February 19, 2016

THE BROCK REPORT

America's Most Complete Commodity Marketing Service

COTTON PRICES MAKING LONG-TERM BOTTOM?

It's hard to find anyone who is bullish cotton prices and equally difficult to find bullish fundamentals. Both of which are typically good signs that we had better be looking for a bottom in the market. Markets bottom on bearish news—not bullish.

The list of negative news on cotton prices is quite long and includes:

• U.S. cotton carryout this year is estimated at 3.3 million bales versus 3.7 a year ago, but up from only 2.35 million bales in 2013/14 when the market averaged slightly less than 78 cents per pound.

• Cotton's share of fiber consumption in the United States has gone from 41.8% in 2009 to less than 34% this year. The impact of high cotton prices in 2011 shifted the U.S. and the world consumption to polyesters.

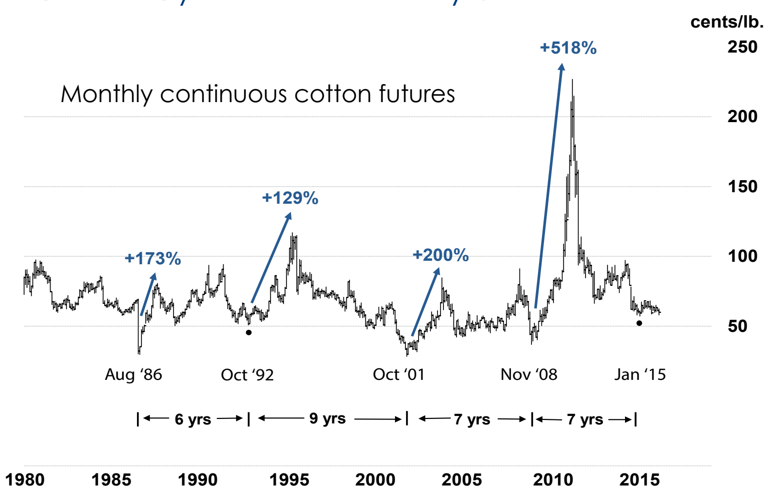
• World carryover supply is estimated to be the second highest in history, and of that 62% is estimated to be in China.

Here are some other interesting dynamics impacting cotton prices:

• The U.S. is not a dominant player in this market as we are in corn and soybeans. We will produce 13% of the world's cotton this year, compared to China at 23% and India at 27%.

• The cotton industry has been decimated by prices getting too high in 2011, for a short time exceeding $2.00 per pound. This resulted in a huge shift to polyesters, and the market has never come back. The infrastructure of the industry has been decimated, particularly in the Delta where it used to be approximately three gins per county and now its three counties per gin.

Cotton Cycles Bottom Every 6 to 9 Years



"Markets are in a constant state of uncertainty and flux and money is to be made by discounting the obvious and betting on the unexpected."
– George Soros

UP IN THE AIR

A lot of maneuvering is going on right now for corn versus soybean acres and, in some areas of the country, there even continues to be uncertainty over who is going to farm the land. Financial concerns have exploded to the upside since the 1st of January and many producers now are realizing it's tough to cash flow.

With that said, this is not a good decision-making time in marketing. Between now and planting time we believe it will be difficult to break the markets to the downside in any significant manner. Starting next week with the USDA Ag Outlook Forum, the trade will start to debate more seriously the acreage possibilities this year. But much is still up in the air, and will remain so for weeks if not months.

Technically, grain and soybeans are showing the potential to break out higher, but any rally should be limited by abundant world supplies including a big South American harvest on the way.

COTTON PRICES... (continued)

• For those not familiar with the cotton industry, it is a capital intensive business. The equipment is more costly than almost any other commodity grown, insect control is a significant problem and it's just overall more time consuming, costly and more difficult to raise than corn.

• Some areas of the U.S. have no options. In the Texas panhandle, for example, non-irrigated land has little choice but to go into cotton.

SO WHAT CAN BE BULLISH?

• To begin with, China's cotton production is down 31% since 2008 and 29% just in the last three years.

• India, now the largest producer worldwide, is down 8% in just the last two years.

So yes, consumption is down but now production and the infrastructure are disappearing even faster. Is it possible that the industry has pushed itself in such a tight corner that if demand now turns around, production and infrastructure are not going to be able to catch up? We don't know the answer to that but it is certainly worth considering relative to the dramatic contraction this industry has gone through in just the last five years.

CYCLES ARE BULLISH

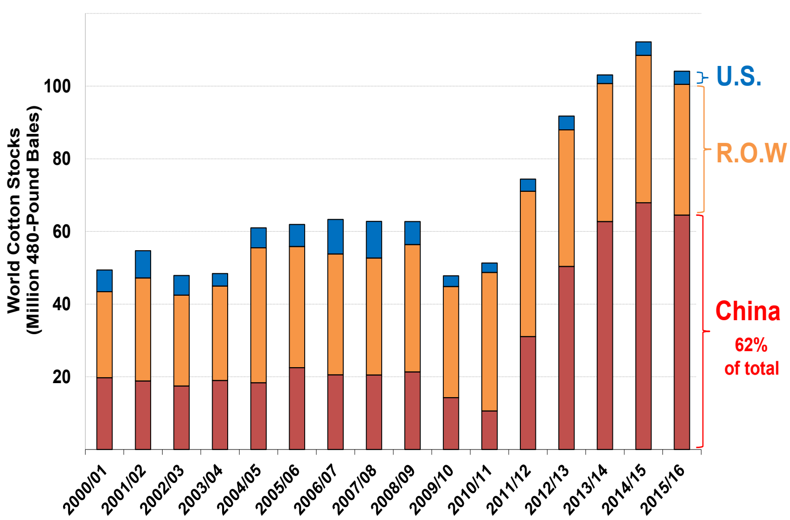
That brings us to one of the key factors we uncovered in researching cotton prices, and that is the long-term cycle pattern. As can be seen in the graph on page 1 from trough to trough (bottom to bottom) there is a very dominant six-to nine-year cycle. The last major cycle low occurred in November of 2008, but another low occurred in January 2015, and thus far it is continuing to hold the market. Combine this with the fact that monthly cotton charts have been in a flat sideways trading range ever since that low was made over a year ago, and looks like a classic base building market. December cotton (see page 15) established a key reversal up just this Tuesday. Is it possible this market is making a bottom?

Now more important is what has happened after these lows have occurred. This is frightening and we are almost afraid to put it in print. After the cycle low was made in August of 1986 at approximately 30 cents per pound, a year later cotton was trading at nearly 81 cents, an increase of 173%.

In October 1992 after bottoming at 51 cents, 30 months later the market was at 117, an increase of 129%.

In October of 2001 cotton bottomed at 28 cents. 24 months later it hit nearly 85 cents, a 200% increase.

World Cotton Ending Stocks Distribution



Source: USDA FAS, February 2016

In November of 2008 cotton bottomed below 37 cents and 28 months later hit $2.27, a 518% increase.

In January of 2015 cotton prices hit 57 cents. Currently the market is hovering around 60 cents. If you throw out the bull market of 2010 and '11, the average gain is over 167%. Is it possible that cotton could be headed to a price of over $1.52? We actually don't see how it could happen, but we also don't like fading history.

A MORE PRACTICAL PERSPECTIVE

No doubt the bullish arguments mentioned above will spread far and wide in the coffee shops over the week after this appears. We actually don't think the odds of such a move happening are very high and even more importantly, it is possible that the bottom may not occur for another year. There could be another leg down if the cycle lasts for nine years from low to low. In reality we don't think that will happen either.

But what we do think is clear in this market is that for the past year the world has had a surplus of 80-cent cotton, but we do not have a surplus of the 58-cent variety. The world has been concerned for months that China was going to dump their huge supplies in the market and bury prices. It has not happened. It may not happen, but even if it does we have priced it in. Because China and India are so important on the production side, it wouldn't take that big of a crop production problem in either one of these countries to turn this market around.

Let us put it another way. At 58 cents per pound we see no reason to be bearish cotton. This market has discounted a boatload of bearish fundamentals. Any surprises to prices will be on the positive side, not the negative. We're not sure what those are going to be but we would much rather be a buyer of cotton at these price levels than we would be a seller. Fundamentals are negative. Attitudes are negative. All of this increases the odds of a market that is going to go up and not down.

COMMENTARY

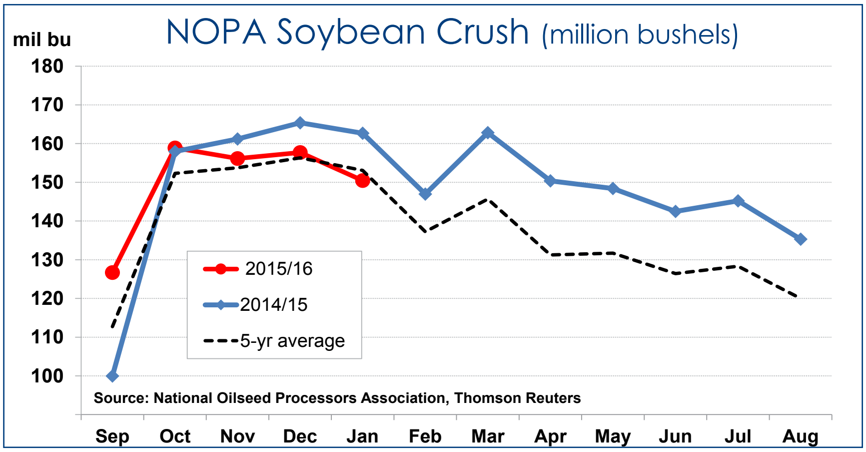
Tuesday's monthly soybean crush report from the National Oilseed Processors Association (NOPA) was disappointing, pegging the January NOPA crush at 150.45 million bushels, the lowest for the month in 7 years and 7.5% below a year earlier.

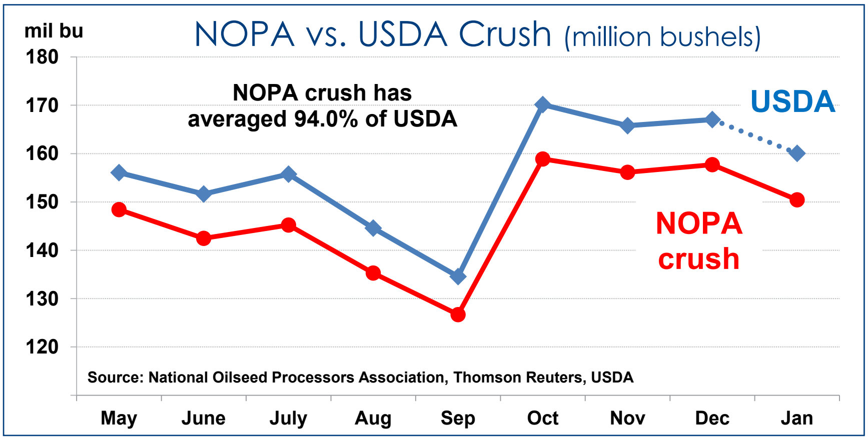
Trade expectations had ranged from 153.80-158.00 million bushels. The NOPA crush data suggests the full U.S. crush for 2015/16 is unlikely to reach USDA's current forecast of 1.880 billion bushels. The crush would have to exceed last year's record level over the remaining seven months of the marketing year in order for USDA's forecast to be met.

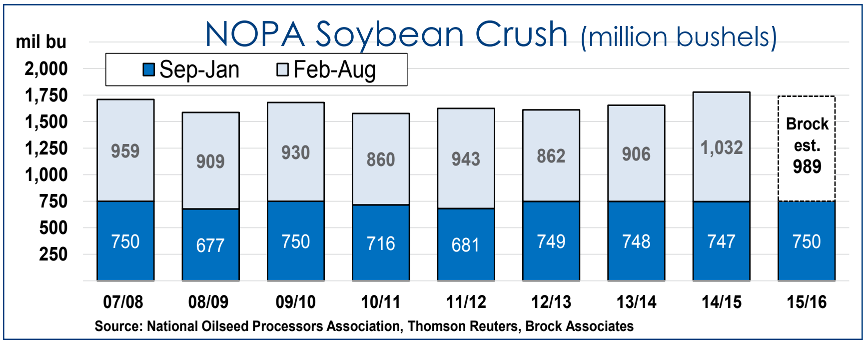
While ample soybean supplies favor a large February-August crush, current market conditions do not, with crush margins having tightened and export demand down. The 2015/16 NOPA crush remains 0.4% ahead of last year's pace, but over the past three months has run 5.0% behind a year earlier.

Soymeal supplies are tightening amid the lower production and both meal prices and processor margins may get at least a modest boost from this situation this spring. However, it may take lower soybean prices as well to stimulate production.

If we assume the February-August NOPA crush will be 4.0% below last year's record level then it should translate into a total 2015/16 crush of only about 1.850 billion bushels. The NOPA crush has averaged about 94% of USDA's monthly crush number in the eight months since USDA started collecting the nationwide data again.







UPCOMING SPEECHES/SEMINARS

2/23/16 Monroe, LA - Louisiana Cotton & Grain Conference

2/27/16 Memphis, TN - MidSouth Farm & Gin Show

2/28/16 - 3/1/16 New Orleans, LA - Agricultural Economic Symposium

3/3/16 Hilton Head, SC - AgFirst Farm Credit

3/10/16 New Orleans, LA - AFIA-PISC

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CONTENTS

WORLD NEWS ANALYSIS

BRAZIL GROWERS' TAX WORRIES

Brazil's center-west state of Goias has decreed some corn and soybean exports will be subject to a tax on interstate circulation of goods and services (known as an ICMS) and farmers fear more states will follow that lead. "We don't have any doubts other states will go down the same road," João Martins, President of Brazil's National Federation of Agriculture, told a news conference on Wednesday, adding other products may be taxed on interstate shipments as Brazilian states grow more desperate for revenue.

