



July 26, 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.**

*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 July 20	Monday July 23	Tuesday July 24	Wednesday July 25	Thursday July 26
<b>Change</b>	4.000	2.250	-5.250	7.250	2.500
<b>Closing Price</b>	369.00	371.25	366.00	373.25	375.75
<b>Factors Affecting the Market</b>	Corn finished 14 1/4 cents higher for the week, breaking the downward momentum present since May. A drier forecast for the Midwest helped lift corn and traders are expecting another reduction in conditions ratings on Monday. Outside markets were weaker with the dollar down 68 points.	Light trading helped corn higher, though reaction to the hot, dry Southern Plains weekend conditions was muted. USDA said 51.7 million bushels of corn were exported last week but uncertainty as to whether USDA's estimate will be reached remains. The U.S. dollar gained 15 points.	Forecasts of rain for most of the Midwest and better-than-expected crop conditions ratings pushed corn lower. USDA said 72 percent of corn is in good or excellent condition, the third best of the past 5 years. Traders are now expecting higher yields in the August WASDE. Outside markets were steady to higher.	Skyrocketing wheat prices pulled corn higher as European feed grain (including feed wheat) supplies are questioned. Ethanol production increased again last week, reaching 106 percent of 2017 production as stocks fell on summer driving demand. The U.S. dollar dropped 38 points.	Early morning gains in the wheat market helped corn higher but ultimately a bullish fundamental report supported the market. The International Grains Council forecast lower-than-expected ending stocks for the world's major exporters, which sent corn higher. Cash prices are higher for the week.

**Outlook:** December corn futures continue to rally, posting a 10.75-cent (3 percent) gain since last Thursday. The market has been helped by spotty conditions around the U.S. Corn Belt, higher wheat prices, and fundamentally bullish reports.

The U.S. corn crop remains in excellent condition with 72 percent rated in good or excellent condition, two percentage points above the five-year average for this time of year. Moreover, 81 percent of the crop is silking (above the five-year average of 62 percent) and doing so under the present cool temperatures will be helpful for yields. The weather forecast turns hotter/drier towards the end of the next two weeks, however, and excessive August heat could still limit the crop's yield potential. Additionally, reports of spotty conditions around the Corn Belt, with some fields "too dry" and others suffering from mild flooding, will likely reduce the overall yield potential of the U.S. crop as well.

On Thursday, the International Grains Council released a report forecasting corn ending stocks for the world's four largest corn exporters would hit 49 MMT in 2018/19, down from earlier estimates and from USDA's latest figure. International demand for feed grains is expected to increase in 2018/19 as hot, dry weather in Europe takes its toll on the wheat crop there, reducing feed wheat supplies.

The weekly Export Sales report featured 1.281 MMT of exports this week and 338,000 MT of old-crop net sales, bringing YTD bookings to 59.074 MMT, up 5 percent from 2016/17. YTD exports reached 49.137 MMT this week, down 2 percent from last year and below USDA's forecast. U.S. sorghum exports were reportedly

13,000 MT while barley exports reached 1,600 MT. YTD sorghum bookings are up 8 percent from last year while barley bookings have grown 37 percent.

From a technical standpoint, December corn continues to hit and hold major bullish targets, including breaking above the 40-day moving average. The contract looks to have established contract/seasonal lows at \$3.50/bushel and is working higher from there. Resistance is likely at \$3.80/bushel, however, and additional bullish fundamentals are needed to sustain a close above this point. Fund are believed to have been active buyers this week and the weather issues in Europe, combined with some bullish fundamental forecasts, should prompt them to hold their positions for a while. Thus, the market still has bullish potential but with momentum indicators turning overbought, a small pullback is likely in the near-term.

## CBOT December Corn Futures



Source: Prophet X

Current Market Values:

