

### 3 Key Messages

Below are the three main messages of this outlook report:

1. The USDA's November crop report trimmed U.S. corn and soybean yield and production forecasts. However, supplies of those crops remain high.
2. Markets show signs of cementing a seasonal low. Corn, soybean and soybean meal futures are no longer falling under the weight of the heavy U.S. supply situation. Most, if not all, of the harvest pressure is over.
3. The Ontario harvest has been a slow, drawn out affair, due to excess rain. Yields have been high but lots of corn has had high levels of DON (vomitoxin).

### Corn: U.S. crop second largest ever

#### USDA trims yield forecast slightly

The USDA monthly supply-demand update released Nov. 8 pegged the average U.S. corn yield at 178.9 bu/acre, down from last month's 180.7 bu. However, it's still up 2.3 bu from a year earlier and the highest yield on record. With harvested area holding steady from October at 81.8 million acres, production is lowered 152 million bu this month to 14.62 billion bu.

The USDA reduced its consumption forecast, but only modestly. The 2018-19 export forecast moved down 25 million bu to 2.45 billion.

Projected ending stocks for 2018-19 went down 77 million from a month earlier to 1.736 billion bu.

The projected range for the season-average corn price received by producers was raised 10 cents from October, with a midpoint of US\$3.60/bu.

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

	2014-15	2015-16	2016-17	2017-18 Nov	2018-19 Nov
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	178.90
Carryin	1.23	1.73	1.74	2.29	2.14
PRODUCTION	14.22	13.60	15.15	14.60	14.63
Imports	0.03	0.07	0.06	0.04	0.05
<b>TOTAL SUPPLY</b>	<b>15.48</b>	<b>15.40</b>	<b>16.94</b>	<b>16.93</b>	<b>16.82</b>
Feed/Residual	5.28	5.11	5.47	5.30	5.50
Food,Seed,Ind.*	6.60	6.65	6.89	7.06	7.13
Exports	1.87	1.90	2.29	2.44	2.45
<b>TOTAL USE</b>	<b>13.75</b>	<b>13.66</b>	<b>14.65</b>	<b>14.79</b>	<b>15.08</b>
<b>ENDING STOCKS</b>	<b>1.73</b>	<b>1.74</b>	<b>2.29</b>	<b>2.14</b>	<b>1.74</b>
<b>Stocks to use</b>	<b>12.6%</b>	<b>12.7%</b>	<b>15.7%</b>	<b>14.5%</b>	<b>11.5%</b>

Source: USDA November 8, 2018

*The November USDA crop report revised down U.S. yields, production and ending stocks from last month. All three remain high by historic standards, meaning the situation is still favourable for feed buyers.*

### Huge increase in China corn supply estimate

Outside of the U.S., by far the most significant news was a massive increase in Chinese corn production, based on a review of data going back to 2007-08.

With the increase in Chinese output, the USDA raised its estimate of 2018-19 global corn production to 1.098 billion tonnes from 1.068 billion in October, with ending stocks seeing a resulting 149-million tonne leap to 307.51 million.

**Key point:** World corn ending stocks estimates for previous years were also revised higher. The current forecast for 2018-19 is still down from a revised 340.92 million tonnes in the 2017-18 marketing year.

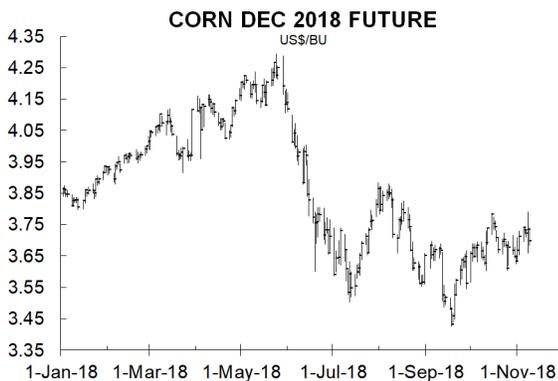
**Looking ahead:** The USDA could tweak its U.S. yield and production estimates in its final production report due in January. About one-quarter of the crop was unharvested in mid November.

Changes to South American production forecasts will become increasingly important to world markets, beginning next month.

