

Weather

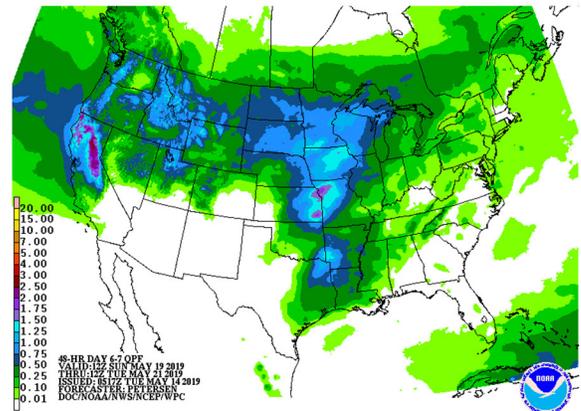
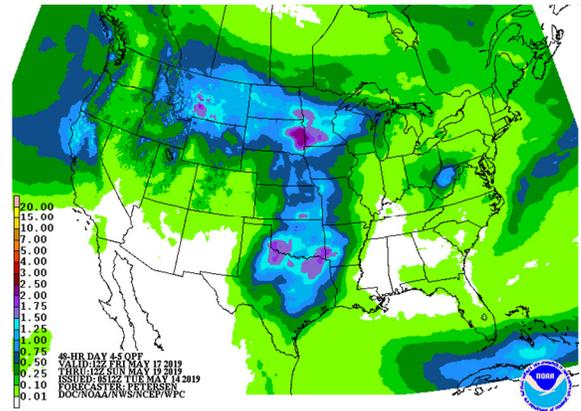
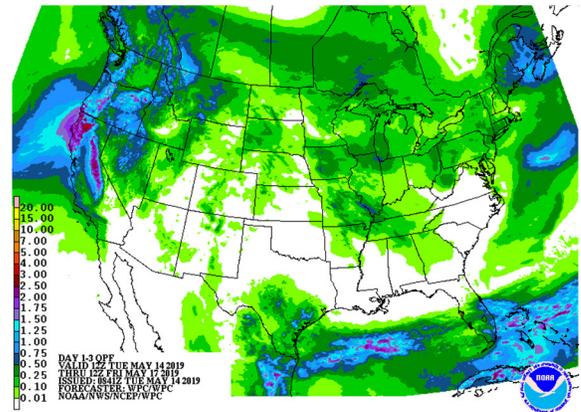
At right: Days 1-3, 4-5, and 6-7

No major changes to the US forecast this morning. In the Corn Belt over the next few days, as shown in the map at top-right, we're not looking at completely dry conditions but what does fall will likely be light and scattered. For instance you can see some light rains on the radar at the time of writing in parts of western/central IA. These will dissipate later this afternoon. There will be additional chances for light showers in IA, MO, and IL later tonight, but again the totals should be relatively light (mostly < .5"). We will start to see more significant rainfall develop on Thursday night and this will kick off another period of active precipitation chances for the Corn Belt. From Thurs through the end of the 11-15 day period (if not longer) we should have daily chances for rain in the Corn Belt. The biggest rains and best coverage will favor western and northwestern portions of the region. You can see that bias in the bottom two maps at the right. Also note that there should be a lot of severe weather during this timeframe. Our meteorologist Craig Solberg notes the Storm Prediction Center is forecasting severe weather risks every day for the 4-8 day period, which runs from Fri-Tues. He says he is not sure if he has ever seen that before and it is a good indication of just how active/stormy the upcoming weather pattern will be.

Temps will turn warmer as the week progresses with a lot of 70s and 80s for highs. We should start to turn cooler again early next week in western areas while eastern areas will remain warm. It is this divergence in temps that allows for the stormy set up in the middle of the country. Note that those cooler conditions in western areas will probably bring the chance for some sub-freezing lows back to portions of the Northern Plains late in the two week period.

Crops

Yesterday's surprisingly low corn planting progress has renewed the discussion on how much PP will we see this year and what that might mean to overall planted area. I wanted to quickly look at some numbers this morning, but admittedly this is just an initial look at PP. Hopefully this will help us with a frame of reference. For our purposes this morning, I want to look specifically at what happens to corn area vs. the March Planting Intentions report in years with "big" PP acreage. In order to do that, we need to define what it takes to be "big" PP. A



breakdown of PP acres since 2007 is shown below. You'll see I've highlighted several years in yellow and for our purposes this morning I'm calling these the big PP years. Maybe I could have thrown 2009 and 2014 in the discussion as well, but today I've left those off.

