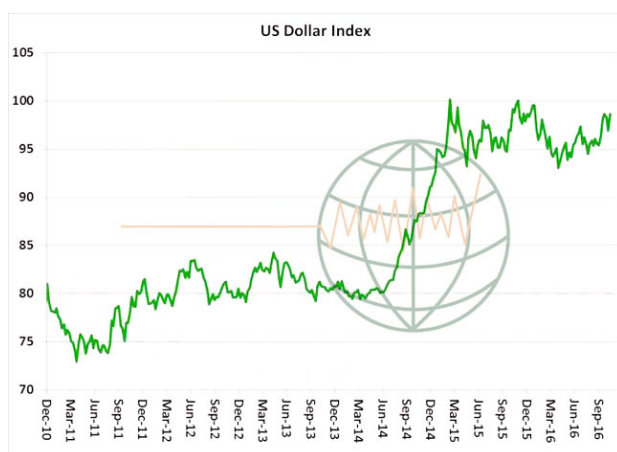
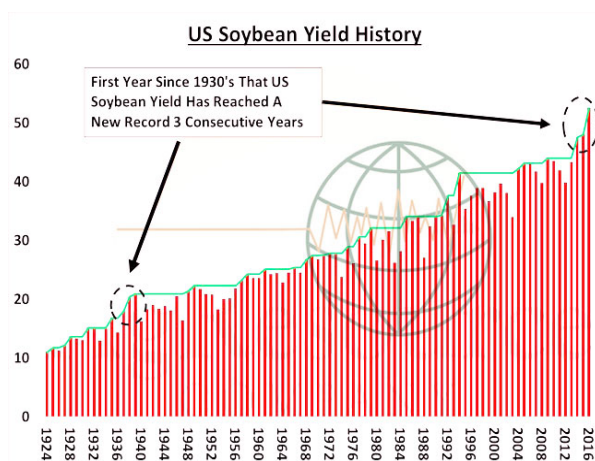




As expected, the US election results triggered massive volatility in world financial markets overnight, but in the end, currencies, energies and stock indexes ended relatively stable. Currencies remain a key fundamental longer term, and as long as the US\$ maintains strength above 95 points, huge incentive exists

to maintain or expand crop acreages outside the US. The coming political shake-up will grab headlines, but agri fundamentals will be little changed, and S American weather is priority number one through to January/February.

The November Crop Report does not often provide major price



responses in Chicago grain and oilseed markets. Generally, the trade has zeroed in on crop sizes and on average the USDA corn and soybean crop sizes are less than half a percent of the average trade estimates. Ahead of the report, the trade was positioned for a slight increase in the soybean yield and a slightly lower corn yield,

and NASS reported yields in both crops that were well above expectations. The larger than expected yields produced sizeable fund selling of 23,500 contracts in corn and 12,500 contracts in soybeans and the resultant technical damage to charts looks to keep markets under pressure into the weekend.

NASS surprised the trade with a boost in US corn yield. This is rare in November following a yield cut in October, and at nearly 2 bushels/acre, NASS's production estimates are indeed viewed as bearish short term. The report serves as a reminder that record consumption needs to be maintained, and notice in our new crop

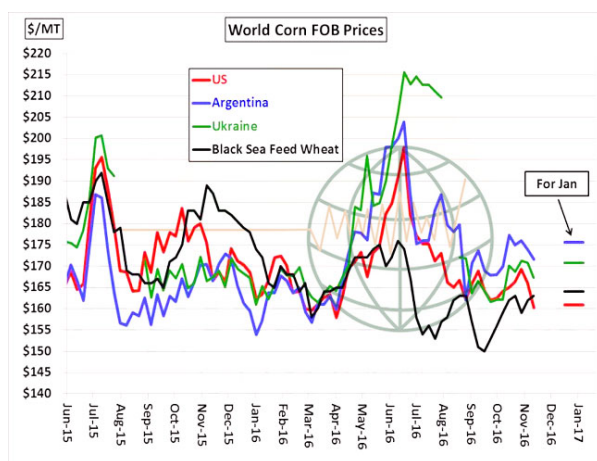
balance sheet US end stocks continue to grow without adverse US weather, or without larger exports due to adverse S American

US Corn Supply & Demand				
	----- Mills of Acres/Bushels -----			
	USDA	USDA	Estimate	Estimate
	2015/16	2016/17	2016/17	2017/18
Planted	88.0	94.5	94.5	91.3
Harvested	80.7	86.8	86.8	83.4
Yield	168.4	175.3	174.5	170.1
Production	13,601	15,226	15,145	14,190
Carryin	1,731	1,738	1,738	2,433
Imports	67	50	50	50
Total Supply	15,400	17,013	16,933	16,673
Feed/Resid	5,192	5,650	5,550	5,490
Indus/Seed	1,367	1,435	1,425	1,405
Ethanol	5,206	5,300	5,300	5,300
Exports	1,898	2,225	2,225	1,975
Total Use	13,662	14,610	14,500	14,170
End Stocks	1,738	2,403	2,433	2,503
Price	\$3.61	\$3.30	\$3.25	\$3.05

grain, and we caution against turning bearish below \$3.45, basis March '17 futures.

