

## Industry Update

## Food and Agribusiness



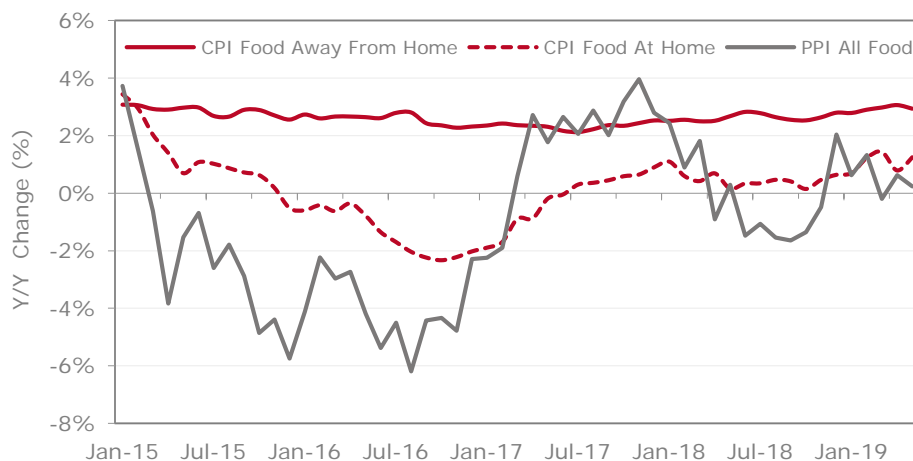
## Key Demand Developments

- Trade policy uncertainty continues to drive expectations for slower growth, despite the administration's decision to back off previous announcement regarding tariffs with Mexico. Wells Fargo is marking down GDP growth forecast for 2019, based on anecdotal evidence suggesting that trade policy uncertainty has contributed to slower growth in business fixed investment spending.
- This is also impacting the outlook for Federal Reserve monetary policy. Wells Fargo is expecting the Fed to cut rates 25 bps at the July 31 FOMC meeting and another 25bps in Q4.
- On the global economic front, growth remains tepid, which has changed our expectations for the rest of the year. Wells Fargo forecast for real GDP growth in 2019 is 3.2%, matching 2016's pace for the slowest since the Great Recession. Again, continued uncertainty or escalation around trade could push the global economy to lows not seen in a decade.
- Look for monthly updates on Wells Fargo Economics: <https://www.wellsfargo.com/com/insights/economics/monthly-outlook>

## Food Retail Sales

- According to Nielsen, US Food Retail sales growth in dollar volume grew at 1.6% latest 52 weeks (as of 06/15/2019) versus -1.1% one year ago. Unit sales continue to decline, posting a -2.2% latest 52 weeks drop in step with -1.9% at the same time one year ago. Price growth per equivalent unit grew 3.9% latest 52 weeks versus .9% one year ago.
- Nielsen sees total store sales growth as a reflection of inflation, but since unit sales continue to decline, caution the reader about a shift of growth versus a slowdown. Consumer behavior is driving rapid evolution of multiple retail formats, from drug/convenience/traditional grocery/box stores/direct-to-consumer. Value players are leading growth, and e-commerce providers' rapid growth are seeking alpha through learning what categories work best for the format.
- Next quarterly data will be reported for the July edition of Farm to Fork.

## Consumer and Producer Price Indices



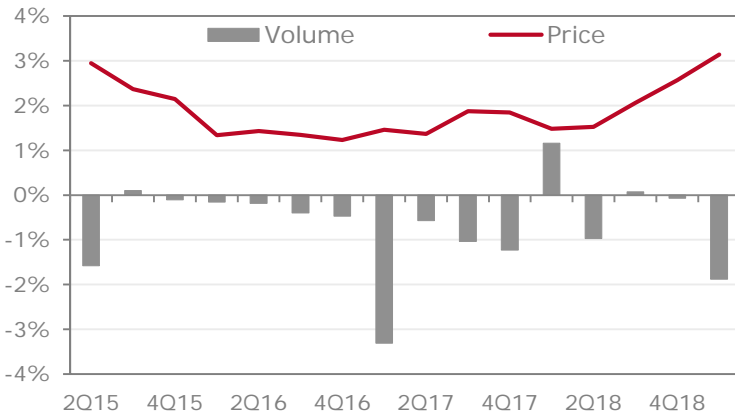
Source: U.S. Bureau of Labor Statistics (BLS)

## Price and Food Inflation Developments

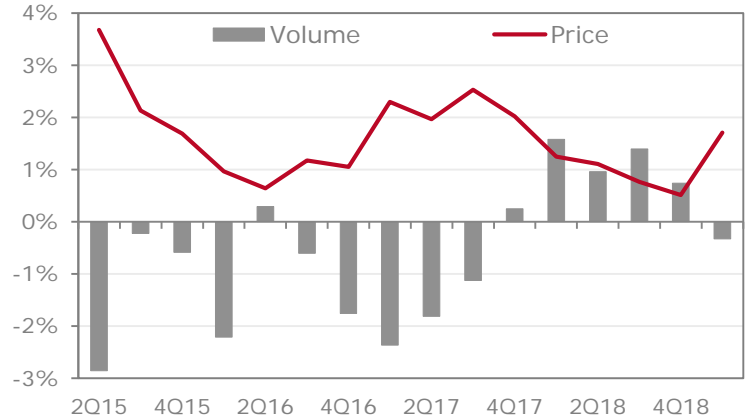
The overall CPI for U.S. Food and Beverage is trending positively for the sixth straight quarter with a 2.0% Y/Y increase for May 19. CPI for Food Away from Home increased 2.9% Y/Y, and CPI Food at Home also had an increase of 1.2% Y/Y, for May.

**Grocery Department Trends:** According to Nielsen data, grocery department trends continue to show strong consumer preferences for fresh and convenient, however dairy and deli may be starting to challenge long term trends.

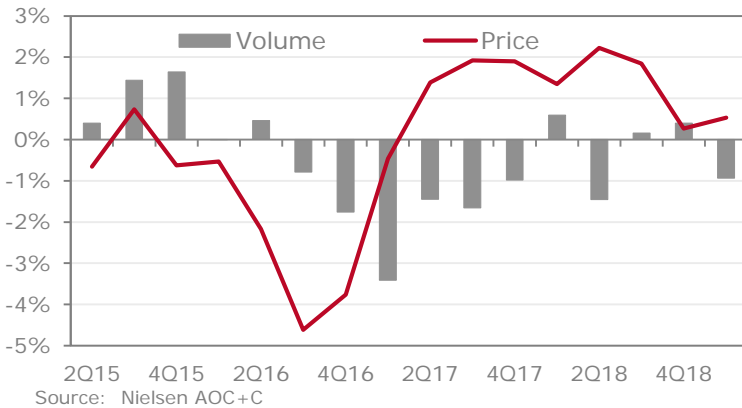
**Dry Grocery**



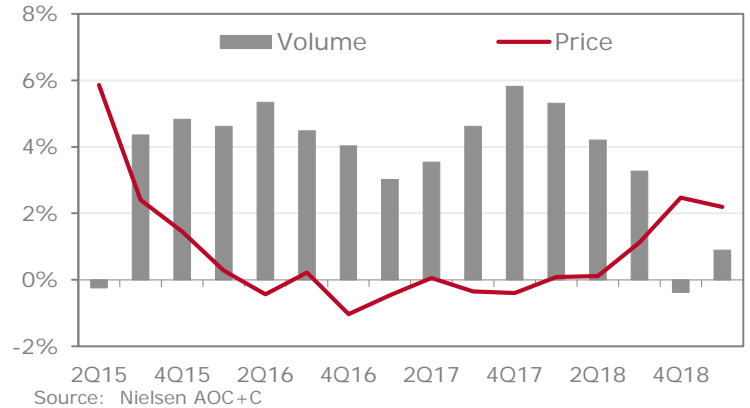
**Frozen Foods**



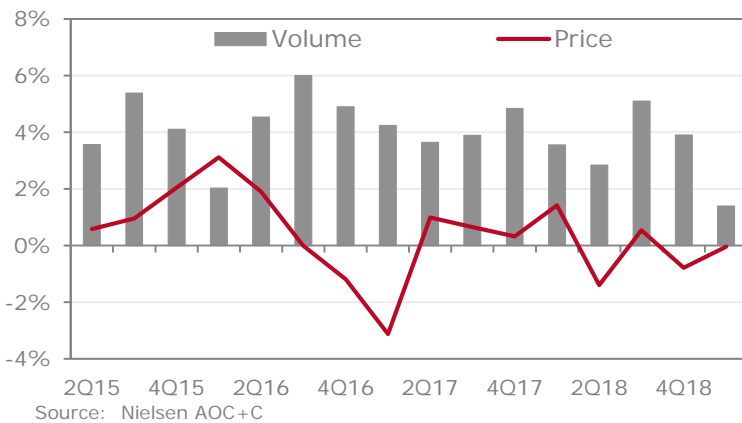
**Dairy**



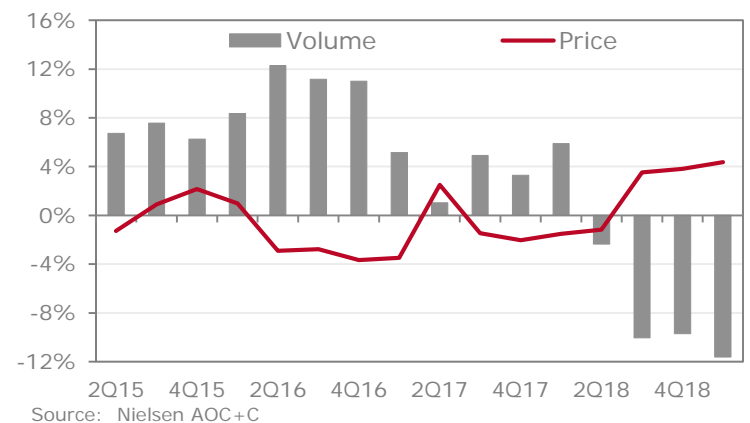
**Deli**



**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:** Wells Fargo Securities suggests that global growth has weakened across the board. Our forecast for global real GDP growth in 2019 is 3.2%, which, if realized, would match 2016's pace for the slowest since the Great Recession. Another escalation in the ongoing trade spat, should it occur, could push global growth to lows not seen in a decade.
- **Grains:** Corn futures rallied in the second half of May and the first half of June on declining U.S. acreage and yield ideas. Wheat and soybean prices were lower in May, but have risen in June. USDA slashed its corn production and ending stocks forecasts due to delayed planting. Wheat and soybean stocks are forecast to decline slightly from high levels in 2018/19.
- **Chicken:** Higher feed costs expected to impact producer margins in 2019. Cold storage inventories grow larger on weak domestic demand. Packer margins are squeezed on lower product prices and higher feed costs.
- **Beef:** Live cattle prices sink in May as the market outlook shifts towards bearish fundamentals. Packer margins strengthen on higher cattle inventory. Beef exports in key markets struggle in April. End-users draw down cold storage inventory.
- **Pork:** Higher hog prices continue to pressure packer margins in May. Domestic demand for pork products slows as sharply higher prices push buyers to other meats. Large U.S. pork exports due to African Swine Fever impacts have yet to come to fruition.
- **Seafood:** Trade dispute alters global trade flows for lobster; U.S. scallop landings projected to increase in the 2019 fishing season; Low shrimp prices attract retail featuring; Seasonal summer patterns impact farmed salmon prices.
- **Dairy:** The U.S. dairy herd continues to shrink, lower milk production levels. Producer margins expected to be hit with higher feed costs after supply problems. Trade policy is mixed news for dairy exports.
- **Specialty and Non-Grain Crops:** Orange juice futures are the lowest since 2009 due to large supplies.
- **Nuts:** Tree nut shipments continue to show strength with Almonds and Pistachios depleting well. Each crop is expected to take low carryover inventory into the next crop year. Commitments for the 2019/20 almond crop are already transacting. Walnuts also continue strong shipments, but price is still on a downward trend. Pecans held in cold storage are higher than normal as pricing is below acceptable levels for growers.
- **Wine:** Gomberg & Fredrickson have published a recent report about the cooling trends of U.S. wine sales and suggest that wineries need to know their market to remain competitive. Domestic shipments have shown little growth this year, and export options are limited by the current trade environment.

