



Weekly Commodity Report June 24, 2016

Headlines that Impact the Market

The vote this past week to take Great Britain out of the European Union shocked world markets and has created havoc in nearly all markets. We believe the following points are important to consider when making market decisions in coming days and weeks:

- It is unlikely Britain's departure from the European Union will evolve into a crisis similar to the collapse of Lehman Brothers in 2008. However, a long period of anxiety and confusion should be expected as the European Union represents the largest economy in the world.
- Britain is one of the largest financial centers in the world. Money can be expected to migrate toward more stable economies, such as the US. This should result in a stronger dollar for some time, making US exports less competitive in world markets.
- Britain's surprising vote indicates the growing strength of populist sentiment in global democracies. The desire for national identity, fear of immigration and distrust of globalization are growing. Over the longer term, this should lead to trade agreement challenges and a slowing of global trade.

Although it will be two years before Britain is completely separated from the European Union, this watershed event should result in an immediate reduction in new investment and a slowdown of global growth.

Sugar/Sweeteners

The U.S. sugar beet crop is progressing nicely and with normal weather this season we could see record production. Beet processors are still struggling to get sugar sold for the balance of 2016 and prices remain under pressure. The June USDA supply/demand report raised sugar ending stocks for both the old crop and new crop seasons by increasing both raw production and total import projections. The USDA raised the raw sugar import quota in May, requested more sugar from Mexico and shuffled the domestic beet and cane marketing allotments. The net result is an increase to the 2015/2016 sugar supply of nearly 200,000 short tons.

Global sugar prices continue to see underlying support coming from a general consensus in the trade that after five years of surpluses, global consumption is going to outstrip production for at least the next two years.

India, the world's second largest sugar producer, may be a net importer this season as it's top producing state of Maharashtra has lost as much as 40% of it's production due to drought over the last year. Thailand has also been affected.

| | 6/24 | 6/17 | 6/10 | 6/3 |
|---------------------------|---------|---------|---------|---------|
| Midwest Beet (No Freight) | \$31.00 | \$31.00 | \$31.00 | \$31.00 |
| Midwest Cane (No Freight) | \$36.00 | \$36.00 | \$36.00 | \$36.00 |



Bulk Sugar, No Freight (\$/cwt)



Corn

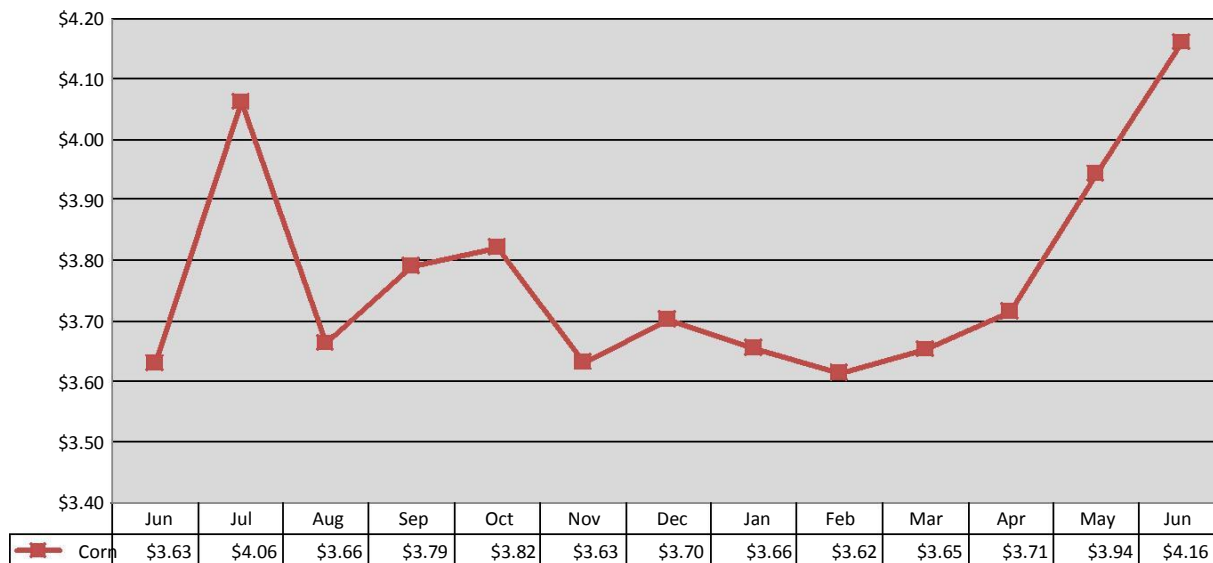
A much-improved weather outlook for the Corn Belt pummeled corn prices. The bearish slump accelerated at week’s end due to the United Kingdom's vote to exit the European Union as equity and commodity markets swooned while the U.S. dollar soared. The USDA will release U.S. June 1 grain stocks and U.S. planted acreage estimates on June 30. The average trade estimate for corn stocks is 4.528 billion bushels, up from June 2015 total of 4.453. The trade average estimate for U.S. corn planted acres is 92.9 million vs the USDA March estimate of 93.6 million and last year’s acreage of 88 million. As of June 1, there were 68.4 million hogs and pigs on U.S. farms, up 2 percent from June 2015, and up 1 percent from March 1, 2016, according to the Quarterly Hogs and Pigs report published by the U.S. Department of Agriculture’s National Agricultural Statistics Service (NASS). The U.S. 2016 corn crop rating was 75% good/excellent, unchanged from last week, up from 71% last year and the five-year average of 67%. The best ratings continue to be in the western Corn Belt. This year’s rating is the sixth highest of the past 30 years.

