

CFO January Commodity Outlook Report

Corn

Outlook: Neutral to Bullish

The USDA January 2015 report has a slight bullish sentiment to it, for the 2014/15 crop compared to market expectations. USDA reduced the 2014/15 new corn crop to 14.216 billion bushels, down from 14.4 billion bushels last month. The acres planted were reduced by 300,000 acres and the yields were reduced as well by 2.4 bushels per acre to 171.0

The reduction in US production was partially offset by a lower feed use by .1 billion bushels. Exports were left unchanged in this report at 1.75 billion bushels. US ending stocks were reduced from 2 billion bushels to 1.877 billion bushels or a 13.8 stocks to use ratio.

Most January USDA reports of the past have seen the markets move dramatically, limit up or down. This report was very mannerly in its movement, with no real fireworks on price.

Supply is Large

The USDA crop is still a record large production at 14.216 billion bushels. The Brazilian crop is forecasted at 75 million metric tons and Argentina is forecasted at 22 million metric tons.

US Currency Remains Strong

The US Dollar has continued to strengthen versus other world currencies and is now over \$1.195 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. Crude currently is near \$45.00 per barrel, at a 5 to 6 year low. Strong US currency 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 154,000 lots which is a decrease of 27,000 contracts in the last four weeks. Look for more liquidation of the long position.

Chicago Board Of Trade December 2014 Corn Chart



Technical Analysis

The March corn chart has seen a top put in place for now with the “Doji star” on Dec 28th. The pattern has indicated a bearish move that we have seen since. We have seen a test today of the 50% retracement level at \$3.74. The next target is a close below \$3.74 and then the 62% retracement level at \$3.64. The MacD, Stochastic oscillators are both bearish at this point with room to continue. RSI is neutral. All moving averages suggest that the bearish move has just begun. Good support will be at \$3.30

Weather is Seasonal.

The US weather forecast is for slightly above seasonal temperatures over the next 10 days.

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Soybean Meal

Outlook: Bearish

The USDA January 2015 report indicted a few changes to the soybean supply and demand picture. Acres planted and harvested were both reduced. Harvested acres are down from 83.4 to 83.1 million acres. The yield was increased from 47.5 to 47.8 bushels per acre.

US production was raised slightly, and offset by an increase in exports

The USDA left the ending stocks projection for the 2014/15 soybean crop unchanged at 0.41 billion bushels. This will represent a stocks to use ratio of 11.2% up from this past year at 2.6%

Global soybean ending stocks for the 2014/15 crop were raised slightly to 90.78 from 89.9 million metric tons.

The Soymeal balance sheet showed a slight increase in production as well as imports, but were offset by an increase in forecasted use. Meal ending stocks remain unchanged at 300,000 short tons.

South America is the Focus

USDA lifted Brazil soybean crop size by 1.5 million metric tons to 95.5 million metric tons. This number is now in line with Conab (Brazilian agriculture agency) forecast of the 2014/15 Brazil crop.

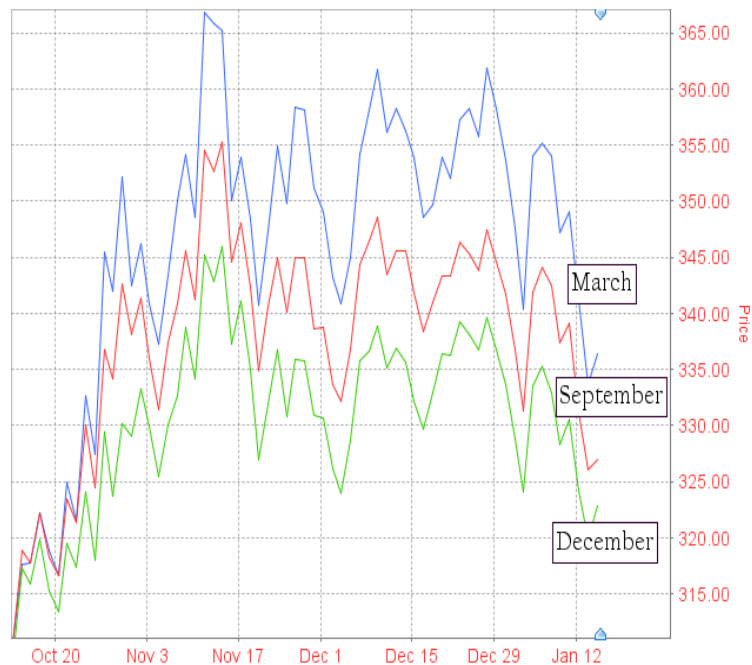
Argentina's soy crop is left unchanged at this time.

Funds Hold a Long Position

The non-commercial/reportable funds are holding a short position of 30,000 lots on beans and a long position of 85,000 on meal.

This is little changed in the past month, but given the recent USDA numbers look for further liquidation of the long position.

