

CFO August Commodity Outlook Report

Corn Outlook: Bearish

The USDA August report raised the 2016/17 US corn production by 613 million bushels to 15,153 million bushels. Planted acres remain at 94.1 million acres with a corn yield projected at a record 175.1 bushels per acre, which is 7.1 bushels above last months number. Ending stocks in 2015/16 were raised slightly to 1,706 million bushels based on an increase in imports.

Corn supply in 2016/17 is seen at 16,909 million bushels, well above last years supply. Ethanol demand remains at 5,275 million bushels and exports are forecasted up another 125 million bushels in the upcoming crop to 2,175 million bushels. Exports are higher mainly due to more competitively priced US corn than last year.

US ending stocks for 2016/17 are forecasted up 328 million bushels at 2,409 million bushels. If this occurs it will be the largest carry out level since 1988/89. The US stock-to-use ratio for 2016/17 rises to 16.6% from 14.7% last month.

Corn crop conditions are showing 74% of the crop with a good to excellent rating and ahead of last year.

Global Supply Grows

Global corn beginning stocks, production, and imports were all forecasted up for 2016/17. Production is projected up about 17.7 million metric tons to 1,028 million metric tons. Global ending stocks are raised by 12.4 million metric tons to 221 million metric tons. Good production gains in Argentina, India and Mexico on good weather has raised yields there. Ontario crop has suffered from lack of rain.

US Currency is Stable

The US dollar remains stable relative to the Canadian dollar staying in between \$.79 and \$.76. Crude oil prices seem to have found a floor on pricing at \$40.00 a barrel.

Chicago Board Of Trade September 2016 Corn Chart



Technical Analysis: Mixed

The September 2016 corn chart is attempting to turn bullish, after collapsing last month. The market has now broken through the \$3.40 support level, and is currently testing the 38% Fibonacci retracement level at \$3.34

The RSI is neutral and appears to be turning bearish, the MacD is possibly showing the start of a bullish move, and Stochastics are bullish. Moving averages are starting to converge to possibly turn bullish.

The picture looks to have reached a floor at \$3.20. We need to be aware of upcoming weather as corn futures test the ceiling at \$3.34.

Weather is Seasonal

Current Canadian and US midwest weather has been good to very good, and the forecast is favourable. Southern Ontario is an area of concern due to very dry weather in July and August.

Funds in a Short Position

The non-commercial/reportable funds are now short 53,000 lots, as there has been a continued liquidation in their recent long position.

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Soybean Meal

Outlook: Slightly Bullish

The USDA August report forecasts soybean production at a surprising 4,060 million bushels, up 180 million bushels from the July report. Planted acres were unchanged and yield increased to a record 48.9 bushels per acre. The 2015/16 old crop carry out stock level was reduced to 255 million bushels due to high export volumes in the past two months resulting in a stock-to-use ratio of 6.6%.

Soybean supply for 2016/17 is forecasted up 86 million bushels to 4,346 million bushels. The increase is attributable to crushing and export volume, up 15 and 30 million bushels, respectively. The soybean carry out is forecasted up slightly in 2016/17 to 330 million bushels from 290 million bushels. The US stock-to-use ratio rises to 8.2% in 2016/17. Soybean supply is still considered tight, despite an increased production forecast.

Soybean meal saw another increase in production which was offset by higher exports and domestic use. Ending meal stocks remain at 300 thousand short tons.

Soybean crop conditions are currently rated 72% good to excellent which is ahead of last year at this time. Crop progress is running ahead of last year's pace.

