

**Transportation and Export Report for 7 September 2017****Ocean Freight Insights and Comments:**

The Bulls got a hold of the Baltic Indices this week and were able to move the technical charts up gradually each day this week. By weeks end they had pushed the Dry-Bulk Panamax index up by 11-17%.

Once again; the physical markets reluctantly followed albeit at a slower pace. I frankly do not see the full justification of this market rally, but it has moved steadily up without asking for, or caring about, my opinion. We are entering the North American Fall harvest period and additional cargo interest will surely develop as we move into the October-November periods. So this market could find a bit more support before it settles back.

The Texas Gulf ports of Houston, Galveston and Corpus Christi reopened Monday and Tuesday of this week and most grain export facilities are working vessels. General rail service to the ports has been restored and shuttle trains are slowly moving out from the Mid-Wes to the ports on reduced schedules. So things are gradually returning to "normal" but operations will certainly not be back up to full speed until next week. My hat is off to the employees of these export facilities, many of whom are back at work despite not having a home to return to.

BALTIC DRY-BULK PANAMAX INDEX CHANGES

Panamax Ocean Freight Indices				
7-Sep-17	This Week	Last Week	Difference	Percent Change
P2A : Gulf/Atlantic - Japan	18391	16541	1,850	11.2%
P3A - PNW/Pacific - Japan	10688	9128	1,560	17.1%
S1C -USGULF-China-So.Japan	19350	19047	303	1.6%

Recent history of freight values for Capesize vessels of Iron-Ore from West Australia to South China:

Four weeks ago:	\$ 6.15-\$6.50
Three weeks ago:	\$ 6.90-\$7.25
Two weeks ago:	\$ 6.80-\$7.75
One week ago:	\$ 6.85-\$7.30
This week	\$ 7.25-\$7.60

US Vessel Line-Ups/Estimated vessel berthing delays at U.S. Export Grain Elevators:

Mississippi River:	(10 elevators)	3-6 days
Miss. River Mid-Stream loaders:	(6+ Rigs)	0-0 days
Texas Gulf	(6 elevators)	0-4 days
Pacific Northwest:	(9 elevators)	0-4 days

Panamax Market Spreads to Asia -China					
7-Sep-17	PNW	GULF	Bushel Spread	MT Spread	Advantage
CORN	0.90	0.50	0.40	\$15.75	PNW
SOYBEANS	1.00	0.66	0.34	\$13.39	PNW
OCEAN FREIGHT	\$21.00	\$39.00	.46-.49	\$18.00	OCT.

Recent Reported Vessel Fixtures:

66,000 mt hss US Gulf to N. China Oct. 1-10 at **\$38.75** fio 10000shex/8000shex -LDC

Route and Vessel Size	Current Week USD/MT	Change from previous week	Remarks
55,000 U.S. Gulf-Japan	\$40.00	Up \$1.25	Handymax at \$40.50 mt
55,000 U.S. PNW- Japan	\$21.50	Up \$150	Handymax at \$22.00 mt
60,000 U.S. Gulf – China	\$39.00	Up \$1.25	North China
PNW to China	\$21.00	Up \$1.50	
25,000 U.S. Gulf- Veracruz, México	\$16.00	Up \$.050	3,000 MT daily discharge rate
35-40,000 U.S. Gulf- Veracruz, México	\$14.00	Up \$0.50	Deep draft and 6,000 MT per day discharge rate.
25/35,000 U.S. Gulf- <u>East Coast Colombia</u> From Argentina	\$19.00 \$29.50	Up \$0.50	<u>West Coast Colombia at \$27.50</u>
40-45,000 U.S. Gulf - Guatemala	\$27.00	Up \$0.50	Acajutla/Quetzal - 8,000 out
26-30,000 U.S. Gulf – Algeria	\$28.25 \$31.25	Up \$1.00	8,000 mt daily discharge 3,000 mt daily discharge
25-30,000 US Gulf-Morocco	\$27.50	Up \$1.00	5,000 discharge rate
55,000 U.S. Gulf –Egypt PNW to Egypt	\$25.25 \$24.75	Up \$1.00	55,000 -60,000 mt St. Lawrence to Egypt \$24.50
60-70,000 U.S. Gulf – Europe – Rotterdam	\$16.00	Up \$0.50	Handymax at +\$1.50 more
Brazil, Santos –China	\$31.75	Up \$0.75	54-58,000 Supramax-Panamax
Itacoatiara Port up River	\$30.75		60-66,000 Post Panamax
Amazonia - China	\$34.75		
56-60,000 Argentina-China Up River with Top Off	\$38.00	Up \$0.75	

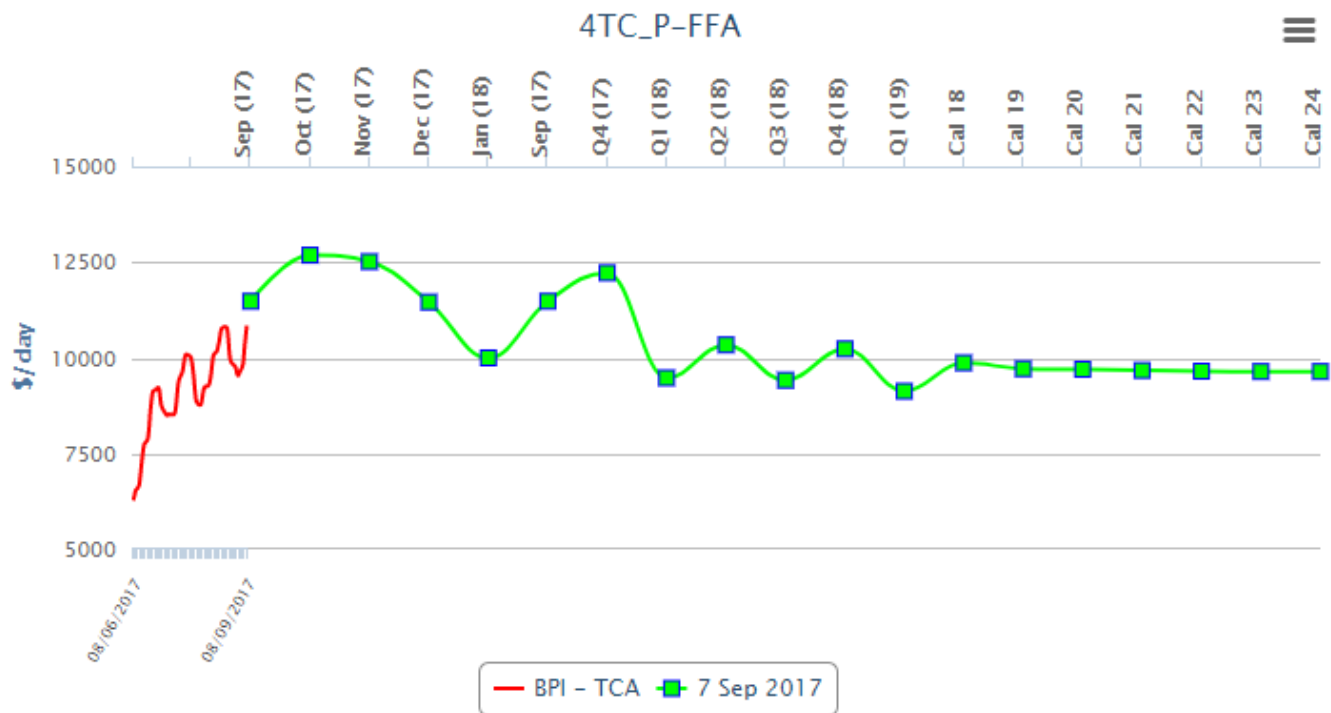
Nautical Miles: To Xiamen China (South China)

US Gulf (NOLA) (via Panamá Canal) – 10,232 nautical miles (32 days)

