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CHICAGO BOARD OF TRADE MARKET NEWS

Week in Review: CME Corn December Contract					
\$/Bu	Friday 22 July	Monday 25 July	Tuesday 26 July	Wednesday 27 July	Thursday 28 July
Change	0.01	-0.005	-0.0175	0.0350	-0.0425
Closing Price	3.4175	3.4125	3.395	3.43	3.3875
Factors Affecting the Market	New contract lows were made on fund selling but hot weather and light farmer selling pulled the market higher late in the day. Outside markets were neutral.	A narrow trading range occurred as better weather forecasts and reductions in commercial traders' short positions gave mixed market signals.	Markets moved lower as crop condition ratings were unchanged despite the Midwest heat. Competition from cheap feed wheat is lowering corn demand.	The market moved higher on commercial buying and both old- and new-crop export sales. Ethanol production fell but ethanol stocks fell further.	Good weather and lack of fresh demand sent markets lower. Ethanol futures weighed on the market as producer margins remain modest.

Outlook: Despite putting in new contract lows on Friday corn markets traded a tight range this week and broke from recent volatility. The markets appear to be consolidating, waiting for more information about the 2016 crop, with immediate weather concerns alleviated. The oppressive Midwest heat did not reduce crop condition ratings and 76 percent of the corn crop is rated as good or excellent. The resilience of the corn crop

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.

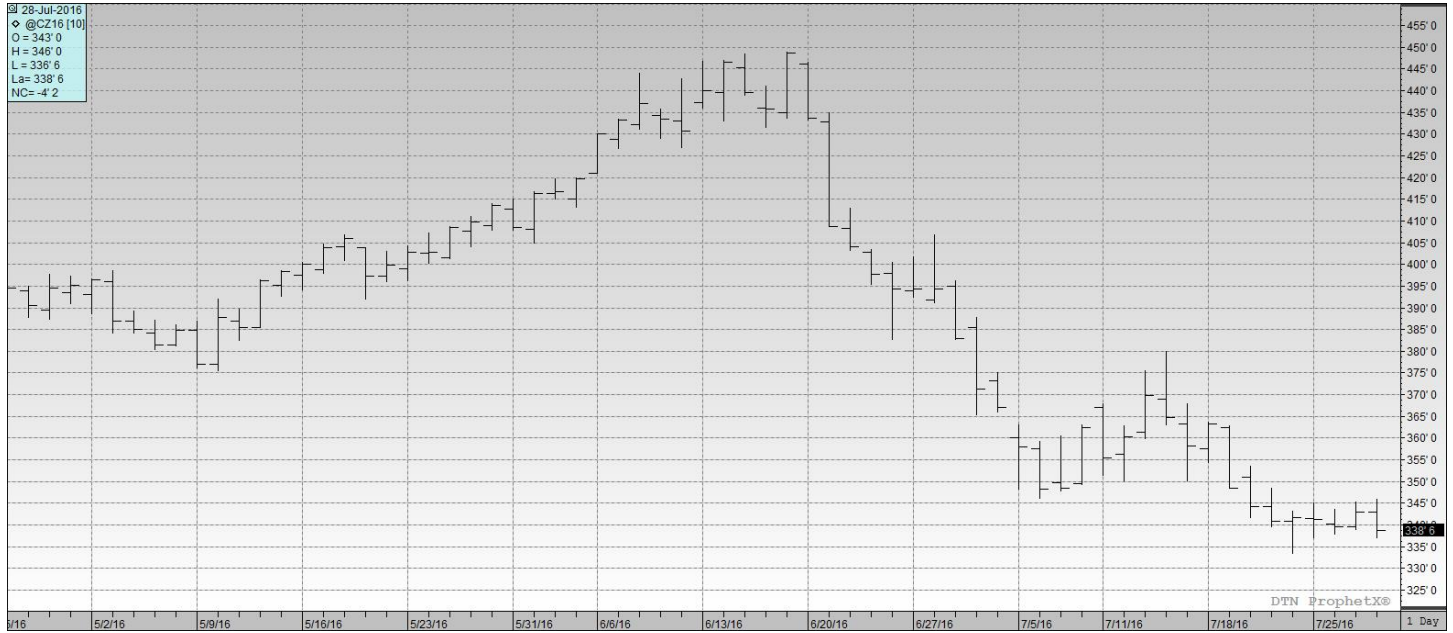
encouraged noncommercial funds to end their weather-market-anticipating long positions. The latest CFTC data showed a small short position in corn for the funds while commercial traders reduced short positions and became cash market buyers.

