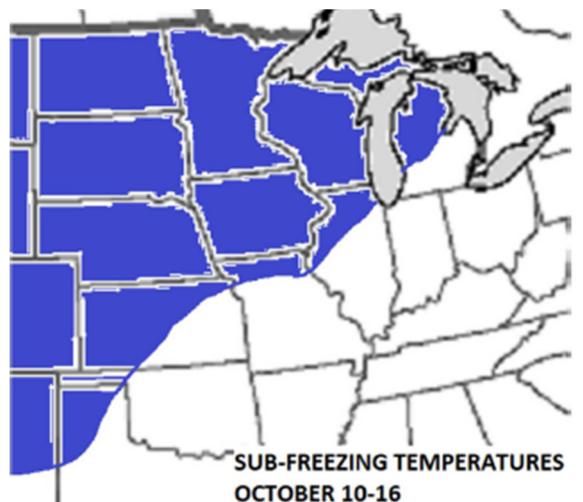
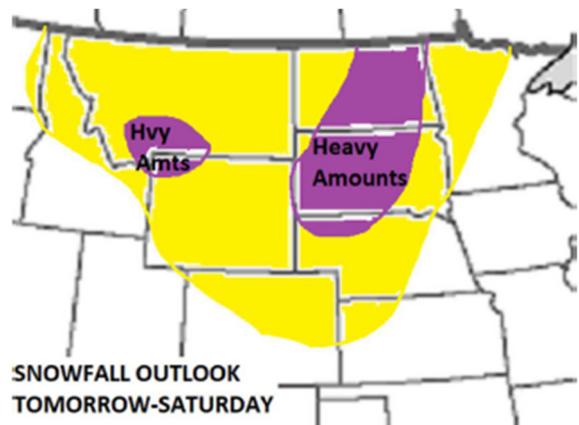
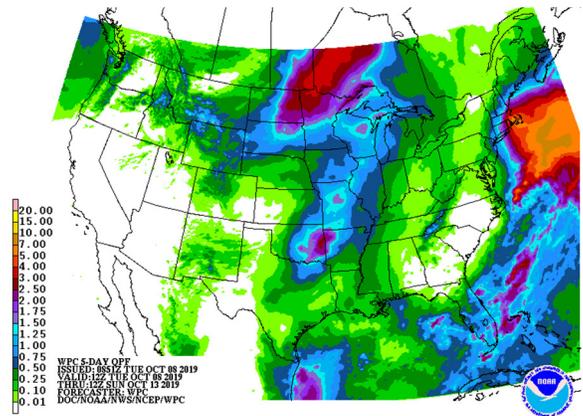


Weather

As you can see with the 5-day QPF at the right we've got a lot of precipitation in the Corn Belt to work through. Today and most of tomorrow should be mostly dry before showers start to develop in the WCB tomorrow night. These will spread eastward through Saturday, with central portions of the region seeing the best coverage and heaviest amounts. Amounts will range from .5-1.5" in central areas while areas to the east will see lesser amounts. As was the case yesterday, it still appears that a lot of the precipitation in the Northern Plains should fall as snow. Again I'm including the graphic from Craig Solberg this morning showing his outlook for snowfall during this timeframe. I haven't changed much from what was presented yesterday. In the yellow areas you can look for mostly "light" snow accumulations of 1-6". In the areas shaded with purple we should see heavier accumulation of up to 10-20". Locally heavier snowfall accumulations will certainly be heavier and some areas could see up to three feet of snow, which would make this a very historic October winter storm. With heavy winds likely, some areas of the Northern Plains will see blizzard conditions during this period. After this event passes, we should see a lot of dry weather during the 6-10 day period, though note that with mostly BN temps it won't necessarily be good drying conditions. In fact, a lot of the area in the Northern Plains will stay below freezing for several days which will mean the snow that falls will not melt especially quickly at first. Temps will eventually start to warm up a little later next week, but during the 11-15 day period it is also likely that we should see a resumption in rainfall chances through the Corn Belt. Keep in mind that normal rainfall at this time of year isn't necessarily huge, so when rainfall totals are said to be above normal that won't necessarily mean really big totals. Right now the best guess for rainfall in the 11-15 day period is some fairly widespread .5-1.0" with locally heavier totals. Still, considering the time of year it simply makes it hard for areas to dry out very quickly.

