



September 14, 2017

**CONTENTS**

CHICAGO BOARD OF TRADE MARKET NEWS ..... 2

CBOT DECEMBER CORN FUTURES ..... 3

U.S. WEATHER/CROP PROGRESS ..... 4

U.S. EXPORT STATISTICS ..... 5

FOB..... 6

DISTILLER’S DRIED GRAINS WITH SOLUBLES (DDGS) ..... 7

COUNTRY NEWS ..... 8

OCEAN FREIGHT MARKETS AND SPREAD ..... 9

OCEAN FREIGHT COMMENTS ..... 9

INTEREST RATES..... 13

**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 September 8	Monday September 11	Tuesday September 12	Wednesday September 13	Thursday September 14
<b>Change</b>	1.500	0.750	-6.000	0.000	2.7500
<b>Closing Price</b>	356.75	357.50	351.50	351.50	354.25
<b>Factors Affecting the Market</b>	Cool weather forecast lifted the market higher, though trading was lackluster ahead of Hurricane Irma's landfall. USDA export sales were neutral, falling 44 million bu. short of USDA's MY forecast. The U.S. dollar fell 21 points.	Pre-WASDE trading was light and unexciting. Corn Belt weather is cool and dry with no freeze in sight. Exports started the MY slowly with 26.1 million bu. exported. South American corn supplies are limiting U.S. exports to start the marketing year.	USDA's WASDE increased the U.S. corn yield by 0.4 BPA to 169.9 BPA, putting 2017/18 production at 14.18 billion bu. With an ending stocks/use ratio of 16.4 percent, the report was fully bearish, though the market closed above daily lows.	December corn found significant support and tried to trade higher, though could only manage to close in-line with the previous day. Ethanol production fell but remains solid at 1.06 million barrels/day. This, however, is still insufficient to make a dent in corn supplies.	Soybean's rally supported the corn market to a slightly higher close. The dollar fell 28 points, also providing support. News of heavy rains in Argentina that may significantly cut corn acreage also boosted the market. Export sales were good at 41.3 million bu.

**Outlook:** Big crops get bigger. USDA proved that adage to be true once again in the September WASDE report. Despite expectations to the contrary, USDA increased the U.S. corn yield, along with production and ending stocks. The report was entirely bearish for corn and the futures market responded in kind, losing 12 cents in short order. However, the market closed well above session lows and bullish signs are emerging around the globe.

USDA's yield increase was based on higher ear counts in key states but lower ear weights. USDA pegged the U.S. average corn yield at 169.9 bushels per acre (BPA), an increase of 0.4 BPA from the August report. If realized, this would be the fourth largest yield in the past 10 years.

The increased yield boosted USDA's production estimates by 31 million bushels to 14.184 billion (360 MMT). This is the third highest production figure since 2012, behind last year's record 15.148 billion bushels (385 MMT) and 2014/15's 14.2 billion bushels (360-plus MMT). Despite a 25-million bushel increase in Feed and Residual use, the rest of USDA's adjustments to the U.S. balance sheet were bearish, including a 25-million-bushel reduction in corn for ethanol. In total, 62 million bushels were added to 2017/18's carry out figure, 2.335 billion bushels, leaving a 16.4 percent ending stocks/use ratio.

Despite the pronounced bearishness of the U.S. supply and demand situation, bullish elements are showing in parts of the globe. Notably, excessive rains in Argentina are increasing the likelihood that as much as half the country's corn and soybean area might remain unplanted. USDA expects Argentina to produce 42 MMT of corn in 2017/18 and large production reduction from the world's third largest producer would certainly be bullish.

From a technical perspective, December corn is still in a downtrend but has found considerable support at \$3.44-3.45 and may be forming a double-bottom chart formation. Funds were slightly short before the WASDE report but may be slowly building long positions with corn near multi-year lows. December corn closed near the

midpoint of its trading range on the WASDE release day, which hints there are hidden bullish factors at work despite the WASDE's bearish tone. The 20-day moving average has been a significant resistance point for the market in recent weeks and today's close was just below this point. Should the market sustain a close above this point with decent volume, it may signal harvest lows are established and demand prospects could lift the market higher.

