

CFO March Commodity Outlook Report

Corn

Outlook: Neutral/Slightly Bullish

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

Exports were left unchanged in this report, at 1.650 billion bushels. Weekly US export numbers for corn are running well behind last year's numbers, but this past month's export numbers have been catching up. There may still need to be a reduction to the export forecast in the next report. South American political events and currency devaluations could continue to hamper US exports.

Overall, US ending stocks for 2015/16 crop are still at 1.837 billion bushels. There was no change to the 2015/16 US stock-to-use ratio at 13.56% or 49 days of inventory.

Global supply trimmed

Global corn supplies were reduced slightly, by 0.9 million metric tons in this report. Brazil and Argentina, which saw production increases of 2.5 and 1.4 million metric tons respectively last month, were left unchanged.

Global ending stocks are forecasted down slightly to 206.97 from 208.81 million metric tons.

US Currency holds strength

The US dollar continues to be strong, but has lost some of its momentum versus the Canadian dollar. It has retraced back to the \$1.33 level.

Crude oil prices have found support at the \$30 level recently and have tested the \$40 level, as over production has been reduced slightly. Global economic concerns are seeing the US dollar as a safe haven.

Chicago Board Of Trade May 2016 Corn Chart



Technical Analysis: Slightly Bullish

The May 2016 corn chart has turned bullish, with a double bottom pattern firmly in place. We are currently testing the top end of the downtrend and the 50% retracement level at \$3.65. The new support level is at \$3.55 and resistance level is at \$3.74 and then \$3.78.

The RSI and stochastic oscillators are all showing the start of a bullish move, while MacD is about to turn bullish. Moving averages are very close to suggesting the start of a bullish move.

Weather is seasonal

South American weather has several rain events in the forecast. For US soil conditions the forecast is looking quite favourable going forward.

Funds increase their short position

The non-commercial/reportable funds are now short 165,900 lots, which is a large increase in their short position.

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Soybean Meal

Outlook: Neutral

The USDA March 2016 report made a very slight reduction to US soybean production at 3.929 billion bushels for 2015/16 crop. This was due to a reduction in South Carolina's production. No changes to yield or acres planted in this report. This was very much in line with trade 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 again by 0.010 to 0.460 billion bushels. US stock-to-use ratio increased to 12.47% from last month at 12.16%. This is a significant amount of product and leaves us with more than adequate supply.

Soybean meal supply was reduced again due to a reduction in bean crushing forecast which outweighed the increase in imports. Domestic disappearance was reduced offsetting the reduction in supply. Ending meal stocks remain at 300 thousand short tons. Continued global economic concerns are weighing on protein consumption and feed demand.

Global supply increases slightly

Global soybean production was reduced slightly to 320.21 million metric tons while supply increased by 0.73 million metric tons.

Brazilian and Argentine productions were left unchanged by USDA at 100 and 58.5 million metric tons respectively. There are still possible gains to be seen with the Brazil crop.

Global 2015/16 soybean ending stocks were lowered to 78.87 million metric tons.

Weather is seasonal

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

Chicago Board Of Trade May 2016 Soybean Meal Chart



Technical Analysis: Bullish

The May 2016 soymeal chart has broken out of its prolonged downtrend with support now at \$262 level, resistance at \$275. MacD and stochastics are showing bullish signals at this point, but getting close to being overdone. RSI has been in the high 60's, approaching overbought levels.

Moving averages are now in a bullish pattern, having crossed over zero and the MacD line. Look for a close above \$275, if that level fails then look for support at \$262.

