Market Perspectives

U.S. GRAINS COUNCIL

July 5, 2018

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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.

Chicago Board of Trade Market News

Week in Review: CME Corn December Contract					
$/Bu	**Friday June 29**	**Monday July 2**	**Tuesday July 3**	**Wednesday July 4**	**Thursday July 5**
Change	5.250	-12.250	5.250	-	0.2500
Closing Price	371.25	359.00	364.25	-	364.50
Factors Affecting the Market	July corn finished higher for the day and down 7 cents for the week on weather concerns. Parts of the Corn Belt are experiencing flooding while others will receive above normal temperatures this week. USDA said more soybean acres were planted than corn, in-line with trade expectations.	Corn fell to a new contract low as fund selling continues along with excellent crop ratings. Friday's Grain Stocks report showed 5.3 billion bushels of corn stored, a bearish volume given trade worries. Friday's CFTC data showed funds selling corn but still holding a net long position. The dollar rose 39.9 points.	Ahead of the holiday, corn was higher on commercial buying amid light volume. Monday, USDA said 17 percent of the corn crop is silking, which makes it susceptible to the oncoming heat wave. The crop is still in excellent shape with 76 percent of the crop rated good/excellent.	U.S. markets were closed for the July 4th holiday.	Lower soybean futures and higher wheat values pulled corn in both directions. Technical resistance capped an early rally; oversold conditions and commercial buying stopped any selling attempts. Ethanol production remains strong even as stocks increased 1.4 percent. The U.S. dollar fell 14 points.

Outlook: The corn market seems to have found support near $3.60/bushel and is waiting for confirmation of bullish or bearish factors ahead. Weather challenges are arising in the U.S. and abroad. December corn futures are down 1.5 cents this week from last, a negligible percent change but important victory for bulls looking for support.

USDA's Export Sales report is delayed one day until Friday, July 6th, due to the U.S. holiday this week. Monday's Export Inspections, however, showed 1.537 MMT of corn exported through June 28th, a modest weekly increase. YTD export shipments are down 6 percent, but USDA's latest projections call for 2017/18 exports nearly equal to those of the prior year.

The U.S. crop is in excellent condition with 76 percent of the corn rated in good/excellent condition and 17 percent presently silking. Both figures are above their respective five-year averages, with nearly twice as much corn silking this year as during "normal" years.

U.S. weather remains largely favorable for corn development, except for some flooding in parts of the Midwest and high temperatures that persisted this week. The outlook induces more abnormal warmth for most of the Corn Belt but, fortunately, normal or below-normal night time temperatures which will allow the crop to recover.

From a technical perspective, December corn is trading sideways, waiting for fresh news. The selloff seems to have ended with strong commercial buying and technical support at $3.60/bushel. Funds are still net long corn futures but pared back their position in last week's CFTC report. Choppy, sideways trading is to be expected until fresh influences are found.

CBOT December Corn Futures

Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending July 5, 2018			
Commodity	**5-Jul**	**29-Jun**	**Net Change**
Corn			
Jul 18	343.50	350.25	-6.75
Sep 18	352.25	359.50	-7.25
Dec 18	364.50	371.25	-6.75
Mar 19	375.00	381.25	-6.25
Soybeans			
Jul 18	835.50	858.50	-23.00
Aug 18	839.25	863.50	-24.25
Sep 18	845.00	869.25	-24.25
Nov 18	855.75	880.00	-24.25
Soymeal			
Jul 18	328.20	332.80	-4.60
Aug 18	326.40	331.00	-4.60
Sep 18	325.90	330.90	-5.00
Oct 18	324.80	330.30	-5.50
Soyoil			
Jul 18	28.47	29.12	-0.65
Aug 18	28.57	29.23	-0.66
Sep 18	28.67	29.34	-0.67
Oct 18	28.79	29.47	-0.68
SRW			
Jul 18	504.00	497.50	6.50
Sep 18	505.50	501.25	4.25
Dec 18	519.75	516.75	3.00
Mar 19	533.25	532.25	1.00
HRW			
Jul 18	482.00	470.75	11.25
Sep 18	503.25	488.50	14.75
Dec 18	524.50	511.50	13.00
Mar 19	540.75	530.25	10.50
MGEX (HRS)			
Jul 18	533.50	521.50	12.00
Sep 18	547.50	536.75	10.75
Dec 18	564.50	554.50	10.00
Mar 19	579.75	570.50	9.25