This is potentially good news for the U.S. soybean industry since anything that adds to the costs of Brazilian producers will make U.S. soybeans more competitive in the export market. The Goias ICMS has reportedly been set at 17%, but 70% of the corn and soybeans traders buy in Goias will be exempt from the tax. Soybean crushers will be taxed on 40% of what they buy and export. Farmers in Goias are considering going to court to seek revocation of the decree and prevent the tax trend from spreading to other states.

Reports last fall were that besides Goias, Brazil's top soybean and corn state of Mato Grosso was mulling taxing exports along with the northern state of Tocatins. The tax could potentially cause exporters to move operations out of Goias. That has happened in Mato Grosso do Sul state, which has levied an ICMS on soybean, corn, sorghum, and cotton exports since 2005. Meanwhile, Brazil's federal export taxes on soybeans and soy products were abolished in 1996, but there is talk the government may revive a small export tax.

BRAZILIAN SHIPPING DELAYS

Reports out of Brazil indicate the lineup of vessels waiting to load soybeans and corn at export ports is about two-and-a-half times longer than a year ago, which could help U.S. exporters pick up some extra business in the near term. However, any shift in business to the U.S. should be limited and is unlikely to push U.S. exports substantially above USDA's current estimates. Shipping delays at harvest time are a fact of life in Brazil and while they vary in magnitude from year to year, buyers have learned to deal with them.

The long queue of vessels is the product of a jump in corn and soybean exports spurred by large crops and a weak Brazilian real, combined with excessive rains that have delayed loadings at some ports. The line-up of ships waiting to load soybeans amounted to 7.51 MMT, 104% more than at the same point last year, while the corn volume was 2.22 MMT, over 400% above a year earlier.

CHINA TO SELL OLD CORN STOCKS

Beijing is getting ready to sell aging corn stocks from its huge state reserves to processors, Chinese industry sources told Reuters News Service on Wednesday. The government has not finalized the sales volume or sales prices, but has asked selected processing firms to take part, according to the sources. The upcoming sales would be months ahead of the government's regular yearly sales program which usually starts in May.

Prices could be "very low" as the corn is from as far back as 2011/12 and hence is of low quality, according to one of the sources, all of whom declined to be identified. "The quality may not be suitable for animal feed production," the source said. Beijing is holding about 10 million metric tons (MMT) of corn that has been in storage for more than three years, according to an estimate from Shanghai JC Intelligence Co. Ltd. (JCI). The sales should still put some further pressure on China's domestic corn prices.

CARGILL OUT OF BLACK SEA INPUTS

Cargill Inc. on Wednesday said it would stop selling crop inputs including seeds, fertilizer and chemicals to farmers in Central and Eastern Europe and "refocus its attention on its grain and oilseeds origination, merchandising and trading activities in these markets." The change will affect Cargill's businesses in Hungary, Romania, Russia, Slovakia, Ukraine, Bulgaria and Poland, the company said in a news release on its website. Cargill said it would start winding down input sales immediately and fully exit the input business in the region by the end of May. The company is in the midst of restructuring in an effort to improve the way it responds to commodity market swings.

WORLD WEATHER HOTSPOTS

Abnormally warm weather this week brought many winter wheat fields in the southern U.S. Plains out of dormancy, while fields in the central Plains have lost winter hardiness. Soil moisture has also been depleted amid limited precipitation. There is no impending threat of frost damage, but World Weather says lower temperatures and an increase in precipitation in late February/early March would be welcome.

South America appears well on the way to an excellent soybean harvest following recent well-timed rainfall in Argentina. World Weather says the weather pattern will remain favorable, with seasonal temperatures, into early March, supporting very good yields and crop quality across Argentina and Brazil. One exception to the favorable pattern may be in northeast Brazil, which has been drying out again. Stressful conditions may return for immature crops there by the end of next week.

Soybean harvest is rolling at a good pace in Brazil's key growing states and has pushed ahead of a year earlier. Harvest was 41% complete in the No. 2 state of Parana as of Feb. 15 and progress in top producer Mato Grosso may be nearing 35%. Second-crop corn planting there is ahead of last year.

PLAINS DRY DOWN, BUT OUTLOOK IS NOT ALARMING YET

The abnormally high temperatures and winds this week in the Plains and Midwest, including temps in the mid or even upper 80s in Kansas, sparked a few large grass fires in that state. That is an unsettling sight in mid-February, and the region has been trending drier over the past couple of months. However as the U.S. Drought Monitor showed Thursday, the heart of winter wheat country remains drought-free, most likely thanks to the El Nino weather pattern that has persisted.

The only areas of the Plains that are "abnormally dry" are in Texas and North Dakota, according to the Drought Monitor. It shows the portion of Texas "abnormally dry" shot up to 44.8%, compared to 12% the prior week. While certainly not a crisis or even much of a concern at this stage, it does bear watching as spring approaches. Notably, for now the "abnormally dry" area does not include the Texas Panhandle or West Texas. The other state with dryness is North Dakota, where about one-quarter of the state is abnormally dry. Dryness remains a concern across the far northern Plains and into the Canadian Prairies.

NOAA issued fresh one-and three-month outlooks yesterday, which show average to below average temperatures, and above average rainfall for most of the central and southern Plains. This would be ideal if it comes to pass. However the northern Plains, particularly North Dakota, are seen warmer than average during the period, which could heighten concern about drought there.

CME GIVES LIVESTOCK TRADING HOURS ANOTHER TRIM

CME Group, which has been under fire from some cattle groups and traders over volatility and erratic trade, is trimming livestock trade hours for the second time in two years. The exchange said it was reducing the hours to "align with the period of greatest liquidity in these markets." Roughly 87% of daily livestock futures and options trade occurred during the new trading hours, according to CME.

Those hours are 8:30 a.m. to 1:05 p.m. CT, Monday through Friday, for electronic futures and options. Open outcry options will end trade three minutes earlier each day. The new hours apply to live cattle, feeder cattle and lean hog futures.

The new hours will be easier to follow. The current hours are: Monday from 9:05 p.m. to 4 p.m., Tuesday through Thursday from 8 a.m. to 4 p.m., and Friday from 8 a.m. to 1:55 p.m. The biggest complaint among traders with the current hours is the period after the 1:05 p.m. settlement, when volume dwindles. The new hours are schedule to take effect Feb. 29.

The exchange had previously eliminated its overnight trading hours in October 2014. Unlike grains, which on occasion have market-moving news to digest "after hours," livestock futures market participants and news are mostly limited to the U.S.

CME also announced the formation of a "joint working group" with the National Cattlemen's Beef Association to discuss "other possible enhancements" to the cattle markets. The NCBA recently wrote CME to complain about high-frequency algorithmic trading and "spoofing" among other issues. See page 10 of last week's issue for more details on that.

DOW, PIONEER MAINTAINING AG PRESENCE AT HOME

DuPont Pioneer and Dow AgroSciences, rivals that will soon be on the same team, will maintain their separate operations in Iowa and Indiana respectively. However officials in neither state got the big prize they were hoping for: a headquarters for the newly combined agriculture company that will result from the merger of DuPont and Dow Chemical.

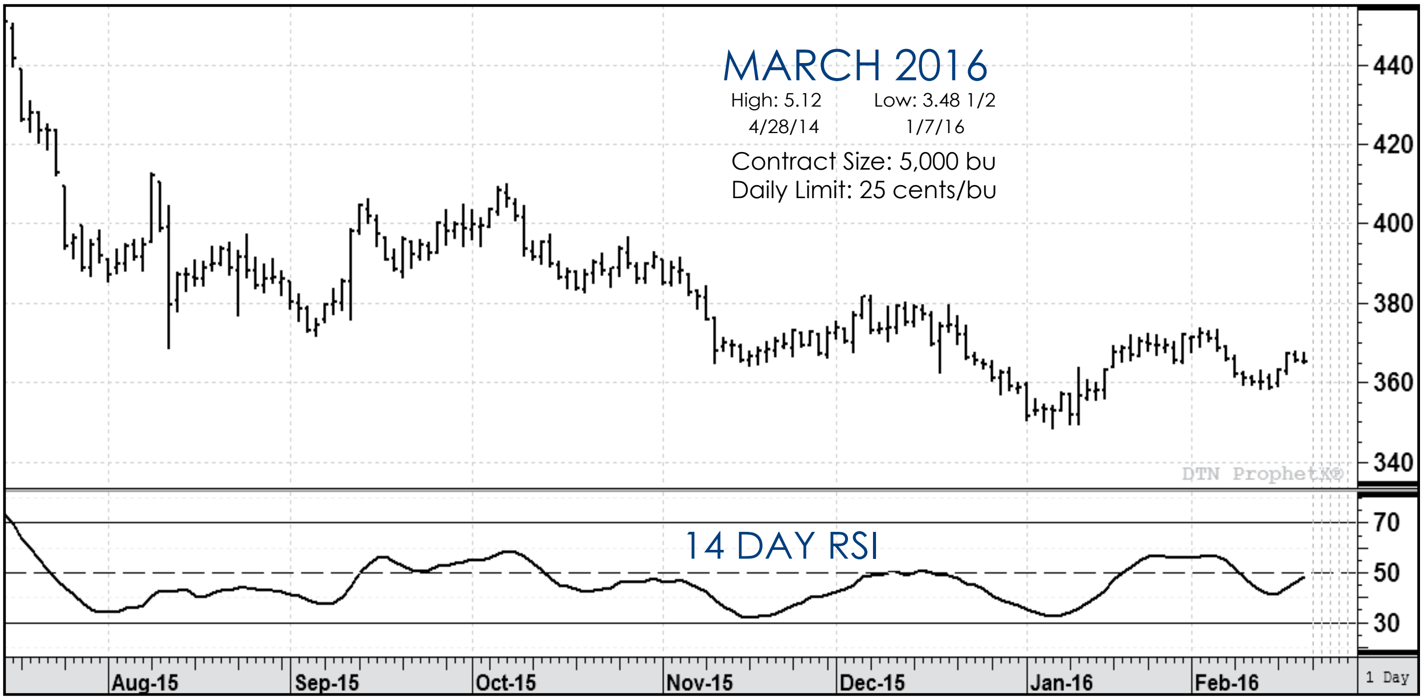
DuPont and Dow announced Friday that the corporate headquarters for the new ag company, which would be bigger than Monsanto, will be in Wilmington, Del., the long-time home of DuPont's headquarters. Pioneer's long-time home north of Des Moines will be dubbed a "global business center," as will Dow AgroSciences' headquarters in Indianapolis.

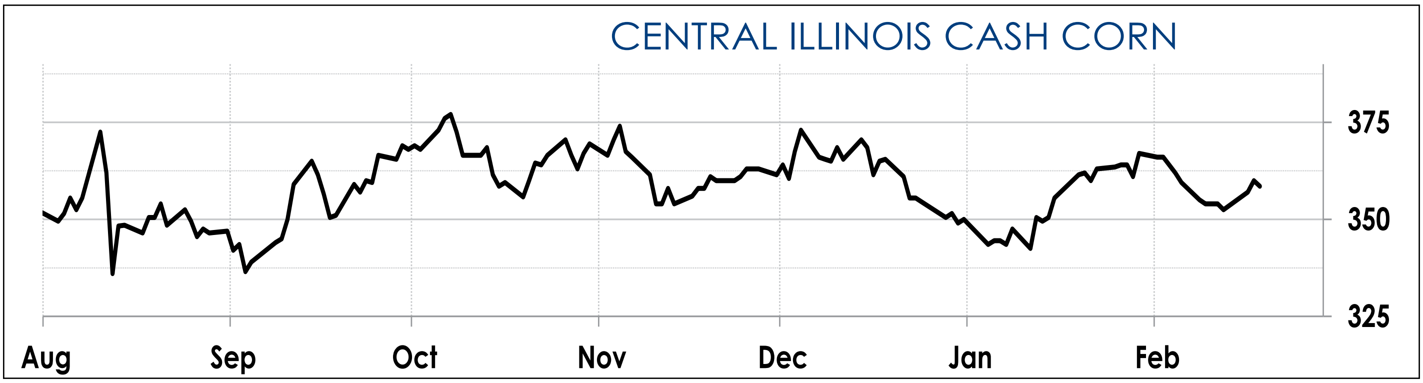
DuPont Pioneer has already cut 175 jobs at its Iowa location, and according to the Des Moines Register government officials are providing $17 million in incentives to ensure more jobs aren't cut. Reports from Indianapolis did not indicate whether there would be further cuts. Dow and DuPont plan to finalize the deal this year and then split into three separate companies, including one for agriculture, over the next two years.

DEERE EARNINGS SHRINK

Deere reported first-quarter earnings fell to $254.4 million, or 80 cents a share, from $387 million, or $1.12 a share, a year earlier. This beat the average analyst expectation of 70 cents, but shares nonetheless dropped. The company noted the downturn in the global farm economy, as well as weakness in construction equipment markets. It said it expected North American sales of agricultural equipment to fall 15-20% this year. The company also lowered its full-year outlook.