<b>Futures Price Performance: Week Ending July 26, 2018</b>			
<b>Commodity</b>	<b>26-Jul</b>	<b>20-Jul</b>	<b>Net Change</b>
<b>Corn</b>			
Sep 18	361.50	355.25	6.25
Dec 18	375.75	369.00	6.75
Mar 19	386.25	380.00	6.25
May 19	392.00	386.25	5.75
<b>Soybeans</b>			
Aug 18	861.25	849.75	11.50
Sep 18	866.25	855.25	11.00
Nov 18	876.00	864.75	11.25
Jan 19	886.25	875.00	11.25
<b>Soymeal</b>			
Aug 18	332.60	326.90	5.70
Sep 18	332.10	325.60	6.50
Oct 18	331.70	324.90	6.80
Dec 18	331.70	324.60	7.10
<b>Soyoil</b>			
Aug 18	28.15	28.22	-0.07
Sep 18	28.27	28.29	-0.02
Oct 18	28.37	28.36	0.01
Dec 18	28.58	28.54	0.04
<b>SRW</b>			
Sep 18	536.50	516.00	20.50
Dec 18	556.50	533.00	23.50
Mar 19	572.00	548.75	23.25
May 19	577.75	557.50	20.25
<b>HRW</b>			
Sep 18	534.00	508.50	25.50
Dec 18	560.50	533.75	26.75
Mar 19	577.75	551.50	26.25
May 19	585.50	560.75	24.75
<b>MGEX (HRS)</b>			
Sep 18	587.75	555.00	32.75
Dec 18	601.75	571.25	30.50
Mar 19	616.75	588.00	28.75
May 19	625.25	598.00	27.25

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

## U.S. Weather/Crop Progress

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U.S. Crop Condition: July 22, 2018					
Commodity	Very Poor	Poor	Fair	Good	Excellent
Corn	3%	6%	19%	50%	22%
Sorghum	5%	11%	35%	44%	5%
Barley	0%	2%	17%	67%	14%

Source: USDA

**U.S. Drought Monitor Weather Forecast:** During the next 5 days, moderate precipitation (2-4 inches) is forecasted to fall in parts of the drought-stricken areas of the Midwest and High Plains. The heaviest of these rains is projected to fall in southwest Missouri and eastern Kansas and Oklahoma. The front range of Colorado is also expected to receive 2-4 inches of rain. Elsewhere, lighter precipitation (1-2 inches) is expected to fall in the Northeast, Coastal Carolinas and south Florida. Temperatures are forecasted to be cooler-than-normal for much of the High Plains and Midwest during the next week. Above normal temperatures are projected for much of the West and East. The 6- to 10-day outlook from the Climate Prediction Center calls for an increased chance of below-normal precipitation in the drought-stricken areas of Missouri as well part of the High Plains and Northwest. The probability of above-normal temperatures is highest in the Southwest and Northeast while the probability of below-normal temperatures is highest in the Southeast.

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

## U.S. Export Statistics

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U.S. Export Sales and Exports: Week Ending July 19, 2018					
Commodity	Gross Sales (MT)	Exports (MT)	YTD Exports (000 MT)	YTD Bookings (000 MT)	% Change YTD Bookings
Wheat	476,500	409,100	2,610.5	6,814.3	-31%
Corn	655,400	1,281,900	49,137.8	59,074.9	5%
Sorghum	1,000	13,000	4,875.1	5,045.6	8%
Barley	0	1,600	8.5	48.9	37%

**Corn:** Net sales of 338,500 MT for 2017/2018 were down 47 percent from the previous week and 42 percent from the prior 4-week average. Increases were reported for Mexico (110,800 MT, including decreases of 47,800 MT), South Korea (72,000 MT, including decreases of 3,900 MT), Israel (47,000 MT, including 50,000 MT switched from unknown destinations and decreases of 3,000 MT), unknown destinations (42,400 MT), and Egypt (41,400 MT). Reductions were primarily for Argentina (80,000 MT) and France (20,000 MT). For 2018/2019, net sales of 747,500 MT were reported for Mexico (249,900 MT), unknown destinations (125,400 MT), Japan (114,000 MT), Taiwan (79,000 MT), and South Korea (69,000 MT). Exports of 1,281,900 MT were down 1 percent from the previous week and 10 percent from the prior 4-week average. The destinations were primarily to Mexico (338,600 MT), Japan (283,400 MT), South Korea (198,500 MT), Colombia (95,700 MT), and Peru (77,800 MT).

**Optional Origin Sales:** For 2017/2018, increases were reported for Italy (25,000 MT, switched from unknown destinations). Options were exercised to export 68,000 MT to South Korea and 40,000 MT to Egypt from the United States. Options were exercised to export 23,800 MT to Italy from other than the United States. Decreases totaling 67,300 MT were reported for Italy (1,300 MT) and unknown destinations (66,000 MT). The current optional origin outstanding balance of 138,000 MT is for South Korea. For 2018/2019, the current

outstanding balance of 463,000 MT is for South Korea (343,000 MT), Saudi Arabia (70,000 MT), and unknown destinations (50,000 MT).

**Barley:** No net sales were reported for the week. Exports of 1,600 MT were to Japan (1,500 MT) and South Korea (100 MT).

