

Weather

Maps at right show: Days 1-3, 4-5, and 6-7

No major changes to the near term forecast in the Corn Belt. You can see on radar this morning we've got some scattered showers pushing through the area, and this will kick off a period of daily rainfall chances in the Corn Belt which should last into the weekend. Predicting just exactly where the rain will fall is difficult, though clearly we're still anticipating a line somewhere around I-80 at which rains to the north will be lighter and rains to the south will become heavier. Two things to note in the graphics to the right that stand out to me...first is the Southeast will get a nice shot of moisture which is actually welcomed for that area. Second is the fact that the Southern Plains might start to dry out a bit after the next few days.

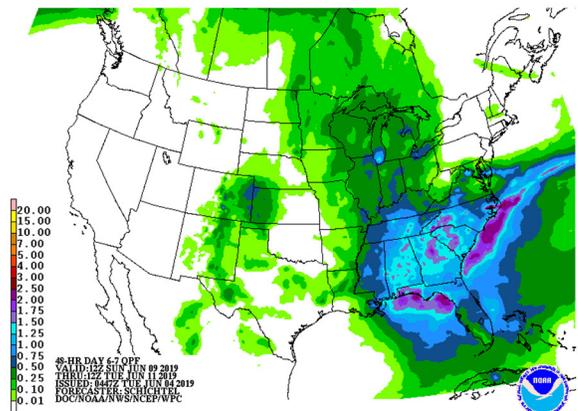
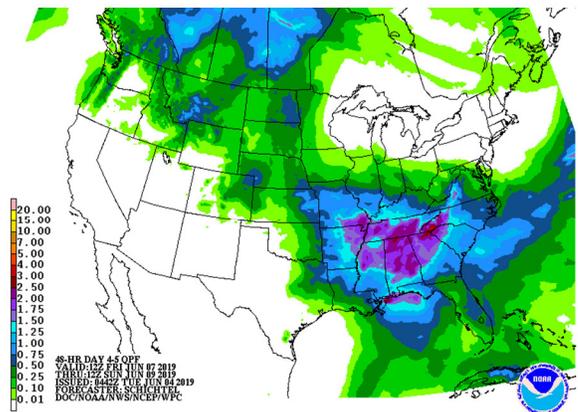
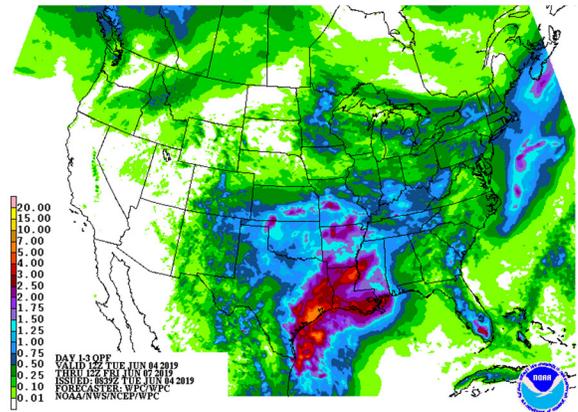
No change in the outlook on temps. We'll see relatively warm temps over the next few days but we'll shift into a BN temperature regime by early next week and likely remain BN through the end of the two week period.

Crops

Another slower than expected week of planting progress reported yesterday afternoon. We're past "crunch time" and perhaps into panic time for the market. I thought it might be worth a quick quantification of what we've got remaining to plant and what we might have remaining to plant on *next week's* Crop Progress report.

The breakdown below is my attempt to quantify things for corn. You'll see the key 18 states listed on the right next to their 2019 Intentions estimate. In the 6/2/19/ section, that simply breaks down the estimate for what we've planted as of Sunday. The 6/9/19 section is my current WAG for next week's planting progress. Note that this would correspond with roughly 80% complete for the 18-state total.

You'll notice I have some boxes marked with an orange highlight, and these represent states for which we're already past the initial Prevent Plant date. I also have some states highlighted in red, and these are states at which will cross the Prevent Plant date during the course of this upcoming week.



