



May 18, 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 Manuel Sanchez or 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 July Contract					
\$/Bu	Friday May 12	Monday May 15	Tuesday May 16	Wednesday May 17	Thursday May 18
Change	1.750	-3.250	0.0000	3.7500	-5.5000
Closing Price	371.00	367.75	367.75	371.50	366.00
Factors Affecting the Market	Light post-WASDE trading sent corn slightly higher. More rains are expected for parts of the already soaked Midwest but planting progress has been good so far. The WASDE's demand increase is currently outweighed by South American crop potential. Outside markets were mixed.	Warm weekend weather and good planting progress sent corn lower. Less rain meant better barge traffic and exports increased to 55 million bushels last week. Funds are as bearish corn as they have been since March 2016 but Commercials are long. The dollar was down 25 points while crude oil is up \$1.28.	Con traded lower for most of the day but spillover support from soybeans helped the contract close unchanged. Midwest weather looks better this week, though replanting may soon be needed. Funds are still selling while commercials are buying cheap grain. Commercial buying is key to supporting markets in the near-term.	A broad commodity rally from a lower dollar sent corn higher but still within its recent trading range. Exports are the primary news item for old-crop corn while the weather is the new crop focus. A bullish export sales report is expected which offered support. The dollar fell 79 points in its fourth day of losses.	News out of Brazil pushed the real 8 percent lower, sent soybeans 31 cents lower, and spilled over to pressure corn. U.S. planting remains challenging which offered support. Export sales were bullish with 27.8 million bushels sold and 60.8 million exported. The dollar was lower while U.S. equities gained.

Outlook: Exports are essentially the only remaining piece of the 2016/17 corn supply and demand puzzle. With only 15 weeks remaining in the marketing year, ethanol production offers little opportunity to influence corn use, though USDA is generally expected to increase the corn for ethanol number in coming reports. Livestock feed demand is well known at this point and few surprises can exist between now and the new crop to substantially change the demand picture. The remaining demand variable, then, is exports.

Exports have been performing exceptionally well this spring. This week's report showed 27.8 million bushels in net sales and 60.8 million in exports. Both were above their respective targets of 10.2 and 43 million bushels that were needed to reach USDA's projections. YTD corn exports are up 47 percent while YTD bookings (exports plus unshipped sales) are up 31 percent. After river flooding slowed exports two weeks ago, the return of normal weather has allowed for more barge activity and better exports.

The U.S. export program is facing increasing challenges, however. FOB NOLA prices are now at parity with FOB Paranagua (Brazil) prices and are only a few cents below Argentina. Today's news from Brazil that sent the *real* down 8 percent at one point will likely increase Brazilian farmer selling rates (though not as much as with soybeans) which will pressure U.S. export opportunities. The dollar's week-long slide has more than helped the U.S. export program but it's turnaround today may limit future export options.

Funds have amassed their largest short position since March 2016 and today's soybean selling likely added to this figure. Commercials are buying cheap corn aggressively, which is limiting further losses. U.S. basis levels are increasing, a sign that commercial buying is slowly taking hold.

From a technical perspective, corn is range bound; trading between a ceiling of \$3.75 and a floor of \$3.64. All technical indicators are essentially neutral with moving average slopes near zero and the RSI almost perfectly neutral at 48. At this point, it will take a dramatic shift in old-crop fundamentals to break July corn out of its range bound malaise. It seems July corn is destined for more sideways price action, given that exports are the only remaining demand variable.