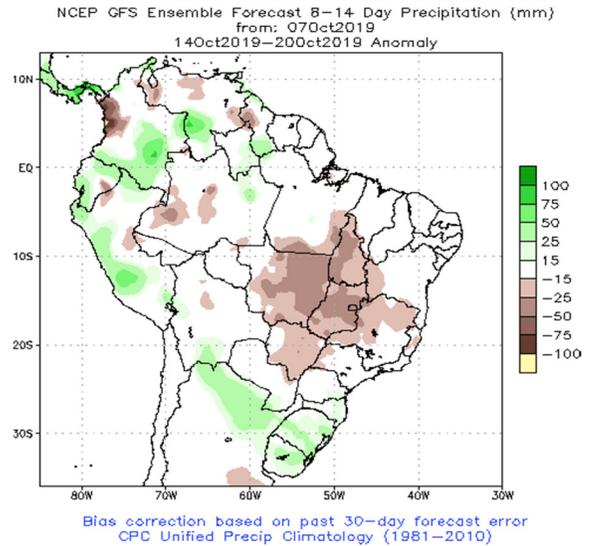
No change in the forecast for South America for now. The main focus for the best showers in South America over the next two weeks will be in southern Brazil and northern and eastern Argentina. Over the next two weeks these areas should see very good rainfall totals that run above normal. There will be some rains in northern Brazil over the next week or so, but nothing particularly impressive. At best these rains will probably simply run close to normal or maybe slightly above normal in



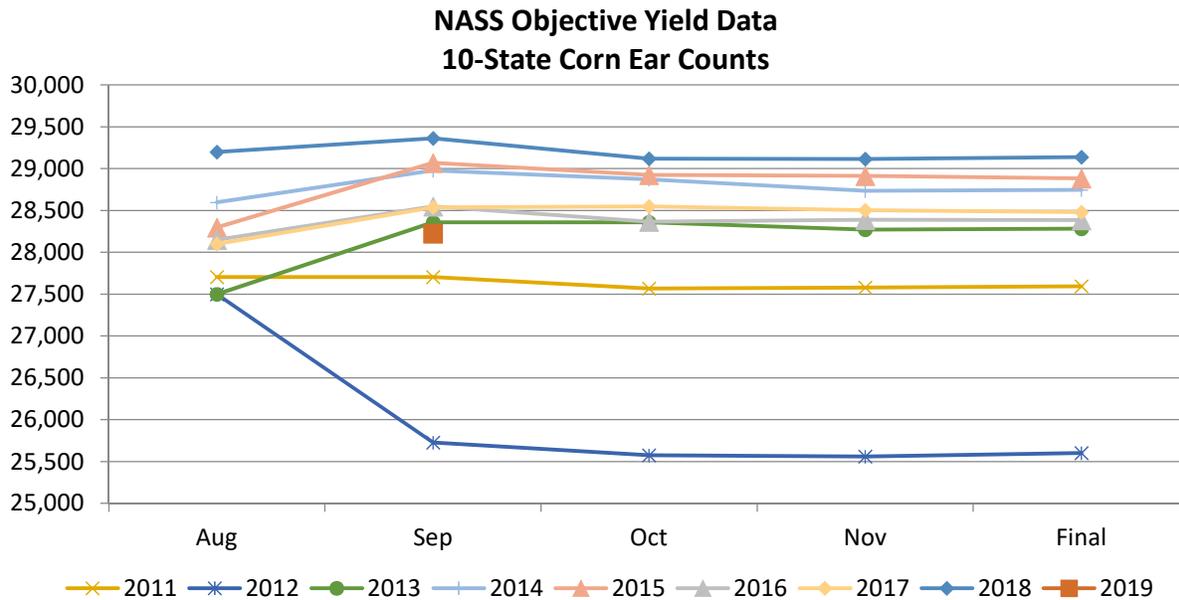
portions of western Mato Grosso. For the week 2 portion of the forecast, which is shown in the map at the right, you can see that northern Brazil is clearly looking at mostly below normal precipitation.