Corn	2019 Intentions	6/2/2019			6/9/2019			Past PP?
		% Complete	Acres Planted	Acreage Remaining	% Complete	Acres Planted	Acreage Remaining	
CO	1,430	78%	1,115	315	85%	1,216	215	
IL	11,200	45%	5,040	6,160	65%	7,280	3,920	
IN	5,500	31%	1,705	3,795	50%	2,750	2,750	
IA	13,600	80%	10,880	2,720	88%	11,968	1,632	14,102
KS	5,700	79%	4,503	1,197	89%	5,073	627	9,566
KY	1,430	87%	1,244	186	91%	1,301	129	23,668
MI	2,350	42%	987	1,363	60%	1,410	940	28%
MN	8,000	76%	6,080	1,920	85%	6,800	1,200	
MO	3,500	69%	2,415	1,085	75%	2,625	875	
NE	9,700	88%	8,536	1,164	92%	8,924	776	
NC	970	97%	941	29	100%	970	0	
ND	4,050	81%	3,281	770	99%	4,010	41	
OH	3,500	33%	1,155	2,345	50%	1,750	1,750	
PA	1,370	74%	1,014	356	85%	1,165	206	
SD	6,000	44%	2,640	3,360	85%	5,100	900	
TN	850	95%	808	43	98%	833	17	
TX	2,150	96%	2,064	86	98%	2,107	43	
WI	4,050	58%	2,349	1,701	75%	3,038	1,013	
US	85,350		56,756	28,594		68,318	17,032	

So, as of today, we've got roughly 28 million acres remaining to plant and if I'm right with an 80% guess for next week we'll have roughly 17 million left to plant a week from now. Of course these are just relative to the Prospective Plantings figures...obviously at this point we've got to be assuming not all of that will be planted. For that reason I tried to summarize the amount of acreage potentially planted beyond the Prevent Plant date on the right. You can see we're already looking at roughly 14 million acres past the PP date in those states and another 9 million by this point next week for a grand total potential of ~23 million planted *after* the PP date. That would represent 28% of the 18-state Prospective Plantings intentions.

I don't know what the current guess is on a reduction in corn area, but whatever it is today, if that 80% guess for next week is correct it probably continues to work higher.

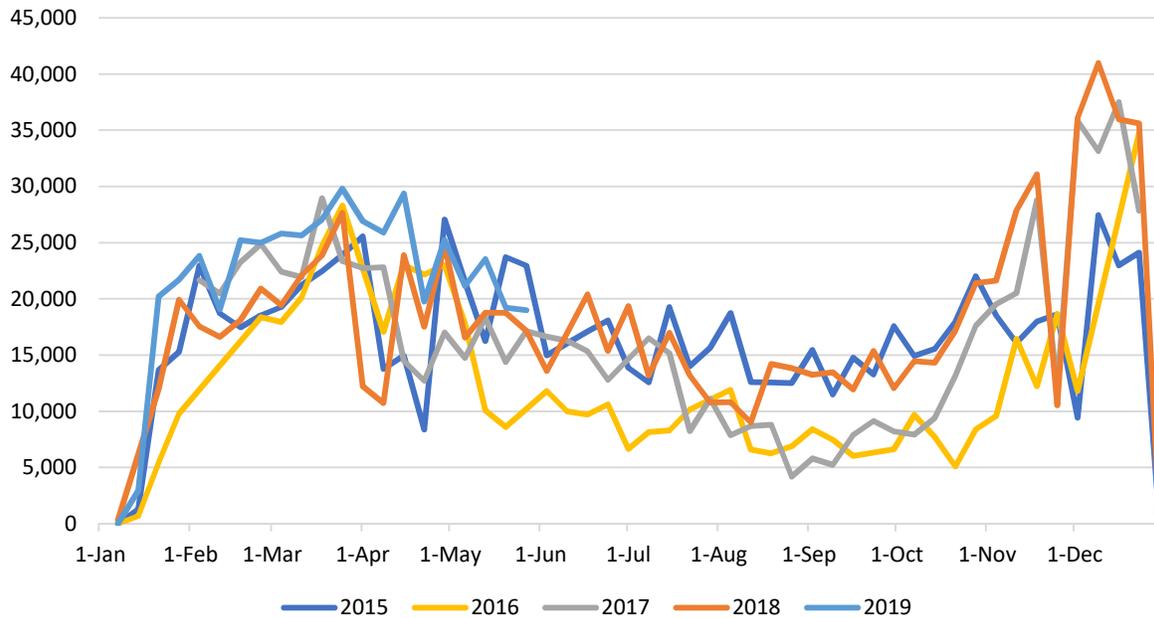
The breakdown below is the same look for soybeans. The figures below would correspond with a 54-55% 18-state total estimate. No highlights here as we're not really close to major PP dates yet. I'm personally not all that concerned about losing soybean area at this point in time despite being well behind normal, but I'm willing to hear arguments...

