

# CFO March Commodity Outlook Report

## Corn Outlook: Slightly Bullish

The USDA March 2015 report is slightly bullish on the 2014/15 corn crop compared to market expectations. USDA reduced the 2014/15 corn crop ending stocks by 0.05 to 1.777 billion bushels. The crop size was unchanged from last month's report at 14.216 billion bushels.

The reduction in US ending stocks was due to an increase in feed use and export forecasts. Ethanol production has increased as ethanol stocks have been shrinking.

US stocks to use ratio is now forecasted to be 13% which is the highest in 5 years.

This report, although slightly bullish, saw little or no effect on price as the other grain markets, particularly soybean which kept a cap on any significant rise in futures value for corn. As well, diminishing global economic outlook dampened demand.

## Global Supply Remains Large

The USDA crop is still forecasted to be a very large production. The Brazilian crop is still forecasted at 75 million metric tons and Argentina is forecasted with a 500,000 thousand metric tons increase to 23.5 million metric tons.

## US Dollar is Strong

The US Dollar has continued to strengthen versus other world currencies and is now over \$1.28 exchange at the time of this writing. The continued decline in crude oil prices on world futures markets will continue to strengthen the Can / USA dollar exchange rate. The price of crude oil has bounced off of its lows around \$45.00 per barrel but has now retested this level and closed below it. This signals another possible leg down in crude oil prices and continued strong US currency.

## Funds Have a Short Position.

The non-commercial/reportable funds are now holding a short position of 22,000 lots which is a significant decrease in the last four weeks.

## Chicago Board Of Trade March 2015 Corn Chart



## Technical Analysis

The May corn chart has bounced off the high end of the downtrend of \$3.92 and is now testing the recent low of level at \$3.80. The down trend pattern remains intact. The next target is a close below \$3.81 and then a possible retest of the recent low at \$3.73 then \$3.40. Watch for a close below \$3.80.

The MacD, Stochastic oscillators are both turning bearish at this point with room to continue. RSI is bearish. All moving averages suggest that the bearish move has just begun and could continue. Good support will be at \$3.40

## Weather is Seasonal.

South American weather is fine at this time. North American soil moisture levels are currently in fair shape for the upcoming planting season. Weather is crucial for the next few months.

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## Soybean Meal Outlook: Bearish

The USDA March 2015 report had no changes to the soybean supply and demand picture. Acres planted and harvested were left at 83.1 million acres and yield at 47.8 bushels per acre.

US production remained at 3.969 billion bushels. The main issue that is looming is Avian flu again as more cases are being reported. This could lead to a slight reduction in feed demand if any significant head counts are culled going forward.

Global soybean ending stocks for the 2014/15 crop were boosted slightly to 89.53 million metric tons from last month's 89.26 million metric tons.

## South American is Stable

Brazil soybean as well as Argentina's soy crop were left unchanged. The recent trucker strikes in Brazil have subsided for now and the road blockades are over and product is again moving. There are still a large number of vessels waiting to be loaded at Brazil ports. This has been slightly supportive to agricultural markets.

## Funds are in Short Position

The non-commercial/reportable funds are holding a short position of 73,000 lots on beans and a long position of 66,000 on meal. Further selling on beans is to be expected, as South American crop comes to market in the next few weeks

## Weather is Seasonal

Brazil is seeing good weather with some hints of dryness in select areas, for their crops, and harvesting has started. North American weather needs to be watched for the next few months as soy and corn yields could be negatively affected if we don't have optimum weather.

## Chicago Board Of Trade Soy-Meal Chart



## Technical Analysis

The May 2015 soy meal chart is in a wedge pattern and running out of room, before it breaks out one way or the other.

Volume has been slipping lower. MacD, RSI and Stochastics have turned bearish. Moving averages are all neutral at this time but look to be heading lower.

Look for a bearish breakout with a close below \$325 to signal a retest of \$317 or lower.

