



Weekly Commodity Report April 20, 2018

Headlines that Impact the Market

No major headlines in the news this week...

Sugar/Sweeteners

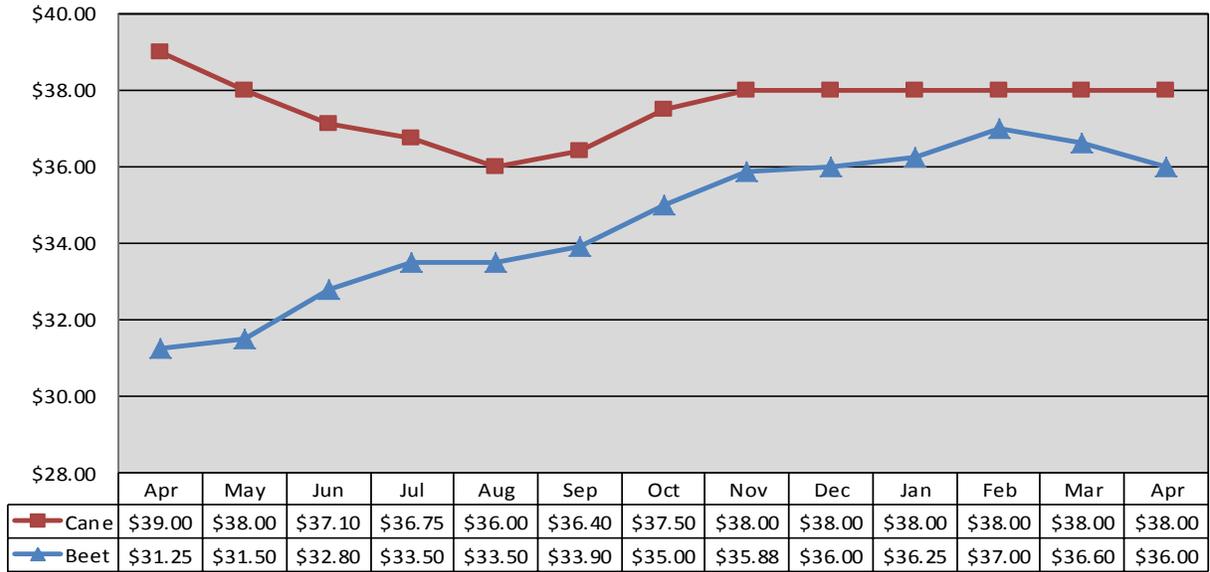
The International Sugar Organization is projecting a global sugar production surplus of 5.15 million metric tonnes in 2017/2018 and a 3.1 MMT surplus for 2018/2019. Global sugar futures continue to decline.

Spot domestic sugar futures have declined 7.5% since the beginning of the year, reflecting increased Mexican sugar imports as we move through the second quarter. Cane processor margins have expanded. Current forward offers for 2018/2019 beet sugar are approximately \$.02 cents per pound below the spot market but trading is still slow. Domestic beet sugar business for the 2017/2018 crop year is mostly complete and processors have very little incentive to discount front end pricing as they are now focused on the new crop balance sheet. Despite near record cane and beet crop production in the U.S. in 2017, current supplies remain relatively tight as demand remains solid. The USDA has projected 2018/2019 domestic beet sugar planting at 1,114,617 million acres, down 1.35% from last year.

	4/20	4/13	4/6	3/29
Midwest Beet (No Freight)	\$36.00	\$36.00	\$36.00	\$36.00
Midwest Cane (No Freight)	\$38.00	\$38.00	\$38.00	\$38.00



Bulk Sugar, No Freight (\$/cwt)



