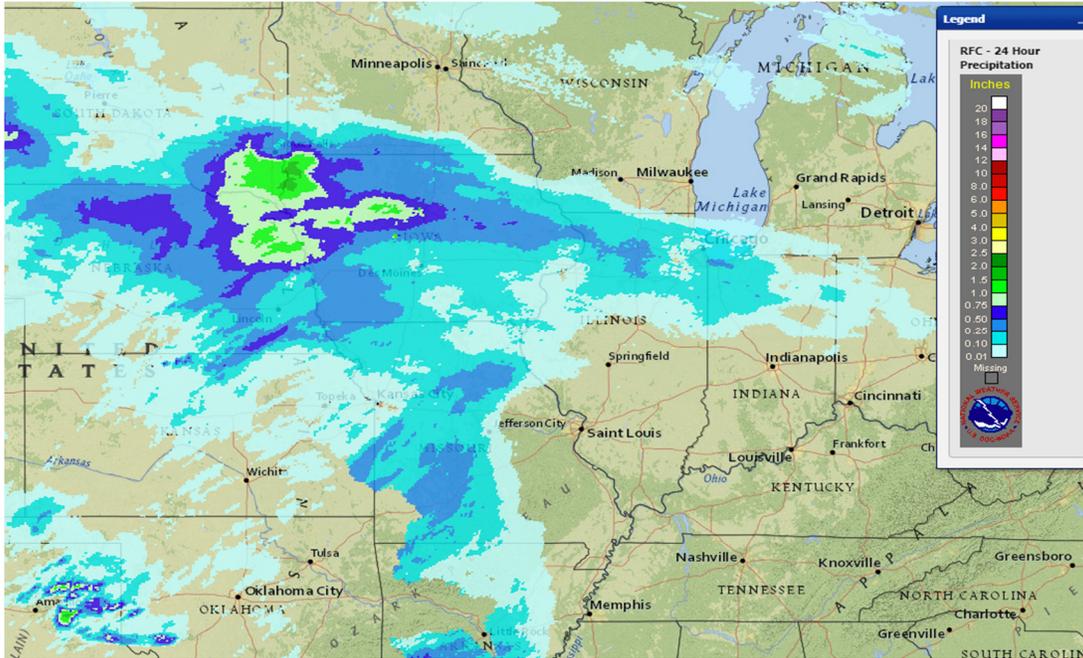
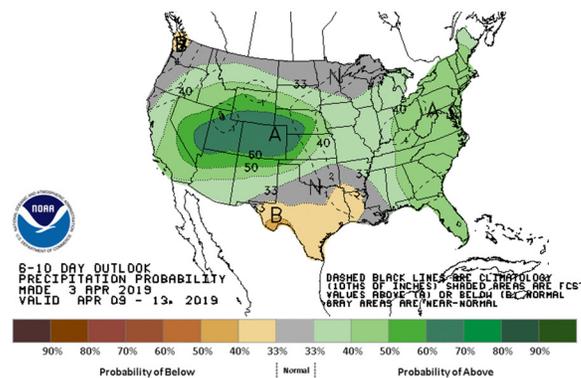
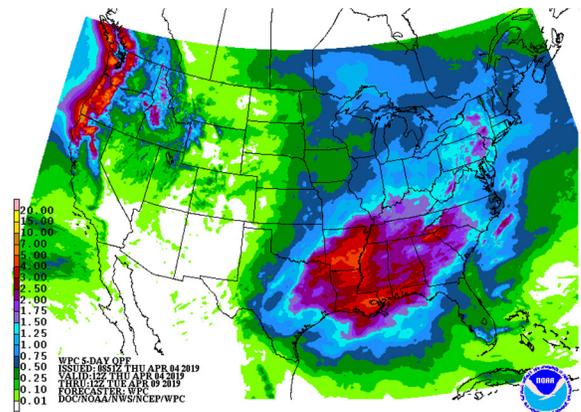


## Weather



The first of four rain events during the two-week period is underway this morning. The map above shows estimated 24-hour rainfall totals, with mostly light amounts with the exception of the SD-NE-IA corners. Rains will continue to spread eastward today and tonight, and on the 5-day QPF to the right it also holds rainfall chances for the Sun/Mon period. Clearly the Delta and southeastern Corn Belt are the most favored areas for rain during this period. Note the Northern Plains area is expected to see only limited amounts.

