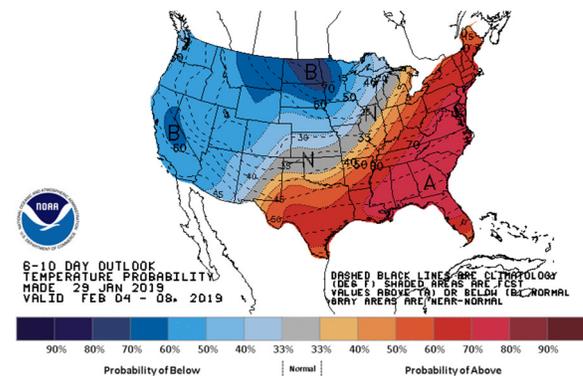
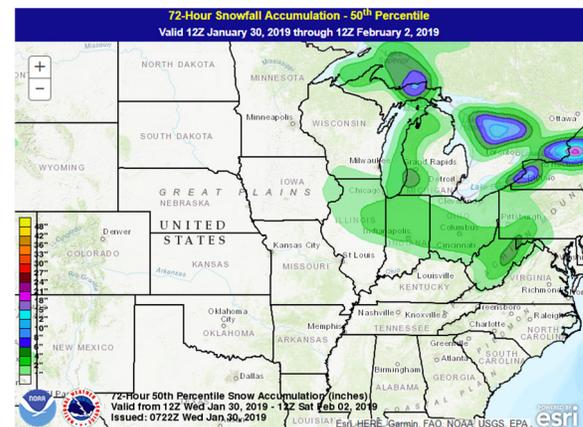
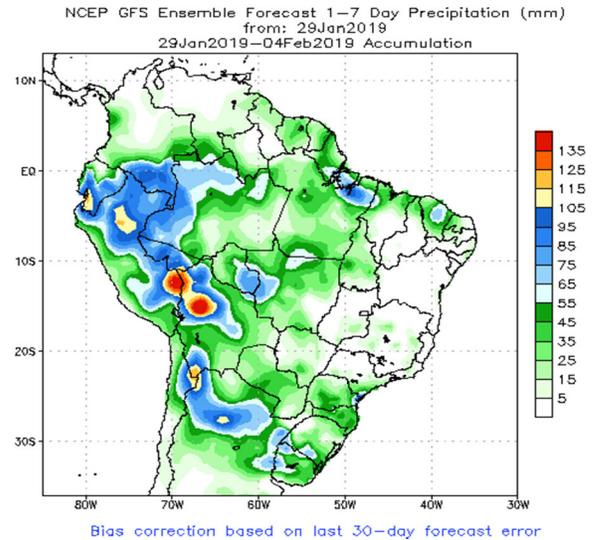


## Weather

Rainfall will continue to run near to BN over northern Brazil during the next two weeks. The entire northern Brazil region should see two week rainfall totals of 3-5". The next several days will feature some stressful weather, with mostly dry conditions and some heat. We should see rainfall chances return to the area during the 6-10 day period and rainfall should continue through the 11-15 day period. Southern Brazil will see rainfall average mostly BN. Look for rainfall totals of 1.5-2.5" during the next two weeks. Today and tomorrow will be mostly dry then we should see some rainfall return on Friday. That will kick off a daily threat of rainfall for the remainder of the period, but individual daily rainfall amounts won't be anything huge. We'll see some hot weather over the next few days as well, but cooler conditions should develop this weekend and continue through the period.

Rainfall in Argentina should range from near/below normal in the south and mostly near/above normal in the north. Rainfall totals during the next two weeks in the south will likely range from .75-2.0" with 2-6" amounts possible in northern areas. Rains are falling this morning in the area and these rainfall chances should continue through Friday in northern portions of the region. Afterwards, we should see a period of less active precipitation for several days. Additional rains will be seen at the end of the 6-10 day period into the 11-15 day period. No major heat is expected.

In the US, we should continue to see late-effect snow in the Great Lakes region over the next few days. Otherwise, the US looks mostly dry over the next few days. Feedlot areas will see some chances for light snow accumulations on Sun/Mon but no major precipitation is expected over the next several days. The extended outlook calls for chances of a more active precipitation pattern soon to develop, however. Note the map showing the 6-10 day temp anomalies. The sharp divide between warm and cool conditions could help create a much more active precipitation pattern through the middle of the country in the 6-10 and 11-15 day periods, though for now the forecast models remain uncertain.

