



United Comments

Newsletter Date: January 16, 2017

Grain Highlights

Inside This Issue:

Technical Comments 2

Cash Talk 2

Jan 12th Production &
Dec 1 Stocks Recap 3

Wet Risk to Central
Argentina Areas 3

Main Reason for Record
Bean Yields 3

Cash Comparison 3

Locations

Highview 832-4393

Kamrar 539-4205

Stratford 838-2410

Stonega 832-5671

Webster City 832-2270

**United Cooperative
Main Office
1932 W. 2nd Street
Webster City, IA
50595**

**Phone: 832-6373
Fax: 832-6380**

**Email:
bshimp@unitedcoop.com**

**We're on the Web! Visit
us at
www.unitedcoop.com**

- Funds are currently short 77,478 contracts of corn (stayed in this area over the last week) and long 120,748 contracts of soybeans (added approx. 20,000 over last week).
- The bean rally last 2 days puts US out of competition with beans into China by 10-12 dollars/metric ton vs Brazil sourced beans yet the Chinese have their needs covered and trade expects little movement until after the Lunar New Year. China took 9 MMT of beans in December vs 9.12 a year ago. This brings the Oct-Dec volume to 22.05 MMT vs 22 a year ago.
- Many in trade expecting the wheat plantings down 3.75 mln acres from last year to lead to most of acres going to soybeans, but after seeing where the acres were lost, FCStone and others in trade now feel could be 1-1.5 mln acres at most.
- The Buenos Aires Exchange on Thursday said Argentina corn planting are 91% done (leaving 445,000 acres unplanted) and has slowed to crawl in recent days due to heavy rains, with fields too soft to plant in certain areas of the Santa Fe, Cordoba, and Buenos Aires areas. Bean planting are estimated to be 93% complete, leaving an estimated 1.3 mln hectares unplanted. This doesn't include any acres needing to be replanted due to flooding.
- Private analysts Agroconsult on Wednesday last week increased their 2016-17 Brazil bean estimate from 102.6 MMT (November) to 104.4, with corn rising from 92.0 MMT previously to 94.9 (both would be records).
- Wednesday last week Argentina's Ag Ministry estimated 2016/17 bean production at 56.0 MMT, down from 58.8 last season; total corn production output is expected at 44.5 MMT, up from 39.8 in 2015/16.
- Ethanol production last week continued to surge, setting another new record output for 7 days ending January 6th at 1.049 mln barrels per day, up from the previous record of 1.043 bpd set the week prior, and well ahead of the 1.003 on the comparable week last year. Ethanol stocks did spike to just over 20 mln barrels, the highest since October but over 3.3 mln barrels off the all-time high inventory 23.3 set in March 2016.
- Last week China government doubled down on discouraging DDG imports. They implemented an 11% tariff on DDG's as an anti-dumping measure to US imports and then added an anti-dumping tax of 54% (up from 33% earlier), these will continue for 5 years. China is still expected to import 3 MMT in 2016 vs 6 MMT in 2015. These tariffs will turn Chinese feeders to domestic supplies of DDG's and more likely more bean meal from their won bean crushers. This could reduce the indirect demand for US corn by 356 mln bushels and generate 69 mln bushels of additional bean demand.
- As crude oil has climbed over the last month, so does the willingness of many governments to expand their biodiesel programs.
- South American crop consultant Dr. Michael Cordonnier said last week "erratic" weather has led him to trim his Argentina corn and bean crop estimates. He lowered his bean crop by 1.0 MMT to 55.0 and his corn estimate by .5 MMT to 34.5. He left his Brazil corn crop unchanged at 103.0 MMT on beans and 86.0 MMT on corn. He did state that he has a neutral to lower bias toward the Brazil beans estimate due to dry weather in east-central and northeastern Brazil. He estimated that dryness involves between 12-15% of Brazil's bean production regions. His thoughts on Brazil corn crop is neutral to higher noting his estimate "is a little lower than some other estimates mainly because we will not get a good handle on the safrinha corn production potential until we see what the weather will be during the February to May period."
- Currency is playing a major factor in valuing beans with US futures last week up \$ 1.50 per bushel in last year, yet Brazil's currency adjusted value is 60 cents lower (2 Reals).

Technical Comments - March Corn

The neutral trend continues with 3.39 and 3.6725 containing trade action. A breakout of that range can re-establish a trend in the direction of the close. Target to downside in the event of a lower breakout is 3.11. A new trend begins with the close outside of the range.



Technical Comments - March Beans

A neutral trend dominates the market with 9.93 and 10.71 to contain the action. A close outside of that range will stimulate a trend in the direction of the close. Recent tests of the 100 day moving average has shown the market is well supported from the lower side and is sending values to test how much strength there is at 10.71 now.



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 – Looks like lower acres and lower yield in Jan report couldn't even get a rally on March corn. I still feel that rallies need to be sold. Any rally that gets us back to 3.20-3.25 cash should be grabbed if needing some cash. USDA did lower feed usage 50 mln bushels, but I look for another 100 mln bushels in later USDA reports. If have grain on farm I would look to sell any rally above 3.80 on July using HTA's. Let's hope exports continue to increase and give us some help.

2017/18 corn crop - I am in no hurry to sell for next year. If we get to 4.20-4.30 area on December CBOT, I would look to get 10% sold. I am working to get some new types of contracts that may allow to get some corn sold in this area.

2016/17 bean crop- Looks like the lower acres and yield in Jan report gave us a rally to look to sell. Any rally back to 9.75 area cash should be sold if needing any cash. Looks like South American weather has been unstable but overall Brazil looks to make up for any shortfall in Argentina yields.