The trade is turning its focus to the August WASDE. Many expect the USDA to increase the corn yield given how well the crop tolerated the recent hot weather. The August WASDE will feature the first yield and production projections based on surveys and test plot data which are considered more reliable than the current trendline projections. Some yield models call for a national average yield of 171-172 bushels per acre which would tie or narrowly exceed the record yield of 2015. Given the inconsistency of weather thus far and the forecast for hotter and drier weather into August, yields of this magnitude are far from certain.

Thursday's export inspections for corn fell again from the previous week, reaching 1.306 MMT. Export sales hit 36.0 million bushels last week, putting total old-crop sales at 1.917 billion bushels, slightly ahead of USDA's July demand projections. However, old-crop sales are still lower than needed to meet USDA's 2 percent projected annual demand increase. Analysts are viewing the export report as neutral-to-bearish.

December corn futures put in new contract lows last Friday, trading to \$3.33 ¼ before closing a penny higher. The trading activity formed a key reversal chart pattern which often indicates a reversal in market direction. Trading Monday through Thursday found significant support near \$3.37, though upward price moves have been limited. December futures remain under the bearish trendline established with the June 17 high, though highs on July 28 briefly broke the trendline before closing lower. The U.S. dollar broke downward on Thursday which should encourage U.S. corn exports. The market remains in a bearish trend with support for the December contract near \$3.33. Basis levels through the Midwest are strengthening (\$0.29 under September) but remain historically low. Farmers, having endured large cash price losses, are hardly eager sellers. Farmer selling will likely need to increase before futures can make a significant move to the downside. Sideways trading is to be expected in the near-term.

CBOT DECEMBER CORN FUTURES



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending July 28, 2016			
Commodity	28-Jul	22-Jul	Net Change
Corn			
Sep 16	331.25	335.00	-3.75
Dec 16	338.75	341.75	-3.00
Mar 17	347.50	351.50	-4.00
May 17	353.25	357.00	-3.75
Soybeans			
Aug 16	1003.50	1006.50	-3.00
Sep 16	993.25	998.75	-5.50
Nov 16	978.00	988.25	-10.25
Jan 17	978.50	989.25	-10.75
Soymeal			
Aug 16	341.50	346.70	-5.20
Sep 16	342.80	345.80	-3.00
Oct 16	341.90	343.10	-1.20
Dec 16	340.80	341.70	-0.90
Soyoil			
Aug 16	29.49	30.21	-0.72
Sep 16	29.64	30.31	-0.67
Oct 16	29.75	30.43	-0.68
Dec 16	29.98	30.70	-0.72
SRW			
Sep 16	410.25	425.25	-15.00
Dec 16	437.25	450.25	-13.00
Mar 17	462.00	475.25	-13.25
May 17	475.25	487.25	-12.00
HRW			
Sep 16	409.00	419.00	-10.00
Dec 16	435.00	445.00	-10.00
Mar 17	452.00	462.00	-10.00
May 17	463.00	473.00	-10.00
MGEX (HRS)			
Sep 16	486.75	495.25	-8.50
Dec 16	501.75	511.00	-9.25
Mar 17	517.25	526.75	-9.50
May 17	527.00	536.75	-9.75