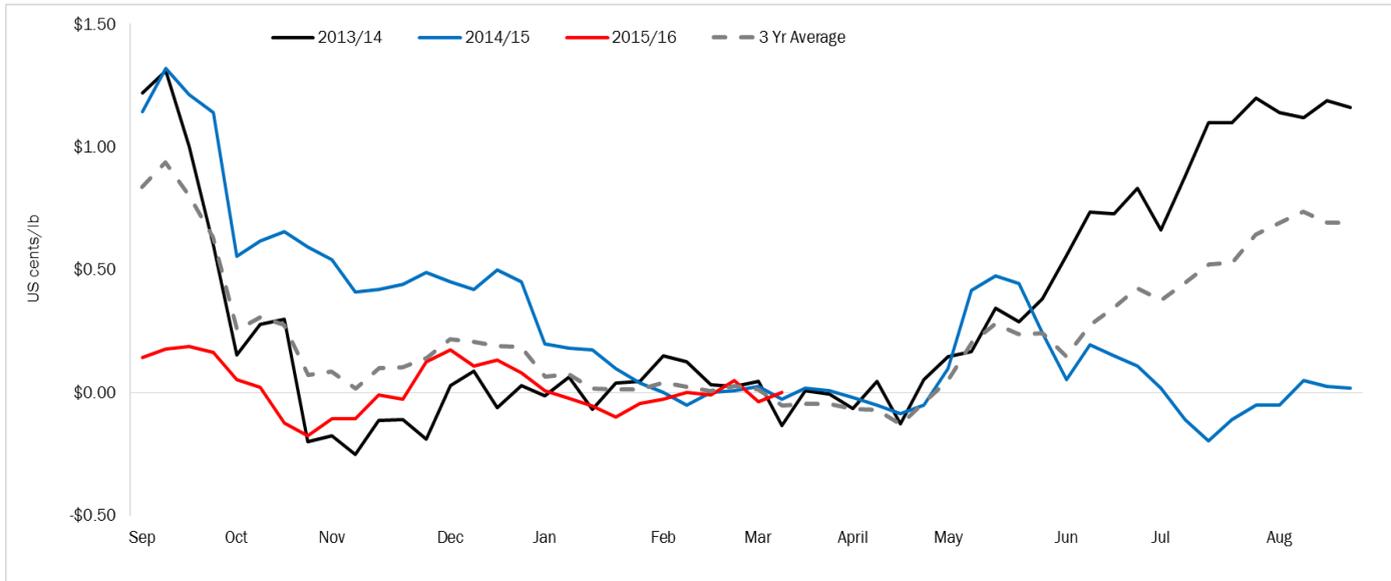
Funds in a short position

The non-commercial/reportable funds are now short 28,375 on soymeal. They have significantly reduced their short position on meal in the last 7 days.

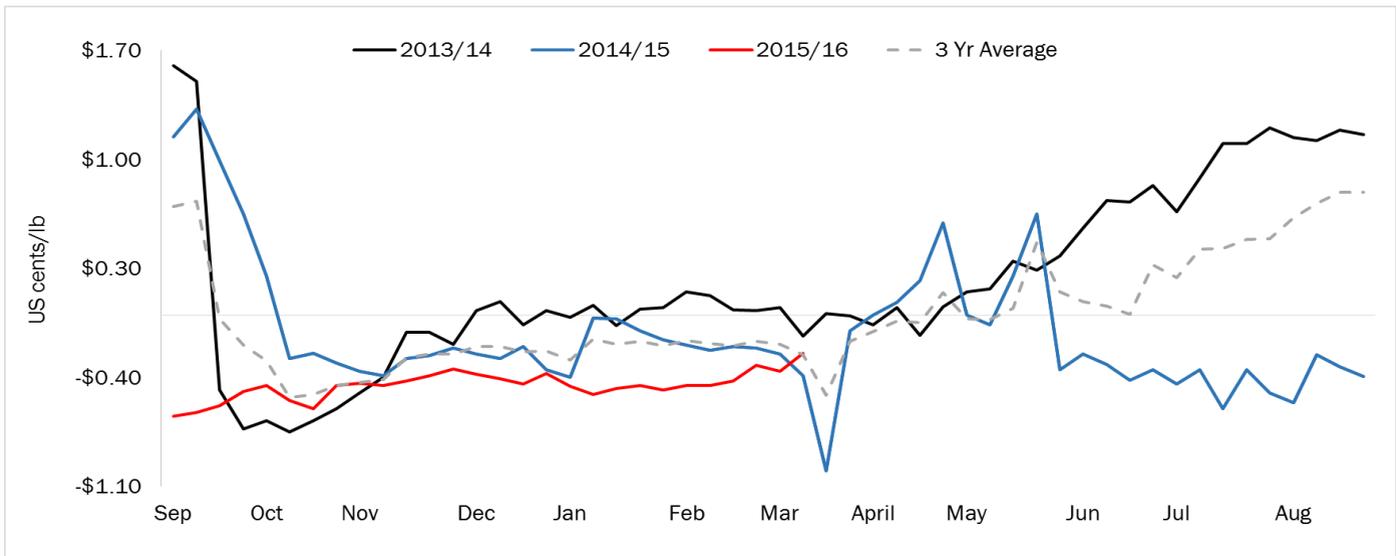
Soybean position is now short 51,000 lots and soyoil is long at 58,000 lots.