Soybeans	2019 Intentions	% Planted	6/2/2019		6/9/2019		
			Acres Planted	Acreage Remaining	% Planted	Acres Planted	Acreage Remaining
AR	3,100	54%	1,674	1,426	65%	2,015	1,085
IL	10,500	21%	2,205	8,295	31%	3,255	7,245
IN	5,700	17%	969	4,731	27%	1,539	4,161
IA	9,400	41%	3,854	5,546	65%	6,110	3,290
KS	4,950	26%	1,287	3,663	34%	1,683	3,267
KY	1,750	49%	858	893	55%	963	788
LA	1,130	91%	1,028	102	95%	1,074	57
MI	2,200	31%	682	1,518	36%	792	1,408
MN	7,300	51%	3,723	3,577	65%	4,745	2,555
MS	2,000	80%	1,600	400	92%	1,840	160
MO	5,500	18%	990	4,510	24%	1,320	4,180
NE	5,400	64%	3,456	1,944	80%	4,320	1,080
NC	1,550	58%	899	651	72%	1,116	434
ND	6,500	70%	4,550	1,950	95%	6,175	325
OH	4,950	18%	891	4,059	25%	1,238	3,713
SD	5,200	14%	728	4,472	55%	2,860	2,340
TN	1,500	64%	960	540	80%	1,200	300
WI	2,150	34%	731	1,419	40%	860	1,290
US	80,780		31,085	49,695		43,104	37,677

Livestock

I just want to scratch the surface on the impact of US tariffs on Mexican imports to the cattle market briefly this morning. Surely I can't cover everything and there will be things I miss or forget. Please let me know if you think I'm overlooking anything important. I mainly just want to review some of the recent data on imports from Mexico lately. Up first, we'll look at feeder cattle imports. The data I have is for FC imports into NM and TX, which obviously doesn't account for *everything* but should be pretty close. A seasonal view of FC imports is shown below. You can probably tell pretty quickly that imports so far this year are running pretty well ahead of levels seen over the past few years. My quick tally shows that imports are up roughly 27% from the same period last year. Add a 25% tariff on imports of feeders, and it is almost certain to fall almost to nothing. Considering the performance of the Mexican feeders, I really doubt that the US will be willing to pay +25% for them so either the Mexicans have to discount or the import totals drop dramatically (maybe a little of both). How much of a big deal is that for US cattle supplies? Well, again looking at the 2018 YTD cumulative import total vs. the 2018 total steer & heifer slaughter, those Mexican feeder imports accounted for roughly 3.5%ish of the total S&H kill. I don't think that is a big enough amount to have a meaningful impact on US cattle supplies, but I'm open to hear other opinions.

Mexican Feeder Cattle Imports into TX & NM



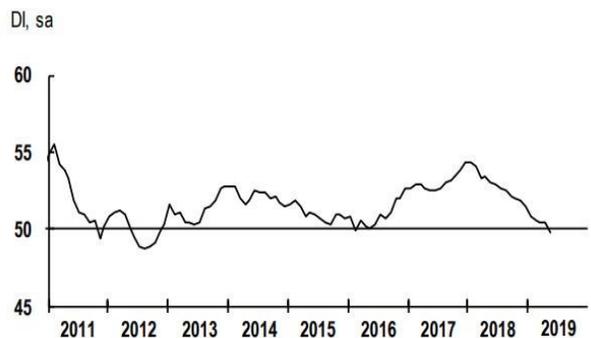
Turning to beef, we have to keep in mind we are a net importer of beef from Mexico. In 2018, our net import total was roughly 48k mt. Yes, our shipments to Mexico represent roughly 14% of our total exports (2018) but they represent roughly 19% of our total imports. So while yes we might be losing out on some export totals here, this might still represent a modest decrease in US beef supplies.

