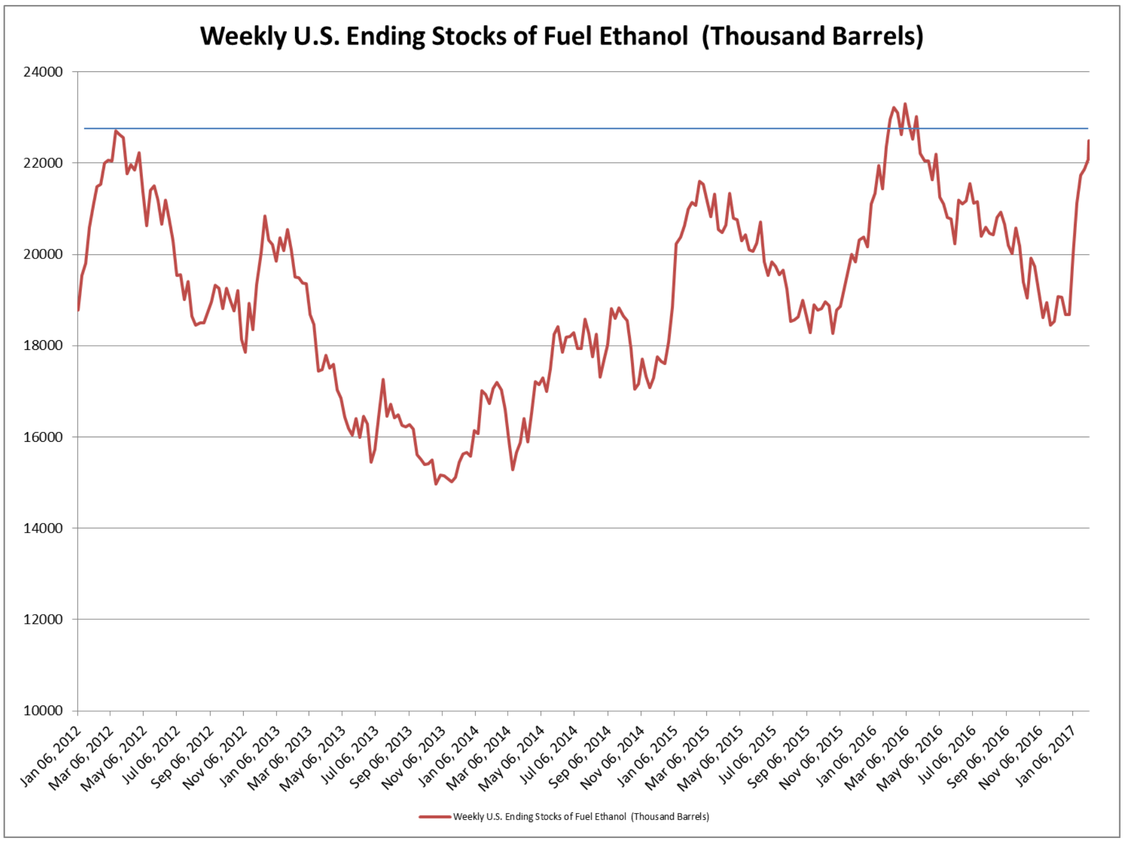
CORN:

The 4 higher close in corn was not indicative of the 12-15k contracts of speculative fund buying that spurred a firm close. Soybeans nudged values into new multimonth highs and momentum/tech buying followed. There was some bearish news weighing on the enthusiasm in buying the futures market. The Chinese government highlighted its issues with bird flu issuing a warning for the populace not to panic despite the highest human death rate in January from the disease on record. Chinese chicken prices fell to their lowest level in a decade. 1 cargo of corn is rumored to have been sold to Japan from China based on PNW shipping issues. The government has been liquidating the smaller reserves as of recently such as rapeseed oil and wheat today but holding off on its largest grain holdings in corn/rice. Though relatively hesitant to utilize the export market as a viable outlet to its dilemma, it may be the biggest relief valve after feeding to reduce the burdensome supplies. The market will keep a close watch on further business done between China and the rest of the Asian district. US Weekly Ethanol Production declined week over week to 1040 tbpd but stocks continue to rocket higher even faster than prior seasonal builds and to higher levels except the record level last year. Stock building driven in part by lower demand for gasoline than the prior year.



