The USDA April crop report did not raise any eyebrows as WASDE did what was needed in adjusting US corn/wheat feed use lower (following the March stocks report) while slightly raising US soybean exports. Record large world wheat stocks and modest increases in world corn and soybean stocks were also noted. The bottom line is that we all should forget the April USDA report and get back to what really matters – US and Northern Hemisphere weather! The world has an abundance of corn, soybeans and wheat, it's new crop that now counts. The initial growing seasons for Europe, Russia, E Europe, China and the US all look favorable. The only real concern rests with dryness across W Canada where rainfall is needed to help ease drought concern. The 2016 crop year is starting out much better than prior years and European, Russian and US farmers are very upbeat on their 2016 production outlooks. Record Russian and European wheat harvests are possible. Yet, in the past few weeks new money has been flowing into the Chicago grain room. On the close buying has been noted for the past three days as fund managers expand their exposure to soybeans – and more modestly in the grains. How much additional money has yet to be invested in the ags is being hotly debated? Unlike the 2007/08 timeframe, there is no bullish commodity super cycle or Government mandate on new biofuel use to spur large investment. The current fund buying is taking a shot on weather during the summer season. Our oversupply view on US and world corn, soybeans and wheat has not changed. Note the US balance sheets included in today's resumé. US 2015/16 corn stocks over 2,500 million bu would likely push December corn under $3.00.

The USDA in its April WASDE report raised US corn end stocks 25 million bu to 1,862 million. Somewhat surprisingly, the USDA incorporated weaker than expected feed disappearance through the first half of the year and reduced feed consumption 50 million bu. Partially offsetting this was a boost in ethanol's demand draw by 25 million bu to a record large 5,250 million. US weekly ethanol grind remains well above last year amid favorable margins, and despite elevated competition for sorghum, we are in agreement with the USDA's adjustment. The new crop balance sheet still features end stocks well above 2,700 million bu amid normal US weather, and though the market is beginning to debate potential yield losses in Brazil, it remains difficult to envision a bullish scenario in 2016/17 with December corn a sale above $3.85.

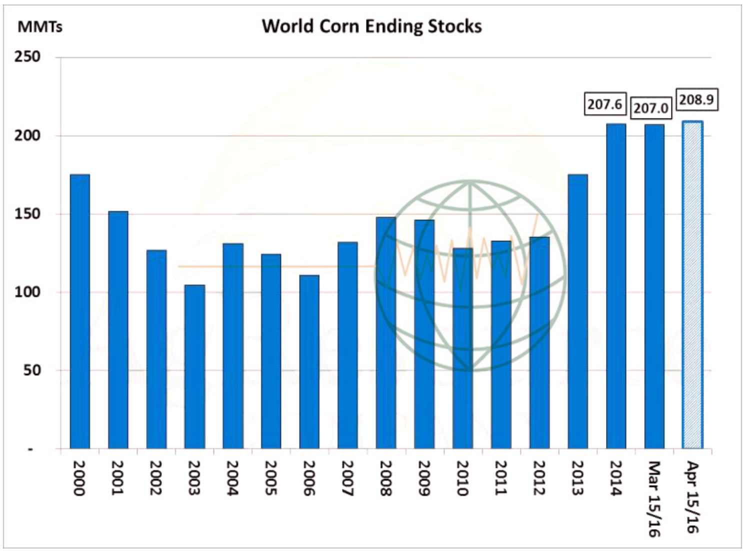
** US Corn Supply/Demand Balance:

---------- Mils of Acres/Bushels ----------

	USDA 2015/16	USDA *2016/17	Estimate 2015/16	Estimate 2016/17
Planted	88.0	90.0	88.0	93.6
Harvested	80.7	82.3	80.7	85.6
Yield	168.4	168.0	168.4	168.6
Production	13,601	13,825	13,601	14,440
Carryin	1,731	1,837	1,731	1,960
Imports	50	40	42	40
Total Supply	15,382	15,702	15,375	16,440
Feed/Resid	5,250	5,425	5,250	5,450
Indus/Seed	1,371	1,375	1,315	1,350
Ethanol	5,250	5,225	5,250	5,225
Exports	1,650	1,700	1,600	1,650
Total Use	13,521	13,725	13,415	13,675
End Stocks	1,862	1,977	1,960	2,765
Price	$3.55	$3.45	$3.55	$2.80