Crops

I consider the October Crop Production report to be the second least-predictable report on corn/soybean yields we get all year. The hardest to predict is the January annual summary, in which anything can happen. The Aug and Sep reports typically follow a few usual tendencies from NASS, though nothing is known for sure. The Oct report, and to a lesser extent the Nov, are tough because we're transitioning from simply conditions to actual analysis of plots and, in some years, actual harvest results. Making this year especially difficult is that harvest progress remains very minimal, giving us very little on which to try to formulate guesses. That said, here I go with my best effort....

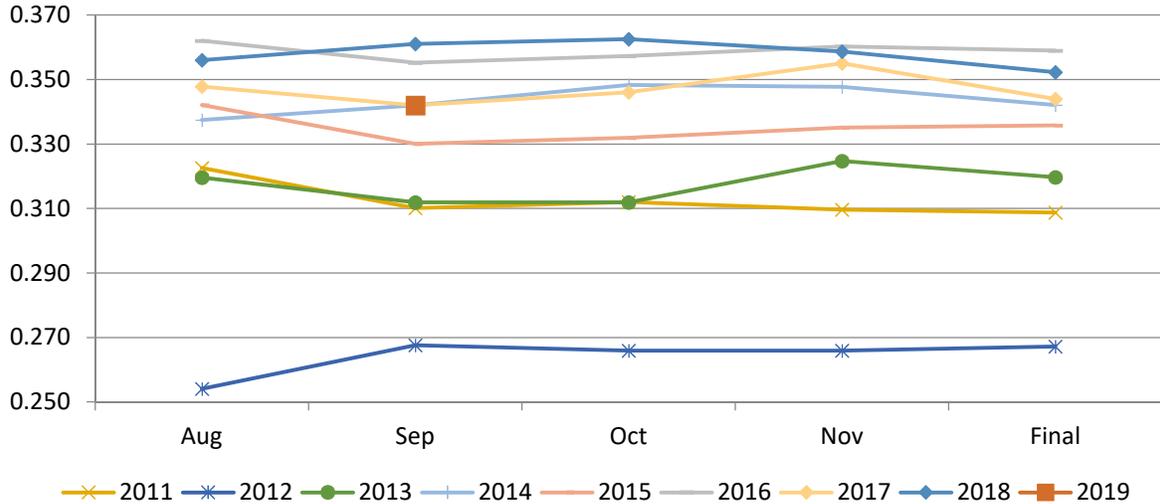


Starting with objective yield data on corn, we start with ear counts. The chart below shows the tendency of ear counts from NASS over the past several years. This year NASS did not give ear counts in Aug, but from Sept forward you can see that there is typically very little change in ear counts. If anything, there is maybe a very slight tendency for lower ear counts but I'm inclined to just expect them to be steady.