## Big U.S. supply no longer weighing on futures

Before the Nov. 8 monthly crop report came out, the December corn future was up about 40 cents from a low made in mid September.

After the report came out - confirming the second largest U.S. crop ever - the December future held firm. This implies a seasonal low is now in place. Futures were low enough in September to fully account for the size of this year's output.



*Futures notched an important low in September, just as harvest was beginning.*

**Outlook & seasonal tendencies:** The timing of harvest lows varies from year to year. In years when the market is under pressure before harvest really gets going, as it was this year, futures can bottom in September or early October. That was the case this year.

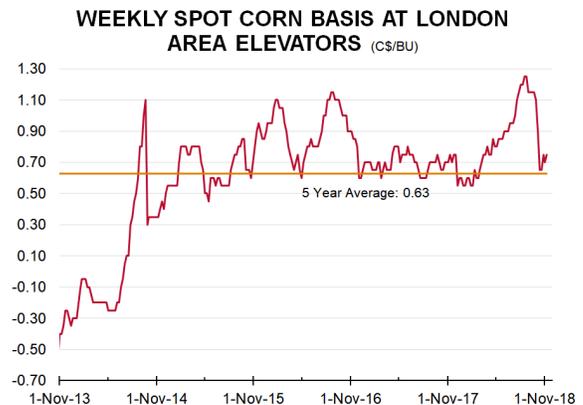
Looking ahead, the market's attention will be focused on South America. Many years there is at least a little strength by futures in late December or January based on a crop scare there.

## Ontario's harvest bogged down

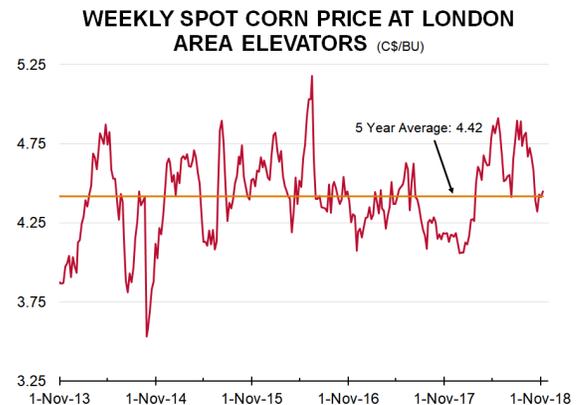
According to a Statistics Canada report released Sept. 19, Ontario's corn crop in 2018 could be 357.2 million bu, making it the largest ever.

As this is written, roughly half of the province's crop is still out in the field. There's still time to get it binned before winter sets in, but regular rain delays are an issue. The slow pace of harvest has been one reason the fob farm basis has not felt serious pressure to this point.

DON (vomitoxin) levels are highly variable but are generally far higher than normal, based on testing by OMAFRA. Poor quality corn is being heavily discounted and has resulted in a weak elevator basis compared to the basis for good quality farm-stored corn, particularly in southwestern Ontario.



*Quality problems in this year's Ontario corn crop have weighed on the elevator basis in affected areas.*



*Even with corn futures performing quite well, the weak basis means Ontario prices have fallen to the five year average. This is an attractive situation for feed buyers, particularly those that can utilize lower quality corn.*

## Soybeans: Huge Supply Confirmed

### U.S. production trimmed, but only slightly

On Nov. 8, the USDA forecast the 2018 U.S. soybean crop at 4.60 billion bu, down 90 million bu from last month. The average yield forecast was lowered by 1 bu/acre to 52.1 bu/acre.

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## Ending stocks set to balloon

The small decrease on the supply side was more than offset by a 160-million bu cut in the export forecast to 1.9 billion, due mainly to fewer expected shipments to China. 2018-19 soybean ending stocks are now projected at 955 million bu, up from 885 million in October and more than double the 2017-18 level of 438 million bu.

The U.S. season-average soybean price range is forecast at \$7.60 to \$9.60/bu this month, unchanged from the midpoint from October.

Soybean meal users will be interested to know the average U.S. soybean meal price range is projected at US\$290 to \$330/short ton, unchanged from last month. Last year's average for meal was about \$345.

World soybean ending stocks for 2018-19 are estimated at 112.1 million tonnes this month. That's up from 110 million in October and above 99.69 million in 2017-18. Simply put, a heavy supply.

