Market Perspectives

U.S. GRAINS COUNCIL

February 8, 2018

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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.

CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn March Contract					
$/Bu	Friday February 2	Monday February 5	Tuesday February 6	Wednesday February 7	Thursday February 8
Change	-0.250	-2.750	4.750	1.750	0.5000
Closing Price	361.50	358.75	363.50	365.25	365.75
Factors Affecting the Market	March corn finished a quiet day of trading down a quarter-cent. There was little news to move the market, except for persistent dryness in Argentina. The trade is largely waiting for next week's WASDE report. Outside markets were lower with the Dow falling 665 points.	Corn managed to escape the rout in global markets, falling 2 3/4 cents today. CFTC's data on Friday showed funds still short corn but covering some positions heading into the WASDE. Export inspections were neutral. Outside markets were sharply lower with the Dow falling 1,175 points.	Dryness in Argentina managed to boost corn almost 5 cents. The move marks an upside breakout for the contract and opens $3.75 as a target price. Outside markets recovered today with the Down gaining back half of yesterday's losses.	Corn was higher in quiet trading as traders wait for tomorrow's WASDE. Ethanol production was higher last week, as were ethanol stocks. However, improving ethanol margins should support corn demand in the near-term. Outside markets were quiet with the dollar higher for a fourth straight day and U.S. equities slightly lower.	USDA increased U.S. corn exports 125 million bushels and lowered ending stocks by an equal amount. The news was initially bullish but the sluggish export pace so far limited market gains. Outside markets are unsupportive with U.S. equities sharply lower.

Outlook: USDA surprised the markets today with significant revisions to its 2017/18 corn U.S. corn balance sheet. Most notably, the agency reduced its ending stocks forecast by 125 million bushels to 2.352 billion. Corn exports were increased by 125 million bushels, which drove the ending stocks reduction, as the agency sees U.S. corn's competitiveness (currently the cheapest FOB prices in the world) as encouraging U.S. exports. USDA increased the season-average corn price 5 cents to $3.30/bushel. The futures market initially interpreted the report as bullish, but the slugging corn export pace observed so far this year limited market gains.

The world corn outlook featured slightly bullish changes to the global balance sheet as well. World corn production in 2017/18 was lowered 2.8 MMT on drought and persistent heat in Argentina and reductions in Ukraine's official production estimates. World corn production is currently pegged at 1041.7 MMT with world ending stocks at 203.1 MMT.

The USDA left its January forecasts for sorghum, barley, and oats supply and demand factors unchanged in this month's report. Similarly, USDA did not change its estimate of feed wheat volumes, keeping the 2017/18 estimate of wheat for feed and residual use at 100 million bushels.

From a technical perspective, March corn is trending higher with three consecutive days of higher highs and higher closes. The 10- and 100-day moving averages offer technical support points and are confirming the momentum higher. The 200-day moving average ($3.75) stands as the next upside target, as well as a key resistance point. While there is growing bullish sentiment, it will take confirmation of global production shortfalls or a takeoff in U.S. exports before March corn will challenge the 200-day moving average.

CBOT MARCH CORN FUTURES

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending February 8, 2018			
Commodity	**8-Feb**	**2-Feb**	**Net Change**
Corn			
Mar 18	365.75	361.50	4.25
May 18	373.25	369.50	3.75
Jul 18	381.00	377.25	3.75
Sep 18	387.25	384.50	2.75
Soybeans			
Mar 18	987.75	978.75	9.00
May 18	998.75	990.25	8.50
Jul 18	1008.25	999.75	8.50
Aug 18	1009.75	1002.25	7.50
Soymeal			
Mar 18	341.70	331.40	10.30
May 18	345.10	335.40	9.70
Jul 18	346.40	338.10	8.30
Aug 18	345.00	337.80	7.20
Soyoil			
Mar 18	32.21	32.51	-0.30
May 18	32.40	32.71	-0.31
Jul 18	32.59	32.92	-0.33
Aug 18	32.68	33.01	-0.33
SRW			
Mar 18	456.25	446.75	9.50
May 18	469.25	459.75	9.50
Jul 18	482.50	473.50	9.00
Sep 18	497.00	487.50	9.50
HRW			
Mar 18	474.50	463.25	11.25
May 18	489.50	478.25	11.25
Jul 18	506.25	494.25	12.00
Sep 18	522.00	509.50	12.50
MGEX (HRS)			
Mar 18	613.00	603.75	9.25
May 18	625.25	614.75	10.50
Jul 18	634.50	623.50	11.00
Sep 18	637.75	625.00	12.75

