

Weather

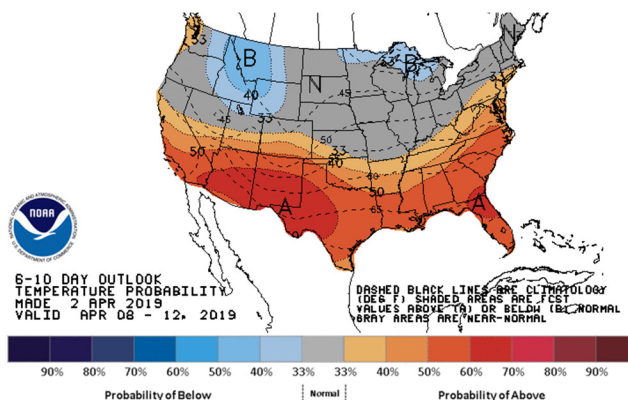
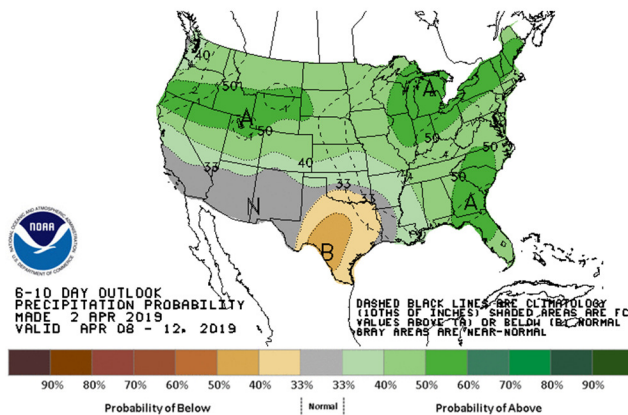
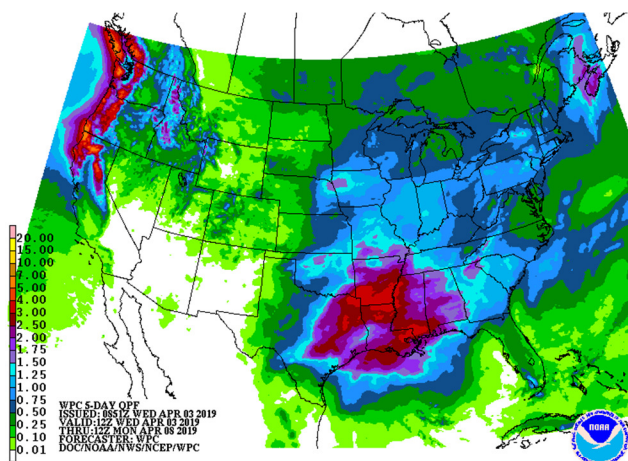
No significant changes to the US forecast this morning. The precipitation pattern will remain active in the US and over the course of the next two weeks we can probably expect about four different systems to move across the country. The 5-day QPF to the immediate right covers two of those systems, though it is worth noting that the Euro model would show less widespread 1" rainfall amounts through the Corn Belt than what is depicted to the right. The WPC seems to be siding with the wetter GFS in their forecast at the right...we'll see if that proves to be a wise decision. Both the GFS and Euro models are in good agreement on the heavy rains expected during this period in eastern TX and the Delta area. There will be two additional rain-makers that are spread through both the 6-10 and 11-15 day periods where a lot of near and AN precipitation totals are likely.

Today will remain a little cool in northern areas but fairly warm weather over the next few days and some AN levels probably start popping up by this weekend. This warmer weather will continue through the 10-day period, but as we move into the 11-15 day period it is likely that we will see much cooler weather redevelop in northern portions of the country. With the precipitation that is set to fall during that period, the colder conditions mean that snow cannot be ruled out in some cases.

