Market Perspectives

U.S. GRAINS COUNCIL

November 16, 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 November 10	Monday November 13	Tuesday November 14	Wednesday November 15	Thursday November 16
Change	2.000	-1.250	-4.750	0.750	-1.2500
Closing Price	343.50	342.25	337.50	338.25	337.00
Factors Affecting the Market	The market avoided panic following USDA's record large yield projection and trading even featured commercial buying. Outside markets were lower and inconsequential with the dollar off 14 points.	Mild selling returned to the corn pit as harvest continues slower than normal. USDA said 14.8 million bushels were exported last week, a bearish amount that keeps YTD exports down 45 percent; the USD rose 13 points.	December corn hit a new contract low as the market continues to absorb USDA's 175.6 BPA yield forecast and very slow exports. Funds added to a large short position and commercial buying was nonexistent.	Corn traded a 2-cent range with little interest in testing new contract lows and no reason to move higher. Ethanol production was steady with last week, though stocks were higher. Cash prices continue to undermine any futures rally.	December corn hit a new contract low for the second time this week as traders look for possible technical support at $3.30. The dollar was flat while U.S. equities jumped higher after a week-long correction lower.

Outlook: December corn futures remain under mild bearish pressure and have made two new contract lows since last week's WASDE report. The selling pressure isn't tremendous, but there is little buying interest to keep prices from heading lower. Exports continue to disappoint, and ethanol production is one of the few bright spots left in the corn market.

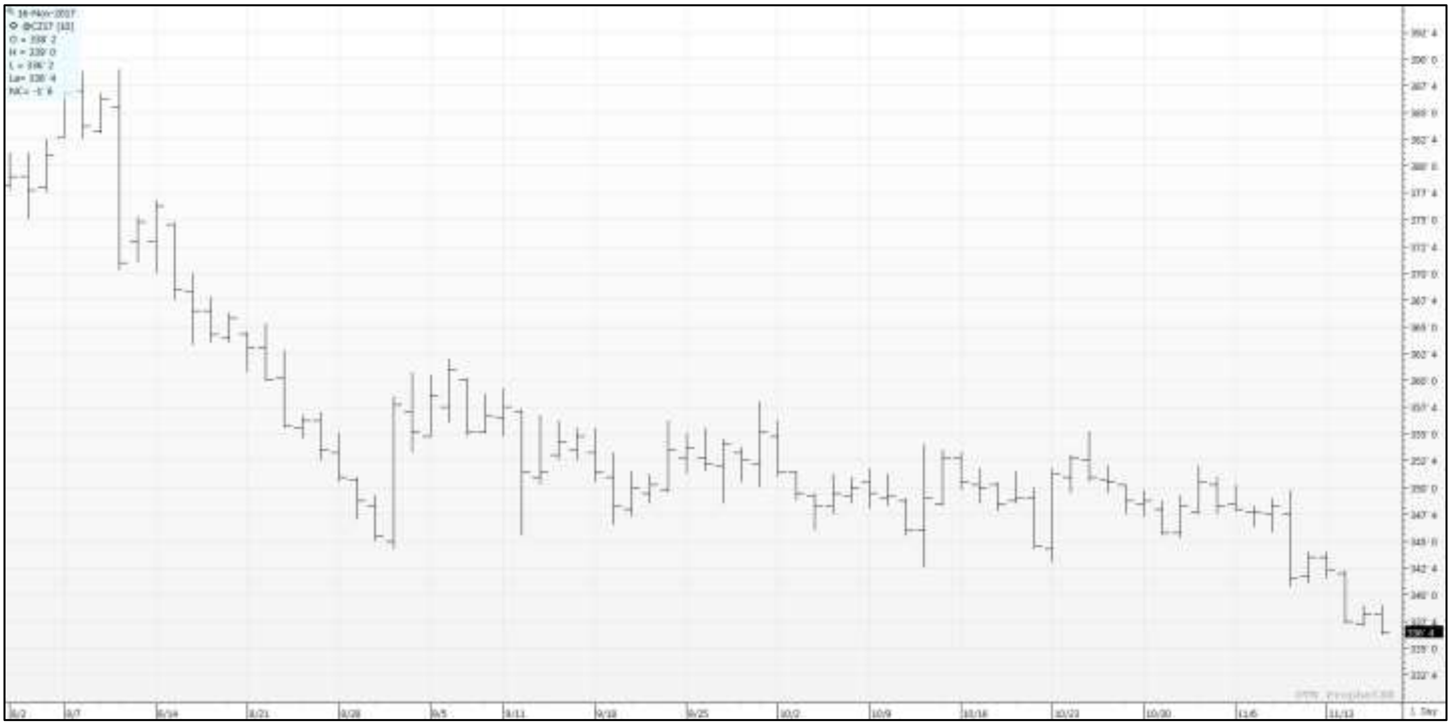
Corn exports are down 41 percent versus this point last marketing year. Typically, corn exports have reached 17 percent of their eventual total by mid-November, but current export totals are only 13 percent of USDA's forecast total. USDA may yet lower their forecast or, more likely, U.S. corn exports will eventually pick up as competition from South America wanes. Even so, the U.S. will have to export 39 million bushels of corn each week from here forward to meet USDA's projections. Last year, corn exports exceeded 39 million bushels 30 of the 52 weeks in the marketing year, but exports have yet to reach that figure in this year's 10 elapsed weeks.