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: A wintry mix will depart the East Coast at the beginning of the period, with this system having already provided much-needed rain and snow to many drought areas of the southern and eastern U.S. On this storm's heels, a frontal boundary initially draped over the northern Plains and Corn Belt will be the focus for another round of rain and snow. As the front pushes south, a wave of low pressure will develop and move northeastward across the Atlantic Coast States during the weekend. As a result, moderate to heavy precipitation (1-2 inches, locally more) will provide additional drought relief from the Delta into the Mid-Atlantic and Northeast, with lighter showers expected over the Southeast. Despite the active weather pattern, dry weather will linger from the southern Plains into the Southwest. The NWS 6- to 10-day outlook for February 13-17 calls for warmer- and wetter-than-normal weather across the eastern third of the nation. Likewise, near- to above-normal temperatures are anticipated from the Plains to the Pacific Coast — save for chilly weather on the northern Plains — but unfavorable dryness will persist from the western Corn Belt and central Plains to the Pacific Coast States.

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 February 1, 2018					
Commodity	**Gross Sales (MT)**	**Exports (MT)**	**YTD Exports (000 MT)**	**YTD Bookings (000 MT)**	**% Change YTD Bookings**
Wheat	469,400	467,800	15,727.0	20,804.2	-11%
Corn	1,855,800	961,200	14,772.1	34,021.5	-17%
Sorghum	139,600	125,600	2,506.1	5,252.2	62%
Barley	0	0	22.5	37.8	124%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 1,769,600 MT for 2017/2018 were down 4 percent from the previous week, but up 27 percent from the prior 4-week average. Increases were reported for unknown destinations (426,600 MT), South Korea (330,200 MT, including 65,000 MT switched from unknown destinations and decreases of 100 MT), Egypt (225,000 MT), Spain (198,000 MT, including 66,000 MT switched from unknown destinations), Japan (152,900 MT, including 127,700 MT switched from unknown destinations and decreases of 58,600 MT), and Colombia (114,500 MT, including 29,300 MT switched from unknown destinations). Reductions were reported for the Dominican Republic (22,200 MT) and Guatemala (4,300 MT). Exports of 961,200 MT were down 8 percent from the previous week, but up 22 percent from the prior 4-week average. The destinations were primarily to Japan (417,000 MT), Mexico (155,300 MT), South Korea (140,000 MT), Peru (78,300 MT), and Colombia (59,800 MT).

Optional Origin Sales: For 2017/2018, the current optional origin outstanding balance of 724,500 MT is for South Korea (342,000 MT), unknown destinations (261,500 MT), and Vietnam (121,000 MT).

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

Sorghum: Net sales of 73,600 MT for 2017/2018 resulted as increases for China (179,700 MT, including 66,000 MT switched from unknown destinations), Mexico (25,700 MT), and Japan (3,200 MT, including 3,000 MT switched from unknown destinations), were partially offset by reductions for unknown destinations (135,000 MT). Exports of 125,600 MT were down 49 percent from the previous week and 15 percent from the prior 4-week average. The destinations were China (122,000 MT), Japan (3,200 MT), and Mexico (400 MT).

