

## CFO May Commodity Outlook Report

### Corn

#### Outlook: Slightly Bullish

The May USDA report forecasted 2016/17 US corn production at 14,430 million bushels, up 829 million bushels from 2015/16. This would be 214 million bushels higher than the high in 2014/15.

Acres planted are forecasted at 93.6 million acres, up 5.6 million acres from last year. The U.S. corn yield is projected at 168.0 bushels per acre, down 0.4 bushels from 2015/16. Sorghum, barley, and oat production are seen lower due in part to increased corn production.

Ethanol demand and exports are forecasted to be higher this coming crop at 5,300 and 1,900 million bushels respectively.

US ending stocks for 2016/17 are forecasted at 2,153 million bushels, up from 1,803 million bushels. This results in a US stock-to-use ratio of 15.2% versus a current ratio of 13.3% for the 2015/16 crop.

Planting progress is ahead of last years pace and the 5 year average.

#### Global Supply Balanced

Global corn supply is projected 38.24 million metric tons higher for 2016/17, but below expectations. Global demand is estimated to improve with exports increasing by 11.56 million metric tons. This results in global ending stocks forecasted down very slightly.

#### Currency: USD holds strength

The US dollar continues to be strong relative to the Canadian dollar at \$1.2900 CAD/USD.

Crude oil prices have seen steady increases, as there have been interruptions in Canadian production. Global economic concerns continue.

### Chicago Board Of Trade July 2016 Corn Chart



#### Technical Analysis: Mixed

The July 2016 corn chart is currently bullish, trading in the upper end of the range between \$3.65 and \$3.95.

The RSI is neutral at about 50, MacD is showing the start of a bearish move, while Stochastics are nearing the upper end of its bullish range. Moving averages are aligned bullishly.

Technically the picture is mixed, so further upside might be limited. All technical indicators are suggesting a sideways range, looking for more direction. Presumably the direction will come from the weather outlook in the next few weeks.

#### Weather is Seasonal

Argentine weather has seen more rain delaying soybean harvest progress. Brazil weather has been dry, causing fear of further crop reductions. Current US mid west weather is looking ideal for planting progress.

#### Funds Have a Long Position

The non-commercial/reportable funds are now long 79,800 lots, as there has been some short covering in recent weeks.

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### Soybean Meal

#### Outlook: Bullish

USDA sees the overall oilseed production down 3.1 million bushels for 2016/17. Soybean production is projected at 3,800 million bushels, down 129 million bushels from the last crop. They forecast planted acres down at 82.2 million acres and average yields down at 46.7 bushels per acre.

Domestic soybean meal use is expected to grow on increased production of domestic livestock. Soybean exports are forecasted up 145 million bushels to 1,885 million bushels projected in 2016/17. The soybean carry out is forecasted down to 400 million bushels in 2015/16 and 305 million bushels in 2016/17. The US stock-to-use ratio changes from 10.67% to 7.77% in 2016/17. There is still adequate supply.

Soybean meal and soybean oil supply increased on higher production estimates. Ending meal stocks remain at 300 thousand short tons.

Soybean planting is ahead of the 5 year average, but slightly behind last years pace.

#### Global Supply Tightening

Global soybean supply is forecasted at 534.47 million metric tons, up from 525.02 million metric tons in 2015/16. However, global demand is expected to increase by more than supply resulting in a reduction of ending stocks by 6.04 million metric tons.

South America will see slight gains in soybean production for 2016/17 that will offset a reduction in US production. Brazilian and Argentine production are estimated at 103 and 57 million metric tons respectively.

#### Weather has been Favourable

US weather is very good so far for the upcoming planting season.

### Chicago Board Of Trade July 2016 Soy-Meal Chart



#### Technical Analysis: Mixed

The May 2016 soymeal chart has continued its bullish move since last report. We got our close above \$300 suggested in last report, and have moved up to just under last years high at \$380.

RSI has reached overbought and turned bearish, Stochastics have been overdone on the bullish side, and MacD has just turned bearish in the past week.

Moving averages are very bullish and possibly looking for a correction. Last week we can see a star pattern at the top of the chart suggesting a change in direction. We should watch for a test of 38% Fibonacci retracement at about \$330.

