



December 7, 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 1	Monday December 4	Tuesday December 5	Wednesday December 6	Thursday December 7
Change	3.000	-5.250	0.250	-1.000	-1.7500
Closing Price	358.75	353.50	353.75	352.75	351.00
Factors Affecting the Market	La Niña weather and dryness in Argentina drew traders' attention and pulled corn higher. The fundamentals are still bearish, but the weather at least gives traders something else to focus on. Nearly 1,300 deliveries were assigned to the Dec. contract today.	Noncommercial traders are still heavily short corn and sent the market down. There are no Crop Progress reports in December, but the crop is likely 98-99 percent harvested by now, in time to miss the snow. The dollar rose 20 points while crude oil fell, and equities were mixed.	March corn traded both sides of unchanged but ended only one tick higher. Argentina's dryness is buoying the soy complex, but ample corn supplies are insulating that market. Commercial buying is active at these low prices, but funds show no short-covering signs yet.	Strength in soybeans did not spillover into corn futures today. USDA's large ending stocks are keeping the market defensive. Ethanol production hit a new weekly high (1.108 million barrels/day), a bullish sign for corn demand. The dollar rose 20 points while U.S. stocks fell.	Corn fell again as lower cash prices and weakness in soybeans eliminated any bullish feelings. USDA reported 23.3 million bushels of exports last week, a bearish amount that highlights the challenges facing U.S. corn demand. U.S. equities were higher and the dollar unchanged.

Outlook: March corn futures are lodged in a pattern of lower, range bound trading and are hanging only a few cents above life-of-contract lows. The soy complex's excitement over dryness in Argentina has failed to impress – or even interest – corn bulls, leaving few factors left to move prices higher. U.S. exports are in competition with South America, though rising freight rates may give exporters additional opportunities.

Argentina's rainfall has been below normal since November. Some isolated showers have been received in recent days, but these failed to offer significant coverage. The dryness is more threatening to the Argentine soybean crop, but an extended dry pattern could impact the country's corn planting too. Argentine corn basis is rising slowly and steadily – as are freight rates – which is giving U.S. corn more competitive opportunities. On paper at least, U.S. corn is the cheapest worldwide, which should bring more business to American exporters. The corn market, however, will wait to see evidence of additional shipments before moving prices higher.

USDA's Export Sales report today featured 34.5 million bushels of net sales and 23.3 million bushels of shipments. Despite sales being higher than needed this week, the report was bearish corn futures as the market needs to see *exports* improving, not just sales. Exports marketing-year-to-date are down 38 percent from last year, and behind the pace needed to meet USDA's projections. Typically, exports pick up this time of year as competition from South America wanes, but Brazil and Argentina have remained competitive longer into the fall this year. With weather trouble in Argentina, it's possible that U.S. exports may pick up.

From a technical perspective, March corn is range bound and finding support near \$3.50 from large commercial buying at low prices. The moving averages point to continued lower prices but \$3.50 will form key psychological support. Funds hold a large short position in corn futures already and are likely unwilling to push

the market to new lows with the weather in Argentina. Moreover, any short-covering by noncommercial traders could spark a mild rally in the market. However, there is currently no catalyst at work that would prompt such buying. Slow, choppy, range-bound trading is expected for the next several weeks.