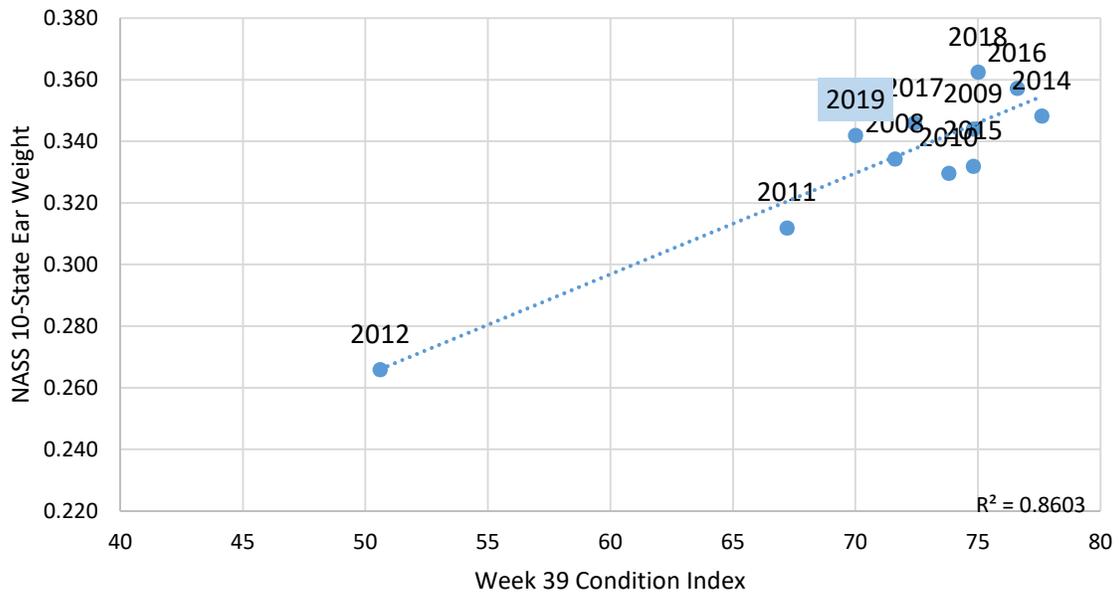
So if ear counts are going to essentially be steady, then we're looking for changes in implied ear weights for direction on where yield is heading. As you can see below, there is no tendency for ear weights at any point during the year.

