

CFO September Commodity Outlook Report

Corn Outlook: Slightly Bullish

The USDA September report lowered the 2016/17 US corn production by 60 million bushels to 15,093 million bushels. Planted acres remain at 94.1 million acres. The corn yield was reduced 0.7 bushels per acre to 174.4 bushels per acre. If realized, this would still be a record yield. Ending stocks in 2015/16 were raised 10 million bushels to 1,716 million bushels based on a reduction in last year's exports. Corn supply in 2016/17 is reduced 50 million bushels to 16,859 million bushels, still well above last year's supply.

Total use is projected lower by 25 million bushels to 14,475 million bushels. This decrease is attributable to a reduction in 'Feed and Residual' use. Ethanol demand and exports remain at 5,275 million bushels and 2,175 million bushels, respectively. US ending stocks for 2016/17 are down 25 million bushels to 2,384 million bushels. This would still be a very large carry out level and the largest since the 1987/88 crop. The US stock-to-use ratio for 2016/17 drops to 16.5% from 16.6% last month. Corn crop conditions are holding up very well, and harvest has now started in the south.

Global Supply Stable

Global corn imports were projected up 2.2 million metric tons to 130.2 million metric tons. Outweighing the 1.8 million metric ton downward revision to global corn production, now at 1,026.6 million metric tons. Exports are projected up 2.6 million metric tons to 139.8 million metric tons. Resulting in global ending stocks down 1.4 million metric tons to 219.5 million metric tons for 2016/17. China's corn crop is reduced slightly due to dry weather, while Brazil is expected to plant larger acres to corn versus soybean, due to better economics on corn.

Currency: USD Stable

The US dollar has gained some strength relative to the Canadian dollar. Crude oil continues to receive support at \$40 a barrel.

Chicago Board Of Trade December 2016 Corn Chart



Technical Analysis: Neutral

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.

The RSI and MacD are both neutral, while Stochastics are bearish. Moving averages have converged and are looking for more direction. Technically the picture looks like a bottom at \$3.20 - \$3.30. Weather should be watched for any downward adjustments in the size of the corn crop.

Weather is Seasonal

Current weather has been adequate with southern Ontario receiving some rain. Looking forward the weather looks favourable.

Funds in a Short Position

The non-commercial/reportable funds are now short 126,000 lots and have been increasing their side position recently. We need to watch for a possible round of profit taking and a corresponding bounce up in price.

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Soybean Meal

Outlook: Cautiously Neutral

The USDA September report forecasts production up again to a record 4,201 million bushels, up 141 million bushels from the August report. Planted acres were unchanged while yield was raised 1.7 bushels to a record 50.6 bushels per acre. The 2015/16 old crop carry out stock level was reduced again to 195 million bushels due to strong exports recently. Soybean supply in 2016/17 is up 80 million bushels to 4,426 million bushels.

Domestic soybean use projections increased 45 million bushels to 4,061 million bushels. The increase is attributable to higher crush and export use, up 10 and 35 million bushels, respectively. Soybean exports are now at a level of 1,985 million bushels in 2016/17. The soybean carry out is forecasted up 35 million bushels to 365 million bushels. The 2016/17 US stock-to-use ratio rises to 9.0% from 8.2% in the past report.

Soybean supply is still adequate for now. It is important to keep in mind that a minor reduction of 1 bushel/acre in yield drops 83 million bushels off of the carry out stocks and puts the stock-to-use ratio below 7%.

Soybean meal saw an increase in production which was fully offset by an increase in domestic use. Ending meal stocks remain at 300 thousand short tons.

Soybean crop conditions are currently rated 73% good to excellent condition which is nicely ahead of last year. Harvest will start shortly.

Global Supply Shrinks Slightly

Global soybean supply in 2016/17 decreased 1.0 million metric tons driven by a 0.9 million metric ton decrease in imports to 135.7 million metric tons. Production is nearly unchanged at 330.4 million metric tons. Global soybean ending stocks are up 0.9 million metric tons to 72.2 million metric tons.

Chicago Board Of Trade December 2016 Soybean Meal Chart



Technical Analysis: Bearish

The December 2016 soybean meal chart has drifted lower to find support at the \$305 level and is now testing that level for the second time in two weeks.

The RSI is oversold at this point, Stochastics look oversold, and MacD is currently turning bullish. Moving averages continue to be bearish. We should expect a period of sideways trading while waiting for more news. We should watch for a close below \$305, \$300, or a break higher through the moving averages. Support below \$300 comes at \$265.

