

Industry Update

Food and Agribusiness



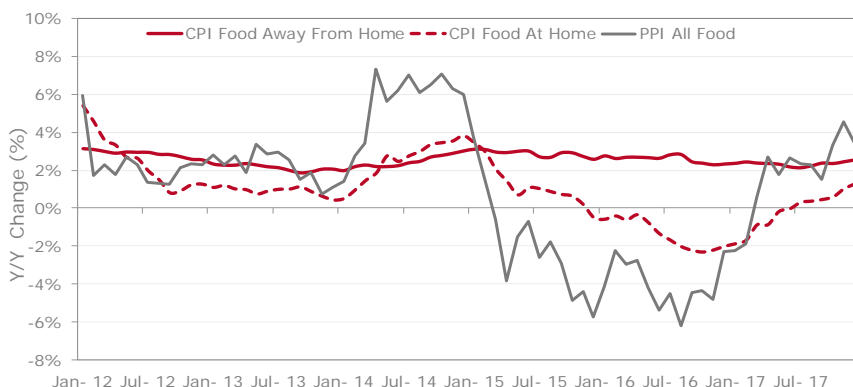
Key Demand Developments

- Growth in housing prices remain a positive to consumer balance sheets, with the Case-Shiller 20 city index rising +6.4% Y/Y in November.
- The performance of the S&P 500 was up +23.8% YoY through January, a tailwind for the consumer balance sheet.
- Mixed signals for consumer income statement as the U.S. Bureau of Labor Statistics reported November non-farm employment quits of 1.8% (not seasonally adjusted) while average hourly earnings increased +2.8% Y/Y for December 2017.
- Gas prices are a tailwind for the consumer; oil futures have hovered above \$60/barrel, up +21% YoY. Average prices remain -13% below the 5 year average.
- The Dec Consumer Confidence Index as measured by the Conference Board now stands at 122.1 (1985=100), down from 128.6 in Nov.

Supermarket Sales

- According to Nielsen, digitally enabled strategy will dominate the innovation amongst suppliers across categories in 2018, including grocery. Look for a continuation of the trends of health and wellness, convenience, and clean labeling.

Consumer and Producer Price Indices

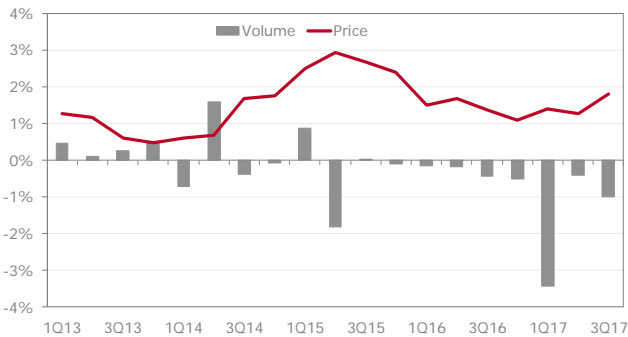


Price and Food Inflation Developments

- We maintain a constructive outlook for volumes with pricing levels inching above 3%. The spread between restaurant and food retail pricing has narrowed -360bp from Aug'16 highs and continues to drop.
- Restaurant pricing measured by the CPI Food Away From Home index (CPI-FAFH) increased +2.53% in December Y/Y, which is up +90bp vs. the prior month.
- Food Retail pricing measured by the CPI Food at Home index increased +1.28% in December Y/Y, which is up +18bp vs. the prior month.
- The Producer Price Index (PPI All Food) increased +3.4% in December Y/Y, but was down -110bp vs. the prior month.

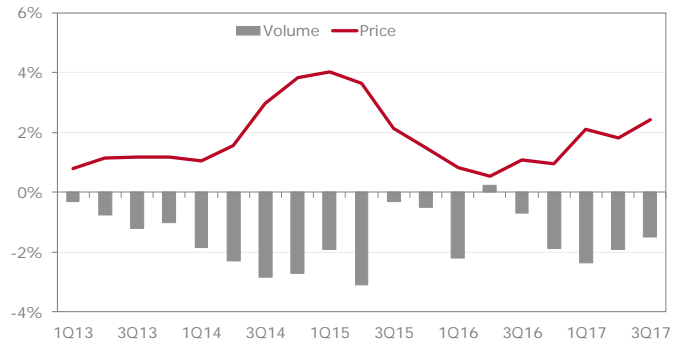
Grocery Department Trends: Perimeter-winning themes continue in 3Q17 as the Deli category posts strong volume gains; Dairy volumes lag as the input pricing cycle begins to impact retail.

Dry Grocery



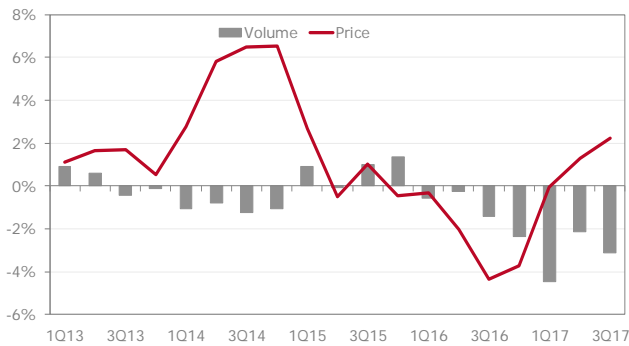
Source: Nielsen AOC+C

Frozen Foods



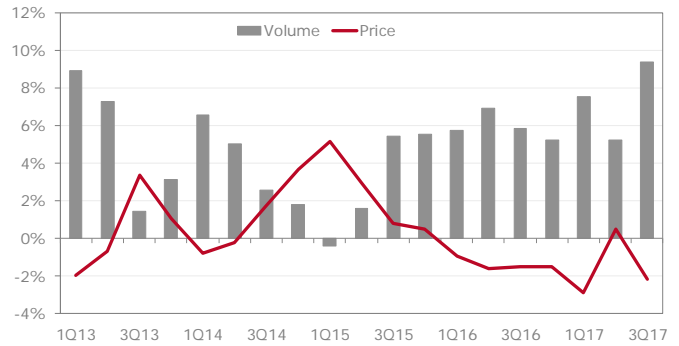
Source: Nielsen AOC+C

Dairy



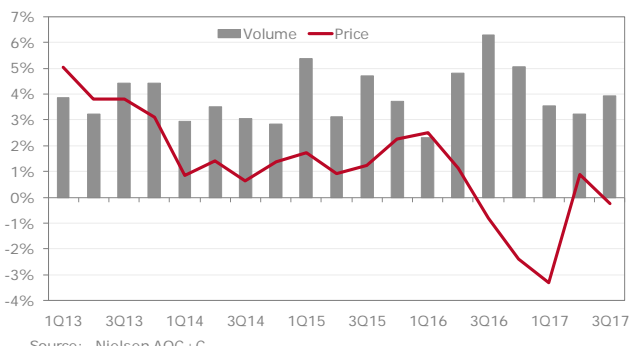
Source: Nielsen AOC+C

Deli



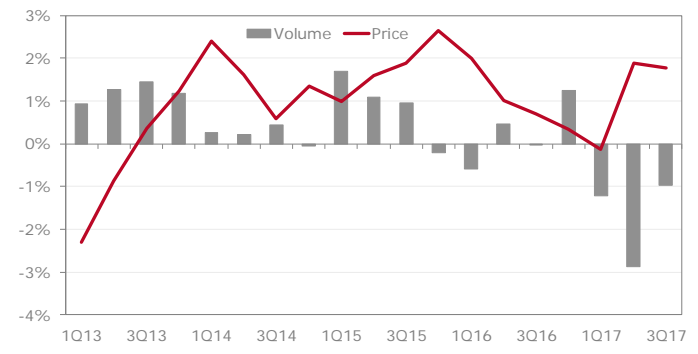
Source: Nielsen AOC+C

Fresh Produce



Source: Nielsen AOC+C

Bakery



Source: Nielsen AOC+C

- Dry Grocery 3Q17 price/mix increased +1.8% YoY, an increase of +50bp vs. 2Q17. Dry Grocery volumes decreased -1.0% YoY, a decrease of -60bp vs. 2Q17.
- Dairy 3Q17 price/mix increased +2.2% YoY, an increase of +90bp vs. 2Q17. Dairy volumes decreased -3.1% YoY, a decrease of -90bp vs. 2Q17.
- Fresh Produce 3Q17 price/mix decreased -0.3% YoY, a decrease of -120bp vs. 2Q17. Fresh Produce volumes increased +3.9% YoY, an increase of +70bp vs. 2Q17.
- Frozen Food 3Q17 price/mix increased +2.4% YoY, an increase of +60bp vs. 2Q17. Frozen Food volumes decreased -1.5% YoY, an increase of +40bp vs. 2Q17.
- Deli 3Q17 price/mix decreased -2.2% YoY, a decrease of -270bp vs. 2Q17. Deli volumes increased +9.4% YoY, an increase of +420bp vs. 2Q17.
- Bakery 3Q17 price/mix increased +1.8% YoY, a decrease of -10bp vs. 2Q17. Bakery volumes decreased -1.0% YoY, an increase of +190bp vs. 2Q17.

Food Company Margin Heat Map YoY			
Price vs. Volume	Commodities		Labor
	Grain	Protein	Energy
Constructive	Mixed		Inflationary Inflationary
	Mixed	Mixed	

Food Company Input Cost Summary:

As we exit 2H17 a large portion of commodities have shown moderate inflation vs. 2016 levels.

- **Economic Backdrop:** The start of the new year is historically a time when firms test pricing power. With the economy on an upswing and commodity prices continuing to rise, upward momentum should continue into 2018.
- **Corn, Wheat & Soy Prices:** 16/17 exhibited low price levels for corn and wheat on increased production, but higher soy prices based on increased exports. 17/18 forecasts point to slightly higher corn yields but lower wheat and soy prices. Annual price estimates are mixed.
- **Chicken:** Broiler and thigh prices have remained above 2015/16 levels on strong exports. Egg sets once again start to build.
- **Beef:** Cut-out values, though trending down, are above 2016 levels as YoY inventory levels are down sharply and exports continue to be strong.
- **Pork:** Prices are above 2015 and well above decade-low Oct16 levels as inventories stay lower while slaughter counts and exports flatten year-over-year.
- **Packer Margin Environment:** Chicken, beef and pork estimated packer ratios are all near 2016 levels with chicken cut-out values strengthening.
- **Seafood:** Shrimp and salmon prices dropped below 2016 levels due to strong imports; pollock prices are at multi-year lows.
- **Dairy:** Current Class III prices are nearing 2015 levels and are projected to drop to 2016 levels as cow numbers and production per cow increase year-over-year.
- **Specialty Crops:** Currently cotton prices are trending up, while sugar, cocoa, coffee and orange juice prices are trending down. The outlook for nut growers in 2017/18 is positive, but need to keep an eye on trade issues and the opportunity for expanding markets overseas.

