



DAILY SOY COMPLEX COMMENTARY
02/27/17

Slowing China demand and rising production total from S America

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +1.6, BEAN OIL -0.0, SOYMEAL +1.5

OVERNIGHT DEVELOPMENTS: May soybeans are trading up 2 cents this morning. China futures were down 0.3% overnight and pushed down to the lowest level since December 2nd. Palm oil closed 1.8% lower this morning. Global equity markets were mixed overnight with Asian stocks generally weaker and western markets generally higher. The Asian session was relatively quiet, while the European session was highlighted by a series of February Euro zone sentiment readings that came in mixed. Euro zone February Consumer Confidence worsened while Industrial Confidence and Business Climate improved. The North American session will start out with January durable goods which are forecast to see a sizable uptick from December's -0.5% reading and climb into positive territory. January pending home sales are forecast to see a modest downtick from December's +1.6% reading. The Dallas Fed's February manufacturing business index is expected to see a moderate decline from January's 22.1 reading.



NEAR-TERM MARKET FUNDAMENTALS: With weakening crush margins in China and traders seeing the Brazil crop about 3-4 million tonnes above the USDA estimate, the short-term trend looks to remain down. May soybeans closed slightly higher on the session Friday, but managed to see a loss of 19 cents for the week last week. The USDA has pegged acreage at just 88.0 million acres, an increase of 4.6 million from 2016/17. We feel the increase could be more like 5.6 million, which would put planted acreage at 89.0 million. The total planted area for the eight major crops (corn, wheat, soybeans, cotton, rice, oats, sorghum, barley) is forecast at 249.8 million acres, down 3.6 million acres from last year's total. All of this decrease comes from corn, soybeans and wheat. This indicates that US acreage is not "maxed out" and with the economics clearly favoring soybeans, it would not be surprising to see some additional acreage going in that direction. The November soybeans/December corn ratio is currently around 2.57 and has been between 2.55 and 2.70 for the last three months. The last time the ratio was above 2.55 going into the planting season was in 2014, and that year producers increased planted acreage by 8.4%. An 8.4% increase this year would put planted acreage at 90.4 million.

We see crush down 5 million bushels from the USDA's forecast, but it is still up 10 million from last year and a record. We agree with their slightly higher pork and poultry production assumption, and that should keep meal usage steady to slightly higher. We have lowered our export number by 50 million bushels, but it could be lower yet given the recent surge in Brazilian soybean production. Almost half of Brazil's crop was planted with the same high-yielding seed the US used last summer. With good finishing weather, the Brazilian crop could approach 109 million tonnes, up 5.0 million from the most recent USDA estimate. We are using a yield of 48.5 bushels per acre, down 6.9% from last year's 52.1 bushels. The USDA's yield forecast of 48.0 bushels per acre. Our ending stocks estimate is 578 million bushels versus the USDA's 420 million.

The Commitments of Traders reports as of February 21st for Soybeans showed Non-Commercial traders were net long 182,000 contracts, a decrease of 13,921 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 101,528 contracts, down 16,084 contracts for the week and the long liquidation selling trend is a short-term bearish force. Commodity Index traders held a net long position of 155,901 contracts, up 3,910 contracts for the week. For Soybean Oil, Non-Commercial traders were net long 53,428 contracts, a decrease of 28,371 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 60,621 contracts, down 26,216 contracts for the week. For Soybean Meal, Non-

Commercial traders were net long 98,795 contracts, an increase of 7,177 contracts. Non-Commercial and Nonreportable combined traders held a net long position of 116,122 contracts, up 4,825 contracts for the week.

TODAY'S MARKET IDEAS:

We feel additional acres are a real possibility, and a larger crop in Brazil could take away from US export potential. If the average yield were to come in 50 bushels per acre, ending stocks would swell to 711 million bushels. May soybean resistance is at 1038 with 1012 3/4 and 994 3/4 as next key support.

NEW RECOMMENDATIONS:

* Buy the November Soybeans \$9.40/\$8.40 bear put spread (near 22 cents), and also sell a July Soybean \$11.60 call (near 14 cents) for a total net cost of 8 cents on the entire strategy. Use a price target of \$8.85 in November Soybeans and risk a total of 20 cents on the entire trade. One could also use a gain of 65 cents on the entire trade as an objective.

