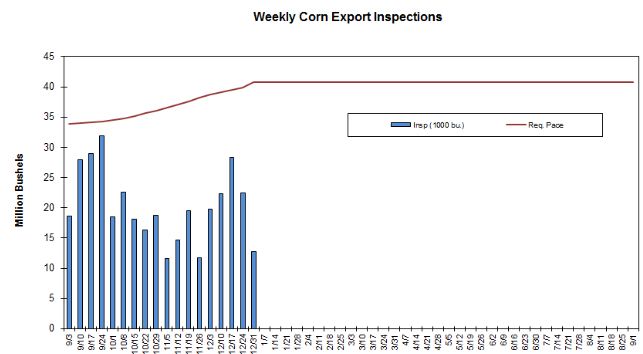
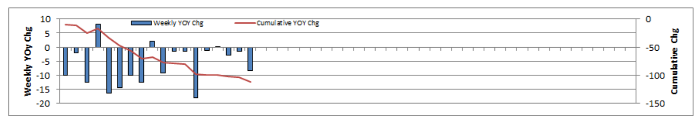
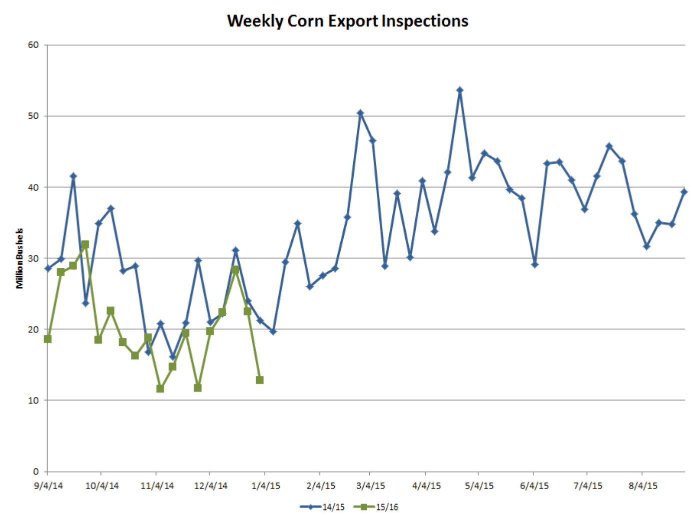
Opus LLC FUTURES

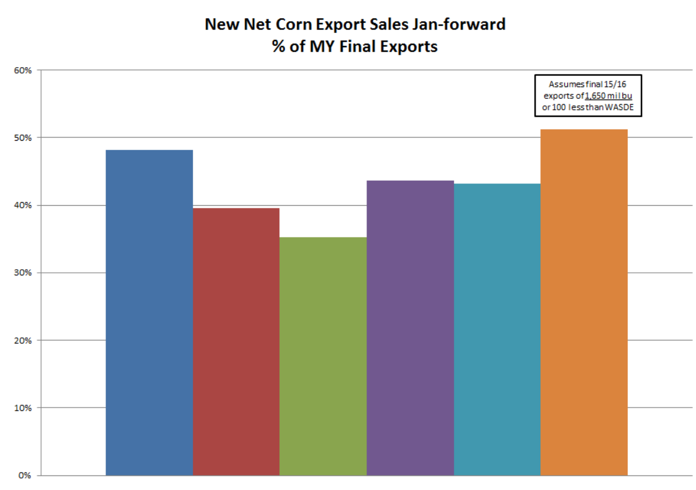
January 8, 2016

Agriculture Market Highlights:









Though the calendar says we've started a new year, the same underlying trends we've been discussing for the past few months remain present. If anything, this week's latest round of export data for corn has taken a turn for the worse. Consider the following:

Last year from the beginning of January through the end of the 14/15 marketing year, corn export inspections totaled roughly 1,300 mil bu. If we were to to assume that we'll ship the same total of corn from this point forward this year, 15/16 corn exports would total near 1,675 mil bu compared to the latest WASDE projection of 1,750 mil bu. Here is the problem with that simple math: this week's export sales data shows that current outstanding sales of corn stand at roughly 435 mil bu compared to roughly 580 mil bu at this time last year.