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Corn Basis Values – Chatham, Ontario



Soybean Basis Values – London, Ontario



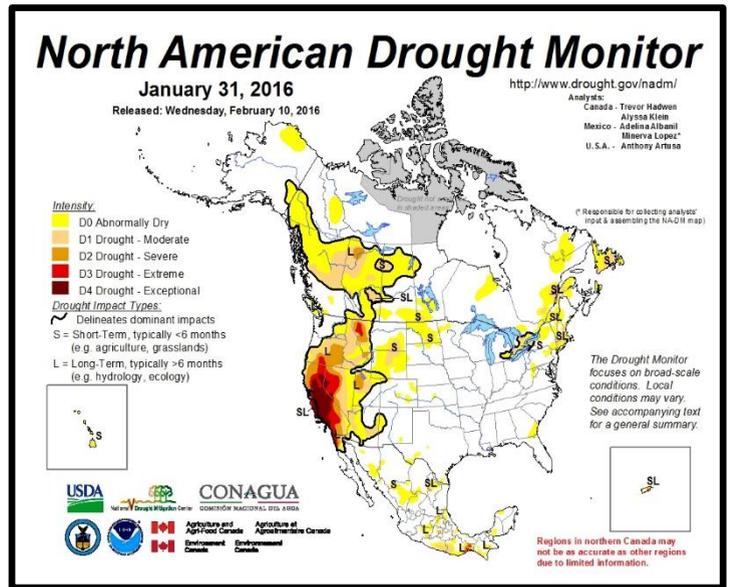
Ontario corn basis values are in line with the 3 year average. The focus right now is on planting intention reports at the end of March and the weather before the upcoming planting season.

Ontario soybean basis has been just slightly improved recently, crossing the 3 year average. Increases in basis as well as futures, will hinder export business.

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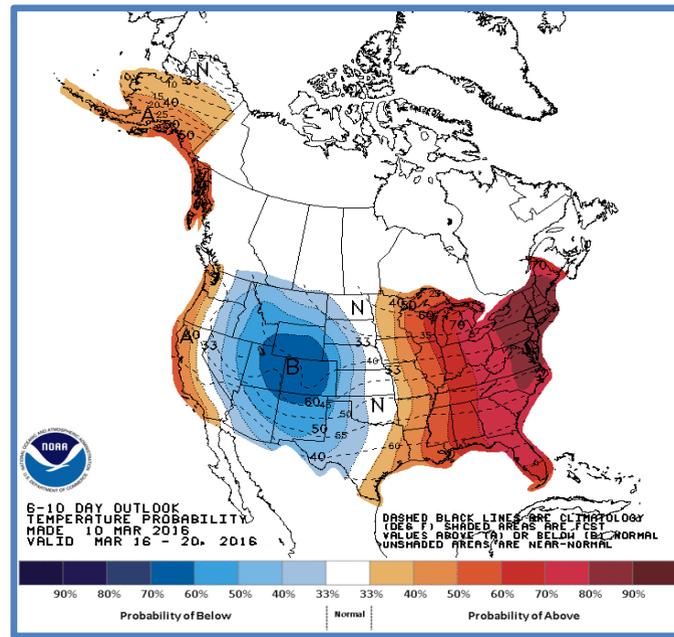
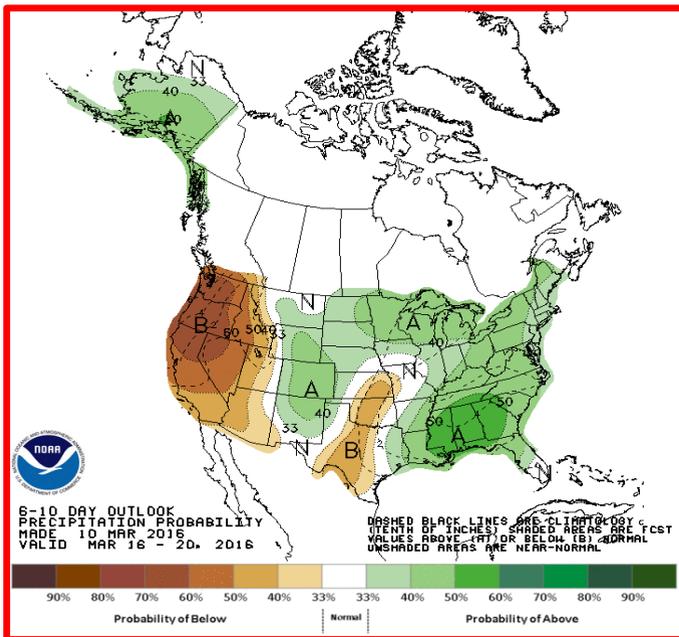
Weather – North America

The map to the right is January 31st map from USDA as they have not published the end of February map as of yet. After reviewing the daily maps there is little change in the soil moisture levels that are indicated on this map. There are a couple of small areas of dryness in Texas, but rain events are forecasted. Areas of drought conditions are still present in Canadian crop regions. The weather forecasts for the next 2 weeks should have a positive effect on these new dry areas.



Weather – USA

NOAA maps below, in red shows precipitation probability that is above normal for all of the crop growing region, this should help any of the dry areas we had. The exception is a small part of Texas that remains below normal rainfall, this bears watching. The rest of the growing regions appear to be in good shape. The map in blue reflects a high probability of above normal temperatures for the Eastern half of the growing region. The Western half of the USA is mainly below normal temperatures.



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