

Industry Update

Food and Agribusiness

Key Demand Developments

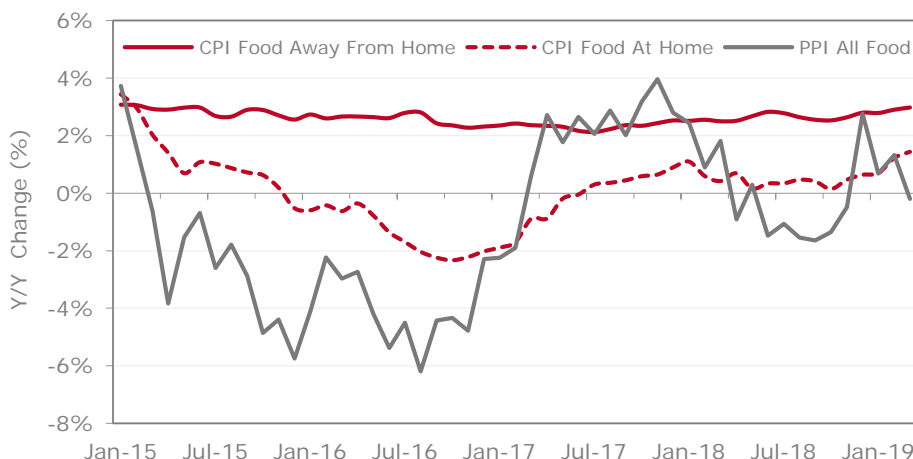


- Lackluster growth in real consumer spending underpinned the soft start for the US economy in Q1-2019. Absent some unforeseen shock, however, the conditions do not appear to be in place for recession in near future. Wells Fargo points to strong underlying fundamentals in support. The labor market is strong, consumer confidence remains high, and household balance sheets are generally healthy.
- The change since last month is that rate hike is no longer expected for 2019. The Fed policymakers are communicating that they will remain “patient”. Wells Fargo is citing both this and incoming inflation data as reason to remove the previously forecasted rate hike, suggesting that the FOMC will likely keep its target for fed funds in the range of 2.25% to 2.5% for rest of the year.
- Both US-China tariff and Brexit deadlines have been extended, and these two issues will continue to contribute uncertainty to global economy and financial markets.
- Despite deceleration, Wells Fargo cites central bank and Chinese fiscal stimulus as “cushions” for additional global economic contraction. Even while global growth is slowing from last year’s strong pace, Well Fargo expects global growth to stabilize rather than deteriorate as 2019 unfolds.
- Look for monthly updates on Wells Fargo Economics: <https://www.wellsfargo.com/com/insights/economics/monthly-outlook>

Food Retail Sales

- According to Nielsen, quarterly U.S. Food Retail sales growth in dollar volume slowed to 0.5 % Y/Y from 2.0% Y/Y one year ago, prices continue to grow 3.6% Y/Y vs. 3.5% Y/Y Q1-18 and unit sales declined 3.0 % Y/Y vs. 1.4 Y/Y Q1-18.
- According to multiple sources, E-commerce continues to carve into traditional retail formats, although almost all retailers have now launched e-retail strategies.

Consumer and Producer Price Indices



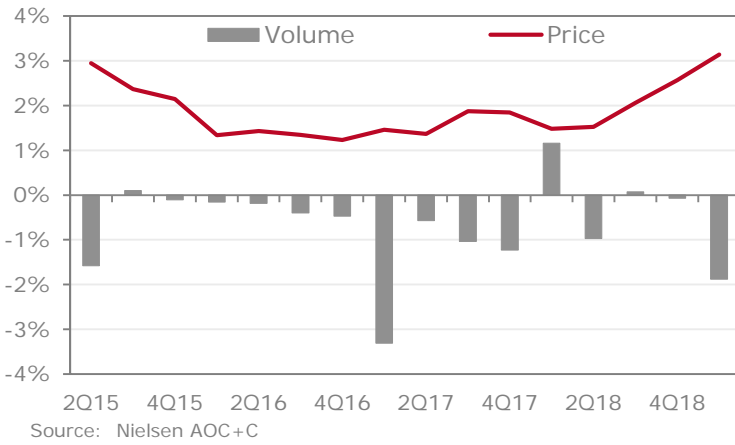
Source: U.S. Bureau of Labor Statistics (BLS)

Price and Food Inflation Developments

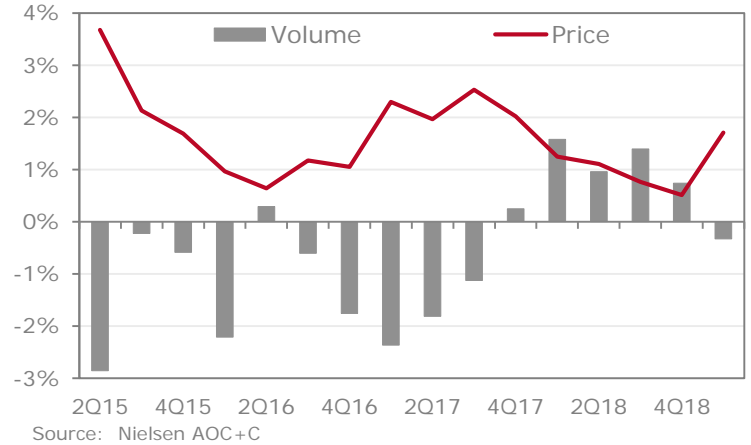
The overall CPI for U.S. Food and Beverage is trending positively for the sixth straight quarter with a 2.1% Y/Y increase for March 19. CPI for Food Away from Home increased 3.0% Y/Y, and CPI Food at Home also had an increase of 1.4% Y/Y, for March.

Grocery Department Trends: According to Nielsen data, all grocery department sales growth in traditional retail is declining or negative as of Q1-19, with stalled to pricing inclines.

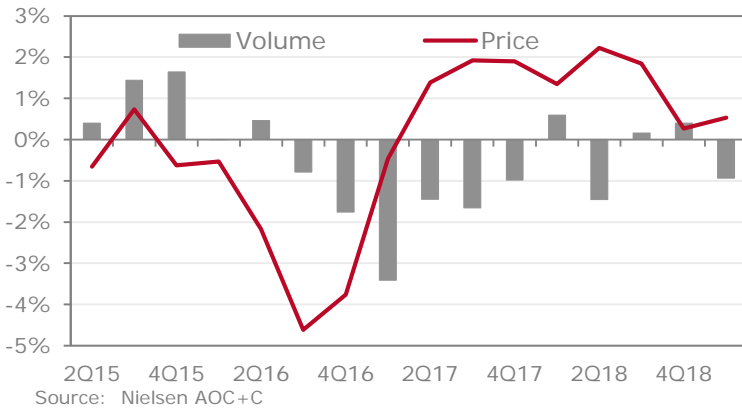
Dry Grocery



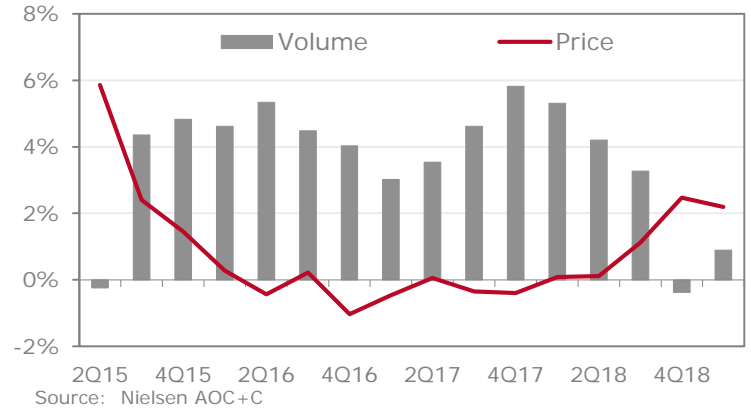
Frozen Foods



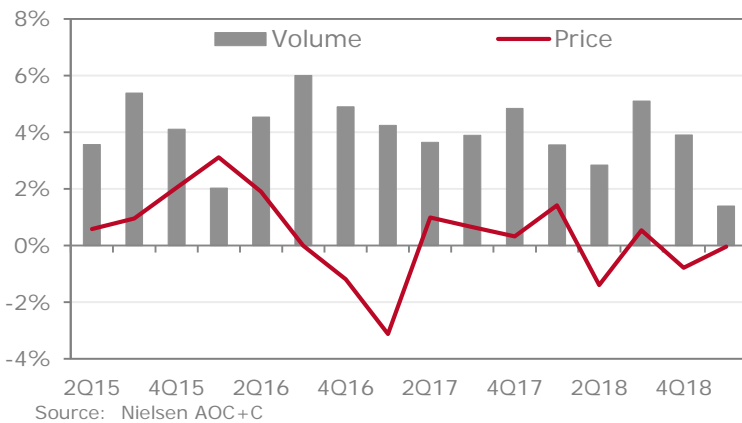
Dairy



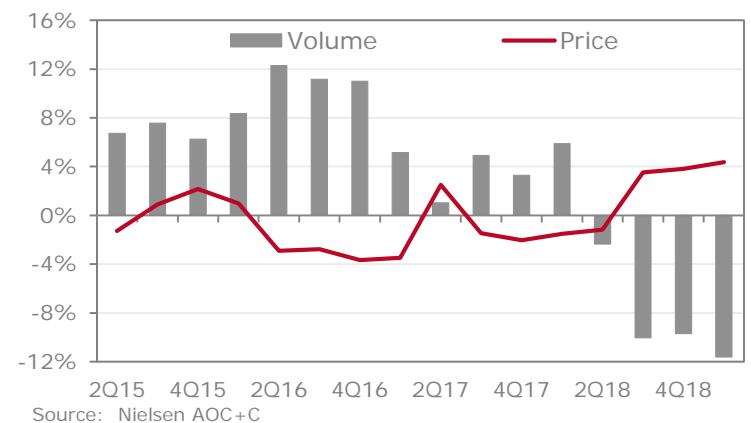
Deli



Fresh Produce



Bakery



- Dry Grocery average unit price increased 3.1% Y/Y, while volume decreased 1.9% Y/Y.
- Dairy volume decreased 0.9% Y/Y, accompanied by price increase of 0.5 % Y/Y.
- Fresh Produce volume continues to lead all categories with 1.4% Y/Y, (albeit slowest growth since 2012), with static price growth 0.0 % Y/Y.

- Frozen Food average unit price increased 1.7% Y/Y, while volume decreased to 0.3%.
- Deli volume rebounded slightly with an incline of 0.9% Y/Y, with price increase of 2.2% Y/Y.
- Bakery volume declined 11.6% Y/Y, with price increase of 4.4% Y/Y.

Food Company Margin Heat Map Y/Y				
Price vs. Volume	Grain	Protein	Energy	Labor
Mixed	Deflationary	Mixed	Mixed	Inflationary

- **Economics:** While Q1-19 was marked by lackluster growth in real consumer spending, the underlying fundamentals remain supportive of stronger growth in coming quarters. A strong labor market, high consumer confidence, and generally healthy household balance sheets should indicate improving pace of spending growth.
- **Grains:** Corn, wheat and soybean prices fell in March on slow demand. All three are down Y/Y with U.S. corn and wheat stocks forecast to decline less than previously expected, and soybean stocks up sharply. Cool, wet weather could keep 2019 corn acres below planting intentions of 92.8 million.
- **Chicken:** Broiler prices moved higher in March on tighter supplies. Historically low pricing for breast product attracted buyers in March and moved inventory. Large grain supplies will likely benefit producer margins in the upcoming crop year.
- **Beef:** Demand continues to show signs of a slowdown in export and domestic demand. Lingering winter weather keeps carcass weights lighter. Higher cattle inventory is expected to keep packer margins strong.
- **Pork:** African Swine Fever (ASF) news caused hog prices to rally 22% in March. The industry remains on high alert and increased market volatility is expected as more details around the ASF impacts are confirmed.
- **Seafood:** Oversupply of farmed shrimp and slumping demand are keeping prices below last year and have reduced imports. The 2019 Alaskan salmon harvest is forecast up sharply from the 2018 season. Farmed salmon demand remains strong.
- **Dairy:** Cheese prices spiked higher in March on stronger demand and tighter supplies. Slaughter data shows dairy herd contraction is still ongoing. A shutdown of the U.S./Mexico border likely would have negative impacts on the industry.
- **Specialty and Non-Grain Crops:** Cocoa grindings are forecast record large in 2018/19. Coffee prices are the lowest in over 13 years due to Brazil's large supplies and exports.
- **Nuts:** Almond and pistachio shipments continue at strong pace, with stable prices to growers reported. Walnut prices pressured by large crop, while pecan market dealing with competition from Mexico. Tree nut industry assessing nut set amid a rainy early season. Almond bloom wrapped up in March for 2019/20 crop. Growers concerned about pollination due to California's wet winter and early spring. Crop set in April will provide insight for 2019/20 almond crop. Walnuts and pistachios are beginning to bloom. Markets traditionally slow this time of year as buyers wait to assess new crop.
- **Wine:** USDA's California *Grape Crush Report* for 2018 reflected a 4.5MM-ton season, up 6% Y/Y. This included 2.4MM tons of red grapes (up 9% Y/Y) and 1.8MM tons of white grapes (up 4%). Wet weather hampered field work early this year, and some growers are behind. Bud break is occurring and growers are watching weather for frost and bloom conditions.

