



August 3, 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 July 28	Monday July 31	Tuesday August 1	Wednesday August 2	Thursday August 3
<b>Change</b>	0.250	-3.250	-8.250	2.500	-1.2500
<b>Closing Price</b>	388.00	384.75	376.50	379.00	377.75
<b>Factors Affecting the Market</b>	Dry forecasts helped corn higher in quiet trade. Export sales have dropped off which added bearish pressure. The U.S. dollar fell 26 points while U.S. equities were mixed.	Rains in the Midwest forecast sent corn lower. Bullish export inspections, 38.9 million bushels, and CFTC's report that funds are still net-long helped stave off additional selling.	Broad rain coverage over most of the U.S. sent corn to a new four-week low, but above key support. USDA's G/E crop rating fell 1 percent, which was offset by better weather forecasts.	An oversold market led to a modest bounce higher while traders wait for rains to develop as expected. Ethanol production and stocks fell, a bullish combination for corn.	Heavy showers across IA and MN, along with a 165 BPA yield estimate from a private firm pressured corn. Export sales were bullish but insufficient to support a market facing better weather.

**Outlook:** More favorable weather forecasts left traders eager to unwind long positions. December corn futures have fought off their seasonal tendency to decline during late summer for quite some time, and good weather was the catalyst to start the process. Some supply concerns remain, but substantial old crop stocks are applying bearish pressure to the market.

USDA's crop conditions report showed 61 percent of the U.S. corn crop rated as good or excellent, 1 percent lower than the prior week and below the 5-year average of 69 percent. The weather so far virtually ensures USDA will lower its yield estimates in the August WASDE, but by how much remains the million-dollar question. Earlier this week, private forecasters put the U.S. yield at 162.8 BPA, implying production of 13.59 billion bushels. A separate group pegged the yield just over 165 BPA. The market seems to be adopting the less-bullish 165 BPA figure as its working number until next week's WASDE report.

Export sales were bullish for corn this week as exporters sold 1.4 million bushels of old-crop corn, above the 1.3 million that were needed this week. More importantly, export shipments reached 42.9 million bushels, well above the 40.7 million needed this week to reach USDA's projections. Right now, YTD bookings are 2.218 billion bushels, slightly below USDA's forecast of 2.225 billion. Given this, unless Brazilian prices skyrocket and the U.S. export program picks up substantially, only minor changes will be made to USDA's old-crop export forecast in the August WASDE.

From a technical perspective, December corn is oversold and hovering above key support at \$3.74. It is unlikely the contract will close below this point until USDA issues its August WASDE next week. There is simply too much yield risk perceived by the market to push prices lower. However, should the WASDE report more bearish than expected yields, the next downside technical target is \$3.65 <sup>3</sup>/<sub>4</sub>, and then the life-of-contract low at \$3.58 <sup>1</sup>/<sub>2</sub>. On the upside, minor resistance lies at \$3.90, \$3.98, and \$4.07 before major resistance is found at \$4.17 <sup>1</sup>/<sub>2</sub>.

# CBOT DECEMBER CORN FUTURES



Source: Prophet X

**Current Market Values:**

<b>Futures Price Performance: Week Ending August 3, 2017</b>			
<b>Commodity</b>	<b>3-Aug</b>	<b>28-Jul</b>	<b>Net Change</b>
<b>Corn</b>			
Sep 17	363.50	374.25	-10.75
Dec 17	377.75	388.00	-10.25
Mar 18	389.75	399.75	-10.00
May 18	395.25	405.00	-9.75
<b>Soybeans</b>			
Aug 17	950.50	1000.75	-50.25
Sep 17	954.00	1006.00	-52.00
Nov 17	960.50	1013.00	-52.50
Jan 18	969.75	1021.50	-51.75
<b>Soymeal</b>			
Aug 17	306.30	321.00	-14.70
Sep 17	308.30	323.30	-15.00
Oct 17	310.00	325.30	-15.30
Dec 17	312.60	328.50	-15.90
<b>Soyoil</b>			
Aug 17	33.38	34.61	-1.23
Sep 17	33.48	34.71	-1.23
Oct 17	33.60	34.83	-1.23
Dec 17	33.80	35.02	-1.22
<b>SRW</b>			
Sep 17	457.75	481.00	-23.25
Dec 17	485.00	506.00	-21.00
Mar 18	506.50	526.25	-19.75
May 18	520.50	538.00	-17.50
<b>HRW</b>			
Sep 17	459.75	481.00	-21.25
Dec 17	487.50	508.25	-20.75
Mar 18	505.50	526.00	-20.50
May 18	519.25	538.75	-19.50
<b>MGEX (HRS)</b>			
Sep 17	713.25	740.50	-27.25
Dec 17	726.25	751.00	-24.75
Mar 18	728.75	746.50	-17.75
May 18	719.00	736.00	-17.00

