

CFO February Commodity Outlook Report

Corn Outlook: Neutral

The USDA February 2015 report is slightly bullish on the 2014/15 corn crop compared to market expectations. USDA left the 2014/15 corn crop at 14.216 billion bushels, no change from last month. The acres planted and the yield / acre were left at 171.0 bushels/ acre.

There is a reduction in US feed use of .025 billion bushels, partially based on an increase in ethanol production which will create an increased amount of DDG's for animal feed use. Ethanol production will increase corn consumption by an estimated .075 billion bushels. Exports were left unchanged in this report at 1.75 billion bushels. US ending stocks were further reduced by .050 billion bushels to 1.827 billion bushels or a 13.4% stocks to use ratio.

This report, although slightly bullish, saw little effect on price as the other grain markets kept a cap on any significant rise in futures value for corn.

Supply Remains Large

The USDA crop is still a record large production at 14.216 billion bushels. The Brazilian crop is still forecasted at 75 million metric tons and Argentina is forecasted with a 1 million metric tons increase at 23 million metric tons.

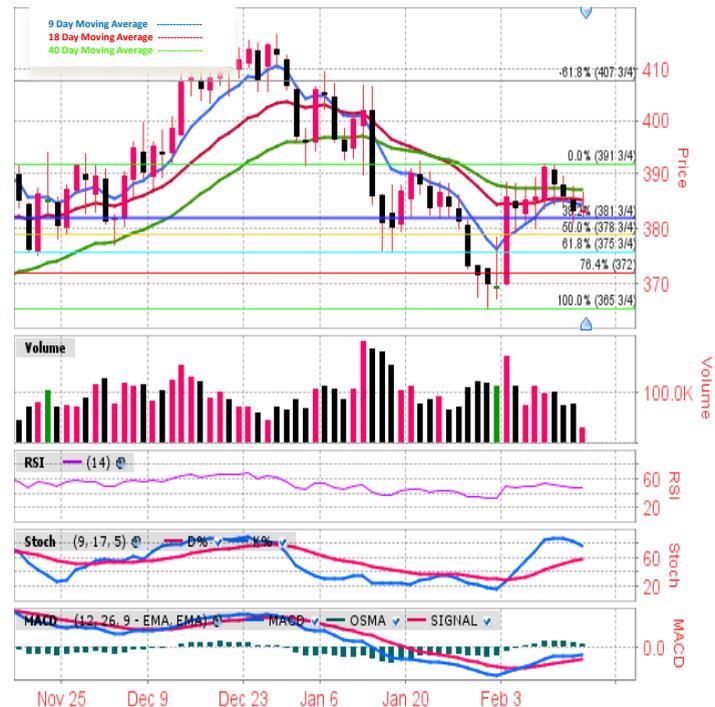
Currency

The US Dollar has continued to strengthen versus other world currencies and is now over \$1.25 exchange at the time of this writing. The continued decline in crude oil prices on world futures markets will continue to strengthen the Can / USA dollar exchange rate. The price of crude oil has bounced off of its lows around \$45.00 per barrel. Continued strong US currency and low crude oil should have a negative bias on commodity prices.

Funds Have a Long Position.

The non-commercial/reportable funds are now holding a long position of 42,000 lots which is a significant decrease in the last four weeks. Look for more liquidation of the long position.

Chicago Board Of Trade March 2015 Corn Chart



Technical Analysis

The March corn chart has bounced off the recent high of \$3.9175 and is now testing the 38% retracement level at \$3.81. The down trend pattern remains intact. The next target is a close below \$3.81 and then a possible retest of the recent low at \$3.66.

The MacD, Stochastic oscillators are both turning bearish at this point with room to continue. RSI is neutral. All moving averages suggest that the bearish move has just begun and could continue. Good support will be at \$3.30.

Weather is Seasonal.

South American weather is fine at this time. North American soil moisture levels are currently in good shape for the upcoming planting season.

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Soybean Meal

Outlook: Bearish

The USDA February 2015 report had few changes to the soybean supply and demand picture. Acres planted and harvested were left at 83.1 million acres and yield at 47.8 bushels per acre.

US production remained at 3.969 billion bushels. There was an increase estimated for imports by 0.01 billion bushels and 0.015 billion bushels for crushing.

As a result, USDA ending stocks projection for the 2014/15 soybean crop reduced to 0.385 billion bushels from 0.410 billion bushels last month. This will represent a stocks to use ratio of 10.4%, up significantly from the previous year level of 2.6%

Global soybean ending stocks for the 2014/15 crop remain at a record level even though they were lowered to 89.26 million metric tons from last month's 90.78 million metric tons.

The soymeal balance sheet showed a slight increase in production of meal which was offset by an increase in exports. Meal ending stocks remain unchanged at 300,000 short tons.