The Kinder Morgan terminal in Argo, Illinois has reached capacity for ethanol and is now diverting their deliveries to its Chicago terminal. Ethanol production remains at a high level and it's in question whether the current physical market is able to absorb it with the demand base lower.

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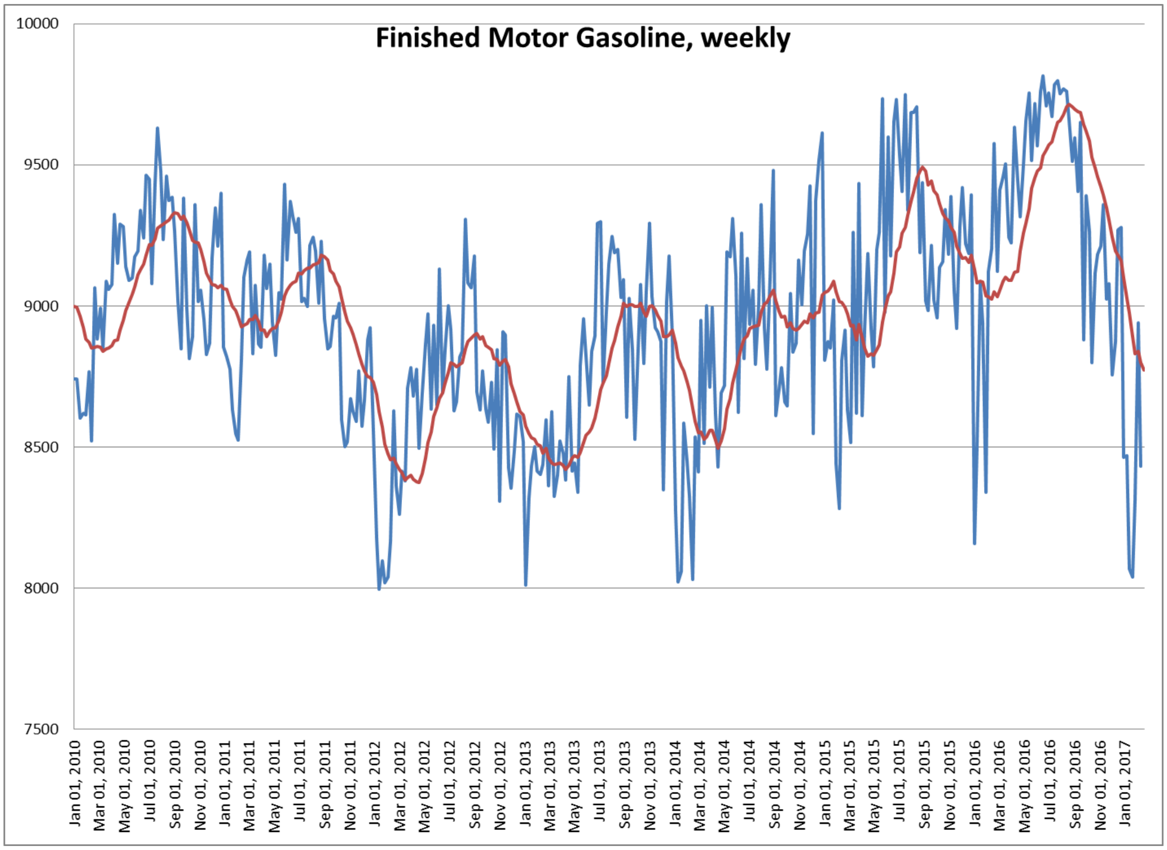


Warm and dry weather outlooks for this spring as well as the unseasonably dry and warm weather in the Midwest has created a climate conducive to early planting or the expectation of this year. The current average price for insurance is 10 Cents/bu over a year ago though half of the average period is left before the price level is set. Cash bids for central Midwest producers also are putting a 50 dollar/acre positive return in front of producers even though soybeans are 100 dollars better than that. In just over a week the USDA will be asking producers their intentions for the coming year and it puts the question in the air whether the expectations the US producer had 60 days ago are the same as they are today when it comes to their acreage plans.