Key Commodity Heat Map			
Commodity	Price*	Y/Y	M/M
Corn	\$3.66	-3.7%	-2.2%
HRW Wheat	\$4.36	-12.0%	-8.8%
Soybeans	\$8.96	-13.9%	-1.6%
Broilers	\$0.90	-1.4%	-9.2%
Cattle	\$1.28	+7.2%	+0.9%
Hogs	\$0.68	+7.2%	+22.1%
Class III Milk	\$15.04	+5.8%	+8.3%
Shrimp	\$3.95	-8.4%	+1.8%
Salmon	\$5.92	+0.5%	+11.5%
Natural Gas	\$7.75	+4.3%	-0.3%
Electricity	\$10.29	-1.9%	-0.4%
Heating Oil	\$3.03	+6.1%	+3.3%
Restaurant Labor	\$14.23	+4.6%	+0.4%
Supermarket Labor	\$13.87	+5.0%	+0.4%
Food Labor	\$18.03	+3.7%	+0.2%

*All prices for March except natural gas (January), electricity (January), heating oil (February) and supermarket labor (February)

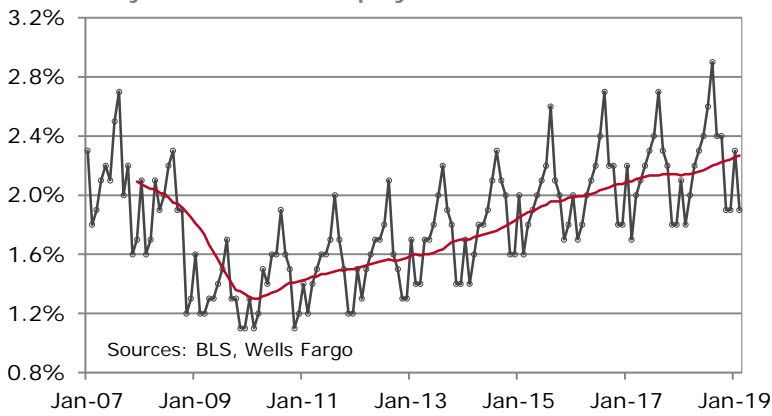
Monthly avg. corn, wheat, soybeans in \$/bu; broilers, shrimp in \$/lb; cattle, hogs, milk in \$/cwt; salmon in \$/kg; gas in \$/Mct; oil in \$/gal; electricity in \$/kWh; labor in \$/h

Sources: CME, USDA, Urner Barry, EIA, BLS

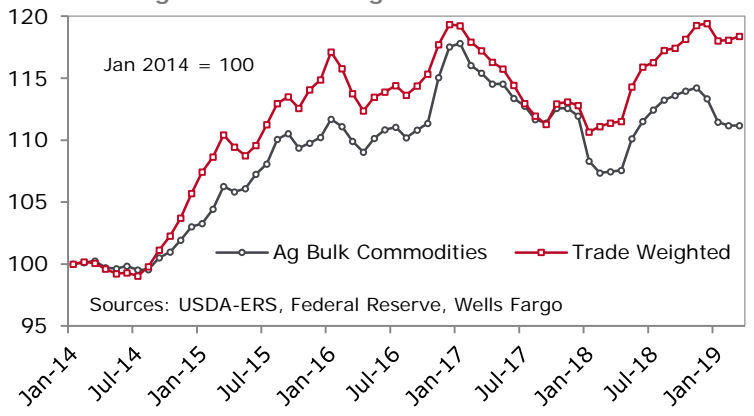
- **Fruit Crops:** Look for plenty of cherry supply from California in late April, as the crop is expected to be double the size of 2018. Strawberry production shifting from Mexico and Florida to California heading into Easter. Melon season out of Mexico starting later than normal; expect to see Florida melon shipments begin in late April. Blueberries shifting to U.S. production.
- **Vegetable Crops:** Vidalia onion season starts April 22. Onion crop nationwide is coming on with strong demand and stocks lower than prior year expected to support pricing well above prior year. Potato planting is ramping up in storage growing areas (OR/WA/ID). East Coast vegetables (peppers, broccoli, sweet corn, etc.) begin moving north into Georgia as Florida winds down.
- **Forest Products:** Lumber and panel prices showed small M/M declines in March, and were about 30% below last year's historic highs. Housing starts in February were below year ago for the 6th consecutive month.
- **Crop Inputs:** Nitrogen and potash prices were relatively stable in March as cool, wet weather limited early season fieldwork and fertilizer application. DAP prices declined for the 5th straight month on large inventory from last year. Diesel and gasoline prices rose amid higher crude oil prices.
- **Energy and Labor:** The Energy Information Administration estimates Brent crude oil spot prices averaged \$66 per barrel in March, up \$2 from February. Hourly wages in the food industry are running 3-5% above last year.

Economics: Despite a slower economic start in Q1-19, a strong labor market, high consumer confidence, and generally healthy household balance sheets should indicate improving pace of real consumer spending in coming months.

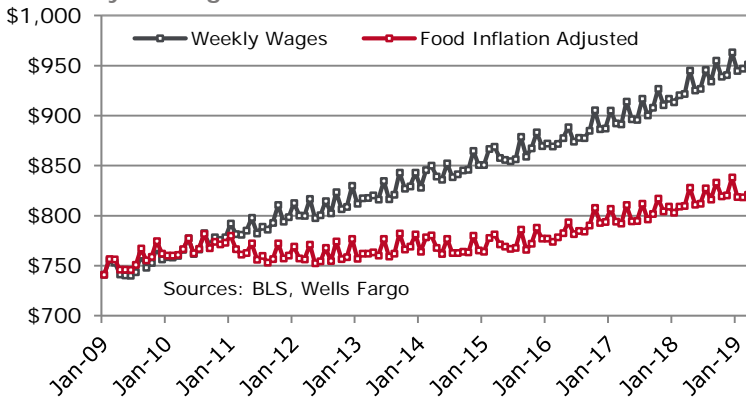
Voluntary Quits as % of Employment



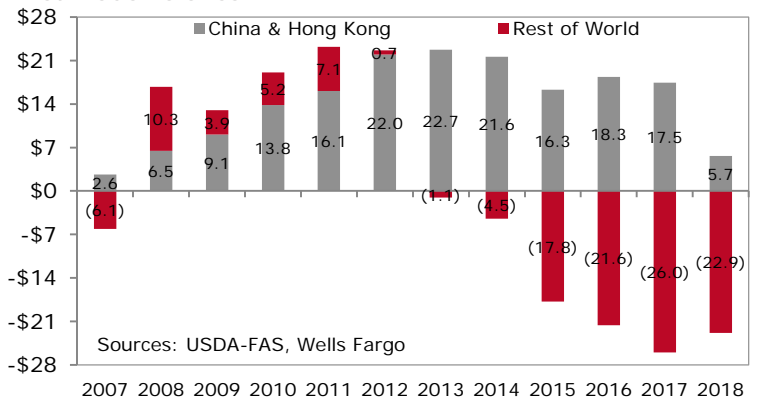
Trade Weighted Dollar vs. Ag Index



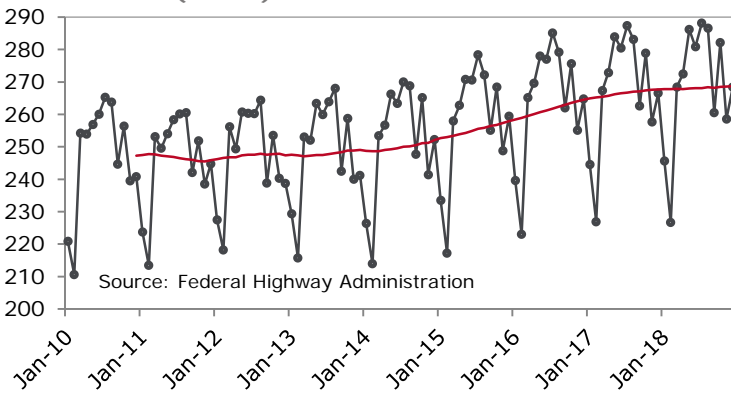
Weekly Earnings Rates



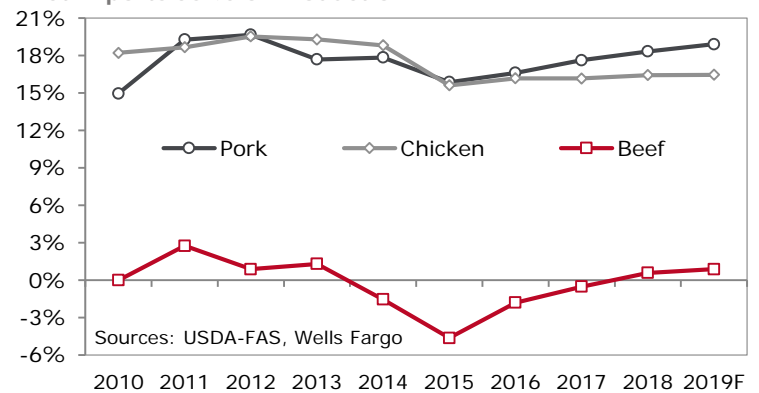
Net Trade Balance



Miles Driven (Billion)



Net Exports as % of Production

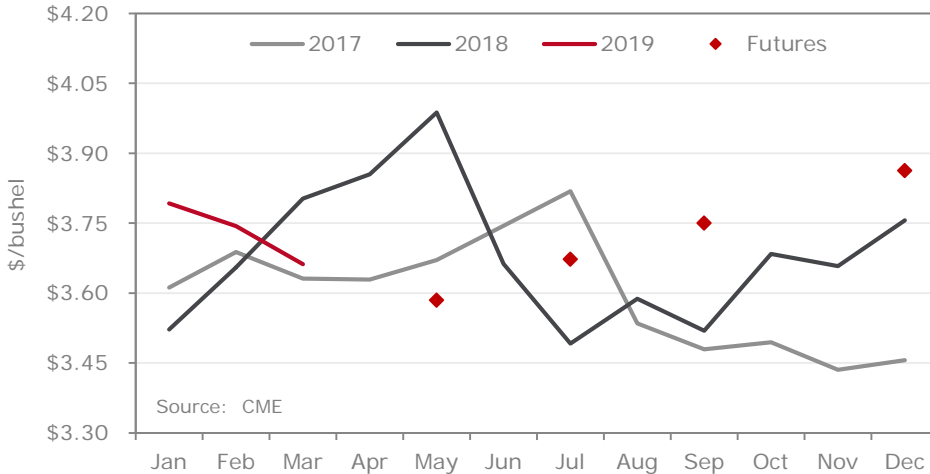


- February 2019 voluntary quits as a percent of employment were 1.9%, a reduction from 2.3% the prior month.
- March 2019 weekly average earnings were up 3.2% Y/Y on a nominal basis. When deflated by food and beverage CPI, the average wage of \$821/week increased 1.4% Y/Y, driven primarily by continued labor shortages.
- December 2018 miles driven of 268 billion were up 0.7% Y/Y.

- The March 2019 trade weighted dollar index of 118.4 was the largest in three months, while the bulk ag commodity dollar index of 111.2 was unchanged from February.
- The net trade balance for 2018 was (\$17.2) billion, which is double the (\$8.5) billion trade deficit for 2017.
- Net exports of U.S. pork accounted for 18% of production the past 2 years and are forecast to account for 19% of production in 2019. U.S. chicken exports are forecast at 16% of production, in line with recent years. The U.S. was a small net exporter of beef in 2018 after being a net importer the previous 4 years.

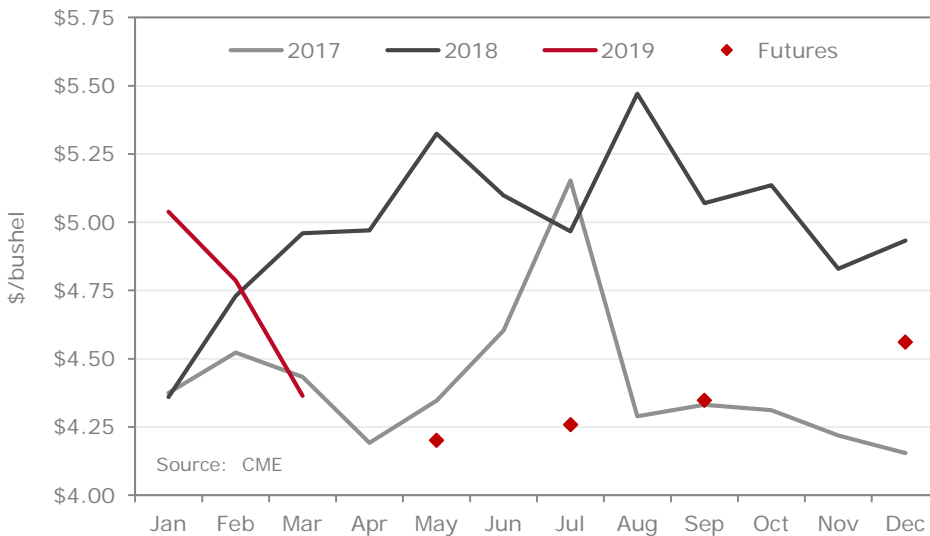
Grain Prices: Corn, wheat and soybean prices fell in March on slow demand. All three are down Y/Y with U.S. corn and wheat stocks forecast to decline less than previously expected, and soybean stocks up sharply.

