

3 Key Messages

Below are the three main messages from this outlook report:

1. The USDA's monthly report released June 9 did not contain any major surprises. The data it contained continues to point to heavy soybean supplies ahead compared to expected demand. Corn could see some gradual tightening.
2. Weather remains critically important. The past few weeks have brought some concerns about dryness in the northern US Plains and some sections of the Midwest. Ontario has turned drier too.
3. Corn and soybean futures are showing a little strength due to the need to build in a "weather premium". This is a concern for feed buyers. However, it is offset somewhat by a higher Canadian dollar.

Corn: Modest tightening in 2017-18

Still on track for a comfortable supply ahead

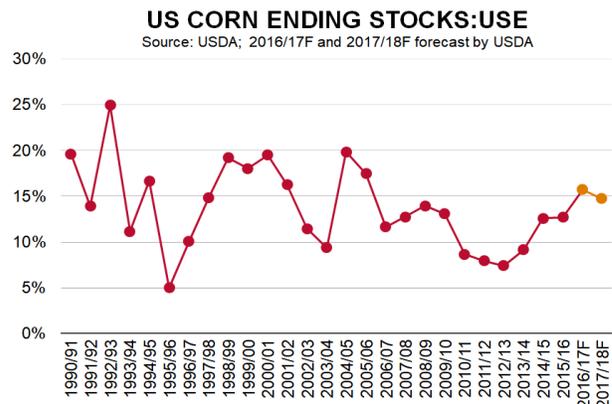
In the monthly supply-demand report released June 9, the USDA estimated 2016-17 and 2017-18 US corn ending stocks at 2.30 billion and 2.11 billion bu, respectively. Those forecasts were down slightly compared to last month.

SUPPLY-DEMAND US CORN (billion bu unless otherwise specified)

	2013-14	2014-15	2015-16	2016-17	2017-18
Acres Planted (Mn)	95.40	90.60	88.00	94.00	90.00
Harvested	87.50	83.10	80.80	86.70	82.40
YIELD (Bu/A.)	158.10	171.00	168.40	174.60	170.70
Carryin	0.82	1.23	1.73	1.74	2.30
PRODUCTION	13.83	14.22	13.60	15.15	14.07
Imports	0.04	0.03	0.07	0.06	0.05
TOTAL SUPPLY	14.69	15.48	15.40	16.94	16.41
Feed/Residual	5.04	5.28	5.12	5.50	5.43
Food,Seed,Ind.*	6.49	6.60	6.64	6.92	7.00
Exports	1.92	1.87	1.90	2.23	1.88
TOTAL USE	13.45	13.75	13.66	14.65	14.30
ENDING STOCKS	1.23	1.73	1.74	2.30	2.11
Stocks to use	9.16%	12.59%	12.71%	15.67%	14.76%

Source: USDA June 9, 2017

All other supply-demand numbers remained steady, including the 2017-18 corn planted area and output estimates of 90.00 million acres and 14.07 billion bu.



When expressed as a percentage of expected use, the 2017-18 corn supply is expected to be down slightly compared to 2016-17.

Key point: The USDA will release a very important US seeded acreage update on June 30. It will provide a *survey-based* estimate of corn area planted and a forecast of area harvested for grain.

World situation dominated by huge South American corn crop

Globally, the USDA raised its 2016-17 corn ending stocks estimate to 224.59 million tonnes, up from 223.90 million the previous month and 212.45 million the previous year, as total production increased roughly 2.00 million tonnes. The month-over-month increase in production was largely the result of a larger crop in Brazil, which is now pegged at 97.00 million tonnes, versus 96.00 million tonnes in May and just 67.00 million tonnes in 2015-16.

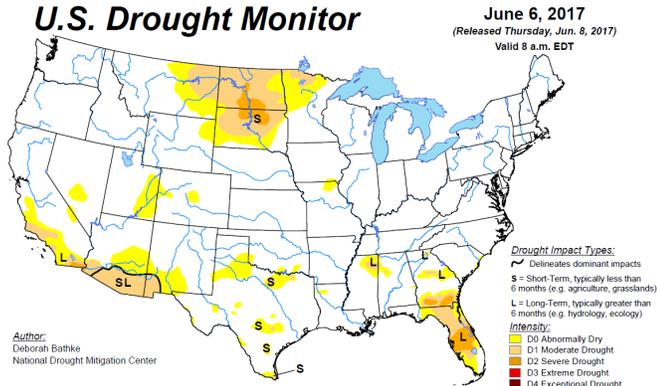
Argentina corn production for 2016-17 was left unchanged from May at 40.00 million tonnes.

As for global 2017-18 corn, the USDA lowered total production about 2.00 million tonnes to 1.03 billion tonnes, reflecting lower-than-expected planted area in France and Germany.

2017-18 world ending stocks came in at 194.33 million tonnes, down from 195.27 million last month.

Some US weather concerns

A lack of rain in late May and early June created some drought conditions on the northern Plains in the Dakotas and parts of Minnesota and Montana.

