



August 31, 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 25	Monday August 28	Tuesday August 29	Wednesday August 30	Thursday August 31
<b>Change</b>	-2.750	-2.500	-2.250	-3.250	12.250
<b>Closing Price</b>	353.50	351.00	348.75	345.50	357.75
<b>Factors Affecting the Market</b>	Lack of buying interest allowed the market to drift lower. Hurricane Harvey dominated weather talk, but won't disrupt the corn crop. The dollar fell 76 points on Fed comments while the hurricane boosted energy prices.	Light showers in the Midwest and CFTC's report showing fund long liquidation added bearish fuel to the market. The market found strong support at \$3.50, a key psychological level. Outside markets were weaker.	Dec. corn broke support at \$3.50 and finished lower as cash prices hit new 2017 lows. The corn crop is behind but lack of frost in the forecast offers some comfort. N. Korea's missile launch sent the dollar higher.	Corn made its eleventh new low of 2017. Midwest weather remains favorable while ethanol production, the only bullish factor left, is robust. Cash corn prices averaged below \$3/bushel for the first time since November 2016.	Last notice day for Sept. futures, index fund buying of grains at multi-year lows, and reports of China buying U.S. corn sent the market sharply higher. Whether seasonal lows were put in will yet be debated. The dollar fell 15 points.

**Outlook:** December corn jumped sharply higher Thursday, after hitting another new low for 2017 earlier in the week. The move higher was motivated by USDA's report of China buying 142,000 MT of old-crop U.S. corn and from commodity index fund buying. With corn, wheat, and soybeans at or near multi-year lows, commodity funds view the sector as ripe with opportunity.

Commercial users, however, may hold a different view. Cash corn prices averaged less than \$3/bushel for the first time this year, showing that commercials have no worries about procuring product into the fall and winter. It will be difficult for the market to sustain a significant move higher without commercial participation in the rally and higher cash prices or basis levels. Thursday's trading activity in corn spreads showed evidence of commercial buying, however.

USDA's export sales report was largely neutral for corn. The report had more sales than were needed but actual shipments were 14.4 million bushels less than needed to meet USDA's projections. With YTD bookings for old-crop corn above USDA's projected export of 2.225 billion bushels and YTD exports less than that target, it seems USDA's figures will be just about right. Now, the attention will turn to new-crop exports and the U.S.' ability to compete against Brazil.

From a technical perspective, cracks are starting to appear in December corn's downtrend. On Thursday, the contract closed above \$3.50, what had been a key support level, in decisive fashion. Index fund buying and other traders rolling from the September contract into the December pushed the later contract 12 ¼ cents higher to \$3.57 ¾. Trading volume was robust with over 265,000 contracts trading hands. The move came when the contract was deeply oversold and ripe for a correction. For now, the long-term trend remains bearish but momentum is starting to swing bullish. December corn is attempting to put in its seasonal lows and with the U.S. yield still undecided and potentially smaller than expected, this is a poor place to turn bearish.

# CBOT DECEMBER CORN FUTURES



Source: Prophet X

## Current Market Values:

Futures Price Performance: Week Ending August 31, 2017			
Commodity	31-Aug	25-Aug	Net Change
<b>Corn</b>			
Sep 17	342.25	338.75	3.50
Dec 17	357.75	353.50	4.25
Mar 18	370.50	366.50	4.00
May 18	377.75	373.75	4.00
<b>Soybeans</b>			
Sep 17	936.25	939.00	-2.75
Nov 17	945.25	944.50	0.75
Jan 18	954.75	953.50	1.25
Mar 18	964.25	962.25	2.00
<b>Soymeal</b>			
Sep 17	294.30	296.40	-2.10
Oct 17	296.50	297.90	-1.40
Dec 17	299.50	300.00	-0.50
Jan 18	301.10	300.90	0.20
<b>Soyoil</b>			
Sep 17	34.71	34.61	0.10
Oct 17	34.81	34.72	0.09
Dec 17	35.06	34.95	0.11
Jan 18	35.21	35.10	0.11
<b>SRW</b>			
Sep 17	410.25	409.50	0.75
Dec 17	434.50	435.25	-0.75
Mar 18	457.00	458.25	-1.25
May 18	470.50	472.50	-2.00
<b>HRW</b>			
Sep 17	408.75	404.50	4.25
Dec 17	436.25	432.25	4.00
Mar 18	454.00	450.50	3.50
May 18	467.75	464.50	3.25
<b>MGEX (HRS)</b>			
Sep 17	618.50	650.50	-32.00
Dec 17	640.50	669.25	-28.75
Mar 18	651.00	675.25	-24.25
May 18	648.00	669.25	-21.25