Chicago Board Of Trade Soy-Meal Chart



Technical Analysis

The March Soymeal chart has seen the uptrend trend abate and given back about 15% of its value.

Volume has been strong during the recent down days suggesting that there is more downside here. MacD, RSI and Stochastics have all turned bearish. Moving averages have just started to turn bearish.

Last month we advised that Meal contract could retest the \$360 level shortly and it did (\$368 for two days). Look for a close below \$330 before we try for \$290 . Beans will continue to find support just above \$10.00

Weather is Seasonal

The US is forecasted to slight above season temperature and Brazil is seeing good weather for their crops

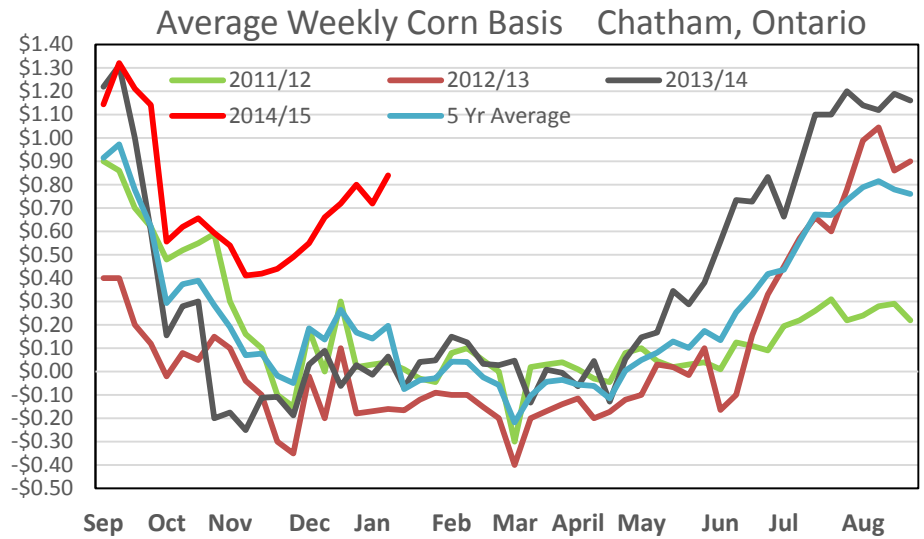
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Corn Basis Values – Chatham, Ontario

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 4 year average value as well.

Ontario basis for the current crop continues to be strong, and in line with tight transportation capacity and a slightly delayed harvest.



Weather - Canada

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

At this time these areas are mainly in Northern Alberta and Southern Manitoba.

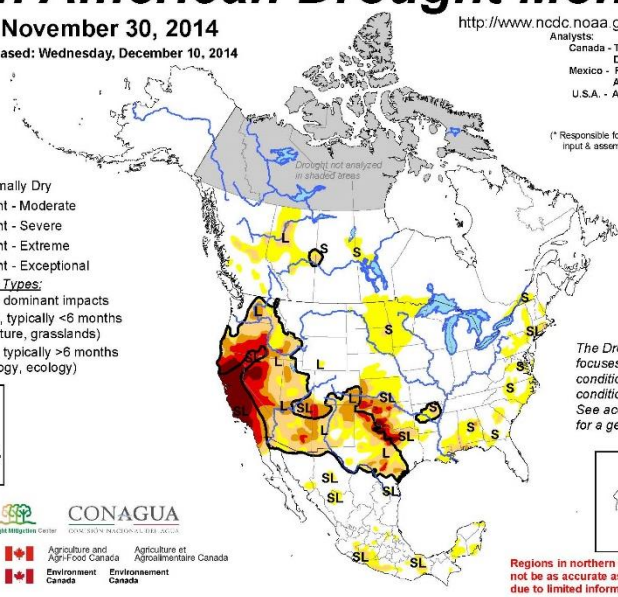
The USDA has not updated this map from last month.

North American Drought Monitor

November 30, 2014
Released: Wednesday, December 10, 2014

<http://www.ncdc.noaa.gov/nadm.html>
Analysts:
Canada - Trevor Hadwen
Dwayne Chobaniak*
Mexico - Reynaldo Pascual
Adelina Albanil
U.S.A. - Anthony Artusa

- Intensity:**
- D0 Abnormally Dry
 - D1 Drought - Moderate
 - D2 Drought - Severe
 - D3 Drought - Extreme
 - D4 Drought - Exceptional
- Drought Impact Types:**
- ~ Delineates dominant impacts
 - S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
 - L = Long-Term, typically >6 months (e.g. hydrology, ecology)



(* Responsible for collecting analysts' input & assembling the NADM map)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text for a general summary.

Regions in northern Canada may not be as accurate as other regions due to limited information.

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Weather - USA

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

This will potentially cause some further delays to the remaining harvest progression.

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.

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