* Feb Outlook Conference

Price action in the coming weeks and months will be a function of N Hemisphere weather, but changes made to the world balance sheet are slightly bearish. Argentina's crop was boosted 1 million mt to 28 million, and exports were raised a substantial 2 million mt to a record large 19



million. Brazil's balance sheet was left untouched, but cuts to production and exports are expected in May if rains don't return to MGDS, Goias and Bahia. Major exporters' stocks were raised a modest 700,000 mt to 57 million mt, on par with last year, while global corn stocks were hiked to a new record 208.9 million mt. Funds hold a sizeable short position in Chicago, part of which will be covered amid Brazilian dryness, but there remains no shortage of US or world feed grain. Any lasting rally will likely stimulate Chinese exports into SE Asia in late 2016, and further boosts in acreage in Argentina, where acreage is already expected to expand 20-30% this autumn. New lows in corn are expected, but the path will be filled with periodic bounces. We remain bearish corn on 10-15 cent rallies.

Changes to the US soybean balance sheet were minimal, with the USDA raising their export forecast by 15 million bu and end stocks projected lower by a like amount. US soybean exports were increased by 15 million bu to 1,705 million with the USDA noting in their commentary that both global soybean demand and US export shipments were running slightly better than previously projected. Much of this "unexpected demand" was coming from China, though we note that as of last week, there was just 70,300 mt of sales to China and another 1.3 million mt of "unknown" yet to be shipped. US seed use was reduced 1 million bu to 95 million based on the results of the prospective plantings report, Sept 1 stocks were projected at 445 million bu. The USDA narrowed the season average price by adding $.25 to the bottom and taking $.25 off the top, with an average price of $8.75.

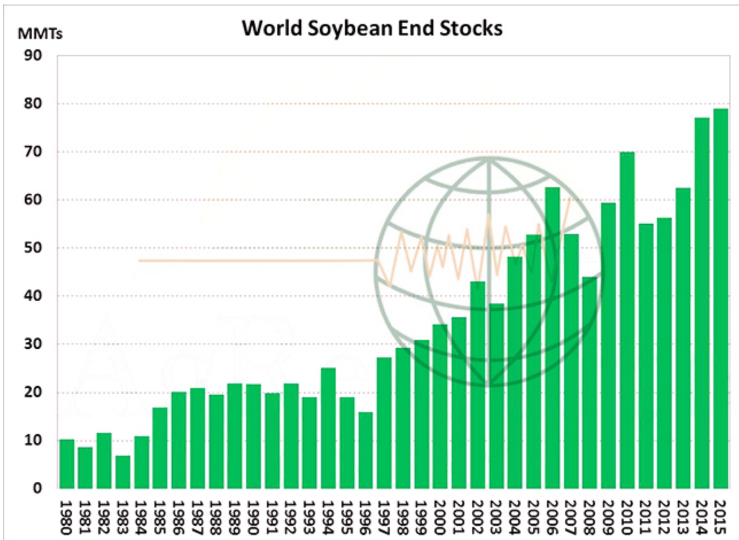
** US Soybean Supply/Demand Balance:

---------- Mils of Acres/Bushels ----------

	USDA 2015/16	USDA 2016/17	Estimate 2015/16	Estimate 2016/17
Planted	82.7	82.5	82.7	82.2
Harvested	81.8	81.6	81.8	81.3
Yield	48.0	46.7	48.0	46.5
Production	3,929	3,810	3,929	3,785
Carryin	191	445	191	475
Imports	30	30	35	35
Total Supply	4,150	4,285	4,155	4,295
Crush	1,870	1,900	1,855	1,860
Exports	1,705	1,825	1,685	1,725
Seed	95	96	96	95
Residual	34	31	44	50
Total Use	3,704	3,852	3,680	3,730
End Stocks	445	433	475	565
Price	$8.75	$8.50	$8.80	$7.80