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

U.S. Weather/Crop Progress

U.S. Crop Condition: July 1, 2018					
Commodit	**Very Poor**	**Poor**	**Fair**	**Good**	**Excellent**
Corn	2%	4%	18%	55%	21%
Sorghum	3%	12%	32%	49%	4%
Barley	1%	2%	13%	66%	18%

Source: USDA

U.S. Drought Monitor Weather Forecast: For the remainder of this week (through June 8, 2018), moderate precipitation (0.5 to 1.2 inches) is forecast across a broad area in the southeastern Great Plains, the Ohio and lower half of the Mississippi River Valleys, and the Eastern Seaboard. Heavy rain (2 to locally 5 inches) is forecast in southeastern Texas and the southern tier of Louisiana, and amounts could reach 2 inches in eastern Pennsylvania and southwestern Florida. Farther west, moderate to heavy rain (0.5 to locally 2.5 inches) is forecast for parts of the central and northeastern Great Plains, and far northern Mississippi Valley. Rainfall should be light with isolated moderate totals in the rest of the country east of the Rockies while little or no rain is expected from the Rockies to the Pacific Ocean. Average daily minimum temperatures should be above-normal throughout the contiguous states, with the largest departures (6 to 10 degrees F) expected in the southern Rockies, parts of the Great Basin and northern Great Plains, and throughout the Ohio Valley and Northeast. Daily high temperatures will not differ as far from normal, with 5-day anomalies exceeding 3 degrees F more than normal limited to the Northwest, the Intermountain West, most of the Rockies, the Great Lakes, and New England.

During the subsequent 5-day period (July 9-13, 2018), odds favor above-normal rainfall in central and southern sections of California, the Intermountain West (including the Great Basin), and the Rockies, with surplus precipitation most likely in northern Arizona. Farther east, wet weather is also favored in the lower Mississippi Valley, most of the Southeast, the southern and eastern Ohio Valley, and the middle Atlantic States. In contrast, subnormal rainfall is favored from central and southern Texas northward through the Plains, the western Great Lakes, the northern Intermountain West, and the Pacific Northwest. Temperatures are expected to average above normal across most of the contiguous states, with the exceptions of southeastern Arizona and southwestern New Mexico, where cooler than normal conditions seem more likely.

Follow this link to view current U.S. and international weather patterns and future outlook: Weather and Crop Bulletin.

U.S. Export Statistics

Note: Due to the Wednesday, July 4 holiday, weekly U.S. export sales will be published on Friday, July 6. Updated U.S. export sales data will be published in the July 12, 2018 edition of *Market Perspectives*.

U.S. Export Inspections: Week Ending June 28, 2018					
Commodity (MT)	**Export Inspections**		**Current Market YTD**	**Previous YTD**	**YTD as Percent of Previous**
	Current Week	**Previous Week**			
Barley	709	0	807	2,926	28%
Corn	1,537,871	1,540,434	45,759,861	48,713,138	94%
Sorghum	9,416	336	4,771,093	5,024,940	95%
Soybeans	849,204	516,711	49,673,709	52,539,547	95%
Wheat	324,181	364,312	1,482,422	2,807,551	53%

*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 June 28, 2018						
Region	**YC**	**% of Total**	**WC**	**% of Total**	**Sorghum**	**% of Total**
Lakes	19,335	1%	0	0%	0	0%
Atlantic	0	0%	0	0%	0	0%
Gulf	813,861	53%	4,263	36%	9,198	98%
PNW	468,617	31%	0	0%	0	0%
Interior Export Rail	223,812	15%	7,484	64%	218	2%
Total (Metric Tons)	1,525,625	100%	11,747	100%	9,416	100%
White Corn Shipments by Country (MT)			4,263	To Colombia		
			7,484	to Mexico		
Total White Corn (MT)			11,747			
Sorghum Shipments by Country (MT)					9,198	to South Africa
Total Sorghum (MT)					96	to Mexico
					122	to Panama
					9,416	