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

**U.S. WEATHER/CROP PROGRESS**

<b>U.S. Crop Condition: July 31, 2017</b>					
<b>Commodity</b>	<b>Very Poor</b>	<b>Poor</b>	<b>Fair</b>	<b>Good</b>	<b>Excellent</b>
Corn	4%	9%	26%	48%	13%
Sorghum	2%	7%	30%	54%	7%
Barley	6%	11%	34%	43%	6%

Source: USDA

**U.S. Drought Monitor Weather Forecast:** In the two days since the Tuesday morning cutoff time for this week's map, monsoon showers and thunderstorms have continued to bring precipitation to the southwestern U.S. For August 2-7, the National Weather Service's Weather Prediction Center forecasts rainfall across many of the drought-afflicted regions of the country. The highest totals, up to 3 inches, of rain are forecast for Oklahoma and the upper Midwest. One to 1.5 inches is forecast for the eastern Great Plains and much of Texas, while the western half of the Great Plains, west and south Texas, and the long-term drought areas in southern California and Arizona could see about a half inch. The Pacific Northwest and western Montana are expected to see little or no precipitation and continued high temperatures ranging from 5 to 15 degrees above normal. Much of the rest of the country is expected to experience cooler than normal conditions.

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 July 27, 2017					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	207,300	583,300	4,813.4	10,063.2	0%
Corn	189,600	1,090,600	51,318.7	56,358.7	15%
Sorghum	165,000	168,000	4,450.0	4,833.6	-40%
Barley	500	1,100	5.4	36.3	210%

Source: USDA/FAS

**Corn:** Net sales of 36,700 MT for 2016/2017--marketing-year low--were down 60 percent from the previous week and 83 percent from the prior 4-week average. Increases were for China (93,400 MT, including 65,000 MT switched from unknown destinations), Colombia (43,300 MT, switched from unknown destinations), Mexico (31,200 MT), Guatemala (25,800 MT, switched from unknown destinations), and Honduras (12,800 MT, including 5,400 MT switched from El Salvador and decreases of 700 MT). Reductions were reported for unknown destinations (198,500 MT) and Canada (800 MT). For 2017/2018, net sales of 438,300 MT were reported primarily for Mexico (176,200 MT), Peru (97,200 MT), and unknown destinations (62,300 MT). Exports of 1,090,700 MT were up 22 percent from the previous week and 11 percent from the prior 4-week average. The primary destinations were Mexico (263,600 MT), Japan (250,800 MT), Colombia (152,600 MT), South Korea (130,900 MT), and China (92,200 MT).

*Optional Origin Sales:* The current optional origin outstanding balance for 2016/2017 of 122,000 MT is for South Korea (68,000 MT) and unknown destinations (54,000 MT). The current outstanding balance for 2017/2018 of 112,000 MT is for unknown destinations.

**Barley:** Net sales of 500 MT for 2017/2018 were up noticeably from the previous week, but down 69 percent from the prior 4-week average. Increases were reported for Taiwan. Exports of 1,100 MT were reported to Japan (800 MT) and Taiwan (300 MT).

