

CFO October Commodity Outlook Report

Corn Outlook: Slightly Bullish

The USDA October report lowered the 2016/17 US corn production again, this time by 36 million bushels to 15,057 million bushels. Planted acres were adjusted upwards by 0.4 million acres to 94.5 million acres. The corn yield is reduced 1 bushel per acre to 173.4 bushels per acre; Still 5 bushels per acre greater than the 2015/16 estimated yield. Ending stocks in 2015/16 were raised 22 million bushels to 1,738 million bushels due in most part to reduced exports.

Corn supply in 2016/17 is projected down 14 million bushels to 16,845 million bushels, which is 9% above last years supply. Ethanol demand remains at 5,275 million bushels and exports are expected to increase 50 million bushels to 2,225 million bushels. US ending stocks for 2016/17 are projected down 64 million bushels to 2,320 million bushels, still a very large carry out level. The US stock-to-use ratio projection drops from 16.5% in September to 16.0% in October for 2016/17.

Corn crop conditions have a 74% good to excellent rating. Harvest is 46% complete which is slightly behind the pace experienced last year and historically, attributable to rain delays.

Global Carry Out Slips Again

Beginning stocks and imports are up 0.8 and 3.4 million metric tons to 210.1 and 133.7 million metric tons, respectively. In regards to total supply, this outweighs the downward revision to production of 0.9 million metric tons to 1,025.7 million metric tons. Exports are projected up 4.0 million metric tons to 143.8 million metric tons leading to a decrease in global ending stocks of 2.7 million metric tons to 216.8 million metric tons for 2016/17. Argentina and China are both unchanged at 36.5 and 216.0 million metric tons, respectively. All eyes are on Brazil for indications on acres planted at this time.

Currency: USD Strong

The US dollar has continued to strengthen relative to the Canadian dollar. Crude oil has support at \$50 a barrel and a target of \$55 to \$65 next year.

Chicago Board Of Trade December 2016 Corn Chart



Technical Analysis: Bullish

The December 2016 corn chart is consolidating with recent sideways trading. The market has now tested the \$3.15 support area once. This coincides with support levels back in 2009.

There is a possible inverted head and shoulders pattern shown by the black lines on the chart. This suggests a change in market direction and a possible retest of the \$3.75 to \$3.80 level.

The RSI and MacD are both neutral, while Stochastics are bearish. Moving averages have converged and are looking for direction. Weather should be monitored as it could provide direction moving forward.

Funds in a Long Position

The non-commercial/reportable funds are long 48,000 lots. We have seen funds take profits on their previous short positions and a corresponding bounce up in price.

CFO October Commodity Outlook Report

Soybean Meal

Outlook: Cautiously Neutral

The USDA October report production forecast for 2016/17 has increased again. This time up 68 million bushels following an increase of 209 million bushels last month, now at a record 4,269 million bushels. Area planted remained unchanged while yield increased 0.8 bushels per acre to a record 51.4 bushels per acre. Ending stocks in 2015/16 increased 2.0 million bushels to 197.0 million bushels.

Soybean supply in 2016/17 is projected up 70 million bushels due to an increase in production. Domestic soybean use increased by 40 million bushels to 4,101 million bushels, attributable to exports. Soybean carry out in 2016/17 is pushed up 30 million bushels to 395 million bushels. The US stock-to-use ratio projection rose from 9.0% in September to 9.6% in October for 2016/17. Soybean supply continues to be seen as adequate.

Soybean meal supply and demand figures were not adjusted at all in this report. Ending meal stocks remain at 300 thousand short tons.

Soybean crop conditions are currently rated 74% good to excellent condition which remains ahead of last year. Harvest is now 62% complete, slightly behind last years pace but in line with the historical pace.

Global Supply Grows Again

Global soybean production for 2016/17 is raised 2.8 million metric tons to a record 333.2 million metric tons. Beginning stocks and imports both increased by 2.6 and 0.5 million metric tons to 75.5 and 136.2 million metric tons, respectively. Global ending stocks are up 5.2 million metric tons from last month to 77.4 million metric tons. This is 1.9 million metric tons above 2015/16 estimated global ending stocks.

Weather is Favourable

US weather this season has been good so far. The short-term forecast is dry and warm while the mid-term forecast expects some rain. The forecast should continue to be monitored for adverse weather conditions.

Chicago Board Of Trade December 2016 Soybean Meal Chart



Technical Analysis: Slightly Bullish

The December 2016 soybean meal chart broke support at \$305 and has found support at \$295, forming a double bottom there.

The RSI and MacD are neutral at this point while Stochastics look bullish. Moving averages have converged after a long bearish trend and could cross to be bullish in the near future. Demand for feed in the colder months could come into play here.