## CBOT DECEMBER CORN FUTURES



Source: Prophet X

## Current Market Values:

Futures Price Performance: Week Ending September 14, 2017			
Commodity	14-Sep	8-Sep	Net Change
<b>Corn</b>			
Sep 17	341.75	344.25	-2.50
Dec 17	354.25	356.75	-2.50
Mar 18	366.50	369.00	-2.50
May 18	374.75	376.75	-2.00
<b>Soybeans</b>			
Sep 17	967.25	956.50	10.75
Nov 17	976.00	962.00	14.00
Jan 18	986.00	972.00	14.00
Mar 18	993.50	980.50	13.00
<b>Soymeal</b>			
Sep 17	308.70	300.90	7.80
Oct 17	309.50	302.40	7.10
Dec 17	313.10	305.20	7.90
Jan 18	314.40	306.90	7.50
<b>Soyoil</b>			
Sep 17	34.66	34.59	0.07
Oct 17	34.83	34.68	0.15
Dec 17	35.08	34.94	0.14
Jan 18	35.23	35.11	0.12
<b>SRW</b>			
Sep 17	428.25	413.75	14.50
Dec 17	443.00	437.75	5.25
Mar 18	462.50	459.25	3.25
May 18	476.25	473.50	2.75
<b>HRW</b>			
Sep 17	420.75	415.50	5.25
Dec 17	442.00	441.50	0.50
Mar 18	459.25	459.00	0.25
May 18	472.50	472.00	0.50
<b>MGEX (HRS)</b>			
Sep 17	618.00	630.25	-12.25
Dec 17	632.50	646.75	-14.25
Mar 18	645.25	657.00	-11.75
May 18	648.25	654.25	-6.00

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

## U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: September 11, 2017					
Commodity	Very Poor	Poor	Fair	Good	Excellent
Corn	4%	9%	26%	48%	13%
Sorghum	2%	5%	27%	55%	11%

Source: USDA

**U.S. Drought Monitor Weather Forecast:** Beneficial precipitation is expected during September 14-18, 2017 across much of the drought-afflicted areas in the northern Plains and Rockies. Between 1.5 and 3.5 inches are expected across all but the western and northern tiers of Montana, and central and southwestern sections of North Dakota. Moderate rain (0.5 to locally 1.5 inches) is expected in the Upper Midwest and the central Plains, as well as the far Pacific Northwest west of the Cascades. Light precipitation at best is anticipated in other areas of dryness and drought.

The ensuing 5 days (September 19-23, 2017) look to bring a reversal in the temperature pattern recently observed across the 48 states, with odds favoring cooler than normal weather from the northern High Plains and southern Rockies to the Pacific Coast, and warmer than normal conditions expected in the central and eastern parts of the country. There are enhanced chances for above-normal precipitation from central and northern sections of the High Plains westward to the Pacific Coast, most of the Great Plains north of Texas, and the middle and upper Mississippi Valley. Meanwhile, subnormal precipitation is favored in the East, Southeast, most of Texas, and the southern Rockies.

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 September 7, 2017					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	375,900	439,200	7,809.6	12,775.7	-1%
Corn	1,076,600	714,600	714.6	10,503.0	-38%
Sorghum	235,000	51,300	51.3	1,085.6	50%
Barley	0	0	8.3	36.3	208%

Source: USDA/FAS

**Corn:** Net sales of 1,046,700 MT for 2017/2018 were reported for Mexico (433,400 MT), Colombia (137,400 MT, including 97,500 MT switched from unknown destinations), unknown destinations (121,600 MT), Japan (118,700 MT), and South Korea (68,500 MT). Reductions were reported for Panama (28,500 MT). Exports of 714,600 MT were primarily to Mexico (385,100 MT), Colombia (98,700 MT), Japan (87,400 MT), Peru (51,800 MT), and Venezuela (30,000 MT).

*Optional Origin Sales:* For 2017/2018, optional origin outstanding balance of 168,000 MT, all unknown destinations.

**Barley:** There were no sales or exports reported during the week.

**Sorghum:** Net sales of 222,300 MT for 2017/2018 were reported for China (165,400 MT) and unknown destinations (66,000 MT), were partially offset by reductions for Mexico (9,200 MT). Exports of 51,300 MT were reported to China (50,600 MT) and Mexico (800 MT).