Corn



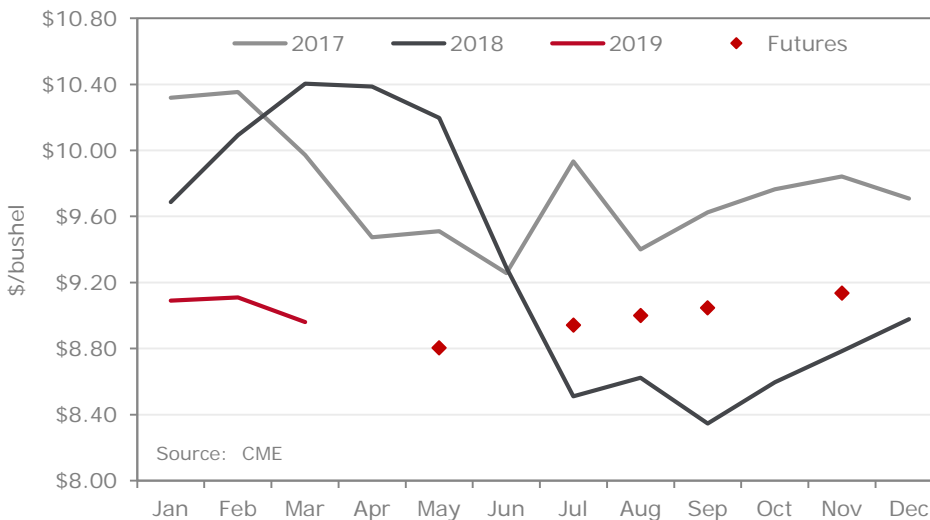
- Nearby corn futures averaged \$3.66 per bushel in March, down 8 cents from February and down 14 cents Y/Y.
- Sluggish ethanol production and usage brought pressure to prices, as did USDA's larger-than-expected 2019 planting intentions and March 1 stocks estimates at the end of the month.
- USDA projects world corn production up 3% in 2018/19 with increases in Argentina, Brazil and Ukraine more than offsetting the decline in the U.S. World stocks are forecast to fall 8% to the lowest level in three years.

Wheat



- Nearby Kansas City wheat futures averaged \$4.36 per bushel in March. This was down 42 cents from February and the lowest since January 2018.
- Prices continued to see pressure from a lack of competitiveness in the export market with wheat prices in France. USDA's larger-than-expected March 1 stocks estimate added pressure to end the month.
- USDA estimates world the wheat crop down 4% in 2018/19 on large declines in the EU, Russia and Australia. Global stocks are forecast to decline 2% after rising five straight years to a record.

Soybeans



- Nearby soybean futures averaged \$8.96 in March, down 15 cents M/M and down \$1.44 from March 2018.
- The Trump Administration indicated China has agreed to purchase large amounts of U.S. soybeans, but sales volumes confirmed by USDA are below those reported by the Administration. Trade talks continue with China.
- USDA sees world soybean production up 6% in 2018/19 with a larger 2018 U.S. crop and an expected rebound in Argentina's 2019 harvest more than offsetting a decline in Brazil. World stocks are forecast up 8% at a record.

Grain Fundamentals: USDA raised its corn & wheat carryout forecasts again in April on usage cuts. Cool, wet weather could keep 2019 corn acres below USDA's planting intentions estimate of 92.8 million.

Corn

	2016/17	2017/18	2018/19F	2018/19F	M/M Change	Y/Y Change
			March	April 18/19 Forecast	18/19 Forecast	
Acres Planted (mm)	94.0	90.2	89.1	89.1	0.0	-1.1
Acres Harvested	86.7	82.7	81.7	81.7	0.0	-1.0
Yield per Harvested Acre (bu)	174.6	176.6	176.4	176.4	0.0	-0.2
Beginning Stocks (mm bu)	1,737	2,293	2,140	2,140	0	-153
Production	15,148	14,609	14,420	14,420	0	-189
Imports	57	36	40	40	0	4
Total Supply	16,942	16,939	16,600	16,600	0	-339
Feed and Residual	5,470	5,304	5,375	5,300	-75	-4
Food, Seed & Industrial	6,885	7,056	7,015	6,965	-50	-91
Ethanol	5,432	5,605	5,550	5,500	-50	-105
Total Domestic	12,355	12,360	12,390	12,265	-125	-95
Exports	2,294	2,438	2,375	2,300	-75	-138
Total Use	14,649	14,799	14,765	14,565	-200	-234
Ending Stocks	2,293	2,140	1,835	2,035	200	-105
Stocks to Use (%)	15.7%	14.5%	12.4%	14.0%	1.5%	-0.5%
Average Farm Price (\$/bu)	\$3.36	\$3.36	\$3.55	\$3.55	\$0.00	\$0.19

Source: USDA WASDE

Wheat

	2016/17	2017/18	2018/19F	2018/19F	M/M Change	Y/Y Change
			March	April 18/19 Forecast	18/19 Forecast	
Acres Planted (mm)	50.1	46.1	47.8	47.8	0.0	1.7
Acres Harvested	43.8	37.6	39.6	39.6	0.0	2.0
Yield per Harvested Acre (bu)	52.7	46.4	47.6	47.6	0.0	1.2
Beginning Stocks (mm bu)	976	1,181	1,099	1,099	0	-82
Production	2,309	1,741	1,884	1,884	0	143
Imports	118	157	145	145	0	-12
Total Supply	3,402	3,079	3,128	3,128	0	49
Food	949	964	965	965	0	1
Seed	61	63	63	62	-1	-1
Feed and Residual	160	51	80	70	-10	19
Total Domestic	1,171	1,079	1,108	1,097	-11	18
Exports	1,051	901	965	945	-20	44
Total Use	2,222	1,980	2,073	2,042	-31	62
Ending Stocks	1,181	1,099	1,055	1,087	32	-12
Stocks to Use (%)	53.2%	55.5%	50.9%	53.2%	2.3%	-2.3%
Average Farm Price (\$/bu)	\$3.89	\$4.72	\$5.15	\$5.20	\$0.05	\$0.48

Source: USDA WASDE

Soybeans

	2016/17	2017/18	2018/19F	2018/19F	M/M Change	Y/Y Change
			March	April 18/19 Forecast	18/19 Forecast	
Acres Planted (mm)	83.5	90.2	89.2	89.2	0.0	-1.0
Acres Harvested	82.7	89.5	88.1	88.1	0.0	-1.4
Yield per Harvested Acre (bu)	51.9	49.3	51.6	51.6	0.0	2.3
Beginning Stocks (mm bu)	197	302	438	438	0	136
Production	4,296	4,412	4,544	4,544	0	132
Imports	22	22	20	17	-3	-5
Total Supply	4,516	4,735	5,002	4,999	-3	264
Crushings	1,901	2,055	2,100	2,100	0	45
Exports	2,166	2,129	1,875	1,875	0	-254
Seed	105	104	96	98	2	-6
Residual	42	9	31	31	0	22
Total Use	4,214	4,297	4,102	4,104	2	-193
Ending Stocks	302	438	900	895	-5	457
Stocks to Use (%)	7.2%	10.2%	21.9%	21.8%	-0.1%	11.6%
Average Farm Price (\$/bu)	\$9.47	\$9.33	\$8.60	\$8.60	\$0.00	-\$0.73

Source: USDA WASDE

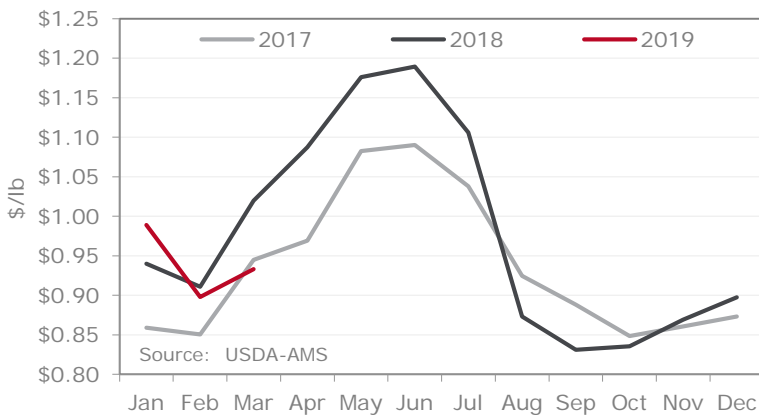
- USDA raised its 2018/19 U.S. corn carryout forecast 200 million bushels to 2,035 million in April on cuts in usage.
- Feed and residual use was lowered 75 million bushels after the Mar. 29 *Grain Stocks* report implied small Dec-Feb usage. Corn use in ethanol production was cut 50 million bushels as margins and production remain under pressure, while exports were reduced 75 million.
- In its March 29 *Prospective Plantings* report, USDA estimated corn planting intentions at 92.8 million acres. This would be up 3.7 million acres (4%) Y/Y. Cool, wet weather could make it difficult for corn acres to be this large.

- USDA raised its 2018/19 wheat ending stocks forecast by 32 million bushels to 1,087 million in April on lower usage.
- Feed and residual usage was cut 10 million bushels based on usage implied by USDA's March 1 wheat stocks estimate. Exports were cut another 20 million bushels as sales and shipments have remained smaller than expected.
- USDA estimated wheat planting intentions at 45.8 million acres, which would be the smallest in more than 100 years. This includes winter wheat of 31.5 million (down 3%), durum of 1.4 million (down 31%) and other spring wheat of 12.8 million (down 3%).

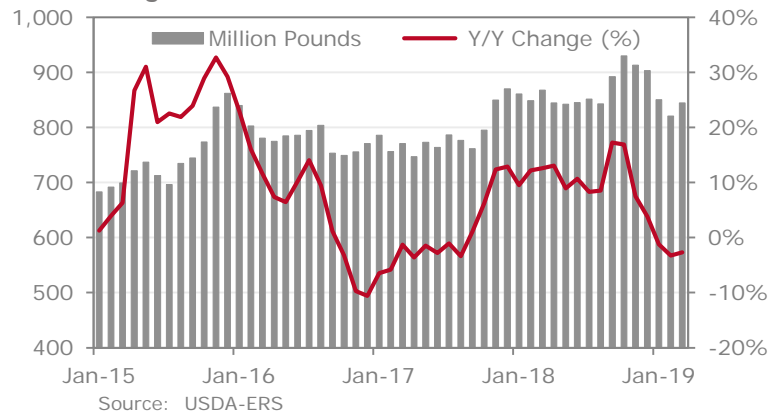
- USDA trimmed its 2018/19 U.S. soybean ending stocks forecast 5 million bushels to 895 million in April on small changes to imports and seed usage.
- USDA's export forecast was held at 1,875 million, which is at risk of being too high unless prices are competitive with South America during its peak export season.
- USDA's soybean planting intentions estimate of 84.6 million acres reflects a Y/Y decline of 4.6 million acres (5%). However, a delay in corn planting could shift some acreage to soybeans.

Chicken: Broiler prices moved higher in March on tighter supplies. Historically low pricing for breast product attracted buyers in March and moved inventory. Large grain supplies will likely benefit producer margins in the upcoming crop year.