Additional rainfall threats hold in the forecast for the 6-10 and 11-15 periods. Temps should be fairly warm over the next few days but will cool down considerably late in the 6-10 day period and we should see well BN temps. This will raise the possibility that significant snowfall could be seen from the precipitation event slated for mid next week. SD and NE would probably be a likely target for that snow.



## Crops

Let's look at corn export demand quickly this morning. Here are three quick facts about US corn exports – 1) Current export commitments are only roughly 70% of the WASDE projection, below the recent average and only better than 15/16 in recent history, 2) US outstanding sales are also well below average for this time of year and

again only 15/16 was lower at this point in the year, 3) The US possesses no comparative advantage in FOB prices, with Argentina trading under US levels and Brazil virtually even at best.

The 15/16 marketing year is mentioned twice above, so let's review quickly. In 15/16 US export demand was looking very, very bad...until Brazil's safrinha corn production got smoked by very bad weather, essentially saving the marketing year for the US. Brazil safrinha production in 15/16 was roughly 41 mmt vs. 55 mmt the prior year. It is still early, but for now CONAB is forecasting this year's crop at just under 67 mmt.

Again, both commitments and outstanding sales are nothing special and the price spreads indicate there is nothing that really points world demand our direction. So how are we looking as compared to the current WASDE 18/19 projection (2,375 mil bu)?

The breakdown below attempts to look at what we typically see happen from this point in the marketing year. There are a lot of numbers here, but its really pretty simple. At the top, I simply list Sep-Mar Census export totals and show the MYTD sum. In the case of 18/19 I'm forced to use a projection based on inspections for both Feb & Mar, but this has been fairly predictable in most cases recently. Below the Sep-Mar sum, I show the Apr-Aug Census export sum to show what has been shipped in recent years from this point forward. Directly below that I show the end-March outstanding sales total. Finally, I list how shipments during Apr-Aug compared vs. the end-March outstanding sales figure.

|                     | 07/08   | 08/09 | 09/10   | 10/11   | 11/12 | 12/13 | 13/14 | 14/15 | 15/16   | 16/17   | 17/18   | 18/19                  |                |                |
|---------------------|---------|-------|---------|---------|-------|-------|-------|-------|---------|---------|---------|------------------------|----------------|----------------|
| Sep                 | 215.3   | 166.1 | 197.3   | 174.7   | 121.7 | 92.1  | 80.9  | 159.8 | 132.5   | 245.5   | 138.6   | 206.9                  |                |                |
| Oct                 | 222.1   | 139.0 | 138.3   | 135.8   | 125.5 | 68.6  | 130.5 | 144.5 | 93.3    | 142.7   | 107.3   | 224.2                  |                |                |
| Nov                 | 255.8   | 143.7 | 131.3   | 141.4   | 159.0 | 60.2  | 138.9 | 103.4 | 75.4    | 159.8   | 102.1   | 201.0                  |                |                |
| Dec                 | 202.2   | 128.5 | 134.0   | 159.7   | 172.9 | 54.3  | 138.7 | 117.2 | 103.4   | 155.5   | 140.3   | 171.1                  |                |                |
| Jan                 | 226.6   | 123.3 | 144.8   | 112.0   | 139.5 | 53.6  | 118.5 | 128.2 | 106.3   | 182.5   | 151.2   | 183.7                  |                |                |
| Feb                 | 213.3   | 119.2 | 142.7   | 131.1   | 131.8 | 55.5  | 135.9 | 158.4 | 130.6   | 199.2   | 148.4   | 145.0                  |                |                |
| Mar                 | 215.6   | 168.6 | 190.2   | 171.9   | 134.8 | 68.3  | 206.1 | 154.9 | 171.3   | 267.1   | 255.5   | 190.0                  |                |                |
| Sep-Mar             | 1,550.8 | 988.3 | 1,078.6 | 1,026.7 | 985.1 | 452.5 | 949.5 | 966.4 | 812.8   | 1,352.3 | 1,043.4 | 1,321.9                |                |                |
|                     |         |       |         |         |       |       |       |       |         |         |         | <b>Average</b>         | <b>Median</b>  |                |
| Apr-Aug             | 886.6   | 860.6 | 900.4   | 803.1   | 557.4 | 278.9 | 968.0 | 903.8 | 1,084.8 | 940.4   | 1,390.0 | 924.6                  | 834.3          |                |
| End-Mar Sales       | 624.8   | 380.4 | 386.2   | 529.9   | 396.2 | 169.5 | 728.7 | 586.6 | 496.7   | 647.0   | 910.4   | 546.4                  | 546.4          |                |
| Shipments vs. Sales | 142%    | 226%  | 233%    | 152%    | 141%  | 165%  | 133%  | 154%  | 218%    | 145%    | 153%    | 169%                   | 153%           |                |
|                     |         |       |         |         |       |       |       |       |         |         |         | <b>Possible 18/19?</b> | <b>2,246.5</b> | <b>2,156.2</b> |