Key Commodity Heat Map			
Commodity	Price	Y/Y	M/M
Corn	\$3.46	-1.7%	+0.5%
Wheat	\$4.15	+3.2%	-1.5%
Soybeans	\$9.71	-5.1%	-1.3%
Broilers	\$0.87	+3.9%	+1.5%
Cattle	\$1.20	+5.4%	-1.0%
Hogs	\$0.63	+1.6%	-0.6%
Class III Milk	\$15.44	-11.3%	-8.5%
Shrimp	\$4.54	-3.0%	-1.3%
Salmon	\$4.70	-12.0%	+6.0%
Nat. Gas	\$7.69	+5.8%	-0.4%
Electricity	\$10.40	+3.2%	-1.5%
Heating Oil	\$2.84	+18.6%	+5.2%
Rest. Labor	\$13.58	+4.1%	0.4%
Sup. Labor	\$13.20	+1.6%	0.0%
Food Labor	\$17.26	+2.3%	+1.0%

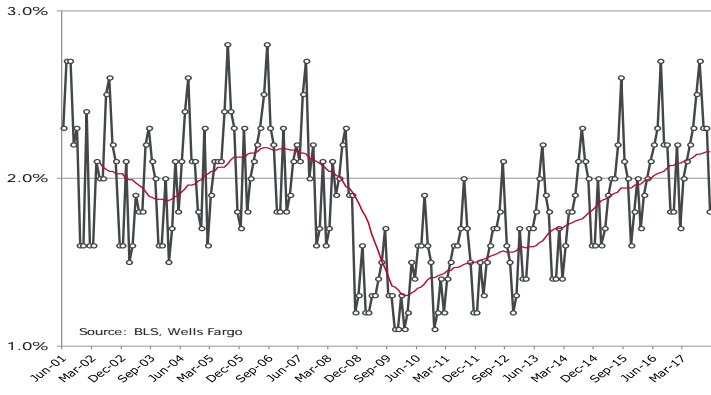
*Monthly average corn, wheat, soybeans in \$/bu; broiler, shrimp in \$/lb; cattle, hogs, milk in, \$/cwt; salmon, cod in \$/kg; gas in \$/Mct; oil in \$/gal; electricity in \$/kWh; labor in \$/hr

Source: USDA; BLS; IMF; IntraFish

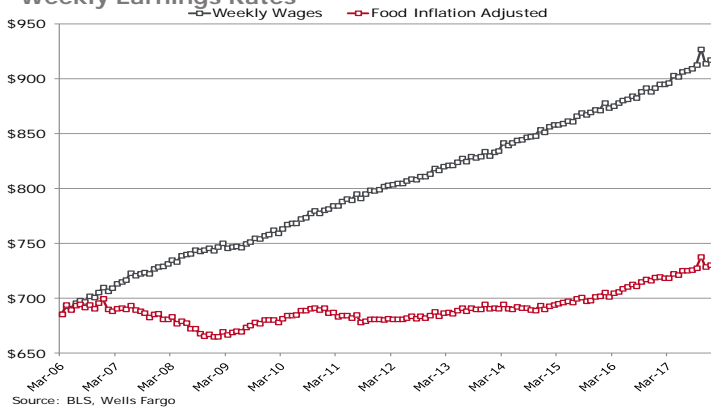
- **Forest Products:** With housing starts weakening, the increase in remodel activity is not enough to sustain the increase in framing lumber and structural panel prices.
- **Crop Inputs:** Fertilizer prices remain under pressure with higher than expected imports; Ammonia and DAP have ticked higher while Urea trends downward.
- **Energy & Labor:** Global oil prices have kept energy prices relatively in check, while we observe wage inflation gains in restaurants and supermarkets.

Economics: The start of a new year is historically a time when firms test pricing power. With the economy on an upswing and commodity prices continuing to rise, upward momentum should continue into 2018.

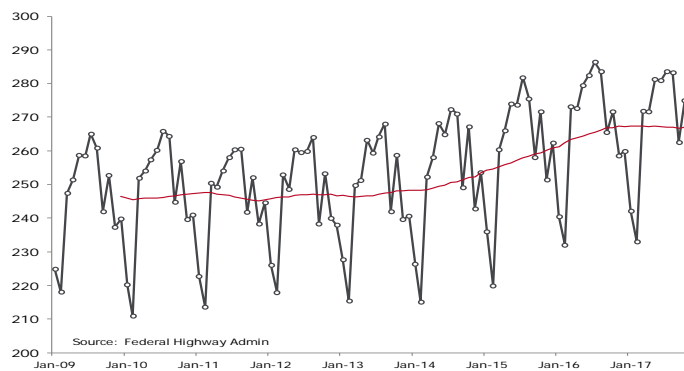
Voluntary Quits as % of Employment



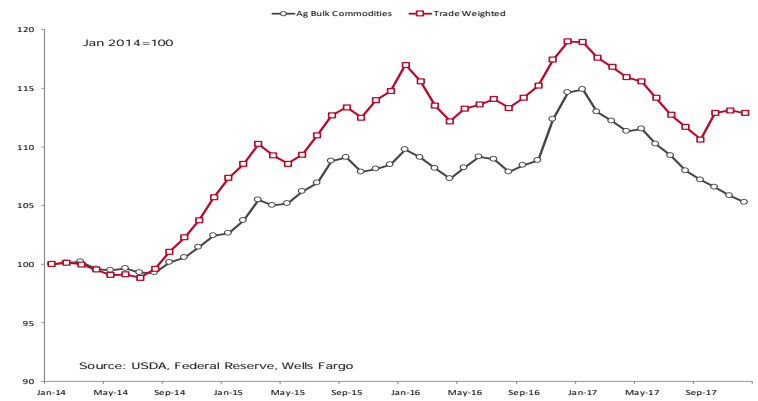
Weekly Earnings Rates



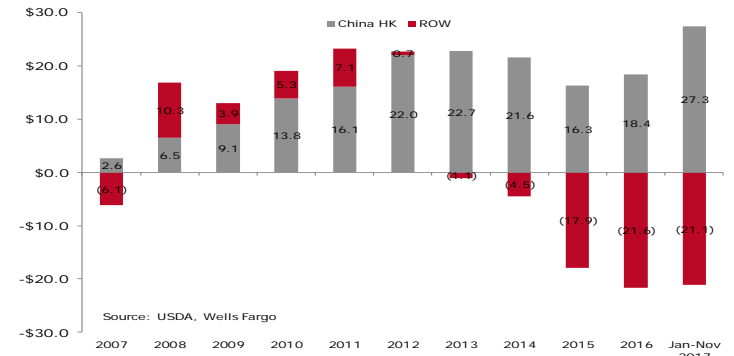
Billions of Miles Driven



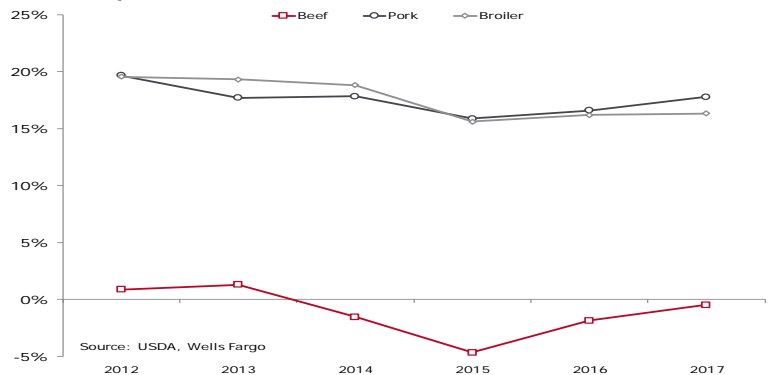
Trade Weighted Dollar vs. Ag Index



Net Trade Balance



Net Export as % of Production

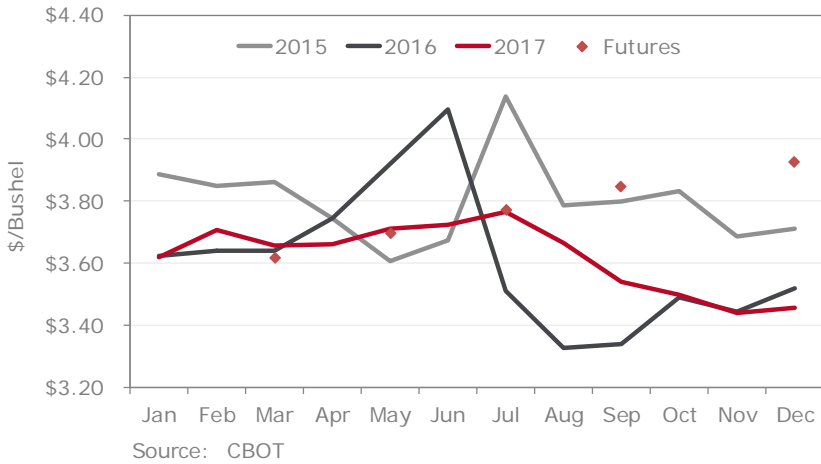


- The November 2017 voluntary quits as a percentage of employment was 1.8% which was flat YOY as of Nov16. The 12 month rolling average is near pre-recessionary levels.
- The November 2017 weekly average earnings are growing +2.9% YoY on a nominal basis; when deflated by food & beverage CPI the Nov17 average wages of \$728/week increased +2.9% vs. Nov16. The pre-recession inflation adjusted peak was \$699/week in December of 2006.
- The October 2017 monthly average miles driven of 275 billion increased +1.21% vs. Oct16 as gas prices peaked, though stronger employment continued to provide tailwinds.

- The December 2017 trade weighted dollar index value of 112.9 vs. bulk commodity dollar index value of 105.26 represents a wider gap when compared to the December 2016 values of 119.0 and 114.66, respectively.
- The 2017 Nov YTD net trade balance of +6.2 billion represents a smaller surplus compared the Jan-Nov 2016 total of +8.7 billion. The 2016 full year net trade balance of -\$3.3 billion is the largest full year trade deficit since pre-2007.
- The 2017 pork and broiler markets face a stronger headwind from dollar strengthening as net exports comprise 17.8% and 16.3% percent of total production vs. -0.5% for beef.

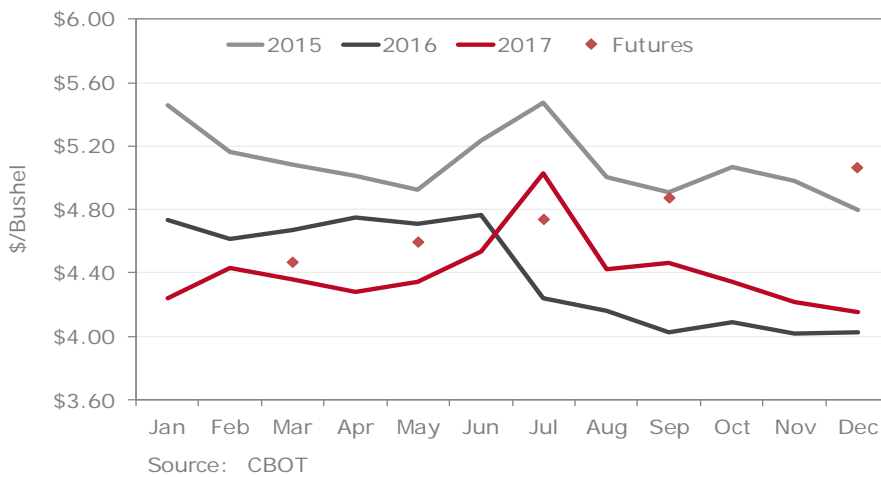
Grain Prices: 16/17 exhibited low price levels for corn and wheat on increased production, but higher soy prices based on increased exports.

Corn



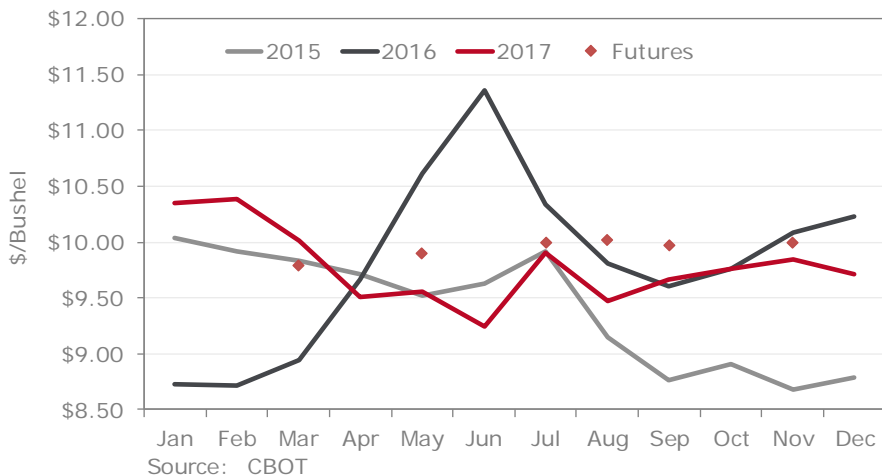
- The December monthly average corn price of \$3.46/bu increased +0.5% vs. the prior month and decreased -1.7% vs. the prior year period.
- The WASDE's (World Agricultural Supply and Demand Estimates) median average farm price projection for 2017/18 is \$3.25/bu, down -3.3% from \$3.36/bu in 2016/17. The prior estimate for 2017/18 was \$3.20/bu.
- WASDE forecasts global corn production to be 14,604 million bushels in 2017/18 which is down -6.3% vs. 2016/17 est.