conditions. That end stocks look to grow 400-600 million bu in 2016/17 will keep rallies limited, and will buffer against moderate weather issues into spring. However, price is relative, and already the US market is accomplishing the chore of improving total consumption. Following today's decline, US Gulf corn is the world's cheapest feed-

The world balance sheet was little changed, the USDA mostly accounted for changes in the US, with global corn stocks pegged at 218 million mt, vs. 217 in October. S American production was left unchanged, and will likely stay unchanged into January/February. Even the US balance sheet is unlikely to change, as NASS's November yield is, on average, within 0.5% of final yield. We are in



general agreement with NASS's updated yield, and anyway S American weather will take precedence over any further adjustment to US production, but we also highlight US corn's position in the world market. Feed and milling wheat cash prices remain firm, Black Sea and S American basis rests some \$.20- .30/bu over Gulf

premiums into February. The point is that in our view the November report didn't much change the structure of the global feed-grain market. Rather, a neutral outlook is advised into spring, with a more bearish pattern likely thereafter assuming normal weather.

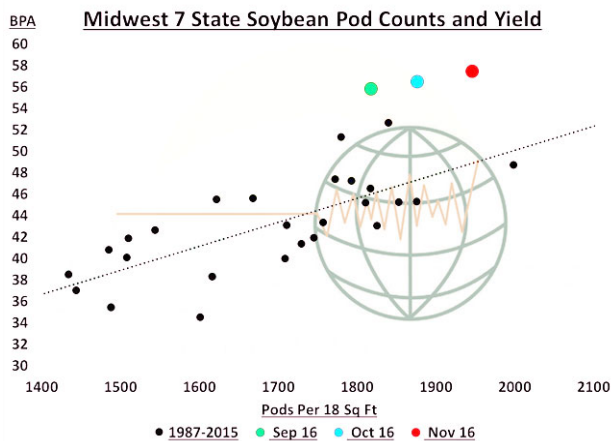
After very mixed overnight and early morning trade, soybean futures turned down at the November Crop Report release. The November

US Soybean Supply & Demand				
	----- Mils of Acres/Bushels -----			
	USDA	USDA	Estimate	Estimate
	2015/16	2016/17	2016/17	2017/18
Planted	82.7	83.7	83.7	85.2
Harvested	81.7	83.0	83.0	84.4
Yield	48.0	52.5	52.5	47.5
Production	3,926	4,361	4,361	4,005
Carryin	191	197	197	460
Imports	24	30	30	30
Total Supply	4,140	4,588	4,588	4,496
Crush	1,886	1,930	1,950	1,895
Exports	1,936	2,050	2,050	1,900
Seed	97	95	95	91
Residual	24	32	32	32
Total Use	3,943	4,108	4,127	3,920
End Stocks	197	480	460	575
Price	\$8.95	\$9.20	\$9.00	\$7.80

report typically does not offer many surprises, and does not often produce any major price responses. Though, confirmation of a larger yield/crop size triggered selling at the Chicago. NASS estimated a US soybean yield of 52.5 bushels/acre, up 1.1 bushels from October and just 0.5 bushels/acre over the average trade guess. On the demand side

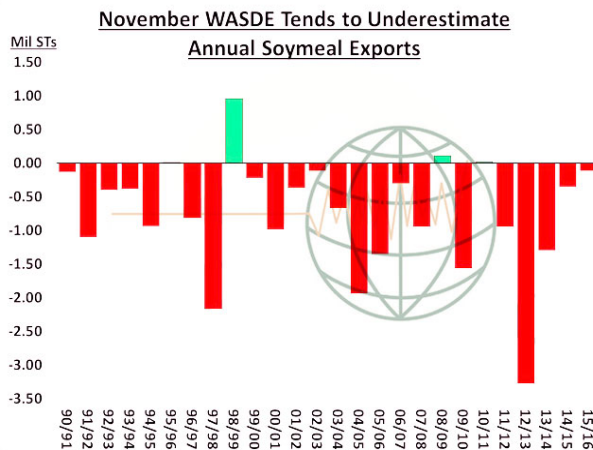
of the balance sheet, the World Board lowered their annual crush estimate by 20 million bu to 1,930 million, but increased the export estimate by 25 million bu to 2,050 million. Residual was increased slightly and use rose by 8 million bu from October versus total supply, which increased by 92 million bu. Ending stocks increased by 85 million bu to 480 million, though the USDA increased the season average price forecast from \$8.30-9.80, to \$8.45-9.95.