Key Commodity Heat Map			
Commodity	Price*	Y/Y	M/M
Corn	\$3.79	-5.0%	+5.9%
HRW Wheat	\$4.17	-21.8%	-0.9%
Soybeans	\$8.28	-18.8%	-6.2%
Broilers	\$0.98	-10.2%	+4.6%
Cattle	\$1.12	+6.2%	-11.8%
Hogs	\$0.87	+21.9%	+3.1%
Class III Milk	\$16.38	+7.9%	+2.6%
Shrimp	\$4.01	+2.1%	+1.3%
Salmon	\$5.71	-14.4%	-3.4%
Natural Gas	\$7.47	-3.5%	-1.8%
Electricity	\$10.44	-0.5%	-0.8%
Heating Oil	\$3.10	+7.9%	+1.7%
Restaurant Labor	\$14.38	+4.6%	+0.2%
Supermarket Labor	\$13.79	+2.8%	+0.3%
Food Labor	\$18.06	+3.3%	+0.4%

\*All prices for May except natural gas (March), electricity (March), heating oil (April) and supermarket labor (April)

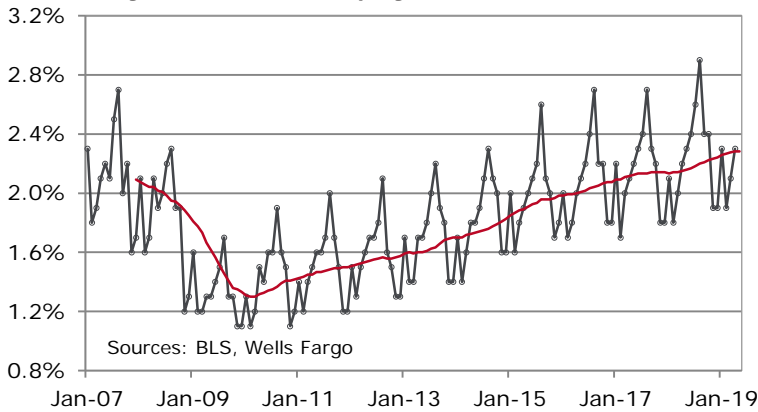
Monthly avg. corn, wheat, soybeans in \$/bu; broilers, shrimp in \$/lb; cattle, hogs, milk in \$/cwt; salmon in \$/kg; gas in \$/Mct; oil in \$/gal; electricity in \$/kWh; labor in \$/h

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

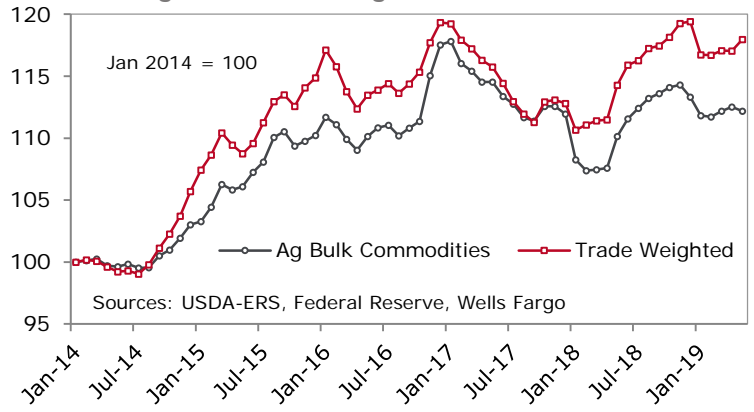
- **Fruit Crops:** Strawberry production is in full swing within California providing steady supply. In the California Central Valley, early varieties of stone fruit began harvest. California cherries have been impacted by late spring rains, but damage is unknown to date. California weather has the potential to impact many additional fruit crops, including tomatoes, melons, and table grapes.
- **Vegetable Crops:** The California processing tomato planting season was mildly delayed because of the May rains; however, initial forecast for the industry is 12.1MM tons for 2019. California weather may be an issue for field grown vegetables this year, and the Canadian greenhouse producers are poised to help supply the market where California may have production issues. Salinas/Monterey areas appear to be in full production with lettuce with little impact to their crops. Vegetables on the East Coast continue to move North as the growing season in Florida/Georgia winds down.
- **Forest Products:** Lumber and panel prices declined again in May, and were more than 35% below last year's historic highs. Housing starts for May were down 5% Y/Y.
- **Crop Inputs:** Urea and UAN prices jumped in early May as high waters limited river movement. DAP prices saw mild support from the transportation issues, while ammonia and potash were stable as wet weather slowed planting. Diesel and gas prices rose, but were slightly below last year.
- **Energy and Labor:** Brent crude oil spot prices averaged \$71 per barrel (b) in May, largely unchanged from April 2019 and almost \$6/b lower than the price in May of last year.

**Economics:** Wells Fargo Securities suggests that global growth has weakened across the board. Our forecast for global real GDP growth in 2019 is 3.2%, which, if realized, would match 2016's pace for the slowest since the Great Recession.

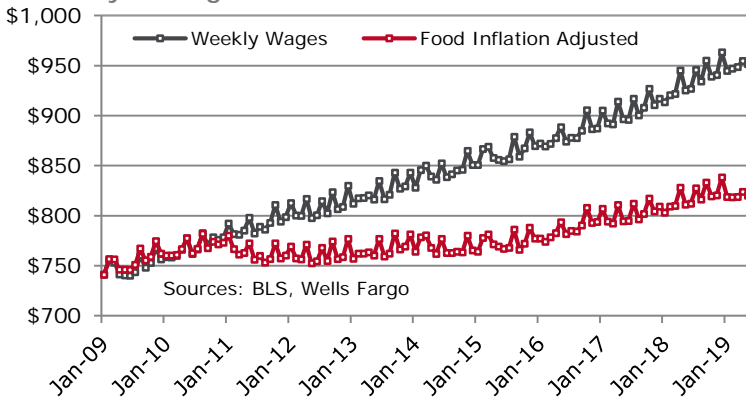
**Voluntary Quits as % of Employment**



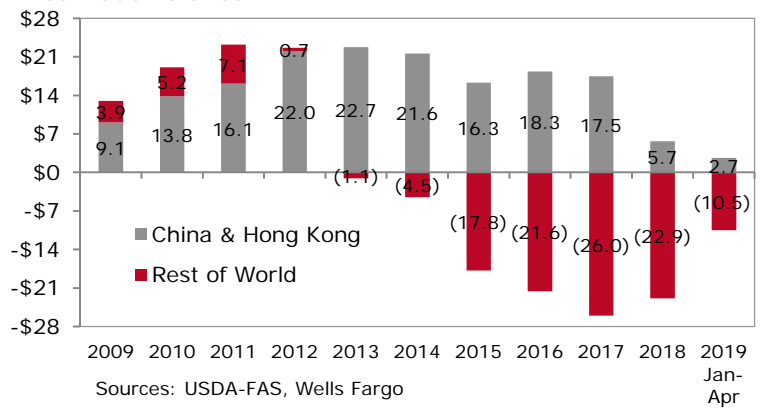
**Trade Weighted Dollar vs. Ag Index**



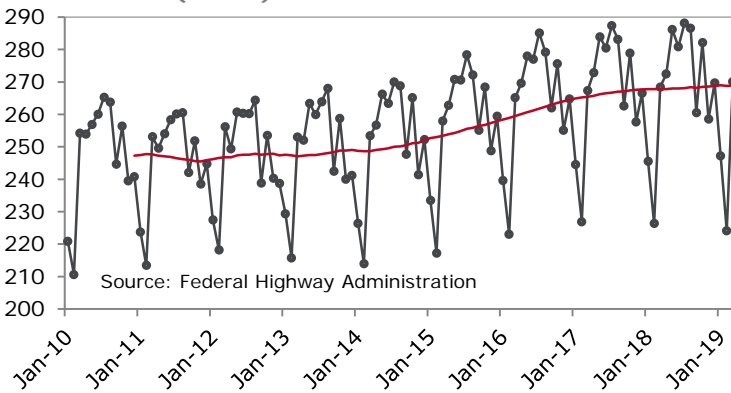
**Weekly Earnings Rates**



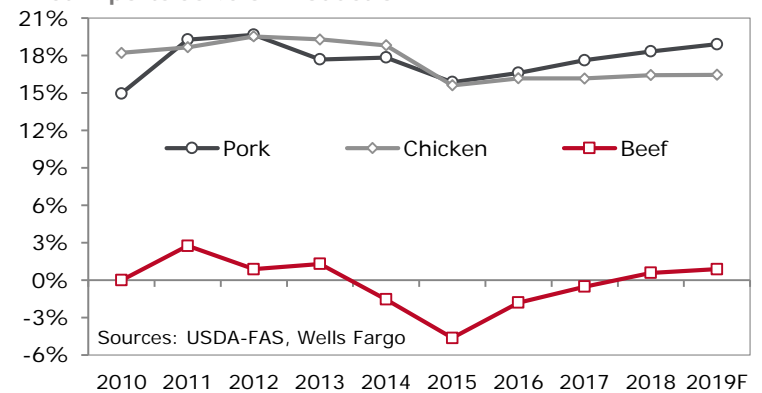
**Net Trade Balance**



**Miles Driven (Billion)**



**Net Exports as % of Production**

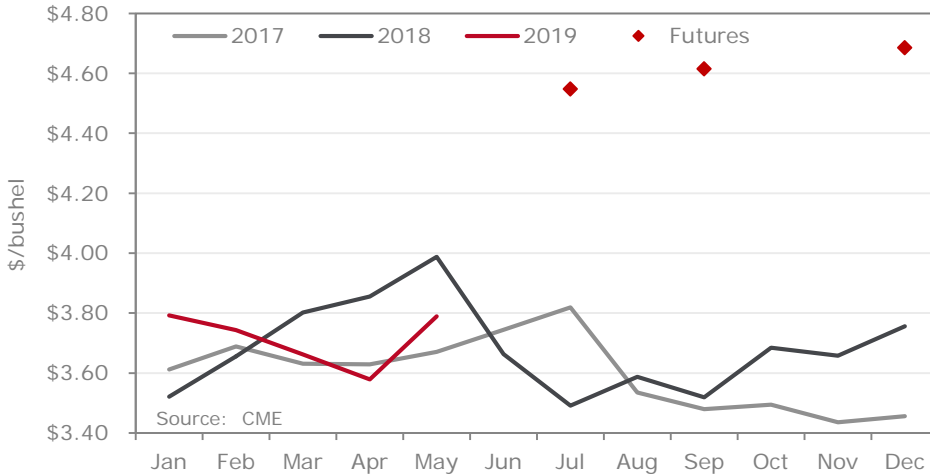


- April 2019 voluntary quits as a percent of employment was 2.3%, a slight increase vs. the prior month of 2.1%.
- April 2019 weekly average earnings are growing 2.8% Y/Y on a nominal basis; when deflated by food and beverage CPI, the average wage of \$820/week increased 1.1% Y/Y driven primarily by continued labor shortages.
- March 2019 miles driven of 270 billion was up 0.6% Y/Y, in step with positive economic indicators, albeit a slow increase.

- The May 2019 trade weighted dollar index of 118 vs. bulk commodity dollar index value of 112 grew minimally.
- As of April, the YTD net trade balance for 2019 is (\$7.8) billion.
- Exports are an important component of protein demand and despite trade issues, USDA continues to forecast marginal expansion. Pork exports were raised to 10.2% after the removal of Mexican tariffs, including adjustments because of Asian Swine Fever. 2019 export forecasts also include increase in both beef of 0.2% and broilers up 0.3%.

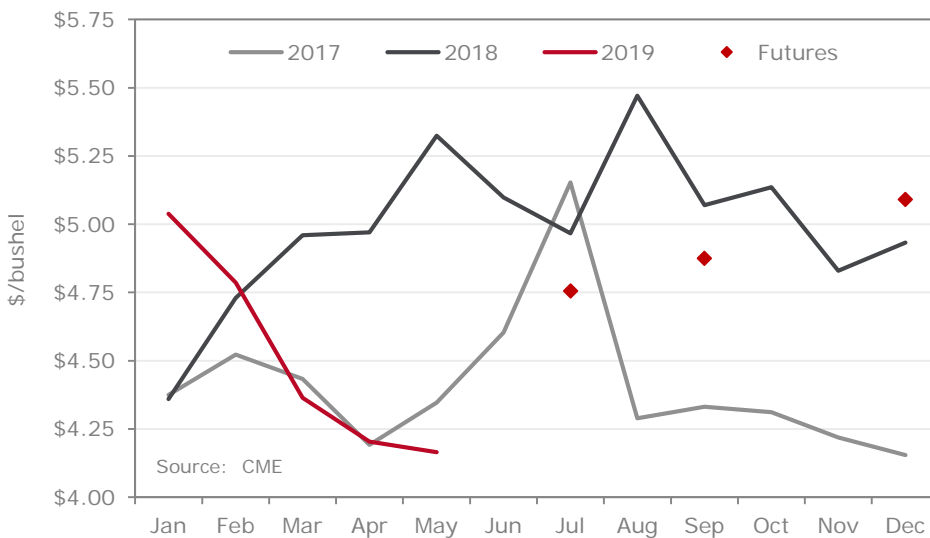
**Grain Prices:** Corn futures rallied in the second half of May and the first half of June on declining U.S. acreage and yield expectations. Wheat and soybean prices were lower in May, but have risen in June.

