

## Weather

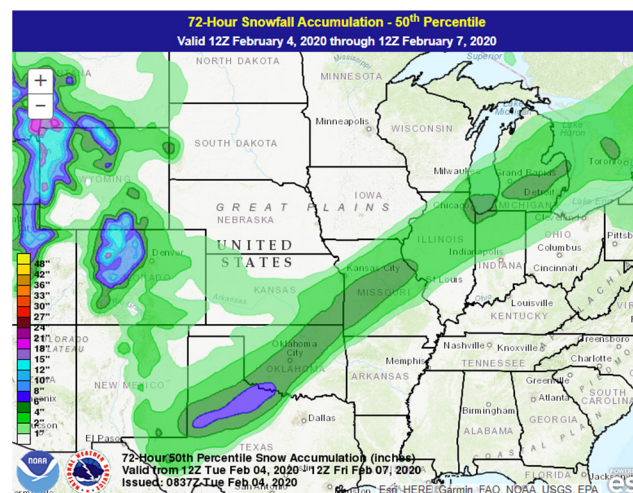
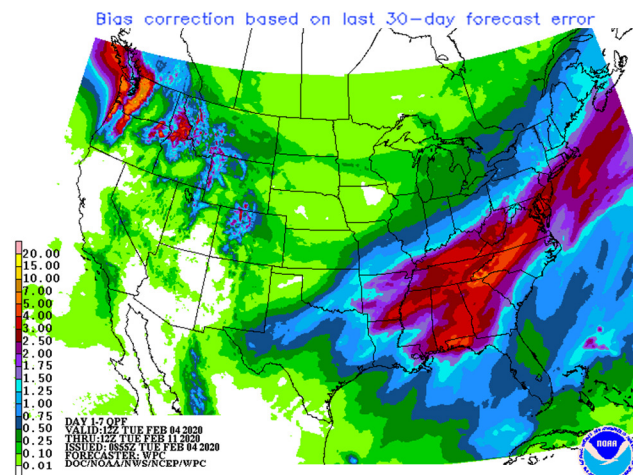
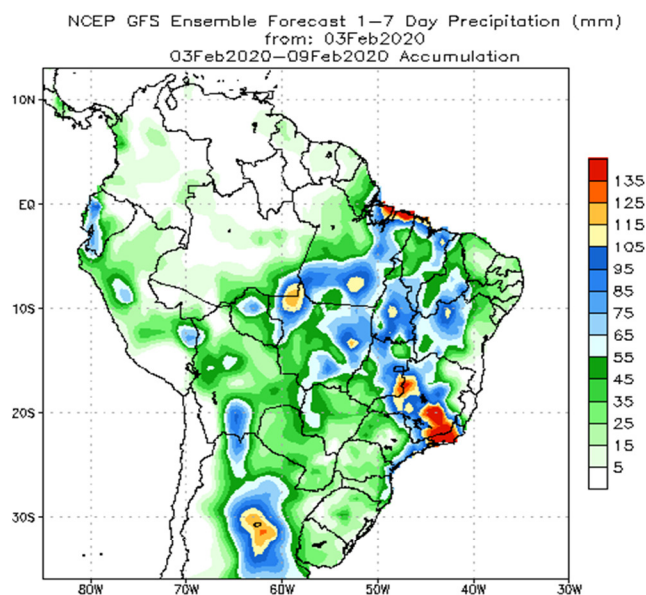
No big changes to the forecast. Northern Brazil should see near or slightly above normal rainfall over the next two weeks with amounts ranging from 4-8". The heaviest period of rain should start tomorrow and last through the weekend. Temps should generally average above normal, though the rainy period through the end of this week should be a bit cooler. Southern Brazil should see rainfall totals run below normal over the next two weeks. Rainfall totals should be 1-2" in RGDS and 2-3" elsewhere. Rainfall in RGDS will be limited this week while in other areas there will be daily chances for light showers. The best rainfall in RGDS during the two week period will likely be seen on Sun/Mon and then again in the 11-15 day period. Near to above normal temps are expected.

Rainfall in Argentina over the next two weeks will probably run near normal with amounts ranging from 2-4". The large majority of that rainfall will fall during the remainder of this week, with showers expected to develop later today in southern areas and spread throughout the region over the falling few days. This should be followed by several days of dry weather but there will be some light rainfall potential in the 11-15 day period as well. Some hot temps today and tomorrow with 100s possible in a few spots. Cooler temps will be seen as rainfall moves through the region and heat will not be a factor for the remainder of the two week forecast.

