

3 Key Messages

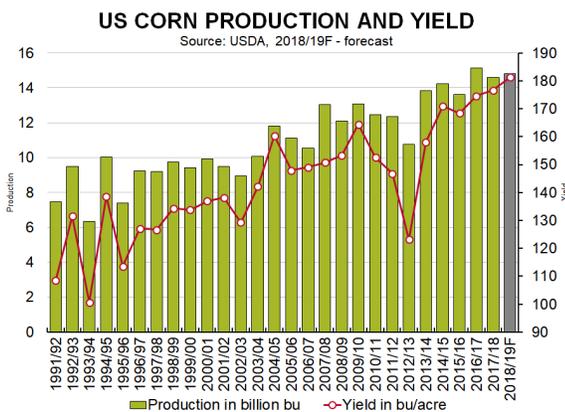
Below are the three main messages of this outlook report:

1. USDA's September crop report forecast record high U.S. corn and soybean yields. Some weather-related uncertainty remains, but this is great news for feed buyers.
2. In its first crop production report for the 2018 growing season, Statistics Canada forecast large Ontario corn and soybean crops. There should be big supplies available to buyers at harvest.
3. Ontario corn and soybean meal prices are well below the highs seen this past spring and summer. This suggests at least some of the large supplies are already reflected in today's prices.

Corn: Huge U.S. yields expected

USDA data surprises

In updated monthly supply-demand estimates released Sept. 12, the USDA pegged this year's average U.S. corn yield at 181.3 bu/acre, up from last month's estimate of 178.4 bu/acre. With the increase in yield, the 2018 crop is forecast at 14.82 billion bu, up 241 million bu from the August forecast and above 14.6 billion last year.



Big production driven by highest yields ever!

On the demand side, the USDA did offset some of the larger production estimate by raising projected 2018-19 feed and residual use by 50 million bu from last month to 5.58 billion bu. The export forecast was also nudged up from a month ago.

2018-19 corn ending stocks were raised 90 million bu from last month to 1.77 billion. That's still down from 2 billion for 2017-18.

Implication of U.S. corn data: When plugged into a supply-demand sheet, 2018-19 ending stocks now appear set to decline only modestly from 2017-18.

SUPPLY-DEMAND US CORN (billion bu unless otherwise specified)					
	2014-15	2015-16	2016-17	2017-18 Sep	2018-19 Sep
Acres Planted (Mln)	90.60	88.00	94.00	90.20	89.10
Harvested	83.10	80.80	86.70	82.70	81.80
YIELD (Bu/A.)	171.00	168.40	174.60	176.60	181.30
Carryin	1.23	1.73	1.74	2.29	2.00
PRODUCTION	14.22	13.60	15.15	14.60	14.83
Imports	0.03	0.07	0.06	0.04	0.05
TOTAL SUPPLY	15.48	15.40	16.94	16.94	16.88
Feed/Residual	5.28	5.11	5.47	5.45	5.58
Food, Seed, Ind.*	6.60	6.65	6.88	7.06	7.13
Exports	1.87	1.90	2.29	2.43	2.40
TOTAL USE	13.75	13.66	14.65	14.94	15.11
ENDING STOCKS	1.73	1.74	2.29	2.00	1.77
Stocks to use	12.6%	12.7%	15.7%	13.4%	11.7%

Source: USDA September 12, 2018

The USDA's projected range for the marketing year average price received by producers is down 10 cents this month to a midpoint of US\$3.50/bu.

World corn ending stocks for 2018-19 are estimated at 157.03 million tonnes this month, up from 155.49 million in August. However, this is still below the heavy ending stocks of 194.15 million for 2017-18.

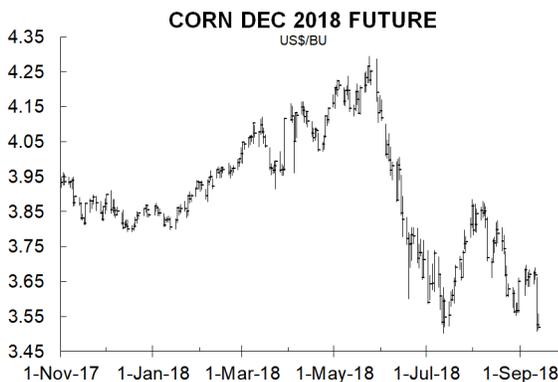
Heads up: The USDA's yield and production outlooks are not set in stone. These forecasts assume good conditions until the U.S. crop reaches maturity and is safely harvested.

As of Sep. 9, 35% of the crop nationwide was mature. That was ahead of 20% last year and 21% on average. The fact the crop is early means there's less risk of frost damage sometime in the next few weeks. Lots of U.S. corn will be harvested in late September and early October.

Futures down, harvest pressure ahead

After trading above US\$3.85/bu in early August when hot, dry weather threatened to stress the U.S. crop, the December corn future has collapsed, as shown below.

A small rally in early September was recently turned back by the bearish USDA supply news.