Wheat



- The December monthly average wheat price of \$4.15/bu decreased -1.5% vs. the prior month and increased +3.2% vs. the prior year period.
- The WASDE U.S. median average farm price forecast for 2017/18 is \$4.60/bu, up +18.3% from \$3.89/bu in 2016/17. The prior estimate for 2017/18 was \$4.60/bu.
- WASDE forecasts global wheat production to be 1,741 million bushels for 2017/18, which is down -24.6% vs. 2016/17.

Soybeans



- The December monthly average soybean price of \$9.71/bu decreased -1.3% vs. the prior month and decreased -5.1% vs. the prior year period.
- The WASDE U.S. median average farm price forecast for 2017/18 is \$9.30/bu, down -1.8% from \$9.47/bu in 2016/17. The prior estimate for 2017/18 was \$9.30/bu.
- WASDE forecasts global soybean production at 4,392 million bushels for 2017/18, which is up +2.2% vs. 2016/17.

Grain Fundamentals: 17/18 stocks/use forecast is largest in over 10 years for corn and soybeans; wheat stocks to decline on small crop. Prices seen lower for corn and soybeans, higher for wheat.

Corn

	2015/16	2016/17	2017/18F	2017/18F	M/M Change	Y/Y Change
			December	January	Forecast	Forecast
Area Planted (mm)	88.0	94.0	90.4	90.2	-0.2%	-4.0%
Area Harvested	80.8	86.7	83.1	82.7	-0.5%	-4.6%
Yield per Harvested Acre (bu)	168.4	174.6	175.4	176.6	0.7%	1.1%
Beginning Stocks (mm bu)	1,731	1,737	2,295	2,293	-0.1%	32.0%
Production	13,602	15,148	14,578	14,604	0.2%	-3.6%
Imports	67	57	50	50	0.0%	-12.3%
Total Supply	15,401	16,942	16,922	16,947	0.1%	0.0%
Exports	1,901	2,293	2,437	2,477	1.6%	8.0%
Total Use	13,664	14,649	14,485	14,470	-0.1%	-1.2%
Ending Stocks	1,737	2,293	2,437	2,477	1.6%	8.0%
Stocks to Use (%)	12.7%	15.7%	16.8%	17.1%	0.3%	1.5%
Average Farm Price (\$/bu)	\$3.61	\$3.36	\$3.20	\$3.25	1.6%	-3.3%

Source: USDA WASDE

Wheat

	2015/16	2016/17	2017/18F	2017/18F	M/M Change	Y/Y Change
			December	January	Forecast	Forecast
Area Planted (mm)	55.0	50.1	46.0	46.0	0.0%	-8.2%
Area Harvested	47.3	43.9	37.6	37.6	0.0%	-14.4%
Yield per Harvested Acre (bu)	43.6	52.7	46.3	46.3	0.0%	-12.1%
Beginning Stocks (mm bu)	752	976	1,181	1,181	0.0%	21.0%
Production	2,062	2,309	1,741	1,741	0.0%	-24.6%
Imports	113	118	150	155	3.3%	31.4%
Total Supply	2,927	3,402	3,071	3,076	0.2%	-9.6%
Exports	778	1,055	975	975	0.0%	-7.6%
Total Use	1,951	2,222	2,111	2,087	-1.1%	-6.1%
Ending Stocks	976	1,181	960	989	3.0%	-16.3%
Stocks to Use (%)	50.0%	53.2%	45.5%	47.4%	1.9%	-5.8%
Average Farm Price (\$/bu)	\$4.89	\$3.89	\$4.60	\$4.60	0.0%	18.3%

Source: USDA WASDE

Soybeans

	2015/16	2016/17	2017/18F	2017/18F	M/M Change	Y/Y Change
			December	January	Forecast	Forecast
Area Planted (mm)	82.7	83.4	90.2	90.1	-0.1%	8.0%
Area Harvested	81.7	82.7	89.5	89.5	0.0%	8.2%
Yield per Harvested Acre (bu)	48.0	52.0	49.5	49.1	-0.8%	-5.6%
Beginning Stocks (mm bu)	191	197	301	302	0.3%	53.3%
Production	3,926	4,296	4,425	4,392	-0.7%	2.2%
Imports	24	22	25	25	0.0%	13.6%
Total Supply	4,140	4,515	4,752	4,718	-0.7%	4.5%
Exports	1,942	2,174	2,225	2,160	-2.9%	-0.6%
Total Use	3,944	4,213	4,306	4,248	-1.3%	0.8%
Ending Stocks	197	302	445	470	5.6%	55.6%
Stocks to Use (%)	5.0%	7.2%	10.3%	11.1%	0.7%	3.9%
Average Farm Price (\$/bu)	\$8.95	\$9.47	\$9.30	\$9.30	0.0%	-1.8%

Source: USDA WASDE

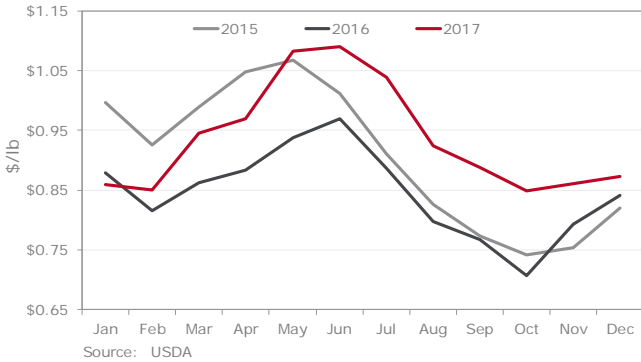
- USDA raised its 2017 corn yield estimate another 1.2 bushels in January to a record 176.6 bushels. Production was raised 26 million bushels as the higher yield was partly offset by smaller acreage.
- Projected ending stocks were raised 40 million bushels to 2,477 million on the larger crop and slightly lower feed and residual usage.
- The midpoint of USDA's marketing year average price forecast range was raised \$0.05 per bushel to \$3.25, which would be down from \$3.36 in 2016/17.

- USDA raised its 2017/18 wheat ending stocks forecast 29 million bushels in January. This was mainly due to a 20-million-bushel cut in feed and residual usage following a larger-than-expected December 1 stocks estimate.
- USDA held its 2017/18 average farm price forecast at \$4.60, which is up from the previous year's \$3.89.
- USDA estimated winter wheat seedings at 32.6 million acres, which was down 0.1 million from the previous year but well above market expectations for a decline of 1 to 2 million acres.

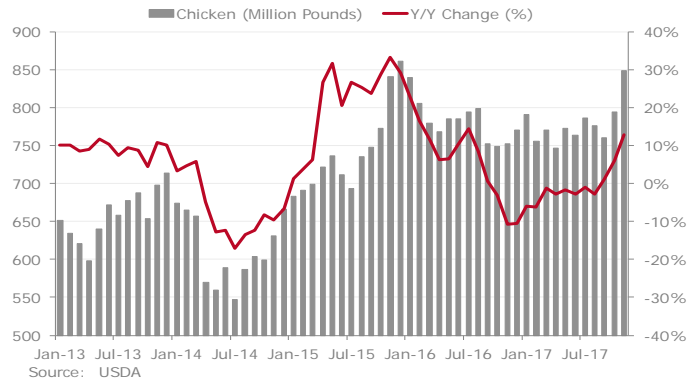
- USDA lowered its 2017 soybean yield estimate 0.4 bushels per acre to 49.1 bushels. Production was reduced 34 million bushels to 4,392 million, which still is record large.
- The smaller crop and a larger crush forecast were more than offset by a cut of 65 million bushels in exports. USDA's 2017/18 ending stocks forecast was raised 25 million bushels to 470 million, reflecting a stocks-to-use ratio that would be the largest in 11 years.
- USDA's 2017/18 farm price forecast was unchanged at \$9.30, which is down from \$9.47 in 2016/17.

Chicken: Broiler and thigh prices have remained above 2015/16 levels on strong exports. Egg sets once again start to build.

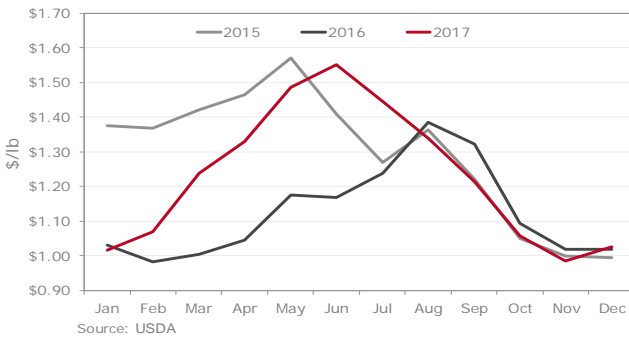
Whole Broiler Prices



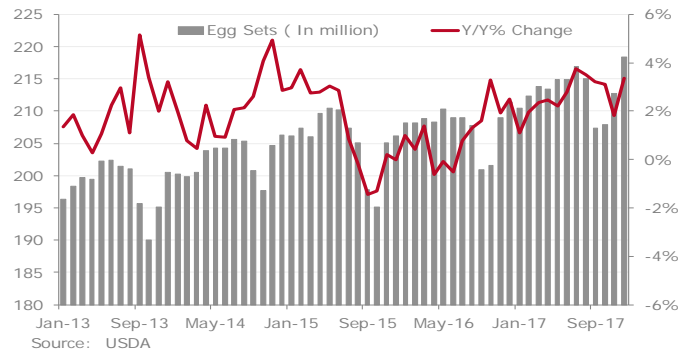
Cold Storage Inventories



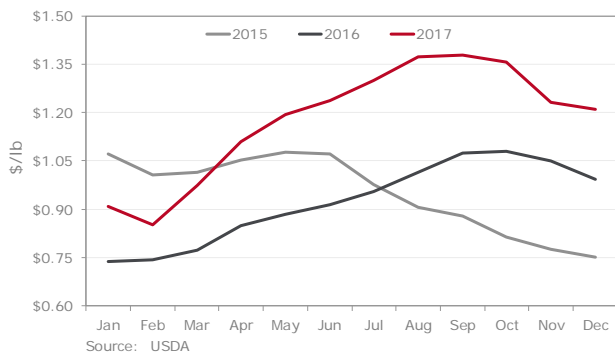
Boneless Skinless Breast Prices



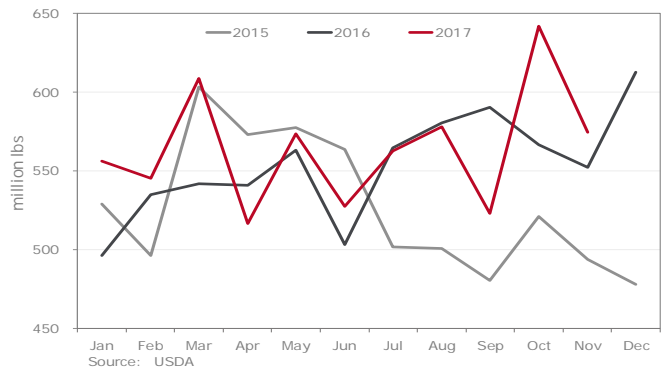
Egg Sets



Boneless Skinless Thigh Prices



Broiler Exports

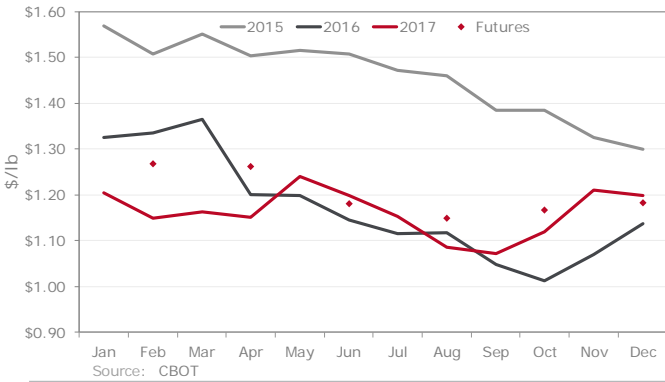


- The December USDA broiler price of \$0.87/lb. increased +1.5% vs. the prior month and increased +3.9% vs. December 2016.
- The WASDE U.S. median average price forecast for 2017 is \$0.934/lb., up +10.8% from \$0.843/lb. in 2016. The prior projection for 2017 was \$0.938/lb. Total 2017 production is estimated to be 41,541 million lbs., up +2.0% vs. 2016.
- The December average breast price of \$1.03/lb. increased +4.3% vs. the prior month and +0.8% vs. December 2016.
- The December average thigh price of \$1.21/lb. decreased -1.7% vs. the prior month and increased +21.9% vs. December 2016.

