

3 Key Messages

Below are the three main messages of this outlook report:

1. USDA's February crop report confirmed some tightening of U.S. soybean supplies. U.S. corn supplies remain ample, based on USDA's forecasts.
2. South America remains on track to produce extremely large corn and soybean crops. There are still some unknowns relating to weather and moving the crop to world buyers smoothly.
3. Corn, soybean and soybean meal futures have been under pressure in recent weeks. This is a favourable situation for feed buyers, all else equal.

Corn: Plenty of U.S. corn on hand

The USDA forecast 2019-20 U.S. corn ending stocks at 1.89 billion bu in its monthly report released on Feb. 11. That's down from an estimated 2.22 billion in 2018-19 but in line with last month's forecast and very high by historical standards.

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

	2015-16	2016-17	2017-18	2018-19	2019-20 Feb
Acres Planted (Mln)	88.00	94.00	90.20	88.90	89.70
Harvested	80.80	86.70	82.70	82.70	81.50
YIELD (Bu/A.)	168.40	174.60	176.60	176.40	168.00
Carryin	1.73	1.74	2.29	2.14	2.22
PRODUCTION	13.60	15.15	14.61	14.34	13.69
Imports	0.07	0.06	0.04	0.03	0.05
TOTAL SUPPLY	15.40	16.94	16.94	16.59	15.96
Feed/Residual	5.11	5.47	5.30	5.43	5.53
Food,Seed,Ind.*	6.65	6.89	7.06	6.79	6.82
Exports	1.90	2.29	2.44	2.07	1.73
TOTAL USE	13.66	14.65	14.80	14.23	14.07
ENDING STOCKS	1.74	2.29	2.14	2.22	1.89
Stocks to use	12.7%	15.7%	14.5%	15.6%	13.4%

Source: USDA February 11, 2020

U.S. ending stocks in 2019-20 are expected to be down from the previous three years, but still heavy.

There were no changes to the supply side of the U.S. balance sheet, and only very minor offsetting adjustments to the demand forecasts.

The forecast season-average corn price received by producers was unchanged from January at \$3.85/bu.

World corn production estimates rising

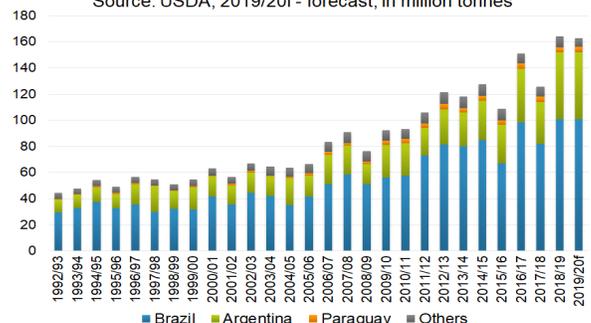
Global corn production for 2019-20 was increased by 0.8 million tonnes from last month.

Argentina's corn production forecast was left unchanged from last month at 50.0 million tonnes. Brazil's corn crop was also unchanged from last month at 101.0 million tonnes

With anticipated demand moving higher as well, world corn ending stocks for 2019-20 were forecast at 296.84 million tonnes. That's down about 1 million tonnes from the January forecast and below 320.47 million tonnes in 2018-19.

SOUTH AMERICAN CORN PRODUCTION

Source: USDA, 2019/20f - forecast; in million tonnes



With some first-season corn being harvested in Brazil, South America, as a whole, remains on track to produce its second-largest ever.

Note: Over the next six weeks, world markets will remain sensitive to changes to South American production forecasts and harvest results.

Futures stuck near their lows

Leading up to the Feb. 11 monthly crop report, the March corn future was within 15 cents US of its life-of-contract low made in September.

After the report came out, the March future did not react much.

In the big picture, March corn has been trading in a triangle-type chart formation since the 2019 harvest got underway. This pattern can be indicative of a market building energy for an eventual burst up or down.