In the US we will develop a "battlezone" between warmer weather in the southeast and cooler temps in the northwest. This creates the opportunity for active precipitation and you can see to the right that is exactly what is in the forecast. The southeastern US should see a lot of rainfall over the next several days. We can also see there is a good chance for some snow to fall over the next few days stretching from the Southern Plains into the ECB.

## Crops

Like we did with corn yesterday, I want to take a quick run through the soybean balance sheet for 19/20 and



look at what might be coming for the 20/21 based on our acreage assumptions from last week. Looking first at the 19/20 demand figures, I have a hard time finding a strong argument against the WASDE crush projection. For a while I was thinking that they might eventually prove too high, but meal export sales have picked up and it sounds like domestic consumption for soyoil has picked up as biodiesel is starting to kick-in again. Crush margins aren't anything special, but I won't cast any stones at WASDE's current projection for now. For exports, I think WASDE is too high. The pace of commitments is well below what it should be to hit WASDE's projection. Yes, I know...deal is signed. My argument all along has been that China will only buy US soybeans when we are more competitively priced and seasonally speaking that will likely mean the bulk of remaining 2020 shipments will likely come in Q4...meaning in the 20/21 marketing year. Gun to head, I might be inclined to lower my 19/20 export projection even further than I show below.

For the 20/21 marketing year, recall I have a starting point acreage guess of 84.5 million as described last week. My guess for trendline yield is rounded-off to 50.5 bpa, which gives me a production estimate of roughly 4.2 bil bu. This is up just under 700 mil bu vs. last year's production total. What is interesting, however, is despite the big YOY increase in production I'm actually seeing ending stocks decline. I have crush increasing modestly YOY to account for further expansion in capacity and ongoing support from biodiesel. The big question mark for the 20/21 demand is of course exports. There is a really big range of possibilities here. It will depend on this year's South American crops and the "tail" of supplies into US's new crop season. It will depend on total Chinese demand growth and whether hog supplies have stabilized and/or can actually start to build. It will depend on next year's South American crop of course too. Nobody can claim to have a good idea of what to expect, but in the number below I feel like I've attempted to split the middle of various possibilities.

US Soybean Supply and Demand (Million Bushels/Million Acres)

	USDA 15/16	USDA 16/17	USDA 17/18	USDA 18/19	USDA 19/20 Jan	NTG 19/20	OCE-LTP 20/21	NTG 20/21
Planted Acres	82.7	83.4	90.2	89.2	76.1	76.1	84.0	84.5
Harvested Acres	81.7	82.7	89.5	87.6	75.0	75.0	83.2	83.7
Abandoned Acres	1.0	0.7	0.7	1.6	1.1	1.1	0.8	0.8
Yield	48.0	52.0	49.3	50.6	47.4	47.4	50.5	50.5
Carryin (Sep 1)	191	197	302	438	909	909	474	554
Production	3,926	4,296	4,412	4,428	3,558	3,558	4,200	4,227
Imports	24	22	22	14	15	15	20	15
<b>Total Supply</b>	4,140	4,515	4,735	4,880	4,482	4,482	4,694	4,795
Crush	1,886	1,899	2,055	2,092	2,105	2,105	2,135	2,135
Exports (Census)	1,936	2,174	2,134	1,748	1,775	1,700	1,895	2,065
Seed	97	105	104	88	96	98	132	100
Residual	24	36	5	43	32	25	-	35
<b>Total Use</b>	3,943	4,213	4,297	3,971	4,008	3,928	4,162	4,335
<b>Carryout (Aug 31)</b>	197	302	438	909	474	554	532	460
<b>Stocks/Use</b>	5.0%	7.2%	10.2%	22.9%	11.8%	14.1%	12.8%	10.6%