South America is the Focus

USDA lowered Brazil soybean crop size by 1 million metric tons to 94.5 million metric tons. Argentina's soy crop is forecasted to be 1 million metric tons higher at 56 million bushels at this time. Chinese production was raised slightly as well.

Funds Hold A Long Position

The non-commercial/reportable funds are holding a short position of 10,000 lots on beans and a long position of 64,000 on meal.

These are both smaller long positions than was observed a month ago. Given the pending increased acreage to be planted in the US, further liquidation of the long position is to be expected.

Chicago Board Of Trade Soy-Meal Chart



Technical Analysis

The March 2015 soymeal chart has been in a sideways trading range in the past 4 weeks, looking for direction.

Volume has been slipping lower. MacD, RSI and Stochastics is attempting to turn bullish. Moving averages and MacD are all neutral at this time.

Last month we advised that meal contract would need a close below \$330 before trying for \$290. It has closed just below \$330 and bounced back up just above it. It is currently in a wedge pattern that needs to be broken with a close above \$335 or below \$325

Weather is Seasonal

Brazil is seeing good weather for their crops and harvesting has started.

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Corn Basis Values – Chatham, Ontario

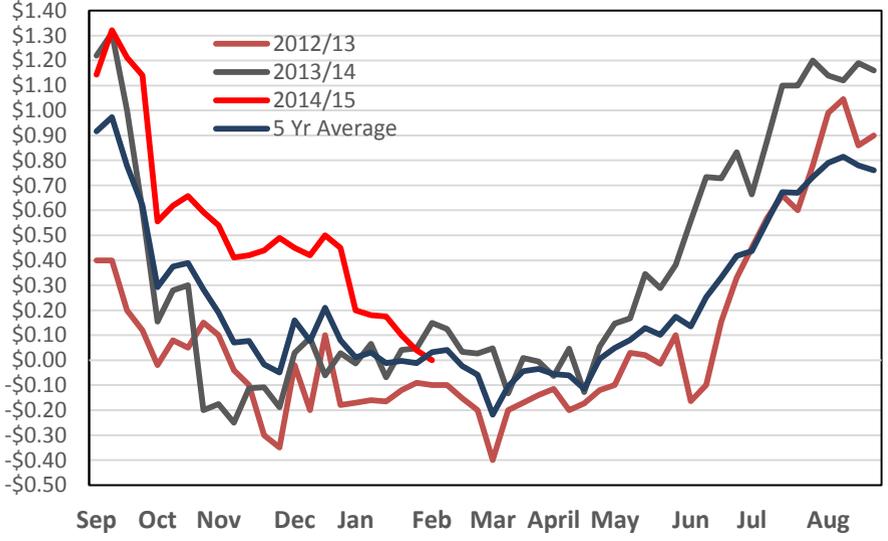
The definition of “basis” is the difference between the cash or spot price of a commodity and the nearest futures contract value for that commodity. Basis typically consists of the futures price adjusted for Canadian currency exchange, freight, handling, storage, insurance as well as a value for various qualities and the localized supply and demand conditions.

The chart to the right outlines the weekly average corn basis values for Chatham, Ontario for the current crop, past 3 crop years and the 5 year average value as well.

Ontario basis has been dropping slightly to be more in line with historical and seasonal levels.

The Ontario basis values are currently expected to experience seasonal lows again in the next 60 days.

Average Weekly Corn Basis Chatham, Ontario



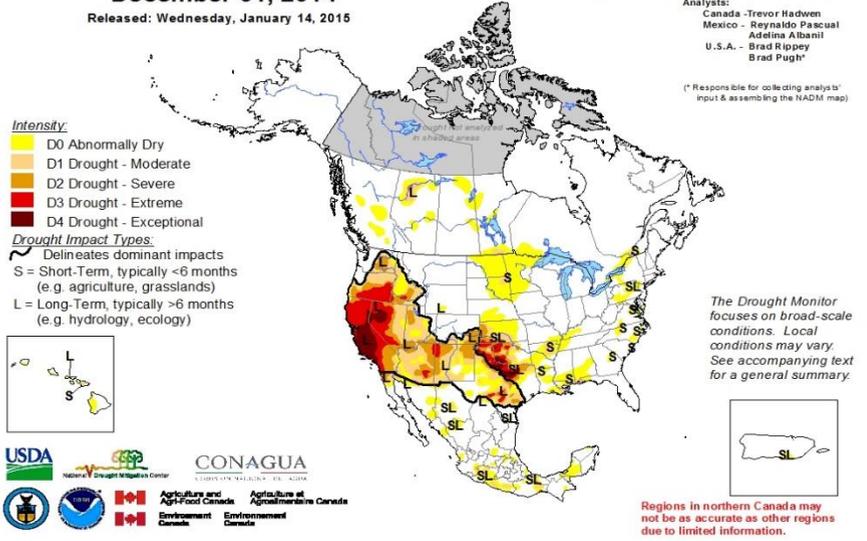
Weather - Canada

The map to the right outlines the fact that there are very few areas of minor drought conditions that are present in Canada.