PREVIOUS RECOMMENDATIONS:

1) Long 6 of the July soybean 960 puts (near 11 5/8th) and short 1 July soybean 1080 put (near 56 7/8th) from a net premium paid of +12 7/8th with an objective of + 59 cents. Risk a total of 16 cents from entry. 2) Short July/Dec soybean meal spread from +\$13.30 with an objective of -\$2.50. * Risk to + \$13.80.

| Commitment of Traders - Futures and Options - 2/14/2017 - 2/21/2017 | | | | | | |
|---|----------------|-------------------|--------------|-------------------|--------------|-------------------|
| | Non-Commercial | | | Commercial | | Non-Reportable |
| | Net Position | Weekly Net Change | Net Position | Weekly Net Change | Net Position | Weekly Net Change |
| Grains | | | | | | |
| Soybeans | 182,000 | -13,921 | -101,529 | +16,084 | -80,472 | -2,163 |
| Soymeal | 98,795 | +7,177 | -116,121 | -4,825 | 17,327 | -2,352 |
| Soyoil | 53,428 | -28,371 | -60,621 | +26,216 | 7,193 | +2,155 |

SOYBEAN COMPLEX TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

SOYBEANS (MAY) 02/27/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The upside closing price reversal on the daily chart is somewhat bullish. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 1016 3/4. The next area of resistance is around 1027 3/4 and 1031, while 1st support hits today at 1020 3/4 and below there at 1016 3/4.

SOYBEAN OIL (MAY) 02/27/2017: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 32.39. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 32.83 and 33.04, while 1st support hits today at 32.51 and below there at 32.39.

SOYMEAL (MAY) 02/27/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The upside daily closing price reversal gives the market a bullish tilt. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 331.4. The next area of resistance is around 337.6 and 339.0, while 1st support hits today at 333.8 and below there at 331.4.

DAILY CORN COMMENTARY

02/27/17

Will need help from spring weather to bounce; down in March

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN +0.2

OVERNIGHT DEVELOPMENTS: May corn is trading unchanged this morning. Outside market forces look mixed.



NEAR-TERM MARKET FUNDAMENTALS: The weather remains mostly favorable for South American crops and China imports of DDG and ethanol were very small in January due to a jump in import taxes. May corn closed a bit lower on Friday and managed to experience a loss of 9 1/4 cents for the week. There seems to be a little more rain than needed in Brazil and the 2nd crop plantings pace has fallen behind normal. Expectations for cheaper supplies from Brazil and Argentina could sour US exports soon. A private Brazilian consultancy group has estimated the Brazilian corn crop at 93 million tonnes versus the USDA's estimate of 86.5 million. They also put Brazil's corn exports at 28 million tonnes, up from 14 million tonnes last year. Argentina's corn production is pegged at 37 million tonnes versus the recent USDA estimate of 36.5 million. February spring crop insurance price for corn is running around \$3.86 per bushel, which is close to \$3.85 seen last year. The soybean crop insurance price has reached \$10.21 versus \$8.85 last year. This suggests that if there are shifts in acreage from the USDA's initial Outlook Forum numbers, there would likely be an increase in soybean acreage. The demand tone from the supply/demand estimates coming from the Outlook forum is bearish for corn.

While corn usage for ethanol demand is projected to be up by 50 million bushels from 2016/17 to a record-high, feed usage is down 150 million bushels, and exports are down 325 million bushels. This leaves the forecast for ending stocks at 2.215 billion bushels, a burdensome level. While the market may build a weather premium during the April-June timeframe, the short-term fundamental news is negative. The Commitments of Traders reports as of February 21st showed Non-Commercial traders were net long 210,841 contracts, an increase of 5,032 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 156,995 contracts, up 3,679 contracts for the week. Commodity Index traders held a net long position of 386,913 contracts, up a significant 12,987 contracts in just one week.

TODAY'S MARKET IDEAS:

We suggest position traders wait to establish bullish strategies when December Corn pulls back to the key support zone from \$3.81 to \$3.75 3/4. The short-term trend looks down. May corn stiff resistance is at 376, with 366 1/2 and 359 3/4 as key support levels.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Short May Corn from 367 with an objective of 359 3/4. Also long 2 May Corn 400 calls for a net cost of 3 1/2 cents each.

| Commitment of Traders - Futures and Options - 2/14/2017 - 2/21/2017 | | | | | | |
|---|----------------|-------------------|------------|----------------|-------------------|--------|
| Grains | Non-Commercial | | Commercial | Non-Reportable | | |
| | Net Position | Weekly Net Change | | Net Position | Weekly Net Change | |
| Corn | 210,841 | +5,032 | -156,996 | -3,681 | -53,846 | -1,353 |

CORN TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

CORN (MAY) 02/27/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The

market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 367. The next area of resistance is around 372 3/4 and 375 1/4, while 1st support hits today at 368 3/4 and below there at 367.

