

Weather

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

The first thing that I notice from the first map to the right is that IA, NE, KS, MN, WI, and the Dakotas see very little precipitation over the next 3 days. Admittedly we should see a lot of cloud cover and temps will remain cool, meaning drying conditions won't be great. Still, this allows a bit of a window for field activity in the area. The focus for precipitation instead stretches from eastern TX into the southeastern Corn Belt. As the map at the middle shows, we should expect to see rains return to the WCB on Sun/Mon at the same time that drier conditions return to the ECB. Note that even on Sun/Mon (and Tues/Wed) in the bottom map) that rainfall chances in the Northern Plains are actually fairly minimal. You can see at the bottom right that next Tues/Wed is another shot for big precipitation across the middle of the country. While there are some differences, the GFS and Euro models seem to be in pretty solid agreement on this event.

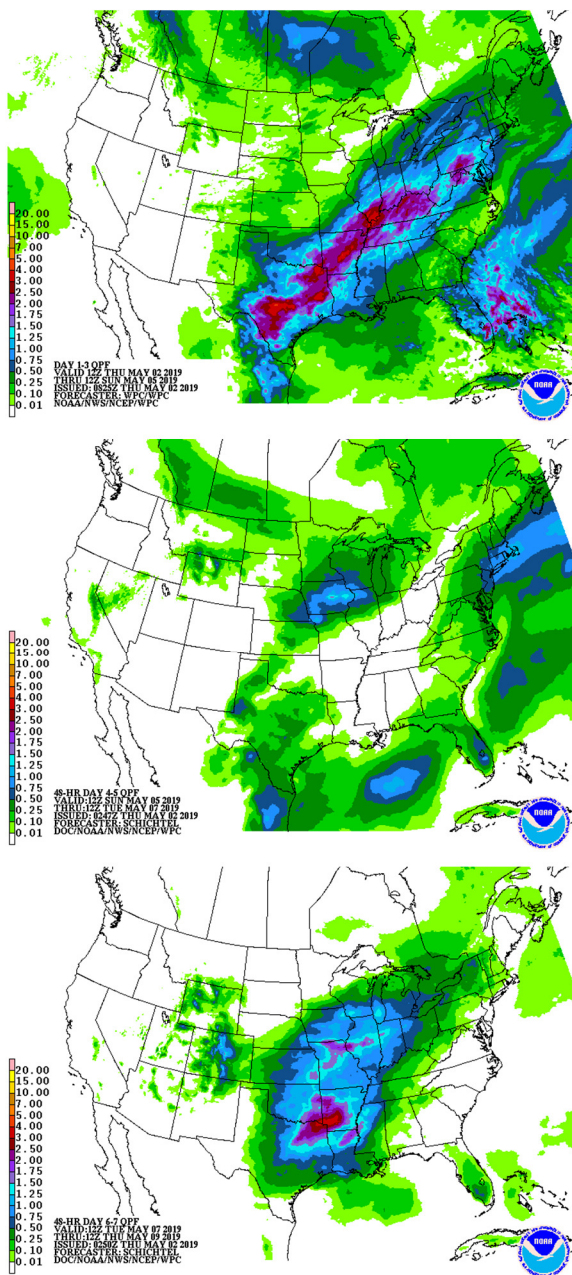
Beyond the period shown in the attached maps, it sounds like there will be another threat for relatively light rainfall late next week (Fri/Sat). Models appear to be in better agreement on their forecast for the 11-15 day period. Rainfall chances for most of the Corn Belt are described as "near normal" but there could be above normal amounts in southern and eastern portions of the Corn Belt.

Temps will start warming slightly today through Monday, with highs in the 50-60 range today with more 60s tomorrow and maybe some 70s and possible 80s during the weekend and early next week. Cooler weather will return to northwestern areas early next week and we should see high temps dip back down to the 50s and 60s next week.