**Corn**



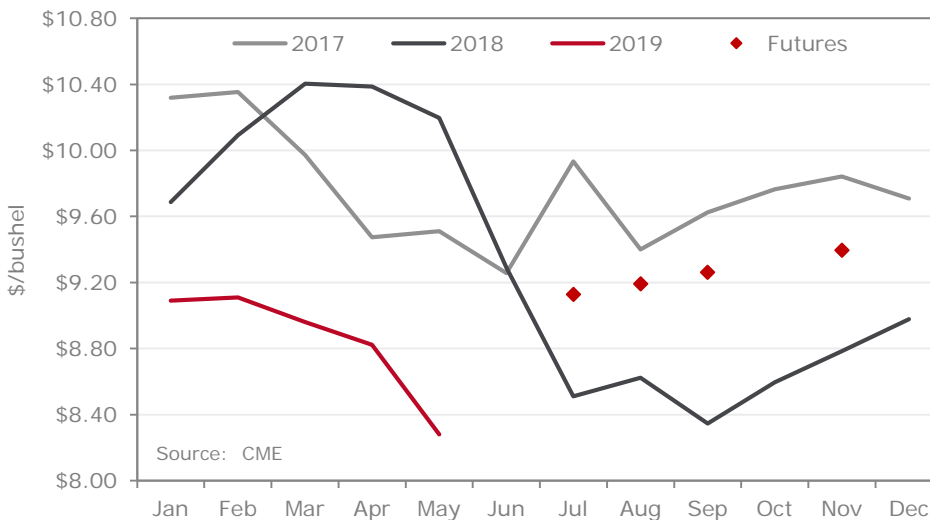
- Nearby corn futures averaged \$3.79 per bushel in May, up 21 cents M/M.
- Prices rallied sharply in the second half of May and the first half of June as persistence of wet weather hindered U.S. planting, which increased concern about acreage and yield losses. This prompted speculative traders to liquidate their large net-short position.
- USDA projects 2019/20 world corn production down 2%, mainly due to a smaller U.S. crop. Total world stocks are forecast to fall 11% to a 5-year low, while stocks outside of China are projected to drop 15%.

**Wheat**



- Nearby Kansas City wheat futures averaged \$4.17 per bushel in May. This was down 4 cents from April and down \$1.16 from May 2018.
- USDA's larger-than-expected U.S. wheat carryout forecast pressured prices before support came from a rally in corn prices and concern about wet weather reducing the quality of the U.S. winter wheat crop.
- USDA projects world wheat production up 7% to a record level in 2019/20 on solid increases for the EU, Russia, Australia and Ukraine. Global stocks are forecast to rise 6% to a record level, while stocks outside of China are forecast up 8%.

**Soybeans**



- Nearby soybean futures averaged \$8.28 in May, which was down 54 cents from April and down \$1.92 Y/Y.
- A setback in trade talks with China weighed on prices in the first half of May, and potential for some acres intended for corn to be planted to soybeans added pressure. Prices rose in late May and mid-June with wet weather bringing concern that late planting of soybeans could hurt yields.
- USDA projects the world soybean crop down 2% in 2019/20 with declines for the U.S. and Argentina partly offset by an increase in Brazil. World stocks are forecast to remain almost record large.



**Grain Fundamentals:** USDA slashed its corn production and 2019/20 ending stocks forecasts due to this year's delayed planting. Wheat and soybean stocks are forecast to decline slightly from high levels in 2018/19.

### Corn

	2017/18	2018/19F	2019/20F	2019/20F	M/M Change	Y/Y Change
		June	May	June	19/20 Forecast	19/20 Forecast
Acres Planted (mm)	90.2	89.1	92.8	89.8	-3.0	0.7
Acres Harvested	82.7	81.7	85.4	82.4	-3.0	0.7
Yield per Harvested Acre (bu)	176.6	176.4	176.0	166.0	-10.0	-10.4
Beginning Stocks (mm bu)	2,293	2,140	2,095	2,195	100	55
Production	14,609	14,420	15,030	13,680	-1,350	-740
Imports	36	35	35	50	15	15
Total Supply	16,939	16,595	17,160	15,925	-1,235	-670
Feed and Residual	5,304	5,300	5,450	5,150	-300	-150
Food, Seed & Industrial	7,056	6,900	6,950	6,950	0	50
Ethanol	5,605	5,450	5,500	5,500	0	50
Total Domestic	12,360	12,200	12,400	12,100	-300	-100
Exports	2,438	2,200	2,275	2,150	-125	-50
Total Use	14,799	14,400	14,675	14,250	-425	-150
Ending Stocks	2,140	2,195	2,485	1,675	-810	-520
Stocks to Use (%)	14.5%	15.2%	16.9%	11.8%	-5.2%	-3.5%
Average Farm Price (\$/bu)	\$3.36	\$3.60	\$3.30	\$3.80	\$0.50	\$0.20

Source: USDA WASDE

- USDA raised its old-crop U.S. corn carryout forecast 100 million bushels to 2.2 billion in June on lower exports.
- USDA typically does not change its new-crop corn production forecast in June, but cut acres by 3 million and yield by 10 bushels due to delayed planting progress, which is the slowest among records kept back to 1980. This reduced its 2019 production forecast by 1,350 million bushels from May.
- Projected 2019/20 ending stocks were reduced 810 million bushels as the smaller crop was partly offset by cuts in feed and residual usage and exports.
- USDA's 2019/20 average farm price forecast was raised 50 cents to \$3.80.

### Wheat

	2017/18	2018/19E	2019/20F	2019/20F	M/M Change	Y/Y Change
		June	May	June	19/20 Forecast	19/20 Forecast
Acres Planted (mm)	46.1	47.8	45.8	45.8	0.0	-2.0
Acres Harvested	37.6	39.6	39.0	39.0	0.0	-0.6
Yield per Harvested Acre (bu)	46.4	47.6	48.6	48.7	0.1	1.1
Beginning Stocks (mm bu)	1,181	1,099	1,127	1,102	-25	3
Production	1,741	1,884	1,897	1,903	6	19
Imports	157	140	140	140	0	0
Total Supply	3,079	3,123	3,164	3,145	-19	22
Food	964	960	965	965	0	5
Seed	63	62	68	68	0	6
Feed and Residual	51	50	90	140	50	90
Total Domestic	1,079	1,072	1,123	1,173	50	101
Exports	901	950	900	900	0	-50
Total Use	1,980	2,022	2,023	2,073	50	51
Ending Stocks	1,099	1,102	1,141	1,072	-69	-30
Stocks to Use (%)	55.5%	54.5%	56.4%	51.7%	-4.7%	-2.8%
Average Farm Price (\$/bu)	\$4.72	\$5.20	\$4.70	\$5.10	\$0.40	-\$0.10

Source: USDA WASDE

- USDA cut its 2018/19 wheat ending stocks estimate 25 million bushels to 1,102 million on an increase in exports.
- Projected 2019 production was raised 6 million bushels on a slightly higher yield. Feed and residual usage was increased 50 million bushels due to lower projected corn supplies. Ending stocks were cut 69 million bushels to 1,072 million due to the smaller beginning stocks and larger usage.
- The average farm price for 2019/20 is forecast at \$5.10, down 10 cents from USDA's estimate for 2018/19 but up 40 cents from USDA's May forecast.

### Soybeans

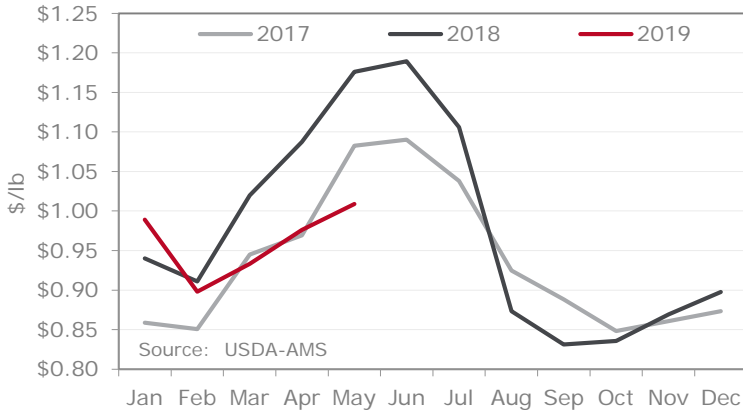
	2017/18	2018/19F	2019/20F	2019/20F	M/M Change	Y/Y Change
		June	May	June	19/20 Forecast	19/20 Forecast
Acres Planted (mm)	90.2	89.2	84.6	84.6	0.0	-4.6
Acres Harvested	89.5	88.1	83.8	83.8	0.0	-4.3
Yield per Harvested Acre (bu)	49.3	51.6	49.5	49.5	0.0	-2.1
Beginning Stocks (mm bu)	302	438	995	1,070	75	632
Production	4,412	4,544	4,150	4,150	0	-394
Imports	22	17	20	20	0	3
Total Supply	4,735	4,999	5,165	5,240	75	241
Crushings	2,055	2,100	2,115	2,115	0	15
Exports	2,129	1,700	1,950	1,950	0	250
Seed	104	98	96	96	0	-2
Residual	9	31	34	34	0	3
Total Use	4,297	3,929	4,195	4,195	0	266
Ending Stocks	438	1,070	970	1,045	75	-25
Stocks to Use (%)	10.2%	27.2%	23.1%	24.9%	1.8%	-2.3%
Average Farm Price (\$/bu)	\$9.33	\$8.50	\$8.10	\$8.25	\$0.15	-\$0.25

Source: USDA WASDE

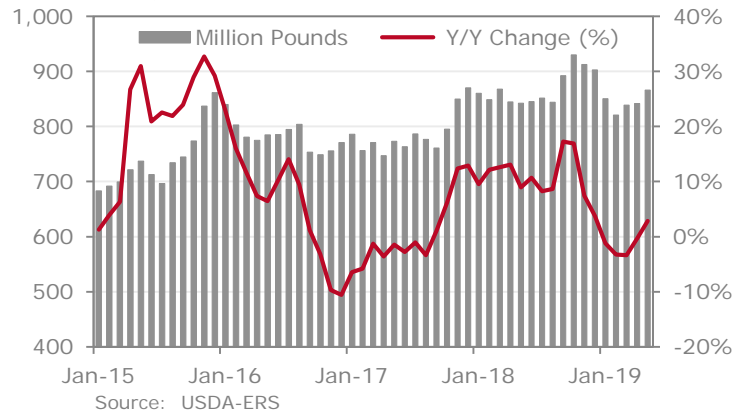
- USDA cut its 2018/19 U.S. soybean export forecast another 75 million bushels to 1,700 million in June, which raised ending stocks to 1,070 million.
- With no changes to production or usage, the larger beginning stocks raised USDA's 2019/20 ending stocks forecast to 1,045 million bushels.
- There is concern that wet weather could keep acreage and yields below USDA's projections, but there is also potential for exports to fall short of USDA's forecast absent a trade deal with China.
- The average farm price is forecast at \$8.25 in 2019/20 vs. \$8.50 in 2018/19.

**Chicken:** Higher feed costs expected to impact producer margins in 2019. Cold storage inventories grow larger on weak domestic demand. Packer margins are squeezed on lower product prices and higher feed costs.

