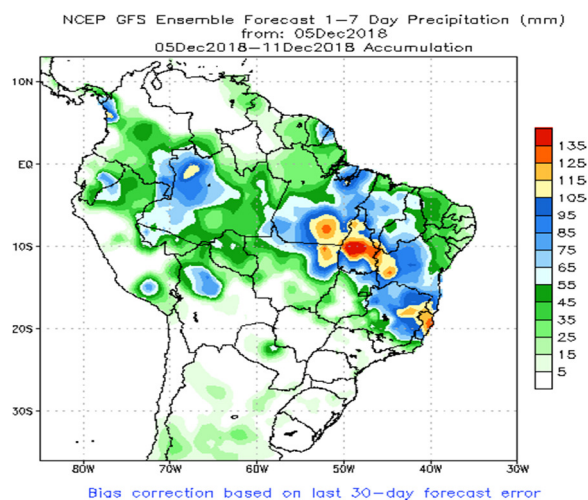


Weather

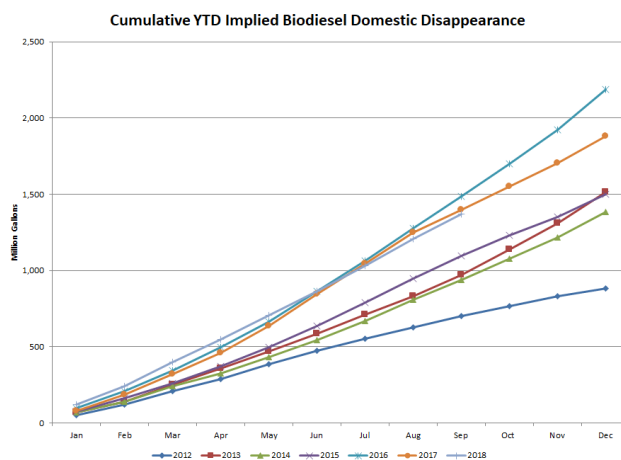
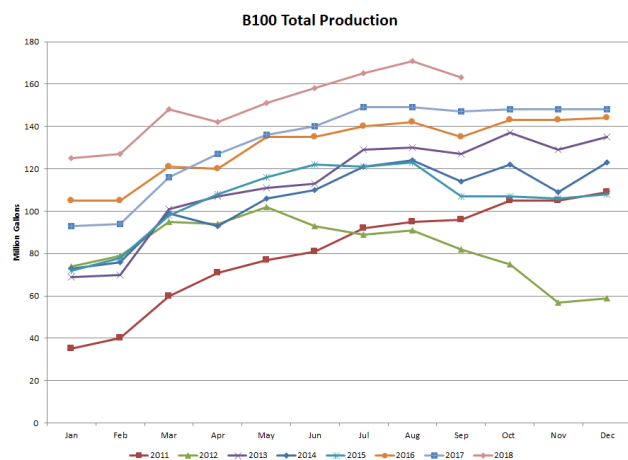
No changes to the forecast. Rainfall in northern Brazil will average mostly BN over the next two weeks with amounts of 1-4" likely. Southern Brazil should see very little rainfall over the next several days but starting mid-next week we should see rainfall pick back up and produce widespread 2-4" rainfall totals through the region. No extreme heat is expected anywhere. Argentina should see rainfall run near to above normal over the next two weeks. We should see mostly dry conditions through Saturday but rainfall will return Sunday and should continue for a few days with widespread 2-3" amounts possible.



