

CFO January Commodity Outlook Report

Corn

Outlook: Slightly Bullish

The USDA January 2016 report was slightly bullish versus trade expectations for corn. USDA reduced the 2015/16 “new” corn crop production by .053 billion bushels to 13.601 billion bushels. Corn yield was reduced from 169.3 bushels per acre to 168.4 bushels per acre. Estimated planted acres were reduced from 88.4 million to 88.0 million acres. Estimated harvested acres were untouched at 80.7 million acres.

Exports were again reduced slightly in this report, by .05 billion bushels to 1.70 billion bushels. Sweetener demand was lowered by .01 billion bushels. Ethanol demand was left unchanged in this report.

Overall, US ending stocks for 2015/16 crop are up slightly to 1.802 billion bushels. This results in the 2015/16 US stock to use ratio being raised to 13.3% up from 13.1% last report. Average price is down to \$3.30 - 3.90 per bushel.

Global Supply Declines

Global corn supply estimates reduced by 5.65 million metric tons based on lowered global production.

The largest reductions came from the effects of El Nino in South Africa, USA and China, which were lowered 4.0, 1.3 and 0.4 million metric tons respectively. Canada’s and Brazil’s corn crop left unchanged, while the Ukraine was raised slightly.

Global ending stocks are forecasted for the 2015/16 crop at 208.94 million metric tons which is down again from last month.

US Currency Appreciates

The US dollar has strengthened significantly against the Canadian dollar, to the \$1.45 level. Crude oil prices have moved through the \$30 level. Many factors look bearish as OPEC is not cutting production, Iran crude can now come on the market, and China’s economic slowdown lowering demand.

Chicago Board Of Trade March 2016 Corn Chart



Technical Analysis

The March 2016 corn chart has continued its bearish pattern since Oct 2015. We are currently testing the top end of the bearish pattern. We did break below \$3.60 level and found support at \$3.50.

The MACD, Stochastic oscillators are all showing a bullish move, while RSI is mid-range with room to move before approaching over bought. Moving averages are all suggesting the start of a bullish move.

A close above \$3.65 will signal further gains, but a failure to hold and we could be back to test \$3.50 quickly.

Weather is Seasonal

South American weather continues to improve. USA weather is warmer than normal seasonal temperatures. Canadian prairies have been getting moisture events. The 2 week forecast estimates colder temperatures and increased moisture in the west; and warmer than normal seasonal temperatures in Ontario.

Funds Have a Short Position

The non-commercial/reportable funds are now short 134,300 lots, which has seen a large increase in their short position.

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Soybean Meal

Outlook: Neutral

The USDA January 2015 report reduced the US production of soybeans to 3.930 billion bushels from 3.981 billion bushels for 2015/16 crop.

The forecasted yield was reduced to 48.0 bushels per acre from 48.3 bushels per acre. Planted acres and harvested acres were also reduced by 500,000 and 600,000 acres, respectively. Exports were reduced slightly.

The 2015/16 soybean carry out is forecasted to be down by 0.025 billion bushels to 0.440 billion bushels. The US stock to use ratio decreased from 12.4 % to 11.9%.

Soybean meal supply and demand difference is unchanged while ending stocks remained at 300 thousand short tons. Feed demand has been negatively affected by reduced protein consumption. Average soybean price is down to \$8.05 – 9.55 per bushel.

Global Supply Declines

Global soybean production was reduced by 1.1 million metric tons, mainly due to US crop reduction of 1.4 million metric tons.

Brazilian and Argentine crops are forecasted by USDA at 100 and 57 million metric tons respectively, while their government agencies estimates are almost 3 million metric tons higher.

India's soybean crop is forecasted smaller, and offset by Canadian, Russian and Ukrainian soybean crop being slightly larger.

Global 2015/16 soybean ending stocks were reduced slightly again to 79.28 million metric tons from last month's 82.58 million metric tons mainly on reduced production of the US.

Weather is Seasonal

Weather is improving in South America as well as North 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 chart has now broken the recent support level at \$269 and bounced off of the \$265 low. There is a possible inverted head and shoulder pattern forming that needs to be watched.

MacD, ADX and Stochastics are showing mixed signals at this point. Moving averages are consolidating, possibly looking for direction.

