Market Perspectives

U.S. GRAINS COUNCIL

September 7, 2017

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Week in Review: CME Corn December Contract					
$/Bu	**Friday September 1**	**Monday September 4**	**Tuesday September 5**	**Wednesday September 6**	**Thursday September 7**
Change	-2.500		3.250	2.500	-5.7500
Closing Price	355.25		358.50	361.00	355.25
Factors Affecting the Market	Thursday's rally was followed by a mild pullback as the market's seasonal low is debated. Evidence of commercial buying remains light and Brazil's under-cutting prices will create headwinds for corn bulls. Outside markets were broadly higher today though down for the week.	Markets were closed for the U.S. Labor Day holiday.	The end of funds' long position liquidation is making higher corn prices easier to achieve. The market was buoyed by a 19-cent gain in soybean futures and USDA's report that YTD corn exports are up 22 percent, above USDA's projection of a 19 percent increase.	USDA's report showing corn dented and mature is behind 5-year averages, along with a dry weather outlook, pushed the market modestly higher. Development is concerning but no freezing weather is expected soon. Mexico was reported to have bought 10 M Bu. of U.S. corn.	Spillover selling from wheat pulled corn down today as fundamental news was light. Ethanol production was higher, which should be supportive for corn going forward. For now, the trade waits for the WASDE. Outside markets were down sharply.

Outlook: December corn futures have done little since last Thursday's 12-cent gain, staying rangebound this week. There has been little fundamental news to trade on and the market is waiting for USDA's revised yield and production figures next week. Some bullish news is developing from the developmental delays in the U.S. crop and higher ethanol production, but these are, so far, insufficient to usher in a CBOT buying spree.

USDA's crop progress report highlighted corn's slow development. This week, 60 percent of the crop is dented versus 68 percent for the 5-year average and 12 percent was categorized as "mature" versus 18 percent last year. The crop's good/excellent rating remains well below last year though condition ratings are less important this time of year than is the development pace. Fortunately, the weather forecast does not include freezing weather for the next several weeks, which will help the crop finish.

This week's USDA Export Sales report is delayed by the Labor Day holiday and will be released Friday morning. Traders expect the report to show total marketing year exports that exceed USDA's projections, though not by much. Should the final report of the 2016/17 marketing year include figures that exceed USDA's 2.225-billion-bushel export forecast, it would technically be bullish for the market. However, given the size of corn carry-in for the 2017/18 marketing year (2.37 billion bushels) and expected production upward of 14 billion bushels, it will be hard for the market to respond bullishly.

From a technical standpoint, December corn futures are in a medium-term downtrend. Traders, however, are debating whether the contract has reached its seasonal low. If so, it would be about a month ahead of schedule but equal to last year. Funds have been aggressive in liquidating their weather-market long positions and are thought to hold a basically neutral position. As such, the selling pressure observed during the last half of August should be gone, leaving opportunities for higher prices. However, the market faces headwinds beyond fund selling, including large carry-in stocks, big production, and Brazilian prices that are under-cutting U.S. exports. So, while December corn may have scored its seasonal low, a sharp rebound higher is unlikely.

CBOT DECEMBER CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending September 7, 2017			
Commodity	**7-Sep**	**1-Sep**	**Net Change**
Corn			
Sep 17	341.75	340.00	1.75
Dec 17	355.25	355.25	0.00
Mar 18	367.75	367.75	0.00
May 18	375.50	375.25	0.25
Soybeans			
Sep 17	963.25	942.00	21.25
Nov 17	968.75	949.50	19.25
Jan 18	978.50	959.25	19.25
Mar 18	987.25	968.50	18.75
Soymeal			
Sep 17	302.40	293.20	9.20
Oct 17	304.20	295.50	8.70
Dec 17	307.20	298.80	8.40
Jan 18	308.70	300.40	8.30
Soyoil			
Sep 17	35.08	35.31	-0.23
Oct 17	35.18	35.42	-0.24
Dec 17	35.43	35.67	-0.24
Jan 18	35.59	35.82	-0.23
SRW			
Sep 17	413.50	420.50	-7.00
Dec 17	437.25	438.75	-1.50
Mar 18	458.75	460.00	-1.25
May 18	472.00	473.00	-1.00
HRW			
Sep 17	415.50	412.50	3.00
Dec 17	441.75	438.75	3.00
Mar 18	459.25	456.25	3.00
May 18	473.00	470.00	3.00
MGEX (HRS)			
Sep 17	632.75	612.00	20.75
Dec 17	649.75	631.75	18.00
Mar 18	659.25	643.00	16.25
May 18	656.25	641.50	14.75