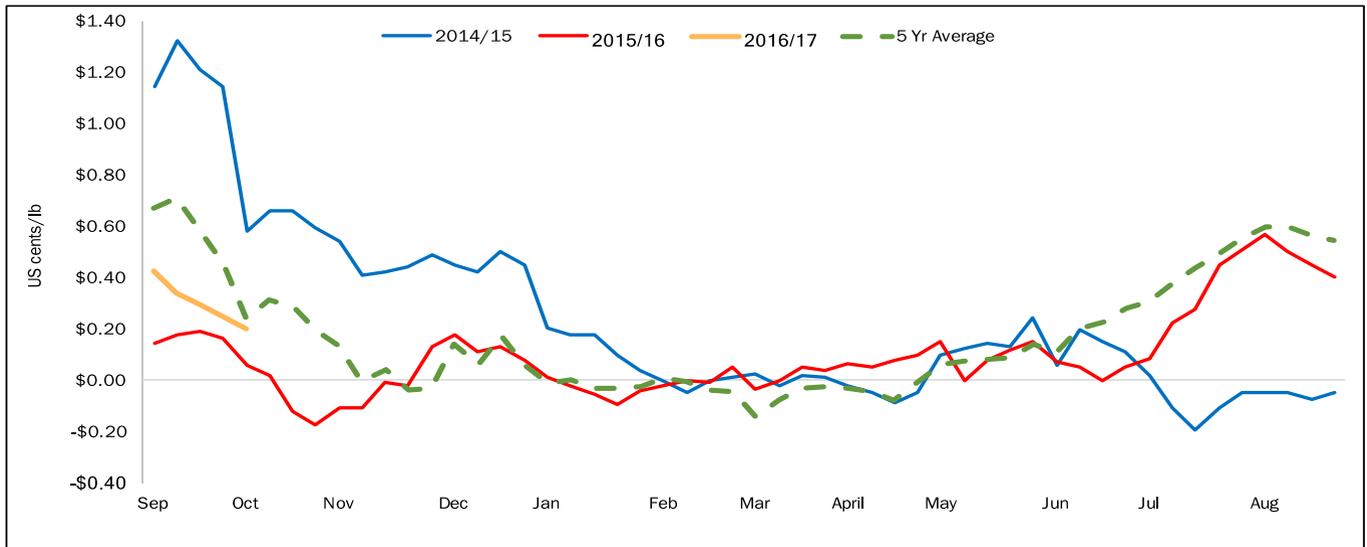
Funds in a Long Position

The non-commercial/reportable funds are holding a long position on soybean meal of 32,000 lots.

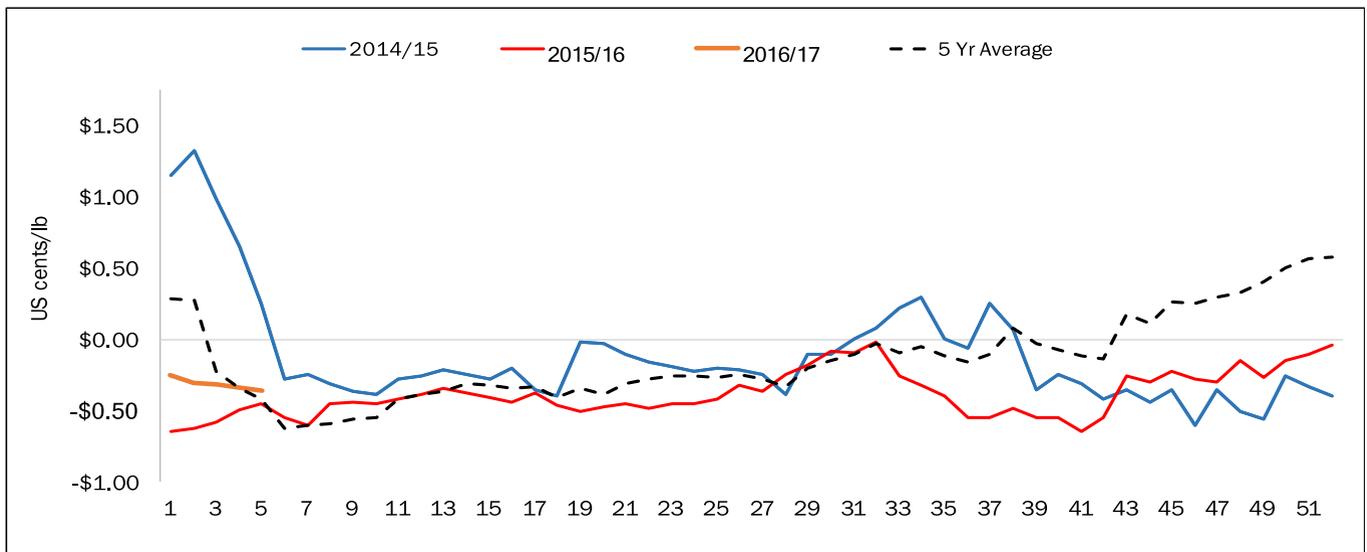
The soybean position is long 62,000 lots, weather delays have encouraged funds to add some coverage. The big crop size should continue to weigh on the market.

