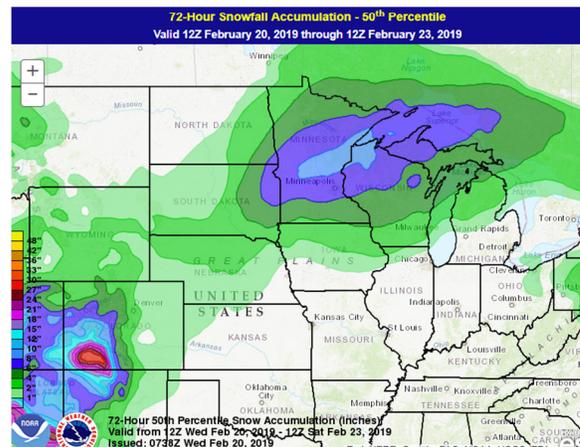
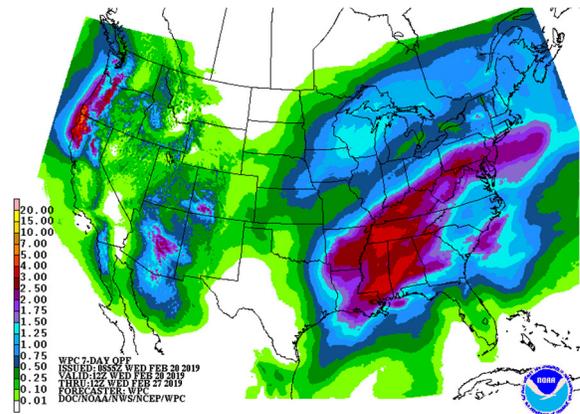


Weather

No change in the Brazilian forecast. Northern areas should see near to above normal precipitation over the next two weeks with rainfall totals ranging from 3-6". Southern areas should see slightly less over the same timeframe, but that will still average near to above normal. Temps will turn briefly AN during the weekend with some mid-90s possible but that will be short lived with cooler conditions by early next week again. Argentina should see near normal precipitation over the next two weeks with amounts ranging from 1.5-3.0". Dry conditions will be seen today with showers developing in southern areas tomorrow and spreading through the region through Friday.

No change to the US forecast either. As you can see at the top right, we've got a lot of rainfall for the southeast over the next week. One local forecaster here in Memphis said we have about a month's worth of rain coming in the next 7 days. The second map at the right shows the snowfall projection over the next 3 days, and you can see we're looking at some very big totals in the Northern Plains with true blizzard conditions likely in some areas. Well below normal temps should dominate the US over the next two weeks, but the good news is that as that cold weather expands it should bring some drier air with it and we *might* see a reduction in precipitation chances in the 11-15 day period.



Crops

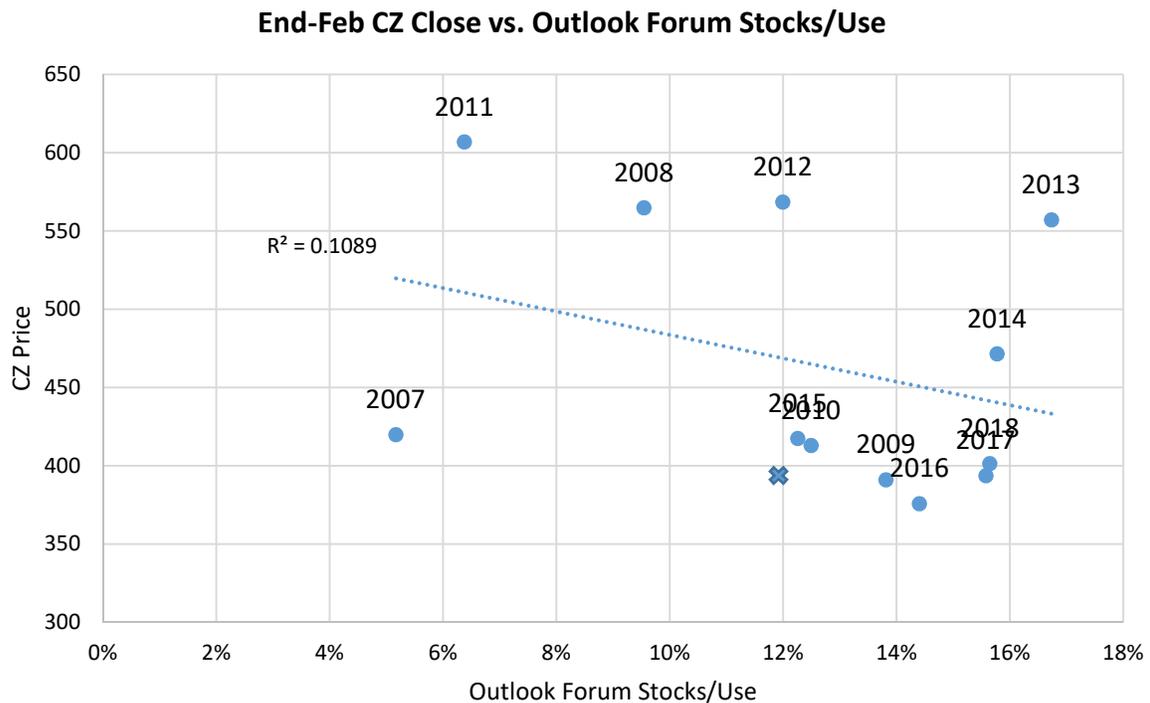
We should get Outlook Forum balance sheet details early Friday morning. Today I just want to quickly look at some *potential* looks ahead of the release. Perhaps I should wait until we get the acreage numbers tomorrow, but I wanted to go ahead and allow you to think on this. I'd also appreciate any feedback on my guesses.