The 1,300 mil bu of 14/15 exports from this point forward last marketing year equaled roughly 220% of the outstanding sales figure at this point last year. What if we were to expect a similar performance this year? If total inspections this year were to come in at 220% of current outstanding sales, it would equal roughly 975 mil bu, which would point wards a total export figure of roughly 1,350 mil bu. I do not think corn exports will be this low, however, it clearly shows that the pressure is on the US to pick up the pace of sales if we are even going to come close to matching the current WASDE projection.

In order to achieve a 1,650 mil bu export figure for the year, we'd have to see new export sales of roughly 21.5 mmt (on top the 20.5 mmt of current commitments) which would be similar but slightly more than we saw from this point forward last year. As the attached graphic shows, such a level of sales

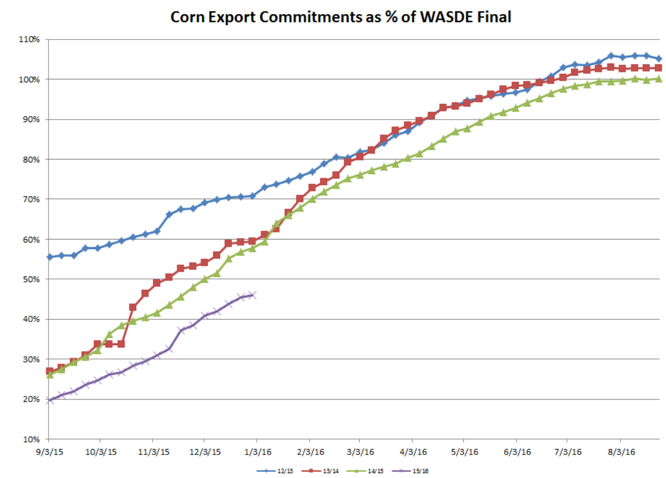
9047 Poplar Avenue, Suite 101, Germantown, TN 38138
newaccounts@opusfutures.com • Tel: 901-766-4446 • Fax: 901-766-4406

would represent the largest % of the total for this portion of the year in recent history (and also assumes no "rollover" sales, which is highly unlikely).

What are the odds that US corn sales going forward can match this relatively aggressive need? Well, it's no secret that Argentine FOB prices are well under US levels, and this is sure to keep a lid on US demand. The Brazilian corn line-up is declining but still strong and an active shipment pace should be seen there for at least another month. Neither of these facts suggest a significant improvement in US demand.

So with all of the above in mind, I view it as highly likely that WASDE continues to gradually shave away at their export projection and the resulting larger carryout estimate (along with slow demand) will continue to keep pressure on corn values. Ethanol will be an interesting situation to watch as well. Ethanol production has been running at a strong pace so far this year, but inventory levels are starting to build to large levels and margins are already very tight. I would not be surprised to see ethanol production rates fall off in the months ahead, but that is something we will just need to watch. Feed demand will see competition from increased use of DDGs and sorghum, and it seems possible that WASDE might be overstating feed demand as well. The bottom line is that the corn balance sheet is continuing to expand, and the soon-to-be-released new crop balance sheets are not likely to show much cause for optimism towards corn prices.

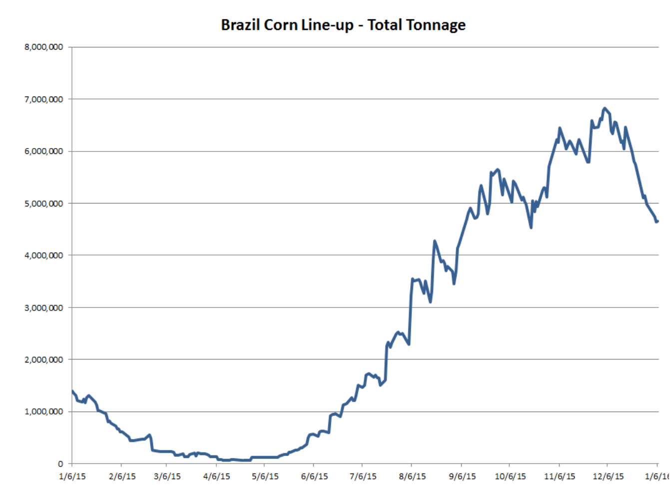
Moving on to a review of the soybean balance sheet, I have no major issue with the current WASDE projection for exports. I believe in the end the figure will likely turn out to be slightly smaller, but based on the information on hand *today*, WASDE certainly has enough justification to leave this figure alone for a while. The level of Argentine farmer selling in the months ahead



Corn FOB Comparison

USD/mt (as of 1/6)

	US	Arg
Jan	$ 161.90	$ 154.82
Feb	$ 163.08	$ 154.82
Mar	$ 162.69	$ 154.82
Apr	$ 162.79	$ 156.88
May	$ 162.79	$ 157.08



9047 Poplar Avenue, Suite 101, Germantown, TN 38138
newaccounts@opusfutures.com • Tel: 901-766-4446 • Fax: 901-766-4406

will likely be the final determining factor in whether the end result is slightly below or above the current projection.