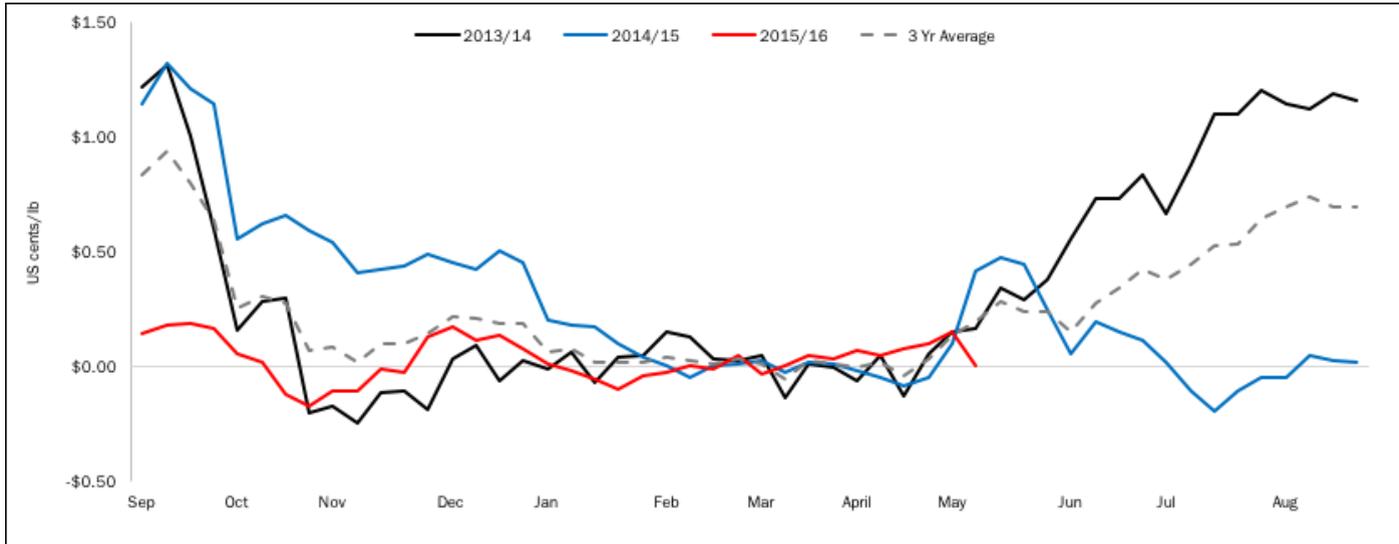
#### Funds in a Long Position

The non-commercial/reportable funds are now long 97,200 on soymeal. Funds have added significantly to their longs.

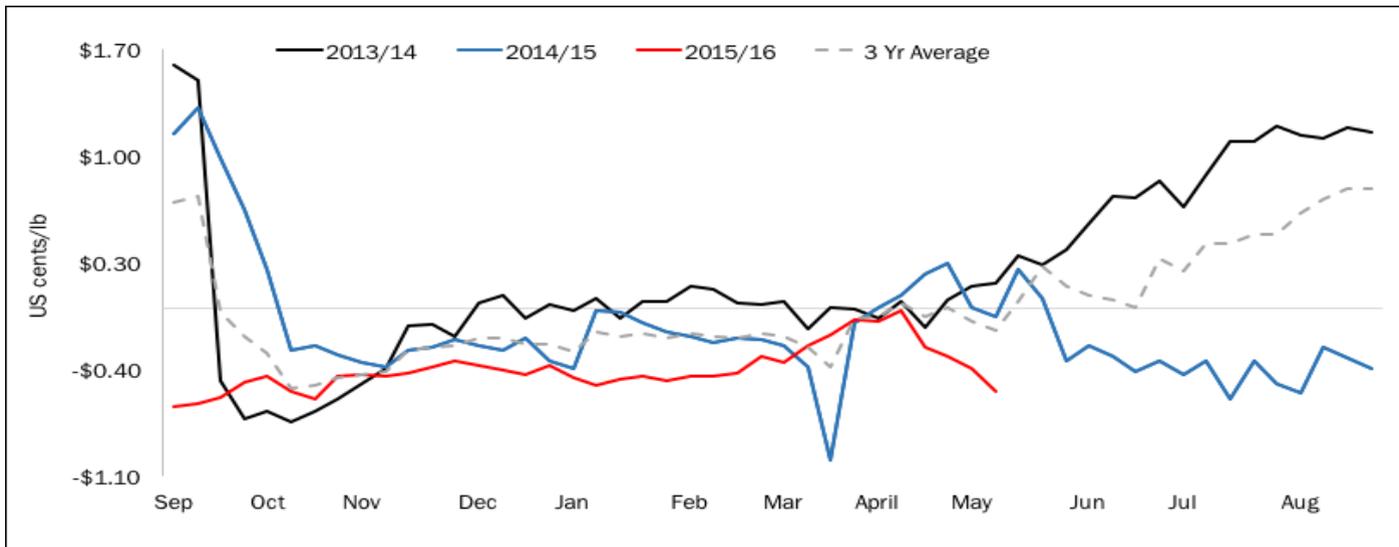
Soybean position is now long 178,900 lots, their longest position in 52 weeks.

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### Corn Basis Values – Chatham, Ontario



### Soybean Basis Values – London, Ontario



Ontario corn basis values continue to be strong until the last two weeks as they have dropped below the 3 year average. Weather is good, planting is proceeding well, and signs point to a good crop. Basis could soften further.