U.S. Export Inspections: Week Ending February 1, 2018					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	637	122	19,847	30,783	64%
Corn	1,073,868	1,011,214	14,841,025	22,012,030	67%
Sorghum	195,059	152,388	2,284,618	2,659,457	86%
Soybeans	1,303,723	1,130,422	34,709,901	40,480,504	86%
Wheat	428,557	581,626	16,623,040	17,492,911	95%

*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 February 1, 2018						
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	518,437	49%	2,919	42%	124,153	64%
PNW	396,226	37%	0	0%	66,000	34%
Interior Export Rail	152,294	14%	3,992	58%	4,906	3%
Total (Metric Tons)	1,066,957	100%	6,911	100%	195,059	100%
White Corn Shipments by Country (MT)			2,919	to Japan		
			3,992	to Mexico		
Total White Corn (MT)			6,911			
Sorghum Shipments by Country (MT)					191,139	to China
					3,200	to Japan
					720	to Mexico
Total Sorghum (MT)					195,059	

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 February	0.62+H	$168.40	-	-
FH March	0.57+H	$166.43	0.86+H	$177.84
LH March	0.55+H	$165.64	0.86+H	$177.84

#2 White Corn (U.S. $/MT FOB Vessel)			
Max. 15.0% Moisture	February	March	April
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
March	1.70+H	$210.91	1.65+H	$208.94
April	1.70+K	$213.87	1.55+K	$207.96

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	February	March	April
New Orleans	$165	$160	$155
Quantity 5,000 MT			

Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	February	March	April
New Orleans	$590	$585	$580
**5-10,000 MT Minimum*			

Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. $/ST)		
	February	March
Rail Delvd. Chicago	$482	$482
Rail Delvd. Savannah	$502	$502
Truck Delvd. Chicago	$500	$490

DDGS Price Table: February 8, 2018 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**February**	**March**	**April**
Barge CIF New Orleans	191	188	187
FOB Vessel GULF	203	200	196
Rail delivered PNW	212	211	209
Rail delivered California	214	213	212
Mid-Bridge Laredo, TX	212	211	210
FOB Lethbridge, Alberta	184	181	180
40 ft. Containers to South Korea (Busan)	229	224	224
40 ft. Containers to Taiwan (Kaohsiung)	232	227	227
40 ft. Containers to Philippines (Manila)	234	231	231
40 ft. Containers to Indonesia (Jakarta)	232	228	228
40 ft. Containers to Malaysia (Port Kelang)	232	228	228
40 ft. Containers to Vietnam (HCMC)	237	234	234
40 ft. Containers to Japan (Yokohama)	231	227	227
40 ft. containers to Thailand (LCMB)	231	229	229
40 ft. Containers to China (Shanghai)	228	228	228
40 ft. Containers to Bangladesh (Chittagong)	256	256	256
40 ft. Containers to Myanmar (Yangon)	252	252	252
KC & Elwood, IL Rail Yard (delivered Ramp)	190	189	188

*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: FOB NOLA DDGS are slightly lower this week at $203/MT, following CIF NOLA prices which dropped to $191/MT. Merchandisers are reporting that, since CIF NOLA values dropped last week, prices have softened for product destined for Asia. However, the lower prices have increased buying activity and exporters are reporting large volumes sold/exported.

FOB ethanol plant DDGS are $1/MT higher this week and are valued at 46 percent of KC soybean meal and 125 percent of cash corn. The per-protein unit cost of DDGS is $0.83 less that than of soybean meal, with the spread narrowing since last week. However, soybean meal futures' recent rally should work to make the ethanol co-product more competitive in feed rations.

