

Weather

No significant change in the weather forecast over the weekend. We'll see mostly dry conditions in the Corn Belt today with some light showers moving through the WCB tomorrow and Wednesday. Some heavier activity will develop later in the week but again this looks more likely to influence western areas vs. the east. This should kick off a period of relatively active precipitation chances that should last through the end of the 6-10 day period. We likely won't see "huge" rainfall totals, but certainly some .5-1.5" which are above normal for this time of year. Some of that rain should move into eastern areas at times, but that area should still be least favored overall for rainfall amounts and coverage. The 11-15 day period should feature less rainfall. Probably not completely dry but also below normal totals.

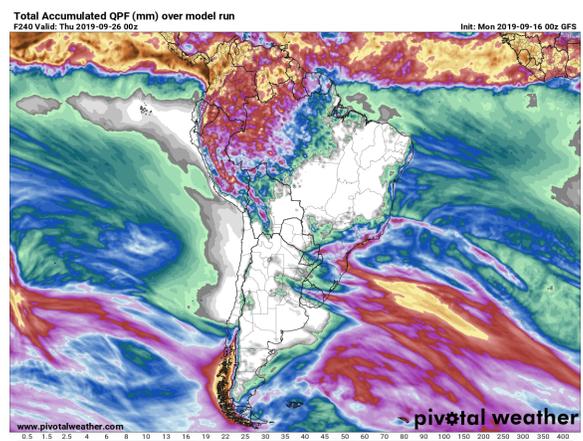
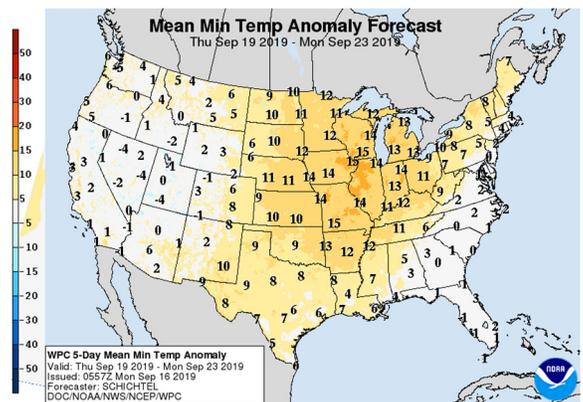
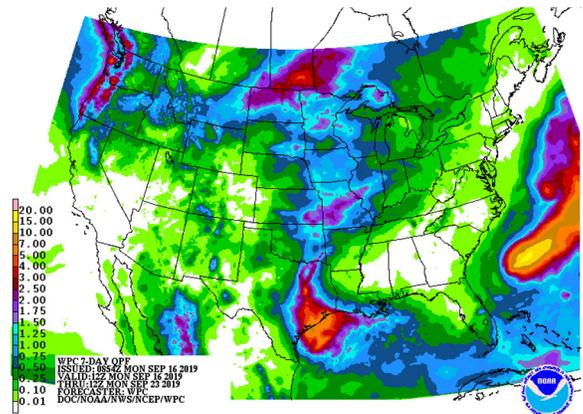
No major change to the outlook on temps either. We're looking at mostly AN temps through the next 10 days. The map to the right shows you that low temps should average well above normal in the near term. In the 11-15 day period we will start to see some cooler temps start to work into northwestern portions of the Corn Belt. Though these temps will be closer to normal, we're still not seeing any freezing conditions show up yet (through Sep 30).

The map to the right shows the 10-day GFS precipitation forecast for South America. You can see that much of northern Brazil and Argentina is expected to be dry during this period. There will be an increase in shower activity in northern Brazil in the 11-15 day period, but amounts won't be huge.

Crops

I'm still not sure what sort of impact the crude oil situation might have on ags. I've seen some argue it should be supportive to ags as it will increase biofuel blending margins. I guess I would argue that we don't have a problem with biofuel blending margins but rather we've simply hit the "blendwall". No adjustment in margins is going to change that. If war is really a response here, I don't think that is good for much of anything.