**Sorghum:** Net sales of 162,000 MT for 2016/2017 resulted as increases for China (220,000 MT, including 111,000 MT switched from unknown destinations and decreases of 2,900 MT), were partially offset by reductions for unknown destinations (58,000 MT). For 2017/2018, net sales of 60,000 MT were reported for China. Exports of 168,000 MT were up noticeably from the previous week and from the prior 4-week average. The destinations were China (166,400 MT) and Mexico (1,600 MT).

**U.S. Export Inspections: Week Ending July 27, 2017**

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	2,196	0	7,515	11,862	63%
Corn	989,105	983,291	52,847,658	40,211,388	131%
Sorghum	221,325	106,940	5,526,569	8,150,936	68%
Soybeans	476,186	641,324	54,413,387	46,813,219	116%
Wheat	578,649	502,322	5,018,042	4,362,925	115%

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 July 27, 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	549,249	56%	11,697	100%	216,398	98%
PNW	260,358	27%	0	0%	0	0%
Interior Export Rail	167,801	17%	0	0%	4,927	2%
<b>Total (Metric Tons)</b>	<b>977,408</b>	<b>100%</b>	<b>11,697</b>	<b>100%</b>	<b>221,325</b>	<b>100%</b>
White Corn Shipments by Country (MT)			11,697	to Colombia		
Total White Corn (MT)			11,697			
Sorghum Shipments by Country (MT)					217,133	to China
					4,192	to Mexico
<b>Total Sorghum (MT)</b>					<b>221,325</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)
August	+0.43 U	\$160.03	+0.58 Z	\$171.55
September	+0.42 U	\$159.64	+0.66 Z	\$174.69
October	+0.45 Z	\$166.43	+0.80 Z	\$180.21

**Sorghum (USD/MT FOB Vessel)**

#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
August	+1.00 Z	\$188.08	+0.99 Z	\$187.69
September	+1.00 Z	\$188.08	+0.99 Z	\$187.69

<b>Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)</b>			
	<b>August</b>	<b>September</b>	<b>October</b>
<b>New Orleans</b>	\$135	\$140	\$140
<i>Quantity 5,000 MT</i>			
<b>Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)</b>			
<b>Bulk 60% Pro.</b>	<b>August</b>	<b>September</b>	<b>October</b>
<b>New Orleans</b>	\$600	\$590	\$590
<i>*5-10,000 MT Minimum</i>			
<b>Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. \$/ST)</b>			
	<b>August</b>	<b>September</b>	<b>October</b>
<b>Rail Delvd. Savannah</b>	\$540	\$540	-
<b>Rail Delvd. Chicago</b>	\$520	\$520	-
<b>Truck Delvd. Chicago</b>	\$520	\$520	-

<b>DDGS Price Table: August 3, 2017 (USD/MT)</b> (Quantity, availability, payment and delivery terms vary)			
<b>Delivery Point</b> <b>Quality Min. 35% Pro-fat combined</b>	<b>August</b>	<b>September</b>	<b>October</b>
Barge CIF New Orleans	160	161	162
FOB Vessel GULF	177	174	174
Rail delivered PNW	189	189	189
Rail delivered California	191	191	191
Mid-Bridge Laredo, TX	190	190	190
FOB Lethbridge, Alberta	159	160	160
40 ft. Containers to South Korea (Busan)	184	184	186
40 ft. Containers to Taiwan (Kaohsiung)	185	185	186
40 ft. Containers to Philippines (Manila)	186	190	190
40 ft. Containers to Indonesia (Jakarta)	187	189	193
40 ft. Containers to Malaysia (Port Kelang)	187	186	189
40 ft. Containers to Vietnam (HCMC)	194	193	185
40 ft. Containers to Japan (Yokohama)	188	187	191
40 ft. containers to Thailand (LCMB)	187	187	188
40 ft. Containers to China (Shanghai)	189	189	189
40 ft. Containers to Bangladesh (Chittagong)	216	215	215
40 ft. Containers to Myanmar (Yangon)	214	213	213
KC & Elwood, IL Rail Yard (delivered Ramp)	153	153	154

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 firm in early trading this week but softened toward the latter half. Merchandisers are reporting international buyers are more interested in deferred shipments while the majority of U.S. production is sold through September. The barge values that underpinned DDGS' move higher this week have stabilized, leaving merchandisers less room to increase asking prices.

