

Weather

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

No significant change to the nearby forecast. As you can see in the map at the top right, there is not a lot of precipitation in the forecast in the majority of the Corn Belt over the next 3 days. There will be some scattered showers, but nothing major. Drying conditions still won't be great with cloudy skies and some cool temps in the north, but look for some planting progress to get done in the WCB over this stretch. Rain over this period instead focuses on the southern US with some modest amounts through extreme eastern portions of the Corn Belt.

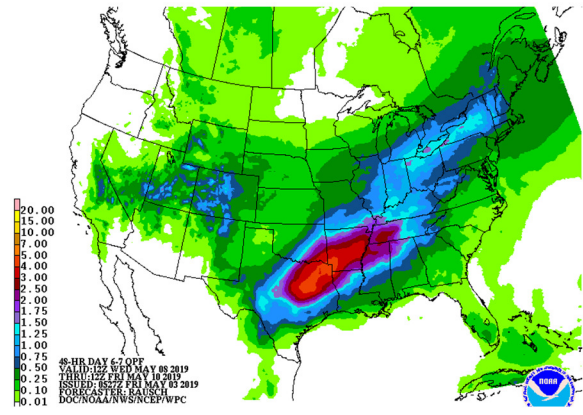
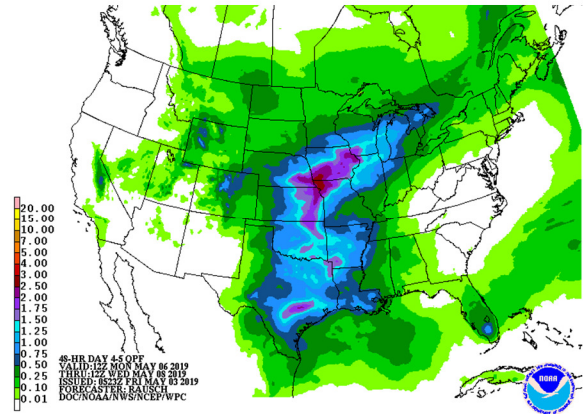
In the map at the middle right you see the next main threat for rainfall in the Corn Belt coming Mon/Tues. Again the Northern Plains doesn't look especially wet on this map but note that some precipitation will fall as snow in that area. Rainfall will slowly work eastward and will linger in ECB areas through probably Thursday, as indicated in the map at the bottom right.

The forecast beyond this event still remains questionable, though you probably noticed the NWS maps yesterday afternoon showing some slightly less-wet ideas. The overall features that are producing the big rains in the Corn Belt are expected to diminish in the 11-15 day period which should mean less rainfall, but that doesn't mean the area is going to be completely dry either. We're also still expecting mostly BN temps to remain in place through the 11-15 day period.

Crops

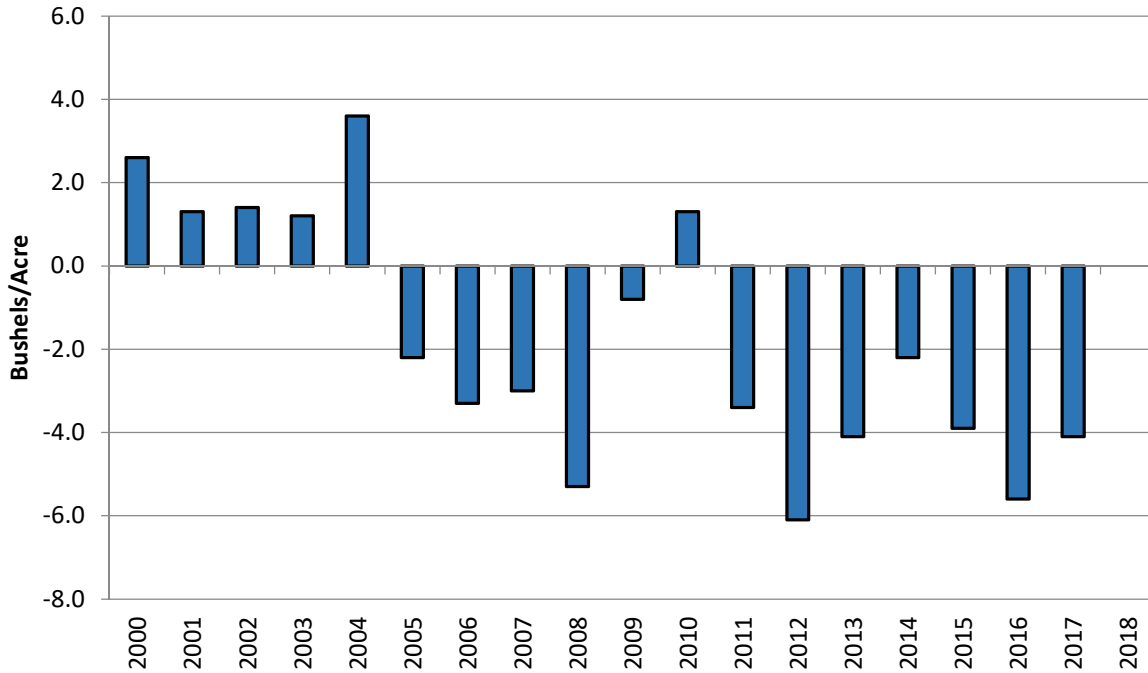
We got the official final estimates on the KS winter wheat crop following the WQC's tour yesterday. In case you missed it, the tour came up with a 3-day average yield estimate of 47.2 bpa and is projecting a KS winter wheat crop of 306.5 mil bu. That is a solid increase from the final official KS wheat production last year of 277.4 mil bu, but to be honest it isn't quite as big as I might have thought considering the very positive commentary from those on the tour this year. The focus today is, what does this actually tell us about KS winter wheat production?