CBOT MARCH CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending December 7, 2017			
Commodity	7-Dec	1-Dec	Net Change
Corn			
Dec 17	338.75	344.75	-6.00
Mar 18	351.50	358.75	-7.25
May 18	360.00	366.50	-6.50
Jul 18	368.50	374.50	-6.00
Soybeans			
Jan 18	992.00	994.25	-2.25
Mar 18	1004.25	1006.00	-1.75
May 18	1014.75	1017.00	-2.25
Jul 18	1023.25	1025.75	-2.50
Soymeal			
Dec 17	333.50	328.20	5.30
Jan 18	335.20	330.20	5.00
Mar 18	338.80	333.50	5.30
May 18	340.90	336.10	4.80
Soyoil			
Dec 17	33.25	33.60	-0.35
Jan 18	33.33	33.69	-0.36
Mar 18	33.54	33.91	-0.37
May 18	33.71	34.11	-0.40
SRW			
Dec 17	394.25	414.50	-20.25
Mar 18	421.50	438.50	-17.00
May 18	435.00	451.00	-16.00
Jul 18	449.00	464.25	-15.25
HRW			
Dec 17	403.00	420.50	-17.50
Mar 18	420.75	437.50	-16.75
May 18	433.75	449.75	-16.00
Jul 18	450.00	466.50	-16.50
MGEX (HRS)			
Dec 17	598.75	610.50	-11.75
Mar 18	611.00	631.50	-20.50
May 18	619.50	638.00	-18.50
Jul 18	623.75	639.75	-16.00

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

U.S. WEATHER/CROP PROGRESS

U.S. Drought Monitor Weather Forecast: The NWS WPC 7-Day Quantitative Precipitation Forecast (QPF) calls for dry conditions across the western U.S., Plains, and lower Midwest while liquid precipitation accumulations of <1.5 inches are expected in the upper Midwest, New England, eastern portions of the Mid-Atlantic, Southeast, and Gulf Coast. Some slightly higher accumulation (2-to-3 inches) are expected across the coastal plains of the Carolinas. The CPC 6- to 10-day outlook calls for a high probability of above-normal temperatures across the western half of the conterminous U.S. while below normal temperatures are expected in the eastern third of the U.S. In terms of precipitation, below normal precipitation is expected across most of

the West, southern Plains, South, Southeast, lower Midwest, and Mid-Atlantic while there is a high probability of above normal precipitation for the upper Midwest and western portions of New England.

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 November 30, 2017					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	331,800	396,400	12,036.0	17,486.3	-10%
Corn	921,700	592,300	8,086.6	22,899.2	-27%
Sorghum	414,900	257,600	1,238.6	3,267.7	23%
Barley	0	400	16.3	38.0	150%

Source: USDA/FAS

Corn: Net sales of 876,400 MT for 2017/2018 were up 46 percent from the previous week, but down 30 percent from the prior 4-week average. Increases were reported for Colombia (173,700 MT, including 109,400 MT switched from unknown destinations and decreases 5,900 MT), Mexico (150,300 MT, including 26,000 MT switched from unknown destinations and decreases of 5,100 MT), unknown destinations (127,100 MT), Peru (124,800 MT, including decreases of 14,000 MT), and Japan (117,800 MT, including 50,000 MT switched from unknown destinations and decreases of 100 MT). Exports of 592,300 MT were primarily to Mexico (203,600 MT), Colombia (170,600 MT), Japan (105,000 MT), Panama (38,900 MT), and Peru (29,800 MT).

Optional Origin Sales: For 2017/2018, new optional origin sales of 172,000 MT were reported for South Korea (68,000 MT) and unknown destinations (104,000 MT). The current optional origin outstanding balance is 429,500 MT for South Korea (206,000 MT) and unknown destinations (223,500 MT).

Barley: No net sales were reported for the week. Exports of 400 MT were reported to Japan (300 MT) and South Korea (100 MT).

Sorghum: Net sales of 406,600 MT for 2017/2018--marketing-year high--were up 24 percent from the previous week and 49 percent from the prior 4-week average. Increases were reported for China (472,500 MT, including 132,000 MT switched from unknown destinations and decreases of 8,300 MT). Reductions were reported for unknown destinations (66,000 MT). Exports of 257,600 MT--a marketing-year high--were up 19 percent from the previous week and up noticeably from the prior 4-week average. The destinations were China (255,700 MT) and Mexico (1,900 MT).