That said, I do believe the WASDE soybean crush projection is overstated. Note the chart immediately to the right. It looks a bit "busy", but all this is showing is the typical seasonal pattern for US crush activity. As highlighted in yellow, the implied daily average crush rate usually peaks in November. As December has one more day than November, December is usually the peak total crush month of the year.

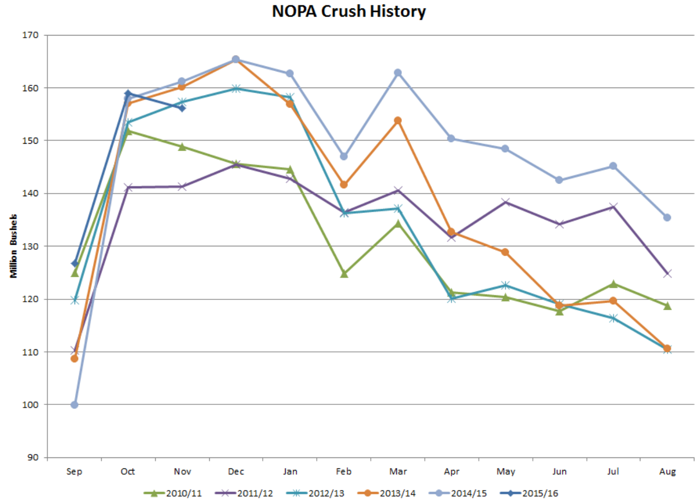
November saw an implied average crush rate of roughly 5.5 mil bu per day. For the sake of illustration, let's assume that this is the peak average daily crush rate for the marketing year (as noted above, this would follow the normal seasonal pattern). Let's now also assume the Dec-Aug monthly crush rates come in at their average percentage of the peak. While this is a less than perfect illustration, it would yield a total marketing year crush figure of roughly 1,810 mil bu, well below the current WASDE projection of 1,890 mil bu. I'll concede that such a low figure of 1,810 is not entirely probable, but it shows the current pace of crush does not support the current WASDE projection. With crush margins near their lowest levels in years, it seems unlikely that crushers will be highly aggressive with their production rates in the months ahead.

Meal demand appears to be especially suspect, specifically meal export demand. Meal export shipments typically peak in January, so it'll be interesting to see if the pace of exports can pick up a little this month. Thus far this year, meal shipments have been underwhelming. Taking a similar approach as mentioned above in corn, if we were to see the same level of meal sales from this point forward as we saw during the same period last year, total exports (assuming all

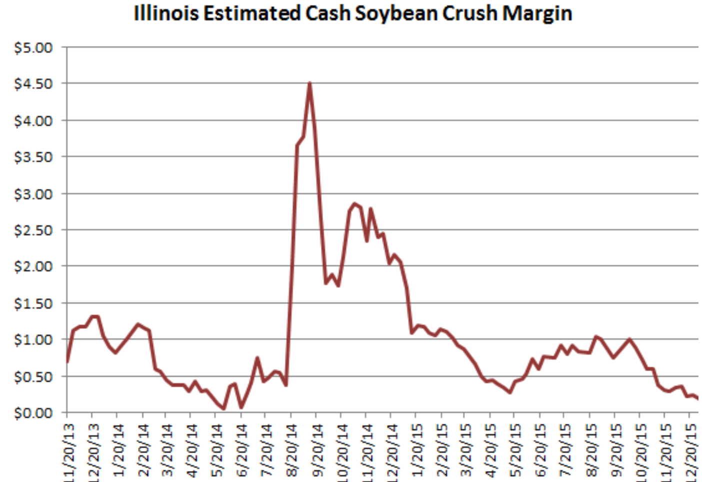
Implied Daily Average Crush Rate - Percentage of Marketing Year Peak