The first two charts below take a look at the tour's yield estimate vs. the NASS May yield estimate. In the first bar chart, you can see that the tour's yield estimate *almost always* comes in larger than the NASS May yield estimate. Interestingly, last year was an exception when the tour's yield and the NASS May yield were the exact

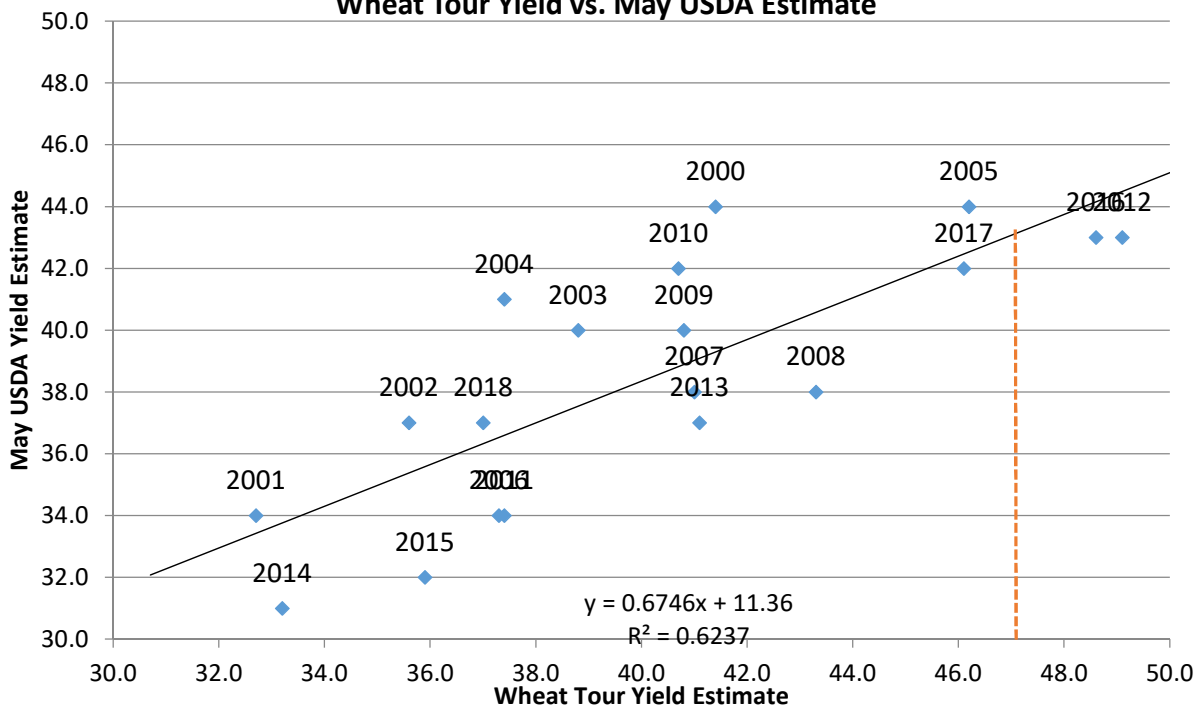


same. The second chart plots the two series against each other. Based on the relationship shown here, one could make the case for a yield near 43.2 bpa.