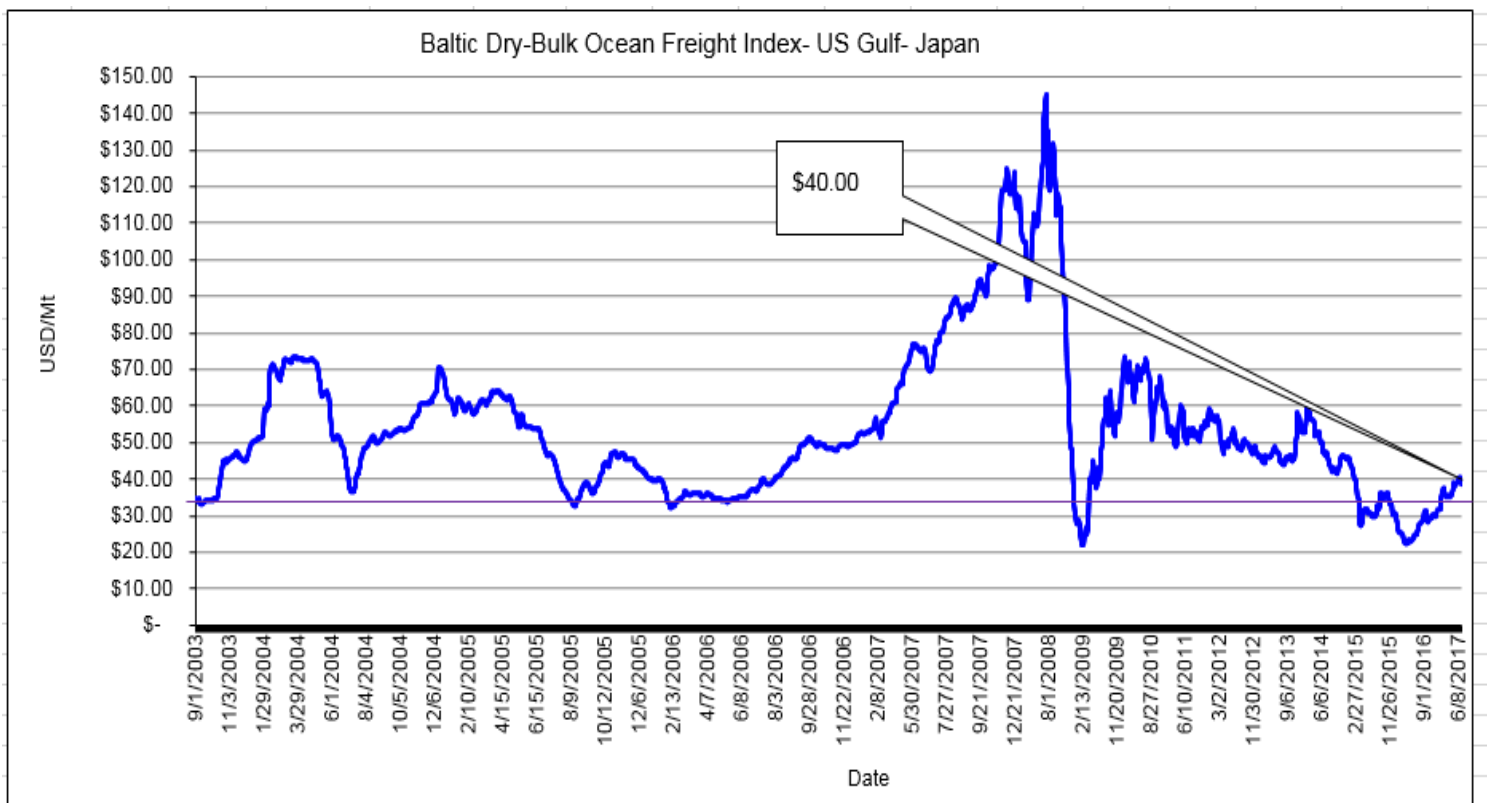
Santos Brazil (via Cape of Good Hope) - 10,441 nautical miles (33 days)

Rasario Argentina (via Cape Horn) - 10,751 nautical miles (34 days)