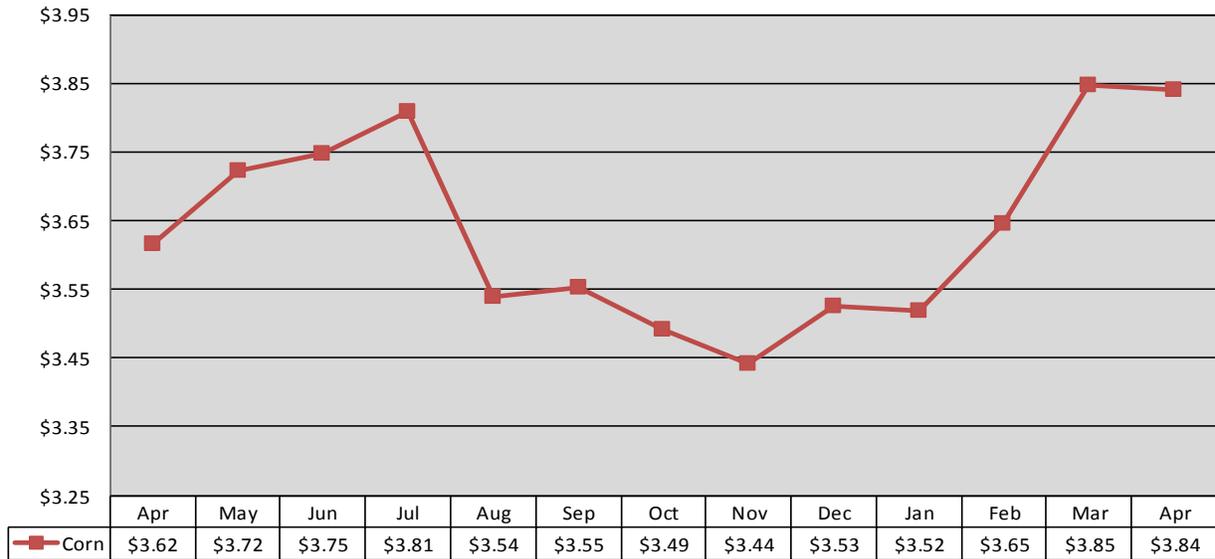
Corn

Corn futures eroded during the week on an improved Corn Belt weather outlook with carryover weakness from lower wheat and soybean futures adding to the bearishness. The 2018 growing season has begun. U.S. corn planting progress was reported by the USDA at 3% complete as of April 15, up 1% from last week but below the 5-year average at 5%. U.S. corn export sales, for the week ended 4/12/18, at 43.0 million bushels were within market expectations of 27 to 47 million bushels, but were up from the previous two weeks' sales of 33.0 and 35.4 million bushels, respectively. Sales were also above last year's same-week sales of 29.8 million. Total commitments of 1.940 billion bushels are now down just 1.5% from last year's 1.971 billion, while the USDA's export estimate reflects a 3.0% decline from last year. U.S. ethanol production decreased in the latest week (-2.5%) compared to the previous week. Production was higher (+1.6%) than last year. U.S. ethanol stocks dropped -2.3% and are -7.2% below last year. Inventories are now 13% below the record highs from early March. U.S. cattle on feed as of April 1 were up 7%, in line with trade expectations. The Commodity Futures Trading Commission weekly report showed that through April 17, funds' net long CBOT corn futures + options contracts decreased from 175,000 contracts to 138,000 contracts; a reduction of 37,000 contracts (21%) from the previous week. The fund long corn position is 95,000 contracts (-41%) below the mid-March peak of 233,000 contracts. The U.S. Department of Agriculture attaché in Ukraine sees Ukraine 2018/19 corn production at 28.6 MMT, up from USDA's 2017/18 estimate of 24.1 MMT. USDA forecasts that in 2017/18 Ukraine will be the world's fourth largest corn exporter. A Reuter's poll showed an average trade guess for South African corn production at 12.75 million tonnes, up from the 12.42 million tonnes the South African government's Crop Estimates Committee forecast in March. USDA is at 13.20 MMT, up from their previous month's projection of 13.00 MMT but below last year's record crop of 17.55 MMT.