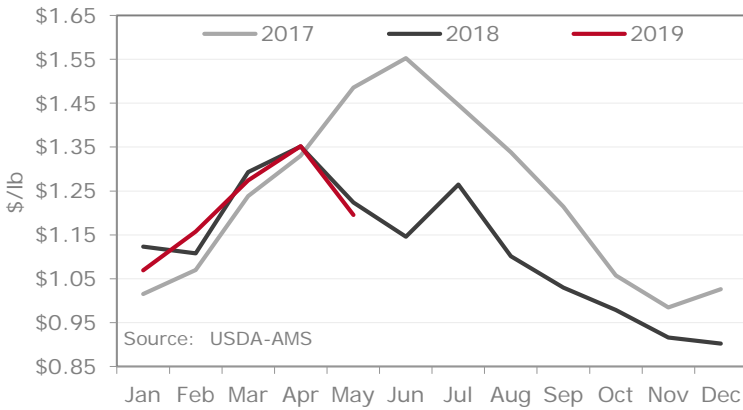
**Whole Broiler Prices**



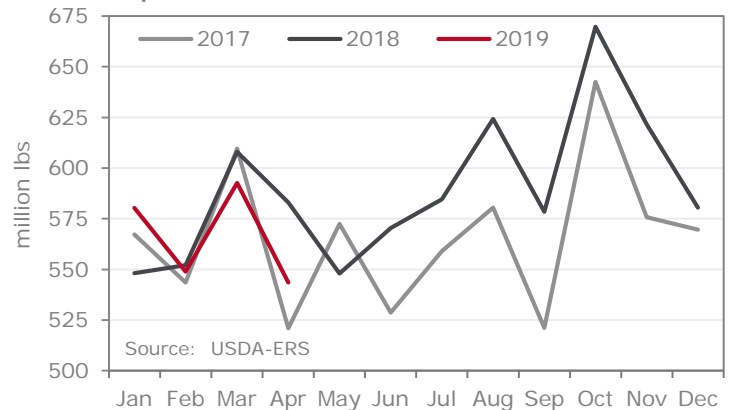
**Cold Storage Inventories**



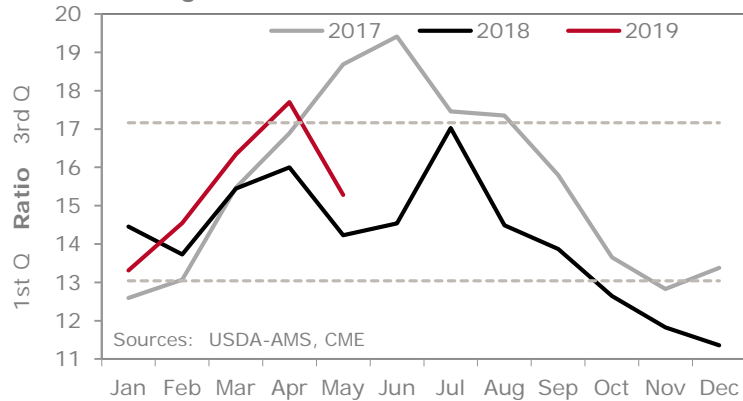
**Boneless Skinless Breast Prices**



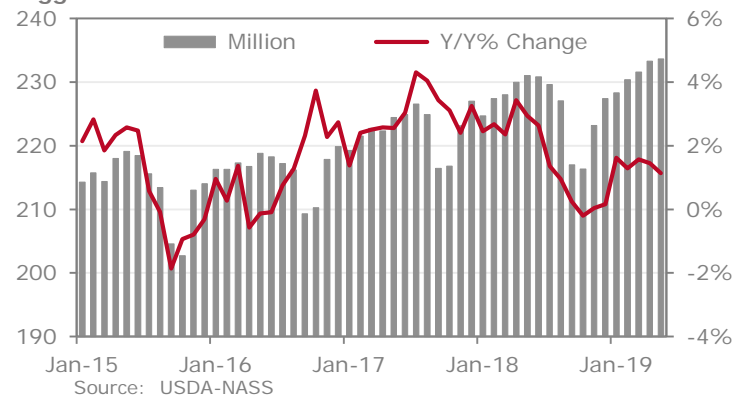
**Broiler Exports**



**Packer Margins**



**Egg Sets**

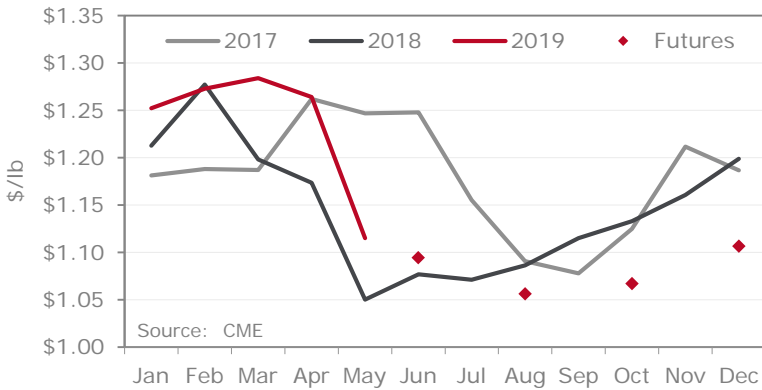


- The USDA whole broiler price averaged \$1.01/lb. in May, which was up 3% from April but down 14% Y/Y. In its June WASDE report, USDA lowered projected broiler prices to average \$0.90/lb. in 2019 and \$0.94 in 2020 vs. \$0.978 in 2018.
- The average breast price of \$1.20/lb. during May was down 12% from April and down 2% from the previous year. Wing prices averaged \$1.70/lb., down 2% from April and up 14% Y/Y.
- Higher feed costs and lower chicken breast prices caused packer margins to deteriorate in May. Packer margins were down 14% from April, but 7% higher than the previous year.

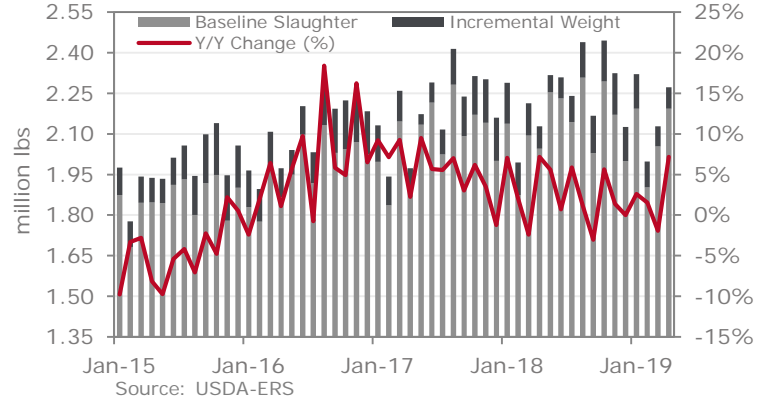
- In its June WASDE report, USDA slightly increased its 2019 broiler production forecast, which is now up 1.0% Y/Y. In 2020, production is forecast up 0.7%, but revised lower from last month's estimate due higher expected feed costs.
- Delayed crop plantings in the Midwest due to wet weather spiked futures prices for both corn and soybeans in May. As a result, the USDA raised the 2019/20 corn price forecast 50 cents to \$3.80/bushel.
- Despite weak prices this Spring, broiler egg sets continued in an uptrend pattern. Egg sets averaged 233 million per week in May, which was slightly higher than April levels and up 1% Y/Y.

**Beef:** Live cattle prices sink in May as the market outlook shifts towards bearish fundamentals. Packer margins strengthen on higher cattle inventory. Beef exports in key markets struggle in April. End-users draw down cold storage inventory.

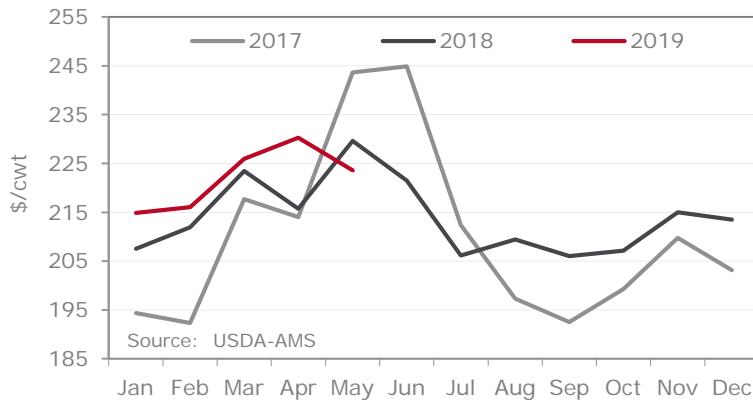
**Live Cattle Prices**



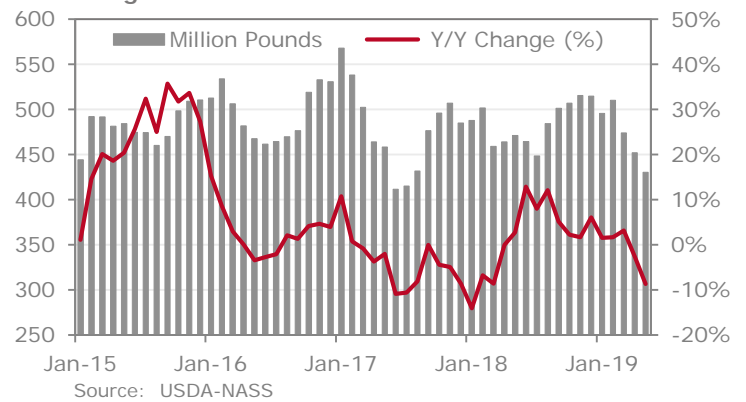
**Monthly Cattle Processing**



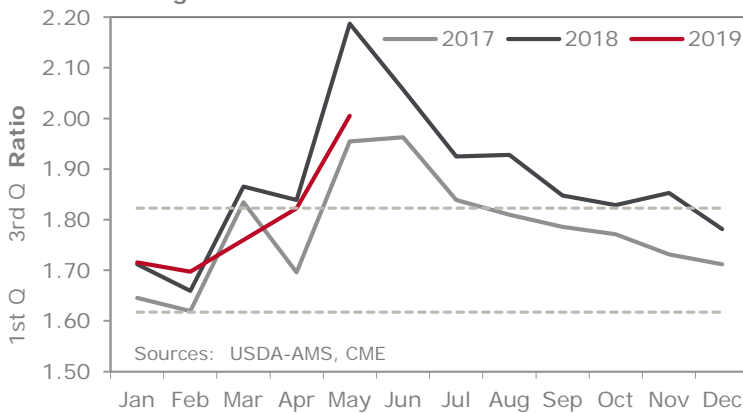
**Cut Out Values**



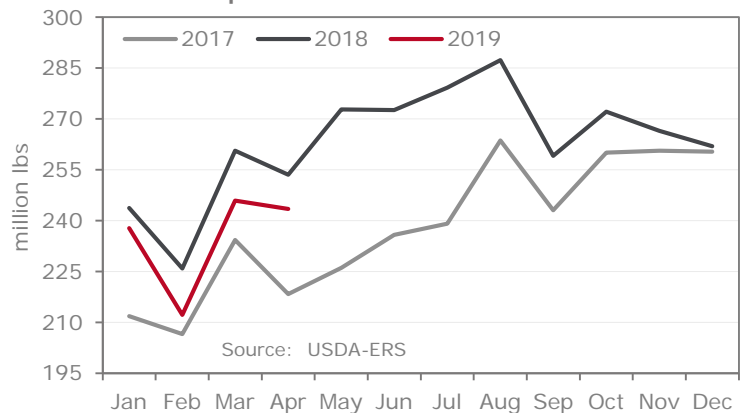
**Cold Storage Inventories**



**Packer Margins**



**Beef and Veal Exports**



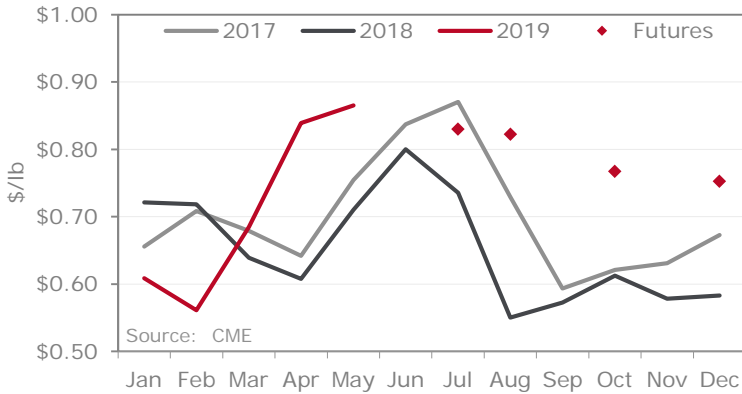
- Nearby live cattle futures averaged \$1.28/lb. in May. This was a sharp drop from the previous month, down 12% M/M, but was up 6% Y/Y. Speculative traders reduced their large long position in cattle futures as their bullish views on the market shifted. Higher cattle numbers, slowing beef demand, and moderation in hog prices are weighing on the market outlook.
- The beef cutout value averaged \$224/cwt. in May, which was down 3% from April and down 3% Y/Y. Recent retail featuring of beef products has been lack luster.
- Packer margins followed their seasonal pattern and improved 10% M/M in May.

- USDA's 2019 U.S. beef production forecast was revised lower in June at 1.2% above last year on lower slaughter in the second half of the year.
- Beef cold storage inventories of 430 million pounds in May were the smallest since the spring 2017 and down 9% Y/Y. Higher beef prices in March/April may have pushed end-users to draw down their cold storage inventories.
- Beef and veal exports in April were down 4% Y/Y. South Korea was the biggest export market in April, up 20% Y/Y. However, offsetting those gains were lower exports to Japan (-11% Y/Y) and Hong Kong (-41% Y/Y).

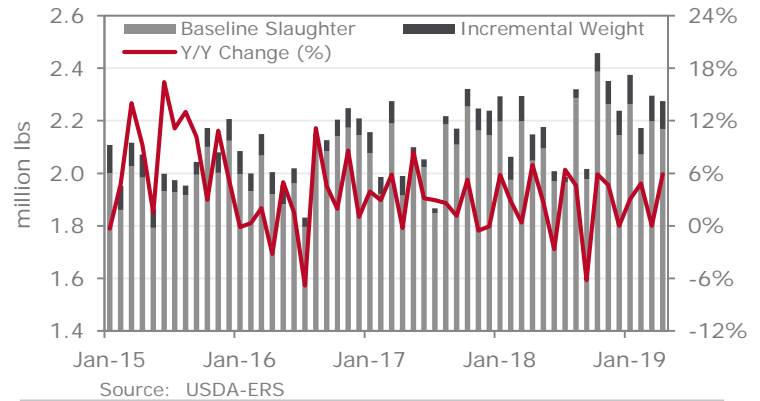


**Pork:** Higher hog prices continue to pressure packer margins in May. Domestic demand for pork products slows as sharply higher prices push buyers to other meats. Large U.S. pork exports due to African Swine Fever impacts have yet to come to fruition.