CBOT JULY CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending May 18, 2017			
Commodity	18-May	12-May	Net Change
Corn			
Jul 17	366.00	371.00	-5.00
Sep 17	373.75	379.00	-5.25
Dec 17	384.00	388.75	-4.75
Mar 18	394.00	398.25	-4.25
Soybeans			
Jul 17	944.75	963.00	-18.25
Aug 17	946.75	964.75	-18.00
Sep 17	945.00	961.50	-16.50
Nov 17	944.75	959.75	-15.00
Soymeal			
Jul 17	307.50	313.30	-5.80
Aug 17	308.40	314.00	-5.60
Sep 17	309.30	314.50	-5.20
Oct 17	308.90	313.40	-4.50
Soyoil			
Jul 17	32.44	32.84	-0.40
Aug 17	32.53	32.92	-0.39
Sep 17	32.65	33.02	-0.37
Oct 17	32.72	33.05	-0.33
SRW			
Jul 17	425.75	432.75	-7.00
Sep 17	439.75	446.75	-7.00
Dec 17	461.50	466.25	-4.75
Mar 18	479.25	483.75	-4.50
HRW			
Jul 17	426.00	439.25	-13.25
Sep 17	443.25	456.00	-12.75
Dec 17	468.00	479.00	-11.00
Mar 18	482.75	493.00	-10.25
MGEX (HRS)			
Jul 17	544.75	546.50	-1.75
Sep 17	551.50	553.50	-2.00
Dec 17	559.25	561.75	-2.50
Mar 18	567.25	570.50	-3.25

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Planting Progress				
Commodity	May 14, 2017	Last Week	Last Year	2012-16 Avg.
Corn	71%	47%	73%	70%
Sorghum	32%	30%	33%	35%
Barley	78%	53%	88%	79%

Source: USDA

U.S. Drought Monitor Weather Forecast: An extremely active weather pattern, featuring heavy rain, severe thunderstorms, and local flooding across the nation's mid-section, will continue for the next few days. During the weekend, rainfall intensity will gradually diminish as showers shift into the eastern U.S. Five-day rainfall totals could reach 2 to 5 inches from the southern Plains into the upper Midwest, with 1 to 3 inches possible as far east as the Appalachians. Little or no rain will fall, however, along the Atlantic Seaboard. Significant precipitation, including high-elevation snow, will continue into Thursday across the Rockies and environs, but dry weather will prevail from southern California into the Desert Southwest. A period of very cool weather will trail the storminess, but warmth will return to the Pacific Coast by Friday and expand eastward during the weekend.

The NWS 6- to 10-day outlook for May 23-27 calls for the likelihood of below-normal temperatures from the Plains to the western slopes of the Appalachians, while warmer-than-normal weather can be expected west of the Rockies and along the southern Atlantic Coast. Meanwhile, below-normal precipitation from the Pacific Northwest into the upper Midwest should contrast with wetter-than-normal weather across the southern and eastern U.S.

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 May 11, 2017					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	287,400	673,200	24,724.7	28,196.4	37%
Corn	771,200	1,543,400	39,479.3	52,798.6	31%
Sorghum	56,200	83,800	3,653.6	4,310.5	-38%
Barley	0	100	17.7	25.5	-8%

Source: USDA/FAS

Corn: Net sales of 705,300 MT for 2016/2017 were up noticeably from the previous week and 1 percent from the prior 4-week average. Increases were reported for Japan (152,800 MT, including 145,400 MT switched from unknown destinations and decreases of 200 MT), Mexico (113,000 MT, including decreases of 45,500 MT), Spain (96,600 MT, including 40,000 MT switched from unknown destinations), Nigeria (95,000 MT, including 50,000 MT switched from unknown destinations), and Taiwan (92,400 MT, including 65,000 MT switched from unknown destinations and decreases of 100 MT). Reductions were reported for unknown destinations (283,100 MT) and the Philippines (400 MT). For 2017/2018, net sales of 168,000 MT were reported primarily for unknown destinations (135,000 MT) and Japan (27,000 MT). Exports of 1,543,400 MT were up noticeably from the previous week and 31 percent from the prior 4-week average. The primary destinations were Mexico (323,600 MT), Japan (300,400 MT), South Korea (201,600 MT), Taiwan (151,800 MT), and Spain (96,600 MT).

Optional Origin Sales: For 2016/2017, options were exercised to export 63,000 MT to South Korea from the United States. Decreases of 40,000 MT were reported for unknown destinations. The current optional origin outstanding balance for 2016/2017 of 191,000 MT is for unknown destinations (123,000 MT) and South Korea (68,000 MT). The current outstanding balance for 2017/2018 of 58,000 MT is for unknown destinations.

