

CFO June Commodity Outlook Report

Corn Outlook: Bullish

The June USDA report forecasted no change to the 2016/17 US corn production at 14,430 million bushels.

Acres planted are forecasted at 93.6 million acres and corn yield is projected at 168.0 bushels per acre. Sorghum and oat production are still seen lower due in part to increased corn acres, while barley crop is now seen larger.

Ethanol demand in 2016/17 is seen unchanged at 5,300 million bushels and exports are forecasted up 50 million bushels to 1,950 million bushels.

US ending stocks for 2016/17 and 2015/16 are forecasted down to 2,008 and 1,708 million bushels, respectively. The US stock-to-use ratio for 2016/17 drops to 14.2% while the 2015/16 ratio drops to 12.5%.

Planting progress is near completion and has been slightly ahead of last year's pace and the 5 year average. Corn crop conditions are showing 75% of the crop with a Good/Excellent rating.

Global Supply Balanced

Global corn production for 2016/17 is projected up slightly to 1,012 million metric tons. Brazil production for 2016/17 is still seen at 82 million metric tons while the 2015/16 crop is at 77.5 million metric tons.

Global demand is estimated to improve with exports increasing. This results in global ending stocks forecasted down very slightly again.

Currency: USD holds strength

The US dollar has been stable relative to the Canadian dollar at \$1.2900 CAD/USD over the last 30 days.

Canadian crude oil production that had stopped in Alberta is now coming back on line providing relief to crude oil prices. Global economic concerns continue, China and Brexit.

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 uptrend channel in the \$4.30 area and possibly testing resistance at the \$4.40 level.

The RSI is just under 70 signalling overbought, the MacD is showing the possible start of a bearish move, Stochastics are nearing the upper end of its bullish range, and moving averages are aligned bullishly.

Technically the picture is mixed. All technical indicators are suggesting the market is looking for more direction. A break through of the \$4.40 level is needed for further bullish movements.

Weather is Seasonal

Argentine weather continues to see more rain, delaying soybean harvest. Brazil weather has been dry, causing fear of further crop reductions. Current US mid-west weather is looking ideal.

Funds Have Extreme Long Position

The non-commercial/reportable funds are long 259,000 lots, a massive expansion of their long position in recent weeks. This is the longest position held in 52 weeks. Liquidating long positions is a concern at some point.

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Soybean Meal

Outlook: Very Bullish

USDA held soybean production at 3,800 million bushels, down 129 million bushels from the last crop. There are no forecasted changes to planted acres at 82.2 million acres or yields at 46.7 bushels per acre. There are some thoughts that we could see some gains in soybean acres planted at the expense of corn acres in the next report.

Domestic soybean use is expected to remain firm on feed use. Soybean exports are forecasted up again to 1,900 million bushels projected in 2016/17. The soybean carry out is forecasted down in 2016/17 and 2015/16 to 260 and 370 million bushels, respectively. The 2016/17 US stock-to-use ratio changes to 6.6%, soybean supply is tightening.

Soybean meal saw no changes to supply. Ending meal stocks remain at 300 thousand short tons.

Soybean planting is well ahead of last year's pace and the 5 year average. Crop conditions are very good as well.

Global Supply Tightening

Global soybean supply is forecasted down in 2016/17. Production is forecasted down slightly to 323.7 million metric tons. Beginning stocks are forecasted down to 72.29 million metric tons, most notably in Brazil and US.

Global soybean ending stocks in 2016/17 are down again by 1.9 million metric tons to 66.31 million metric tons.

Brazilian and Argentine production estimates are held at 103 and 57 million metric tons, respectively. Brazil government sees the 2015/16 crop at 97 million metric tons.

Weather has been Favourable

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

Chicago Board Of Trade July 2016 Soybean Meal Chart



Technical Analysis: Mixed

The June 2016 soybean meal chart has continued its bullish move since last report. We got our close above \$300 suggested in the last report and have moved up to just under last year's high of \$380.

The RSI has reached overbought and turned bearish, Stochastics are overdone on the bullish side, the MacD has just turned bearish in the past week, and moving averages are very bullish, possibly looking for a correction.

In the previous week a star pattern is shown at the top of the chart suggesting a change in direction. We should watch for a test of the 38% Fibonacci retracement around \$330.