	4/20	4/13	4/6	3/29
Corn (\$/bu)	\$3.77	\$3.86	\$3.89	\$3.88



Corn (\$/bu)

**Oil/Shortening**

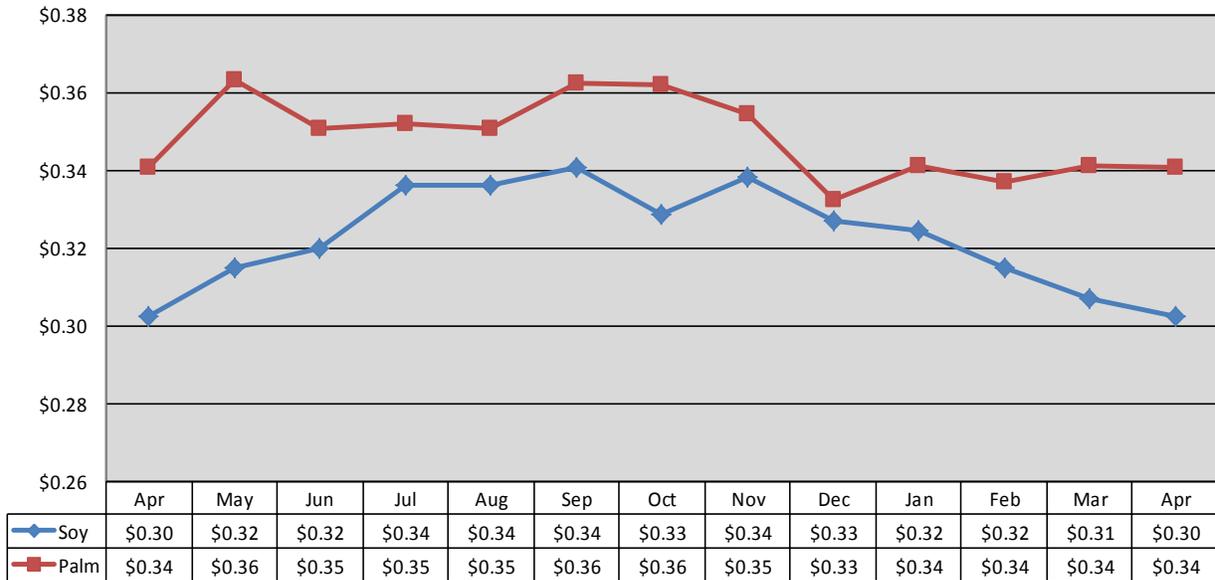
The May soybean oil contract closed at \$.3130 down 18 points for the week. The May soybeans closed down 25 1/2 cents at \$10.28 3/4 while the May soybean meal settled at \$374.10 per ton, down \$8.70 for the week. The soybean complex moved lower this week with all three legs closing in the red. The recent slowdown in soybean export business as well as thoughts of higher bean acreage and ending stocks were the primary drivers behind the weakness. Traders also remain concerned about the lack of Chinese/U.S. negotiations regarding the recent tariff rhetoric coming from both sides. Soybean oil's share of product value posted a modest gain for the week as the soybeans and soybean meal took the brunt of the selling. While domestic soybean oil offtake continues to meet expectations, the market has been unable to gain any upside traction due to several consecutive months of record U.S. crush rates keeping the market well supplied. Crush margins have retreated of late but still remain profitable at levels near \$1.30 per bushel. The May soybean oil futures contract traded in a very narrow 50 point range this week but the market did make a new low for the move just below the \$.3120 level. Speculative traders continue to hold a large net short position in the soybean oil futures, which leaves the market vulnerable to a modest short covering rally. NOPA's March domestic soybean crush estimate was an all time high at 171.8 million bushels and well above the average trade estimate at 168.2 million. End of March soybean oil stocks were pegged at 1.946 billion pounds, up 90 million from February and up from 1.815 billion in March of 2017. Oil yields remain well below last years levels but record crush rates continue to add to stocks. A group of 13 U.S. Senators petitioned the EPA to disclose the names of the companies that were recently granted waivers from complying with bio-fuel laws. This looks like nothing more than additional political posturing as the actual enforcement of the program continues to weaken. Crude oil prices surged up towards the \$70 per barrel level earlier this week, offering some underlying support to the soybean oil futures.

The threat of a large scale railroad strike in Canada put a bid into the canola seed futures market this week where prices traded up to the highest levels since last fall. Canola oil basis levels firmed as well as the potential strike would impact Canada's ability to ship product into the United States.