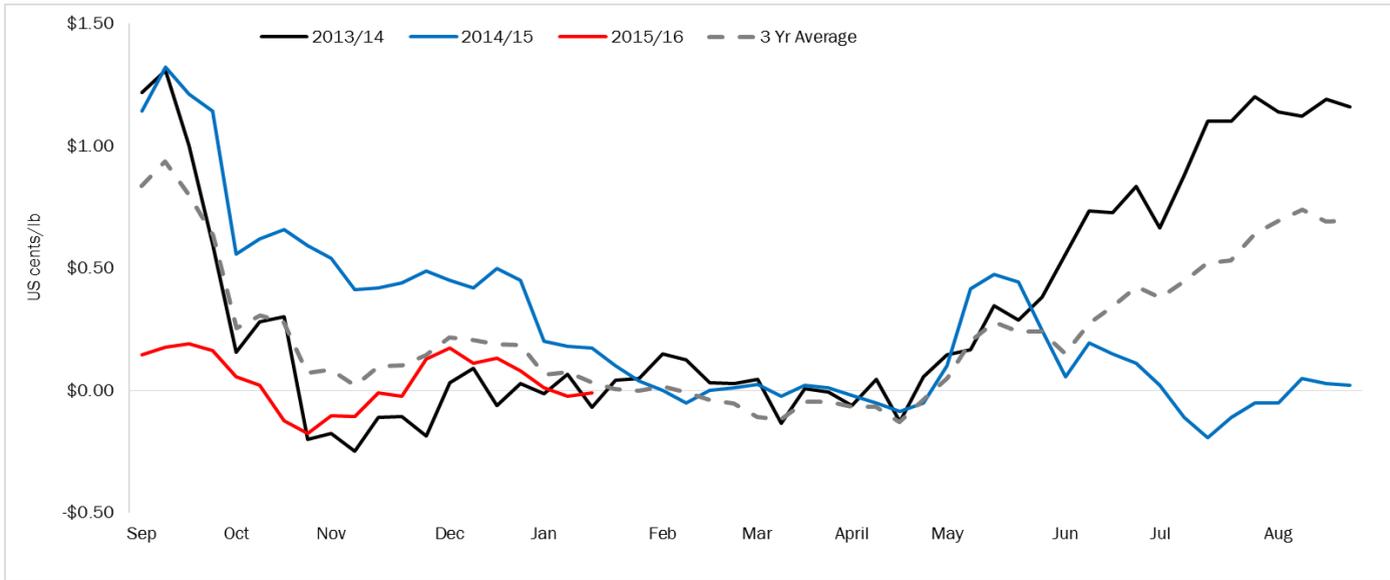
Look for a close below \$265 or a break above \$277 to signal the next possible direction in price.

Funds have a Short Position

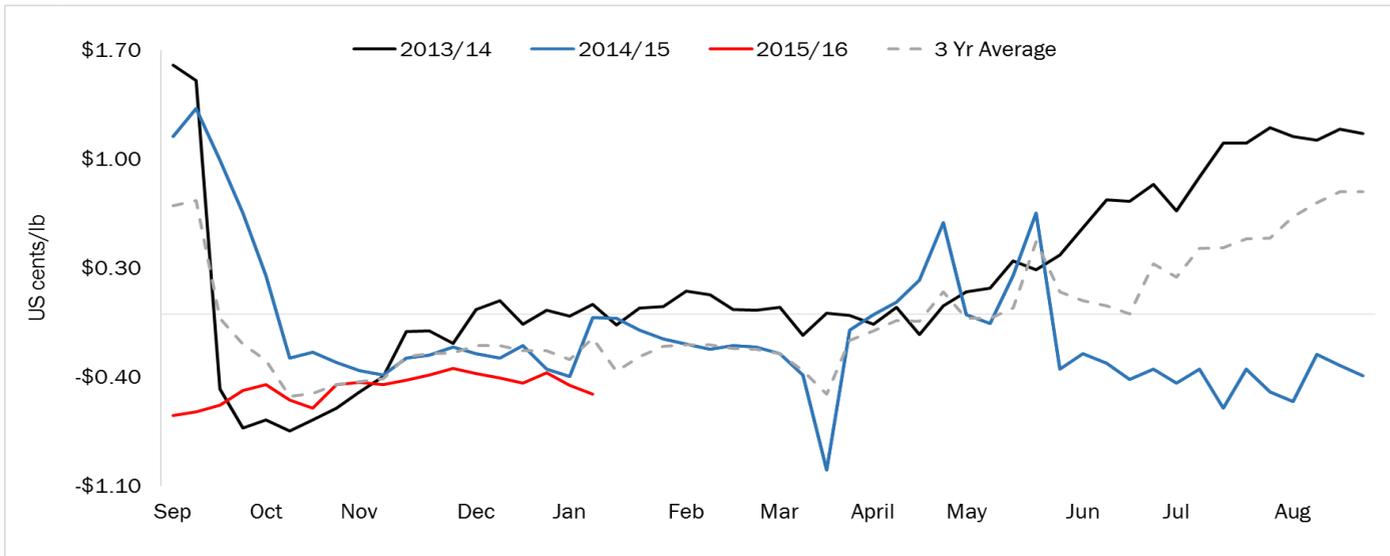
The non-commercial/reportable funds are now short 35,800 lots on soybean meal. They have been increasing their short position on meal and at the shortest position in the last 52 weeks. Watch for a possible bullish correction from here.

