

AGRILAND FS, Inc.

Energy Market Update December 6, 2017

NYMEX Prices

	Close	Wk. Change
January Crude Oil	\$55.96	-1.34
January Gasoline	\$1.6609	-0.07
January Heating Oil	\$1.8613	-0.0608
January Natural Gas	\$2.922	-0.252

MARKET COMMENTS: **Energy Markets Moving into Lower Range**

Energy markets slid lower today on a large build in products that outweighed a draw in crude stocks. The gasoline build led the slide down today, the API yesterday reported a staggering 9.196-million-barrel build in gasoline inventories—when analysts had expected a small build of just 1.145 million barrels. However, the EIA today confirmed that number with a large build of 6.8 million barrels. Elsewhere, propane also saw a build in nationwide inventories, a rarity for this time of year (see chart below for details).

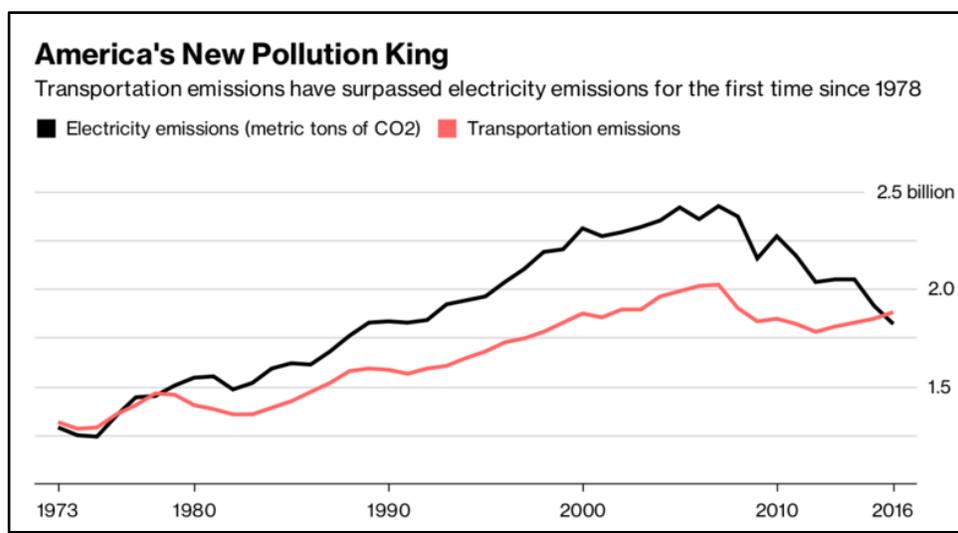
The OPEC meeting has come and gone, energy markets were spared any large surprises, keeping markets steady the last two days. Here is a summary of Thursday's meeting and what was agreed upon:

- In all, 24 countries that control 60% of the world's crude took part in the meeting
- OPEC and some non-OPEC (notably Russia) agreed to extend output cuts through the end of 2018, a 9-month extension
- OPEC and Russia will review the deal again in June, reserving the right to make changes
- In a surprise, Libya and Nigeria, who were previously exempt, agreed not to exceed their 2017 production levels next year
- Meanwhile, U.S. production hit an all-time production high last week (9.68 million barrels per day), that is up from 8.5 million barrels, the level of production when OPEC's cuts were first implemented

	Crude				Gasoline				Distillate Fuel			
	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.
DOE	-5.6	448.1	450	423	+6.8	220.9	215	212	+1.7	129.4	135	125
EST.	-1.500/-5.00				+3.00/-0.200				+4.00/-1.500			
Propane	Total +1.3 74.5				Midwest +.1 25.0				Gulf +1.3 38.9			
API's	Crude -5.481 Cushing -1.951				Gasoline +9.196				Distillates +4.259			

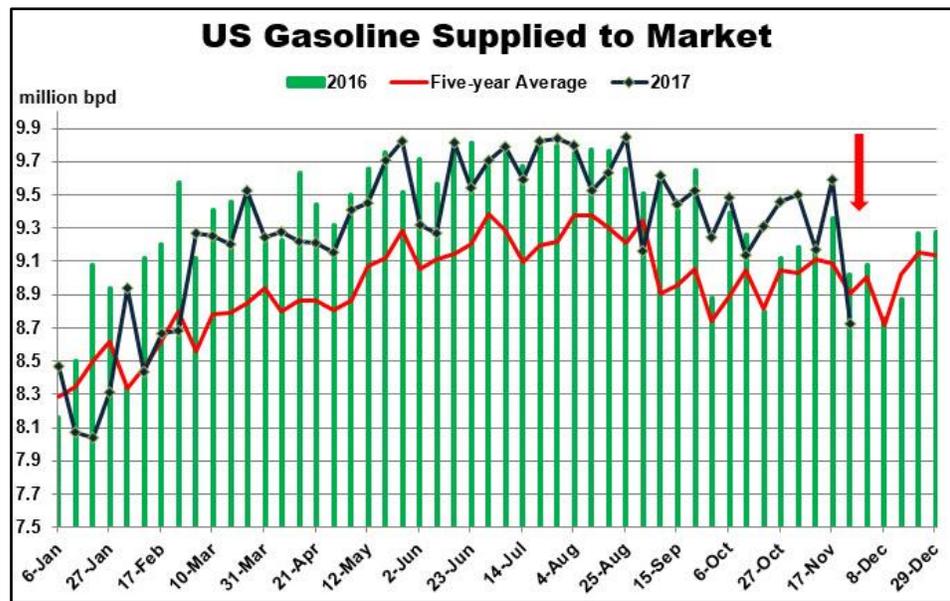
The chart below shows carbon dioxide emissions from transportation exceeding those from electricity production in 2016 for the first time since 1978.

Electricity use in the U.S. hasn't declined much in the last decade, but it's being generated from cleaner sources. A dramatic switch away from coal, the dirtiest fuel, is mostly responsible for the drop in emissions. Coal power has declined by more than a third in the last decade, according to the EIA, while cleaner natural gas has soared more than 60 percent.



Expectations for travel over the busy Thanksgiving Day holiday were bullish, with the travel agency AAA forecasting 50.9 million Americans would travel 50 miles or more from their home. Driving demand was strong along the East Coast and in the Midwest, but not as robust elsewhere in the United States.

The Energy Information Administration reported gasoline supplied to the market for the week-ended Nov. 24 at 8.724 million bpd, tumbling 871,000 bpd from the prior week to the lowest weekly implied demand rate since late February. Although that reading did not encompass the entire Thanksgiving weekend, it's been enough to put RBOB futures in a downward channel since November 27th.



Prior to last week, the U.S. has seen record highs in gasoline consumption but despite this the U.S. is on pace to export more gasoline than it imports for the second year in row.

Increased demand for exports, changes in the markets, and high refinery runs are once again leading the U.S. to be a net exporter in 2017. In 2016 the U.S. became a net exporter of gasoline for the first time on an annual basis with exports of around 56,000 barrels per day. The U.S. averaged net gasoline exports of 55,000 barrels per day through September 2017. This data shows a shift toward net exports of gasoline on an annual basis has been a long running trend.

