

CFO December Commodity Outlook Report

Corn

Outlook: Neutral

The USDA December 2015 report was neutral versus 2015/16 corn crop expectations and the previous months report.

USDA did not change the 2015/16 “new” corn crop production at 13.654 billion bushels, or corn yield at 169.3 bushels per acre with an estimated 88.4 million acres planted and 80.7 million acres to be harvested. This lack of change in the December USDA report is not unusual.

Exports were again reduced slightly in this report, by .05 billion bushels to 1.75 billion bushels. Ethanol demand was raised by .025 billion bushels mainly due to lower gasoline prices and therefore the anticipated high consumption of fuel.

US ending stocks for 2015/16 crop are up .025 billion bushels, now forecasted to be 1.785 billion bushels. 2015/16 US stock-to-use ratio is now at 13.1% up from 12.9 % last report.

Global Supply is Stable

Global corn supply continues to be large. USDA lowered global production this month by 1 million metric tons or 1/10th of a percent.

India and South African corn crop are both forecasted smaller, while Canadian corn crop looks larger.

Global ending stocks are forecasted for the 2015/16 crop at 211.85 million metric tons which is only slightly down from last month.

Currency Continues to be Strong

The US dollar has strengthened significantly in recent weeks as crude oil prices have moved through the \$40 level to find support at the \$35 per barrel level. OPEC statement regarding no cuts in production, and mild weather in North America have been factors.

Chicago Board Of Trade March 2016 Corn Chart



Technical Analysis

The March 2016 corn chart has been in a gradual bullish pattern the past 30 days. We did not get a close below \$3.60 to signal further declines.

The MacD, Stochastic oscillators are all showing a bullish move, while RSI is mid-range with room to move before approaching overbought. Moving averages are all suggesting the start of a bullish move. ADX is bearish and tightening, signalling a change to bullish.

Weather is Seasonal

South American weather is improving. USA weather is moderate to slightly warmer than seasonal. Canadian prairies have been dry, but the forecast is for an increase in moisture over the next two weeks.

Funds Have a Short Position

The non-commercial/reportable funds are now short 21,000 lots, which has seen a large reduction in their short position.

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Soybean Meal

Outlook: Neutral

The USDA December 2015 report left US soybean production at 3.981 billion bushels for 2015/16 crop.

The forecasted soybean yield was also unchanged at 48.3 bushels per acre.

The 2015/16 carry out is unchanged from recent forecasts at 0.465 billion bushels. US stock-to-use ratio of 12.4% also remains unchanged. If we see this size carry out stocks it will be the highest since 2006/2007 crop year.

Soybean meal supply and demand are unchanged with ending stocks remaining at 300 thousand short tons.

There are thoughts that growing livestock herds could consume more meal than forecasted in the next few months.

Global Supply Decreased Slightly

Global 2015/16 soybean ending stocks are reduced slightly to 82.58 million metric tons from last month's 82.86 million metric tons, mainly on reduced production outside the US.

India's soybean crop is forecasted smaller due to late plantings and therefore reduced yields. The Canadian, Russian and Ukrainian soybean crop are seen as being larger, offsetting the shortfall from India.

Funds in a Short Position

The non-commercial/reportable funds are now short 9,600 lots on soymeal. They have been reducing their recent long position on soymeal.

Weather is Seasonal

Weather is improving in South America as well as North America, similar to corn.

Chicago Board Of Trade March 2016 Soybean Meal Chart



Technical Analysis

The March 2016 soy meal chart has now broken the old support level at \$300, \$290 and \$286, with its recent low of \$269. There has been some strong buying since, or some longs exiting their position.

