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WEEKLY FEED GRAIN AND PROTEIN REPORT June 30, 2018

SECTION 1: US FEED GRAINS and VEGETABLE AND ANIMAL PROTEIN

Summer weather has finally arrived in the south of France, pushing out the weeks of rain that we had been seeing. Daytime temperatures are now up in the mid-30's centigrade (about 95 F) and there is not a cloud in the sky. Now all those soaking wet fields can dry up a little and the farmers can start smiling again.

US Grain markets this week continued the recent pattern of moving lower every week --- corn prices were only down by about USD 3 m/t but soybeans dropped by almost USD 15 m/t and soymeal was down by around USD 10 m/t. Even US wheat continued lower with hard red winter wheat down by USD 6 m/t or so. US spring wheat was down by almost USD 10 m/t.

The USDA planting and stocks report was bearish and helped to move things lower, but Friday was actually an up day on the week as concerns over European crops and stories of crop problems in the Black Sea gave Friday a good nudge higher --- but not enough higher to overcome the weakness seen during the week.

Corn prices moved higher on Friday due to expected hot weather in the US and the reports of poor corn situation in the Ukraine. France's corn crop actually improved – probably due to the return of some sunshine.

Soybeans/soymeal continue to suffer from export trade concerns and there doesn't look to be any near term solution to the situation. It may even get worse as more and more countries tack on tariffs in response to the US tariffs on steel and aluminum. Nothing like a good trade war to keep things exciting and to greatly increase the risk in the market.

US wheat prices were up strongly on Friday, but still down on the week, mainly due to the expected poorer wheat crop in parts of the EU. Depending on which expert you read the EU wheat crop could be down as much as 4.5 to 4.8 million m/t this year – that is only 3% or so of the total EU wheat crop but much of the problem is in major wheat producing areas, so regional losses could be much higher than 3%.

Crop Situation and Condition – USA and France

| <u>France</u> | Very poor % | Poor % | Fair % | Good % | Very Good % |
|-------------------------|----------------|-----------|-----------|-----------|----------------|
| <u>Condition</u> | | | | | |
| Wheat - soft | 1 | 7 | 18 | 66 | 8 |
| Wheat - hard | 1 | 10 | 22 | 64 | 2 |
| Barley, winter | 1 | 8 | 19 | 66 | 6 |
| Barley, spring | 1 | 5 | 17 | 74 | 3 |
| Corn | 1 | 6 | 19 | 68 | 6 |
| | | | | | |
| | | | | | |
| <u>USA</u> | Very poor % | Poor % | Fair % | Good % | Very Good % |

| Condition | | | | | |
|------------------|----------------|----------------|------------------------|-------------------------|----|
| Wheat, winter | 15 | 19 | 29 | 28 | 9 |
| Wheat, spring | 2 | 3 | 18 | 63 | 14 |
| Corn | 1 | 4 | 18 | 58 | 19 |
| Sorghum | 3 | 9 | 32 | 51 | 5 |
| Soybeans | 1 | 4 | 22 | 58 | 15 |
| Barley | 1 | 3 | 13 | 65 | 18 |
| | | | | | |
| Harvested | This week % | Last week % | This week 2017 | Average 2013/17 | |
| Wheat, winter | 41 | 27 | 39 | 33 | |
| | | | | | |
| Planted | This week % | Last week % | This week 2017 % | Average 2013/17 % | |
| Sorghum | 95 | 89 | 94 | 91 | |
| Soybeans | 97 | 93 | 95 | 91 | |
| | | | | | |