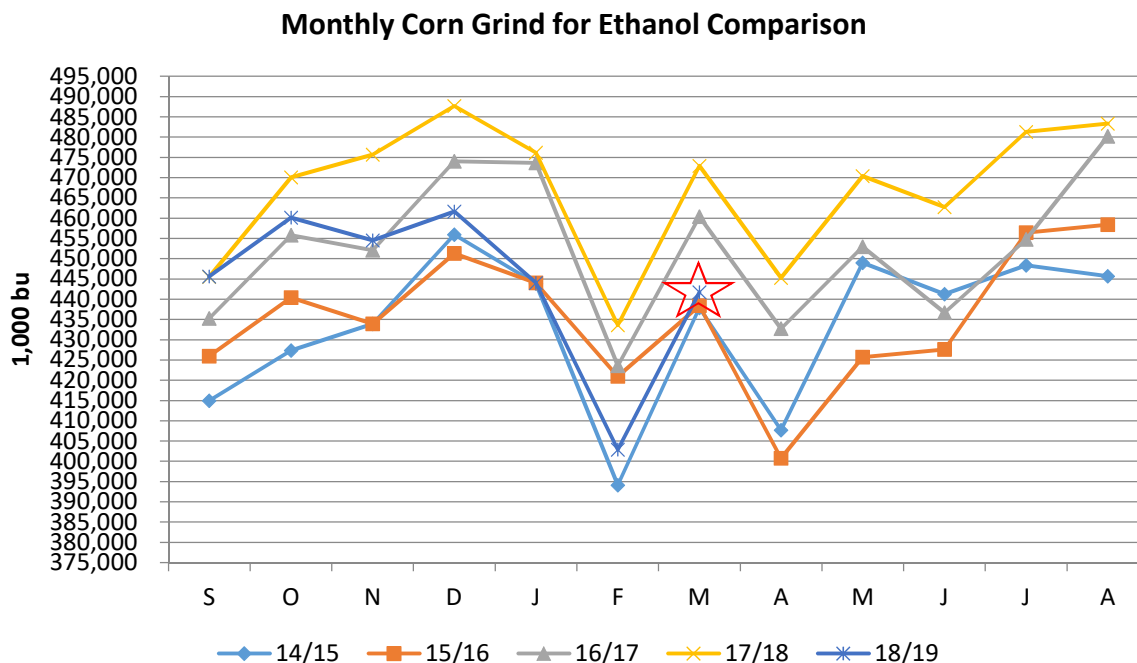
One thing I missed yesterday was the idea that we could see some freezing temps through portions of Europe. This would potentially happen early next week and affect eastern France and portions of Germany and Poland. The wheat market certainly seemed to take note of it yesterday, and I'd put it on your radar going forward.

Crops

I have consistently been one of the more negative analysts towards the corn ethanol grind in 18/19, but the data continues to surprise me to the downside. Yesterday NASS updated with the official corn grind for ethanol in



March, showing consumption at only 441 mil bu compared to roughly 473 mil bu at the same time last year. In order to match the WASDE corn grind projection, the grind will need to average roughly 477 mil bu each month for the remainder of the marketing year. Based on the EIA data we have, it would seem almost impossible to reach that level for the month of April. So look for WASDE to scale back their corn grind again, though I suppose they could slow-play it and not move this month.



