

BROCK MID-DAY COMMENTS – 3/9/2016

GRAIN COMMENTS

NO NEW RECOMMENDATIONS

This morning's USDA supply/demand update was a real yawner for the grain markets as it held few changed and certainly no significant surprises. The report did look mildly friendly for corn and wheat with USDA leaving its U.S. carryout forecasts unchanged for those crops when the trade was expecting increases. USDA also trimmed its world corn and wheat carryout forecasts a bit more than expected. For soybeans, the U.S. carryout rose more than expected resulting in some price pressure, but USDA lowered its world carryout forecast on stronger Chinese demand when the trade was expecting an increase.

The bottom line is that supplies are still large and there is little to incite buying interest, but the market focus will now shift heavily to U.S. planting intentions and weather. Corn futures rallied briefly in reaction to the USDA data, but at 11:20 a.m. CT are mostly 1-2 cents lower. Wheat futures initially rallied about 5 cents on the report, but are also 1-2 cents lower. Soybean futures are 2 3/4 to 3 1/2 cents lower, but slightly off their post-report lows in choppy trade. Cotton futures are 44-51 points lower under pressure from large world supplies with USDA making no changes to its U.S. cotton balance sheet. Rice futures are mixed with May rice down 6.5 cents and pushing at its recent price lows.

USDA's unchanged U.S. corn carryout forecast was 17 mil. bu. below the avg. of trade expectations. The friendliest number for corn was the world carryout at 206.97 MMT, which was below the range of trade expectations. Still, the USDA estimate was down only 1.84 MMT from February and stocks remain large. USDA cut the estimated 2014/15 world carryout and lowered expected production slightly, while raising usage marginally.

U.S. 2015-16 ENDING STOCKS in bil. bu.				
Sources USDA: WASDE, Reuters, Wall Street Journal	USDA MARCH	TRADE AVG. EST.	TRADE RANGE	USDA FEBRUARY
CORN	1.837	1.854	1.812-1.887	1.837
SOYBEANS	.460	.452	.440-.466	.450
WHEAT	.966	.975	.951-.991	.966
COTTON (mil. bales)	3.60	3.63	3.60-3.70	3.60

WORLD 2015-16 ENDING STOCKS in mil. metric tons				
Sources USDA: WASDE, Reuters	USDA MARCH	TRADE AVG. EST.	TRADE RANGE	USDA FEBRUARY
CORN	206.97	209.08	207.15-210.00	208.81
SOYBEANS	78.87	80.89	80.00-82.00	80.42
WHEAT	237.59	238.77	236.00-240.00	238.87
COTTON (mil. bales)	103.3	NA	NA	104.08

USDA's U.S. soybean carryout forecast of 460 mil. bu. was up 10 mil. from February and was 8 mil. above the avg. of trade estimates. USDA cut its expected U.S. crush by another 10 mil. bu. to 1.875 bil. based on a drop in expected domestic soymeal use and an increase in expected U.S. soymeal imports. USDA made several small changes on the U.S. balance sheet, lowering production by 1 mil. bu. due to a downward revision in S. Carolina's crop. Seed usage was raised by 4 mil. bu., but residual use was cut by 5 mil. offsetting those changes.

USDA cut its world soybean carryout forecast of 80.42 MMT was down 1.55 MMT from

February and down 2.02 MMT from the avg. of pre-report trade estimates. The carryout was below the range of trade estimates. USDA raised its forecast for China's 2015-16 soybean imports by 1.5 MMT to 82.0 MMT based on a strong import pace to date, but cut imports slightly for the EU, Mexico and Pakistan. With no change to expected U.S. exports, the bottom line is that the expected U.S. share of the world export market shrunk a bit further.

In other news, the EIA reported U.S. ethanol production for the week ended March 4 at 978,000 barrels per day, down 9,000 from a week earlier, but still 34,000 barrels or 3.6% above a year earlier. Despite the drop in weekly production and an increase in U.S. gasoline demand, U.S. ethanol stocks jumped by 683,000 barrels to a record high 23.31 mil., xx% above a year earlier. The good news is that with gasoline futures surging recently, ethanol futures are back to a discount to gasoline for the first time in months. Ethanol futures fell on the EIA report, but are now higher and working on bullish outside days.

In other markets, crude oil futures are up roughly 130-150 points and are back near their recent highs, after the EIA reported a larger-than-expected drop in gasoline and distillate stocks last week on improved demand. U.S. crude oil stocks rose another 3.88 mil. barrels on the week, but the increase was in line with expectations. Gasoline stocks fell 4.5 mil. barrels. The dollar index, meanwhile, has turned lower and is pushing near yesterday's low, threatening a bearish outside day, which could be supportive for grains. Gold futures are about \$6 lower, but well off 5-session lows charted early this morning.

The report was mainly a nonevent for wheat as well. USDA made no changes to the U.S. balance sheet, and left 2015-16 carryout unchanged at 966 million bushels. Analysts were on average expecting a modest increase, to 975 million bushels, so in that sense the report was slightly friendly. The world balance sheet was also slightly friendly versus expectations. USDA lowered world 2015-16 carryout to 237.59 MMT, down from 238.87 MMT last month and the average analyst guess of 238.77 MMT. The reduction was due mainly to production cuts in India (down 2.4 MMT from last month) and Australia (down 1.5 MMT). These cuts more than offset a decline in consumption.

As with wheat the cotton balance sheet was left virtually unchanged. The only shift was a one-cent reduction in the upper end of the projected 2015-16 average price, to 58-60 cents. World carryout was lowered slightly, to 103.34 versus 104.08 MMT the prior

month.

