



**December 21, 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 March Contract					
\$/Bu	Friday December 15	Monday December 18	Tuesday December 19	Wednesday December 20	Thursday December 21
<b>Change</b>	-1.000	-0.500	0.500	1.750	2.000
<b>Closing Price</b>	347.50	347.00	347.50	349.25	351.25
<b>Factors Affecting the Market</b>	Big supplies and slow exports were the focus today. USDA announced a 5% increase in beef and pork production for 2018 which will boost corn demand. The dollar rose 23 points while other outside markets were higher too.	Corn headed lower as the CFTC data shows funds still actively adding to short positions. The weather in Argentina is improving, taking away a bullish factor. The dollar gave back all Friday's gains while U.S. stocks were higher.	Corn took back yesterday's losses but nothing more. Corn remains in a downtrend, pressured by large supplies, slow export demand and few bullish factors. The dollar continued its move lower while U.S. equity markets were down.	Some light short covering as March corn approached 2017 lows was noted. Ethanol production remains well above year-ago levels which is boosting corn demand. The dollar fell for a third straight day, a factor which will hopefully spur exports.	March corn is consolidating around the \$3.50 mark. South American weather is mixed but not really a factor in the markets now. Chinese corn values are firm, and the ethanol arbitrage window is growing. The dollar was flat for the day.

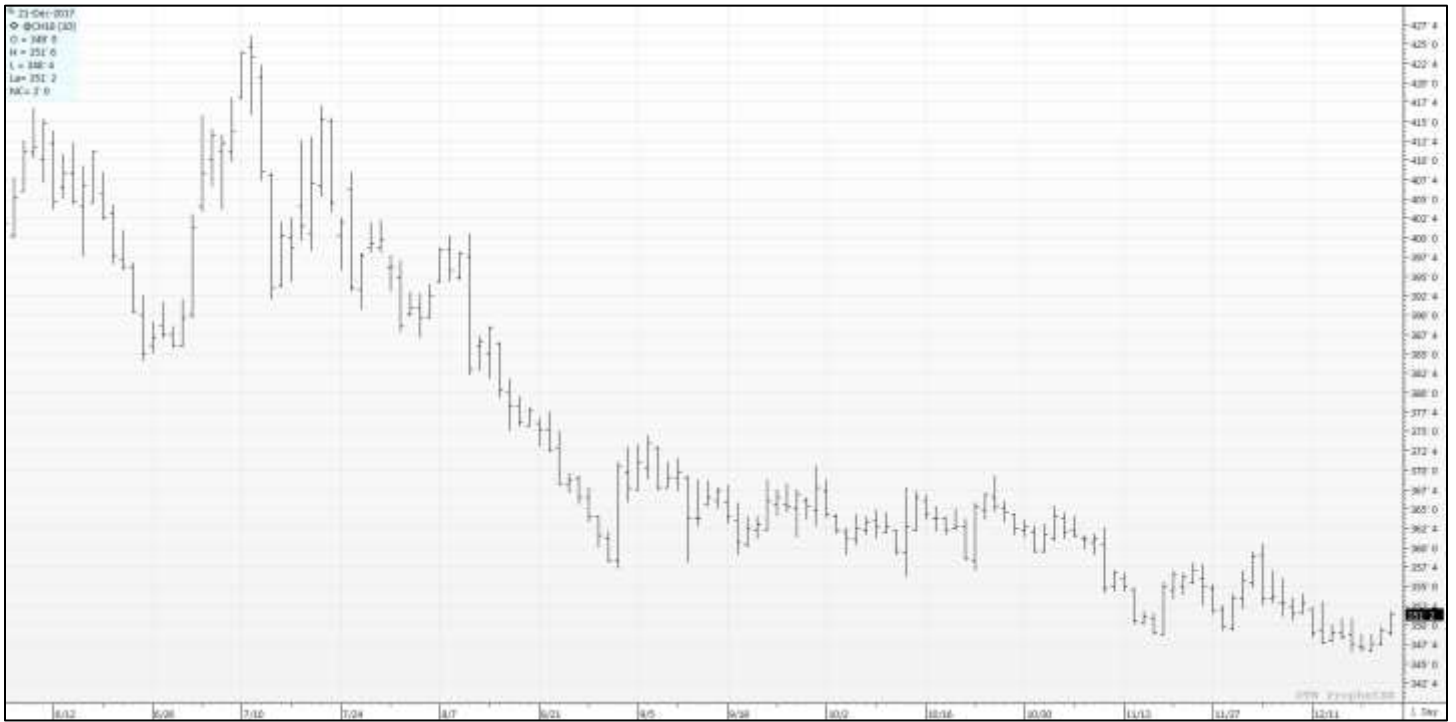
**Outlook:** March corn has been in a consolidation pattern around the \$3.50 mark and today was no exception. The contract finished 2 cents higher and just above \$3.51 as traders perceive such prices to be near the market's fair value. Without much bullish or bearish news to push trading one way or another, trading activity continues to lighten ahead of the holidays. There is some position squaring ahead of the holidays with shorts seemingly always nervous about leaving their position on over the Christmas/New Year period.