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

U.S. WEATHER/CROP PROGRESS

U.S. Crop Condition: July 24, 2016					
	Very Poor	Poor	Fair	Good	Excellent
Corn	1%	4%	19%	57%	19%
Sorghum	1%	5%	29%	54%	11%
Barley	1%	3%	23%	58%	15%

Source: USDA

U.S. Drought Monitor Weather Forecast: During the next few days, an active weather pattern will feature the interaction between a disturbance in the Southeast and cold fronts crossing the Plains and Midwest. As a result, 5-day rainfall totals could reach 2 to 4 inches or more from the Mississippi Delta into the Mid-Atlantic States. Surrounding areas, including the northern and central Plains and the Midwest, could see 1- to 2-inch totals in a few spots. In the West, showers will be heaviest across Arizona and New Mexico, with most other areas remaining hot and dry. Elsewhere, lingering heat will be mostly confined to the lower Southeast, although hot weather will build eastward and return to the High Plains during the weekend.

The NWS 6- to 10-day outlook for August 2-6 calls for the likelihood of above-normal temperatures across the eastern half of the U.S., while cooler-than-normal conditions can be expected in parts of the Northwest and Southwest. Meanwhile, odds will be tilted toward above-normal rainfall in much of the Southeast, Southwest, and the upper Great Lakes region, while drier-than-normal weather should occur in the Northeast, Northwest, and south-central U.S.

Follow this link to view current U.S. and international weather patterns and the future outlook: [Weather and Crop Bulletin](#).

U.S. EXPORT STATISTICS

U.S. Export Sales and Exports: Week Ending July 21, 2016					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	% Change YTD Bookings
Wheat	511,700	549,900	3,367.8	9,762.6	27%
Corn	542,400	1,379,800	39,304.7	48,704.0	3%
Sorghum	74,100	171,700	7,201.2	7,974.6	-6%
Barley	400	200	4.0	11.3	28%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 438,800 MT for 2015/2016 were up 27 percent from the previous week, but down 5 percent from the prior 4-week average. Increases were reported for Japan (96,200 MT, including 86,700 MT switched from unknown destinations and decreases of 400 MT), South Korea (75,900 MT), Mexico (73,300 MT), Algeria (61,500 MT, including 15,000 MT switched from unknown destinations), Saudi Arabia (52,000 MT, including

45,000 MT switched unknown destinations), and Bangladesh (49,900 MT). Reductions were reported for unknown destinations (210,500 MT), the Dominican Republic (23,400 MT), Spain (20,000 MT), and Israel (2,700 MT). For 2016/2017, net sales of 476,500 MT were reported primarily for unknown destinations (181,800 MT), Peru (140,000 MT), and Mexico (67,900 MT). Exports of 1,379,800 MT were up 11 percent from the previous week and 5 percent from the prior 4-week average. The primary destinations were Mexico (272,600 MT), South Korea (272,200 MT), Japan (231,000 MT), Saudi Arabia (122,000 MT), Colombia (76,200 MT), and Taiwan (72,100 MT).

Optional Origin Sales: For 2015/2016, new optional origin sales totaling 58,000 MT were reported for unknown destinations. The current outstanding balance is 452,800 MT, all unknown destinations. For 2016/2017, new sales totaling 65,000 MT were reported for Taiwan. The current outstanding balance is 65,000 MT, all Taiwan.

Barley: Net sales of 400 MT for 2016/2017 were reported for Japan. Exports of 200 MT – a marketing-year-low – were reported to Taiwan.

Sorghum: Net sales of 71,600 MT for 2015/2016 resulted as increases for China (118,000 MT, including 113,000 MT switched from unknown destinations and decreases of 2,500 MT), Mexico (11,100 MT), and Indonesia (500 MT), were partially offset by reductions for unknown destinations (58,000 MT). For 2016/2017, net sales of 12,200 MT were reported for Mexico. Exports of 171,700 MT were up noticeably from the previous week and from the prior 4-week average. The destinations were China (171,100 MT), Mexico (600 MT), and South Korea (100 MT).