NASS's soybean yield of 52.5 or 4.5 bushels/acre over last year's record yield, and 2016 marks the third consecutive year of record large US soybean yield. Looking at US soybean yield history there



has been several instances of back-to-back record yields, but this is the first time since the 1930's (1937-39) in which the US soybean yield has set a new record for three consecutive years. Compared to last month on a state-by-state basis, soybean yields increased in 14 states, were lowered in 7 states, and were unchanged in 8. The chart

plots pod counts in the 7 states of IL, IN, IA, MN, MO, NE, and OH, which were up 4% from last month, 6% larger than a year ago, and just behind the record that was set in 2010. The 7 state average yield increased by 1 bushels/acre and was record large at 56 bushels/acre. On average, the national estimate in November has been within 0.4 bushels/acre of the final yield estimate.



In the soy product balance sheets, supplies of both soybean meal and soybean oil were reduced due to the lower soybean crush estimate. 2015/16 soybean oil stocks were lowered by a slight 32 million lbs, while the lower crush rate and a slightly lower yield cut the soybean oil production forecast by 235

million lbs. Exports were also pared back, but year end 2016/17 soybean oil stocks were estimate at a 3 year low of 1,658 million lbs, and the second lowest in 12 years. In the soybean meal balance sheet, the USDA noted slower soybean meal exports commitments, and lowered annual exports and the soybean crush. On one hand, export commitments through last week were off 14% from a year ago and at a four year low. On the other, the chart shows that the USDA has a strong tendency to underestimate US soybean exports in November.

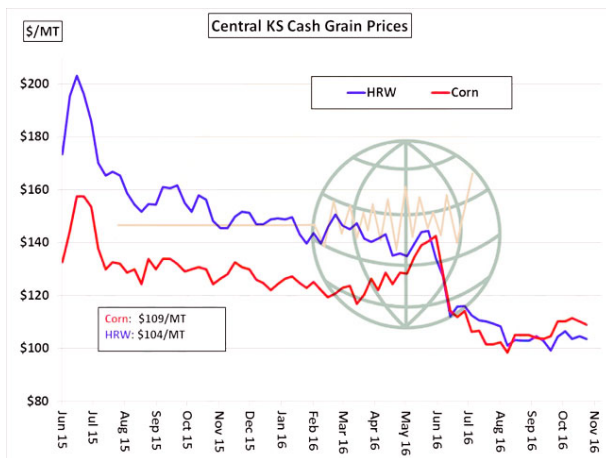
No real changes were made to the US wheat balance sheet, as expected. Food consumption was lowered 5 million bu to account for food use to date, but otherwise all categories were left alone. Our feed/residual use forecast is a bit higher than the USDA's amid ongoing discounts to corn in the interior cash market, but no doubt US wheat end stocks will be massive. By class, 2016/17 HRW

	US Wheat Supply & Demand			
	----- Mills of Acres/Bushels -----			
	USDA 2015/16	USDA 2016/17	Estimate 2016/17	Estimate 2017/18
Planted	55.0	50.2	50.2	49.0
Harvested	47.3	43.9	43.9	41.5
Yield	43.6	52.6	52.6	46.3
Production	2,062	2,310	2,310	1,925
Carryin	752	976	976	1,130
Imports	113	125	125	130
Total Supply	2,927	3,410	3,410	3,184
Food	957	963	965	975
Seed	67	69	65	63
Feed/Resid	152	260	275	140
Exports	775	975	975	900
Total Use	1,952	2,267	2,280	2,078
End Stocks	976	1,143	1,130	1,106
Price	\$4.89	\$3.70	\$3.70	\$3.50

stocks were lowered 13 million bu to a still large 588 million on higher exports and domestic use. HRS stocks were raised 3 million to 210 million (vs. 272 last year) on reduced domestic use. SRW stocks were raised 7 million to 195 million (156 million last year). And one major theme of the US wheat market is that the coming decline in acreage is less relevant to

drawing down stocks. Rather, longer term, adverse EU and Black

Sea weather is needed to maintain/boost the US's share of world trade.



World wheat stocks were just under 1 million mt to 249 million mt. Combined major exporters' stocks were raised a like amount to 76 million mt (a 6 year high), and so there wasn't anything bullish in today's numbers, but, like corn, if the goal is to boost consumption, the market is indeed working to accomplish

it. In recent days, Gulf HRW has become the world's cheapest milling origin for December/January, following today's break, Gulf HRW is offered \$2-4/mt below Russian origin, and in the US, cash HRW is again priced slightly below corn. Despite modestly bearish data today, it is difficult to say the market needs to correct further, especially when the global cash market tend to rise seasonally through early winter. Chinese futures continue to rally, Indian prices are inching higher, and Aussie cash prices have rallied amid unexpected frost damage in W Australia. As such, end users should consider extending coverage on further weakness, and a test of \$4.50-4.60, basis March Chicago, is forecast by early 2017.