U.S. export sales for the week were strong at 61.3 million bushels, but exports were only 27.6 million, leaving YTD shipment volumes down 36 percent. This week's dynamic of sales exceeding the pace needed to meet USDA's projections and shipments falling short of the same mark reflects the 2017/18 corn crop's entire story so far. The U.S. export program has faced significant competition from South America; U.S. corn sales as a percent of USDA's forecast have reached only 52 percent so far this year, versus 59 percent normally.

Despite the slowness in corn sales, U.S. sorghum exports are soaring. So far, the U.S. sold 17.2 million bushels this week, bringing the YTD totals to 158.4 million bushels. China has been the largest buyer of U.S. sorghum and their current purchase pace could bring U.S. stocks to very tight levels. USDA has already lowered its forecast of sorghum use for industrial and feed purposes given the export pace thus far.

From a technical perspective, March corn futures are range bound but with pre-holiday momentum building to the upside. Funds are still heavily short corn and will likely reduce their exposure heading into the new year. While the South American weather pattern remains mixed and generally non-threatening to the Argentine corn crop, the risk of a significant shift in the forecast over the holiday weekend will keep the mild short-covering rally going.

# CBOT MARCH CORN FUTURES



Source: Prophet X

## Current Market Values:

Futures Price Performance: Week Ending December 21, 2017			
Commodity	21-Dec	15-Dec	Net Change
<b>Corn</b>			
Mar 18	351.25	347.50	3.75
May 18	359.50	355.75	3.75
Jul 18	367.75	364.25	3.50
Sep 18	375.00	371.25	3.75
<b>Soybeans</b>			
Jan 18	948.75	967.25	-18.50
Mar 18	959.00	978.00	-19.00
May 18	970.50	989.00	-18.50
Jul 18	981.00	999.00	-18.00
<b>Soymeal</b>			
Jan 18	314.20	320.60	-6.40
Mar 18	318.10	324.50	-6.40
May 18	321.50	327.30	-5.80
Jul 18	325.00	330.10	-5.10
<b>Soyoil</b>			
Jan 18	32.67	33.16	-0.49
Mar 18	32.83	33.34	-0.51
May 18	32.99	33.49	-0.50
Jul 18	33.16	33.66	-0.50
<b>SRW</b>			
Mar 18	427.00	418.25	8.75
May 18	439.00	430.75	8.25
Jul 18	451.75	444.00	7.75
Sep 18	463.75	457.50	6.25
<b>HRW</b>			
Mar 18	424.25	417.50	6.75
May 18	437.25	430.25	7.00
Jul 18	453.75	446.25	7.50
Sep 18	468.25	461.00	7.25
<b>MGEX (HRS)</b>			
Mar 18	617.00	620.00	-3.00
May 18	625.25	628.25	-3.00
Jul 18	630.25	631.75	-1.50
Sep 18	626.50	626.25	0.25

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

## U.S. WEATHER/CROP PROGRESS

**U.S. Drought Monitor Weather Forecast:** Over the next week, beginning Tuesday December 19, a good deal of much needed precipitation is forecast to fall across much of the South and the eastern United States. A swath from eastern Texas to North Carolina, most of Kentucky, and southern Virginia are expected to receive between two and six inches of precipitation. Heavy precipitation is also forecast for the Pacific Northwest, northern Idaho, western Montana, and parts of the Northeast. Dry conditions will likely continue across the Southwest and parts of the southern Plains, where drought conditions prevail. Warm temperatures in the South at the beginning of the week will be replaced by cold air sliding down from the north.

