

Agriland FS, Inc.

Energy Market Update May 16, 2018

NYMEX Prices

	Close	Wk. Change
June Crude Oil	\$71.49	+0.34
June Gasoline	\$2.2499	+0.0845
June Heating Oil	\$2.2692	+0.0519
June Natural Gas	\$2.815	+0.076

Market Comments: U.S. crude inventories dropped last week as exports hit a record high and refineries ramped up output, while gas inventories decreased more than expected ahead of the summer driving season. Midwest refinery utilization rates increased last week to 96 percent of capacity, the highest since at least 2010 seasonally.

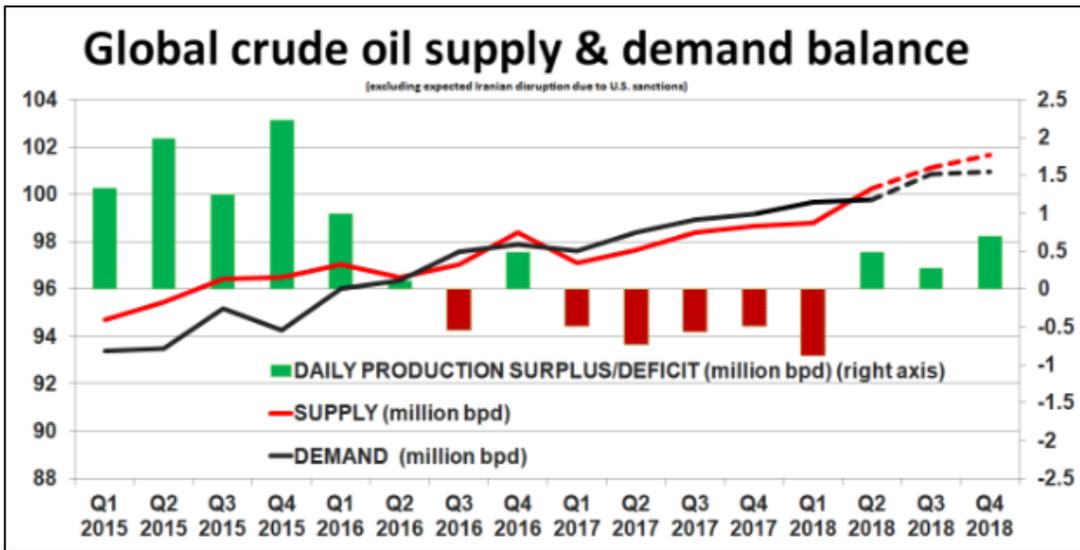
	Crude				Gasoline				Distillate Fuel			
	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.
DOE	-1.4	432.4	474	468	-3.8	232	226	227	-0.1	114.9	132	133
EST.	+1.300/-3.852				+2.100/-3.958				+1.000/-5.985			
Propane	Total +1.7 40.4				Midwest +0.8 10.9				Gulf N/C +0.4 24.2			
API's	Crude +4.854 Cushing +0.062				Gasoline -3.369				Distillates -0.768			



Since January of 2018 stocks of U.S. distillates have been on the decline. Current inventory levels are coming in at 115 million barrels vs. 148 million a year ago at this time. The industry has not seen levels below where we are currently since November 2014. As a result, it is important to monitor distillate stocks in the near-future.

Hurricane season is predicted to start early and end early this year due to warm surface water in the Gulf of Mexico and western Atlantic. Our Atlantic peak is usually late August/early September, but forecasters say that this autumn should cool down quickly. A high pressure system in Texas because of the drought there will tend to turn storms westerly. The dotted red line on the chart from *World Weather, Inc.* represents low chances of a storm off the Louisiana coast.