U.S. Export Inspections: Week Ending November 30, 2017					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	0	366	16,690	27,342	61%
Corn	586,213	638,711	7,854,469	13,751,258	57%
Sorghum	258,448	107,785	1,074,465	1,121,648	96%
Soybeans	1,800,452	1,723,338	22,853,984	26,106,569	88%
Wheat	409,569	348,270	12,754,992	13,660,961	93%

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 November 30, 2017						
Region	YC	% of Total	WC	% of Total	Sorghum	% of Total
Lakes	0	0%	0	0%	0	0%
Atlantic	4,603	1%	0	0%	0	0%
Gulf	415,632	74%	27,533	100%	195,742	74%
PNW	0	0%	0	0%	63,604	24%
Interior Export Rail	138,445	25%	0	0%	4,932	2%
Total (Metric Tons)	558,680	100%	27,533	100%	264,278	100%
White Corn Shipments by Country (MT)			7,833	to Colombia		
			13,820	to Honduras		
			5,880	to Japan		
Total White Corn (MT)			27,533			
Sorghum Shipments by Country (MT)					256,913	to China
					5,830	to Kenya
					98	to Japan
					1,437	to Mexico
Total Sorghum (MT)					264,278	

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)
December	0.58+Z	\$156.19	0.77+H	\$168.69
January	0.50+H	\$158.06	0.77+H	\$168.69
February	0.51+H	\$158.46	0.78+H	\$169.08

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
December	1.35+H	\$191.52	1.30+H	\$189.56
January	1.35+H	\$191.52	1.30+H	\$189.56

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	December	January	February
New Orleans	\$153	\$153	\$153
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	December	January	February
New Orleans	\$590	\$590	\$590
*5-10,000 MT Minimum			
Corn Gluten Meal (CGM) (Offers, Rail and Truck Delivered U.S. \$/ST)			
	December	January	
Rail Delvd. Chicago	\$495	\$495	
Rail Delvd. Savannah	\$520	\$520	
Truck Delvd. Chicago	\$512	\$512	

DDGS Price Table: December 7, 2017 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	December	January	February
Barge CIF New Orleans	180	179	178
FOB Vessel GULF	191	190	190
Rail delivered PNW	217	214	213
Rail delivered California	216	215	215
Mid-Bridge Laredo, TX	213	212	211
FOB Lethbridge, Alberta	188	187	186
40 ft. Containers to South Korea (Busan)	211	211	212
40 ft. Containers to Taiwan (Kaohsiung)	213	213	214
40 ft. Containers to Philippines (Manila)	219	219	220
40 ft. Containers to Indonesia (Jakarta)	215	215	216
40 ft. Containers to Malaysia (Port Kelang)	214	214	215
40 ft. Containers to Vietnam (HCMC)	224	224	225
40 ft. Containers to Japan (Yokohama)	215	215	217
40 ft. containers to Thailand (LCMB)	215	215	216
40 ft. Containers to China (Shanghai)	216	216	219
40 ft. Containers to Bangladesh (Chittagong)	242	242	244
40 ft. Containers to Myanmar (Yangon)	239	239	241
KC & Elwood, IL Rail Yard (delivered Ramp)	174	173	174

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 are higher again this week, buoyed by international demand and rising soybean meal prices. FOB U.S. Gulf DDGS reached over \$190/MT this week. DDGS rail-delivered to the PNW rose \$5/MT this week to end at \$216.50, while barge CIF NOLA prices moved higher by an equal amount. FOB NOLA DDGS are priced at 52 percent of FOB NOLA soybean meal and 120 percent of FOB NOLA corn. Both ratios are moving towards the high end of their normal range, which could either pressure DDGS prices or bring additional support to the corn and soybean meal markets.

Domestically, DDGS FOB ethanol plants (averaging \$132/MT) are valued at 40 percent of Kansas City soybean meal values and 119 percent of cash corn. Soybean meal prices have been rising quickly with the dry weather in Argentina, which is keeping DDGs competitive in feed rations. DDGS enjoy a per-protein unit cost

advantage of \$1.60 versus soybean meal, up from \$1.47 last week as soybean meal prices rose faster than DDGS.

