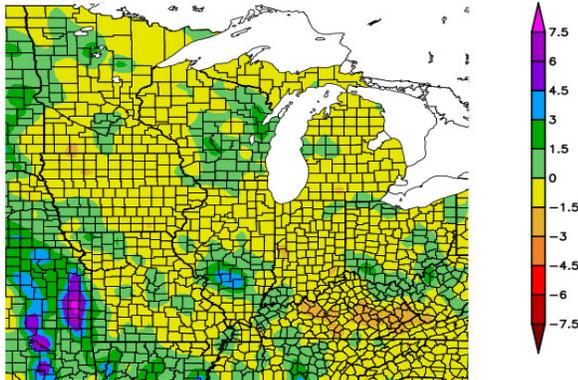


### Weather

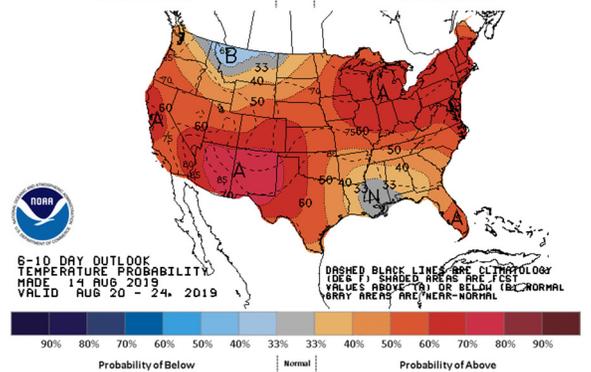
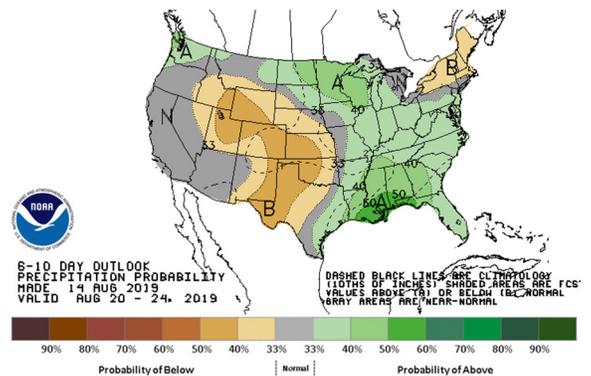
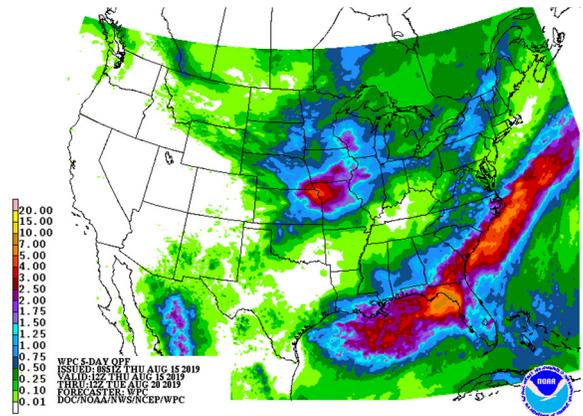
There are no major changes to the forecast this morning. At the time of writing this morning there are some showers moving through portions of NE and southern SD and this should kick off a period starting today and continuing through Saturday that should feature daily rainfall threats through the Corn Belt. Most of the rain shown on the 5-day QPF at right falls during this period (though there are light amounts later in the period as well). You can see the meeting point of KS, NE, IA, and MO is a spot to expect some very big rainfall totals. As usual, it is highly likely that coverage of rainfall will not be 100% as it would be implied with this map. Some spots will get missed. Still, it is generally a good setup for fairly significant rainfall totals through Saturday. Computer model agreement beyond the next 5 days is not very good. Generally speaking, however, it appears likely we'll have a ridge of high pressure in the southwestern US which will keep the potential storm track moving through the Corn Belt. This will allow for "some" precipitation chances, though spotting exactly where and when this far in advance just can't be done well at this point.

Departure from Normal Precipitation (in)  
 8/1/2019 - 8/13/2019



/2019 at HPRCC using provisional data.