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Sep	93%	86%	67%	84%	76%	76%	68%	62%
Oct	99%	100%	94%	99%	94%	94%	95%	95%
Nov	**97%**	**100%**	**100%**	**100%**	**97%**	**100%**	**100%**	**100%**
Dec	100%	94%	99%	95%	96%	98%	100%	99%
Jan	98%	97%	98%	94%	95%	97%	95%	98%
Feb	99%	99%	99%	90%	100%	93%	95%	98%
Mar	95%	95%	90%	87%	93%	84%	93%	98%
Apr	93%	96%	82%	82%	90%	76%	83%	93%
May	92%	99%	77%	78%	92%	75%	78%	89%
Jun	88%	95%	79%	79%	92%	76%	74%	88%
Jul	85%	84%	75%	80%	91%	72%	72%	87%
Aug	78%	78%	74%	77%	83%	68%	67%	81%

NOPA Crush History

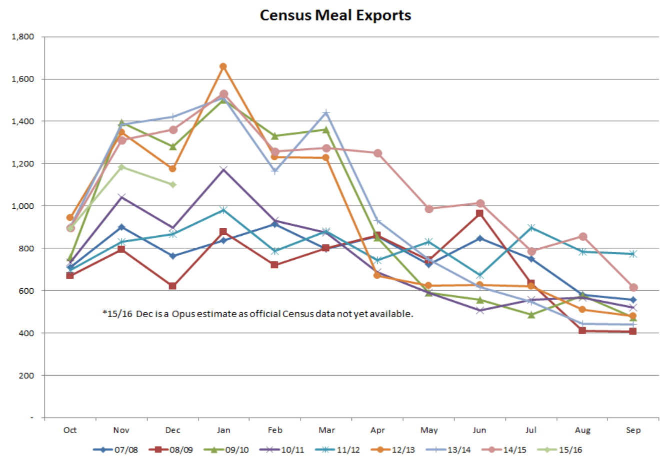


Illinois Estimated Cash Soybean Crush Margin

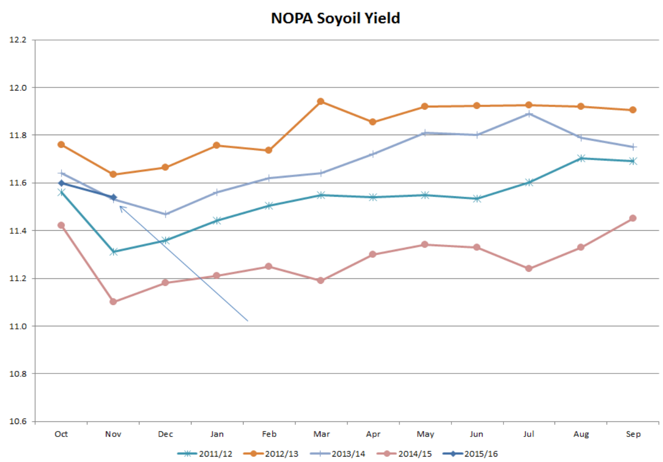


9047 Poplar Avenue, Suite 101, Germantown, TN 38138
newaccounts@opusfutures.com • Tel: 901-766-4446 • Fax: 901-766-4406

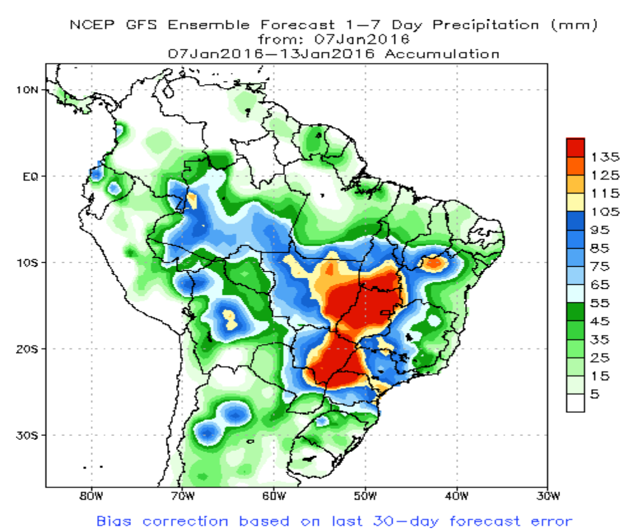
sales shipped with no rollovers) would come in around 13.36 mil tons, well short of the current WASDE projection of 11.85 mil tons. Whether or not that sort of sales pace is realistic with expectations of larger Argentine supplies...we'll see.