Domestically, DDGS prices are slightly higher this week and are priced at 98 percent of cash corn values. DDGS prices are 37 percent of Kansas City soybean meal values, leading to a \$1.82 per-protein unit cost advantage over soybean meal. Production is matching DDGS demand for now and sideways trade is expected going forward, unless corn or soy-complex futures make an outsized move.

## COUNTRY NEWS

---

**Brazil:** The national supply company Conab said that subsidies would be offered to farmers to compel them to sell 752 KMT of corn at below the government's set minimum price. A total of 11 MMT of corn will be subsidized in this manner this season. (Bloomberg)

**China:** The National Grain Trade Centre reports that 1.5 MMT of corn was sold from state reserves this past Friday (July 28) and 3.47 MMT of corn will be offered by Sinograin this week. Only 12 percent of the 600 KMT offered for sale on August 3 sold and averaged a price of 1,439 yuan/MT (\$214.03).

The National Grain and Oils Information Centre says that 10 MMT of corn could move into the market in August to get ahead of newly harvested corn becoming available in September. (Bloomberg)

**Colombia:** USDA reports that Colombia bought 150 KMT of corn for delivery this marketing year. (Reuters)

**Kenya:** Kenya's Agriculture Ministry disputes a report from the Regional Agricultural Trade Intelligence Network that Kenyans are paying 5,849 shillings per 90-kilogram bag of corn. The Ministry insists that the price is 35 percent less than that ahead of Kenyans going to the election polls on Tuesday of next week. (Business Daily)

**United Kingdom:** Liquid biofuels will still be needed despite the government's ban on new diesel and petrol cars by 2040. There are still parts of the transport sector (aviation, shipping) that cannot be electrified. Additionally, hybrid vehicles have proved more successfully than purely electric ones. (The Edinburgh Reporter)

Separately, distillers in Scotland are hailing a new malt barley variety called KWS Sassy that is destined to replace the Concerto variety. KWS Sassy is quick to establish, shows good tillering, has a 12 percent higher yield and quality is consistent or better. (Food Navigator)



## 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	Down \$0.50	Handymax at \$37.75/MT
55,000 U.S. PNW-Japan	\$19.00	Down \$0.25	Handymax at \$19.25/MT
55,000 U.S. Gulf-China PNW to China	\$36.00 \$18.25	Down \$0.50 Down \$0.25	North China
25,000 U.S. Gulf-Veracruz, México	\$14.00	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, México	\$11.75	Unchanged	Deep draft and 6,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$16.75 \$27.00	Unchanged Unchanged	West Coast Colombia at \$25.50
40-45,000 U.S. Gulf-Guatemala	\$25.00	Unchanged	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$26.00 \$29.00	Down \$0.25	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$25.00	Down \$0.25	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	\$22.50 \$22.50	Down \$0.25 Down \$0.25	55,000 -60,000 MT St. Lawrence to Egypt \$22.75
60-70,000 U.S. Gulf-Europe- Rotterdam	\$14.00	Unchanged	Handymax at +\$1.50 more
Brazil, Santos-China Itacoatiara Port upriver Amazonia-China	\$28.00 \$26.50 \$31.00	Unchanged Down \$0.50 Unchanged	54-58,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China Upriver with Top-Off	\$34.25	Down \$0.25	—

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:** Last week we saw a small selloff in ocean freight rates. This week the market remained thin and continued to back down slightly. The trade is attributing this softness to "profit taking." We need to remember that there is a fair amount of paper trading that takes place and there are technical traders who just play the market momentum up or down. The physical side of the market was fairly quiet this week. Q4 2017 Panamax time charter rates are hovering around \$9,700-\$10,200/day but 2018 is going for just \$9,200/day. It is therefore difficult to think that we will see any major market moves in 2017 or the first half of 2018.