NOAA Regional Climate Centers



No change in the outlook on temps. We should see some relatively "cool" temps in western/northwestern portions of the Corn Belt over the next few days. During the 6-10 day period we will likely see a lot of AN temps through the Corn Belt, though nothing looks extreme. The 11-15 day maps would imply a return of near normal conditions for a majority of the Corn Belt.

### Crops

My inbox has been bombarded by questions, complaints, and everything else you can imagine regarding the NASS acreage estimates. Interestingly, the entire focus has been on corn (and to a lesser degree soybeans)

which has distracted me from the “real” discrepancy in the FSA vs. NASS debate. In fact, I have to thank a friend yesterday for pointing it out to me, because I had been so buried in looking at corn and soybeans I had not even bothered to look at wheat acreage specifically. **NASS’s all-wheat planted area is smaller than the FSA planted and failed number...and that must be corrected.**

To the right I have a breakdown comparing FSA planted and failed wheat acreage over the past few years vs. the NASS all-wheat planted area. As you can see, there is a very consistent tendency for NASS to have a higher acreage number...just like they do in corn every year by the way. NASS should always be something higher than the FSA total. However, look at the bottom line and you can see that this year’s NASS estimate is well below the FSA total. NASS will need to address this soon. It is possible, but I think unlikely, this could be addressed in the Sept Crop Production report. However, I think it is more likely that it is addressed in the Small Grain Summary at the end of Sept.

<b><u>NASS vs. FSA All Wheat Planted Area</u></b>					
	FSA Planted & Failed	NASS Planted	NASS / FSA		
2007	59,289,144	60,460,000	2.0%		
2008	61,571,053	63,617,000	3.3%		
2009	57,250,750	59,017,000	3.1%		
2010	50,813,797	52,620,000	3.6%		
2011	51,882,873	54,277,000	4.6%		
2012	52,964,689	55,294,000	4.4%		
2013	53,789,284	56,236,000	4.5%		
2014	53,576,675	56,841,000	6.1%		
2015	52,745,705	54,999,000	4.3%		
2016	47,896,128	50,116,000	4.6%		
2017	43,235,206	46,052,000	6.5%	Avg	Avg %
2018	44,953,916	47,800,000	6.3%	4.4%	Add?
<b>2019</b>	<b>46,302,391</b>	<b>45,609,000</b>	<b>-1.5%</b>	48,360,693	2,058,302

You can see in the graphic that, on average, NASS comes in about 4.4% higher than the FSA figure. If NASS were to once again be ~4% higher, it would require adding roughly 2 million acres to their all-wheat total. At a minimum, NASS obviously needs to add roughly 700k acres to their total. I’m of the opinion that should probably be added to HRW area, so if we assume the NASS average winter wheat yield of 53.2 bpa it would add roughly 37 mil bu of demand to the wheat balance sheet. Keep in mind that would be a bare minimum...what if the increase is 2 mil or more? That potentially would be a significant adjustment for wheat supplies for both wheat overall but specifically the HRW balance sheet (which is where I *think* we should stick most of the increase).

I can already hear the emails firing back – “that just means NASS is too big with corn and they’ll move some of that area to wheat”. Meh...maybe. After another review of the overall acreage package I’m still a bit skeptical of a significant shift in corn/soy area but I will admit that adding 1-2 mil acres (or more?) to the mix does shift total acreage a bit towards the high end. Still, I would also think it is not unreasonable to believe that years with large amounts of PP tend to “find” additional acres here and there. Unfortunately, this acreage question just isn’t going away any time soon. As always, your thoughts greatly appreciated.