Merchandisers are reporting that shipments to Vietnam are slowing as all Midwest loading points are too cold for the required fumigation. Prices for 40-foot containers to southeast Asia rose \$6/MT on average this week, with prices for Shanghai, China and Taiwan increasing the most. The forward curve for DDGS to southeast Asia is relatively flat, meaning the market appears to be well-supplied but in balance with demand.

COUNTRY NEWS

Australia: No agricultural products had been shipped out of Western Australia's remote Ord Stage port since 2008, but now for the second year in a row a shipment of 11 KMT of corn is being exported to South Korea. The hope is to get it up to three shipments a year but at this juncture the area is only producing 15 KMT. (ABC Rural)

Brazil: The grain agency Conab purchased 86 percent of the nearly one million tons of corn it tendered to buy. The agency purchases corn to prop up prices and then sells it back into the market when prices are higher. Other programs like PEP and Pepro subsidize corn freight or subsidize to even out price differences between regions. (Platts)

China: Imported corn is 16 percent cheaper than domestically delivered product in Guangdong and the 700,000 tons of corn reported to have recently been purchased from the U.S. could signal more imports ahead. The U.S. and Ukraine compete for the market, and the spread between futures prices in China and Chicago indicate that traders do not think much of the quality of the surplus corn supply in China. (Reuters)

Naomi Blohm of Stewart-Peterson says that China going from the current 20 percent of their automobile fleet using ethanol to the goal of 100 percent will require an additional billion bushels (25 MMT) of corn each year. Bohm also cites reports that 70 percent of China's current corn stocks aren't usable. (AgDay)

Venezuela: Corn production has fallen by more than half over the past decade as government price controls have discouraged farmers from planting fields. Sorghum production has mostly disappeared. (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	\$44.25	Unchanged	Handymax at \$44.75/MT
55,000 U.S. PNW-Japan	\$24.75	Unchanged	Handymax at \$25.50/MT
65,000 U.S. Gulf-China	\$43.25	Unchanged	North or South China
PNW to China	\$24.00	Unchanged	
25,000 U.S. Gulf-Veracruz, Mexico	\$16.75	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, Mexico	\$14.50	Unchanged	Deep draft and 6,000 MT/day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia	\$20.75	Unchanged	West Coast Colombia at \$28.50
From Argentina	\$32.75	Unchanged	
40-45,000 U.S. Gulf-Guatemala	\$28.75	Unchanged	Acajutla/Quetzal-8,000 out
26-30,000 U.S. Gulf-Algeria	\$31.75	Unchanged	8,000 MT daily discharge
	\$33.75	Unchanged	3,000 MT daily discharge
25-30,000 US Gulf-Morocco	\$30.75	Unchanged	Discharge rate: 5,000
55,000 U.S. Gulf-Egypt	\$29.00	Unchanged	55,000-60,000 MT Russia Black Sea-Egypt \$16.00
PNW to Egypt	\$28.00	Unchanged	
60-70,000 U.S. Gulf-Europe-Rotterdam	\$18.00	Unchanged	Handymax at +\$2.25 more
Brazil, Santos-China	\$33.50	Down \$0.25	54-59,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port up River	\$32.50	Down \$0.25	
Amazonia North Brazil-China	\$36.00	Down \$0.25	
56-60,000 Argentina-China	\$40.00	Unchanged	Upriver with top-off \$41.50

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: Dry-bulk ocean freight rates held up pretty well this week with needed support from the Capesize market. Any real increase in Dry-Bulk market rates is going to have to be led by the Capesize market, and that is what is occurring. It still revolves around China's import demand for raw materials. Given the stockpiling that is taking place in China, one has to question how much more import volumes can increase. The physical market is trying to follow the Baltic Indices, but is doing so reluctantly and starting to feel a bit topy at week's end. Since we are approaching the holiday period, I'm leaving most rates unchanged from last week's levels.