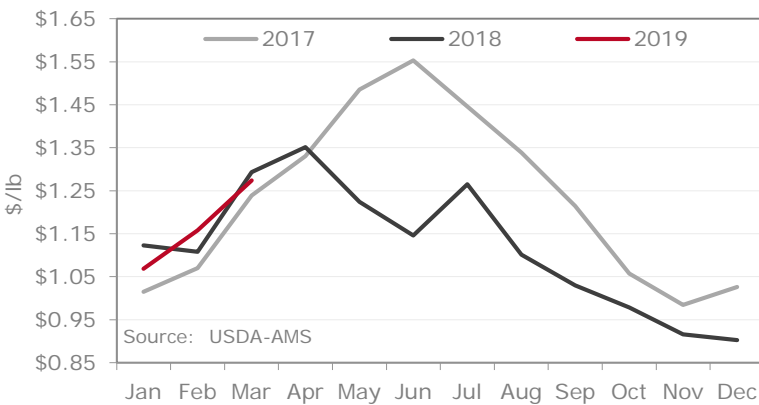
Whole Broiler Prices



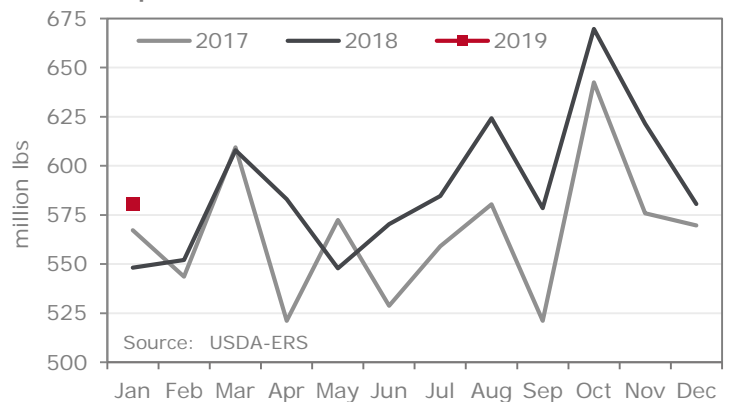
Cold Storage Inventories



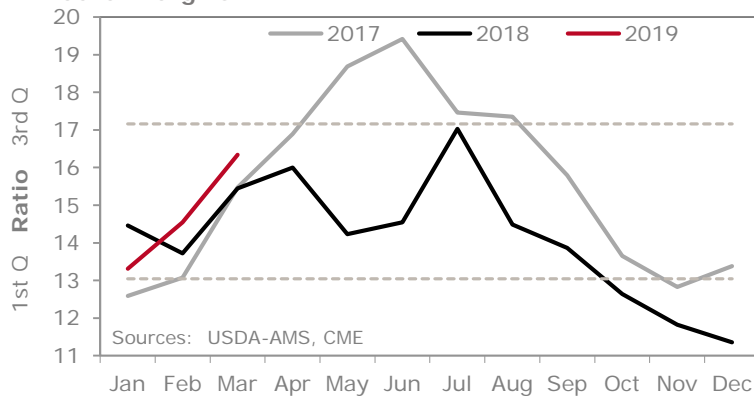
Boneless Skinless Breast Prices



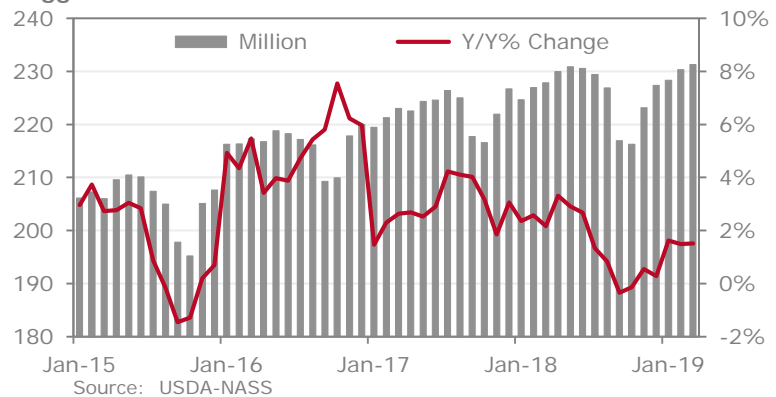
Broiler Exports



Packer Margins



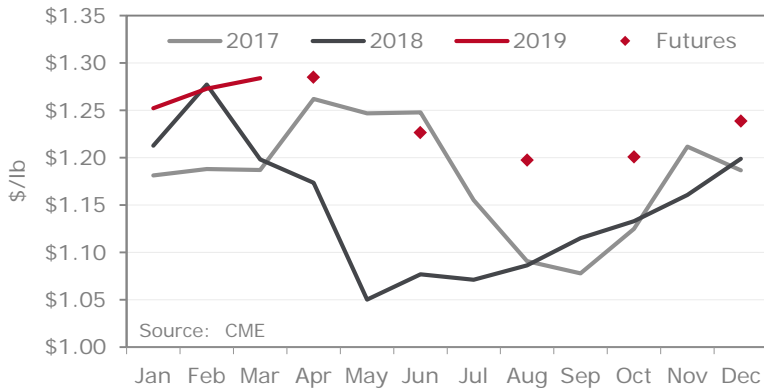
Egg Sets



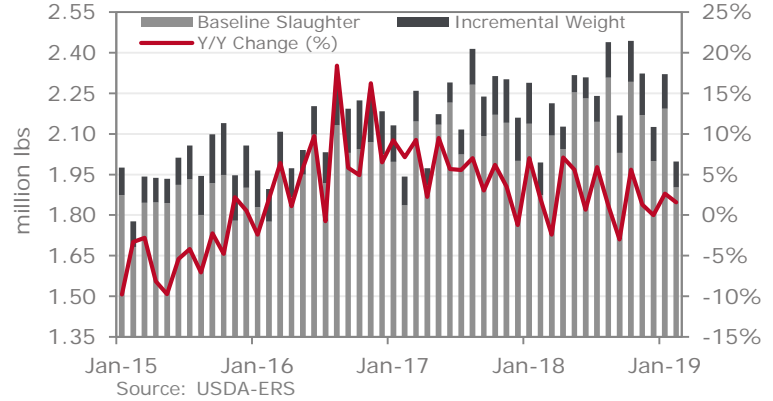
- The March USDA whole broiler price of \$0.93/lb. is up 4% vs. the prior month and down 8% Y/Y. The March average thigh price slightly improved to \$1.18/lb., up 1% vs. the prior month and 4% Y/Y.
- The March average breast price of \$1.27/lb. increased 10% vs. the prior month but decreased 1% Y/Y. Attractive pricing helped move supply and take down cold storage inventories of boneless breast meat to 8% lower than a year earlier.
- Tighter supply and good demand helped lift all broiler product prices. Supply was limited due to plant downtime and lighter bird weights. QSR worked to fill their need of wings in preparation for March Madness and export sales were solid.
- In its April WASDE report, USDA slightly lowered production estimates for 2019 due to slower weight growth and lower hatchery data. Production in 2019 is forecast up 1.0% Y/Y. The 2019 annual broiler price range is slightly lower to \$.94 - \$.98 per lb. on lower prices in the first quarter.
- USDA's March 29 *Grain Stocks and Prospective Plantings* reports indicate that grain supplies are likely to be ample in the 2019/20 harvest year. This should keep feed costs stable and be beneficial to packer margins.
- Broiler packer margins improved in March, following seasonal patterns. Margins were 12% higher than February and 6% higher Y/Y due to lower feed costs and higher breast prices.

Beef: Demand continues to show signs of a slowdown in export and domestic demand. Lingering winter weather keeps carcass weights lighter. Higher cattle inventory is expected to keep packer margins strong.

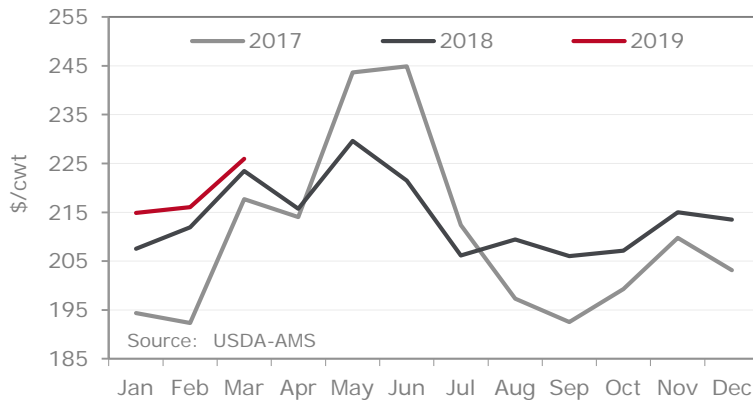
Live Cattle Prices



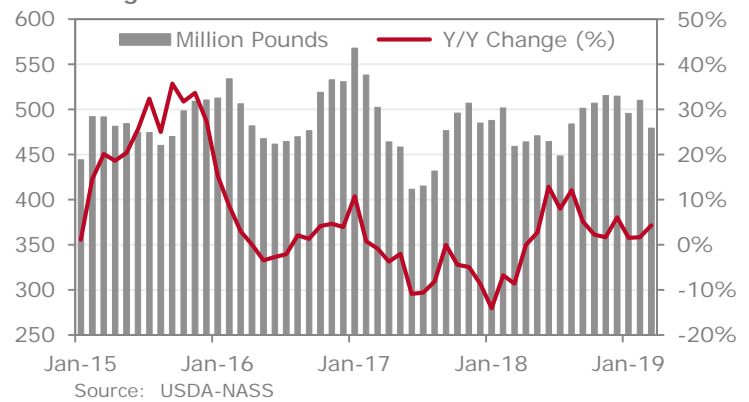
Monthly Cattle Processing



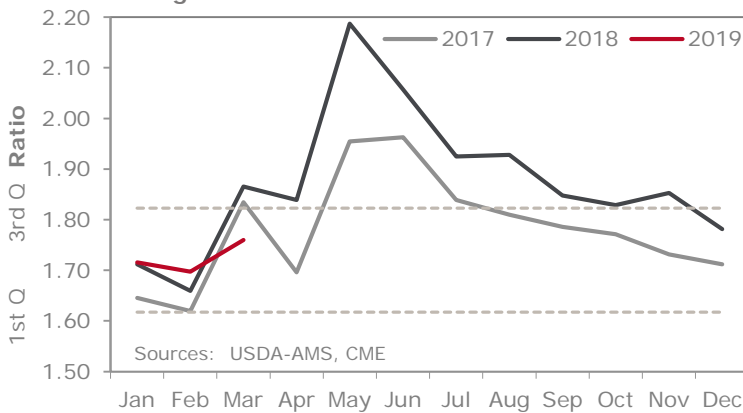
Cut Out Values



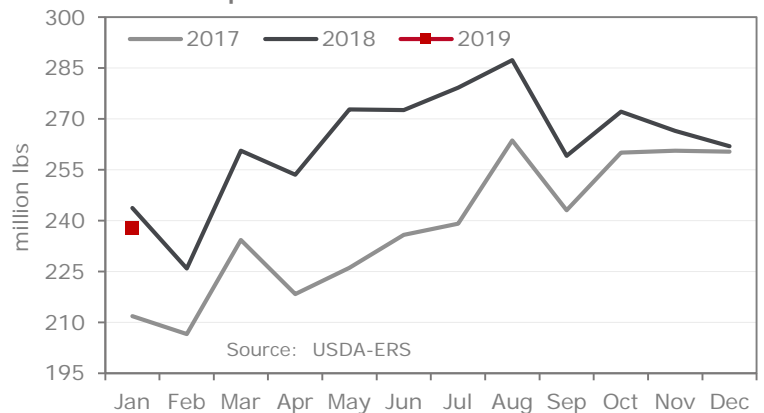
Cold Storage Inventories



Packer Margins



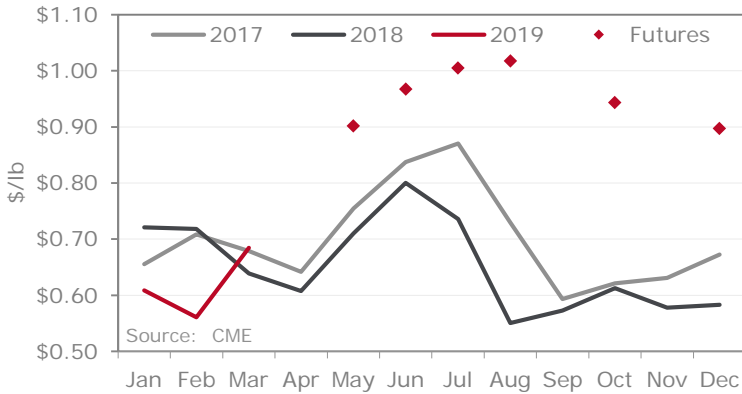
Beef and Veal Exports



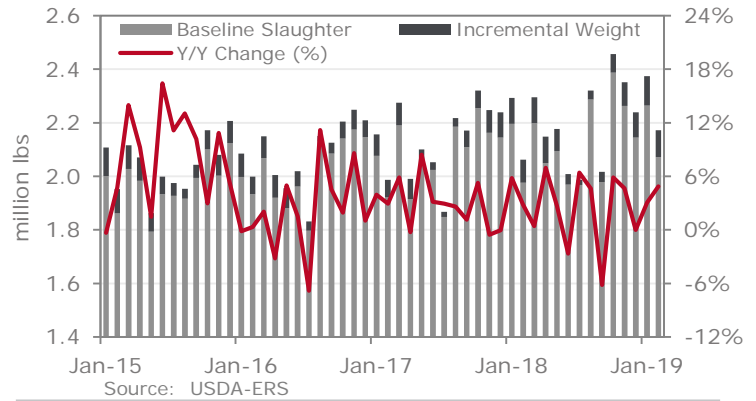
- The average beef cutout value increased 5% in March vs. the prior month and was up 1% Y/Y. Seasonally higher prices for end cuts were supportive to the overall cutout in March.
- Live cattle prices moved higher 1% in March versus the prior month and were near year ago levels at an average of \$128 per cwt.
- USDA's March 29 reports were bearish for the corn market with higher-than-expected stocks and an almost 4-million-acre increase in corn planting intentions in 2019. Ample supplies of corn will likely keep prices stable and benefit livestock producers' margins in the 2019/20 marketing year.
- USDA again lowered its 2019 beef production forecast on lower carcass weights. This was partially offset by higher expected total slaughter. Production in 2019 is forecast up 1.5% Y/Y.
- Demand data points to signs of slower beef demand growth. USDA FAS weekly export sales recently dipped below year-ago levels. Stronger live cattle prices this spring compared to last year have slowed forward bookings by packers and may indicate lower beef featuring by retailers in late spring.
- Beef packer margins were up 4% M/M in March, but were down 6% Y/Y. Packer margins are expected to remain strong as the cattle inventory increases and available shackle space tightens.

Pork: African Swine Fever (ASF) news caused hog prices to rally 22% in March. The industry remains on high alert and increased market volatility is expected as more details around the ASF impacts are confirmed.