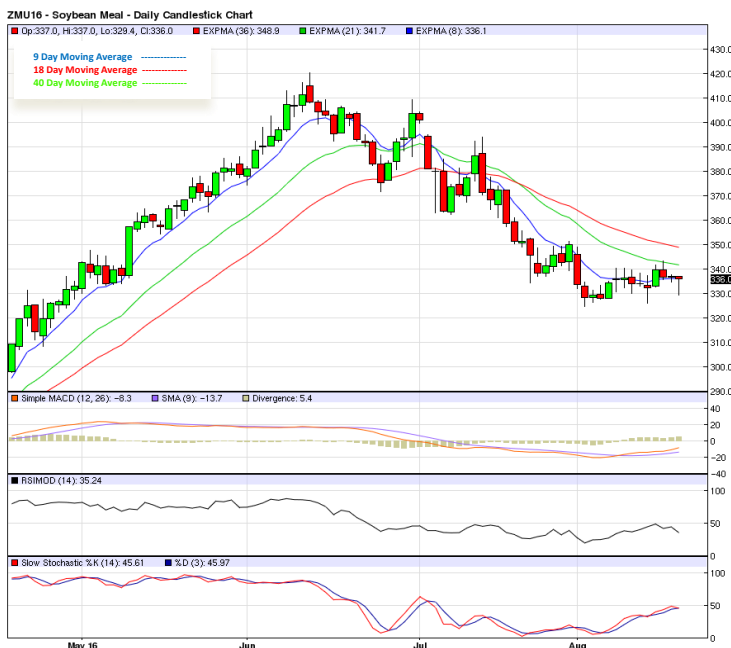
Global Supply Grows Slightly

Global soybean beginning stocks, production, and imports were all forecasted up in 2016/17. Production is forecasted up 4.5 million metric tons to 330.4 million metric tons. Global soybean ending stocks are up by 4.2 million metric tons to 71.2 million metric tons.

Weather is Favourable

US weather is very good so far in the current crop season. Any adverse weather could potentially trim the record high yields.

Chicago Board Of Trade September 2016 Soybean Meal Chart



Technical Analysis: Bullish

The September 2016 soybean meal chart has drifted lower to find support at the \$330 level, and has traded for two weeks in a very tight range.

The RSI is bearish, Stochastics look poised to make another bearish move, and the MacD is currently bullish.

Moving averages are bearish, but starting to consolidate possibly. The short term moving average seems to be providing both support and resistance at the same time.

A close below \$3.30 or above \$3.40 will provide a sense of next direction.

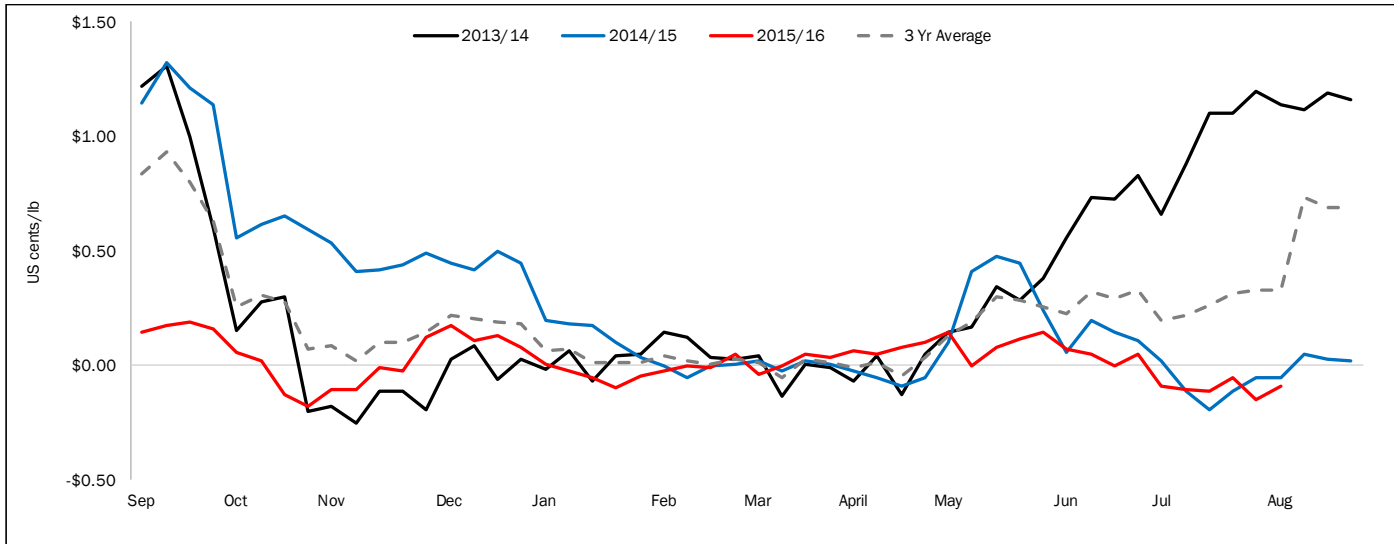
Funds in a Long Position

The non-commercial/reportable funds are holding a long position of 85,000 lots on soybean meal, a slightly smaller long position than last report.