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: September 5, 2017					
Commodity	**Very Poor**	**Poor**	**Fair**	**Good**	**Excellent**
Corn	4%	9%	26%	48%	13%
Sorghum	2%	6%	29%	53%	10%

Source: USDA

U.S. Drought Monitor Weather Forecast: Since the Tuesday morning cut-off for this week's map, 1 to 3 inches of rain has fallen in two swaths, one in eastern North and South Carolina and the other stretching along a cold front from the Mid-South to New England. The front will continue to bring rain and cooler temperatures, 5-15 degrees below normal, to the East Coast. The East will likely see even more rainfall from Irma, a large and powerful hurricane that is expected to make landfall in the Southeast this weekend. Heavy rains of 1 to 10 inches, with isolated higher amounts, are forecast for parts of the Florida Peninsula, Georgia, and South Carolina with the locations of heaviest rainfall depending on Irma's eventual track.

The National Weather Service's Weather Prediction Center forecasts warm and dry conditions are expected from the Northern Plains into the Northern Rockies where temperatures may be 5 to 20 degrees above normal. Forecast thunderstorms are also expected to bring much needed rainfall to southeastern Oregon with amounts of 1 to 1.5 inches. Rainfall from 0.5 to locally over 1 inch is also forecast for northern New Mexico, southwest Colorado, and northern Utah, and in southern Nevada, northwest Arizona, and southeast California through early next week.

Follow this link to view current U.S. and international weather patterns and future outlook: Weather and Crop Bulletin.

U.S. EXPORT STATISTICS

Due to the Monday, September 4 holiday, weekly U.S. export sales will be published on Friday, September 8. Updated U.S. export sales will be published in the September 14 edition of *Market Perspectives*.

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 31, 2017					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	1,895	0	14,122	20,166	70%
Corn	797,555	822,383	56,903,395	46,753,657	122%
Sorghum	4,703	100,609	5,914,725	8,789,422	67%
Soybeans	644,909	737,343	57,717,073	51,503,255	112%
Wheat	252,465	675,100	7,692,860	7,259,358	106%

*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 31, 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	447,944	58%	24,644	100%	0	0%
PNW	106,306	14%	0	0%	0	0%
Interior Export Rail	218,637	28%	24	0%	4,703	100%
Total (Metric Tons)	772,887	100%	24,668	100%	4,703	100%
White Corn Shipments by Country (MT)			24,644	to Mexico		
			24	to Ireland		
Total White Corn (MT)			24,668			
Sorghum Shipments by Country (MT)					4,505	to China
					100	to Mexico
					98	to Panama
Total Sorghum (MT)					4,703	

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	$156.29	-	-
October	0.57+Z	$157.08	0.90+Z	$170.07
November	0.62+Z	$159.05	0.90+Z	$170.07

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
November	1.20+Z	$181.88	1.10+Z	$177.94
December	1.10+Z	$177.94	1.10+Z	$177.94

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	September	October	November
New Orleans	$136.50	$136.50	$136.50
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**September**	**October**	**November**
New Orleans	$587.50	$587.50	$587.50
**5-10,000 MT Minimum*			

DDGS Price Table: September 7, 2017 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	September	October	November
Barge CIF New Orleans	160	162	162
FOB Vessel GULF	170	171	170
Rail delivered PNW	182	184	185
Rail delivered California	185	186	187
Mid-Bridge Laredo, TX	183	184	185
FOB Lethbridge, Alberta	158	159	160
40 ft. Containers to South Korea (Busan)	195	196	197
40 ft. Containers to Taiwan (Kaohsiung)	195	196	198
40 ft. Containers to Philippines (Manila)	200	202	203
40 ft. Containers to Indonesia (Jakarta)	197	198	200
40 ft. Containers to Malaysia (Port Kelang)	198	200	201
40 ft. Containers to Vietnam (HCMC)	202	204	206
40 ft. Containers to Japan (Yokohama)	207	209	211
40 ft. containers to Thailand (LCMB)	198	199	201
40 ft. Containers to China (Shanghai)	197	198	199
40 ft. Containers to Bangladesh (Chittagong)	218	219	220
40 ft. Containers to Myanmar (Yangon)	217	218	220
KC & Elwood, IL Rail Yard (delivered Ramp)	155	155	156

*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 with support from soybean meal and heightened international interest. The Vietnamese export restriction is officially lifted, which is expected to further tighten near-term supplies. Ethanol plants are pricing their product defensively given the anticipated demand increase and the start of the U.S. seasonal maintenance season.