DAILY WHEAT COMMENTARY

02/27/17

No sign of short-term low yet; weather to become more important

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
WHEAT -3.0

OVERNIGHT DEVELOPMENTS: May wheat is down 2 3/4 cents this morning. Outside market forces look mixed. Matif futures are unchanged. Jordan is tendering to buy 100,000 tonnes of wheat.



NEAR-TERM MARKET FUNDAMENTALS: While traders see the possibility that spring weather could support, the short-term trend remains down. India wheat production for 2017/18 is expected to reach a record high 96.6 million tonnes and this has traders talking that the government may reinstate import duties. May wheat closed 5 1/2 cents lower on the session Friday and this left the market down 7 1/2 cents for the week. Weekly export sales came in well above expectations at 707,800 tonnes as compared with expectations for 350,000-600,000. The Outlook Forum projections for wheat had planted area at 46 million acres, down 4.2 million from last year. The Winter Wheat Seedings report in January showed a decrease of 3.8 million from last year, and the spring wheat and durum plantings are expected to decline 3%. We feel the decline in spring wheat plantings could be a little larger and could take the all-wheat plantings number down to 45.5 million. Producers in the Northern Plains have had recent success in planting soybeans and we expect to see additional spring wheat acres going over to soybeans, especially with November soybeans trading \$10.20 this February compared to \$8.85 a year ago.

We are using wheat yield at 46.5 bushels per acre versus the USDA's 47.1. The weather in the Southern Plains remains a concern, with 96% of Oklahoma abnormally dry and/or in some type of drought stage according to the US drought monitor. About 65% of Kansas and 89% of Missouri are facing the same challenges. The recent warm weather across the entire US has been a reminder of the type of temperature swings we could see going into the critical April-May period. The two-week outlook in the Plains is dry. Wheat yields were at record-high levels last year, but they can be quite volatile. In 2014/15 the yield came in at 43.7 bushels per acre, in 2015/16 at 43.6, and last year it came in at 52.6. Export competition will be fierce with the recent revision in Australia's official 2016/17 wheat production to 35.1 million tonnes (versus the recent USDA estimate of 33.0 million) and upward revisions in Argentina's output to 18.0 million tonnes (versus the USDA's 15.0 million). Also, the EU is expected to have a larger crop and plentiful exports this year after experiencing unfavorable weather conditions last year.

The Commitments of Traders reports as of February 21st showed Non-Commercial traders were net long 2,109 contracts, an increase of 16,474 contracts in just one week which represents a change from a net short to net long position. Non-Commercial and Nonreportable combined traders held a net long position of 4,137 contracts. These traders have also gone from a net short to a net long position. For Kansas City Wheat, Non-Commercial traders were net long 42,461 contracts, an increase of 4,683 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 42,025 contracts, up 4,257 contracts for the week.

TODAY'S MARKET IDEAS:

Our ending stocks figure is down to 955 million bushels from 1.139 billion this year. If there is a weather problem that takes yields back to 43 bushel per acre, ending stocks could fall to 800 million bushels or lower. May wheat resistance is at 456 1/2 with 441 1/2 and 433 as key support level.

NEW RECOMMENDATIONS:

* Buy July Wheat \$4.70/\$5.40 bull call spread at 12 1/2 cents with an objective of 29 cents and risk a total of 6 1/2 cents from entry.

PREVIOUS RECOMMENDATIONS:

None.

| Commitment of Traders - Futures and Options - 2/14/2017 - 2/21/2017 | | | | | | |
|---|----------------|-------------------|--------------|-------------------|--------------|----------------|
| | Non-Commercial | | Net Position | Commercial | | Non-Reportable |
| | Net Position | Weekly Net Change | | Weekly Net Change | Net Position | |
| Grains | | | | | | |
| KC Wheat | 42,461 | +4,683 | -42,025 | -4,258 | -436 | -426 |
| Wheat | 2,109 | +16,474 | -4,138 | -16,516 | 2,028 | +40 |

WHEAT TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

WHEAT (MAY) 02/27/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 440 3/4. The next area of resistance is around 452 and 457, while 1st support hits today at 444 and below there at 440 3/4.

KC WHEAT (MAY) 02/27/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 461 1/2. The next area of resistance is around 470 and 473 3/4, while 1st support hits today at 464 and below there at 461 1/2.

MINN WHEAT (MAY) 02/27/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 549 3/4. The next area of resistance is around 555 1/2 and 557, while 1st support hits today at 552 and below there at 549 3/4.