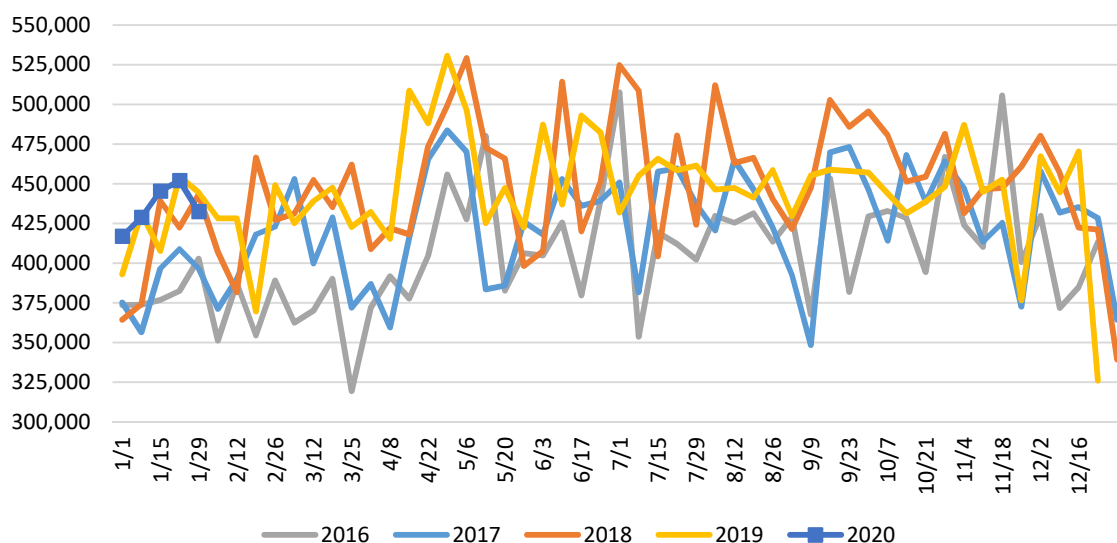
Once again I'm including the USDA's Office of Chief Economist's long term projections as a comparison. While the 460 mil bu ending stocks figure I show for 20/21 isn't exactly "tight", it obviously represents something smaller than what I'm looking for in 19/20. That is a very strong contrast to what I showed with corn yesterday where I have 20/21 corn stocks ballooning significantly higher.

Obviously a long way to go, but I think this creates an interesting dynamic in the comparison of corn and soybean prices going forward. Thoughts appreciated.

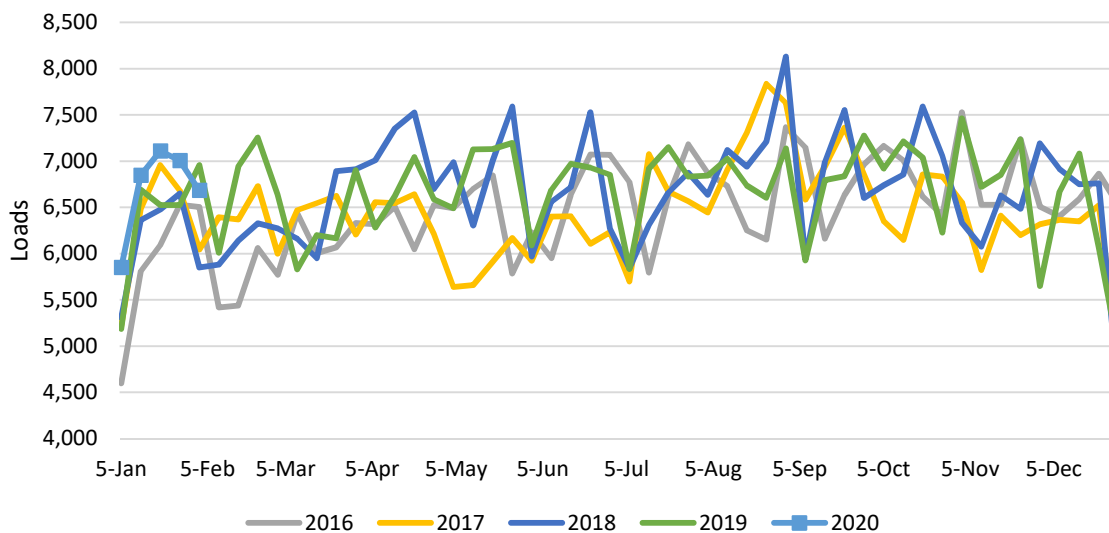
## Livestock

I didn't see anything that stands out from yesterday's USDA MPR releases. Total MPR cash cattle volume was off from the previous few weeks but still near a level that I'd consider to be "average". Beef movement was also off slightly from the prior weeks but nothing dramatic. Bottom line – not much to see in the weekly numbers.