COUNTRY NEWS

Argentina: A protest by grain transporters demanding higher freight rates could slow exports of corn and other commodities. The Rosario Grains Exchange reports that 56 percent fewer trucks arrived at the major export facility at Rosario port on February 5. (Reuters)

Egypt: Recent U.S. sales of 285 KMT of corn to Egypt reflects the increased competition for this 8.8 MMT market. The U.S. and Ukraine are the only sources considered to have normal prices and American corn is cheaper. Ukrainian government data shows that corn exports to Egypt during the last half of 2017 were down 73 percent. (AgriCensus)

European Union: Corn imports (387 KMT) during the week ending January 31 were above the volumes seen over the rest of the year as Spain, the Netherlands and Portugal took advantage of low global prices. Now at 9.76 KMT, total corn imports for the 2017/18 marketing year are up 52 percent. Brazil is the largest supplier at 4.83 MMT, up five-fold from last year. Imports from Ukraine are up 34.8 percent. (AgriCensus)

Ukraine: In light of low prices, some of Ukraine's largest corn producers are reluctant to expand production and may switch to more profitable sunflowers, and perhaps rapeseed and soybeans. Shippers are facing fierce competition from Brazil. Just one of the firms contacted intends to expand production; that firm said area could expand 15 percent with the target market being China. (Bloomberg)

South Korea: The feed association KOCOPIA passed on a feed corn tender as it faced higher prices. Corn prices have rallied five percent on increased U.S. corn exports, which are priced about five percent less than Ukrainian origin corn. (AgriCensus)

Turkey: The government has already given a temporary reprieve on import duties on barley to slow inflation and it may similarly cut import duties on corn. The tariff rate is designed to keep corn prices at a minimum of $250/MT, but the domestic price is already reaching $219/MT. The inflation rate is over 10 percent and Turkish farmers have greatly reduced the corn planting area. (AgriCensus)

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	$43.00	Down $1.25	Handymax at $43.25/MT
55,000 U.S. PNW-Japan	$23.25	Down $1.25	Handymax at $24.00/MT
65,000 U.S. Gulf-China PNW to China	$42.25 $22.50	Down $1.00 Down $1.00	North or South China
25,000 U.S. Gulf-Veracruz, Mexico	$15.50	Down $0.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, Mexico	$13.50	Down $0.50	Deep draft and 6,000 MT/day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia From Argentina	$19.00 $32.00	Down $0.75 Down $1.00	West Coast Colombia at $27.00
40-45,000 U.S. Gulf-Guatemala	$27.25	Down $0.75	Acajutla/Quetzal-8,000 out
26-30,000 U.S. Gulf-Algeria	$30.25 $32.00	Down $0.75 Down $1.00	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 US Gulf-Morocco	$29.50	Down $0.75	Discharge rate: 5,000
55,000 U.S. Gulf-Egypt PNW to Egypt	$27.25 $26.00	Down $1.00 Down $1.00	55,000-60,000 MT Russia Black Sea-Egypt $13.50
60-70,000 U.S. Gulf-Europe-Rotterdam	$16.00	Down $0.75	Handymax at +$2.00 more
Brazil, Santos-China Itacoatiara Port up River Amazonia North Brazil-China	$32.75 $31.75 $36.25	Down $1.00 Down $1.00 Down $1.00	54-59,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China	$38.25	Down $1.00	Upriver with top-off $40.50

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: We are certainly in the doldrums of a Lunar New Year Holiday period and the freight markets are feeling it. Vessel chartering activity is slow and quiet. As anticipated, first quarter 2018 cargo demand is down from the last half of 2017 and rates are slipping. Freight markets will likely go sideways until charterers return from the holiday. Then, the big question will be as follows: will sufficient demand build to support the surplus in vessel capacity? I believe we still have to expect that rates will be higher in the last half of the year, but it may be a slow and bumpy climb.

