

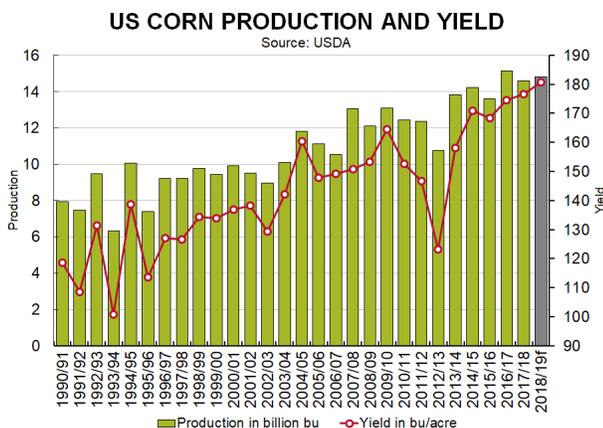
3 Key Messages

Below are the three main messages of this outlook report:

1. USDA's October crop report confirmed a heavy supply situation for U.S. corn and soybeans in 2018-19.
2. Corn and soybean futures were not pressured lower by the USDA news. Although there could be at least a little weakness ahead as the American harvest hits full stride, futures are indicating they have already mostly priced in this year's huge U.S. production.
3. In late September, Statistics Canada predicted large Ontario corn and soybean yields and production. This doesn't matter to U.S. futures but suggests there should be some attractive buying opportunities ahead for feed users. Based on recent harvest results, these opportunities could be particularly attractive for buyers able to use corn with elevated vomitoxin levels.

Corn: U.S. crop second biggest ever USDA pares yield forecast, still a record

In its monthly supply-demand report released Oct. 11, the USDA lowered the yield estimate slightly for this year's American corn crop, but the supply outlook remains heavy.



The USDA trimmed its average yield estimate to 180.7 bu/acre from 181.3 bu last month. If achieved that would still be a new record high. When combined with a small reduction in estimated harvested area, the lower yield resulted in a tiny 49-million reduction in the production forecast to 14.77 billion bu.

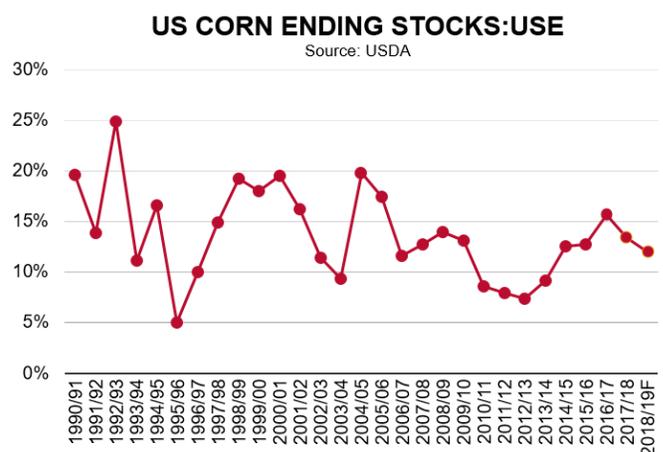
Also on the supply side, the USDA revised up the carryin from the 2017-18 marketing year, based on a Sept. 28 stocks in all positions report. That report placed nationwide corn stocks as of Sept. 1 at 2.14 billion bu, down 7% from the previous year but above the USDA's previous projection of 2.002 billion bu.

On the demand side, the USDA increased its export forecast for 2018-19 by 75 million bu from last month to 2.475 billion bu, reflecting competitive U.S. prices.

Add it all up and ending stocks for 2018-19 are projected at 1.81 billion bu, up a slight 39 million from last month but well below 2.14 billion bu in 2017-18.

The projected range for the season-average corn price received by producers is unchanged this month at US\$3 to \$4/bu.

Implication of U.S. corn data: The total supply in 2018-19 is seen up slightly from the previous year but strong demand will result in lower ending stocks.



When expressed as a percentage of expected use, U.S. corn ending stocks are forecast to decline for the second year in a row.