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

## U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: August 28, 2017					
Commodity	Very Poor	Poor	Fair	Good	Excellent
Corn	3%	9%	26%	48%	14%
Sorghum	2%	5%	28%	52%	13%

Source: USDA

**U.S. Drought Monitor Weather Forecast:** The remnants of Hurricane Harvey will slowly drift up the Ohio Valley and Atlantic seaboard during the next 3 days. Heavy rains may produce 2-8 inches across the South and Southeast. Separately, the southern Rockies may see some precipitation amounts totaling 0.5-1 inch. Temperatures will be generally 10 degrees Fahrenheit below normal in the east, following the track of Harvey and at least 10 degrees Fahrenheit above normal in West. The longer-range forecast calls for increased probability of cooler than normal temperatures stretching from the Gulf Coast into the Ohio Valley. The odds are high that warmer than normal temperatures will persist in parts of the West. The probability of above normal precipitation is highest along the Atlantic seaboard and Southwest. The probability is high that dryness will continue in the Midwest.

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 24, 2017					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	555,000	717,400	7,144.0	12,083.5	2%
Corn	214,500	983,800	54,699.4	56,763.8	13%
Sorghum	282,500	154,900	4,828.8	5,172.1	-37%
Barley	0	200	7.5	36.2	204%

Source: USDA/FAS

**Corn:** Net sales of 188,400 MT for 2016/2017 were up 84 percent from the previous week and up noticeably from the prior 4-week average. Increases were reported for China (142,000 MT), Japan (83,800 MT, including 80,100 MT switched from unknown destinations), Colombia (63,000 MT, switched from unknown destinations), Peru (49,300 MT, switched from unknown destinations), and Guatemala (37,400 MT, including 34,700 MT switched from unknown destinations and 400 MT switched El Salvador). Reductions were reported for unknown destinations (225,600 MT), Nicaragua (2,700 MT), and Venezuela (2,000 MT). For 2017/2018, net sales of 804,200 MT were reported primarily for unknown destinations (237,800 MT), Mexico (159,800 MT), and Guatemala (114,900 MT). Exports of 983,800 MT were up 36 percent from the previous week and 13 percent from the prior 4-week average. The primary destinations were Mexico (348,700 MT), Japan (201,500 MT), China (142,200 MT), Colombia (85,700 MT), and Guatemala (62,600 MT).

**Optional Origin Sales:** The current 2016/2017, optional origin outstanding balance is 54,000 MT, all unknown destinations. New optional origin sales for 2017/2018 of 60,000 MT were reported for unknown destinations. The current outstanding balance is 172,000 MT, all unknown destinations.

**Barley:** No net sales were reported for the week. Exports of 200 MT were reported to Taiwan (100 MT) and South Korea (100 MT).

**Sorghum:** Net sales of 280,300 MT for 2016/2017 were up noticeably from the previous week and from the prior 4-week average. Increases were reported for China (268,300 MT, including 53,000 MT switched from unknown destinations and decreases of 2,200 MT) and unknown destinations (12,000 MT). For 2017/2018, net sales of 54,000 MT were reported for China. Exports of 154,900 MT were up noticeably from the previous week and up 58 percent from the prior 4-week average. The destinations were China (154,000 MT) and Mexico (900 MT).