Looking further ahead at NOAA's Climate Prediction Center (CPC) 6- to 10-day Outlook (December 24-28), the probability of dry conditions is highest in the Northwest and Midwest, while wet conditions may occur over New Mexico, southeastern Colorado, and Texas, and stretching across the much of the South and along the East Coast. During this period, below-average temperatures are expected over nearly the entire contiguous U.S., except for parts of the Mid Atlantic along the coast and the Southeast, including Florida. Looking two weeks out (December 26-January 1), the cold temperatures are expected to continue, except in Florida and the Southwest. The probability of above-average precipitation is highest over parts of Montana and Texas, while below-average precipitation is most likely in the Northwest and much of the northern U.S. from the Northeast to the eastern Dakotas.

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 December 14, 2017					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	861,900	576,000	12,912.8	18,871.3	-7%
Corn	1,613,800	701,900	9,479.3	25,324.4	-26%
Sorghum	438,100	252,400	1,592.4	4,023.3	34%
Barley	700	900	18.1	36.4	119%

Source: USDA/FAS

**Corn:** Net sales of 1,558,300 MT for 2017/2018 were up 80 percent from the previous week and 82 percent from the prior 4-week average. Increases were reported for Mexico (381,500 MT, including decreases of 25,000 MT), unknown destinations (296,600 MT), Colombia (167,100 MT, including 20,000 MT switched from unknown destinations), Japan (151,300 MT, including decreases of 3,100 MT), and Costa Rica (134,500 MT). Reductions were reported for the French West Indies (7,100 MT). For 2018/2019, net sales of 2,300 MT were reported for Canada. Exports of 701,900 MT were up 2 percent from the previous week and 7 percent from the prior 4-week average. The destinations were primarily to Mexico (311,500 MT), Japan (147,500 MT), Saudi Arabia (73,600 MT), South Korea (61,400 MT), and Colombia (40,600 MT).

*Optional Origin Sales:* For 2017/2018, new optional origin sales of 92,000 MT were reported for unknown destinations. The current optional origin outstanding balance is 657,500 MT for South Korea (342,000 MT) and unknown destinations (315,500 MT).

**Barley:** Net sales reductions of 1,600 MT resulted as increases for Taiwan (700 MT), were more than offset by reductions for Japan (2,300 MT). Exports of 900 MT were primarily to Japan.

**Sorghum:** Net sales of 438,100 MT for 2017/2018--a marketing-year high--were up 38 percent from the previous week and 27 percent from the prior 4-week average. Increases were reported for China (378,100 MT, including 66,000 MT switched from unknown destinations) and unknown destinations (60,000 MT). Exports of 252,400 MT were up noticeably from the previous week and up 60 percent from the prior 4-week average. The destinations were China (251,900 MT) and Mexico (500 MT).

**U.S. Export Inspections: Week Ending December 14, 2017**

Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	563	440	17,693	27,978	63%
Corn	594,281	717,919	9,190,175	15,428,802	60%
Sorghum	195,225	150,651	1,425,926	1,555,426	92%
Soybeans	1,774,555	1,233,440	25,865,479	29,692,929	87%
Wheat	585,637	354,527	13,696,561	14,590,204	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 December 14, 2017**

Region	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	3,227	1%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Gulf	301,066	51%	0	0%	128,137	66%
PNW	106,546	18%	0	0%	63,997	33%
Interior Export Rail	181,446	31%	1,996	100%	3,091	2%
<b>Total (Metric Tons)</b>	<b>592,285</b>	<b>100%</b>	<b>1,996</b>	<b>100%</b>	<b>195,225</b>	<b>100%</b>
White Corn Shipments by Country (MT)			1,996	to Mexico		
Total White Corn (MT)			1,996			
Sorghum Shipments by Country (MT)					194,441	to China
					814	to Mexico
Total Sorghum (MT)					195,225	

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)
January	0.50+H	\$157.96	0.77+H	\$168.59
February	0.51+H	\$158.36	0.77+H	\$168.59
March	0.52+H	\$158.75	0.79+H	\$169.38

**#2 White Corn (U.S. \$/MT FOB Vessel)**

Max. 15.0% Moisture	January	February	March
Gulf	\$172	\$172	\$172

<b>Sorghum (USD/MT FOB Vessel)</b>				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
January	1.35+H	\$191.43	1.30+H	\$189.46
February	1.35+H	\$191.43	1.30+H	\$189.46
March	1.35+H	\$191.43	1.30+H	\$189.46