Baltic-Panamax Dry-Bulk Indices				
February 8, 2018 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	17,003	18,080	-1,077	-6.0%
P3A: PNW/Pacific– Japan	9,019	9,883	-864	-8.7%
S1C: U.S. Gulf-China-S. Japan	20,425	22,139	-1,714	-7.7%

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:

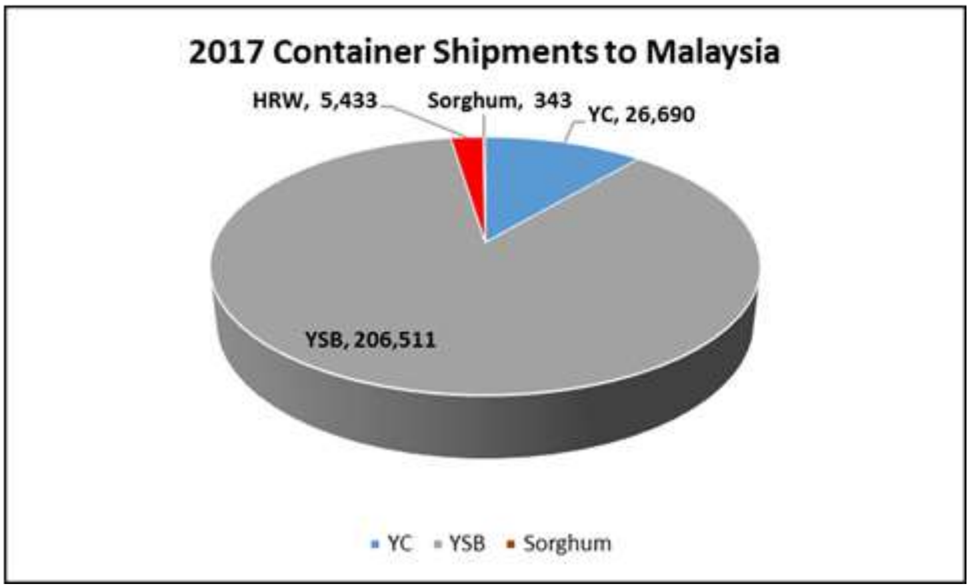
Week Ending February 8, 2018	
Four weeks ago:	$6.20-$6.75
Three weeks ago:	$5.80-$6.90
Two weeks ago:	$4.90-$6.85
One week ago:	$6.60-$7.50
This week	$6.20-$6.70

Source: O'Neil Commodity Consulting

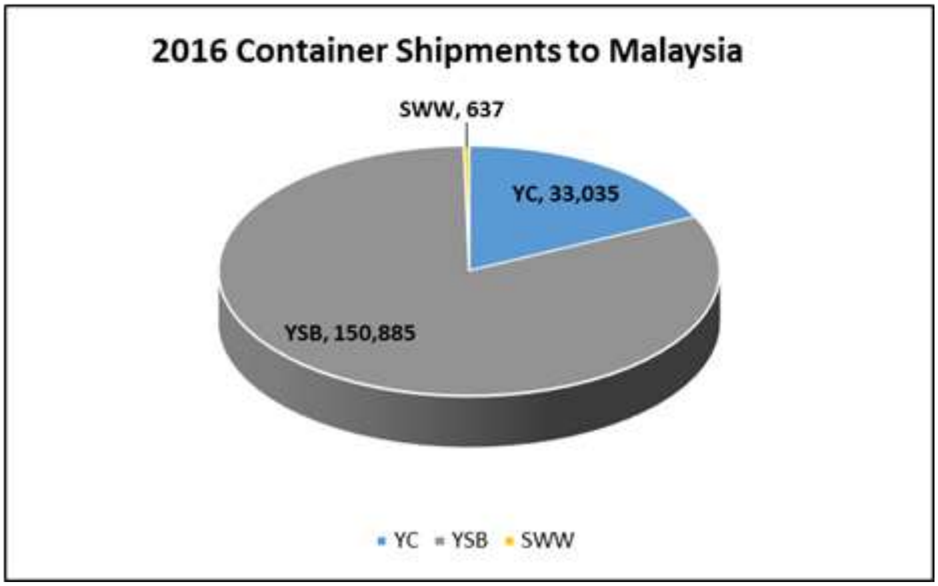
U.S.-Asia Market Spreads					
February 8, 2018	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
#2 Corn	0.88	0.63	0.25	$9.84	PNW
Soybeans	0.85	0.44	0.41	$16.14	PNW
Ocean Freight	$22.50	$42.25	0.50-0.54	$19.75	March