Futures weighed down by heavy U.S. supply ideas

Seasonal odds tilt down heading into harvest. The timing of the harvest lows varies from year to year. In some years when production is large, as is expected this year, futures have not made a lasting low until November or early December.

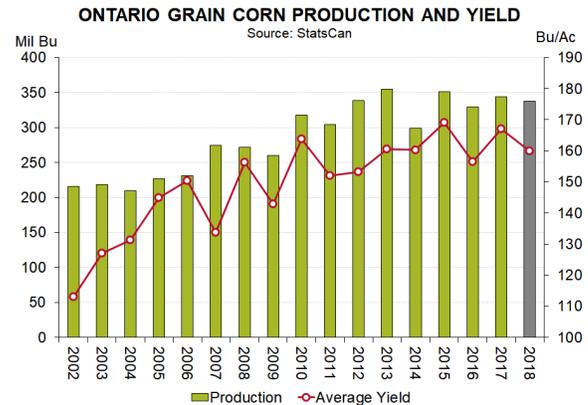
Small dip expected for Ontario's corn output

According to a Statistics Canada crop production report released Aug. 31, Ontario farmers expect a crop of 337.6 million bu, down 1.9% from 2016.

An anticipated increase in harvested area (+2.4% to 2.1 million acres) is expected to be overshadowed by a decrease in average yield (-4.2% to 160 bu/acre).

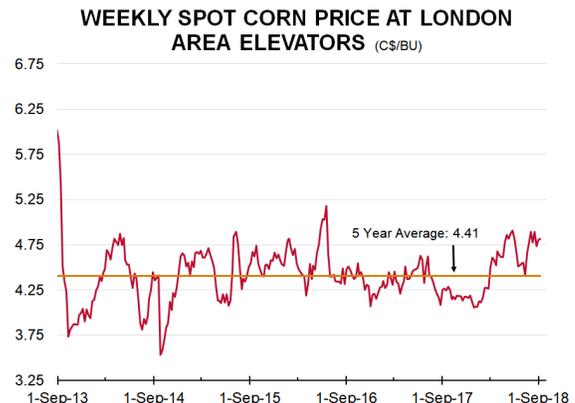
The main question now is whether Statistics Canada's forecast for lower yields is accurate. Private crop tour results hint at better yields than the government report.

Some agronomists have suggested the crop in certain areas could be affected by fungal disease due to excess moisture in late August. The extent of the problem likely won't be known until harvest, however.



Ontario corn production could be down from last year, but will still be high by historical standards.

Right now Ontario spot corn prices are in a small dip. New-crop delivery prices are mostly below spot. The small dip on the chart below could look deeper in October.



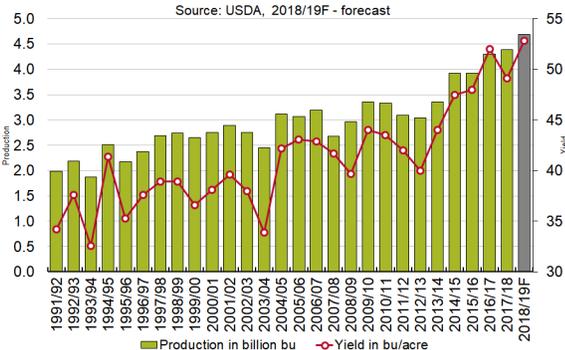
Soybeans: USDA confirms record crop

U.S. yields revised up vs. August forecast

In the monthly report released Sep. 12, the USDA raised its 2018-19 soybean yield and production estimates compared to the previous month.

The yield was revised up to a record 52.8 bu/acre from 51.6 bu/acre in August. That increase pushed total expected production to 4.69 billion bu, up 107 million bu from the August forecast and well above 2017's output of 4.32 billion bu.

US SOYBEAN PRODUCTION AND YIELD



Biggest soybean yield and production ever!

U.S. ending stocks take another step up

Although the USDA made minor tweaks to its demand forecasts, the increase in production resulted in 2018-19 ending stocks swelling to an enormous 845 million bu. That would be far above 395 million and 302 million bu the previous two years.

The 2018-19 U.S. season-average soybean price is forecast at US\$7.35 to \$9.85/bu. That's down 30 cents at the midpoint from August.

The soybean meal projected average price is also lower. The range is at US\$290 to \$330/short ton.

Reminder: Yield forecasts can vary significantly from September to October and November. The crop is not yet safely harvested.

Nationwide, 31% of the crop was dropping leaves as of Sept. 9. That was ahead of 19% on average. However, most harvest activity by that date was limited to southern growing areas.

Heavy supplies are a global issue. The projection for world soybean ending stocks this month is up from August, rising to 108.26 million tonnes from 105.94 million. That would be well above the 2017-18 estimate of 94.74.

Argentina and Brazil soy production for 2018-19 (most of which will be harvested from February through April 2019) were forecast at 57 million and 120.5 million tonnes respectively, up from 37.8 million and 119.5 million a year earlier.

