Grain Futures Markets & National Cash Indices Review & Observations thru Jan 15, 2016

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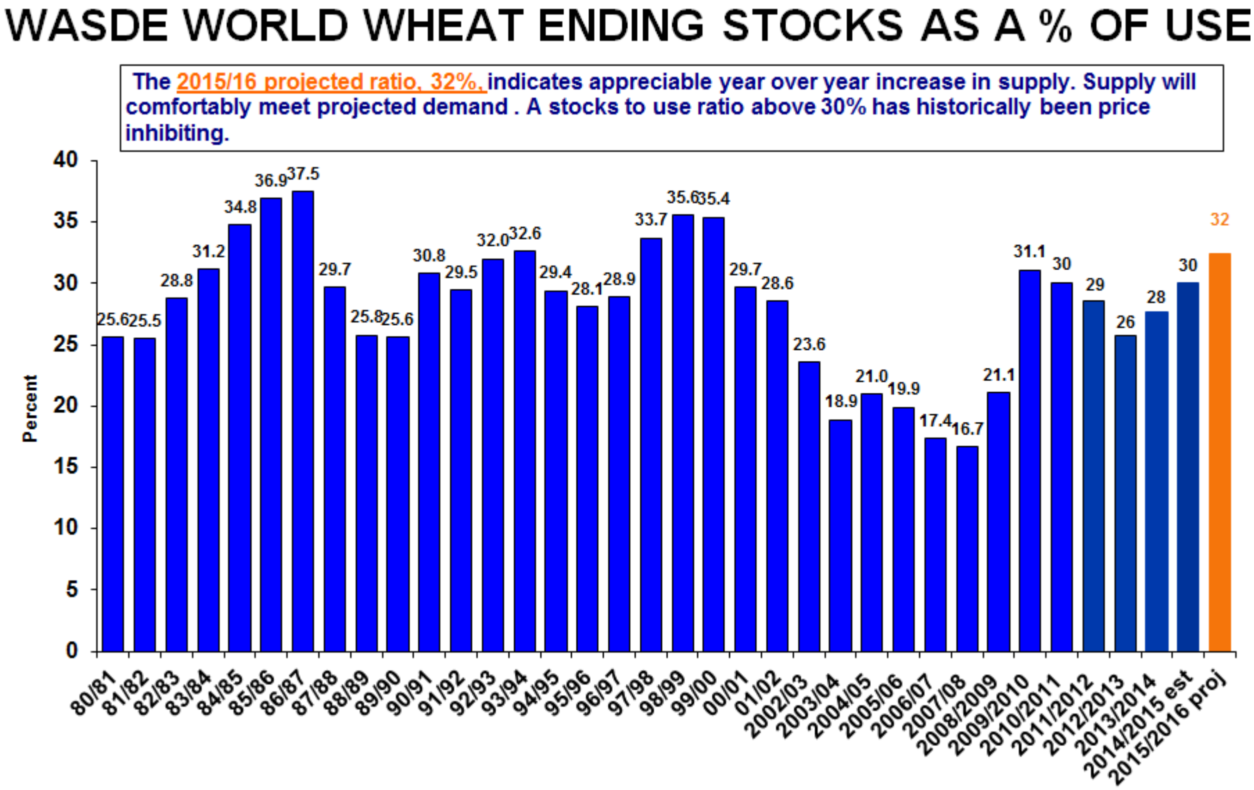
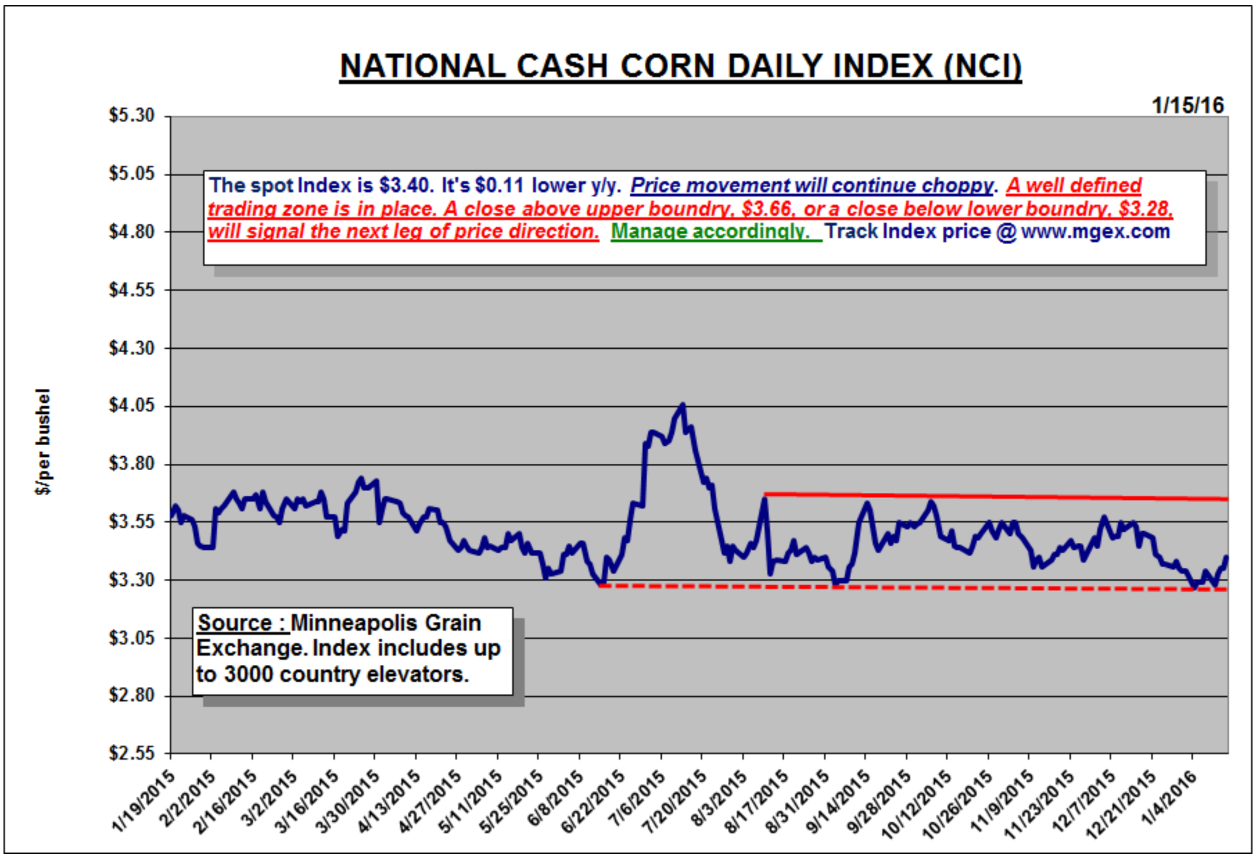


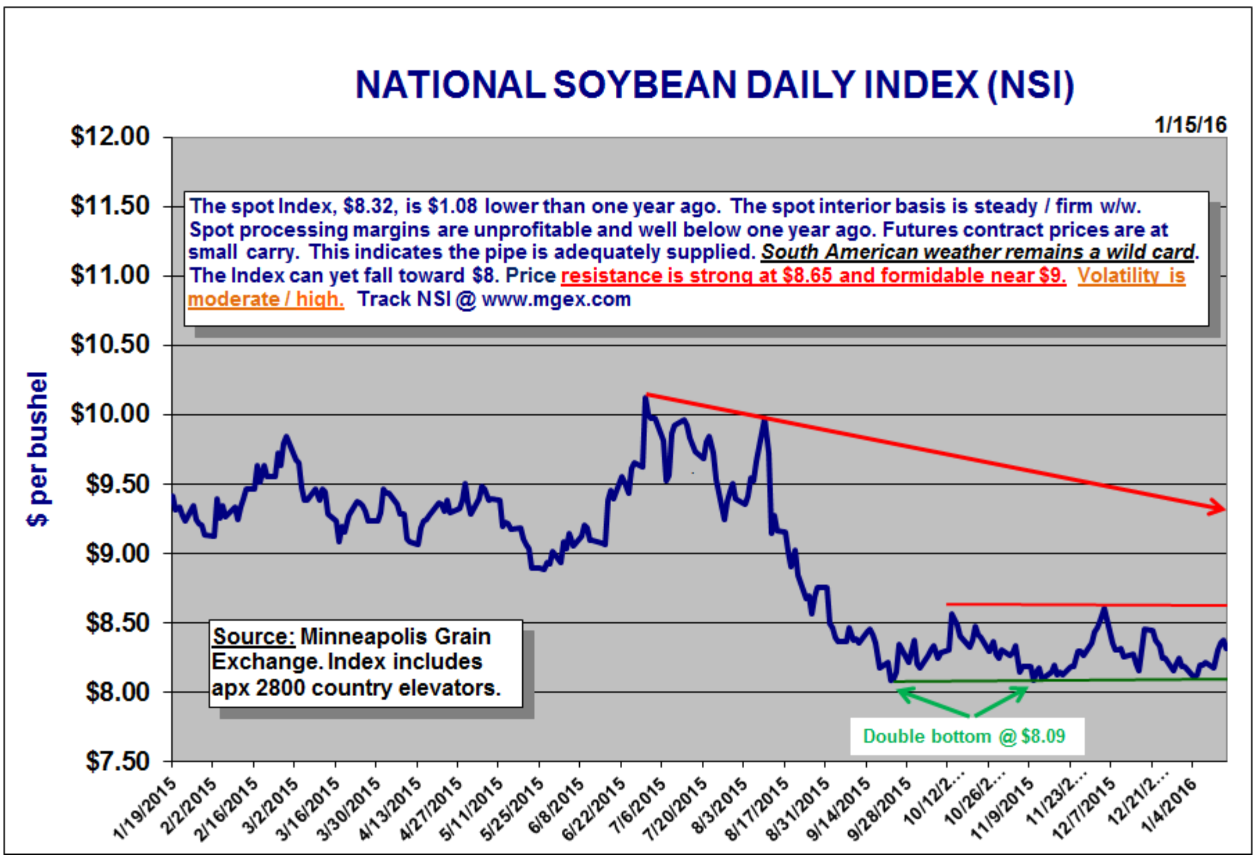
Corn: ***The spot interior cash basis was steady w/w.*** **Carry remains in the futures market forward curve albeit smaller w/w. This combination indicates supply is needed. Recent EPA ruling on 2014-2016 RFS is supportive. Producers only sell on flat price / basis strength. Consumers, both domestic and importer, are covering part of yearly needs (measured percentage) on price declines. This helps underpin price / basis. January WASDE report was judged mildly supportive due to small decline in world ending stocks. Export sales & shipments remain slow but recently have occasionally shown signs of improvement. Weekly ethanol grind has remained consistently high the last several weeks.** ***Producer cash sales will be metered by price strength or as cash flow needs necessitate*****. January is traditionally a period of increased cash sales although that's not been the case to date. There's strong competition in corn / coarse grains export markets. Domestic wheat and sorghum supplies are competitively priced in select 'feed' regions. Private sources and WASDE are projecting another large Chinese and world crop for 2015/16.