Overall, I have a hard time believing this will represent a major problem for US cattle/beef if the tariffs go into effect and even if there is retaliation aimed back at the US. It is clearly a different situation for pork, where we are a significant net exporter to Mexico. Thoughts greatly appreciated.

Financials

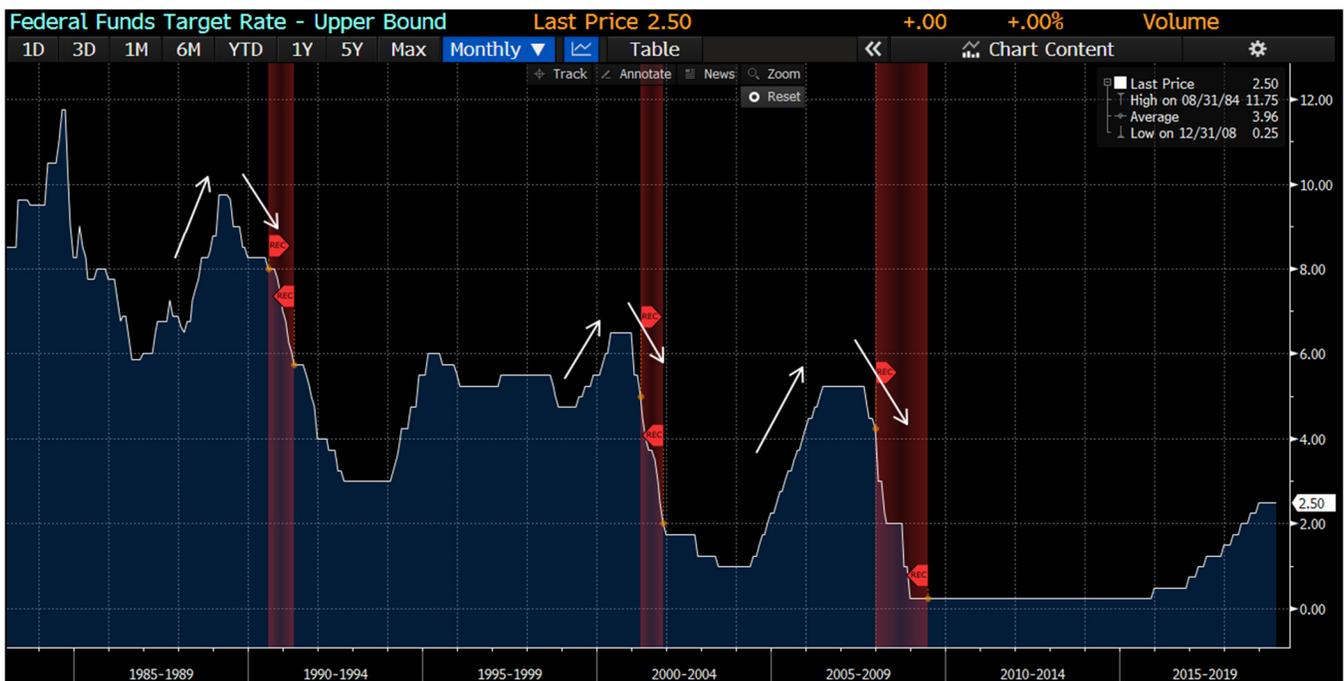
Adding to our comments yesterday on soft PMI numbers, the US reported the weakest ISM manufacturing index since Oct 2016 yesterday. To the right you'll see the JPM estimated global manufacturing PMI. Note that global manufacturing has pushed into contraction. While it might not last there for long, I would note that a lot of the main subcomponents in big manufacturing countries weren't especially positive so I'm not confident this is going to turn around any time soon.