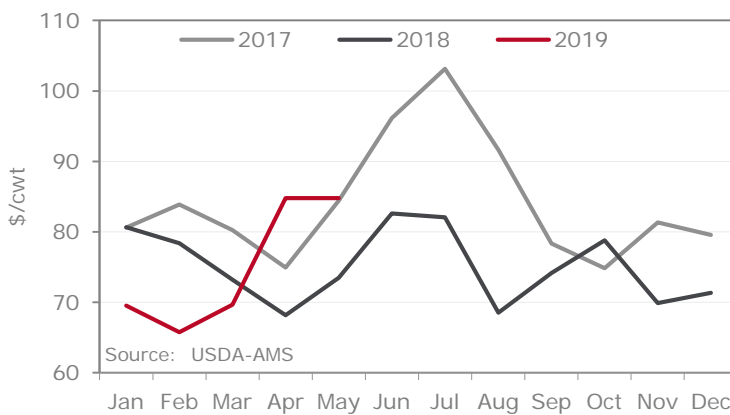
**Lean Hog Prices**



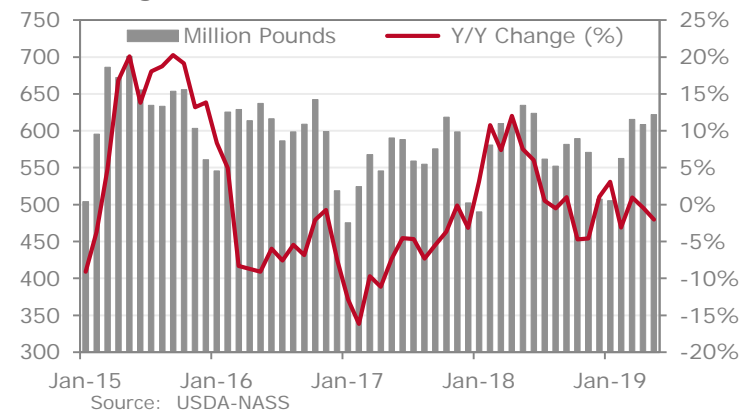
**Monthly Processing**



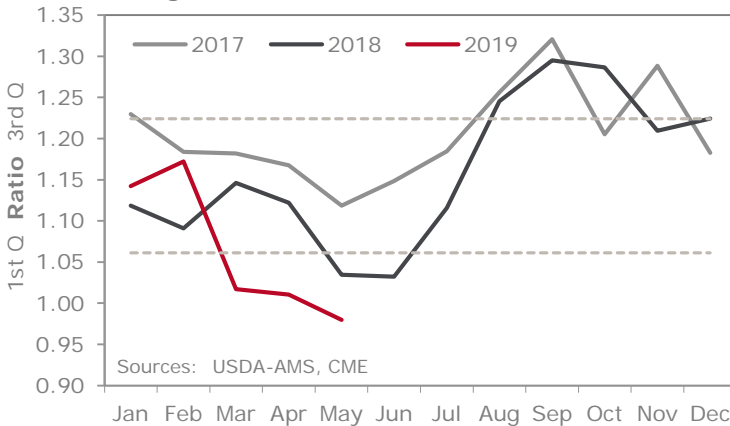
**Cut Out Values**



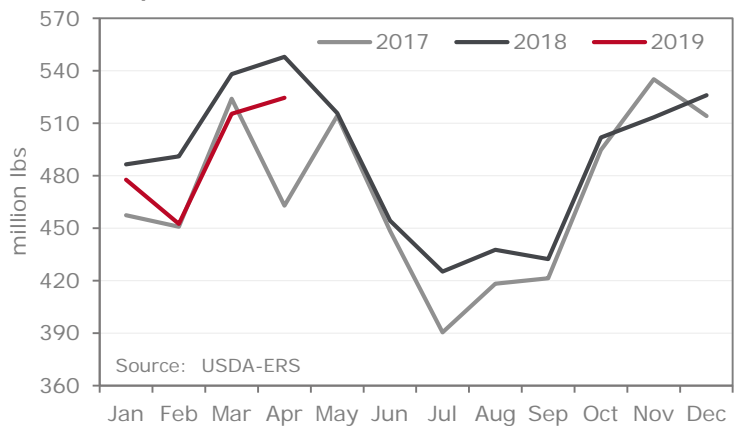
**Cold Storage Inventories**



**Packer Margins**



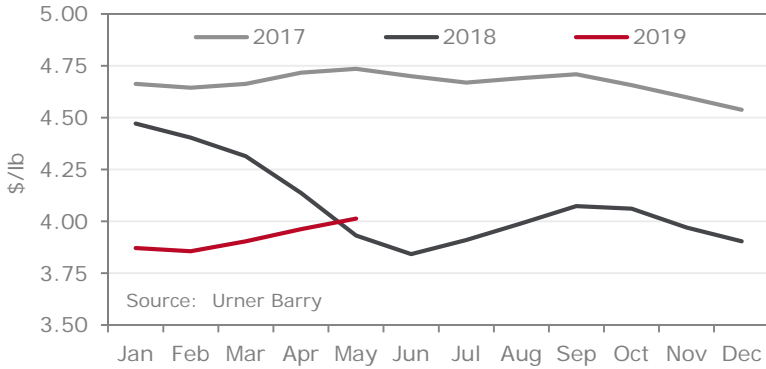
**Pork Exports**



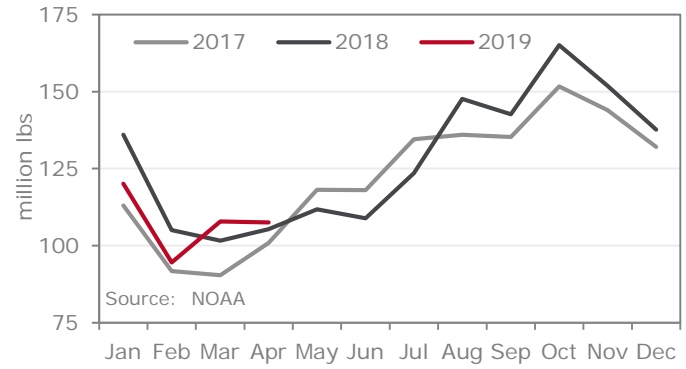
- Continuing uncertainty over African Swine Fever (ASF) in China drove nearby lean hog futures higher in May for a monthly average of \$0.87/lb., a 3% increase M/M and 22% higher Y/Y.
- The pork cutout value in May was \$85/cwt., which was unchanged from the previous month and up 15% Y/Y. The sharply higher pricing since March is hindering domestic demand for pork products.
- Packer margins continued to be squeezed in May, down 5% Y/Y as hog prices have risen more than the cutout value in the past two months. May is the third straight month of lower packer margins.
- April U.S. pork exports were down 4% Y/Y, but up 2% M/M. USDA's weekly Export Sales report shows strong export commitments (shipments plus unshipped sales) of pork, but the official Census data has not yet confirmed these stronger exports.
- Pork demand from Mexico slowed in April. Mexico is the largest importer of U.S. pork products. Mexico's recent lifting of retaliatory tariffs on U.S. hams is expected to improve product movement in the upcoming months.

**Seafood:** Trade dispute alters global trade flows for lobster; U.S. scallop landings projected to increase in the 2019 fishing season; Low shrimp prices attract retail featuring; Seasonal summer patterns impact farmed salmon prices.

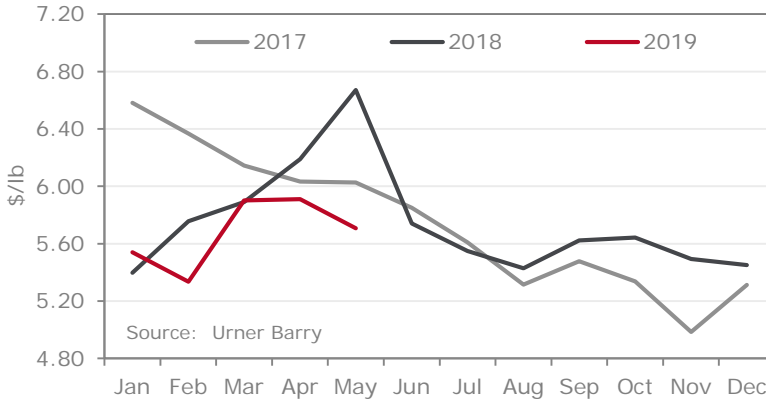
**Urner Barry Farm-Raised White Shrimp Index**



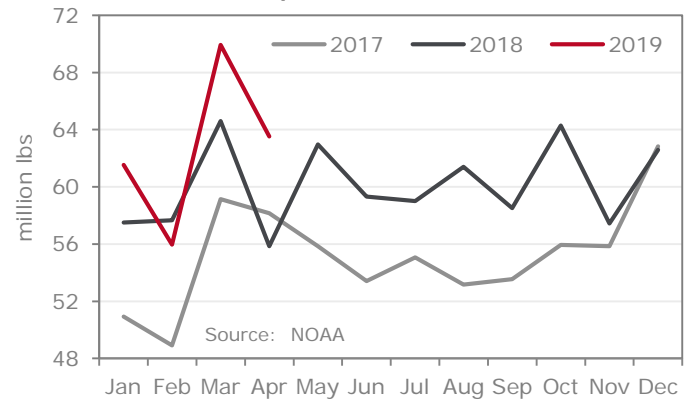
**Shrimp Imports**



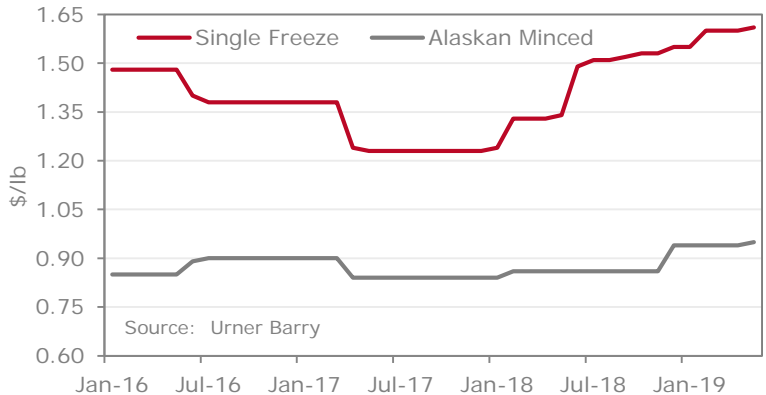
**Urner Barry Fresh Farmed Salmon Index**



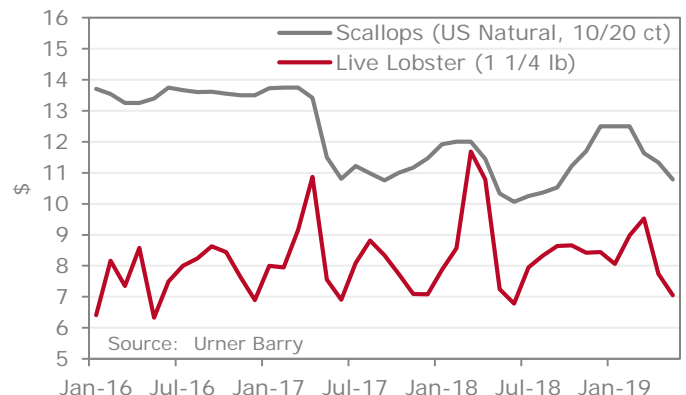
**Atlantic Salmon Imports**



**Alaskan Pollock Prices**



**Scallop and Lobster Prices**

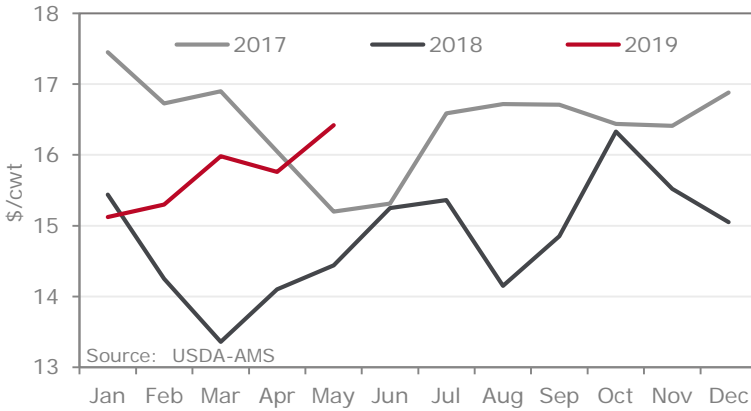


- The UB farm-raised white shrimp index in May was \$4.01/lb., up 1% from April and up 2% Y/Y. While the May index price is still low compared to previous years, increasing domestic demand is starting to lift prices. Retailers are increasing the featuring of shrimp products.
- The UB fresh-farmed salmon index decreased in May to \$5.71/lb. This reflects a decline of 3% M/M and 14% Y/Y. The price decline in May is following the typical seasonal summer pattern for farmed salmon.