Baltic-Panamax Dry-Bulk Indices				
August 3, 2017	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	15,607	15,477	130	0.8%
P3A: PNW/Pacific– Japan	8,148	8,141	7	0.1%
S1C: U.S. Gulf-China-S. Japan	16,507	17,506	-999	-5.7%

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 August 3, 2017	
Four weeks ago:	\$4.55 - \$5.20
Three weeks ago:	\$4.30 - \$5.65
Two weeks ago:	\$4.50 - \$5.50
One week ago:	\$5.50 - \$6.00
This week	\$5.60 - \$6.40

Source: O'Neil Commodity Consulting

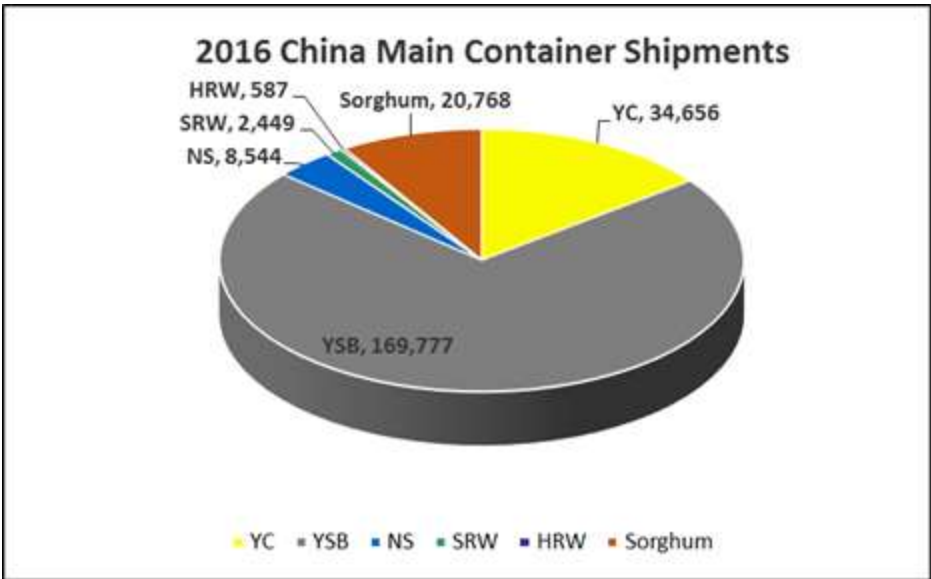
U.S.-Asia Market Spreads					
August 3, 2017	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	0.71	0.40	0.31	\$12.20	PNW
Soybeans	0.82	0.57	0.25	\$9.84	PNW
Ocean Freight	\$19.00	\$37.00	0.46-0.49	<b>\$18.00</b>	Sept.

