U.S. GRAINS COUNCIL

Market Perspectives

December 1, 2016

Developing Markets • Enabling Trade • Improving Lives

CONTENTS

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
$/Bu	**Friday 25 November**	**Monday 28 November**	**Tuesday 29 November**	**Wednesday 30 November**	**Thursday 1 December**
Change	-1.500	-0.750	-11.7500	0.0000	-5.0000
Closing Price	349.250	348.500	336.750	336.750	331.750
Factors Affecting the Market	Light trading volume resulted in a lower day. Exports were neutral for the week but are up 73 percent from a year ago. The export pace is quickening as traders move grains before any possible trade negotiations start.	Heavy volume left the market unchanged. Funds reduced their 64,000-contract short position; commercials added to theirs. Steady basis indicates light farmer selling and continuing solid exports. The USD fell 16 points.	Markets collapsed under commercial selling and pronounced weakness in soybeans. The USD fell 40 points but failed to spark any grain buying. The market is increasingly worried that demand will falter, and end up buried in tons of stocks.	December corn was unchanged as continued commercial selling overcame support from the energy sector. OPEC's decision ignited crude oil and ethanol followed. This is positive news for ethanol production and corn demand.	Continued commercial selling and little fresh news pushed markets lower. The CBOT break will slow farmer selling, strengthen basis, and increase export prospects. Outside markets should have been supportive but were ignored.

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.

Outlook: Corn markets have turned decidedly more bearish this week as commercial demand remains light in the December contract. Moreover, commercial selling was heavy earlier this week as firms sold off the remnants of last week's rally. Despite commercial selling, however, no deliveries have been made against the December contract. The lack of deliveries thus far likely indicates the cash and futures markets are in balance, which is further evidenced by a 1-penny increase in the national average basis today. Ethanol production has continued to impress and exports have been stable the past two weeks, both of which have lent support to cash prices.

U.S. corn remains competitive on the global market with Gulf basis bids at +0.45H, which is cheaper than almost any other origin, including Argentina's new-crop offers. A continued strong U.S. export program is needed to keep the market from collapsing under the weight of huge stocks. The market is doing what it needs to move corn across U.S. borders and into the hands of international consumers.

U.S. exports have been just sufficient to keep the market on track with where it needs to be. Export inspections totaled 800,000 MT (31.5 million bushels) this week and YTD totals stand at 185 percent of the prior year. Export sales this week were 39 million bushels which exceeded USDA's projected pace of 26 million while reported exports were 31.8 million bushels, below the 43.6 million needed in this week's report. Overall, the latest figures are neutral for corn and show that exporters are remaining competitive and moving product. However, the broader market remains vulnerable to any export slowdown.

Technical conditions for December corn futures are deteriorating quickly. The contract, now roughly two weeks away from expiration, has fully broken below the uptrend that began at the end of August. Moving averages (10, 20, and 40-day) are showing bearish trends in both the December and March contracts while momentum indicators are flashing sell signals. The implication of all this is that last week's rally is over and fresh news will be needed to lift markets out of their doldrums.

The break at the CBOT is likely to reduce farmer selling and have a modest tightening impact on the cash market. Furthermore, it will lower elevation costs for exporters and, combined with today's lower U.S. Dollar Index, will likely spur additional exports. Overall, the outlook for corn futures is decidedly sideways. Prices likely won't test harvest lows but the market lacks any news to move much higher. For now, exports, ethanol, and farmer selling will determine the direction of corn prices.

