

3 Key Messages

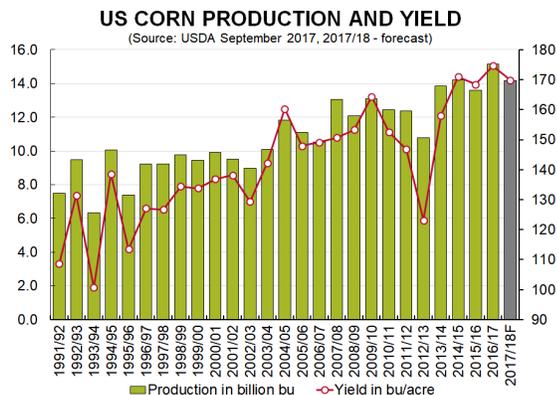
Below are the three main messages of this outlook report:

1. USDA's September crop report forecast US corn and soybean yields and production higher than the August report. Although there is still some weather-related uncertainty, this is good news for feed buyers!
2. In its first crop production report for the 2017 growing season, Statistics Canada forecast large Ontario corn and soybean crops. With development lagging, favourable weather into October is necessary for crops to reach their full potential.
3. Ontario corn and soybean meal prices have plunged from the highs made in early July. This suggests at least some of the news about large supplies is already reflected in today's prices.

Corn: US crop bigger than 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 169.9 bu/acre, up slightly from last month's 169.5 bu/acre. With the increase in yield, the 2017 crop is forecast at 14.18 billion bu, versus a forecast of 14.15 billion in August and 15.14 billion last year.



Both the average yield and production estimates topped pre-report trade expectations, which came in at 167.80 bu/acre and 13.99 billion bu, respectively.

On the demand side, the USDA did offset at least some of the larger production estimate by raising projected 2017-18 feed and residual use by 25 million bu from last month to 5.48 billion bu. This was more than offset by a 25-million bu cut in corn for ethanol use (down to 5.48 billion bu) and a 50 million bu reduction in other industrial use. The export forecast was also lowered from a month ago.

With supply increasing and use falling, 2017-18 corn ending stocks were raised 62 million bu from last month to 2.34 billion, easily topping the average trade guess of 2.15 billion.

Implication of US corn data: When plugged into a supply-demand sheet, ending stocks in 2017-18 appear to be on track to decline only very slightly from 2016-17.

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 | 90.90 |
| Harvested | 87.50 | 83.10 | 80.80 | 86.70 | 83.50 |
| YIELD (Bu/A.) | 158.10 | 171.00 | 168.40 | 174.60 | 169.90 |
| Carryin | 0.82 | 1.23 | 1.73 | 1.74 | 2.35 |
| PRODUCTION | 13.83 | 14.22 | 13.60 | 15.15 | 14.18 |
| Imports | 0.04 | 0.03 | 0.07 | 0.06 | 0.05 |
| TOTAL SUPPLY | 14.69 | 15.48 | 15.40 | 16.94 | 16.59 |
| Feed/Residual | 5.04 | 5.28 | 5.11 | 5.43 | 5.48 |
| Food,Seed,Ind.* | 6.49 | 6.60 | 6.65 | 6.87 | 6.93 |
| Exports | 1.92 | 1.87 | 1.90 | 2.30 | 1.85 |
| TOTAL USE | 13.45 | 13.75 | 13.66 | 14.59 | 14.25 |
| ENDING STOCKS | 1.23 | 1.73 | 1.74 | 2.35 | 2.34 |
| Stocks to use | 9.2% | 12.6% | 12.7% | 16.1% | 16.4% |

Source: USDA September 12, 2017

The USDA's projected range for the marketing year average price received by producers is down 10 cents on both ends to a range this month of US\$2.80 to \$3.60/bu.

World corn ending stocks for 2017-18 are estimated at 202.47 million tonnes this month, up from 200.87 million in August. However, this is still below the ending stocks of 226.96 million for 2016-17.

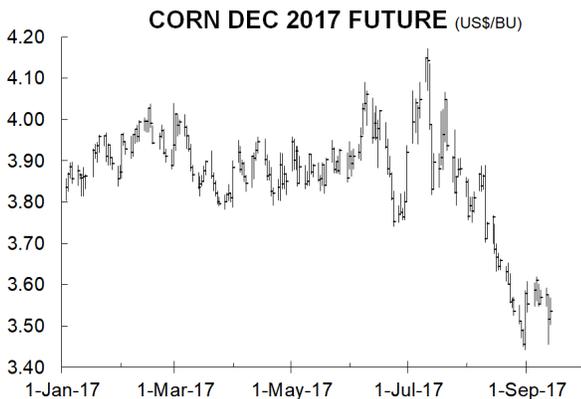
Heads up: The USDA yield and production forecasts are not carved in stone. Current forecasts assume generally good conditions until the US crop reaches maturity.