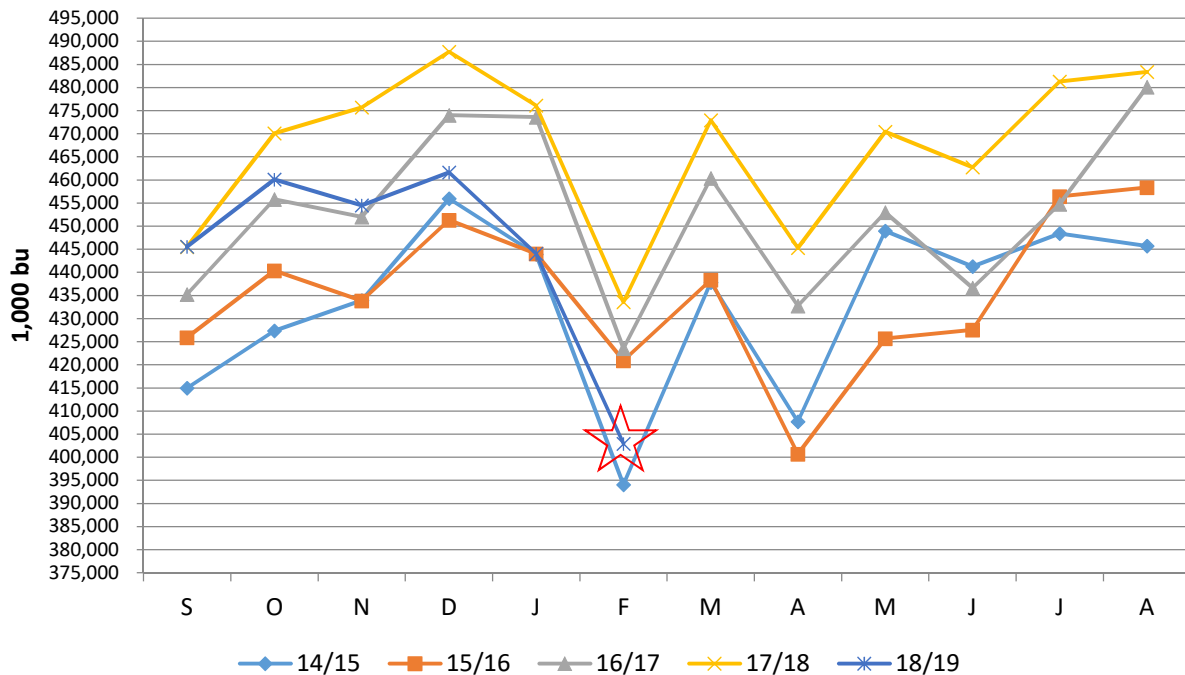
Crops

The weekly ethanol production report from EIA is on tap this morning. With that in mind, I thought it would be worth a quick look how the MYTD corn grind is progressing. Spoiler – no bueno.

NASS updated with the official corn grind data through Feb on Monday. Feb's corn grind for ethanol was a soft 403 mil bu vs 434 mil bu in Feb '18. The MYTD total for corn grind through Feb is roughly 2,670 mil bu compared to roughly 2,790 mil bu during the same period last year.



Monthly Corn Grind for Ethanol Comparison



Let's assume that the March corn grind is roughly 465 mil bu. That is a bit optimistic based on the MTD data we have for March at this point and considering sorghum use has been higher this year than last...but let's be optimistic. Then let's assume that the corn grind this year from Apr-Aug is the EXACT SAME as last year. You can see from the chart above that we set new record highs in monthly corn grinds each month from this point forward last year, so again being optimistic.

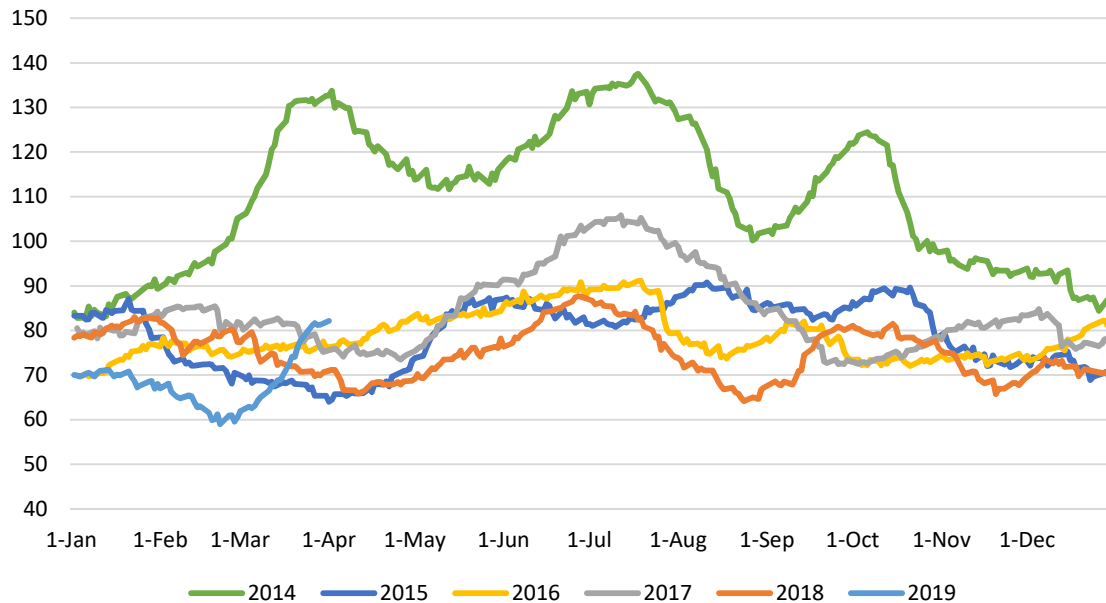
That would equal a MY total corn grind of roughly 5,475 mil bu. WASDE is 5,550.

It seems pretty plain to me that WASDE needs to cut their ethanol grind forecast next week. I'm looking for a cut of 50 mil bu, though in the end the reduction could certainly be more. If you have a different opinion, please let me know.