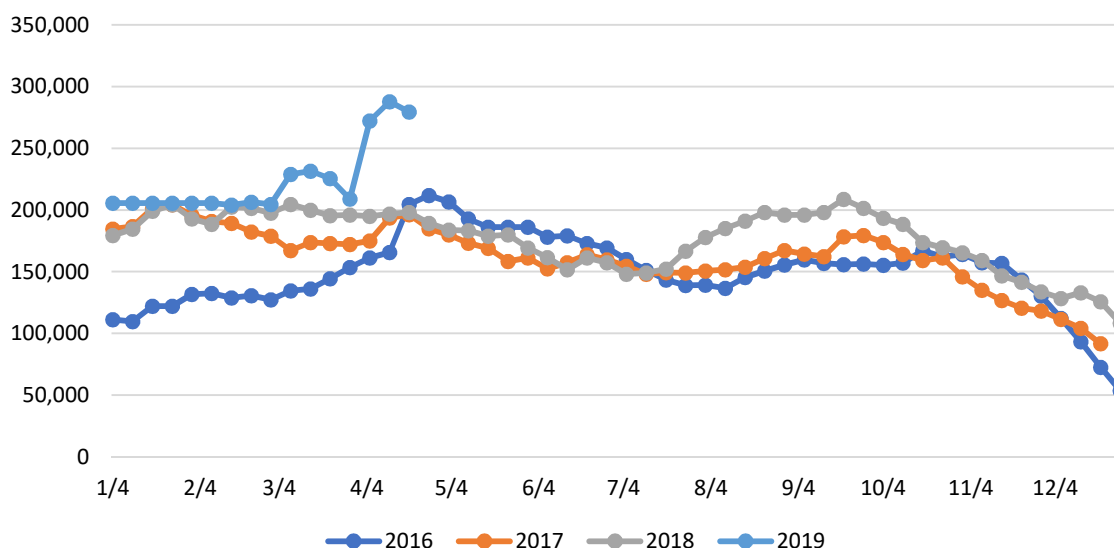
NASS also updated with the monthly Fats & Oils report, giving us the official crush data for the month of March. Official crush was roughly 179.4 mil bu, which is a bit smaller than I would have guessed based on the NOPA figure. This is actually the second month in a row where the official crush has come in modestly smaller than the NOPA-implied figure, which admittedly might not mean anything. This is also the second straight month that the crush did not post a higher YOY rate, and with cash crush margins down YOY going forward I would expect that last year's crush pace during the summer might not be matched either. With that in mind, I'm still leaning towards the possibility that WASDE will need to cut their crush projection at some point in the near future. I don't believe they will make a change next week, but my confidence is growing that crush will probably fall short of their current projection (I'm assuming something close to 2,075 mil bu). The series is volatile, but meal stocks were up sharply, implying a 4% YOY reduction in domestic meal disappearance. My estimate MYTD domestic meal disappearance is for a roughly unchanged figure YOY. WASDE's current 18/19 projection is calling for a 1% YOY increase.

Livestock

Today we have export sales on tap, and if past performance is worth anything, it would stand to reason we could get a big reaction from hogs today. Last week we saw a limit down move largely on what was apparently a

disappointing sales number. Despite the “soft” weekly net sales figure last week, outstanding sales of pork right now are still exceptionally high.