As of Sep. 10, only 21% of the crop nationwide was mature. That trails 31% mature last year and on average. The lateness of the crop means there's still the possibility of a cold weather threat in northern growing areas sometime in the next few weeks.

Futures down, harvest pressure ahead

After trading above US\$4/bu in mid-July when hot, dry weather threatened the U.S. crop during pollination, the December corn future has collapsed, as shown below.

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



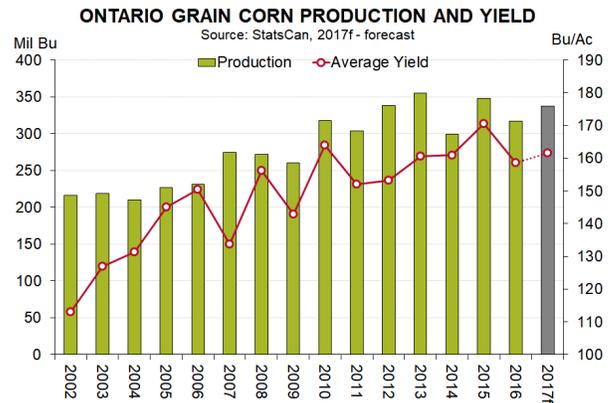
Futures held down by improved U.S. production outlook

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

Ontario's crop looking big but it's late

According to a Statistics Canada crop production report released Aug. 31, Ontario farmers anticipate corn output in the province to reach 337 million bu, up 6.3% from 2016.

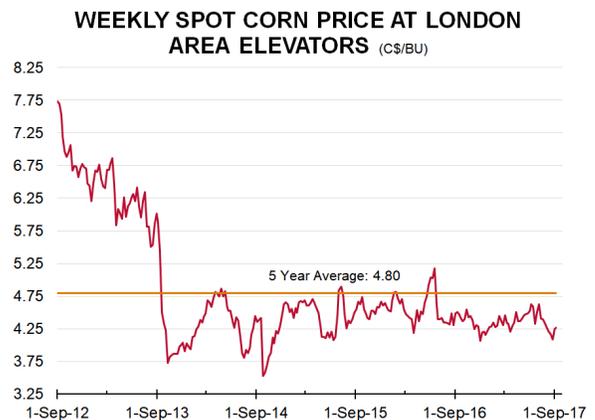
This is the result of anticipated increases in harvested area (+4.2% to 2.1 million acres) and average yield (+2% to 161.6 bu/acre).



Ontario's corn output could be the fourth largest ever!

The main question is whether the growing season will come to an end before some corn reaches maturity. Some agronomists have suggested the crop in certain parts of the province was at least two weeks late heading into September.

To this point, the lack of an imminent cold weather threat has allowed Ontario corn prices to fall with futures. A strong Canadian dollar against the US dollar has contributed to the weakness.



Spot corn prices in Ontario have come way down from the peak made in July. They are also well below the five year average, as shown above.

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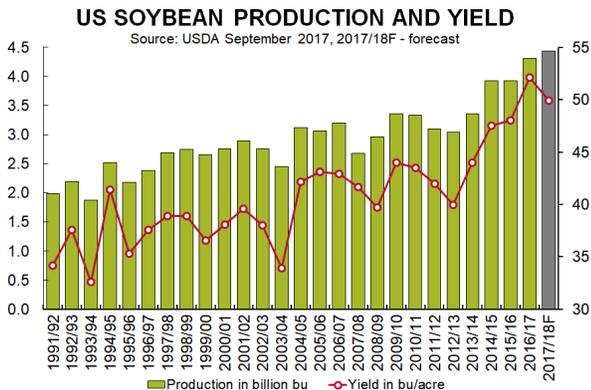
Soybeans: USDA confirms record crop

US yields revised up vs. August forecast

In the monthly report released Sep. 12 the USDA raised its 2017-18 soybean yield and production estimates compared to the previous month.

The yield was revised up to 49.9 bu/acre from 49.4 bu/acre in August. That increase pushed total expected production to a record 4.43 billion bu, up from the already-record August forecast of 4.38 billion bu.

The USDA's September yield and production estimates topped the average pre-report trade guesses of 48.7 bu/acre and 4.32 billion bu, respectively.



Biggest soybean crop ever.

US ending stocks hold steady

Compared to last month, the increase in production was offset by a smaller carry-in from the 2016-17 marketing year, along with a 25-million bu increase in the 2017-18 export forecast. The end result was a 2017-18 soybean ending stocks forecast of 475 million bu, unchanged from last month but still well above 345 million and 197 million bu the previous two years.