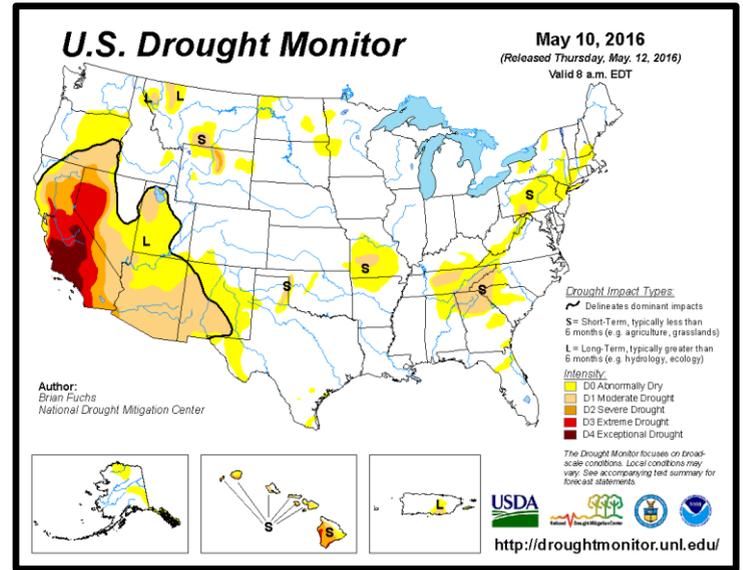
Ontario soybean basis has been in line with the 3 year average until the last couple of weeks where it has dropped in value. The weather for the rest of the planting season needs to be monitored.

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## Weather – North America

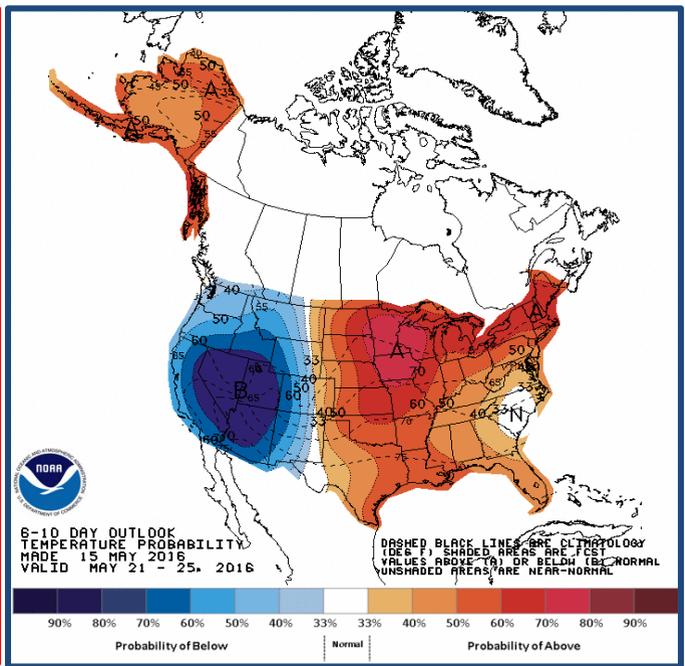
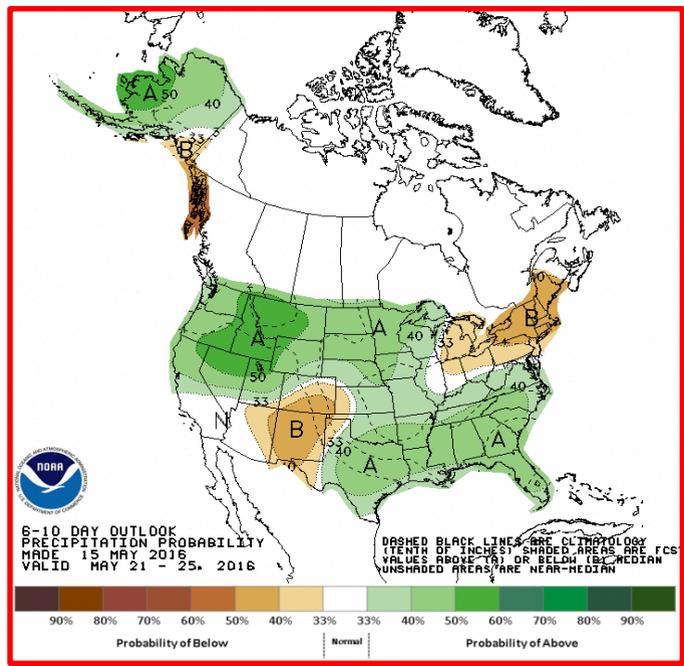
The map to the right is the most current US drought monitor map of May 10<sup>th</sup> 2016. There is no updated North American map as of yet. Soil moisture levels are showing almost no areas of drought at this time which is favourable.

The areas of drought conditions in the Canadian crop regions have been getting moisture and have improved nicely. The weather forecasts for the next 2 weeks look to be ideal for planting.



## Weather – USA

NOAA maps below, in red shows precipitation probability that is above normal for all of the crop growing region, this should be monitored for potential flooding which could delay plantings. The soil moisture levels currently are ideal for planting progress. The map in blue reflects a high probability of above normal temperatures of the growing region, which continues the overall warmer trend seen in the past few months and will help to offset extra moisture.



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