Livestock

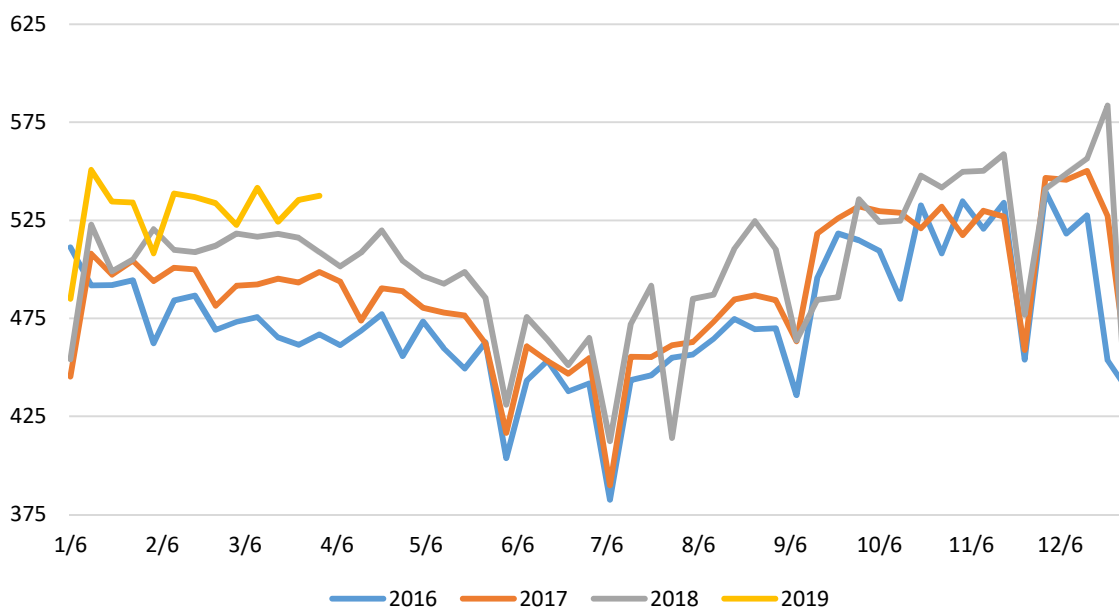
Just a quick look at pork prices here this morning, though honestly I'm not pointing out anything new. The chart below takes a seasonal view of the pork cutout. You can see that the cutout bottomed much earlier than it seasonally does and now has rallied very sharply to its highest level for this time of year since PEDv. We are now entering a seasonal period where we typically see the cutout strengthen, so will we see it rally all the way through this normal seasonal into mid-summer?

USDA Pork Cutout



No surprise here, but the typical seasonal upturn in the cutout coincides with a seasonal decline in production. What is interesting this year is that prices are rallying sharply at present despite the fact that pork production is running at record high levels (the last two data points on the chart below are estimates). Surely pork production will follow its seasonal decline again this year, though it will probably continue to run at well above normal levels. But will this decline in production just put further fuel into the rally?

Official Pork Production



More questions than answers here today...sorry.

Financials

Stop me if you've heard this before, but – world equities are higher due to optimism surrounding trade talks. According to reports released late yesterday, the US and China have agreed upon a large majority of issues in front of them. The two sticking points that remain right now are the US's insistence that some tariffs remain in place until compliance is assured and what the overall enforcement and tracking mechanisms will be. These are hardly small issues, though admittedly one would think they could be hammered out fairly soon. It will be interesting to hear the rhetoric from DC today on this subject.

Overnight economic data was decent enough to allow it to be overshadowed entirely by the trade negotiation optimism. The Eurozone composite PMI was officially down to 51.6 in March vs. 51.9 in Feb, with the services index offsetting the weakness in the manufacturing index. UK Service PMI fell below 50 (48.9) for the first time since July 2016. Japan's numbers were mixed. Nothing major in any of these PMI numbers, and you're not likely to hear much about them beyond this as the trade talks are all that matter today.

On tap this morning we set the stage for Friday's NFP with the release of the ADP employment change report. We also have several Fed speakers today.

Energy

It's clearly a risk-on morning and as usual that means crude oil is higher today. This is sure to draw the attention of President Trump in the near future as oil prices have been moving solidly higher despite two recent tweets telling OPEC to "take it easy". Bloomberg has been kind enough to put together a timeline of Trump tweets on oil and/or OPEC, and I've attached it below. You can see here that Brent crude oil prices are not too far off from levels that incited a flurry of tweets last summer. Of course price broke last fall, in large part due to the Trump administration's more-generous-than-expected waivers to the Iranian sanctions. With those due to be renewed or cancelled soon, will they do the same to keep the clamps on oil prices. Does this administration really think it should be micro-managing every little element of the economy? Apparently so.



Today's Calendar (all times Central)

- ADP Employment – 7:15am
- ISM Services Index – 9:00am
- EIA Petroleum Inventories – 9:30am
- Several Fed speakers during the session

Thanks for reading.

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