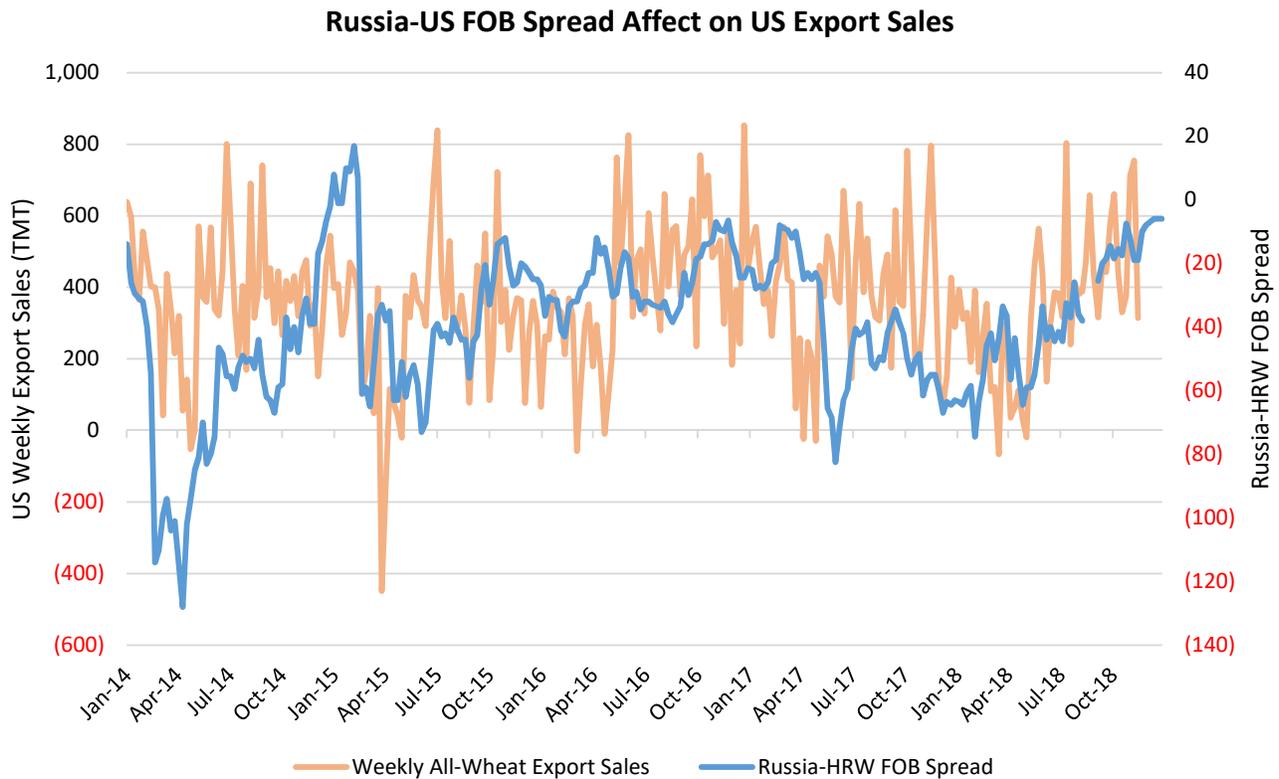


**Crops**

No word yet on when we'll get an update on the export sales from FAS, but I'm guessing we should expect *something* by the end of the week. I base that on no actual information, however.