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	0.63+U	$163.47	1.00+U	$178.04
September	0.71+U	$166.62	1.04+U	$179.62
October	0.69+Z	$170.66	1.15+Z	$188.77

Sorghum (USD/MT FOB Vessel)				
#2 YGS FOB Vessel Max 14.0% Moisture	**NOLA**		**TEXAS**	
	Basis	**Flat Price**	**Basis**	**Flat Price**
August	1.20+Z	$190.74	1.05+Z	$184.83
September	1.20+Z	$190.74	1.05+Z	$184.83

Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. $/MT)			
	July	**August**	**September**
New Orleans	$170	$165	$160
Quantity 5,000 MT			
Corn Gluten Meal (CGM) (FOB Vessel U.S. $/MT)			
Bulk 60% Pro.	**July**	**August**	**September**
New Orleans	$580	$575	$570
**5-10,000 MT Minimum*			

DDGS Price Table: July 5, 2018 (USD/MT) (Quantity, availability, payment and delivery terms vary)			
Delivery Point Quality Min. 35% Pro-fat combined	**July**	**August**	**September**
Barge CIF New Orleans	193	191	191
FOB Vessel GULF	209	207	206
Rail delivered PNW	199	200	200
Rail delivered California	201	202	202
Mid-Bridge Laredo, TX	202	202	203
FOB Lethbridge, Alberta	190	191	192
40 ft. Containers to South Korea (Busan)	234	234	234
40 ft. Containers to Taiwan (Kaohsiung)	234	234	234
40 ft. Containers to Philippines (Manila)	238	238	238
40 ft. Containers to Indonesia (Jakarta)	236	236	236
40 ft. Containers to Malaysia (Port Kelang)	236	236	236
40 ft. Containers to Vietnam (HCMC)	244	244	244
40 ft. Containers to Japan (Yokohama)	236	236	236
40 ft. containers to Thailand (LCMB)	237	237	237
40 ft. Containers to China (Shanghai)	-	-	-
40 ft. Containers to Bangladesh (Chittagong)	280	280	280
40 ft. Containers to Myanmar (Yangon)	262	262	262
KC Rail Yard (delivered ramp)	193	193	193
Elwood, IL Rail Yard (delivered ramp)	191	191	192

*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: Falling soymeal values continue pressuring DDGS prices. Kansas City soybean meal values dropped again this week while FOB ethanol plant DDGS values retreated as well to $134/MT. The DDGS/cash corn value remains in line with its two-year average. DDGS retain a $1.84/protein-unit cost advantage over soybean meal, up slightly with the ethanol co-product gaining a 6-cent advantage this week from last.

This week saw a correction lower in FOB U.S. Gulf DDGS prices, as cash corn values fell slightly as well. Internationally, merchandisers report a quiet week with little buyer activity. Containers to Southeast Asia are steady.

Country News

Brazil: The smaller corn crop is pushing 2018 prices in Mato Grosso to an all-time high. Meanwhile, the new and higher minimum freight rates will remain in effect until after August hearings. The consultancy AgRural Commodities Agrícolas says that the safrinha harvest is delayed due to a late planting (fill is just now coming to an end) and ongoing mild weather. (AgriCensus)

China: Rainfall brought relief to the drought-stricken north-east corn belt of China. The area is responsible for half the nation's corn production and the Ministry of Agriculture has already reduced its forecast for this year's crop by 2.9 percent. Buying interest at the latest corn auction was higher with 26.5 percent sold. (Reuters; AgriCensus)

EU: More rain is needed for the corn crop but hot and dry weather to the east of France is forecast to stay in place for at least the next 6-10 days. (AgriCensus)

India: The government increased the support price for corn by 19.3 percent to US$247/MT. The goal is to guarantee farmers an income that is 50 percent above their cost of production. The world market price for corn is about 45 percent less than the new Indian minimum price. (Bloomberg)

