



October 26, 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 October 20	Monday October 23	Tuesday October 24	Wednesday October 25	Thursday October 26
Change	-4.500	6.750	1.500	-1.750	-0.5000
Closing Price	344.50	351.25	352.75	351.00	350.50
Factors Affecting the Market	December corn finished within a tick of its contract low on lack of any bullish news and some fund selling. USDA announced some export sales, but these were insufficient to spark buying. Outside markets provided mixed signals with the U.S. Dollar index up 50 points and equities sharply higher.	Prices got cheap enough to spark commercial buying on expectations of cool harvest weather this week. USDA showed 24.2 million bushels of corn exported last week, a neutral amount that at least didn't discourage bulls. The dollar rose 20 points while U.S. equities slipped.	The market approached the high end of its recent trading range but failed to challenge resistance. Only 38 percent of corn was harvested as of Monday as farmers focus on soybeans. The U.S. dollar had a third day of gains while equities and crude oil recovered from yesterday's dip.	Corn drifted lower with little market-moving news. Ethanol production was higher again which should continue supporting the corn market. Traders are expecting the Export Sales report to show better shipments. The dollar lost 30 points; crude oil and U.S. equities also fell.	Better-than-expected exports failed to rally the market today. Corn drifted lower in light volume trading, as did the entire grains complex. Grains were partly pressured by a large 95-point move in the dollar index. The export situation is delicate and higher prices for U.S. goods is not helpful.

Outlook: The delayed U.S. corn harvest has commensurately delayed hedge pressure in the market, leaving traders, farmers, and agribusinesses largely directionless in anticipating prices. There is a growing feeling that harvest-time lows should have already been established and that prices should begin a slow grind higher soon. However, with only 38 percent of U.S. corn harvested (and, presumably, a similarly low number hedged), there is also a growing expectation that farmer hedge selling will pick up soon and pressure prices further. Consequently, December corn futures have been trading sideways and are likely to continue this trendless trend going forward.

U.S. corn exports have picked up in recent weeks but remain well behind last year's pace. U.S. FOB Gulf corn is becoming increasingly competitive against Brazil, carrying a 6-cent premium this week versus 10 cents last week – which helped sales this week. The USDA's Export Sales report showed 50.7 million bushels of net sales and 23.8 million bushels of exports, a relatively neutral combination but one that also exceeded traders' expectations. Export shipments were below the weekly pace needed (45.3 million bushels) to meet USDA's projection, and currently stand at 10 percent of USDA's total forecast. However, shipments this week exceed what traders thought would be exported, a sign that international markets may be changing.

Corn harvest progress remains slow across the U.S. as farmers focus on collecting soybeans first. USDA's weekly Crop Progress report showed over 90 percent of corn is rated "Mature", which is on-average for this time of year, but only 38 percent had been harvested. Typically, by this point in October over half the crop is harvested. With the crop mature, traders are likely to ignore the harvest progress statistics, especially given generally good weather forecasts for the coming week.

The technical perspective on December corn remains murky and decidedly range-bound. However, it is relevant to note that while managed money funds are net short, their position isn't as big as in this same time during previous years. Therefore, there is possibility for both a down-side breakout or an upside rally, should something spark the market. With harvest pressure likely increasing and concluding in the next few weeks, the market may yet see additional pressure. Additionally, the dollar index appears to be forming a bullish chart formation, which could be damaging for U.S. corn exports. However, U.S. corn is gaining competitiveness internationally and growing weather issues in South America could continue to support the market.

CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending October 26, 2017			
Commodity	26-Oct	20-Oct	Net Change
Corn			
Dec 17	350.50	344.50	6.00
Mar 18	364.50	358.50	6.00
May 18	373.25	367.25	6.00
Jul 18	380.50	374.75	5.75
Soybeans			
Nov 17	971.25	978.75	-7.50
Jan 18	982.50	989.25	-6.75
Mar 18	993.00	999.25	-6.25
May 18	1002.25	1008.50	-6.25
Soymeal			
Dec 17	312.10	317.10	-5.00
Jan 18	314.20	319.30	-5.10
Mar 18	317.20	322.30	-5.10
May 18	319.70	325.00	-5.30
Soyoil			
Dec 17	34.50	34.16	0.34
Jan 18	34.66	34.31	0.35
Mar 18	34.88	34.53	0.35
May 18	35.10	34.76	0.34
SRW			
Dec 17	431.75	426.00	5.75
Mar 18	450.25	444.50	5.75
May 18	464.25	458.75	5.50
Jul 18	478.50	472.50	6.00
HRW			
Dec 17	428.25	422.75	5.50
Mar 18	446.00	440.75	5.25
May 18	460.25	455.00	5.25
Jul 18	478.50	472.75	5.75
MGEX (HRS)			
Dec 17	620.50	611.25	9.25
Mar 18	632.50	624.25	8.25
May 18	639.25	631.75	7.50
Jul 18	642.75	634.00	8.75

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: Wet weather across parts of the East will contrast with mostly dry weather elsewhere. Welcomed showers falling across the Northeast as of Wednesday, October 25, will be followed by a potentially soaking rainfall over the weekend. Forecast guidance suggests 7-day rainfall could top 5 inches across much of New England, while somewhat lesser amounts (1-3") fall from the central Appalachians into the Mid-Atlantic States. Rain and snow will accompany a storm system in the Great Lakes, while showers along a trailing cold front sweep across the interior Southeast. Otherwise, mostly dry weather is expected across the central and western U.S. The NWS 6- to 10-day outlook for October 31-November 4 calls for near- to below-normal precipitation across much of the nation, with wetter-than-normal weather confined to

the nation's northern tier save for the Northwest. Colder conditions are expected from the Plains to the Appalachians and Gulf Coast, while above-normal temperatures prevail in New England and the central and southern Pacific Coast into southern Texas.

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 October 19, 2017					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	379,200	119,700	10,138.7	15,161.7	-6%
Corn	1,347,000	604,400	4,641.7	16,217.3	-30%
Sorghum	3,400	72,000	471.4	1,488.1	41%
Barley	0	600	12.1	37.4	169%

Source: USDA/FAS

Corn: Net sales of 1,288,300 MT for 2017/2018 were up 3 percent from the previous week and 32 percent from the prior 4-week average. Increases were reported for unknown destinations (357,500 MT), Japan (257,500 MT, including 95,500 MT switched from unknown destinations), Mexico (154,000 MT, including decreases of 7,100 MT), South Korea (136,500 MT), Spain (120,000 MT), and Peru (87,100 MT, including 30,500 MT switched unknown destinations and decreases of 41,600 MT). Reductions were reported for Venezuela (11,000 MT). For 2018/2019, net sales of 96,800 MT were reported for Mexico (90,000 MT) and Peru (6,800 MT). Exports of 604,400 MT were primarily to Mexico (198,400 MT), Peru (136,500 MT), Japan (95,500 MT), Colombia (90,900 MT), and Costa Rica (29,200 MT).

Optional Origin Sales: For 2017/2018, options were exercised to export 60,000 MT to unknown destinations from other than the United States. The current optional origin outstanding balance is 168,000 MT, all unknown destinations.

Barley: For 2017/2018, no net sales were reported for the week. For 2018/2019, net sales of 7,100 MT were reported for Japan. Exports of 600 MT were reported to Japan (500 MT) and Taiwan (100 MT).

Sorghum: Net sales of 3,400 MT for 2017/2018 resulted as increases for China (69,400 MT, including 66,000 MT switched from unknown destinations), were partially offset by reductions for unknown destinations (66,000 MT). Exports of 72,000 MT were reported to China (70,400 MT) and Mexico (1,600 MT).

