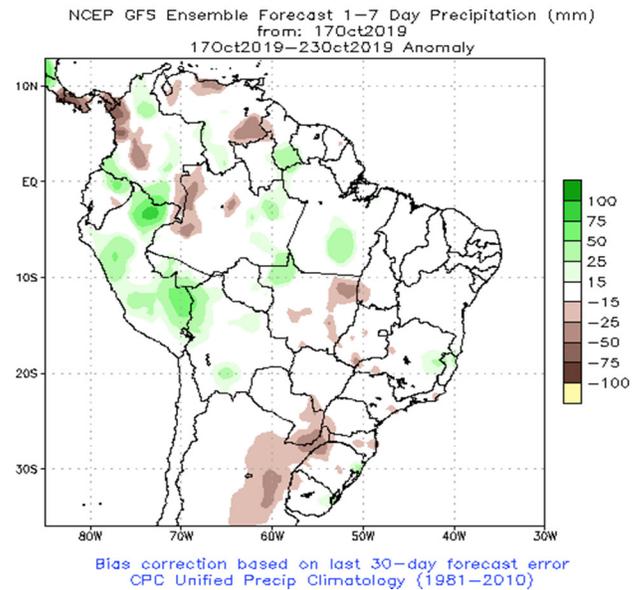
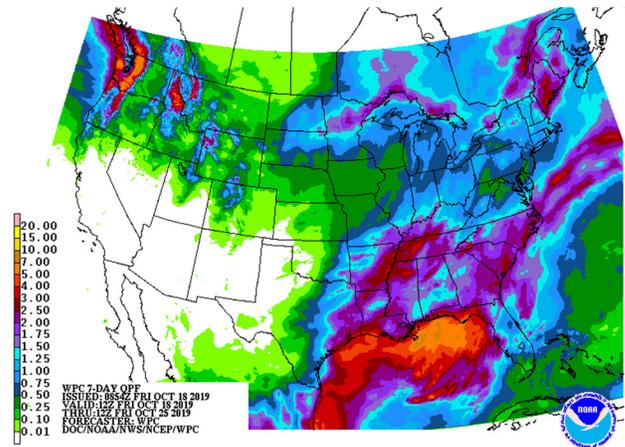


Weather

You can see at the right that the WPC has been gradually shifting drier and drier for their Corn Belt forecast for this weekend. Now they are showing a big portion of the Corn Belt with only .5" or less rainfall this weekend, which might be a little too dry now. There is still time for the outlook to shift as the bigger rains in the Corn Belt probably won't get started until Sunday night. Note that the forecast has trended a bit wetter in the Northern Plains over the past few days as well. It is worth noting that the European model is forecasting chances for additional snowfall in the area (late in the 7-day period) while the GFS does not – another indication that this forecast still could change a lot going forward. In the 6-10 and 11-15 day periods it looks like mostly BN precipitation trends should be in place. At that same time, we should see a lot of widespread below normal temperatures. We do have a tropical system to keep an eye on, but right now it looks like it will make landfall on Saturday as a tropical storm.

No changes to the South American outlook. Rainfall chances in northern Brazil will gradually pick up over the next several days. That does not mean the forecast for this area is "wet", however, with rainfall totals probably averaging near normal at best over the next two weeks and there will still be some areas that see below normal levels. At the same time we should see some pretty hot temps in some portions of the region. Argentina will see somewhat limited rainfall for a few days but showers will return to the area later next week. When looking at the two week period as a whole it seems likely Argentina should average near normal precipitation in most areas with some below normal amounts possible.



Crops

One chart that grabbed my attention this week is shown below. This is a simple chart, just showing spot CBOT soybean futures converted into Brazilian reals. Essentially what you're seeing here is a value of CBOT soybeans in BRL/bushel. You can see that current spot soybean prices in BRL terms are near their highest levels in the past several years. Interesting that this is happening despite newfound Chinese willingness to purchase significant quantities of US soybeans. One would think, in theory, prices in Brazil might have softened on that news but we can see below that has clearly not been the case. Part of the strength is weakness in the BRL, but over the past few months the BRL has held a fairly sideways range so that isn't the entire story. As you might expect, it sounds like Brazilian farmers have been very happy to take advantage of the higher prices. Commercial contacts indicate to me that Brazilian farmers have been very willing sellers recently.



