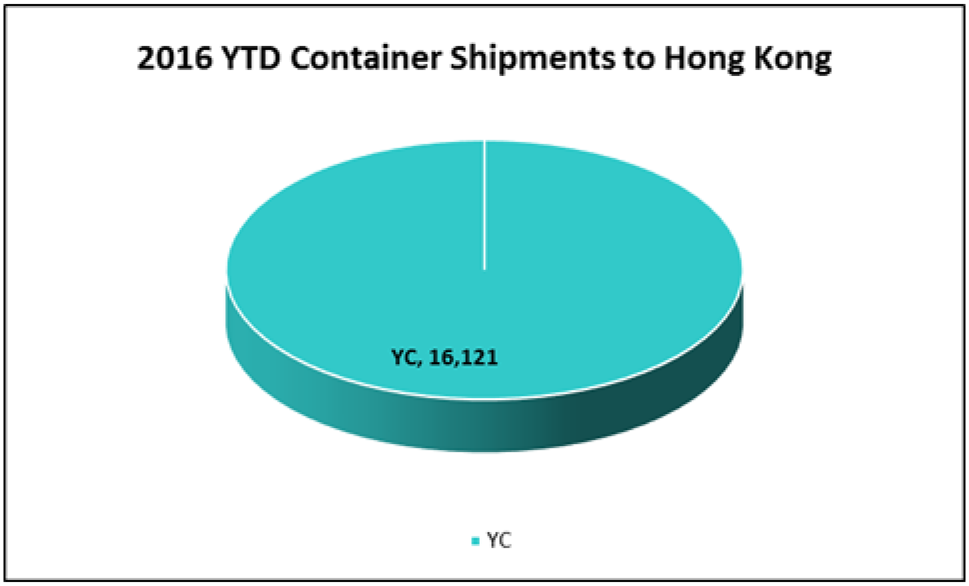
Week Ending August 18, 2016	
Four weeks ago:	$4.40-$4.55
Three weeks ago:	$4.35-$4.55
Two weeks ago	$3.80-$4.10
One week ago:	$4.05-$4.10
This week	$4.40-$4.85

Source: O'Neil Commodity Consulting

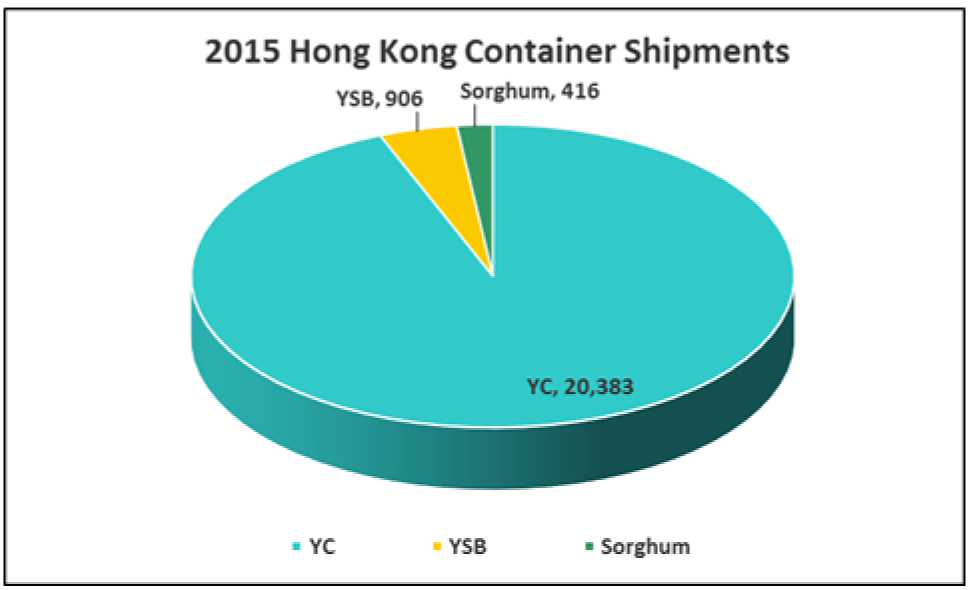
U.S.-Asia Market Spreads					
August 18, 2016	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
#2 Corn	1.36	1.02	0.34	$13.39	Gulf
Soybeans	1.54	1.35	0.19	$7.48	PNW
Ocean Freight	$15.50	$28.00	0.32-0.34	($12.50)	October

Source: O'Neil Commodity Consulting

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



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price ($/MT) – Week Ending August 18, 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**	$26.50	$28.50	$27.50	$22.75	$22.00	$26.50	$28.25	$27.25
	Brazil	$19.50	$21.50	$21.00	$12.75	$15.00	$16.50	$23.25	$24.25
Corn (White)	**Argentina**	$26.50	$28.50	$27.50	$22.75	$22.00	$26.50	$28.25	$27.25
	Brazil	$19.50	$21.50	$21.00	$12.75	$15.00	$16.50	$23.25	$24.25
Barley	**Argentina**	$26.50	$28.50	$27.50	$22.75	$22.00	$26.50	$28.25	$27.25
	Brazil	$19.50	$21.50	$21.00	$12.75	$15.00	$16.50	$23.25	$24.25
Sorghum	**Argentina**	$26.50	$28.50	$27.50	$22.75	$22.00	$26.50	$28.25	$27.25
	Brazil	$19.50	$21.50	$21.00	$12.75	$15.00	$16.50	$23.25	$24.25

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 (%): August 17, 2016			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.50	3.50	3.50
LIBOR (6 month)	1.19	1.20	1.01
LIBOR (1 year)	1.52	1.48	1.31

Source: www.bankrate.com