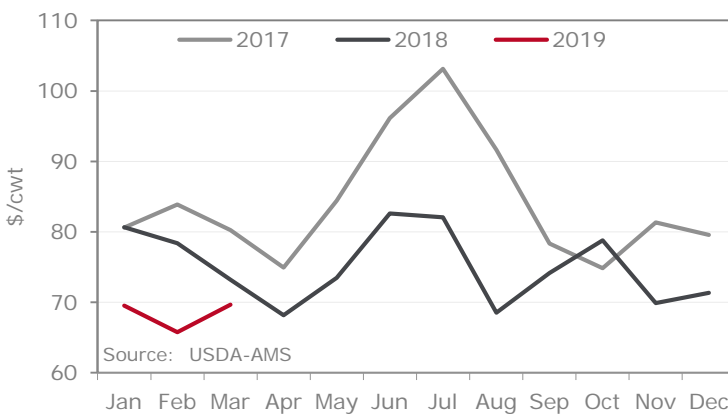
Lean Hog Prices



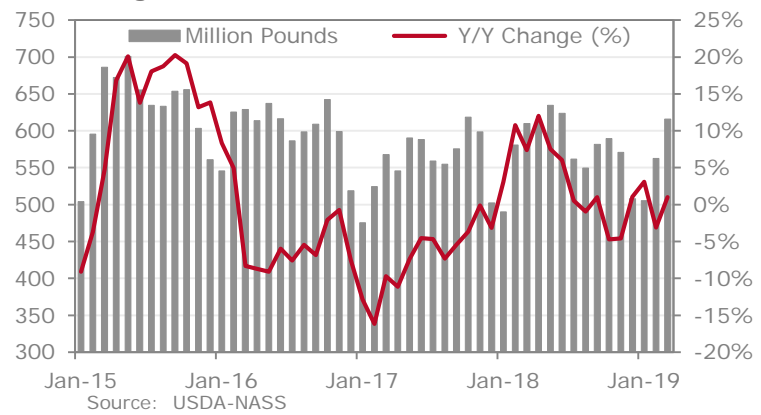
Monthly Processing



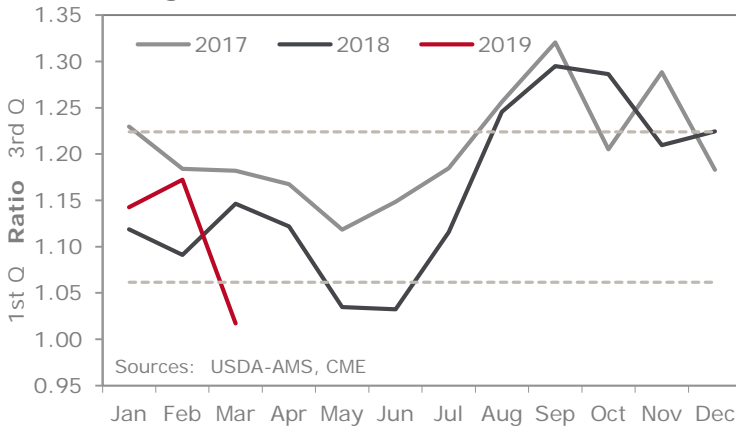
Cut Out Values



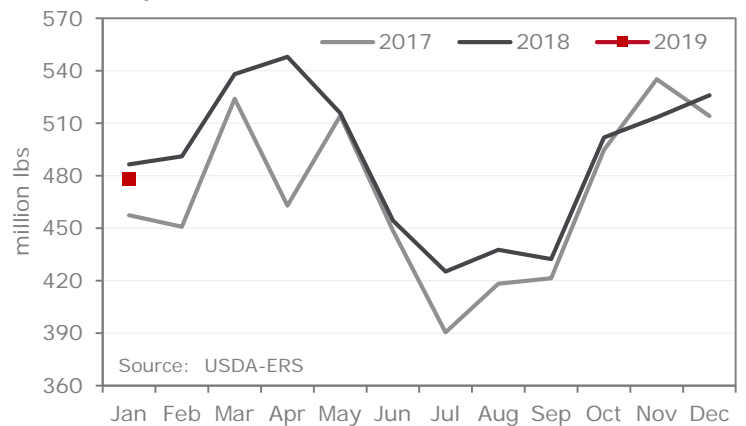
Cold Storage Inventories



Packer Margins



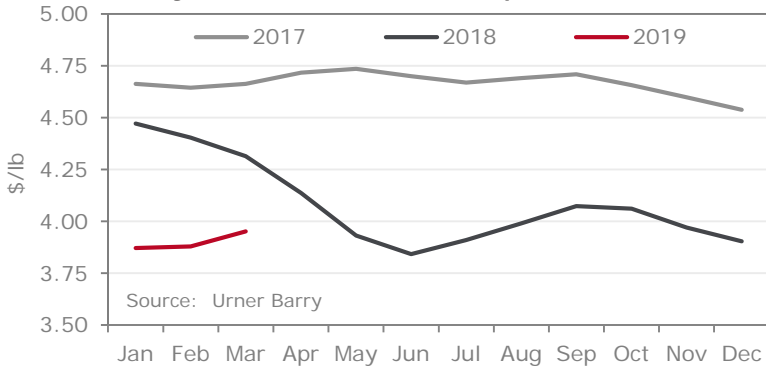
Pork Exports



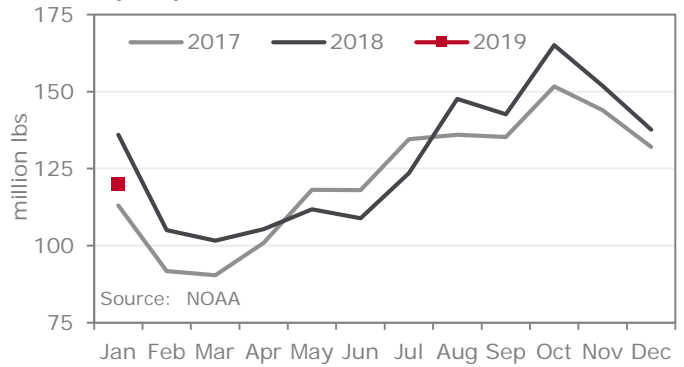
- Nearby lean hog futures averaged \$0.68/lb. in March. This jumped 22% higher from February and was up 7% Y/Y on African Swine Fever (ASF) news from China.
- The March cutout value increased 6% from the prior month, but was down 5% Y/Y. Pork packer margins moved 13% lower in March from the previous month and 11% lower Y/Y. Higher purchase costs for hogs placed pressure on margins.
- Industry sources estimate that African Swine Fever (ASF) will cause Chinese pork production to be 30% lower than last year. China is the world's largest producer of pork. A 30% loss of China's herd would be larger than the entire U.S. hog herd.
- The U.S. is beginning to see the first signs of increased pork exports to China. Weekly pork export sales have experienced a couple of sharp spikes in recent weeks. According to the *Daily Livestock Report*, export sales to China reported during the week ended April 4th skyrocketed to 77,732 MT. For comparison, most weekly pork export sales to China have been averaging about 4,000-4,500 MT.
- The threat of ASF entering the U.S. has the U.S. pork industry on high alert. The industry is pushing for increased surveillance at airports by U.S. Customs and large industry events are being cancelled.

Seafood: Oversupply of farmed shrimp and slumping demand are keeping prices below last year and have reduced imports. The 2019 Alaskan salmon harvest is forecast to be sharply higher than the 2018 season. Farmed salmon demand remains strong.

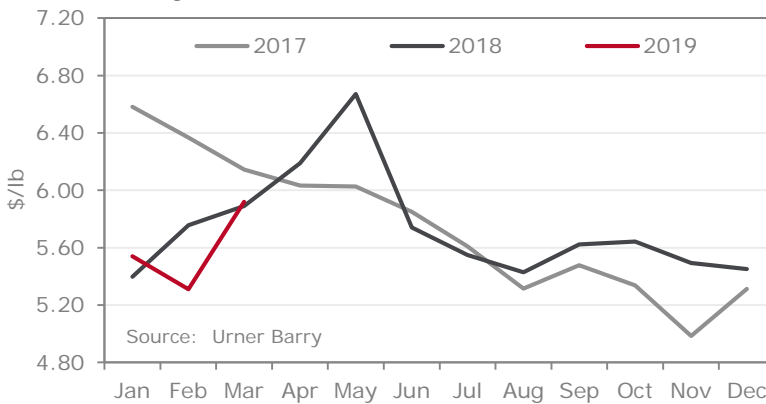
Urner Barry Farm-Raised White Shrimp Index



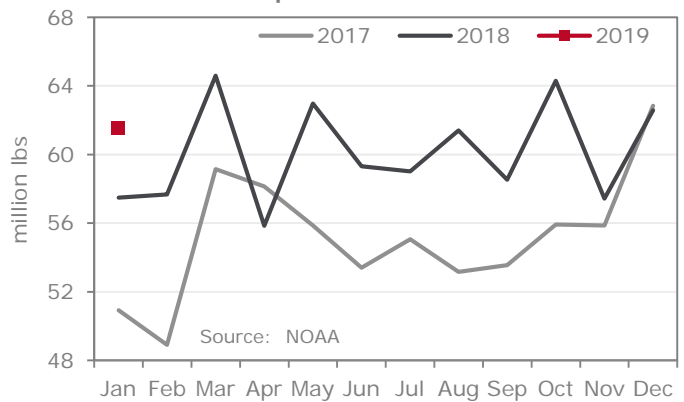
Shrimp Imports



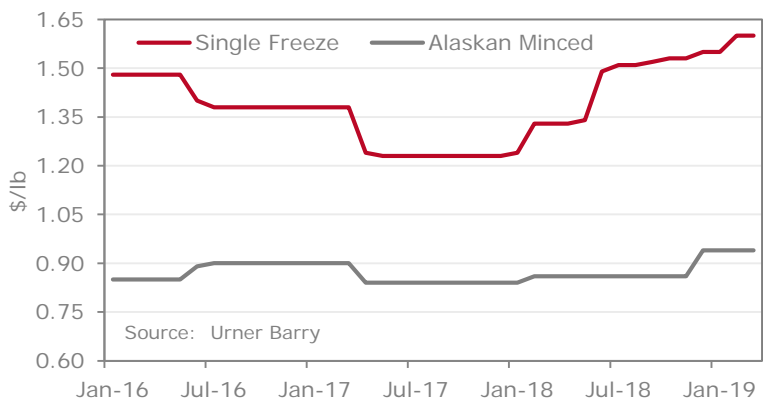
Urner Barry Fresh Farmed Salmon Index



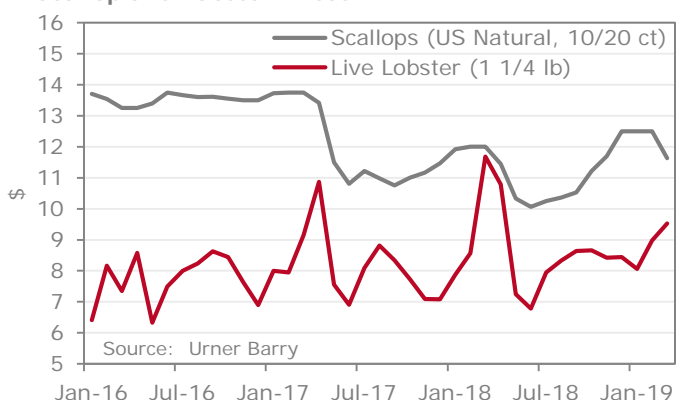
Atlantic Salmon Imports



Alaskan Pollock Prices



Scallop and Lobster Prices

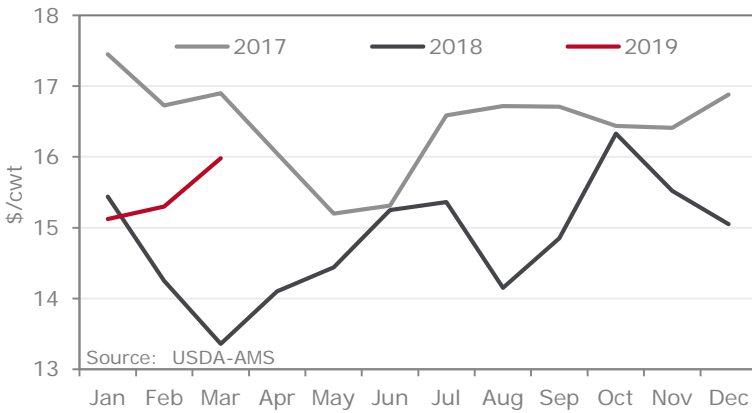


- The UB farm-raised white shrimp index in March was \$3.95/lb., down 8% Y/Y. Oversupply of shrimp continues to hold price below last year. Despite lower prices, shrimp retail featuring ads remain flat with year ago levels.
- The UB fresh-farmed salmon index increased in March to \$5.92/lb., which is a 1% increase Y/Y.
- Trade threats and negotiations continue to catch headlines. A border closure between the U.S. and Mexico would likely have limited and isolated impacts on the seafood industry since only a small percentage of total U.S. seafood imports or exports are traded with Mexico.