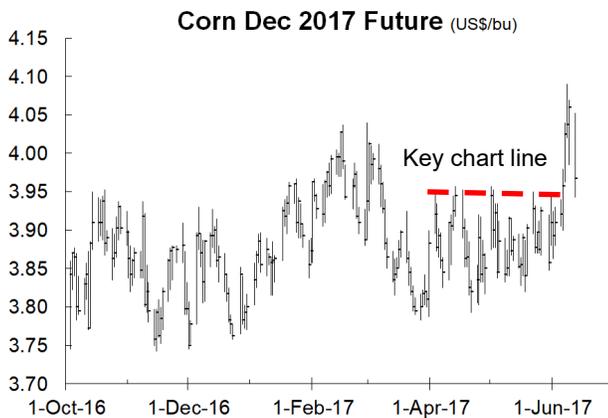


Unless rain arrives soon, the drought currently gripping the northern Plains could intensify - and spread into key US corn and soybean growing states

Futures volatile, watching US weather

In mid June corn futures burst out the top of the trading range they had been in since late 2016.

Fuel for the move higher came from the need to increase the weather premium in the market due to the US dryness mentioned above.



Futures showing some strength. Outlook highly dependent on weather

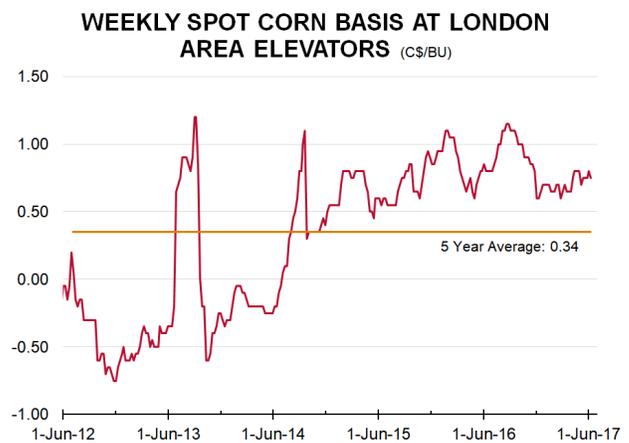
Across the US, the USDA rated 67% of corn in good or excellent condition as of June 11. That was down

from 68% the previous week, and well below the 75% good or excellent rating seen one year ago.

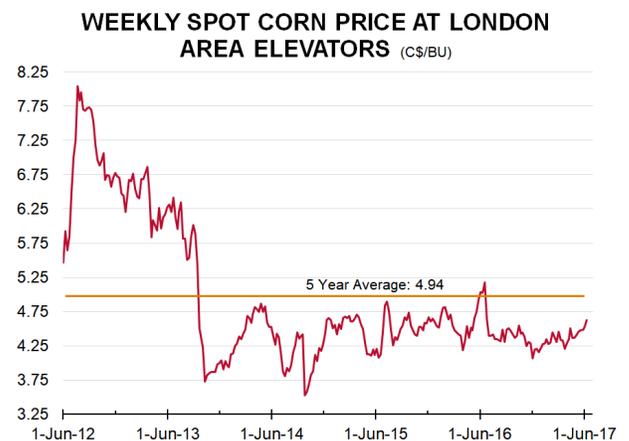
On Monday (June 12), futures encountered some selling as some rain worked into the forecast for dry sections of the US.

Ontario update

In Ontario, corn planting is now wrapped up, with any unplanted fields at this point now being switched to soybeans, said OMAFRA in its provincial crop report released June 8.



The Ontario spot basis has travelled sideways in recent weeks.



With higher futures and a steady basis, spot corn prices in Ontario have jumped to their highest in nearly a year.

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Soybeans: Lots of supply. Can demand keep up?

US crop looks huge. Lots on hand in Brazil.

In its June 9 supply-demand update, the USDA tinkered only modestly with its 2016-17 and 2017-18 numbers for U.S. soybeans.

For 2016-17, the USDA lowered its crush estimate by 15 million bu from last month to 1.91 billion bu. This resulted in an identical-sized increase in projected 2016-17 soybean ending stocks to 450.00 million bu.

With 2017-18 beginning stocks also raised 15.00 million bu to account for the heavier 2016-17 ending stocks, the 2017-18 marketing year ending stock projection was revised 15.00 million bu higher as well, to 495.00 million bu. So a big supply outlook got even bigger.

Price forecasts for 2017-18 are unchanged this month. The 2017-18 season-average price for soybeans is forecast at US\$8.30 to \$10.30/bu. Soybean meal prices are forecast at US\$295 to \$335/short ton.