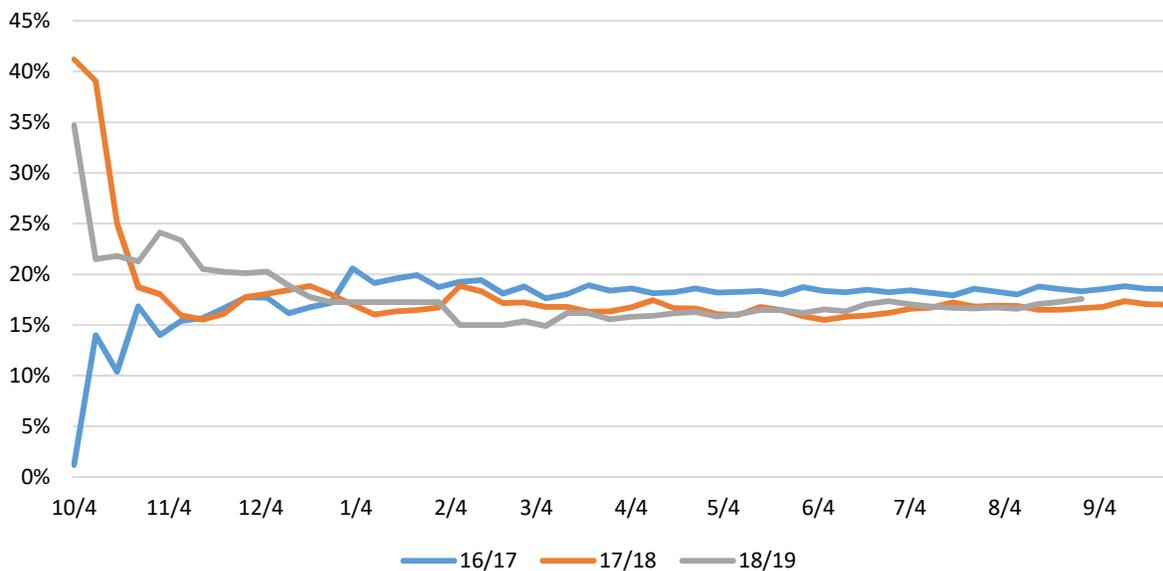
Just want to quickly look at the situation in the Philippines this morning. You probably saw last week that the country has now officially confirmed ASF has been found. Also last week we saw stories where hog producers



had dumped hogs into rivers to get rid of the infected pigs. The Philippines is not unlike China as small backyard producers account for roughly 65% of the country’s total hog production.

This could be another blow for US demand prospects, this time in the form of soymeal exports. The chart below is probably too simple, but it simply shows the Philippines’ percentage of accumulated soymeal exports over the past three marketing years. You can see the country accounts for somewhere between 15-20% of soymeal exports. If ASF becomes as problematic in the Philippines as it has proven to be in China, we could see a big reduction in soymeal demand from the country. Right now the headlines don’t appear encouraging that this will be handled better.