Baltic-Panamax Dry-Bulk Indices				
December 7, 2017	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	19,288	18,052	1,236	6.8%
P3A: PNW/Pacific– Japan	10,820	10,209	611	6.0%
S1C: U.S. Gulf-China-S. Japan	25,200	24,706	494	2.0%

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 7, 2017	
Four weeks ago:	\$7.50-8.80
Three weeks ago:	\$7.50-8.15
Two weeks ago:	-
One week ago:	\$8.75-9.90
This week	\$9.70-9.90

Source: O'Neil Commodity Consulting

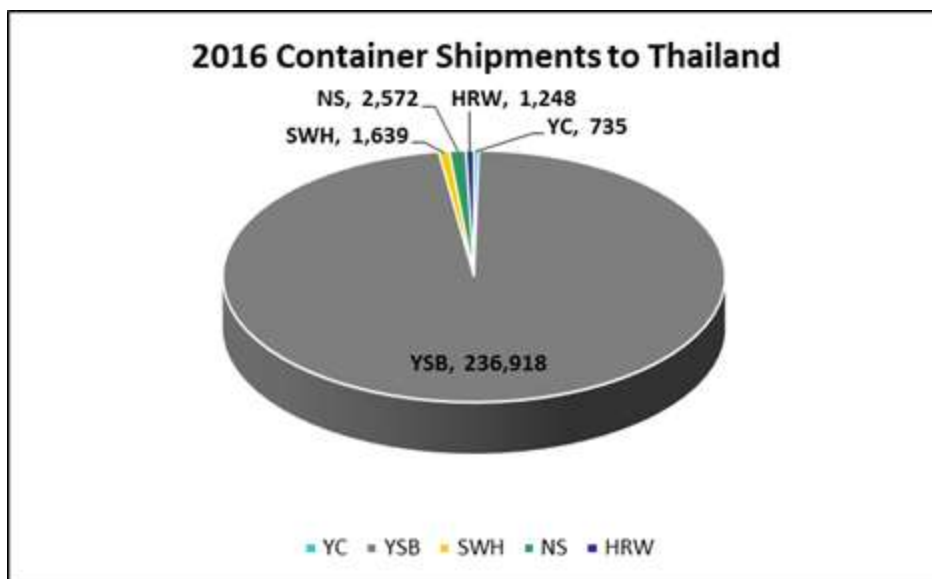
U.S.-Asia Market Spreads					
December 7, 2017	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	0.77	0.50	0.27	\$10.63	PNW
Soybeans	0.75	0.42	0.33	\$12.99	PNW
Ocean Freight	\$24.00	\$43.25	0.49-0.52	\$19.25	Jan.