U.S. ethanol production was essentially steady with last week, reaching 309.88 million gallons. Last week was the fifth consecutive week in which daily production exceeded 1 million barrels. Corn used for ethanol production has exceeded the weekly pace needed to reach USDA's projection of 5.450 billion bushels every week this marketing year except one. USDA will likely raise their corn used for ethanol figure in subsequent WASDE reports given ethanol's strong demand so far.

Corn planting in South America is progressing more slowly than normal, with 54 percent of Brazil's crop planted (versus 69 percent this time last year) and Argentina's 35 percent complete (versus 37 percent last year). Argentina's weekly pace has been slower than normal as dryness exists over much of the country. Should the dryness continue, the planting could be further delayed. Currently, the South American weather fails to create a bullish influence for corn, but could do so in the future if conditions worsen.

Technically, December corn is in a bearish trend and little support exists close by. Some may be found at $3.30, a key point from last summer's trading, but the most significant support lies between $3.15-$3.20, a double bottom formation on the long-term charts created by the October 2014 and July 2016 lows. To reach these points, one must wonder from where additional selling pressure will come. Commercials are largely sidelined, harvest is nearly complete, and the market is incentivizing farmers to store grain, and funds already hold a large short position. At the same time, unless the weather in South America deteriorates further or a major policy development occurs, it's equally difficult to foresee much buying interest. The most likely case is that December corn will continue to choppily trade slightly lower, finding psychological support at $3.30 and possibly $3.20 later.

CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending November 16, 2017			
Commodity	**16-Nov**	**10-Nov**	**Net Change**
Corn			
Dec 17	336.50	343.50	-7.00
Mar 18	349.00	356.75	-7.75
May 18	357.50	365.25	-7.75
Jul 18	365.25	373.00	-7.75
Soybeans			
Jan 18	972.00	987.00	-15.00
Mar 18	983.25	998.00	-14.75
May 18	992.75	1007.00	-14.25
Jul 18	1001.50	1015.50	-14.00
Soymeal			
Dec 17	310.50	314.50	-4.00
Jan 18	312.50	316.60	-4.10
Mar 18	315.50	320.10	-4.60
May 18	317.90	322.40	-4.50
Soyoil			
Dec 17	34.43	34.81	-0.38
Jan 18	34.59	34.96	-0.37
Mar 18	34.81	35.19	-0.38
May 18	35.02	35.42	-0.40
SRW			
Dec 17	421.50	431.50	-10.00
Mar 18	438.00	449.00	-11.00
May 18	449.75	460.00	-10.25
Jul 18	462.75	473.00	-10.25
HRW			
Dec 17	417.00	433.25	-16.25
Mar 18	434.50	450.00	-15.50
May 18	447.25	462.00	-14.75
Jul 18	465.00	477.50	-12.50
MGEX (HRS)			
Dec 17	630.25	647.50	-17.25
Mar 18	645.25	659.25	-14.00
May 18	652.00	664.50	-12.50
Jul 18	652.50	663.50	-11.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: During the next 5 days (November 16-20), Moderate precipitation at best is expected for most of the country. Amounts of 0.5 to locally approaching 2.0 inches are expected in the Northeast, the northern and central Appalachians, the eastern Great Lakes, and the central and northern sections of Ohio, Indiana, and Illinois. Farther west, more than a half-inch is forecast from the Sierra Nevada and the Cascades westward to the Pacific Ocean, with heavy amounts anticipated in the typical orographically-favored areas, specifically along the coast and on the windward (western) slopes of the mountains. Between 5.0 and 8.5 inches could fall on the Washington Cascades, northwestern Washington, the northwestern and west-central California Coast, and the Sierra Nevada. In addition, a half-inch or more is expected in some of the higher elevations of western Colorado, western Wyoming, central and north-central Utah, northeastern Nevada, and parts of Idaho. Isolated amounts of 2.0 to 4.5 inches could be dropped on the highest elevations and windward slopes.