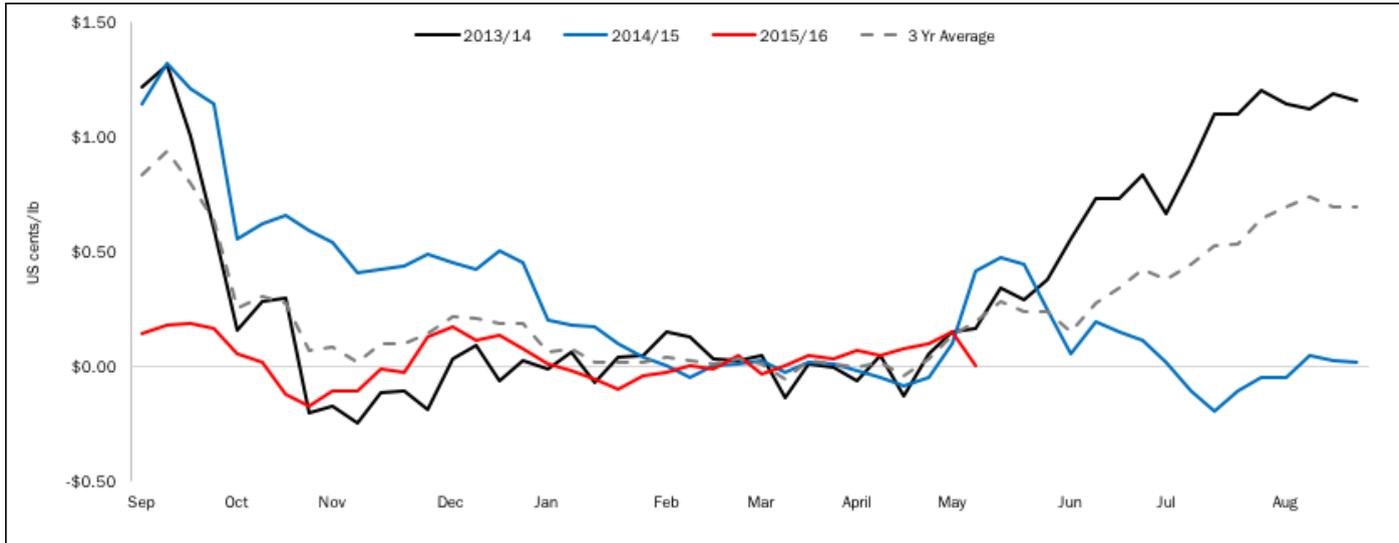
Funds in a Long Position

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

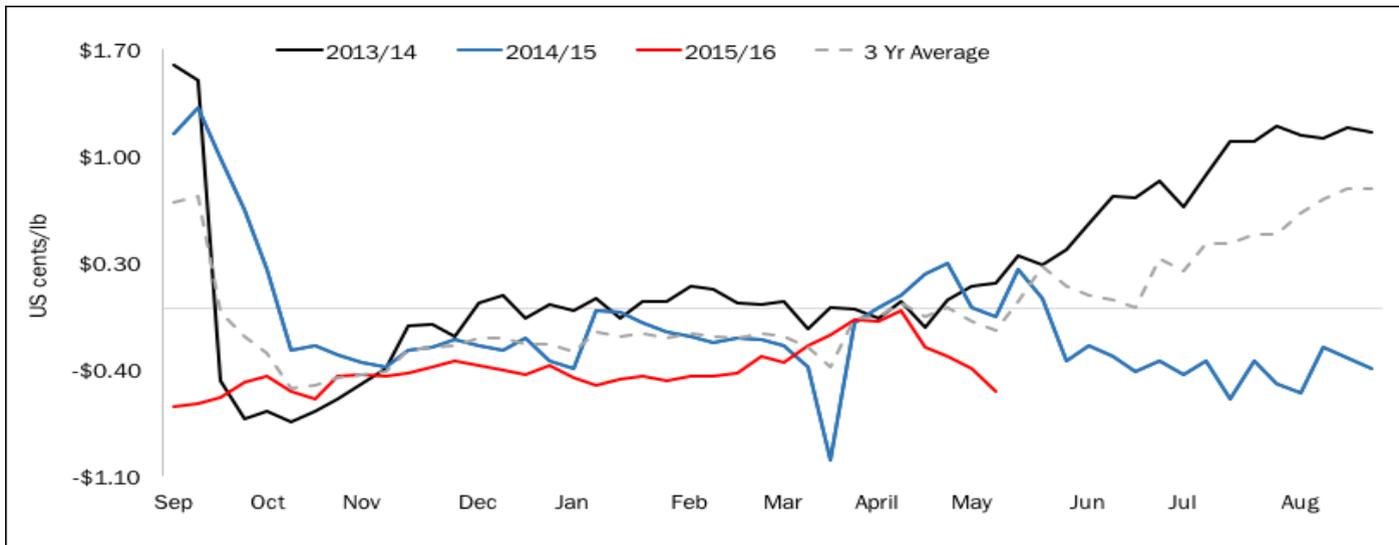
Soybean position is now long 178,900 lots, their longest position in 52 weeks. Liquidating long positions is a concern at some point.