### U.S. Export Inspections: Week Ending September 7, 2017

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	0	1,895	14,122	20,765	68%
Corn	662,173	817,059	662,173	1,634,938	41%
Sorghum	51,382	6,572	51,382	66,167	78%
Soybeans	1,106,268	710,922	1,106,268	1,151,994	96%
Wheat	446,957	290,728	8,193,687	8,003,337	102%

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 September 7, 2017

Region	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	0	0%	0	0%	0	0%
Atlantic	4,540	1%	0	0%	0	0%
Gulf	432,488	66%	0	0%	49,406	96%
PNW	53,502	8%	0	0%	0	0%
Interior Export Rail	165,656	25%	5,987	100%	1,976	4%
<b>Total (Metric Tons)</b>	<b>656,186</b>	<b>100%</b>	<b>5,987</b>	<b>100%</b>	<b>51,382</b>	<b>100%</b>
White Corn Shipments by Country (MT)			5,987	to Mexico		
Total White Corn (MT)			5,987			
Sorghum Shipments by Country (MT)					49,847	to China
					1,535	to Mexico
<b>Total Sorghum (MT)</b>					<b>51,382</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)
LH September	0.45+Z	\$157.18	-	-
October	0.50+Z	\$159.14	0.90+Z	\$174.89
November	0.55+Z	\$161.11	0.90+Z	\$174.89

### Sorghum (USD/MT FOB Vessel)

#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
November	1.35+Z	\$192.61	1.25+Z	\$188.67
December	1.35+Z	\$192.61	1.25+Z	\$188.67

<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>	\$145	\$145	\$145
<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>	\$580	\$580	\$580
<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. Chicago</b>	\$510	\$510	\$510
<b>Truck Delvd. Chicago</b>	\$505	\$498	-

<b>DDGS Price Table: September 14, 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	161	161	161
FOB Vessel GULF	172	170	170
Rail delivered PNW	181	182	183
Rail delivered California	183	184	184
Mid-Bridge Laredo, TX	182	182	183
FOB Lethbridge, Alberta	156	157	157
40 ft. Containers to South Korea (Busan)	192	193	195
40 ft. Containers to Taiwan (Kaohsiung)	193	194	195
40 ft. Containers to Philippines (Manila)	199	199	200
40 ft. Containers to Indonesia (Jakarta)	195	195	197
40 ft. Containers to Malaysia (Port Kelang)	195	196	197
40 ft. Containers to Vietnam (HCMC)	203	203	205
40 ft. Containers to Japan (Yokohama)	199	200	201
40 ft. containers to Thailand (LCMB)	195	196	197
40 ft. Containers to China (Shanghai)	196	196	198
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 largely steady this week as the untangling from Hurricane Harvey progresses and that from Hurricane Irma begins. Barge CIF NOLA prices are steady to \$2/MT higher while FOB Gulf quotes are steady to \$5/MT higher. The WASDE report sent corn markets lower but merchandisers used active interest from Asia and limited near-term availabilities to sustain asking prices. Ethanol plants may find ways to produce additional tonnage coming out of the maintenance season to take advantage of the higher pricing.

International DDGS prices are steady to slightly lower this week with the average prices for 40-foot containers to Southeast Asia slipping a modest \$1.5/MT to \$196.50. Prices to Vietnam, Bangladesh, Myanmar, and China were all \$1-2/MT higher while those for product destined for other Asian countries were lower.



From a feed ingredient perspective, FOB ethanol plant DDGS were steady this week while soybean meal prices fell, leaving DDGS \$1.61 cheaper than soybean meal on a per-protein unit basis. FOB Gulf DDGS prices are 108 percent of FOB Gulf corn values and 51 percent of soybean meal, with both figures nearing their long-term averages. DDGS look to remain competitive in feed rations in the near term with active international interest and tightened near-term supplies offering support.