	4/20	4/13	4/6	3/29
Soybean Oil (fob Decatur)	\$0.3000	\$0.3025	\$0.3050	\$0.3050
Canola Oil (fob Midwest)	\$0.3775	\$0.3750	\$0.3700	\$0.3725
Palm Oil (fob dock)	\$0.3400	\$0.3400	\$0.3425	\$0.3450
Lard (fob Chicago)	\$0.3100	\$0.3275	\$0.3225	\$0.3200

Soybean & Palm Oil (\$/lb)



Dairy

Butter production was steady this past week at elevated levels as prices advanced a few cents by Friday's close. However, some manufacturers were seen selling spot loads of cream back into the market due to abundant inventories and some easing demand. U.S. prices are competitive into international markets, and should keep at least some export business on the books.

Milk production was steady to higher across the vast majority of the U.S. last week, following the typical seasonal spring flush pattern. Only the Southwest saw some reductions in milk intakes due to warmer weather decreasing cow comfort levels. Overall cream supplies are readily available, although demand from ice cream manufacturers has been increasing ahead of the summer season.

	4/20	4/13	4/6	3/29
Cash Butter (TL/No Frt.)	\$2.32	\$2.29	\$2.29	\$2.22
Nonfat Dry Milk (Hi Heat)	\$0.98	\$0.98	\$0.98	\$0.98
Dry Buttermilk	\$0.79	\$0.77	\$0.77	\$0.78
Whey Powder	\$0.28	\$0.27	\$0.27	\$0.27



Dairy Prices (\$/lb)

Wheat/Oats

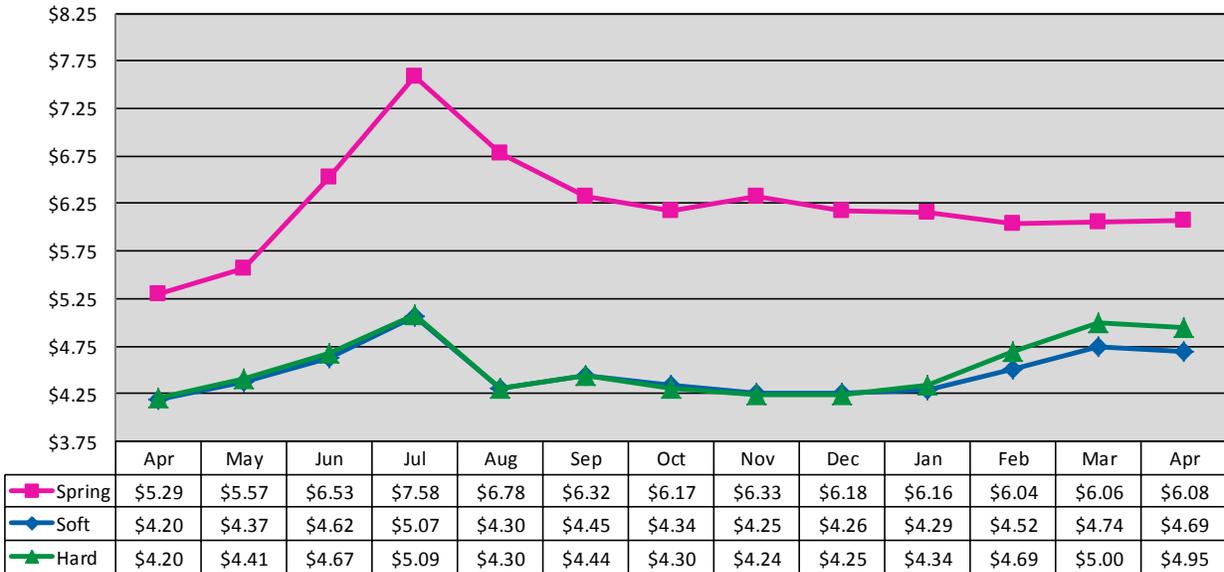
The May K.C. wheat futures contract closed at \$4.82 3/4 down 13 cents for the week. The May Chicago and Minneapolis futures contracts closed down 9 cents and down 17 cents at \$4.63 1/4 and \$6.00 respectively. The wheat markets finished the week lower at all three exchanges as weather forecasts continue to dominate short term price direction. There are still some decent rains in the forecast for the southern plains winter wheat areas and forecasts for moderating conditions in the north are providing some hope that the spring wheat planting can start to make some solid progress. The May K.C. wheat futures dipped below the \$4.80 level on Monday but were able to uncover some new buying as winter wheat crop prospects remain uncertain. Monday's crop conditions update showed the U.S. winter wheat crop rated at 31% good to excellent, up from 30% last week and compared to 54% last year and the five year average of 44%. The poor to very poor category was raised 2% to 37% compared to 13% last year and the five year average of 24%. U.S. Spring wheat planting was reported at 3% complete, up from 2% last week and compared to 12% a year ago and 15% as the five year average. Durum wheat prices were unchanged this week at \$7.95 per bushel fob Minneapolis for Q2 shipment. Trading was very light but for an Algerian tender. Weekly wheat export sales were reported at a negative 67,700 tonnes (net cancellations). The number was well below the range of trade expectations between 150,000 and 350,000 tonnes.

