

### 3 Key Messages

Below are the three main messages of this outlook report:

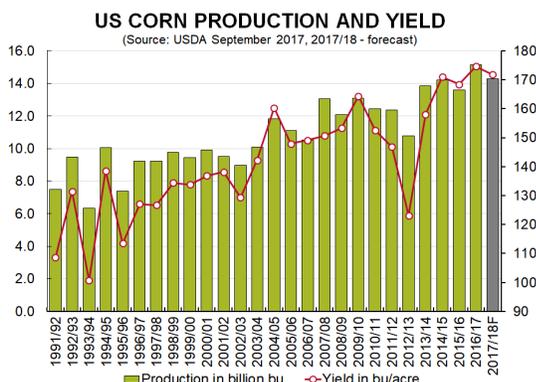
1. USDA's October crop report confirmed a very heavy supply outlook for US corn and soybeans in 2017-18.
2. Corn and soybean futures did not fall on the USDA news. Although there could be at least a little pressure ahead as the American harvest chugs on, futures are signalling that they quite possibly got low enough recently to account for this year's large US output.
3. In late September, Statistics Canada predicted very large Ontario corn and soybean yields and production. This doesn't matter to US futures, but suggests there should be some attractive buying opportunities ahead for feed users.

### Corn: US crop keeps growing

#### USDA raises yield forecast again

In its monthly supply-demand report released Oct. 12, the USDA ratcheted up its assessment of this year's US corn crop, but hardly changed its 2017-18 ending stock forecast.

The USDA raised its average yield estimate from last month, but lowered planted and harvested area. The net result was a 96-million bu increase in output to 14.28 billion.



Corn planted area for 2017 was revised down to 90.4 million. The previous estimate had been 90.9 million. Harvested area was estimated at 83.1 million acres, down from September's estimate of 83.5 million. The updated harvested area estimate is down 3.2 million acres from last year's 86.7 million. According to the USDA, acreage updates were made in several states based on a "thorough review of all available data."

The smaller acreage estimates were largely offset by an upward revision to the average yield, to 171.8 bu/acre from 169.9 bu/acre last month. If accurate, this will be the second highest corn yield on record, behind only 2016's yield of 174.6 bu/acre.

On the demand side, USDA bumped up its projected 2017-18 feed and residual use by 25 million bu from last month to at 5.50 billion bu. That's up from 5.46 billion in 2016-17, due to higher livestock numbers.

Add it all up and ending stocks for 2017-18 are set at 2.34 billion bu, up a slight 5 million from last month.

**Implication of US corn data:** The total supply is down slightly but ending stocks for 2017-18 appear to be on track to increase very slightly from 2016-17.

SUPPLY-DEMAND US CORN (billion bu unless otherwise specified)					
	2013-14	2014-15	2015-16	2016-17	2017-18
Acres Planted (Mln)	95.40	90.60	88.00	94.00	90.40
Harvested	87.50	83.10	80.80	86.70	83.10
<b>YIELD (Bu/A.)</b>	<b>158.10</b>	<b>171.00</b>	<b>168.40</b>	<b>174.60</b>	<b>171.80</b>
Carryin	0.82	1.23	1.73	1.74	2.30
<b>PRODUCTION</b>	<b>13.83</b>	<b>14.22</b>	<b>13.60</b>	<b>15.15</b>	<b>14.28</b>
Imports	0.04	0.03	0.07	0.06	0.05
<b>TOTAL SUPPLY</b>	<b>14.69</b>	<b>15.48</b>	<b>15.40</b>	<b>16.94</b>	<b>16.63</b>
Feed/Residual	5.04	5.28	5.11	5.46	5.50
Food, Seed, Ind.*	6.49	6.60	6.65	6.89	6.94
Exports	1.92	1.87	1.90	2.29	1.85
<b>TOTAL USE</b>	<b>13.45</b>	<b>13.75</b>	<b>13.66</b>	<b>14.65</b>	<b>14.29</b>
<b>ENDING STOCKS</b>	<b>1.23</b>	<b>1.73</b>	<b>1.74</b>	<b>2.30</b>	<b>2.34</b>
<b>Stocks to use</b>	<b>9.2%</b>	<b>12.6%</b>	<b>12.7%</b>	<b>15.7%</b>	<b>16.4%</b>

Source: USDA October 12, 2017

The projected range for the season-average corn price received by producers is unchanged this month at US\$2.80 to \$3.60/bu.

