United Comments

Newsletter Date: November 15, 2016

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UNITED COOP ANNUAL MEETING
DECEMBER 1, 2016
ED PRINCE BUILDING
HAMILTON COUNTY FAIRGROUNDS
MEETING STARTS AT 10:30 AM
LUNCH TO FOLLOW
PATRONAGE CHECK AVAILABLE

Grain Highlights

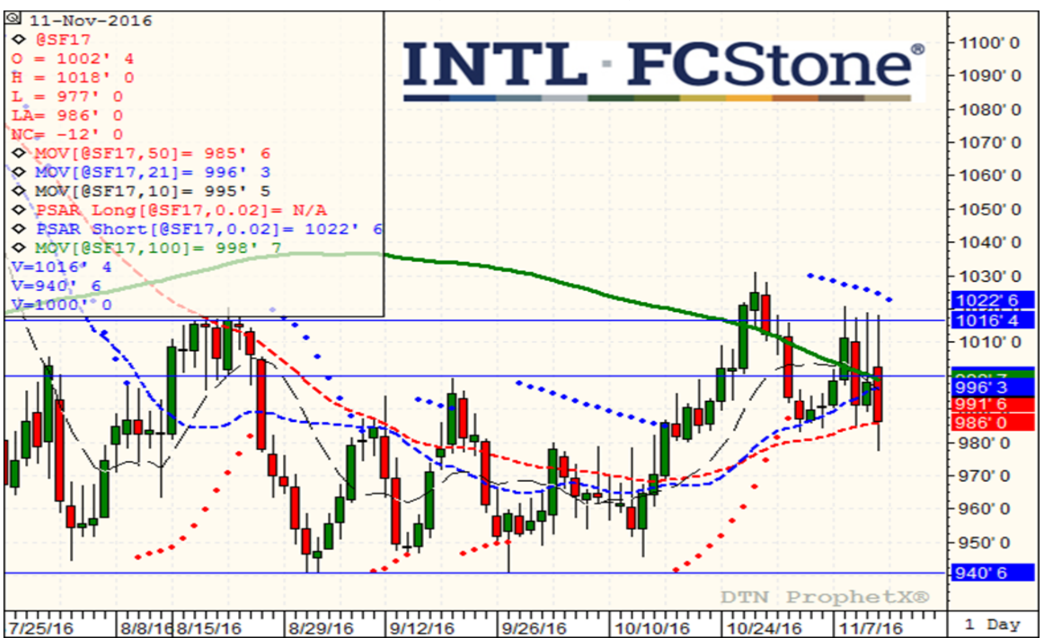
- Corn funds are short 29,478 contracts as of Nov 15th. They have liquidated over 150,000 contracts since early October when they held position of 180,00 contracts short. Bean funds are just opposite with position of long 111,121 contracts. They have added to their long position since early October by buying 50-75,000 contracts.
- October NOPA crush for October was 164.6 million bushels, over 4 mbu above the average guess and even 1.5 mbu over the highest guess. That is up from Sept at 129.4 mbu and last October of 158.9 mbu (previous Oct record). Cumulative crush for 2016/17 is up 3% with USDA numbers calling for a 2% increase.
- Monday, USDA estimated corn harvest being 93% complete, versus 95% last year and 1% better than the 5 year average for this time. Bean harvested is 97% done (same as last year) and 2% above the 5 year average progress.
- NOAA updated its ENSO readings early this week, showing a weak La Nina setting in. Most forecasters have been comparing this year to 1983 and 1998, when we a super El Nino translated to La Nina like this year. In the first 2/3 of 2016, we have tracked very closely to the 1998 situation which lead to above trend in Northern Hemisphere like we had this year. But now the fall is shifting to a pattern closer to 1983. In 1983, bean production was positive for Argentina (113% of trend) and neutral for Brazil. If we had similar production in 2017 in Argentina would be 63.8 MMT and latest USDA estimates are for 57 MMT. A 63.8 MMT crop would be similar to 2015/16 when March futures trade at 8.50 on March 1st. So far the long term forecasts do not agree with the 1983 type numbers and are calling for Dec/Jan to have subnormal precipitation.
- Brazilian crop analysts AgRural estimated the country's bean planting progress at 63% last Friday, up from\ 53% last week and 60% at same time last year. Plantings in the # 1 bean state of Mato Grosso were at 90% last week, with # 2 Parana at 80% complete.
- Last Friday we saw a sharp break in soybean futures when the Chinese Dalian exchange's post close session saw heavy trading that cause a fall from 31 cents up to 57 cents lower. The volume during the post close session was larger than a normal day session. One rumor was a fund liquidated after it was found it violated trade rules at the exchange.
- Conab projected Brazil bean production late last week at 101.6-103.5 MMT compared to USDA at 102 MMT. This was down .5 MMT from their number last month. They expect a larger corn crop next year in Brazil.
- The Rosario exchange estimated the Argentina bean crop at 52.5 MMT compared to USDA at 57.0 MMT in November report. Any shortfall in South American crop could lead to more business in the US next spring. A Western Hemisphere crop 5 MMT smaller than the USDA's current projections drags the world carryout down to 5 year lows. This is before the USDA assumes the larger China import pace that implies a 88-90 MMT program (USDA is at 86 MMT in the November USDA report).