Prevent Plant	Barley	Corn	Cotton	Oats	Rice	Sorghum	Soybeans	Wheat	Total All-Crops
2007	13,331	494,494	80,639	3,180	14,457	51,641	590,292	340,209	1,595,200
2008	11,150	864,321	42,389	3,893	12,777	75,933	591,013	68,634	1,670,566
2009	70,890	1,878,977	163,187	8,703	176,430	30,339	933,370	916,902	4,182,679
2010	50,871	2,102,329	59,173	13,590	28,421	28,421	1,347,381	3,257,709	6,885,579
2011	310,765	3,013,020	180,955	31,275	325,148	189,139	1,447,177	4,117,096	9,617,431
2012	20,895	262,467	89,264	9,171	60,799	49,515	159,579	587,024	1,238,852
2013	126,441	3,616,862	230,527	15,024	428,546	172,590	1,703,751	2,013,154	8,318,035
2014	57,113	1,607,511	158,917	12,084	235,146	73,155	842,367	1,380,416	4,370,811
2015	27,951	2,367,255	649,963	6,250	521,248	162,559	2,231,881	701,233	6,670,266
2016	15,658	1,052,208	195,089	6,624	90,052	28,037	236,609	1,787,206	3,411,683
2017	29,618	964,596	133,377	7,770	363,538	32,449	435,430	619,685	2,586,750
2018	27,955	929,361	152,178	2,335	61,846	67,036	276,082	374,643	1,891,788

In the breakdown below, I give a progression of corn area in key states and nationally from March to June to Final. In the PP column, I am only looking at PP acreage denoted as corn...not total PP. I apologize that the breakdown is so small...I've tried to cram a lot of information into one little chart. Zoom in to view the details.

State	2010						2011						2013						2015					
	March	Final PP	June	Jun v Mar	Final	Fin v Mar	March	PP	June	Jun v Mar	Final	Fin v Mar	March	PP	June	Jun v Mar	Final	Fin v Mar	March	PP	June	Jun v Mar	Final	Fin v Mar
ND	2,100	466	2,050	(50)	2,050	(50)	2,500	813	2,300	(200)	2,230	(270)	4,100	568	3,900	(200)	3,850	(250)	2,700	89	2,800	100	2,750	50
SD	5,000	998	4,650	(350)	4,550	(450)	5,400	818	5,200	(200)	5,200	(200)	5,900	94	5,900	0	6,200	300	5,200	122	5,200	0	5,400	200
MN	7,600	16	7,500	(100)	7,700	100	7,900	185	8,100	200	8,100	200	9,000	638	8,700	(300)	8,600	(400)	8,500	14	8,200	(300)	8,100	(400)
NE	9,200	21	8,800	(400)	9,150	(50)	9,500	29	10,000	500	9,850	350	9,900	12	10,200	300	9,950	50	9,300	129	9,300	0	9,400	100
IA	13,500	81	13,300	(200)	13,400	(100)	13,900	39	14,200	300	14,100	200	14,200	620	14,000	(200)	13,600	(600)	13,600	116	13,700	100	13,500	(100)
WI	3,900	10	3,900	0	3,900	0	4,050	30	4,150	100	4,150	100	4,350	278	4,200	(150)	4,100	(250)	4,100	16	4,100	0	4,000	(100)
IL	12,600	82	12,600	0	12,600	0	12,800	131	12,500	(300)	12,600	(200)	12,200	212	12,200	0	12,000	(200)	11,700	88	11,800	100	11,700	0
IN	5,700	36	6,000	300	5,900	200	5,900	160	5,900	0	5,900	0	6,100	68	6,100	0	6,000	(100)	5,800	34	5,700	(100)	5,650	(150)
MI	2,400	25	2,450	50	2,400	0	2,500	61	2,550	50	2,500	0	2,600	21	2,800	200	2,600	0	2,450	28	2,500	50	2,350	(100)
OH	3,700	39	3,600	(100)	3,450	(250)	3,700	205	3,500	(200)	3,400	(300)	3,950	4	3,950	0	3,900	(50)	3,500	27	3,500	0	3,550	50
Combined	65,700	1,773	64,850	(850)	65,100	(600)	68,150	2,472	68,400	250	68,030	(120)	72,300	2,515	71,950	(350)	70,800	(1,500)	66,850	663	66,800	(50)	66,400	(450)
US Total	88,798	2,102	87,872	(926)	88,192	(606)	92,178	3,013	92,282	104	91,936	(242)	97,282	3,617	97,379	97	95,365	(1,917)	89,199	2,367	88,897	(302)	88,019	(1,180)

A few things stand out to me. In two of the years, 2011 and 2013, total corn area *increased* in June relative to March before dropping in the final area estimate (January). More importantly, it also appears to me that the March to Final acreage decline really isn't *massive* in these years. The biggest was in 2013 with a ~2 million acre reduction in corn planted area. Admittedly, I'm only looking at planted area here and not looking at what impact this might have on harvested area as well. Still, I think this view might argue against calling for "big" reductions in corn planted area based on the likelihood of big PP acres.