From the 07/08-17/18 marketing years, Apr-Aug shipments have been an average of 169% of the end-March sales. If you were to plug that against the current level of outstanding sales (admittedly, what we have is not quite all the way through March) it would point towards an Apr-Aug shipment total near 925 mil bu. Add that to the Sep-Mar estimate and we would have a MY total of 2,246 mil bu. That would be a whopping ~125 mil bu under the current WASDE projection.

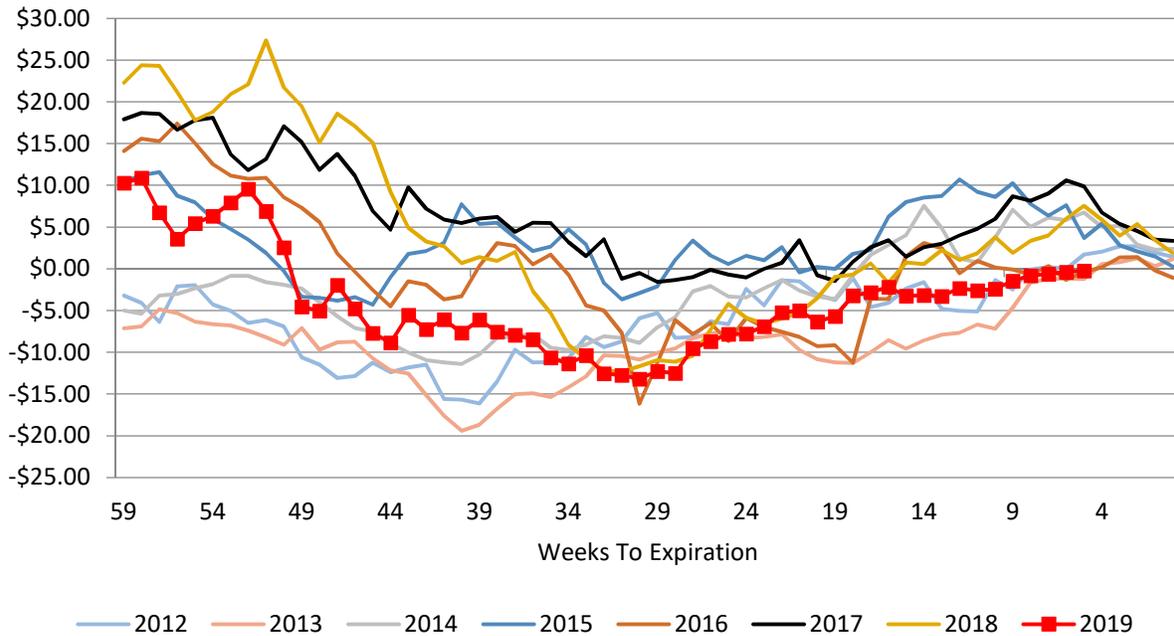
However, as we noted above the 15/16 marketing year saw a huge surge in sales late in the season due to the Brazilian crop losses. There was also a surge in sales in 08/09 it would appear, but I don't recall off the top of my head what happened then. What if we simply took the median level of shipments vs. sales to cancel out the influence of a 15/16 outlier? That would result in Apr-Aug shipments of roughly 835 mil bu, and you can see clearly how massively below the current WASDE projection that would be.

Bottom line here – I think we’ve got to start taking the under vs the current WASDE projection, possibly as soon as next week. While I wouldn’t expect WASDE to show anything nearly as aggressive as what I’m showing above, I don’t think the above scenario is as far-fetched as some analysts would want you to believe. If you’re still clinging on to the current WASDE projection, you’re essentially praying that China bails the US out. Maybe...

