

### 3 Key Messages

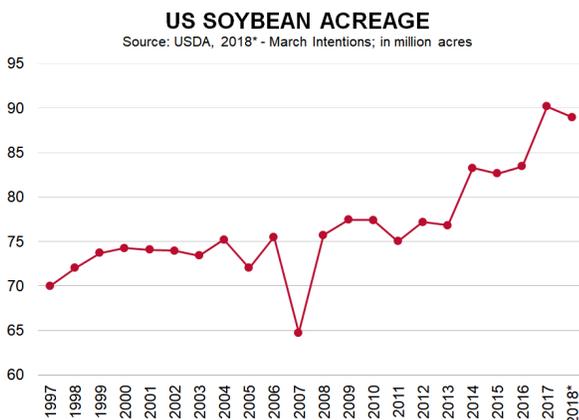
Below are the three main messages of this outlook report:

- 1) U.S. stocks on hand of corn and soybeans were extremely high as of March 1, 2018, according to a report from the USDA.
- 2) Although large stocks on hand provide a considerable buffer against a major supply problem for either crop, there could be some market excitement related to Northern Hemisphere weather this spring and summer.
- 3) American farmers told the USDA they intend to seed smaller acreages of corn and soybeans in 2018 compared to 2017.

### Overview: USDA Says Soybeans to Steal Acreage Crown from Corn

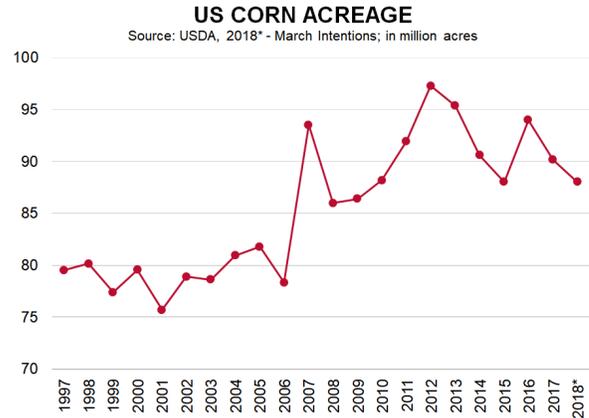
The March 29 USDA prospective plantings report pegged U.S. soybean acreage at 89.0 million, down 1% from last year.

This reduces the odds that U.S. soybean stockpiles will grow to truly burdensome levels in 2018-19.



*Still a huge soybean acreage, but down from 2017.*

For corn, the USDA reported that farmers surveyed intend to plant 88.0 million acres of corn, down 2% or 2.1 million acres from last year.



*Reduced corn acres point to tighter supplies ahead*

While the fact that soybean intentions topped corn was no big surprise, given the current price relationship between the two crops, it was still noteworthy. This is the first time it has happened in over 30 years.

It means that, even with average yields of corn this summer, U.S. corn stocks will decline. In the event of a weather problem, corn prices could rally sharply.

#### Stocks on hand ample

In addition to the acreage report, an important USDA stocks in all positions report was released on March 29. Details follow but the main message is that corn and soybeans are in surplus positions today. Stocks on hand offer a measure of insurance against the market impact of any weather problems that might develop in the upcoming growing season.

#### Deeper dive on corn

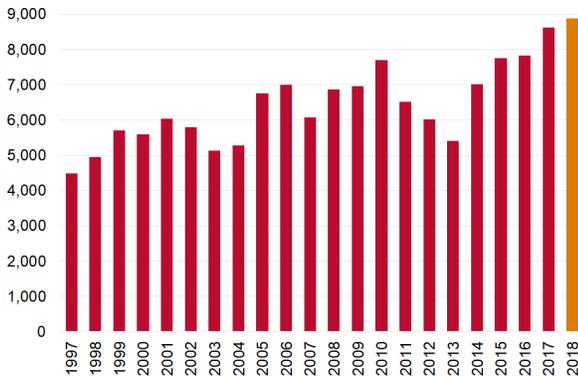
##### Lots on hand today

U.S. corn stocks in all positions as of March 1, 2018 totalled 8.89 billion bu, up 3% from a year ago.