Argentine Ag Minister said he expects corn acreage for next year’s crop to rise 20% from this year and should increase production significantly from this year.

| | 6/24 | 6/17 | 6/10 | 6/3 |
|--------------|--------|--------|--------|--------|
| Corn (\$/bu) | \$3.85 | \$4.38 | \$4.23 | \$4.18 |



Corn (\$/bu)

**Oil/Shortening**

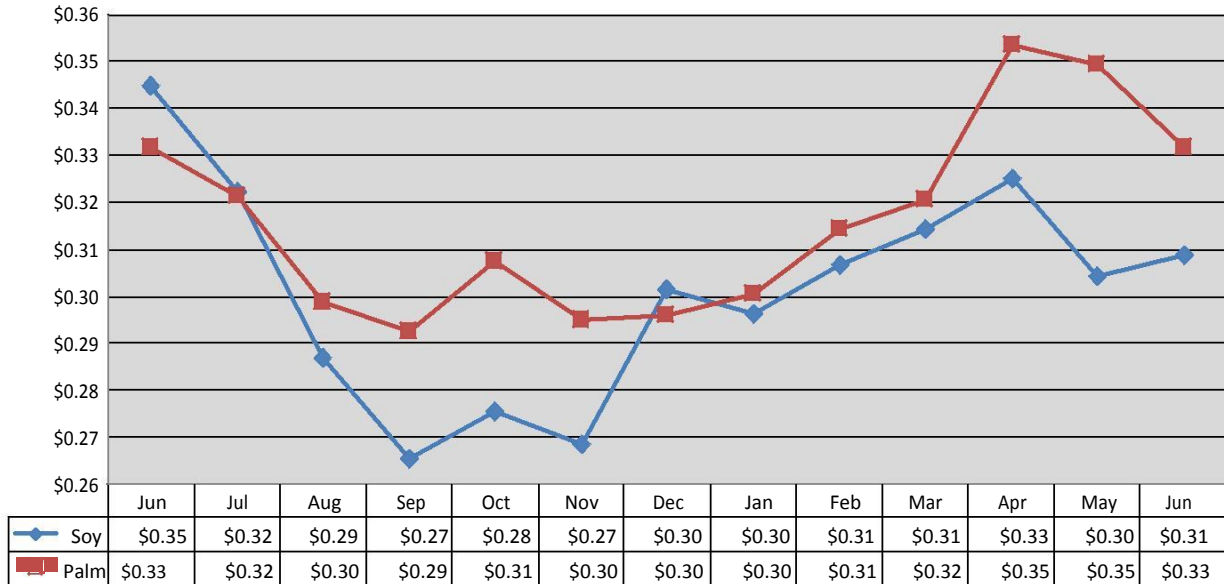
The July soybean oil contract closed at \$.3099 down 94 points for the week. The July soybeans closed down 56 1/2 cents at \$11.03 while the July soybean meal closed at \$375.60 down \$31.80 per ton. Sharply lower palm oil prices and a break back below \$50 per barrel in the crude oil market helped to keep pressure on the soybean oil. The soybean complex finished lower as improving weather forecasts drove a significant amount of profit taking throughout the week. Heavy losses in the soybean meal market drove unwinding of meal/oil spreads and oil's share of product value was able to post modest gains for the week as a result. The flat price of soybean oil did not fare as well however as sinking palm oil, sharply lower canola seed futures and the Friday combo of a sharply higher U.S. dollar/sharply lower crude oil market (BREXIT) all conspired to keep pressure on the market. The U.S. soybean crop is currently rated at 73% good to excellent, down from 74% last week but still well above the five year average of 64%. The current rating number remains the second highest in the past thirty years for this point in the season. Soybean planting is 96% complete compared to the five year average of 93%. Next Thursday's USDA stocks and acreage report will be a critical one for the soybean complex. Average trade estimates are calling for soybean acreage to be up anywhere from 1.5 to 2.5 million acres from their March report. A number outside of that range could easily drive a sharp price reaction in the market.