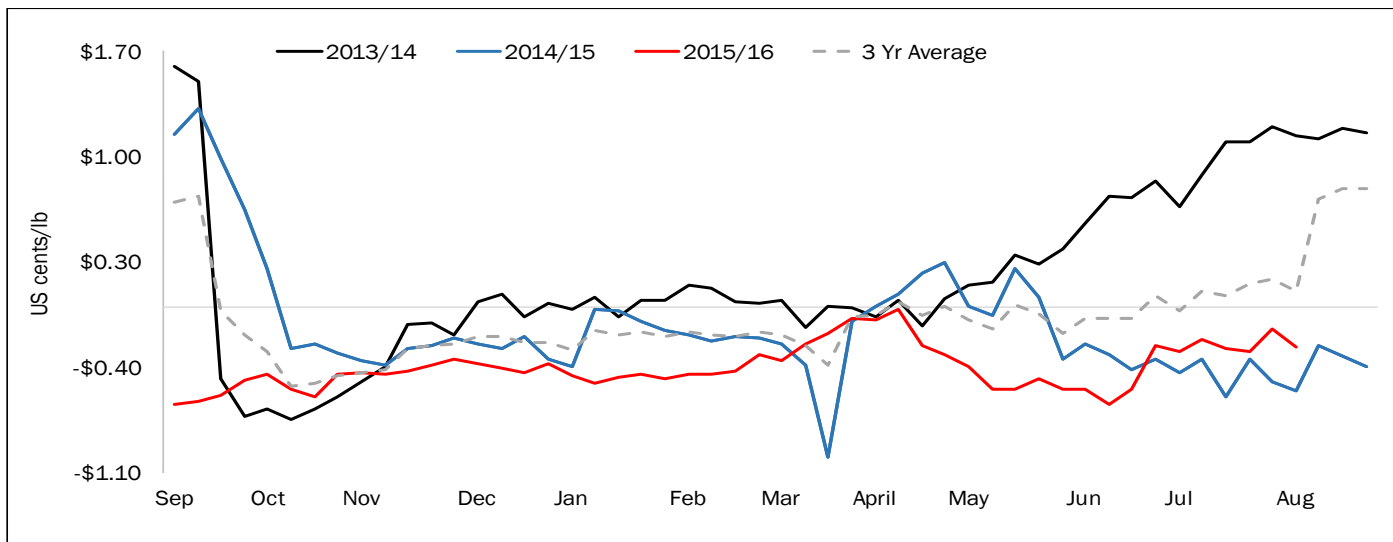
Soybeans hold a long position of 89,000 lots as some long liquidation has taken place.

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Corn Basis Values – Chatham, Ontario



Soybean Basis Values – London, Ontario



Ontario corn basis values continue to trend sideways and stay below the 3 year average. Weather has been dry with recent rains, but ultimately the rain is a bit too late to have any major positive impact. We need to continue to watch the weather carefully.

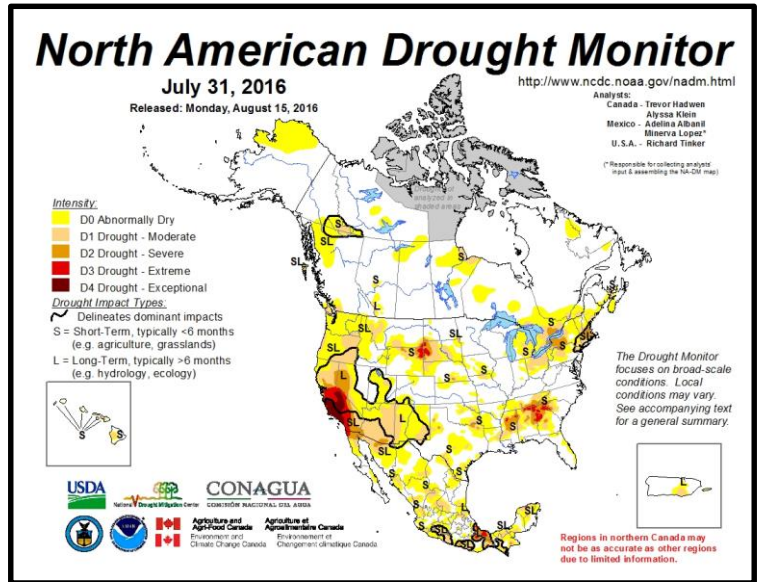
Ontario soybean basis has been in line with the seasonal trend. Weather for the sensitive pod filling stage of development needs to be monitored.