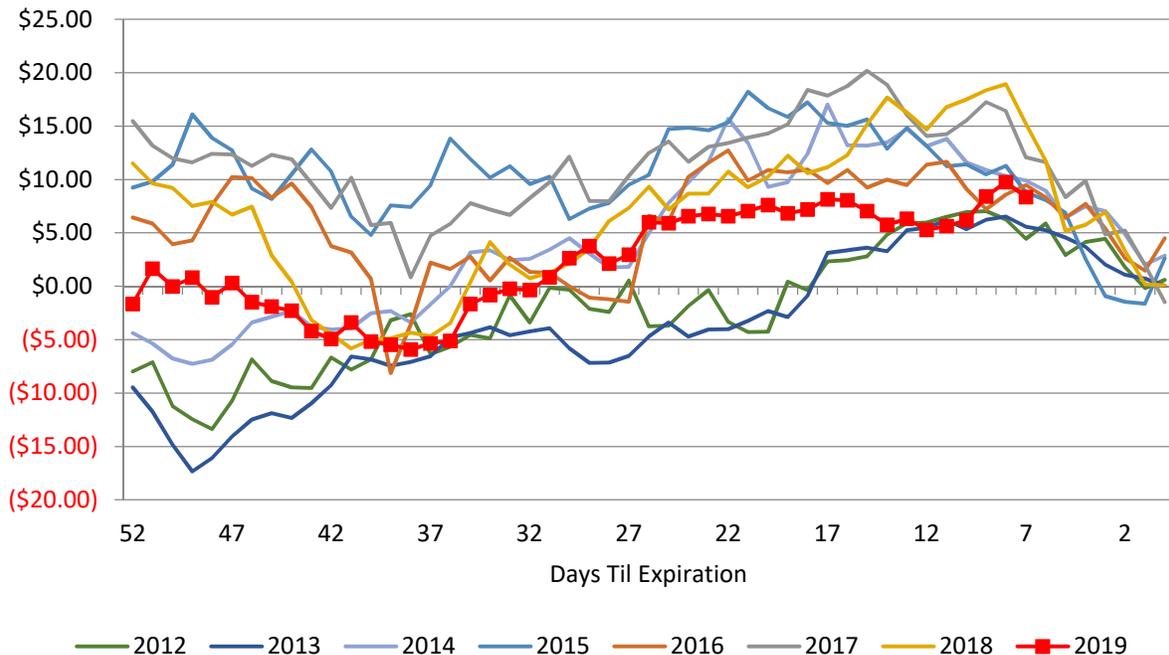
Of course, no two years are the same and we can't expect this year to be similar to any of the years highlighted above. This year will present its own challenges...no doubt. The financial backdrop to this year's planting decisions is unlike any I can remember in my relatively short tenure. Still, I found this exercise helpful as it is tempering my expectations for a big reduction in corn area...for now. Thoughts appreciated.

Livestock

Nothing especially surprising in the weekly MPR and beef sales numbers. Last week's cash trade was down some from the prior week but still an active week of trade. Meanwhile slaughter runs continue to be aggressive

(last week's kill was revised up to 671k) which means that even with the solid cash cattle volume the packers probably aren't sitting on any "huge" inventory right now. One thing I haven't looked at in a while is basis. The chart of June basis seasonal is shown below. You can see we're roughly where we should be for this time of year. This week's cash trade is probably just a function of basis considering we're still looking at a relatively large percentage of cattle on feed that are hedged. Expect cash to eventually trade somewhere near steady basis to last week (+8 vs. June) or maybe we could see basis narrow a smidge.

June Live Cattle Basis History



Financials

A bit of a relief rally in markets this morning. Nothing has really changed in terms of the China-US trade "negotiations". President Trump apparently said last night that he "feels" talks will be successful. Of course on Twitter already this morning, President Trump is telling US companies to make their products here in the US so that doesn't necessarily sound like a de-escalation to me...but the market is due for a bounce here and we're getting one this morning. We can debate whether or not the breakdown in trade negotiations is the root cause of the equity market weakness...but if you believe it IS the reason for equity market weakness then you probably don't want to be chasing this bounce higher as it doesn't seem to me that the negotiations have improved. In fact, both sides seem to be growing more entrenched with their "beliefs" rather than their negotiating tactics... not something that is likely to be helpful considering the parties involved.

We're probably looking at a quiet day unless we get some major headline surprises. Import prices won't move the market. We've got a few Fed speakers making the rounds today, which might conceivably move the needle but probably not. Earnings season is over. Bitcoin is higher again at the time of writing this morning.

Energy

Crude oil futures are only modestly higher this morning, but tensions in the Middle East continue to escalate. As reported yesterday, we saw several tankers report getting attacked near the Strait of Hormuz. Now this morning Saudi Arabia is reporting that “unidentified drones” attacked two pumping stations belonging to Saudi Aramco. The stations apparently are linked to a pipeline that run from eastern Saudi Arabia to the port of Yanbu on its western coast. This might not be linked to the Iranian tensions of course...Saudi Arabia remains locked in a war with Yemen and Yemen forces have previously targeted these installations. Still, this certainly doesn't calm matters in the region.

Looking ahead, one thing to keep an eye on is an OPEC+ meeting this Friday 5/17. OPEC plus Russia and a handful of other major oil producers will be on hand to discuss oil markets and they will surely debate whether to extend production cuts into the second half of the year. This should be all the more interesting with the Iranians clearly upset that the Saudis have promised to cover any shortfall in supplies due to sanctions.

Today's Calendar (all times Central)

- Import Prices – 7:30am
- A handful of Fed speakers throughout the day

Thanks for reading.

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