Forward Curve for Baltic BPI Panamax Vessel Freight

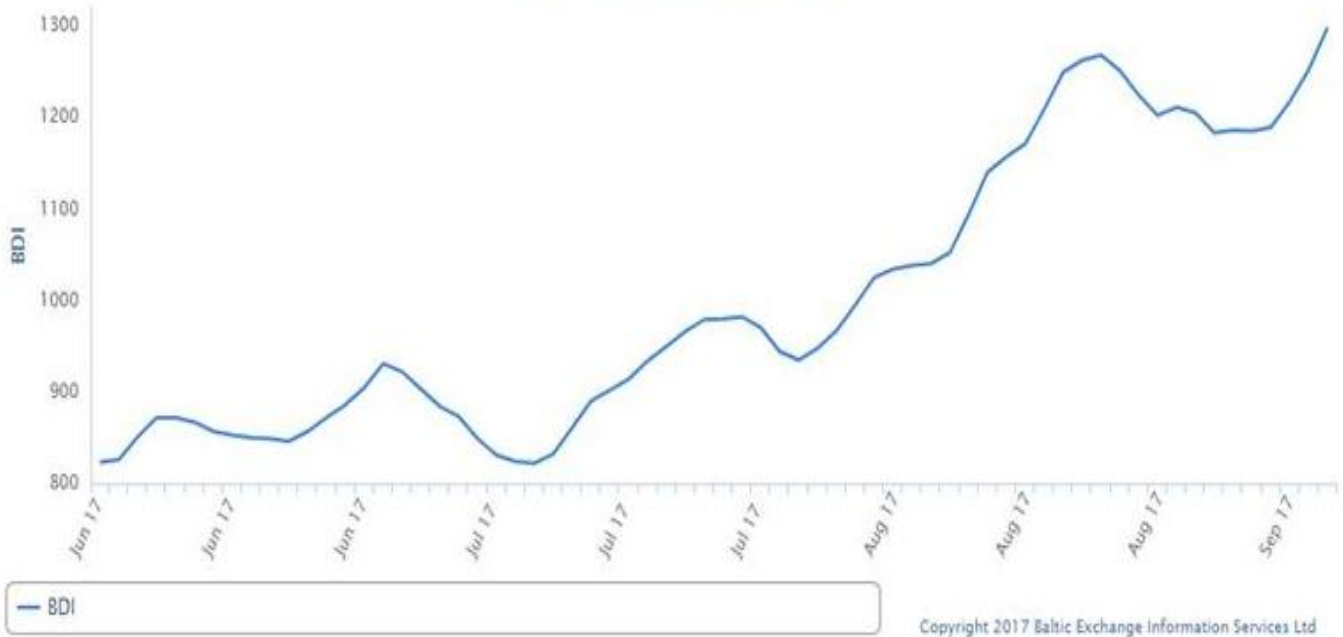


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Baltic Dry Bulk Index

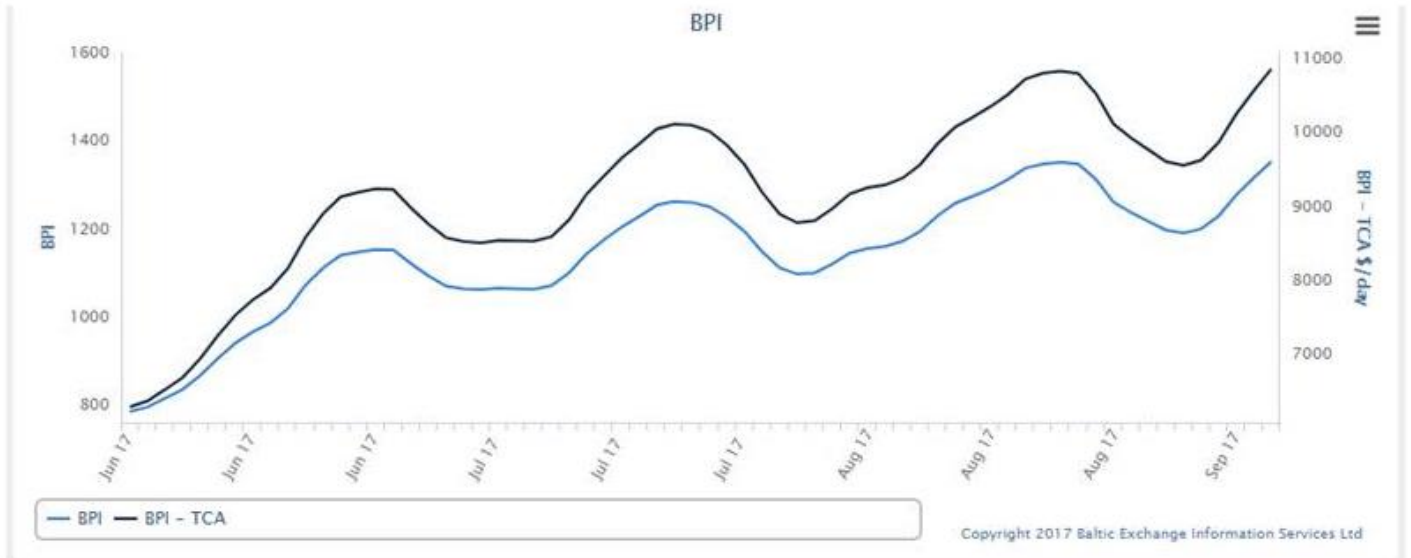
BALTIC EXCHANGE DRY INDEX



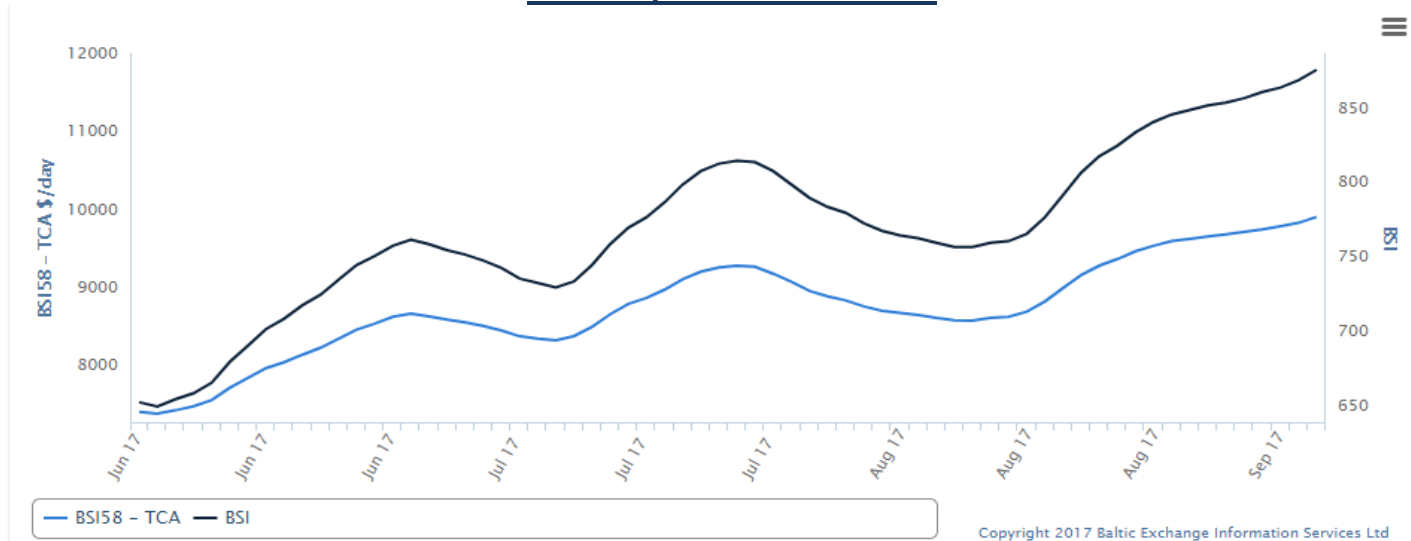
Baltic Capesize Index



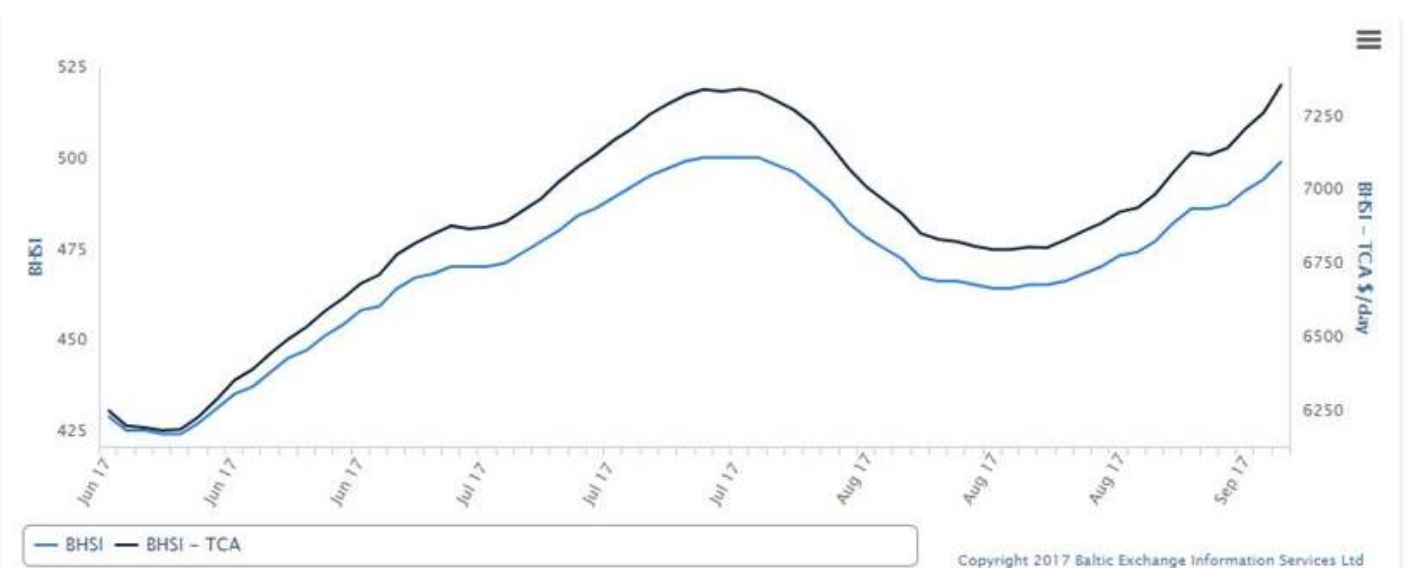
Baltic Panamax Index



Baltic Supramax Vessel Index



Baltic Handy Size



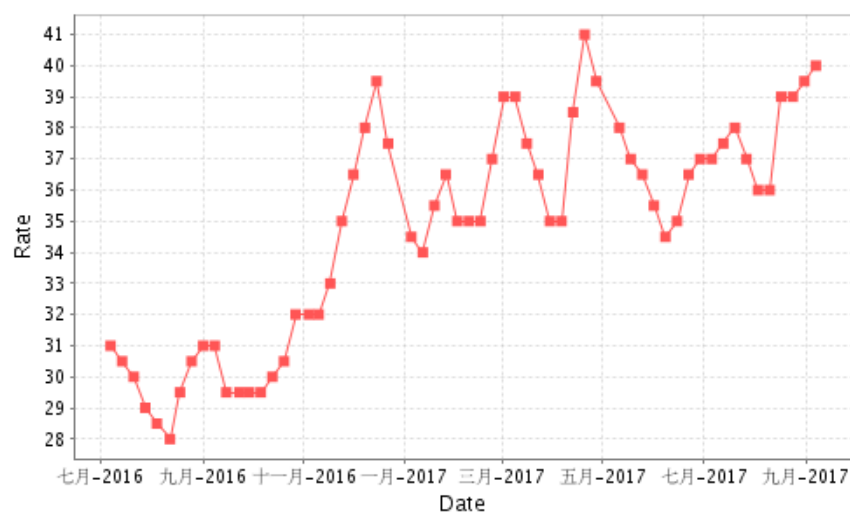
Yamamizu Shipping

[Profile](#)
[History](#)
[Organization](#)
[Service](#)
[Access Map](#)
[Yamamizu Index](#)