Crop Economics	CZ16	SX16	CH17	SH17	CZ17	SX17
	Mar 1		Today		Today	
	Corn	Soybeans	Corn	Soybeans	Corn	Soybeans
Yield	185	55	200	65	185	60
New Crop Price	3.30	8.04	3.31	9.67	3.55	9.53
Income	611	442	662	629	657	572
Variable Cost	422	199	422	199	373	192
Return Over Variable Cost	189	243	240	430	284	380
Iowa Cash Rent	265	265	265	265	230	230
Return over Cash Costs	-77	-22	-25	165	54	150

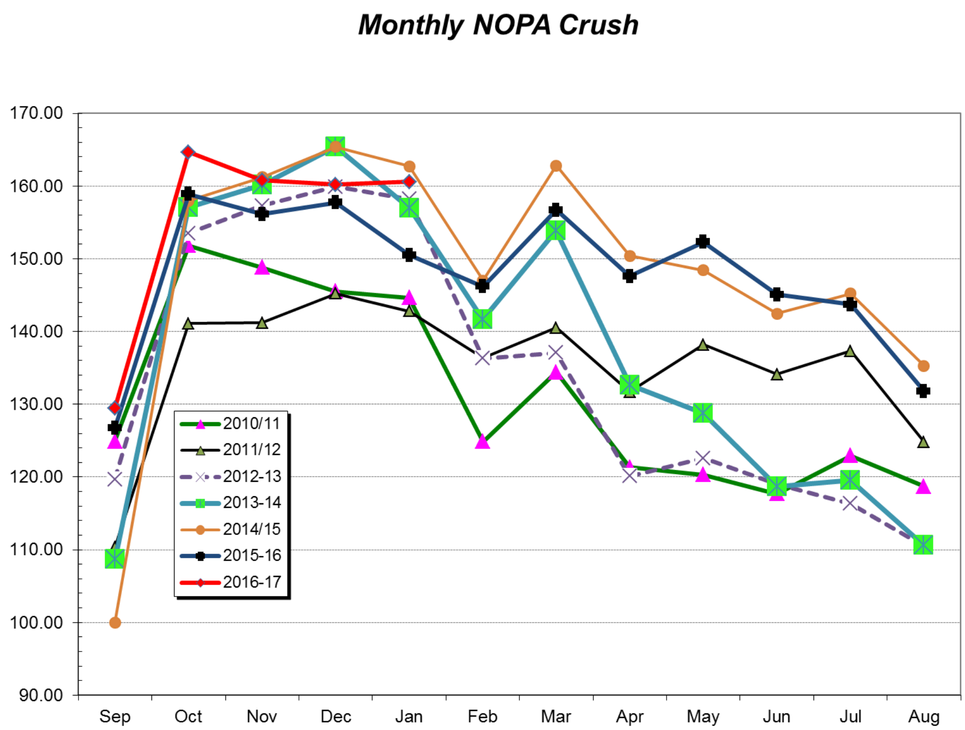
SOYBEANS:

Double digit gains defied good weather in South America, bird flu worries in China, and lackluster NOPA crush numbers. The 15 day outlook has isolated area problems but overall the balance of the wet and dry forecasts balance themselves out for a normal yield development going forward. The Average Insurance base price as of the close today is 10.22 dollar/bu compared to the all Feb average last year of $8.85 giving a better safety net for risk averse producers in the coming year. This may be one of the major factors in the fringe areas or producers on weak financial foundations, which cause acreage switching from other crops to soybeans. Corn is now generating a profit while HRS wheat is still negative after cash costs in the Dakotas. Between South Dakota, Minnesota, and North Dakota there are 8 mln acres of HRS acres.

Dakota
Crop Economics

	Corn	Soybeans	HRS
Yield	145	42	53
New Crop Price	$ 3.31	$ 9.55	$5.02
Income	480	401	266
Variable Cost	321	139	188
Return Over Variable Cost	159	262	78
Cash Rent	134	134	134
Return after Cash Expenses	25	128	-56

NOPA crush came in 1.5 mln bushels above expectations today for the month of January. At 160.6 mln bu this puts the US within reach of achieving the USDA's 1930 mln bushel number if the market can maintain the pace it had last year. Crush is up 25.6 mln bushels ytd over last year vs the yoy USDA annual projection of 44 mln bushels. Soy oil stocks slightly higher than a year ago 1629 vs 1582 mln lbs. Meal shipments above a year ago 891 vs 686.