The direction of the ultimate move will probably be decided by demand-related surprises for the U.S. corn market, along with developments in South America between now and the time corn is shipped to world buyers, primarily in April and May.



The March future is trading in a narrowing range. Watch for a move out the top or bottom of the range above!

Outlook & seasonal tendencies: The market is focused on South America and will remain so until at least March. The market is also waiting to see if China buys U.S. corn in response to the signing of Phase 1 of the trade deal in late January. Other factors, such as domestic demand, are less important at this time.

Seasonal odds allow for a setback in the current timeframe, as farmer sales often increase in February to generate cash. March and April tend to see some strength as farmer sales slow down and the focus shifts to the upcoming spring planting period.

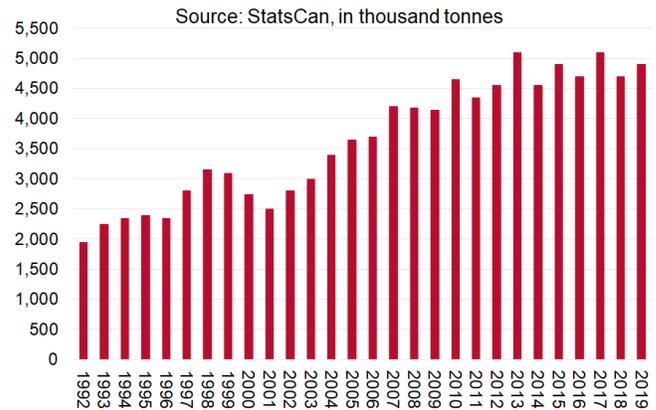
The collective action of speculative funds may also move the futures market. These funds are not currently holding an extreme position (long or short) in corn. This suggests that the funds have lots of buying or selling power in reserve, should they decide to use it.

This material has been prepared by an agent of CFO solely for information purposes and is not intended to be a solicitation or to provide trading advice. By accepting this communication you agree that you will not rely solely on this communication in making any trading decisions. Opinions provided in this communication reflect our good faith judgment at a specific time and are subject to change without notice.

Lots of corn in Ontario

A Statistics Canada stocks in all positions report released Feb. 5 indicated there were 4.9 million tonnes of corn being held on Ontario farms as of Dec. 31. That was up 200,000 from the previous year and is just shy of the 5.1 million tonnes counted at the end of 2017.

ONTARIO ON-FARM STOCKS OF CORN AT DEC. 31



Ontario farm bins are full of corn!

With Ontario farmers electing to go slowly with sales of old-crop corn, the basis has moved up about 20 cents/bu in recent weeks. A drop of roughly 2 cents by the Canadian dollar against the U.S. dollar since the start of 2020 has also lifted the basis.

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



The Ontario spot corn basis dropped as the 2019 harvest began, but recently has moderately rebounded.

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



Even with corn futures well below US\$4/bu, the strong spot basis means that spot corn prices in Ontario are well above the five-year average, as shown above.

Soybeans: U.S. supplies coming down

Export forecast up, ending stocks down

Based on the pace of exports to date and the expectation of greater Chinese demand now that the trade deal has been signed, the USDA increased its 2019-19 U.S. export forecast by 50 million bu from last month, to 1.83 billion bu.

As a result, the 2019-20 U.S. soybean ending stock forecast was reduced by 50 million bu from January, to 425 million bu. That is well below 909 million in 2018-19, as shown below.