Weather is Favourable

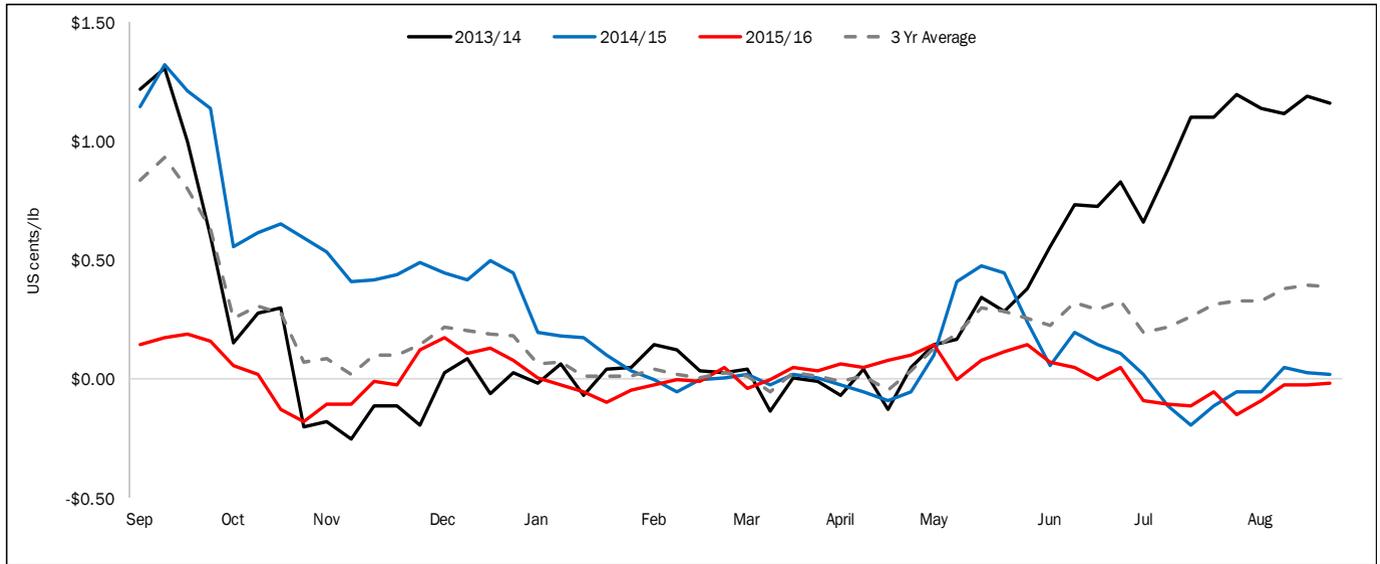
US weather remains good but we need to watch the forecast, too much rain could delay harvest.

Funds in a Long Position

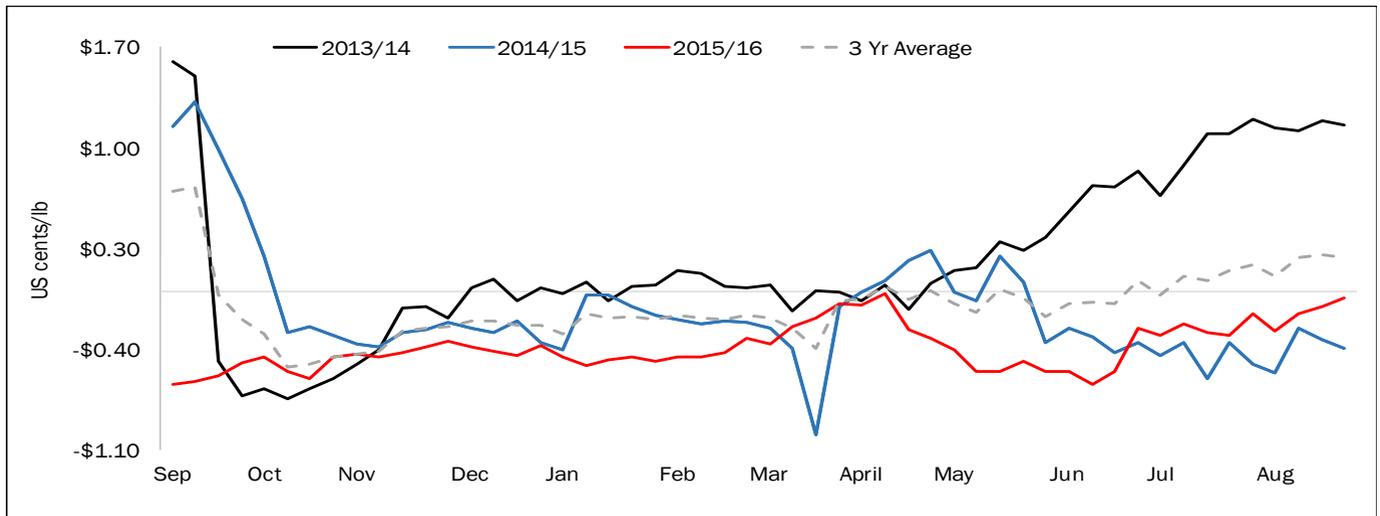
The non-commercial/reportable funds are holding a long position of 65,000 on soybean meal. The soybean position is now long 47,000 lots, as some long liquidation has taken place. The big crop size is weighing on the market.

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Corn Basis Values – Chatham, Ontario



Soybean Basis Values – London, Ontario



Ontario corn basis values continue to firm up on weather concerns but stay below the 3 year average. We need to continue to watch the weather carefully. Harvest progress could put some pressure on basis.