The Argentine Agricultural Minister revised his soybean crop estimate slightly higher to 58.0 million metric tonnes. This is a significant improvement from some of the earlier doom and gloom numbers near 55.0 MMT after the flooding down there. The news helped to keep pressure on the soybean market late in the week. Palm oil prices hit 6 month lows this week and the futures market has lost almost 10% of its value so far during the month of June. Rising production after the El' Nino weather event, poor exports after the Ramadan stocks build and a stronger Malaysian currency have all combined to push prices lower. The canola seed market has fallen sharply over the last ten days on liquidation tied to estimates for next weeks Statistics Canada report. The average estimate calls for a 4% increase in canola acreage to just over 20 million acres versus their April report. If this is the case and they can achieve trendline yields, their ending stocks situation will not be nearly as tight as is currently forecast.



| | 6/24 | 6/17 | 6/10 | 6/3 |
|---------------------------|----------|----------|----------|----------|
| Soybean Oil (fob Decatur) | \$0.3000 | \$0.3100 | \$0.3175 | \$0.3075 |
| Canola Oil (fob Midwest) | \$0.3400 | \$0.3550 | \$0.3650 | \$0.3575 |
| Palm Oil (fob dock) | \$0.3250 | \$0.3250 | \$0.3350 | \$0.3425 |
| Lard (fob Chicago) | \$0.3300 | \$0.3300 | \$0.3200 | \$0.3200 |

Soybean & Palm Oil (\$/lb)



Dairy

Butter prices finished the week marginally lower, despite butter production trending lower as cream supplies are tightening up across the U.S. Demand for butter remains strong, but inventories are very comfortable with the U.S. still nowhere near competitive into the global export market. NASS reported January through April 2016 butter production at 708.2 million pounds, up 6.9% over the same period last year.

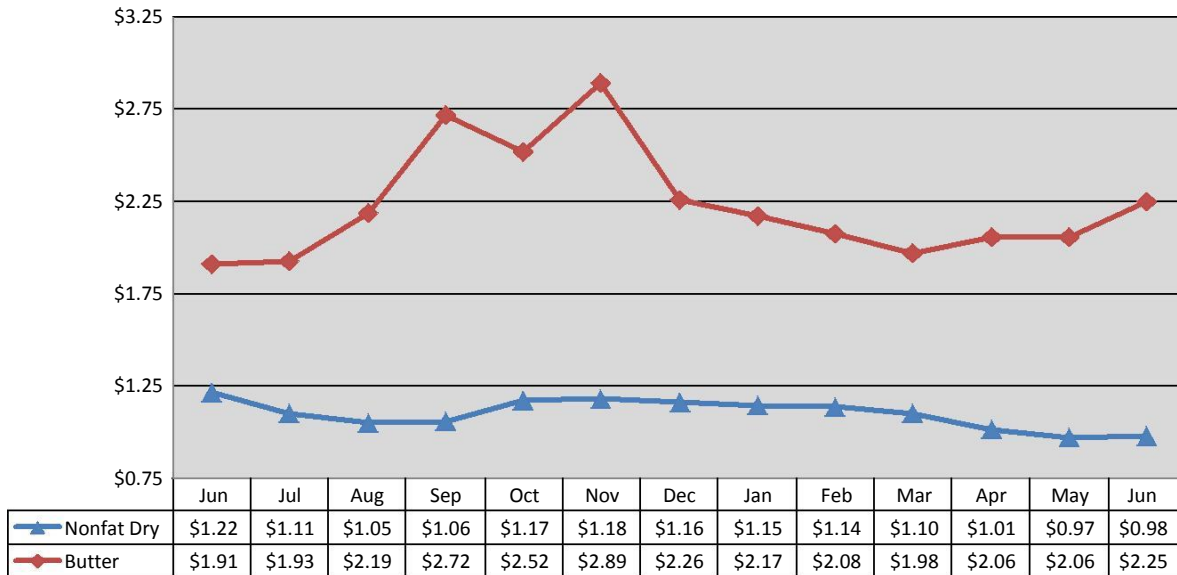
Class III milk futures have rallied over 20% through the month of June as buying entered the market on fears that warmer than normal summer temperatures will reduce production more than already anticipated. The smaller amount of production, and the large demand pull from the frozen desert and ice cream producers has tightened the cream market up substantially.

