



# MARKET OUTLOOK

From INTL FCStone

## CORN

The corn market has traded in a tight 25-cent range since the start of this year, and there remains little news on changes to the market. Until the USDA corn acreage estimates are announced in the upcoming Quarterly Stocks Report, the market will likely stay range-bound. So far, estimates have ranged between 88 and 90.5 million acres. South American weather is currently a non-issue, as adequate rainfall has kept the corn crop in good condition. Argentine corn production estimates range from 24 to 27 MMT with Brazilian production ranging from 84 to 86 MMT. The USDA estimates Argentinian and Brazilian corn production at 27 and 84 MMT respectively.

Farmer selling remains lethargic, supporting calendar spreads trying to get bushels to the market. This basis has strengthened in the ECB. It is reasonable to believe that producers still hold 3040 percent of last year's crop, and it will take good pollination weather to persuade them to sell. However, funds are carrying a short position of +130k contracts, and if trade begins to talk up the shift from El Nino to La Nina, weather premium could be quickly added to the market. Overall, directionless trade action will most likely continue until producers have a better idea of new crop acreage and weather during the planting season.

It is suggested that major hedge points are at \$3.87½, \$3.96¼ and \$4.05. Values have now eased 17 cents from the December high of \$3.96¼, but as the



## SELLING CORN WITH BIG RIVER

When harvest time rolls around, there's one debate that automatically springs to mind for farmers: to sell or not to sell. With anticipation of a large corn crop and less than ideal demand, many farmers are wondering if it's smarter to sell now or stand pat and wait for a better opportunity. To ease those concerns, Big River Rice & Grain Merchandiser Jeremy Raley weighs in on why selling to Big River is a smart investment.

**"Big River makes it easier for your crop to reach more markets."**

-Jeremy Raley

"Big River has eleven facilities across northeast Louisiana and southeast Arkansas," said Raley. "With easy access to the three primary shipping methods, Big River makes it easier for your crop to reach more markets."

Over the years, Big River merchandisers have established strong relationships that offer customers great marketability of their crops. With this benefit, customers receive the best value possible for crops.

Contact your Big River representative to discuss the portfolio of contracts available. Experts are available to answer any questions you may have.



## STORAGE UPDATE FOR CORN GROWERS

Corn growers looking to sell or store their 2015 crop with Big River (or other commercial storage space) should act quickly. Though it's only been a few months since harvest, a substantial amount of private and commercial storage space is filling up.

Since many corn farmers are waiting for a better seller's market and prepared to hold on for extended periods of time, space may become more difficult for farmers to find.

"As we continue to see an increase in corn crop sold, we expect to have a pressure on new crop bids," said Jeremy Raley, merchandiser. "On top of that, we expect to see a 25 to 35 percent increase in corn acres."

With increases corn acreage and little change in crop price, it is expected that limited storage space will become an even bigger issue in the near future.

To help alleviate these storage issues, Big River is available to discuss options with current and potential customers. For information on selling and storing your crop with Big River, contact your Big River representative.

planting season approaches, look for trade to add some risk premium into flat price values ahead of summer and have resting orders to scale into hedges.



Figure 1: September 2016 CME Corn Futures (daily)

## SOYBEANS

The soybean market has traded in a 30-cent range to start the year as it continues to work through record carryout and growing production in South America. However, values continue to hover below \$9.00 as Chinese import demand has shifted from the U.S. to South America. The Brazilian bean harvest is now 16 percent complete, and as it progresses, yields have been gradually increasing.

Estimates for Brazilian production range from 98 to 102 MMT with Argentina ranging from 56 to 58.5 MMT, which would be new record production, although flooding in Argentina could reduce yield. South American farmers have been getting high prices as a result of the weaker Real, so they are likely to continue expanding acreage. Argentinian president Mauricio Macri has lowered export taxes on soybeans, meaning a shift is likely to evolve over the next few months. U.S. new crop acreage is expected to be 82.7 million, an increase from last year's 83.3 million acres. The market will likely continue to trade between the \$8.50 and \$9.00 level as trade continues to examine South American production and U.S. acreage



ideas. Another record South American and U.S. crop would push global carryout to possibly 600-700 MMT, which make soybeans sub \$8.00.

## WHEAT AND RICE

The wheat market made new contract lows of \$4.55 during February, but has since stabilized in the \$4.60s range. Export demand continues to suffer as the devaluation of most major currencies has made U.S. wheat \$20-\$30/ton more expensive. U.S. exports are expected to hit a 44-year low of 775 million bu. Both domestic and global carryout are at record levels and have limited any chance for any major flat price rally. Above-average temperatures have melted the majority of the snow cover in the U.S. and Black Sea, which has left a large portion of the crop susceptible to freeze damage if a hard spring frost occurs.

Values are currently trading at the lowest levels since 2010, and without a supply concern of some kind, rallies need to continue to be sold. Trade will be dependent on the weather patterns, and as the crop begins to leave dormancy, nearly all producers will be leaning bearish, adding some risk premium into the market.

The rough rice market has been consolidating near \$10.70/cwt over the past few weeks as the market has finally found a supportive area after a sharp decline through October and November. The latest WASDE report shows beginning stocks of 48.5 million cwt from 31.8 million cwt, a 35 percent increase.

Global rice production is forecasted at 469.5 million cwt, which would be 9 million cwt below last year's production. World rice consumption is also at a record of 483.7 MMT. Overall, domestic rice prices have been hurt by the surging USD, but as values look to rebound, producers should be aggressive sellers unless a drastic shift in the supply/demand picture occurs, especially if there is an increase in U.S. acres.



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