CORN


MARCH 2016
High: 5.12 4/28/14
Low: 3.48 1/2 1/7/16
Contract Size: 5,000 bu
Daily Limit: 25 cents/bu
14 DAY RSI
440
420
400
380
360
340
70
50
30
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
1 Day
DTN ProphetX®


CENTRAL ILLINOIS CASH CORN
375
350
325
Aug
Sep
Oct
Nov
Dec
Jan
Feb


WEEKLY CONTINUOUS
Support
525
500
475
450
425
400
375
350
325
300
Q4
2014
Q2
Q3
Q4
2015
Q2
Q3
Q4
2016
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DTN ProphetX®

CORN

COMMENTARY

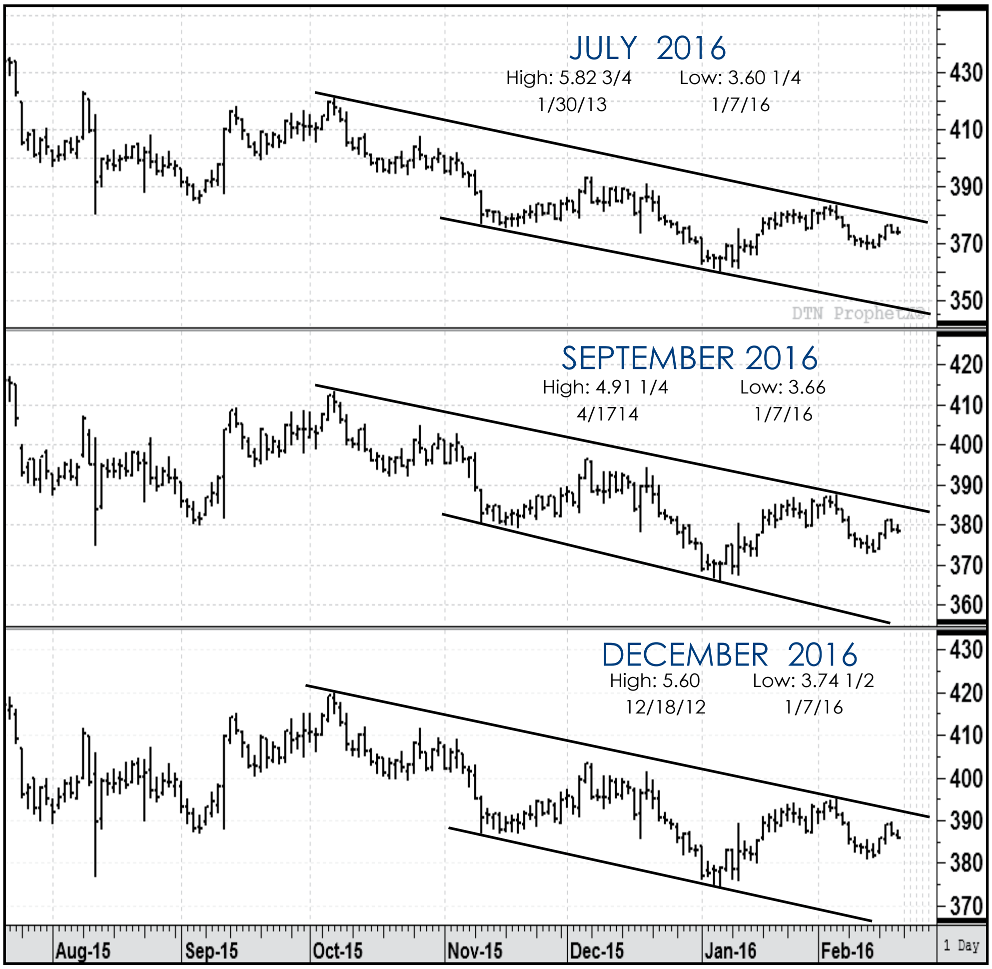
The fundamentals remain very negative, but on the positive side, everyone knows that. Technical action this week has been quite positive with prices responding favorably to negative news. The trend at worst is sideways.

If March futures can muster a close above $3.73, this would set the stage for a move into the $3.90 to $4.00 range. Don't rule that possibility out.

There are signs of improved export demand, with several sales reported in the daily system and better-than-expected weekly sales. For now this is just a blip rather than a trend.

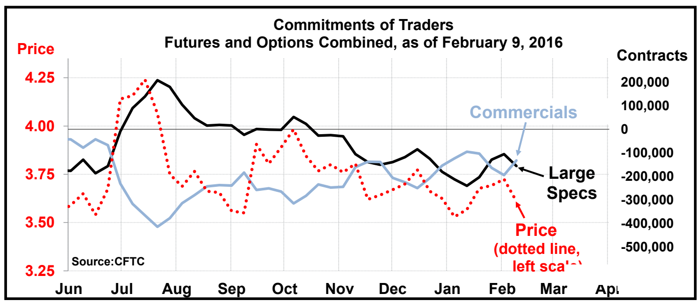
Cash-Only Marketers' Strategy: 70% of the old-crop was sold months ago as well as 10% of the '16/17 crop forward contracted. Be patient.

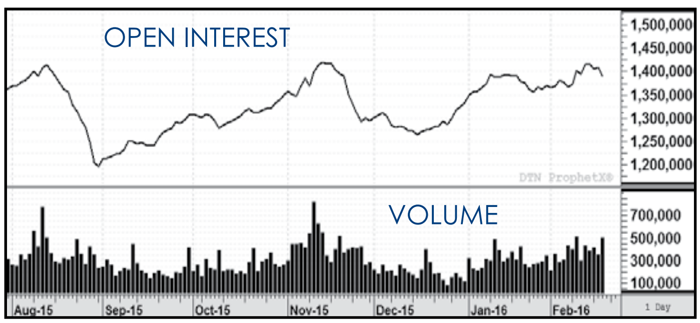
Hedgers' Strategy: Cash sales on this year's crop are at 70% and no hedges are on. In the '16 crop, our only position is 20% covered with long December $4.10 puts/short (2) $4.50 calls. 10% of the '17 crop is hedged at a price level just above $4.00.



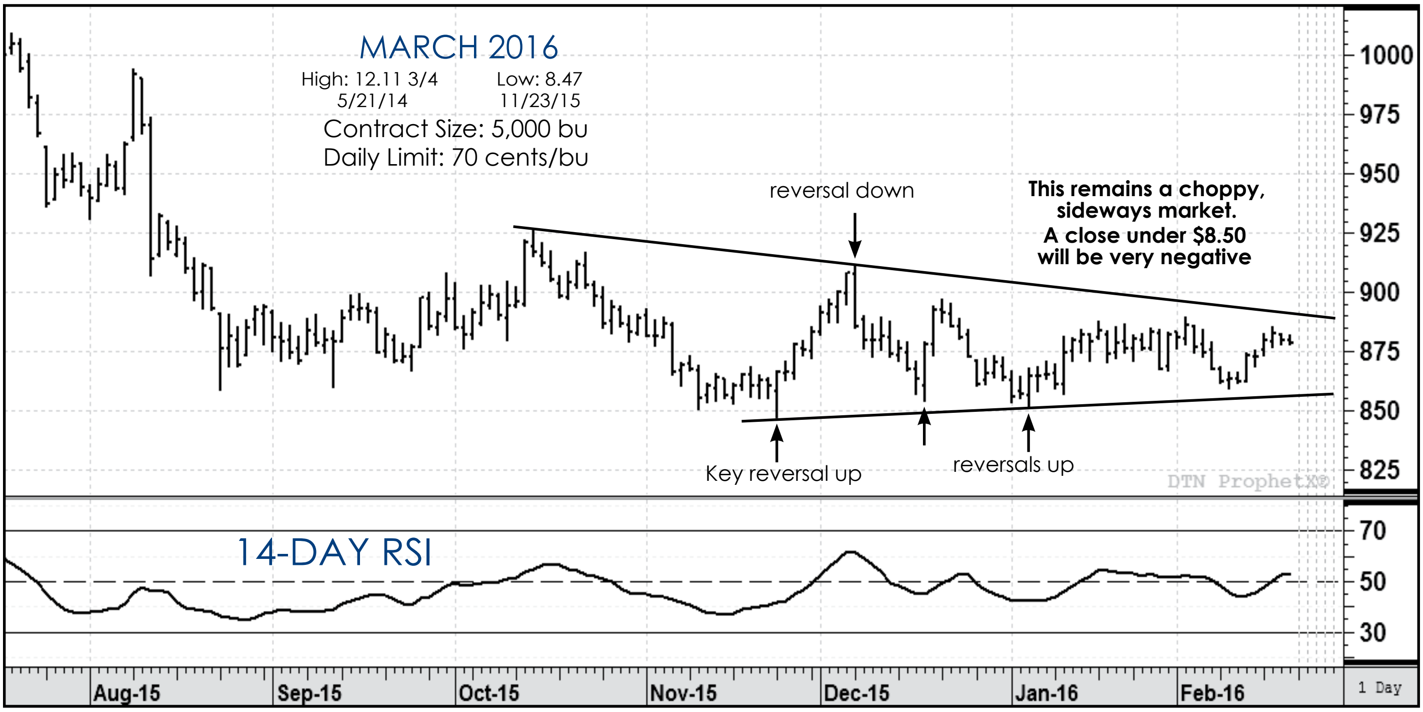
U.S. SUPPLY & DEMAND

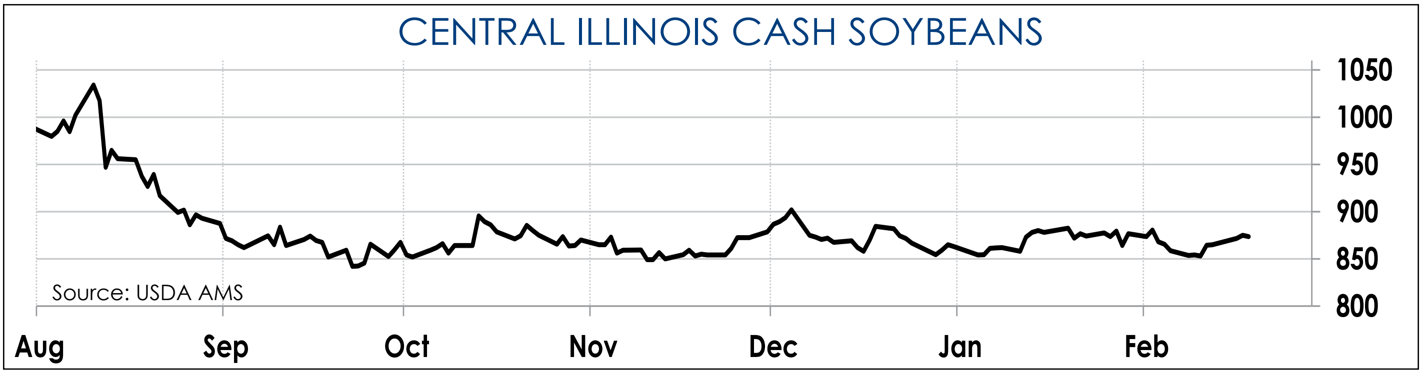
	USDA			Brock	
Marketing year begins Sept 1	13/14	14/15	15/16 Proj	15/16	16/17
ACREAGE (million)					
Planted Area	95.4	90.6	88.0	88.0	89.0
Harvested Area	87.5	83.1	80.7	80.7	81.0
Yield	158.1	171.0	168.4	168.4	170.0
SUPPLY (mil bu)					
Beg. Stocks	821	1,232	1,731	1,731	1,827
Production	13,829	14,216	13,601	13,601	13,770
Imports	36	32	50	40	30
Total Supply	14,686	15,479	15,382	15,372	15,627
USAGE (mil bu)					
Feed & Residual	5,030	5,315	5,300	5,300	5,300
Food/Seed/Ind	6,503	6,568	6,595	6,595	6,525
Ethanol & By-Products	5,134	5,209	5,225	5,225	5,225
Domestic Use	11,534	11,883	11,895	11,895	11,825
Exports	1,920	1,864	1,650	1,650	1,750
Total Use	13,454	13,748	13,545	13,545	13,575
Ending Stocks (mil bu, Aug 31)	1,232	1,731	1,837	1,827	2,052
CCC	0	0	0	0	0
Privately-Owned	1,232	1,731	1,837	1,827	2,052
Stocks/Use	9.2%	12.6%	13.6%	13.5%	15.1%
Farm Price ($/bu)	$4.46	$3.70	$3.35-3.85	$3.20-3.80	$3.30-3.90





SOYBEANS


MARCH 2016
High: 12.11 3/4
5/21/14
Low: 8.47
11/23/15
Contract Size: 5,000 bu
Daily Limit: 70 cents/bu
reversal down
This remains a choppy, sideways market. A close under $8.50 will be very negative
Key reversal up
reversals up
14-DAY RSI
DTN ProphetX®
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
1 Day


CENTRAL ILLINOIS CASH SOYBEANS
Source: USDA AMS
Aug
Sep
Oct
Nov
Dec
Jan
Feb


WEEKLY CONTINUOUS
Broken support
DTN ProphetX®
Q4
2014
Q2
Q3
Q4
2015
Q2
Q3
Q4
2016
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SOYBEANS