Based on the March 1 stocks estimate, implied usage of corn was 3.68 billion bu from Dec. 2017 through Feb. 2018, down from 3.76 billion last year. Decreased usage indicates the process of chewing through 2017's large corn crop is moving slowly.

## US CORN STOCKS AS OF MARCH 1

Source: USDA; in million bu



*Large stocks on hand offer some buffer against a threat to 2018 corn production*

### Acres will drop, but not severely

In the primary corn production state of Iowa, farmers said they'll plant 13.3 million acres of corn, unchanged from last year but well below 13.9 million in 2016. Illinois corn area is estimated at 11.0 million acres, a dip of 2% from last year.

*Worth noting:* States with proximity to Ontario, which sometimes supply Ontario end users with a portion of their needs, will hold acreage steady or increase modestly. Michigan intentions are unchanged from 2017 at 2.25 million. Ohio intentions are up 1% at 3.45 million.

The smaller planted area nationwide does not mean the corn market is heading for a shortage. Only a major drought or another very serious crop problem ahead could bring that into play. It does take some of the downside out of the corn futures market, particularly until the crop gets seeded and until traders have a look at the weather in May and June.

*Warning:* Acreage is not yet carved in stone! History shows actual plantings can vary widely from intentions. A wet spring can force cuts in corn acres while a dry spring can boost them. The acreage story is only just beginning.

*Also important:* Weather still matters. At this time,

there's no serious drought in the U.S. Midwest but there are some dry areas, including parts of key corn (and soybean) states. Some timely spring rains will be needed for crops to get off to a good start.

Later, if the U.S. corn crop is threatened by hot, dry weather during pollination in July, futures will rally, perhaps sharply.

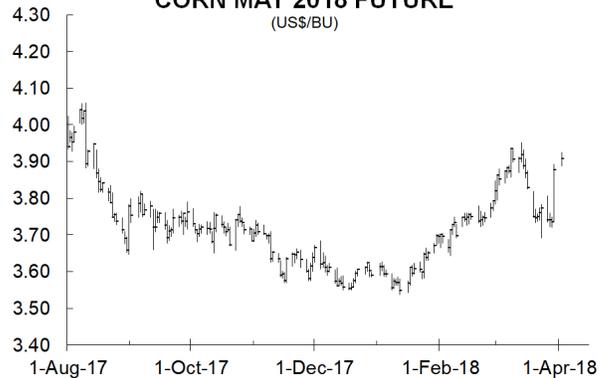
Summing up the USDA data & analysis for corn: The U.S. corn supply is heavy at this time. A smaller seeded acreage means the supply should tighten in 2018-19. The market will be sensitive to any weather threat that could cause stocks to decline even more than is currently expected.

### Futures: Spring rally possible, not assured

Corn futures rose steadily during January and February before easing during most of March. Early indications are that April could be a different month. Corn moved higher immediately after the USDA data came out on March 29. The seasonal tendency is for corn futures to move higher, more often than not, in April and May.

## CORN MAY 2018 FUTURE

(US\$/BU)