U.S. Export Inspections: Week Ending July 21, 2016					
Commodity (MT)	Export Inspections		Current Market YTD	Previous YTD	YTD as Percent of Previous
	Current Week	Previous Week			
Barley	2,589	294	9,965	4,921	202%
Corn	1,306,373	1,327,509	39,052,747	40,194,495	97%
Sorghum	179,744	68,655	7,944,829	7,958,419	100%
Soybeans	700,715	400,240	45,946,858	48,685,308	94%
Wheat	549,894	446,671	3,654,149	2,829,502	129%

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 21, 2016						
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	808,919	65%	57,500	100%	170,975	95%
PNW	336,258	27%	0	0%	122	0%
Interior Export Rail	103,574	8%	122	0%	8,647	5%
Total (Metric Tons)	1,248,751	100%	57,622	100%	179,744	100%
White Corn Shipments by Country (MT)			23,100	to Colombia		
			34,400	to Mexico		
			122	to Korea		
Total White Corn (MT)			57,622			
Sorghum Shipments by Country (MT)					170,975	to China
					122	to Korea
					8,647	to Mexico
Total Sorghum (MT)					179,744	

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 August	+1.15 U	\$175.68	+1.30 U	\$181.58
LH August	+1.15 U	\$175.68	+1.30 U	\$181.58
September	+1.10 U	\$173.71	+1.30 U	\$181.58
October	+1.10 Z	\$176.66	+1.28 Z	\$183.75

Please note that given the lack of volume in the white corn trade we are unable to provide accurate pricing figures for today's report.

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
September	-	-	+1.15 Z	\$178.63
October	-	-	+1.15 Z	\$178.63

Please note that given the lack of volume in the feed barley trade we are unable to provide accurate pricing figures for today's report.

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)			
	August	September	October
New Orleans	\$168	\$160	\$160
<i>Quantity 5,000 MT</i>			
Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)			
Bulk 60% Pro.	August	September	October
New Orleans	\$665	\$675	\$675
<i>*5-10,000 MT Minimum</i>			

**All prices are market estimates.*

DDGS Price Table: July 28, 2016 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	August	September	October
Barge CIF New Orleans	185	183	185
FOB Vessel GULF	193	193	195
Rail delivered PNW	200	196	197
Rail delivered California	202	198	199
Mid-Bridge Laredo, TX	199	195	197
FOB Lethbridge, Alberta	170	165	165
40 ft. Containers to South Korea (Busan)	216	212	212
40 ft. Containers to Taiwan (Kaohsiung)	215	209	210
40 ft. Containers to Philippines (Manila)	225	219	219
40 ft. Containers to Indonesia (Jakarta)	220	216	216
40 ft. Containers to Malaysia (Port Kelang)	223	218	218
40 ft. Containers to Vietnam (HCMC)	226	220	221
40 ft. Containers to Japan (Yokohama)	230	215	215
40 ft. containers to Thailand (LCMB)	219	214	215
40 ft. Containers to Shanghai, China	225	213	213
KC & Elwood, IL Rail Yard (delivered Ramp)	179	178	179

*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: This week's DDGS market has been active with buyers looking for offers. Strong interest from buyers in Southeast Asia has been noted, especially for product to be delivered in October and November. Prices for 40-foot containers to China for August delivery moved \$5/container higher while containers to Japan rose \$8/container. Despite the likely large corn production in the U.S. this fall, DDGS prices for September delivery are down very modestly (\$6/container on average). Active buyer interest appears to be buoying the market for the near-term at least.

Ethanol Comments: International interest is developing in ethanol on two fronts this week. Mexico is showing interesting in importing U.S. sorghum to produce its own ethanol while Asian markets are keen to import ethanol.

Dropping concurrently this week were ethanol production and inventories in the U.S. Ethanol production fell from 1.029 million barrels last week to 998,000 this week, which is still a historically strong pace. This summer's low gasoline prices boosted demand, causing ethanol stocks to fall from 21.2 to 20.4 million barrels, adding bullish sentiment to the market.