**Livestock**

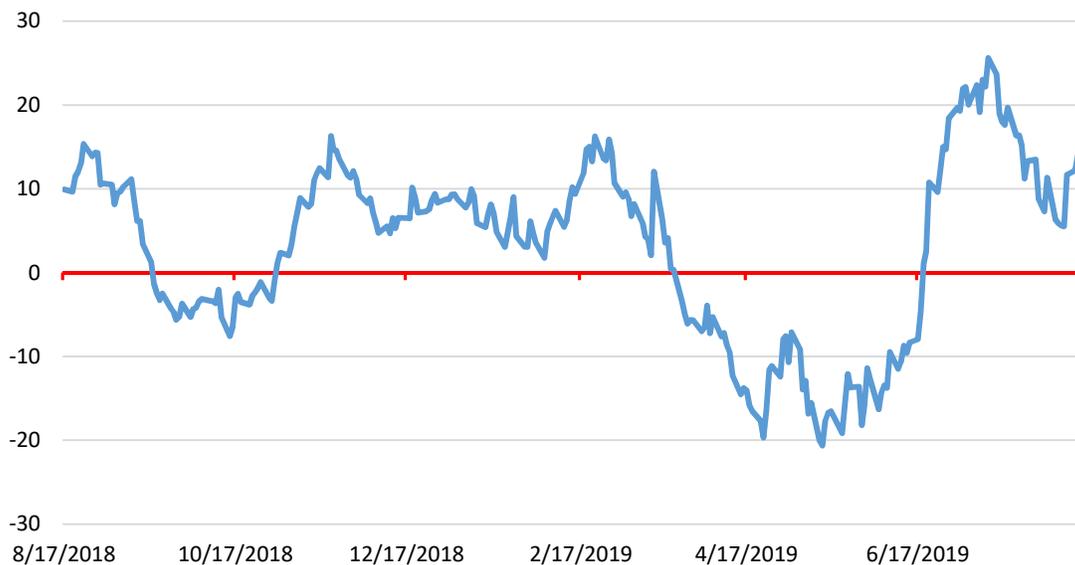
Going to lean a bit on our friends at MP Agrilytics this morning. They had a brief summary of some of the key points from Tyson’s press conference late yesterday afternoon. Here are some things mentioned:

- “Significant damage” and “Electrical and hydraulic work will take some time”
- “We are not talking weeks; probably a matter of months”
- “We don’t know the full extent of the damage yet but are assessing”

So, overall, nothing we truly learn there. I do find the second bullet point interesting...a little different timeline than suggesting to employees early which called for 6-8 weeks. Not necessarily different...but just wonder if the change in wording is a little back-peddling.

China’s Ministry of Commerce updated with their weekly pork price index update yesterday. As you would probably expect, pork prices were higher in the past week. The index was set at 26.91 CNY/kg and based on what data I have this might be a record high level (I have data since 2006). I have attempted to calculate an import margin index and this is charted below. This takes the Ministry of Commerce’s wholesale pork index and compares it against the US pork cutout with a 62% tariff added and roughly \$15/cwt added for freight. Maybe not a perfect measurement, but if you’ve got any better ideas please let me know. Even after the tariffs and even after the sharp rally we’ve seen in the US cutout lately, there is still a pretty solid import margin on paper.