U.S. Export Inspections: Week Ending August 24, 2017					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	0	0	12,227	18,309	67%
Corn	805,756	720,213	56,089,213	45,574,544	123%
Sorghum	100,609	105,940	5,910,022	8,749,810	68%
Soybeans	716,171	668,245	57,050,992	50,473,940	113%
Wheat	670,748	592,247	7,436,043	6,616,350	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 24, 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	523,432	69%	45,944	100%	97,136	97%
PNW	82,173	11%	122	0%	0	0%
Interior Export Rail	154,085	20%	0	0%	3,473	3%
<b>Total (Metric Tons)</b>	<b>759,690</b>	<b>100%</b>	<b>46,066</b>	<b>100%</b>	<b>100,609</b>	<b>100%</b>
White Corn Shipments by Country (MT)			5,014	to Colombia		
			4,675	to Japan		
			36,255	to Mexico		
			122	to Korea		
<b>Total White Corn (MT)</b>			<b>46,066</b>			
Sorghum Shipments by Country (MT)					52,906	to China
					46,360	to Sudan
					98	to Korea
					1,245	to Mexico
<b>Total Sorghum (MT)</b>					<b>100,609</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)
September	0.55+U	\$156.39	-	-
October	0.52+Z	\$161.31	0.88+Z	\$175.48
November	0.58+Z	\$163.67	0.89+Z	\$175.88

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
November	1.15+Z	\$186.11	1.10+Z	\$184.14
December	1.10+Z	\$184.14	1.10+Z	\$184.14

<b>Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)</b>			
	<b>September</b>	<b>October</b>	<b>November</b>
<b>New Orleans</b>	\$136	\$136	\$136
<i>Quantity 5,000 MT</i>			
<b>Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)</b>			
<b>Bulk 60% Pro.</b>	<b>September</b>	<b>October</b>	<b>November</b>
<b>New Orleans</b>	\$600	\$590	\$590
<i>*5-10,000 MT Minimum</i>			
<b>Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. \$/ST)</b>			
	<b>September</b>	<b>October</b>	<b>November</b>
<b>Rail Delvd. Savannah</b>	\$530	\$530	-
<b>Rail Delvd. Chicago</b>	\$510	\$510	-
<b>Truck Delvd. Chicago</b>	\$510	\$517	-

<b>DDGS Price Table: August 31, 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	157	158	160
FOB Vessel GULF	168	168	168
Rail delivered PNW	177	178	180
Rail delivered California	179	180	182
Mid-Bridge Laredo, TX	177	178	180
FOB Lethbridge, Alberta	155	156	156
40 ft. Containers to South Korea (Busan)	186	186	187
40 ft. Containers to Taiwan (Kaohsiung)	187	187	187
40 ft. Containers to Philippines (Manila)	192	192	192
40 ft. Containers to Indonesia (Jakarta)	187	187	188
40 ft. Containers to Malaysia (Port Kelang)	187	186	186
40 ft. Containers to Vietnam (HCMC)	195	195	195
40 ft. Containers to Japan (Yokohama)	191	191	191
40 ft. containers to Thailand (LCMB)	188	188	188
40 ft. Containers to China (Shanghai)	188	189	190
40 ft. Containers to Bangladesh (Chittagong)	212	212	212
40 ft. Containers to Myanmar (Yangon)	212	212	212
KC & Elwood, IL Rail Yard (delivered Ramp)	146	146	148

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 were softer early this week, in sympathy with those of corn, as merchandisers sought to keep DDGS competitive in feed rations. Merchandisers, however, pointed to near-term supply limitations that kept the market from falling more than \$5/MT. With Thursday's 12-cent rally in corn futures, however, DDGS prices moved \$3/MT higher as ethanol plants positioned themselves defensively. Some traders are anticipating profit taking from short corn futures positions to continue over the Labor Day weekend, thereby offering very near-term support for DDGS prices.