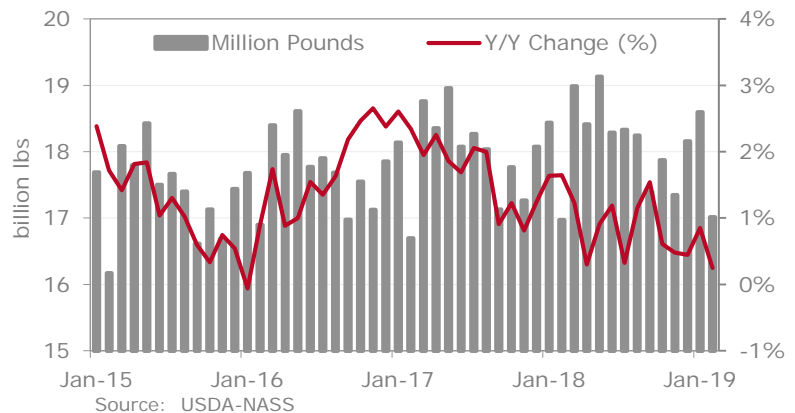
- January shrimp imports were 120MM lbs., down 12% Y/Y. Countries with the largest Y/Y declines were Ecuador (-28%), Thailand (-33%) and China (-68%). India continues to lead shrimp imports into the U.S., accounting for roughly 40% of all shrimp.
- Atlantic salmon imports of 62MM lbs. in January were up 7% Y/Y. Higher prices have not slowed domestic demand.
- The Alaska Dept. of Fish and Game forecast the 2019 Alaskan salmon harvest at 213.2 million fish, 84% above the 2018 harvest of 116 million. The projected increase is mostly due to larger expected harvests of pink and chum salmon.

Dairy: Cheese prices spiked higher in March on stronger demand and tighter supplies. Slaughter data shows the dairy herd contraction is still ongoing. A shutdown of the U.S./Mexico border likely would have negative impacts on the industry.

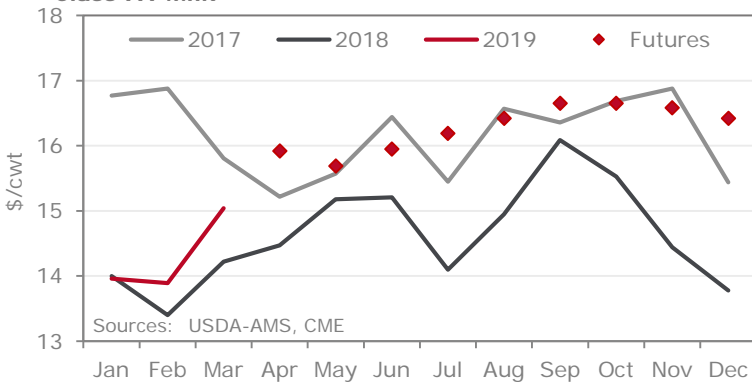
Class I Milk



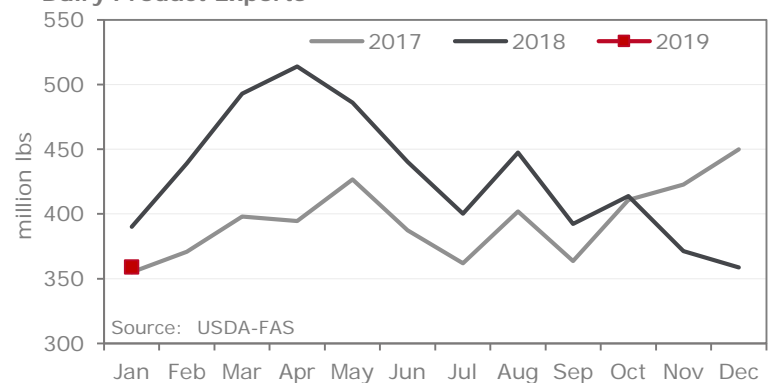
Milk Production



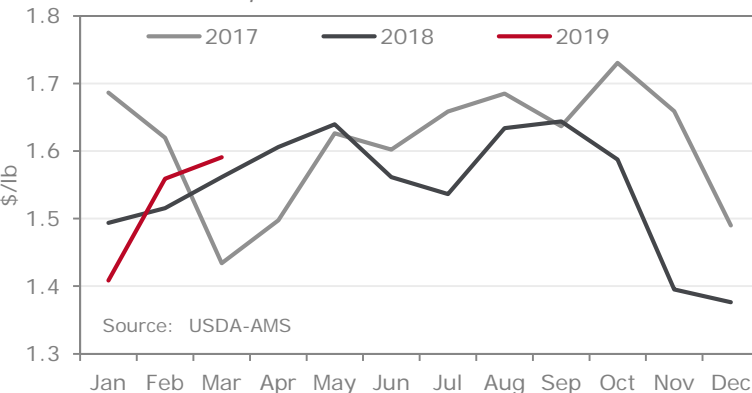
Class III Milk



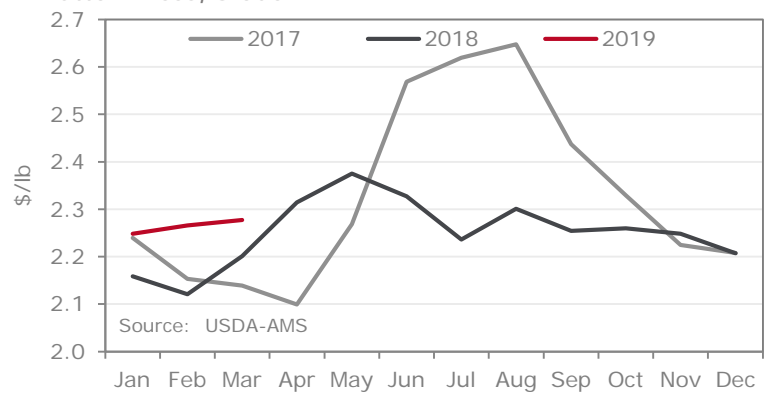
Dairy Product Exports



Cheddar Cheese, 40-lb. block



Butter Prices, Grade AA

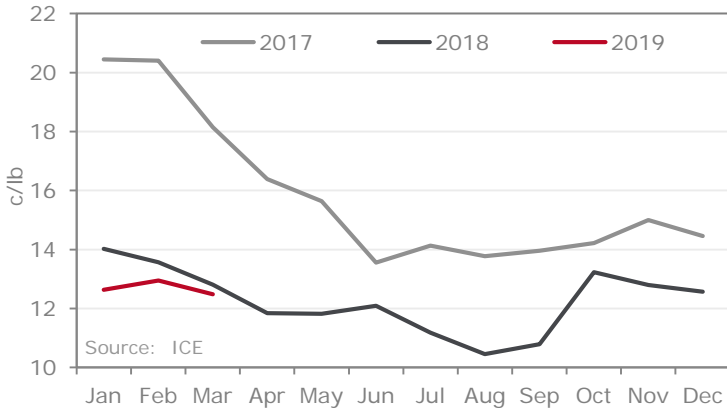


- The March USDA Class I milk price of \$15.98/cwt was up 4% vs. the prior month and jumped 20% higher Y/Y.
- The March average Class III milk price of \$15.04/cwt. was up 8% vs. the prior month and was 6% higher Y/Y.
- Spot cheese price have been propelled higher on improved cheese demand and tighter supplies. Less milk availability in the Midwest has increased processor competition for supply, and the new federal milk marketing order in California is shifting incentives to other dairy products such as butter and milk powder.

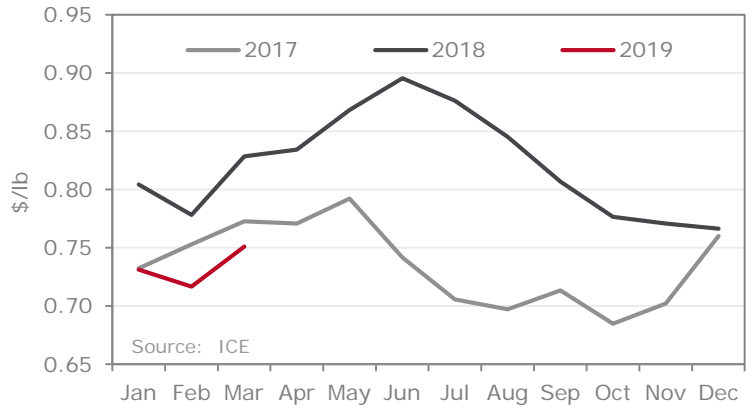
- USDA trimmed its 2019 milk production forecast in April based on lower expected growth in milk per cow. Production in 2019 is forecast up 0.9% Y/Y. The 2019 all milk price forecast range was raised to \$17.25 - \$17.75/cwt on stronger cheese prices.
- USDA reported that licensed U.S. dairy herds dropped 6.8% Y/Y in 2018. Higher dairy cow slaughter in the first quarter of 2019 indicates that the U.S. dairy herd is continuing to contract.
- Recent headlines have reported the possible closure of the U.S.-Mexico border due to political reasons. Domestic dairy product prices would likely be impacted if trade with Mexico were to close. Mexico accounts for roughly 25% of total U.S. dairy exports, especially non-fat milk powder, cheese and whey.

Specialty and Non-Grain Crops: Cocoa grindings forecast record large. Coffee prices lowest in 13+ years.

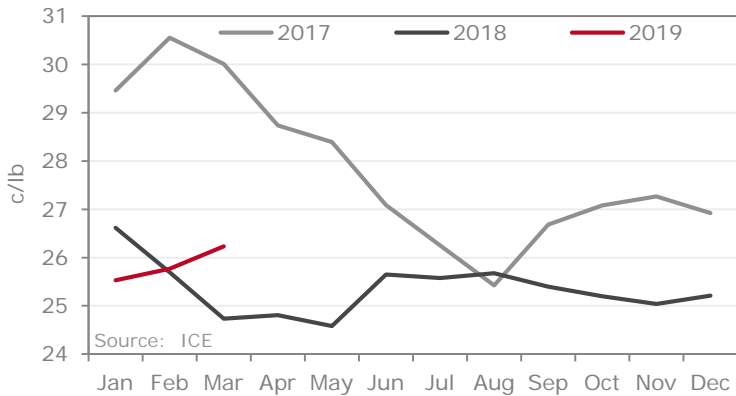
Sugar, #11 (U.S.)



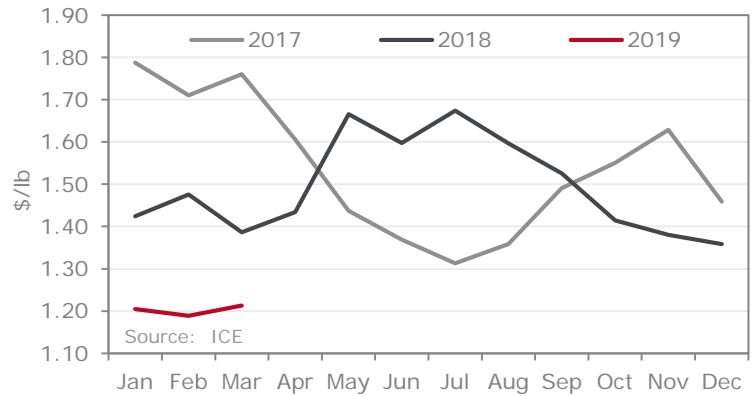
Cotton



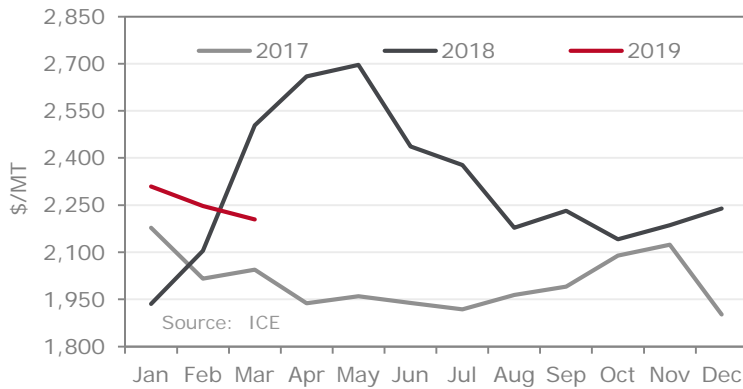
Sugar, #16 (World)



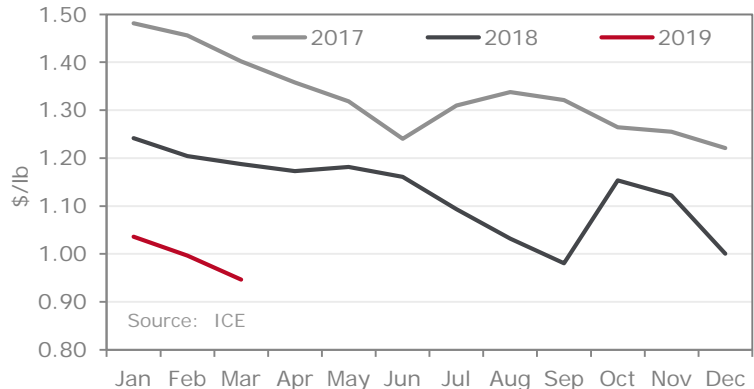
Orange Juice



Cocoa



Coffee

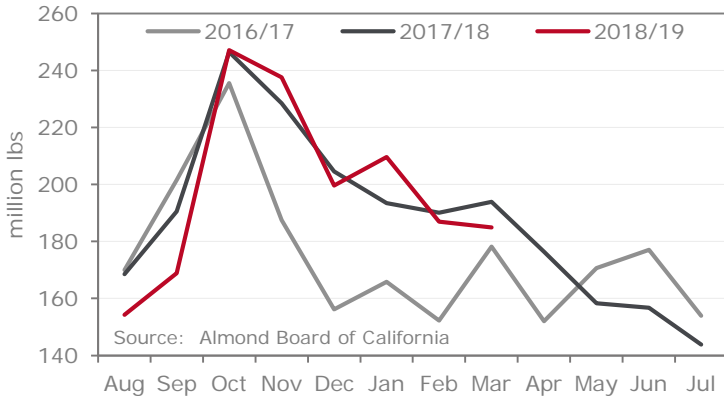


- The March ICE sugar #11 average price of \$0.12/lb. decreased 4% vs. the prior month and decreased 3% vs. the prior year.
- The March ICE sugar #16 average price of \$0.26/lb. increased 2% vs. the prior month and increased 6% vs. the prior year.
- Nearby cocoa futures averaged \$2,204/MT in March, down 2% M/M and down 12% Y/Y. In its latest *Quarterly Bulletin of Cocoa Statistics*, the ICCO Secretariat forecast 2018/19 cocoa grindings at a record 4.712MM metric tons, which would be up 118,000 metric tons (2.6%) Y/Y.