NASS Objective Yield Data 10-State Ear Weight Progression

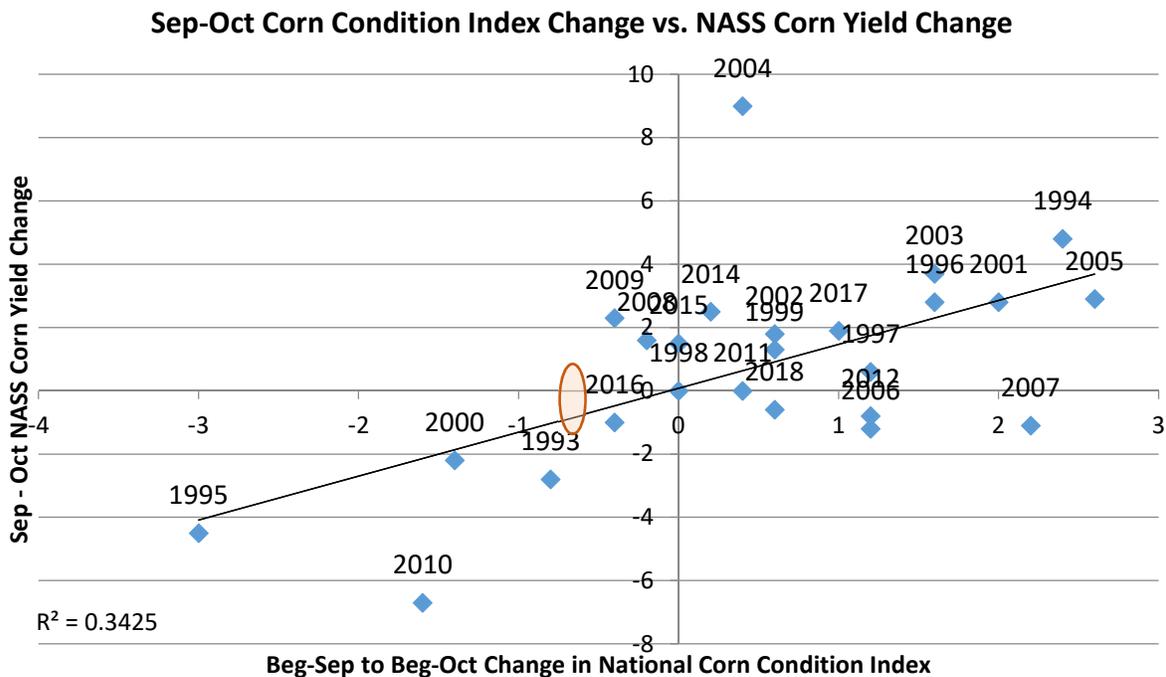


So what can we use to try to predict ear weights? Well, as usual we don't have much else to work with other than condition ratings. Even then, the relationship is less than what I would like to see. The chart shown below takes this year's Week 39 condition index score against last month's NASS implied ear weight. You can make an argument that the condition index would imply a slightly lower ear weight, though there is certainly enough volatility in this chart to make that a questionable assumption.

October Corn Ear Weights vs. Condition Index



Instead of comparing the condition index to ear weights, perhaps it is more useful just to look at whether condition ratings have declined over the past month. This might give an indication of direction NASS will move. As shown below, it is true that typically when conditions ratings fall/rise during the month of Sep the Oct NASS yield estimate will fall/rise as well. Of course this is far from a perfect relationship with a number of exceptions to that rule. This year we've seen condition ratings decline slightly during this timeframe, which would argue in favor of odds for a lower yield estimate from NASS this month.

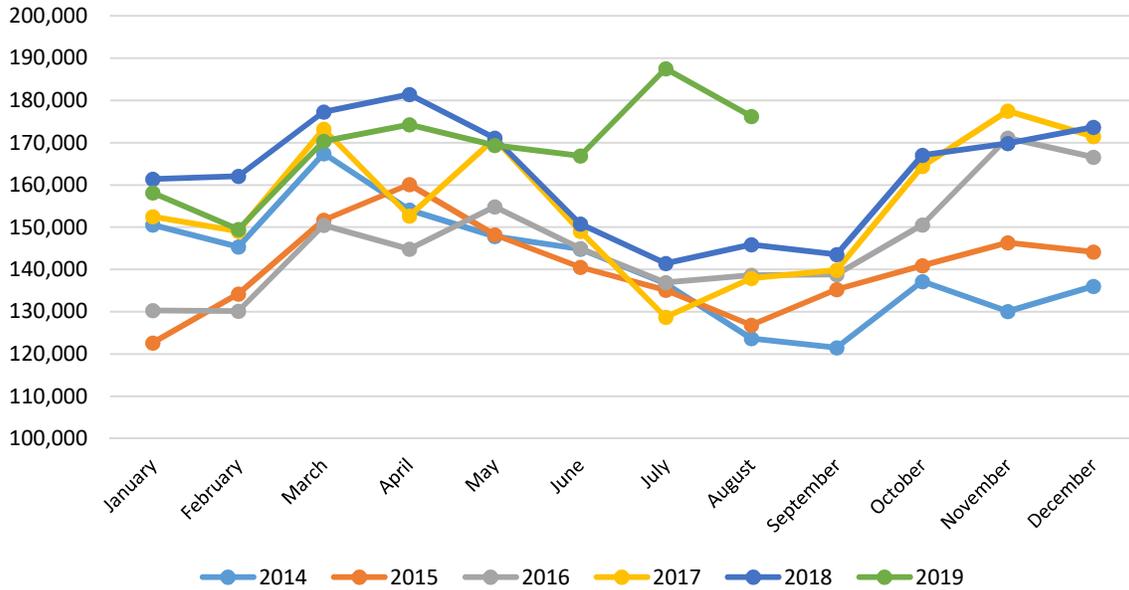


The average guess calls for a reduction in yield to 166.7 bpa from 168.2 bpa. I can't argue strongly with that call, because all of the above would seem to indicate to me that the odds favor another modest reduction in the corn yield. That said, based on the lack of information we have this year (more than in years past) it is hard to have a great deal of confidence.