U.S. Export Inspections: Week Ending October 19, 2017					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	0	0	14,514	24,993	58%
Corn	614,075	330,456	4,526,385	8,366,778	54%
Sorghum	74,288	1,534	444,601	576,086	77%
Soybeans	2,562,444	1,785,943	9,812,520	10,652,279	92%
Wheat	169,750	324,525	10,796,552	11,307,961	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 October 19, 2017						
Region	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	0	0%	0	0%	0	0%
Atlantic	5,304	1%	0	0%	0	0%
Gulf	473,130	77%	0	0%	69,403	93%
PNW	0	0%	196	100%	122	0%
Interior Export Rail	135,445	22%	0	0%	4,763	6%
Total (Metric Tons)	613,879	100%	196	100%	74,288	100%
White Corn Shipments by Country (MT)			196	to Korea		
Total White Corn (MT)			196			
Sorghum Shipments by Country (MT)					70,015	to China
					122	to Korea
					1,702	to Mexico
					2,449	to Somalia
Total Sorghum (MT)					74,288	

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 October	0.52+Z	\$158.46	-	-
FH November	0.49+Z	\$157.27	0.70+Z	\$165.54
LH November	0.50+Z	\$157.67	0.70+Z	\$165.54
December	0.51+Z	\$158.06	0.70+Z	\$165.54

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
November	1.35+Z	\$191.13	1.25+Z	\$187.19
December	1.35+Z	\$191.13	1.25+H	\$192.71

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	November	December	January
New Orleans	\$138	\$138	\$138
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	November	December	January
New Orleans	\$560	\$560	\$560
*5-10,000 MT Minimum			
Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. \$/ST)			
	November	December	
Rail Delvd. Chicago	\$490	\$490	
Rail Delvd. Savannah	\$510	\$510	
Truck Delvd. Chicago	\$510	\$510	

DDGS Price Table: October 26, 2017 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	November	December	January
Barge CIF New Orleans	164	165	166
FOB Vessel GULF	176	176	177
Rail delivered PNW	196	196	197
Rail delivered California	199	199	200
Mid-Bridge Laredo, TX	197	197	198
FOB Lethbridge, Alberta	168	169	170
40 ft. Containers to South Korea (Busan)	200	201	201
40 ft. Containers to Taiwan (Kaohsiung)	198	199	200
40 ft. Containers to Philippines (Manila)	209	208	210
40 ft. Containers to Indonesia (Jakarta)	198	197	200
40 ft. Containers to Malaysia (Port Kelang)	199	199	200
40 ft. Containers to Vietnam (HCMC)	206	206	208
40 ft. Containers to Japan (Yokohama)	204	204	205
40 ft. containers to Thailand (LCMB)	202	202	203
40 ft. Containers to China (Shanghai)	212	212	214
40 ft. Containers to Bangladesh (Chittagong)	227	227	229
40 ft. Containers to Myanmar (Yangon)	224	225	226
KC & Elwood, IL Rail Yard (delivered Ramp)	159	160	161

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: U.S. DDGS prices are mostly unchanged this week and lack clear direction. Near-term supplies remain tight but buying interest is quiet with plenty of cheap corn available. The U.S. market is showing a small carry and feed mills are waiting for a more bearish scenario to develop before purchasing. The domestic market's carry, combined with a neutral/bearish outlook from overseas buyers, is creating a growing spread and light trading volumes.

Domestically, CIF NOLA barge DDGS prices are flat this week while FOB Gulf prices fell \$0.75/MT in sympathy with lower corn prices. FOB Gulf product quotes averaged \$176.25 this week. DDGS rail-delivered to the PNW increased \$2.50/MT to their last quote of \$195/MT, likely in response to growing Chinese demand. FOB ethanol plant prices are 37 percent of Kansas City soybean meal values and 101 percent of cash corn values, a 1 percent increase in each ratio from last week. DDGS maintained a \$1.86 per-protein unit cost advantage over soybean meal, which will keep the ethanol co-product competitive in feed rations this fall.

Internationally, DDGS prices CIF Southeast Asia were steady/higher this week, posting a \$1/MT gain on average. Prices for 40-foot containers to China increased \$7/MT for nearby shipments while December and January shipment prices rose \$9/MT. The rising prices for China-destined product is likely indicative of that country's increasing protein demand, which could signal increased imports of feed grains and soybeans/soy products later this year. While Chinese prices increased the most, \$3/MT gains were noted for product destined for South Korea and the Philippines. Notably, prices increased for all nearby shipments to Southeast Asia this week.