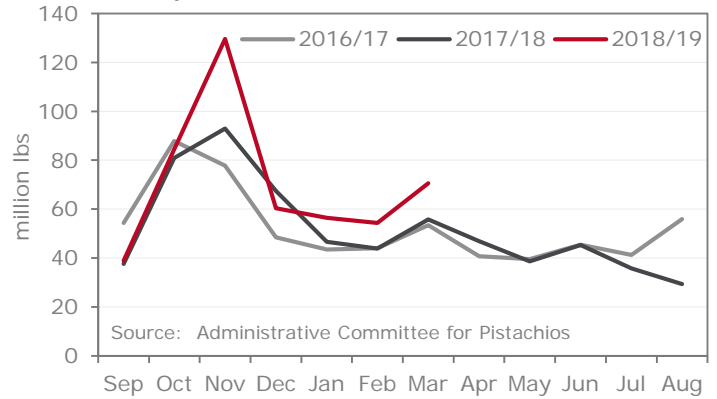
- The average cotton price of \$0.75/lb. for March was up 5% from the prior month, but down 9% Y/Y. USDA's *Prospective Plantings* report surprised the market with planting intentions for all cotton down 2% Y/Y at 13.8 million acres.
- With overall Florida orange production improved from last season, USDA-ERS forecasts orange juice production in 2018/19 to grow by 75% Y/Y to 455MM single-strength equivalent (SSE) gallons. Improved juice yields and the booming crop size will reduce the need for imports.
- Nearby coffee futures averaged \$0.95/lb. in March, down 5% from February and down 20% Y/Y. Prices are the lowest in over 13 years due to Brazil's large supplies and exports.

Specialty Crops – Tree Nuts and Wine: Tree nut shipments continue to show strength against global demand, excluding pecans. Lost sales to China being offset by sales to Middle East. USDA's *Grape Crush* report reflected a 4.5MM-ton 2018 crush, a large crop that was widely anticipated by the industry.

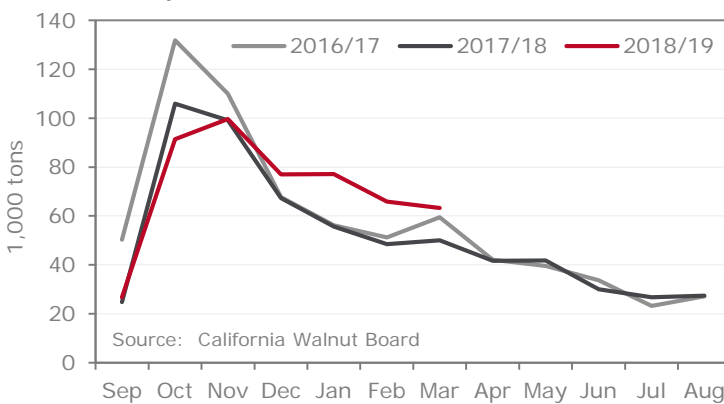
Almond Shipments



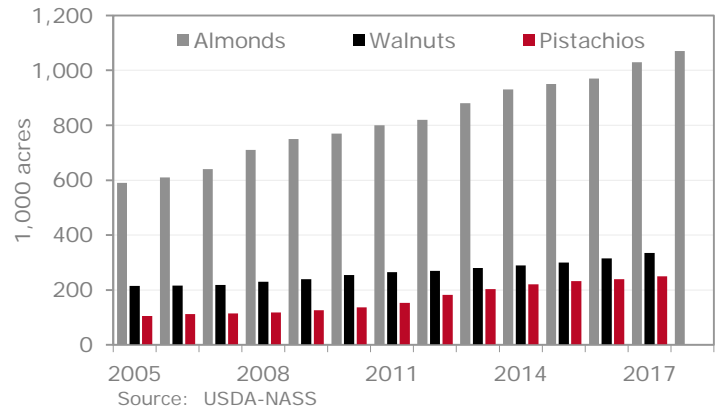
Pistachio Shipments



Walnut Shipments



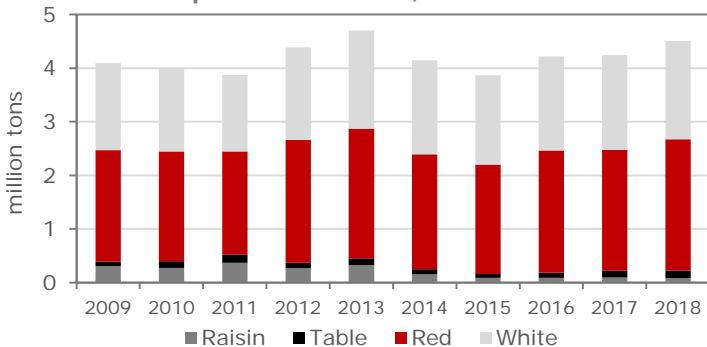
Bearing Acres



- March almond shipments totaled 185MM pounds, which is down 5% Y/Y. YTD shipments are down 1.7% Y/Y. Sales are tracking in-line with the 2017/18 crop year.
- India and the Middle East continue to offset the Chinese decline in almond sales. Despite tariffs, market signals demonstrate a stable almond market.
- March walnuts shipments were up 26% Y/Y as the Middle East continued buying a high volume. Growers are moving through the 2018/19 crop at an above-average pace, and are optimistic that depletions will create demand for next year in hopes of higher pricing.

- The 2018/19 Pistachio crop continues strong exports with YTD shipments up 16% Y/Y. China and Hong Kong continue to be strong buyers of pistachios.
- Pistachio shipments are following the same Y/Y trends, but volumes of sales have increased. Tariff uncertainty is not being reflected by any apparent erosion of demand, for US pistachios, nor by impact on prices or shipments.

Grape Crush Trends, 2009 - 2018

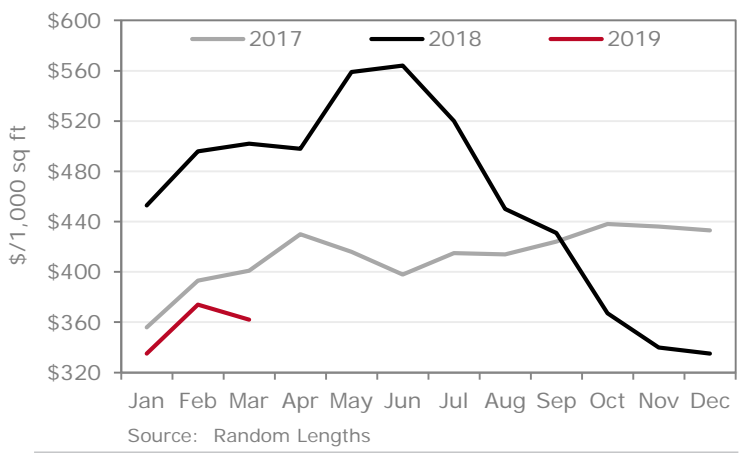


2018 Grape Crush Results

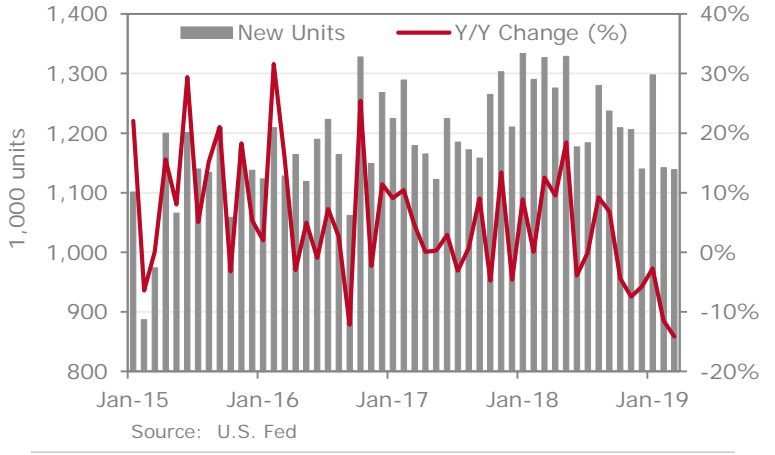
- USDA's California *Grape Crush Report* for 2018 reflected a 4.5MM-ton season, up 6% from 4.2MM tons in 2017.
- Red grapes produced a record crush at 2.4MM tons, up 9% from 2017, which is contributing to why bulk producers are long on some of the red varieties. White wine varieties totaled 1.8MM tons, up 4% Y/Y.
- The industry continues to experience downward pressure with oversupply and high inventories. Bulk wine buyers have the advantage with the current market conditions.
- Growers focused on quality and premium fruit will still have a market to sell product; bulk growers or producers of lower-quality fruit will find the market challenging.

Forest Products: Lumber and panel prices showed small declines in March, and were about 30% below last year's historic highs. Housing starts in March were below year ago for the 6th consecutive month.

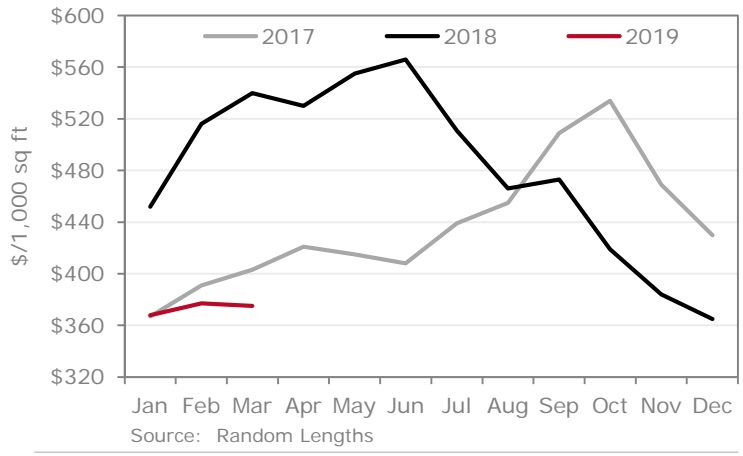
Framing Lumber Index



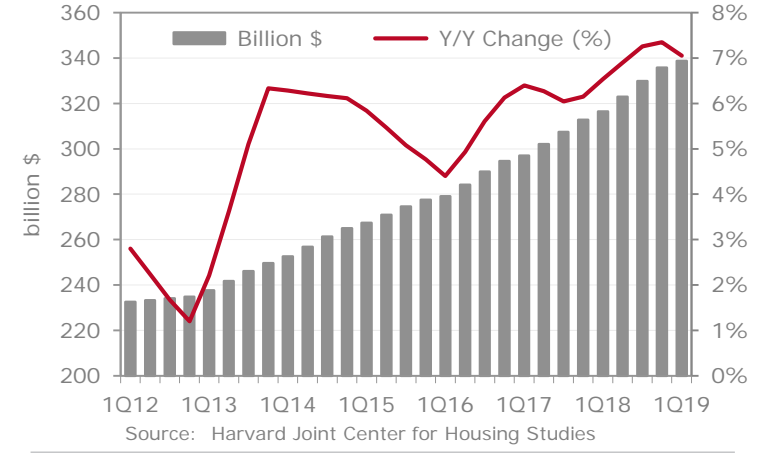
U.S. Housing Starts



Structural Panel Index



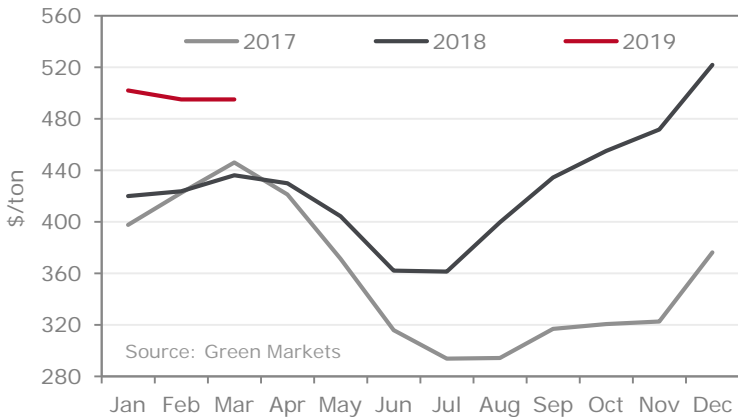
Repair & Remodel Expenditures (LTM total)