**Sorghum:** Net sales of 1,000 MT were for Japan. Exports of 13,000 MT were to Japan (11,000 MT) and Mexico (2,000 MT).

<b>U.S. Export Inspections: Week Ending July 19, 2018</b>					
<b>Commodity (MT)</b>	<b>Export Inspections</b>		<b>Current Market YTD</b>	<b>Previous YTD</b>	<b>YTD as Percent of Previous</b>
	<b>Current Week</b>	<b>Previous Week</b>			
<b>Barley</b>	0	73	880	5,319	17%
<b>Corn</b>	1,313,177	1,261,026	49,812,748	51,830,170	96%
<b>Sorghum</b>	12,078	744	4,798,198	5,305,244	90%
<b>Soybeans</b>	722,048	637,486	51,702,357	53,958,140	96%
<b>Wheat</b>	397,862	471,514	2,620,386	4,442,330	59%

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.

<b>USDA Grain Inspections for Export Report: Week Ending July 19, 2018</b>						
<b>Region</b>	<b>YC</b>	<b>% of Total</b>	<b>WC</b>	<b>% of Total</b>	<b>Sorghum</b>	<b>% of Total</b>
<b>Lakes</b>	18,641	1%	0	0%	0	0%
<b>Atlantic</b>	0	0%	0	0%	0	0%
<b>Gulf</b>	574,527	45%	42,189	87%	0	0%
<b>PNW</b>	469,938	37%	0	0%	11,000	91%
<b>Interior Export Rail</b>	201,795	16%	6,087	13%	1,078	9%
<b>Total (Metric Tons)</b>	1,264,901	100%	48,276	100%	12,078	100%
<b>White Corn Shipments by Country (MT)</b>			20,740	to Guatemala		
			27,536	to Mexico		
<b>Total White Corn (MT)</b>			48,276			
<b>Sorghum Shipments by Country (MT)</b>					11,000	to Japan
					1,078	to Mexico
<b>Total Sorghum (MT)</b>					12,078	

Source: USDA, World Perspectives, Inc.

**FOB**

<b>Yellow Corn (USD/MT FOB Vessel)</b>				
<b>YC FOB Vessel Max. 15.0% Moisture</b>	<b>GULF</b>		<b>PNW</b>	
	<b>Basis (#2 YC)</b>	<b>Flat Price (#2 YC)</b>	<b>Basis (#2 YC)</b>	<b>Flat Price (#2 YC)</b>
<b>August</b>	0.69+U	\$169.48	0.98+U	\$180.90
<b>September</b>	0.70+U	\$169.87	1.01+U	\$182.08
<b>October</b>	0.68+Z	\$174.69	1.01+Z	\$187.69

<b>Sorghum (USD/MT FOB Vessel)</b>				
<b>#2 YGS FOB Vessel Max 14.0% Moisture</b>	<b>NOLA</b>		<b>TEXAS</b>	
	<b>Basis</b>	<b>Flat Price</b>	<b>Basis</b>	<b>Flat Price</b>
<b>August</b>	1.10+Z	\$191.23	0.90+Z	\$183.36
<b>September</b>	1.10+Z	\$191.23	0.95+Z	\$185.32

<b>Corn Gluten Feed Pellets (CGFP) (FOB Vessel U.S. \$/MT)</b>			
	<b>August</b>	<b>September</b>	<b>October</b>
<b>New Orleans</b>	\$172	\$167	\$162
<i>Quantity 5,000 MT</i>			
<b>Corn Gluten Meal (CGM) (FOB Vessel U.S. \$/MT)</b>			
<b>Bulk 60% Pro.</b>	<b>August</b>	<b>September</b>	<b>October</b>
<b>New Orleans</b>	\$572	\$567	\$562
<i>*5-10,000 MT Minimum</i>			

**DDGS Price Table: July 26, 2018 (USD/MT)**  
(Quantity, availability, payment and delivery terms vary)

<b>Delivery Point Quality Min. 35% Pro-fat combined</b>	<b>August</b>	<b>September</b>	<b>October</b>
Barge CIF New Orleans	204	204	206
FOB Vessel GULF	214	219	221
Rail delivered PNW	211	213	214
Rail delivered California	214	216	217
Mid-Bridge Laredo, TX	215	216	217
FOB Lethbridge, Alberta	182	185	189
40 ft. Containers to South Korea (Busan)	230	230	234
40 ft. Containers to Taiwan (Kaohsiung)	231	232	234
40 ft. Containers to Philippines (Manila)	237	237	237
40 ft. Containers to Indonesia (Jakarta)	232	232	233
40 ft. Containers to Malaysia (Port Kelang)	234	234	231
40 ft. Containers to Vietnam (HCMC)	238	239	241
40 ft. Containers to Japan (Yokohama)	235	236	234
40 ft. containers to Thailand (LCMB)	234	234	235
40 ft. Containers to China (Shanghai)	229	229	230
40 ft. Containers to Bangladesh (Chittagong)	264	264	264
40 ft. Containers to Myanmar (Yangon)	267	267	268
KC Rail Yard (delivered ramp)	184	185	186
Elwood, IL Rail Yard (delivered ramp)	189	190	191