The USDA made no changes to the soybean oil supply or demand estimates. October 1 stocks were steady at 2,185 million lbs, and while the season average Decatur, IL price range narrowed at $.30/lb (despite the recent rally in both cash and futures markets). The soybean meal balance sheet was also identical to March, with exports projected at 11.2 million short tons. It should be noted that there is a strong tendency for the USDA to underestimate total US meal exports in the April projections. Excluding the 2012 N and S American droughts, the April forecast has on average been within 300-400,000 tons of actual exports. Outstanding sales are 10% less than a year ago, but still the second largest on record. Recent cancellations are reflecting a shift in world demand to take advantage of cheaper S American soy prices.

There were no major changes to the global balance sheet in April, though 2015/16 beginning stocks increased slightly by 0.59 million mt, while world consumption was declined 0.38 million mt.



After some minor changes to world production and trade, global stocks increased slightly to a record large 79 million mt. The Brazilian soybean crop was unchanged at 100 million mt and the Argentine crop was increased by 500,000 mt to 59 million. The USDA increased the Chinese import estimate by a million to 83 million mt, though the annual crush rate was unchanged at 81.8 million mt. Based on the strong Oct- Apr Chinese crush total, we expect that the USDA crush forecast could still be 2-4 million mt too low. However, Brazilian and Argentine soybeans will likely fill all of this additional demand, with limited impact on global values. The soy world is oversupplied with Chinese crush margins negative.

US wheat end stocks were raised 10 million bu to 976 million bu, the highest since 1987. As expected, feed/residual use was lowered following NASS's quarterly stocks release last month, and additional, modest cuts to total consumption are expected in May. Also note that HRW stocks were raised 8 million to 428 million, and HRS stocks were hiked 296 million – a new 28 year high. The issue for the US wheat balance sheet is of course demand, and non-US surpluses continue to get larger. Coming rainfall across the Plains will go a long way in maintaining trend yield potential, domestic use will stay flat amid ample domestic feed grain supplies, and exports will rise only modestly along with global trade – and the US's share of world trade will stay flat or even decline in 2016/17. The market's goal over the next 12 months is to work through US end stocks of more than 1 billion bu, which will require ongoing deflated prices and further cuts in future US acreage.

** US Wheat Supply/Demand Balance:

---------- Mils of Acres/Bushels ----------

	USDA 2015/16	USDA *2016/17	Estimate 2015/16	Estimate 2016/17
Planted	54.6	52.0	54.6	49.6
Harvested	47.1	43.4	47.1	42.0
Yield	43.6	45.9	43.6	45.9
Production	2,052	1,991	2,052	1,925
Carryin	752	966	752	1,000
Imports	120	125	121	130
Total Supply	2,924	3,082	2,925	3,055
Food	967	974	970	975
Seed	66	69	66	65
Feed/Resid	140	200	124	125
Exports	775	850	765	825
Total Use	1,948	2,093	1,925	1,990
End Stocks	976	989	1,000	1,065
Price	$4.95	$4.20	$4.95	$4.05

* Feb Outlook Conference

Global wheat end stocks were raised 1.7 million mt to a new record 239 million mt – and world wheat stocks have been raised in 8 of the last 11 WASDE reports. Importantly, EU production was boosted another 1.5 million mt to a record 160 million, and EU end stocks (new crop carryover supplies) are pegged at 21 million mt, and another 158-162 million mt crop is being made amid higher seedings and nearly ideal weather. Research suggests that amid global trend yield and trend domestic demand growth, world stocks in 1206/17 will grow another 10 million mt, with stock-building to continue in most major exporting countries. The US will have to keenly compete with Russia, Ukraine and Europe in the months ahead, with Argentina to boost production (based on seedings) 20-30% in early 2017. Rallies will be hard fought moving forward, and wheat prices will likely continue to slide against corn as it tries to become a feed grain.