USG/Japan Index Result

Date From: 2016-07-01

Date To: 2017-09-08



China Import Dry Bulk Freight Index(CDFI)

2017-09-07

Index/Routes	Charterparty type	Cargo/Vessel type	Dwt/Cargo Capacity	Unit	Index/Rate	Change
Composite Index				Point	998.28	32.62
VC Index				Point	819.6	15.63
TCT Index				Point	1266.29	58.09
Santos(Brazil)— North China	VC	Soybean	60000/10%	\$/ton	30.945	0.725
Tacoma(West America)—North China	VC	Soybean	60000/10%	\$/ton	20.84	0.15
Mississippi(US Gulf) —North China	VC	Soybean	55000/10%	\$/ton	41.47	0.58

7 September 2017 FOB Vessel Export Market Values:

U.S. Yellow Corn (USD/MT) FOB Vessel				
# 2 YC	U.S. Gulf #2 YC		PNW #2 YC	
15.0 % Moisture	Basis	Flat Price	Basis	Flat Price
Oct.	0.50	\$159.54	0.90	\$175.29
Nov.	0.58	\$162.69	0.90	\$175.29
Dec.	0.61	\$163.87	0.91	\$175.68
Jan.	0.55	\$166.43	0.86	\$178.63
Feb.	0.59	\$168.00	0.88	\$179.42
Mar.	0.62	\$169.18	0.90	\$180.21

The Gulf spread between #2 and #3 YC is currently about 02 cents per bushel (0.80 per MT)

SORGHUM (USD/MT) FOB VESSEL				
#2 YGS Fob Vessel	NOLA		TEXAS	
Max. 14.0% moisture	BASIS	FLAT PRICE	BASIS	FLAT PRICE
Oct.	1.35	\$193.00	1.25	\$189.06
Nov.	1.35	\$193.00	1.25	\$189.06
Dec.	1.35	\$193.00	1.25	\$189.06
Jan.	1.25	\$193.99	1.20	\$192.02
Jan.	1.25	\$193.99	1.20	\$192.02

Fob vessel Texas Gulf #2 Sorghum is about 118 % the value of #2 Yellow Corn at NOLA
Sorghum has gotten to be a thin trade and interior and export handling margins have widened out to reflect the risk.

U.S. SRW Wheat Fob Vessel at the Center U.S. Gulf

SRW Wheat	USD/MT	Fob Vessel	US Gulf	
	Oct.	Nov.	Dec.	Jan.
FOB U.S. GULF	\$190.05	\$191.89	\$190.05	\$190.61
Basis	0.80	0.85	0.80	0.60
WU	4.1350			
WZ	4.3725			
WH	4.5875			

CME CORN FUTURES MARKET CLOSE- Thursday						
CBOT		Friday	Friday	Last week	Last Week	Difference
CORN	Futures	Close	Close	Bushel	MT.	Bushel
Month	Symbol	Bushel	MT.			
Sept.	CU	\$3.4175	\$134.54	\$ 3.4225	\$134.74	(\$0.0050)
Dec.	CZ	\$3.5525	\$139.85	\$ 3.5775	\$140.84	(\$0.0250)
Mar.	CH	\$3.6775	\$144.78	\$ 3.7050	\$145.86	(\$0.0275)
May	CK	\$3.7550	\$147.83	\$ 3.7775	\$148.71	(\$0.0225)
July	CN	\$3.8175	\$150.29	\$ 3.8400	\$151.17	(\$0.0225)

CME/CBOT December 2017 (CZ7) Corn Futures Chart –



CME/CBOT Dec. 2017 (WZ7) SRW Wheat Futures Chart –

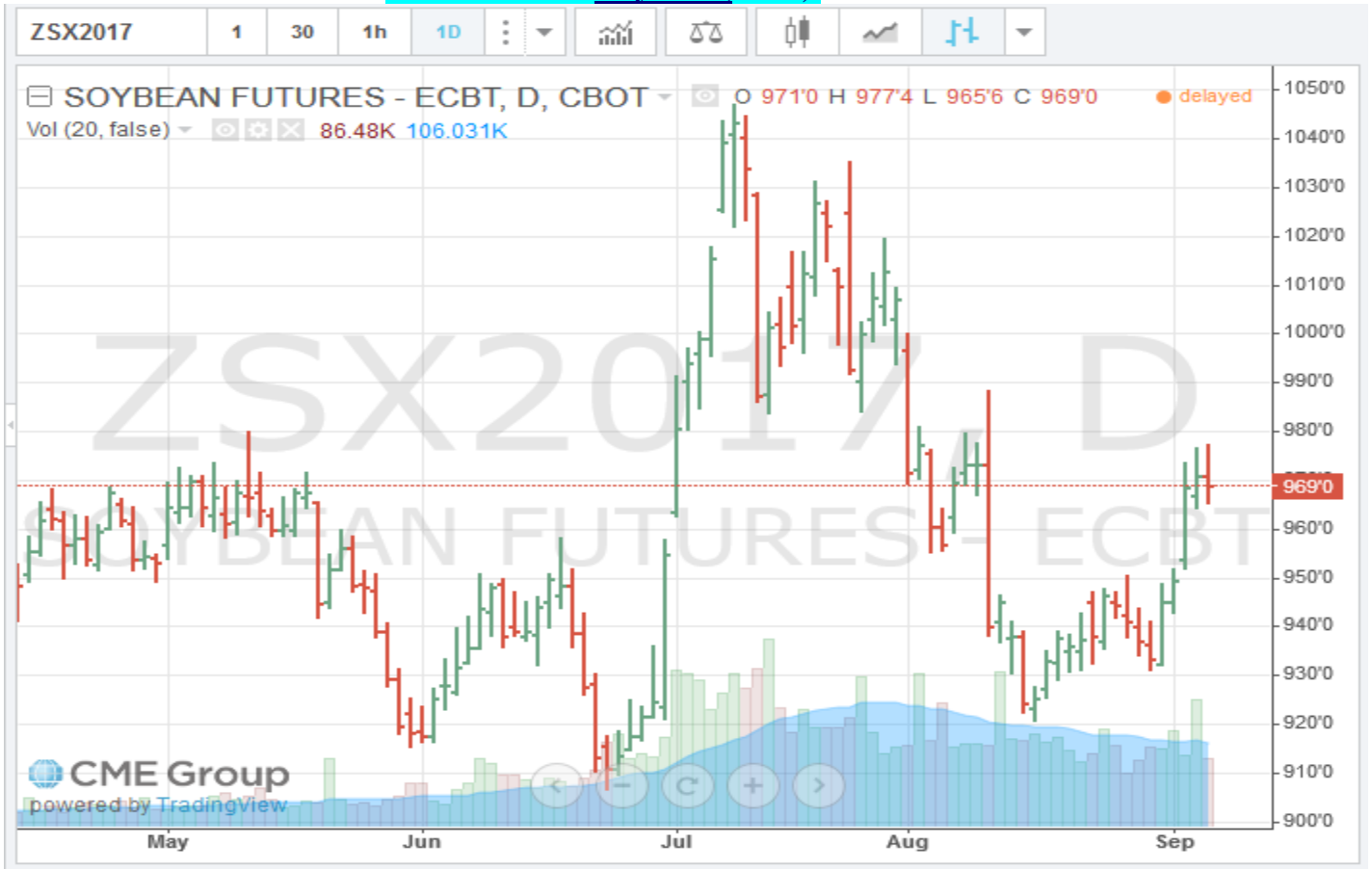


Soybean and SBM Markets Fob Vessel:

U.S. Yellow Soybeans (USD/MT) FOB Vessel				
# 2 YSB	U.S. Gulf #2 YSB		PNW #2 YSB	
14.0 % Moisture	Basis	Flat Price	Basis	Flat Price
Oct.	0.66	\$380.20	1.00	\$392.69
Nov.	0.66	\$380.20	1.03	\$393.80
Dec.	0.60	\$381.58	1.01	\$396.64
Jan.	0.60	\$381.58	1.06	\$398.48
Feb.	0.58	\$384.06	1.05	\$401.33
Soybean Futures				
Sept.	\$ 9.6325			
Nov.	\$ 9.6875			
Jan.	\$ 9.7850			
Mar.	\$ 9.8725			
May	\$ 9.9575			
July	\$ 10.0300			

