

### 3 Key Messages

Below are the three main messages of this outlook report:

1. The US corn crop seems to be getting bigger. USDA's November crop report bumped the US corn yield forecast up to a new record high. It also maintained a heavy supply outlook for US soybeans in 2017-18.
2. Markets are under pressure. Corn futures slid to new lows on the USDA news. Soybeans and meal, which had been rallying before the USDA report, dipped. Overall, some late harvest pressure remains in effect.
3. Ontario soybean harvest is nearly done but a lot of corn has yet to come off. Soybean yields were highly variable. Corn yields and quality have been very good overall with harvest now past 50% done. This doesn't matter to US futures but may be opening up attractive buying opportunities opening up for Ontario feed users, particularly for corn.

### Corn: US crop second largest ever USDA raises yield forecast to new record high

The USDA monthly supply-demand update released Nov. 9 pegged the average corn yield at a record high 175.4 bu/acre. That was up a major 3.6 bu from the October estimate.

Harvested area was unchanged from last month at 83.1 million acres. With the increase in the average yield estimate, production was raised to 14.58 billion bu. That's still below last year's record output by 570 million bu.

The USDA lifted its consumption forecast, but only modestly. The 2017-18 export forecast moved up to 1.925 billion.

Projected ending stocks for 2017-18 went up 147 million from a month earlier to a hefty 2.49 billion bu.

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

	2013-14	2014-15	2015-16	2016-17	2017-18
Acres Planted (Mln)	95.40	90.60	88.00	94.00	90.40
Harvested	87.50	83.10	80.80	86.70	83.10
<b>YIELD (Bu/A.)</b>	<b>158.10</b>	<b>171.00</b>	<b>168.40</b>	<b>174.60</b>	<b>175.40</b>
Carryin	0.82	1.23	1.73	1.74	2.30
<b>PRODUCTION</b>	<b>13.83</b>	<b>14.22</b>	<b>13.60</b>	<b>15.15</b>	<b>14.58</b>
Imports	0.04	0.03	0.07	0.06	0.05
<b>TOTAL SUPPLY</b>	<b>14.69</b>	<b>15.48</b>	<b>15.40</b>	<b>16.94</b>	<b>16.92</b>
Feed/Residual	5.04	5.28	5.11	5.46	5.58
Food,Seed,Ind.*	6.49	6.60	6.65	6.89	6.94
Exports	1.92	1.87	1.90	2.29	1.93
<b>TOTAL USE</b>	<b>13.45</b>	<b>13.75</b>	<b>13.66</b>	<b>14.65</b>	<b>14.44</b>
<b>ENDING STOCKS</b>	<b>1.23</b>	<b>1.73</b>	<b>1.74</b>	<b>2.30</b>	<b>2.49</b>
<b>Stocks to use</b>	<b>9.2%</b>	<b>12.6%</b>	<b>12.7%</b>	<b>15.7%</b>	<b>17.2%</b>

Source: USDA November 9, 2017

*The November USDA crop report ramped up US yields, production and ending stocks from last month. Great news for feed buyers, all else equal!*

The projected range for the season-average corn price received by producers was unchanged from October, with a midpoint of US\$3.20/bu.

World corn ending stocks were projected at 203.9 million tonnes. That's up about 3 million from October but still below 226.6 million in 2016-17.

The USDA opted for a wait-and-see approach for South America, where the corn crop is still at an early stage of development. Estimated 2017-18 corn production for Argentina and Brazil was left unchanged from last month at 42 million and 95 million tonnes, respectively. Those forecasts are in the same ballpark as last year's actual output.