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

Sorghum: Net sales of 56,200 MT for 2016/2017 were up noticeably from the previous week and up 5 percent from the prior 4-week average. Increases were for China (104,400 MT, including 50,000 MT switched from unknown destinations), Mexico (1,000 MT), and Japan (900 MT), were partially offset by reductions for unknown destinations (50,000 MT). Exports of 83,800 MT were down 55 percent from the previous week and 21 percent from the prior 4-week average. The destinations were China (51,400 MT), Japan (20,900 MT), and Mexico (11,500 MT).

U.S. Export Inspections: Week Ending May 11, 2017					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	168	240	35,453	31,439	113%
Corn	1,395,853	843,240	40,721,946	26,468,018	154%
Sorghum	67,336	197,434	4,473,858	6,975,037	64%
Soybeans	281,465	371,255	50,096,298	43,276,923	116%
Wheat	691,226	658,182	25,750,466	19,273,237	134%

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 May 11, 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	713,269	53%	50,864	90%	51,359	76%
PNW	427,710	32%	0	0%	10,787	16%
Interior Export Rail	198,597	15%	5,413	10%	5,190	8%
Total (Metric Tons)	1,339,576	100%	56,277	100%	67,336	100%
White Corn Shipments by Country (MT)			56,253	to Mexico		
			24	to Jordan		
Total White Corn (MT)			56,277			
Sorghum Shipments by Country (MT)					51,359	to China
					10,787	to Japan
					5,190	to Mexico
Total Sorghum (MT)					67,336	

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)
FH June	+0.43 N	\$161.01	+0.70 N	\$171.64
LH June	+0.40 N	\$159.83	+0.70 N	\$171.64
July	+0.38 N	\$159.05	+0.70 N	\$171.64
August	+0.38 U	\$162.10	+0.68 U	\$173.91

#2 White Corn (U.S. \$/MT FOB Vessel)		
Max. 15.0% Moisture	May	June
Gulf	\$185	\$185

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
June	+0.97 N	\$182.27	+0.85 N	\$177.55
July	+0.95 N	\$181.49	+0.75 Z	\$180.70

Due to the low volume of trade in the market, we are unable to provide accurate Feed Barley FOB values for this week's report.

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	June	July	August
New Orleans	\$118	\$118	\$118
<i>Quantity 5,000 MT</i>			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	June	July	August
New Orleans	\$580	\$580	\$580
<i>*5-10,000 MT Minimum</i>			
Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. \$/ST)			
	May	June	
Rail Delvd. Savannah	\$520	\$520	
Rail Delvd. Chicago	\$510	\$510	
Truck Delvd. Chicago	\$510	\$510	

**All prices are market estimates.*

DDGS Price Table: May 18, 2017 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	June	July	August
Barge CIF New Orleans	139	140	140
FOB Vessel GULF	148	149	150
Rail delivered PNW	169	171	172
Rail delivered California	172	173	175
Mid-Bridge Laredo, TX	169	171	172
FOB Lethbridge, Alberta	147	149	151
40 ft. Containers to South Korea (Busan)	175	175	177
40 ft. Containers to Taiwan (Kaohsiung)	178	178	179
40 ft. Containers to Philippines (Manila)	182	183	183
40 ft. Containers to Indonesia (Jakarta)	183	183	184
40 ft. Containers to Malaysia (Port Kelang)	183	183	184
40 ft. Containers to Vietnam (HCMC)	181	181	181
40 ft. Containers to Japan (Yokohama)	191	191	191
40 ft. containers to Thailand (LCMB)	179	180	180
40 ft. Containers to China (Shanghai)	177	177	179
KC & Elwood, IL Rail Yard (delivered Ramp)	132	133	135

*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 were steady this week, and influencing markets including corn and soybean meal also saw little price action. Kansas City soybean meal prices were equal to last week's prices while cash corn prices ticked up a penny. Consequently, DDGS found little fundamental support or pressure and traded sideways.

DDGS FOB ethanol plant prices increased \$1/short ton this week and are priced at 85 percent of cash corn and 34 percent of Kansas City soybean meal. The slight increase in DDGS prices eroded the per-protein unit cost advantage of DDGS versus soybean meal. Currently, the pro-protein unit cost of DDGS is \$2.29 less than soybean meal.