Looking at corn first, I've got a sample balance sheet below. At the right, you'll see I've got the November Baseline projections included and I've based my "potential" 19/20 balance sheet loosely on these figures. Highlighted in blue/yellow at the far right are some guesses on what I think *might* be seen on Friday. Please keep in mind that these are clearly just guesses at this point. Recall from my comments yesterday that I believe this week's numbers should include an increase in corn and soybean planted area, and I've added 1 million to corn area in the example below. They obviously need to lower the carry-in based on the Feb WASDE update, but even with the lower carry-in the bigger production figure I'm assuming adds to total supply relative to the Baseline projections. The Baseline's F&R figure was probably too big with their assumed production level, but with my "extra" production it lines up closer to the typical model and might be left unchanged. Ethanol grind will likely be lowered and I would bet they'll lean toward a slightly lower export number than the Baseline as well. Stir all of these changes together and we're looking at a possible modest YOY increase in ending stocks.

US Corn Supply and Demand (Million Bushels/Million Acres)

	USDA 14/15	USDA 15/16	USDA 16/17	USDA 17/18	USDA 18/19 Feb	Baseline 19/20	Potential 19/20
Planted Acres	90.6	88.0	94.0	90.2	89.1	92.0	93.0
Harvested Acres	83.1	80.7	86.7	82.7	81.7	84.6	85.6
Abandoned Acres	7.5	7.3	7.3	7.5	7.4	7.4	7.4
Yield	171.0	168.4	174.6	176.6	176.4	176.5	176.5
Carryin (Sep 1)	1,232	1,731	1,737	2,293	2,140	1,813	1,735
Production	14,216	13,602	15,148	14,604	14,420	14,930	15,108
Imports	32	67	57	36	40	50	50
Total Supply	15,479	15,401	16,942	16,934	16,600	16,793	16,893
Feed and Residual							
Total Feed and Residual	5,314	5,131	5,470	5,298	5,375	5,575	5,575
Food, Seed, and Industrial							
Corn for Ethanol Fuel	5,200	5,206	5,439	5,605	5,575	5,700	5,650
Other FSI	1,367	1,429	1,446	1,453	1,465	1,490	1,490
Total FSI	6,567	6,635	6,885	7,058	7,040	7,190	7,140
Total Domestic Use	11,881	11,766	12,355	12,355	12,415	12,765	12,715
Exports (Census)	1,867	1,898	2,294	2,438	2,450	2,425	2,400
Total Use	13,748	13,664	14,649	14,793	14,865	15,190	15,115
Carryout (Aug 31)	1,731	1,737	2,293	2,140	1,735	1,603	1,778
Stocks/Use	12.6%	12.7%	15.7%	14.5%	11.7%	10.6%	11.8%

What sort of impact might this have on prices? The scatter chart below shows that the Outlook Forum guesses really have zero correlation with CZ prices, which makes sense initially. I've marked the assumptions above with current prices with an "X" on the chart.