SUPPLY-DEMAND US SOYBEANS (billion bu unless otherwise specified)					
	2015-16	2016-17	2017-18	2018-19	2019-20 Feb
Acres Planted (Mln)	82.70	83.50	90.20	89.20	76.10
Harvested	81.70	82.70	89.50	87.60	75.00
YIELD (Bu/ac)	48.00	51.90	49.30	50.60	47.40
Carryin	0.19	0.20	0.30	0.44	0.91
PRODUCTION	3.93	4.30	4.41	4.43	3.56
Imports	0.02	0.02	0.02	0.01	0.02
TOTAL SUPPLY	4.14	4.52	4.74	4.88	4.48
Crush	1.89	1.90	2.06	2.09	2.11
Exports	1.94	2.17	2.13	1.75	1.83
Seed	0.10	0.11	0.10	0.09	0.10
Residual	0.02	0.04	0.01	0.04	0.03
TOTAL USE	3.94	4.21	4.30	3.97	4.01
ENDING STOCKS	0.20	0.30	0.44	0.91	0.43
Stocks to use	4.99%	7.17%	10.19%	23.00%	10.60%

Source: USDA February 11, 2020

U.S. ending stocks for 2019-20 are forecast to be the lowest since 2016-17.

Even with the decreased ending stocks forecast, the U.S. season-average soybean price for 2019-20 is down 25 cents from January at US\$8.75/bu. Soybean meal prices are forecast at US\$305/short ton, unchanged from last month.

South American output could set a new record

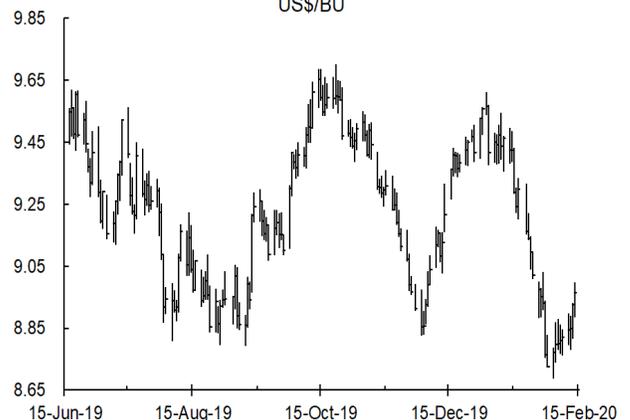
The largest South American crop ever is on the way. The Brazil production forecast was raised 2 million tonnes from last month to 125 million, due to favourable weather in the main soybean state of Mato Grosso. Argentina's crop forecast was held at 53 million tonnes. More upward revisions are possible in the future, as some trade forecasts are higher than the USDA's (shown below).

World soybean ending stocks for 2019-20 are forecast at 98.86 million tonnes this month, up from 96.67 million in January but still below 111.22 million in 2018-19.

Soybean futures plunged in January

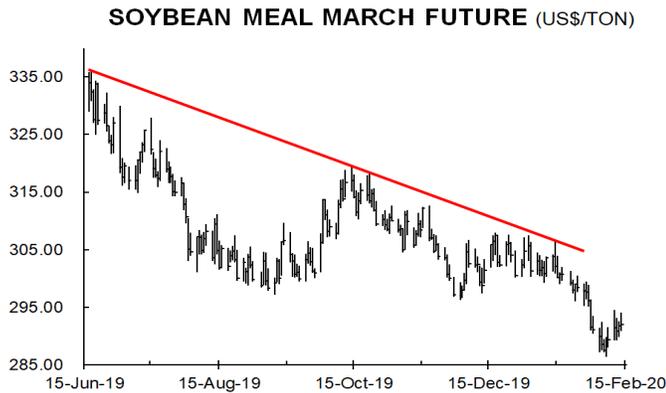
After suffering a brutal fall in January, the market was at a low level before the February USDA report was released. Futures failed to make new lows after the report came out, seemingly unfazed by the prospect of South America's huge soybean crop providing stiff competition for U.S. exports in March through May.

**SOYBEANS MARCH FUTURE
US\$/BU**



Soybean futures are at the bottom of the range they have traded in over the past eight months.

Meal has been the weakest part of the soy complex. It did not rally with soybeans and soy oil in December and has been trending generally lower since mid 2019.



Meal futures recently made new lows and the main trend visible on the daily charts is down.