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:** Soymeal values continued to increase following last week's turnaround, with Kansas City soymeal up \$3.42 to \$356.05/MT from last week. While FOB ethanol plant DDGS values increased slightly, DDGS still hold a \$2.16 protein-unit cost advantage over soymeal. Corn prices are up as well, and the DDGS/cash corn value remains closely in line with its two-year average.

DDGS prices were mostly steady/higher this week, with prices at the U.S. Gulf up for August-October shipment and containers to Japan up \$4/MT. Containers to Southeast Asian destinations are up as well, with merchandisers reporting sales to Vietnam and Indonesia and buyers from the Indian Subcontinent, the Middle East and Southeast Asian markets actively seeking offers.

Based on this market activity, DDGS prices have likely reached a point that aligns with buyers' interest.

## Country News

**Argentina:** At 90 cents over September futures, corn basis bids were above FOB values, causing exporters to take losses on sales and face difficulties in attracting new business. This market pressure forced prices lower. The Bolsa de Cereales has cut its corn harvest estimate by 3.1 percent and now the crop may face a frost risk over the next week. (AgriCensus; Reuters)

**Australia:** Barley planting in New South Wales and Queensland is on hold except in irrigated areas due to the drought. By contrast, barley fields in Southern Australia have had ample rainfall. (World-Grain)



**Brazil:** Corn premiums have moved higher based on buying and now the weather has created some unfavorable harvest conditions. (AgriCensus; Reuters)

**Canada:** Corn is being exported to the EU at the fastest pace in four years and could reach 1.2 MMT. (Reuters; Washington Trade Daily)

**China:** Purchases of barley has more than doubled due to poorer crops in Australia and Europe. China could buy 1 MMT of barley from Canada this year. USDA estimates the European barley crop at 59 MMT and the Australian crop at 8 MMT, both the smallest in five years. The Heilongjiang corn auction sold 1.1 MMT at an average price of CNY 1,421/MT (\$209.19/MT). (Reuters; AgriCensus)

**EU:** A smaller barley crop will reduce the amount in animal feeding and there may be a 500 KMT shortage of malting barley. France may be the only bright production spot for barley this year, though the consultancy Strategie Grains has cut its estimate for French barley from 12.1 MMT to 11.5 MMT, and some analysts say the crop could be as small as 10.5 MMT. European cows will be eating more corn and less wheat due to declines in the latter crop. (Reuters; Bloomberg)

**Philippines:** The Philippine Coconut Authority purchased over 4 MT of corn seed to help coconut farmers with intercropping and thus boosts to their income, but the Commission on Audit says the Authority paid nearly \$19,000 too much. (ABS CBN News)

**Ukraine:** Corn exports were down 14.4 percent for 2017/18. The State Food and Grain Corporation of Ukraine (SFGCU) says it shipped nearly 1 MMT of corn to China during 2017/18. The 2018 barley crop will be the smallest amount harvested in the past six years. (AgriCensus; World-Grain; WPI)

## 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	\$44.00	Unchanged	Handymax at \$44.50/MT
55,000 U.S. PNW-Japan	\$24.75	Unchanged	Handymax at \$25.00/MT
65,000 U.S. Gulf-China	\$43.00	Unchanged	North or South China
PNW to China	\$24.00	Unchanged	
25,000 U.S. Gulf-Veracruz, Mexico	\$16.50	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	\$19.75	Unchanged	West Coast Colombia at \$28.50
From Argentina	\$34.00	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
	\$33.25	Unchanged	3,000 MT daily discharge
25-30,000 US Gulf-Morocco	\$34.25	Unchanged	Discharge rate: 5,000
55,000 U.S. Gulf-Egypt	\$28.50	Unchanged	55,000-60,000 MT Russia Black Sea-Egypt \$15.50
PNW to Egypt	\$27.75	Unchanged	
60-70,000 U.S. Gulf-Europe-Rotterdam	\$21.50	Up \$0.25	Handymax at +\$1.75 more
Brazil, Santos-China	\$35.75	Up \$0.50	54-59,000 Supramax-Panamax 60-66,000 Post Panamax
Itacoatiara Port up River	\$35.00	Up \$0.50	
Amazonia North Brazil-China	\$38.50	Up \$0.50	
56-60,000 Argentina-China	\$40.25	Up \$0.50	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:** I think you have heard this story before: it was another week of mixed results in global dry-bulk freight markets. The main catchphrase being touted is that the market is largely "range-bound." Paper traders did their best to provide limited support, but the physical side of freight is just not going anywhere. Brazil freight is up slightly due to the Chinese demand there.