Merchandisers and exporters are reporting overseas demand has been weaker this week. International buyers are waiting for corn futures to stabilize/hit seasonal lows before procuring DDGS supplies. Prices for 40-foot

containers to Southeast Asia were essentially unchanged this week, though prices to Japan fell \$4- 6/MT. Today's corn futures rally will likely spark some buying interest from the international community and pricing strength should return to the market.

Domestically, DDGS are prices at 106 percent of cash corn and 39 percent of Kansas City soybean meal. On a per-protein unit basis, DDGS are \$1.51 cheaper than soybean meal. Barge CIF NOLA prices fell \$4/MT early this week while FOB U.S. Gulf prices lost \$6/MT. Of course, Hurricane Harvey is creating disruptions for exporters in the region and prices reflect these logistical constraints. FOB Gulf DDGS prices are 109 percent of those for FOB Gulf corn, down from the past two weeks and below historic norms.

## COUNTRY NEWS

**Brazil:** Brazil will export 5 MMT of corn in August and is forecast to supply half the world's corn needs during the August to January 2018 timeframe. (Reuters)

**China:** China has sold 41.7 MMT of corn since May 3, and while prices are lower than last year they remain above import prices in Guangzhou – the feed-deficit region of the country. Corn is being held in government warehouses and the market may choose to buy imported grain. (Reuters)

China State Grain Reserve Corn Sales <sup>1</sup>						
Date	Crop Year	Amount Offered	Amount Sold	Percent	Price Yuan	Price USD
August 25	2014	706,508	434,882	61.55	1,469	222.68
	2013	485,740	97,811	20.13	1,324	200.70
	2012	2,808	0	0	-	-
	2011	8,125	500	6.15	1,300	197.06
August 31	2014	462,162	28,798	6.23	1,253	189.94
	2013	46,685	17,919	38.38	1,754	265.88
	Inner Mongolia	-	72,477	-	1,556	235.87
	Jilin Province	-	130,525	-	1,536	232.84

Source: Bloomberg/National Grain Trade Center

<sup>1</sup>Excludes direct sales and other dispositions.

**Russia:** The country's shipping and storage capacity are at a peak as the largest crop in a quarter century is being harvested. Russia's grain exports have more than doubled in four years and are up 28 percent this year over last. Some are struggling to sell low quality wheat to make room for storing corn. (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	\$38.50	Down \$1.00	Handymax at \$40.00
55,000 U.S. PNW-Japan	\$20.00	Down \$0.50	Handymax at \$21.00
55,000 U.S. Gulf-China PNW to China	\$37.75 \$19.50	Down \$1.25 Down \$0.50	North China
25,000 U.S. Gulf-Veracruz, México	\$15.50	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	\$13.50	Unchanged	Deep draft and 6,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$18.50 \$29.00	Unchanged	West Coast Colombia at \$27.00
40-45,000 U.S. Gulf-Guatemala	\$26.50	Unchanged	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$27.75 \$30.25	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$26.50	Down \$0.50	5,000 MT discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	\$24.25 \$23.75	Down \$0.50	55,000-60,000 MT St. Lawrence to Egypt \$24.50
60-70,000 U.S. Gulf-Europe- Rotterdam	\$15.50	Unchanged	Handymax at +\$1.50 more
Brazil, Santos-China	\$31.00	Up \$0.50	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port upriver	\$30.00	Up \$1.00	
Amazonia-China	\$34.00	Up \$0.50	
56-60,000 Argentina-China Upriver with Top-Off	\$37.25	Up \$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:** The Baltic Panamax Ocean freight and physical markets fell back a little this week. I think it has mostly been a case of having gone up too far too fast over the last month.

The bigger news this week is, of course, is hurricane Harvey and the impact it is having on South Texas and the Texas ports. At this time, all Texas ports are closed until further notice. Ships are in the harbor but nothing is moving. It is not yet known when grain loading operations will resume. Aside from the physical damage that the flooding has caused around Houston and Corpus Christi, it is going to be a challenge for export employees to return to work – many without home to return to. The storm is now hitting New Orleans, LA.