U.S. SBM (USD/MT) FOB Vessel		
Fob U.S. Gulf Port	47.5 Pro. SBM	
max 12.5 % moisture	Basis	Flat Price
Oct.	-3.00	\$ 332.07
Nov.	-3.00	\$ 335.38
Dec.	-2.00	\$ 336.48
Jan.	0.00	\$ 340.34
Feb.	0.00	\$ 343.32
SBM Futures		
SMU	302.40	
SMV	304.20	
SMZ	307.20	
SMF	308.70	
SMH	311.40	
SMK	313.70	

CME Nov. 2017 Soybean (SX17) Futures Chart



CME Dec. 2017 Soybean Meal (SMZ7) Futures Chart



U.S. EXPORT STATISTICS: Report Activity as of Week Ending 24 August 2017
Thursday-Weekly U.S. Export Sales

Commodity	New Sales (000 MT)	YTD Export Commitments **(000 MT)	Total Projected Export Program for Year (000 MT)	Percent of Export Projection	Total Sales for Next Marketing Year '17- 18 (000 MT)
Corn	214.5	56,763.9	56,520	100%	6,965.8
Sorghum	282.5	5,172.1	5,720	90%	463.7
Soybeans	210.8	60,843.0	58,510	104%	11,499.4
Wheat	555.0	12,083.5	26,540	46%	30.0
Barley	0.0	36.3	110	33%	0.0

U.S. EXPORT INSPECTIONS:

Monday's report 04 September 2017 for the Export week ending 31 August 2017

	Export Inspections		Current Market Year YTD	Previous Year to Date	2017 YTD as Percent of 2016 YTD
	This Week	Previous Week			
Corn	797,555	822,383	56,903,395	46,753,657	122%
Sorghum	4,703	100,609	5,914,725	8,789,422	67%
Soybeans	644,909	737,343	57,717,073	51,503,255	112%
Wheat	252,465	675,100	7,692,860	7,259,358	106%
Barley	1,895	0	14,122	20,166	70%

For further Export Sales details: <http://www.fas.usda.gov/export-sales/esrd1.html>

U.S. EXPORT INSPECTIONS:

Monday's report 04 September 2017 for the Export week ending 31 August 2017

Last Week							
(Metric Tons)	YC	%	WC	%	Sorghum	%	Soybeans %
Lakes	0	0%	0	0%	0	0%	10,475 2%
Atlantic	0	0%	0	0%	0	0%	12,097 2%
Gulf	447,944	58%	24,644	100%	0	0%	439,464 68%
PNW	106,306	14%	0	0%	0	0%	112,956 18%
Interior Export Rail	218,637	28%	24	0%	4,703	100%	69,917 11%
Metric Tons	772,887		24,668		4,703		644,909

Sorghum

Shipments:

metric tons

4,505	China
98	Main
100	Panama
4,703	Mexico
	Total

White Corn metric tons

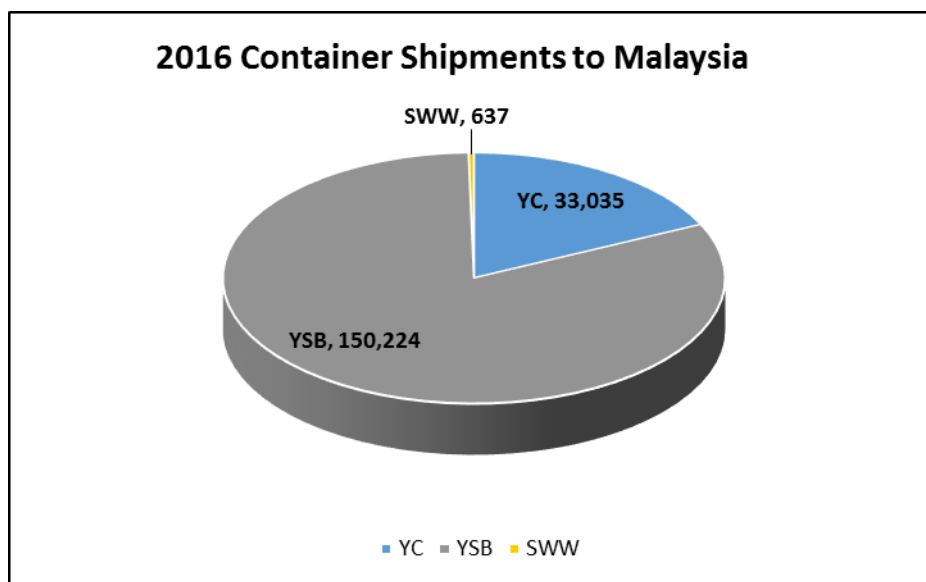
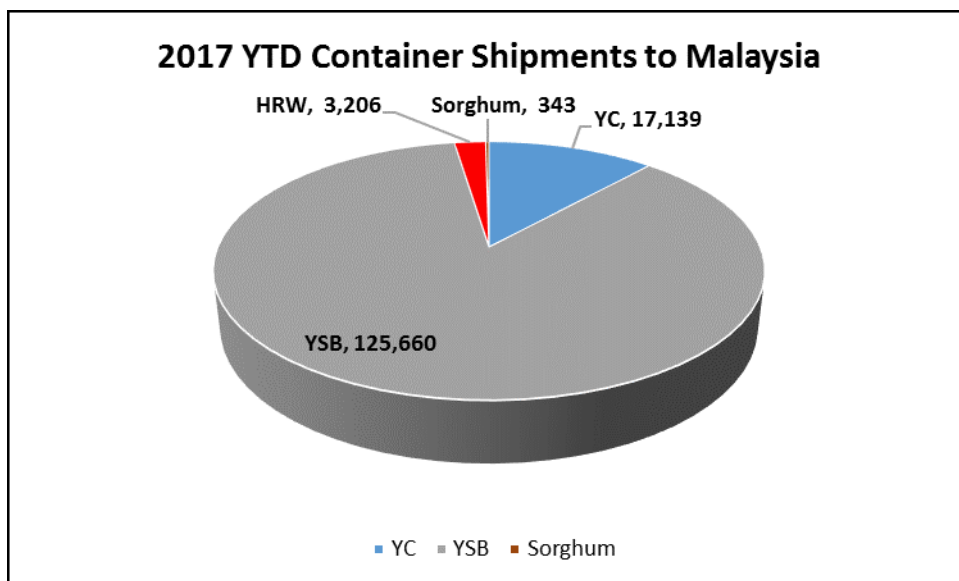
Shipments:	24	Ireland
	24,644	Mexico
	24,668	Total

Export Inspection Highlights

Data sheet below: *USDA weekly export inspections report with corrections to the last three weeks' grain export inspections reports. (This usually covers a 2-5 week prior time frame).*

CONTAINER SHIPMENTS of GRAIN									
USDA Grain Inspections Report:		31-Aug-2017							
Last Week	metric tons								MT
	YC	WC	YSB	SRW	NS	SWH	HRW	Sorghum	TOTAL
China Main			1,935					4,505	6,440
China T	7,025		7,381						14,406
Hong Kong									0
Costa Rica	122								122
Indonesia			20,934						20,934
French Polynesia									0
Japan			147						147
Korea Republic	1,420		122						1,542
Panama								98	98
Malaysia	196		1,982						2,178
Ireland		24							24
Philippines	416		612						1,028
Thailand			4,972						4,972
Bangladesh			563						563
Israel			12,008						12,008
Vietnam			2,547						2,547
Sub total	9,179	24	53,203	0	0	0	0	4,603	51,891
USDA Corrections/Additions to previous reports:									
China T	735		4,261						4,996
China Main			1,052						1,052
Hong Kong									0
Korea Rep.									0
Canada									0
Japan			318						318
Philippines			392						392
Indonesia			1,973						1,973
Malaysia							538		538
Thailand									0
Vietnam			245						245
Israel	15,892								15,892
Panama									0
Sub total	16,627	0	8,241	0	0	0	538	0	25,406
Mt. Grand Total	25,806	24	61,444	0	0	0	538	4,603	77,297
Number of containers	1,122	1	2,671	0	0	0	23	200	