North American Drought Monitor

December 31, 2014
Released: Wednesday, January 14, 2015

<http://www.ncdc.noaa.gov/nadm.html>



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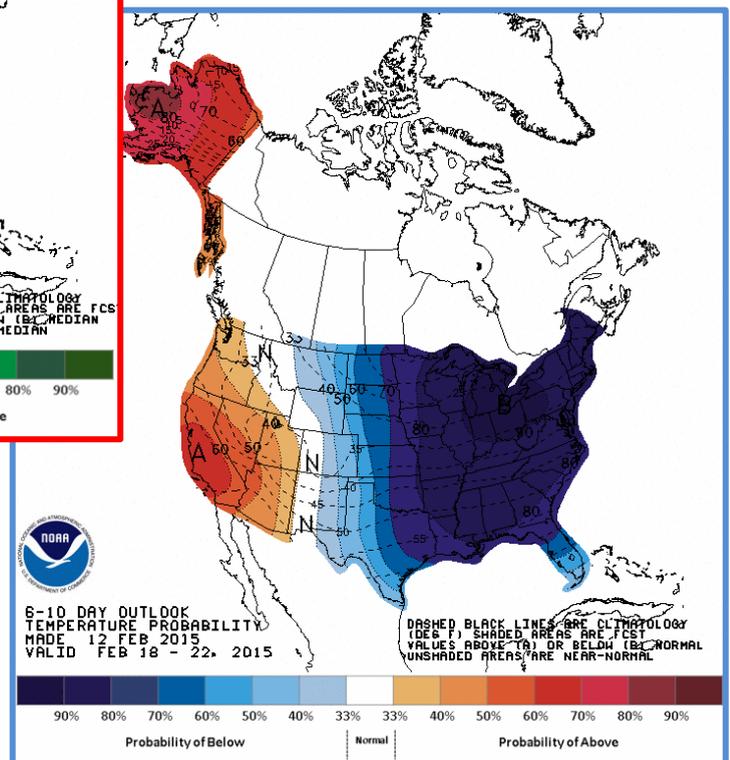
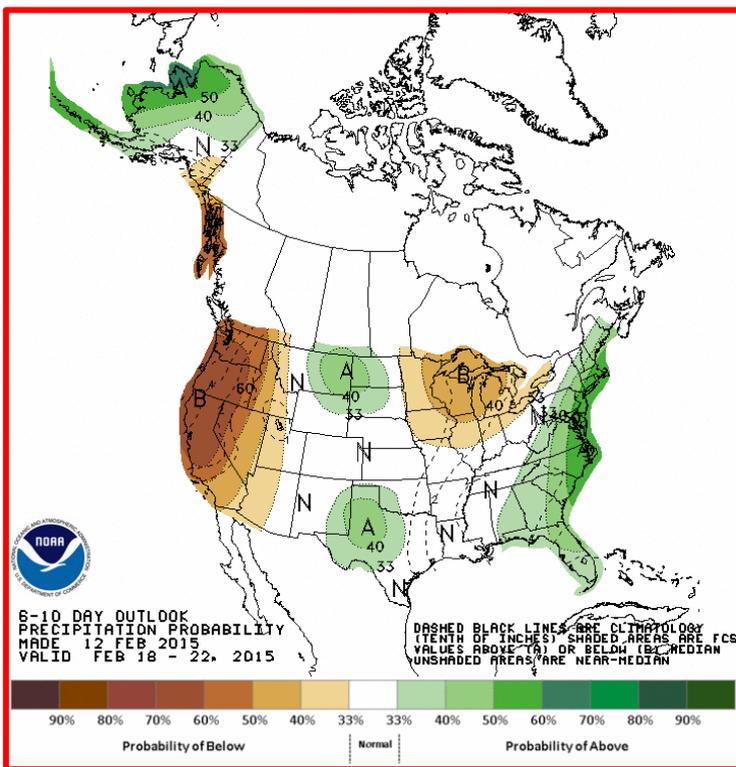
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Weather - USA

NOAA maps below reflect much colder than normal temperatures as well as some areas of slightly higher probability of wet conditions in the northern soybeans and corn growing areas in the next 6 to 10 days.

The map in the lower right, blue frame, shows the brown/burgundy areas as those areas where the forecasted temperatures will be above seasonal temperatures in the next 6 to 10 days, while the eastern half of the country is much colder.

The map in red frame shows that some of the corn belt will see above seasonal averages for moisture events in the next 6 to 10 days.



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