The margin between the corn price and the value of ethanol and coproducts was lower this past week in all of the four reference markets (see below), and the spread versus this time last year continues to widen.

- Illinois differential is \$2.04 per bushel, in comparison to \$2.16 the prior week and \$1.61 a year ago.
- Iowa differential is \$1.93 per bushel, in comparison to \$2.27 the prior week and \$1.46 a year ago.
- Nebraska differential is \$1.57 per bushel, in comparison to \$1.94 the prior week and \$1.19 a year ago.
- South Dakota differential is \$2.01 per bushel, in comparison to \$2.34 the prior week and \$1.54 a year ago.

COUNTRY NEWS

Brazil: Ethanol production in Brazil should fall in the coming three years if the world's sugar deficits continue. The FG/AGRO consultancy noted recently that Brazil's center-south sugar cane producing region may produce 27.2 billion liters of ethanol in 2016/17, down from 28.2 billion in the prior year. The fall in ethanol output will come despite increases in sugar cane production. Sugar cane production is set to reach 36.8 million tons this year, up from 31.2 in the prior year. Sugar cane will be transitioned from use in ethanol plants to sugar mills due to the global sweetener supply deficits. Current projections call for a global sugar deficit of 4-8 million tons for the next two years. (Reuters)

Russia: The latest production estimates from USDA FAS officials in Moscow increased grain production by 7 MMT to 107.7 MMT for the major crops. Russia's corn production is estimated at 13.5 MMT while barley production is set to reach 17.5 MMT. Forecasts call for 4.1 MMT of corn and 3.8 MMT of barley to be exported from the 2016 crop. (USDA FAS)

South Africa: South African farmers have shifted acres away from wheat and into corn. The latest data from the South African Crop Estimates Committee pegged the 2016 corn crop at 7.26 MMT, driven partly by the third-smallest wheat planted area on record. South Africa's corn production was revised upward by 0.1 MMT from last month's estimate. The projected harvest for 2016 would still be 27 percent lower than 2015, due the El Nino-induced drought in the African nation. A private source projected South Africa will likely need to import 3.8 MMT of corn this year, a third of which is expected to be white corn – the staple variety for food consumption in the country. (Bloomberg)

Zimbabwe: A \$500 million program has been announced to increase the nation's corn production. The program is an effort to help domestic farmers meet the nation's growing corn demand. The program will

intentionally expand planted area and expand irrigation to boost production to 2 MMT per year. In 2014/15, Zimbabwean farmers harvested 724,000 tons of corn, far less than the domestic consumption of 1.8 million. (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	\$29.50	Down \$1.75	Handymax at \$30.25/MT
55,000 U.S. PNW-Japan	\$16.50	Down \$1.00	Handymax at \$17.25/MT
58-60,000 U.S. Gulf-China PNW to China	\$28.50 \$15.50	Down \$0.75 Down \$0.50	North China
30,000 U.S. Gulf-Veracruz, México	\$15.00	Down \$0.50	4,000 MT daily discharge rate
40-45,000 U.S. Gulf-Veracruz, México	\$13.25	Down \$0.50	Deep draft and 8,000 MT per day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia, from Argentina	\$16.00 \$27.50	Down \$0.75 Down \$0.75	West Coast Colombia at \$22.75
43,000 U.S. Gulf-Guatemala	\$23.00	Down \$0.50	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf-Algeria	\$33.00 \$34.00	Down \$0.75 Down \$0.75	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 U.S. Gulf-Morocco	\$33.75	Down \$0.50	5,000 discharge rate
55,000 U.S. Gulf-Egypt PNW to Egypt	\$22.75 \$24.50	Down \$2.00 Down \$1.00	55,000 -60,000 MT St. Lawrence to Egypt \$23.00
65-75,000 U.S. Gulf-Europe- Rotterdam	\$15.00	Down \$0.25	Handymax at +\$1.25 more
Brazil, Santos-China	\$19.75 \$19.00	Down \$0.50 Down \$0.50	54-58,000 Supramax- Panamax 60-66,000 Post Panamax
Itacoatiara Port up river Amazonia-China	\$29.50	Down \$0.50	48-53,000 MT (11.5-meter draft)
56-60,000 Argentina-China Upriver with Top-Off	\$28.50	Down \$0.50	—