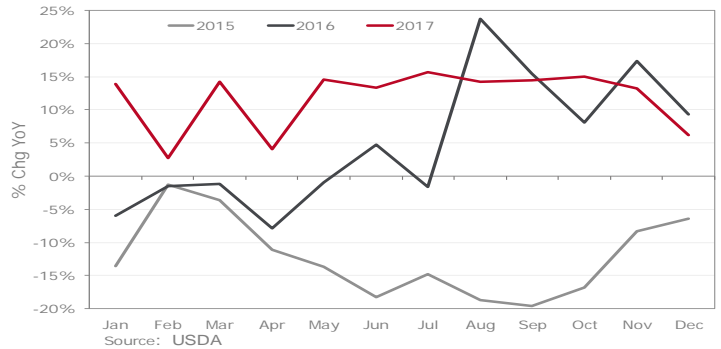
- Fundamentals: Chicken cold storage increased +8.6% in January Y/Y, which is down -1.23% vs. the prior month. Egg sets increased 3.3% in December Y/Y, and up 2.6% vs. the prior four weeks. Broiler exports increased +4.0% in November Y/Y, but was down -10.5% vs. the prior month.
- The December average combined regional large egg price of \$1.76/dozen increased +28.1% vs. the prior month and +67.2% vs. Dec'16.
- The WASDE U.S. per capita disappearance is estimated at 274.2, down .18% compared to 2016's actual of 274.7. 2018 is projected to increase to 278.9, up +1.71% from 2017 estimates, though down from December's projected 279.1.

Beef: Cut-out prices are above 2016 levels as YoY inventory levels are down sharply and exports continue to be strong.

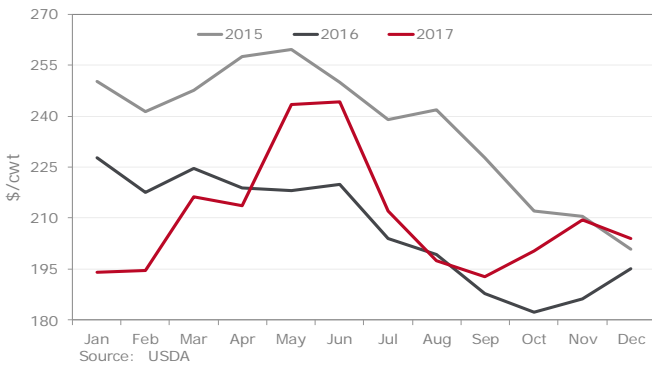
Live Cattle Prices



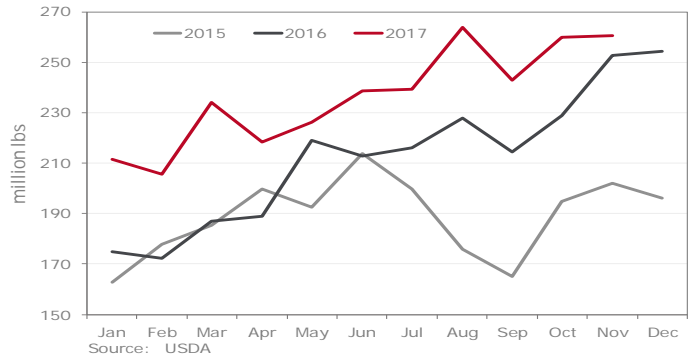
Heifer Slaughter



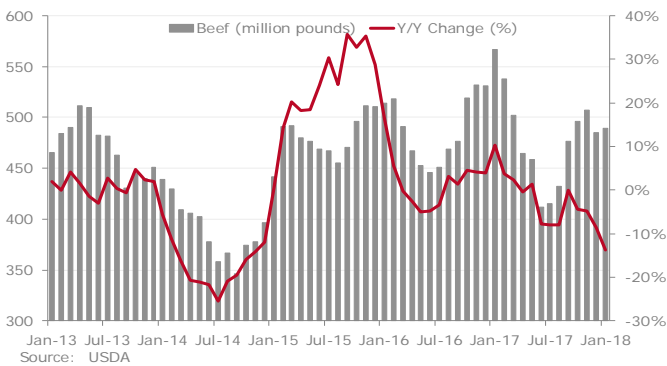
Cut Out Values



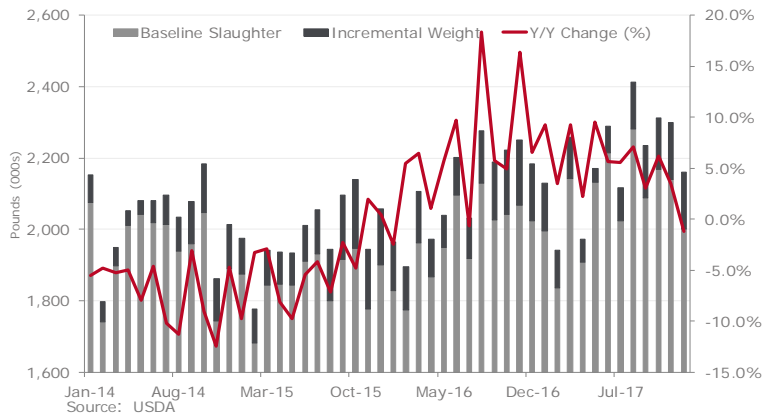
Beef and Veal Exports



Cold Storage Inventories



Monthly Cattle Processing

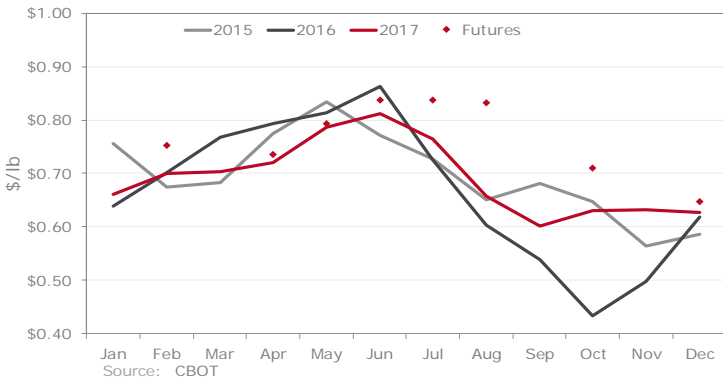


- The December cattle price of \$1.20/lb. decreased -1.0% vs. the prior month and increased +5.4% vs. Dec16.
- The WASDE U.S. median average price forecast for 2017 is \$121.52/cwt, up 0.6% from \$120.86/cwt in 2016. The prior projection for 2017 was \$121.42/cwt. Total 2017 production is estimated to be 26,305 million lbs., up +4.3% vs. 2016.
- The December average cut-out value decreased -2.7% vs. the prior month and increased +4.4% vs. Dec 16.

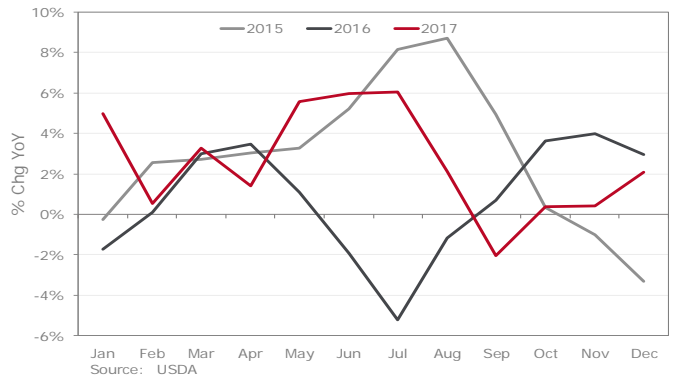
- Fundamentals: Cold storage decreased -13.7% in January Y/Y, which is up +.9% vs. the prior month. Beef and veal exports increased +3.1% in November Y/Y and were up 0.3% vs. the prior month. Heifer slaughter numbers increased +6.2% in December Y/Y, which is down -8.4% vs. the prior month. Exports increased +3.1% in November Y/Y, which is up +3.1% vs. the prior month. Cattle head processed decreased -1.2% in December Y/Y which is down -6.6% vs. the prior month.

Pork: Prices are above 2015 and well above decade-low Oct16 levels as inventories stay lower while slaughter counts and exports flatten year-over-year.

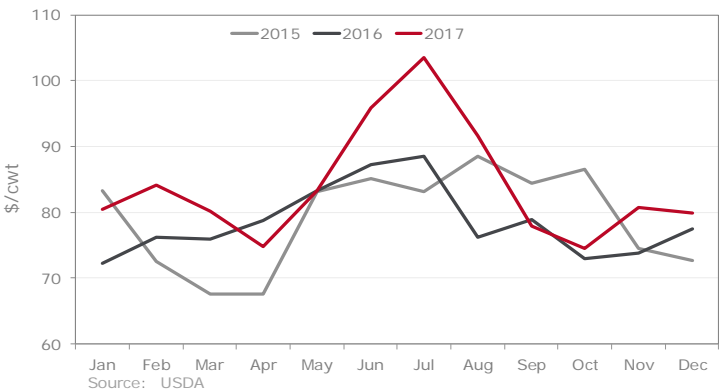
Lean Hog Prices



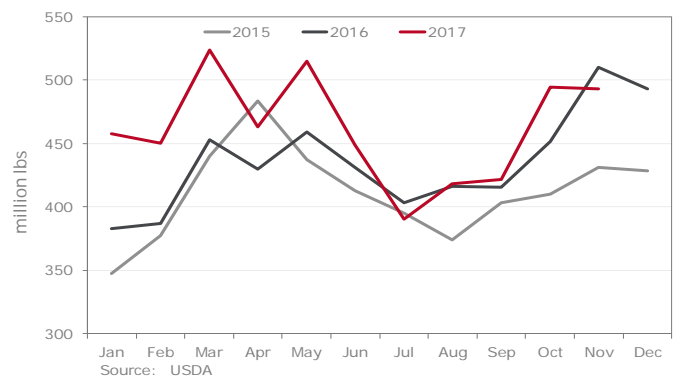
Sow Slaughter (3 Month Rolling Average)