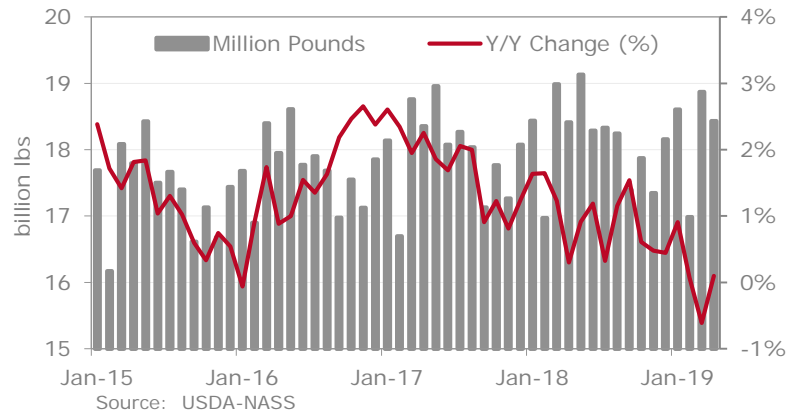
- Shrimp imports in April rose for the second month. Imports totaled 108MM lbs., near last month's levels and up 2% Y/Y. India was the leading supplier, with Y/Y increase of 5.2%, followed by Ecuador and Mexico. YTD imports of 430MM lbs. are down 4% Y/Y.
- Atlantic salmon imports were strong in April at 64MM lbs. up 14% Y/Y. YTD imports of 251MM lbs. are up 7% Y/Y on robust domestic demand for salmon.
- Total landings for U.S. scallops for the 2018 fishing year, from April 2019 through March 2019, totaled 57.07 million lbs., up 10% Y/Y. Projected scallop landings for the 2019 fishing year are 60.1 million lbs.

**Dairy:** The U.S. dairy herd continues to shrink, lower milk production levels. Producer margins expected to be hit with higher feed costs after supply problems. Trade policy is mixed news for dairy exports.

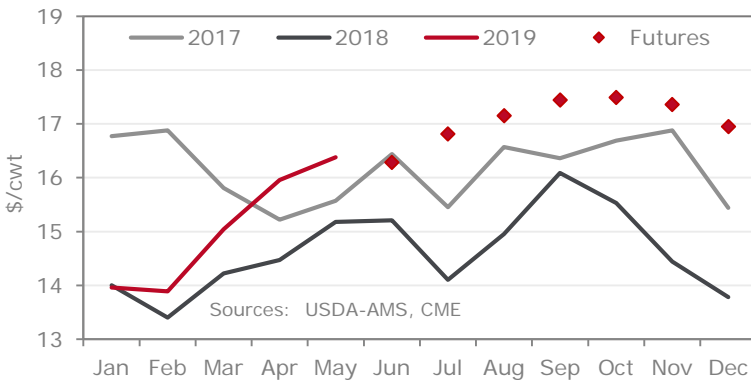
**Class I Milk**



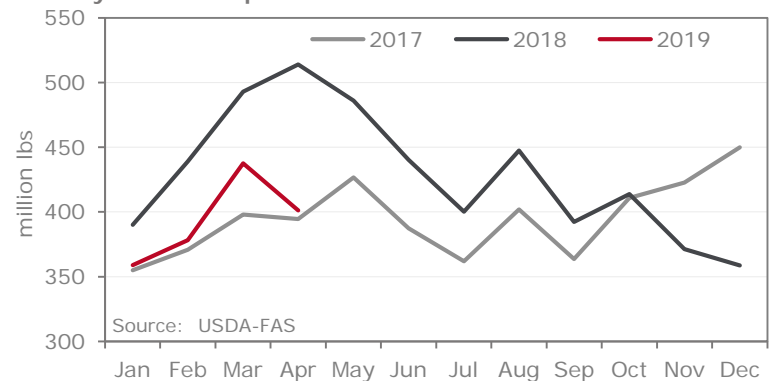
**Milk Production**



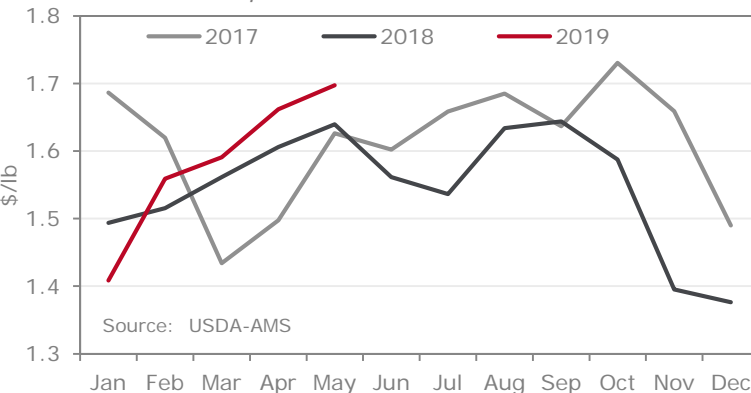
**Class III Milk**



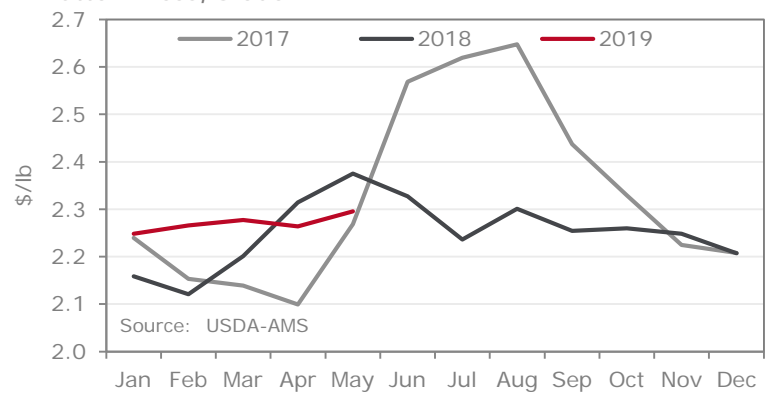
**Dairy Product Exports**



**Cheddar Cheese, 40-lb. block**



**Butter Prices, Grade AA**



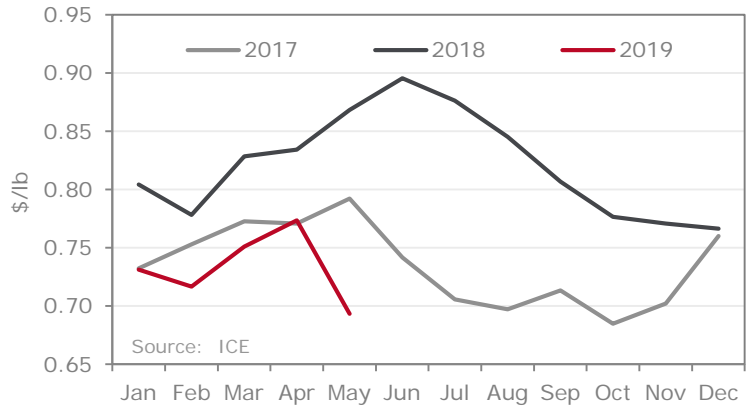
- The USDA Class I milk price of \$16.42/cwt. for May was up 4% from April and 14% higher than May 2018. Lower milk production is helping to support higher prices.
- The Class III milk price averaged \$16.38/cwt. during May, which was up 3% M/M and up 8% from the previous year.
- Higher feed prices are expected to impact producer margins this year. Alfalfa hay prices are trending upward on supply issues. Unusually wet weather in the Midwest during planting is expected to lower corn acres and reduce yield. As a result, the USDA raised the 2019/20 corn price forecast 50 cents to \$3.80/bushel.
- U.S. milk production in April was up slightly at 0.1% Y/Y. Herd numbers declined for the eleventh straight month. Expected higher feed costs that weaken producer margins caused the USDA to trim its 2019 production outlook in June, which is now up 0.3% from 2018. Production was also lowered in 2020 to 1.7% higher Y/Y.
- U.S. dairy exports by volume weaken in April, down 8% from March and 22% lower Y/Y. Exports were lower for the majority of dairy products.
- Grade AA butter prices averaged \$2.30/lb. in May, which was up 1% from April, but 3% lower Y/Y. Cheddar cheese block prices averaged \$1.68/lb. in May, up 2% M/M and up 4% Y/Y.

**Specialty and Non-Grain Crops: Orange juice futures are the lowest since 2009 due to large supplies.**

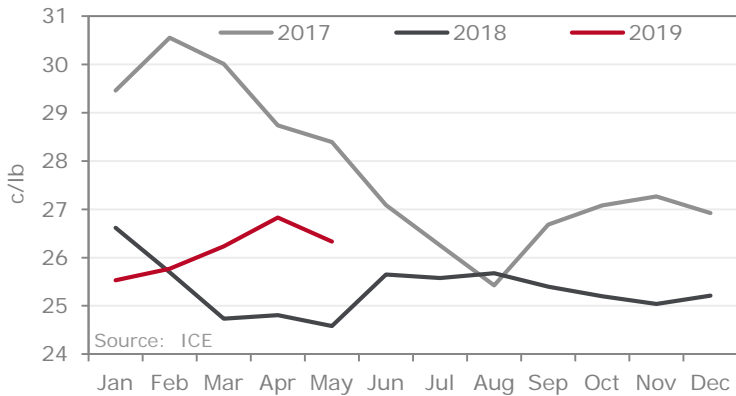
**Sugar, #11 (U.S.)**



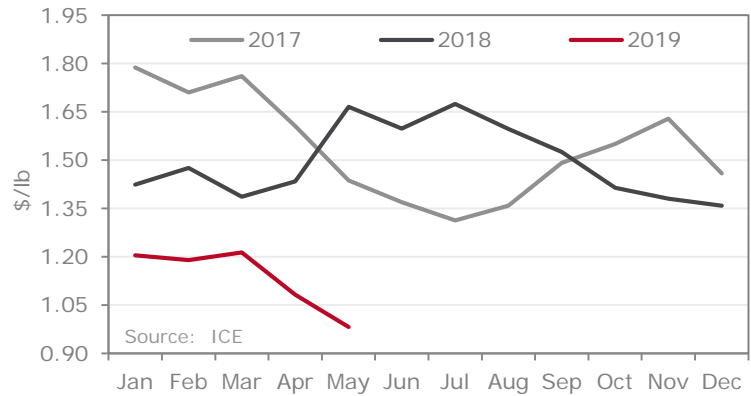
**Cotton**



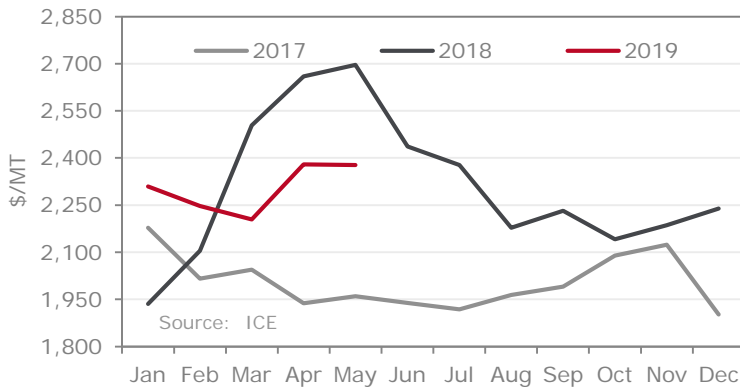
**Sugar, #16 (World)**



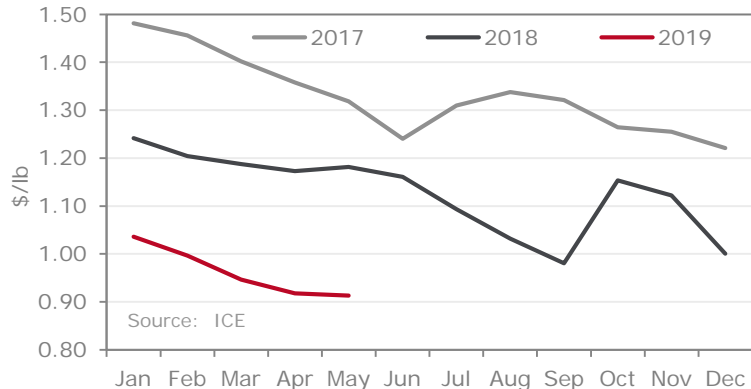
**Orange Juice**



**Cocoa**



**Coffee**

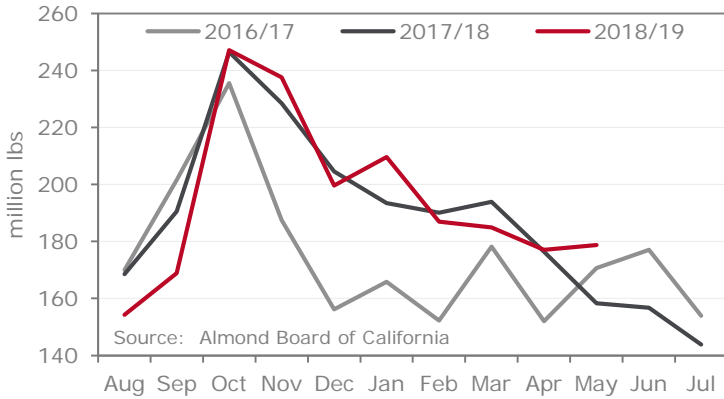


- Nearby #11 sugar futures averaged \$0.12/lb. during May, which was down 6% from April and unchanged from May 2018.
- Nearby #16 sugar futures averaged \$0.26/lb. in May, down 2% from April and up 7% from the previous year.
- The Ivory Coast, as of May 13, 2019, cumulative cocoa arrivals were processed at 1.9 million tons, up 14% from the same period in last year.
- USDA made no changes to its 2018/19 U.S. cotton ending stocks forecast of 4.65 million bales in its June WASDE, and projected 2019/20 ending stocks at 6.40 million with a larger crop more than offsetting larger exports.