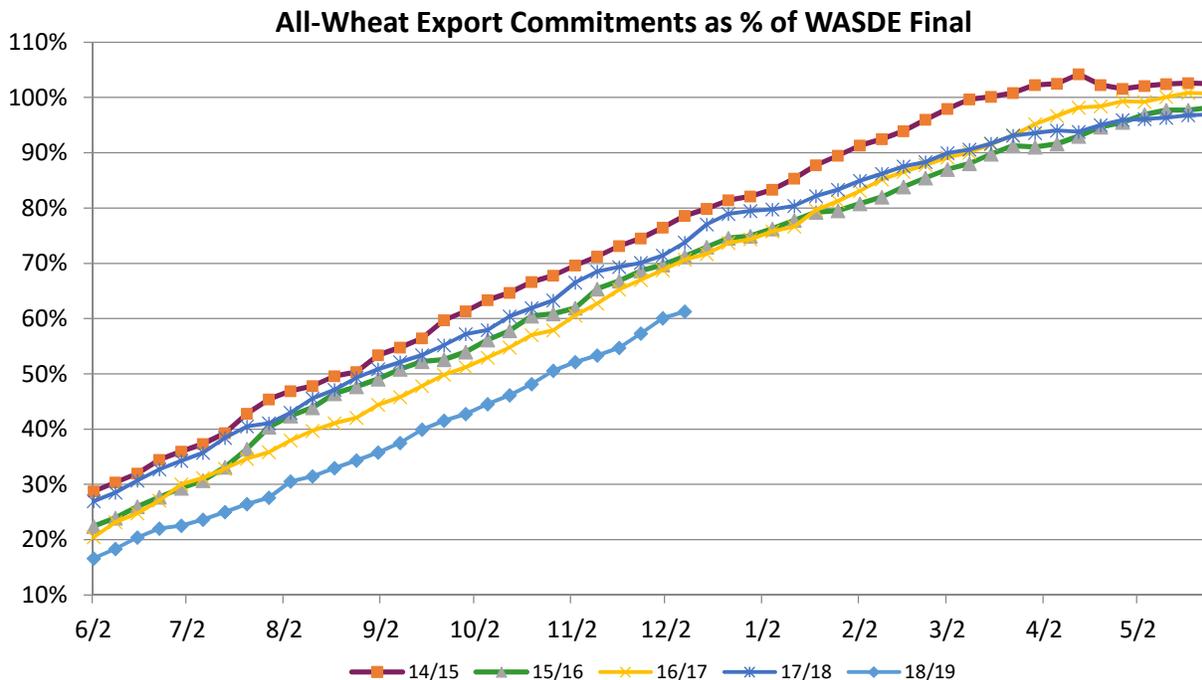
I think one thing we need to be prepared for is a "solid" amount of wheat business being done during the shutdown. I've heard several commercial contacts note active business into Asia and North Africa during this period.

The chart below shows the spread between US HRW FOB prices and Russia. While Russian FOB prices are still a *slight* discount to HRW FOB levels, you can see in the chart that typically US wheat export sales respond well when prices are this narrow. I won't produce the chart here, but US SRW FOB levels are a discount to Russia levels at this time.



I also find it interesting that Russia did not do any business in Egypt's GASC tender yesterday. This is probably indicative of the tightening Russian supplies we've been talking about for months.

To be fair, even "big" wheat business during the shutdown may just be a catch up to the prior WASDE export figures. As shown below, a back-end loaded export program was clearly what WASDE had been banking on. Still, this is good news for US wheat...assuming I'm right (big IF).



### Livestock

In case you missed it yesterday, the National Pork Producers Council chimed in with some requests for China ahead of trade negotiations this week. According to a newswire report, the NPPC said “we call on the Chinese to begin immediate purchases of US pork of at least 350,000 tons each year from the United States for the next five years”. It dawned on me a little later that I should probably look up how much more that might be vs. what we’ve shipped them in recent years. After doing so, I have to say that the NPCC’s request doesn’t seem as aggressive as I might have gone if I were in charge.

The breakdowns below are pulled from the USDA’s GATS service. The first shows total US annual pork and pork variety meat exports to China and the second breakdown shows the total annual exports to the world. You can see that as recently as 2017 we shipped roughly ~310k mt of pork and pork variety meats to China...so is 350k really a big deal? Perhaps the NPCC is excluding variety meats in their request? Still, under that assumption you’re looking at the potential for an extra ~200k mt of pork exports annually, which would represent roughly 8% of the 2017 annual total. I’d venture a guess that summer contract hog futures are probably pricing in something bigger than that right now....