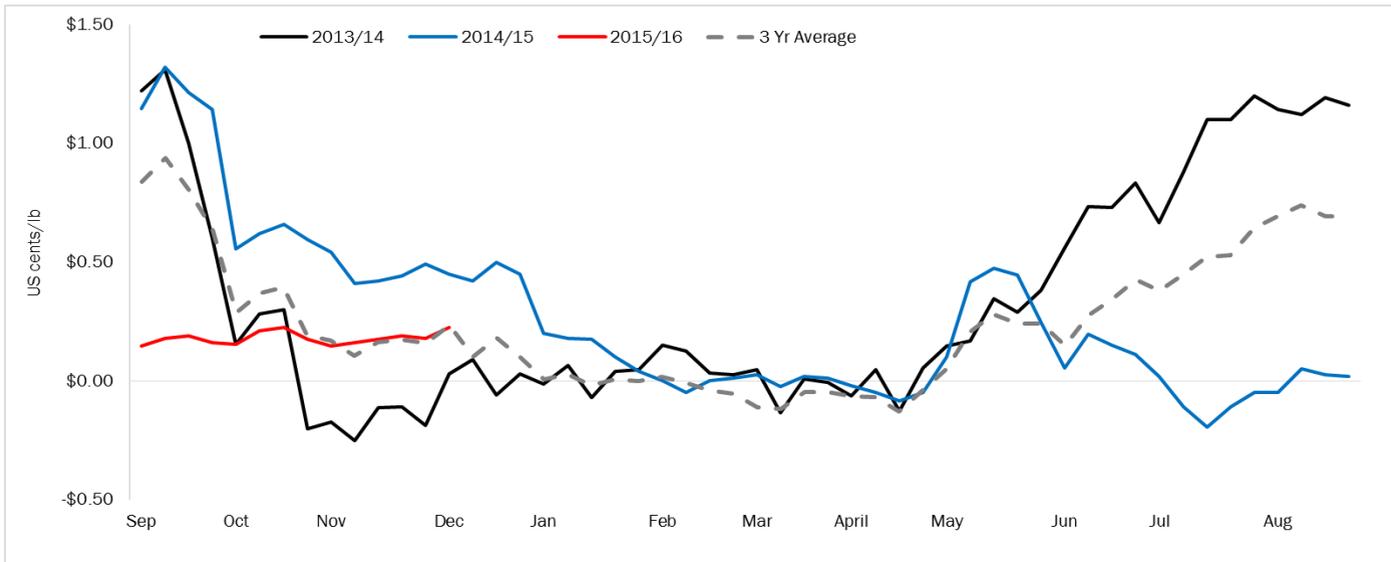
MacD, ADX and Stochastics are showing bullish crossovers in recent days, RSI is at 50 and looking bullish.

Moving averages look to be turning bullish as well.

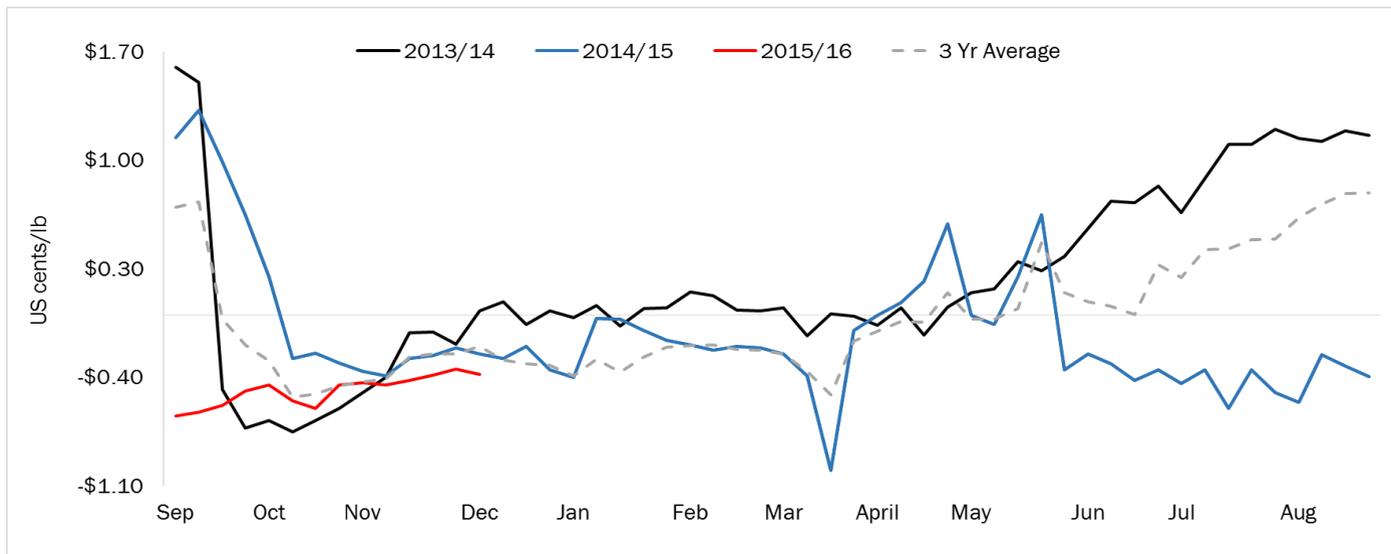
Look for a close below \$269 or a break above \$292 to signal next possible direction in price.