** ***South American weather (El Nino effect)*** **remains at the top of industries vigilance list. Adverse conditions remain in select areas but to date are not game changers. Volatility will rise as the New Year progresses. Soybeans gaining value to corn w/w. China's domestic corn supply, while pricey, is ample. The long-term direction of their import / export program is not clear. An increased effort to reduce / eliminate their large domestic stockpile seems likely in 2016 & 2017. Moving forward this represents a sizeable demand and price risk to major coarse grain exporters across the globe. Strong U.S. Dollar inhibits many importers and encourages them to shop globally.** ***China, as well as other importers, ability to source protein supply from multiple regions is gaining more traction.*** **This adds additional price volatility / risk to USA producer.** ***Weather, domestic & export demand, seasonal price tendencies, financial markets and currency issues will continue to influence short-term price discovery.***

The CME March '16 contract is positioned to trade in a range from $3.49 - $3.93. Small speculative interests (short-term traders / managed funds) have noticeable short presence in the market. Their tendency to quickly flip-flop position highlights choppiness and width of potential price range. *To date, sporadic producer selling, firm user demand and global weather concerns underpin values and prevent sharp price / basis decline*. *December '16 futures contract* (*new crop)* is positioned to trade in $3.71 - $4.3 range. An *incremental cash sale / short hedge or put option purchase (vertical put spread) when price is at or above upper end of aforementioned price ranges is prudent price risk management.