Jan - Dec 2016 Annual Totals versus 2017 Jan.-Dec. Year to Date Container Shipments (in MT)

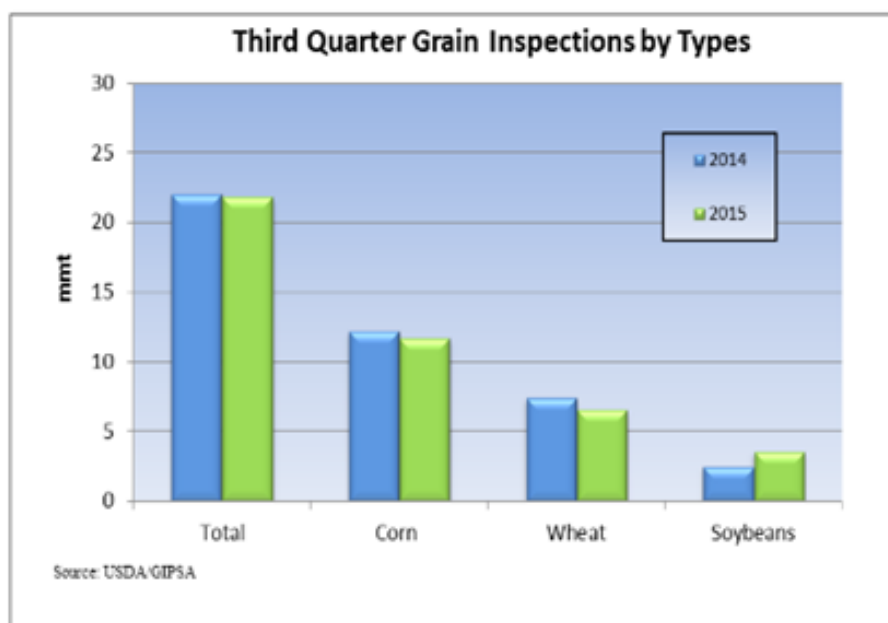


Grain Inspections for Export by U.S. Port Regions:
U.S. Gulf and Pacific Northwest 2016 YTD vs. 2017 YTD

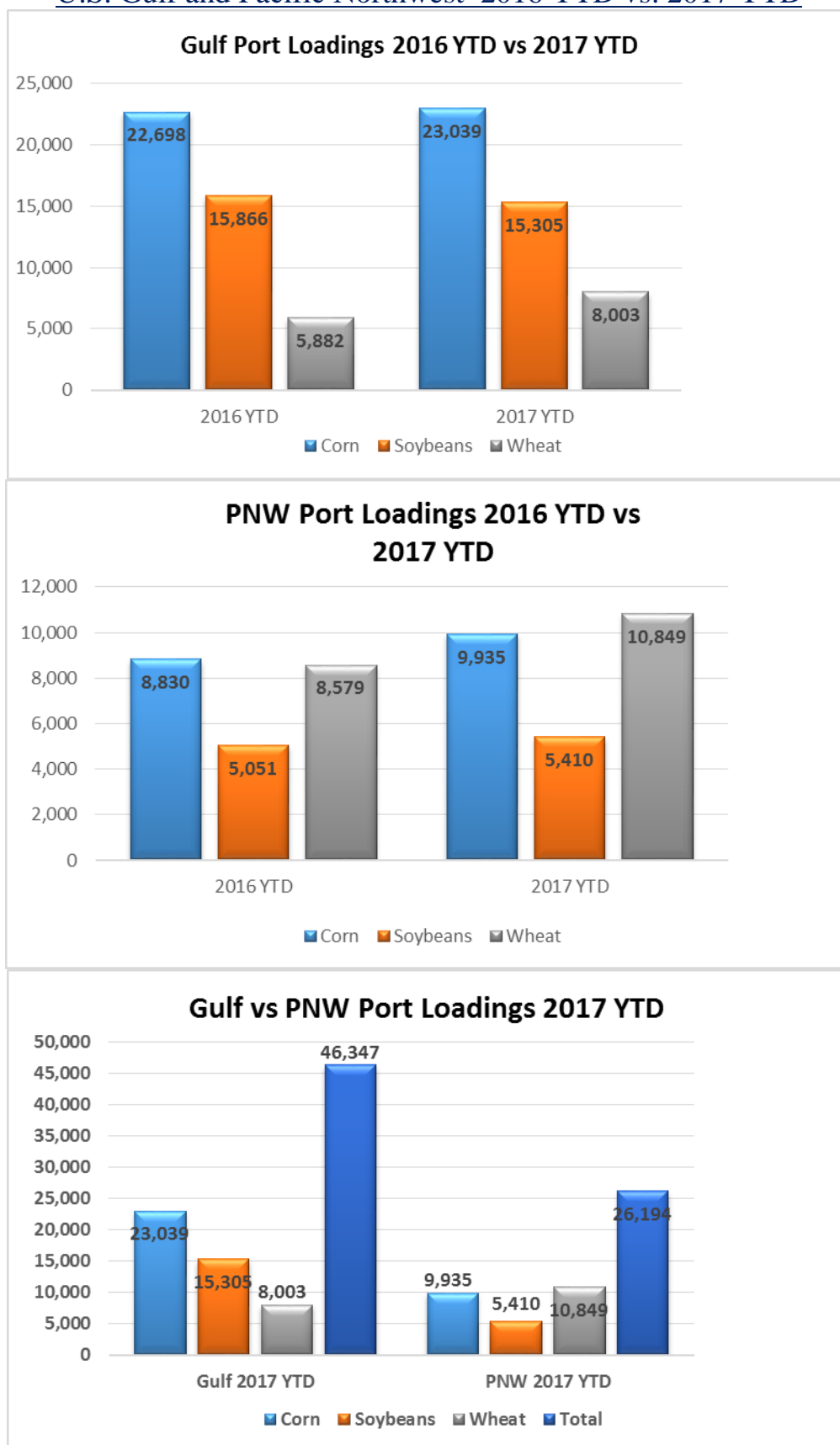
PORT LOADINGS US Gulf				
(1,000 MT)	CORN	SOYBEANS	WHEAT	TOTAL
GULF				
2016 YTD	22,698	15,866	5,882	44,446
2017 YTD	23,039	15,305	8,003	46,347
2017 as % of 2016	102%	96%	136%	104%

PORT LOADINGS US PNW				
(1,000 MT)	CORN	SOYBEANS	WHEAT	TOTAL
PNW				
2016 YTD	8,830	5,051	8,579	22,460
2017 YTD	9,935	5,410	10,849	26,194
2017 as % of 2016	113%	107%	126%	117%

PORT LOADINGS GULF vs. PNW				
(1,000 MT)	CORN	SOYBEANS	WHEAT	TOTAL
2017 Gulf YTD	23,039	15,305	8,003	46,347
2017 PNW YTD	9,935	5,410	10,849	26,194
TOTAL	32,974	20,715	18,852	72,541
Gulf Percentage	70%	74%	42%	64%
PNW Percentage	30%	26%	58%	36%



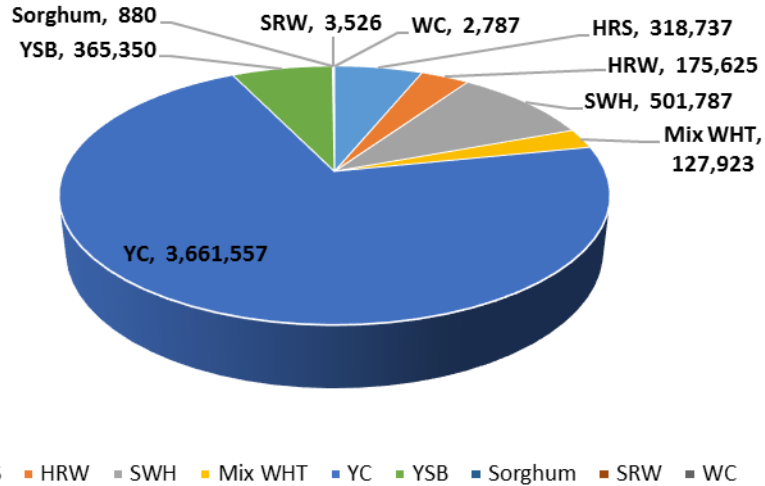
Grain Inspections for Export by U.S. Port Regions:
U.S. Gulf and Pacific Northwest 2016 YTD vs. 2017 YTD



