

CFO January Commodity Outlook Report

Corn Outlook: Slightly Bullish

The January USDA report reduced the 2016/17 US corn production to 15,148 million bushels. Planted acres were reduced by 0.5 million acres to 94.0 million acres and harvested acres were reduced 0.1 million acres to 86.7 million acres. The corn yield was reduced 0.7 bushels per acre to 174.6 bushels per acre. Ending stocks for the 2015/16 crop remain almost unchanged from last months report, now at 1,737 million bushels.

Corn supplies for 2016/17 were reduced by 73 million bushels to 16,940 million bushels. Feed and residual use were lowered 50 million bushels to 5,600 million bushels on smaller production. Ethanol demand was raised 25 million bushels to 5,325 million bushels and while exports remain unchanged at 2,225 million bushels. Together this equates to a decrease in total use of 25 million bushels to 14,585 million bushels.

The decrease in total supply outweighed the decrease in total use, leading to a reduction in 2016/17 US ending stocks of 48 million bushels to 2,355 million bushels. The US stock-to-use ratio moves from 16.4% last report to 16.1% this report.

Global Supply Tightens

Global corn production in 2016/17 is projected lower this month by 1.8 million metric tons to 1,037.9 million metric tons, mainly attributable to a decline in US production. Demand continues to be firm, and therefore ending stocks were lowered 1.3 million metric tons to 220.98 million metric tons.

Serbia's corn crop was raised in size, while this was offset by reductions to the Bolivian crop. The Brazil and Argentina corn crops are still forecasted to be 86.5 and 36.5 million metric tons, respectively.

Currency: USD Strong

The USD/CAD exchange rate has been volatile this past month due to the US election, but is nearly unchanged from last month. Crude oil has stayed above the \$50.00 level and continues to slowly climb in value. There have been rumours the recent OPEC agreement could struggle to hold together.

Chicago Board Of Trade March 2017 Corn Chart



Technical Analysis: Bullish

The March 2017 corn chart has remained in a sideways trading pattern and as you can see by the blue lines, is in a wedge pattern. We are seeing lower highs and higher lows.

A breakout of the wedge pattern is a probable short-term outcome given we only see a \$0.14 spread between the upper limit and the lower limit. The RSI is currently neutral, the MacD is bullish, and Stochastics are bullish and approaching overbought. The moving averages have crossed over to bullish. Support is now at the \$3.46 level while resistance is at the \$3.68 level. An inverted head and shoulders pattern shown by the red lines could be indicating an upward move to the \$3.84 level.

Funds in a Long Position

The non-commercial/reportable funds are long 10,600 lots as of January 10th, 2017. Over the past few weeks about 25,000 lots have been added to their long position.

CFO January Commodity Outlook Report

Soybean Meal

Outlook: Bullish

The January USDA report reduced soybean production by 54 million bushels to 4,307 million bushels. Area planted and area harvested were both reduced by 0.3 million acres, now at 83.4 and 82.7 million acres, respectively. Yield per harvested acre was reduced by 0.4 bushels per acre, now at 52.1 bushels per acre. Soybean imports were lowered 5 million bushels to 25 million bushels. Ending stocks for 2015/16 were left at 197 million bushels. Soybean supply for 2016/17 declined 60 million bushels to 4,528 million bushels.

Soybean crush and exports remain unchanged at 1,930 and 2,050 million bushels in 2016/17, respectively. Total use is left unchanged this month at 4,108 million bushels, thus passing the 60 million bushel reduction in soybean supply to ending stocks, now at 420 million bushels. The US stock-to-use ratio drops from 11.7% last report to 10.2% this report.

Soybean meal production for 2016/17 was lowered again this report by 200 thousand short tons to 45,411 thousand short tons. This decrease is a result of smaller bean crops and lower yields. Exports were trimmed 200 thousand short tons to 11,600 thousand short tons, offsetting the decrease in production. Ending meal stocks remain at 300 thousand short tons.