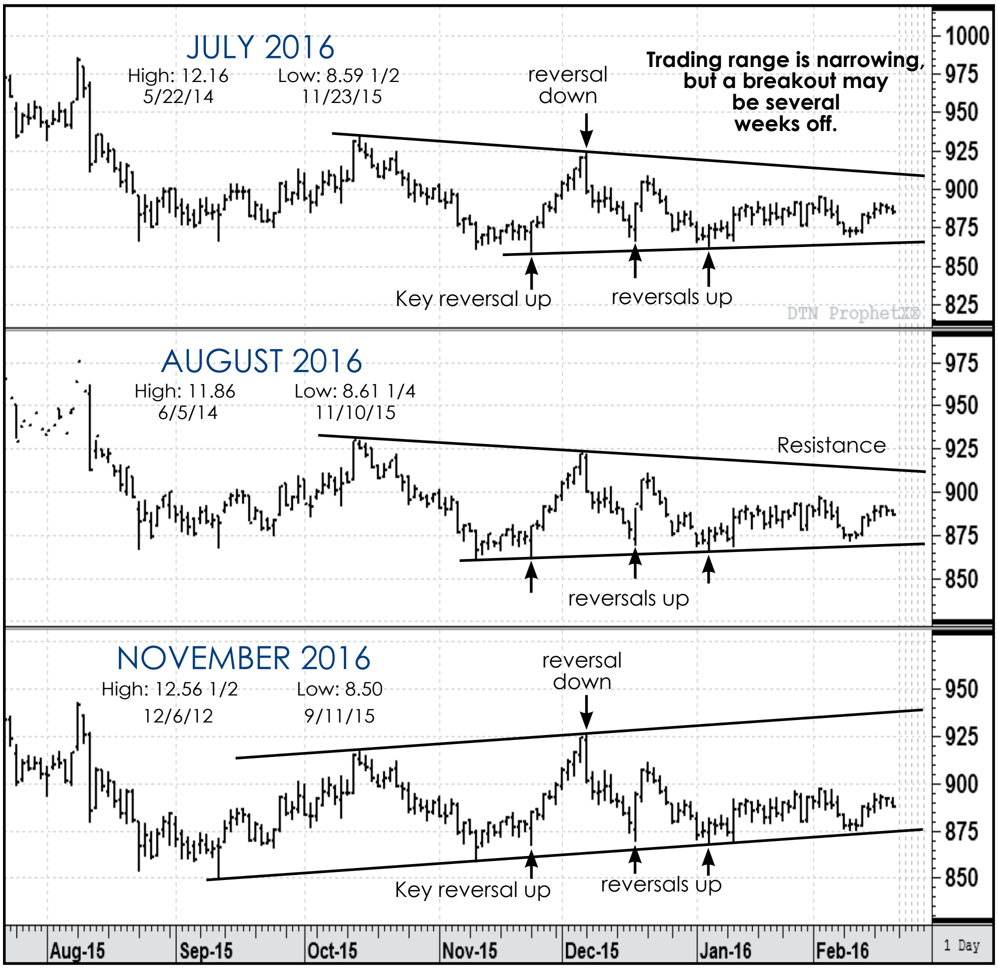
COMMENTARY

This is a base-building market. A close in March futures above $8.88 would shift the trend to up. That is hard to understand with the bearish fundamentals, but bearish fundamentals are what makes market bottoms. This is not a market we would want to be selling into right now.

As in corn, this is not a good decision-making environment right now. If the market can rally strongly in through the end of March, we would then want to be an aggressive seller. But unless that happens, this is a market to sit and be patient in. A large South American crop is on the way, and demand is lackluster.

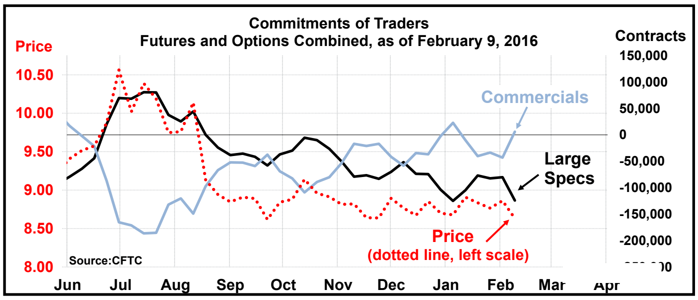
Cash-only Marketers' Strategy: 80% of the crop was sold months ago as well as 10% of the new crop contracted. Do nothing now.

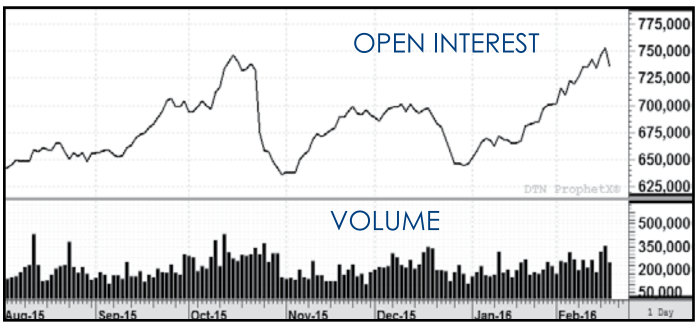
Hedgers' Strategy: 80% has been sold. 10% of the '16 crop is forward contracted and 20% is covered with long Dec. $8.80 puts and short (2) Nov. $9.60 calls. This puts a solid floor and a reasonable ceiling in that 20%.



U.S. SUPPLY & DEMAND

Marketing year begins Sep 1	USDA 13/14	USDA 14/15	USDA 15/16 Proj.	Brock 15/16	Brock 16/17
ACREAGE (million)					
Planted Acres	76.8	83.3	82.7	82.7	84.0
Harvested Acres	76.3	82.6	81.8	81.8	83.2
Yield	44.0	47.5	48.0	48.0	47.5
SUPPLY (mil bu)					
Beg. Stocks	141	92	191	191	440
Production	3,358	3,927	3,930	3,930	3,952
Imports	72	33	30	30	30
Total Supply	3,570	4,052	4,150	4,150	4,422
USAGE (mil bu)					
Crush	1,734	1,873	1,880	1,890	1,900
Exports	1,647	1,843	1,690	1,690	1,750
Seed	97	96	92	92	97
Residual	0	49	39	39	48
Total Use	3,478	3,862	3,701	3,711	3,795
Ending Stocks (mil bu, Aug 31)	92	191	450	440	627
CCC	0	0	0	0	0
Privately-Owned	92	191	450	440	627
Stocks/Use	2.6%	4.9%	12.2%	11.9%	16.5%
Farm Price ($/Bu)	$13.00	$10.10	$8.05-9.55	$8.05-9.20	$7.00-8.00





ON TOPIC

REASONS FOR HESITATION ON GIVING DATA

Katie Hancock
Marketing Consultant

Data security is a major concern among farmers. Precision technology makes us the best we've ever been at what we do, but the integrity of our data remains a question. It's important to discuss why we are hesitant to embrace information technology.

Precision technology has evolved over the past 10 years, and almost every operation uses it to some degree. It started with self-guided tractors, and now tracks information like application rates, input selection, and yields, among other data points. Data may be both manually and electronically complied into a database. This database is the root of our hesitation. Who has access to it? Who owns it? Will it be used against us?

Farmers currently share a variety of information, from financial data to lenders to planted acres with the Farm Service Agency. Like any business owner, there's a limit to what we are willing to share if there's a choice. Just to be clear, many farmers aren't sharing enough information to those with direct interests in the business. But we're not talking about a yield map here and there, we're talking about millions of numbers logged on each acre—this is a big deal.

I attended the National Farm Machinery Show in Louisville, Ky. last week. It is amazing what one can do these days. You can test nitrogen levels on-farm, plant seed with nearly-perfect positioning, and receive a text message from the grain bin! But there are reasons we are slow to embrace new data technologies:

1) *Self-sufficiency.* Farming operations are big businesses with bigger capital demands. It takes a group of highly skilled individuals to independently manage the variety of resources and assets to be profitable and ethical. It's tough to wrap one's head around relying on an external set of data to make decisions. Internal analysis is great, and an external analysis doesn't seem to be as effective. Farmers know their land better than anyone, so can this really be valuable?

2) *Privacy.* Farmers are typically introverts by the nature of the business. They spend significant time alone and usually live in rural areas in which they know everyone. Personal relationships are valued, and it's tough to do business with a farmer and not have one-on-one contact. Some share general practices with neighbors and advisors, but nothing as detailed as acre-by-acre data information, much less with a complete stranger.

3) *Competition.* It's stronger in some areas than others, but competition for land is aggressive. Why risk handing over information that could be used against you if in the wrong hands? Producers are hesitant to share yield data, for example, with landlords because it not only opens one up to criticism, it potentially damages the bottom line. For example, a farmer may pay a higher rent for productive land based off yield information. That's an extreme scenario, but we fear this could happen.

4) *Pride.* Farmers work hard to develop data by spending significant time and money- plus the grand investment in crops and land management. It can cost up to $30,000 to have top of the line precision equipment on each tractor! It's a part of us and the business in many ways and it's frustrating for someone to just grab the precious data instantaneously. It's an extra slap in the face when someone comes in and wants access to free data–often associated with *another* fee.

5) *Detail.* It's amazing how much data is really being tracked. Beyond location or production, precision technology is tracking inputs, speed, time, and even when you stopped to eat lunch or use the restroom! There are things being tracked we don't even know about or consider valuable. It goes beyond a good or bad spot in a field.

6) *Distrust.* Many farmers don't trust those with outside influences, and it's easy to see why. Farmers are often wrongly attacked for practices like using GMOs and pesticides. Farming is also negatively associated with using natural resources while disregarding the worldwide need of maximizing production. It also feels like everyone that isn't farming thinks farmers are less intelligent. If farmers get such a bad rap, why would they trust an outside source to use data wisely to help? Will the data be used against us and will activists try to shut us down?

7) *No End in Sight.* What comes next? Technology will only get better in time. If we give in now, then what information will we continue to share in the future? If it's convenient for outside influencers to have this data, will farmers someday be required to continue sharing every detail of day-to-day activity?

It's simple for a computer tech to sell the benefits of compiled data. Will the benefit outweigh the risk? Ultimately, I think it will, but the hesitation is justified. From the outside it's easy to think "wow those farmers are paranoid," but very few business owners in any sector would want to hand over this volume of detail. Data technology is a precious jewel and farmers will continue to protect their investment in it.

Email Katie at khancock@brockreport.com

STOCKPILES CONTINUE TO BALLOON

Record-large ethanol stockpiles are getting bigger as the high price of ethanol versus gasoline discourages discretionary blending. EIA reported ethanol stockpiles of 23.2 million barrels in the week ended Feb. 12, up nearly 300,000 from the prior week's all-time high. This is up 10.1% from a year ago, and is hanging over the industry and prospects for corn demand.

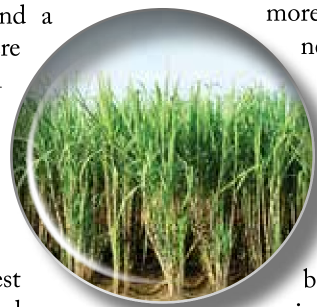
As the chart below shows, ethanol margins remain tight (not factoring in revenue from corn oil). Still, ethanol output did increase on the week, to 975,000 barrells, from 969,000 the prior week.

Gains in ethanol prices boost margins, but extend the premium of ethanol to gasoline prices (see page 19), which hurts discretionary blending. Ethanol's premium to gasoline futures is back above 40 cents a gallon. Bottom line is the industry needs higher gasoline prices.

The trend in gasoline demand has actually been positive in recent weeks. Early in the year we noted that demand had fallen below year earlier levels, but that is no longer the case. In the week ended Feb. 12, product supplied increased to 9.203 million barrels per day, up from 9.122 million the prior week. The four-week average is up 3% from a year ago. However, gasoline stockpiles remain at an all-time high.

BRAZIL SUGAR BOOM

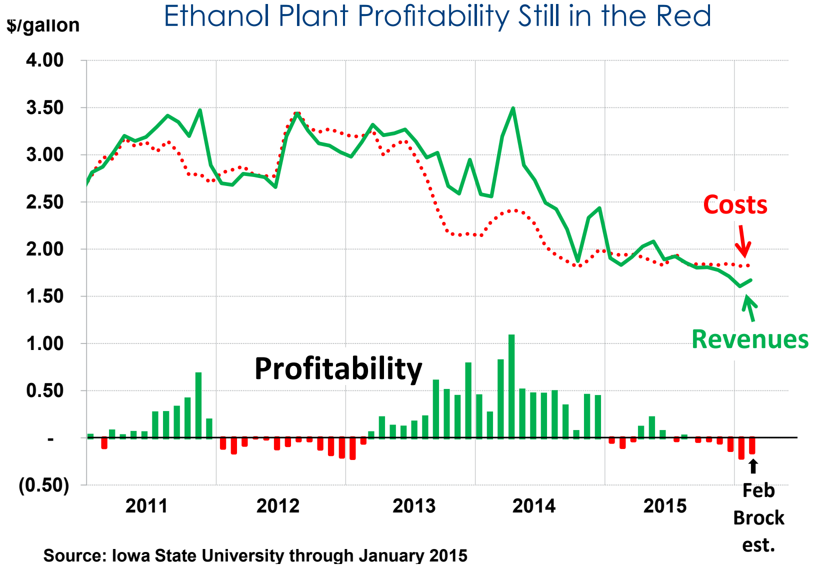
In addition to the negative margins currently plaguing the industry, another headwind for U.S. ethanol is that Brazilian producers have favorable conditions. An improved sugarcane crop and a better year for sugar mills there are expected to boost Brazil sugarcane ethanol output by 2% to 28 billion liters (7.3 billion gallons) in 2016-17, FCStone projected this week.



Raizen, the world's largest sugarcane producer, reported a huge 230% jump in profits in the final quarter of calendar year 2015. The profit of $236 million was driven largely by sales of higher priced ethanol. And those ethanol sales were largely abroad: It exported 555 million liters (146 million gallons), versus 483 million sold in the domestic market. Those exports add to the competition for U.S. exporters.