May NASS Kansas Yield Estimate vs. Tour Estimate



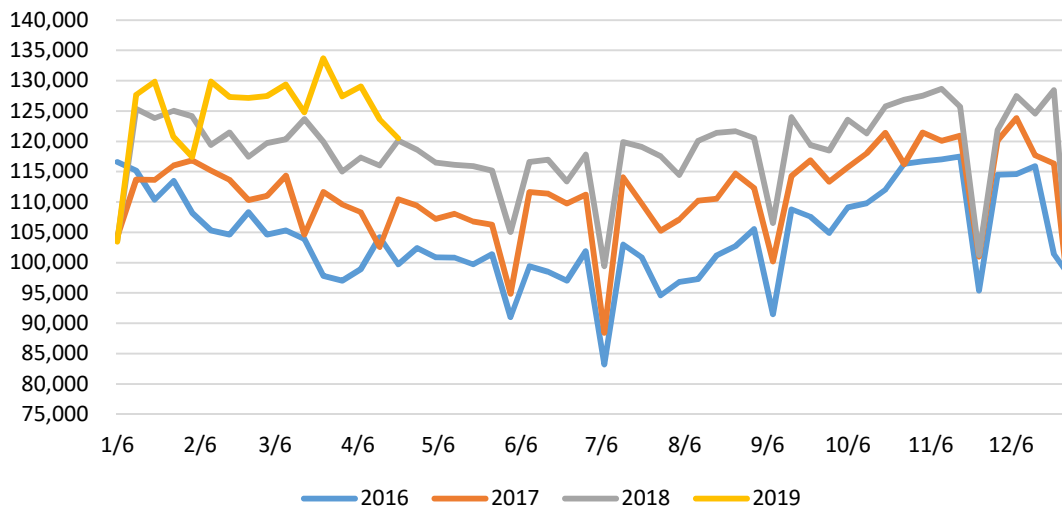
Wheat Tour Yield vs. May USDA Estimate



Livestock

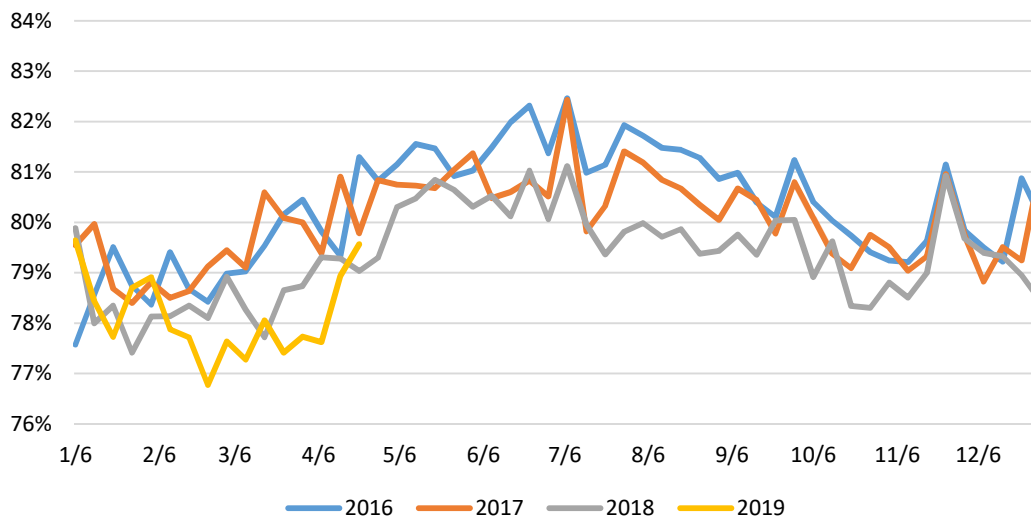
Just glancing through some of the official slaughter data this morning. One thing that stands out to me is the smallest cow kill we've seen in several weeks. See the chart below. Clearly there is a modest seasonal tendency for the cow kill to slip during the summer months but packer/dairy industry contacts have implied that the cow kill should still remain "elevated" during this period. It'll be interesting to see if we start tracking lower YOY for a bit here...