Barge CIF NOLA prices are slightly higher this week, up $2.50/MT to $159.50/MT while FOB Gulf prices rose nearly $1.75/MT to $169.67/MT. Logistics issues at the gulf continue to limit movements somewhat, though marked improvements have occurred. Prices for DDGS delivered via rail to the PNW; Laredo, TX; and California each increased by $5/MT this week.

Kansas City soybean meal prices jumped $10/ton this week, leaving FOB ethanol plant DDGS priced at 38 percent of soybean meal value. DDGS retain a $1.75 per-protein unit cost advantages versus soybean meal, thanks to the soy-product price's move higher. DDGS prices are 98 percent of those for cash corn after corn prices rose 7 cents/bushel.

On the international market, ocean carriers are asking for General Rate Increases (GRI) beginning in October. Consequently, there is a greater carry in the export market than there has been for most of the summer. September shipments to Southeast Asia destinations were $11/MT higher this week on average with prices to Malaysia and Indonesia leading the way. Prices for 40-foot containers to the region averaged $198/MT this week, their highest price since December 2016.

Despite the bullish news that hit the market this week, international buyers are reluctant to chase the market higher. After the initial price increase, buyers have backed off and will wait for next week's WASDE report to provide clarity and direction for corn/DDGS prices. Unless the report is decidedly bullish, buyers will likely be slow to purchase and will procure product on an "as needed" basis. Accordingly, the market should remain near current prices will little justification or room to move notably higher.

COUNTRY NEWS

Brazil: Farmers are prepared to cut corn production in half next season due to low prices. In addition to price causing a 50 percent decline in planted area, Paulo Bertolini of the Brazilian Association of Corn Growers says that farmers are carrying a lot of debt and corn is expensive to plant. Additional factors include the volatility of the dollar and political uncertainty. (Successful Farming; Agriculture.com)

Canada: Statistics Canada in its August 31 Principal Field Crops Areas report forecasts that 7 percent expansion in corn planted area will offset a drought-induced 3.3 percent decline in yield and lead to a 3.4 percent increase in total production (12.6 MMT). Barley production will be down by 17.9 percent to 7.2 MMT. (World Grain)

Saudi Arabia: Imports of corn and DDGS from the U.S. have nearly doubled as a result of more competitive prices, but also due to policy changes such as DDGS, corn gluten feed/meal being part of 14 newly approved feed ingredients. An additional factor was the phaseout of the country's subsidized wheat production. (World Grain)

Vietnam: The government of Vietnam has lifted a prior restriction on DDGS imports and will allow the use of phosphine fumigation protocols instead of the application of methyl bromide. These policy changes should lead to increased imports of both corn and DDGS. (Ethanol Producer Magazine)

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	$40.00	Up $1.50	Handymax at $40.50
55,000 U.S. PNW-Japan	$21.50	Up $1.50	Handymax at $22.00
55,000 U.S. Gulf-China PNW to China	$39.00 $21.00	Up $1.25 Up $1.50	North China
25,000 U.S. Gulf-Veracruz, México	$16.00	Up $0.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	$14.00	Up $0.50	Deep draft and 6,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$19.00 $29.50	Up $0.50	West Coast Colombia at $27.50
40-45,000 U.S. Gulf-Guatemala	$27.00	Up $0.50	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	$28.25 $31.25	Up $0.50 Up $1.00	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$27.50	Up $1.00	5,000 MT discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$25.25 $24.75	Up $1.00	55,000-60,000 MT St. Lawrence to Egypt $24.50
60-70,000 U.S. Gulf-Europe-Rotterdam	$16.00	Up $0.50	Handymax at +$1.50 more
Brazil, Santos-China Itacoatiara Port upriver Amazonia-China	$31.75 $30.75 $34.75	Up $0.75 Up $0.75 Up $0.75	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$38.00	Up $0.75	—

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 Bulls got a hold of the Baltic Indices this week and were able to move the technical charts up gradually each day. By week's end they had pushed the Dry-Bulk Panamax Index up by 11-17 percent.