Kenya: The economy is growing faster than predicted, and that is largely due to a surge in producing agricultural commodities like corn. (Bloomberg)

Saudi Arabia: Government grain buying agency SAGO is tendering for 1.5 MMT of feed barley. Delivery is scheduled for September-October in 25 cargoes averaging 60 KMT apiece. The bidding deadline is 6 July. (Reuters)

South Africa: The lower value of the rand is keeping up buying interest, but port delays are slowing the pace of South Africa's corn exports to Asia. Meanwhile, a larger crop and export competition raises concerns about a larger carryover. (Reuters; AgriCensus)

South Korea: MFG bought corn at $208.80/MT, NOFI bought 69 KMT of corn via tender and FLC and KFA are using private deals to buy more. Purchases now top 2 MMT. (AgriCensus)

Ukraine: Competition from feed wheat is growing and corn exports fell by 14 percent in 2017/18. The grain sector now faces the second rail price hike in the past six months. (AgriCensus)

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	Up $0.25	Handymax at $44.00/MT
55,000 U.S. PNW-Japan	$24.75	Up $0.25	Handymax at $25.00/MT
65,000 U.S. Gulf-China PNW to China	$42.50 $24.00	Up $0.25 Up $0.25	North or South China
25,000 U.S. Gulf-Veracruz, Mexico	$16.25	Unchanged	3,000 MT daily discharge rate
35-40,000 U.S. Gulf-Veracruz, Mexico	$14.25	Unchanged	Deep draft and 6,000 MT/day discharge rate.
25/35,000 U.S. Gulf-East Coast Colombia From Argentina	$19.75 $34.00	Unchanged Unchanged	West Coast Colombia at $28.50
40-45,000 U.S. Gulf-Guatemala	$28.75	Unchanged	Acajutla/Quetzal-8,000 out
26-30,000 U.S. Gulf-Algeria	$31.50 $33.00	Unchanged Unchanged	8,000 MT daily discharge 3,000 MT daily discharge
25-30,000 US Gulf-Morocco	$34.00	Unchanged	Discharge rate: 5,000
55,000 U.S. Gulf-Egypt PNW to Egypt	$28.00 $27.50	Unchanged Unchanged	55,000-60,000 MT Russia Black Sea-Egypt $15.00
60-70,000 U.S. Gulf-Europe-Rotterdam	$20.50	Unchanged	Handymax at +$1.75 more
Brazil, Santos-China Itacoatiara Port up River Amazonia North Brazil-China	$35.25 $34.50 $38.00	Unchanged Unchanged Unchanged	54-59,000 Supramax-Panamax 60-66,000 Post Panamax
56-60,000 Argentina-China	$39.75	Unchanged	Upriver with BB 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: With the 4th of July holiday in the U.S., this is a short work week and therefore this will be a short report. Many in the market took extra days off. The Baltic Indices we're mixed for the week and physical freight markets halted their slide at least temporarily while they wait for better definition.

Baltic-Panamax Dry-Bulk Indices				
July 5, 2018 Route	**This Week**	**Last Week**	**Difference**	**Percent Change**
P2A: Gulf/Atlantic – Japan	17,922	18,310	-388	-2%
P3A: PNW/Pacific– Japan	9,908	10,983	-1,075	-10%
S1C: U.S. Gulf-China-S. Japan	19,738	21,172	-1434	-7%