Generally, however, China and other international cargo demand growth is not sufficient to move the market higher at this time. On the agricultural side, I heard an interesting presentation today from Bell Chang of R.J. O'Brian. He suggested three possibilities for Chinese soybean imports this year:

1. China imports 95 million tons of soybeans.
2. China imports 91 million tons of soybeans.
3. China cuts back its soybean crush, depletes their 8 million-ton soy reserve and only imports 85 million tons of soybeans.

None of these projections paint a bullish picture for either soybean prices or freight; a Canadian trader suggested that shuttle trains of U.S. soybeans could potentially be shipped to Canada and exported as Canada origin to capture a higher price to China. Maybe? Stay tuned.

<b>Baltic-Panamax Dry-Bulk Indices</b>				
<b>July 26, 2018</b>	<b>This Week</b>	<b>Last Week</b>	<b>Difference</b>	<b>Percent Change</b>
<b>Route</b>				
P2A: Gulf/Atlantic – Japan	21,069	20,644	425	2.1%
P3A: PNW/Pacific– Japan	9,427	9,616	-189	-2.0%
S1C: U.S. Gulf-China-S. Japan	21,507	20,997	510	2.4%

Source: O'Neil Commodity Consulting

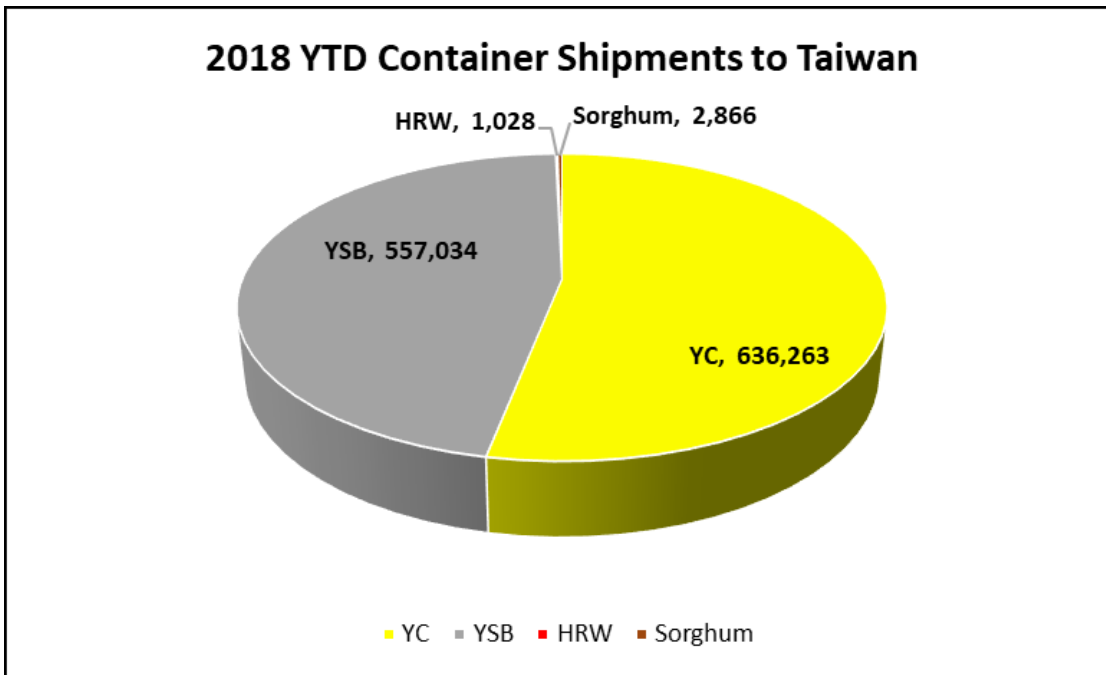
<b>Capesize Vessel Freight Values</b>	
<b>Western Australia to South China (iron ore)</b>	
Four weeks ago:	\$7.20-\$7.40
Three weeks ago:	\$7.20-\$7.40
Two weeks ago:	\$8.10-\$9.00
One week ago:	\$8.50-\$9.10
This week	\$8.90-\$9.60