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

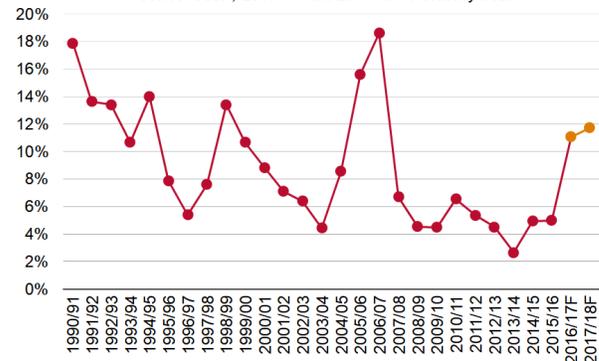
	2013-14	2014-15	2015-16	2016-17	2017-18
Acres Planted (Mln)	76.80	83.30	82.70	83.40	89.50
Harvested	76.30	82.60	81.70	82.70	88.60
YIELD (Bu/ac)	44.00	47.50	48.00	52.10	48.00
Carryin	0.14	0.09	0.19	0.20	0.45
PRODUCTION	3.36	3.93	3.93	4.31	4.25
Imports	0.07	0.03	0.02	0.03	0.03
TOTAL SUPPLY	3.57	4.05	4.14	4.53	4.73
Crush	1.73	1.87	1.89	1.91	1.95
Exports	1.64	1.84	1.94	2.05	2.15
Seed	0.10	0.10	0.10	0.10	0.10
Residual	0.01	0.05	0.03	0.01	0.03
TOTAL USE	3.48	3.86	3.94	4.08	4.24
ENDING STOCKS	0.09	0.19	0.20	0.45	0.49
Stocks to use	2.65%	4.95%	4.99%	11.03%	11.68%

Source: USDA June 9, 2017

The USDA's ending stocks forecast for 2017-18 took a step up this month.

US SOYBEAN ENDING STOCKS:USE

Source: USDA; 2016/17F and 2017/18F forecast by USDA



When expressed as a percentage of expected use, 2017-18 US ending stocks could be the highest since 2006-07.

South American production estimates up, again.

A much larger 2016-17 crop in Brazil is adding significantly more heft to the world soybean supply outlook, confirmed the USDA.

Estimated world soybean production for 2016-17 increased to 351.31 million tonnes from 348.00 million tonnes last month, helping to push projected 2016-17 soy ending stocks to 93.21 million tonnes, up from 90.14 million tonnes last month and just 77.13 million tonnes in 2015-16.

Projected 2017-18 global soybean ending stocks climbed to 92.22 million, well above 88.81 million last month.

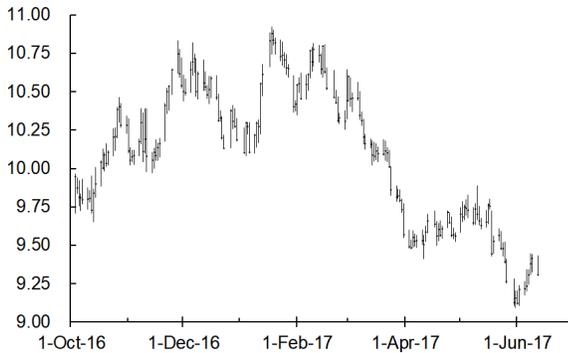
Soybean and meal futures up slightly

Soybean and soybean meal futures have received some support from an uneven start for this year's US soybean crop. Seeding and emergence have been slow in states such as Michigan, Ohio and Indiana.

Some of the bounce by futures the past two weeks can be attributed to the need to correct for heavy losses in early spring, which left technical indicators looking very oversold.

The overall outlook is such that any rallies will be tempered by heavy US soybean stocks on hand, and ideas that, when all is said and done, total US soybean production in 2017 will be abundant.

Soybeans July 2017 Future (US\$/bu)



Soybean futures have come up 25-35 cents US from the low made in early of June.

Ontario situation

OMAFRA estimated the soybean planting was 80% complete as of June 8. Heat this past weekend should help emergence and establishment, generally speaking.

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



The Ontario basis has slipped in recent weeks

The Ontario spot soybean basis has dipped in recent weeks. Pressure has come from a combination of lower soybean futures and a higher Canadian dollar, currently around 75 1/2 cents US, up more than 2 cents since early May.

Taking a longer-term view, the basis remains in the upper part of the range seen over the past five years, as shown above.

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



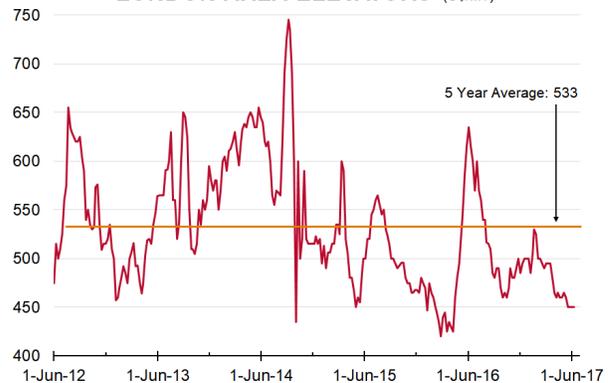
Similar to futures, spot soybeans in Ontario have crept up, the past couple of weeks. This after falling to their lowest since the spring of 2016.

Ontario meal prices stable after fall

Ontario meal prices have not bounced as much as meal futures the past couple weeks. That's because a rising Canadian dollar has weakened the basis.

Today's bulk soybean meal price fob the rail in Hamilton is C\$445/tonne. That's well below the five-year average price of \$534/tonne, as shown below.

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



Most of Ontario drying out slowly

After receiving much above normal rainfall in May, Ontario is slowly drying. Still, there are pockets of excess soil moisture (which is hampering planting efforts) in Eastern Ontario and neighboring Quebec.