In addition to ample supplies, Brazil's exports are being driven by a weaker real currency and a strong dollar. Meanwhile weakness in China's currency is hurting imports in what is a key market for the industry's growth. Platts reported this week that China's ethanol demand has dropped significantly since the start of the year.

Ethanol Plant Profitability Still in the Red



Source: Iowa State University through January 2015

USDA STUDY: ETHANOL A POSITIVE

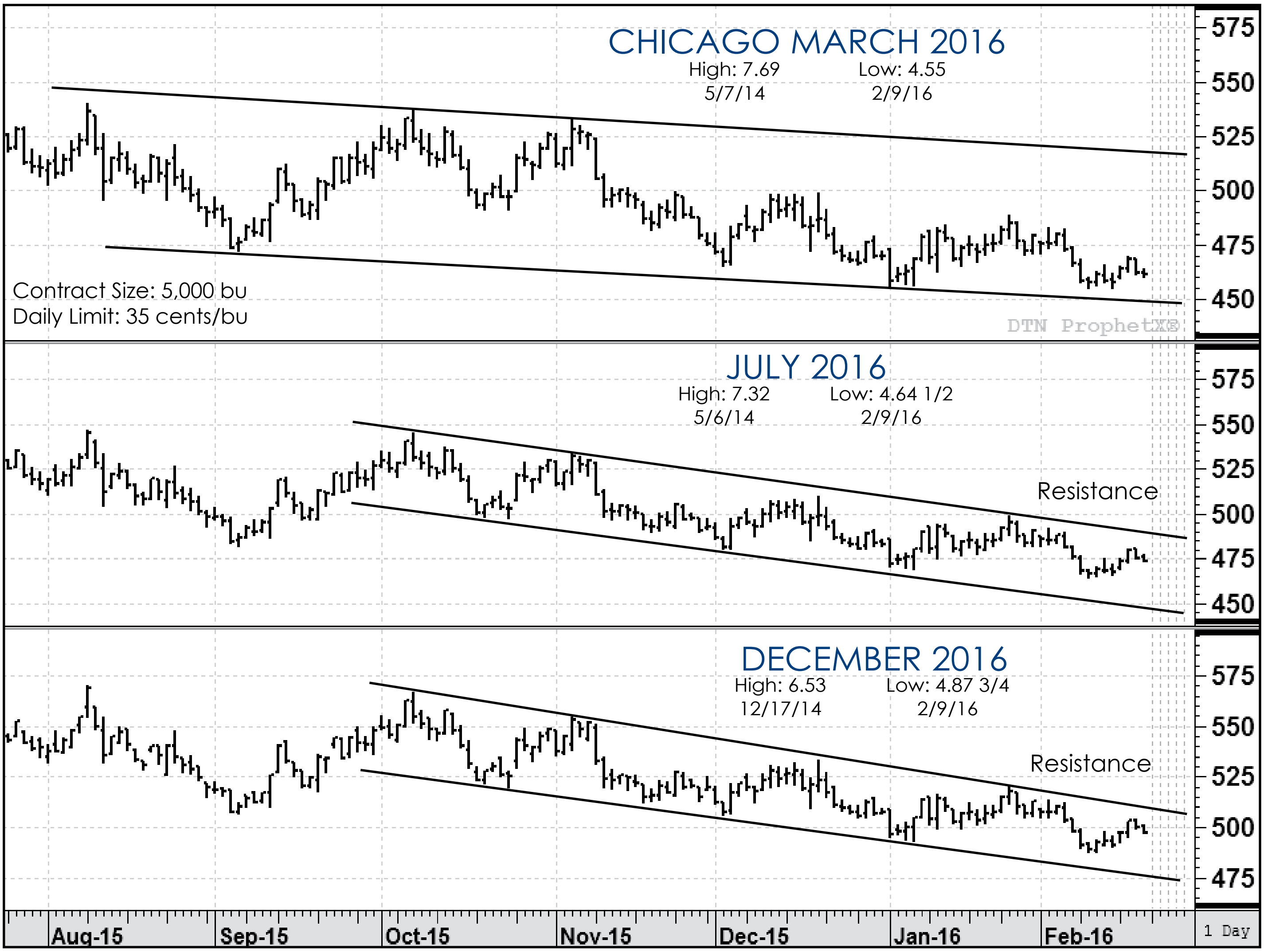
Although the narrative surrounding corn ethanol in some circles is that it uses more energy than it produces, a new study from USDA's Chief Economist Office finds that to be incorrect. The report, issued earlier this month, said that efficiency improvements throughout the production chain have bolstered ethanol's net energy gain. At dry mills, the ratio of energy in ethanol to the energy used to produce corn, process it into ethanol and transport it, is now 2:1.

The study found that nitrogen use per bushel of corn is down 20% since the mid-90s. Total energy needed to produce a bushel of corn during that period fell by 50%. Just between 2005 and 2010, it fell 8%. Transportation has also improved, and of course the amount of ethanol that is extracted from a bushel of corn also continues to increase.

RFS LAWSUITS

Lawsuits are flying in every direction over the Renewable Fuel Standard in the wake of EPA's final decision on the standard through 2016. The latest to file suit is Valero, which is asking a federal court to move the responsibility for blending to fuel marketers. Monroe Energy, an arm of Delta Air Lines, has filed a similar request. Other entities, including the American Fuel and Petrochemical Manufacturers, have also filed a lawsuit to force the EPA to scrap the RFS altogether. Meanwhile, Americans for Clean Energy, has filed a lawsuit challenging EPA's authority to lower the RFS below what Congress wrote into the 2007 law.

WHEAT



CHICAGO MARCH 2016
High: 7.69
5/7/14
Low: 4.55
2/9/16
Contract Size: 5,000 bu
Daily Limit: 35 cents/bu
DTN ProphetX®
JULY 2016
High: 7.32
5/6/14
Low: 4.64 1/2
2/9/16
Resistance
DECEMBER 2016
High: 6.53
12/17/14
Low: 4.87 3/4
2/9/16
Resistance
575
550
525
500
475
450
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
1 Day

CHICAGO WEEKLY
Resistance
Support
DTN ProphetX®
750
700
650
600
550
500
450
400
Q4
2014
Q2
Q3
Q4
2015
Q2
Q3
Q4
2016
1 Wk

WHEAT

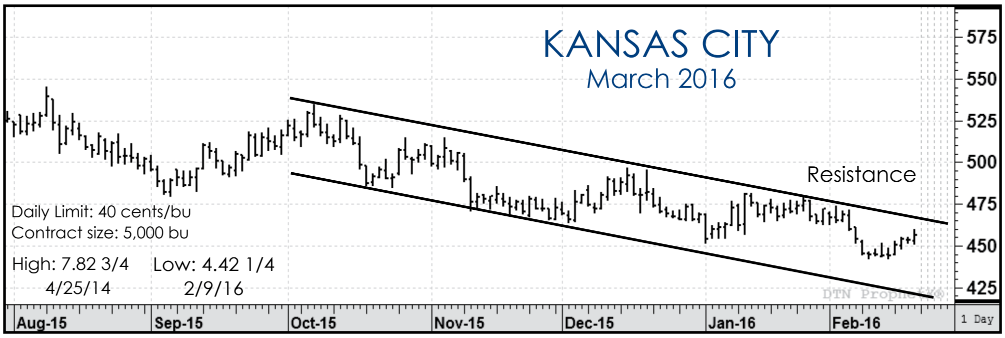
COMMENTARY

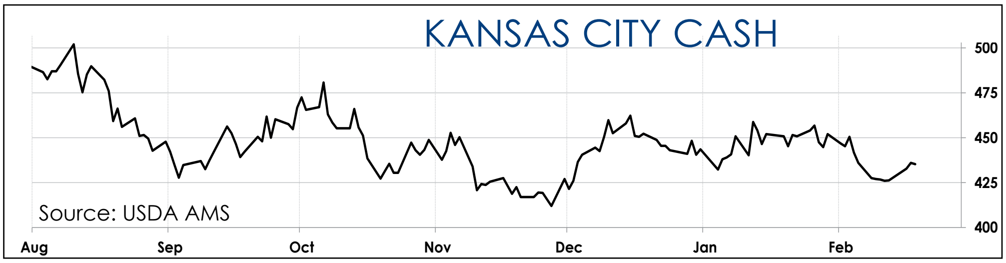
This market is struggling to muster any strength whatsoever. The rally this week, while looking positive through Wednesday, stopped at the 40-day moving average. March futures are struggling to close above the $4.70 mark. If and when it does that, teh stage should be set for a test of the $5.00 resistance area. Major support now exists at $4.55. In the new crop July, the support is at $4.64 and the resistance at $4.82.

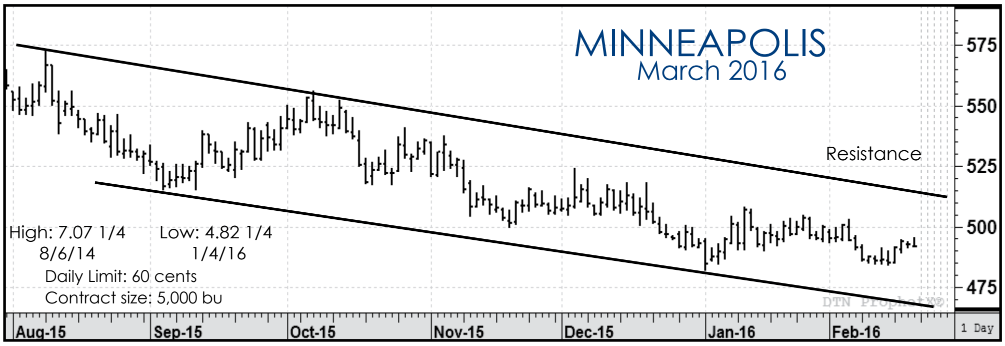
The bottom line: Don't look for any major price moves in this market in the near term. Way too much wheat worldwide is hanging over this market, and crop problems are limited.

Cash-only Marketers' Strategy: Old-crop was sold long ago and we've done nothing in the new crop. Sit tight.

Hedgers' Strategy: Old-crop was sold months ago and in the new crop we have no cash sales and have already taken profits on hedges. Just be patient.