Rail grain exports to and through Texas en-route to Mexico have also been severely impacted with large sections of track underwater. Of course, this means that there will be serious delays in loading vessels and executing on contracts. Grain buyers need to read their contract terms carefully and be ready to negotiate to protect their supply chains. As they say in the grain business: "Never let the chickens go hungry."

Baltic-Panamax Dry-Bulk Indices				
August 31, 2017	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	16,568	17,193	-625	-3.6%
P3A: PNW/Pacific– Japan	9,185	9,620	-435	-4.5%
S1C: U.S. Gulf-China-S. Japan	19,067	19,124	-57	-0.3%

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:

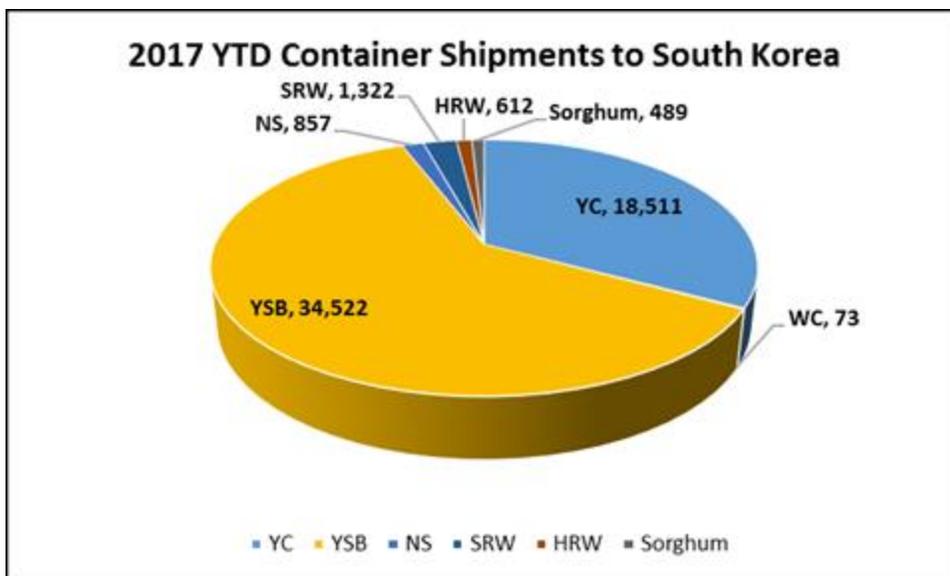
Week Ending August 31, 2017	
Four weeks ago:	\$5.60 - \$6.40
Three weeks ago:	\$6.15 - \$6.50
Two weeks ago:	\$6.90 - \$7.25
One week ago:	\$6.80 - \$7.50
This week	\$6.90 - \$7.30

Source: O'Neil Commodity Consulting

U.S.-Asia Market Spreads					
August 31, 2017	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	0.90	0.53	0.37	\$14.57	PNW
Soybeans	1.05	0.72	0.33	\$12.99	PNW
Ocean Freight	\$19.50	\$37.75	0.48-0.51	\$18.25	Oct.

