

CFO July Commodity Outlook Report

Corn

Outlook: Neutral to bullish

The July USDA report raised the 2016/17 US corn supply due to an increase in production of 110 million bushels to 14,540 million bushels. New found planted acres were the main reason for the increase in production. Planted acres are now forecasted at 94.1 million acres while corn yield is still projected at 168.0 bushels per acre. Sorghum and oat supply are forecasted higher due in part to increased production, while barley production is now seen smaller. This is a complete reversal from last report.

Ethanol use in 2016/17 is forecasted lower by 25 million bushels to 5,275 million bushels. Export use is forecasted higher by 100 million bushels to 2,050 million bushels. Total use is forecasted higher by 30 million bushels to 14,200 million bushels.

US ending stocks for 2016/17 are forecasted up 73 million bushels to 2,081 million bushels. The US stock-to-use ratio for 2016/17 rises to 14.7% while 2015/16 ratio drops to 12.4%

Corn crop conditions are showing 76% of the crop with a Good/Excellent rating, ahead of last year.

Global supply balanced

Global corn production for 2016/17 is projected down 1.0 million metric tons to 1,011 million metric tons. Brazil production for 2016/17 has been reduced 2.0 million to 80 million metric tons, for 2015/16 production was lowered by 7.5 million to 70 million metric tons.

Global demand is estimated to decline as cheaper wheat crops are expected to replace some feed demand. Resulting in 2016/17 global ending stocks forecasted upwards by 3.3 million to 208.4 million metric tons.

Currency: USD/CAD stable

The US dollar has been stable relative to the Canadian dollar staying in between \$.79 and \$.76. Crude oil prices have seen some relief due to an easing of global geopolitical concerns.

Chicago Board Of Trade September 2016 Corn Chart



Technical Analysis: Turning bullish

The September 2016 corn chart is attempting to turn bullish after collapsing in the last month. The market is struggling to get through the \$3.40 to \$3.50 area which has shown good strength for quite awhile.

The RSI has just come off of extreme oversold levels, MacD is showing the possible start of a bullish move, while Stochastics have already turned bullish. Moving averages are starting to converge to possibly turn bullish.

Technically the picture looks like the bottom at \$3.40 to \$3.50. We need to watch the weather as a breaking point above \$3.75 or below \$3.40.

Weather is seasonal

Current Canadian and US mid-west weather has had a very good start this year, but after a record hot and dry June we need to be cautious.

Funds have a long position

The non-commercial/reportable funds are long 116,000 lots. There has been a significant liquidation in their long position in recent weeks, as noted in last months report.

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Soybean Meal

Outlook: Slightly bullish

The July USDA report forecasts 2016/17 soybean production at 3,880 million bushels, up 80 million bushels. Planted acres increased to 83.7 million acres, which is a record high, yields remained unchanged at 46.7 bushels per acre.

Soybean total use increased based on growing crush and export demand in 2016/17. Increases in supply outweighed increases in demand resulting in 2016/17 soybean ending stocks up 30 million bushels to 290 million bushels. While 2015/16 soybean ending stocks are forecasted down 20 million bushels to 350 million bushels. The US stock-to-use ratio changes to 7.3% in 2016/17 and 9.2% in 2015/16. Soybean supply is seen as tight.

Soybean meal saw an increase in production and exports, offsetting each other. Ending meal stocks remain unchanged at 300 thousand short tons.

Soybean crop conditions are currently rated 71% good to excellent condition, nicely ahead of last year at this time.

Global supply grows slightly

Global soybean production for 2016/17 is forecasted up slightly by 2.3 million to 326.0 million metric tons. Beginning stocks are trimmed slightly to 72.2 million metric tons, most of this is due to the US. Global soybean ending stocks are up 0.8 million to 67.1 million metric tons.

Brazilian and Argentine production are still estimated at 103.0 and 57.0 million metric tons respectively.

Weather has been favourable

US weather is very good so far for the upcoming crop season, however a record hot and dry June has raised some concerns regarding possible yield reductions.

Chicago Board Of Trade September 2016 Soybean-Meal Chart



Technical Analysis: Bullish

The September 2016 soy meal chart has continued its bullish move that started in early April. The upper end of the down trend started at \$4.20, and have now traded down to test the 38.2% Fibonacci support level at \$3.63.

The RSI is neutral, Stochastics have been overdone on the bearish side, and MacD is trying to turn bullish currently. Moving averages are congested and looking for direction.

We should watch for a close below \$3.63 or above \$4.00 for a sense of the next direction.