Source: O'Neil Commodity Consulting

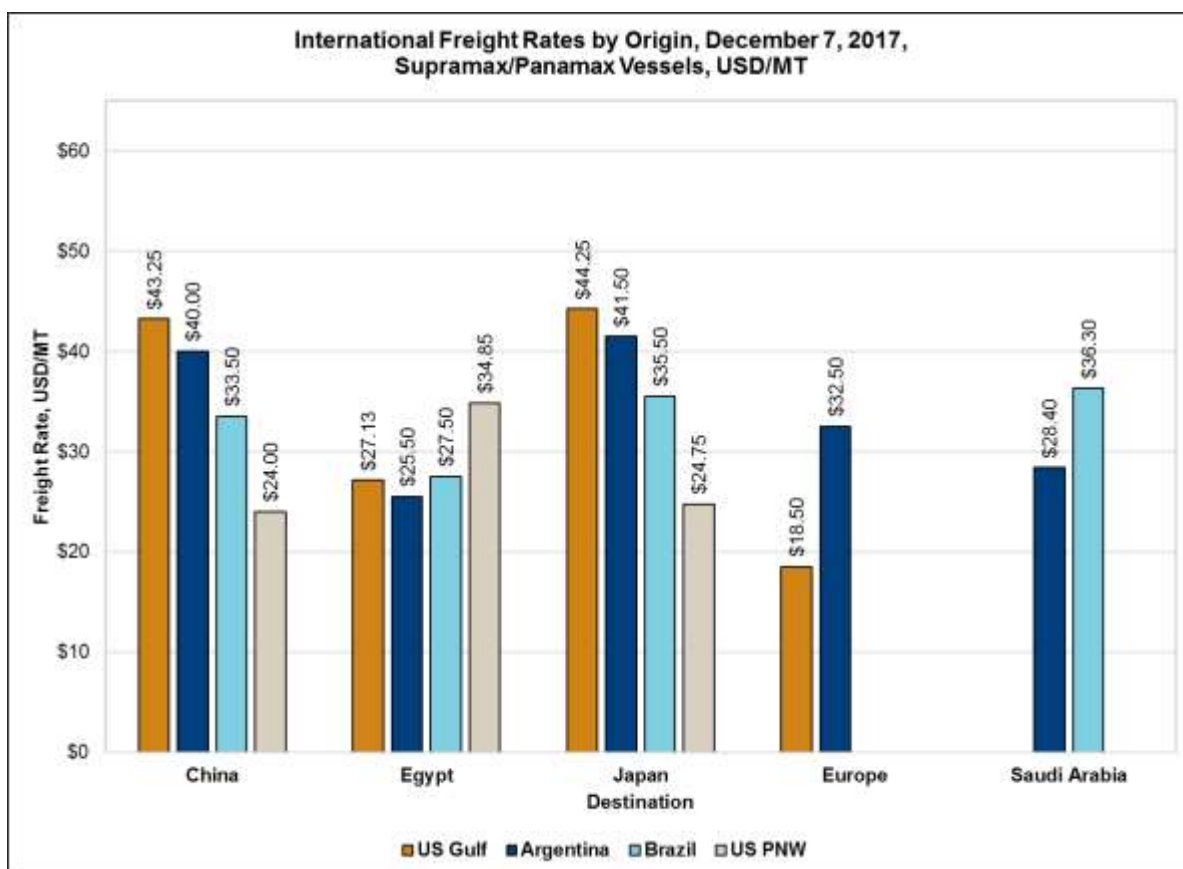
The charts below represent YTD 2017 versus 2016 annual totals for container shipments to Thailand.



