

CFO February Commodity Outlook Report

Corn Outlook: Neutral/Slightly Bearish

The USDA February 2016 report was very close to trade expectations for corn. USDA left the 2015/16 “new” corn crop production unchanged at 13.601 billion bushels. No changes to yield or planted acres.

Exports were again reduced slightly in this report by 0.05 billion bushels to 1.650 billion bushels. Weekly US export numbers for corn are running well behind last year's numbers as well as the last several weeks average numbers. There may still need to be a reduction to the export forecast in the next few reports. South American currency devaluations and large crops will be headwinds for US exports. Imports to the US were raised by 0.01 billion bushels.

Ethanol demand was increased by 0.025 billion bushels in the report due to lower costs of gasoline leading to higher gasoline consumption.

Overall, US ending stocks for 2015/16 crop are up slightly to 1.837 billion bushels. This results in the 2015/16 US stock-to-use ratio being raised to 13.56% or 49 days of inventory.

Global Supply Increases

Global corn supply increased by 4.81 million metric tons based on increased imports and production. The trade balance decreased by 1.02 million metric tons. The increased production came from Brazil and Argentina with increases of 2.5 and 1.4 million metric tons respectively; Favourable weather has improved yield there. South African production was reduced slightly due to a prolonged period of drought.

Global ending stocks are forecasted down slightly to 208.81 million metric tons.

US Currency Holds Strength

The US dollar continues its strength versus the Canadian dollar, to the \$1.40 level. Crude oil prices have moved through the \$30 level again recently as overproduction continues. Global economic concerns see US dollar as a safe haven.

Chicago Board Of Trade March 2016 Corn Chart



Technical Analysis

The March 2016 corn chart is still in a bearish pattern but is nearer to the upper end of the range. The 50% retracement level at \$3.60 is currently being tested. The new support level is at \$3.50.

The RSI and Stochastic oscillators are all showing a potential start to a bullish move, while MacD is still bearish. Moving averages are all suggesting the start of a bearish move.

This could be the start of an inverted head and shoulders pattern that bears watching.

A close above \$3.65 or below \$3.58 will signal the next direction.

Weather is Seasonal

South American weather continues to improve. The forecast is looking quite favourable going forward for US soil conditions.

Funds Have a Short Position

The non-commercial/reportable funds are now short 24,200 lots, which is a large decrease in their short position.

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Soybean Meal

Outlook: Neutral

The USDA February 2016 report left the US soybean production unchanged at 3.930 billion bushels for 2015/16 crop. No changes to yield or acres planted in this report. This was in line with expectations.

Exports were left unchanged at 1.69 billion bushels. US exports have seen significant competition from other producing origins, particularly Brazil.

The 2015/16 soybean carry out is forecasted up by 0.010 billion bushels to 0.450 billion bushels and the US stock-to-use ratio increased to 12.16% from last month's ratio at 11.86%. It is worthwhile remembering that the previous 2 years the ratio was 4.9% and 2.6%

Soybean meal supply was reduced due to a reduction in the bean crushing forecast. Meal exports were reduced to offset the loss of supply. Ending stocks remaining at 300 thousand short tons.

Growing global economic concerns are weighing on protein consumption and therefore feed demand.

Global Supply Balanced

Global soybean supply increased modestly, attributable to a production increase of 1.5 million metric tons to 320.51 million metric tons. Brazilian and Argentine crops are forecasted by USDA at 100 and 58.5 million metric tons respectively. This is an increase for Argentina of 1.5 million metric tons. There are still possible gains to be seen with the Brazil crop.

Global 2015/16 soybean ending stocks were raised slightly to 80.42 million metric tons from last month's 79.28 million metric tons.

Weather is Seasonal

Weather is improving in both North and South America, and is not a major concern at this time.

Chicago Board Of Trade March 2016 Soybean Meal Chart



Technical Analysis

The March 2016 soybean meal future continues its downtrend with a support level now at \$262, level resistance at \$275. The possible inverted head and shoulders has not yet materialized.

MacD, RSI and Stochastics are showing bearish signals at this point.

Moving averages are now in a bearish pattern after consolidating.