Source: O'Neil Commodity Consulting

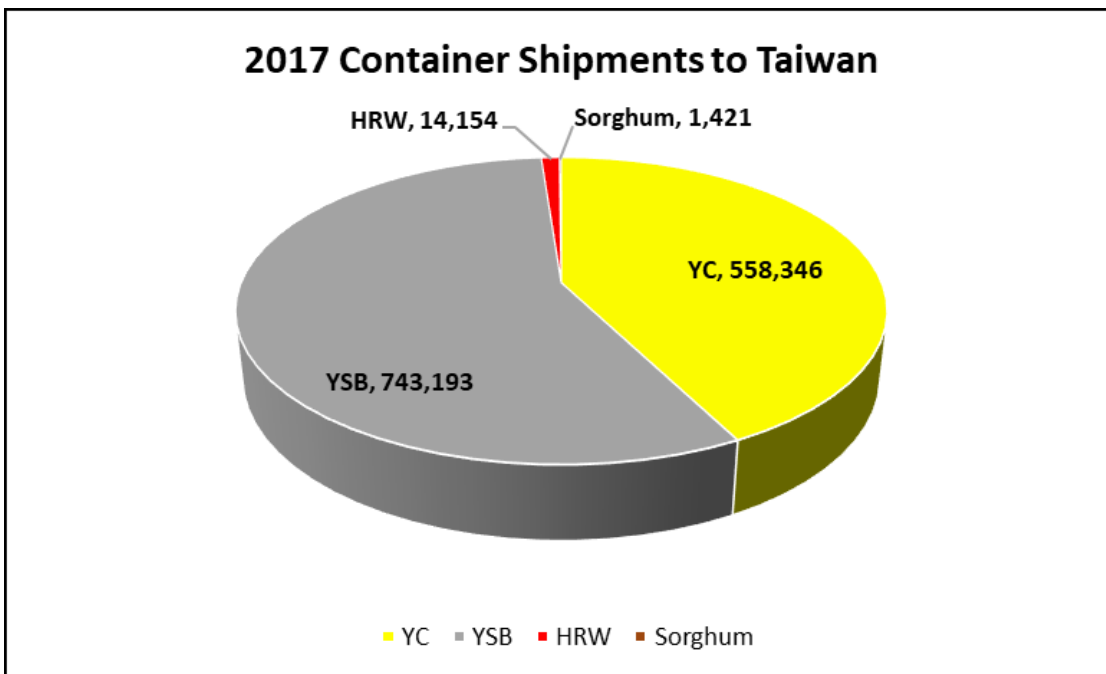
<b>U.S.-Asia Market Spreads</b>					
<b>July 26, 2018</b>	<b>PNW</b>	<b>Gulf</b>	<b>Bushel Spread</b>	<b>MT Spread</b>	<b>Advantage</b>
#2 Corn	0.99	0.73	0.26	\$10.24	PNW
Soybeans	0.65	0.50	0.15	\$5.51	PNW
Ocean Freight	\$24.00	\$43.00	.48-.52	\$19.00	August