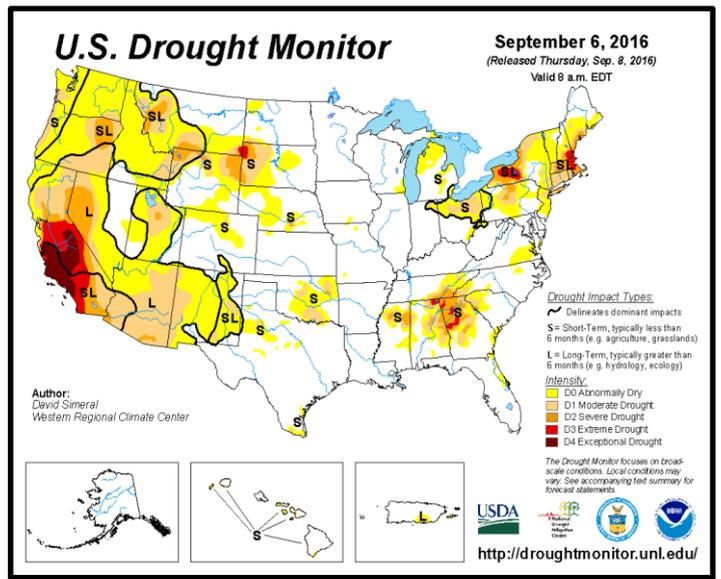
Ontario soybean basis has been in line with the seasonal trend. Weather should continue to be monitored and some slight firmness is expected congruent with corn.

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Weather – North America

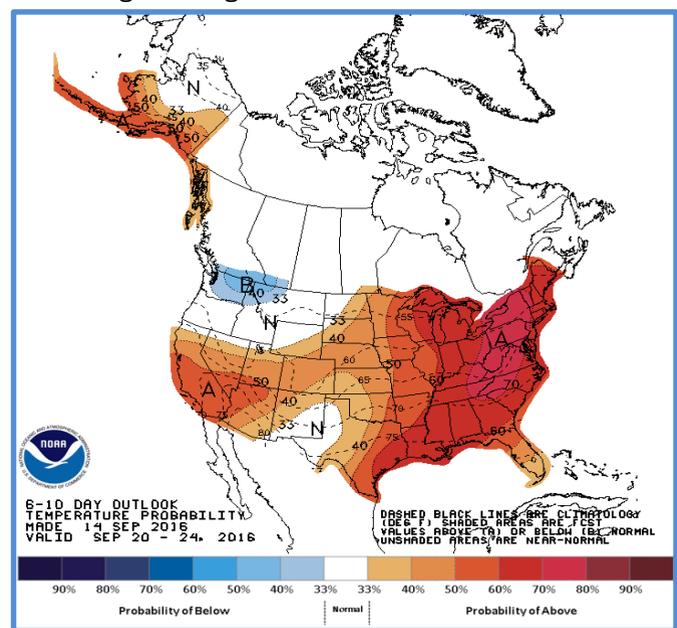
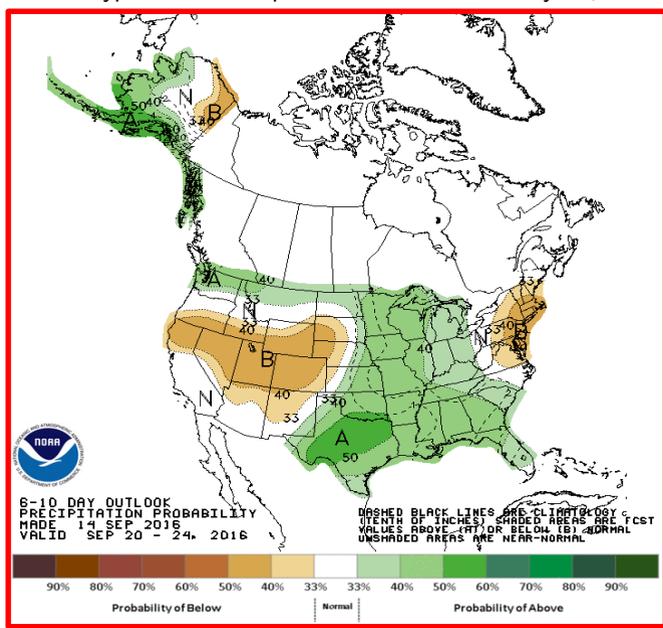
The map to the right is the most current USA drought monitor map of September 6th 2016. The North American map has not been updated yet this month. Soil moisture levels are showing small areas of dryness at this time which is favourable for harvest progress. Too much rain at this time could cause harvest delays.

The areas of dry conditions in the Canadian crop regions have improved. Southern Ontario which has been very dry through July and August has seen some recent rains.



Weather – USA

NOAA maps below, in red shows precipitation probability remains above normal in the crop growing regions, certainly in the eastern half of the country. We need to watch this carefully for impact on harvest progress. The map in blue now reflects a very high probability of above normal temperatures of the eastern half of the growing region. The Canadian prairies are forecasted slightly cooler than normal, with Ontario remaining warmer than usual. We are in the typical weather patterns for this time of year, but there is nothing alarming at this time.



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