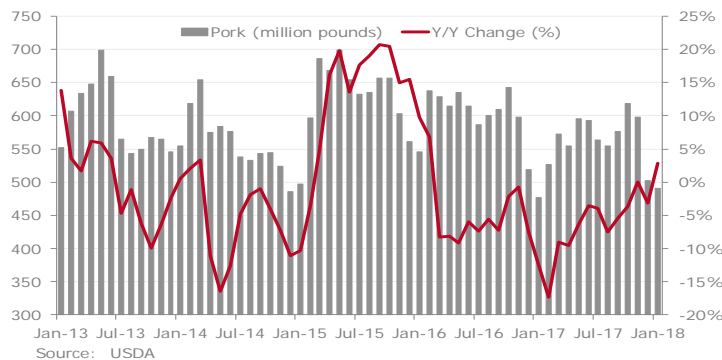
Cut Out Values



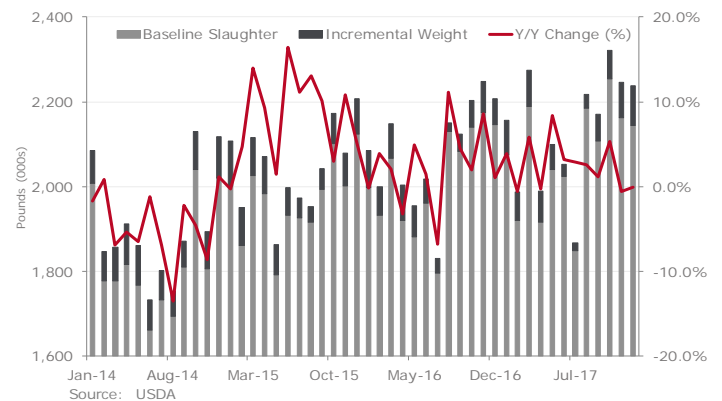
Pork Exports



Cold Storage Inventories



Monthly Processing

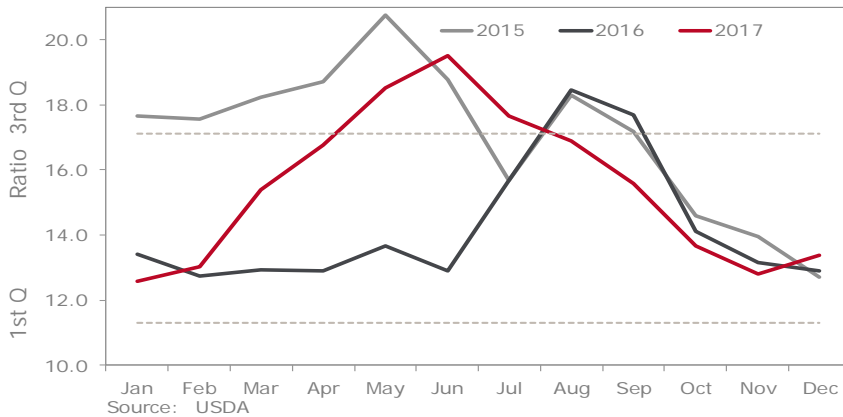


- The December average hog price of \$0.63/lb. decreased -0.6% vs. the prior month and increased +1.6% vs. December 2016.
- The WASDE U.S. median average price forecast for 2017 is \$50.48/cwt, up +9.4% from \$46.16/cwt in 2016. The prior projection for 2017 was \$50.38/cwt. Total 2017 production is estimated to be 25,585 million lbs., up +2.5% vs. 2016.
- The December average cut-out value decreased -1.0% vs. the prior month and increased +3.1% vs. Dec16.

- Fundamentals: Cold storage inventories increased +2.8% in January Y/Y, which is down -2.3% vs. the prior month. Three month average sow slaughter increased +2.1% in December Y/Y, which is up +1.15% vs. the prior month. Exports decreased -3.3% in November Y/Y, which is down -.03% vs. the prior month. Hogs processed were flat in December Y/Y but down -.8% vs. the prior month. Slaughter weight data indicates that heavier weights contributed to +4.2% of total slaughter volume, which is up +1.4% vs. the prior year period.

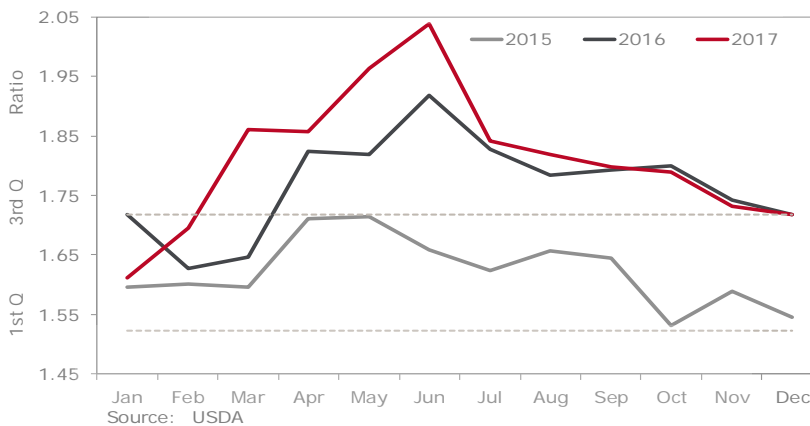
Packer Margin Environment: Chicken, beef and pork estimated packer ratios are all near 2016 levels with chicken cut-out values strengthening.

Chicken



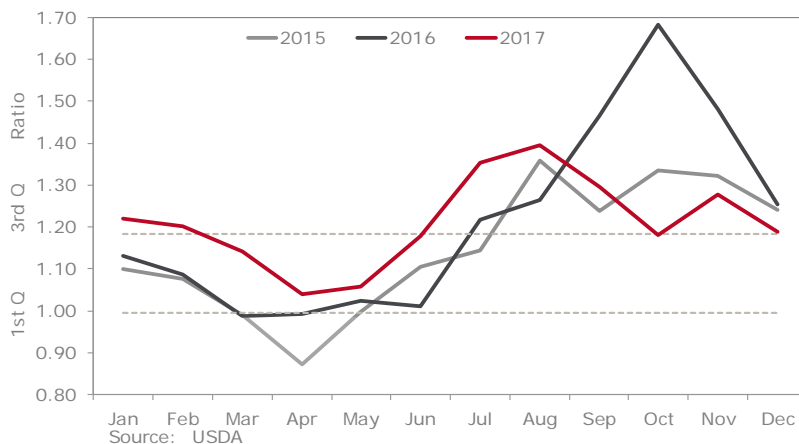
- The December USDA monthly average chicken breast price-to-feed cost ratio of 13.4 increased +0.6 vs. the prior month and was up +0.5 vs. the prior year period.
- The 10 year average ratio of 14.9 places the Dec17 result in the second quartile of the 2007-2017 monthly results.

Beef



- The December USDA monthly average beef cut-out to live cattle ratio of 1.72 decreased -0.01 vs. the prior month and was flat vs. the prior year period.
- The 10 year average ratio of 1.64 places the Dec17 result in the top 50% of the 2007-2017 monthly results.

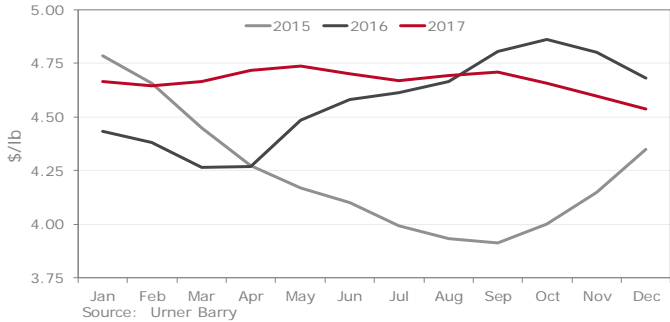
Pork



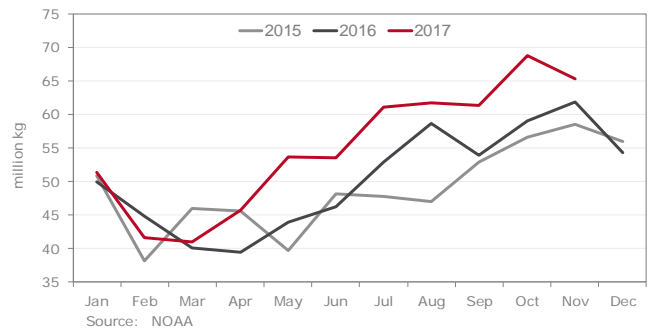
- The December USDA monthly average pork cut-out to live hog ratio of 1.19 decreased -0.09 vs. the prior month and decreased -0.06 vs. the prior year period.
- The 10 year average ratio of 1.10 places the December result in the 2nd Quartile of the 2007-2017 monthly results.

Seafood: Shrimp and salmon prices dropped below 2016 levels due to strong imports; Pollock prices are at multi-year lows.

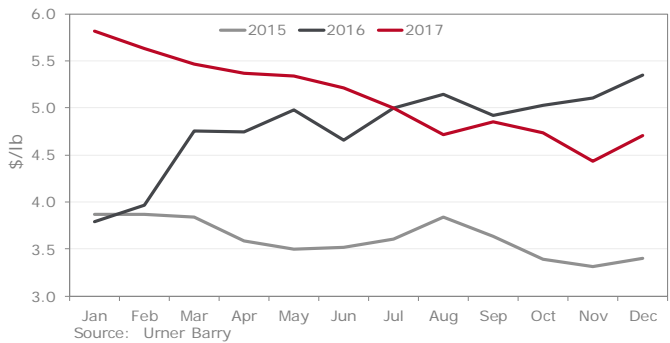
Urner Barry Farm-Raised White Shrimp Index



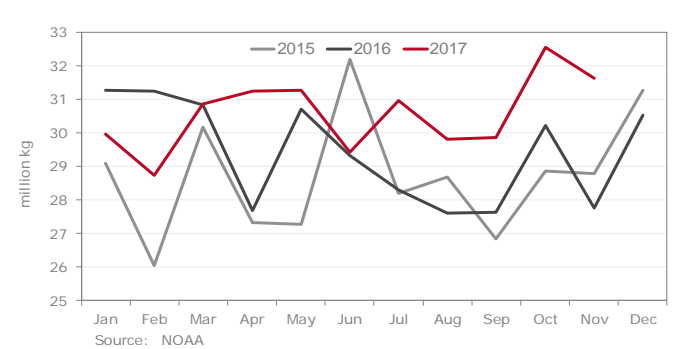
Shrimp Imports – Total Volume



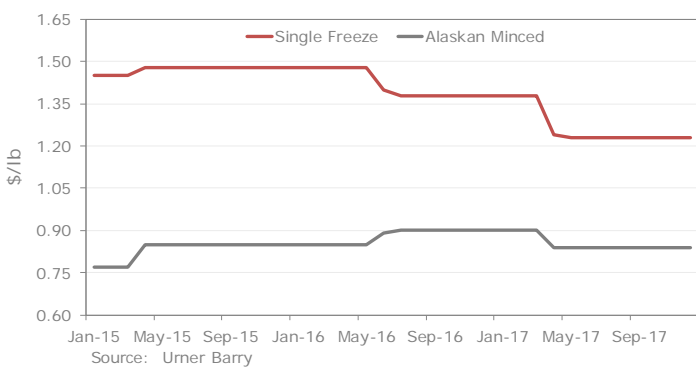
Urner Barry Fresh Farmed Salmon Index



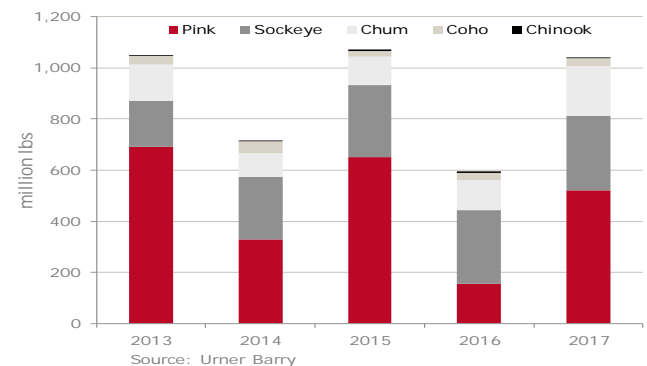
Salmon Imports – Total Volume



Alaskan Pollock



Wild Alaskan Landings by Specie

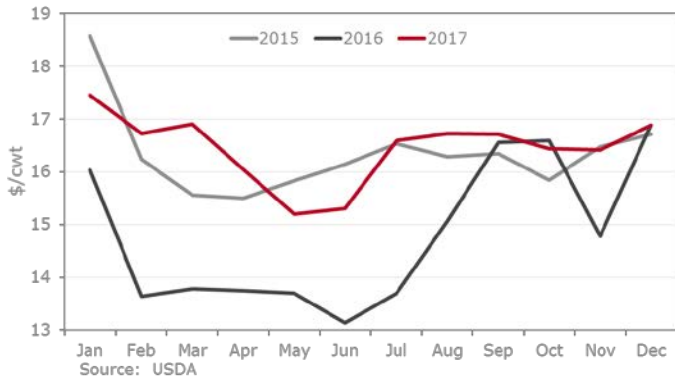


- The Urner Barry farm-raised white shrimp average price of \$4.54/lb. in December was down -1.3% from the prior month and was -3.0% below the previous year.
- The Urner Barry fresh farmed salmon average price of \$4.70/lb. for December was up +6.0% from November, but was down -12.0% from December 2016.
- Single Freeze Alaskan Pollock prices reported by Urner Barry have been at \$1.23/lb. since May 2017. Alaskan Minced Pollock prices have been at \$0.84/lb. since April 2017.