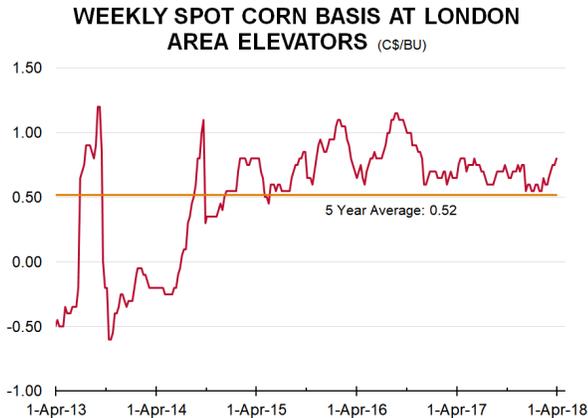


### Ontario corn basis, prices up from winter lows

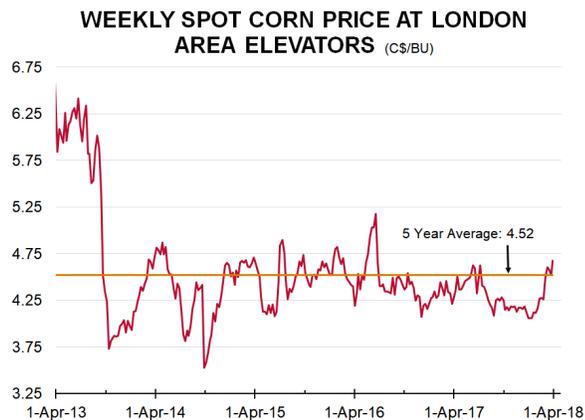
At the Ontario elevator level, the spot basis has moved higher over the past couple of months. It remains high compared to the five-year average, as shown on the chart (next page). This is largely a function of a weak Canadian dollar. At around 77 1/2

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cents, the Canadian dollar remains well below 81 1/2 cents. That's where it was in early February.



The combination of basis gains and higher futures mean Ontario corn prices are up from the lows made in the winter. They are now slightly above the average of the previous five years, as shown.



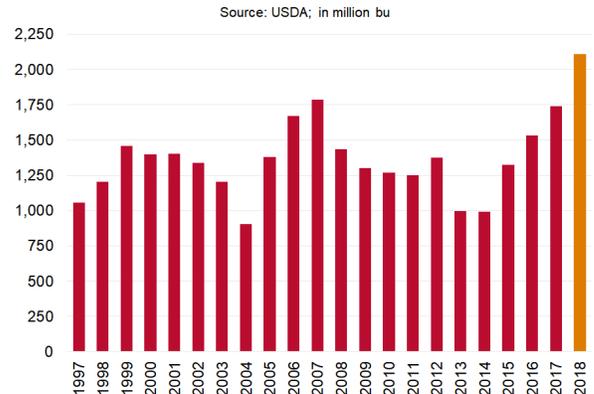
## Soybeans end March with a bang

### Meal prices up too

At 2.11 billion bu, U.S. soybean stocks as of March 1 were up a whopping 21% from the previous year.

Indicated disappearance for the December 2017 through February 2018 quarter totalled 1.05 billion bu. That's down 9% from the same period a year earlier, due to a sluggish export pace.

## US SOYBEAN STOCKS AS OF MARCH 1



*Soybean futures did not fall despite sky-high stocks*

Of greater importance, U.S. soybean acreage intentions came in at 89.0 million, down 1% from last year.

The bottom line on USDA: Big supply on hand today. Likelihood of a slightly smaller U.S. crop in 2018.

*Reminder:* Actual acreage could be a lot different from what's indicated in the March 31 report. Futures jumped immediately after the report came out. This could result in a few "extra" acres getting seeded when all's said and done.

*Also important:* Even with a drought in Argentina, South American farmers are harvesting a very large soybean crop. It should provide stiff competition to U.S. beans in global export markets, starting now.

*Wildcard in the outlook for soybeans:* U.S. - China trade issues. China is the #1 buyer of U.S. soybeans. In recent weeks, the two nations have engaged in a war of words on trade, with tariffs being implemented on a few products other than soybeans.

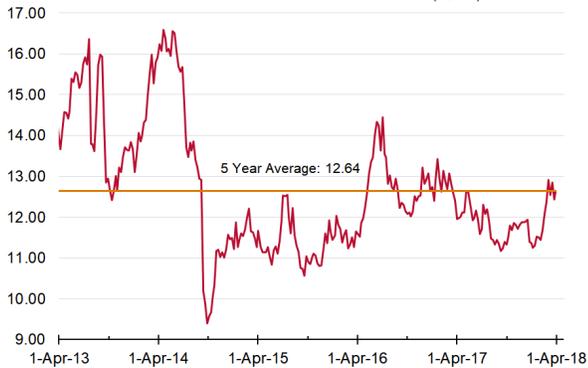
To this point, China seems more willing to put a tariff on pork and other agricultural products than soybeans. Still, given the relative importance of the Chinese market to U.S. soybeans, this situation bears watching! A serious threat to U.S. exports would be negative for U.S. soybean futures.