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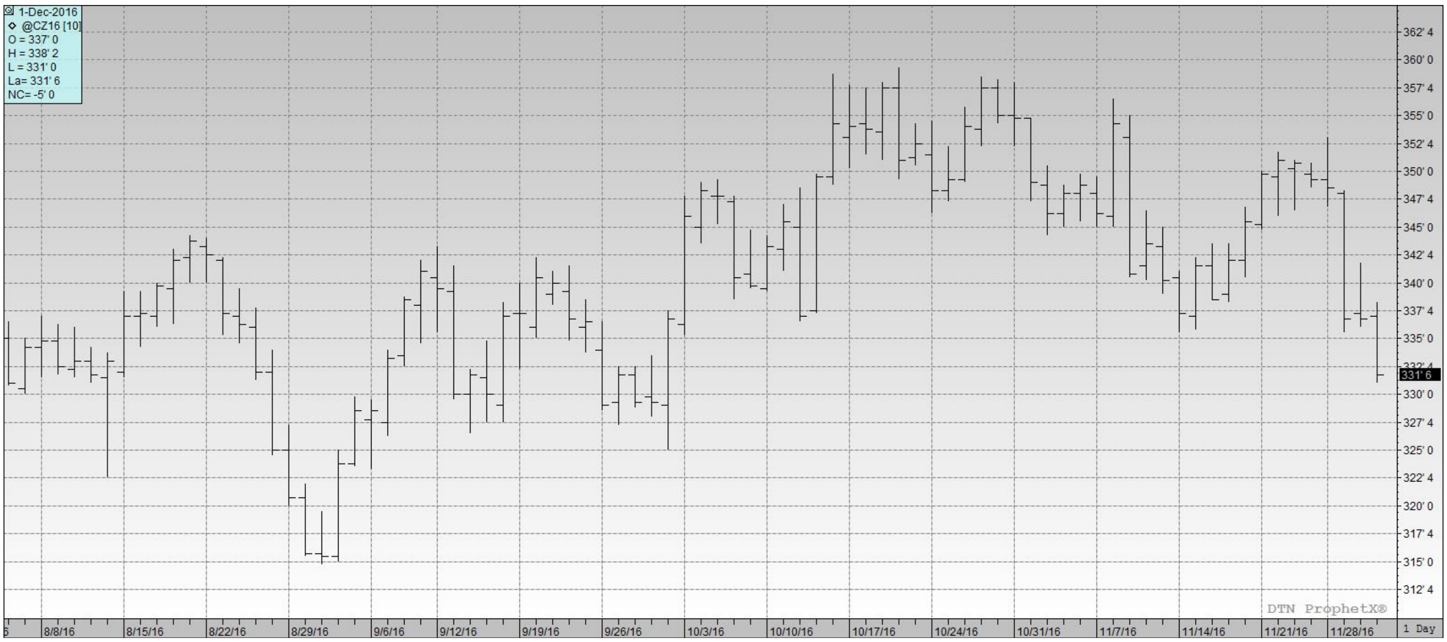
CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending December 1, 2016			
Commodity	**1-Dec**	**25-Nov**	**Net Change**
Corn			
Dec 16	331.75	349.25	-17.50
Mar 17	342.50	358.25	-15.75
May 17	350.00	365.25	-15.25
Jul 17	357.75	373.00	-15.25
Soybeans			
Jan 17	1029.75	1046.00	-16.25
Mar 17	1039.00	1054.50	-15.50
May 17	1045.50	1060.25	-14.75
Jul 17	1050.25	1064.50	-14.25
Soymeal			
Dec 16	310.90	320.80	-9.90
Jan 17	312.70	323.10	-10.40
Mar 17	315.60	325.60	-10.00
May 17	317.70	327.40	-9.70
Soyoil			
Dec 16	37.64	36.66	0.98
Jan 17	37.85	36.94	0.91
Mar 17	38.12	37.20	0.92
May 17	38.22	37.32	0.90
SRW			
Dec 16	371.50	395.75	-24.25
Mar 17	395.50	419.50	-24.00
May 17	408.75	434.00	-25.25
Jul 17	424.00	449.75	-25.75
HRW			
Dec 16	384.00	411.25	-27.25
Mar 17	403.00	429.50	-26.50
May 17	415.00	441.25	-26.25
Jul 17	426.50	452.50	-26.00
MGEX (HRS)			
Dec 16	541.00	534.25	6.75
Mar 17	538.50	528.75	9.75
May 17	540.75	532.00	8.75
Jul 17	543.50	536.50	7.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: In the days since the Tuesday morning cutoff time of this week's USDM, the cold frontal passage dropped an inch to locally over 3 inches of rain from parts of Louisiana northeastward to western Virginia, and over parts of the Northeast. For November 30-December 5, a series of fronts and low pressure systems are forecast to drop an additional 1-2 inches of precipitation across the South from Texas to Virginia, and parts of the Northeast, with locally 3-plus inches from Texas to Mississippi. One to 3 inches is forecasted for parts of the coastal Northwest and Northern Rockies. A tenth to half of an inch is expected across the Midwest, extreme northern Plains, and much of the central and northern portions of the West. No precipitation is forecast for southern California or much of the Southwest to central Plains.