CFO October Commodity Outlook Report

Corn Basis Values – Chatham, Ontario



Soybean Basis Values – London, Ontario



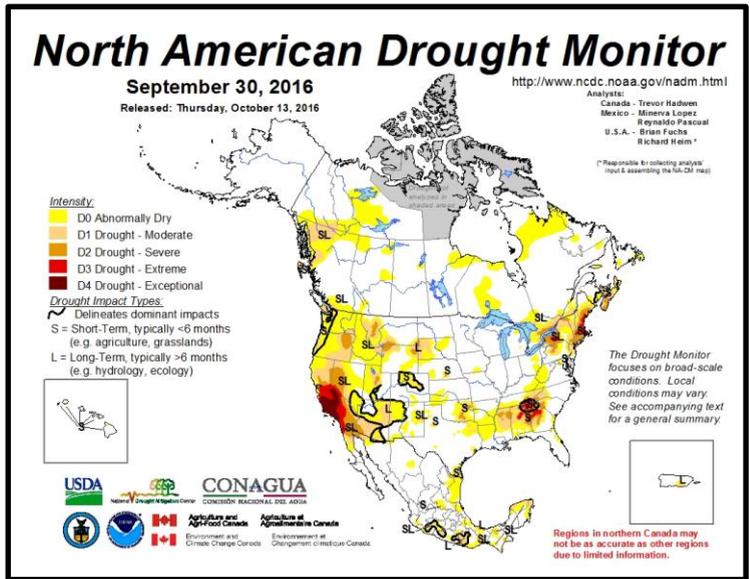
Ontario corn basis values have started to drift lower as harvest continues and weather concerns are past us for now. Ontario soybean basis has been in line with the season trends and drifting slightly lower recently.

CFO October Commodity Outlook Report

Weather – North America

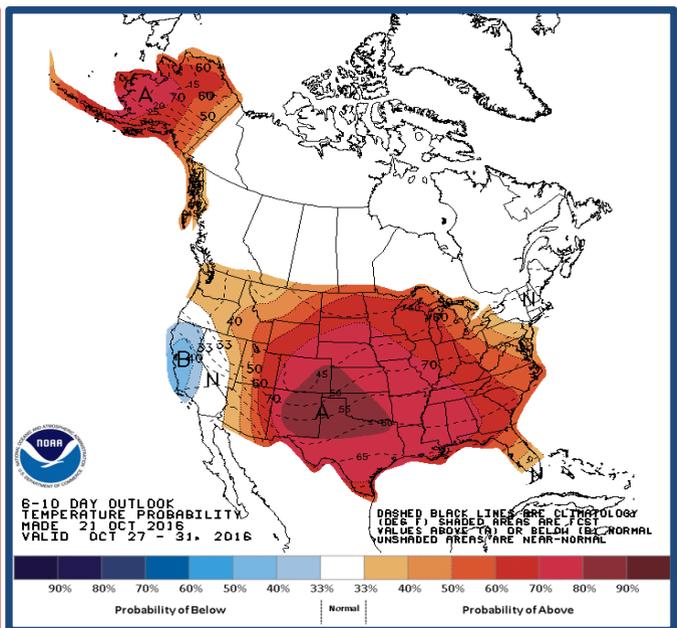
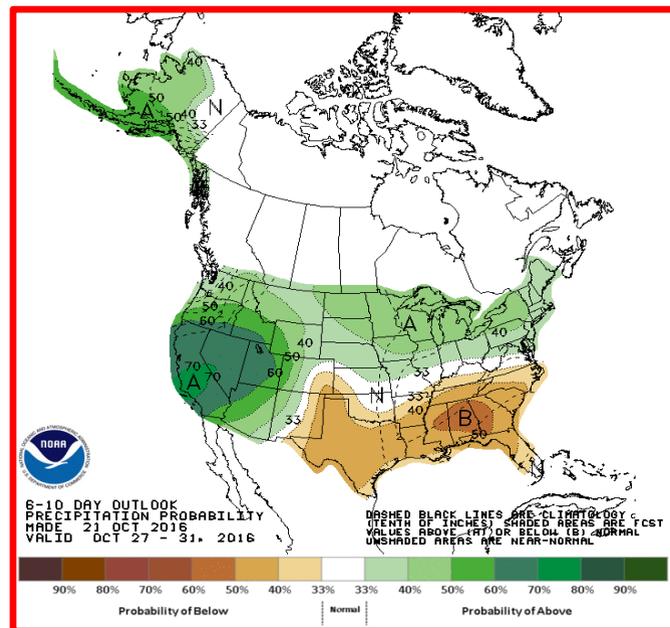
The map to the right is the most current USA drought monitor map of October 13th 2016. Soil moisture levels are showing very small areas of dryness at this time which is good for the winter wheat plantings. Excess rain has caused some harvest delays. California still struggles with very dry conditions affecting various produce and nut production.

The dry areas within the Canadian crop growing regions, southern Ontario in particular, have improved since summer.



Weather – USA

NOAA maps below, in red shows precipitation probability remains above normal in the crop growing regions, certainly in the Northern half of the country. California is expected to get some well needed rain. There has been a negative impact on harvest progress due to moisture events. The map in blue reflects a very high probability of above normal temperatures for most of the USA. The Canadian prairies are forecasted slightly warmer than normal, while Ontario is forecasted generally warmer than usual.



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.