Statistics Canada will release its Principal Field Crop Areas report on Friday, April 27. CNS Canada released a range of trade estimates for 2018 Canada oat planted acres. The range of estimates for oats was 3.0 to 3.4 million acres vs. the 3.2 million planted in 2017.



	4/20	4/13	4/6	3/29
Soft Wheat	\$4.63	\$4.73	\$4.72	\$4.51
Spring Wheat	\$6.00	\$6.17	\$6.07	\$5.79
Kansas Wheat	\$4.83	\$4.96	\$5.07	\$4.67
Oats	\$2.33	\$2.34	\$2.33	\$2.25

Wheat Future Prices (\$/bu)



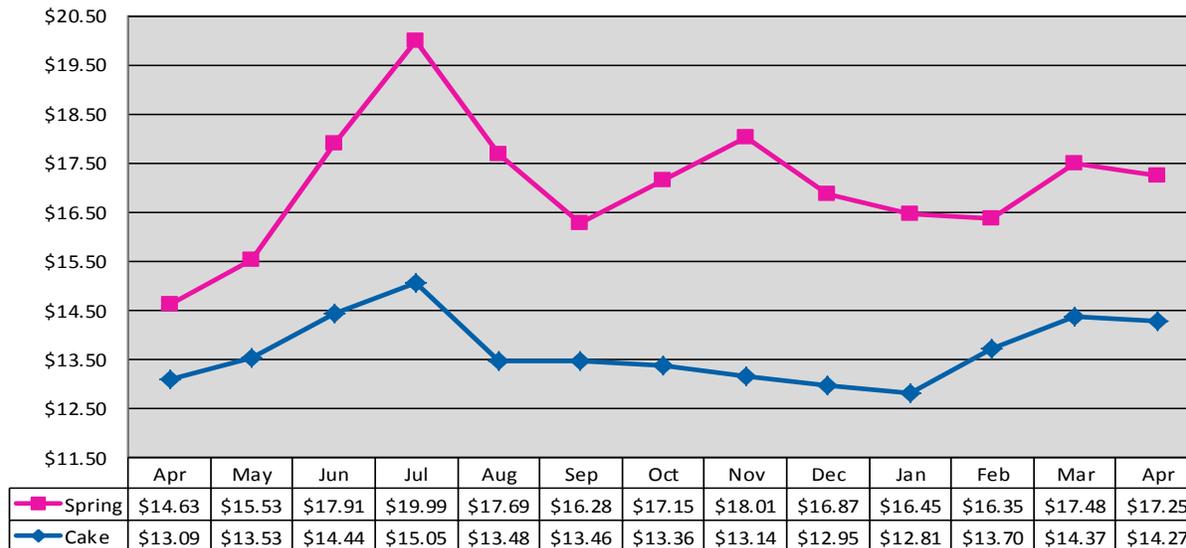
Flour

Bookings of flour this past week was rather limited, with most business focused on finishing out their Q2 component needs and is essentially finished now. Q3 inquiries were active, but not much actual orders were filled. Spring grade flour coverage was the most extensive for July – September, since that volume likely will be from the 2017 crop and is already in the bins. Forward winter wheat business is a little lighter as the market is still unsure of 2018 implications. Since