During the 6- to 10-day period (November 21-25), odds favor above-median precipitation only across the Florida Panhandle, the northern Intermountain West, and the northern half of the West Coast States. Below-median precipitation is anticipated elsewhere except in the southern half of the High Plains, the northern Plains, most of the Great Basin, and the Southwest, where neither abnormal wetness nor dryness is favored. Warmer than normal weather is expected from the Pacific Coast eastward into the upper Mississippi Valley, the central Great Plains, and central Texas, with subnormal temperatures favored in most areas from the eastern Great Lakes and southern half of the Mississippi Valley eastward to the Atlantic Coast.

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 November 9, 2017					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	544,100	297,800	11,112.5	16,780.5	-5%
Corn	962,000	417,500	6,147.3	20,342.7	-26%
Sorghum	129,900	131,300	709.1	2,210.0	3%
Barley	500	0	14.2	38.1	149%

Source: USDA/FAS

Corn: Net sales of 949,500 MT for 2017/2018 were down 60 percent from the previous week and 34 percent from the prior 4-week average. Increases were reported for Japan (543,400 MT), unknown destinations (148,800 MT), Mexico (86,000 MT, including decreases of 12,500 MT), Peru (47,200 MT, including 45,000 MT switched from unknown destinations), and Panama (38,300 MT). Reductions were reported for Honduras (27,100 MT). For 2018/2019, net sales of 5,000 MT were reported for Mexico. Exports of 417,500 MT were down 15 percent from the previous week and 18 percent from the prior 4-week average. The primary destinations were Mexico (268,700 MT), Peru (45,600 MT), Costa Rica (30,500 MT), Taiwan (26,900 MT), and Guatemala (24,300 MT).

Optional Origin Sales: For 2017/2018, the current optional origin outstanding balance of 242,000 MT is for unknown destinations (174,000 MT) and South Korea (68,000 MT).

Barley: Net sales of 500 MT for 2017/2018 were reported for Taiwan. There were no exports reported during the week.

Sorghum: Net sales of 129,900 MT for 2017/2018 resulted as increases for China (239,800 MT, including 113,000 MT switched from unknown destinations) were partially offset by reductions for unknown destinations (110,000 MT). Exports of 131,300 MT were up 26 percent from the previous week and up noticeably from the prior 4-week average. The destinations were China (129,500 MT) and Mexico (1,800 MT).

U.S. Export Inspections: Week Ending November 9, 2017					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	0	122	16,006	25,605	63%
Corn	375,951	456,329	5,928,036	10,862,375	55%
Sorghum	82,993	53,812	582,891	709,398	82%
Soybeans	2,087,458	2,492,800	16,955,707	19,263,595	88%
Wheat	301,039	285,143	11,728,349	12,435,055	94%

*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 November 9, 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	161,137	43%	4,319	100%	81,213	98%
PNW	20,959	6%	0	0%	0	0%
Interior Export Rail	189,536	51%	0	0%	1,780	2%
Total (Metric Tons)	371,632	100%	4,319	100%	82,993	100%
White Corn Shipments by Country (MT)			4,319	to Mexico		
Total White Corn (MT)			4,319			
Sorghum Shipments by Country (MT)					71,433	to China
					10,000	to S. Africa
					98	to Korea
					1,462	to Mexico
Total Sorghum (MT)					82,993	