The unanswered question of the day is – will Brazilian soybean supplies start to turn tight ahead of their new crop harvest? Farmers are willing sellers today, but at this point in the year their available marketings are only so much. Below I’m including a rundown of my estimates of Brazilian supply and demand, starting with estimated Sep 1 supplies. Here we can see that Brazilian supplies at the start of the new US marketing year are likely off roughly 4 mmt YOY. We can also project Sep+Oct demand for Brazilian soybeans to be up roughly 1.5 mmt YOY. This should leave Brazil with their lowest Nov 1 supplies since 15/16.

Brazil Supply & Demand Estimates through Nov 1

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20
Sep 1 Stocks	32.7	22.4	28.8	27.8	34.7	32.9	42.5	45.1	41.0
Sep Crush	3.4	3.1	3.0	3.1	3.5	2.9	3.3	2.8	3.7
Sep Exports	2.8	1.7	3.5	2.7	3.7	1.4	4.3	4.6	4.4
Oct Crush	3.4	2.7	3.0	3.0	3.4	3.1	3.6	2.7	3.7
Oct Exports	1.4	0.9	1.5	0.7	2.6	1.0	2.5	5.4	5.0
Nov 1 Stocks	21.7	14.1	17.8	18.3	21.5	24.5	28.8	29.7	24.2

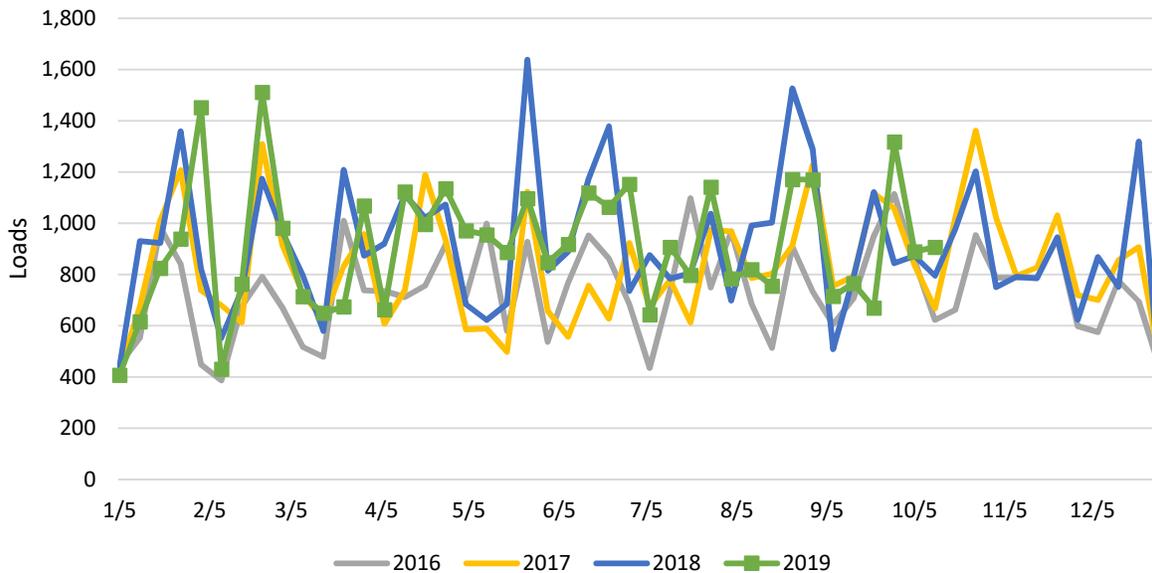
Admittedly, that doesn’t mean supplies are necessarily “low”, but the question I have this morning is what sort of window will be available for the US to meet non-China soybean demand from NDJF before new crop Brazilian supplies are available? For now it appears that planting progress in Brazil is running *slightly* behind normal, which might open a bit larger of a window for non-China business but this will be critical for the final export total for the 19/20 marketing year. My gun-to-head thought process is Brazilian soybean prices should continue to push higher in the weeks/months ahead but farmer selling will eventually be exhausted, opening a divergence between US and Brazilian price levels that might allow for some additional export demand. Time will tell. Thoughts appreciated.