World corn ending stocks for 2018-19 are forecast at 159.4 million tonnes, up 2.3 million from September but well below 198.2 million tonnes a year earlier.

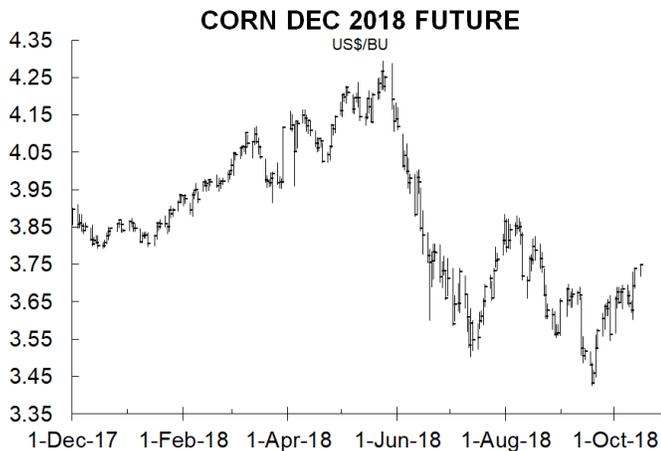
Looking ahead: The USDA is unlikely to make significant changes to its yield and production forecasts in its next monthly report due Nov. 9.

However, small changes will be made, and the estimates will be more reliable as more harvest results filter in. Harvest is still at a fairly early stage. By Oct. 7, only 34% of the U.S. crop was off. Progress has been slowed by heavy rain.

Futures up, despite news of heavy supply

Before the Oct. 11 USDA crop report came out, the December corn future was trading just over US\$3.62, up about 20 cents from the low made Sept. 18.

After the report came out - confirming the second largest U.S. crop ever - the December future turned higher. It is currently around \$3.74. This type of strength in the face of seemingly bearish news can sometimes be a sign an important low is forming.



Futures didn't fall on confirmation of big U.S. production

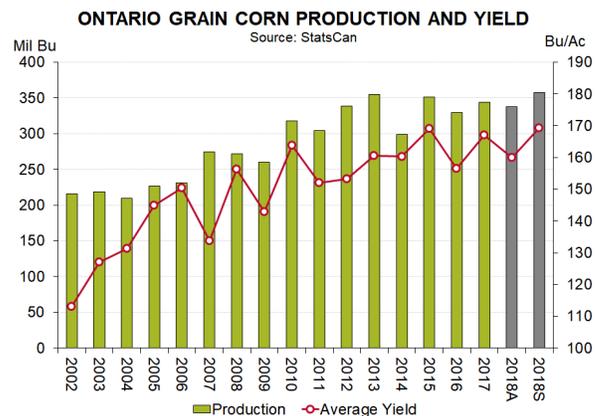
Outlook & seasonal tendencies: The timing of harvest lows for futures varies from year to year. In some years when production is large, as it is this year, futures have not bottomed until November. Even if that happens in 2018, corn futures may not drop below the low made last month. A choppy trading range could develop, but a major downtrend is unlikely.

Ontario: Big crop, but some quality concerns

According to a Statistics Canada report released Sept. 19, Ontario could produce a record-large corn crop.

This year's average corn yield is now estimated at a record 169.3 bu/acre. That is up from 160 bu in August and 167 bu the previous year.

With the increase in yield, Ontario production is estimated to reach 357.2 million bu (9.05 million tonnes), compared to 337.6 million bu (8.57 million tonnes) in August and 344 million bu (8.73 million tonnes) in 2017.



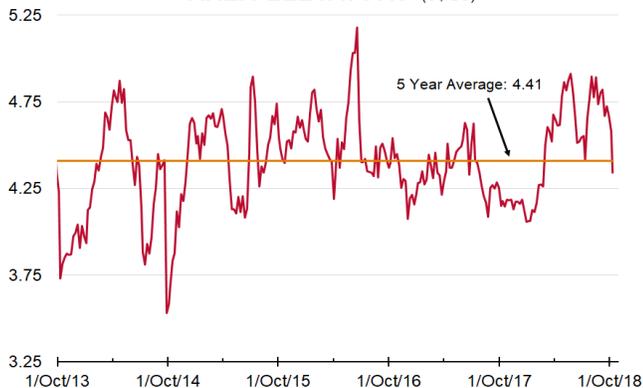
Ontario's corn output could set a new record!