Temperatures should average warmer than normal in the East and cooler than normal in the West. For December 6-14, odds favor wetter-than-normal conditions for the northern tier states and drier than normal for the Southwest to southern Plains, with the Southeast transitioning from wet to dry. Temperatures are expected to be colder than normal in the West to Plains. The East Coast will transition from warmer than normal to cooler than normal as an upper-level trough migrates east through the period.

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 24, 2016					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000MT)**	**YTD Bookings (000MT)**	**% Change YTD Bookings**
Wheat	494,100	238,400	12,493.1	18,865.7	31%
Corn	1,013,400	808,800	11,727.7	30,082.4	76%
Sorghum	227,000	59,200	746.8	2,664.4	-41%
Barley	0	100	9.3	15.3	-41%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 761,600 MT for 2016/2017 were down 55 percent from the previous week and 50 percent from the prior 4-week average. Increases were for Japan (228,300 MT, including 41,100 MT switched from unknown destinations and decreases of 1,000 MT), South Korea (140,900 MT, including 131,000 MT switched from unknown destinations), Mexico (77,800 MT, including decreases of 1,800 MT), Taiwan (66,700 MT, including decreases of 2,600 MT), and Honduras (63,400 MT, including 12,400 MT switched from unknown destinations and decreases of 6,100 MT). Reductions were for the Dominican Republic (158,200 MT), Guatemala (17,100 MT), and Morocco (10,000 MT). Exports of 808,800 MT were up 40 percent from the previous week and 12 percent from the prior 4-week average. The primary destinations were Mexico (186,700 MT), South Korea (141,900 MT), Japan (119,100 MT), Colombia (61,400 MT), and the Dominican Republic (53,300 MT).

Optional Origin Sales: For 2016/2017, the current optional origin outstanding balance of 611,000 MT is for unknown destinations (274,000 MT), South Korea (272,000 MT), and Taiwan (65,000 MT).

Export Adjustments: Accumulated exports of corn to Honduras were adjusted down 14,172 MT for week ending November 17th. The correct destination is Nicaragua and is included in this week's report.

Barley: No net sales were reported for the week. Exports of 100 MT were reported to South Korea.

Sorghum: Net sales of 227,000 MT were down 22 percent from the previous week and 34 percent from the prior 4-week average. Increases were reported for China (162,500 MT, including 56,000 MT switched from unknown destinations) and unknown destinations (64,500 MT). Exports of 59,200 MT were down 48 percent from the previous week and 6 percent from the prior 4-week average. The destinations were China (56,500 MT), Nigeria (1,800 MT), and Mexico (900 MT).

U.S. Export Inspections: Week Ending November 24, 2016					
Commodity (MT)	**Export Inspections**		**Current Market YTD**	**Previous YTD**	**YTD as Percent of Previous**
	Current Week	**Previous Week**			
Barley	0	0	25,605	26,617	96%
Corn	800,967	875,976	12,539,318	6,762,923	185%
Sorghum	165,287	115,727	990,412	2,833,395	35%
Soybeans	2,090,724	2,666,079	24,006,013	20,159,239	119%
Wheat	221,985	429,770	13,091,457	10,303,204	127%

*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 24, 2016						
Region	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Lakes	0	0%	0	0%	0	0%
Atlantic	490	0%	0	0%	0	0%
Gulf	539,946	72%	45,111	0%	160,264	97%
PNW	61,685	8%	122	0%	0	0%
Interior Export Rail	150,120	20%	3,493	0%	5,023	3%
Total (Metric Tons)	752,241	100%	48,726	0%	165,287	100%
White Corn Shipments by Country (MT)			7,825	to Colombia		
			4,410	to El Salvador		
			36,369	to Mexico		
			122	to Korea		
Total White Corn (MT)			48,726			
Sorghum Shipments by Country (MT)					161,121	to China
					980	to Indonesia
					3,186	to Mexico
Total Sorghum (MT)					165,287	

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)**
December	+0.55 Z	$152.26	+0.86 Z	$164.46
January	+0.52 H	$155.31	+0.83 H	$167.51
February	+0.52 H	$155.31	+0.83 H	$167.51

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	**December**	**January**	**February**
Gulf	$192	$192	$192

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
December	-	-	+0.74 Z	$159.74
January	-	-	+0.65 H	$160.42

Barley: Feed Barley (FOB USD/MT)		
	December	**January**
FOB PNW	$185	$190

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	December	**January**	**February**
New Orleans	$140	$140	$140
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**December**	**January**	**February**
New Orleans	$565	$565	$565
**5-10,000 MT Minimum*			

Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. $/ST)		
	December	**January**
Rail Delvd. East Coast	$530	-
Rail Delvd. Chicago	$525	-
Truck Delvd. Chicago	$520	$520
Truck Delvd. Channahon/Elwood	-	-

All prices are market estimates.