Global Supply Adequate

Global soybean production and ending stocks for 2016/17 were both trimmed very slightly this month, signalling global supply is sufficient. Argentina and Brazil production forecasts were kept at 57 and 104 million metric tons, respectively. Both of these numbers are expected to be change. Brazil production could increase to 106 million metric tons and Argentina production could decrease to 53 million metric tons.

Weather is Favourable

South American weather should continue to be watched. Brazil weather is not currently a concern, while wet conditions in Argentina pose some risk as this could delay planting.

Chicago Board Of Trade March 2017 Soybean Meal Chart



Technical Analysis: Bullish

The March 2017 Soybean Meal chart has broken out of the \$300 to \$330 range it was in starting back in August 2016. More recently, the chart has broken out bullishly of the recent wedge pattern it was in. The RSI is bullish, Stochastics are bullish, and the MacD has just turned bullish. Moving averages have had a bullish crossover.

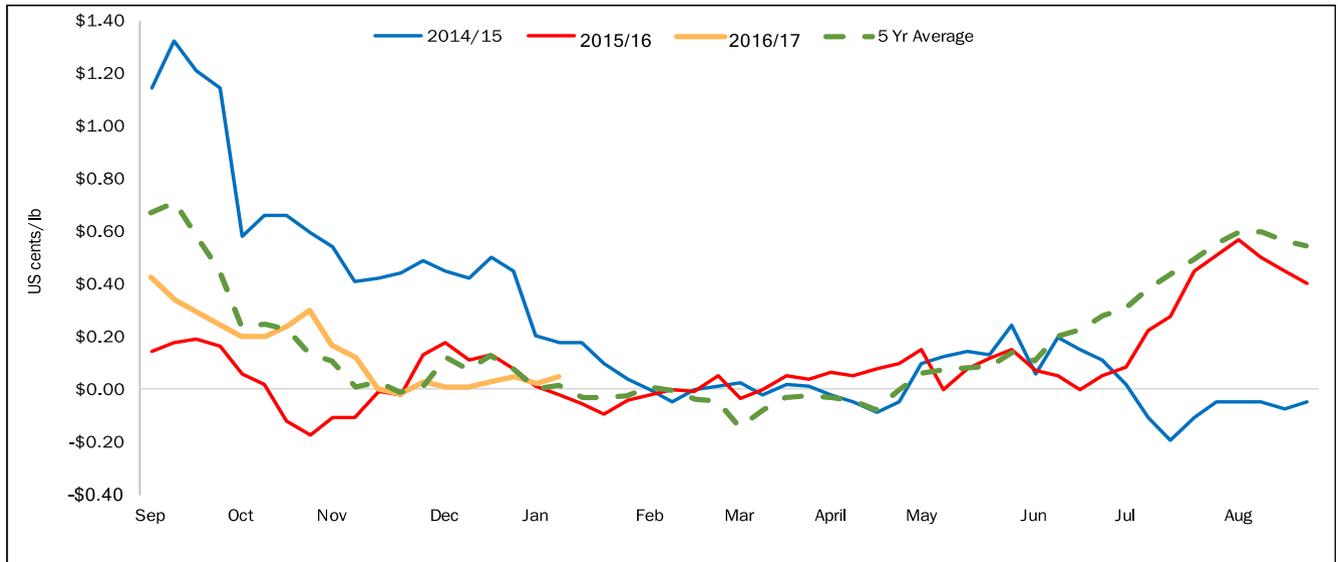
We did see a close below \$316, as suggested last month, but the downward trend did not continue. We should look for a retest of the \$370 level.