Estimated Bulk Grain Freight in USD per m/t, basis heavy grains

| | | | |
|--|------------|-------------|---|
| US Gulf to Europe: 60/70,000 (10,000 disch) | \$21/22.00 | Steady | X |
| US Gulf to Spain: 50,000 m/t (5,000 disch) | \$21/22.00 | Steady | X |
| US Gulf Israel: 50,000 m/t | \$28/29.00 | Steady | X |
| US Gulf to Egypt: Panamax (6,000 disch) | \$27/28.00 | Steady | X |
| US Gulf Turkey: 50,000 m/t | \$29/30.00 | Steady | X |
| US Gulf Morocco: 30,000(5,000 disch) | \$32/33.00 | Steady | x |
| US Gulf Algeria/Tunisia: 30,000 (3,000 disch) | \$32/33.00 | Steady | X |
| US Gulf Nigeria: 30,000 m/t | \$42/43.00 | Steady | X |
| US Gulf other Med: 30,000 MT(5,000 disch) | \$33/34.00 | Up \$1.00 | x |
| US Gulf South Africa: 45,000 m/t | \$36/37.00 | Down \$1.00 | X |
| US Gulf Japan: Panamax | \$43/44.00 | Steady | X |
| US Gulf China: Panamax | \$42/43.00 | Steady | X |
| US PNW South Africa – 40,000 m/t | \$37/38.00 | Steady | X |
| US PNW Japan: Panamax | \$24/25.00 | Steady | X |
| US PNW China: Panamax | \$23/24.00 | Steady | X |
| US East Coast Egypt: Panamax | \$43/44.00 | Steady | x |
| US East Coast Nigeria: Handisize | \$44/45.00 | Steady | X |
| | | | |
| France/Germany to Algeria: 30,000 m/t(3,000 disch) | \$15/16.00 | Steady | X |
| France/Germany to Bangladesh: 35/45,000 m/t | \$32/33.00 | Steady | X |
| France/Germany to China: 50,000 m/t | \$35/36.00 | Steady | X |
| France/Germany to Egypt: 50,000 m/t (10,000 disch) | \$15/16.00 | Steady | X |
| France/Germany to India: 50,000 m/t | \$27/28.00 | Up \$1.00 | X |
| France/Germany to Jordan: 35/45,000 m/t (4k disch) | \$23/24.00 | Steady | X |
| France/Germany to Morocco: 30,000 m/t (3k disch) | \$13/14.00 | Steady | X |
| France/Germany to Saudi Arabia: 50/60,000 | \$24/25.00 | Steady | X |
| France/Germany to South Africa: 30,000 m/t | \$27/28.00 | Up \$1.00 | X |
| France/Germany to Turkey: 35,000 m/t | \$19/20.00 | Steady | X |
| France/Germany to Yemen: 30,000 m/t | \$40/41.00 | Steady | X |