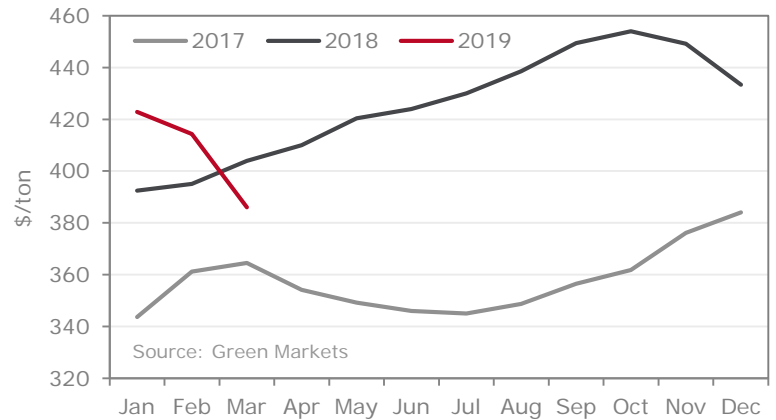
- The Framing Lumber Composite Index of \$362/thousand sq. ft. for March was down 3% from February and 28% below March 2018 with prices continuing to reflect a moderation from historic highs seen the first half of 2018.
- The Structural Panel Composite Index of \$375/thousand sq. ft. for March was down 0.5% from February and down 31% Y/Y amid lower lumber prices. Below-normal temperatures and above-normal precipitation may be delaying spring construction projects in parts of the U.S.
- U.S. housing starts of 1.14 million units in March were down 14% from a year earlier, marking the 6th consecutive month of a Y/Y decline. Single-family homes were down 11% Y/Y, while multi-family units were down 20%.
- The Joint Center for Housing Studies (JCHS) at Harvard University estimates LTM repair and remodel expenditures during 1Q'19 at \$338.7 billion, up 2% from the previous quarter and up 7% from a year earlier. JCHS expects Y/Y growth in repair and remodel expenditures to slow in late 2019 and early 2020 due to "cooling house price gains, home sales activity, and remodeling permitting."

Crop Inputs: Nitrogen and potash prices were relatively stable in March as cool, wet weather limited early season fieldwork and fertilizer application. DAP prices declined for the 5th straight month on large inventory carried in from last year. Diesel and gasoline prices increased amid higher crude oil prices.

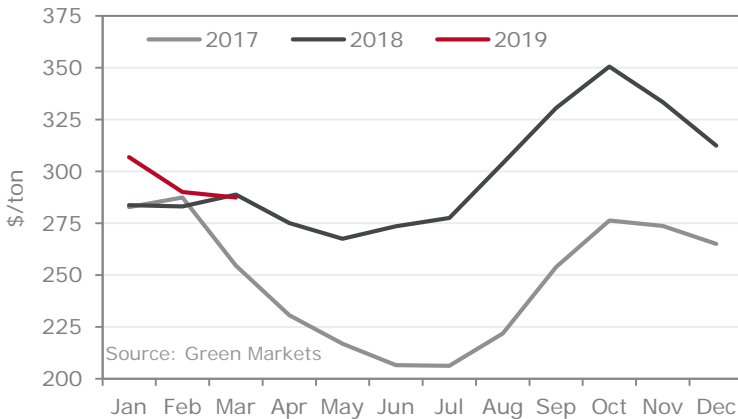
Ammonia



DAP



Urea



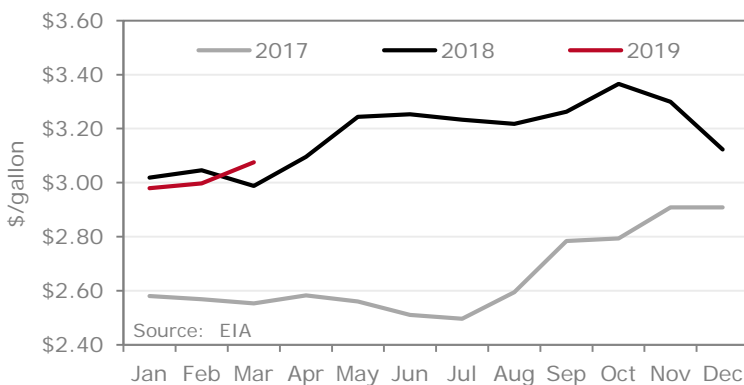
Potash



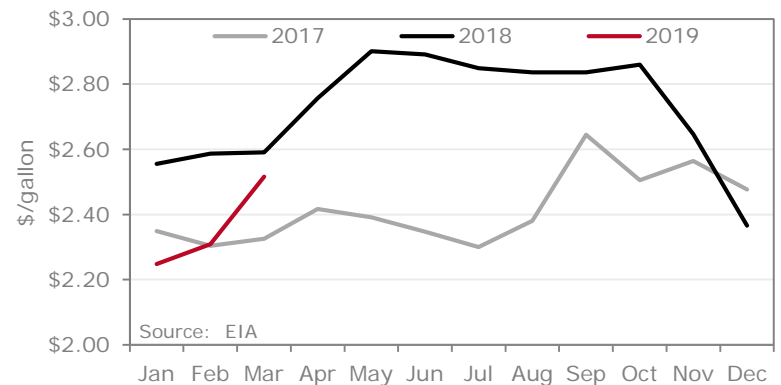
- Ammonia prices in the Corn Belt averaged \$495/ton in March. This was up 14% Y/Y, but unchanged from February as cold, wet weather limited fieldwork and kept the market quiet.
- Urea prices in the Corn Belt averaged \$288/ton in March, which was in line with the previous year and down 1% from February with demand slowed by cold, wet conditions.

- DAP prices in the Corn Belt averaged \$386/ton in March, which was down 7% M/M and the lowest since Dec. 2017 due to large inventory carried in from 2018 and slow demand from buyers.
- Potash prices in the Corn Belt averaged \$316/ton in March. This was down 1% M/M, but up 13% Y/Y after North America's two main producers raised price last fall and again in January.

Diesel Fuel Prices



Gasoline Prices

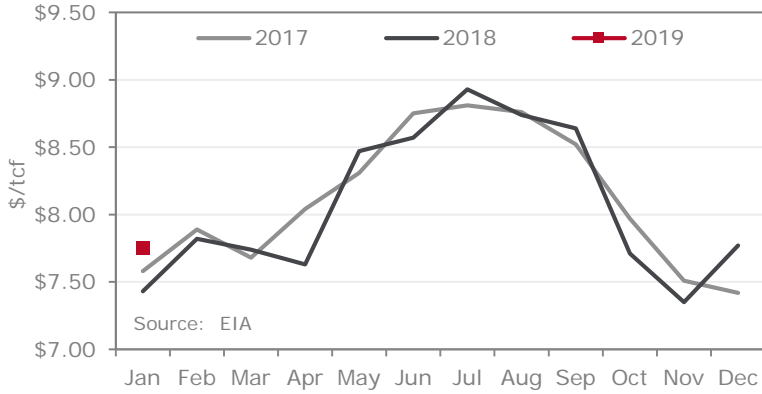


- The U.S. on-highway diesel price averaged \$3.08/gallon in March, which was up 8 cents (3%) from February amid higher crude oil futures and was up 9 cents (3%) Y/Y.

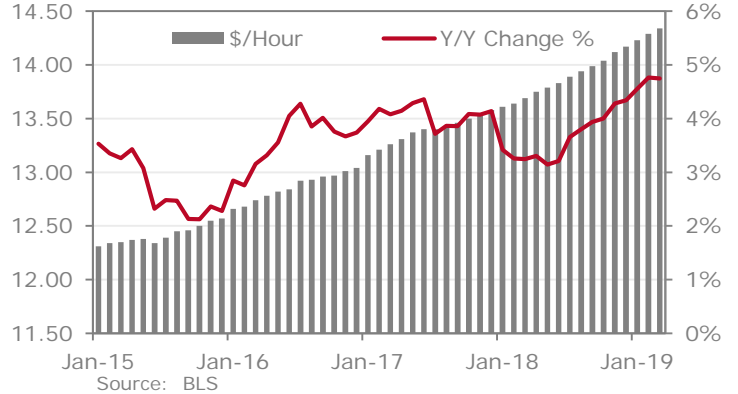
- Retail U.S. gasoline prices averaged \$2.52/gallon in March. This was up 21 cents (9%) from February and the highest in four months, but was 7 cents (3%) below March 2018.

Energy and Labor: The Energy Information Administration estimates Brent crude oil spot prices averaged \$66 per barrel in March, up \$2 from February. Hourly wages in the food industry are running 3-5% above last year.

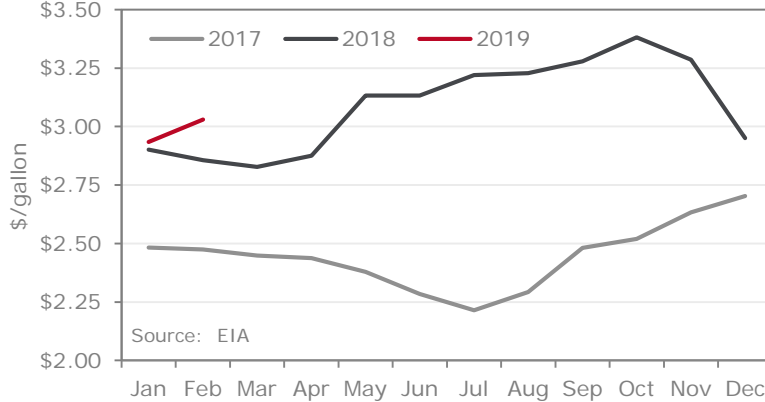
Natural Gas Retail Prices



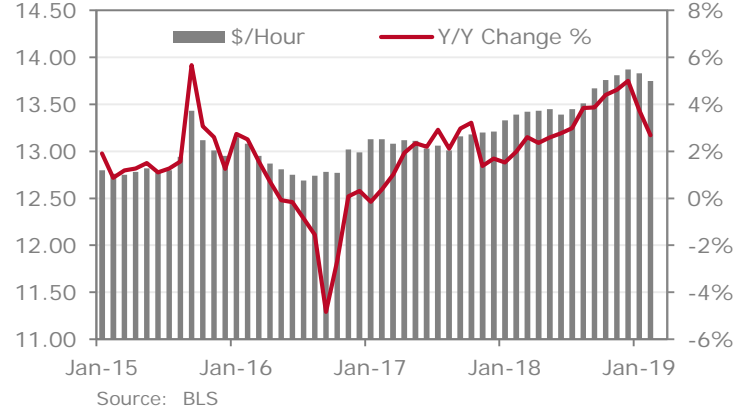
Restaurant Hourly Earnings



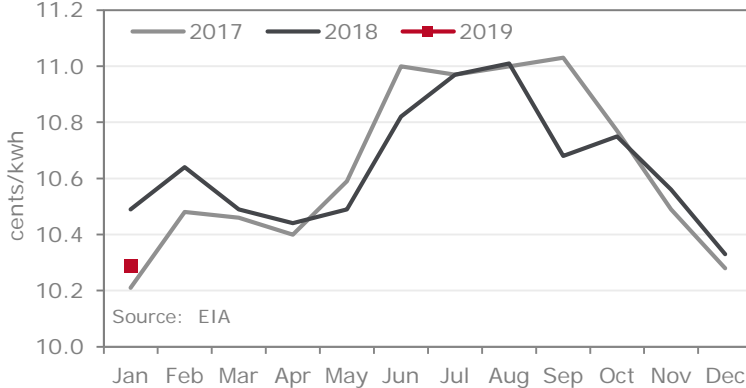
Heating Oil Retail Prices



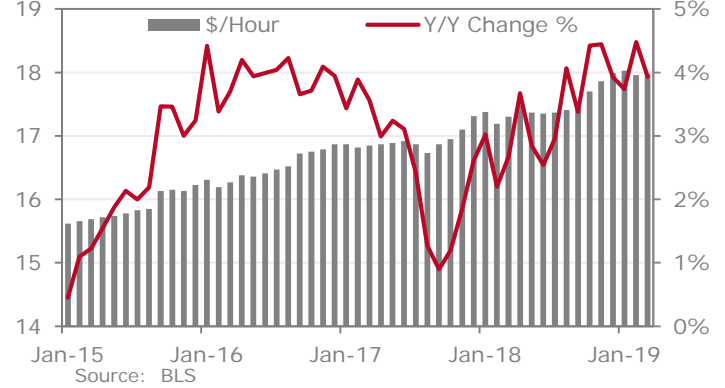
Supermarket Hourly Earnings



Commercial Electricity Prices



Food Manufacturing Hourly Earnings



- The U.S. average retail price for natural gas of \$7.75/tcf in January was essentially unchanged from December and up 4% from January 2018.
- The U.S. average heating oil retail price of \$3.03/gallon in February was up 3% from January and up 6% Y/Y.
- The U.S. average retail electricity price of 10.29 cents per kWh during January was essentially unchanged from December and was down 2% Y/Y.

- The restaurant labor index for March was \$14.34/hour, up 0.3% from February and up 4.7% Y/Y.
- The supermarket labor index during February was \$13.75/hour, down 0.6% from January but up 2.7% Y/Y.
- The food manufacturing labor index for March was \$17.98/hour, up 0.1% M/M and up 3.9% Y/Y.

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