Note: In the chart above, 2017A is the August forecast. 2017S is the one released in September.

Although we know this year's crop will be huge, quality will be an issue in some areas. Trade and government sources are reporting significant amounts of vomitoxin in parts of the province, including Middlesex, Huron and Lambton Counties. Blending will help resolve some of the quality issues but that takes time.

As word of the vomitoxin concerns spread, the corn basis was pressured in southwestern Ontario, setting up an attractive situation for feed buyers able to utilize lower quality corn in their feed rations.

**WEEKLY SPOT CORN PRICE AT LONDON
AREA ELEVATORS (C\$/BU)**



Pressure on the corn basis due to quality concerns is weighing on Ontario elevator prices in areas where significant amounts of vomitoxin are present. Prices are stronger outside of the affected areas, and for good quality farm-stored corn in all parts of the province.

Soybeans: Mountainous supply

U.S. supply forecast revised higher

In its October supply-demand update, the USDA placed the average U.S. soybean yield at a record 53.1 bu/acre, up from last month's forecast of 52.8 bu. However, production was essentially unchanged due to a reduction in harvested area estimate to 88.3 million acres from 88.9 million in September.

Despite the small 3-million bu reduction in the 2018 crop, total soybean supplies for the 2018-19 marketing year were revised up to 5.15 billion bu from 5.11 billion in September, based on a larger carryin from the previous marketing year. Last month's USDA grain stocks report estimated nationwide soybean stocks in all positions as of Sept. 1 (carryin) at 438 million bu, well above the USDA's previous estimate of 395 million bu.

U.S. ending stocks up again

With no changes on the demand side from last month, soybean ending stocks for 2018-19 came in at 885 million bu, up from 845 million last month.

The 2018-19 U.S. season-average soybean price for farmers was forecast at \$7.35 to \$9.85/bu this month,

unchanged from September.

Soybean meal price projections are also unchanged at US\$290 to \$330/short ton.

**SUPPLY-DEMAND US SOYBEANS
(billion bu unless otherwise specified)**

	2014-15	2015-16	2016-17	2017-18 Oct	2018-19 Oct
Acres Planted (Mln)	83.30	82.70	83.40	90.10	89.10
Harvested	82.60	81.70	82.70	89.50	88.30
YIELD (Bu/ac)	47.50	48.00	52.00	49.30	53.10
Carryin	0.09	0.19	0.20	0.30	0.44
PRODUCTION	3.93	3.93	4.30	4.41	4.69
Imports	0.03	0.02	0.02	0.02	0.03
TOTAL SUPPLY	4.05	4.14	4.52	4.73	5.15
Crush	1.87	1.89	1.90	2.06	2.07
Exports	1.84	1.94	2.17	2.13	2.06
Seed	0.10	0.10	0.11	0.10	0.10
Residual	0.05	0.02	0.04	0.01	0.03
TOTAL USE	3.86	3.94	4.21	4.30	4.27
ENDING STOCKS	0.19	0.20	0.30	0.44	0.89
Stocks to use	4.95%	4.99%	7.17%	10.19%	20.74%

Source: USDA October 11, 2018

2018-19 U.S. ending stocks are expected to double from 2017-18 to a monstrous 885 million bu!

Reminder: Yield estimates can still change. The U.S. harvest was only 32% complete as of Oct. 7.

Global soybean ending stocks for 2018-19 were projected at 110.04 million tonnes this month, up from 108.26 million in September and up from 96.65 million a year earlier.

The Argentina and Brazil soybean production estimates for 2018-19 (most of which will be harvested from February through April 2019) were both unchanged from last month at 57 million and 120.5 million tonnes, respectively. Point is, potential for a big production year.