DDGS Price Table: December 1, 2016 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**December**	**January**	**February**
Barge CIF New Orleans	151	152	153
FOB Vessel GULF	162	162	163
Rail delivered PNW	173	174	174
Rail delivered California	181	182	182
Mid-Bridge Laredo, TX	179	180	181
FOB Lethbridge, Alberta	150	152	152
40 ft. Containers to South Korea (Busan)	193	196	198
40 ft. Containers to Taiwan (Kaohsiung)	192	194	196
40 ft. Containers to Philippines (Manila)	206	208	211
40 ft. Containers to Indonesia (Jakarta)	198	200	202
40 ft. Containers to Malaysia (Port Kelang)	200	202	205
40 ft. Containers to Vietnam (HCMC)	200	205	205
40 ft. Containers to Japan (Yokohama)	198	203	203
40 ft. containers to Thailand (LCMB)	197	199	201
40 ft. Containers to Shanghai, China	195	201	201
KC & Elwood, IL Rail Yard (delivered Ramp)	149	152	152

*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: Despite a quiet week of trading, the market is feeling some support. The soybean market was highly supportive early in the week while cold weather in the Midwest is helping accelerate feed demand. FOB DDGS values are at approximately 123 percent of corn futures and are competitive against soybean meal in livestock rations. International demand is picking up from the holiday-quieted trading last week and vessels have been sold to several Asian destinations including Japan, South Korea, and China.

The fundamentals are directly supporting DDGS prices. Prices were slightly higher for barges CIF NOLA this week, adding an average of $1/ton while for rail delivery to the PNW, prices rose $3/ton for December shipment and California-destined DDGS gained $1/ton. International prices saw broad strength as well, with 40-foot containers to Southeast Asia gaining $7/ton on average. Interestingly, prices for January shipment increased $5/ton while February shipment prices increased $8. The trend may be indicative of future strength in international DDGS demand.

Ethanol Comments: Ethanol production remains well above year-ago levels despite slipping 3,000 barrels from the prior week. Since the marketing year began, cumulative production is up 4 percent YTD while stocks have fallen 8 percent. The implication is that export and domestic demand have both been robust and likely exceed USDA's projections. By some estimates, USDA's current projection for corn used in ethanol production may be 25-50 million bushels too low.

Ethanol margins were broadly higher again this week and increased in three of the four reference markets. Ethanol producers in Iowa saw the only decrease in margins, losing $0.08/bushel this week. Margins in other states were higher, with South Dakota seeing the largest increase at $0.17/bushel. Margins remain extremely strong against year-ago levels, averaging $0.63/bushel higher across the Midwest.

- Illinois differential is $2.17 per bushel, in comparison to $2.09 the prior week and $1.75 a year ago.
- Iowa differential is $2.04 per bushel, in comparison to $2.12 the prior week and $1.43 a year ago.
- Nebraska differential is $2.14 per bushel, in comparison to $2.07 the prior week and $1.59 a year ago.
- South Dakota differential is $2.49 per bushel, in comparison to $2.32 the prior week and $1.56 a year ago.

COUNTRY NEWS

Argentina: Martin Lopez, of the Buenos Aires Grain Exchange, says that rain could delay planting of the corn crop and unless there is drier weather soon it could threaten the forecasted record crop of 36 MMT. (Bloomberg)

Brazil: The corn crop is under some concerns of drought but it is too early to make substantive projections as to production losses. However, the situation does warrant caution when forecasting production for the 2016/17 crop year, especially since the safrinha crop would be primarily hit by any coming drought. The possibility of drought is eliciting caution in forecasts of Brazil's production, which is not set to mildly decline year over year.

China: A government crackdown on overloaded trucks has caused a spike in demand for sorghum ($240/MT) and barley ($219/MT) from the U.S. and Australia. It has caused corn prices to rise 16 percent ($298/MT) since early October. (Note: U.S. corn to China is estimated at $181/MT C&F) A trucking priority is also being given to coal in advance of heating needs. Sorghum imports will be lower than last year but higher than expected this year. (Reuters) Note: China's feed imports in October were down 46 percent from a year earlier but margins remain attractive.