### Ontario soybean prices up

Over the past few months, Ontario soybean prices have been working generally higher. Support has come from renewed strength by soybean futures.

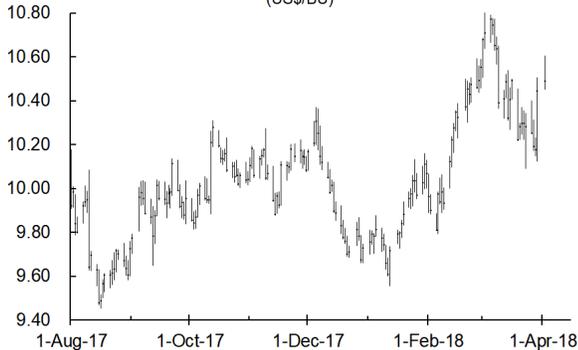
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**WEEKLY SPOT SOYBEAN PRICE AT LONDON AREA ELEVATORS (C\$/BU)**



*With recent gains, spot prices are near the five-year average.*

**SOYBEANS MAY 2018 FUTURE (US\$/BU)**

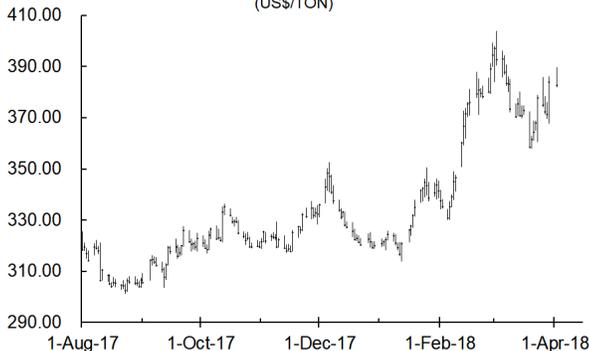


*Soybean futures shot higher after U.S. acreage intentions were released March 29!*

### Meal futures strong

Meal futures also snapped higher at the end of March.

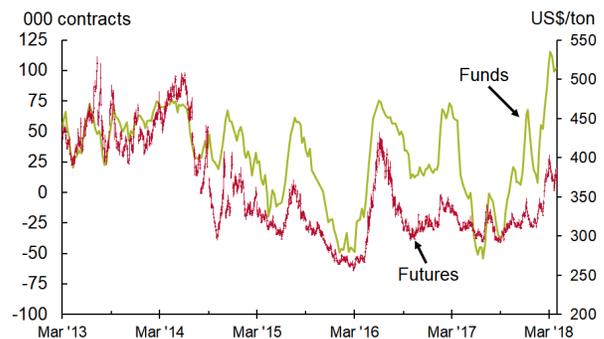
**SOYBEAN MEAL MAY 2018 FUTURE (US\$/TON)**



The overall outlook is such that any rallies will be tempered by heavy U.S. stocks of soybeans on hand. Even so, meal futures are expected to be highly weather sensitive this spring, especially with expectations of a smaller U.S. soybean acreage in 2018 compared to 2017.

*Another factor in the outlook for meal futures:* The collective buying and selling patterns of speculative funds. At this time spec funds remain heavily long meal futures. If they decide to start liquidating their position, we could see meal futures driven down more than would seem justified based on the fundamentals alone.

**SOYBEAN MEAL: NET POSITION BY SPEC FUNDS (LEFT AXIS) VS NEARBY FUTURES PRICE (RIGHT AXIS)**



### Ontario meal prices strengthening

Ontario meal prices are rallying with futures. Today's bulk soybean meal price fob the rail in Hamilton of C\$550/tonne is above the 5-year average.

Looking ahead, seasonal odds augur for some strength moving from early spring to summer.

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



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