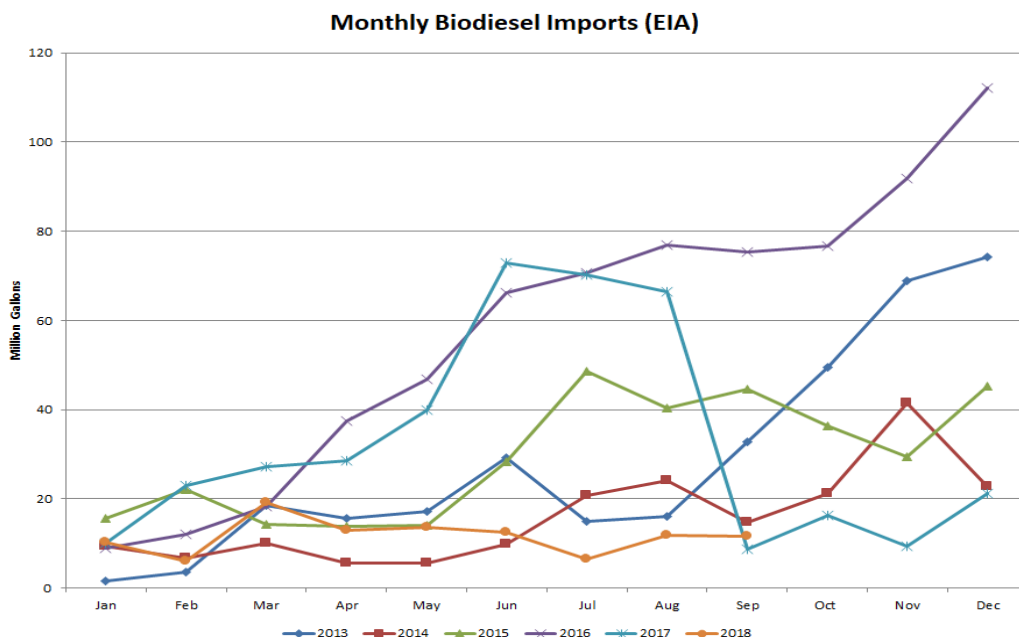
Crops

Let's take a break from Chinese trade thoughts for the rest of the week. Today and tomorrow we'll look at biodiesel. Today we'll focus on recent production trends and tomorrow (unless something "new" comes up) we'll look at the updated RFS requirements.

First things first, let's quickly look at soyoil use in biodiesel production. We got official Sep biodiesel production data late last week from EIA, wrapping up the 17/18 marketing year on soyoil. Final soyoil use in biodiesel production appears to be 7,134 mil lbs, which is slightly smaller than WASDE's prior estimate. This won't affect ending stocks, of course, but we should see that small difference shifted into implied domestic disappearance. Total B100 production should easily set a new record in 2018, as shown below. The other chart shows YTD cumulative domestic disappearance, and you can see we're basically tracking along evenly with last year through Sep. Exports so far this year are up a little this year, and as we'll see in a moment imports are down sharply.



As noted above, imports are off considerably this year. The chart is shown below. The decline in imports is of course due to the anti-dumping tariffs imposed on Argentine biodiesel.



It is nice to see that the RIN data confirms that a greater amount of domestic production is being used to meet the RFS requirements so far this year. The chart below gets a bit in the weeds, but it's not too difficult. Keep in mind the 2018 figures are through September

Biomass-Based Diesel (D4 RINs)

	2011	2012	2013	2014	2015	2016	2017	2018*
RINs Volume (bil)	1.692	1.737	2.739	2.710	2.796	4.009	3.849	2.753
EPA Est. Prod (bil gal)	1.123	1.147	1.793	1.763	1.823	2.617	2.505	1.791
EIA Biodiesel Prod (bil gal)	0.966	0.990	1.359	1.270	1.268	1.569	1.595	1.350
EPA Calc x 1.5 RIN/Gal	1.685	1.721	2.690	2.645	2.735	3.926	3.758	2.687
Difference b/w RIN Vol	0.008	0.017	0.050	0.066	0.062	0.084	0.092	0.066
EIA Biodiesel x 1.5 RIN/Gal	1.449	1.485	2.0385	1.905	1.902	2.354	2.393	2.025
Difference b/w RIN Vol	0.243	0.252	0.7005	0.805	0.894	1.656	1.457	0.728
Percentage of RIN Vol	86%	85%	74%	70%	68%	59%	62%	74%

Trust me on the math (or hit me up for a detailed explanation). The important item to look at here is the highlighted line at the bottom. This shows what the EIA's reporting on biodiesel production is compared with the RIN generation as reported by EPA. In the years of big imports (16 & 17), you can see that EIA (domestic) production comprised a much smaller than normal percentage of the RIN volume. This year, with much smaller imports, you can see the percentage gaining again to something closer to normal. As long as the Commerce Dept maintains the anti-dumping duties (and questions on that are starting to be raised) we will need to pencil higher domestic disappearance in our soyoil use projections going forward. We'll look at that briefly tomorrow.

Livestock

Nothing new to report this morning. It sounds like we saw some light volume in cash trade yesterday in the north at 117.50-118.00. Not sure if this is enough to set the tone for the week or not. Most analysts I watch still seem to be expecting higher cash trade this week.

Hogs were sharply higher yesterday, most likely in response to rumors of possible Chinese purchases. Much like the case in soybeans, I haven't heard anything specific on that front yet.