China: Large grain stockpiles will enable the government to reduce the amount of land used in farming by 5 million hectares by 2020, according to Wu Xiao of the National Development and Reform Commission. The land will be diverted to grassland or environmental use and although it will reduce grain production by 75 MMT, that is only 2.5 percent of annual production. (Bloomberg)

China: More than 900 companies have applied for low tariff corn import permits in 2017. Corn imports could be 7.2 MMT in 2016/17. (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	$37.00	-	Handymax at $36.00/MT
55,000 U.S. PNW-Japan	$20.00	-	Handymax at $20.50/MT
58-60,000 U.S. Gulf-China PNW to China	$36.00 $19.25	- -	North China
25,000 U.S. Gulf-Veracruz, México	$15.50	-	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	$14.00	-	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	$18.50 $30.25	- -	West Coast Colombia at $24.25
43,000 U.S. Gulf-Guatemala	$24.25	-	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	$23.50 $25.75	- -	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	$22.75	-	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	$21.75 $25.25	- -	55,000 -60,000 MT St. Lawrence to Egypt $23.00
65-75,000 U.S. Gulf-Europe-Rotterdam	$16.00	-	Handymax at +$1.50 more
Brazil, Santos-China Itacoatiara Port up river Amazonia-China	$22.00 $21.50 $30.50	- - -	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	$31.00	-	—

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: Well, it isn't over yet. The Panamax and Handymax market rally somehow continues. There is no denying the fact that global Dry-Bulk ocean freight indices and rates have experienced a big leap in value over the past month. Baltic Indices are now up to levels not seen since February 2014. Physical markets, however, are greatly lagging these past equivalent levels. In February 2014 U.S. Gulf-Panamax prices to Japan were $53.00/MT versus $37.00/MT today. The question now is whether this rally is fully justified, and can it be sustained?

When you look at the forward curve in the freight futures market it looks like a fair amount of skepticism exists. Nearby daily hire rates for Panamax vessel have moved from $6,000/day up to $9,000-plus/day (up 66 percent). The Panamax BPI has jumped up 42 percent, yet I do not see a 30 percent or 40 percent improvement in cargo demand. So, someone must be holding back. Given that we still have an imbalance (a surplus) of ships versus cargo, I wonder what will happen when all the surplus vessels want to capture the benefit of these higher markets? Bankers will certainly twist the arms of vessel owners to grab this opportunity. The Capesize market has already begun to adjust back down a bit.

This bump up in Dry-Bulk rates will also make containerized grain shipments more competitive to Asia and provide motivation for container shipping lines to raise their rates. These are certainly interesting times and will be somewhat fun to watch.

Baltic-Panamax Dry-Bulk Indices				
December 1, 2016 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	17,546	16,631	915	5.5%
P3A: PNW/Pacific– Japan	8,643	8,460	183	2.2%

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:

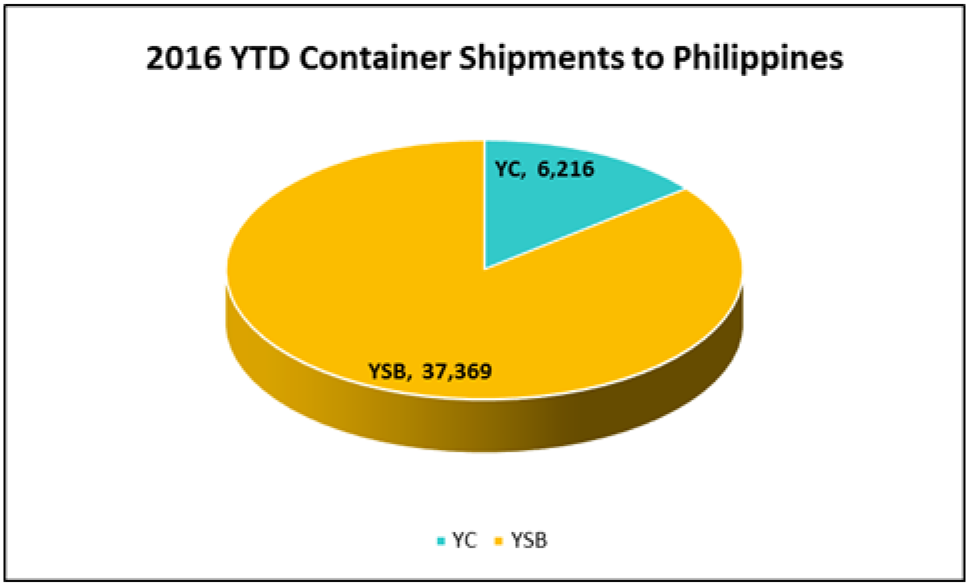
Week Ending December 1, 2016	
Four weeks ago:	$4.90-$5.50
Three weeks ago:	$5.75-$6.00
Two weeks ago:	$5.80-$6.25
One week ago:	-
This week	$6.25-$6.50