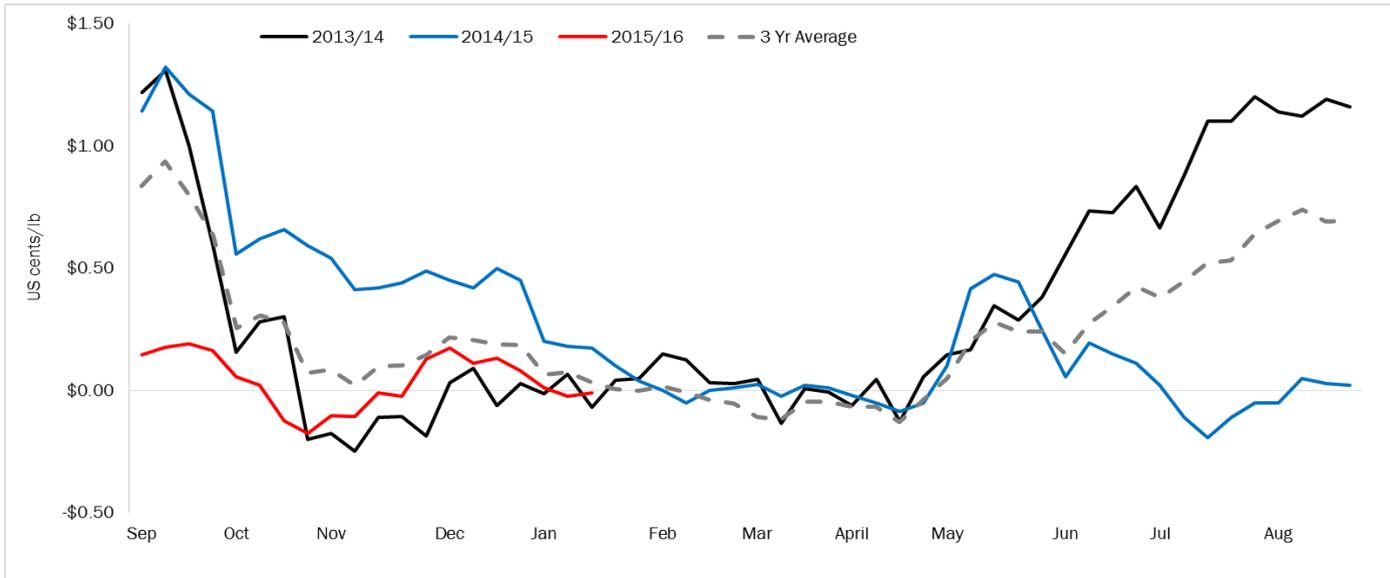
Look for a retest of the recent lows at \$262.

Funds in a Short Position

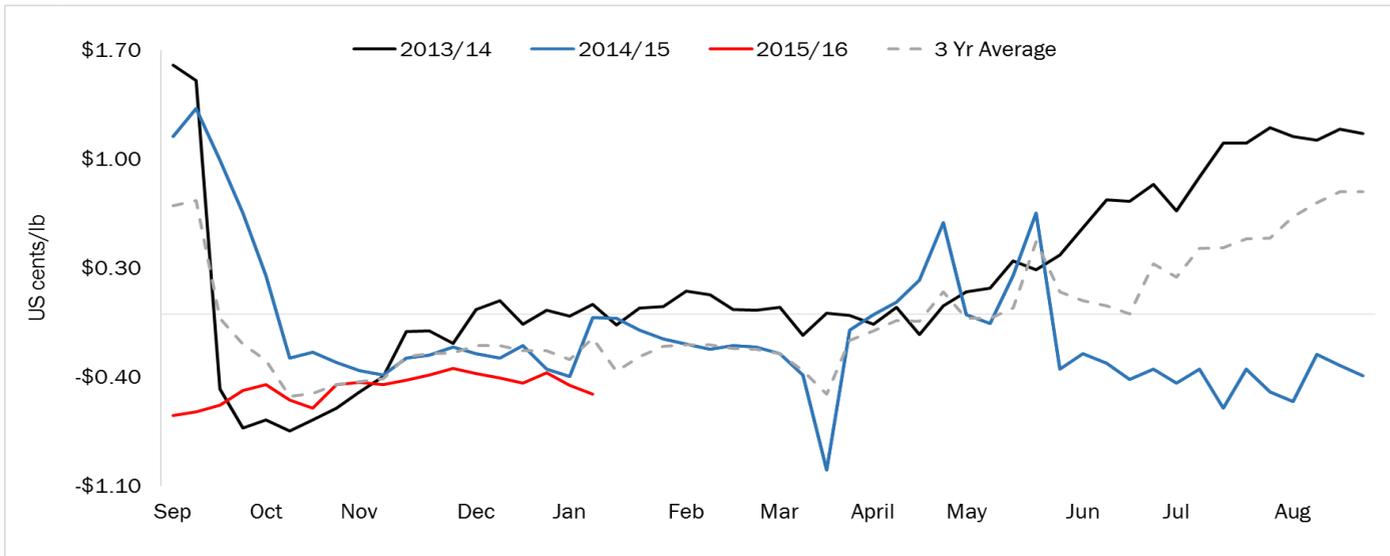
The non-commercial/reportable funds are now short 26,100 lots on soybean meal. They have reduced their short position on meal. We did not see the bullish correction considered last report as the buying back of their position was done very orderly.