COUNTRY NEWS

Argentina: The agriculture ministry says farmers will plant corn on 8.92 million hectares (22 million acres), a 5.2 percent increase over last year. (Reuters)

China: At 2.28 MMT, corn imports are down 23 percent versus last year but the 250 KMT brought in during September was a 13-fold increase versus the same month a year ago. Meanwhile, the National Development and Reform Commission announced that future minimum process will be linked to the cost of production, market demand, foreign prices and the overall development of the industry. (Reuters)

China State Grain Reserve Corn Sales (MMT)						
Date	Crop Year	Amount Offered	Amount Sold	Percent Sold	Price Yuan	Price USD
Oct. 26, 2017	2013	71,332	67,382	94.5	1,401	211.20
	2014	916,907	438,960	48.0	1,410	212.37
	Other	87,130	31,467	36.1	1,250	188.27
		88,238	1,108	1.25	1,326	199.86
		92,567	4,359	4.7	1,290	194.39

Source: Bloomberg/National Grain Trade Center

Iran: The Islamic Republic of Iran Customs Authority announced that 650.5 KMT of barley was imported during the first five months of this year. The imports were valued at 117.21 million. (Global Data Point)

Russia: Prime Minister Dmitry Medvedev announced that in 2017, Russia will produce the largest grain crop in 100 years. At 132 MMT, the surplus will enable an all grain export figure of 45 MMT. (Intellinews – Russia Today)

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	\$43.50	Down \$0.50	Handymax at \$43.50/MT
55,000 U.S. PNW-Japan	\$24.75	Down \$0.75	Handymax at \$24.75/MT
65,000 U.S. Gulf-China	\$43.00	Down \$0.50	North China
PNW to China	\$24.50	Down \$0.50	
25,000 U.S. Gulf-Veracruz, Mexico	\$16.50	Down \$0.50	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, Mexico	\$14.00	Down \$0.50	Deep draft and 6,000 MT/day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia	\$20.50	Down \$0.50	West Coast Colombia at \$28.00
From Argentina	\$30.50	Down \$0.50	
40-45,000 U.S. Gulf-Guatemala	\$28.50	Down \$0.50	Acajutla/Quetzal-8,000 out
26-30,000 U.S. Gulf-Algeria	\$30.50	Unchanged	8,000 MT daily discharge
	\$33.00	Down \$0.50	3,000 MT daily discharge
25-30,000 US Gulf-Morocco	\$29.50	Down \$0.50	5,000 discharge rate
55,000 U.S. Gulf-Egypt	\$27.75	Down \$0.25	55,000-60,000 MT St. Lawrence to Egypt \$27.75
PNW to Egypt	\$26.75	Down \$0.25	
60-70,000 U.S. Gulf-Europe-Rotterdam	\$17.50	Down \$0.50	Handymax at +\$2.50 more
Brazil, Santos-China	\$33.50	Down \$1.00	54-59,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port up River	\$32.50	Down \$1.00	
Amazonia North Brazil-China	\$36.00	Down \$1.00	
56-60,000 Argentina-China	\$40.00	Down \$1.00	Upriver with top-off \$43.00

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: Dry-Bulk ocean freight markets lost some of their steam this week. Again, maybe traders got a bit overly optimistic and just went with the prevailing momentum? After all, we have experienced an impressive rally over the last two months and must wonder how much further things can go. Daily hire rates for Panamax vessels for the balance of 2017 dropped to an average of \$12,500/day while 2018 hire rates sank to an average of \$9,700/day in the Atlantic.

A note on Panamax Dry-Bulk ocean freight rates for corn or soybeans to HCMC Vietnam: The appropriate market spreads on this route are not necessarily a direct thing to rate. If you are going from the U.S. Gulf via the Cape of Good Hope the steaming time to Vietnam (versus Northern China) is shorter, so, that freight would be a little cheaper. However, routing via the Panama Canal the distance is longer and thus more expensive. So, on average maybe it is best to say that the rate from the U.S. Gulf to Vietnam is about the same as to Northern China (give or take \$1.00/MT depending on routing). The freight spread between N. China versus S. China is generally a \$1.00-1.50 difference. Close to 90 percent of the Panamax vessels going from the U.S. Gulf to China are currently going around the Cape rather than thru the Panama Canal. This is due to relatively cheap fuel prices and the desire to avoid paying Canal fees.