On the export market, prices for DDGS Barge CIF NOLA increased \$2.50/MT this week as better river navigation conditions increased barge rates. Prices for DDGS FOB Gulf fell \$1/MT as export demand remains weak and below market offers. International buyers are claiming destination pricing is offered at below-replacement prices but merchandisers are unable to confirm with any U.S. sources.

Merchandisers are reporting an average price increase of \$4/MT for 40-foot containers destined for Southeast Asia this week. Prices for DDGS destined for Japan increased significantly while most destinations saw increases between \$2-4/MT. Merchandisers are reporting offers are increasing and there is a carry in the market for both DDGS and freight.

COUNTRY NEWS

Brazil: After ruling out imposing tariffs on ethanol imports from the U.S. due to concerns about retaliation, the government will require that importers fulfill the same obligation (Resolution 67/2011) as domestic suppliers by maintaining reserve stocks equivalent to 8 percent of the prior year's sales. (Reuters)

China: About 74 percent of the 453 KMT of 2011-12 corn offered for sale out of government stocks was purchased on May 11 at an average price of 1,331 yuan/ton (\$193.17/MT). Almost 5 MMT of state owned corn will be offered for sale this week with 80 percent from the 2013 harvest and 20 percent from 2011-12. Government sales are pushing the corn price lower on the Dalian Commodity Exchange. Meanwhile, provincial support in Heilongjiang and Liaoning will shift higher subsidies to soybeans and away from corn in 2017. (Bloomberg)

EU: Consultancy Strategie Grains forecasts EU 2017 barley production 1.7 MMT lower to 59.6 MMT, and 2017 maize production lower by 0.3 MMT to 60.1 MMT. (Reuters) The German Agricultural Cooperative Companies Group (DRV) reduced the country's corn production estimate by 17 percent to 3.74 MT and the barley output was cut by 2.75 percent to 10.6 MMT. (Bloomberg)

Kenya: After 36 KMT of reserve maize stocks were released to grain millers, the National Cereals and Produce Board said that just 4,500 MT of reserves were left, or less than a day's worth of the country's consumption amount. The maize was sold to millers at \$244/MT, or half the current market price. (Bloomberg)

Malaysia: The competitive price of DDGS will spur further imports, possibly up to 80 KMT during 2017-18. (USDA/FAS)

Mexico: Sagarpa says that Mexico will import 3-5 MMT or 20-35 percent of its annual corn needs from Brazil in the medium to long term. (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	\$37.25	Down \$1.00	Handymax at \$39/MT
55,000 U.S. PNW-Japan	\$19.50	Down \$0.25	Handymax at \$21.00/MT
55,000 U.S. Gulf-China	\$36.25	Down \$1.50	North China
PNW to China	\$18.25	Down \$0.50	
25,000 U.S. Gulf-Veracruz, México	\$14.25	Down \$0.75	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	\$12.75	Down \$0.25	Deep draft and 6,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$16.50 \$25.50	Down \$0.50 Down \$0.50	West Coast Colombia at \$23.00
40-45,000 U.S. Gulf-Guatemala	\$22.50	Down \$0.50	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$24.75 \$27.75	Down \$0.50	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$23.75	Down \$0.50	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	\$21.50 \$23.00	Down \$1.00	55,000 -60,000 MT St. Lawrence to Egypt \$23.00
60-70,000 U.S. Gulf-Europe-Rotterdam	\$14.25	Down \$0.25	Handymax at +\$1.50 more
Brazil, Santos-China	\$26.75	Down \$1.00	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port upriver	\$25.75		
Amazonia-China	\$30.00		
56-60,000 Argentina-China Upriver with Top-Off	\$34.00	Down \$1.00	—

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: I did not find any big news to report this week. Global Dry-Bulk markets were lower for the week, and I believe the main cause was simple market repositioning. As mentioned previously, Baltic Traders got a bit ahead of themselves with the over-zealous buying throughout the past month. Now reality is setting in and some are taking their lumps. The Baltic Indices have retreated back to levels traded about 12 weeks ago. So, we are still in a market that is searching for cargo to offset the continuing vessel oversupply.