winter wheat is harvested earlier than spring wheat, millers will have to deal with the old/new crop blending during the Q3 period. Also, the lofty basis offers for HRW have kept some end users away from the market. Current quotes are +\$1.41 over the KC May futures, vs. +\$0.55 a year earlier.

	4/20	4/13	4/6	3/29
Spring Flour	\$17.05	\$17.45	\$17.25	\$16.95
Hi Gluten Flour	\$20.05	\$20.45	\$20.25	\$19.95
Kansas Flour	\$15.45	\$15.75	\$15.95	\$15.25
Cake Flour	\$13.80	\$14.35	\$14.65	\$14.05



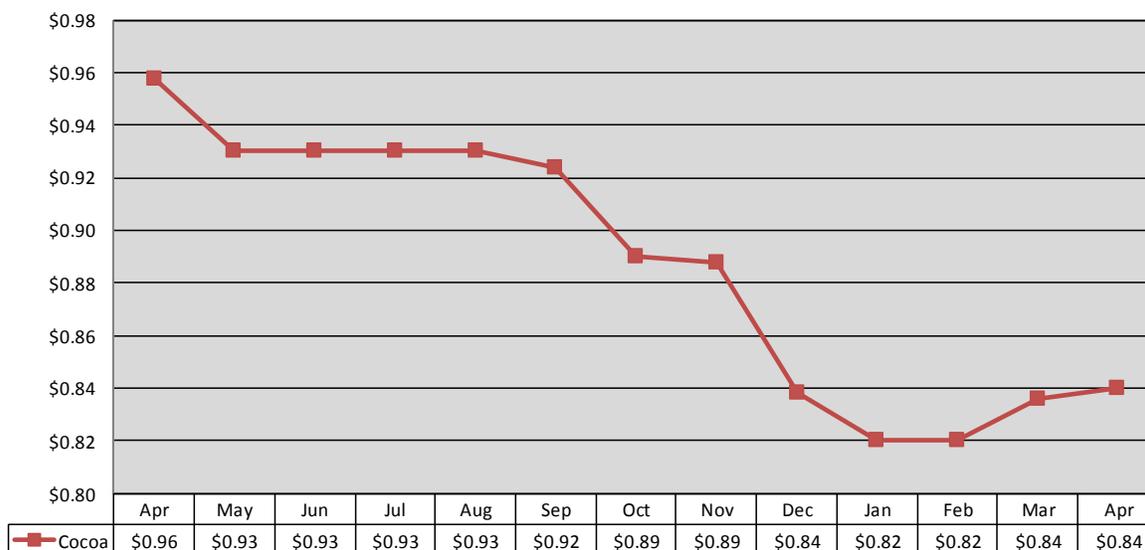
Bulk Flour (\$/cwt)



Cocoa

Nearby cocoa prices were sharply higher this last week, rallying more than 7% by Friday’s close. Lower than expected Q1 North American grind numbers put some pressure on prices Friday, but larger than expected Q1 grind data from the EU and Asia earlier in the week kept prices supported. Also, adding some more fuel to the rally was Barry Callebaut reporting a 2.5% yoy increase in chocolate sales from August – January.