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

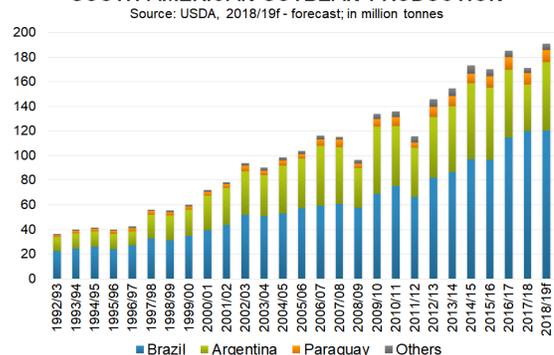
	2014-15	2015-16	2016-17	2017-18 Nov	2018-19 Nov
Acres Planted (Mn)	83.30	82.70	83.40	90.10	89.10
Harvested	82.60	81.70	82.70	89.50	88.30
YIELD (Bu/ac)	47.50	48.00	52.00	49.30	52.10
Carryin	0.09	0.19	0.20	0.30	0.44
PRODUCTION	3.93	3.93	4.30	4.41	4.60
Imports	0.03	0.02	0.02	0.02	0.03
<b>TOTAL SUPPLY</b>	<b>4.05</b>	<b>4.14</b>	<b>4.52</b>	<b>4.73</b>	<b>5.06</b>
Crush	1.87	1.89	1.90	2.06	2.08
Exports	1.84	1.94	2.17	2.13	1.90
Seed	0.10	0.10	0.11	0.10	0.10
Residual	0.05	0.02	0.04	0.01	0.03
<b>TOTAL USE</b>	<b>3.86</b>	<b>3.94</b>	<b>4.21</b>	<b>4.30</b>	<b>4.11</b>
<b>ENDING STOCKS</b>	<b>0.19</b>	<b>0.20</b>	<b>0.30</b>	<b>0.44</b>	<b>0.96</b>
Stocks to use	4.95%	4.99%	7.17%	10.20%	23.25%

Source: USDA November 8, 2018

*U.S. ending stocks for 2018-19 are expected to continue the recent uptrend.*

A larger South American crop than last year is in the works. Argentina's output is expected to bounce back to 55 million tonnes in 2018-19 compared to last year's drought-ravaged output of 37.8 million. Brazil's crop is seen at 120.5 million tonnes, up from 119.8 million a year earlier.

## SOUTH AMERICAN SOYBEAN PRODUCTION

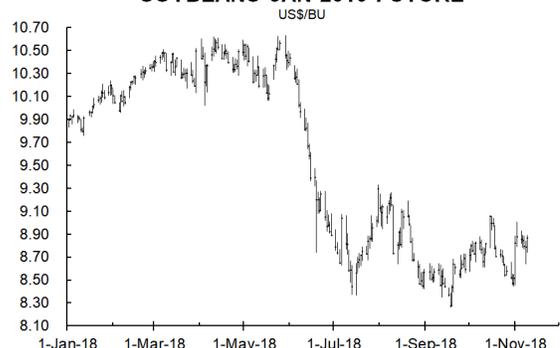


*The South American crop is still being planted but the USDA is predicting the largest output ever!*

## Soybean futures up despite bearish supply news

Soybean futures came into the November USDA report up about 55 cents US from the low made in mid September. They have performed amazingly well through the first 85% of the U.S. harvest.

## SOYBEANS JAN 2019 FUTURE



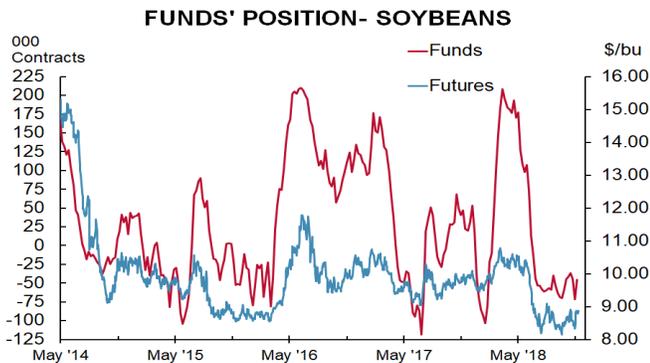
*Soybean futures got low enough in mid September to account for this year's big U.S. crop. Recently the market has shown some buoyancy in anticipation of some positive news on trade with China.*

Similar to soybeans, meal futures were also unfazed by confirmation of a heavy supply in the Nov. 8 USDA report. A seasonal low is apparently in place.