JPMorgan Global Manufacturing PMI



The other main highlight from yesterday's session was STL Fed President Bullard say that a "rate cut may be warranted soon to lift inflation". While we've noted several times before the market has been pricing in rate cuts for a

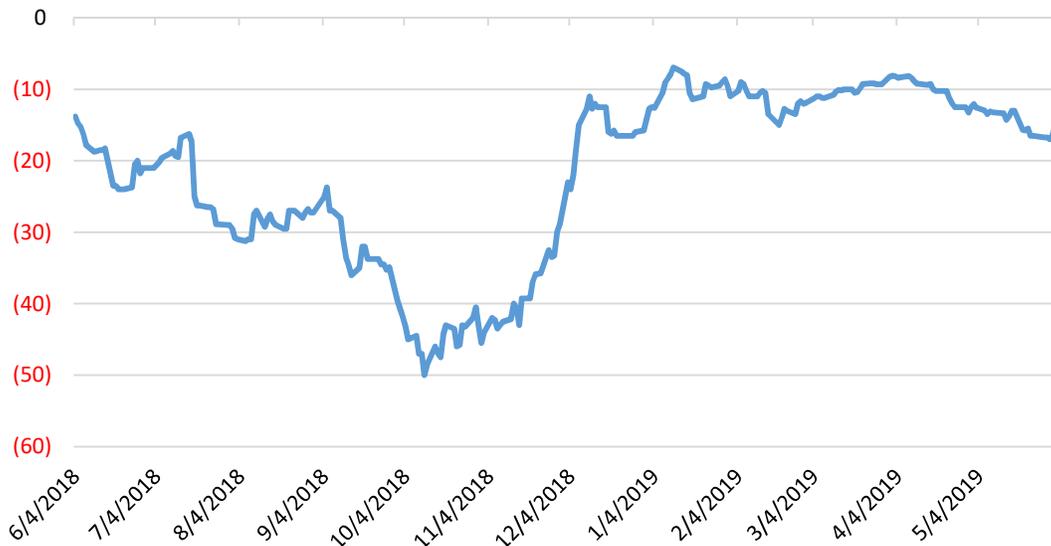
while, this is (to the best of my knowledge) the first implicit hint by a FOMC member of a *potential* rate cut in the near future. Admittedly, Bullard is known for running his mouth so this isn't necessarily something to get too hyped up about. However, note the chart below showing the Fed Funds target rate (upper bound). The highlighted red areas are recessions. In each of the past three cases, we saw recessions start very shortly following the end of a rate hike cycle and the beginning of a rate cut cycle. BTW, you can also see there in the chart there is no such thing as one rate cut. Admittedly, we did see a rate hike to rate cut move in the mid 90s that didn't result in a recession, so it isn't necessarily a foolproof indicator. Still, I think this is something to keep in mind.



Energy

We're starting to see more and more stories discussing crude oil production being shut-in around Canada due to the wildfires. Reports indicate at least 65k bpd of production has been taken offline in certain areas. Admittedly that doesn't necessarily sound like a lot, but as the wildfires spread this could worsen. Canadian price levels definitely started to notice yesterday. The chart below shows the spread between WCS and WTI, and you can see the WCS discount narrowed pretty sharply. While this doesn't necessarily impact CL futures prices directly, if Canadian flows slow down we might see it reflected in US inventories at some point. Just keep it in mind.

Western Canada Select vs. WTI



Today's Calendar (all times Central)

- Several Fed speakers, including Chair Powell early in the morning
- Factory Orders – 9:00am
- Durable Goods Orders – 9:00am

Thanks for reading.

David Zelinski

dzelinski@nesvick.com

901-766-4684de

Trillian IM: dzelinski@nesvick.com

Bloomberg IB: dzelinski2@bloomberg.net

DISCLAIMER:

This communication is a solicitation for entering into derivatives transactions. It is for clients, affiliates, and associates of Nesvick Trading Group, LLC only. The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions expressed reflect judgments at this date and are subject to change without notice. These materials represent the opinions and viewpoints of the author and do not necessarily reflect the opinions or trading strategies of Nesvick Trading Group LLC and its subsidiaries. Nesvick Trading Group, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such.

Officers, employees, and affiliates of Nesvick Trading Group, LLC may or may not, from time to time, have long or short positions in, and buy or sell, the securities and derivatives (for their own account or others), if any,

referred to in this commentary.

There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. Nesvick Trading Group LLC is not responsible for any redistribution of this material by third parties or any trading decision taken by persons not intended to view this material.