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Corn Basis Values – Chatham, Ontario



Soybean Basis Values – London, Ontario



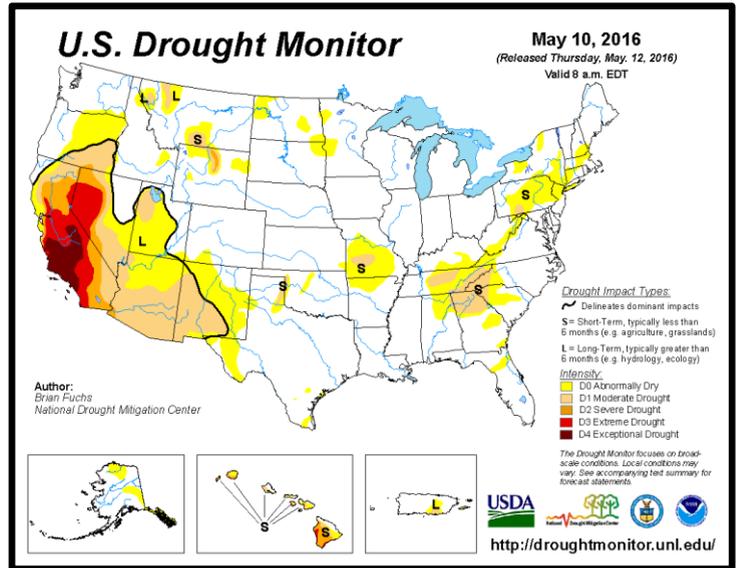
Ontario corn basis values continue to be strong, the last two weeks show some weakness as basis values have dropped below the three year average. Weather is good, planting is proceeding well, and signs point to a good crop. Basis could soften further. Ontario soybean basis has been in line with the 3 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

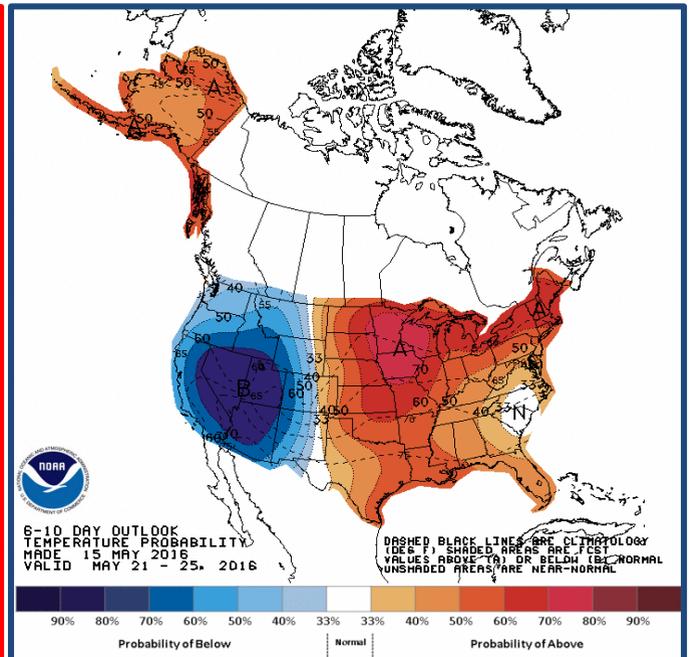
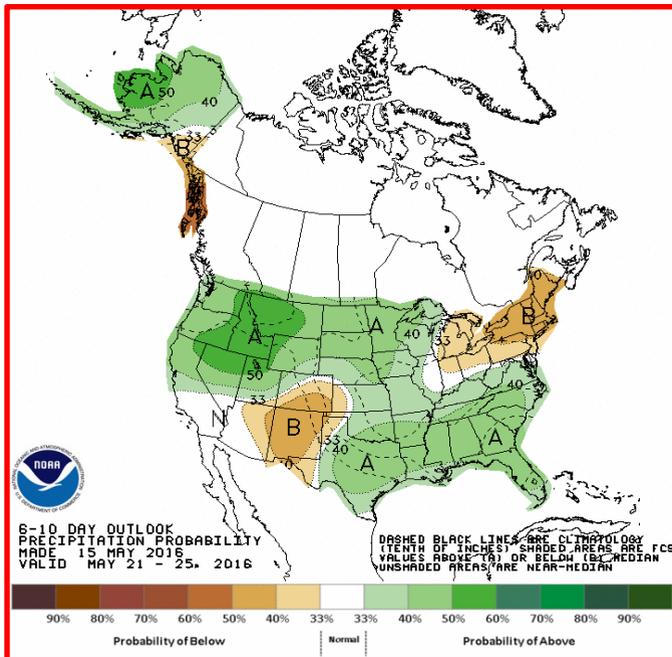
The map to the right is the most current US drought monitor map as of June 10, 2016. There is no updated North American map as of yet. Soil moisture levels are showing favourable conditions with almost no areas of drought at this time.

The areas of drought conditions in the Canadian crop regions have been getting moisture and have improved nicely. Weather forecasts for the next two 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 are currently ideal for planting progress. The map in blue reflects a high probability of above normal temperatures in 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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