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 November	0.55+Z	$154.13	-	-
December	0.56+Z	$154.52	0.70+Z	$160.03

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	December	January	February
Gulf	$173	$173	$173

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
December	1.25+Z	$181.68	1.25+H	$186.60

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	December	January	February
New Orleans	$154	$154	$154
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**December**	**January**	**February**
New Orleans	$580	$580	$580
**5-10,000 MT Minimum*			

Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. $/ST)		
	November	December
Rail Delvd. Chicago	$490	$490
Rail Delvd. Savannah	$515	$515
Truck Delvd. Chicago	$492	$492

DDGS Price Table: November 16, 2017 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**December**	**January**	**February**
Barge CIF New Orleans	171	171	171
FOB Vessel GULF	183	183	183
Rail delivered PNW	208	207	206
Rail delivered California	209	207	207
Mid-Bridge Laredo, TX	209	207	207
FOB Lethbridge, Alberta	189	186	186
40 ft. Containers to South Korea (Busan)	202	202	203
40 ft. Containers to Taiwan (Kaohsiung)	201	201	201
40 ft. Containers to Philippines (Manila)	212	212	213
40 ft. Containers to Indonesia (Jakarta)	205	205	206
40 ft. Containers to Malaysia (Port Kelang)	206	206	207
40 ft. Containers to Vietnam (HCMC)	216	216	216
40 ft. Containers to Japan (Yokohama)	206	206	207
40 ft. containers to Thailand (LCMB)	206	206	206
40 ft. Containers to China (Shanghai)	205	205	206
40 ft. Containers to Bangladesh (Chittagong)	239	235	236
40 ft. Containers to Myanmar (Yangon)	230	230	231
KC & Elwood, IL Rail Yard (delivered Ramp)	167	167	168

*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 again this week on positive trade news from China. FOB ethanol plant DDGS rose $4/MT this week on a combination of trade news, increasing domestic demand from cold weather across the Plains, and increased export demand. FOB ethanol plant DDGS are valued at 40 percent of cash soybean meal and 104 percent of cash corn; both ratios are up from last week. DDGS are $1.54 per-protein unit more cost competitive than Kansas City soybean meal, though the spread narrowed this week due to strength in the DDGS market and softer soybean meal prices.

Barge CIF NOLA prices are steady this week after last week's jump while FOB NOLA DDGS are $1/MT higher. Buyers, who pushed this market up last week, have moderated in their enthusiasm to chase prices higher. However, reports cite rising demand in the international market and this may increase prices further.

Internationally, DDGS demand has strengthened considerably as buyers around the world react to China's recent VAT announcement. Buyers in other nations are procuring aggressively before any possible tightness is created by added Chinese buying. DDGS CNF Asia are $8/MT higher this week at $238/MT. Merchandisers are reporting Vietnam is an active buyer, and prices for 40-foot containers to this county are $7/MT higher. Other Southeast Asia nations bid prices higher by a similar amount. Prices to Shanghai increased only modestly, but if the tariff news develops according to current expectations these prices may too see additional strength.

COUNTRY NEWS

Brazil: Alexandre Mendonça De Barros of MB Agro says that the nation's corn crop will fall to 85-90 MMT in 2017-18, down from 100 MMT previously. (Reuters)

Ethiopia: Following the third straight year of lower corn production due to drought and erratic rainfall, a UK funded program (Climate Resilient Green Economy) providing better weather information to remote farmers intends to create food self-sufficiency by 2025. (Reuters)

Nigeria: The National Biosafety Management Agency has blocked $10 million worth of corn from being imported from Argentina due to it containing unapproved GMO's. (News Nigeria)

Saudi Arabia: Barley imports are now forecast at 7.8 MMT in 2017-18, down 13 percent from the last USDA estimate of 9 MMT. The cause, according to the FAS attaché in Riyadh, is record high barley imports in 2015/16, leading to increased carryover stocks, plus increased consumption of domestically produced feed. (GAIN Report)

Zimbabwe: In the midst of political upheaval, Zimbabwe's maize production has been erratic and caused the country to lose its position as Sub-Saharan Africa's second largest maize exporter to others including Zambia and Tanzania. South Africa remains the region's largest maize exporter. (World Perspectives, Inc.)