Once again, the physical markets reluctantly followed – albeit at a slower pace. I frankly do not see the full justification of this market rally, but it has moved steadily up without asking for, or caring about, my opinion. We are entering the North American fall harvest period and additional cargo interest will surely develop as we move into the October-November period. So, this market could find a bit more support before it settles back.

The Texas Gulf ports of Houston, Galveston and Corpus Christi reopened Monday and Tuesday of this week and most grain export facilities are working vessels again. General rail service to the ports has been restored and shuttle trains are slowly moving out from the Midwest to the ports on reduced schedules. Things are gradually returning to "normal," but operations will certainly not be back up to full speed until next week. My hat is off to the employees of these export facilities, many of whom are back at work despite not having a home to return to.

Baltic-Panamax Dry-Bulk Indices				
September 7, 2017 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	18,391	16,541	1,850	11.2%
P3A: PNW/Pacific– Japan	10,688	9,128	1,560	17.1%
S1C: U.S. Gulf-China-S. Japan	19,350	19,047	303	1.6%

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:

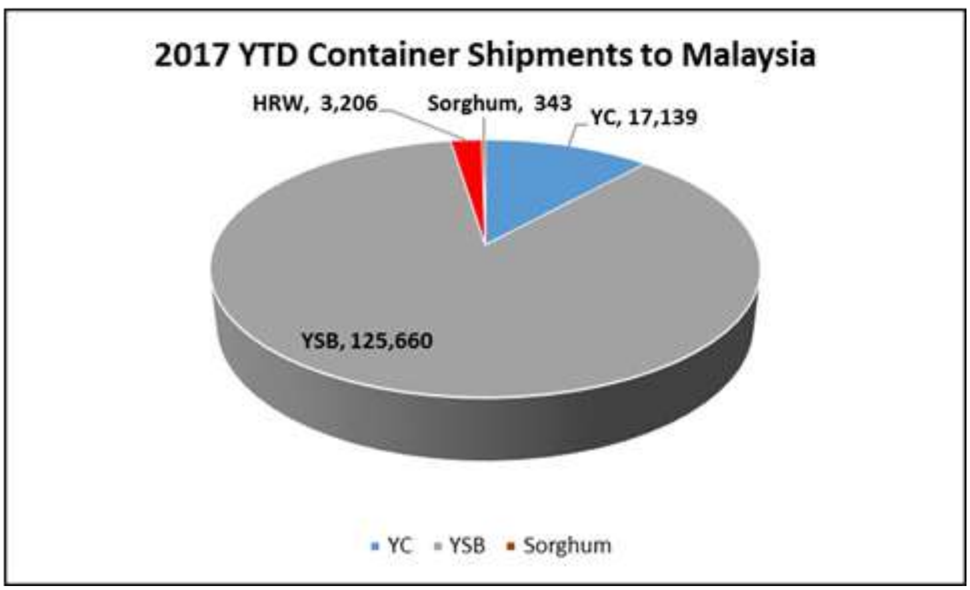
Week Ending September 7, 2017	
Four weeks ago:	$6.15 - $6.50
Three weeks ago:	$6.90 - $7.25
Two weeks ago:	$6.80 - $7.50
One week ago:	$6.90 - $7.30
This week	$7.25 - $7.50