Moving to soybeans...all of the above on corn was guesswork but the confusion/debate/uncertainty is far greater on the soybean balance sheet. Again, I am certainly open to your thoughts and opinions regarding my assumptions here. The same set-up is shown below with the Baseline balance sheet presented and my potential ideas on the far right. The first thing you'll notice is that I've added roughly 2.5 million acres to soybeans vs. the Baseline projection. Honestly, I was tempted to go even higher but I wanted to be conservative. I discussed yesterday how the overall acreage pie in the Baseline figures was probably too small and our calculations on net revenue (corn vs. soybeans) would really favor soybeans more than I'm showing here this morning. I also think the Baseline yield estimate of 50.0 bpa is perhaps a bit too low as a starting point, but I'm leaving it alone in our assumptions today. In my personal balance sheet, I'm using a starting point soybean yield of 50.6 bpa which is roughly based on a 20-year trend.

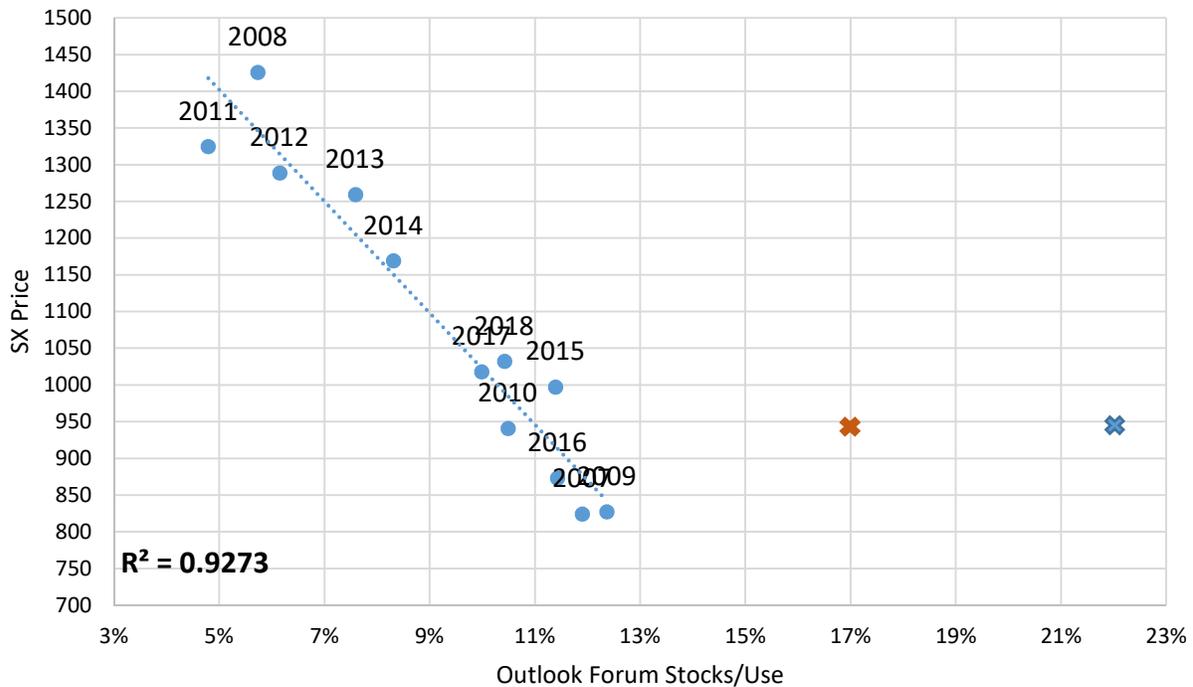
On the demand side of the ledger, the only change I've made here is to exports. Admittedly, nobody knows anything regarding what to truly expect here. I'll be keenly interested in hearing the assumptions the USDA decides to start with in their commentary on Friday. Just keep in mind that the Baseline figure presented in November was initially put together when WASDE was still projecting 2,060 mil bu for the 18/19 season. That leads me to believe that the guys at USDA are likely to come down from that Baseline figure this week.

US Soybean Supply and Demand (Million Bushels/Million Acres)