| | | | |
|---|---------------|-------------|---|
| Argentina to Algeria: 25/30,000 m/t(3,000 disch) | \$26/27.00 | Down \$1.00 | X |
| Argentina to China: 50,000 m/t, with top-off | \$38/39.00 | Down \$1.00 | X |
| Argentina to Japan: 50,000 m/t, with top-off | \$37/38.00 | Down \$1.00 | X |
| Argentina to Egypt: 50,000 m/t | \$32/33.00 | Down \$1.00 | X |
| Argentina to Europe: 50/60,000 m/t | \$31/32.00 | Down \$1.00 | X |
| Argentina to Morocco: 25/30,000 m/t(3,000 disch) | \$23/24.00 | Steady | X |
| Argentina to Jordan: 50,000 m/t | \$32/33.00 | Down \$1.00 | X |
| Argentina to Saudi Arabia: 50,000 m/t | \$31/32.00 | Steady | X |
| Argentina to South Africa 50,000 m/t | \$28/29.00 | Steady | X |
| Argentina to Spain: 50,000 m/t | \$31/32.00 | Down \$1.00 | X |
| Argentina to Tunisia: 25/30,000 m/t (3,000 disch) | \$26/27.00 | Down \$1.00 | X |
| Argentina to US Gulf: 25/35,000 m/t | \$19/20.00 | Steady | x |
| | | | |
| Brazil to Algeria/Tunisia: 25/30,000 m/t | \$26/27.00 | Steady | X |
| Brazil to China: 55,000 m/t | \$34/35.00 | Steady | X |
| Brazil to Japan: 55,000 m/t | \$35/36.00 | Steady | X |
| Brazil to Europe: 50,000 m/t | \$26/27.00 | Steady | X |
| Brazil to Morocco: 25/30,000 m/t | \$25/26.00 | Steady | X |
| Brazil to Saudi Arabia 30/40,000 m/t | \$34/35.00 | Steady | X |
| Brazil to Spain: 50,000 m/t | \$26/27.00 | Steady | X |
| Brazil to Turkey/Egypt: 50,000 m/t | \$28/29.00 | Steady | X |
| | | | |
| Australia to China: 40-55,000 m/t – round trip | \$19.00/19.50 | Down 1.50 | X |
| Australia to Japan: 40-55,000 m/t – round trip | \$21.00/21.50 | Down \$0.50 | X |
| Australia to Saudi Arabia: 40-55,000 m/t | \$25/26.00 | Steady | X |
| | | | |
| Ukraine to China: 50,000 m/t | \$36/37.00 | Up \$1.00 | X |
| Ukraine to Bangladesh: 45,000 m/t | \$32/33.00 | Steady | X |
| Ukraine to India: 45/50,000 m/t | \$28/29.00 | Steady | X |
| Black Sea to East Med: 30,000 m/t (3,000 disch) | \$13/14.00 | Steady | X |
| Ukraine to East Med: coaster (1,000 disch) | \$22/23.00 | Steady | X |
| Russia to Turkey: coaster (1,000 disch) | \$29/30.00 | Steady | X |
| Black Sea to Egypt: 40/50,000 m/t – (6,000 disch) | \$14/15.00 | Down \$1.00 | X |
| Black Sea to Egypt: 30,000 m/t – (4,000 dich) | \$15/16.00 | Down \$1.00 | X |
| Ukraine to Egypt: coaster 3,000 m/t (1,000 disch) | \$22/23.00 | Steady | X |
| Russia to Egypt: coaster 3,000 m/t (1,000 disch) | \$33/34.00 | Steady | X |
| Black Sea to Iraq: 50,000 m/t (4,000 disch) | \$35/36.00 | Steady | X |
| Black Sea to Europe: 50,000 m/t | \$20/21.00 | Steady | X |
| Black Sea to Morocco: 30,000 m/t (3,000 disch) | \$15/16.00 | Steady | X |
| Black Sea to Spain: 40/50,000 m/t (8,000 disch) | \$21/22.00 | Up \$1.00 | X |
| Black Sea to Jordan: 50,000 m/t (5,000 disch) | \$24/25.00 | Steady | X |
| Black Sea to Libya: 25/35,000 m/t | \$20/21.00 | Up \$1.00 | X |
| Black Sea to Saudi Arabia – Jeddah – 50k | \$27/28.00 | Steady | X |
| Black Sea to South Africa – 30,000 m//t | \$37/38.00 | Steady | X |
| Black Sea to Turkey – 30,000 m/t | \$12/13.00 | Steady | X |
| Black Sea to Tunisia/Algeria: 30,000(5,000 disch) | \$17/18.00 | Steady | X |
| Black Sea to Yemen: 50,000 m/t | No info | | X |
| | | | |
| Baltic Dry Index | 1341 | Up 44 | |
| Baltic Capesize Index | 2011 | Up 159 | |
| Baltic Panamax Index | 1336 | Down 19 | |
| Baltic Supramax Index | 1092 | Down 50 | |
| Baltic Handysize Index | 593 | Down 12 | |
| | | | |

FOB port or location specified. Prices in US\$, in metric tons:
All shipments in bulk grain vessels unless stated otherwise
(NOLA is New Orleans, Louisiana, USA.)