Livestock

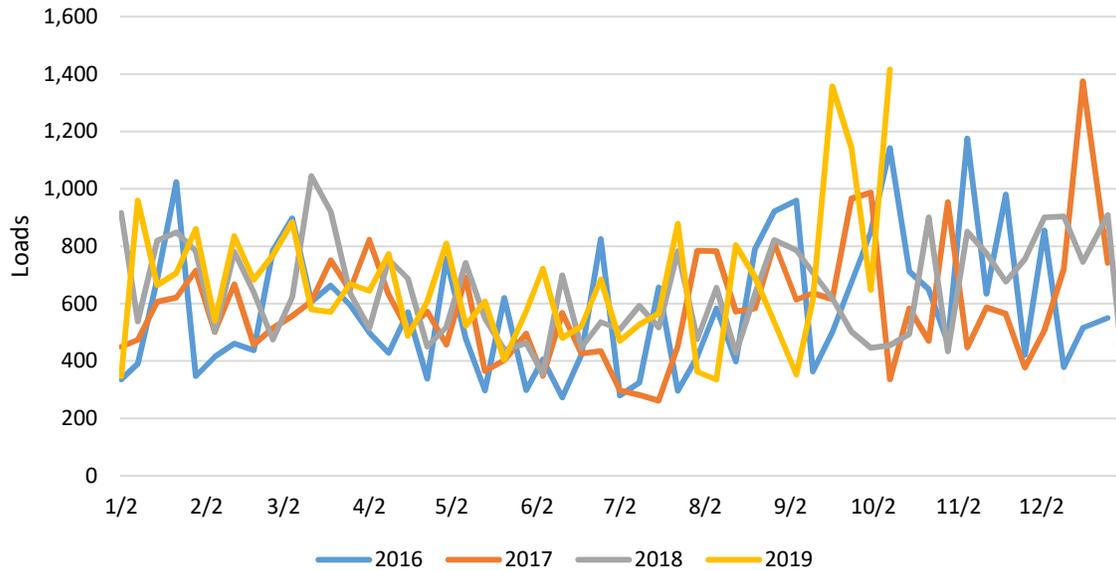
We had **3** plant issues yesterday...or I guess you could say 4 if you still want to include the Holcomb plant. By now you've all heard of the Dodge City explosion where 2 people were injured. I haven't heard anything new on this it sounded like most expected the plant to be operational today...we'll see. There was also AFG Green Bay which shut down due to an ammonia leak. Again, could be up today or maybe not...we'll see. The Liberal plant is also doing some cooler cleaning, which was planned but still limited kill. Yesterday's kill at 111k is likely to be revised lower today. Despite all of that, the front end of the board closed pretty strong yesterday – not what I would have guessed.

Due to Columbus Day, the weekly export sales report will be out this morning. With a keen focus on beef and pork exports right now, I thought it might be worth a quick attempt to try to set up expectations ahead of the release. Framing expectations on beef and pork sales is easier said than done because the market is very opaque. I don't claim to have any special knowledge of anything. However, we can look at the respective AMS reports showing loads sold for export for both beef and pork and perhaps that might give us some hints of what to expect. I've charted both reports below. In the beef report, you can see loads reported sold for export last week were pretty modest, so with that in mind I wouldn't be expecting any sort of mind boggling export number this morning. Looking at hogs, however, you can see the loads reported for export last week were the biggest in several years. Admittedly we've seen very big numbers reported before and that hasn't necessarily translated into a big FAS report. Still, with that sort of plant report from AMS, maybe a tad bit of optimism is warranted? (probably not)