Partner	Product	UOM	2013 Qty	2014 Qty	2015 Qty	2016 Qty	2017 Qty	Jan - Oct 2017 Qty	Jan - Oct 2018 Qty	Period/Period % Change (Qty)
China	1 + Variety Meats, Pork	MT	156,963.6	90,001.3	77,974.9	151,647.7	147,614.5	128,059.5	73,126.2	-43
China	2 + Pork, Fr/Ch/Fz	MT	153,384.4	107,827.0	97,136.3	177,538.2	127,451.5	107,667.0	89,376.5	-17
China	3 + Hog Sausage Casings	MT	15,148.9	21,430.8	28,567.9	32,705.4	33,734.7	27,403.9	27,958.7	2
China	4 + Pork,Hams/Shldrs,Crd	MT	6,795.9	1,581.0	0.0	20.1	321.0	72.6	520.9	618
China	5 + Pork,Prep/Pres,Cannd	MT	1,034.5	62.5	0.0	151.5	122.1	122.1	13.0	-89
China	6 + Pork,Prep/Pres,Nt/Cn	MT	9.4	0.0	0.0	739.5	0.0	0.0	0.4	--
Grand Total		MT	333,336.8	220,902.6	203,679.1	362,802.5	309,243.7	263,325.1	190,995.8	-27

Partner	Product	UOM	2013	2014	2015	2016	2017	Jan - Oct 2017	Jan - Oct 2018	Period/Period % Change (Qty)
			Qty	Qty	Qty	Qty	Qty	Qty	Qty	
World Total	1 + Pork, Fr/Ch/Fz	MT	1,487,524.1	1,545,114.8	1,526,399.6	1,600,549.2	1,721,555.1	1,397,165.0	1,487,850.6	6
World Total	2 + Variety Meats, Pork	MT	431,738.0	403,046.1	373,004.3	474,129.5	484,323.6	407,497.0	340,625.9	-16
World Total	3 + Pork, Prep/Pres, Nt/Cn	MT	78,390.4	88,439.7	78,972.1	78,471.5	83,021.0	69,443.7	66,503.7	-4
World Total	4 + Hog Sausage Casings	MT	39,883.4	44,969.2	45,602.9	49,813.1	59,650.6	47,382.1	50,634.0	7
World Total	5 + Pork, Prep/Pres, Cannd	MT	26,019.5	29,388.0	37,217.3	33,442.9	31,709.1	27,464.0	25,382.8	-8
World Total	6 + Pork, Hams/Shldrs, Crd	MT	53,283.6	32,318.0	43,531.3	45,806.6	31,043.5	24,216.1	20,274.8	-16
Grand Total		MT	2,116,839.1	2,143,275.8	2,104,727.7	2,282,212.8	2,411,303.0	1,973,167.9	1,991,271.8	1

### Financials

Lots on tap today. First things first, we have the ADP employment release this morning which is expected to show +181k jobs. Remember that both Kudlow and Trump have already said upcoming employment numbers would look very good, and I guess for now I would take them at their word. Later this afternoon we have a Fed policy announcement, and remember that it is new Fed policy that Chair Powell will hold a press conference after every statement. The Fed is expected to hold rates unchanged with their statement, but the real question is whether the Fed removes or changes the comment calling for “some further gradual” hikes. Most seem to believe the Fed will “tweak” this message...we’ll see.

Later today we have big earnings releases from both FB and MSFT. Part of the overnight equity market strength is due to AAPL’s earnings release, which honestly wasn’t anything special but I suppose it just wasn’t as bad as some might have feared so we’re getting the relief rally today. There are several other big names reporting earnings today including MCD, T, QCOM, V, and everyone’s favorite...TSLA.

Of course we can’t forget that US-China trade negotiations will take place today and tomorrow in DC. Clearly both sides would seem incentivized for a deal, but there is really no telling what might cause one side to dig in. I’m skeptical of a resolution being accomplished this week...with the deadline for new tariffs not until March 2.

### Energy

Crude oil futures are higher at the time of writing this morning. Newswires are reporting Venezuela is considering declaring force majeure with the US and perhaps halt oil shipments. This comes after the Trump administration essentially banned the import of Venezuelan crude. Oil imports from Venezuela in 2018 averaged roughly 500k bpd, so that supply would need to come from somewhere else. I can’t remember where I saw it, but it sounds like the Trump administration is considering additional SPR releases as one method of accounting for the reduction.

The weekly crude oil inventory report is due this morning. Expectations have called for a 3 mil barrel increase in US crude oil stocks but yesterday’s API release showed only a 1 million barrel increase.

### Today’s Calendar (all times Central)

- ADP Employment Change – 7:15am
- EIA Petroleum Inventories – 9:30am
- FOMC Announcement – 1:00pm

Thanks for reading.

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