Again, it's not really my desire to correctly guess the pieces of the balance sheet, but rather to simply point out that WASDE has the ammo to cut their crush projection. The lower meal production would likely be offset by lower exports. The impact on the oil balance sheet is a bit less certain, but with WASDE likely to leave both biodiesel and exports alone for now, we could see oil carryout reduced. Still, soyoil carryout is projected to see a year-over-year increase so there is room for such an adjustment. It also appears that WASDE is using too low an oil yield in their production estimate. WASDE is assuming an oil yield of 11.56 but NOPA has shown an Oct yield of 11.60 and a Nov yield of 11.54. There is a tendency for the oil yield to improve as the year progresses (and as the crush rate slows down), and with that in mind a cut to the crush projection would not necessary equate 1:1 in an oil production cut.

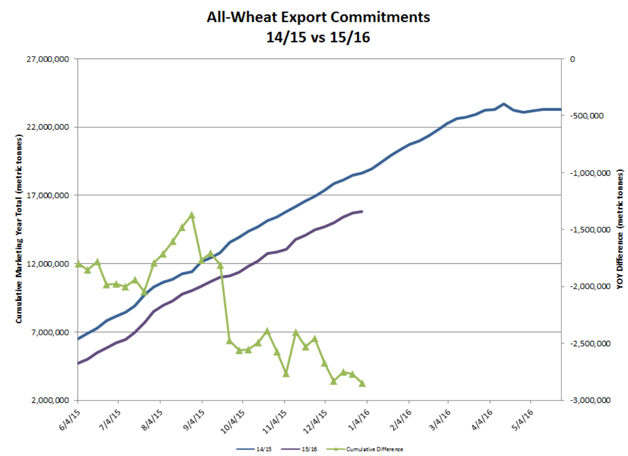


Again, the bottom line here is that soybean demand is not meeting current expectations and there should be further adjustments to the WASDE balance sheet ahead. This should keep soybean values under pressure in the coming weeks/months, assuming there are no major surprises out of South America. Production prospects look very solid in both Brazil and Argentina. Brazil dealt with some drier than normal conditions earlier in the season, but the weather pattern has shifted and overall production potential still remains strong. Argentina has enjoyed mostly favorable weather so far this year, and if anything I believe the market is still under-estimating Argentine production potential. As with every year, we'll need to keep our eyes

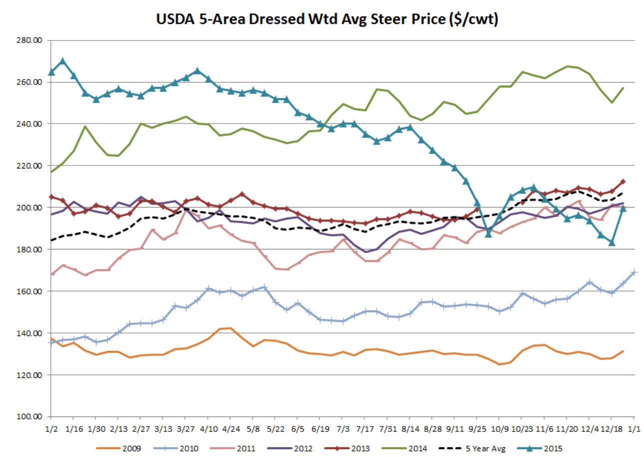


9047 Poplar Avenue, Suite 101, Germantown, TN 38138
newaccounts@opusfutures.com • Tel: 901-766-4446 • Fax: 901-766-4406

open for potential labor disputes such as the truckers' strike Brazil saw last year. Still, so long as there are no major surprises, the best window for US soybean demand appears to be closing, and demand to this point has disappointed.



For now I have no strong bias on wheat prices. US export demand remains virtually non-existent with ample lower-priced alternatives around the world. This would seemingly make wheat an easy short candidate, but there are some production situations I'm watching around the world right now (FSU and India, for examples) that have me sidelined for the moment.



We had some limited success trading live cattle from the long side last month, and this is something I'll be keeping my eye on through spring. Weather issues and a massive shift in feeding economics have made the potential for a spring shortage of cattle possible, and I maybe looking to enter into longs on dips.

Regards,
David Zelinski
Opus Futures, LLC

9047 Poplar Avenue, Suite 101, Germantown, TN 38138

newaccounts@opusfutures.com • Tel: 901-766-4446 • Fax: 901-766-4406