Source: O'Neil Commodity Consulting

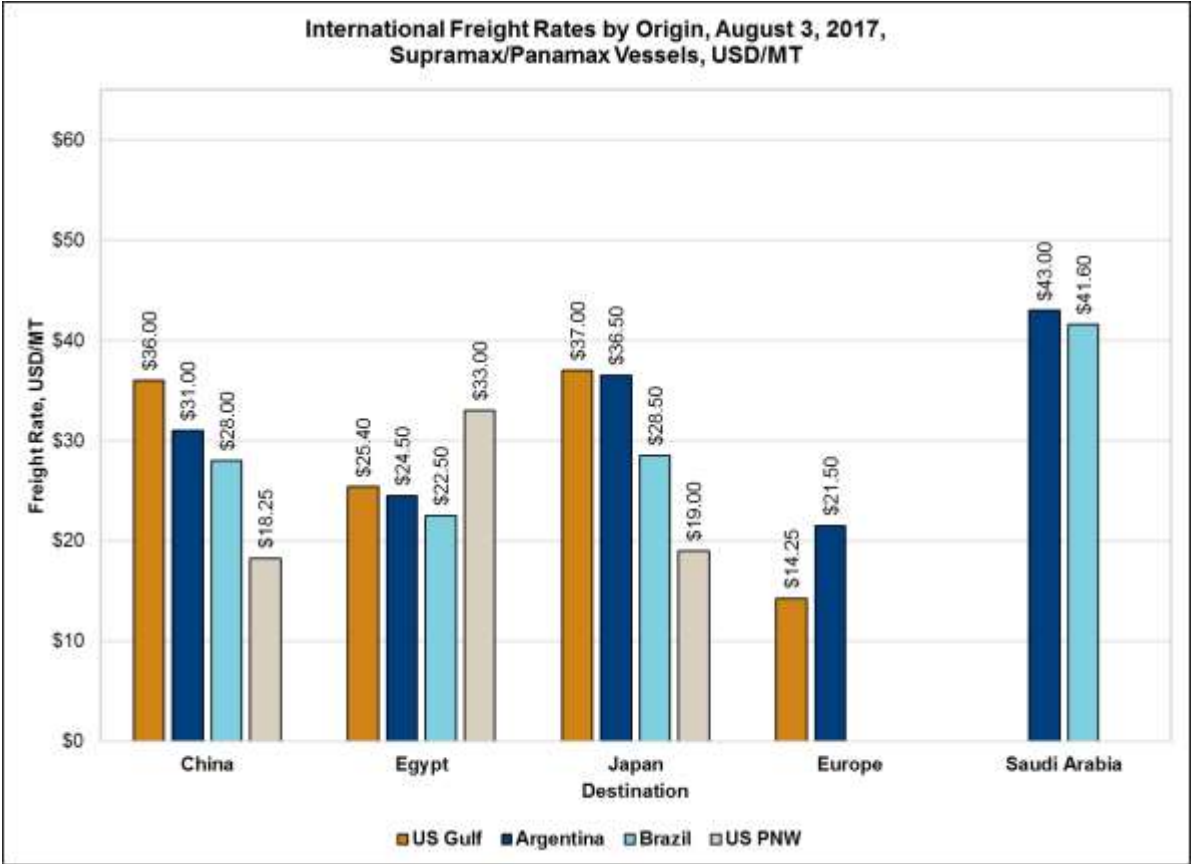
The charts below represent YTD 2017 versus 2016 annual totals for container shipments to mainland China.