World corn ending stocks for 2017-18 are pegged at 200.96 million tonnes this month, down from 202.47 million in September and 226.9 million tonnes a year earlier.

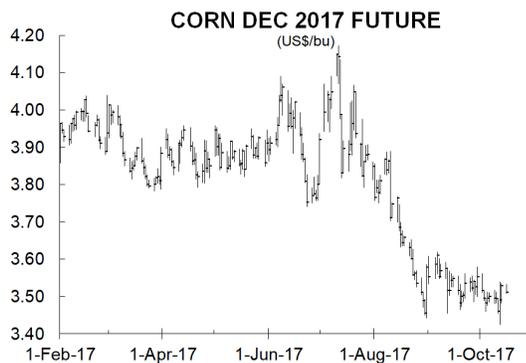
**Looking ahead:** The USDA is unlikely to make major changes to its yield and production forecasts in its next monthly report due Nov. 9.

However, small changes will be made, and the estimates will be more reliable as more harvest results trickle in. Harvest is still at an early stage. By Oct. 8, only 22% of the U.S. crop was off.

### Futures not falling, despite big supply news

Before the Oct. 12 monthly crop report came out, the December corn future was testing the low made in August at US\$3.24 1/2.

After the report came out - forecasting the second largest US crop ever - the December future turned higher. The lower open and higher close left a bullish reversal signal on the daily chart. This type of signal can sometimes be an early warning sign that an important low is forming.



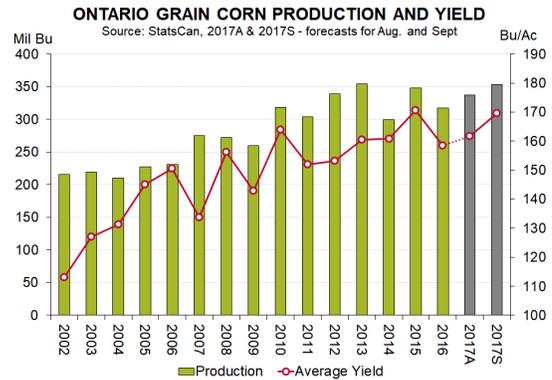
*Futures didn't fall on improved US production outlook*

**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 waited for November before bottoming. Even if that happens this year, corn futures may not fall a lot from current price levels (December future around \$3.50) but may not be able to show much strength either. A choppy trading range could develop.

### Ontario's crop looking big heading into harvest

According to a Statistics Canada report released Sept. 19, Ontario's corn crop in 2017 will reach 353.4 million bu. That's up from the August forecast of 337.0 million and last year's crop of 317.0 million bu.

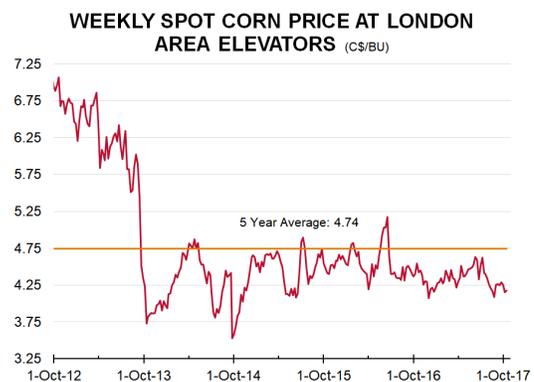
The average yield forecast was increased to 169.5 bu/acre from 161.6 bu last month and 158.5 bu a year earlier.



*Ontario's corn output could be the third largest ever!*

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

Ontario's crop benefitted from above normal temperatures during September and early August. This allowed later-planted fields to do some much needed catching. As of mid October, some corn has yet to reach maturity, meaning lots of farmers continue to hope the growing season doesn't come to an end soon. Lots of corn that is mature has moisture levels that are too high to harvest without incurring significant drying costs.