Source: O'Neil Commodity Consulting

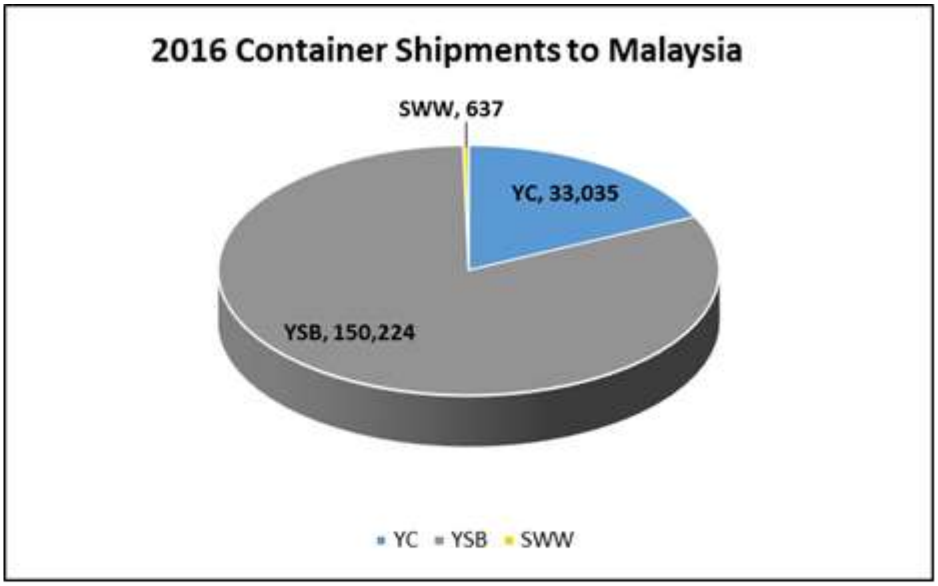
U.S.-Asia Market Spreads					
September 7, 2017	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
#2 Corn	0.90	0.50	0.40	$15.75	PNW
Soybeans	1.00	0.66	0.34	$13.39	PNW
Ocean Freight	$21.00	$39.00	0.46-0.49	$18.00	Oct.

Source: O'Neil Commodity Consulting

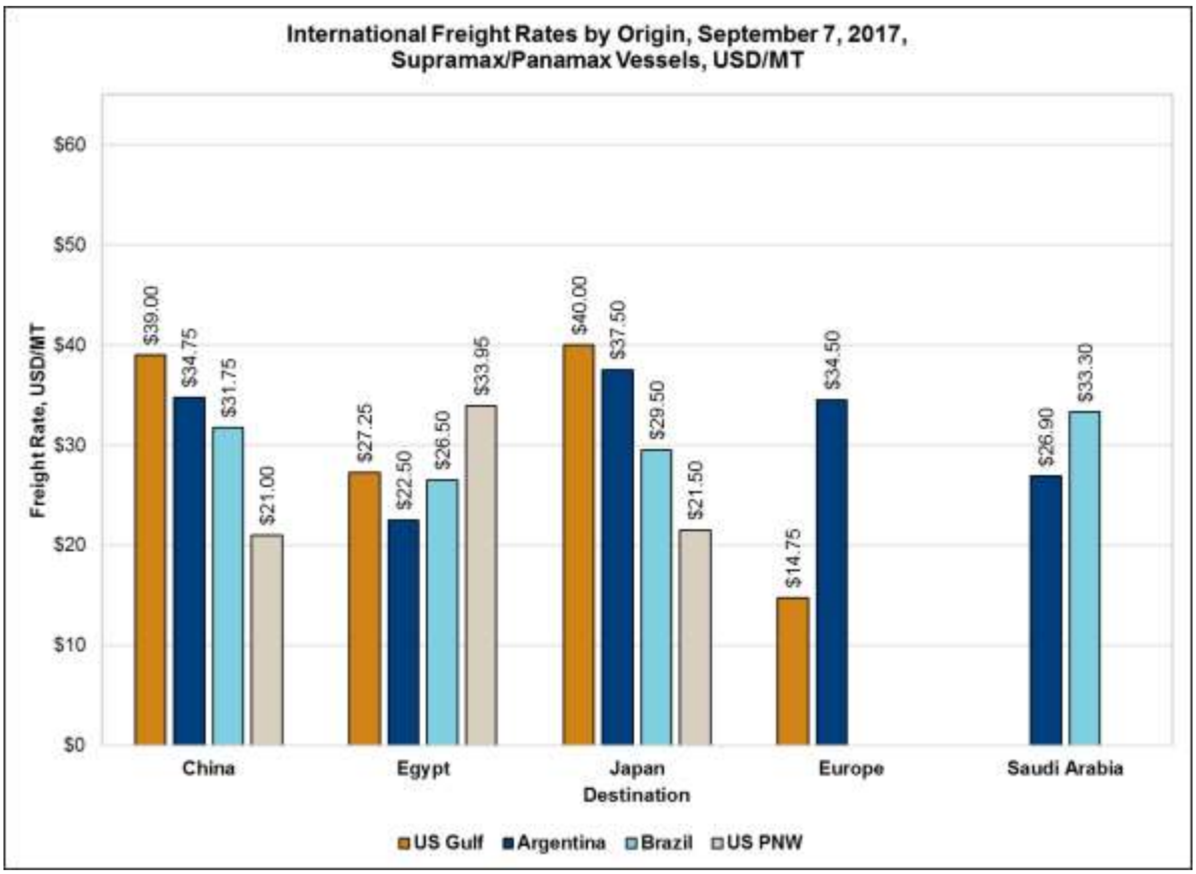
The charts below represent YTD 2017 versus 2016 annual totals for container shipments to Malaysia.