Technical Comments - December Corn

The market shifted from an uptrend to a neutral trend with the breakdown of the up-trending trend line. Values are range bound with 3.60 and 3.30 providing the constraints to the December going forward. A new trend begins with the close outside of the range.

Technical Comments - January Beans

The January couldn't hold the uptrend with a close under 10.00 level thus returning the market to a sideways chop again. The market is again range bound with 9.4075 and 10.165 holding the pattern. A breakout of the range will stimulate a new trend and project 70 cents beyond.



Tech Comments provided by Bevan Everett, Risk Management Consultant and Grains Market Analyst, INTL FCStone Financial Inc. – FCM Division This material should not be construed as the solicitation of trading strategies and/or services provided by the FCM Division of INTL FCStone Financial Inc. noted. The trading of derivatives such as futures and options on futures may not be suitable for all investors. Derivatives trading involves substantial risk of loss, and you should fully understand those risks prior to trading.

CASH TALK:

2016/17 corn crop - – The higher yield from the Nov USDA report has cause the market to trade back under 3.50 futures. For producers needing cash, look to sell any rally back to 3.00 cash area. I still have fears that the feed usage number is too big, but USDA will probably wait until January when we get the next stocks report to make any changes. I look for a chance to get to 3.60 area (3.20 cash) after 1st of year. I feel that ethanol plants are making decent money. Let's hope exports continue their increase and give us some help. I would put the crop in storage as we do have some carry on CBOT.

2017/18 corn crop - I am in no hurry to sell for next year. If we get to 4.20-4.30 area on CBOT (up 40 cents), I would look to get 10% sold.

2016/17 bean crop- Hope everyone was able to grab some sales above 9.25 cash in last month. I still think there will be a chance to sell this crop in December. If S. America doesn't expand their beans acres next year, the US will need to fill that void and we could have some 9.75-10 cash possible.

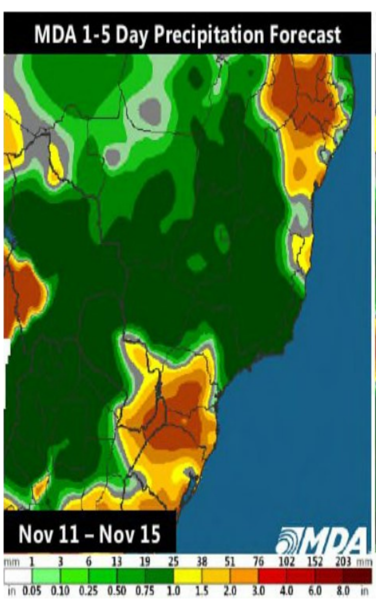
2017/18 bean crop– We have plenty of time to watch the markets for 2017, but keep an eye on bean acres planted next year. With bean profits better than corn for 2017, we could plant 88-90 mln acres and 9.50 cash may look good.