Philippines % of Accumulated Soybean Meal Exports

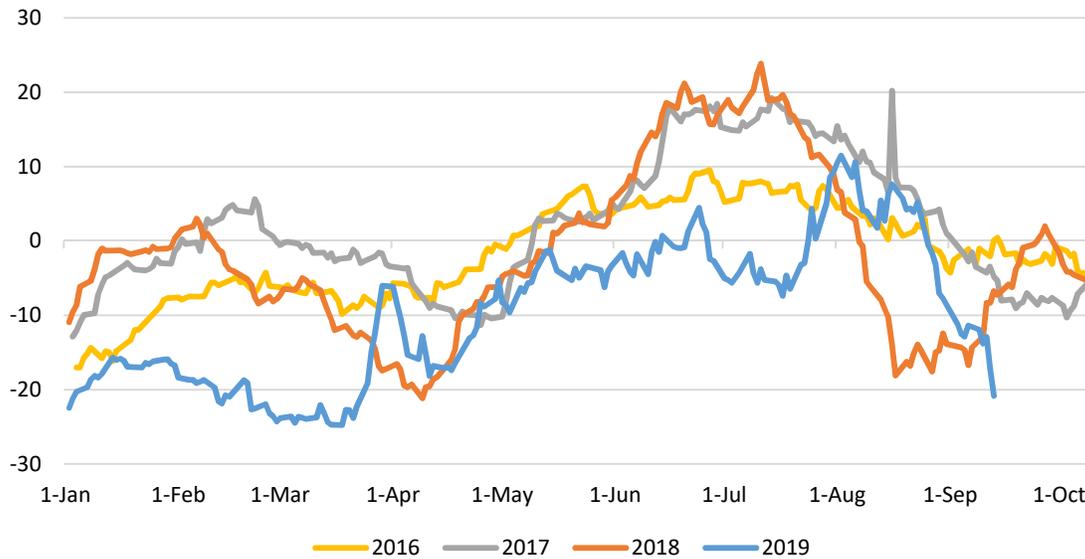


Livestock

Nothing particularly new to report on beef or cattle this morning. I’m sure you saw the headlines of another beef plant fire at Cargill’s Dodge City plant. Cargill said in a statement they are “operating normally with no interruption or impact to customers” which is obviously very good news. Beef prices continued to weaken last week while live trade closed the week on a modest bounce from prior levels. It’ll be interesting to see today’s comprehensive cutout report to see what volumes of meat we’re moving.

Hog futures have been on quite a run lately as they respond to the prospect for strong Chinese demand. However, one thing we have to keep in mind is that, for now, the futures are leaving the cash market behind. The chart on the following page shows a seasonal look at October hog basis, and you can see current basis is about as weak as it could possibly be for this point in the year. We’ll need to see these two converge here in the near future, so if the market still wants to hold out hope for Chinese demand October will probably be the weakest contract on the board.

October Hog Basis

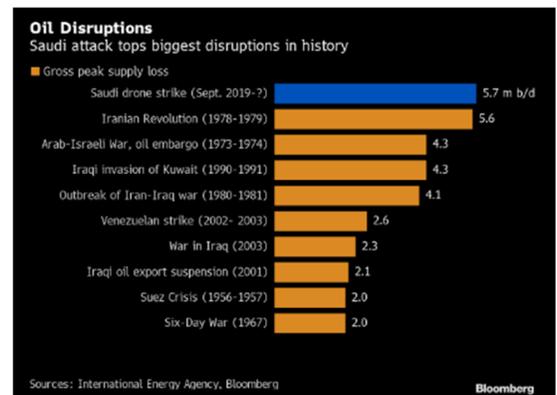


Financials

Obviously the main news of the weekend is the attack on the Saudi oil facility. That is raising alarms over crude oil supplies and possible war, so no surprise to see we're in risk-off mode this morning. At the time of writing, equity futures are actually well off their lows, however. In addition to the negative news from the Middle East, Chinese economic data overnight was a disappointment as well. Industrial production showed its lowest level of growth since 2002 and retail sales came in lower than expected. The last thing the Chinese economy needs right now is a shock from higher oil prices, but obviously we don't know how bad it will get or how long it will last. It is a quiet day in terms of US economic data, so not much to worry about there. Plenty of geopolitical headlines to watch for, with Iran's foreign minister in Turkey to meet with counterparts from Russia and Turkey. UK PM Johnson is meeting with EC officials in Brussels today as well.

Energy

Crude oil futures still sharply higher at the time of writing this morning but well off their highs as well. Bloomberg is reporting this could be the biggest oil supply disruption in history, and note the graphic I've copied to the right. The plant that was hit essentially takes the heavy, sour crude oil that the Saudis produce and turns it into light, sweet crude oil that most of the refineries in Asia prefer. Interestingly, this doesn't really affect the US as most US refineries are set up to run the heavy, sour crude oil. This is clearly a big problem for oil consumers in Asia. We still don't have a solid timetable on when production will be restored. Saudi officials have claimed that "significant volumes" could come back online within days, but that it could take several weeks to restore full production. The loss of oil supply probably isn't the scariest aspect of this, however, with the threat of possible war in the region



between the Saudis and Iranians (and of course, with US involvement) now raised. Of course you've seen President Trump's tweet that the US is "locked and loaded" and ready to respond. Sec of State Pompeo has already been out insisting that Iran is behind the attack. Clearly not a pretty situation, and one in which crude oil clearly had not priced in enough geopolitical risk. OPEC's Secretary General did make a statement suggesting it was too soon for OPEC to consider a production increase to offset the lost production from the Saudis.

Today's Calendar (all times Central)

- Empire Manufacturing Index – 7:30am
- Export Inspections – 10:00am
- Crop Progress - 3:00pm

Thanks for reading.

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