Source: O'Neil Commodity Consulting

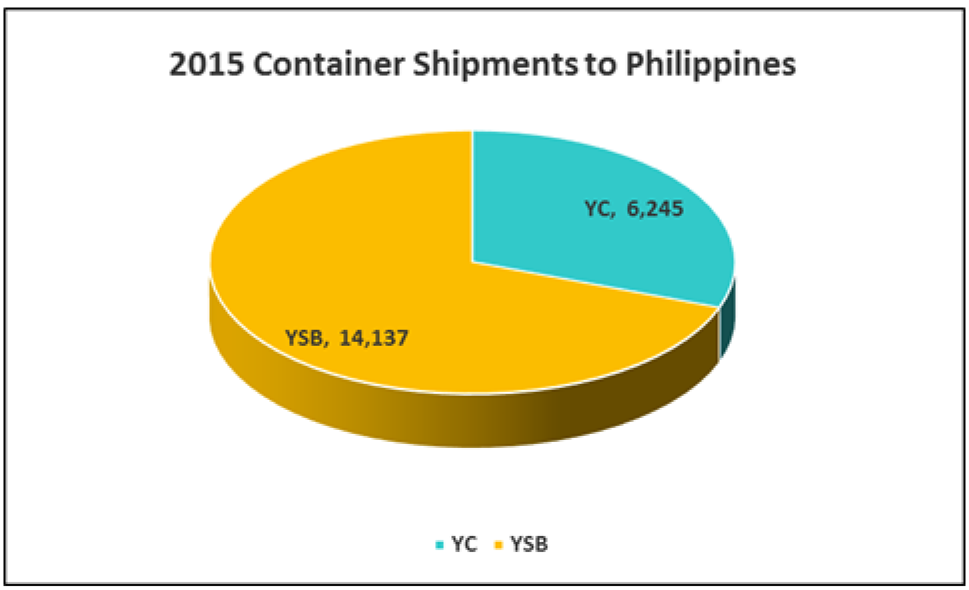
U.S.-Asia Market Spreads					
December 1, 2016	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
#2 Corn	0.84	0.49	0.35	$13.78	PNW
Soybeans	0.78	0.43	0.35	$13.78	PNW
Ocean Freight	$19.25	$36.00	0.43-0.46	($16.75)	January

Source: O'Neil Commodity Consulting

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



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

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International Freight Rates for Feed Grains – Select Routes Estimated Spot Price ($/MT) – Week Ending December 1, 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**	$28.50	$30.00	$29.50	$25.00	$24.50	$29.00	$29.00	$28.50
	Brazil	$21.50	$23.50	$25.00	$15.00	$27.00	$18.50	$26.50	$27.50
Corn (White)	**Argentina**	$28.50	$30.00	$29.50	$25.00	$24.50	$29.00	$29.00	$28.50
	Brazil	$21.50	$23.50	$25.00	$15.00	$27.00	$18.50	$26.50	$27.50
Barley	**Argentina**	$28.50	$30.00	$29.50	$25.00	$24.50	$29.00	$29.00	$28.50
	Brazil	$21.50	$23.50	$25.00	$15.00	$27.00	$18.50	$26.50	$27.50
Sorghum	**Argentina**	$28.50	$30.00	$29.50	$25.00	$24.50	$29.00	$29.00	$28.50
	Brazil	$21.50	$23.50	$25.00	$15.00	$27.00	$18.50	$26.50	$27.50

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 (%): December 1, 2016			
	Current Week	**Last Week**	**Last Month**
U.S. Prime	3.50	-	3.50
LIBOR (6 month)	1.29	-	1.26
LIBOR (1 year)	1.65	-	1.58

Source: www.bankrate.com