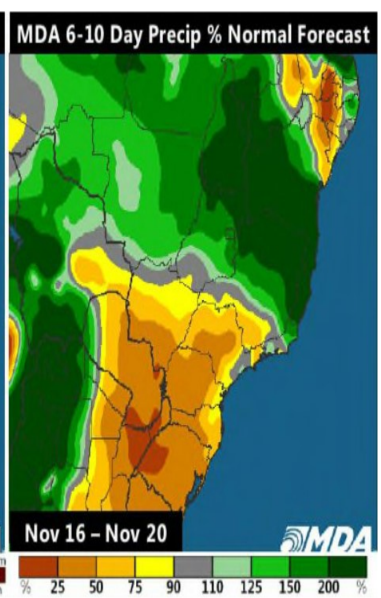
November 9th USDA Report Recap

The November report threw a curve at the market when USDA increased the corn crop 1.9 bu/acre above the October numbers (175.3 vs 173.4). Market now needs to decide if the corn crop can get bigger and how will be deal with that type of crop. Total crop size increased by 169 mbu and was equal to largest trade estimate (FCStone). These numbers were due to many states having larger and record yields (IA, MN, ND, and WI) and just larger yields (NE, OH, and SD). USDA tweaked the demand base by raising non-ethanol industrial usage by 60 mbu and ethanol by 25 mbu which off-set some of the larger yields. Overall, the carryout grew 83 mbu to 2.403 mbu. My many concern is still with the feed usage of 5.65 bil bushels. How can you have 9% more corn used with a 1.5% increase in livestock capacity? Also we need to remember that we have plenty of wheat looking for a home and many feel corn and wheat will fight for “bunk space” in the next year. I really think we will have a carryout closer to 2.70 bil bushels before its all done. Price models show corn dragging a carryout/use ratio of this size has historically struggled to be above 3.40 in January. This report shows the importance of switching at least 4.5 mil. acres to beans so we can keep the carryout within a reasonable 2.4 billion. Without this type of switch from corn to beans, I feel we could have a carryout of 3.2 billion next year. Even with a mild weather problem that results in yields of 165 bu/acre we will have a carryout just under 2 bil bushels. World tables saw only the changes due to US crops. Beans were expected to be larger, but were slightly larger than expected at 52.5 bu/acre (average guess at 52 and Oct report at 51.4). This made bean production 4.361 bil bushels or 92 mbu larger. USDA changes to demand side were crush down 20 mbu, exports up 25 mbu, and seed/residual up 1 mbu. Many in trade expected the crush change (already running at capacity), but many in trade will be looking for exports to be raised in later USDA report 50-100 mbu. The new carryout is 480 mbu or up 85 mbu from October report. This carryout/use ratio at face value is projecting 9.00 Jan futures. Only problem is how do we get the corn to bean switch if we do trade this type of prices. World bean tables were larger by the US increases with Brazil and Argentina production being left unchanged. Many in trade do feel that USDA is being very conservative with general world demand and the Chinese engine that drives most of it (larger usage in China).

Brazil and Argentina Weather

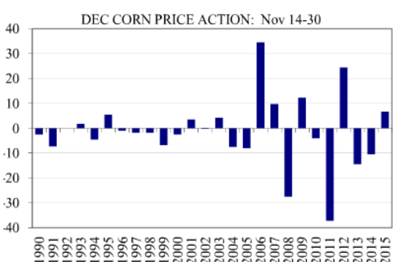
Showers were seen across western and southern Mato Grosso, Goias, Minas Gerais, and Sao Paulo last week, with lighter showers seen in northern Mato Grosso do Sul and Parana. Widespread, heavier rains were forecast for Minas Gerais, Goias, and Mato Grosso this weekend, with 3-4 in. of rainfall currently forecast for some areas. These rains should significantly improve moisture across northern and western areas. Only light showers are expected in Sao Paulo and Parana, however, which will likely maintain dryness there. The pattern looks to remain wet across the northern tier of the region in the 6-10 day, which will further improve moisture for early growth efforts. Dryness will likely continue across south-central and far southern areas. Argentina is in a dry pattern for 10 days with the western half of the soy belt turning wet again in the 11-15 day forecast.

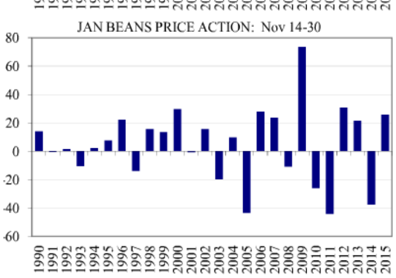




Dec & Jan LH Nov History

Chart shows price action for December corn and January beans contracts, for LH November, since 1990. It’s been a pretty mixed span for both contracts during this time, with the major production estimates in the rearview mirror and no real demand issues during this time, along with only early talk for SA crops. Dec 15 was steady to better before an early Dec rally into expiration, with Dec 14 steady to lower before a similar rise in mid-Dec.





	Cash Price Comparison	
	Corn	
Nov 2015	**Last Month**	**Current**
$ 3.30	**$ 3.12**	**$ 2.94**
	Beans	
Nov 2015	**Last Month**	**Current**
$ 8.05	**$ 8.88**	**$ 9.07**