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	$42.25	Down $0.75	Handymax at $43.00/MT
55,000 U.S. PNW-Japan	$24.00	Down $0.50	Handymax at $24.25/MT
65,000 U.S. Gulf-China PNW to China	$41.25 $23.25	Down $0.75 Down $1.00	North China
25,000 U.S. Gulf-Veracruz, Mexico	$16.25	Down $0.25	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, Mexico	$14.00	Unchanged	Deep draft and 6,000 MT/day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia From Argentina	$20.00 $32.00	Unchanged Up $2.00	West Coast Colombia at $27.50
40-45,000 U.S. Gulf-Guatemala	$28.00	Unchanged	Acajutla/Quetzal-8,000 out
26-30,000 U.S. Gulf-Algeria	$30.25 $32.25	Down $0.25 Down $0.25	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 US Gulf-Morocco	$29.25	Down $0.25	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$27.75 $26.75	Unchanged Unchanged	55,000-60,000 MT St. Lawrence to Egypt $27.75
60-70,000 U.S. Gulf-Europe-Rotterdam	$16.50	Down $0.50	Handymax at +$2.25 more
Brazil, Santos-China Itacoatiara Port up River Amazonia North Brazil-China	$32.75 $31.75 $35.25	Down $0.50 Down $0.50 Down $0.50	54-59,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China	$39.00	Down $1.00	Upriver with top-off $41.50

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: Dry-Bulk rates are softening again and will likely remain in a quiet and defensive mode for the next few months.

The question really isn't "have Dry-Bulk ocean freight rates finally recovered?" because they obviously have. Since January 2015 Dry-Bulk Capesize vessel daily hire rates have moved up from $7,500/day to $17,000/day. Since August 2017 rates have been above the estimated profitability threshold of $15,300/day. Panamax and Supramax vessel daily hire rates have gone from $5,500/day to $10,000 plus/day, just inching into a level of basic profitability. As always, most of this has been attributable to China. According to BIMCO data China's seaborne imports of coal during the first nine months of 2017 grew by 18.7 percent. Imports of iron ore during the first eight months were up by 6.9 percent year-on-year. All together this equated to an import demand growth of 79 million tons of cargo for the two commodities year-to-date. China also set a new world record in steel production for the month of August at 74.6 million tons, or total growth of 5.6 percent for the eight-month period. From BIMCO: "Another record was reached in September, when Chinese iron ore imports exceeded 100 million tons for the first time."

So, can the Dry-Bulk industry count on China to continue this type of growth and thus support the growing vessel fleet? Net fleet growth for the year is projected to be close to 3 percent. Cargo demand will back off in December and be less robust for the first quarter of 2018, so rates should slip back to some degree. Then we will have to see how Chinese demand builds back up for the balance of 2018.

Baltic-Panamax Dry-Bulk Indices				
November 16, 2017 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	16,916	18,730	-1,817	-9.7%
P3A: PNW/Pacific– Japan	8,839	11,023	-2,184	-19.8%
S1C: U.S. Gulf-China-S. Japan	22,781	23,181	-400	-1.7%

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:

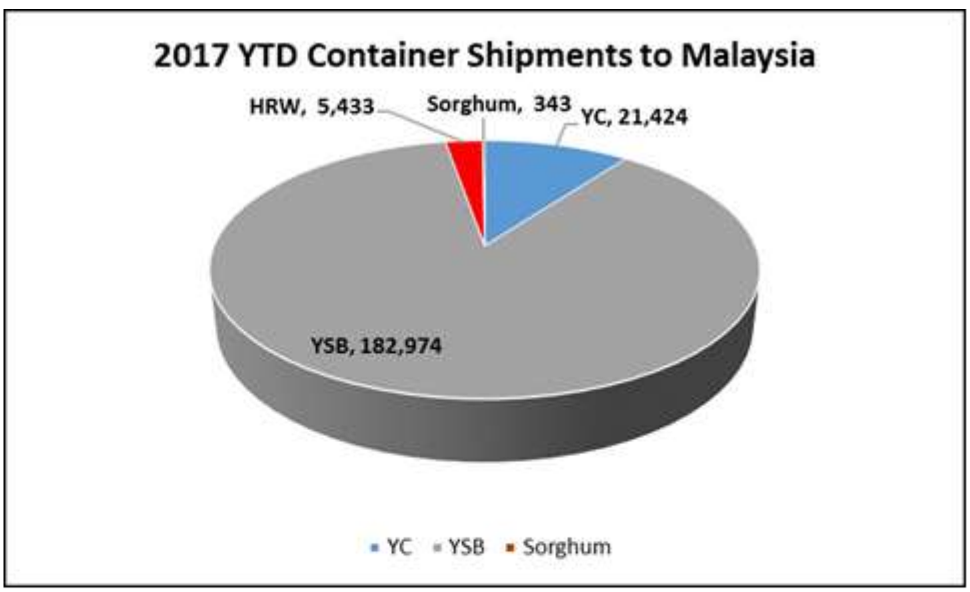
Week Ending November 16, 2017	
Four weeks ago:	$8.50-9.00
Three weeks ago:	$8.15-8.50
Two weeks ago:	$7.50-8.25
One week ago:	$7.50-8.80
This week	$7.50-8.15

Source: O'Neil Commodity Consulting

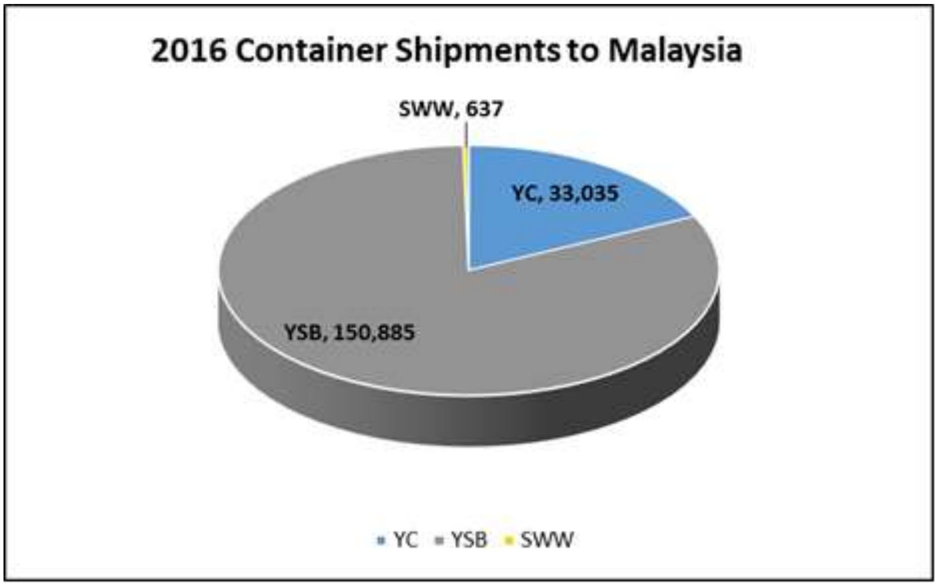
U.S.-Asia Market Spreads					
November 16, 2017	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
#2 Corn	0.86	0.57	0.29	$11.42	PNW
Soybeans	0.74	0.50	0.24	$9.45	PNW
Ocean Freight	$23.25	$41.25	0.46-0.49	$18.00	Dec.

