CHS ROCHESTER WEEKLY GRAIN MARKET RECAP

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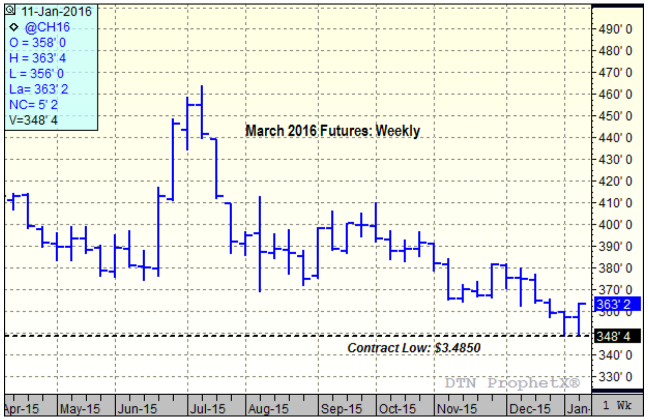
Friday, January 15, 2016

CLOSING FUTURES PRICE SUMMARY 1.8.16							
	CH16	CN16	CZ16		SH16	SN6	SX16
This week	$3.6325	$3.7275	$3.8525		$8.7900	$8.8375	$8.8525
Last Week	$3.5700	$3.6900	$3.8300		$8.6525	$8.7475	$8.7850
Weekly Change	+ $0.0625	+ $0.0375	+ $0.0225		+ $0.1375	+ $0.0900	+ $0.0675

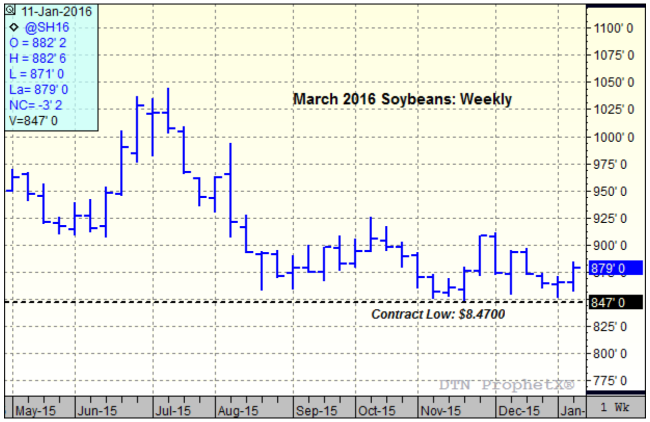
Check current cash bids: http://www.chsrochester.com/grain/cash-bids/

This week, the USDA gave us a small glimmer of hope for the grain markets. In Tuesday's reports the Feds lowered both corn and soybean yield for the 2015 crop. While the yield drop was not entirely unexpected, the small reductions in planted and harvested acres caught the trade off guard. Corn saw a reduction of 53 million bushels as a result of those changes. However, total demand was lowered as well, resulting in a new carry out figure of 1,802 million bushels, up 17 million from December. Soybeans saw a 50 million bushel drop in production coupled with a 25 million bushel reduction in demand, pushing estimated carryout down 25 million.

The focus on supply, or more specifically lower supply , offered a very faint light at the end of the tunnel as soybeans charged higher following the data release. Corn became a follower, trading higher as well. However, much of the commentary since the USDA report has tried to refocus attention to the overall carryout and demand side of the picture. Weather in South America is turning more benign, limiting crop stress, processor margins are continuing to tighten, and export markets are not favoring the US origins. All this together is not a friendly fundamental picture. Soybean margins seem to be struggling the most which is creating an erratic basis situation, five cent board rallies often equate to a five-plus cent basis hit. The reverse is often true as well. Rallies such as the ones seen this week warrant our attention. Be alert to opportunities and be ready to reward the market.



Corn:
Outside markets weighed heavily mid-week. Falling crude oil does not bode well for already struggling ethanol margins. March corn initially rallied with the USDA report, however by Thursday the excitement was gone as the March challenged last week's contract low. The markets are waiting and hoping for a fund short-covering rally to help prices, but bearish fundamentals continue to win the tug-o-war.



Soybeans:
Nearby soybeans performed well this week, boosted by the lower USDA production estimates. Despite the higher week, the March contract has yet to break out of the range bound trade. The Feds may have helped this week, but unless and until the market gains confidence in the unchanged demand picture, fundamentals of a big crop are likely to keep the soy complex sideways with a lower bias.