FOOD PRODUCTS, INC.

| | 6/24 | 6/17 | 6/10 | 6/3 |
|---------------------------|--------|--------|--------|--------|
| Cash Butter (TL/No Frt.) | \$2.35 | \$2.37 | \$2.20 | \$2.10 |
| Nonfat Dry Milk (Hi Heat) | \$0.98 | \$0.98 | \$0.98 | \$0.98 |
| Dry Buttermilk | \$0.85 | \$0.80 | \$0.81 | \$0.78 |
| Whey Powder | \$0.28 | \$0.28 | \$0.27 | \$0.27 |



Dairy Prices (\$/lb)

Wheat/Oats

The July K.C. wheat futures contract closed at \$4.22 3/4, down 38 cents for the week. The Chicago and Minneapolis July futures contracts closed down 26 1/2 cents and down 20 cents at \$4.54 3/4 and \$5.19 3/4 respectively. Wheat prices moved significantly lower this week, following the lead of the corn market which tumbled sharply on improving weather forecasts as that crop heads into its critical pollination phase. The July K.C. wheat contract traded down to \$4.18 this week, the lowest level for a spot contract since April of 2006. The winter wheat harvest is likely to be over 50% complete by the end of next week and BIG yield numbers continue to roll in. Weekly wheat export sales for 2016/2017 were reported at 463,000 tonnes, in line with the range of expectations between 400,000 and 600,000 tonnes.

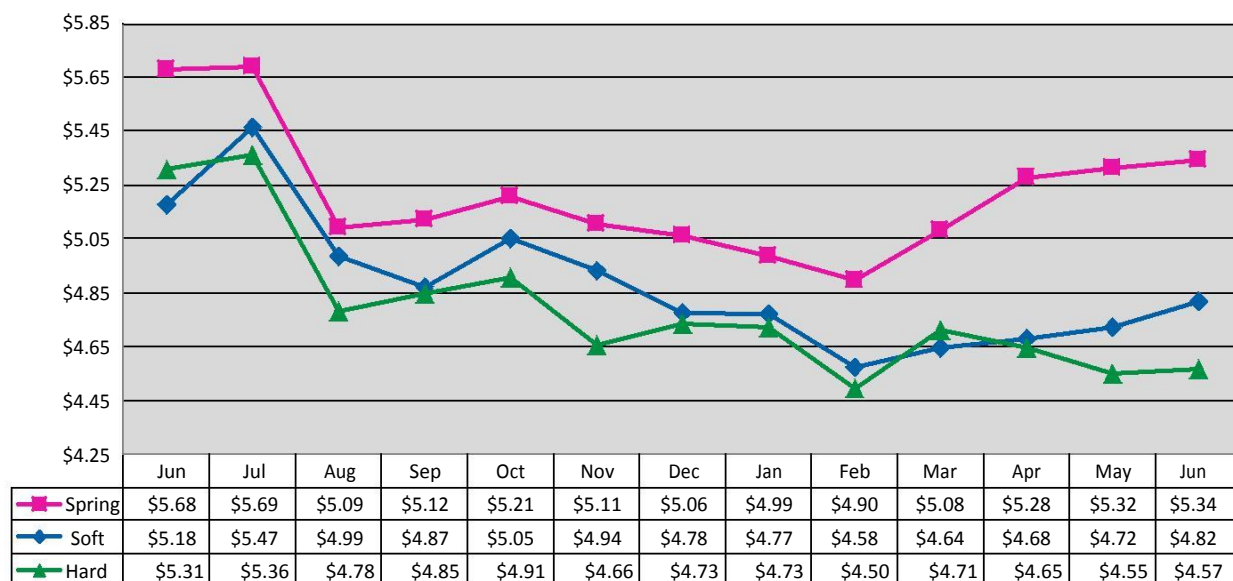
In its weekly crop progress report, the USDA rated the winter wheat crop at 61% good to excellent, unchanged from last week but still up from 41% last year. The number remained well above the five year average of 38% good to excellent. The harvest was 25% complete compared to 11% last week and the five year average of 28%. The U.S. Spring wheat crop was rated at 76% good to excellent, down from 79% last week but still up from 71% last year.