For rice, USDA raised its all-rice U.S. carryout projection to 43.9 MMT, from 41.9 MMT the prior month on a reduction in exports, but left its long-grain projections untouched. World ending stocks for 2015-16 were raised to 90.51 MMT, from 89.28 MMT the prior month. The increase was due to an upward revision in India's production based on government statistics. Still, this year's projected carryout is down from 103.65 MMT in 2014-15 and 107.48 MMT two years ago.

LIVESTOCK COMMENTS

Live cattle and feeder cattle futures are mixed at midsession with front-end lean hog futures higher on support from firm cash markets, strong packer margins and expectations for further seasonal tightness in hog supplies. Live cattle futures are 5 to 20 cents lower under pressure from speculative profit taking amid a lack of news out of Plains cash markets. Tuesday's weaker choice cutout value has spurred some demand concerns along with poor packer operating margins. Feeder cattle futures are steady to 40 cents lower in very limited trade. Live cattle futures are trading well within yesterday's range.

This morning's Boxed Beef report showed Choice up \$1.48 and Select down 17 cents. Packer margins remain in the red, with HedgersEdge estimating a loss of \$40.05 per head today, versus minus \$33.20 yesterday.

Midwest direct cash hog markets are trading steady-50 cents lower this morning with supplies ample to meet demand. Packers have this week's needs well covered and are starting to buy for next week. The estimated pork packer margin today is \$22 per head according to HedgersEdge. Wholesale pork values were firm this morning, with the pork carcass cutout value quoted 74 cents higher.

Technically, both the June and July lean hog futures contracts have blown through their October highs to their highest level in eight months. April futures are threatening an upward breakout from a small triangle formation on their daily chart, but we're not sure the market will be able to distance itself from the \$70.00 level any time soon.

SPECULATIVE POSITIONS:

Long 2 \$8.80 Nov. 2016 soybean put options/short 4 Nov. \$9.60 call options. (1-20-16).

Short 3 May 2016 corn futures (2-25-16)

Short 1 June 2016 S&P 500 Index futures e-mini contract (3-8-16)

BROCK GRAIN MARKETING POSITIONS:

CORN: Strict Cash Marketers: 2015 Crop: 80% sold (6-3-14, 7-21-14, 11-18-14, 12-31-14, 7-15-15, 11-18-15, 12-9-15, 2-25-16). 2016 Crop: 10% sold on hedge-to-arrive contract against Dec. 2016 futures (8-20-15). 10% forward contracted (2-25-16)

Hedgers: 2015 Crop: 100% cash sold (6-3-14, 12-31-14, 7-15-15, 10-28-15, 11-18-15, 12-9-15, 12-17-15, 2-25-16).

2016 Crop: No cash sales advised. Aside futures. Long 1 \$4.10 put option on Dec. 2016 futures/short 2 Dec. \$4.50 call options on 20%; Long 1 \$3.80 put option on Dec. 2016 futures/short 2 Dec. \$4.30 call options on 20%. Short \$5.00 call options on Dec. 2016 futures (3-3-15). 2017 Crop: Short Dec. 2017 futures on 10% of expected production (12-17-15).

SOYBEANS: Strict Cash Marketers: 2015 Crop: 100% forward contracted (6-3-14, 7-21-14, 11-18-14, 1-27-15, 5-13-15, 11-5-15, 11-18-15, 12-9-15, 2-25-16). 2016 Crop: 20% forward contracted (12-8-15, 2-25-16)

Hedgers: 2015 crop: 100% cash forward contracted (6-3-14, 10-8-15, 10-26-15, 11-5-15, 11-18-15, 12-9-15, 2-25-16). 2016 crop: 10% forward contracted in the cash market (12-8-15). Long 1 \$8.80 Nov. 2016 put option/short 2 Nov. \$9.60 call options against 40% of expected 2016 production (1-20-16, 2-25-16). 2017 Crop: No positions advised.

WHEAT: Strict Cash Marketers: 2015 Crop: 100% sold (10-24-14, 12-19-14, 12-31-14, 4-16-15, 5-19-15, 6-11-15, 10-14-15, 11-18-15). 2016 Crop: No sales advised.

Hedgers: 2015 Crop: 100% sold in the cash market (10-24-14, 12-19-14, 12-31-14, 5-15-15, 5-19-15, 6-11-15, 10-14-15, 11-18-15). 2016 Crop: No cash sales advised. Aside futures.

HOGS: Short June 2016 hog futures on 25% of 2nd qtr. marketings (2-10-16); short Oct. 2016 hog futures on 50% of 3rd qtr. marketings (2-10-16).

FED CATTLE: Short June 2016 live cattle futures on 25% of 2nd qtr. marketings (3-3-16).

FEEDER CATTLE: Sellers are short May 2016 feeder cattle futures on 25% of 2nd qtr.

marketings (2-11-16).

MILK: 2015: No forward contracts advised at this time.

COTTON: Cash-only Marketers: 2015 CROP: 60% sold (4-23-15, 10-22-15, 11-6-15, 11-23-15). 2016 CROP: No sales advised.

Hedgers: 2014 CROP: 2015 CROP: 60% cash sold (4-23-15, 10-22-15, 11-6-15, 11-23-15). Aside futures.

2016 CROP: No cash sales advised. Aside futures.

RICE: 2015 CROP: 70% cash contracted (8-20-15, 9-22-15, 10-9-15, 10-14-15, 10-23-15, 1-4-16). 2016 CROP: No sales recommended yet.