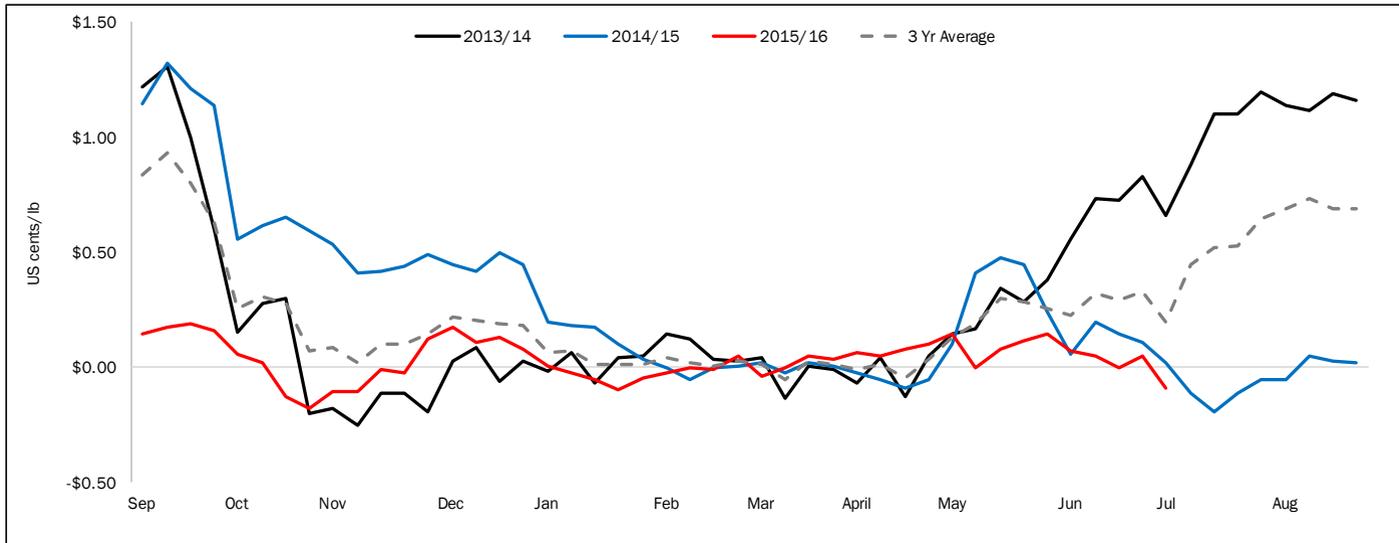
Funds in a long position

The non-commercial/reportable funds increased very slightly on soy meal, now long 98,000 lots.

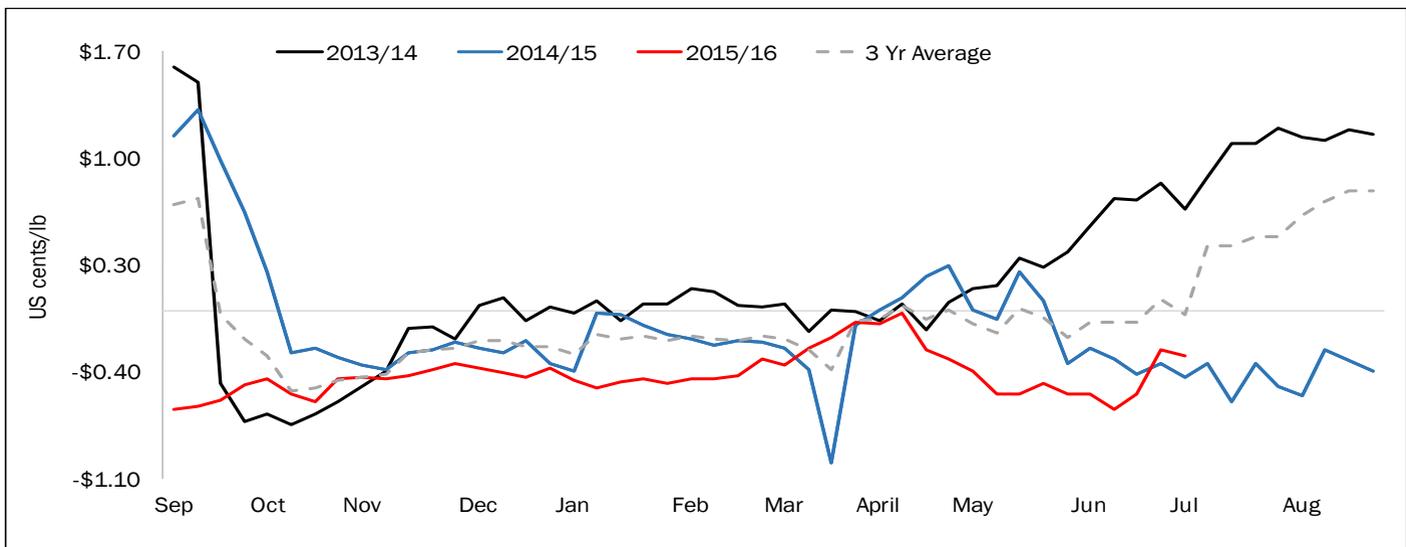
The soybean position is long 146,500 lots, as some long liquidation has taken place.