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Weather – North America

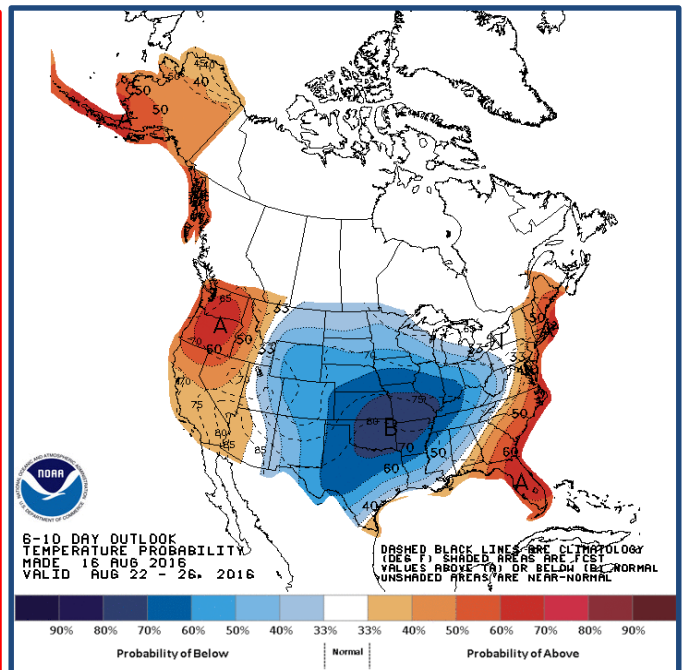
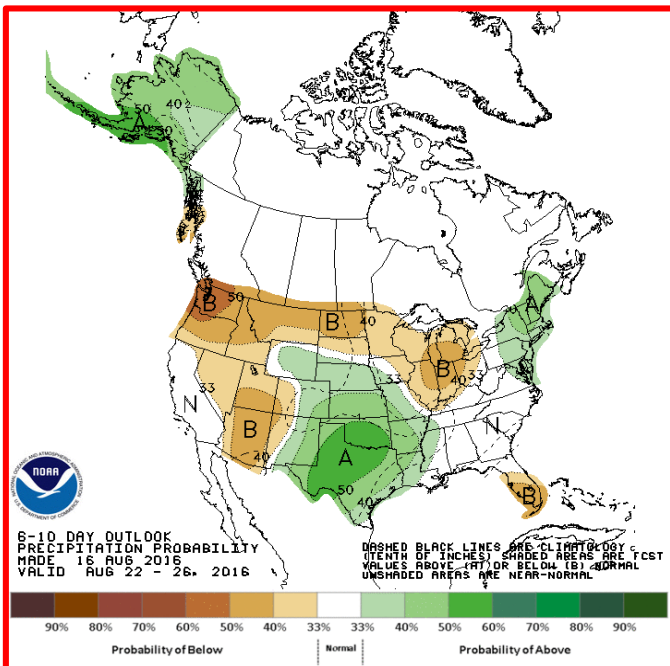
The map to the right is the most current North American drought monitor map of August 15th 2016. Soil moisture levels are showing limited areas of drought at this time which is favourable for crop development and harvest progress.

The areas of drought conditions in the Canadian crop regions have been getting moisture and are holding steady in the West. The exception is Southern Ontario which has been very dry through July and August.



Weather – USA

NOAA maps below, in red shows precipitation probability that has turned from well below normal, to above normal in the southern regions and remains below normal for the northern states, this needs to be monitored closely. The soil moisture levels are currently very good with the exception of California. The map in blue reflects a very high probability of below normal temperatures in the growing region, which might be signs of a break in the overall warmer trend seen in the past few months. We are in the typical weather markets for this time of year.



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