**Total MPR Volume**  
**Formula, Grid, Forward, Negotiated**



**National Comprehensive Boxed Beef Report**  
**Total Sales**

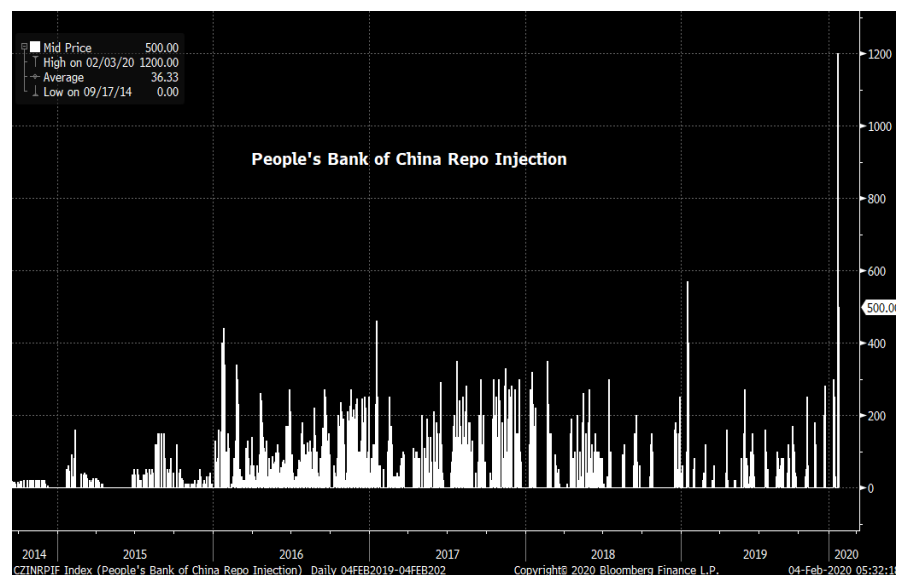


I still get the sense that the prospects for this week's cash trade are skewed a bit higher vs. last week. Disagreeing sentiment is certainly welcomed and encouraged. Just looking at the chart of LCJ here this morning, I think it is worth noting that the big break we've seen here has stalled at the 200-day moving average and the former breakout level around 120. This "should" be an area that provides support.



## Financials

There is nothing new to report on the virus situation. New cases continue to be reported. Bloomberg report new cases are up roughly 2,500 from yesterday and they've confirmed a second fatality outside of China. Economic groups all over the place are cutting their expectations for Chinese economic growth. Still, there are two bits of good news for markets this morning. Firstly, the Global Times is reporting that the government will be "unlikely" to delay the implementation of the trade deal terms. Recall yesterday that this had spooked some traders as Bloomberg reported that Chinese officials have asked for some "flexibility". More importantly – liquidity is still king. We've clearly noticed what central bank liquidity actions in repo markets can do for equity markets here in the US. Well, look at the liquidity surge we've seen in China over the past 24 hours. This is the PBOC's biggest injection of liquidity in at least 15 years. The PBOC also cut repo rates as well.



It is no wonder Chinese equity markets reversed their initial losses overnight as I suppose you could call this the PBOC's "whatever it takes" moment. US and other global markets have followed that lead. Obviously there is no shortage of liquidity here in the US either.

I'll pass on commenting on the Iowa caucus debacle overnight. I don't really know how the caucus system works so I won't parade my ignorance here. The upside for some in the race is that it allows just about everyone to claim victory. On to New Hampshire where Bernie Sanders appears to have a sizeable lead in most polls.

### Energy

Newswires are reporting that the Saudi king and Russian President Putin held a rare phone call yesterday to discuss oil markets. Obviously the Saudis are pushing for an "emergency" meeting in an attempt to drum up support for further production cuts in an effort to support prices. So far Russian officials have not been inclined to play along with that offer. Today it sounds like a group of "technical experts" within OPEC will be issuing some sort of statement on the impact of the coronavirus on oil demand. According to one story I've read the group will prepare nine different scenarios with different estimates of how the virus will affect oil consumption. Depending on what this group says, the Saudis might find it a bit easier to push for their emergency meeting. The next meeting for OPEC was already scheduled for early March, so if a quicker meeting is to be pursued they'll need to get it on the books soon.

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

- Durable Goods Orders – 9:00am

Thanks for reading.

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