RICE (MAY) 02/27/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The near-term upside target is at 9.756. The next area of resistance is around 9.722 and 9.756, while 1st support hits today at 9.638 and below there at 9.587.

DAILY TECHNICAL STATISTICS

| | CLOSE | 9 DAY RSI | 14 DAY RSI | 14 DAY SLOW STOCH D | 14 DAY SLOW STOCH K | 4 DAY M AVG | 9 DAY M AVG | 18 DAY M AVG | 45 DAY M AVG | 60 DAY M AVG |
|----------------------|----------|-----------|------------|---------------------|---------------------|-------------|-------------|--------------|--------------|--------------|
| GRAIN COMPLEX | | | | | | | | | | |
| CNAK7 | 370 3/4 | 39.52 | 45.37 | 53.82 | 34.71 | 374.50 | 378.33 | 376.69 | 369.64 | 367.75 |
| CNAZ7 | 391 | 40.36 | 45.79 | 55.35 | 36.04 | 393.94 | 396.75 | 395.68 | 390.09 | 388.82 |
| SSAK7 | 1024 1/4 | 34.48 | 40.17 | 32.56 | 16.69 | 1029.38 | 1045.44 | 1048.60 | 1042.58 | 1044.79 |
| SSAX7 | 1007 | 38.71 | 43.65 | 48.57 | 31.81 | 1009.88 | 1018.47 | 1018.24 | 1011.02 | 1013.27 |
| SMAK7 | 335.7 | 39.02 | 45.14 | 39.07 | 24.29 | 338.08 | 342.80 | 341.47 | 334.70 | 331.70 |
| BOAK7 | 32.67 | 22.99 | 28.18 | 15.66 | 8.31 | 32.80 | 33.47 | 34.07 | 34.91 | 35.58 |
| WHAK7 | 448 | 45.50 | 49.72 | 59.03 | 48.31 | 451.81 | 458.08 | 451.78 | 439.27 | 434.56 |
| WHAN7 | 462 | 46.06 | 50.18 | 60.76 | 50.74 | 465.75 | 471.06 | 464.74 | 453.04 | 448.17 |
| RCAK7 | 9.680 | 43.31 | 42.53 | 30.08 | 38.71 | 9.69 | 9.67 | 9.72 | 9.87 | 9.96 |
| KWAK7 | 467 | 52.00 | 54.88 | 68.64 | 62.28 | 468.81 | 472.78 | 464.04 | 450.98 | 443.88 |
| MWAK7 | 553 3/4 | 44.09 | 47.70 | 35.80 | 24.62 | 552.13 | 558.61 | 558.17 | 551.98 | 548.42 |
| OTAK7 | 250 | 50.50 | 54.33 | 56.55 | 49.40 | 251.56 | 251.33 | 250.17 | 241.14 | 237.01 |

Calculations based on previous session. Data collected 02/24/2017
 Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

| Contract | | Support 2 | Support 1 | Pivot | Resist 1 | Resist 2 |
|----------------------|-------------|-----------|-----------|----------|----------|----------|
| GRAIN COMPLEX | | | | | | |
| CNAK7 | Corn | 366 3/4 | 368 1/2 | 371 | 373 | 375 1/4 |
| CNAZ7 | Corn | 387 1/2 | 389 1/4 | 391 | 392 3/4 | 394 1/2 |
| SSAK7 | Soybeans | 1016 3/4 | 1020 1/2 | 1024 | 1028 | 1031 1/4 |
| SSAX7 | Soybeans | 997 3/4 | 1003 | 1005 3/4 | 1011 | 1013 3/4 |
| SMAK7 | Soymeal | 331.4 | 333.8 | 335.2 | 337.6 | 339.0 |
| BOAK7 | Soybean Oil | 32.38 | 32.50 | 32.71 | 32.83 | 33.04 |
| WHAk7 | Wheat | 440 3/4 | 444 | 449 | 452 | 457 1/4 |
| WHAN7 | Wheat | 455 3/4 | 458 1/2 | 463 | 465 1/2 | 470 1/4 |
| RCAK7 | Rice | 9.586 | 9.637 | 9.671 | 9.722 | 9.756 |
| KWAK7 | KC Wheat | 461 1/2 | 464 | 467 3/4 | 470 | 474 |
| MWAK7 | MINN Wheat | 549 1/2 | 552 | 553 1/4 | 555 1/2 | 557 |
| OTAK7 | Oats | 245 1/2 | 247 3/4 | 250 | 252 1/4 | 254 1/2 |

Calculations based on previous session. Data collected 02/24/2017
 Data sources can & do produce bad ticks. Verify before use.

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