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Corn Basis Values – Chatham, Ontario



Soybean Basis Values – London, Ontario



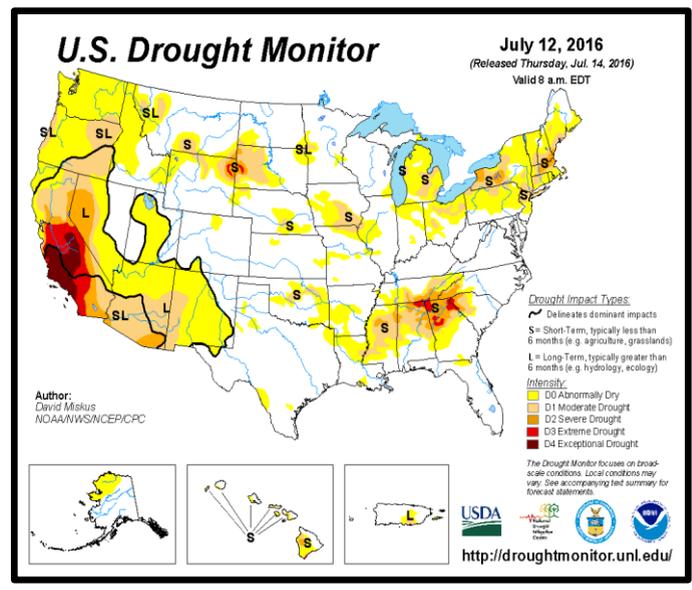
Ontario corn basis values continue to drift lower and stay below the 3 year average. Weather has been favourable resulting in very good crop conditions so far. Basis could soften further, but we need to watch the weather carefully. Ontario soybean basis has been in line with the 3 year average, but has drifted higher on weather risk. The weather for the sensitive pod filling stage of development needs to be monitored.

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Weather – North America

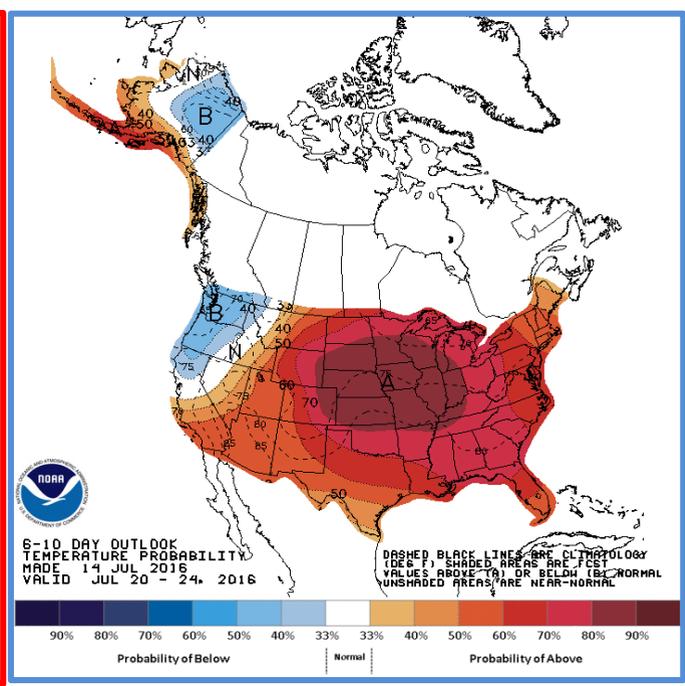
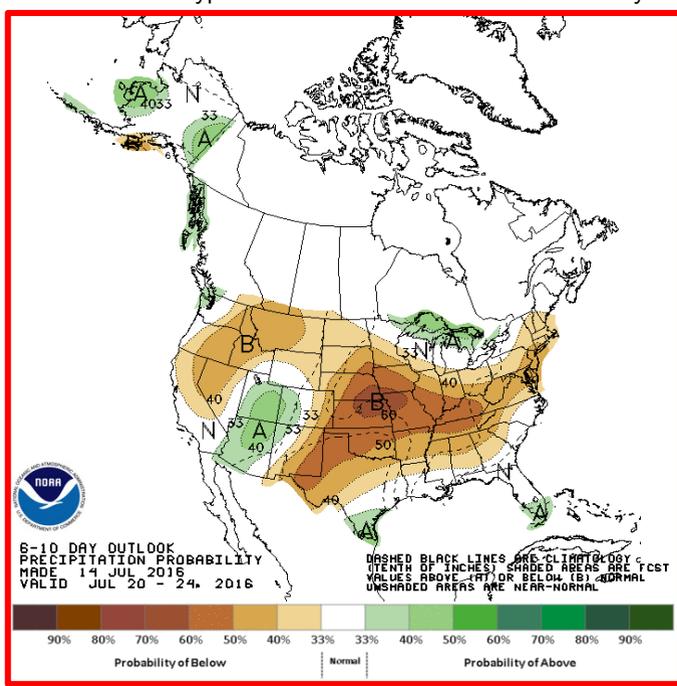
The map to the right is the most current US drought monitor map of July 12, 2016. Soil moisture levels are showing limited areas of drought which is still favourable at this time; But soil moisture levels are showing the first signs of deterioration this season.

The areas of drought conditions in the Canadian crop regions have been getting moisture and are holding steady. The main area of concern is in southern Alberta, but rain is in the forecast.



Weather – USA

NOAA maps below, in red shows precipitation probability that has turned from above normal for all of the crop growing region to well below normal, this should be monitored closely. The soil moisture levels currently are ideal but are showing signs of minor drought in some areas. The map in blue reflects a very high probability of above normal temperatures of the growing region, which continues 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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