<b>Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)</b>			
	January	February	March
New Orleans	\$152	\$152	\$152
<i>Quantity 5,000 MT</i>			
<b>Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)</b>			
Bulk 60% Pro.	January	February	March
New Orleans	\$595	\$595	\$595
<i>*5-10,000 MT Minimum</i>			
<b>Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. \$/ST)</b>			
	December	January	
Rail Delvd. Chicago	\$500	\$510	
Rail Delvd. Savannah	\$510	\$510	
Truck Delvd. Chicago	\$500	\$490	

<b>DDGS Price Table: December 21, 2017 (USD/MT)</b> (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	January	February	March
Barge CIF New Orleans	187	186	186
FOB Vessel GULF	203	201	201
Rail delivered PNW	220	219	219
Rail delivered California	222	221	221
Mid-Bridge Laredo, TX	218	217	217
FOB Lethbridge, Alberta	195	193	193
40 ft. Containers to South Korea (Busan)	218	218	219
40 ft. Containers to Taiwan (Kaohsiung)	220	220	221
40 ft. Containers to Philippines (Manila)	225	225	225
40 ft. Containers to Indonesia (Jakarta)	220	220	221
40 ft. Containers to Malaysia (Port Kelang)	220	220	221
40 ft. Containers to Vietnam (HCMC)	229	229	230
40 ft. Containers to Japan (Yokohama)	220	220	221
40 ft. containers to Thailand (LCMB)	221	221	222
40 ft. Containers to China (Shanghai)	221	221	222
40 ft. Containers to Bangladesh (Chittagong)	252	252	253
40 ft. Containers to Myanmar (Yangon)	248	248	249
KC & Elwood, IL Rail Yard (delivered Ramp)	183	183	184

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 continue to work their way higher, though gains moderated from last week. Merchandisers are reporting supplies are not as tight as a few weeks ago but demand remains strong,



particularly for Gulf product. FOB ethanol plant DDGS increased \$0.75/ton on average this week to their last quote of \$130. Domestically, DDGS are priced at 45 percent of Kansas City soybean meal and 117 percent of cash corn values. On a per-protein unit basis, DDGS are \$0.88 cheaper than soybean meal.

DDGS CIF NOLA barge prices fell this week even as FOB NOLA DDGS gained \$3/MT to end at \$203/MT. The diverging price trends between these two destinations may indicate a period of stability coming for DDGS prices in the U.S. FOB NOLA DDGS are valued at 59 percent of FOB NOLA soybean meal and 130 percent of FOB NOLA corn. DDGS delivered via rail to the PNW ended \$3/MT higher at \$220 this week.

On the international front, Asian prices are firm with active demand for nearby shipments. Some traders are claiming Vietnamese buyers are looking to buy January-March shipments. With other Asian prices heading higher, sellers are yet unwilling to lower asking prices. The average price for 40-foot containers destined for Southeast Asia reached \$222/MT this week, with buyers paying \$3/MT more on average. Prices for product to Taiwan, Japan, and Bangladesh led the way, rising \$4/MT while all reported destinations increased at least \$2/MT.

## COUNTRY NEWS

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**Argentina:** About 60 percent of the central farm belt received ample rains last weekend. Although Eduardo Sierra of the Buenos Aires Grain Exchange says it “did not totally solve the [moisture] problem,” it provided enough for continued planting. More rains are in the forecast. (Reuters)

**Brazil:** The grain agency Conab predicts that Brazil’s corn output will be 5 MMT lower this year than in 2016-17. Output is forecast at 92.2 MMT. (Reuters)

**China:** Heilongjiang is China’s largest corn producing province and it has cut production area by nearly one million hectares this year. Overall corn production area in China is down 1.33 million hectares in 2017, though earlier this month the Ministry of Agriculture raised its corn production forecast for 2017/18 crop year to 116 MMT. (Reuters)

**Myanmar:** After suspending corn imports earlier this year following imposition of new pest risk analysis requirements, Myanmar’s Plant Protection Division has now accepted the submissions made by the U.S. and is again allowing imports from the U.S. Myanmar’s livestock sector is expanding and its imports of corn and DDGS are expected to grow as a result. (Reuters)