Pork - Outstanding Export Sales

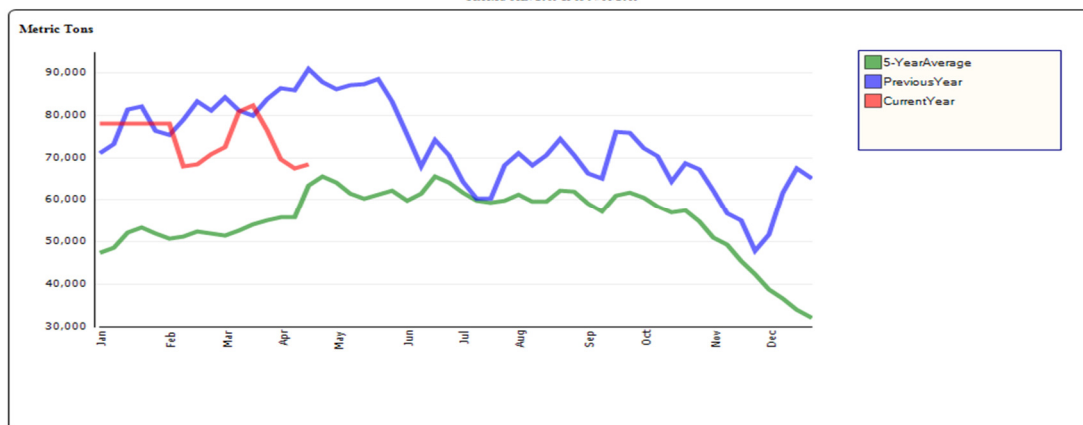


A large reason for this year’s outperformance in sales is, of course, China. Chinese pork commitments stand at roughly 166k mt vs. roughly 20k mt at this point last year. With that in mind, that is probably going to be the first thing anyone looks at in today’s report. That said, I’m personally of the belief that Mexico could be equally as important for US pork demand here. Note the breakdown below. Export commitments to Mexico are off roughly 37k mt from the same point last year. This is mostly due to the fact that, despite the agreement on USMCA, tariffs on US pork remain in place as tariffs on Mexican steel and aluminum remain in place. This situation is slowing down the necessary ratification of the deal. If that hurdle were to get cleared, I would think that export demand from Mexico would improve fairly solidly. And what if the tariffs get resolved for both Mexico and China??

Outstanding Sales - MEXICO

Fresh, Chilled, or Frozen Muscle Cuts of Pork

Selected Year: 2019 as of 04/18/2019



5/1/2019 Source: USDA/FAS/Export Sales Reporting

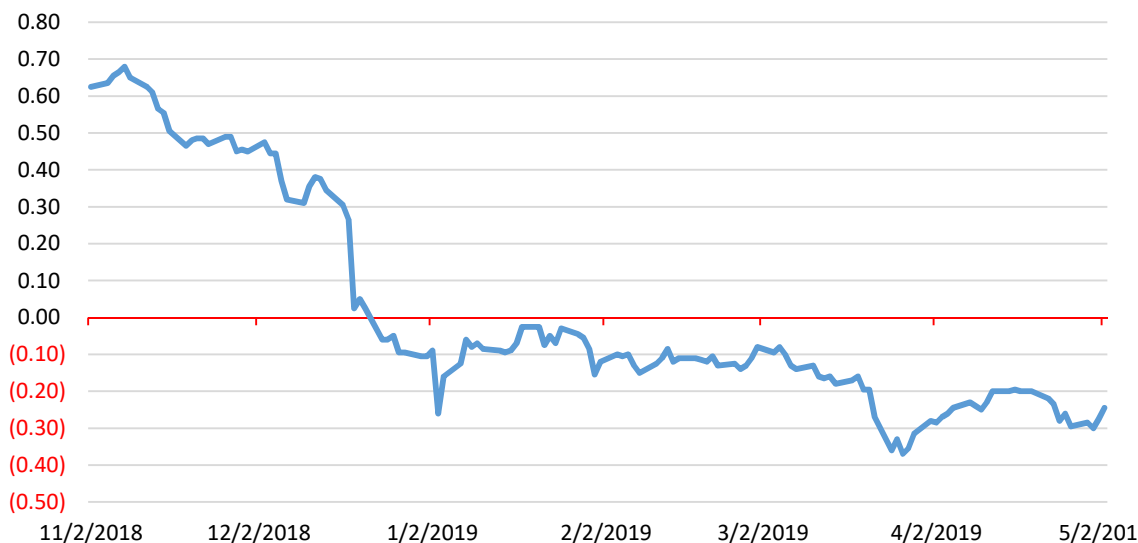
Financials

As you are surely aware by now, the FOMC statement yesterday proved to be relatively dovish. Not a huge surprise on the margin, but I suppose the IOER rate cut was a bit more than most expected. The key change in the statement was the wording on inflation, as illustrated in the strike-through version below:

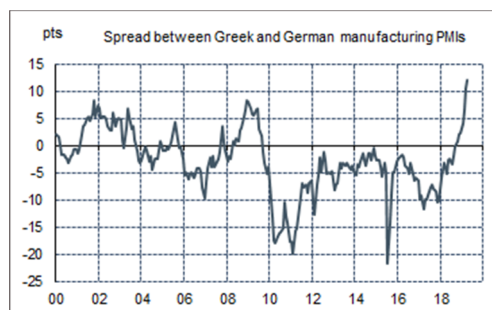
quarter. On a 12-month basis, overall inflation ~~and has declined, largely as a result of lower energy prices;~~ inflation for items other than food and energy have declined and are running below ~~remains near 2~~ percent. On balance, market-based measures of inflation compensation have remained low in recent months, and survey-based measures of longer-term inflation expectations are little changed.