* *Note continued price choppiness given small trader quickly changing position, supportive Jan WASDE, continued U.S. & world crop size, quality & use debate, U.S. / North America 2016 acreage & potential crop size, China, uncertain macro backdrop, geopolitical tensions, and day to day reaction to U.S. and global WEATHER. Funds / speculators are capable of accentuating price moves.* Given the present *price discovery environment* the use of corn options, *puts and calls*, to manage price risks remains *worthy of consideration for both producer and consumer.*



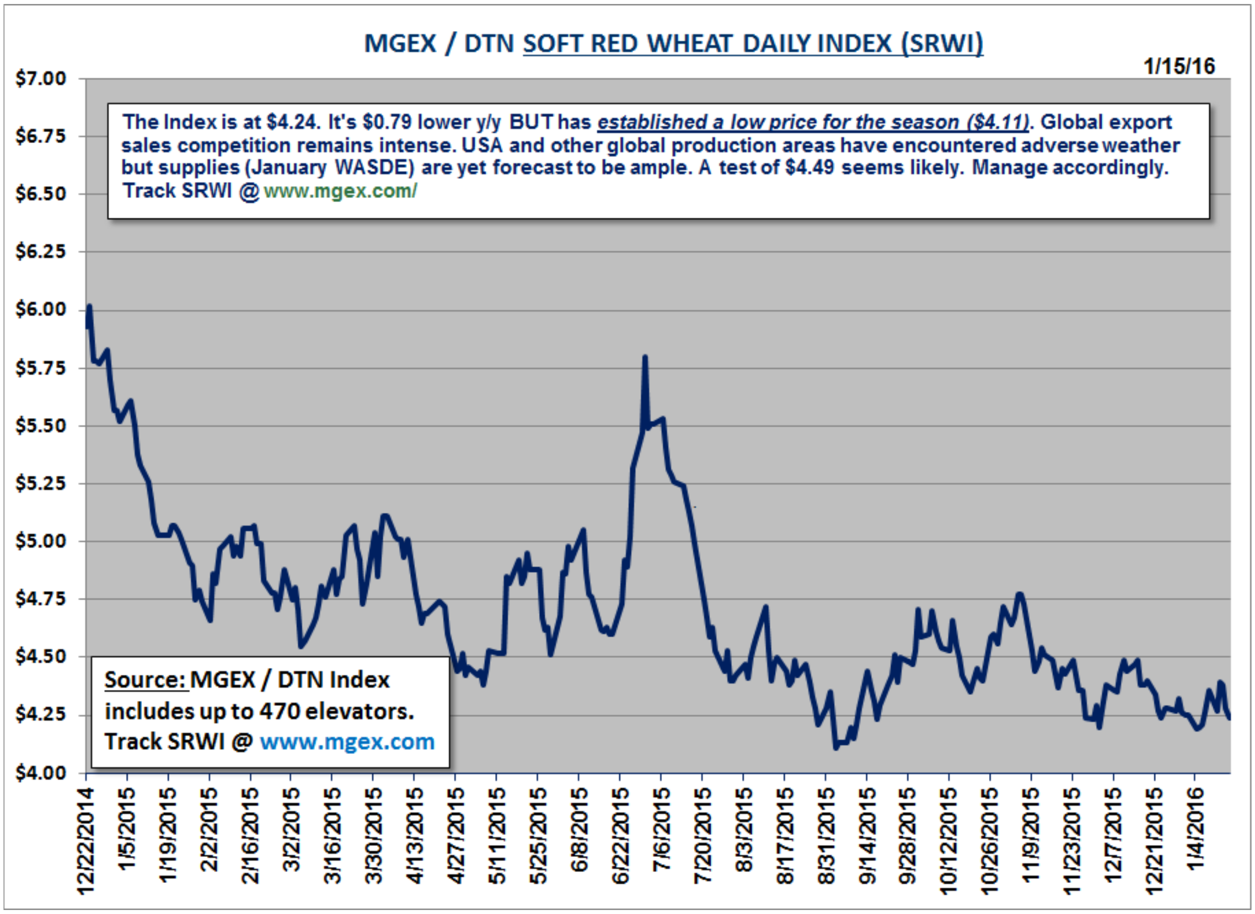
Soybean Complex: ***The interior spot basis is steady / firm w/w. There's a small carry in old crop futures price curve. The sum of this implies cash pipe is adequately supplied but not overwhelmed.*** **January WASDE report indicated plenty of U.S. and global supply. USA & So American producers are pricing cash on flat price / basis strength. The world 2015/16 stocks / use ratio is currently *25% vs. one year ago at 26%.* Spot U.S. crush margin (synthetic Gross Processing Margin / GPM) is well below one year ago. There is little if any profitability. This has slowed crushing capacities and spot soybean demand. To date cumulative export sales have fallen below 5-year average but have recently improved. *If 2016 weather cooperates* major exporters will try to grow *large new crops.* *Producers need acknowledge that supply, in hand and the forecast for next season is presently projected to be adequate.* *South American weather uncertainty, drought / excessive rain now being regionally mentioned, duly noted as potential game-changer moving forward.***