**Livestock**

So far we’ve seen fairly active cash trade at 124 in the south, with trade further north less active and with modestly higher prices. I wonder if basis against LCJ is going to start drawing some attention here. With the board now \$2 over latest cash trade (admittedly the week is not settled yet) and FND against LCJ looming on Monday, will there start to be some talk of deliveries? A \$2-under basis would look pretty weak compared to usual against LCJ at this point in the year.

**April Live Cattle Basis History**



**Financials**

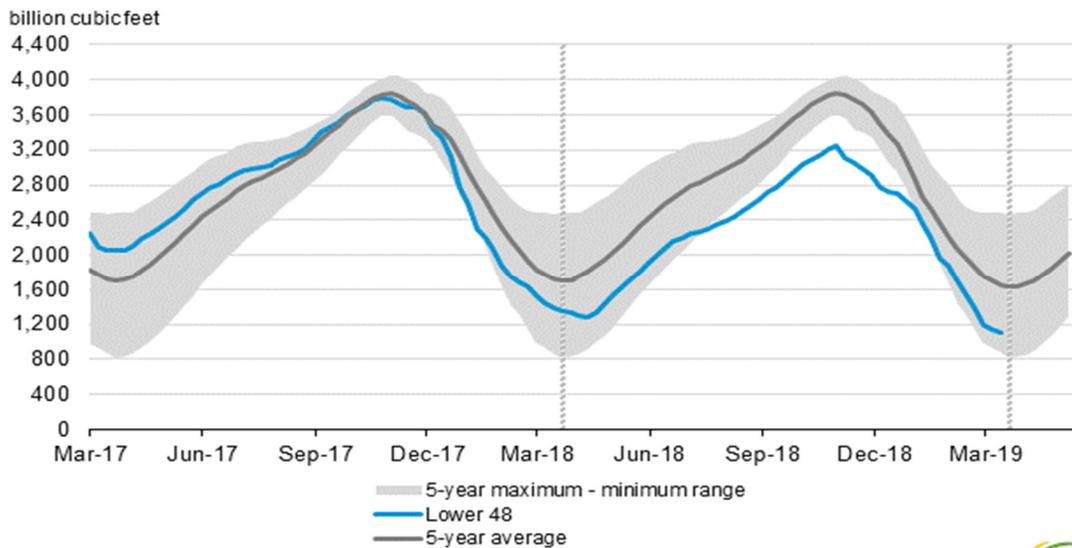
A relatively quiet overnight session. Global equity markets are mixed and US futures are just barely lower as I type. Nothing new to report really. UK’s Parliament is still passing bills intended to avoid a no-deal Brexit, but remains unable to actually come up with a deal. German factory orders were down sharply, continuing the trend of weak industrial data there. Italy cut its official GDP projections, which of course will raise its budget deficit as a percent of GDP and could potentially draw the attention of the EU again (though they seem to have bigger fish to fry at the moment in the form of Brexit). And of course in the US we have rampant optimism towards a trade deal with China and yet another meeting between President Trump and Chinese Vice Premier Liu He this afternoon. One can only hop that event is as entertaining and/or confusing as the last meeting in the Oval office. No major market moving economic data is due today, so we’re likely just going to drift from one

trade headline to the next unfortunately. Obviously we have NFP tomorrow, which is expected to show payrolls +180k. Remember this would be a sharp rebound from the Feb reading which showed the weakest job growth since 2017.

**Energy**

The natural gas storage report is due this morning, and the survey expectation calls for a *build* in inventories of 7-bcf. While not a significant build, I do think it is worth pointing out that we’re at the point in the year where we should start to see stocks increase seasonally. It does appear we have at least one more cold shot of weather in the forecast, but the likelihood of a prolonged drawdown season, such as what we saw last year, seems limited in my opinion. I’ll be watching inventories over the next month or two see if we can start building close to or perhaps above the 5-year average.

Working gas in underground storage compared with the 5-year maximum and minimum



Source: U.S. Energy Information Administration



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

- Export Sales – 7:30am
- Jobless Claims – 7:30am
- EIA Natural Gas Storage

Thanks for reading.

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