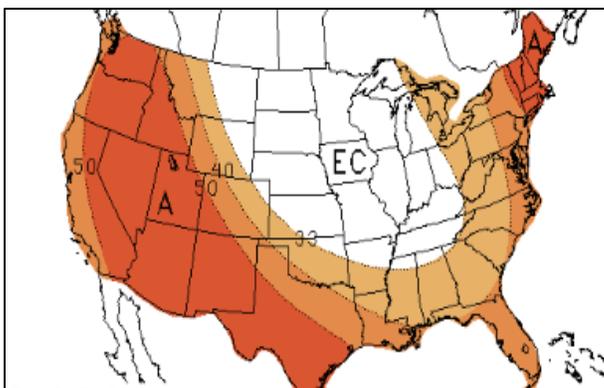
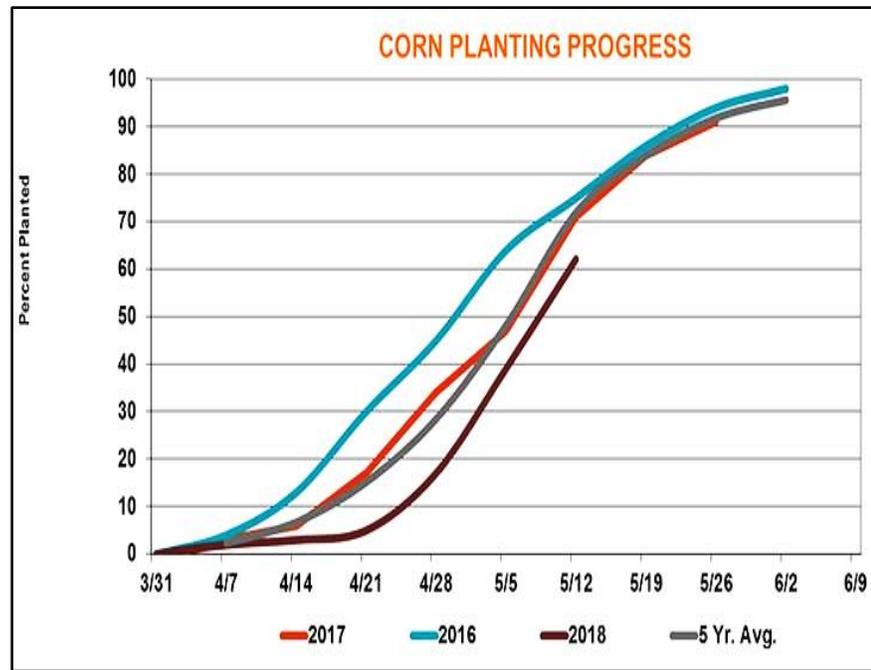




World oil prices have increased by more than 70 percent over the last year as demand has risen while production has been restricted by OPEC, led by Saudi Arabia and other producers including Russia. OPEC figures showed oil inventories in March

fell to 9 million barrels above the five year average, from 340 million barrels above the January 2017 average. U.S. crude is trading at a discount to Brent, thanks to an increase in U.S. production to 10.7 million bpd, which has left the American oil market well supplied. U.S. shale oil product is expected to rise by about 145,000 bpd to a record 7.18 in June, according to the EIA.

The latest USDA Crop Progress report showed corn planting vaulted ahead from the prior week's total of 39% to reach 62% for the week ending May 13. That puts this spring's planting pace nearly even with the five-year average of 63%. Unusually fast planting in IL and IN offset some lagging in the west and north. Five states have now reached at least 80% completion, including Illinois (90%), Missouri (91%), North Carolina (92%), Tennessee (86%) and Texas (82%). Elsewhere, soybean planting progress moved ahead of the five-year average of 26%, reaching 35% completion in the week ending May 13th.



The three month weather outlook through August looks fairly mild, especially for the Midwest. It appears as if the outlining areas of the U.S. will experience above normal temperatures. As for precipitation, most of the U.S. is expected to have normal rainfall, with a pocket of dryness in the northwest and a pocket of excess moisture in the northeast. A "normal" growing season in the Midwest would be welcomed from producers this year.