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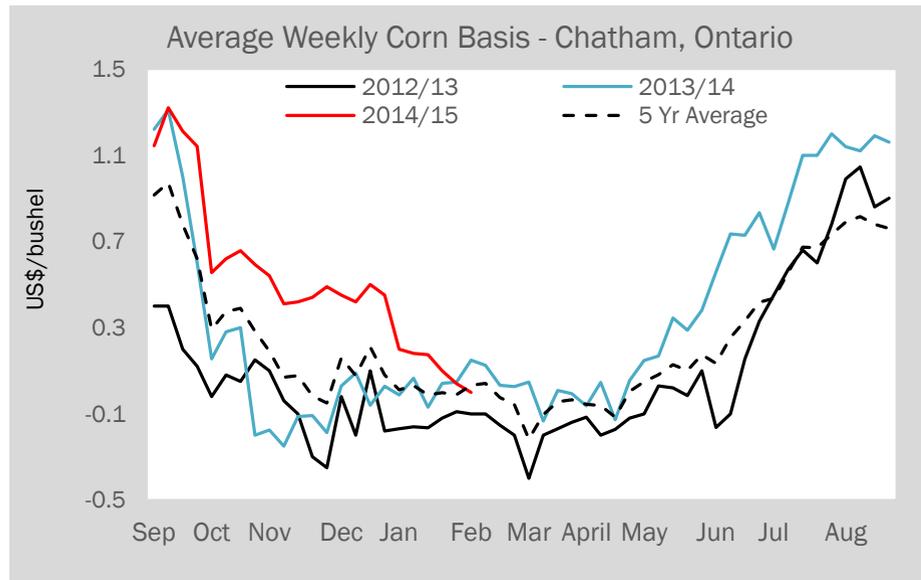
### Corn Basis Values – Chatham, Ontario

The definition of “basis” is the difference between the cash or spot price of a commodity and the nearest futures contract value for that commodity. Basis typically consists of the futures price adjusted for Canadian currency exchange, freight, handling, storage, insurance as well as a value for various qualities and the localized supply and demand conditions.

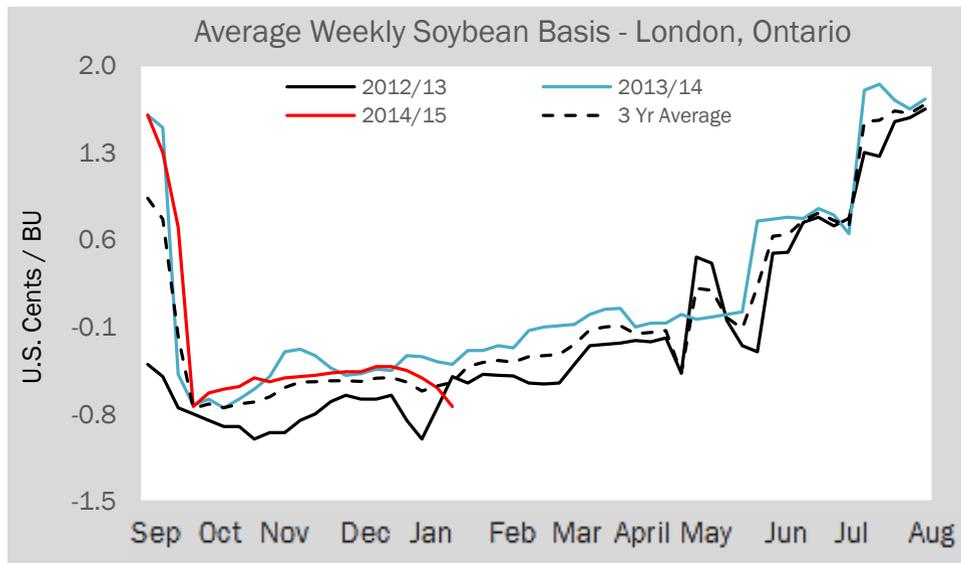
The chart to the right outlines the weekly average corn basis values for Chatham, Ontario for the current crop, past 3 crop years and the 5 year average value as well. The chart below outlines Soybean basis for London Ontario. Ontario basis has been dropping slightly to be more in line with historical and seasonal levels.

The Ontario basis values are currently expected to experience seasonal lows again in the next 60 days.

In conclusion, basis values are trending to seasonal values, although the delays caused by transportation bottlenecks this crop season have delayed the declines. Lower values are expected.