*Ontario spot corn prices are well below the five year average, as shown above. There is no incentive for farmers to rush into harvest as its more cost effective to allow the crop to dry down in the field (rather than pay commercial drying charges).*

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The Ontario spot corn basis is in a holding pattern following gains of 10-15 cents per bushel in late September at both the elevator and fob farm level. Most end users are reportedly covered on short-term needs and are now waiting for grain corn harvest to begin later in October before buying more. Farmers are generally busy with soybean harvest and aren't selling much corn. Meanwhile, the Cdn \$ is fairly quiet with a slight downward tilt, which is supporting basis levels.

## Soybeans: USDA Trims Ending Stocks US production forecast unchanged

In its October supply-demand update, the USDA held its 2017-18 U.S. soybean production forecast unchanged from last month at 4.43 billion bu. However, the USDA lowered its ending stocks forecast to 430 million bu from 475 million.

Although the USDA raised its 2017 soybean harvested area estimate by 800,000 acres from last month to 89.5 million, the potential resulting increase in output was offset by a 0.4-bu reduction in the average yield estimate to 49.5 bu/acre.

### US ending stocks dip

The 2017-18 ending stocks forecast was trimmed to 301 million bu from 345 million last month. The reduction reflected the latest US quarterly grain stocks estimate released on Sept. 29.

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	90.20
Harvested	76.30	82.60	81.70	82.70	89.50
YIELD (Bu/ac)	44.00	47.50	48.00	52.00	49.50
Carryin	0.14	0.09	0.19	0.20	0.30
PRODUCTION	3.36	3.93	3.93	4.30	4.43
Imports	0.07	0.03	0.02	0.02	0.03
<b>TOTAL SUPPLY</b>	<b>3.57</b>	<b>4.05</b>	<b>4.14</b>	<b>4.52</b>	<b>4.76</b>
Crush	1.73	1.87	1.89	1.90	1.94
Exports	1.64	1.84	1.94	2.17	2.25
Seed	0.10	0.10	0.10	0.11	0.10
Residual	0.01	0.05	0.02	0.04	0.04
<b>TOTAL USE</b>	<b>3.48</b>	<b>3.86</b>	<b>3.94</b>	<b>4.21</b>	<b>4.33</b>
<b>ENDING STOCKS</b>	<b>0.09</b>	<b>0.19</b>	<b>0.20</b>	<b>0.30</b>	<b>0.43</b>
<b>Stocks to use</b>	<b>2.65%</b>	<b>4.95%</b>	<b>4.99%</b>	<b>7.14%</b>	<b>9.94%</b>

Source: USDA October 12, 2017

**Reminder:** Yield estimates can still change. The US crop was only 36% complete as of Oct. 8.

The 2017-18 U.S. season-average soybean price for farmers was forecast at \$8.35 to \$10.05/bu this month, unchanged from September.

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

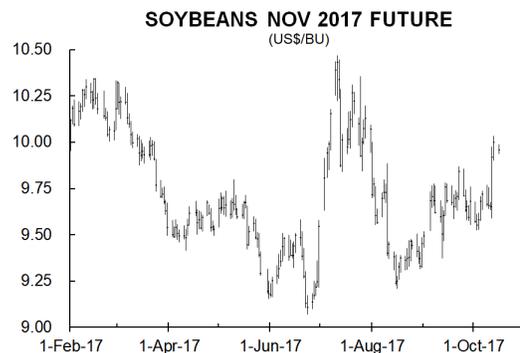
Global soybean ending stocks for 2017-18 were pegged at 96.05 million tonnes this month, down from 97.53 million in September but still up from 94.86 million a year earlier.

The Argentina and Brazil soybean production estimates for 2017-18 (most of which will be harvested from February through April 2018) were both unchanged at 57 million and 107 million tonnes, respectively.

### Soybean futures strong, despite ongoing harvest

Soybean futures are up 70-80 cents US from the low made in mid August.