## COUNTRY NEWS

---

**Argentina:** The Rosario Grains Exchange raised its estimate of the 2016/17 corn harvest to 41 MMT, up from an earlier estimate of 38 MMT, and it predicts that 6.2 million hectares will be planted to corn in 2017/18, up from the 5.85 million hectares planted in 2016/17. However, soggy conditions are wreaking havoc across farm fields and if rainfall continues into October it will begin to impact the area planted to corn and other crops. (Reuters)

**China:** Corn prices are under pressure as the mid-September harvest period arrives, and the China National Grain and Oils Information Center raised its 2017/18 production forecast to 212.5 MMT (up 1 million tons). Additional burdens on price include ample stocks and large imports of sorghum and barley. The government expects the production/demand ratio to flip from a 10.17 MMT surplus in 2016/17 to a nearly 1 MMT shortfall in 2017/18. It raised the coming year's corn import requirements to 1.5 MMT, versus an earlier estimate of 1.0 MMT, and it raised the amount of 2016/17 corn imports to 2.0 MMT from an earlier estimate of 1.0 MMT.

China State Grain Reserve Corn Sales					
Date	Crop Year	Amount Offered	Amount Sold	Percent	Price Yuan
September 8, 2017	2013	313,935	107,583	34.26	1,281
	2014	358,746	345,611	96.33	1,487
Designated Buyers <sup>1</sup>	2011	7,625	900	11.80	1,300
	2012	10,433	1,377	13.19	1,300

Source: Bloomberg/National Grain Trade Center

<sup>1</sup> Sales directly to ethanol and corn syrup makers

China's new commitment to using E10 blended gasoline across the largest auto fleet in the world will require 15 million tons of ethanol each year and nearly a quarter of all the country's corn production (45 MMT). (Bloomberg; Reuters)

**Ukraine:** Hot weather is drawing down corn yields in Ukraine. (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	\$42.50	Up \$2.50	Handymax at \$42.50
55,000 U.S. PNW-Japan	\$23.50	Up \$2.00	Handymax at \$24.00
55,000 U.S. Gulf-China	\$42.00	Up \$3.00	North China
PNW to China	\$23.00	Up \$2.00	
25,000 U.S. Gulf-Veracruz, México	\$16.50	Up \$0.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	\$14.50	Up \$0.50	Deep draft and 6,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$20.00 \$30.50	Up \$1.00	West Coast Colombia at \$28.50
40-45,000 U.S. Gulf-Guatemala	\$28.00	Up \$1.00	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$29.25	Up \$1.00	8,000 MT daily discharge
	\$32.25	Up \$1.00	3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$28.50	Up \$1.00	5,000 MT discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	\$26.25	Up \$1.00	55,000-60,000 MT
	\$25.75		St. Lawrence to Egypt \$24.50
60-70,000 U.S. Gulf-Europe-Rotterdam	\$17.00	Up \$1.00	Handymax at +\$1.50 more
Brazil, Santos-China Itacoatiara Port upriver Amazonia-China	\$33.75	Up \$2.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
	\$32.75	Up \$2.00	
	\$36.75	Up \$2.00	
56-60,000 Argentina-China Upriver with Top-Off	\$40.00	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:** The freight market Bulls still have their hand on the throttle. Global Dry-Bulk ocean freight markets have put in an impressive rally over the past six weeks. Most of this upturn in prices has been attributed to increased purchases of coal and iron ore from China. Note that China has embarked on a program to reduce domestic coal mining by up to 25 percent, which has contributed to an increase in imports of raw materials. But – as everyone should know – pinning your hopes on China continuing any particular policy for an extended period of time is risky.

If you look back to February 2016, Dry-Bulk rates from the U.S. Gulf to Japan were at a low of \$22.50/MT. Thus, in the last 19 months these rates have doubled to just over \$42.00/MT. It pretty much goes without saying that we have hit bottom and will not return to the low levels of 2016, but it will also be curious to see how long the market can sustain rates at these higher levels – especially after we get past fall grain harvest.

Shipping rates on containerized grain to Asia (and the shipping GRIs) seem to be coming under pressure. This will make containerized grain sales look more attractive versus the higher Dry-Bulk markets cost. We will have to see how much switchover occurs in Asian markets. I see four-five corn vessels in the Northern Brazil port lineup with destination Mexico. Ocean freight from N. Brazil (Itaqui) to East Coast Mexico is about \$20-21/MT for a 30,000 MT cargo Santos port would run closer to \$22-23.00/MT.