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

	2014-15	2015-16	2016-17	2017-18 Sep	2018-19 Sep
Acres Planted (Mln)	83.30	82.70	83.40	90.10	89.60
Harvested	82.60	81.70	82.70	89.50	88.90
YIELD (Bu/ac)	47.50	48.00	52.00	49.10	52.80
Carryin	0.09	0.19	0.20	0.30	0.40
PRODUCTION	3.93	3.93	4.30	4.39	4.69
Imports	0.03	0.02	0.02	0.02	0.03
TOTAL SUPPLY	4.05	4.14	4.52	4.72	5.11
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	0.03	0.03
TOTAL USE	3.86	3.94	4.21	4.32	4.27
ENDING STOCKS	0.19	0.20	0.30	0.40	0.85
Stocks to use	4.95%	4.99%	7.17%	9.14%	19.80%

Source: USDA September 12, 2018

Projections for U.S. supplies in 2018-19 keep rising.

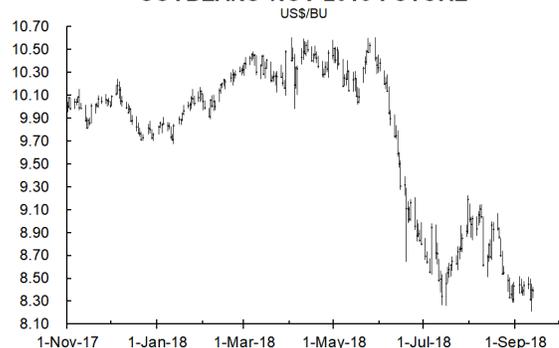
Meanwhile, Chinese soybean imports are expected to plateau after years of steady growth, due to lower feed demand for soybean meal. The USDA set 2018-19 imports at 94 million tonnes, down 1 million from last month and now the same as the previous year.

Soybean futures down heading into harvest

The November soybean future is down about US 65 cents from the highs made this summer when U.S. yields were still being determined. It has plummeted \$1.40 since late spring when yields were unknown and a trade war with China seemed far-fetched.

Seasonal tendencies imply that there is a high probability of a harvest low in early October.

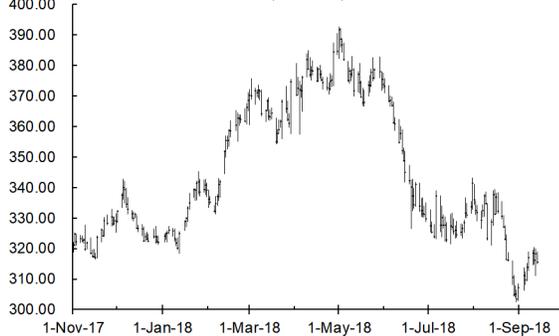
SOYBEANS NOV 2018 FUTURE



After finding some traditional strength around Labour Day, soybean futures are back at their lows.

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SOYBEAN MEAL DEC 2018 FUTURE
(US\$/TON)



Meal futures are in a pre-harvest rally, but just a very modest one. Prices are way down compared to this past spring. A favourable situation for meal buyers!

The longer-term outlook for both soybeans and soybean meal is that rallies will be limited by ample U.S. supplies in 2018-19 and the anticipation of a very big South American crop to be harvested in early 2019.

Ontario soybean and meal prices pressured

Ontario soybean prices have been chopping around at a low level since collapsing in June and early July, due mainly to lower soybean futures.

Local prices would be even weaker if not for a strong basis, due to robust export demand from China and elsewhere, resulting in a need to bring U.S. soybeans into Ontario for crushing.

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

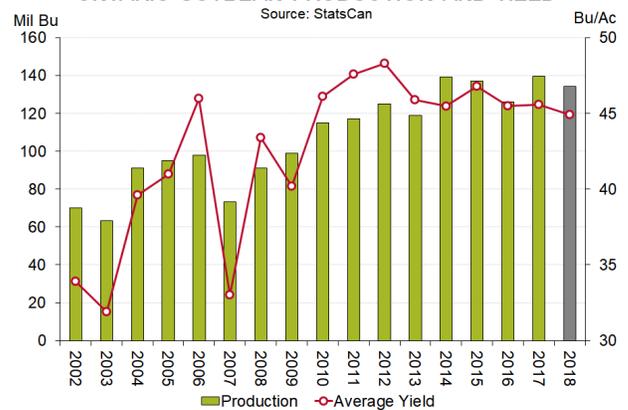


Ontario prices are weak heading into harvest

As for Ontario soybean production, Statistics Canada on Aug. 31 forecast harvested area in the province at 3 million acres, down slightly from last year. Even with the average yield projected to decline 1.5% to 44.9 bu/acre, total 2018 production of 134.4 million bu would be the fourth highest ever.

As is the case with corn, recent crop tours are suggesting that Statistics Canada may revise higher its soybean yield estimate for the province in the months ahead.

ONTARIO SOYBEAN PRODUCTION AND YIELD



Ontario on track for one of the biggest crops ever.

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



Bulk soybean meal price for the rail in Hamilton is C\$500/tonne, \$21 below the five-year average.