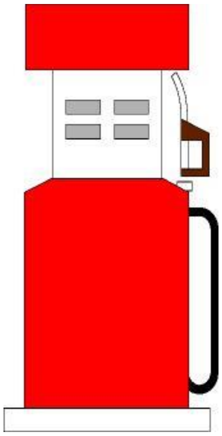


Ag Land FS, Inc.

Energy Market Update February 1, 2017

NYMEX Prices

	Close	Wk. Change
March Crude Oil	$53.88	$+1.13
March Gasoline	$1.5791	$+0.0553
March Heating Oil	$1.6740	$+0.0626
March Natural Gas	$3.168	$ -0.164

Market Comments:

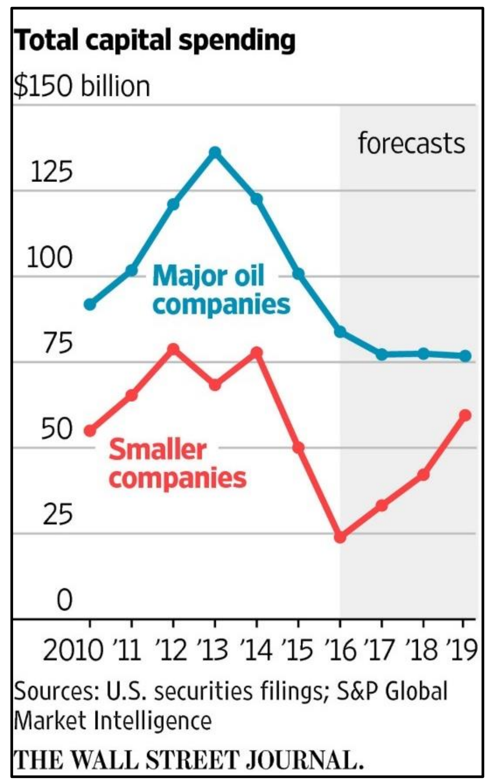
Oil futures held on to gains throughout the day and surged just prior to the close. Traders looked past the DOE Inventory Report and focused their attention on OPEC's efforts to bring supply and demand into balance. Research firm, JBC Energy said OPEC has reduced output by just over 1 million barrels a day, or 88% of the pledged cuts, signaling that the cartel is following through on its plans to cut. U.S. crude stocks rose by 6.5 million barrels last week, while gasoline and diesel stocks also climbed, 3.9 and 1.6 million barrels respectively (see chart below). Propane stocks showed another massive draw this week, falling by 5.6 million barrels, despite above average temperatures across most of the country, exports are alive and well! Propane spot prices traded 7-8 cents higher on the news, a huge one-day move!

Aside from the inventory reports, traders were watching news out of the Federal Reserve where they concluded a two-day policy meeting this afternoon. The Federal Reserve held the line on interest rates at its meeting this week, though it did give a nod to growing optimism in the U.S. business climate. "Measures of consumer and business sentiment have improved of late," the committee said Wednesday. The Fed had raised its benchmark interest rate by 0.25% in December, only the second increase in a decade. The dollar and US stock markets were little changed on the Fed's announcement, as investors had widely expected rates to be left unchanged. By the Fed's next meeting in mid-March, more details should be known about Republican plans for taxes and infrastructure spending, analysts said. In addition, there will be more information on whether the surge in business and consumer sentiment mentioned in the statement translates into actual improvement in the economy.

	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	**+6.50**	**494.8**	453	416	**+3.9**	**257.1**	208	205	**+1.6**	**170.7**	143	134
EST.	+4.500 / -3.000				+5.400 / -3.000				+2.150 / -2.000			
Propane	Total 62.6 -5.6				Midwest 16.3 -1.2				Gulf 38.2 -4.0			
API's	**Crude +5.830 Cushing -0.906**				**Gasoline +2.860**				**Distillates +2.270**			

The charts in the energy complex have continued compressing into a tighter range as depicted to the right, consolidating into funnel shape since late December. In technical analysis, this consolidation is described as 'coiling,' which means the charts are primed for a large move. When this type of chart formation begins to occur, a breakout to either side typically occurs shortly thereafter. There is an old saying that "low volatility is often a good predictor of future higher volatility."

Big oil' and smaller U.S. producers are taking different approaches to future capex spending, signaling some uncertainty on energy prices in the future. In a report by the Wall Street Journal, shale-oil drillers are dramatically raising their annual budgets, investing again in Texas, New Mexico and North Dakota. Meanwhile, oil majors such as Exxon Mobil, Chevron, Shell, and BP are planning to take a more conservative approach going forward. One reason for the divergence in strategies is the shale producer's ability to react and adapt much quicker to market conditions than in years past. contrast that to large oil companies, where they traditionally focus their attention on multibillion-dollar projects that take years to start. The sheer volume of capital needed to undergo an offshore drilling project, for example, is just too much risk for large companies in this price environment. As a reference, BP has said it expects spending to be between $15 billion and $17 billion this year, but is leaning toward the lower half of the range. That is a 30% to 40% drop compared with peak levels in 2013. Contrast that to Continental Resources, a company focused on drilling in North Dakota and Oklahoma, has nearly tripled its in market cap during the past year and plans to boost drilling and increase spending by about 75% in 2017.



This chart shows why the economics are in favor of foreign countries importing U.S. propane. U.S. propane swap contracts are currently $0.2201 below Far East prices and $0.1051 below European prices. As long as U.S. prices remain "cheap" expectations are that we will continue to see large U.S. weekly export numbers.