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: "What goes up must come down," especially in a shipping market that still has an over-balance of vessels verses cargo. As I mentioned last week, the Baltic Index rally of the past month has been mostly technical in nature with too many players getting too optimistic with their wishful thinking. This week's reality check has brought things back closer to earth.

Average daily earnings for Capsize vessels is now \$6,059/day, while daily hire rates for Panamax vessels has declined to \$6,276/day and look to be going towards \$6,000/day. I hope vessel owners grabbed on to the better rates when they were available. Shipping industry financial statements are still looking ugly.

No record yet of any bigger grain vessels using the new expanded Panama Canal locks.

Baltic-Panamax Dry-Bulk Indices				
July 28, 2016	This Week	Last Week	Difference	Percent Change
Route				
P2A: Gulf/Atlantic – Japan	10,008	11,450	-1,442	-12.6%
P3A: PNW/Pacific– Japan	5,881	6,852	-971	-14.2%

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:

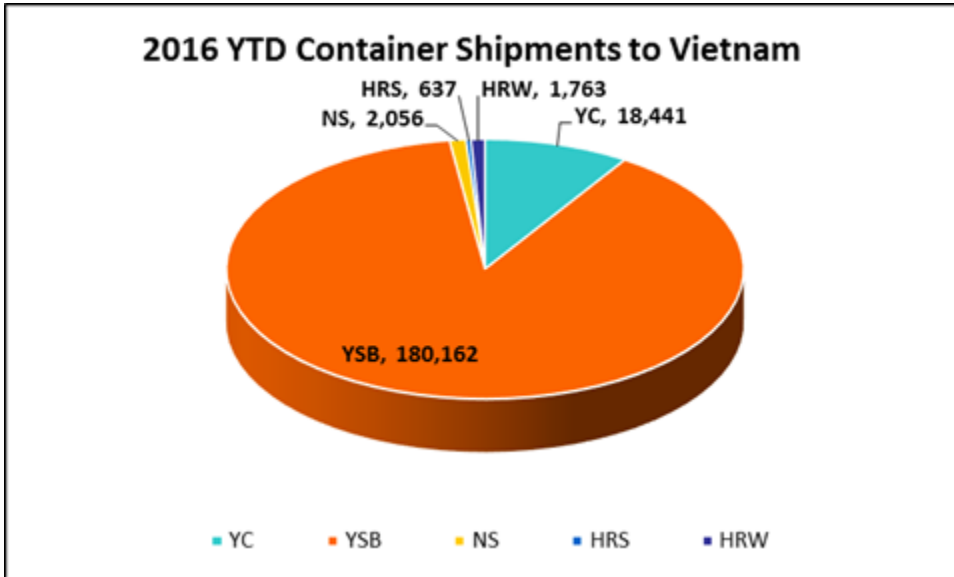
Week of July 28, 2016	
Four weeks ago:	\$4.35-\$4.45
Three weeks ago:	\$4.65-\$4.75
Two weeks ago:	\$4.50-\$4.55
One week ago:	\$4.40-\$4.55
This week	\$4.35-\$4.55