The 2017-18 U.S. season-average soybean price is forecast at US\$8.35 to \$10.05/bu. That's down 10 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 estimates can change significantly from September to October and November. The crop is a long way from being safely harvested. Nationwide, 22% of the crop was dropping leaves as of Sept. 10 compared to 25% on average. Harvest activity by that date was limited to southern growing areas.

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 | 89.50 |
| Harvested | 76.30 | 82.60 | 81.70 | 82.70 | 88.70 |
| YIELD (Bu/ac) | 44.00 | 47.50 | 48.00 | 52.10 | 49.90 |
| Carryin | 0.14 | 0.09 | 0.19 | 0.20 | 0.35 |
| PRODUCTION | 3.36 | 3.93 | 3.93 | 4.31 | 4.43 |
| Imports | 0.07 | 0.03 | 0.02 | 0.03 | 0.03 |
| TOTAL SUPPLY | 3.57 | 4.05 | 4.14 | 4.53 | 4.80 |
| 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 | 0.10 | 0.10 |
| Residual | 0.01 | 0.05 | 0.02 | 0.01 | 0.04 |
| TOTAL USE | 3.48 | 3.86 | 3.94 | 4.18 | 4.33 |
| ENDING STOCKS | 0.09 | 0.19 | 0.20 | 0.35 | 0.48 |
| Stocks to use | 2.65% | 4.95% | 4.97% | 8.25% | 10.98% |

Source: USDA September 12, 2017

The projection for world soybean ending stocks this month is down slightly from August, falling to 97.53 million tonnes from 97.78 million. However, that's still up from 95.96 million in 2016-17.

Argentina and Brazil soy production for 2017-18 (most of which will be harvested from February through April 2018) were forecast at 57 million and 107 million respectively, down from 57.8 million and 114 million a year earlier.

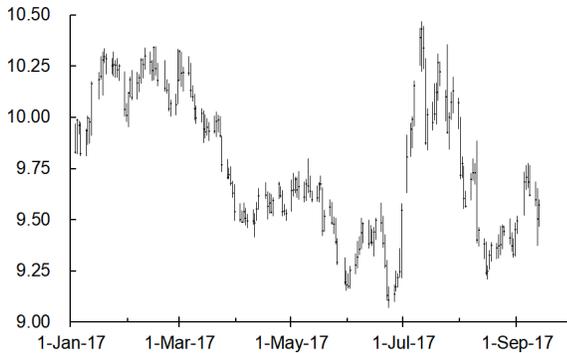
Soybean futures down heading into harvest

Even with a bounce in early September, soybean futures are down about US\$1/bu from the high made in July.

Seasonal odds for soybean futures tilt down now that US harvest is beginning.

The longer-term outlook is such that any rallies will be limited by hefty US 2017-18 soybean supplies and the prospect of another large crop in South America to be harvested in early 2018.

SOYBEANS NOV 2017 FUTURE (US\$/BU)



After finding some traditional strength around Labour Day soybean futures are lower again.

SOYBEAN MEAL DEC 2017 FUTURE (US\$/TON)



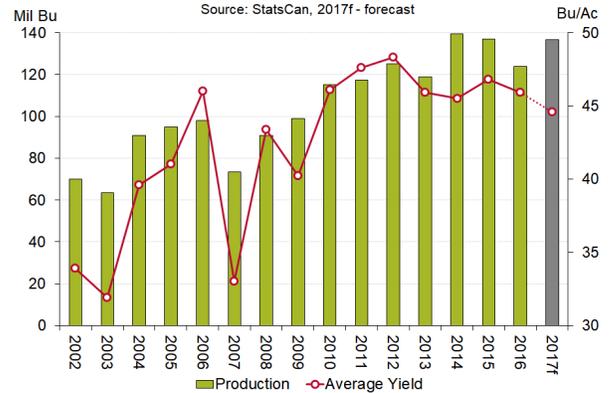
Meal futures remain far lower than in mid July. Good news for meal buyers!

Ontario soybean and meal prices pressured

Ontario soybean prices have been trending generally lower since July, due to the combination of lower soybean futures and a sharply higher Canadian dollar which has hurt the basis.

While not a significant price factor, Ontario is expected to produce one of its largest soybean crops ever. On Aug. 31, Statistics Canada forecast harvested area at 3.1 million acres, up 13.3% from last year. Even with the average yield projected to decline 2.8% to 44.6 bu/acre, total 2017 production is expected to be up 10.2% to 136.6 million bushels.

ONTARIO SOYBEAN PRODUCTION AND YIELD



Ontario soybean crop seen up from last year

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



Ontario soybean prices are sliding into harvest

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



Bulk soybean meal price fob the rail in Hamilton is C\$445/tonne, way below the five-year average.

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