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



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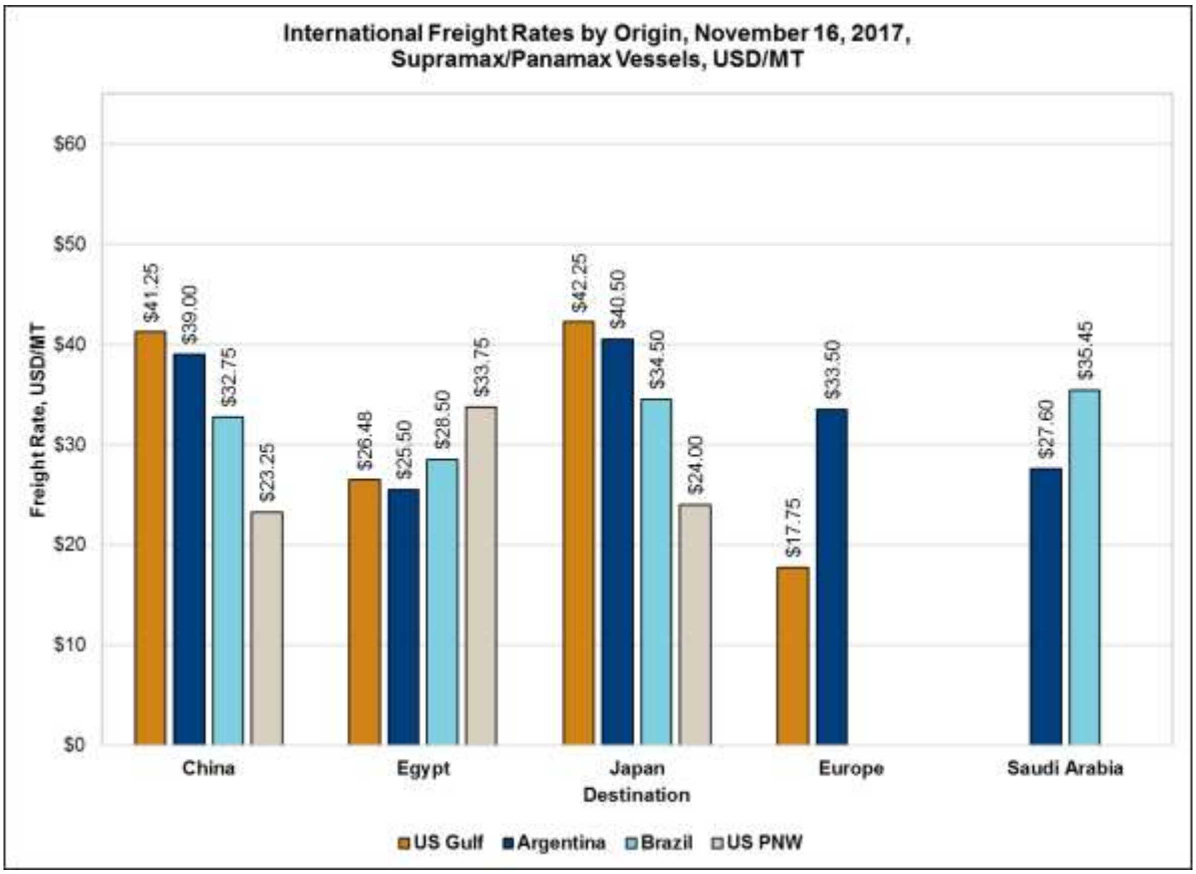
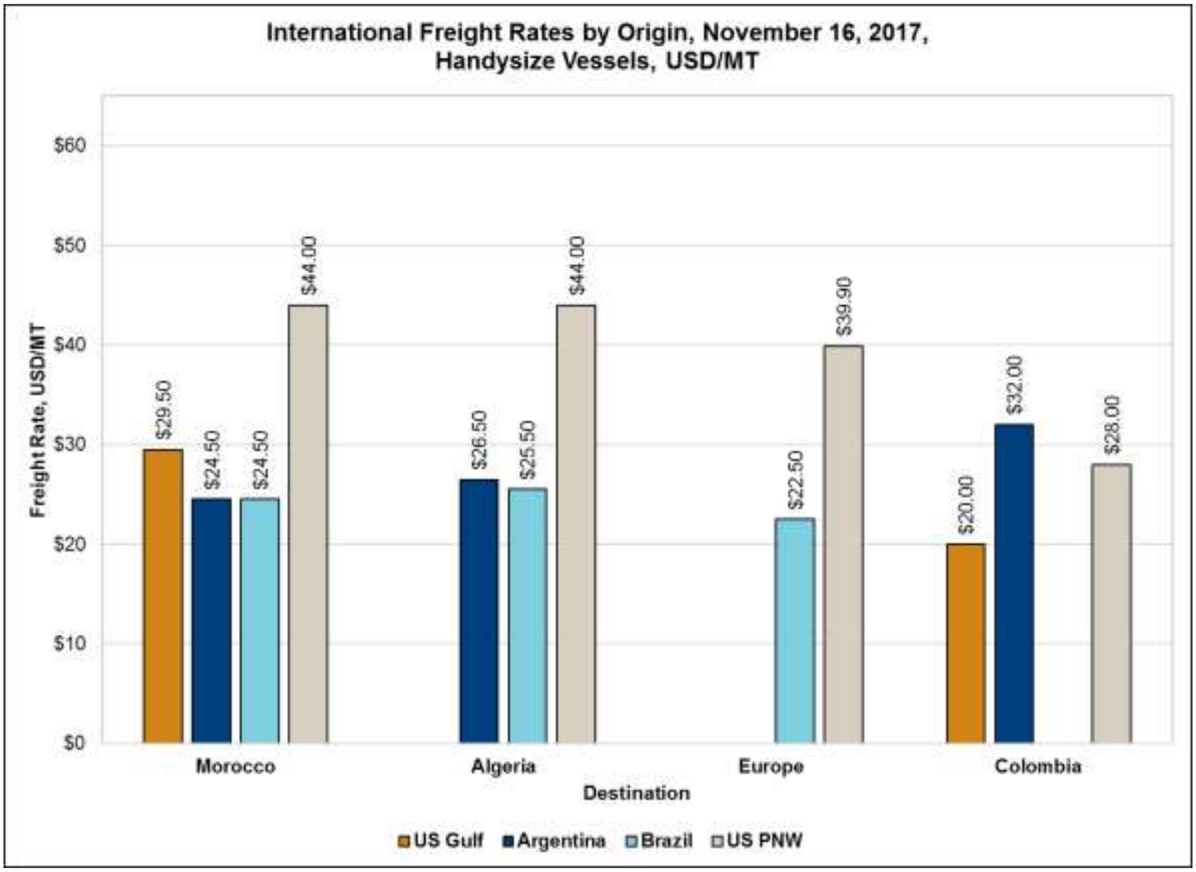