Source: O'Neil Commodity Consulting

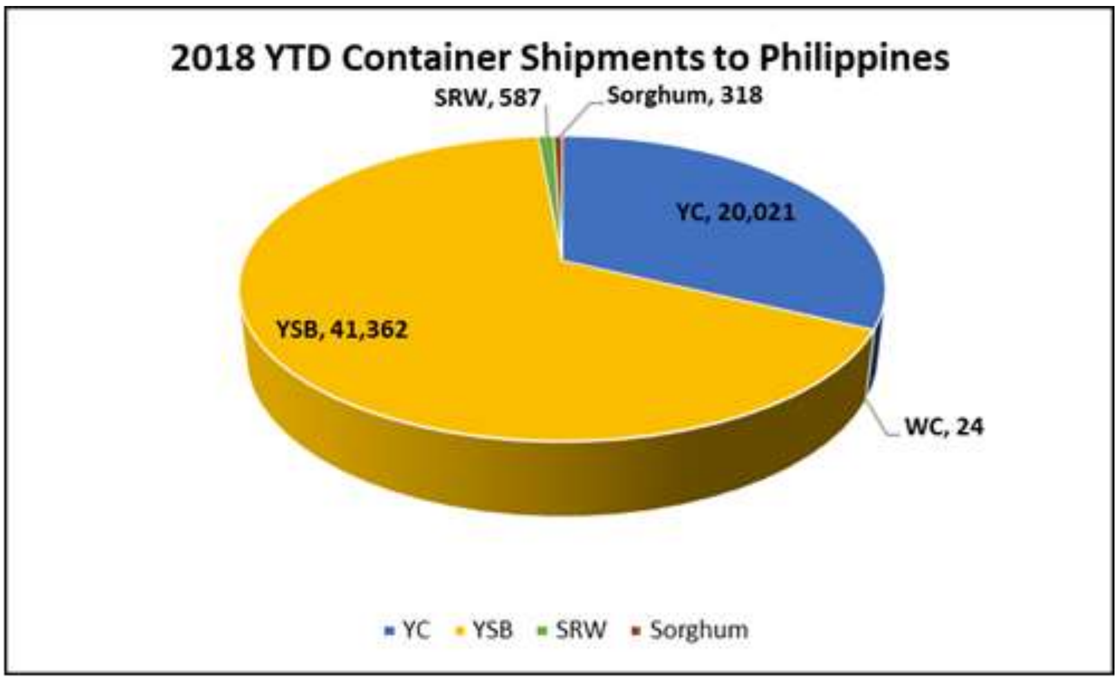
Capesize Vessel Freight Values Western Australia to South China (iron ore)	
Four weeks ago:	$7.50-$8.15
Three weeks ago:	$7.55-$8.10
Two weeks ago:	$7.85-$8.10
One week ago:	$7.20-$7.40
This week	$7.20-$7.40

Source: O'Neil Commodity Consulting

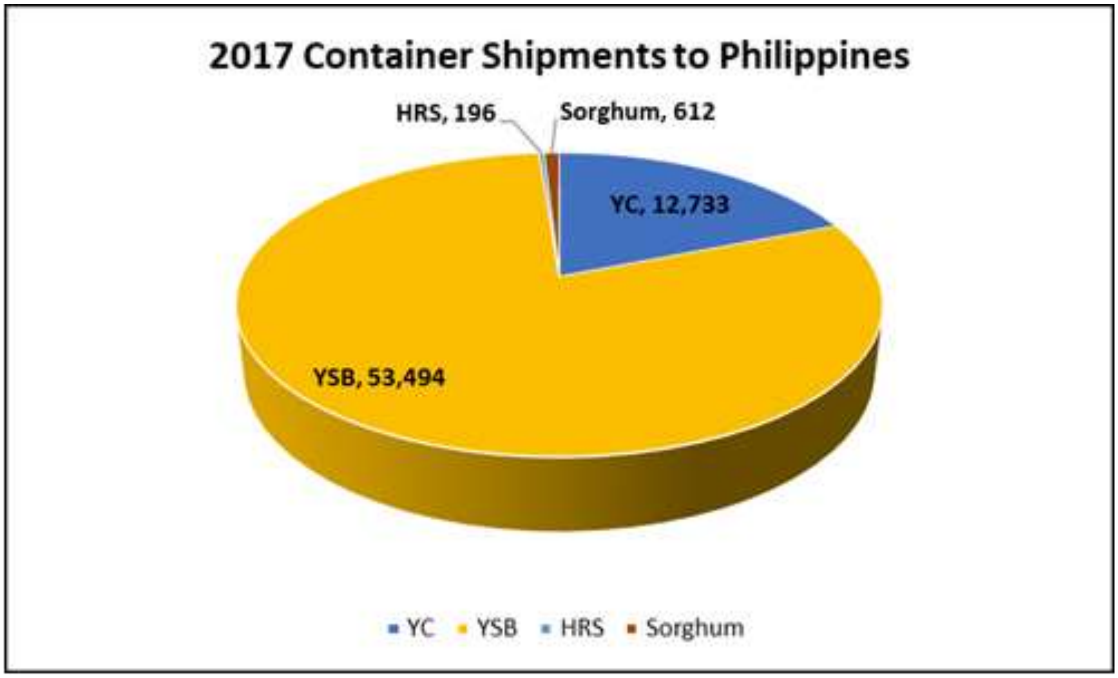
U.S.-Asia Market Spreads					
July 5, 2018	**PNW**	**Gulf**	**Bushel Spread**	**MT Spread**	**Advantage**
#2 Corn	1.02	0.62	0.40	$15.75	PNW
Soybeans	0.80	0.65	0.15	$5.51	PNW
Ocean Freight	$24.00	$42.50	.44-.48	$17.50	August