Soy values continue to defy the 420 mln carryout in the US and the 105+ mmt production estimates in Brazil as they climb higher. In part they are the governor of acreage in the US which we discussed above but at the same time they are delineated in dollars which translate to Reals to influence production and exports in South America. Brazil's currency continues its feverish pace rally against the dollar and now is the strongest it's been since June of 2015. The continued rally in the Real drives the domestic values lower, basis in dollars higher, and slows farmer selling. Brazil's basis firmed again today not quite to a level that puts it exactly on par with the US but enough to make booking soybeans in either location inconsequential financially. This isn't just a spot month issue but translates to a situation that carries through the May slot which should be absolutely dominated by Brazil exports. The US producer is experiencing SX futures at 10.70 where they were logging $8.85 futures a year ago. At the same time the Brazil producer is at 32.6 Reals/bu vs 34.4 a year ago. Last year's expansion in acres were subpar and it's a big question mark what level in futures will expand S Am production to meet the growth in world demand that proceeds at a 14 mmt pace. Another item to consider, the trade is internalizing a 54 mmt Arg crop and a 105 mmt Brazil crop, to put that in perspective, that's 2 mmt less than what was estimated 45 days ago by the USDA when SH was trading 20 cents lower.

Three Major Soybean Exporters Supply/Demand Table

(Million Metric Tons)

	14/15	15/16	16/17
MARCH 1			
U.S. Stocks	36.30	41.70	45.40
Brazil Stocks	5.00	1.80	1.30
Argentina Stocl	5.10	5.10	4.86
Brazil Prod	96.20	96.00	105.00
Argentina Prod	60.00	56.00	54.00
TOTAL	202.60	200.60	210.56
Mar-Aug Use	142.35	141.70	151.26
Ratio	1.423	1.416	1.392
Futures March 1 in US$	10.1	8.5	10.6
Price in Reals	26.73	34.4	32.6

Funds bought 12k soybeans, 6k meal and sold 4k soybean oil contracts during the session today.

WHEAT:

Corn and Soybeans coopted wheat higher through some major moving averages thus grabbing the attention of the speculative crowd. US export values falling in competitiveness to FSU wheat again with the rally though the Ruble has been on a tear against the USD lately. Today the Ruble fell against the USD but not before making new highs during the session. US HRW offers about 4 to 7 dollars away from getting business into Algeria. ABARE raised its wheat production estimate from 32.6 mmt to 35.1 mmt while the USDA is sitting at 33 mmt as of the 9th this month. India is estimating its wheat crop at 96.6 mmt vs the 92 mmt a year ago. The USDA is currently estimating the 2016 Indian wheat crop at 87 mmt, up .5 mmt from a year ago. The USDA even went as far as to lower its number in February 3 mmt. Where this plays out is a big question mark. US HRS insurance averages running 5.67 dollars as of the close today with 2 weeks ago. The average today is over 50 cents/bu better than a year ago but little comfort in protecting the producer from locking in a cash loss if he plants the crop in the US. Serious considerations about switching to soybeans or minor crops like dry peas are happening as I write this commentary. See the soybean section for the economics of it all in the upper Midwest. Funds credited with buying 5000 contracts in today's action.

FOB NOLA – US SPOT PRICES

CORN	+ 50H
SOYBEANS	+ 48H
SRW	+ 60H

FOB TEXAS GULF – US SPOT PRICES

HRW	- 15H

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ECBOT	HIGH	LOW	CLOSE	CHANGE
Mar Corn	3.79	3.7175	3.7875	+ 4 1/2
May Corn	3.86	3.79	3.86	+ 4 1/4
Mar Beans	10.615	10.4025	10.6125	+ 16 1/4
Nov Beans	10.345	10.1825	10.3425	+ 11 1/4
Mar Wheat	4.555	4.4625	4.5475	+ 5 1/4

Regards

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