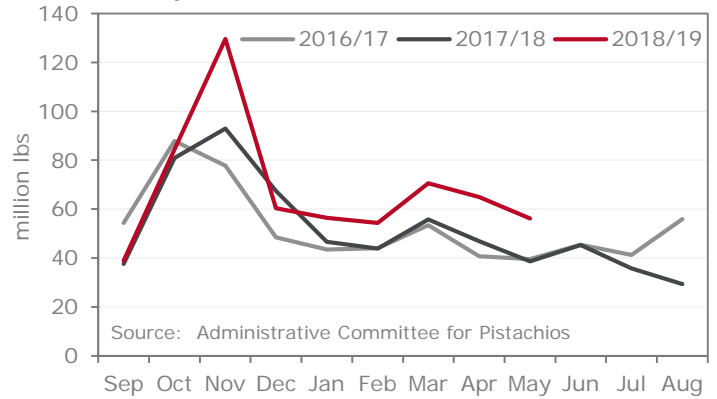
- Nearby cotton futures dropped lower during May, averaging \$0.69/lb., down \$0.08 M/M and down \$0.16 Y/Y. The breakdown of trade negotiations between the U.S. and China was viewed unfavorably by the market.
- The frozen concentrate market continues to be challenged with large container exports down 37% and small container exports up 280%, May 31, 2019, YTD. While small container exports are up, the overall amount of gallons exported is down about \$10 MM in value. According to the Florida Citrus Commission, the Florida 2019-20 budget will decline 19.5% to \$15.2MM as the state Legislature reduced its contribution by \$4.1 million.

**Specialty Crops – Tree Nuts and Wine:** Tree nut shipments continue to show with Almonds and Pistachios depleting well. Walnuts also continue strong shipments, but price is still on a downward trend. Pecans continue to have a lot of nuts in cold storage as pricing is still below acceptable levels for growers.

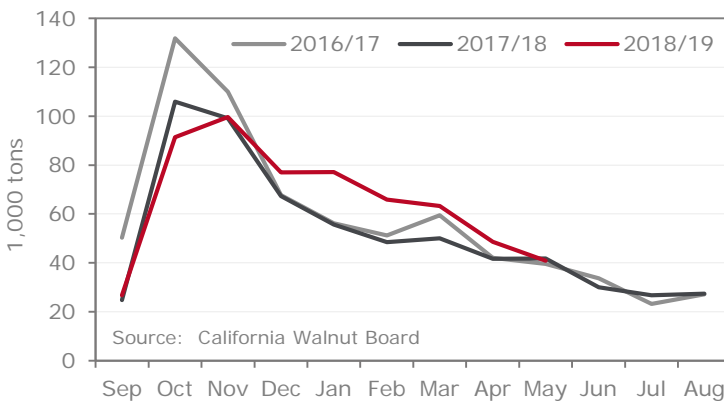
**Almond Shipments**



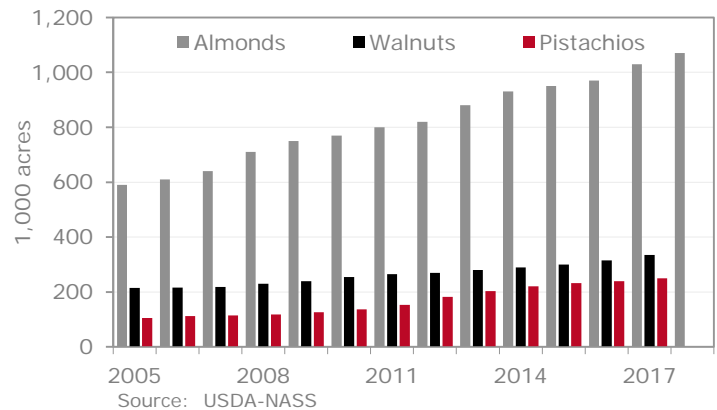
**Pistachio Shipments**



**Walnut Shipments**



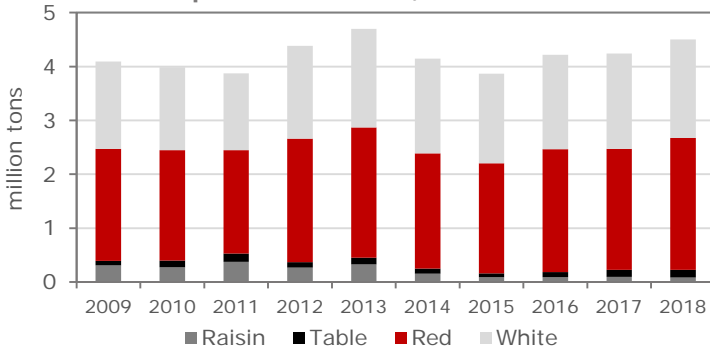
**Bearing Acres**



- May almond shipments totaled 178.7 MM pounds, which is a new record for the month of May. While China is off 30% (about 47 MM pounds season-to-date), key trading partners and domestic sales have shown increased demand.
- Strong almond sales in May coupled with an increase of 25% in commitments (sold, but not shipped) signals that the almond crop will continue to be sold through the end of the crop year with below average carryover.
- May finally saw a slow down with the strong Walnut sales that have been experienced for the 18/19 crop year. Even so, net shipments are up 11%, Y/Y.

- 2018/19 Pistachio crop continues strong performance with 20% growth, Y/Y. Europe, China, Hong Kong, and India continue to be strong buyers of pistachios.
- New Chinese tariffs went into effect on June 1st for "Roasted Pistachios." We will wait to see if this impacts Chinese shipments next month.
- Pecans continue low shipment levels in a down market. Mexico should sell through their crop where U.S. growers can then potentially sell their crop at higher prices.

**Grape Crush Trends, 2009 - 2018**



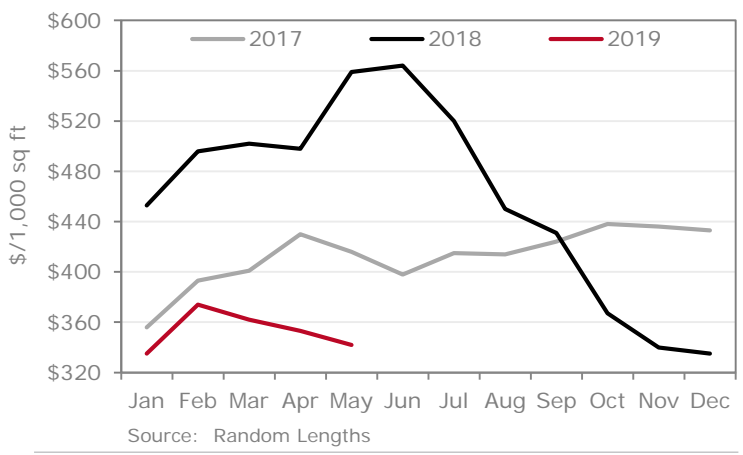
**2018 Grape Crush Results**

- The bulk wine market continues to be sluggish, with ample inventory available, especially in the Coast where supply has grown with big 2018 yields.
- Bulk wine buyers are mainly smaller négociants seeking opportunities to supply private label programs.
- California's grape market is quieter than its bulk wine market where buyers are seeking a renegotiation of existing contracts.
- Late season weather and winds in California have growers concerned about shatter and crop production for the 2019/20 crop year.

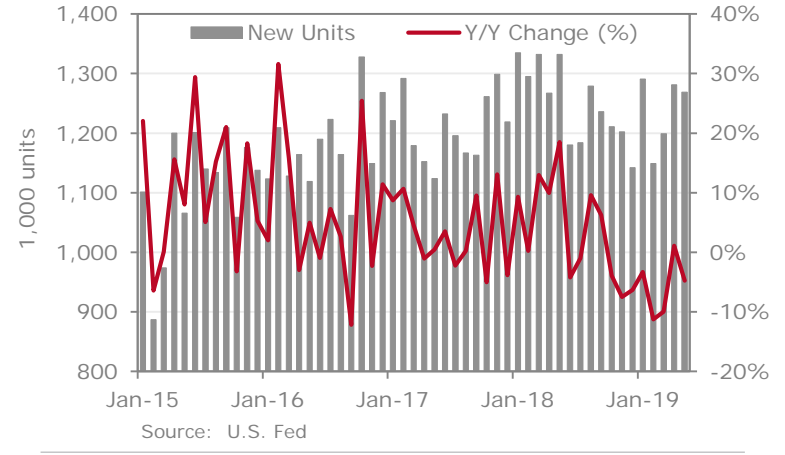


**Forest Products:** Lumber and panel prices declined again in May, and were more than 35% below last year's historic highs. Housing starts for May were down 5% from a year earlier.

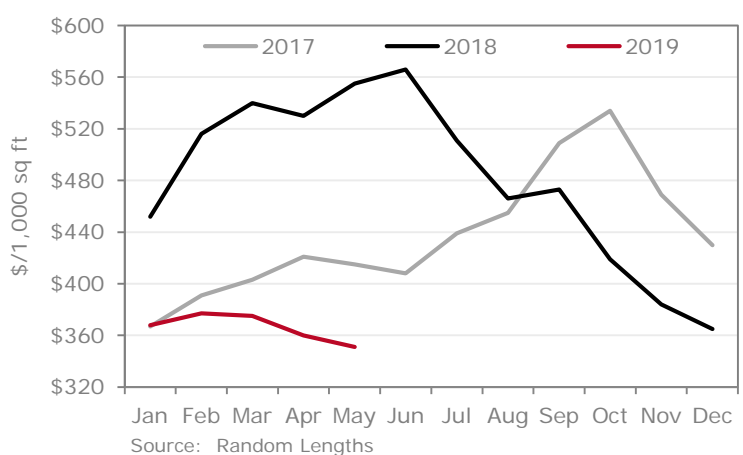
**Framing Lumber Index**



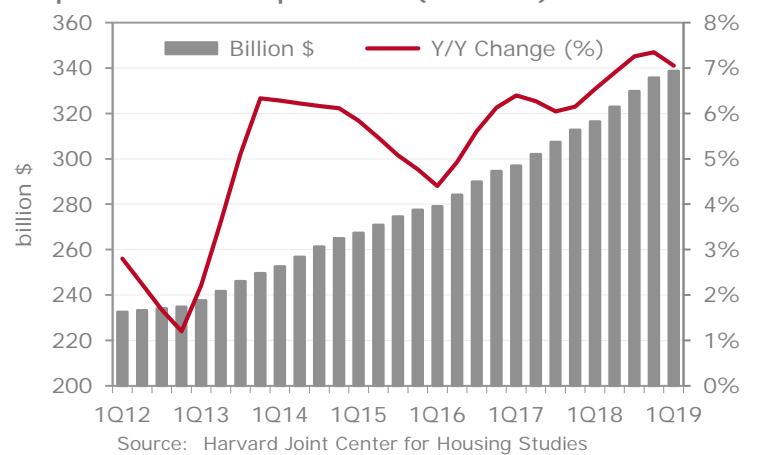
**U.S. Housing Starts**



**Structural Panel Index**



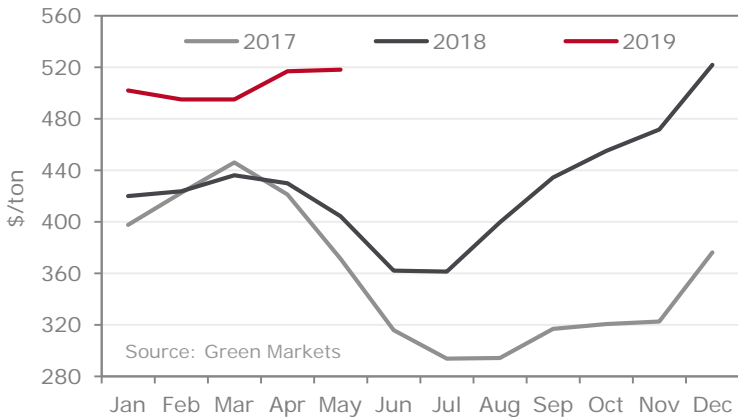
**Repair & Remodel Expenditures (LTM total)**