Source: O'Neil Commodity Consulting

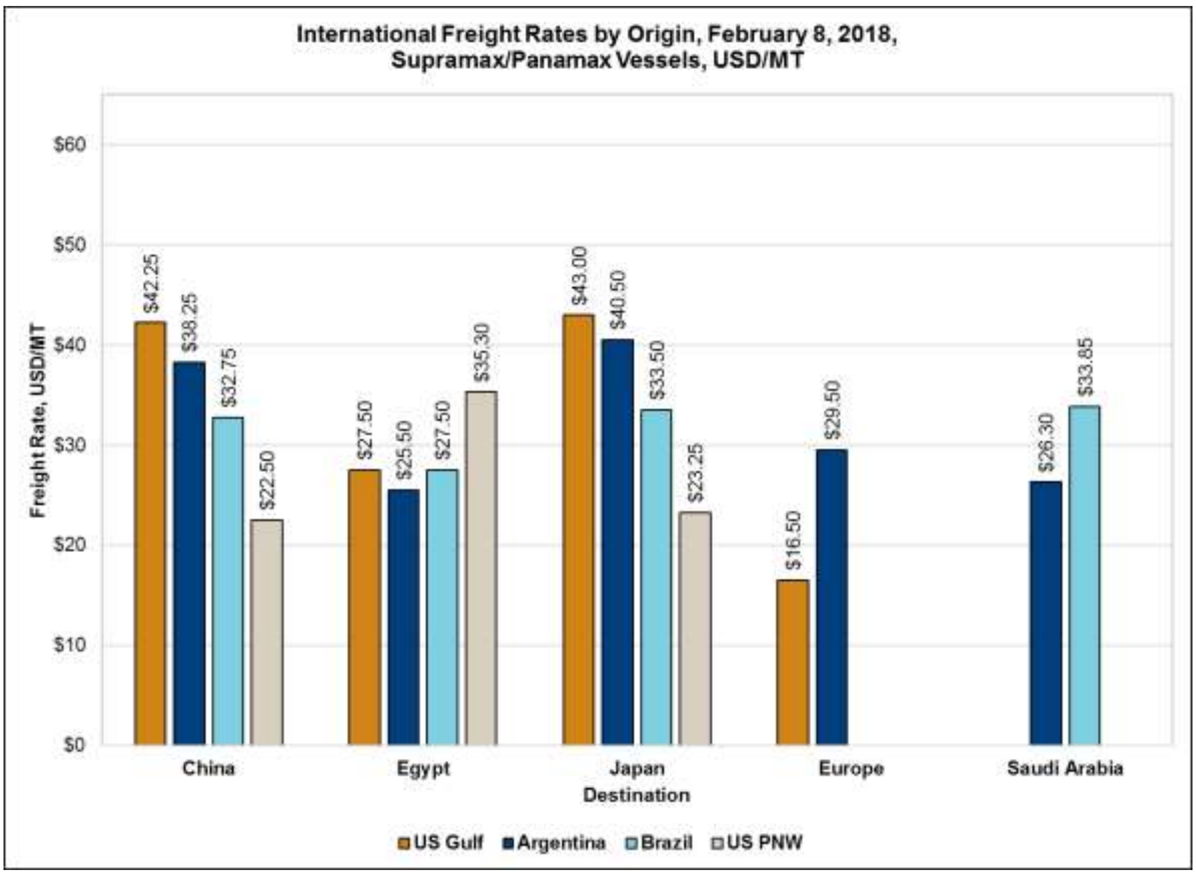
The charts below represent 2017 annual totals versus 2016 annual totals for container shipments to Malaysia.