**Russia:** After receiving a request from Russian Deputy Agriculture Minister Sergei Levin, Saudi officials are now allowing two Russian companies to register and compete on import tenders for barley. (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	\$44.27	Down \$0.75	Handymax at \$45.00/MT
55,000 U.S. PNW-Japan	\$24.75	Down \$0.50	Handymax at \$25.25/MT
65,000 U.S. Gulf-China	\$43.50	Down \$0.75	North or South China
PNW to China	\$23.75	Down \$0.75	
25,000 U.S. Gulf-Veracruz, Mexico	\$17.00	Down \$0.25	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, Mexico	\$14.50	Down \$0.25	Deep draft and 6,000 MT/day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia	\$20.75	Down \$0.25	West Coast Colombia at \$29.00
From Argentina	\$33.50	Down \$0.25	
40-45,000 U.S. Gulf-Guatemala	\$29.00	Down \$0.25	Acajutla/Quetzal-8,000 out
26-30,000 U.S. Gulf-Algeria	\$31.75	Down \$0.50	8,000 MT daily discharge
	\$33.75	Down \$0.50	3,000 MT daily discharge
25-30,000 US Gulf-Morocco	\$30.75	Down \$0.75	Discharge rate: 5,000
55,000 U.S. Gulf-Egypt	\$29.00	Down \$0.50	55,000-60,000 MT
PNW to Egypt	\$28.00	Down \$0.50	Russia Black Sea-Egypt \$15.75
60-70,000 U.S. Gulf-Europe-Rotterdam	\$18.25	Down \$0.50	Handymax at +\$2.00 more
Brazil, Santos-China	\$32.75	Down \$1.00	54-59,000 Supramax-Panamax
Itacoatiara Port up River	\$31.75	Down \$1.00	60-66,000 Post Panamax
Amazonia North Brazil-China	\$35.25	Down \$1.00	
56-60,000 Argentina-China	\$38.50	Down \$1.75	Upriver with top-off \$41.00

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:** All the shipping news wires this week have the same verbiage: "Markets are slow and quiet." This of course is code for "we are in holiday mode and the markets are soft." The end of the year is always like this and the trick is to determine the market's attitude once everyone returns from the holidays in January. Keep in mind, however, that the first quarter of any year is usually the slowest period and therefore the low end of the annual rate structure. I don't expect to see anything different this year. Q1 2018 will likely be a bit softer than Q4 2017, but then we will probably start to see an uptick in rates as we move farther into the balance of the year. Higher freight rates will not harm traders but will directly impact market bids to farmers.

Given the higher dry-bulk rates verses containerized grain rates from the U.S. to Asia, I do expect to see a slight increase in the percentage of containerized grain sales in 2018.

Baltic-Panamax Dry-Bulk Indices				
December 21, 2017	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	18,407	20,280	-1,873	-9.2%
P3A: PNW/Pacific– Japan	10,374	11,671	-1,297	-11.1%
S1C: U.S. Gulf-China-S. Japan	23,767	25,419	-1,652	-6.5%

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:

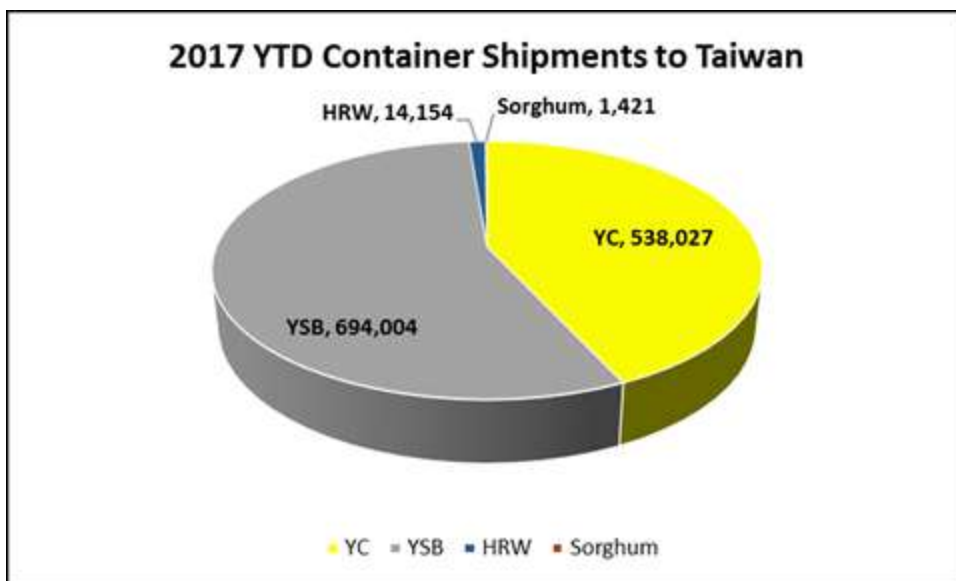
Week Ending December 21, 2017	
Four weeks ago:	-
Three weeks ago:	\$8.75-9.90
Two weeks ago:	\$9.70-9.90
One week ago:	\$9.75-10.00
This week	\$9.75-10.00