ALL PRICES ARE FOR July 2018/September 2018

| | | |
|---|-----------------------|---|
| Wheat, USA Soft Red Winter, NOLA | USD 214/218 | X |
| Wheat, USA Hard Red Winter 11 protein -NOLA | USD 221/225 | x |
| Wheat, Ukraine 11.5 pro, 30,000+ m/t | USD 185/188 | x |
| Wheat, Russia 12.5 pro, 30,000+ m/t | USD 195/197 | x |
| Wheat, Romania 12.5 pro | USD 200/202 | x |
| Wheat, Superior, France, Rouen | USD 204/207 | x |
| Wheat, milling, 12.0%, Argentina, Upriver | USD 242/245 | x |
| Wheat, feed, Black Sea | USD 183/186 | x |
| | | |
| Barley, France, Rouen port | USD 192/195 | x |
| Barley, feed, Argentina | USD 177/180 Aug/Sep | X |
| Barley, feed, Black Sea, 30,000+ | USD 188/191 | X |
| Barley, feed, USA Pacific Northwest | USD 220/225 | X |
| | | |
| Corn, 2YC FOB NOLA USA | USD 164/167 | x |
| Corn, 3YC FOB USA Pacific northwest | USD 178/181 | x |
| Corn, FOB Argentina port, Upriver | USD 164/167 | X |
| Corn, FOB Brazil port | USD 174/177 | X |
| Corn, FOB France - Atlantic | USD 192/195 | x |
| Corn, FOB Romania | USD 199/202 | X |
| Corn, FOB Russia | USD 197/200 | X |
| Corn, FOB Ukraine, 30,000+ m/t | USD 181/184 | X |
| Sorghum, FOB Argentina port | USD 167/170 | X |
| Sorghum, FOB Texas | USD 185/188 | X |
| | | |
| Soymeal, 48% protein, FOB NOLA | USD 392/397 July/Sept | X |
| Soymeal, 48% protein, USA, Rotterdam | USD 417/422 July/Sept | X |
| Soymeal, Argentina, Rotterdam | USD 405/408 | X |
| Soymeal, 47% pro, FOB Argentina | USD 374/378 | X |
| Soymeal, 48% protein, Brazil, Rotterdam | USD 405/408 | X |
| Soymeal, 48% protein, FOB Brazil | USD 375/380 | X |
| Soybeans, FOB NOLA | USD 347/350 | X |
| Soybeans, Argentina, FOB | USD 374/377 | X |
| Soybeans, Brazil, FOB | USD 377/380 | X |

| | | |
|------------------------------------|----------------------|---|
| Soybeans, Black Sea | USD no prices | |
| | | |
| Corn Gluten Meal, USA FOB NOLA | USD 585 >> 575 m/t | X |
| Corn Gluten Feed, USA FOB NOLA | USD 173 >> 163 m/t | x |
| DDGS corn, 35 profat, USA FOB NOLA | USD 205/210 July/Sep | x |
| | | |

In the corn byproduct markets this week, DDGS prices were quite a bit lower for export as lower soymeal prices weighed on the market. The entire range of corn byproduct export prices were lower on the week as the continued weakness in vegetable proteins (and animal proteins) certainly kept a lid on prices.

Corn prices were only down just a little on the week, but export buyers still felt that bids for byproducts should be lower.

The USDA domestic price report showed no change in corn gluten feed and corn gluten meal prices in the US but did show DDGS as much as USD 10 m/t lower.

Container shipments, minimum 200 m/t

| | |
|-------------------------------------|--|
| Australian MBM 45% protein | USD 390/400 m/t CNF Asia |
| Australian MBM 50% protein | USD 430/440 m/t CNF Asia |
| Australian Feathermeal, 80% protein | USD 490/500 m/t CNF Asia |
| Australian Poultry Meal, pet food | USD 850/870 m/t CNF Asia |
| USA Meat & Bone meal, 50% protein | USD 440/450 m/t CNF Asia USD 400/420 to Indonesia |
| USA Feathermeal, 80% protein | USD 600/620 m/t CNF Asia |
| USA Poultry Meal, feed grade | USD 600/620 m/t CNF Asia |
| USA Poultry Meal, pet food grade | USD 870/900 m/t CNF Asia |

Animal protein prices – mainly meat and bone meal – trended lower this week as MBM supplies were building and soymeal prices were falling. Most exporters showed MBM prices down by as much as USD 20 m/t.