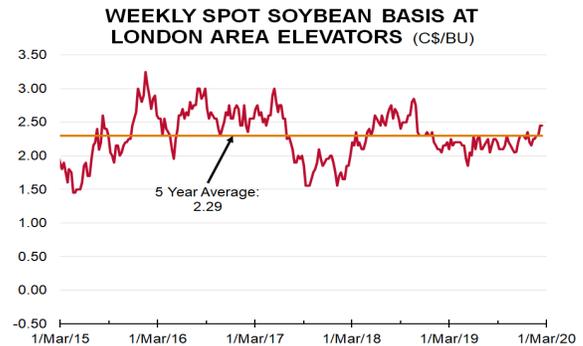
Outlook & seasonal tendencies: Soybean and meal futures will remain sensitive to developments in South America. Brazil's harvest is getting underway. The movement of soybeans to world buyers could be hampered by periodic port and trucker strikes. Such strikes are common in March and April, when the urgency to get newly harvested soybeans to world buyers gives workers maximum leverage in negotiations.

The market will also be paying attention to Chinese demand for U.S. soybeans. Very little new business has been confirmed since the trade deal was signed a few weeks ago, meaning a positive outcome is not assured.

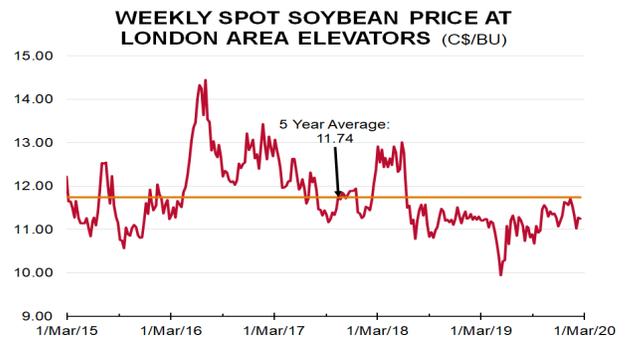
In March, soybean futures will react to 2020 U.S. acreage estimates. Most analysts expect a sizable increase from last year's area, which was reduced by terribly wet conditions in many parts of the Midwest. The size of the increase is widely debated. This, along with weather and trade uncertainty, will create volatility - varying ups and downs.

Ontario soybean basis up, but prices subdued

The Ontario spot basis has risen over the past six weeks, due mainly to a two-cent drop by the Canadian dollar over this period.

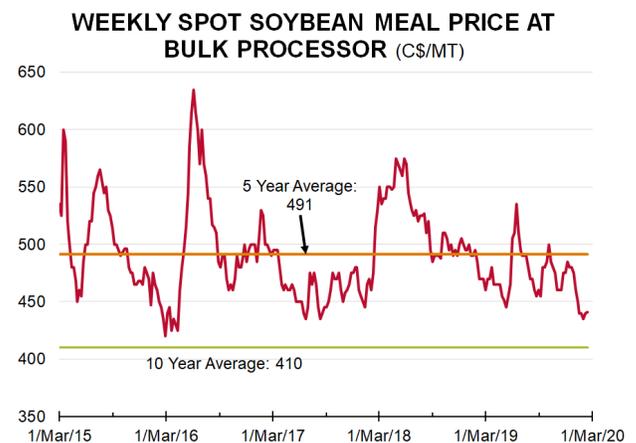


The Ontario basis has firmed in recent weeks.



Even with a rising basis, Ontario spot prices are below the 5-year average, due to the weak futures market.

Ontario meal prices lowest in 2 1/2 years



Bulk soybean meal prices are trending lower, with meal futures. At around C\$440/tonne, they are roughly \$50 below the average of the past five years, as shown.

This material has been prepared by an agent of CFO solely for information purposes and is not intended to be a solicitation or to provide trading advice. By accepting this communication you agree that you will not rely solely on this communication in making any trading decisions. Opinions provided in this communication reflect our good faith judgment at a specific time and are subject to change without notice.