The Texas Gulf hurricanes have passed and U.S. exports out of the Gulf have generally returned to normal volumes. Again, my hat is off in tribute to the elevator employees and railroad workers who worked amazingly hard and fast to get everything back up and running.

Baltic-Panamax Dry-Bulk Indices				
September 14, 2017	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	19,252	18,391	861	4.7%
P3A: PNW/Pacific– Japan	12,782	10,688	2,094	19.6%
S1C: U.S. Gulf-China-S. Japan	21,661	19,350	2,311	11.9%

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:

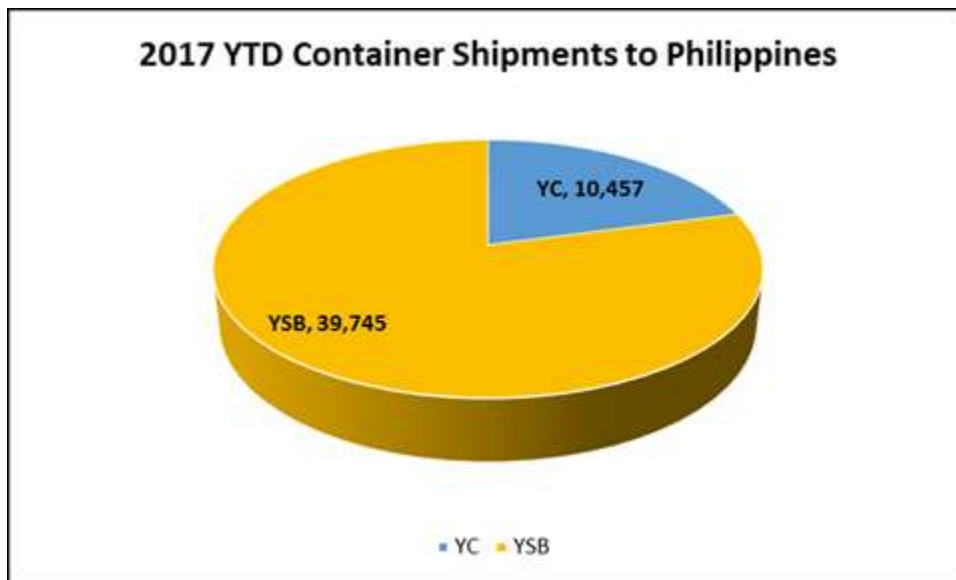
Week Ending September 14, 2017	
Four weeks ago:	\$6.90 - \$7.25
Three weeks ago:	\$6.80 - \$7.50
Two weeks ago:	\$6.90 - \$7.30
One week ago:	\$7.25 - \$7.50
This week	\$7.75 - \$8.05

Source: O'Neil Commodity Consulting

U.S.-Asia Market Spreads					
September 14, 2017	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	0.89	0.49	0.40	\$15.75	PNW
Soybeans	0.93	0.65	0.28	\$11.02	PNW
Ocean Freight	\$23.00	\$42.00	0.46-0.52	\$19.00	Oct.