Cocoa Powder (\$/lb)

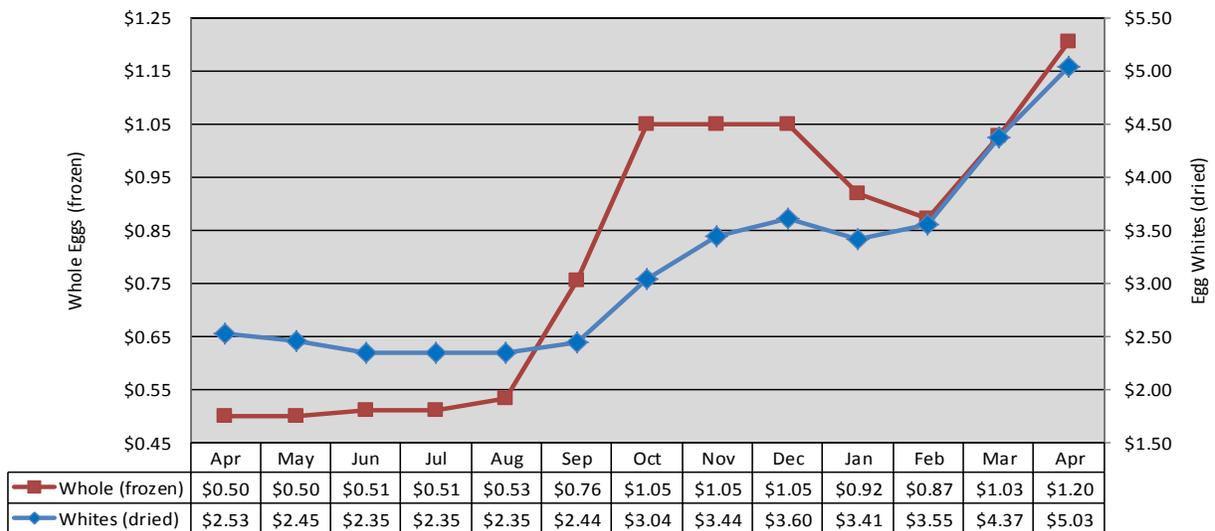


Eggs

Shell egg prices stabilized last week after declining non-stop since the Easter holiday. Less retail demand has allowed stocks to rebuild as there are fewer promotional events outside of the “everyday low price” advertisements. The stabilization was also seen in the breaking stock values, which kept processed egg prices working sideways to lower across most of the products. Production still appears to be more than enough to satisfy current needs and remains near last years levels.

	4/20	4/13	4/6	3/29
Frozen Whole	\$1.17	\$1.20	\$1.24	\$1.20
Frozen Whites	\$1.10	\$1.10	\$1.10	\$1.10
Frozen Yolks	\$1.35	\$1.35	\$1.35	\$1.35
Dried Whole	\$3.55	\$3.55	\$3.60	\$3.55
Dried Whites	\$5.10	\$5.00	\$5.00	\$5.05
Dried Yolks	\$3.55	\$3.55	\$3.60	\$3.60

Eggs (\$/lb)



Energy

(Reuters) – Oil prices rebounded from an early slide to finish higher and strengthen further in post-settlement trade, as investors feared U.S. sanctions could dampen Iran’s output.

“It’s tweet by tweet,” said Phil Flynn, analyst at Price Futures Group, saying the market is swinging in response to posturing from the United States and OPEC members.

Oil prices tumbled early on fears that oversupply could return. Iran’s oil minister Bijan Zanganeh said there would be no need to extend a pact between the Organization of the Petroleum Exporting Countries and non-OPEC producers if oil prices strengthened, the ministry’s official website SHANA reported.

Flynn said the market recovered on conviction U.S. sanctions could dampen Iran’s output, even if the nation produces above its OPEC quota.

Also supporting prices, energy information provider Genscape showed a decline in inventories at the Cushing, Oklahoma storage hub for U.S. crude.

Brent crude futures settled up 65 cents, or 0.9 percent, to \$74.71 a barrel, after falling as low as \$73.13. U.S. West Texas Intermediate crude futures rose 24 cents to \$68.64 a barrel, rebounding from a session low of \$67.14. The difference between the two benchmarks was at its widest since Jan. 8..

In post-settlement trading, Brent kept edging higher to \$75.08 a barrel.

Since early 2017, OPEC, Russia and other non-OPEC crude producers have curbed output to reduce a global oil glut. The pact runs until the end of 2018.

	4/20	4/13	4/6	3/29
Natural Gas	\$2.74	\$2.74	\$2.70	\$2.73
Average Diesel	\$3.13	\$3.10	\$3.04	\$3.04

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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