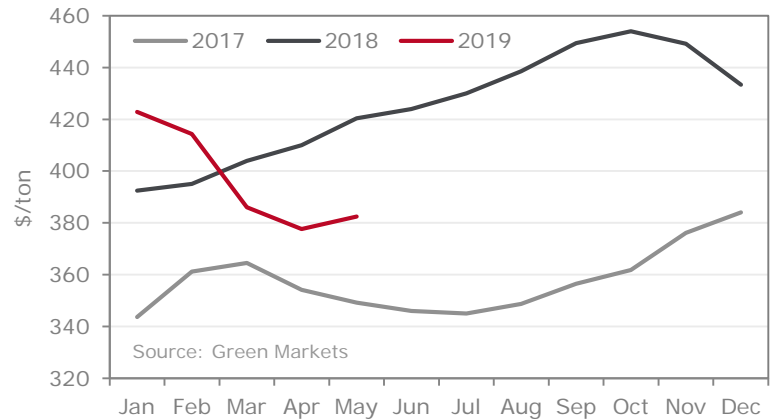
- The Framing Lumber Composite Index of \$342/thousand sq. ft. for May was down 3% from April and down 39% from a year ago, when last year's run up was near its peak. Weakness in housing starts during recent months appears to be keeping lumber prices well below the historic highs seen in the first half of 2018.
- The Structural Panel Composite Index of \$351/thousand sq. ft. for May was down 3% from April, down 37% Y/Y, and was the lowest for any month in more than three years. Relatively low lumber prices and sluggish housing starts are contributing to the lower structural panel prices.
- U.S. housing starts for April were revised higher and now reflect the first Y/Y increase since September. Housing starts of 1.27 million units reported for May were down 5% Y/Y, with single-family homes down 12% Y/Y and multi-family units up 14%.
- 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:** Urea and UAN prices jumped in early May as high waters limited river movement. DAP prices saw mild support from the transportation issues, while ammonia and potash were stable as wet weather slowed planting. Diesel and gas prices rose, but were slightly below last year.

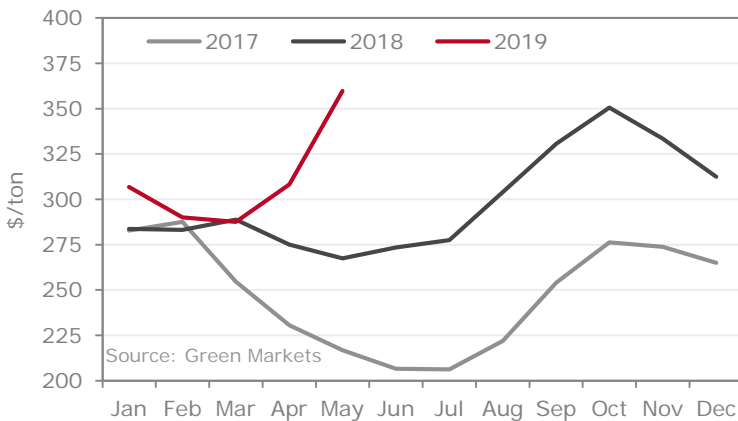
**Ammonia**



**DAP**



**Urea**



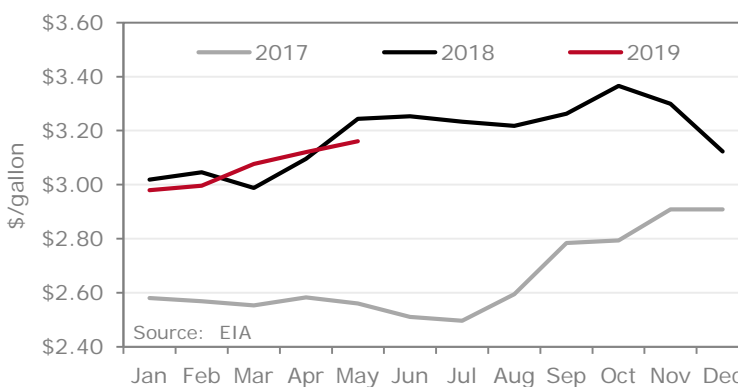
**Potash**



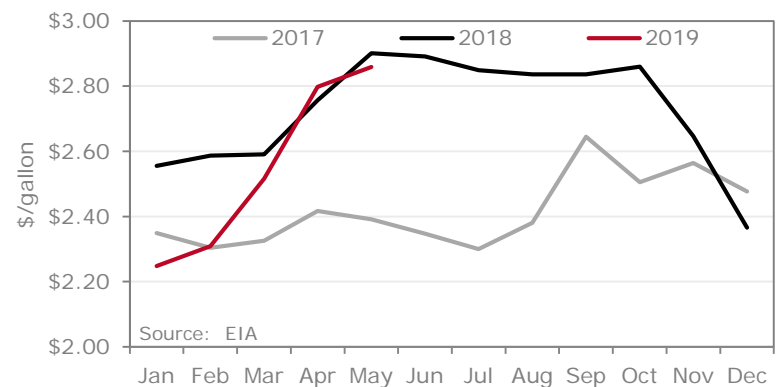
- Ammonia prices in the Corn Belt averaged \$518/ton in May, which was nearly unchanged from April but up 28% Y/Y with suppliers reluctant to reduce prices of existing inventories.
- Urea prices in the Corn Belt averaged \$360/ton in May, up 17% M/M and the highest in nearly 4 years. Prices jumped early in the month as high waters limited upriver movement.

- DAP prices in the Corn Belt averaged \$383/ton in May, which was up 1% M/M but down 9% Y/Y. Tight near-term supplies amid slow river movement were supportive early in the month.
- Potash prices in the Corn Belt averaged \$314/ton during May, unchanged M/M and up 13% Y/Y. Producers have been able to hold prices fairly stable by keeping production close to demand.

**Diesel Fuel Prices**



**Gasoline Prices**

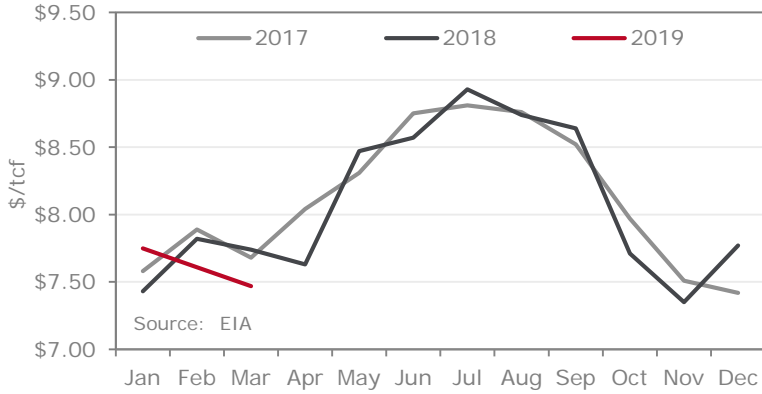


- The U.S. on-highway diesel price averaged \$3.16/gallon in May. This was up 4 cents (1%) from April despite lower WTI crude oil futures, but was down 8 cents from May 2018.

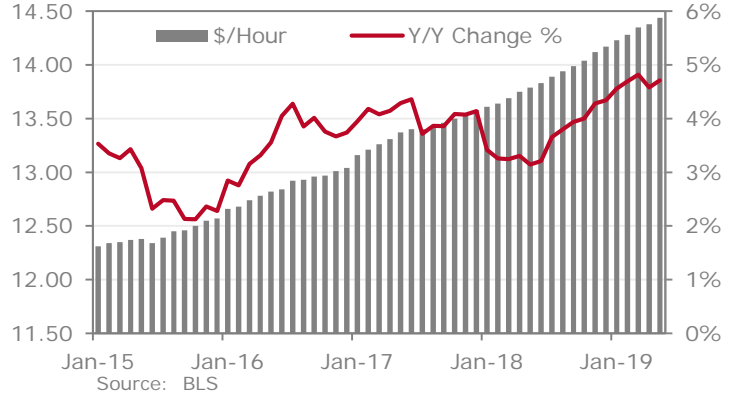
- Retail U.S. gasoline prices averaged \$2.86/gallon during May. This was up 6 cents (2%) from April with the summer driving season getting underway, and was down 4 cents (1%) Y/Y.

**Energy and Labor:** Brent crude oil spot prices averaged \$71 per barrel (b) in May, largely unchanged from April 2019 and almost \$6/b lower than the price in May of last year.

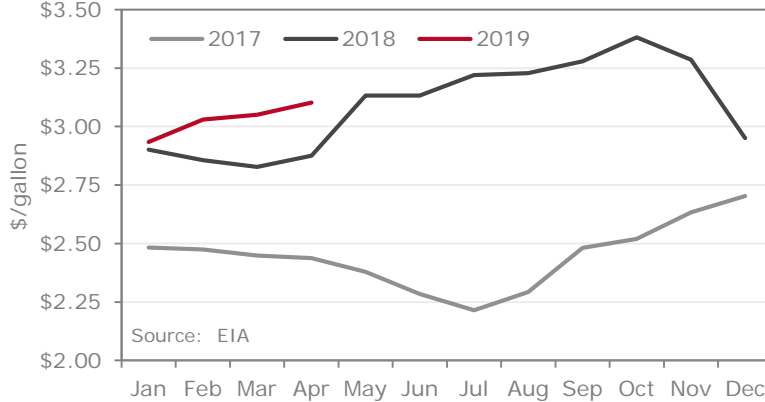
**Natural Gas Retail Prices**



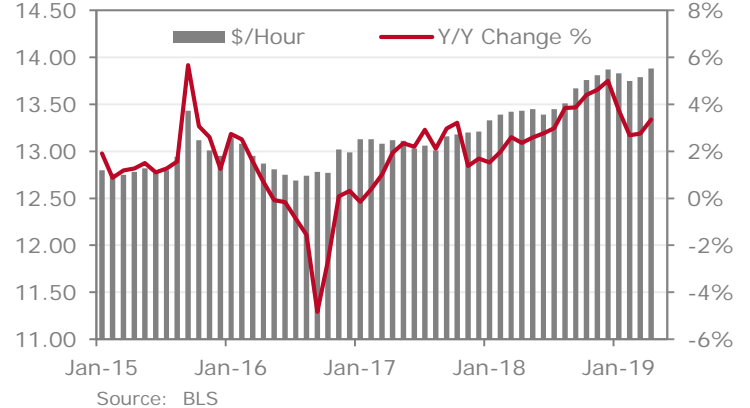
**Restaurant Hourly Earnings**



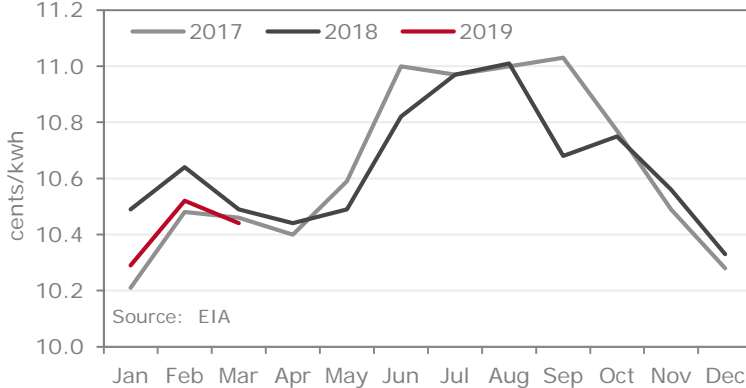
**Heating Oil Retail Prices**



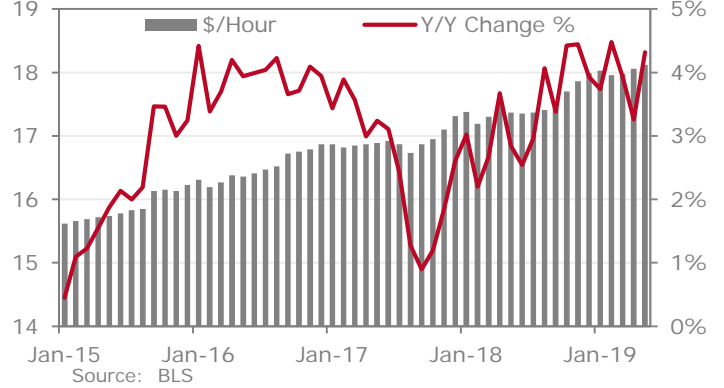
**Supermarket Hourly Earnings**



**Commercial Electricity Prices**



**Food Manufacturing Hourly Earnings**



- The U.S. average retail price for natural gas of \$7.47/Mcf in March was down 2% from February and down 3% Y/Y.
- The U.S. average heating oil retail price of \$3.10/gallon in April was up 2% from March.
- The U.S. average retail of \$10.44 per c/kWh in March, down 1% from February.

- The restaurant labor increased 4.7% Y/Y in May and was up 0.4% M/M.
- The supermarket labor index 3-month moving average decreased to 2.9% in April.
- The food manufacturing labor index for May was up 4.3%, Y/Y.

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