Soybean futures firm, despite ongoing harvest

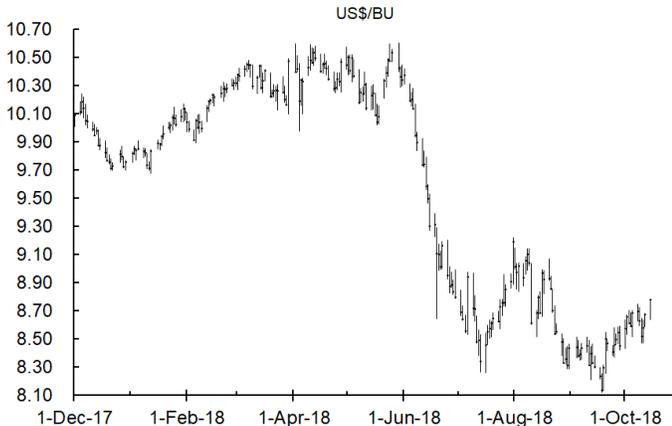
Soybean futures are up about 60 cents US from the low made in mid August.

Through approximately the first third of the U.S. harvest, the soybean and soybean meal futures markets have defied seasonal odds. Although the harvest might yet put some downward pressure on the market in the month ahead, there's an increasing chance the September low holds.

The longer-term outlook hinges mainly on the South

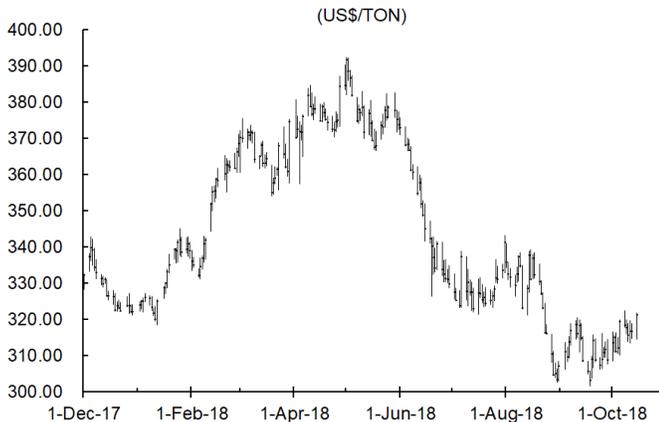
American crop. Seeding is off to a good start in northern and central Brazil. Seeded area may increase modestly compared to last year. However, it will be several weeks before South American weather becomes a key market factor.

SOYBEANS NOV 2018 FUTURE



Soybean futures probably bottomed just as the U.S. harvest began. Low-to-date was \$8.12 1/2 on Sept. 18.

SOYBEAN MEAL DEC 2018 FUTURE



Meal futures have been strong the past few weeks but could see a little pressure during the middle stages of the U.S. soybean harvest.

Ontario soybean and meal prices creeping up

Ontario soy prices have been trending higher since mid-September. Three main reasons are higher soybean futures, Chinese demand and a weak Canadian dollar, which have supported the basis.

WEEKLY SPOT SOYBEAN PRICE AT LONDON AREA ELEVATORS (C\$/BU)



Ontario soybean prices jumped the past few weeks but are still well below the 5-year average

While not a major price factor, Ontario could produce its largest soybean crop ever, according to the Sept. 19 forecast from Statistics Canada.

Ontario's crop was set at 147.1 million bu (4 million tonnes), up from 134.4 million bu (3.65 million tonnes) last month and 139.5 million bu (3.79 million tonnes) in 2017.

The average yield was revised up to 49.1 bu/acre from 44.9 bu in August and 45.6 bu last year.

Note: The Ontario soybean harvest is probably not yet half done due to regular rain delays. Yields to date have been excellent, hinting Stats Can could revise its production estimate up again in its next report, due Dec. 6, if harvest gets back on track.

WEEKLY SPOT SOYBEAN MEAL PRICE AT BULK PROCESSOR (C\$/MT)



Bulk soybean meal prices have worked higher over the past few weeks. Some pressure on the basis is likely over the next few weeks, as more soybeans reach the crushers.

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