Total FI Cow Slaughter



Along the same lines, note that S&H slaughter as a percentage of the total mix moved back above year ago levels. Obviously if we see some "soft" cow kill numbers in the weeks/months ahead this should put more S&H into the slaughter mix. Perhaps I'm making too much out of one week's data, but just something I'll personally be watching going forward...

Combined S&H Slaughter as % of Total



Financials

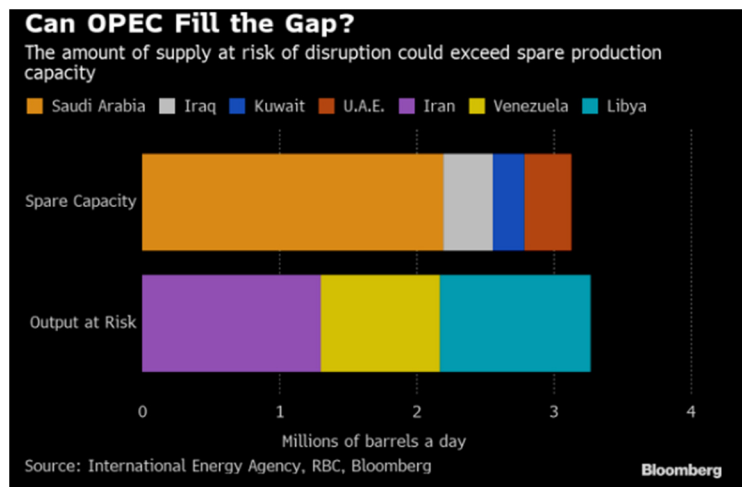
US equity futures simply continue to grind higher and higher in overnight trade. Otherwise, most markets seem pretty quiet in overnight action this morning. The dollar is higher at the time of writing and the euro is weaker, which surprises me a little considering a fairly strong inflation number from Europe overnight. European CPI jumped to +1.7%, the strongest since November and certainly inline with the ECB's goal of "close to but not over 2%". Core inflation was +1.2%, a 6-month high. There is always something of a "Easter effect" on European inflation numbers and that might explain why the market is giving a relatively muted response to the data.

The big focus here in the US today will be NFP early this morning. Expectations call for a +190k figure, but considering the very strong ADP report earlier this week it is likely the market's "whisper number" is something higher. If an above-consensus estimate NFP is scored, it could also produce a modest drop in the unemployment rate, which is expected to remain unchanged at 3.8%. Also keep an eye on average hourly earnings, expecting +3.3% YOY.

As usual following an FOMC meeting we have a flurry of speeches from Fed officials. Today we have a total of NINE Fed officials speaking at various events. Considering the somewhat confusing message from Powell earlier this week, we should probably expect to see some particular focus of the speeches today and this is something that *might* push markets around.

Energy

Iran back in the newswires again this morning following a meeting between Iran's oil minister and OPEC's Secretary General overnight. Iran's oil minister said "I told Mr. Barkindo that OPEC is in danger of the unilateralism of some members and the organization faces the risk of collapse". This is not the first time Iran, or some other country, has threatened that the group might break up. Of course the Iranians are upset over Saudi and UAE commitments that they will make up for any losses in Iranian oil exports due to US sanctions. Bloomberg has a nice graphic this morning showing expectations for losses in oil exports from Iran, Venezuela, and Libya vs. spare capacity in other OPEC countries. You can see that the spare capacity estimate falls modestly short of the expected losses, but more importantly I think it is highly questionable as to whether all of this spare capacity can actually be brought into production. There are some major doubts as to whether the Saudis are overstating their spare capacity.



Today's Calendar (all times Central)

- NFP – 7:30am
- ISM Services Index – 9:00am
- Baker Hughes Rig Count – 12:00pm
- Several Fed speakers

Thanks for reading.

David Zelinski

dzelinski@nesvick.com

901-766-4684

Trillian IM: dzelinski@nesvick.com

Bloomberg IB: dzelinski2@bloomberg.net

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