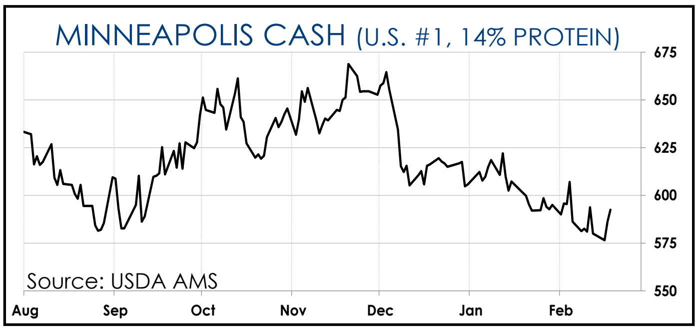


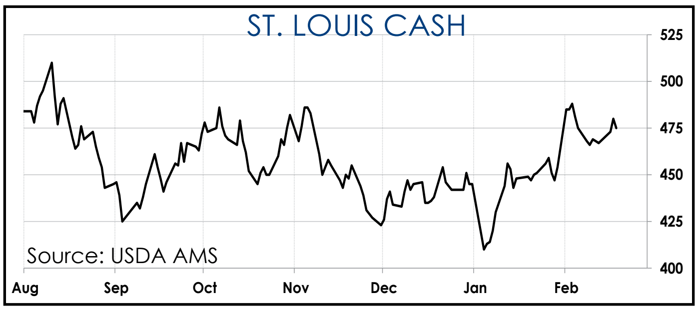




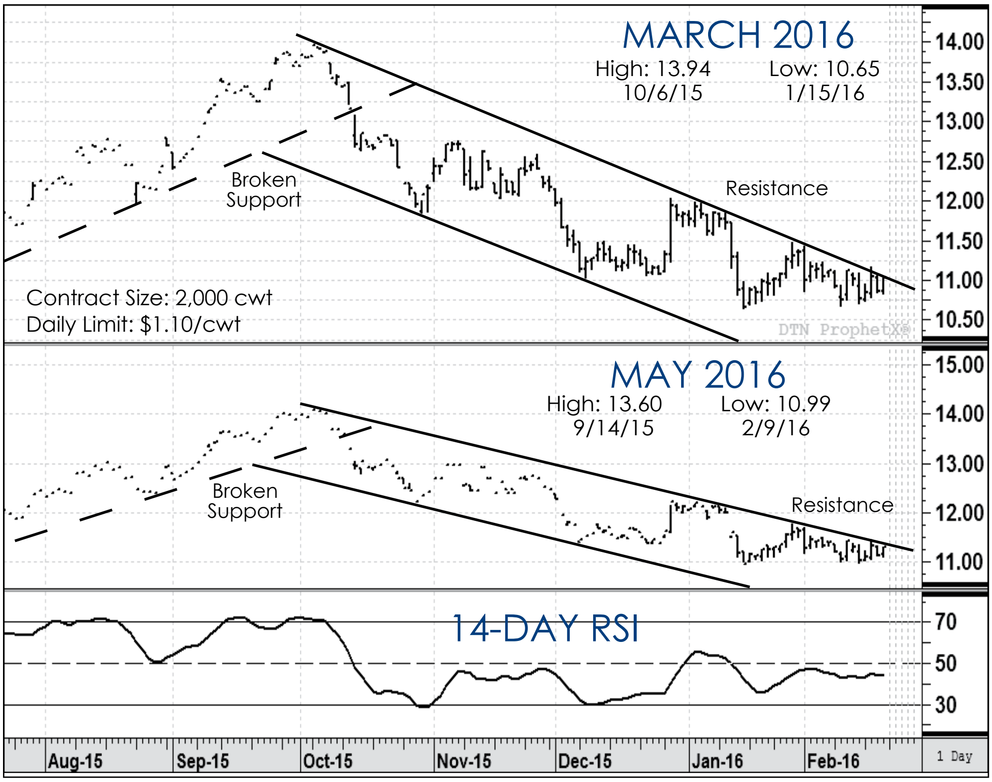
U.S. SUPPLY & DEMAND

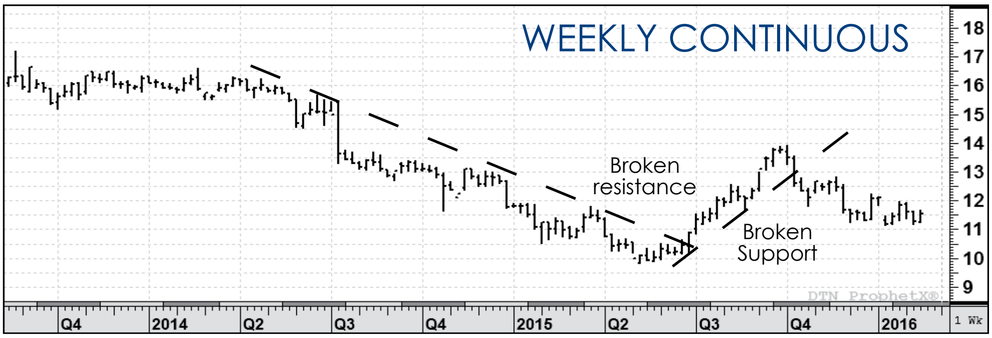
Marketing year begins June 1	USDA 13/14	USDA 14/15	USDA 15/16 Proj.	Brock 15/16	Brock 16/17
ACREAGE (million)					
Planted Area	56.2	56.8	54.6	54.6	52.2
Harvested Area	45.3	46.4	47.1	47.1	45.0
Yield	47.1	43.7	43.6	43.6	45.8
SUPPLY (mil bu)					
Beg. Stocks	718	590	752	752	951
Production	2,135	2,026	2,052	2,054	2,061
Imports	169	149	120	120	110
Total Supply	3,021	2,766	2,924	2,925	3,122
USAGE (mil bu)					
Food/Seed	1,029	1,037	1,033	1,034	1,040
Feed & Residual	226	122	150	165	170
Domestic Use	1,255	1,159	1,183	1,199	1,210
Exports	1,176	854	775	775	875
Total Use	2,431	2,014	1,958	1,974	2,085
Ending Stocks (mil bu, May 31)	590	752	966	951	1,037
CCC	0	0	0	0	0
Privately-Owned	590	752	966	951	1,037
Stocks/Use	24.3%	37.3%	49.3%	48.2%	49.7%
Farm Price ($/Bu)	$6.87	$5.99	$4.90-5.10	$4.85-5.20	$4.90-5.40





RICE





COMMENTARY

Rice futures climbed early in the week but retreated after running into technical resistance Tuesday, including trend line resistance in both March and May. The market was still higher on the week. Bulls need to take out the trend line, and could also face resistance up to $11.50 in the May contract. On the downside, key support is at the $11 area in the May contract and at $10.65 on a continuation chart.

Export sales increased sharply last week, with Mexico, Colombia and Saudi Arabia the top buyers. Net sales totaled 90,600 metric tons. Shipments were lackluster however at 38,000 metric tons, down 26% from the four-week average. U.S. cash markets have been quiet, while prices in Asia were firm last week. The oncoming harvest in Vietnam and Thailand should limit further gains, however the world balance sheet is gradually tightening, which is the long-term bullish case for rice.

Strategy: We are 70% sold on the 2015 crop and currently have no hedges in new crop futures.

WORLD SUPPLY & DEMAND

Year	Beginning Stocks	Production	Consumption	Ending Stocks	Stocks/Use Ratio
2008/09	80.85	449.35	437.6	92.65	21.2%
2009/10	92.65	440.68	438.4	94.97	21.7%
2010/11	94.97	450.41	445.3	100.04	22.5%
2011/12	100.04	467.63	460.9	106.78	23.2%
2012/13	106.78	472.50	468.8	110.51	23.6%
2013/14	110.51	478.43	481.6	107.38	22.3%
2014/15	**107.38**	**478.14**	**482.06**	**103.46**	**21.5%**
Change from January	**-0.07**	**-0.11**	**0.21**	**-0.39**	**-0.1%**
2015/16	**103.46**	**469.50**	**483.68**	**89.28**	**18.5%**
Change from January	**-0.39**	**-0.62**	**-0.59**	**-0.42**	**-0.1%**

*** Values in million metric tons; bold numbers are USDA projections.**

U.S. SUPPLY & DEMAND

	USDA			Brock	
Marketing year begins Aug 1	13/14	14/15	15/16 Proj.	15/16	16/17
ACREAGE (Mil. Acres)					
Planted Area	2.49	2.95	2.61	2.61	2.82
Harvested Area	2.47	2.93	2.58	2.58	2.80
Yield (Pounds)	7,694	7,576	7,470	7,470	7,610
SUPPLY (Mil. cwt)					
Beg. Stocks	36.4	31.8	48.5	48.5	41.0
Production	190.0	222.2	192.3	192.3	213.1
Imports	23.1	24.7	24.0	24.4	22.8
Total Supply	249.5	278.7	264.9	265.2	276.9
USAGE (Mil cwt)					
Domestic & Residual	124.4	129.9	121.0	123.2	128.0
Exports	93.3	100.3	102.0	101.0	103.0
Rough	28.0	34.0	35.0	35.2	36.0
Milled (Rough Eq.)	653.0	66.3	67.0	65.8	67.0
Total Use	217.7	230.2	223.0	224.2	231.0
Ending Stocks	31.8	48.5	41.9	41.0	45.9
Farm Price ($/cwt)	16.30	13.40	12.50-13.30	12.70-13.50	12.50-13.80

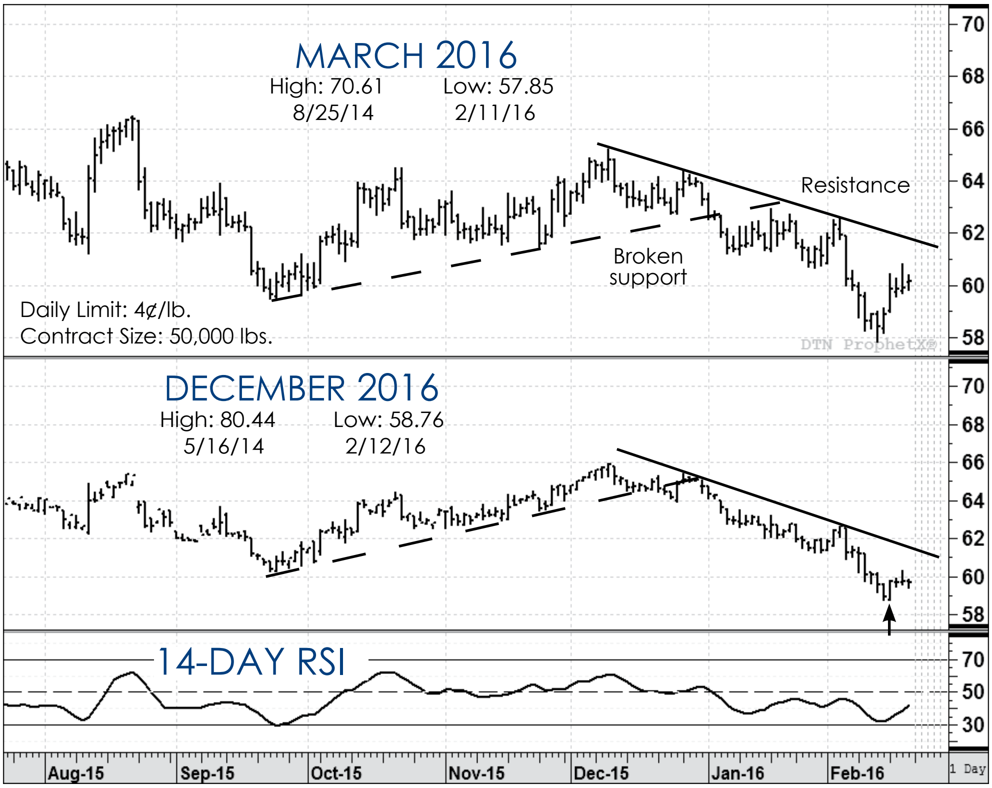
COMMENTARY

Futures surged on Monday and posted solid gains on the week amid short-covering, waning concerns about the global economy and improved demand. December futures posted a bullish daily reversal on Monday. Nearby March cotton ended the week more than a penny off its February low of 57.85. Below that is the January 2015 continuation low of 57.05.

Weekly net export sales of 308,800 bales for 2015-16 were a marketing year high. Vietnam and Turkey continue to be the dominant buyers. The strong sales reaffirm there is demand around the 60-cent level, which has been the case for more than a year.

Despite our lead story spelling out the possibility of a bottom and this week's gains, the near-term trend remains lower. The prospect of increased U.S. acres hangs over the market. Meanwhile, acreage in China's top-growing state, accounting for 60% of national output, is expected to be down 6.5% this year, according to Reuters.

Strategy: For 2015, all producers should now be 60% sold in the cash market. This week we exited our position in March 2016 futures on 20% of 2015 production.



U.S. SUPPLY & DEMAND

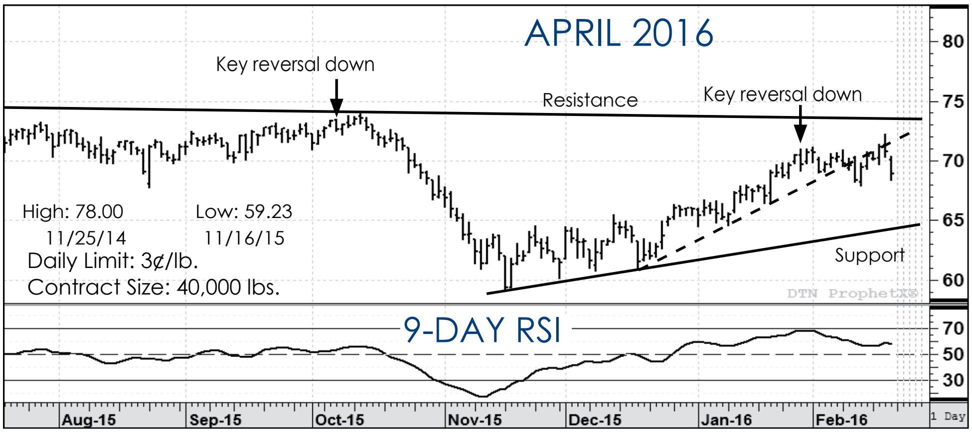
Marketing year begins Aug 1	USDA 13/14	USDA 14/15	USDA 15/16 Proj	Brock 15/16	Brock 16/17
ACREAGE (million acres)					
Planted Area	10.41	11.04	8.58	8.75	9.60
Harvested Area	7.54	9.35	8.08	8.05	8.93
Yield	821	838	769	780	795
SUPPLY (million 480-lb. bales)					
Beginning Stocks (August 1)	3.80	2.35	3.70	3.70	3.33
Production	12.91	16.32	12.94	13.08	14.79
Imports	0.01	0.01	0.01	0.00	0.00
Total Supply	16.72	18.68	16.65	16.78	18.12
USAGE (million 480-lb. bales)					
Mill Use	3.55	3.58	3.60	3.70	3.75
Exports	10.53	11.25	9.50	9.75	10.90
Total Use	14.08	14.82	13.10	13.45	14.65
Unaccounted	0.29	0.16	-0.05	0.00	0.00
STOCKS (million 480-lb. bales)					
Ending Stocks (July 31)	2.35	3.70	3.60	3.33	3.47
Farm Price (¢/lb)	77.90	61.30	58-61	58-63	55-65