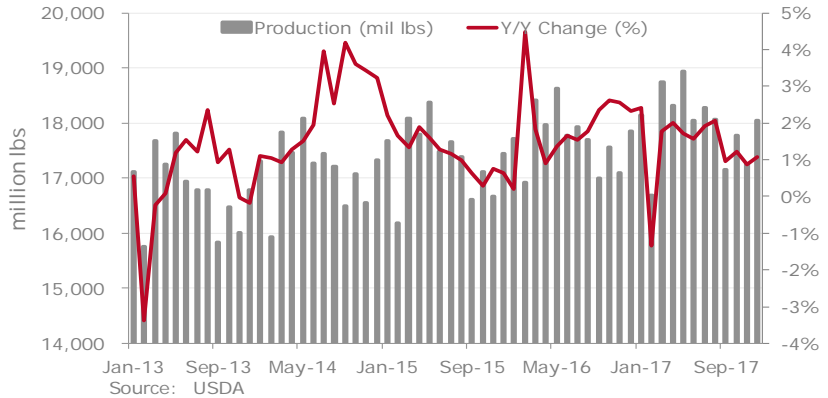
- NOAA indicated Nov. US shrimp imports were 65.3 million kg, down -5.1% from Oct. but up +5.7% from Nov. 2016.
- November salmon imports of 31.6 million kg were down -2.9% from October, but up +13.9% from a year earlier.
- Wild Alaskan landings increased 75% in 2017 and were up slightly from 2015. The increase was led by Pink salmon, which more than doubled from 2016's low level.
- The 2018 Bristol Bay Sockeye salmon forecast is for a chart-topping 51.3 million fish and a harvest of over 37 million. That compares with a 2017 forecast of 40 million Sockeye, though the run was 42% above forecast and the harvest of 37.7 million was the second-largest on record.

Dairy: Current Class III prices are nearing 2015 levels and are projected to drop to 2016 levels as cow numbers and production per cow increase year-over-year.

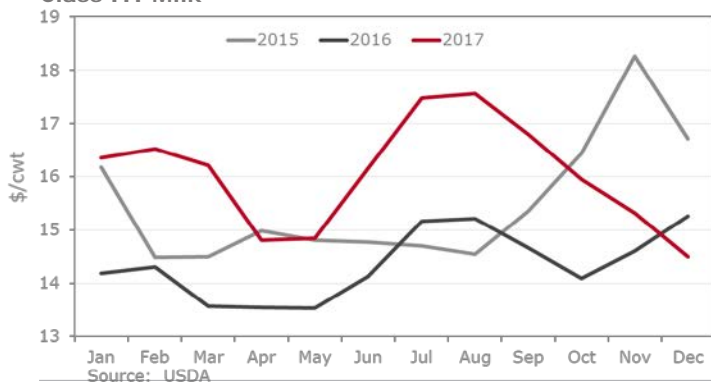
Class I Milk



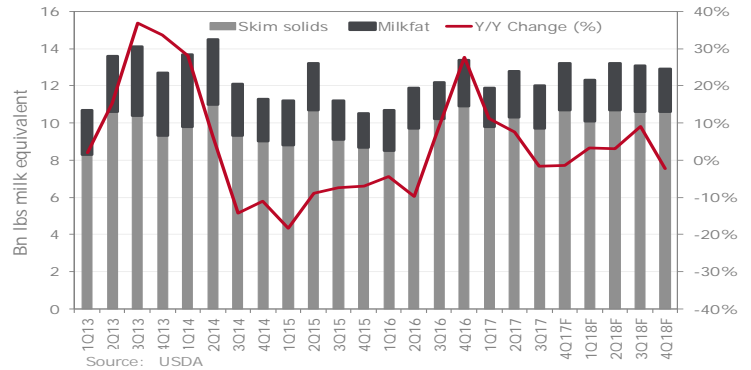
Milk Production



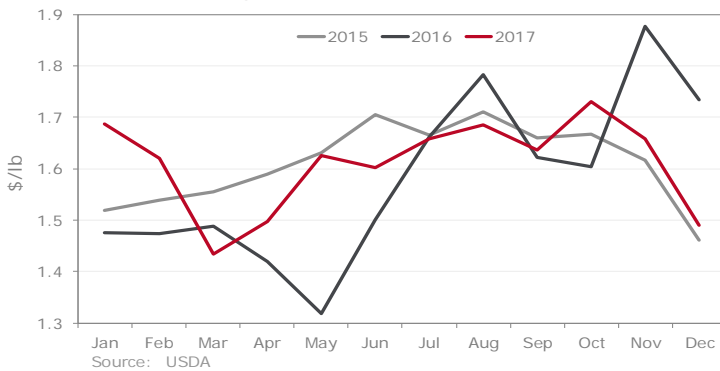
Class III Milk



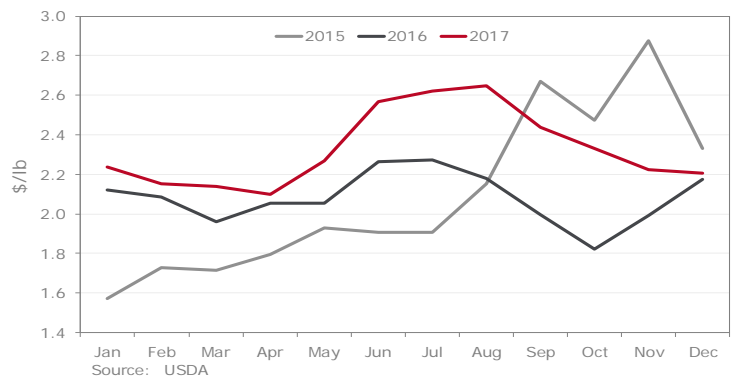
Dairy Exports



Cheddar Cheese, 40lb. block



Butter Prices Grade AA

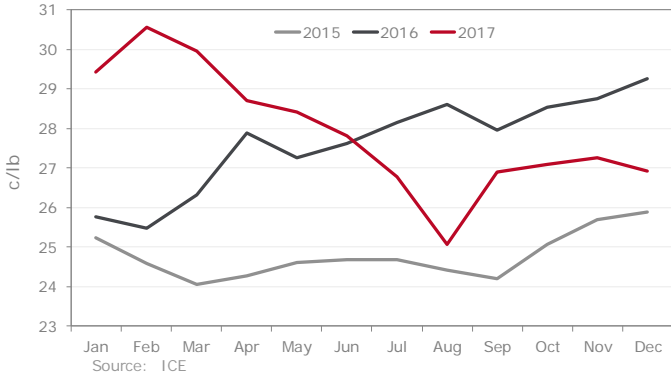


- The December USDA Class I milk price of \$16.88/cwt increased +2.9% vs. the prior month and stayed flat vs. December 2016. The December average Class III milk price of \$15.44/cwt decreased -8.5% vs. the prior month and decreased -11.3% vs. December 2016.
- The WASDE U.S. 2018 median average all milk price forecast as of January 2018 is \$16.20/cwt, down -8.2% from \$17.65/cwt in 2017. Total 2018 production is estimated to be 218.8 bn lbs., up +1.5% vs. 2017.
- The December USDA average cheddar cheese price of \$1.49/lb. decreased -10.2% vs. the prior month and decreased -14.0% vs. December 2016.

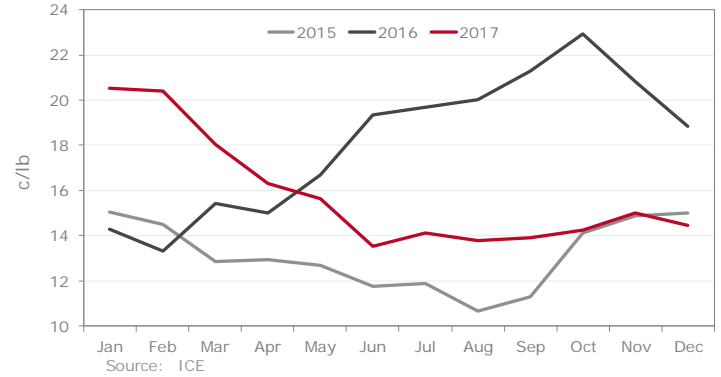
- Fundamentals: Milk production increased +1.1% in December Y/Y and increased +4.3% vs. the prior month. The milk cow herd size was up +.50 vs. the prior year period. Total milkfat and skim solid exports are projected to increase +3.21% 2018 Y/Y, vs 3.53% from 2016 to 2017.
- December average USDA Grade AA butter prices of \$2.21/lb. decreased -0.7% vs. the prior month and increased +1.4% vs. December 2016.

Specialty Crops: Currently cotton prices are trending up, while sugar, cocoa, coffee, and orange juice are trending down.

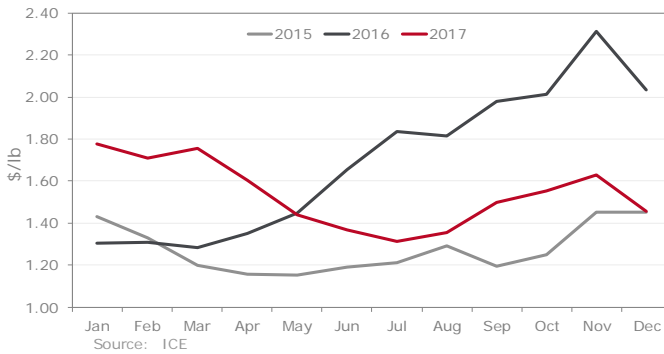
Sugar #16 Prices



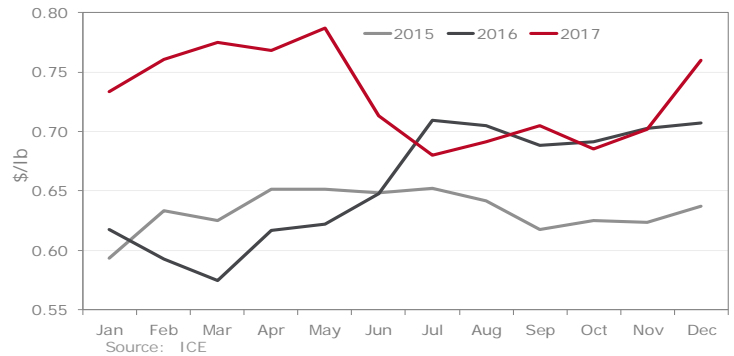
Sugar #11 Prices



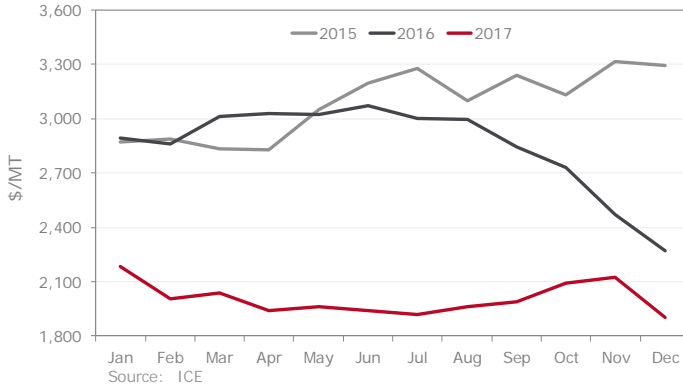
Orange Juice



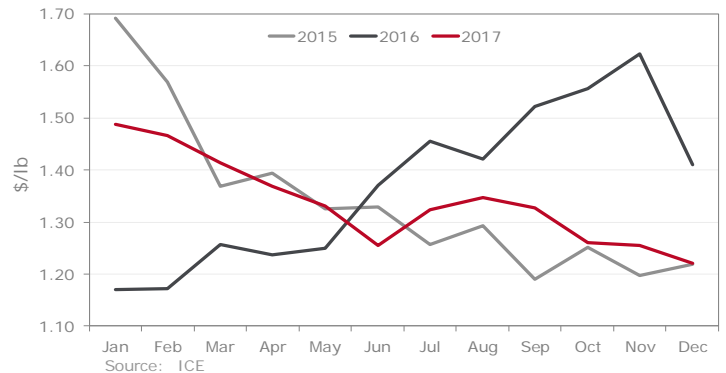
Cotton



Cocoa



Coffee

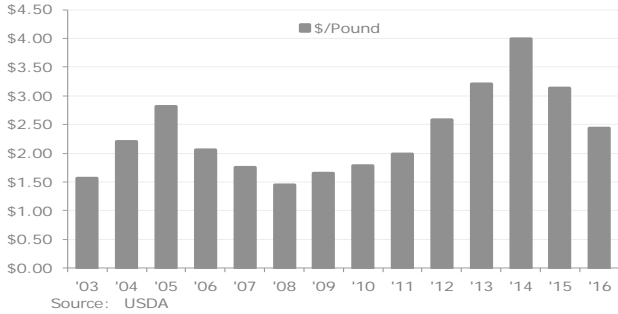


- The December ICE sugar #16 average price of \$0.27/lb. decreased -1.3% vs. the prior month and decreased -8.0% vs. the prior year period.
- The December ICE orange juice average price of \$1.46/lb. decreased -3.6% vs. the prior month and decreased -28.4% vs. the prior year period.
- The December cocoa average price of \$1,901/MT decreased -10.5% vs. the prior month and decreased -16.2% vs. the prior year period.