The Canadian wheat crop could be as high as 30.0 million metric tonnes this year given the recent beneficial rains. The USDA used 28.5 MMT for Canada on their June report. Export prices in Russia continued to slide as exporters prepare for another bumper crop there. Total Russian wheat production is expected to top 64.5 million metric tonnes compared to 61.0 MMT last year. This does not bode well for future U.S. export business.



| | 6/24 | 6/17 | 6/10 | 6/3 |
|--------------|--------|--------|--------|--------|
| Soft Wheat | \$4.55 | \$4.81 | \$4.95 | \$4.97 |
| Spring Wheat | \$5.18 | \$5.40 | \$5.39 | \$5.40 |
| Kansas Wheat | \$4.23 | \$4.61 | \$4.69 | \$4.74 |
| Oats | \$2.09 | \$2.08 | \$2.02 | \$1.88 |

Wheat Future Prices (\$/bu)



Flour

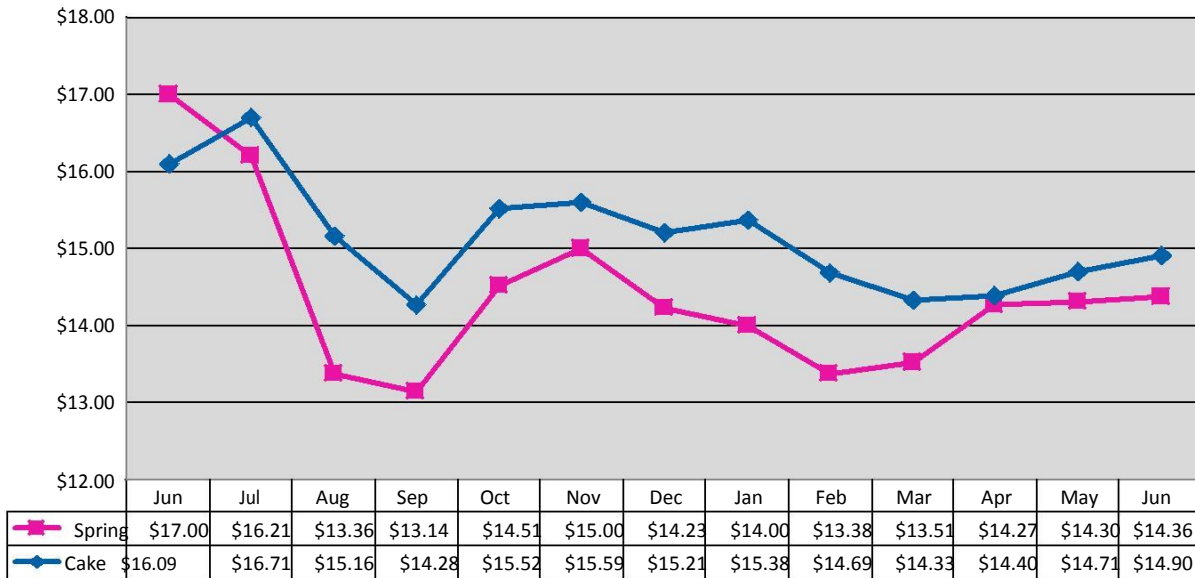
Flour prices across the main three varieties were all lower to finish the week. KC futures contracts set new contract lows as harvest pace was roughly 25% complete on June 19th, and last weeks weather allowed the combines to plenty more progress. All of the yield and protein reports continue to point to a very low protein crop with very strong yields. This is very apparent in current basis offers, where the 11% protein basis quotes are at least 75 cents below the 12% quotes. The Minneapolis basis has seen some support as well, since more blending will likely be needed this year, putting the high protein wheat in higher demand. The recent decline in cash flour prices caused some buyers to go out and fix some gaps in forward coverage, mainly the millfeed component. Forward prices are still not attractive, but the all in flour cost was very attractive to some end users. Coverage is seen around 70% complete for Q3 '16.