Livestock

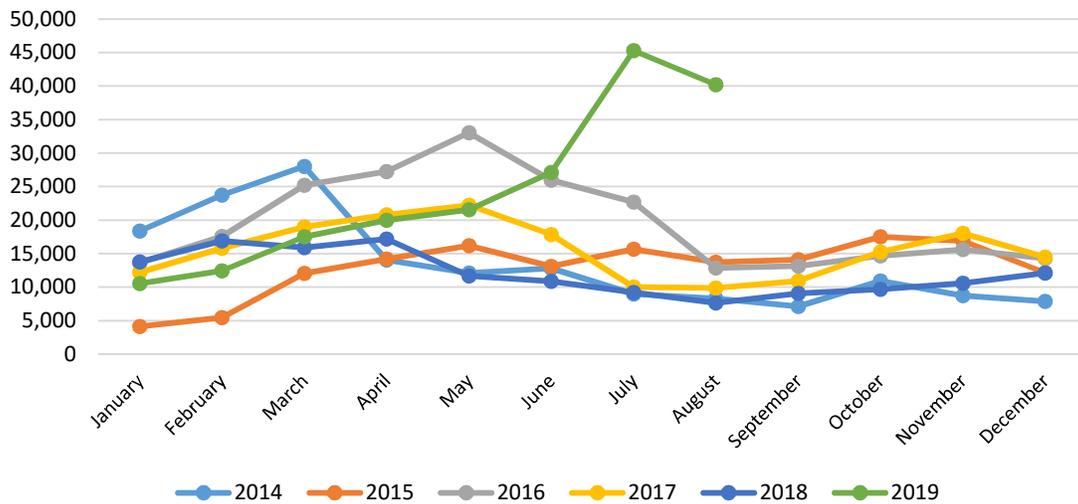
As promised we're taking a quick look at the August Census pork trade data this morning. Total US pork exports in Aug were down vs. Jul but still well higher vs. last year. You can see in the chart below that seasonally we should see pork exports dip around this time of year but that has clearly not happened. Considering that current outstanding sales remain well above year ago levels, it seems reasonable to think that we should see continued YOY growth in pork shipments.