Baltic-Panamax Dry-Bulk Indices				
October 26, 2017	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	19,041	19,959	-918	-4.6%
P3A: PNW/Pacific– Japan	13,186	14,245	-1,059	-7.4%
S1C: U.S. Gulf-China-S. Japan	23,600	25,033	-1,433	-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 October 26, 2017	
Four weeks ago:	\$7.30-7.90
Three weeks ago:	\$7.40-8.25
Two weeks ago:	\$7.95-8.25
One week ago:	\$8.50-9.00
This week	\$8.15-8.50

Source: O'Neil Commodity Consulting

U.S.-Asia Market Spreads					
October 26, 2017	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	0.70	0.52	0.18	\$7.09	PNW
Soybeans	0.66	0.45	0.21	\$8.27	PNW
Ocean Freight	\$25.00	\$43.50	0.47-0.50	\$18.50	Nov.

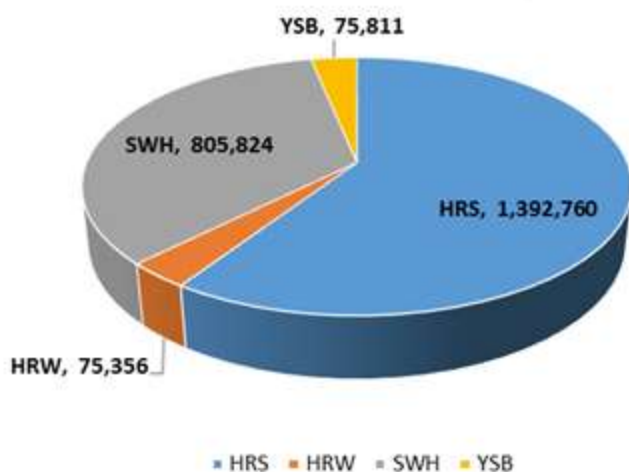
Source: O'Neil Commodity Consulting

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



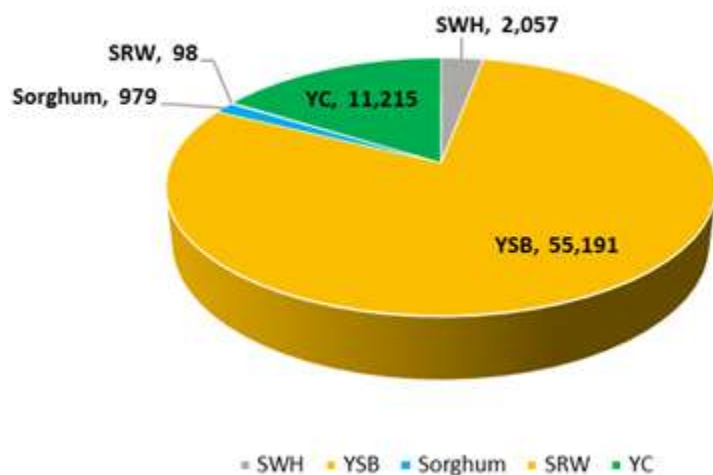
Source: O'Neil Commodity Consulting

YTD Exports to Philippines by Vessel

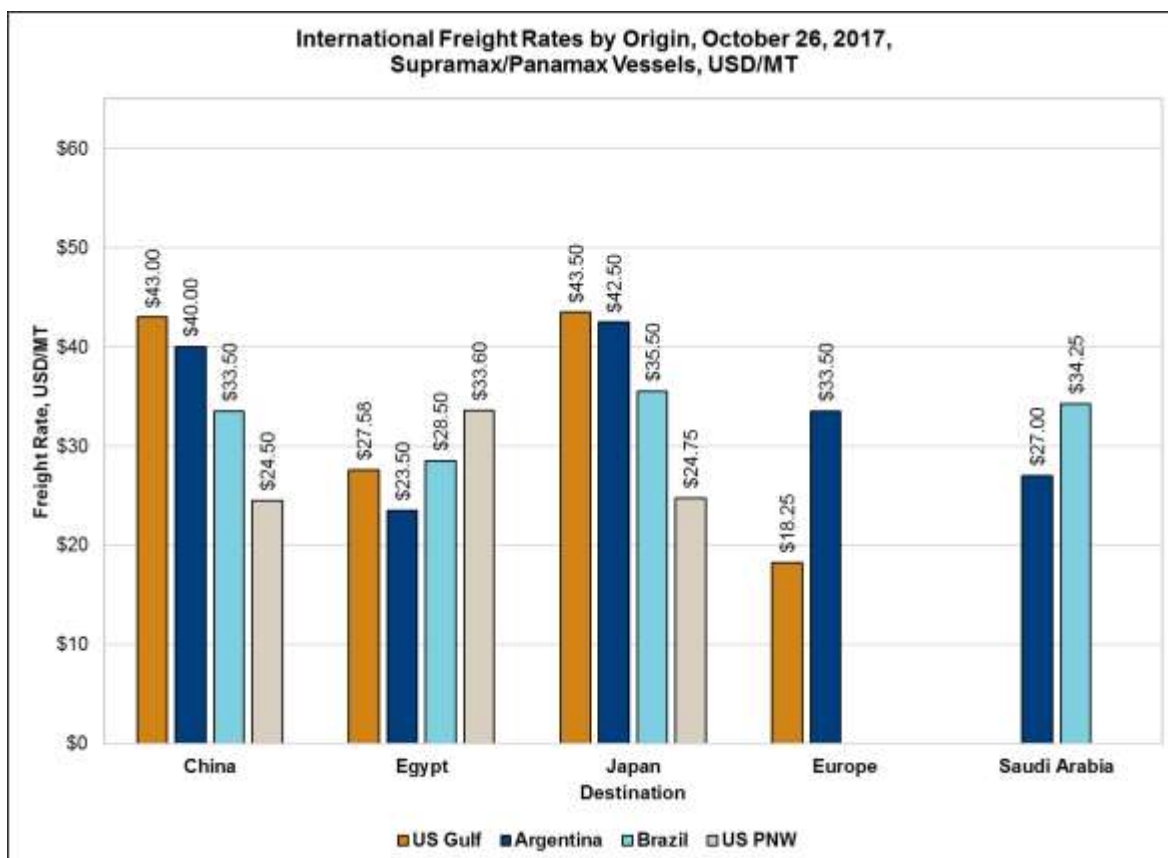


Source: O'Neil Commodity Consulting