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Corn Basis Values – Chatham, Ontario



Soybean Basis Values – London, Ontario



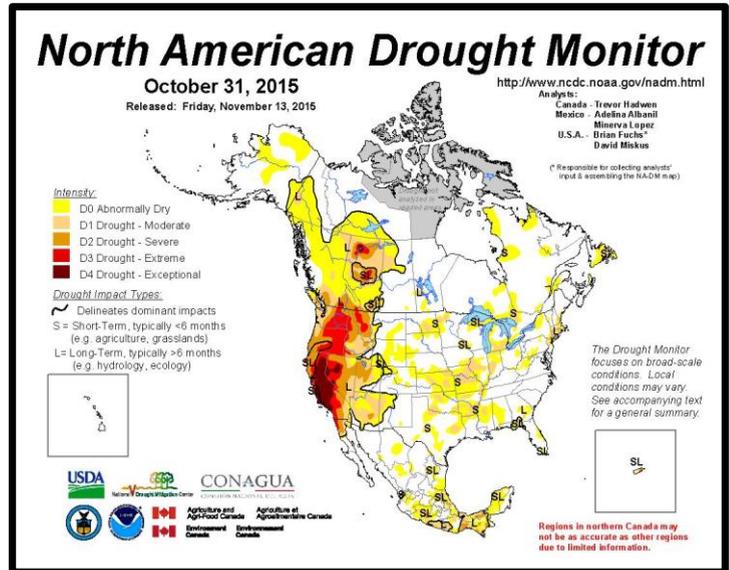
Ontario corn basis values have trended toward historical average, as currency has been a factor in the direction of basis levels. Ontario soybean basis has been stable.

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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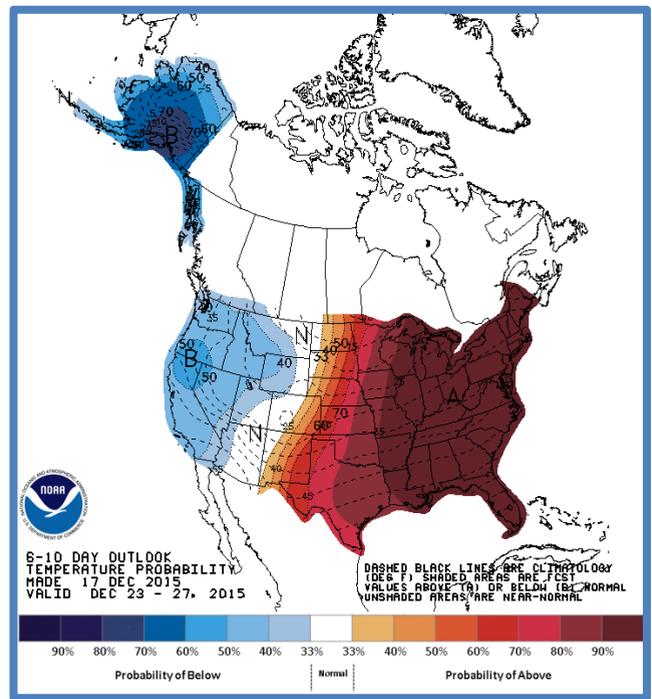
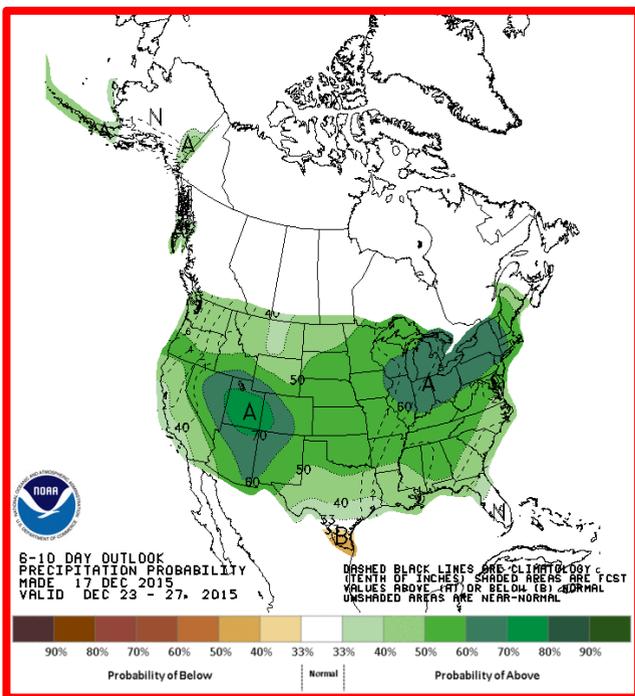
Weather - Canada

The map to the right is the most recent publication from USDA, and is 45 days old. It indicates that there is minor areas of slight drought conditions, present in Canada and the USA. The weather pattern in the past 30 days would indicate that these areas have improved and will be reflected in the next publication by the USDA. These soil moisture levels need to be monitored for next crop plantings., but are currently 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 Eastern USA and below normal temperatures in Western USA, and about seasonal in the middle of both countries. There is a higher probability of wet conditions in all areas over the next 6 to 10 days. There appears to be no thought of snow cover in the Eastern part of Canada.



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