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Corn Basis Values – Chatham, Ontario



Soybean Basis Values – London, Ontario



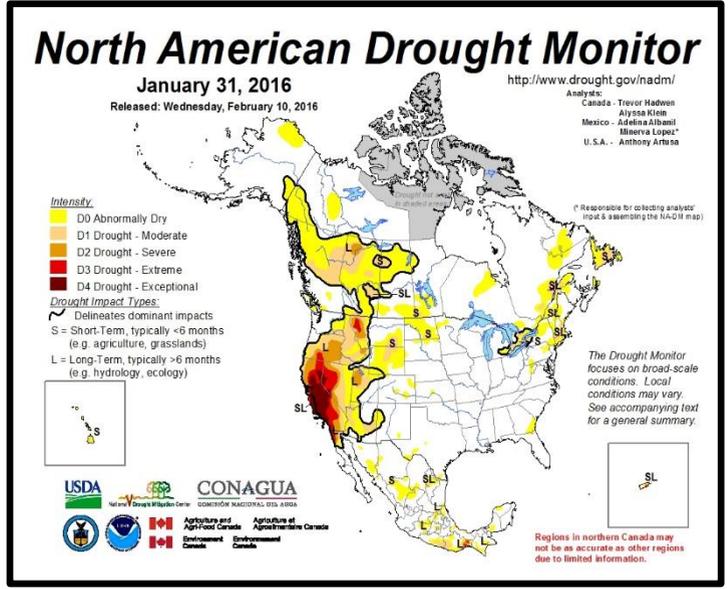
Ontario corn basis values are in line with the 3 year average. All eyes are focused on the futures values and the upcoming planting season.

Ontario soybean basis has been just slightly below the 3 year average as we have adequate supply. Basis values have had a ceiling on them given the big global supply and lack of exports .

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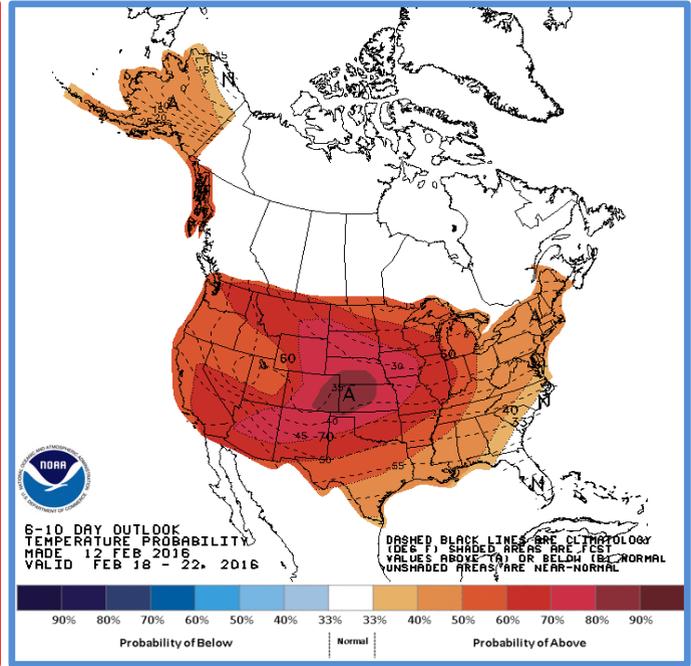
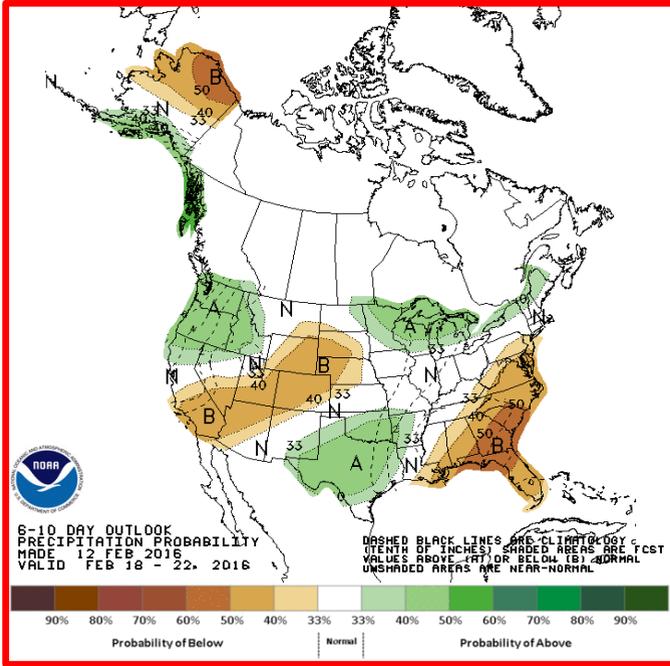
Weather - Canada

The map to the right is current with the USDA. It indicates that there are little to no areas of drought conditions, present in Canada and the USA crop regions. The weather forecasts for the next 2 weeks see no changes to these conditions. These soil moisture levels that are currently present are the best we have had in February since 2010.



Weather - USA

NOAA maps below, in red shows precipitation probability that is slightly below normal for a very small part of the crop growing region, mainly South Dakota and Nebraska. This bears watching going forward. The rest of the growing regions appears to be in good shape. The map in blue reflects a high probability of above normal temperatures for the entire growing region as well as the entire USA. We need to pay particular attention here that this does not diminish the soil moisture level prior to planting.



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