FOOD PRODUCTS, INC.

| | 6/24 | 6/17 | 6/10 | 6/3 |
|-----------------|---------|---------|---------|---------|
| Spring Flour | \$13.70 | \$14.65 | \$14.50 | \$14.60 |
| Hi Gluten Flour | \$16.70 | \$17.65 | \$17.50 | \$17.60 |
| Kansas Flour | \$13.35 | \$13.90 | \$14.00 | \$14.30 |
| Cake Flour | \$14.20 | \$14.80 | \$15.20 | \$15.40 |



Bulk Flour (\$/cwt)

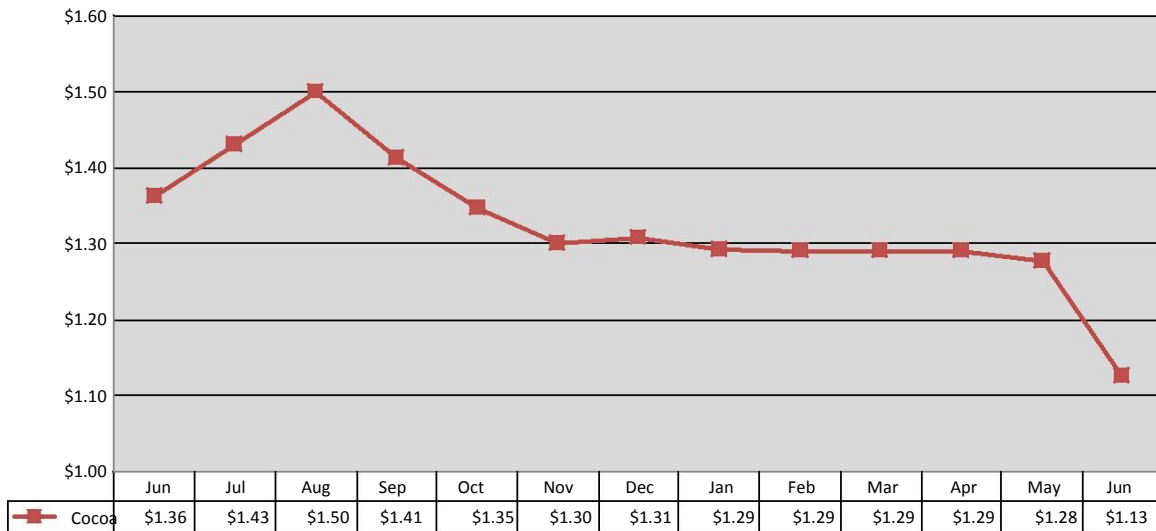


Cocoa

Cocoa futures finished the week slightly lower after posting some new nearby highs on Thursday. After the Brexit vote, prices proceeded to collapse on the dollar strength and potential decline in demand for the commodity. Arrivals at the ports in the Ivory Coast continue to run approximately 11% behind the previous year, hinting at lower production rates so far. .

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Cocoa Powder (\$/lb)