Trade reports this week say that prices will probably not move higher in the next few weeks as the supply of animal protein meals is expected to stay heavy and no one much expects any rally in vegetable protein prices.

Only poultry meal seems able to hold prices steady in the face of dropping protein prices in international markets.

In the US domestic market, feathermeal prices are firm and this will keep export feathermeal prices from falling (at least US feathermeal prices).

SECTION 2 --- FISHMEAL COMMENTS AND PRICES: PERUVIAN

Fishing in Peru was much lower this week – for a couple of reasons: the weather was bad and most of the majors have filled their fishing quotas. The few people still fishing are not processors and will count on selling their small catch on the quay side. According to MSI Ceres, some of the larger processors have completed all their production and have closed down until next season.

There has also been the comment in the trade that the Peruvian government may just cut off the fishing season early. If they do cut it off then the fishmeal available for sale could be quite a bit lower, perhaps as low as only 50,000 m/t until November/December.

Fishmeal prices in Peru are steady for now but as stocks dwindle buyers will have to pay up to get a little fishmeal.

As a matter of information, the top six exporters in Peru represent 90% of the fishmeal business with the top two – Tasa and Copeinca – holding a 47% share. And, as usual, buyers in Asia represent 93% of the Peru fishmeal export business with China having an 84% share.

There was an article in the press this week that said, if the US could increase its fish utilization level to the same level as Iceland – USA 65% versus Iceland 80% - the US fishmeal income could increase by an estimated USD 169 million per year. According to the article US fishmeal producers are under producing fishmeal by about 320,000 m/t per year.

Another news story mentioned how the production of protein from food byproducts in the US could increase available fishmeal-type protein by as much as 1 million m/t per year. This new system, using a “Managed Ecosystem Fermentation”, is said to be able to produce a high protein product with amino acid levels similar to fishmeal. The news story mentions that byproducts like sugar beet pulp would be perfect for this type of system. Of course, the question in this is, if all the food byproducts currently flowing into animal feed (like sugar beet pulp) move to this protein production system, is the benefit to the animal feed industry increased or would we just lose low-cost feed ingredients to produce less of a high-cost protein product.

European fishmeal prices – FOB North German port.

| Type | Protein % | Price per m/t USD |
|------------------|-------------|-------------------|
| Herring fishmeal | 72% protein | 1,670 |
| Danish fishmeal | 64% protein | 1,485 |
| Peru fishmeal | 64% protein | 1,480 |
| Chile fishmeal | 67% protein | 1,530 |
| Iceland fishmeal | 70% protein | 1,640 |

PERU “INDICATION” FISHMEAL PRICES:

ALL PRICES SHOWN ARE IN CONTAINER, ON VESSEL, AT ORIGIN --- US DOLLARS

Minimum shipment of 200 m/t for fishmeal

| Specification | Price per m/t FOB | Price per m/t |
|--------------------------------|-------------------|---------------|
| | vessel Peru port | Chile port |
| 65% protein | 1300/1320 m/t | |
| 65/66 protein | 1330/1350 m/t | |
| 67% protein standard steam | 1370/1390 m/t | |
| 67% protein 150 TVN | 1450/1470 m/t | No prices |
| 67% protein 120 TVN | 1500/1520 m/t | No prices |
| 67% protein 1000 hist, 120 TVN | 1550/1570 m/t | 1600/1620 |

| | | |
|----------------------------------|---------------|-----------|
| 68% protein 500 hist, 120 TVN | 1600/1620 m/t | 1620/1640 |
| | | |
| Fish oil, crude bulk | 1300/1350 | 1270/1300 |
| Fish oil, crude drums | 1400/1450 | |
| Fish oil, flexi tank | 1500/1550 | |
| Fish oil, Omega 3: 28%EPA/DHA | 1700/1800 | |

INFORMATION: gtee = guarantee, TVN = total volatile nitrogen, hist = histamine

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