### Soybean Basis Values – London Ontario



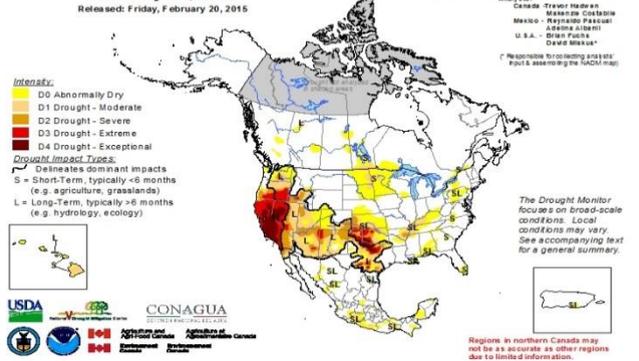
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## Weather - Canada

### North American Drought Monitor

January 31, 2015  
Released: Friday, February 20, 2015

<http://www.ncdc.noaa.gov/nadm.html>



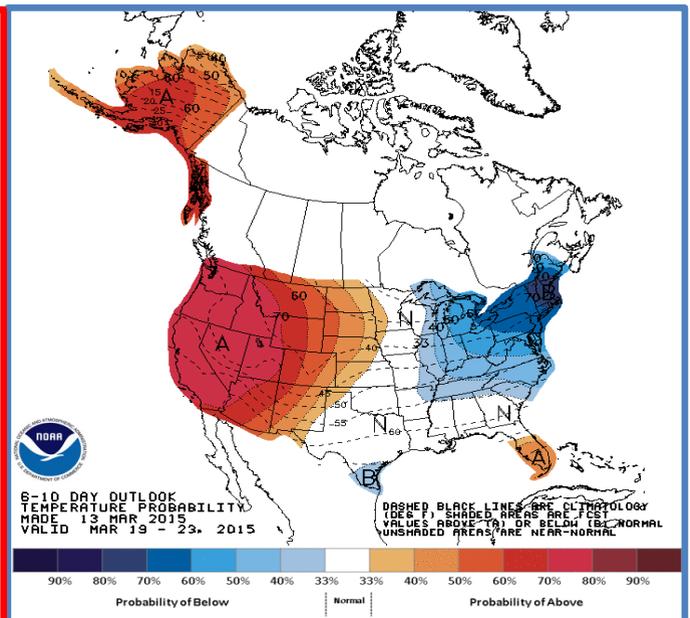
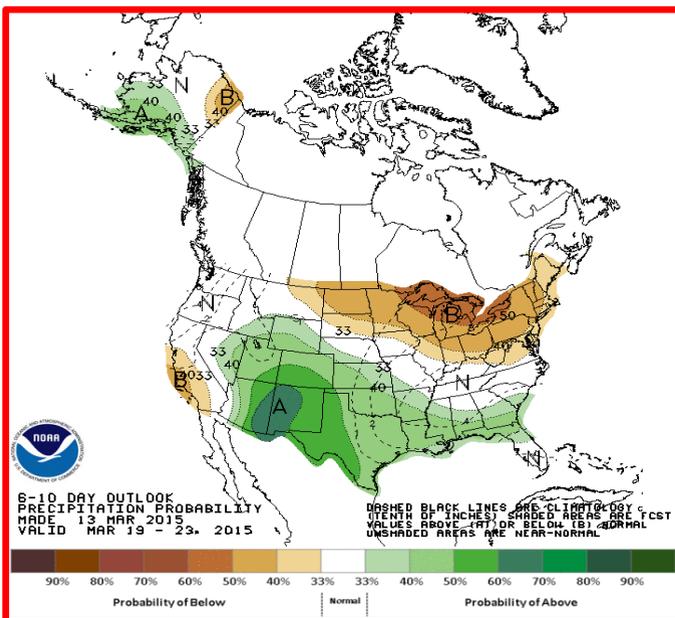
The map to the right outlines the fact that there are very few areas of minor drought conditions that are present in Canada. This is an improvement from last month.

## Weather – USA

NOAA maps below reflect colder than normal temperatures in the East and warmer than normal in the West as well as some areas of slightly higher probability of wet conditions in the southern soybean and corn growing areas in the next 6 to 10 days.

The map in the lower right, blue frame, shows the brown/burgundy areas as those areas where the forecasted temperatures will be above seasonal temperatures in the next 6 to 10 days, while the eastern half of the country is much colder.

The map in the red frame shows that some of the corn belt will see above seasonal averages for moisture events in the next 6 to 10 days.



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