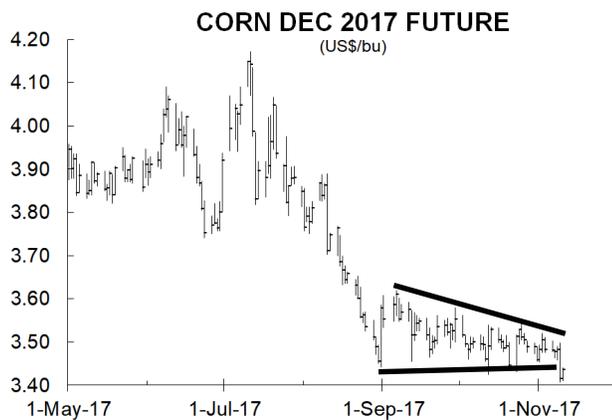
**Looking ahead:** The USDA could tweak its US yield and production estimates in its final production report due in January. About one-quarter of the crop was unharvested in mid November.

Changes to South American production forecasts will become increasingly important to world markets, starting in December.

## Big US yield pushed futures to new lows

Before the Nov. 9 monthly crop report came out, the December corn future was stuck in a low-level trading range.

After the report came out - forecasting the second largest US crop ever - the December future fell out the bottom of that range, reaching a new low. This implies more time is needed to form a seasonal low and fully account for the size of this year's output.



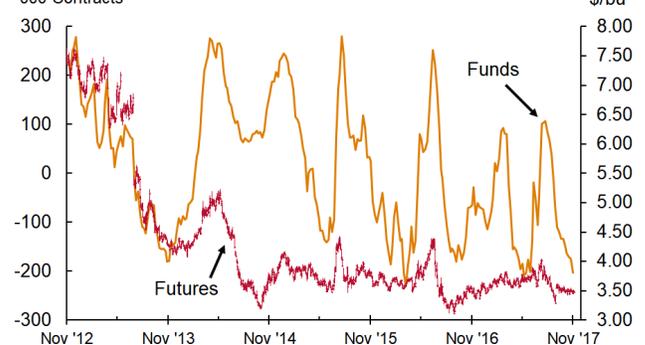
*Futures made new lows on bigger US crop estimate*

**Outlook & seasonal tendencies:** The timing of harvest lows for futures varies from year to year, as noted last month. In some years when production is large, as it is this year, futures have waited for November before bottoming. That's the case this year.

By late December, if not before, the market's attention will be focused on developments in South America. Many years there is at least a little strength in January based on some kind of crop scare there.

One important wild card in the outlook is the collective action of speculative (managed money) funds. These funds are currently holding a net short position that is comparable in size (around 200,000 contracts) to the short position held at previous major market lows. If something happens to cause 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. They have done most of their selling already.

**Corn: Net Position by Spec Funds (left axis) VS Nearby Futures (right axis)**



*Funds have piled on the short side of the market!*

## Ontario's harvest plodding ahead

According to a Statistics Canada report released Sept. 19, Ontario's corn crop in 2017 could be 353.4 million bu, making it the third 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 really sets in, but periodic rain delays are an issue. The measured pace of harvest has been one reason the spot basis has not felt serious pressure to this point.

DON (vomitoxin) levels are down from last year but still slightly above normal, based on testing by OMAFRA. Quality has generally been good although there are a few reports of low test weights in areas that missed out on late-season rain.

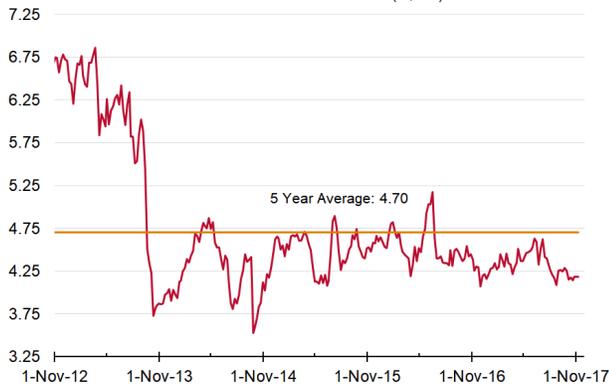
**WEEKLY SPOT CORN BASIS AT LONDON AREA ELEVATORS (C\$/BU)**



*The Ontario spot corn basis is slightly above the five year average, as shown above.*

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



Even with a relatively strong basis, spot corn prices in Ontario are well below the five year average, as shown above. This is largely due to the weak US futures market.