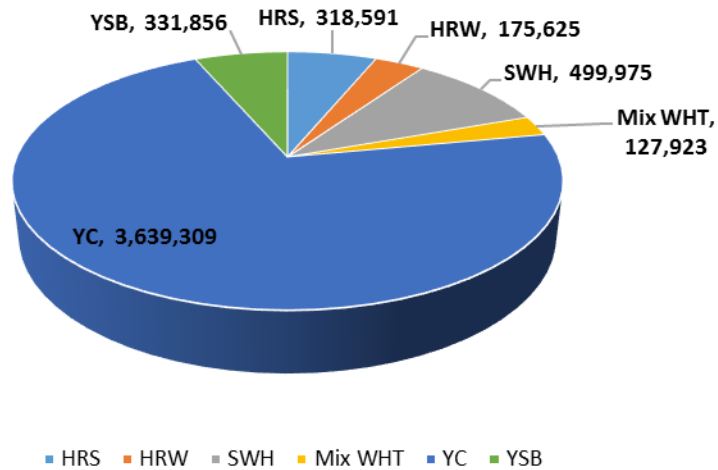
Source: USDA-data

2017 YTD Total Grain Exports reported by USDA (in MT)

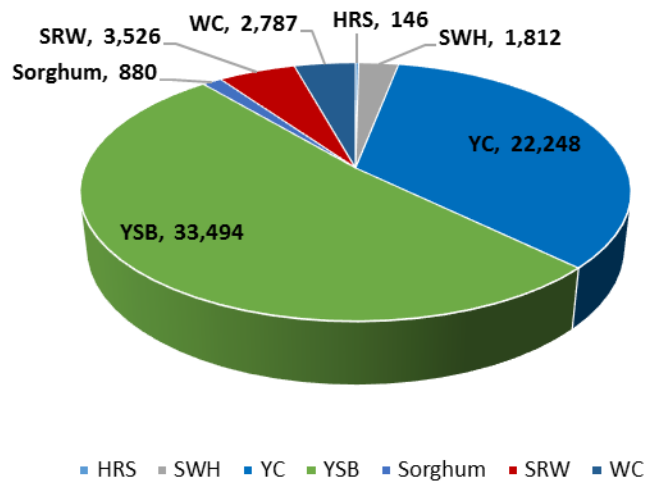
2017 YTD Exports to Korea Rep.



YTD Exports to Korea Rep. by Vessel



YTD Exports to Korea Rep. by Container



**Please keep in mind that USDA does not report DDGS sales, or they would show as the largest exports by container

Shipping News:

Marine Log <marinelognews@sbpub.com>

Meyer Werft lays keel for first LNG-fueled cruise ship; USCG sets port condition X-ray

O'Neil

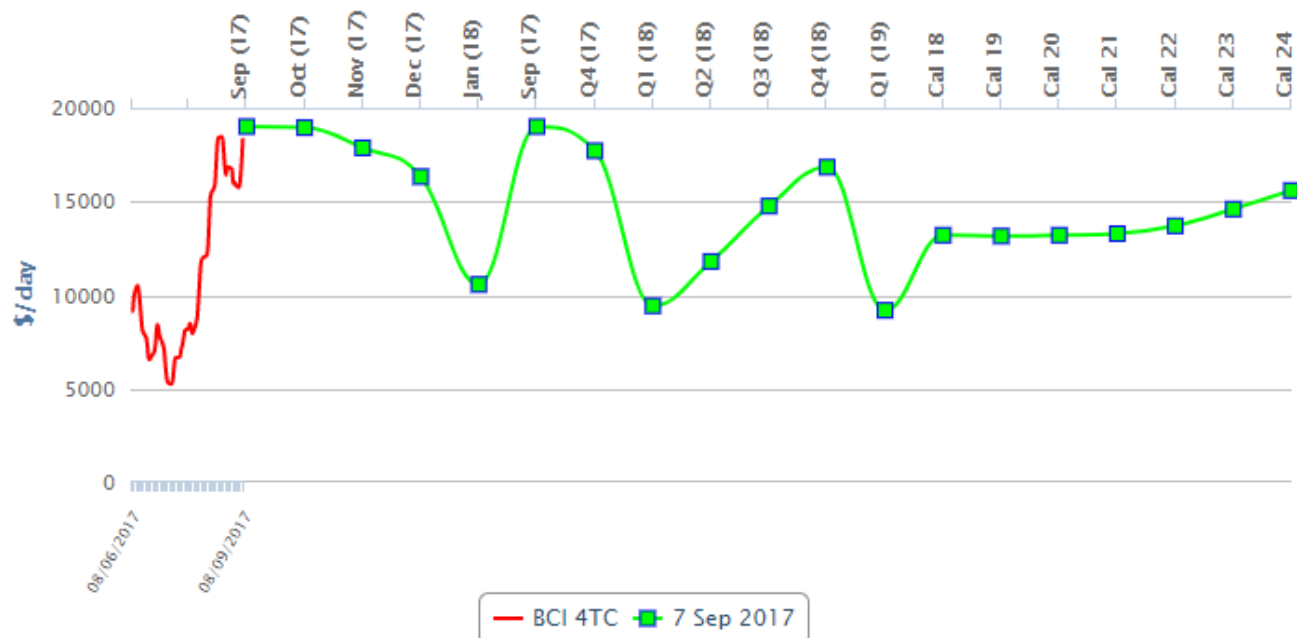


VIDEO: Huge containership inaugurates raised Bayonne Bridge

September 7, 2017 — This morning the 14,414 TEU *CMA CGM Theodore Roosevelt* became the largest capacity containership ever to pass under the newly elevated Bayonne Bridge and visit the Port of New York and New Jersey. Launched by French shipping giant CMA CGM the *Theodore Roosevelt* arrived in the New York-New Jersey port after transiting the expanded Panama Canal locks, as the largest capacity ship to use the passageway.