In the next few days the March '16 CME futures contract is positioned to trade in a wide range from $8.27 - $9.09. _Be advised abrupt swings in price can occur._ The _Nov '16 futures contract (new crop)_ is positioned to trade in range $8.33 - $9.41. _Please acknowledge_ that a _large western hemisphere supply is in hand with prospect for big 2016 world production_. _Making an incremental cash sale / short hedge / put option purchase based on the upper end of aforementioned futures price ranges is prudent price risk management._ Risk mitigation could include _owning out-of-the money puts or vertical put spreads to create price floor._ _Price volatility is MODERATE / HIGH and reflected in option premiums._ The March '16 soybean meal futures contract is projected to trade in a range from $253 - $285. The March '16 soybean oil contract is projected to trade in a range from $0.2690 - $0.3260. EPA rule on RFS / biodiesel is _supportive for soy oil moving forward_. _It's currently not advisable to establish a new long position at / or above the highs of aforementioned soy product price ranges but rather at / near the lows of the ranges, respectively._ Expect soybean complex _PRICE VOLATILITY TO REMAIN MODERATGE / HIGH_ as export demand (China in particular), large western hemisphere supply, pace of USA & SA sales and distribution, WEATHER, logistics / labor issues, government policy, exchange rates, uncertain macroeconomic & geo-political backdrop, speculative / investor positioning and weak U.S. processing margin drives price discovery.