Source: DTN, O'Neil Commodity Consulting and World Perspectives, Inc.



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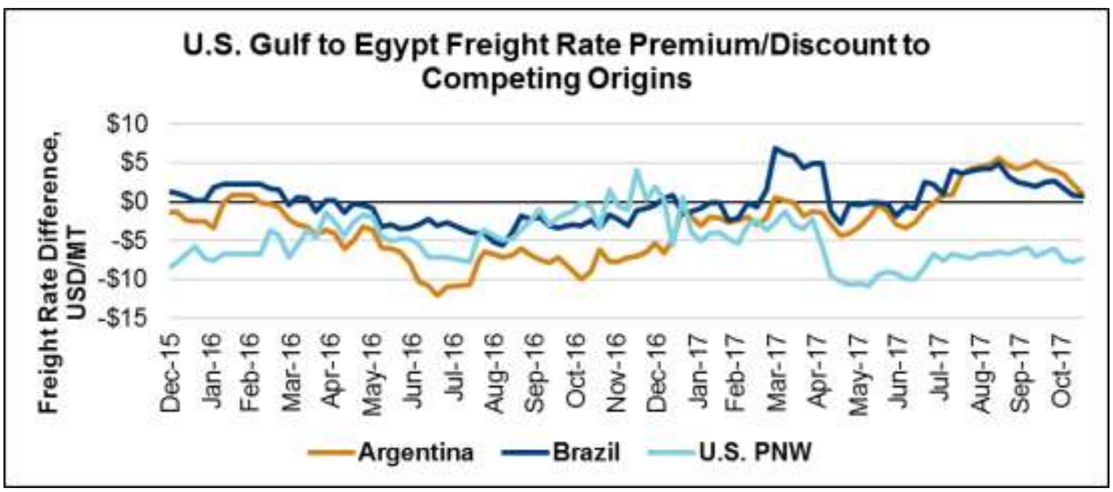

Source: DTN, O'Neil Commodity Consulting and World Perspectives, Inc.

INTEREST RATES

Interest Rates (%): November 16, 2017			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	4.25	4.25	4.25
LIBOR (6 month)	1.62	1.60	1.55
LIBOR (1 year)	1.89	1.87	1.82

Source: www.bankrate.com