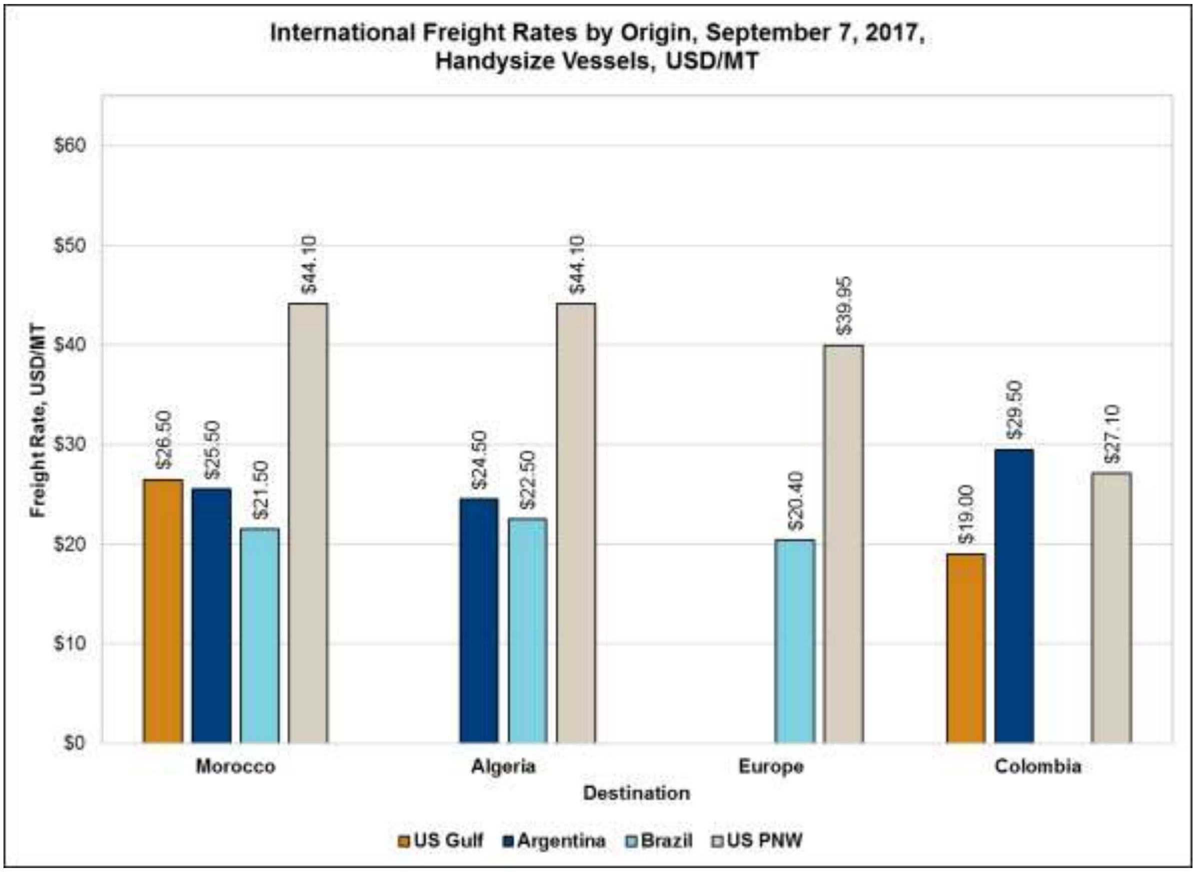
Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting



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



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

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INTEREST RATES

Interest Rates (%): September 7, 2017			
	Current Week	Last Week	Last Month
U.S. Prime	4.25	4.25	4.25
LIBOR (6 month)	1.46	1.45	1.45
LIBOR (1 year)	1.71	1.71	1.73

Source: www.bankrate.com