## Soybeans: Big Supply Confirmed US production down but only slightly

On Nov. 9, the USDA put the 2017 US soybean crop at 4.43 billion bu. That was down a miniscule 5 million bu from last month. The average yield was lowered slightly from 49.5 bu/acre in October.

Ending stocks set to build. With no other changes compared to last month, the small drop in production was reflected in an identical 5-million cut in the 2017-18 ending stocks forecast to 425 million bu. That's still way up from 301 million bu in 2016-17.

The US season-average soybean price is now forecast at US\$9.30/bu, up 10 cents from last month.

Soybean meal users will be interested to know that the average US soybean meal price range is projected at US\$295.00 to \$335.00/short ton, up \$5.00 on both ends of the range from last month. Last year's average for meal was about \$317.00.

World soybean ending stocks for 2017-18 are estimated at 97.9 million tonnes this month. That was up from 96.1 million in October and above 96.3 million in 2016-17. Simply put, a very comfortable supply.

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

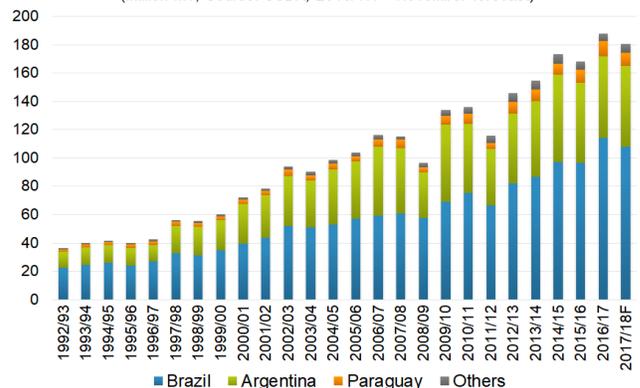
	2013-14	2014-15	2015-16	2016-17	2017-18
Acres Planted (Mln)	76.80	83.30	82.70	83.40	90.20
Harvested	76.30	82.60	81.70	82.70	89.50
YIELD (Bu/ac)	44.00	47.50	48.00	52.00	49.50
Carryin	0.14	0.09	0.19	0.20	0.30
PRODUCTION	3.36	3.93	3.93	4.30	4.43
Imports	0.07	0.03	0.02	0.02	0.03
<b>TOTAL SUPPLY</b>	<b>3.57</b>	<b>4.05</b>	<b>4.14</b>	<b>4.52</b>	<b>4.76</b>
Crush	1.73	1.87	1.89	1.90	1.94
Exports	1.64	1.84	1.94	2.17	2.25
Seed	0.10	0.10	0.10	0.11	0.10
Residual	0.01	0.05	0.02	0.04	0.04
<b>TOTAL USE</b>	<b>3.48</b>	<b>3.86</b>	<b>3.94</b>	<b>4.21</b>	<b>4.33</b>
<b>ENDING STOCKS</b>	<b>0.09</b>	<b>0.19</b>	<b>0.20</b>	<b>0.30</b>	<b>0.43</b>
<b>Stocks to use</b>	<b>2.65%</b>	<b>4.95%</b>	<b>4.99%</b>	<b>7.14%</b>	<b>9.94%</b>

Source: USDA November 9, 2017

In 2017-18, US ending stocks are expected to continue the recent upward trajectory. The supply wave is still growing.

A smaller South American crop than last year is in the works, but still the second largest ever. Argentina's output is seen at 57.0 million tonnes in 2017-18 compared to 57.8 million in 2016-17. Brazil's crop is seen at 108 million tonnes. Last year's Brazilian soy crop amounted to 114.1 million tonnes.