Baltic-Panamax Dry-Bulk Indices				
May 18, 2017	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	12,530	13,734	-1,204	-8.8%
P3A: PNW/Pacific– Japan	6,856	7,675	-819	-10.7%
S1C: U.S. Gulf-China-S. Japan	19,517	20,367	-850	-4.2%

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:

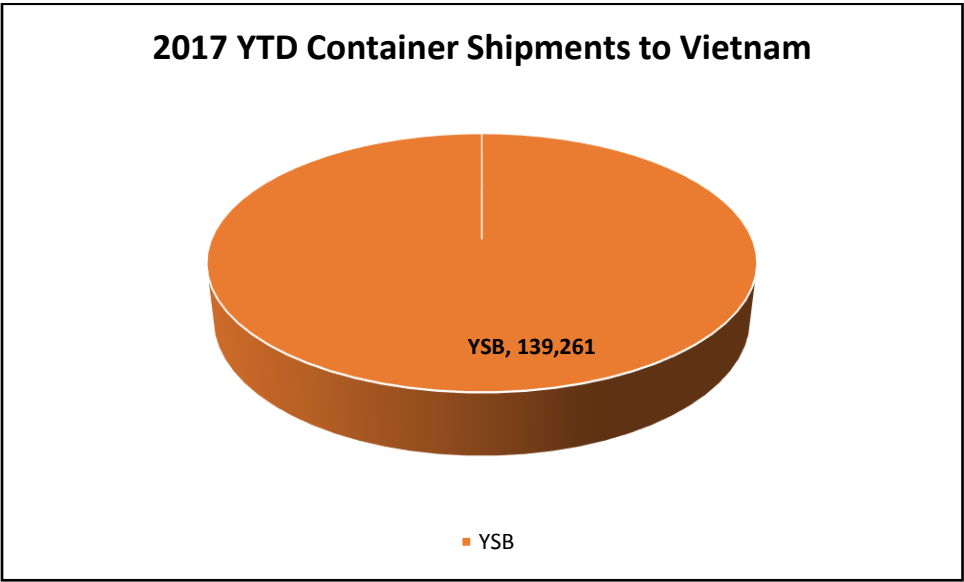
Week Ending May 18, 2017	
Four weeks ago:	\$ 6.15 - \$ 6.60
Three weeks ago:	\$ 5.95 - \$ 6.40
Two weeks ago:	\$ 5.50 - \$ 6.10
One week ago:	\$ 5.60 - \$ 6.35
This week	\$ 5.80 - \$ 6.20

Source: O'Neil Commodity Consulting

U.S.-Asia Market Spreads					
May 18, 2017	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	0.71	0.40	0.31	\$12.20	PNW
Soybeans	0.65	0.48	0.17	\$6.69	PNW
Ocean Freight	\$18.25	\$37.25	0.47-0.50	\$19.00	JUNE