Funds in a Long Position

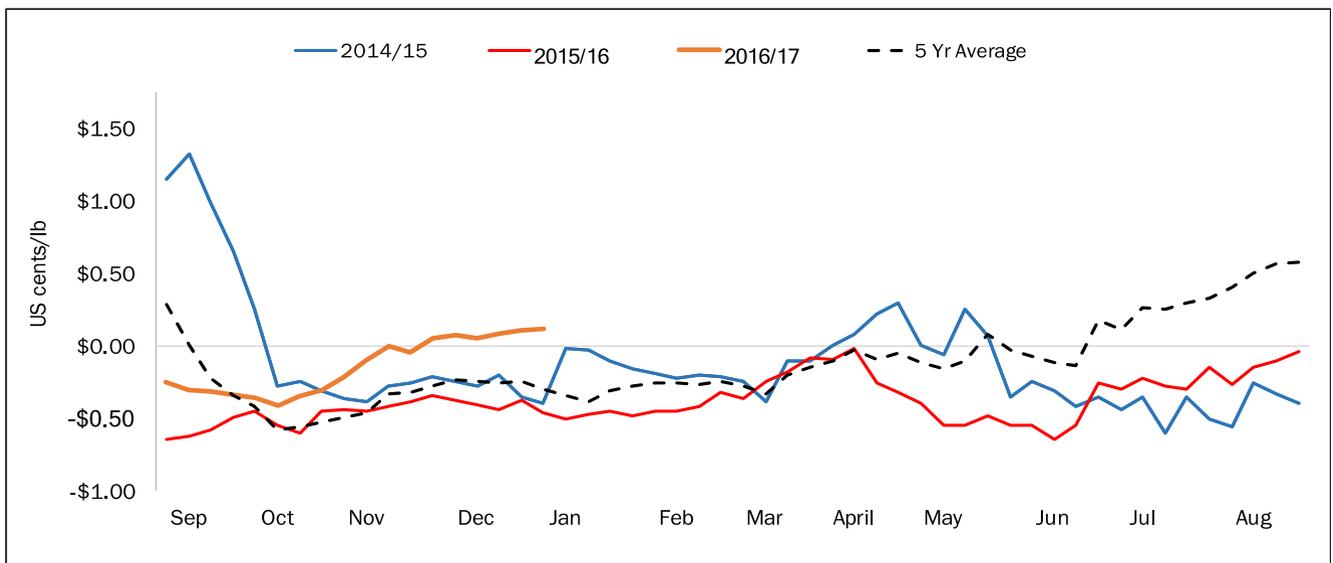
The non-commercial/reportable funds are holding a long position of 52,800 lots on soybean meal, nearly unchanged from last month. Their soybean position is now long 59,000 lots, a sizable decrease from the long position of 103,500 lots stated in last month's report.

CFO January Commodity Outlook Report

Corn Basis Values – Chatham, Ontario



Soybean Basis Values – London, Ontario



Ontario corn basis values have continued to drift sideways as the large corn crop weighs on the market. The strong US currency has hindered some export sales and a growing cattle and hog herd size is keeping demand firm, supporting basis values. Ontario soybean basis has continued to firm up slightly as the market evaluates the size and conditions of soybean crops in South America.

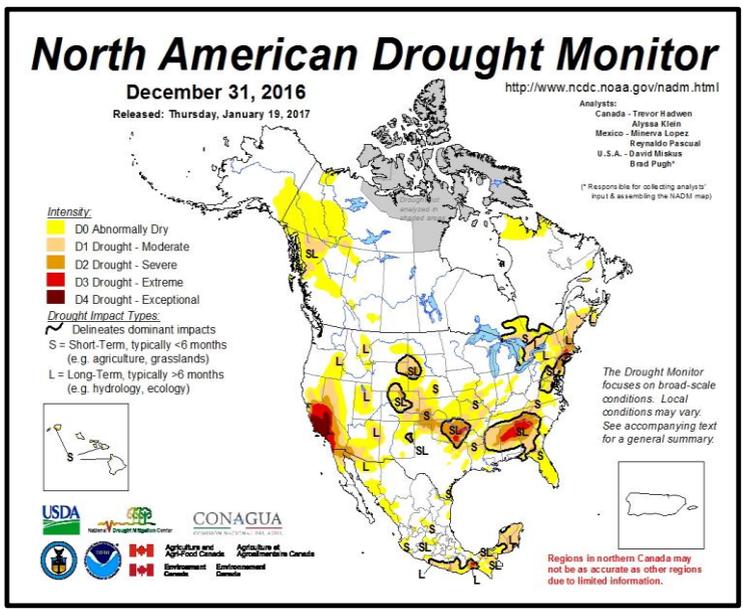
This material has been prepared by an agent of CFO solely for information purposes and is not intended to be a solicitation or to provide trading advice. By accepting this communication you agree that you will not rely solely on this communication in making any trading decisions. Opinions provided in this communication reflect our good faith judgment at a specific time and are subject to change without notice.