US Total Pork Exports

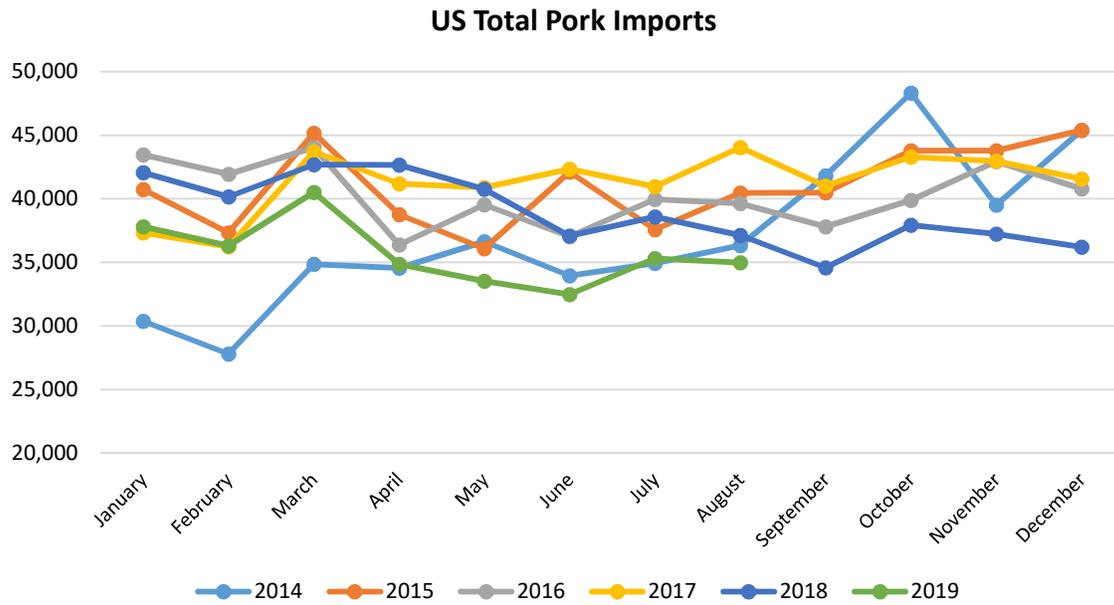


As you likely already know by now, US pork exports to the ASF-impacted region remain strong, though they were down vs Jul. The chart is shown below. China is clearly the biggest market of those shown in the chart, and export to China were off in Aug vs. Jul. That said, I do think it is worth pointing out that shipments to Vietnam were pretty solid in Aug...not close to record large but up a decent amount from Jul. That is another area to watch here in the near term.

US Pork Exports To ASF-Impacted Region China, Hong Kong, Taiwan, Vietnam



US imports of pork continue to remain near the lows of the past several years.



Financials

US equity futures are trading lower at the time of writing this morning and in general it appears we have a risk-off tone to markets this morning. Part of the weakness can be attributed to the US announcement late yesterday that it has “blacklisted” several more Chinese companies from doing business with US entities. The difference this time is that these companies were blacklisted on human rights violations rather than nation security reasons. Chinese officials have said “stay tuned” to hear of potential retaliation for this move, but the overall bias is that it casts a shadow over the trade negotiations ongoing in DC this. Literally as I was typing this sentence, this headline hits: *CHINA DELEGATION MAY LEAVE WASHINGTON ONE DAY EARLIER: SCMP. As we saw with the decision to not follow through with the farm-state visits, this might not be a big deal. Still, the market clearly won’t appreciate the immediate implications.

Aside from the US-China headlines, Brexit headlines are not especially supportive this morning either. UK PM Johnson reportedly told German Chancellor Merkel overnight that a Brexit deal is “essentially impossible”. This should hardly be news, but the BP is getting hit at the time of writing. No other major news seems market-moving this morning. German industrial production turned out a bit better than expected in August, but it’ll take more than one month of decent data to turn around the sentiment surrounding the German economy right now.

The only economic data due today is PPI, which probably isn’t going to be a market-mover. We have several Fed officials speaking today but most importantly will be Chair Powell this afternoon.

Energy

One thing that hasn't seemed to get a lot of attention in media has been the unrest in Iraq over the past week or so. If you haven't heard I wouldn't be surprised, as it really hasn't seen much attention. Mass protests have been springing up around the country but are mostly focused in southern portions of Iraq. According to a Bloomberg opinion piece the protests were rooted in "discontent over high unemployment, government corruption, and Iranian involvement in Iraqi affairs". After a while, these sorts of things tend to take on a life of their own. The protests have now been seen in the city of Basra, which is important to the oil markets as it is a main terminal for oil exports to the Persian Gulf. The government of Iraq clearly knows the city's importance to oil exports and "security forces" have reportedly been particularly brutal in responding to the protests here. As you would imagine, despite the security forces' efforts the protests show no signs of letting up. Basra represents 90% of Iraqi oil exports so the city will be very important to keep an eye on. Iraq has clearly not been interested in cutting their oil production in line with their commitments and thus they have played a key role in keeping oil markets well supplied here. Any sort of problems that could limit Iraqi exports could play a big role in oil markets, and this might be one more area to keep an eye on in the Middle East.

Today's Calendar (all times Central)

- PPI – 7:30am
- Fed Chair Powell speaks – 1:30pm
- Several other Fed speakers throughout the day

Thanks for reading.

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