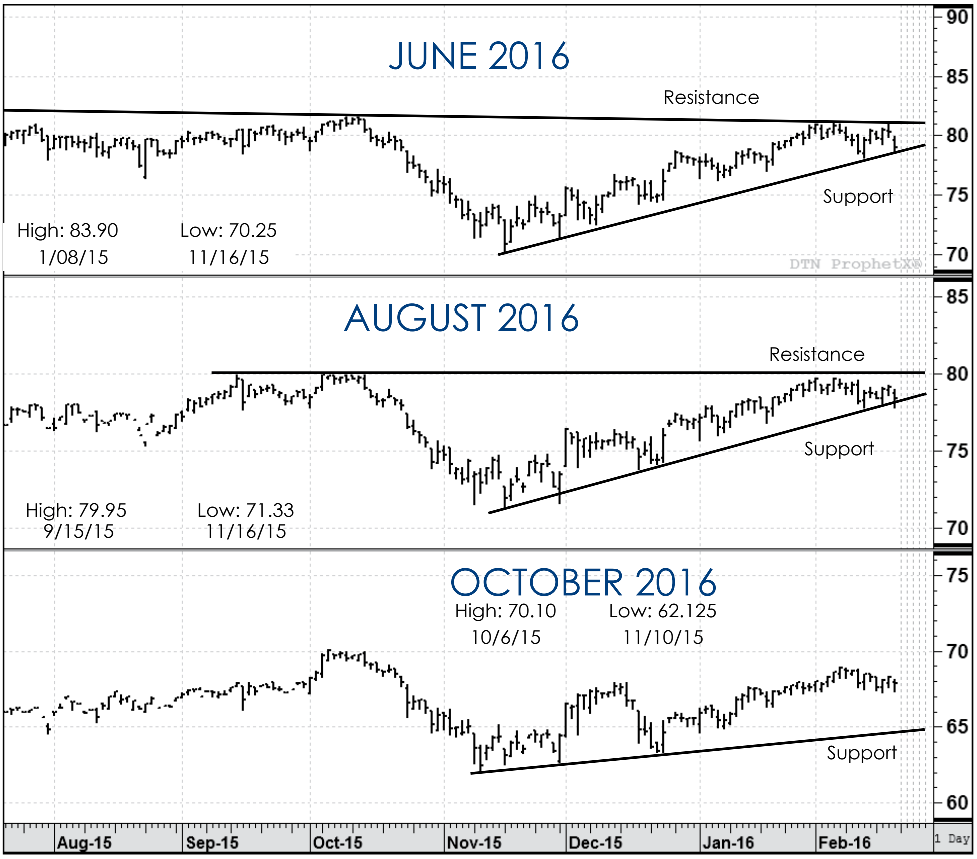
WORLD SUPPLY & DEMAND

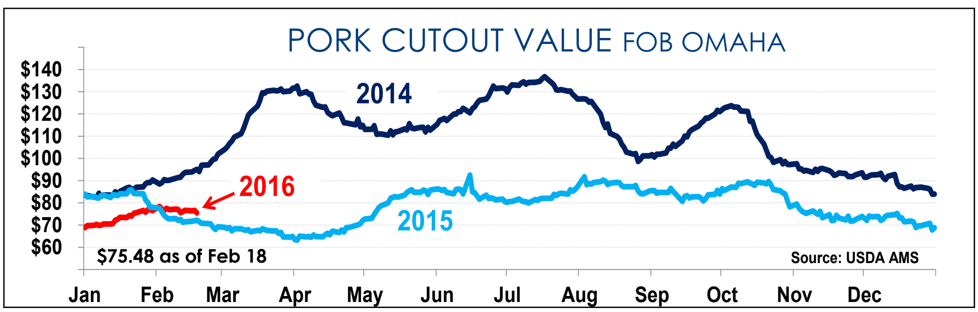
Year	Beginning Stocks	Production	Consumption	Ending Stocks	Stocks/Use Ratio
2008/09	62.77	108.30	108.3	62.72	57.9%
2009/10	62.72	103.36	118.3	47.78	40.4%
2010/11	47.78	117.63	114.1	51.34	45.0%
2011/12	51.34	127.42	104.3	74.42	71.3%
2012/13	74.42	123.88	106.6	91.74	86.1%
2013/14	91.74	120.41	109.1	103.07	94.5%
2014/15	**103.07**	**119.15**	**110.06**	**112.17**	**101.9%**
Change from January	**0.00**	**0.00**	**-0.10**	**0.10**	**0.2%**
2015/16	**112.17**	**101.38**	**109.47**	**104.08**	**95.1%**
Change from January	**0.10**	**-0.17**	**-1.30**	**1.22**	**2.2%**

* Values in million 480-pound bales; bold numbers are USDA projections.

HOGS







COMMENTARY

This was a mixed, choppy week for lean hog futures, which were pressured by speculative profit taking, but found support from further cash market strength. The week ended poorly as nearby April futures failed after breaking out to a new high for the upward move on Thursday and were hit with significant technical selling.

Cash prices did weaken on Thursday and were soft on Friday with most packers having near-term needs well covered. Hog marketings backed up by winter weather are now moving, so pressure on prices may ease as producers catch up. On a per-slaughter-day basis, 2016 pork production is running about 2.2% ahead of last year, versus USDA's latest forecast for Q1 output to be up 1.9%. Pork production this week was ample to meet demand with the weekly slaughter set to run just under 2.30 million head, up 1.1% from last week and about 9.8% from last year.

Futures may stay choppy near term with April holding a modest $3-$4 premium over the CME cash index and the cash outlook still relatively firm. Key chart support is at $67.90 April, with resistance above $72.00. June futures still have resistance at $81.00 and a June close below $78.10 would be bearish. June hogs look slightly overpriced, but Q2 pork output should be only marginally above a year earlier and demand is looking stronger (USDA sees a 3.6% rise in annual pork exports), so USDA's Q2 price forecast of $54-$58 live ($67.50-$73.00 dressed) might be a bit low.

Hedgers' Strategy: Hedgers exited Q1 hedges on Thursday, but remain short June futures against 50% of Q2 sales, and Oct. hogs against 50% of Q3 sales.

COMMENTARY

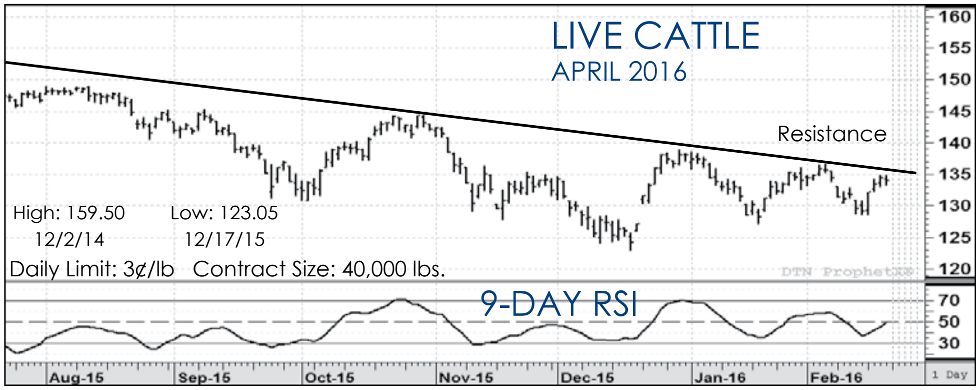
Cattle futures recovered significantly in the shortened trading week, surging higher coming out of the President's Day weekend on hopes for higher cash trade and strong U.S. stock markets. Live cattle contracts extended gains on Wednesday and Thursday before some profit taking hit ahead of USDA's monthly Cattle-on-Feed report. Feeder cattle futures also surged on Tuesday, but could not extend gains amid firm corn prices and demand uncertainty.

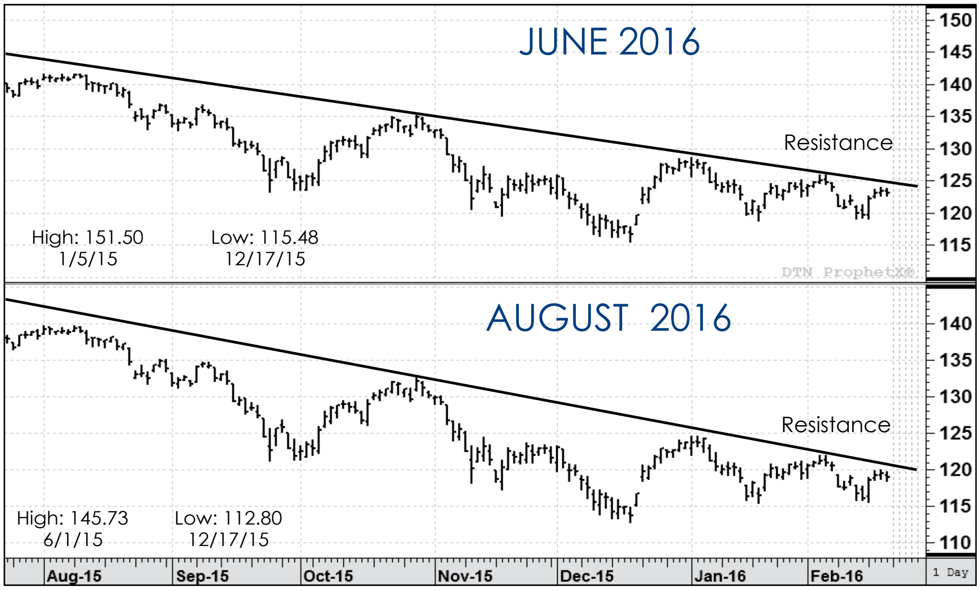
Most-active April live cattle gained nearly $5 on the week, but were unable to push past key trend-line resistance near $135.00, leaving the further upside in doubt. However, an April close above $134.88 could open another $2-$4 of upside. June futures are also sitting just under trend-line resistance and a close above $124.00 could mean another $2-$4 upside for that contract.

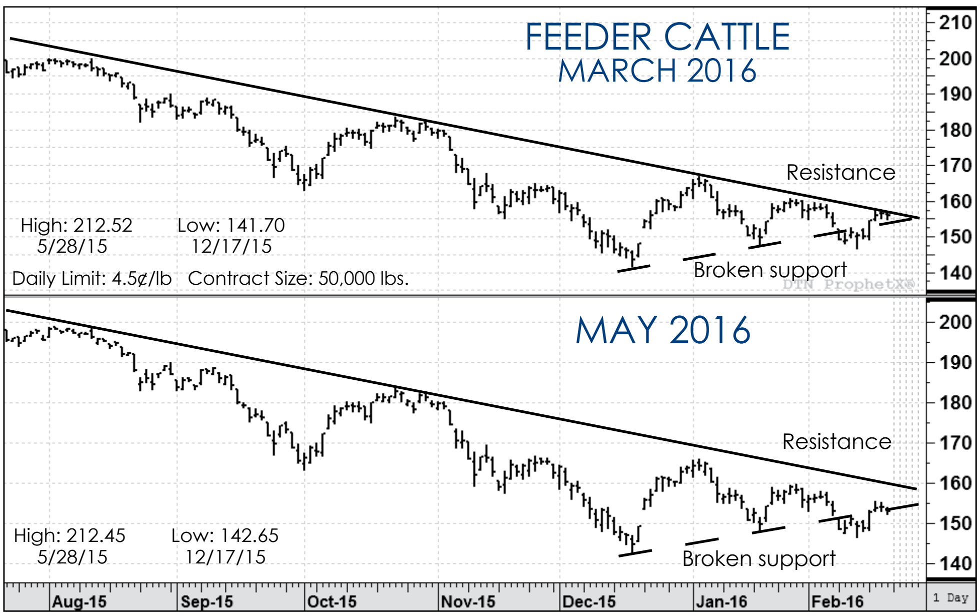
Plains cash cattle markets had not traded as of midday on Friday, but looked poised to trade steady to higher with packers bidding $132 per cwt. on a live basis in the southern Plains versus last week's $133 trade, and feedlots seeking $136-$138. Supplies of market-ready cattle are tightening after six months of year-over-year declines in placements, but packer margins remain negative and seasonal strength in beef demand ahead of the spring grilling season is needed to boost prices.

Friday's USDA report on average was expected to show January placements at 99.0% of a year earlier, which would be the seventh straight year-over-year decline in monthly placements. January feedlot marketings were on average seen at 98.4% of a year earlier, with the Feb. 1 feedlot inventory little changed from 2015.

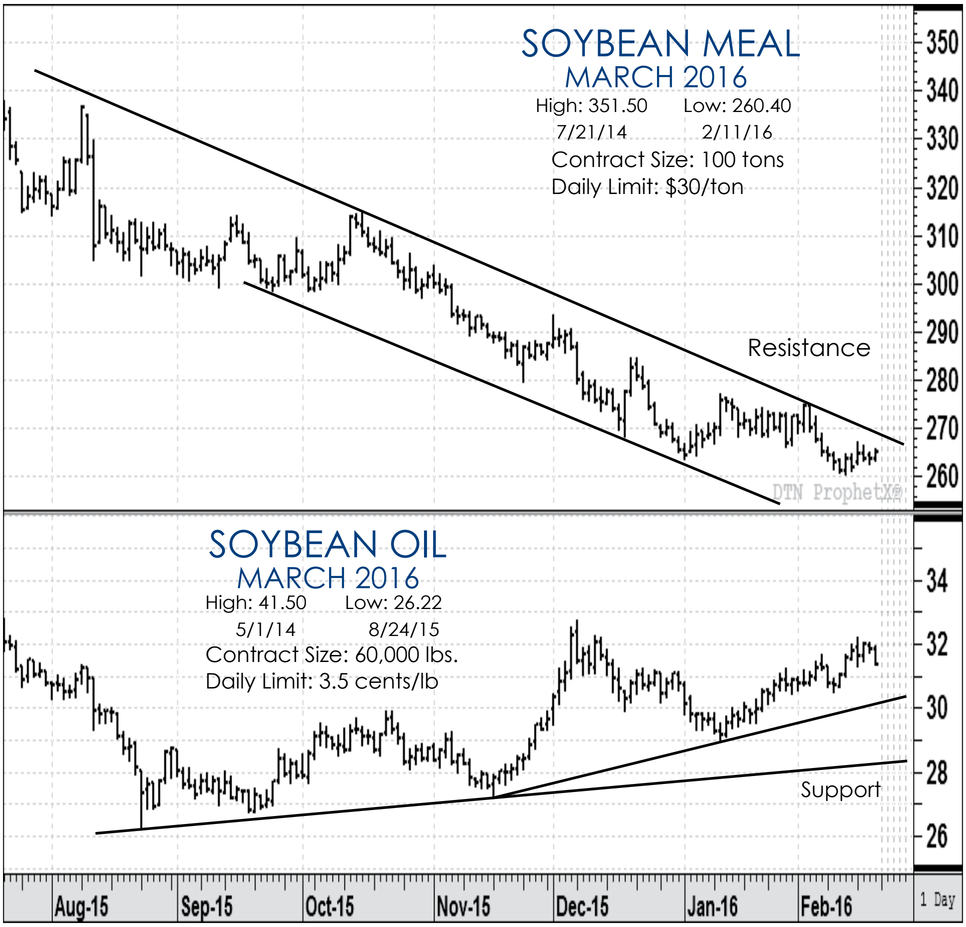
Hedgers' Strategy: Live cattle hedgers exited their April futures hedge this week, but remain short June live cattle on 25% of Q2 marketings. Feeder cattle sellers are short May feeder cattle futures on 25% of Q2 sales. Feeder cattle buyers remain aside futures.