Source: O'Neil Commodity Consulting

U.S.-Asia Market Spreads					
December 21, 2017	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	0.78	0.50	0.28	\$11.02	PNW
Soybeans	0.82	0.50	0.32	\$12.60	PNW
Ocean Freight	\$23.75	\$43.50	0.50-0.53	\$19.75	Jan.

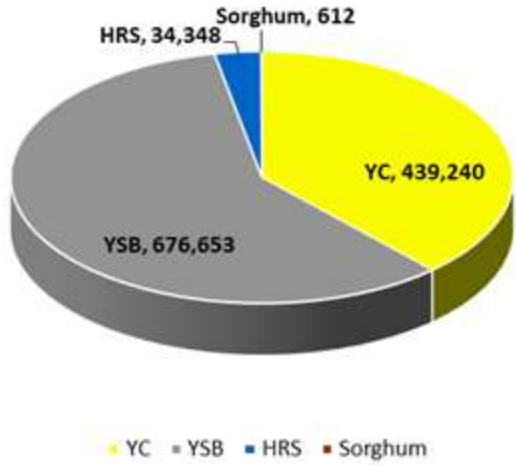
Source: O'Neil Commodity Consulting

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



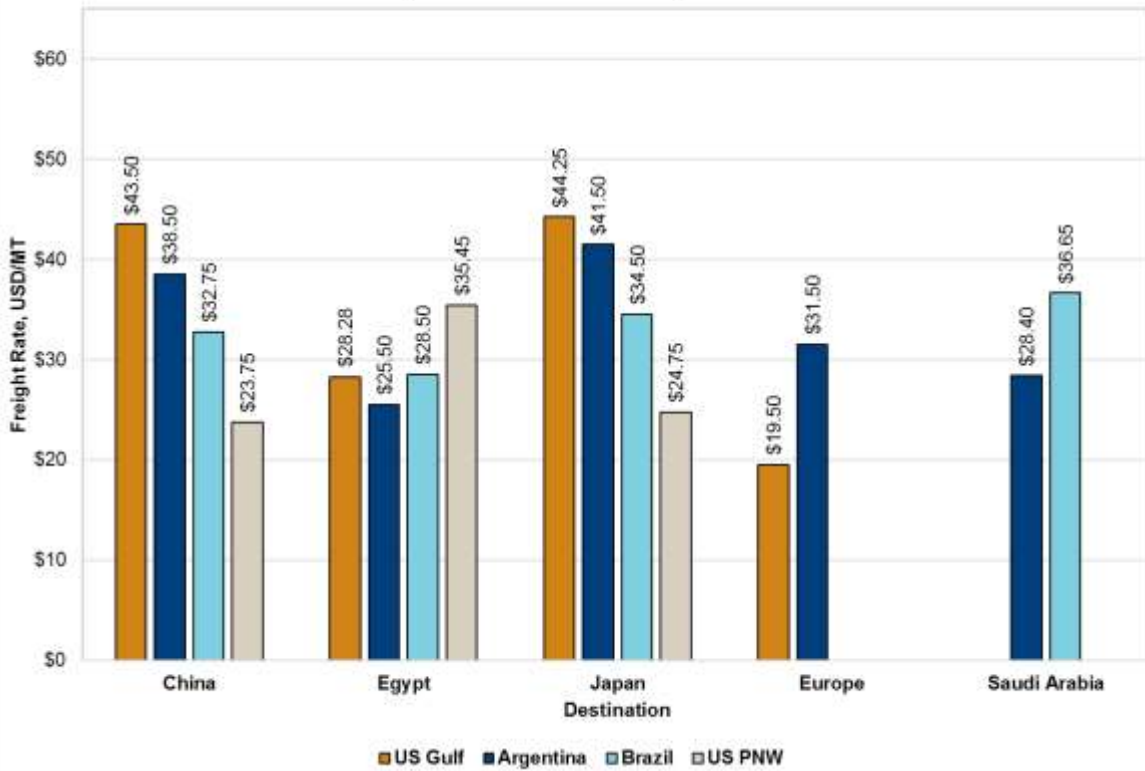
Source: O'Neil Commodity Consulting

### 2016 Container Shipments to Taiwan



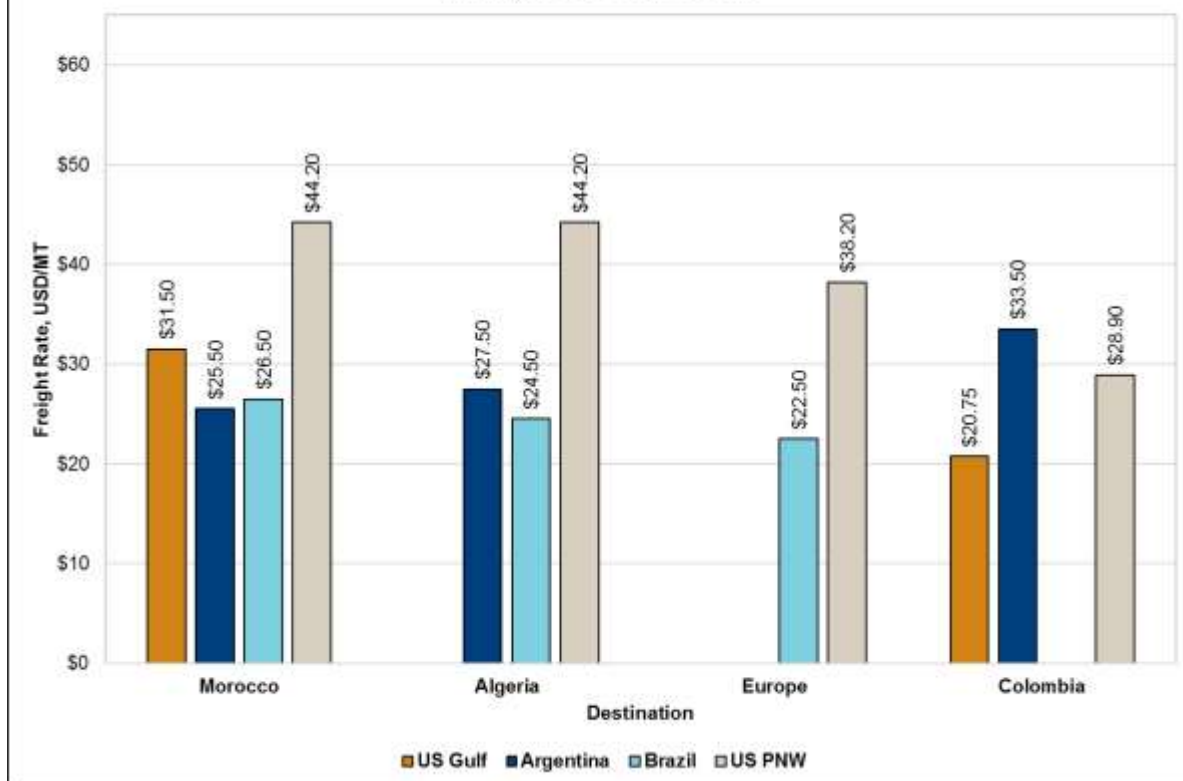
Source: O'Neil Commodity Consulting

### International Freight Rates by Origin, December 21, 2017, Supramax/Panamax Vessels, USD/MT



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

**International Freight Rates by Origin, December 21, 2017,  
Handysize Vessels, USD/MT**



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

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



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

## INTEREST RATES

<b>Interest Rates (%): December 21, 2017</b>			
	<b>Current Week</b>	<b>Last Week</b>	<b>Last Month</b>
<b>U.S. Prime</b>	4.50	4.25	4.25
<b>LIBOR (6 month)</b>	1.79	1.75	1.63
<b>LIBOR (1 year)</b>	2.07	2.03	1.91

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