Source: O'Neil Commodity Consulting

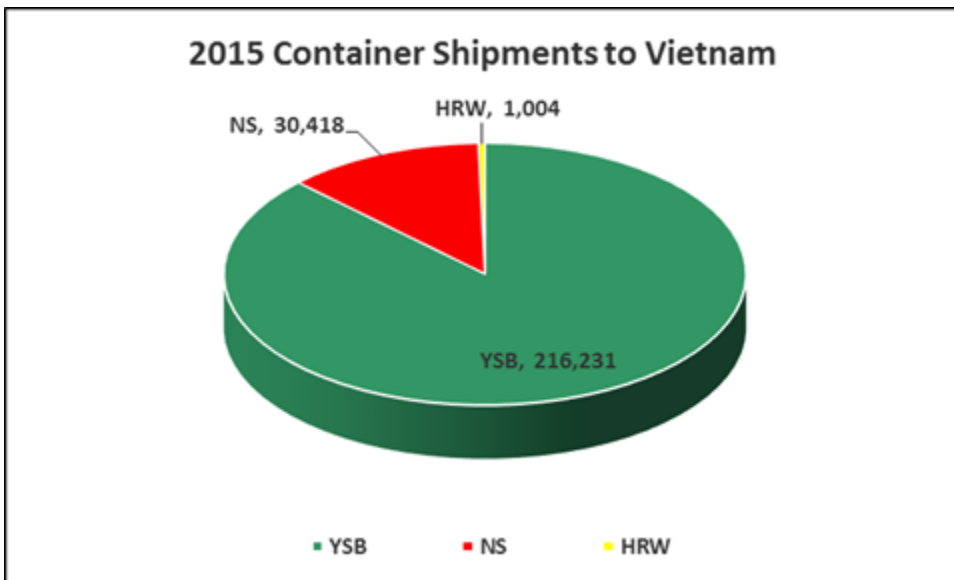
U.S.-Asia Market Spreads					
July 28, 2016	PNW	Gulf	Bushel Spread	MT Spread	Advantage
#2 Corn	1.30	1.10	0.20	\$7.87	PNW
Soybeans	1.21	1.06	0.15	\$5.91	PNW
Ocean Freight	\$15.50	\$28.50	0.33-0.35	(\$13.00)	August

Source: O'Neil Commodity Consulting

The charts below represent year-to-date 2016 versus January-December 2015 annual totals for container shipments to Vietnam.



Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting

International Freight Rates for Feed Grains – Select Routes Estimated Spot Price (\$/MT) – Week Ending July 28, 2016									
Commodity	Origins	China	Japan	Korea	Morocco	Egypt	Saudi Arabia	Morocco	Colombia
Vessel Size		PNMX	PNMX	PNMX	PNMX	PNMX	PNMX	Handy	Handy
Corn (Yellow)	Argentina	\$28.00	\$30.00	\$29.00	\$24.50	\$23.50	\$28.00	\$29.50	\$28.50
	Brazil	\$20.50	\$23.25	\$23.00	\$14.00	\$16.00	\$18.00	\$24.50	\$25.50
Corn (White)	Argentina	\$28.00	\$30.00	\$29.00	\$24.50	\$23.50	\$28.00	\$29.50	\$28.50
	Brazil	\$20.50	\$23.25	\$23.00	\$14.00	\$16.00	\$18.00	\$24.50	\$25.50
Barley	Argentina	\$28.00	\$30.00	\$29.00	\$24.50	\$23.50	\$28.00	\$29.50	\$28.50
	Brazil	\$20.50	\$23.25	\$23.00	\$14.00	\$16.00	\$18.00	\$24.50	\$25.50
Sorghum	Argentina	\$28.00	\$30.00	\$29.00	\$24.50	\$23.50	\$28.00	\$29.50	\$28.50
	Brazil	\$20.50	\$23.25	\$23.00	\$14.00	\$16.00	\$18.00	\$24.50	\$25.50

Note: Bid-ask spreads can vary in width and initial offers may be higher on less active routes.

Source: World Perspectives, Inc.

INTEREST RATES

Interest Rates (%): July 27, 2016			
	Current Week	Last Week	Last Month
U.S. Prime	3.50	3.50	3.50
LIBOR (6 month)	1.07	1.01	0.90
LIBOR (1 year)	1.37	1.31	1.25

Source: www.bankrate.com