CFO January Commodity Outlook Report

Weather – North America

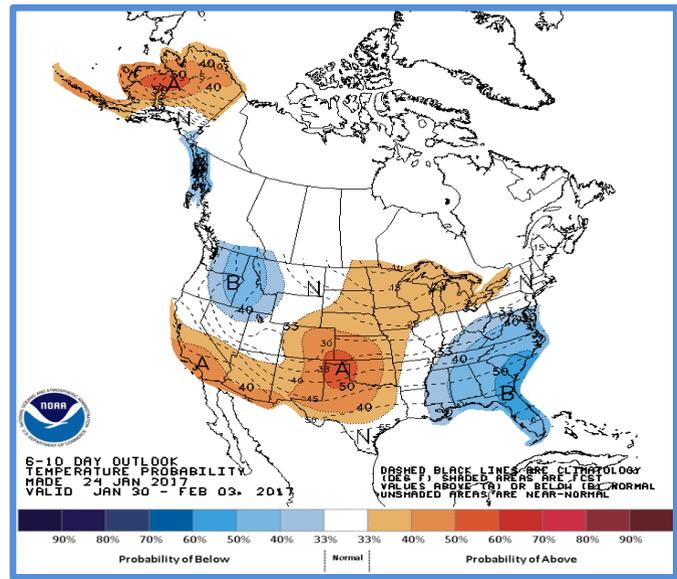
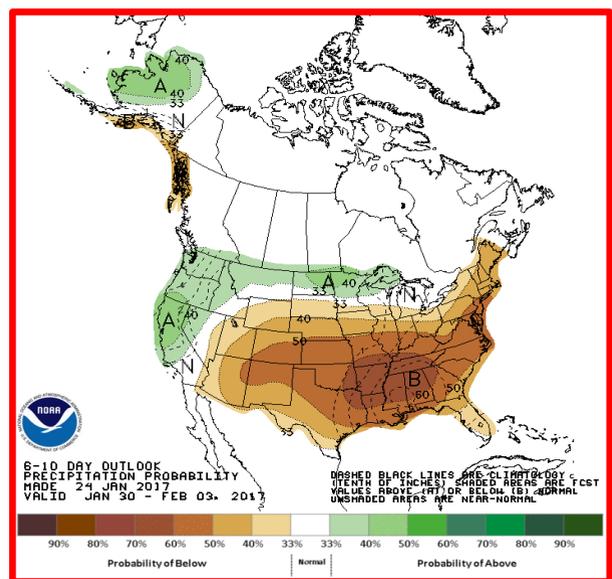
The map to the right is the most current USA drought monitor map as of January 19th 2017. Soil moisture levels in the Southeast and Midwest continue to show a small increase in areas of dryness. Our situation is not as favourable as it was this time last year, but there is yet to be any reason for concern in the corn and soybean growing regions. California still has very dry conditions.

The Canadian growing regions in the west have no drought conditions, while Ontario is currently a bit drier than optimum.



Weather – USA

NOAA maps below, in red shows precipitation probability remains below normal in the crop growing regions, certainly in the Great Lakes States and the Mississippi Valley. Precipitation in most of the Canadian Prairies and the Northern States is forecast slightly above normal levels. The map in blue continues to reflect a high probability of above normal temperatures for most of the central USA. While areas Southeast and Northwest in the US are expected to experience below normal temperatures.



This material has been prepared by an agent of CFO solely for information purposes and is not intended to be a solicitation or to provide trading advice. By accepting this communication you agree that you will not rely solely on this communication in making any trading decisions. Opinions provided in this communication reflect our good faith judgment at a specific time and are subject to change without notice.