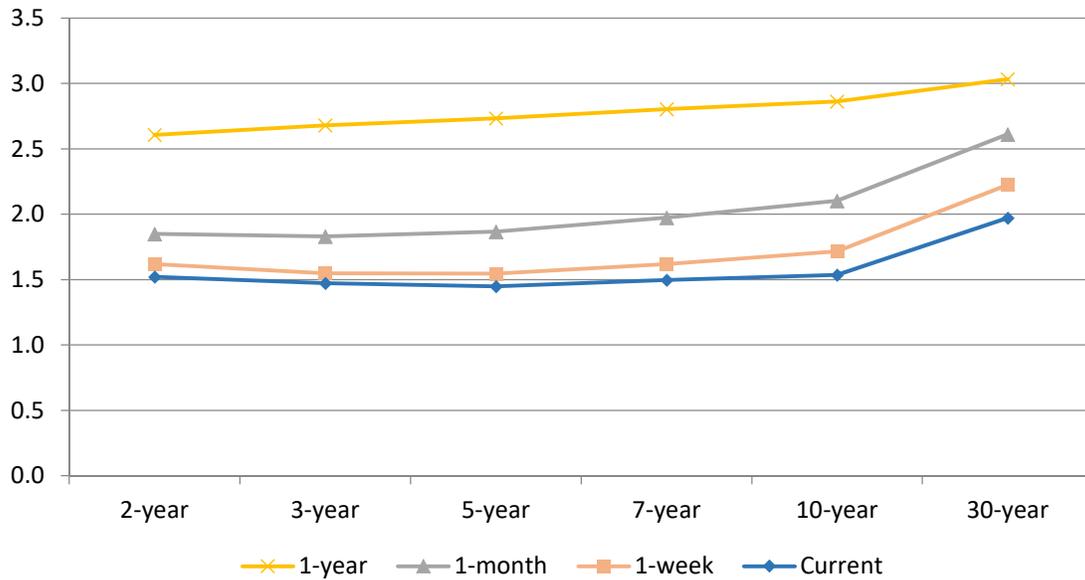
**US Pork Import Margin to China**



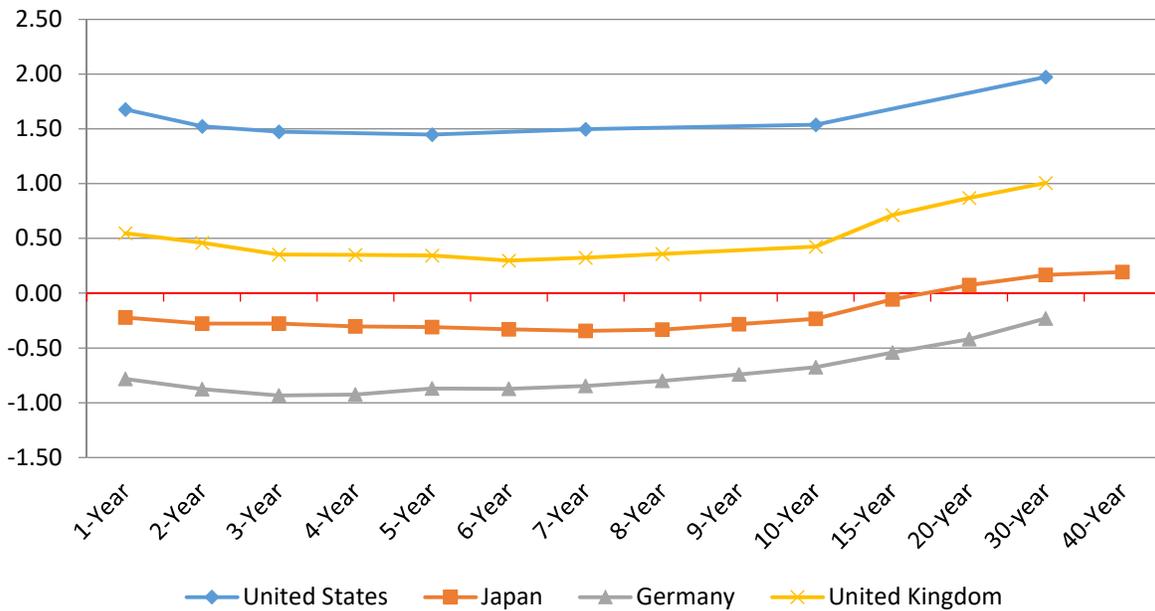
### Financials

We can basically run with a repeat of yesterday’s headlines this morning. Bond yields are again the focus, with the US 30-year running below 2% for the first time ever. I think the first chart on the following page is an interesting look at the history of the US yield curve recently. You can see a year ago we started with a relatively “normal” upward sloping yield curve but over time the curve has been getting flatter and flatter and we’re now to the point that the curve has inverted. The second chart on the following page is also interesting in my opinion because this shows that the US curve is really nothing unusual in the world right now. At least in major developed economies. We’ve said before the Fed should be working to steepen the yield curve, but will they? If they tried would it work?