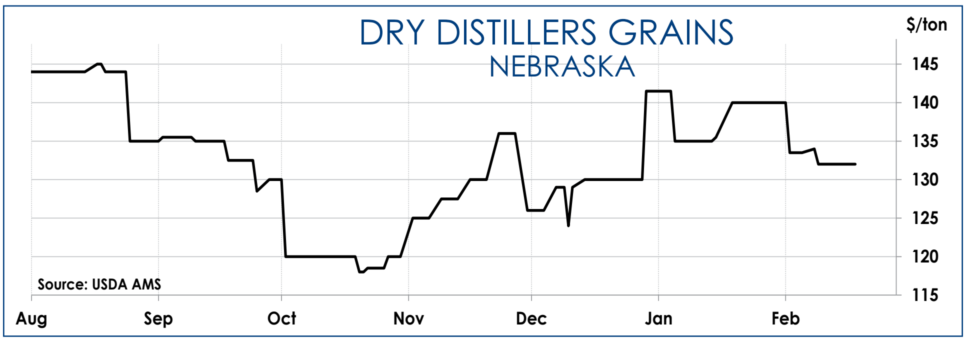


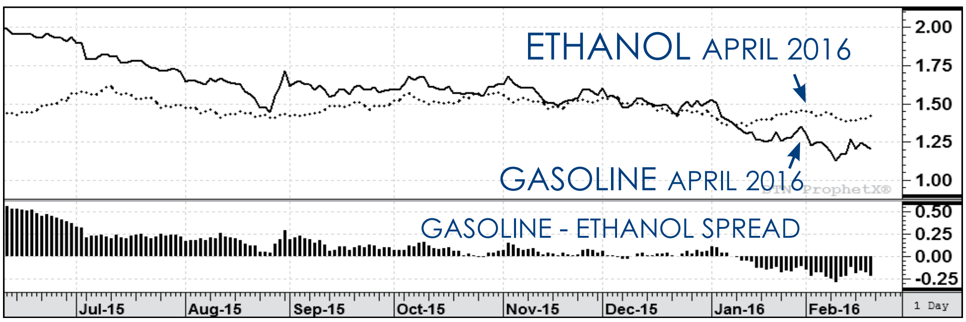




FEED/INPUTS







COMMENTARY

Feeds: Soybean meal futures were choppy but ended higher on the week as the market rebounded from the six-year low set last week. That drop in price has stimulated a little demand as buyers look further out to make purchases. Meanwhile the weak crushing margins and slowed crushing pace as showed in the latest NOPA crush report has tightened up supplies. However export demand remains limited amid strong South American competition.

Distiller dried grains prices were firm in the latest week. Eastern Corn Belt prices were steady to up $4. Prices in the western Corn Belt, which have lagged behind the east, also strengthened, with gains of as much as $10 per ton in Nebraska and South Dakota.

Fertilizer: Prices for nitrogen fertilizer are starting to firm, and demand is picking up for ammonia in winter wheat production areas. Phosphate prices have remained soft but are likely to start firming as well as spring demand picks up and logistics concerns grow. The potash market remains soft on light demand.

Fuels: Crude oil prices were higher for much of the week, propelled initially by an agreement by some major producers to freeze production. That agreement however is contingent on Iran's involvement, and they have indicated they will not participate. By the end of the week crude futures were near unchanged. Supplies of crude and crude products remain burdensome. Meanwhile despite a big drawdown in storage, natural gas futures fell sharply on warm winter weather, setting new contract lows.

COMMENTARY

Global equity markets rebounded 2-4% or more from multi-year lows, following dovish comments from the head of the ECB and the Bank of Japan. Despite unprecedented easing measures including negative interest rates, GDP contracted 0.4% in Japan in the 4th quarter and grew by just 0.3% in the Eurozone. The outlook for 2016 is not much brighter. The OECD cut its estimates for global growth by 0.3% to 3.0% this year and to 3.3% for 2017. For the U.S., projected growth was slashed by 0.5% to just 2.0% for 2016 and by 0.2% to 2.2% for 2017.

Many U.S. economic reports confirm the OECD's downgrade. The Conference Board's index of leading economic indicators for January fell for the 2nd month, as did housing starts and building permits. In the factory sector, regional surveys from the Philadelphia and New York districts showed contraction for the 6th and 7th month respectively. Although Industrial Production jumped 0.9% in January, the headline number was deceptive in that the prior month comparison was revised 0.3% lower, and a 5.4% jump in utility output was due to a cold January following a warm December. Hence, the big headline number did not reflect strong economic growth.

Saudi Arabia, Russia, Venezuela and Qatar have reached a tentative agreement to freeze oil output at January levels, contingent upon other major producers agreeing to join the freeze. These 4 countries collectively produce roughly 30% of the world's oil. April crude is trading slightly lower on the week, recognizing that a production freeze, even if it materializes, only perpetuates the glut for the balance of the year.

Gold found support at its 10-day moving average, keeping the uptrend intact. April gold has closed above its 10-day average every day for a month.

SPECULATIVE POSITIONS

	Current Positions	Open P/L	Closed P/L
Corn	None	$0	$638
Soybeans	L2SX6 $8.80 puts S4SX6 $9.60 calls	($1,246)	($4,100)
Wheat	None	$0	($1,150)
Cotton	L1CTZ6 @ 60.10	($190)	$0
Feeder Cattle	None	$0	($4,850)
Lean Hogs	S1HEM6 @ $79.25	($420)	$0
Heating Oil	L1HOJ6 @ 1.0741	($668)	$0
E-Mini S&P 500	S1ESH6 @ 1901.00	($775)	$5,975
2016 Total Profit (Loss) as of 2/18/16:		($2,879)	($3,488)

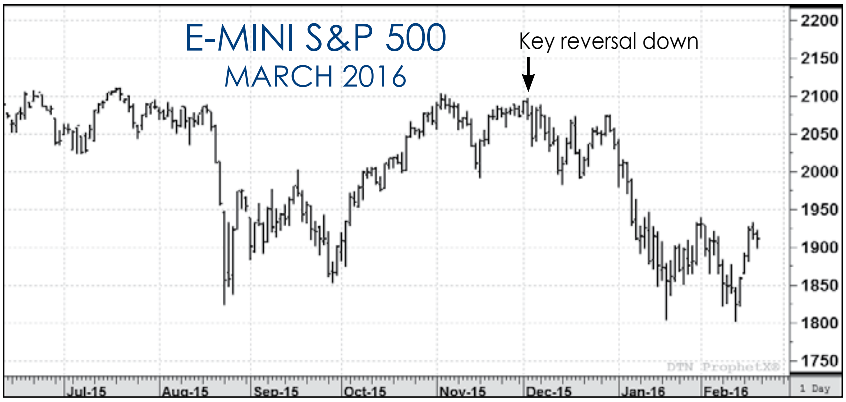
2015 profit: $11,349; 2014 profit: $17,316

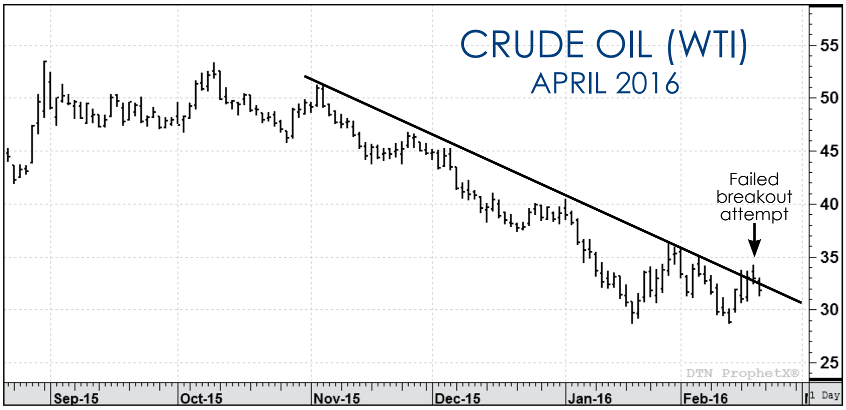
Recommendations from 2/12/16 through 2/18/2016:

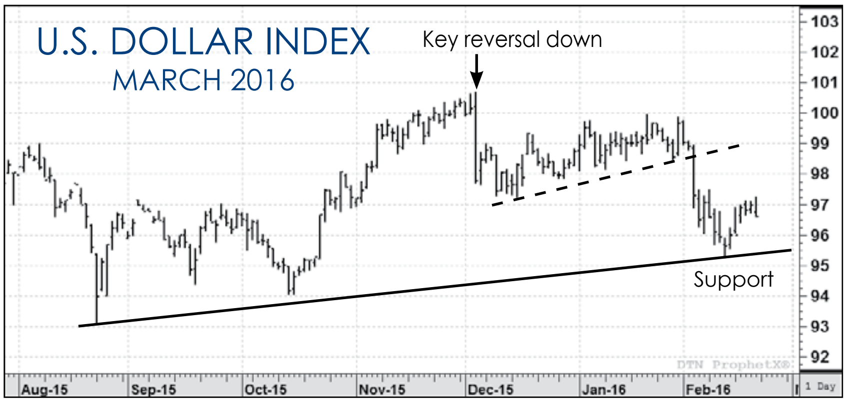
2/12/16: Bought 1 April 2016 heating oil @ $1.0741 to open

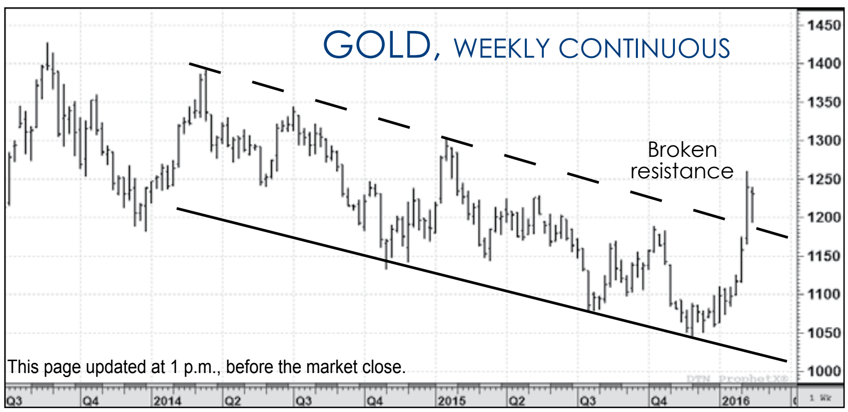
2/18/16: Bought 1 December 2016 cotton @ 60.10 to open

There is a risk of losses as well as profits when trading futures and options. Position size is based on account size of $60,000. Profit/(loss) does not include brokerage commissions.









BROCK REPORT POSITION MONITOR

THE WEEK AHEAD

USDA will release its January Cold Storage report on Tuesday. On Thursday and Friday USDA will hold its annual outlook forum in Washington, where the agency's chief economist will issue new acreage and price outlooks. At times these outlooks can be market moving. Reports tied to the broader economy include Consumer Confidence and Existing Home Sales on Tuesday; New Home Sales on Wednesday; and a revised fourth-quarter GDP estimate on Friday.

CORN

	15/16	16/17	17/18
Strictly Cash	70%	10%	0%
Hedgers Cash	70%	0%	0%
Hedgers F&O	0%	20%	10%

SOYBEANS

	15/16	16/17	17/18
Strictly Cash	80%	10%	0%
Hedgers Cash	80%	10%	0%
Hedgers F&O	0%	20%	0%

WHEAT

	15/16	16/17	17/18
Strictly Cash	100%	0%	0%
Hedgers Cash	100%	0%	0%
Hedgers F&O	0%	0%	0%

RICE

	15/16	16/17	17/18
Strictly Cash	70%	0%	0%
Hedgers Cash	70%	0%	0%
Hedgers F&O	0%	0%	0%

COTTON

	15/16	16/17	17/18
Strictly Cash	60%	0%	0%
Hedgers Cash	60%	0%	0%
Hedgers F&O	0%	0%	0%

LIVESTOCK

HOGS	16-I	16-II	16-III	16-IV
Futures	0%	50%	50%	0%
Options	0%	0%	0%	0%

CATTLE	16-I	16-II	16-III	16-IV
Futures	0%	25%	0%	0%
Options	0%	0%	0%	0%

FEEDERS	16-I	16-II	16-III	16-IV
Futures	0%	25%	0%	0%
Options	0%	0%	0%	0%

MILK	Feb	Mar	Apr	May
Cash	0%	0%	0%	0%
Futures	0%	0%	0%	0%

FEED PURCHASES

CORN	16-I	16-II	16-III
Cash	100%	0%	0%
Futures/Options	0%	50%	0%

MEAL	16-I	16-II	16-III
Cash	100%	0%	0%
Futures/Options	0%	0%	0%

CONTACT US

For more information or customer service:

Brock Associates
2050 W. Good Hope Rd., Milwaukee, WI 53209
Call 414-351-5500 or toll-free 800-558-3431
Email: breport@brockreport.com

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