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Corn Basis Values – Chatham, Ontario



Soybean Basis Values – London, Ontario



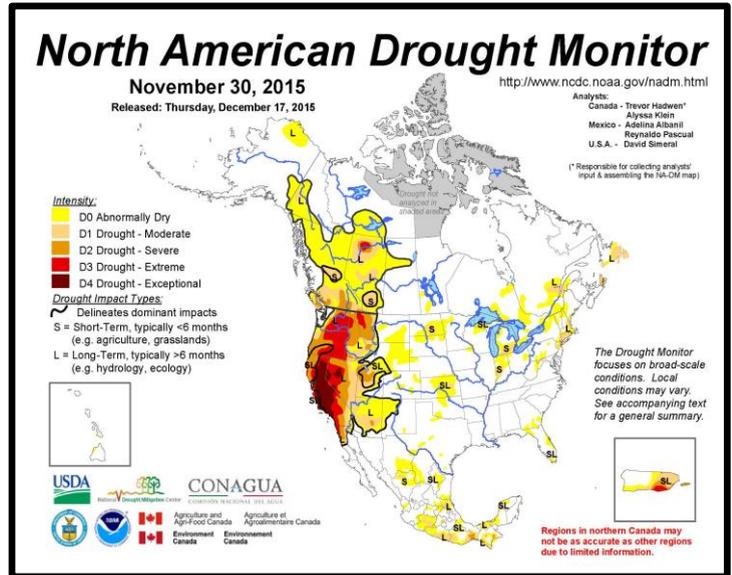
Ontario corn basis values have trended toward the historical average as currency has been a factor in the direction of basis levels. Ontario soybean basis has been stable.

In conclusion, basis values are still weighing big global supply and lack of exports. The recent devaluation of Argentine currency and a flood of their agricultural stocks hitting the market could force changes to occur in basis.

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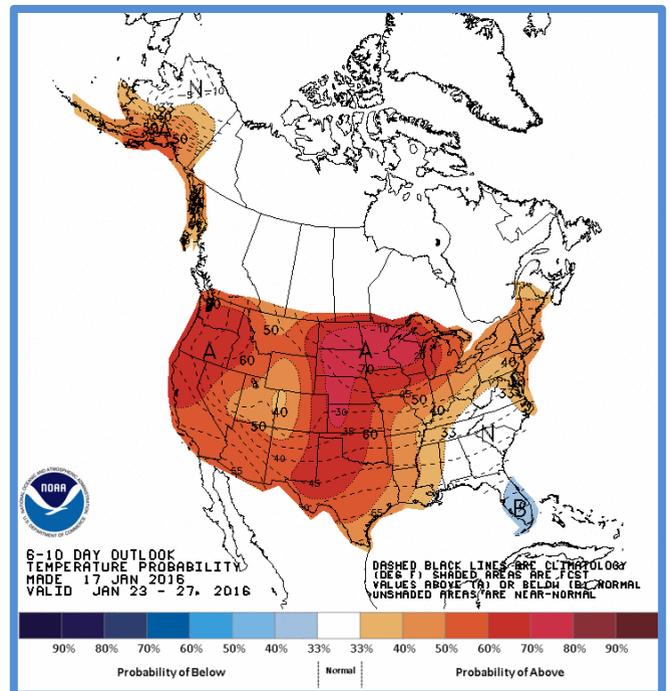
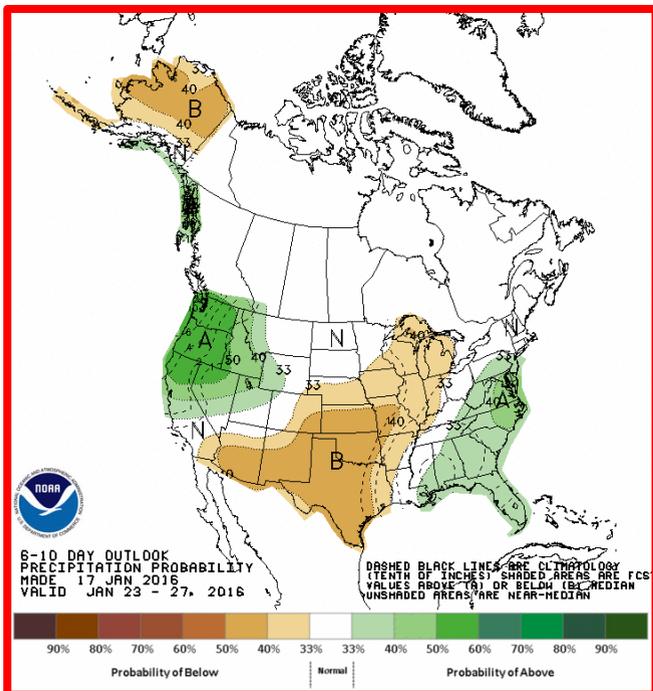
Weather - Canada

The map to the right is the most recent publication from USDA, and is 45 days old. It indicates that there is almost no areas of slight drought conditions present in Canada and the USA crop regions. The weather pattern doesn't indicate any changes to these conditions. These soil moisture levels need to be monitored for next crop plantings, but remain much better than this time last year.



Weather - USA

NOAA maps below reflect a mixed picture in the main growing regions of the US. The next 6 to 10 day forecast is for much above normal temperatures in all of the USA and southern parts of Canada. There is a higher probability of wet conditions in both the East and West coasts over the next 6 to 10 days. Dry forecast for most of the grain growing regions is shown in the light brown areas of the lower left map.



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