FFA Capesize for the 4 time charter routes

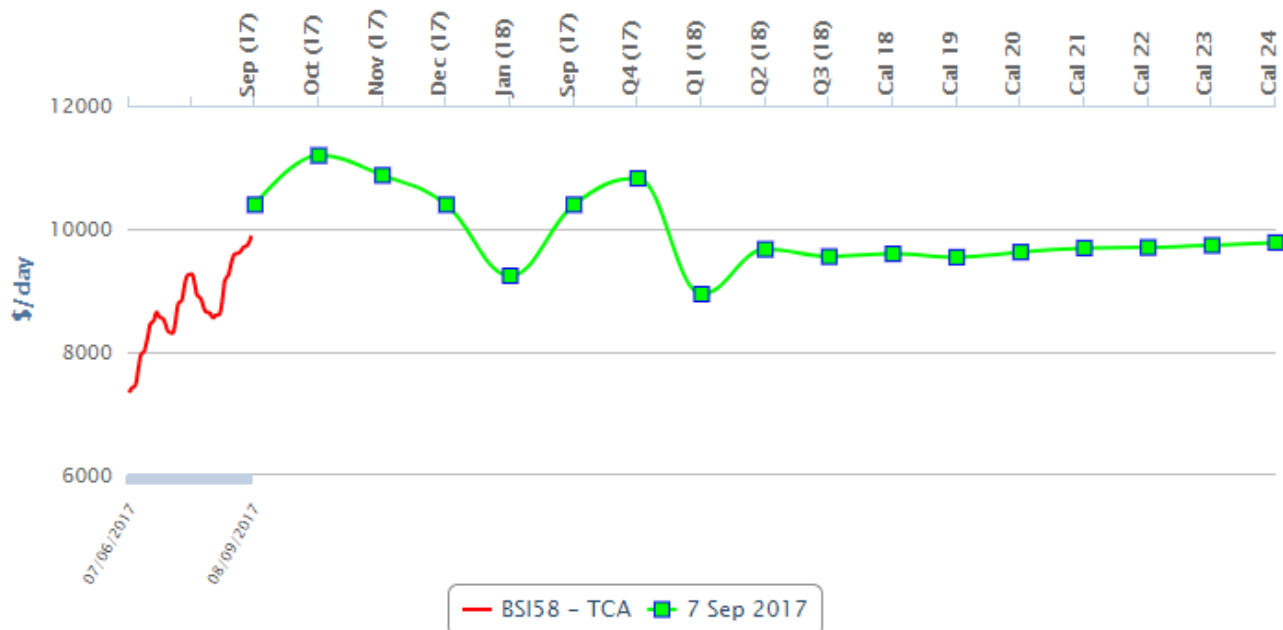
4TC-FFA



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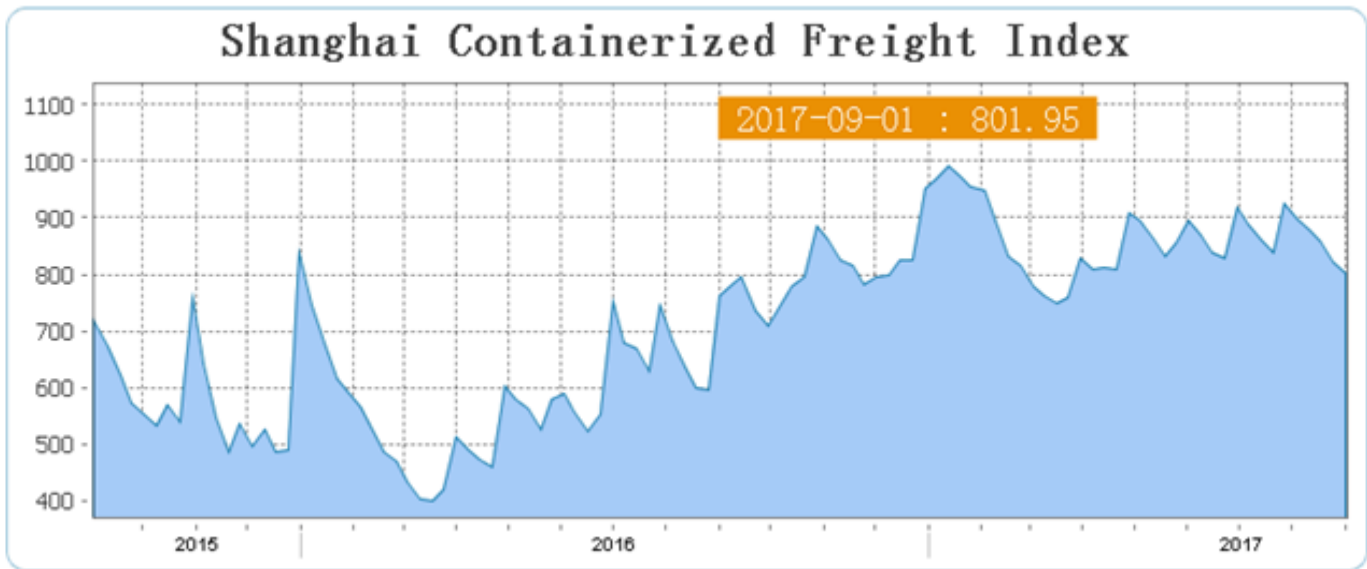
FFA SUPRAMAX 58 for the 5 time charter routes

10TCS-FFA



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U.S. RIVER BARGE FREIGHT



Current Barge Freight for Placement Last Half September 2017

Placemen LH Septmber 2017	% of Tariff	MT	Corn BU	Soybeans-Wheat BU
Upper Mississippi	420	\$28.66	0.73	0.78
Illinois River (Pekin and South)	380	\$20.15	0.51	0.55
Mid-Mississippi	375	\$21.99	0.56	0.60
Lower Ohio	365	\$17.94	0.46	0.49
St. Louis	275	\$12.09	0.31	0.33

Secondary Rail Car Market for car placement period: Last Half September 2017.

Secondary Rail Car Market Placement LH September 2017	BID USD	ASK USD	BID BU.	ASK BU.	BID MT	ASK MT
BNSF Shuttle Trains	\$ -	\$ 500.00	\$ -	\$ 0.13	\$ -	\$ 4.92
UPRR Shuttle Trains	\$ 100.00	\$ 400.00	\$ 0.03	\$ 0.10	\$ 0.98	\$ 3.94



BUILDING AMERICA®

Tropical Storm Harvey Update from Beth Whited, Exec. Vice President Marketing & Sales

Announcement Number: CN2017-73

9-7-2017

To Our Customers,

On Friday, August 25, 2017, Harvey made landfall as a Category 4 hurricane. The flooding that followed was catastrophic and has had a major impact on our business and the businesses of our customers. But more importantly, this unprecedented weather event affected the lives of countless people in the Gulf region. Families were displaced. People were injured. Some lost their lives. Many of those families were our employees and many of them were yours, too. We were very fortunate not to have lost any Union Pacific employees or family members, but we know others weren't as fortunate. While we are working hard to restore our network and support your business, we want you to know the families affected by Harvey are top of mind and close at heart. As we rebuild, the safety and well-being of the people behind the loss and devastation will continue to be our primary focus.

Over the last two weeks we've worked tirelessly to restore service in the affected areas, where the damage has been significant. On the morning of Monday, August 28, we were aware of 96 outages in the Gulf Region. As the rain continued to fall, by Wednesday morning, that number had skyrocketed to more than 150.

Thanks to the incredible work of countless teams, today, the majority of service has been restored. At the height of the storm 1,750 miles of track were out of service and 2,440 route miles were affected. As of today, just 50 miles of track are out of service and 420 route miles have been affected. While we'd like to see zero impacts to our service, we are proud of the substantial progress we've made. To give our customers a sense of the magnitude of work performed, I'm including a link to a presentation that further highlights our [Rail Impact and Service Recovery Efforts](#).

- Conference calls are taking place around the clock between our Operations, Engineering, Network Planning, Dispatch Center, Fuel and Supply teams as well as our National Customer Service Center to discuss the impacts and enact the proper strategies to move forward.
- Crews are relocating to provide much-needed manpower in the affected areas.
- We've added 145 locomotives to the network to handle the surge in traffic and have plans to put a total of 200 in place.
- In light of several pipeline and refinery disruptions, our Supply department is enacting plans to ensure our locomotives have the fuel needed to serve our customers.
- The Houston Service Unit mechanical team has inspected all of the 25,508-car inventory in affected areas to get them back on line.
- Staffing has been adjusted in our National Customer Service center to ensure we're readily available to handle your needs.

These are just a few of the efforts we're taking to help all of us get back to business as usual. And we won't stop until we are fully operational.

Union Pacific Rail Road Rate Increases Effective 1 October 2017

2017/2018 Export Rates

- UP direct to PNW for corn/beans/milo will take \$250/car increase
- Gulf export business for corn/beans/milo will take \$250/car increase
- River beans and corn will NOT take an increase
- Mexico export business for beans will take a \$100/car increase
- Mexico export business for corn will take on average a \$200 increase, varied by lane due to market conditions



June 30, 2017

Corn & Soybean Shuttle Rates

BNSF soybean shuttle rates in item 69105 (BNSF direct to PNW and Texas Gulf) will be extended at current rates through March 31, 2018.

BNSF corn shuttle rates in item 39013 (BNSF direct to PNW export and PNW domestic) will be extended at current rates through March 31, 2018.

BNSF corn shuttle rates in item 39010 will be increased \$80/car effective October 1, 2017 through March 31, 2018 with the exception of TX Gulf, Corpus Christi, and Brownsville which will be extended at current rates through March 31.

Best Regards,

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