Source: O'Neil Commodity Consulting

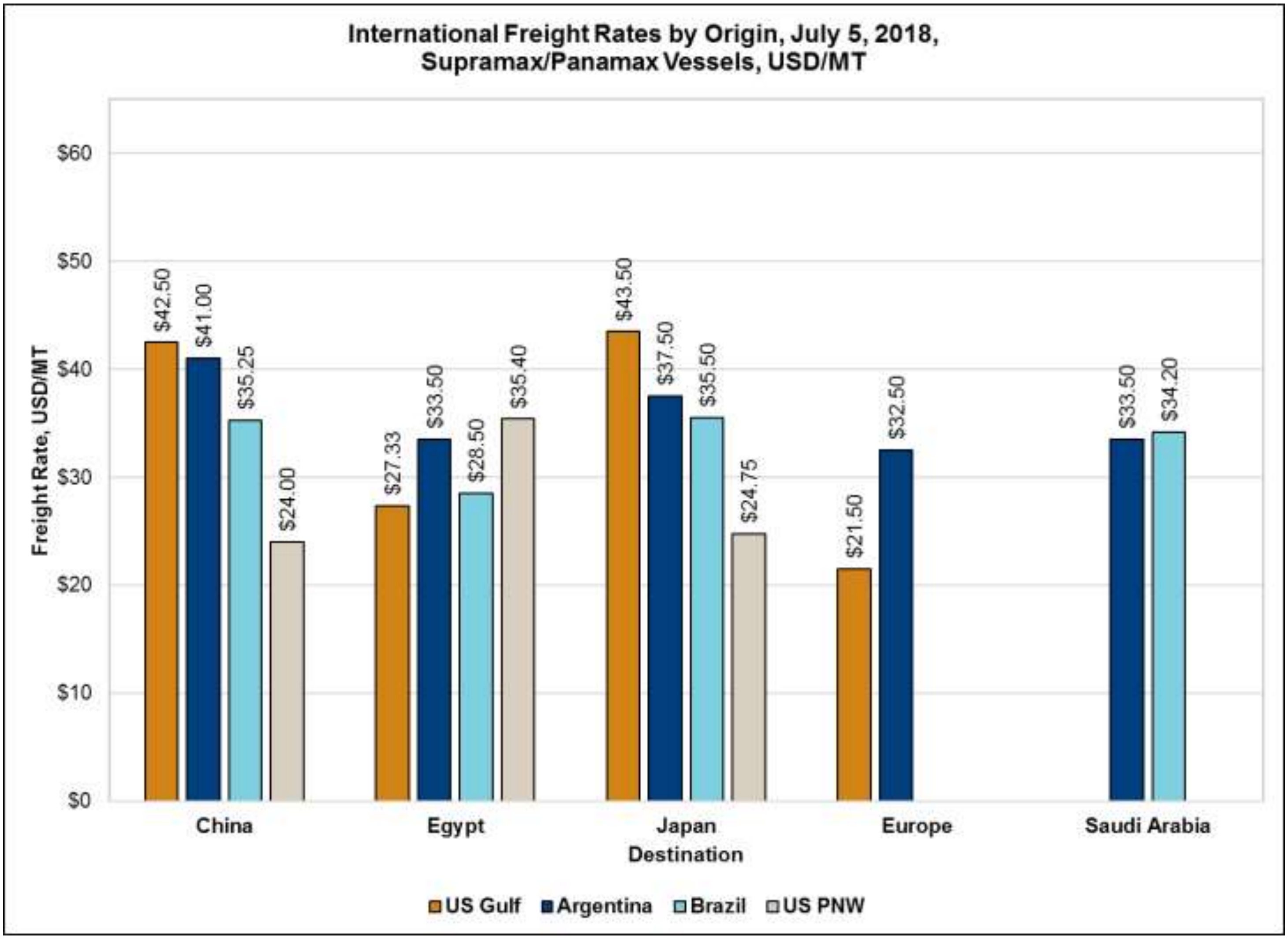
The charts below represent 2018 YTD totals versus 2017 annual totals for container shipments to the Philippines.



