

## Growmark Inc.

### Energy Market Update September 28, 2016

#### NYMEX Prices

	Close	Wk. Change
November Crude Oil	\$46.79	+\$1.45
October Gasoline	\$1.4700	+\$0.071
October Heating Oil	\$1.4779	\$ +0.0489
October Natural Gas	\$3.952	\$ -0.107

#### **Market Comments: Energies wrapped up strong on Wednesday afternoon.**

It proved to be a volatile day in the energy markets as prices were initially firm on expectations of a bullish DOE report. This did not materialize, so prices drifted lower at mid-morning. However, going into the close prices were spurred sharply high on news that OPEC reached an agreement to limit production.

	Crude				Gasoline				Distillate Fuel			
	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.
DOE	-1.882	502.7	362	376	+2.027	227.2	208	212	-1.915	163.1	126	133
EST.	+3.500/-1.840				+1.500/-4.500				+3.985/-1.500			
Propane	Total 103.3 +1.6				Midwest 29.0 -.3				Gulf 62.8 +1.8			
API's	<b>Crude -0.752 Cushing - 0.832</b>				<b>Gasoline -3.70</b>				<b>Distillates -0.343</b>			

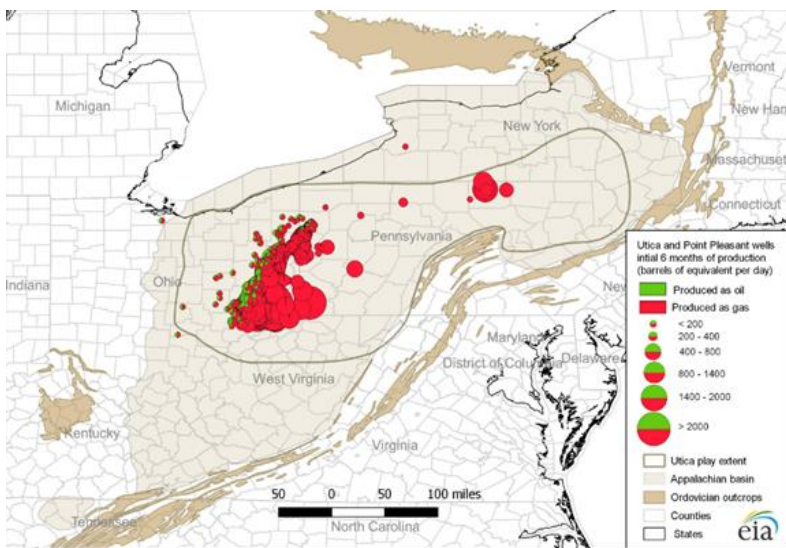
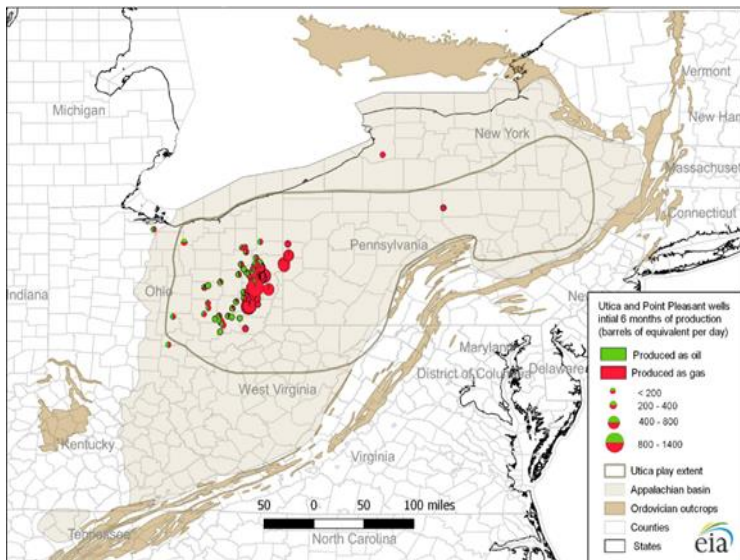
The weekly crop progress report indicated corn harvest is 15 percent complete vs. the average of 19 percent. In addition, soybean harvest was pegged at 10 percent vs. the five year average of 13 percent.

The USDA will release the grains stocks report on Friday, September 30<sup>th</sup>.

**Goldman Sachs on Tuesday slashed its oil forecast for the rest of 2016**, warning that supplies will continue to outstrip demand regardless of what happens in Algiers this week. They lowered their WTI crude oil forecast for the fourth quarter to \$43 barrel from \$50 previously.

**Members of OPEC won't reach a deal to curb output during talks this week**, but could cut production when they meet in November, according to Saudi Arabia's energy minister.

**The 8 to 14 day weather forecast for much of the Midwest is calling for above normal temperatures**, but it looks like precipitation could be above normal as well, which would not be ideal for further harvest progress.

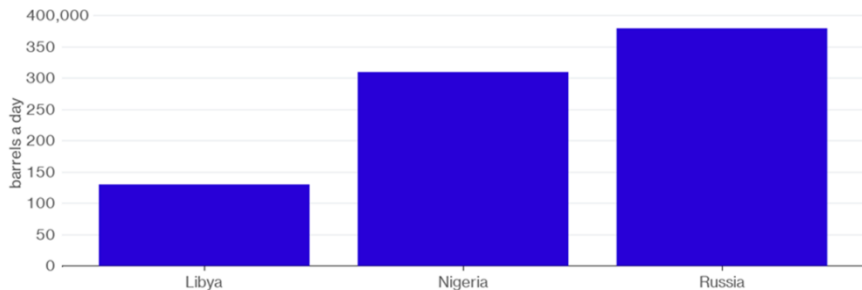


**The picture on the left shows production of oil and natural gas in the Appalachian Basin's Utica play in 2012 and the picture on the right shows production in 2016. Only 104 wells**

in the Utica play produced oil or natural gas in 2012. Utica play produces a mixture of oil and natural gas, recent development in the Utica has focused on natural gas. The growth of natural gas production has come from increases in drilling efficiency.

### With No OPEC Freeze, Glut Only Grows

Libya, Nigeria, Russia adding more than 800,000 b/d this month



Source: national oil ministries

Bloomberg

The societal effect of lower oil prices has been well documented in Venezuela, but the Wall Street Journal had an interesting article detailing the crimp that low oil prices have put on the middle class in Saudi Arabia. Subsidies for fuel, electricity and water were heavily cut last December, and more cuts are expected in public wages, as well as the introduction

of taxes. Nearly two-thirds of Saudi workers are employed by the government, and their 4% inflation has already been taking a toll on wages. Up to one-fifth of the work force is subject to cuts; overtime and bonuses are thought to be a thing of the past. Analysts say that Saudi Arabia needs oil to be about \$70/barrel in order to forestall some of these new plans. Discontent is starting to spread among Saudi nationals.

Total weekly exports topped 5.7 million barrels/day or 37% more than the prior week. Jet fuel exports came in at 187,000 b/d, their 2<sup>nd</sup> highest number ever, just behind 200,000 b/d the first week of the change. The smallest percentage gain of crude oil and the four products represented above is the distillate fuels at 6.5% higher compared to a year ago.