Financials

More headline bingo this morning. As you've probably already heard, a Chinese national was detained in Canada for extradition to the US to face charges on working around Iranian sanctions I believe. She was apparently arrested on Saturday, the same day as the meeting between Trump-Xi. She is the CFO of Huawei, which is the world's second biggest smartphone producer and a company that has been closely watched by the US government for some time now due to their perceived close connection to the Chinese government. I don't have much value to add on this...we'll see what happens. I'm actually a little surprised we haven't seen a tweet yet.

We've got a busy day of economic data to chew through, though it will all take a backseat to the trade truce concerns. The ADP employment report, trade balance, and ISM Services index are the three I'll personally be watching most closely.

Energy

Crude oil futures are sharply lower at the time of writing this morning. Part of this is due to the risk-off environment but newswires are reporting the Saudis have suggested a "modest" 1 mbpd production cut from OPEC which appears to be a bit disappointing to the market. We're still waiting on the start of the official press conference, so I suppose it is possible that something could still change.

I'll admit I'm stretching a little bit here this morning, but I find myself strangely uneasy about President's Trump push for lower oil prices. His tweet from yesterday is shown to the right. Obviously the push for lower oil/gas prices has been a focus of politicians in the US forever, but it strikes me as odd now. Remember, *the US is the world's biggest oil producer now*.



The chart below is a bit goofy....this is simply multiplies the weekly EIA US crude oil production figure by that week's WTI spot future contract. It's not meant to be any specific measurement, but I just thought it was interesting to see the ebb and flow of the *value* of US crude oil production. Even at a fraction of the price, US crude oil production's "value" was nearly that from when oil prices were over \$100/bbl. You can see as Trump has seen his wish for lower oil prices granted, the value of US oil production has gone down significantly. Somebody in the US is feeling that pinch, right?

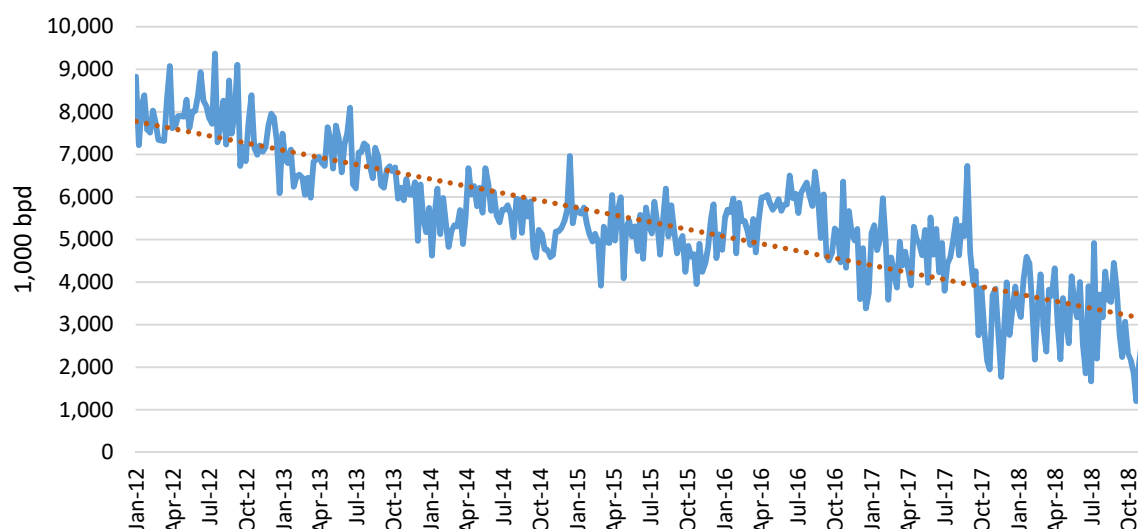
Weekly US Crude Oil Production "Value"



I'm looking for any help or ideas on studying the impact of US oil production on our GDP figures in the past few years. US oil production *has to* have been a major contributor to some of these very good GDP figures Trump likes to brag about lately, right? Will his desire to lower oil prices actually work against him in the form of GDP weakness?

For the time being, the US is a net importer of oil and petroleum products but you can see below that is getting very close to even. Does the push from US politicians for lower oil prices reverse when the US becomes a net exporter??

**US Total Petroleum Net Imports
 Crude Oil & Refined Petroleum Products**



Today's Calendar (all times Central)

- ADP Employment – 7:15am
- Trade Balance – 7:30am
- Jobless Claims – 7:30am
- ISM Services Index – 9:00am
- Factory Orders – 9:00am
- Durable Goods - 9:00am
- EIA Petroleum Inventories – 10:00am

Thanks for reading.

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