**SOUTH AMERICAN SOYBEAN PRODUCTION  
(Million MT; Source: USDA, 2016/17F - November forecast)**

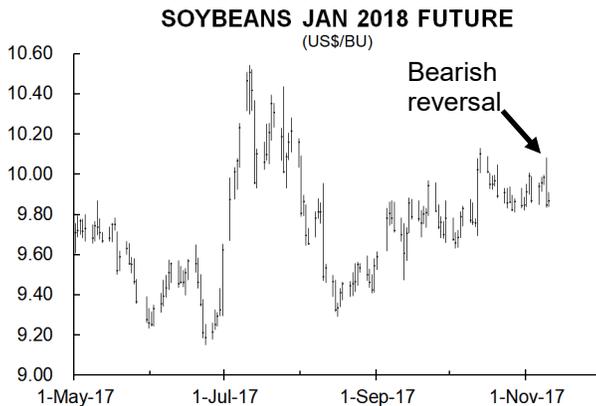


The South American crop is still being seeded but USDA is penciling in the second largest output ever!

## Soybean futures strong, despite ongoing harvest

Soybean futures came into the November USDA report up about 80 cents US from the low made in mid August.

The market performed amazingly well through the first 90% of the US harvest. With the market reversing lower after the USDA report came out, at least a little pressure may be ahead.



*Soybean futures reversed lower after the USDA report. The rally that began in August may be over!*

Similar to soybeans, meal futures were also rallying heading into the Nov. 10 USDA report but reversed lower after it came out.

Moving into December, the outlook for soybeans and meal hinges primarily on the South American crop. Dryness caused a few seeding delays in Brazil, but nothing too serious. It's not until December and January that South American weather becomes a really critical market factor.

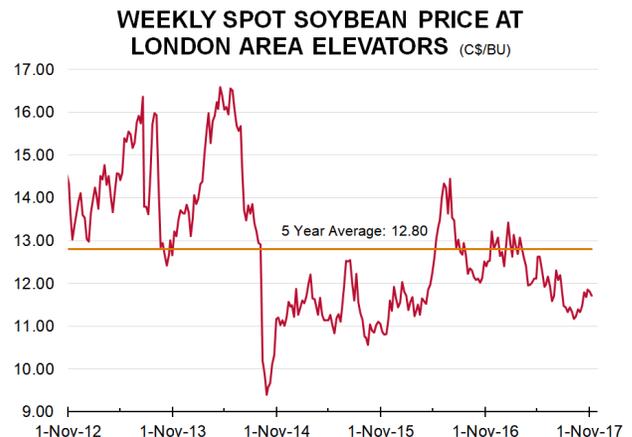
## Ontario soybean and meal prices relatively low

Ontario soybean prices have been trending generally higher since early September, due to the combination of higher soybean futures and a still-weak Canadian dollar which has supported the basis.

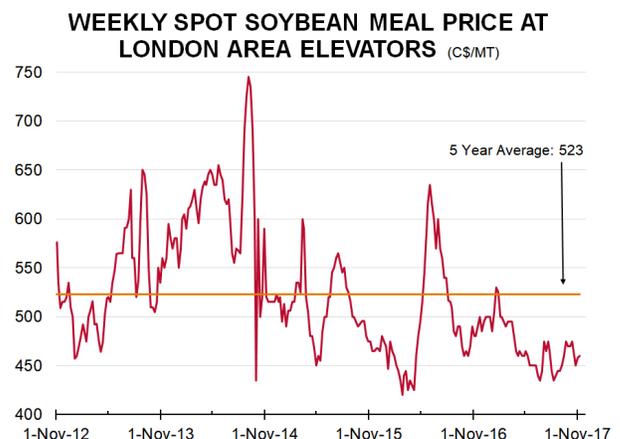
Ontario bulk meal prices have also worked generally higher over the past couple of months, although increased supplies of soybeans moving to the crushers resulted in some pressure on the basis.

The Ontario soybean harvest is all but complete. Yields were highly variable, as expected prior to harvest, depending on planting date and amount of rain received during the growing season.

Based on the variability in yields reported by farmers, Statistics Canada can be expected to reduce its Ontario yield forecast in its next production report, due Dec. 6. Even if this occurs, total output could remain close to record high.



*Even with a bounce over the past few weeks, Ontario soybean prices remain well below the 5-year average*



*Bulk soybean meal prices have been chopping around over the past few months but have remained well below the average of the past five years. This is a favourable situation for buyers.*