	USDA 14/15	USDA 15/16	USDA 16/17	USDA 17/18	USDA 18/19 Feb	Baseline 19/20	Potential 19/20
Planted Acres	83.3	82.7	83.4	90.1	89.2	82.5	85.0
Harvested Acres	82.6	81.7	82.7	89.5	88.1	81.8	84.2
Abandoned Acres	0.7	1.0	0.7	0.6	1.1	0.7	0.8
Yield	47.5	48.0	52.0	49.3	51.6	50.0	50.0
Carryin (Sep 1)	92	191	197	302	438	885	910
Production	3,927	3,926	4,296	4,411	4,544	4,090	4,210
Imports	33	24	22	22	20	25	20
Total Supply	4,052	4,140	4,515	4,734	5,002	5,000	5,140
Crush	1,873	1,886	1,899	2,055	2,090	2,075	2,075
Exports (Census)	1,842	1,936	2,174	2,129	1,875	2,075	2,000
Seed	96	97	105	104	96	127	95
Residual	50	24	36	8	31	-	35
Total Use	3,861	3,943	4,213	4,296	4,092	4,277	4,205
Carryout (Aug 31)	191	197	302	438	910	723	935
Stocks/Use	4.9%	5.0%	7.2%	10.2%	22.2%	16.9%	22.2%

You're probably thinking that the Outlook Forum balance sheet doesn't have any solid correlation to SX prices like it doesn't vs. CZ. Well, actually...that's incorrect. The chart below shows there is actually a very good relationship between the Outlook Forum stocks/use ratio and SX at the end of Feb. This is probably one of the best R2's of any price scatter I have at 0.93.

End-Feb SX Close vs. Outlook Forum Stocks/Use



On this chart I've included two different "X" scenarios. The first "X" in the orange simply corresponds to the original Baseline balance sheet that showed a 17% stocks/use ratio. Even with that "optimistic" assessment, we could clearly make the case that SX is mispriced relative to its usual relationship at this time of year. The blue "X" to the far right shows my assumed 22% stocks/use ratio. Bottom line – without the hope for a trade deal resulting in massive purchases from China, the soybean market "should" be trading sharply lower even if you fall closer to the Baseline projections than my own.

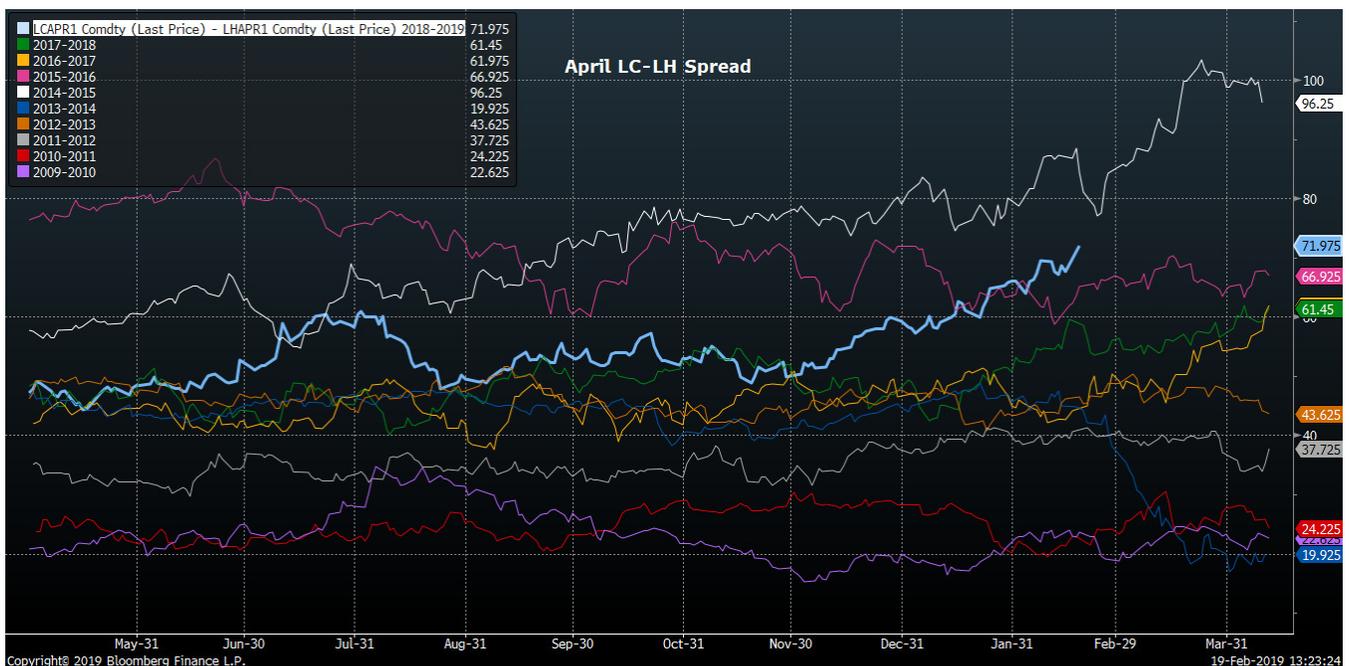
Turning quickly to wheat, the biggest change to the outlook relative to the Baseline projections is likely to be planted area. Earlier this month, based on the winter wheat planting report, we can see that the Baseline projection for all-wheat area is very likely way too optimistic. I've shaved all-wheat planted area by 4 million acres for my potential balance sheet below. Other than the lower production and the modestly larger carry-in, I'm guessing the USDA's balance sheet on Friday doesn't differ too much from the Baseline figures. I am of the opinion that USDA is likely to cut the export projection modestly, but even so we're likely looking at the third consecutive YOY decline in US all-wheat ending stocks. Is that enough to put a bid in the wheat market? Probably not...