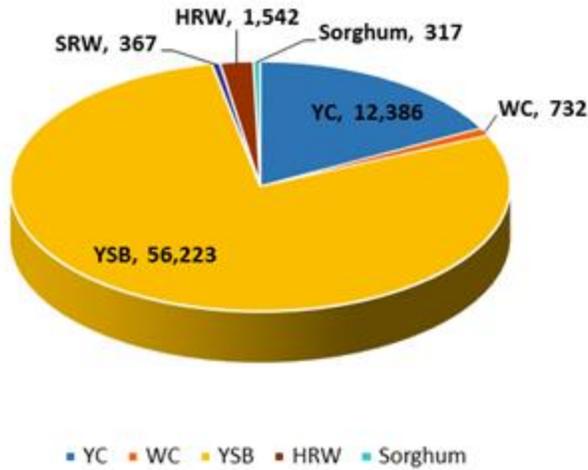
Source: O'Neil Commodity Consulting

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



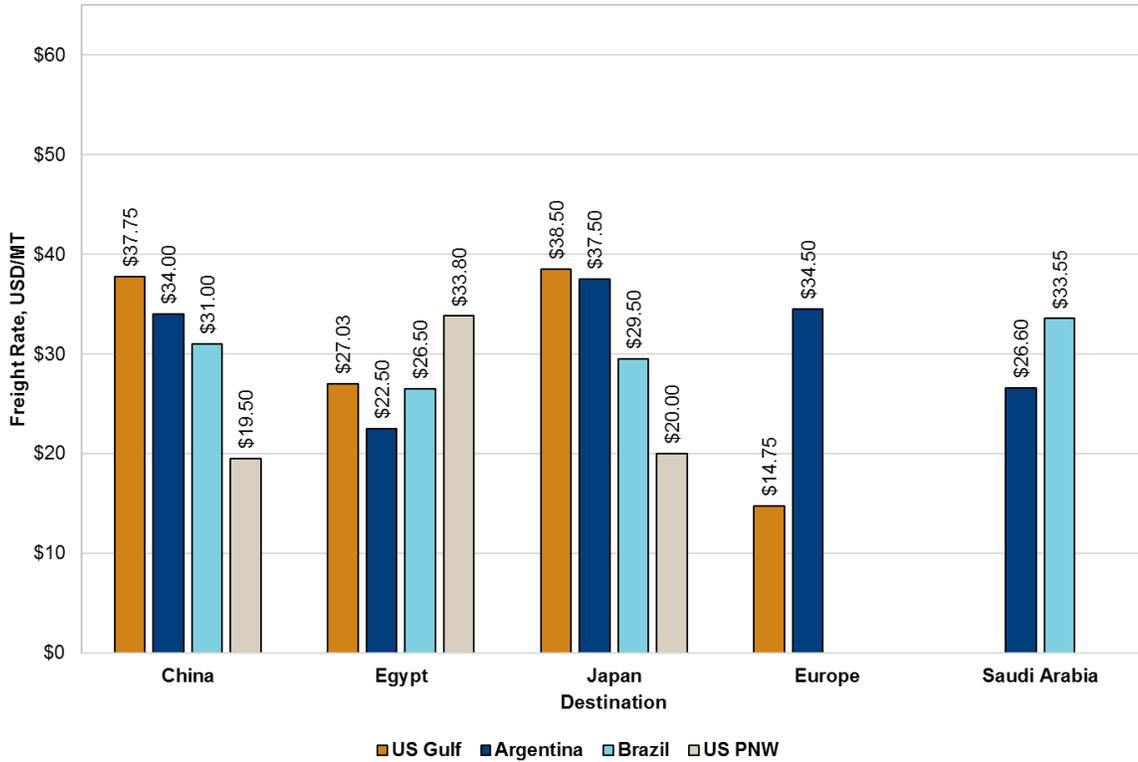
Source: O'Neil Commodity Consulting

### 2016 Container Shipments to South Korea



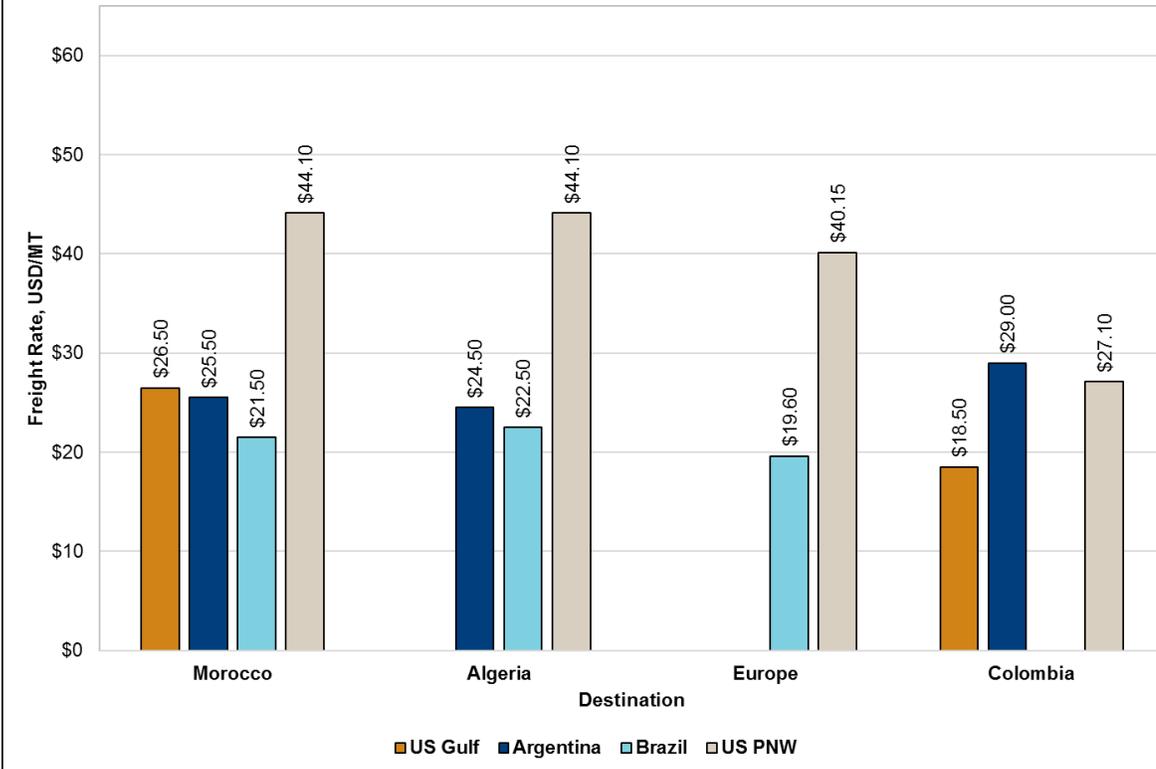
Source: O'Neil Commodity Consulting

### International Freight Rates by Origin, August 31, 2017, Supramax/Panamax Vessels, USD/MT



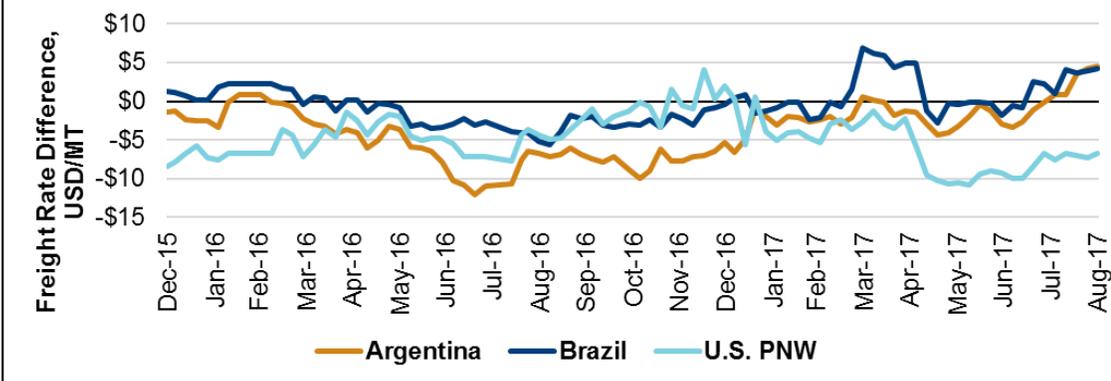
Source: DTN, O'Neil Commodity Consulting and World Perspectives, Inc.

**International Freight Rates by Origin, August 31, 2017,  
Handysize Vessels, USD/MT**



Source: DTN, O'Neil Commodity Consulting and World Perspectives, Inc.

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



Source: DTN, O'Neil Commodity Consulting and World Perspectives, Inc.

## INTEREST RATES

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<b>Interest Rates (%): August 31, 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>	1.71	1.73	1.73

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