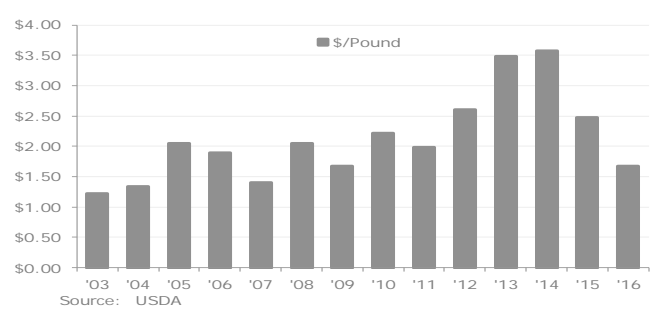
- The December ICE sugar #11 average price of \$0.14/lb. decreased -3.6% vs. the prior month and decreased -23.2% vs. the prior year period.
- The December average cotton price of \$0.76/lb. increased +8.3% vs. the prior month and +7.5% vs. the prior year period.
- The December average coffee price of \$1.22/lb. decreased -2.7% vs. the prior month and decreased +13.4% vs. the prior year period.

Specialty Crops: The outlook for growers in 2017/18 is positive, but need to keep an eye on trade issues and the opportunity for expanding markets overseas.

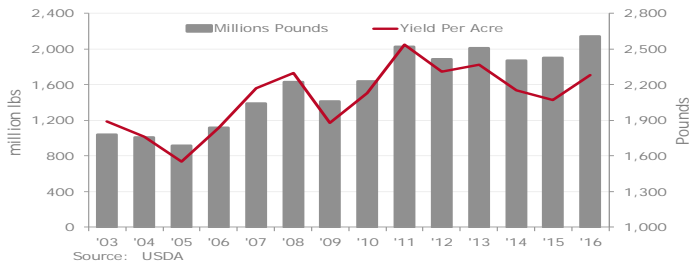
Almond Prices



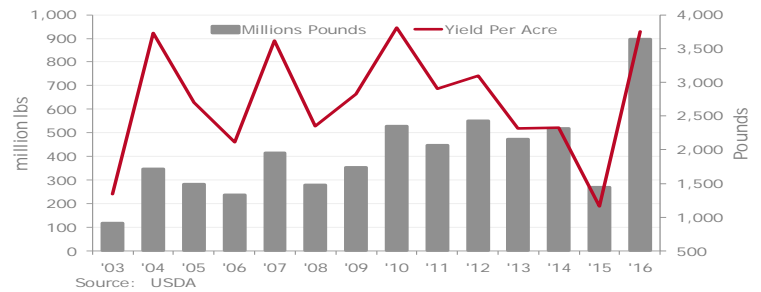
Pistachio Prices



Almond Production & Yield



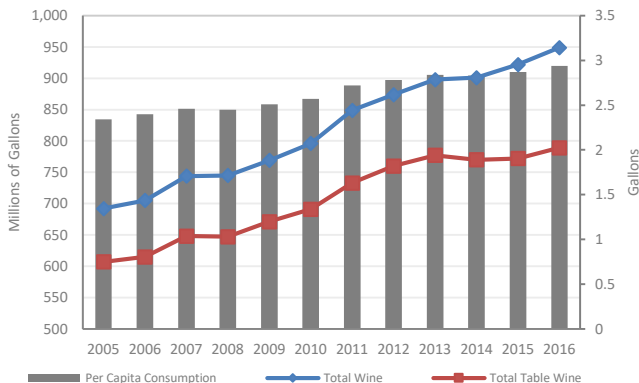
Pistachio Production & Yield



- The 2016 USDA average grower price for almonds of \$2.44/lb. decreased -22.0% vs. the 2015 average price of \$3.13/lb.
- The 2016 total annual almond production of 2,140 million pounds increased +12.6% vs. the 2015 annual production of 1,900 million pounds. The 2016 average yield per acre of 2,280 pounds increased +10.1% vs. the 2015 average of 2,070 pounds.

- The 2016 USDA average grower price for pistachios of \$1.68/lb. decreased -32.3% vs. the 2015 average price of \$2.48/lb.
- The 2016 total annual pistachio production of 897mm pounds increased +231% vs. the 2015 production of 270mm pounds. The 2016 average yield per acre of 3,750 pounds increased +241% vs. the 2015 average of 1,160 pounds.

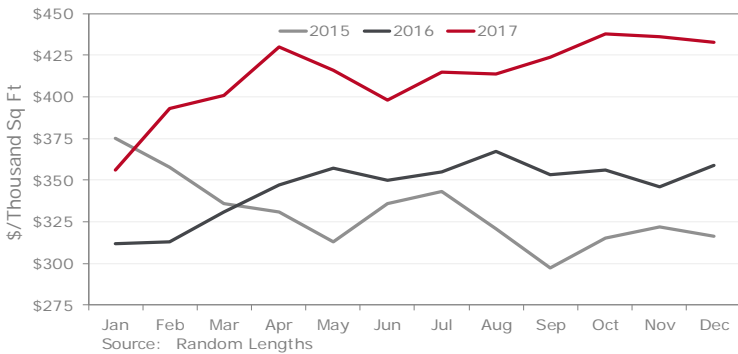
Wine Consumption



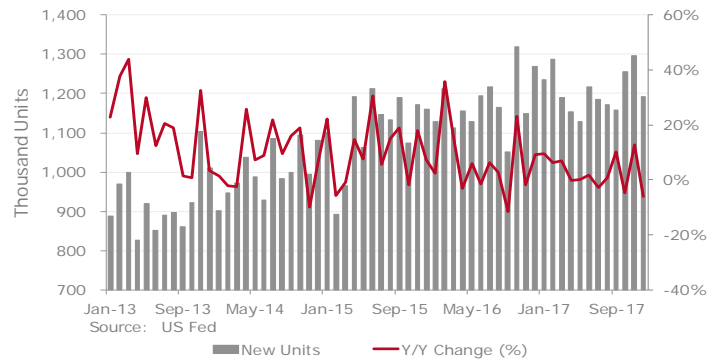
- Total wine consumption increased 2.9% in 2016, while consumption of table wine increased 2.2%. In addition, per capita consumption increased by 2.4% YoY and is up 22.5% since 200. 2017 consumption show slowing growth at 1.3%.
- Sales outlook for premium wine above \$10/bottle is positive; however, lower price points seeing a tougher market. California limiting factors of labor, water, and regulatory environment have increased Merger and Acquisition in the Pacific Northwest.
- Consolidation in distribution will continue to create direct-to-consumer opportunities for wineries
- Global wine harvest down due to weather events and wildfire damage. Margins for wineries may be reduced due to higher grape costs.

Forest Products: With housing starts weakening, the increase in remodel activity is not enough to sustain the increase in framing lumber and structural panel prices.