### UST Yield Curve History



### Major Market Yield Curve Comparison



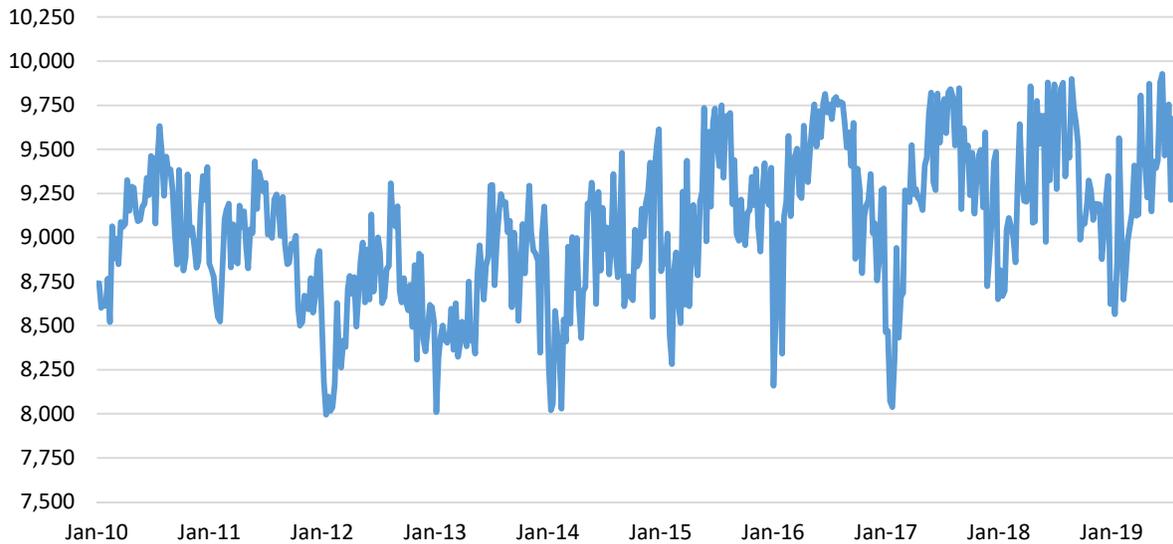
The latest headlines on trade this morning are sparking more selling in equity futures and are supporting the bond market. The headlines read “US action violates consensus reached in Osaka meeting” and “China says will have to take countermeasures on US moves”. I’m not exactly sure what countermeasures they actually have left at this point, but nonetheless this is not an especially encouraging pair of headlines this morning. On tap this

morning we've got a busy day of economic data. Retail sales are probably the headliner but we've got several Fed regional surveys as well.

**Energy**

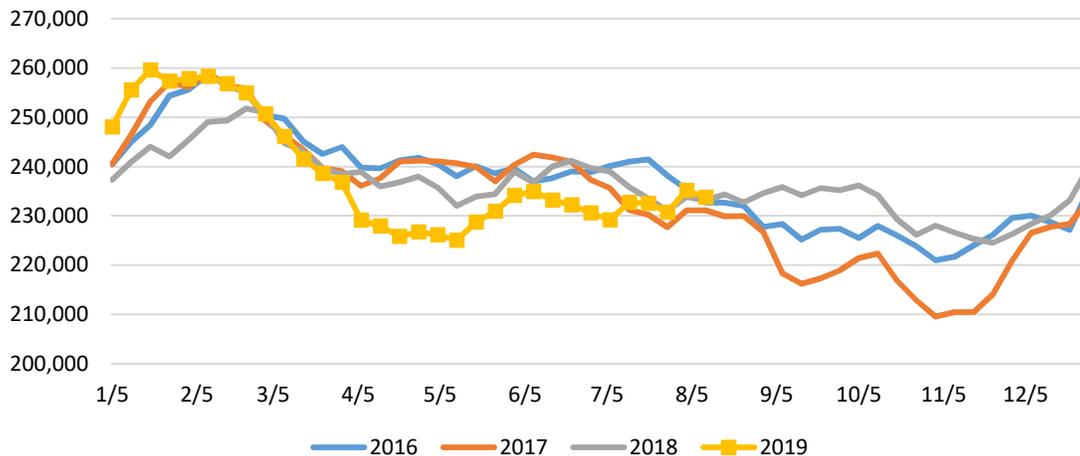
It might be hard to see on the chart, but yesterday EIA posted a record large finished motor gasoline product supplied figure for the week. Obviously gasoline demand is very seasonal and we will be rolling over in the next few weeks but still worth mentioning.

**US Products Supplied - Finished Motor Gasoline**



I think what makes this especially interesting is that US gasoline inventories have been relatively stable over the past several weeks as shown in the chart below. We entered the summer driving season with potentially alarmingly low gasoline supplies but even with record consumption we're now looking at gasoline stocks equal to year ago levels.

**US Total Motor Gasoline Stocks**



### Today's Calendar (all times Central)

- Export Sales – 7:30am
- Empire Manufacturing Index – 7:30am
- Retail Sales – 7:30am
- Jobless Claims – 7:30am
- Industrial Production – 8:15am
- NAHB Housing Market Index – 9:00am
- EIA Natural Gas Storage – 9:30am

Thanks for reading.

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