US All-Wheat Supply & Demand Estimates (Million Bushels/Million Acres)

	USDA 14/15	USDA 15/16	USDA 16/17	USDA 17/18	USDA 18/19 Feb	Baseline 19/20	Potential 19/20
Planted Acres	56.8	55.0	50.1	46.1	47.8	51.0	47.0
Harvested Acres	46.4	47.3	43.9	37.6	39.6	43.1	39.5
Abandoned Acres	10.4	7.7	6.2	8.5	8.2	7.9	7.5
Yield	43.7	43.6	52.7	46.4	47.6	47.8	47.8
Carryin (Sep 1)	590	752	976	1,181	1,099	956	1,010
Production	2,026	2,062	2,309	1,741	1,884	2,060	1,888
Imports	151	113	118	157	140	130	130
Total Supply	2,768	2,927	3,402	3,079	3,123	3,146	3,028
Food Use	958	957	949	964	970	975	975
Seed	79	67	61	63	63	68	65
Feed & Residual	114	152	156	51	80	120	100
Total Domestic	1,151	1,177	1,167	1,079	1,113	1,163	1,140
Exports	864	775	1,055	901	1,000	1,050	975
Total Use	2,015	1,952	2,222	1,980	2,113	2,213	2,115
Carryout (May 31)	752	976	1,181	1,099	1,010	933	913
Stocks/Use	37.3%	50.0%	53.2%	55.5%	47.8%	42.2%	43.2%

Livestock

Yesterday's limit down move in LH and the strong session in LC got me wondering where the LC-LH was relative to history. The chart below looks specifically at the April LC-LH spread over the years. As you can see in 2015 the spread got wider than it is at present but otherwise we haven't been this wide in the past 10 years. Of course in 2015 we were just coming off the PEDv situation of 2014 which created a big unwind (weakness) in hog futures at that time.



Yesterday's rumors of an ASF finding in Canada have been, for now, denied by all major parties that should know. With that in mind, it would seem reasonable to expect perhaps some sort of bounce in hogs today, but I won't pretend to have any confidence.

Financials

The main highlight of today's session will come in the afternoon with the release of the January FOMC minutes. It was at this meeting the FOMC dropped the promise for "some further gradual increase" in rates and began the dovish tilt that has been influencing markets since. Despite the dovish leaning since January, the dollar has been very steady so far this year, which makes yesterday's announcement that the Trump administration wants a "stable" Chinese yuan as part of the trade negotiations. This is yet another contradiction it seems in what the Trump administration is seeking. They want less Chinese government influence on the economy, but they also want more influence on the exchange rate? This is a really interesting "ask" from the Trump administration that I haven't quite figured out yet – but I think it explains why gold has been so strong in the past 24 hours.

Otherwise, nothing major new to report this morning. Japan reported trade data overnight and exports were off sharply. This is leading to follow-through weakness in the yen following dovish BOJ comments earlier in the week. The yen is sitting on some interesting technical support and might be worth watching here. No major economic data is out today, but as mentioned above the FOMC minutes loom large this afternoon. I don't see any market-moving companies due to report earnings today.

Energy

Bloomberg running an interesting article this morning talking about a looming surge in oil production out of Brazil. A new floating oil production vessel, roughly the size of a football field, has apparently started oil production off the coast of Brazil earlier this month. It is the first of four similar platforms that will start this year and the IEA is forecasting Brazilian production growth of roughly 365k bpd this year. It would be Brazil's largest annual production increase in at least 20 years according to the IEA data. This Brazilian production growth, combined with expected increases in the US, pose some really tough questions for OPEC and whether they'll be forced into extending and/or increasing their production cuts.

Today's Calendar (all times Central)

- FOMC Minutes – 1:00pm

Thanks for reading.

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