Wheat (all classes): January WASDE projected U.S. and world stocks to use ratios at _47 and 32 percent, respectively (see lead graphic)_. Both are larger y/y and indicate adequate domestic & global supply. Big supplies promise continued battle for export sales among major exporters. Exchange rates, geo-political tensions and _assorted global weather concerns_ have made USA varieties and availability attractive from time to time _BUT not consistently_. Market participants will continue monitoring exchange rates, crop economics and U.S. and global crop conditions / WEATHER for weeks to come. _Weather and currency influenced markets, particularly when world demand is forecast to improve y/y, can continue choppy / volatile._ USA SRW / HRW are currently priced above domestic corn and therefore a less desirable USA feed choice. Wheat price weakened vs. corn of late in response to WASDE

supply adjustments. March 2016 CME Chicago wheat futures contract (SRW) is positioned to trade in a range from $4.48 - $4.98. A move toward the high of range will attract new incremental sale. New crop, July 2016, will attract new incremental sale / put option strategy near $5.09. The March 2016 Kansas City wheat futures contract (HRW) is positioned to trade in a range of $4.49 - $4.99. New crop, July 2016, will attract new sale or put option strategy near $5.21.The March 2016 Minneapolis wheat futures contract (HRS) is positioned to trade in a range of $4.69 - $5.25. New crop, July '16, will attract new sale or put option strategy near $5.42. *Price volatility is moderate / high.*



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