Moving into December, the outlook for soybeans and meal revolves primarily around South America. The first half of Brazil's crop was seeded in record time,

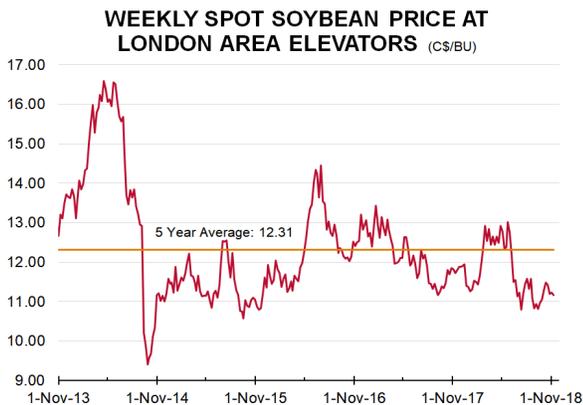
but it's not until December and January that South American weather becomes a more critical factor.

**Important wild card in the outlook:** The collective action of speculative (managed money) funds. These funds are currently holding a net short position around 50,000 contracts, comparable to the short position held at previous major market lows. If something causes these funds to alter their position, futures could see a “short covering” rally. At the very least, the fact the funds are already heavily short suggests it is late to be extremely negative about the outlook. Most of their selling is over.



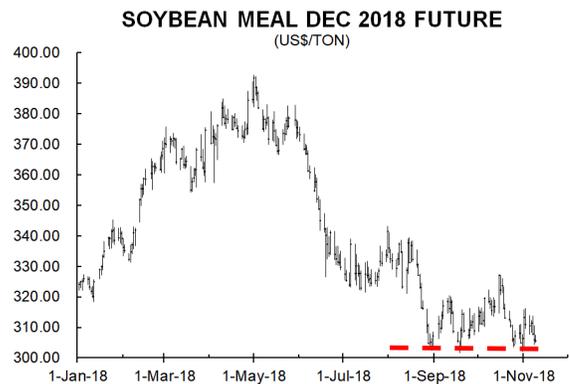
### Only mild harvest pressure in Ontario

Ontario soybean prices are up from the lows made in August and September. A combination of higher soybean futures, a weak Canadian dollar and strong export demand has supported the basis.



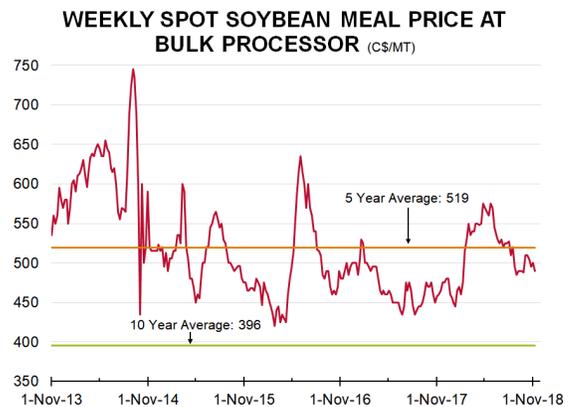
*Ontario soybean prices are well below the 5-year average, but are up from the September low.*

It's not a factor for soybean and meal futures but the Ontario soybean harvest is nearing completion. Yields were high, as expected prior to harvest, but lengthy rain delays and muddy conditions suggest that Statistics Canada will reduce its Ontario yield forecast slightly in its next production report, due Dec. 6. Even if this occurs, total output could remain record high.



*There is strong technical support for Dec meal around \$305, as shown by the line on the chart.*

Ontario bulk meal prices have seen only a modest seasonal dip due to the slow pace of the Ontario soybean harvest and the need for the crushers to compete with the ports for available supplies.



*Bulk soybean meal prices are below the average of the past five years, but remain high compared to many previous harvest periods.*

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