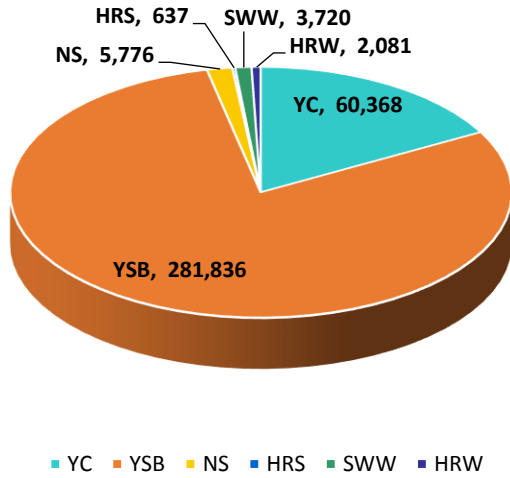
Source: O'Neil Commodity Consulting

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



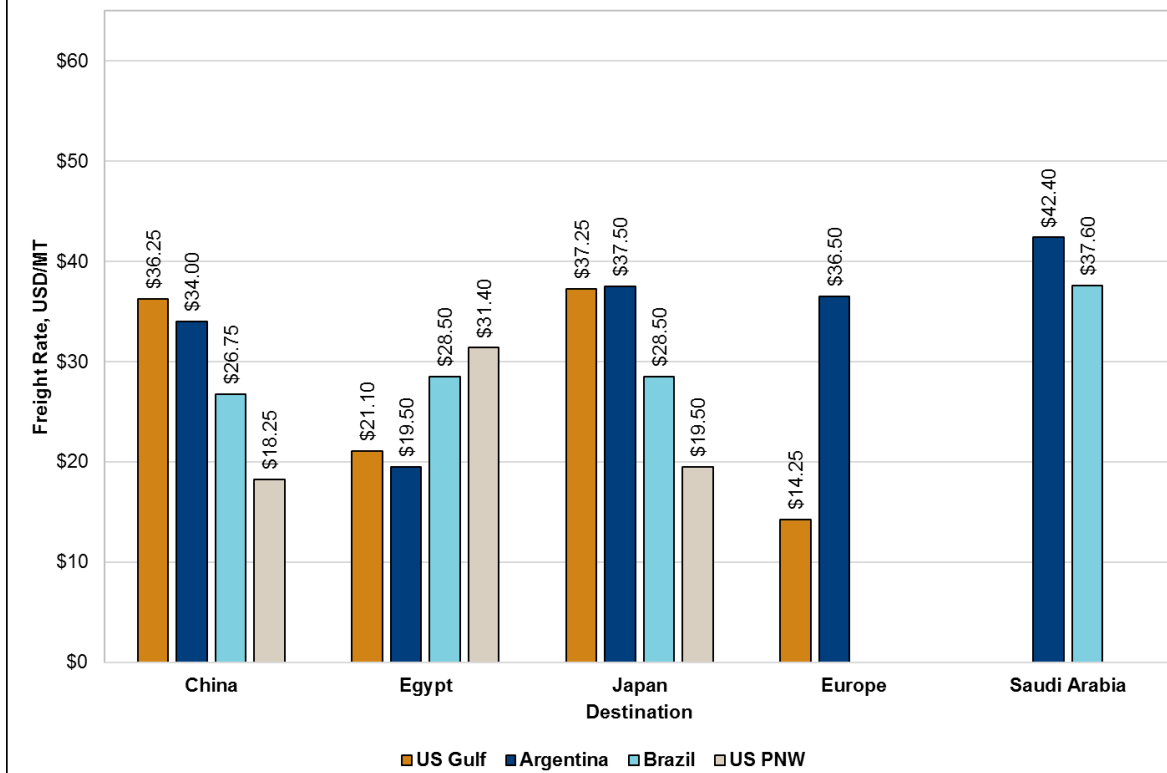
Source: O'Neil Commodity Consulting

2016 Container Shipments to Vietnam



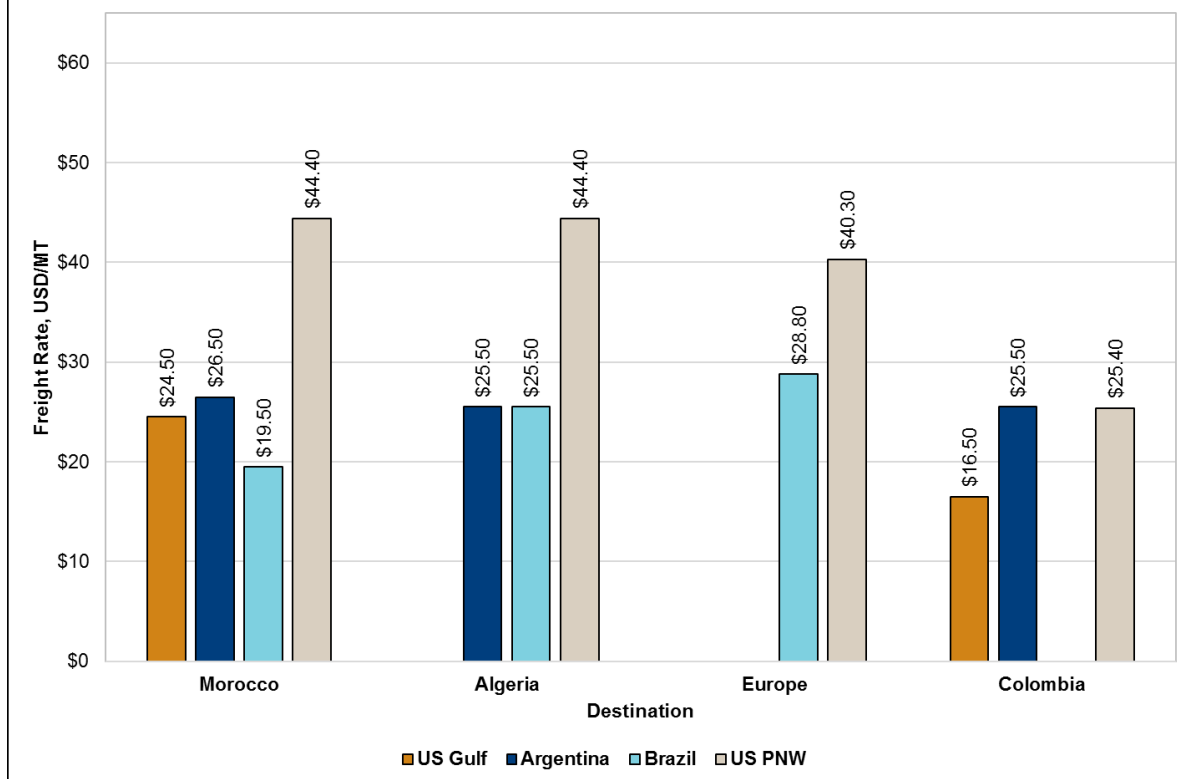
Source: O'Neil Commodity Consulting

International Freight Rates by Origin, May 18, 2017, Supramax/Panamax Vessels, USD/MT



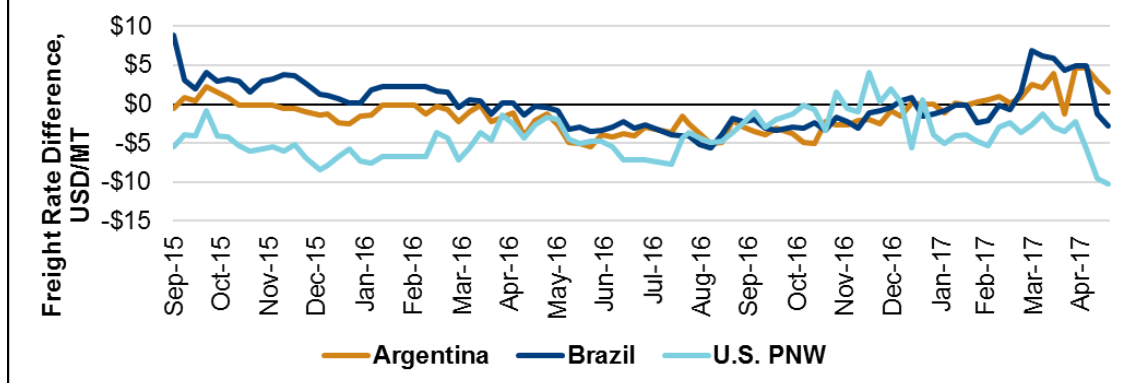
Source: DTN, O'Neil Commodity Consulting and WPI

**International Freight Rates by Origin, May 18, 2017,
Handysize Vessels, USD/MT**



Source: DTN, O'Neil Commodity Consulting and WPI

**U.S. Gulf to Egypt Freight Rate Premium/Discount to
Competing Origins**



Source: DTN, O'Neil Commodity Consulting and WPI

INTEREST RATES

Interest Rates (%): May 17, 2017			
	Current Week	Last Week	Last Month
U.S. Prime	4.00	4.00	4.00
LIBOR (6 month)	1.42	1.44	1.40
LIBOR (1 year)	1.75	1.79	1.76

Source: www.bankrate.com