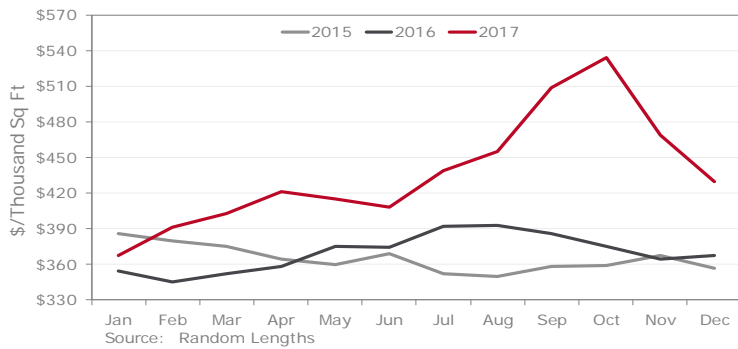
Framing Lumber Index



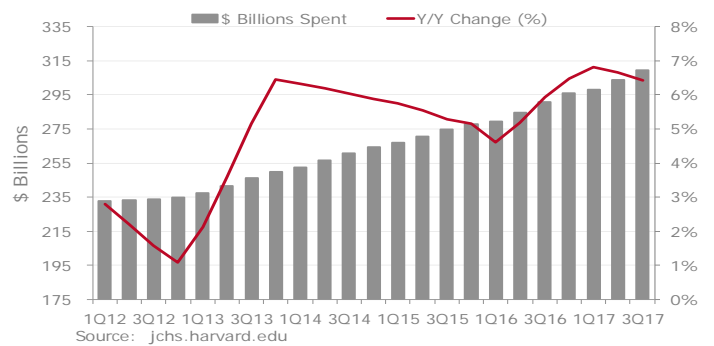
U.S. Housing Starts



Structural Panel Index



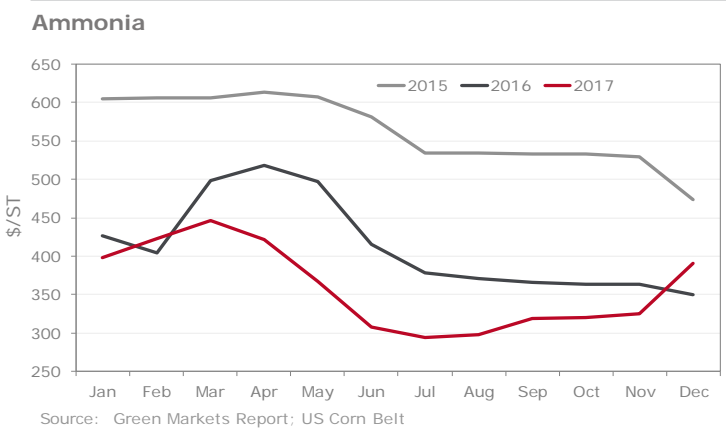
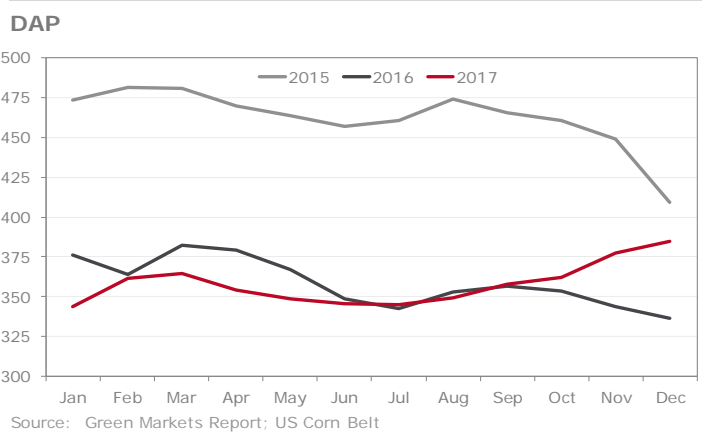
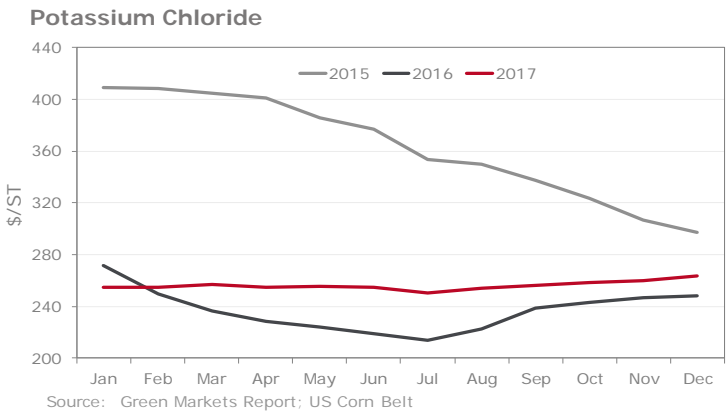
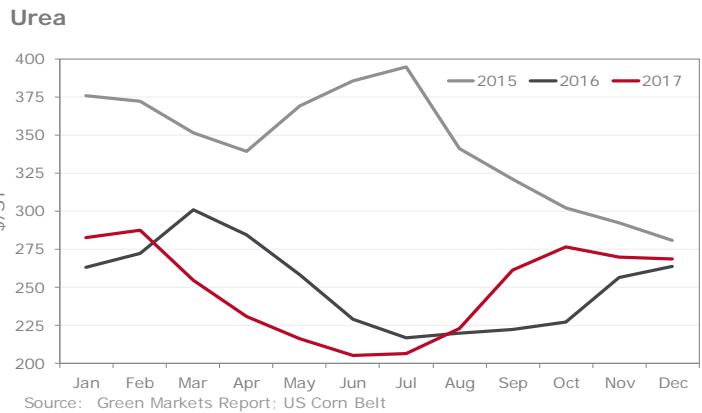
Repair & Remodel Expenditures (LTM total)



- The December Framing Lumber Composite Index of \$433/thousand sq. ft. decreased -0.7% vs. the month prior and increased +20.6% vs. the prior year period.
- The December Structural Panel Composite Index of \$430/thousand sq. ft. decreased -8.3% vs. the prior month and increased +17.2% vs. the prior year period.

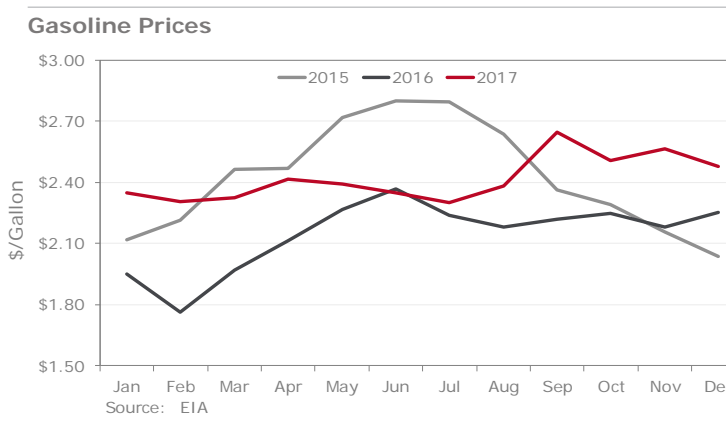
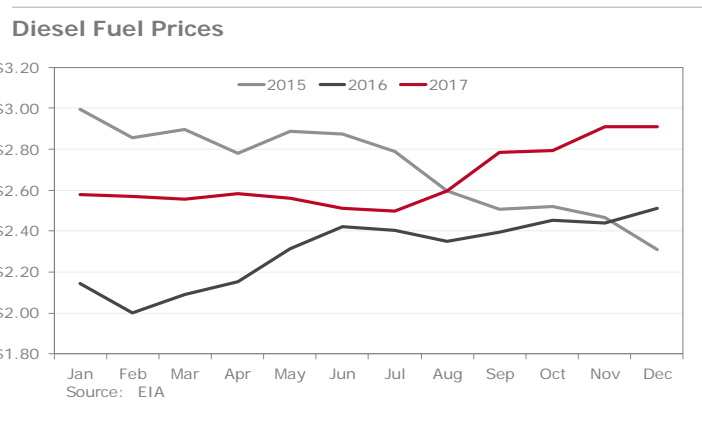
- The December U.S. Housing Starts of 1.19 million units decreased -6.0% vs. the prior month and decreased -8.1% vs. the prior year period.
- The 3Q17 LTM repair and remodel total expenditure of \$309.7Bn increased +1.9% vs. the prior quarter and +6.4% vs. the prior year period.

Crop Inputs: Fertilizer prices remain under pressure with higher than expected imports; Ammonia and DAP have ticked higher while Urea trends downward.



- The December US corn belt urea average price of \$268/ST decreased -0.4% vs. the prior month and increased +1.9% vs. the prior year period.
- The December US corn belt DAP average price of \$385/ST increased +2.1% vs. the prior month and increased +14.4% vs. the prior year period.

- The December US corn belt potassium chloride average price of \$263/ST increased +1.3% vs. the prior month and increased +6.0% vs. the prior year period.
- The December US corn belt ammonia average price of \$391/ST increased +20.4% vs. the prior month and increased +11.7% vs. the prior year period.

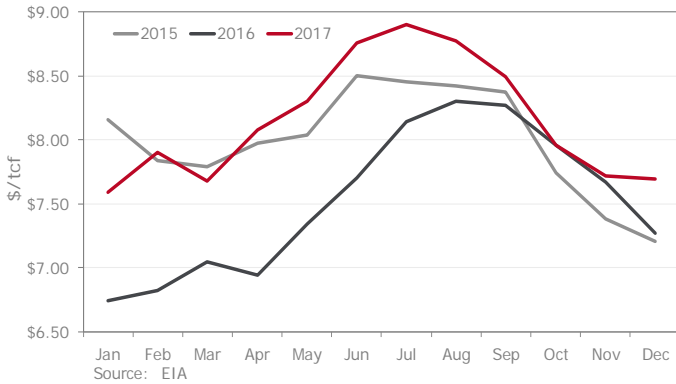


- The December average diesel fuel price of \$2.91/gal stayed flat vs. the prior month and increased +15.9% vs. the prior year period.

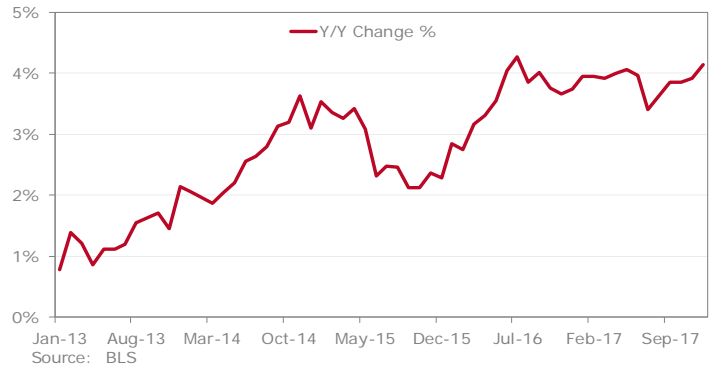
- The December average regular grade gasoline price of \$2.48/gal decreased -3.3% vs. the prior month and increased +10.0% vs. the prior year period.

Energy and Labor: Global oil prices have kept energy prices relatively in check, while we observe wage inflation gains in restaurants and supermarkets.

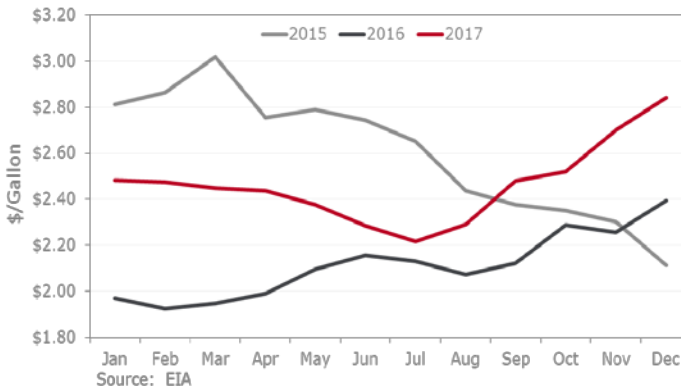
Natural Gas Retail Prices



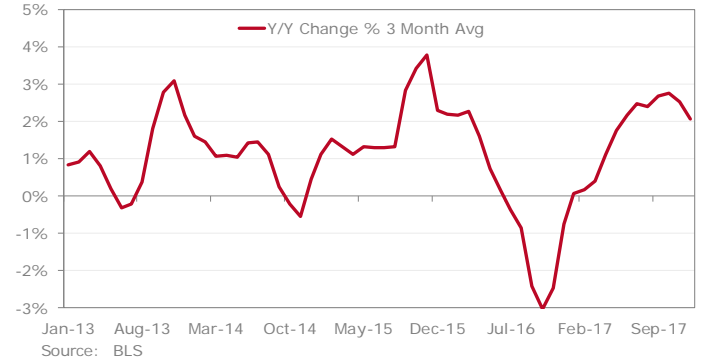
Restaurant Hourly Earnings



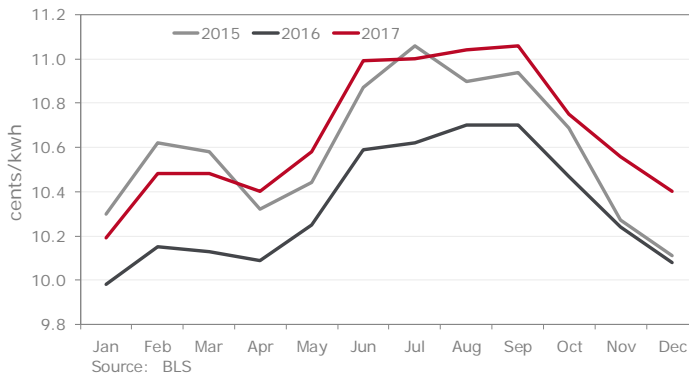
Heating Oil Retail Prices



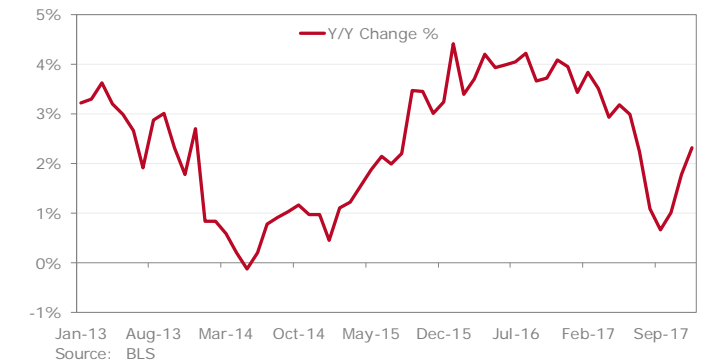
Supermarket Hourly Earnings (3 Month Rolling Average)



Commercial Electricity Prices



Food Manufacturing Hourly Earnings



- The December average natural gas price of \$7.69/Mcf decreased -0.4% vs. the prior month and increased +5.8% vs. the prior year period.
- The December average heating oil price of \$2.84/gal increased +5.2% vs. the prior month and increased +18.6% vs. the prior year period.
- The December average electricity price of \$10.4/kwh decreased -1.5% vs. the prior month and increased +3.2% vs. the prior year period.

- The restaurant labor index increased +4.1% Y/Y in December, and was up +0.4% vs. the prior month.
- The supermarket labor index is projected to be flat M/M in December, and up +1.6% YOY.
- The food manufacturing labor index increased +2.3% Y/Y in December, which was up +15bp vs. the prior month.

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