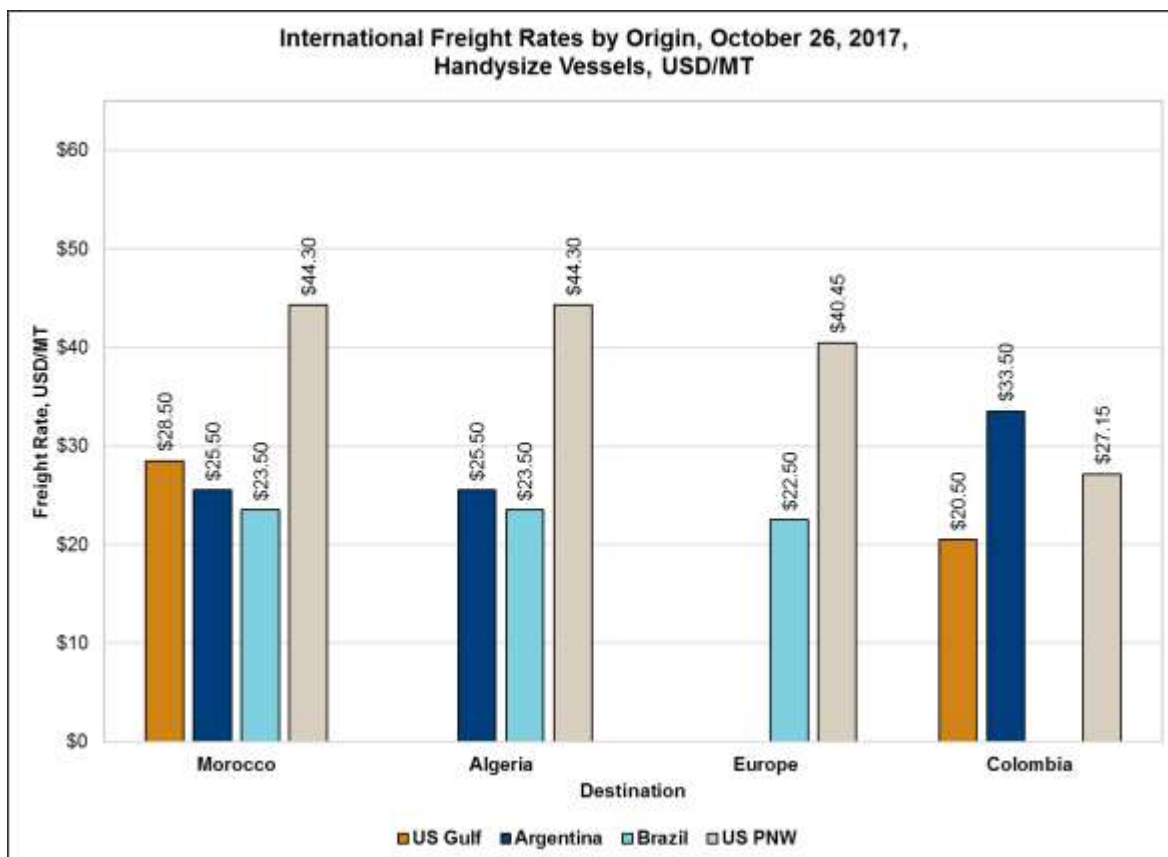
YTD Exports to Philippines by Container



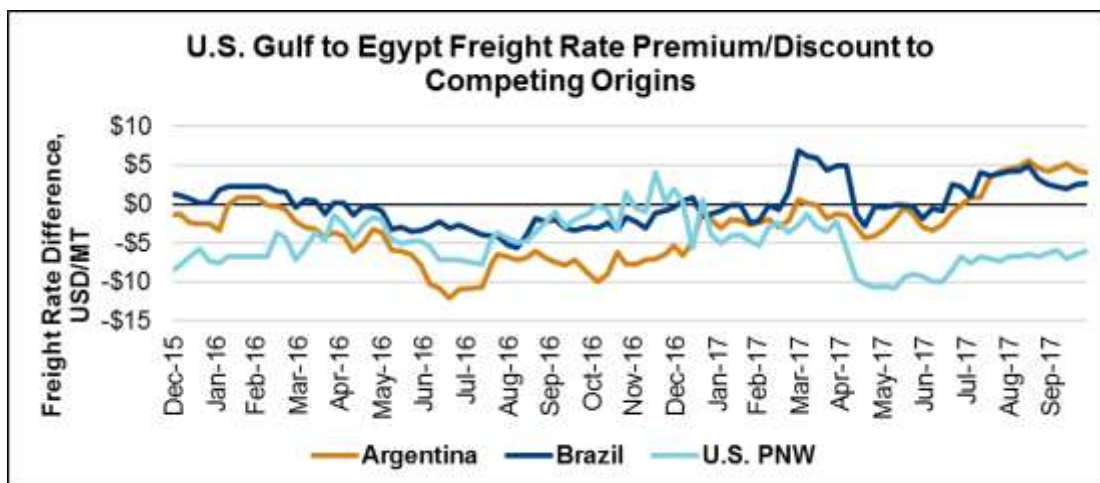
Source: O'Neil Commodity Consulting



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



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



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

INTEREST RATES

Interest Rates (%): October 26, 2017			
	Current Week	Last Week	Last Month
U.S. Prime	4.25	4.25	4.25
LIBOR (6 month)	1.56	1.55	1.50
LIBOR (1 year)	1.83	1.82	1.78

Source: www.bankrate.com