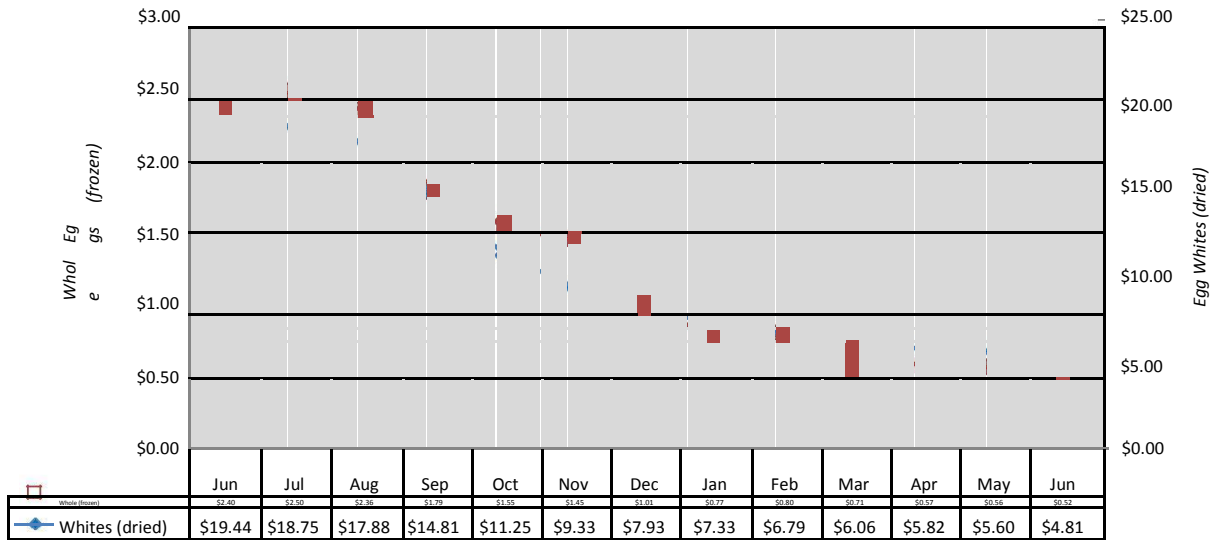


Eggs

News this week was scarce as the market continues to be well supplied with prices at historically low levels. However, the USDA published a report looking at the needed change in supplies in the upcoming years to meet the demands of all the corporations that have committed to becoming cage free in the next 10 years. “Today, fewer than 30 million of the over 300 million laying hens in the U.S. are raised in cage free systems. In other words, less than 10 percent of our egg supply is produced in cage-free systems such as organic, pasture-raised, or indoor cage free systems. To meet buyers’ new commitments, the industry will need to convert over half of their production to cage free systems by 2025.”

| | 6/24 | 6/17 | 6/10 | 6/3 |
|---------------|--------|--------|--------|--------|
| Frozen Whole | \$0.52 | \$0.52 | \$0.52 | \$0.52 |
| Frozen Whites | \$0.52 | \$0.52 | \$0.58 | \$0.64 |
| Frozen Yolks | \$0.95 | \$0.95 | \$0.95 | \$0.95 |
| Dried Whole | \$1.85 | \$1.90 | \$1.95 | \$2.05 |
| Dried Whites | \$4.60 | \$4.75 | \$4.85 | \$5.05 |
| Dried Yolks | \$2.35 | \$2.35 | \$2.30 | \$2.30 |

Eggs (\$/lb)



Energy

(Bloomberg) – Oil capped the biggest two-day drop since February as futures remained volatile after the U.K. last week voted to leave the European Union.

Futures tumbled 2.8 percent in New York, extending Friday's 4.9 percent slump, the biggest drop in four months. The turmoil in financial markets continued as the pound extended its record selloff while demand for haven assets boosted gold and the dollar. Crude may plunge if the shock of Britain's vote comes as output rises, Russian Energy Minister Alexander Novak said.

"A chill has come over the market due to the Brexit vote because it brings with it the prospect of slower economic growth and lower oil demand," said John Kilduff, partner at Again Capital LLC, a New York hedge fund focused on energy. "The dollar is higher, which is putting pressure on commodities as a whole."

Oil capped a second weekly drop on Friday as prices slid with equities after the U.K. voted to quit the EU following more than four decades of membership. Nigeria continues talks to restore oil output lost to rebel attacks while Canada restarts facilities after wildfires. Saudi Arabia, the International Energy Agency and BP Plc all see a balance emerging between supply and demand. Prices are up almost 80 percent from a decade low in February.

West Texas Intermediate for August delivery fell \$1.31 to settle at \$46.33 a barrel on the New York Mercantile Exchange. It's the lowest close since June 16 and caps a 7.5 percent two-day decline. Total volume traded was 20 percent below the 100-day average at 2:51 p.m.

| | 6/24 | 6/17 | 6/10 | 6/3 |
|----------------|--------|--------|--------|--------|
| Natural Gas | \$2.66 | \$2.62 | \$2.56 | \$2.40 |
| Average Diesel | \$2.43 | \$2.43 | \$2.43 | \$2.41 |

Sources: USDA AMS Dairy Market News, USDA AMS Processed Eggs, U.S. Energy Information Administration, Sosland Publishing Company, Reuters News, Dow Jones Newswires, RJ O'Brien, Bloomberg, Prophet X, NASS, USDA WASDE, J Gaines Consulting





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