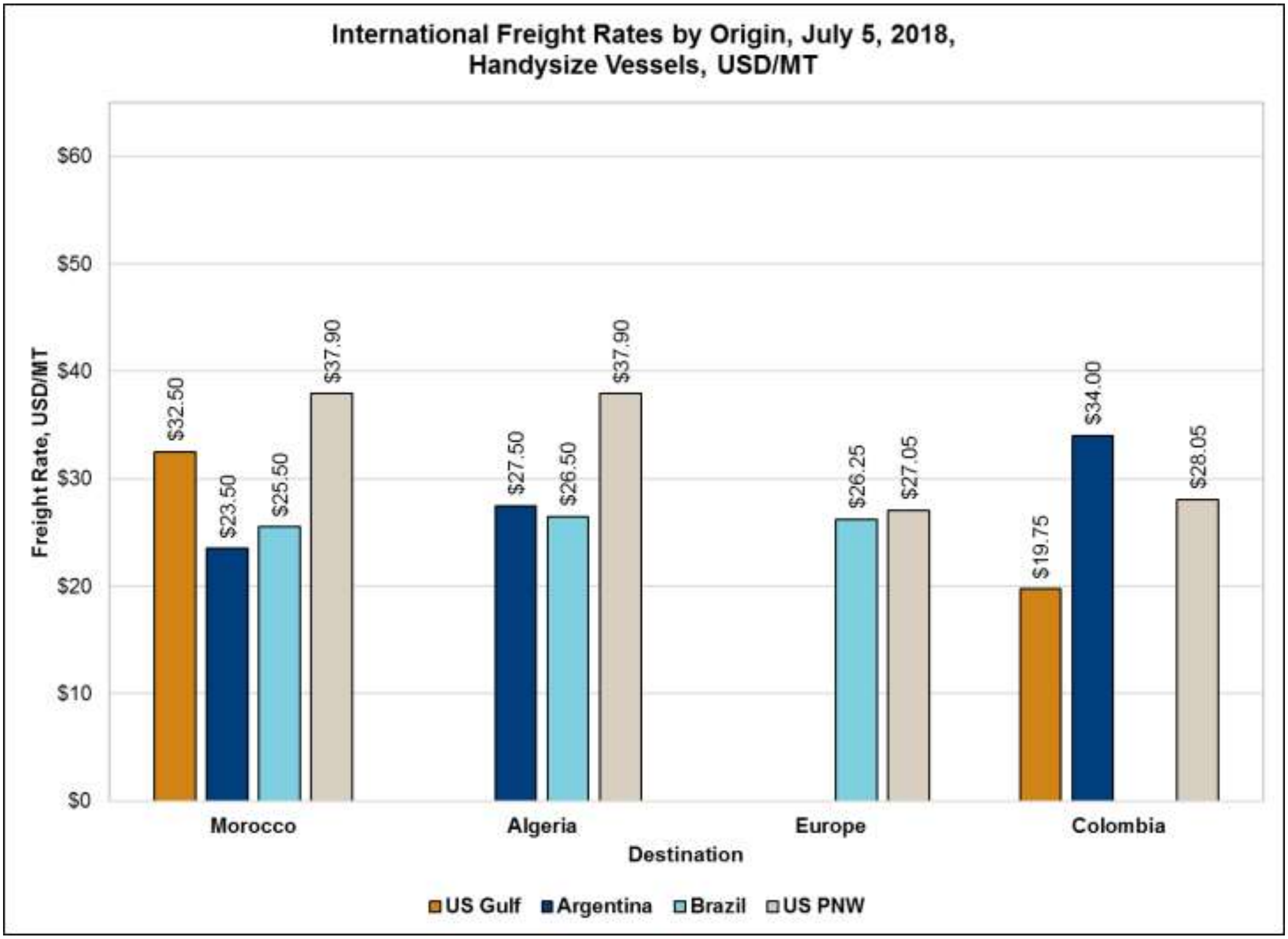
Source: O'Neil Commodity Consulting



Source: O'Neil Commodity Consulting



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



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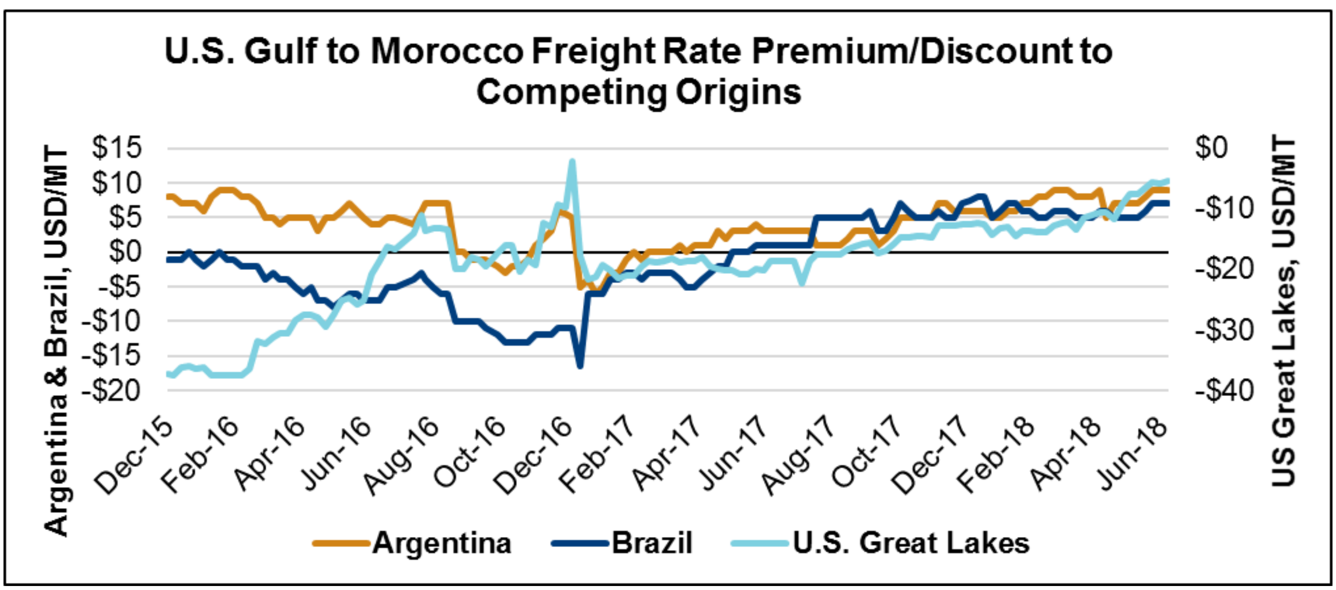

Source: DTN, O'Neil Commodity Consulting and World Perspectives, Inc.

Interest Rates

Interest Rates (%): July 5, 2018			
	Current Week	Last Week	Last Month
U.S. Prime	5.00	5.00	4.75
LIBOR (6 month)	2.51	2.50	2.48
LIBOR (1 year)	2.77	2.77	2.74

Source: www.bankrate.com