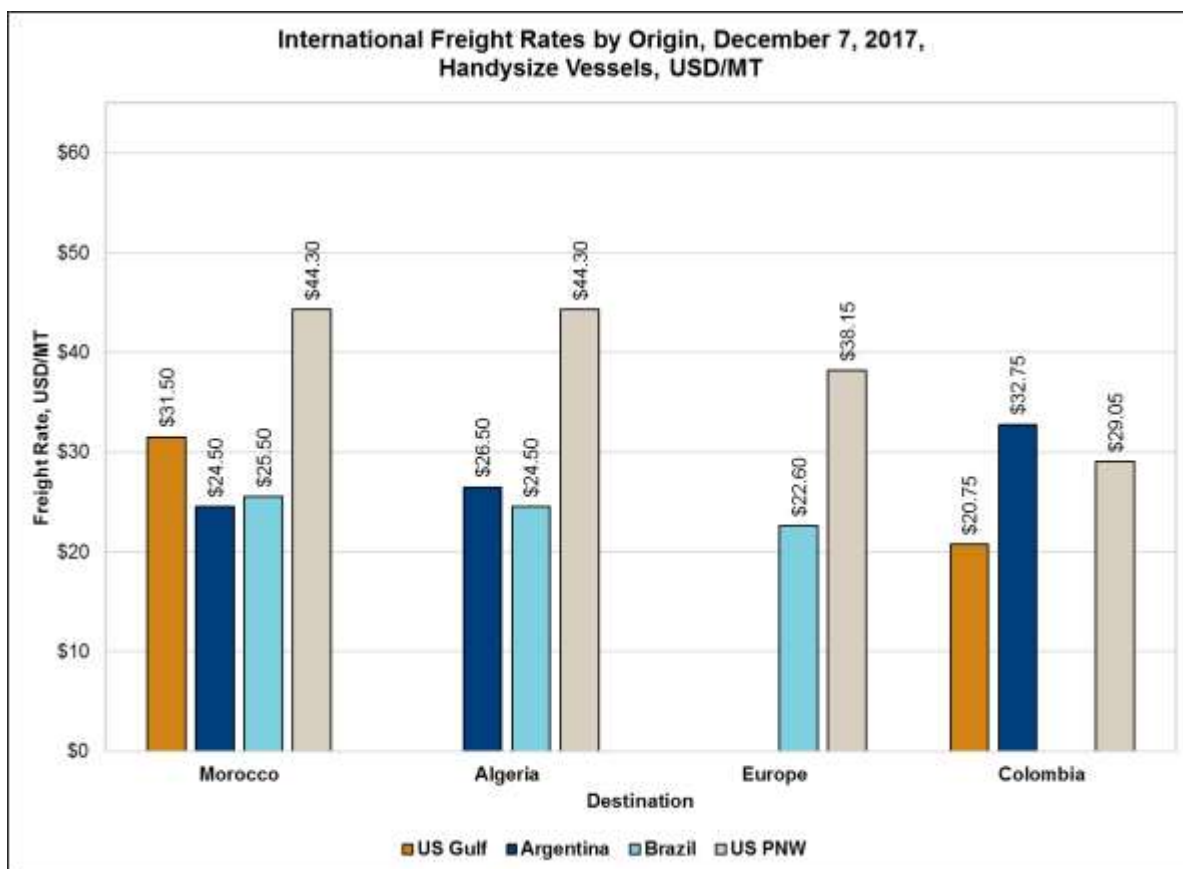
Source: O'Neil Commodity Consulting



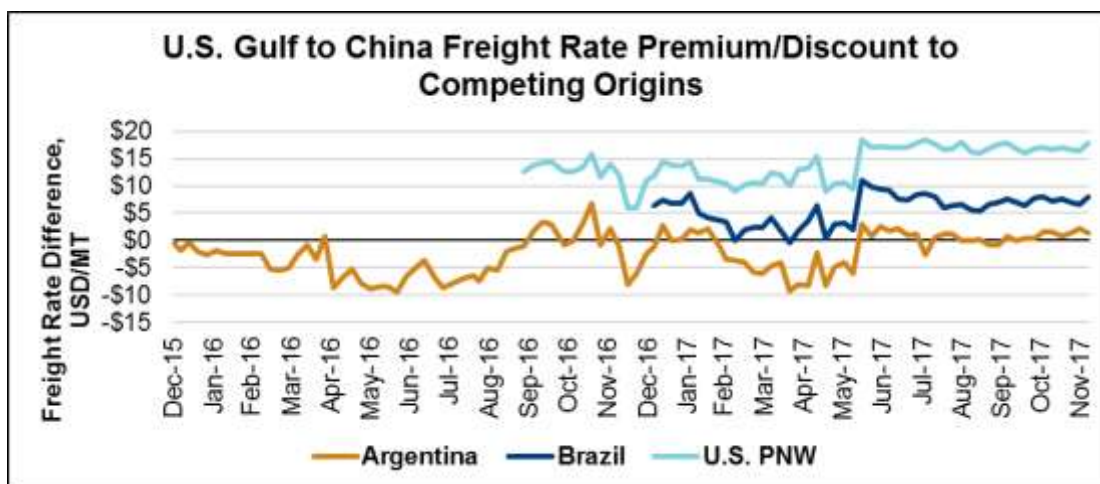
Source: O'Neil Commodity Consulting



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



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INTEREST RATES

Interest Rates (%): December 7, 2017			
	Current Week	Last Week	Last Month
U.S. Prime	4.25	4.25	4.25
LIBOR (6 month)	1.71	1.66	1.60
LIBOR (1 year)	1.99	1.94	1.87

Source: www.bankrate.com