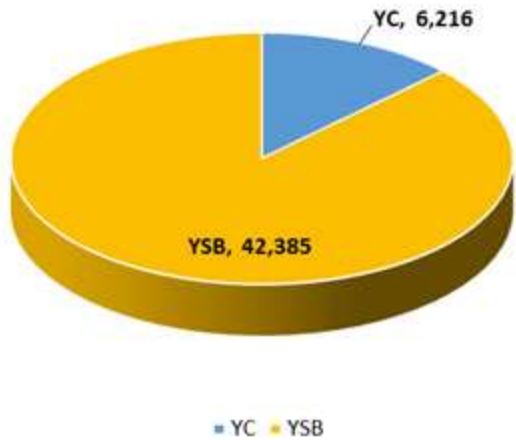
Source: O'Neil Commodity Consulting

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



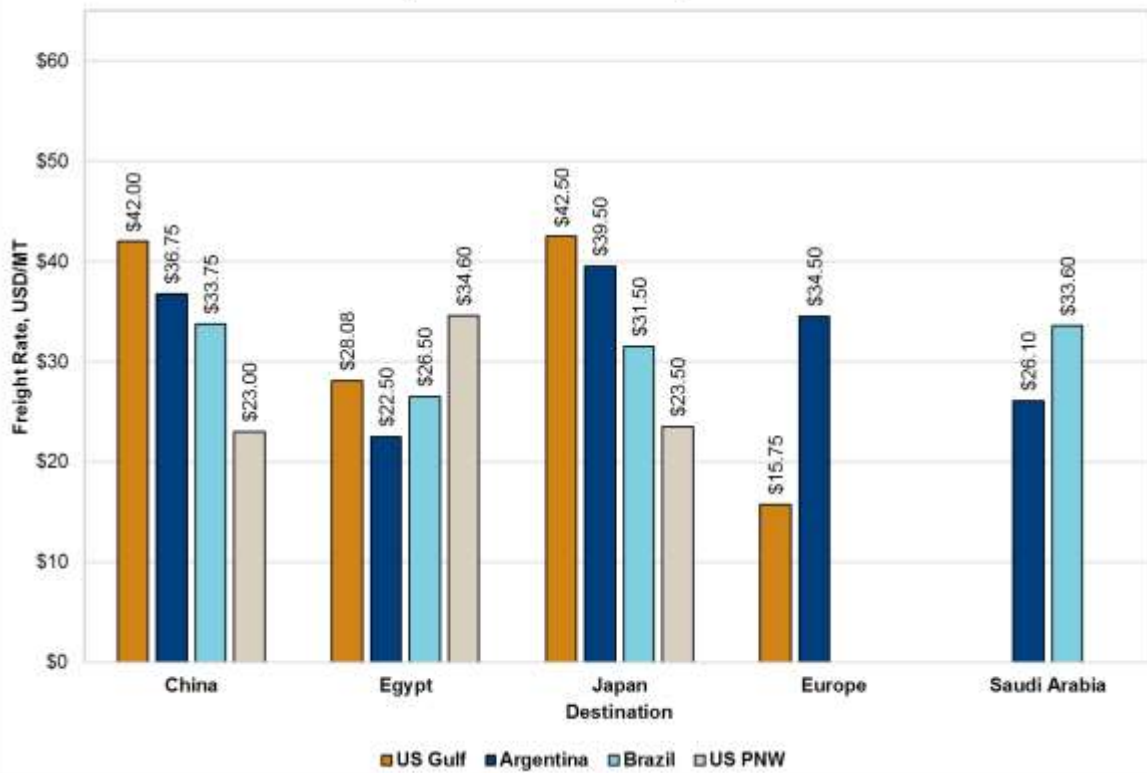
Source: O'Neil Commodity Consulting

### 2016 Container Shipments to Philippines

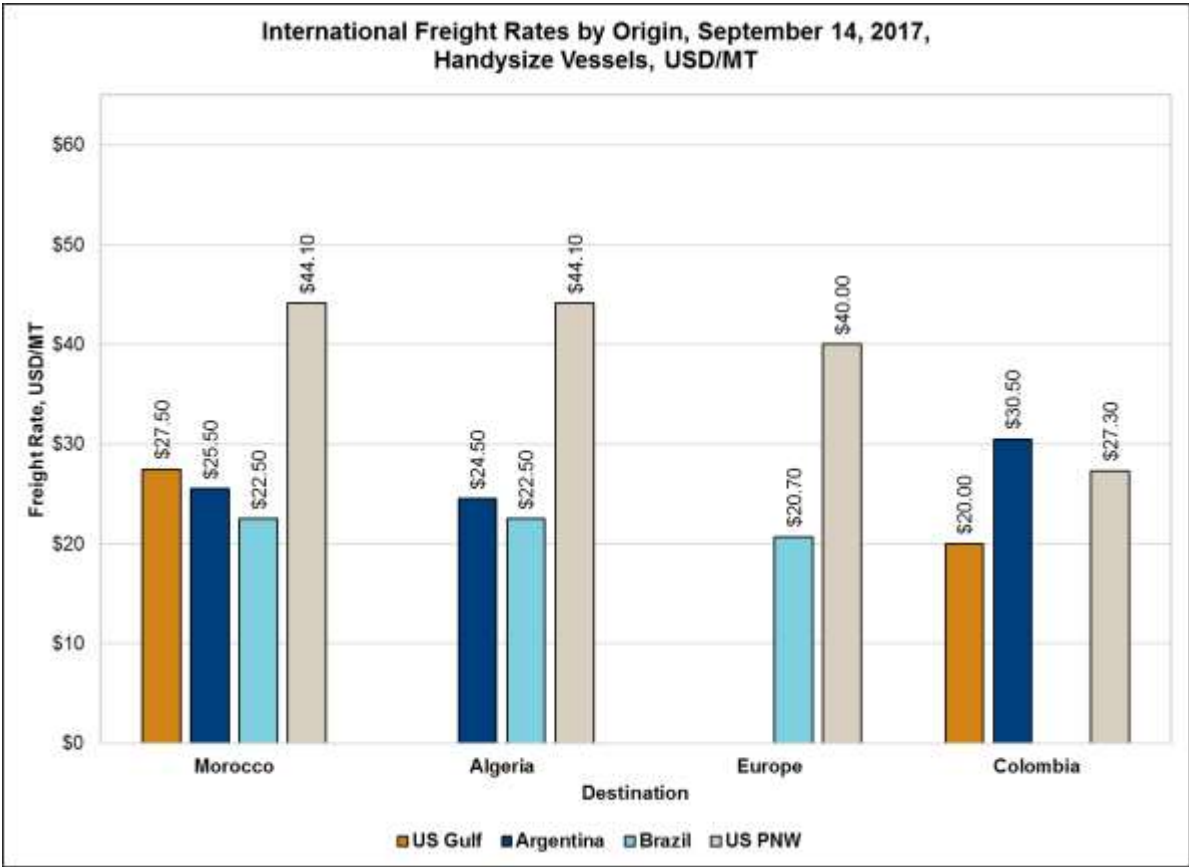


Source: O'Neil Commodity Consulting

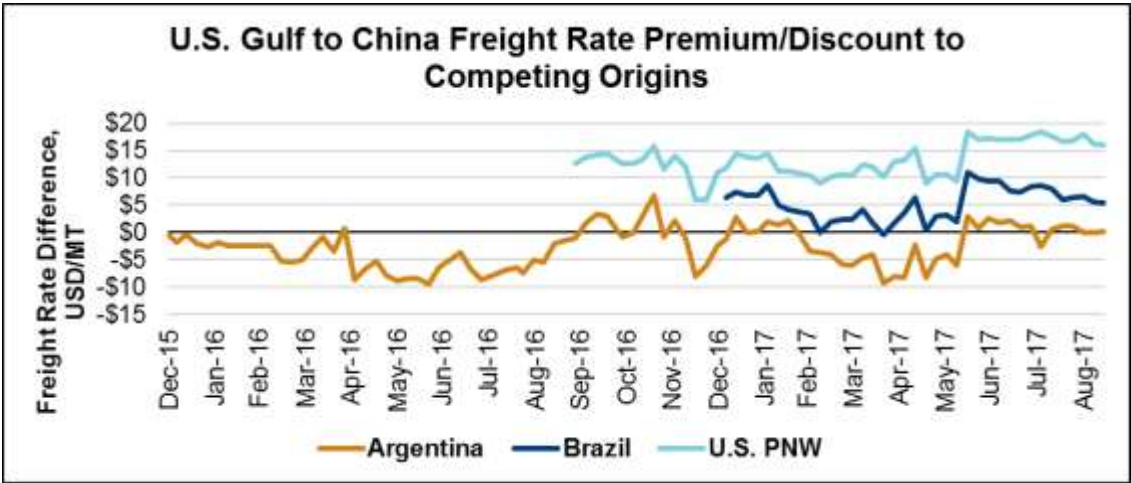
### International Freight Rates by Origin, September 14, 2017, Supramax/Panamax Vessels, USD/MT



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



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



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

## INTEREST RATES

---

<b>Interest Rates (%): September 14, 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	1.71	1.73

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