Inflation has “*declined and are running below*” the Fed’s stated objective. From this point I guess we should be expecting some directive from the Fed on what exactly they plan to do about it. In his press conference, Fed Chair Powell said “we don’t see a strong case for a rate move either way”, but clearly the market is of the belief he is bluffing. As shown below, Fed Funds futures are still pricing in a rate cut by the end of the year.

Market Implied End-2019 Rate Change



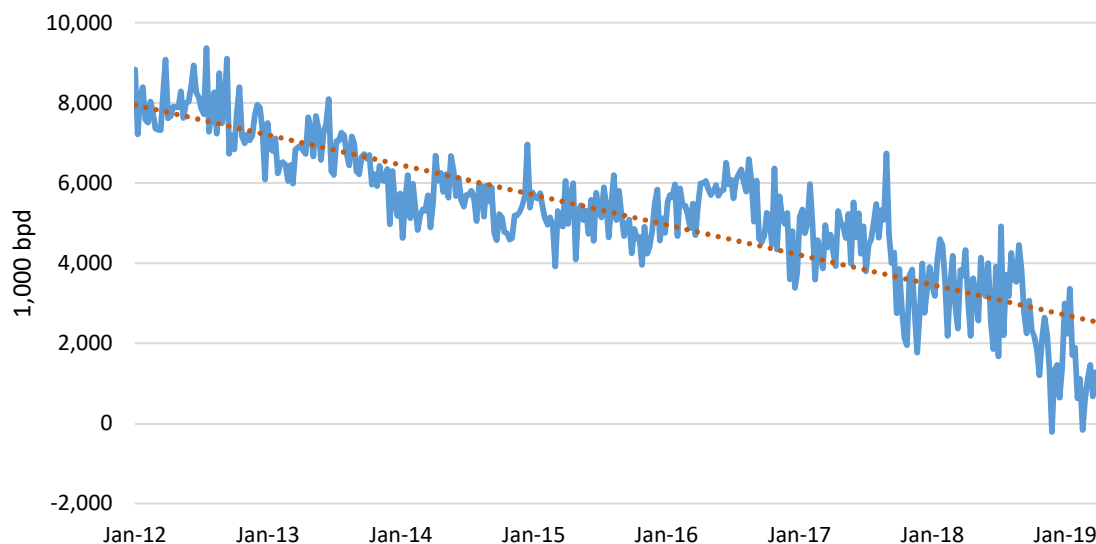
PMI numbers were released overnight, and the focus is largely on Europe. Eurozone manufacturing PMI remained negative but improved slightly to 47.9 from 47.5 last month. French manufacturing PMI rose to 50.0, signaling stabilization. German manufacturing improved only marginally and remains sharply negative at 44.4. Italy is also in a downturn with manufacturing PMI at 49.1. The chart to the right is probably not something you might expect to see. Greek manufacturing PMI was one of the bright spots of Europe rising to 56.6, the strongest since June 2000.



Energy

Crude oil futures are lower again this morning, largely still reeling from the negative EIA data released yesterday. US crude oil stocks were up sharply and production continues to consistently grind higher. Admittedly, some of last week's surprise crude oil build is due to a somewhat unusual (compared to recent weeks, anyway) surge in crude oil imports. Still, that doesn't fully explain the miss vs expectations yesterday. OPEC is certainly succeeding in limiting their supplies to the world, but US crude oil supplies continue to expand. Albeit slowly, the US is becoming a bigger player in the oil and petroleum product export market.

**US Total Petroleum Net Imports
Crude Oil & Refined Petroleum Products**



Today's Calendar (all times Central)

- Jobless Claims – 7:30am
- Export Sales – 7:30am
- Durable Goods – 9:00am
- EIA Natural Gas Storage – 9:30am

Thanks for reading.

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