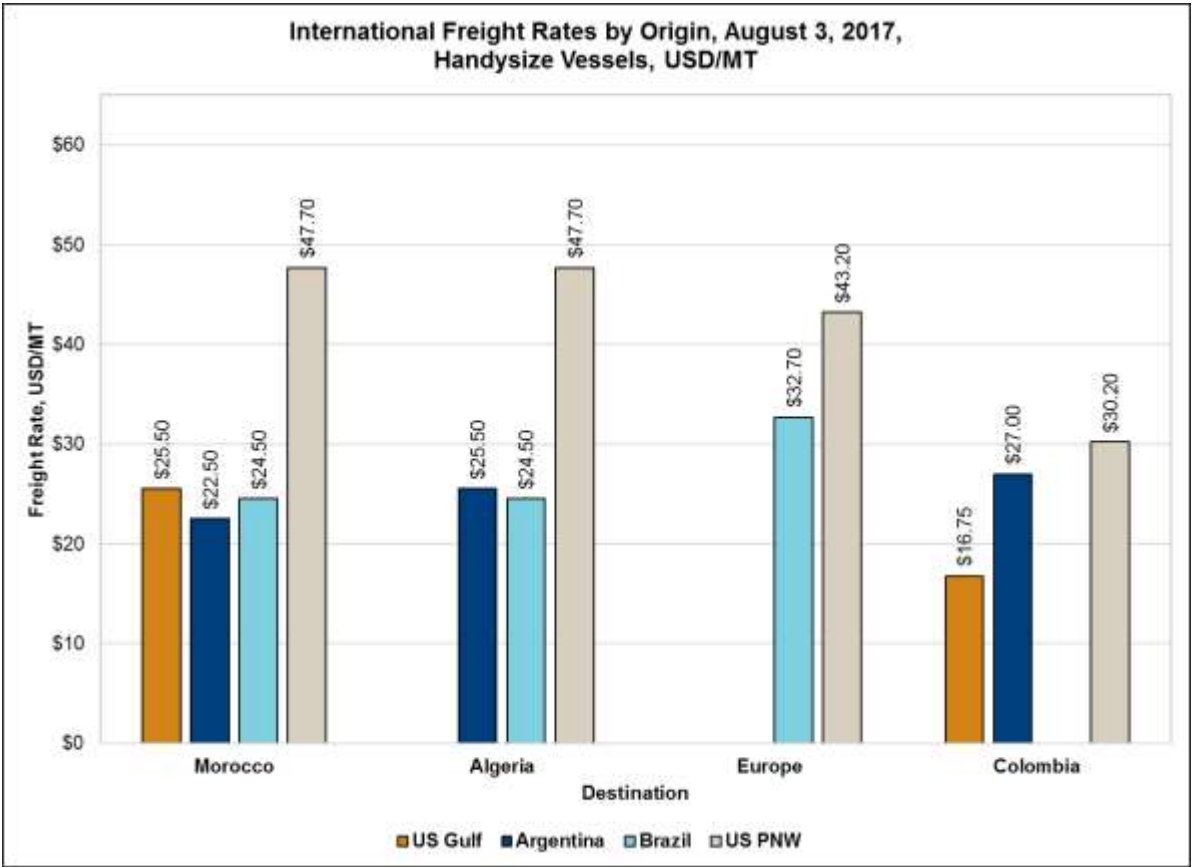
Source: O'Neil Commodity Consulting



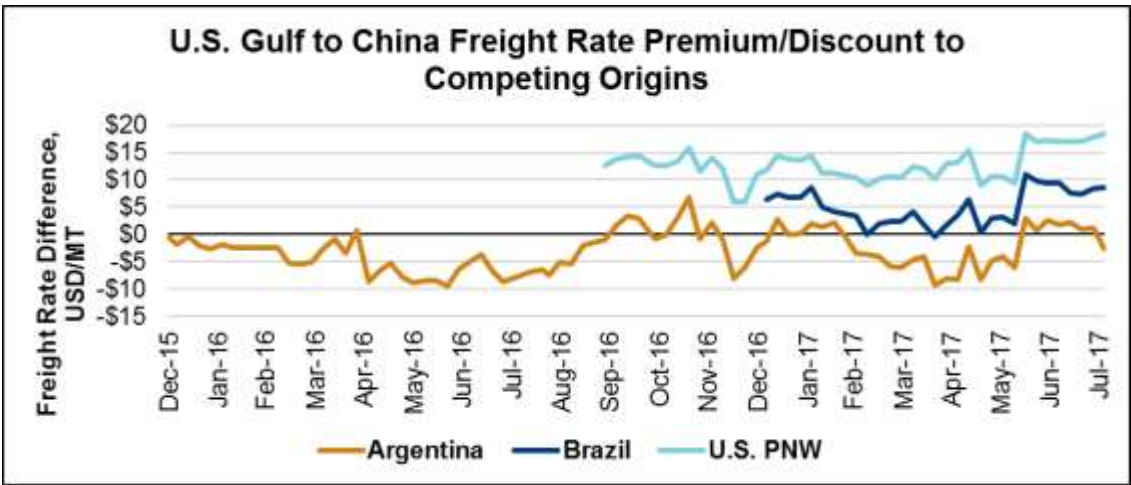
Source: O'Neil Commodity Consulting



Source: DTN, O'Neil Commodity Consulting and WPI



Source: DTN, O'Neil Commodity Consulting and WPI



Source: DTN, O'Neil Commodity Consulting and WPI

## INTEREST RATES

---

<b>Interest Rates (%): August 3, 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	1.45	1.45
<b>LIBOR (1 year)</b>	1.73	1.74	1.75

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