Comprehensive Beef Report
Loads Sold for Export



Weekly Pork FOB Plant Report Loads Sold for Export



Financials

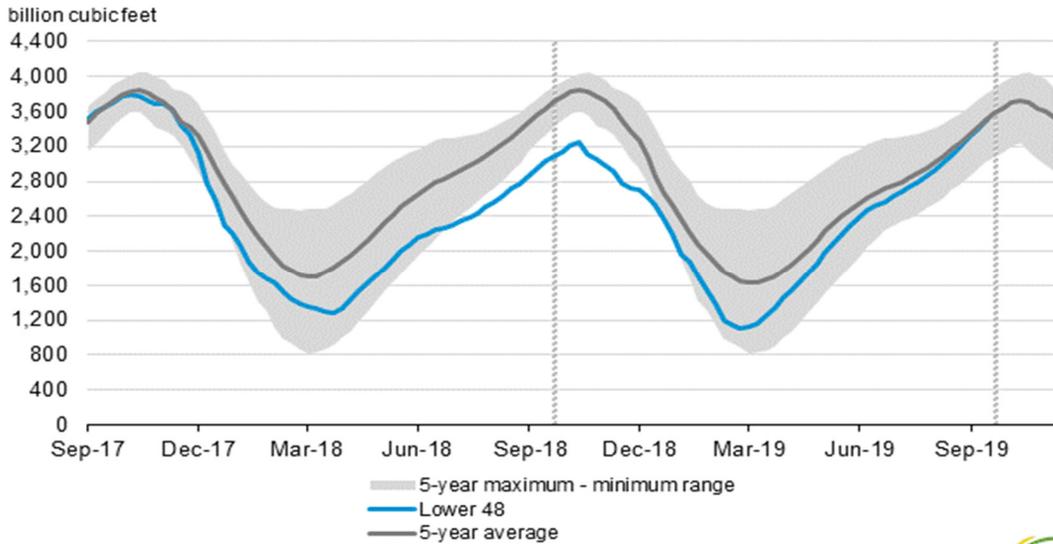
In terms of overnight headlines, things are pretty quiet this morning for a change. The main bit of economic data to discuss is China's GDP report, which came in slightly weaker than expected at +6.0% (+6.1% was expected). This is getting a lot of attention because it is the lowest printed GDP figure since the early 90s, but at the same time it really shouldn't come as any surprise. Full YTD GDP is estimated at +6.2% which should mean the government should be able to meet the lower end of its projected 6.0-6.5% target for 2019. Of course there was never any reason to expect they wouldn't meet it in the end anyway. Some are already hyping ideas for additional government stimulus measures, and that is certainly possible but we'll just have to see what happens. China is slowly structurally with or without the trade war. There was some good news from the data overnight. Factory output was stronger than expected and retail sales were stronger too.

No other major headlines to discuss this morning. We have a Brexit deal, but can it pass Parliament? The DUP continues to say it will not support the deal so Johnson will need some support from opposition members and MPs. The odds of it passing don't look especially good right now, but you never know what a little last minute deal-making can do. There is a chance that Parliament could bring the deal up to another referendum as well even if the deal doesn't pass Parliament. Whatever happens, the Sunday night open for the BP will be extremely volatile so be prepared.

Energy

The EIA reported natural gas inventories yesterday and it stood out to me that stocks are now slightly higher than the 5-year average. Looking at the cart on the following page you can see this would be the first time stocks have been above the 5-year average since fall of 2017. Over the past few years we've been dealing with below average stocks but that has finally flipped.

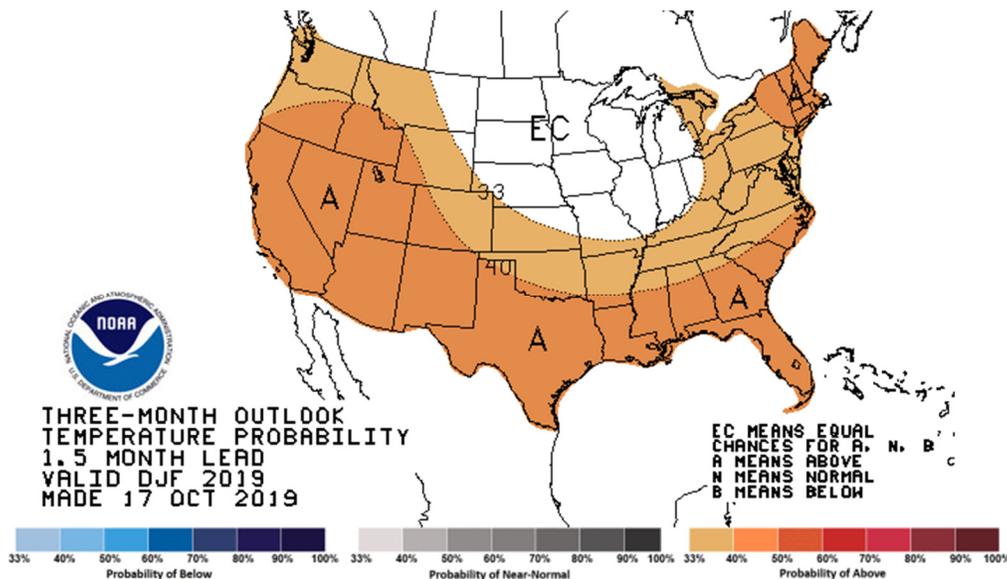
Working gas in underground storage compared with the 5-year maximum and minimum



Source: U.S. Energy Information Administration



I thought this was worth pointing out because the NWS just updated their DJF forecast yesterday, and as you can see below they're projecting above normal temps for a vast majority of the US this winter. Look specifically at the Northeast and they've got pretty good chances for AN temps this winter. I wonder if we'll start to see natural gas stocks test the top of their 5-year range soon?



Today's Calendar (all times Central)

- Export Sales – 7:30am

Thanks for reading.

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