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

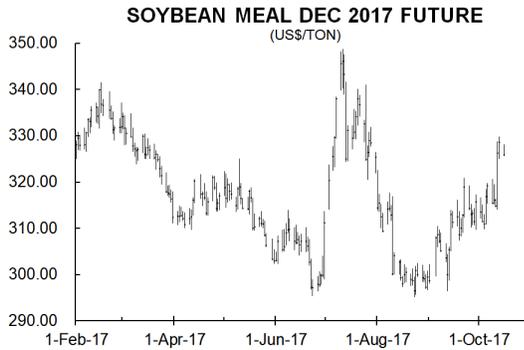


*Soybean futures probably bottomed before the US harvest began*

The longer-term outlook hinges mainly on the South American crop. Seeding is underway in northern Brazil. Dry soils had been holding up activity in some areas but moisture arrived recently. Seeded area may increase modestly compared to last year. It will

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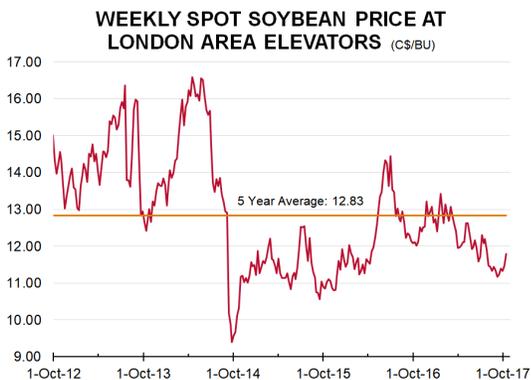
be several weeks before South American weather becomes a critical market factor.



*Meal futures are strong today but could see a little pressure during the last half of the US soybean harvest*

### Ontario soybean and meal prices pressured

Ontario soybean prices have been trending generally higher since early September, due to the combination of higher soybean futures and a still-weak Canadian dollar which has supported the basis.

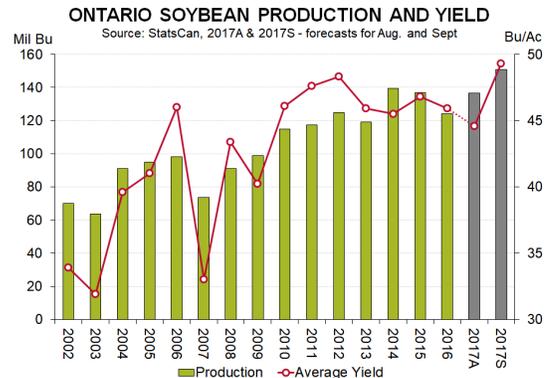


*Ontario soybean prices jumped the past few weeks but are still far below the 5-year average*

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 150.8 million bu, versus the August forecast of 136.6 million bu and 124.0 million bu in 2016.

The average yield was revised way up to 49.3 bu/acre from 44.6 bu in August and 45.9 bu last year.

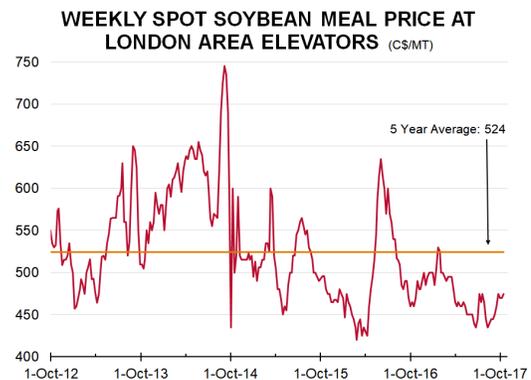


### Huge soybean crop forecast for Ontario

*Reminder: In the chart above "A" and "S" refer to the August and September forecasts, respectively.*

As this is written the Ontario soybean harvest is well advanced, with activity all but complete in the southwestern part of the province. Yields have been highly variable, depending on planting date and amount of rain received during the growing season.

Based on the variability in yields reported by farmers, Statistics Canada may be forced to trim its yield forecast in its next report, due December 6. Even if this occurs, total output could remain record high.



*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.*