Source: O'Neil Commodity Consulting

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

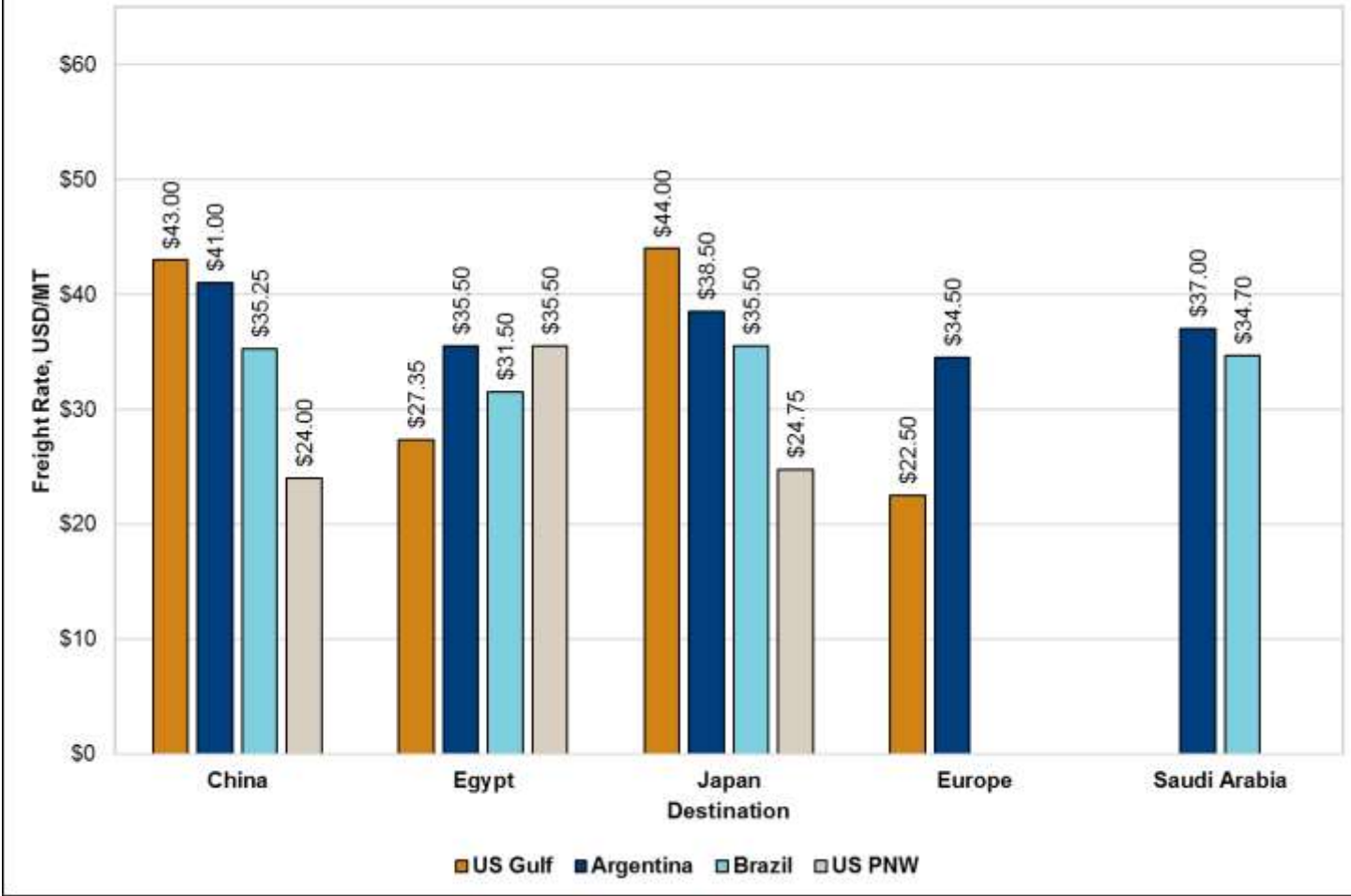


Source: O'Neil Commodity Consulting



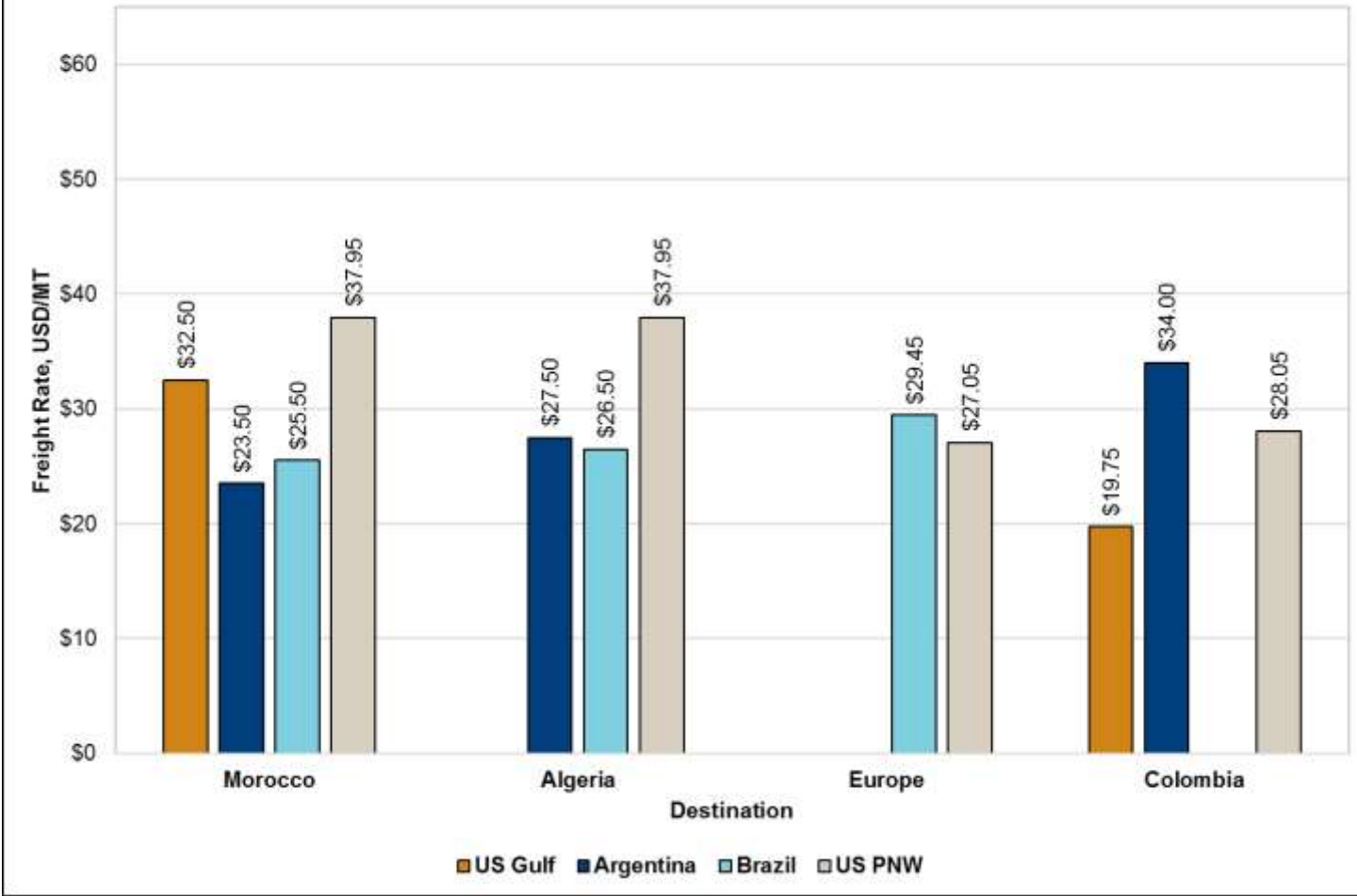
Source: O'Neil Commodity Consulting

**International Freight Rates by Origin, July 26, 2018,  
Supramax/Panamax Vessels, USD/MT**



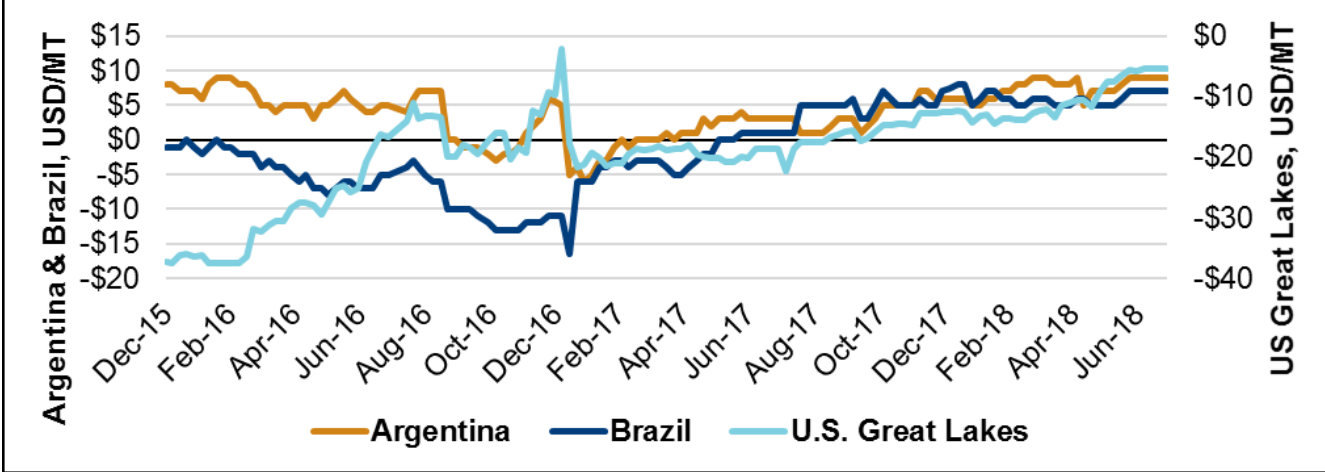
Source: DTN, O'Neil Commodity Consulting and World Perspectives, Inc.

**International Freight Rates by Origin, July 26, 2018,  
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

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<b>Interest Rates (%): July 26, 2018</b>			
	<b>Current Week</b>	<b>Last Week</b>	<b>Last Month</b>
<b>U.S. Prime</b>	5.00	5.00	5.00
<b>LIBOR (6 month)</b>	2.52	2.52	2.50
<b>LIBOR (1 year)</b>	2.81	2.80	2.77

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