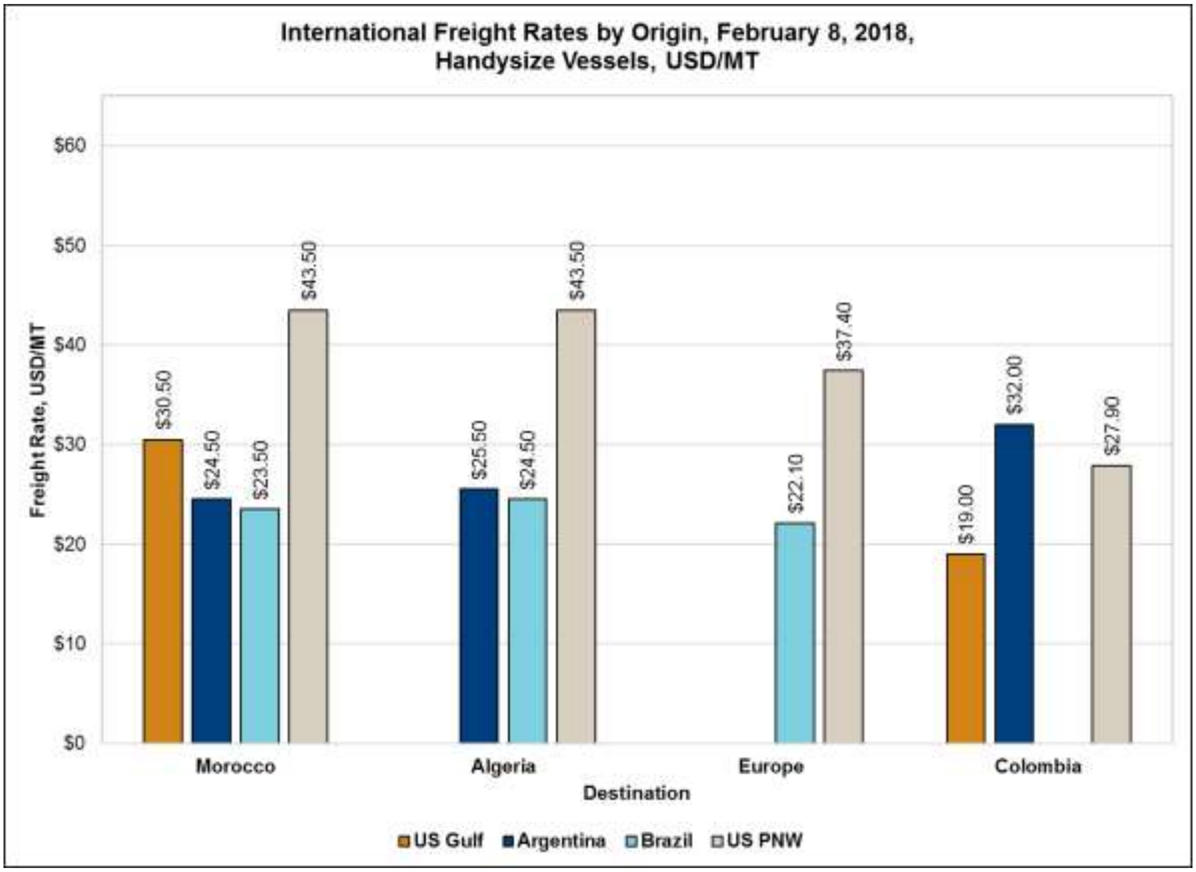
Source: O'Neil Commodity Consulting



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 (%): February 8, 2018			
	Current Week	Last Week	Last Month
U.S. Prime	4.5	4.5	4.5
LIBOR (6 month)	1.99	1.97	1.87
LIBOR (1 year)	2.28	2.26	2.15

Source: www.bankrate.com