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 be good place to start to sell.

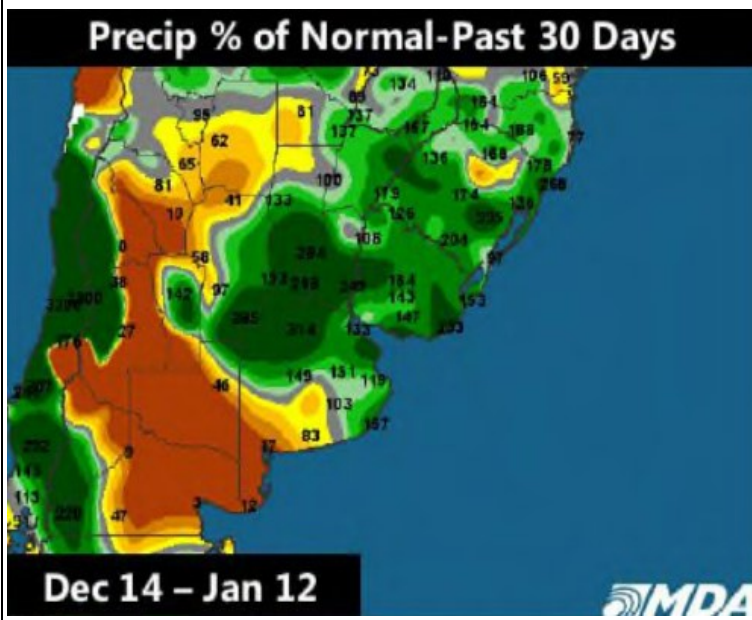


January 12th Final USDA Production & December 1st Stocks Recap

Final production number from USDA report were slightly friendly for both corn and bean, but beans were only commodity that could hold the higher trade at end of day. USDA lowered planted acres by .5 mln, harvested acres by .1 mln acres and yield was dropped .7 bu/acre. These were all slightly more than trade was expecting. Yield by state were mixed with S.D. and IA higher and IL, IN, KS, and NE lower. USDA did raise ethanol usage by 25 mln bushels (could see additional increases in later reports), lowered feed usage by 50 mln bushels to 5.6 bln bushels (I expect this to drop by 150-200 mln bushels more in later reports based on December 1 stocks number). These changes all caused carryout to be 48 mln lower and many in trade had felt we were trading a carryout of 2.2 bln bushels, instead of 2.36 bln. This is reason corn will continue to struggle to rally. December 1 corn stocks were 12.384 bln bushels and didn't help that trade was expecting 12.3 bln bushel type number. This implied a SON feed usage of 2.354 bln bushels and based on previous years would imply feed usage for year at 5.304 bln compared to USDA using 5.6 bln bushels. Beans spiked higher on lower planted acres of .3 mln acres, lower harvested acres of .3 mln acres, and a drop in final yield of .4 bu/acre. These were all slightly below the trade ideas. Yields were mixed with IN, MI, MO, and IL lower and IA, N.D., and MN higher. No changes were made to exports or crush and hence carryout was 60 mln bushels lower at 420 mln bushels. December 1 stocks were 2.895 mln bushels vs trade thoughts of 2.35 bln bushels. This indicates a quarterly residual of 118 mln over a year ago and implies a 97 mln bushel residual without considerable find back in the following quarters. The USDA's current residual estimate is only 33 mln bushels thus the carryout could be another 60 mln bushels smaller in later reports. This follows the trend over the last 20 years that USDA has usually over estimates the carryout on beans. South American corn and beans production numbers were left unchanged except for Brazil bean that were raised by 2 MMT to 104.0 MMT. Lastly all winter wheat seeding were 1.75 mln acre below trade estimates and has some in trade fearing some extra beans acres in 2017.

Wet risk to the forecast in central Argentina

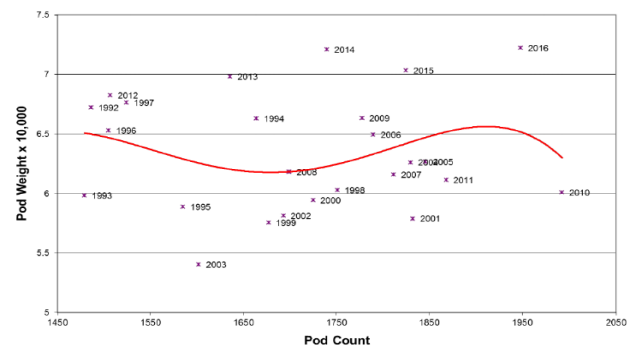
The forecast for the wettest areas of central Argentina this weekend is a very tricky one, with models in disagreement. A very tight gradient in rainfall totals is expected and will be situated. The Euro model offers the most favorable outlook for central Argentina, keeping the heaviest rains across north central Argentina. The GFS model, on the other hand, puts the bullseye of heavier rain over southern Santa Fe, showing the potential for amounts of 2-5 in. in these areas. Most are favoring the drier Euro model solution, but there is a significant wet risk to the forecast and if this wetter scenario does occur, it would have a negative impact on crops.



Main reason for record Bean Yield

Chart below shows 7 state average was an absolute record of 56.3 bu/acre and yield was driven by the highest pod weight and second highest pod count on record. 2010 was the only year to have higher pod count and it only exceeded this year by 2.2%.

Seven State Soybean Pod Count vs Pod Weight x 10,000



Cash Price Comparison		
Corn		
Jan 2016	Last Month	Current
\$ 3.30	\$ 3.11	\$ 3.19
Beans		
Jan 2016	Last Month	Current
\$ 8.25	\$ 9.61	\$ 9.62