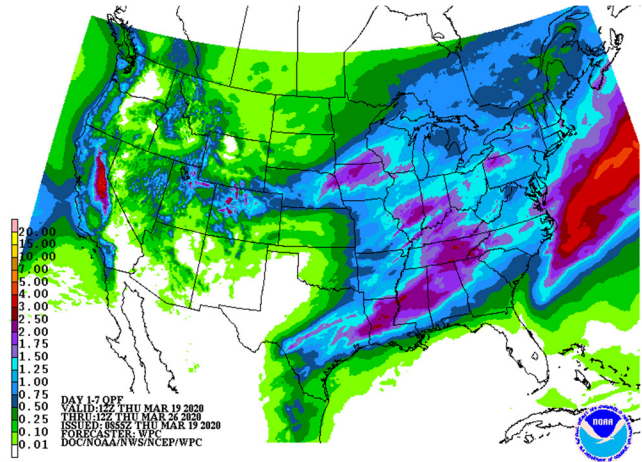


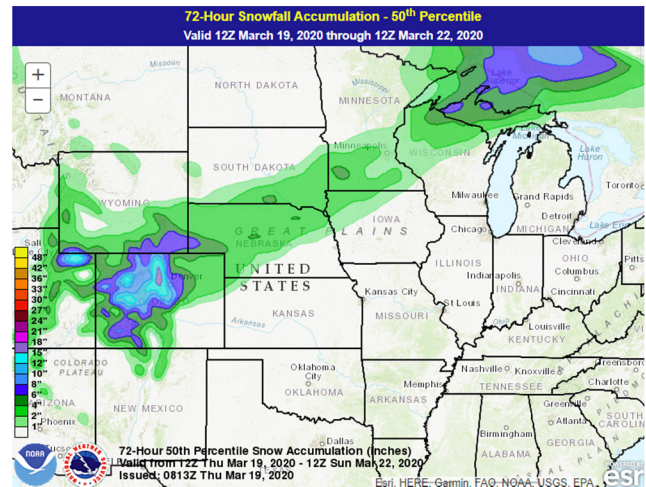
Weather

No changes to the US forecast this morning. Most of the Corn Belt is likely to see above normal precipitation totals over the next two weeks. We should see some severe weather across the region today. The map to the bottom right also shows the 3-day snowfall projection, but most of that will fall over the next 24 hours. We should see some cooler weather develop over the weekend but that probably won't have much staying power and the remainder of the two week period should feature near to above normal temps.



Crops

We've got a decent "relief rally" across the grain complex this morning. Does it have any staying power? Well, the good news is there appears to be some very credible rumors of Chinese purchase activity of US grains/oilseeds over the past few days. I can say with a strong degree of confidence there has been some soybean business done this week. There also are credible rumors that some corn business has been done as well, though I have no idea on quantities. I've even heard rumors that there has been some HRW business done this week. There is enough smoke with these rumors to believe there is a fire somewhere. Will we get a flash announcement? I have no idea. Will it be enough to stop the wave of selling pressure? Temporarily, yes. But for how long?



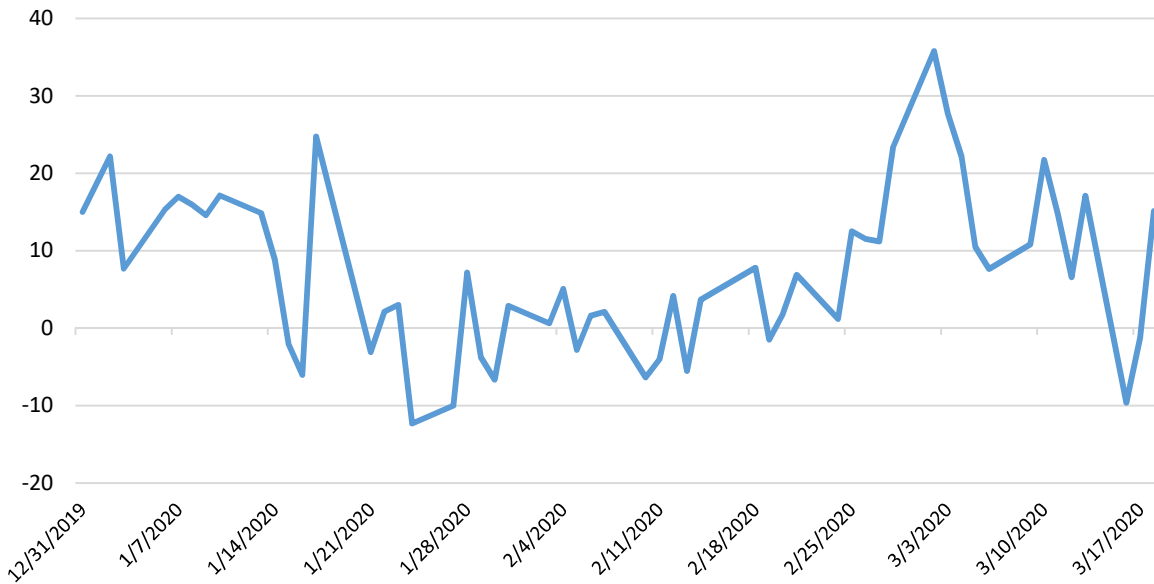
We've started to get a lot of private estimates of planted area as we prepare for the month-end USDA reports. But for every estimate showing a significant YOY increase in corn area there seems to be another "analyst" around saying that they "doubt" corn area will be as large as these indicate. They seem to imply that soybean area should be gaining ground due to the weakness in corn prices. To the right I show the history of the SX/CZ ratio, and you can see SX is basically the cheapest it has been



against CZ at this time of year in several years. The only time the ratio has been significantly lower was last spring when the market was actively encouraging the planting of corn during the floods. This hardly seems to me to be an expression of SX “buying” acres here.

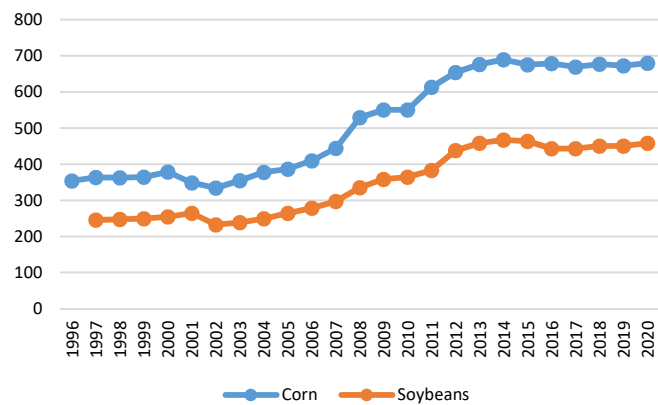
My calculations on the comparison of possible net revenue still show corn as a modest winner vs. soybeans. The recent history of the calculation is shown in the chart below. This takes the USDA’s cost of production estimates for both crops and compares it against a revenue calculation that combines assumptions on yield, basis, and new crop futures.

Net Revenue Estimate Comparison
Corn Net Revenue Est - Soybean Net Revenue Est



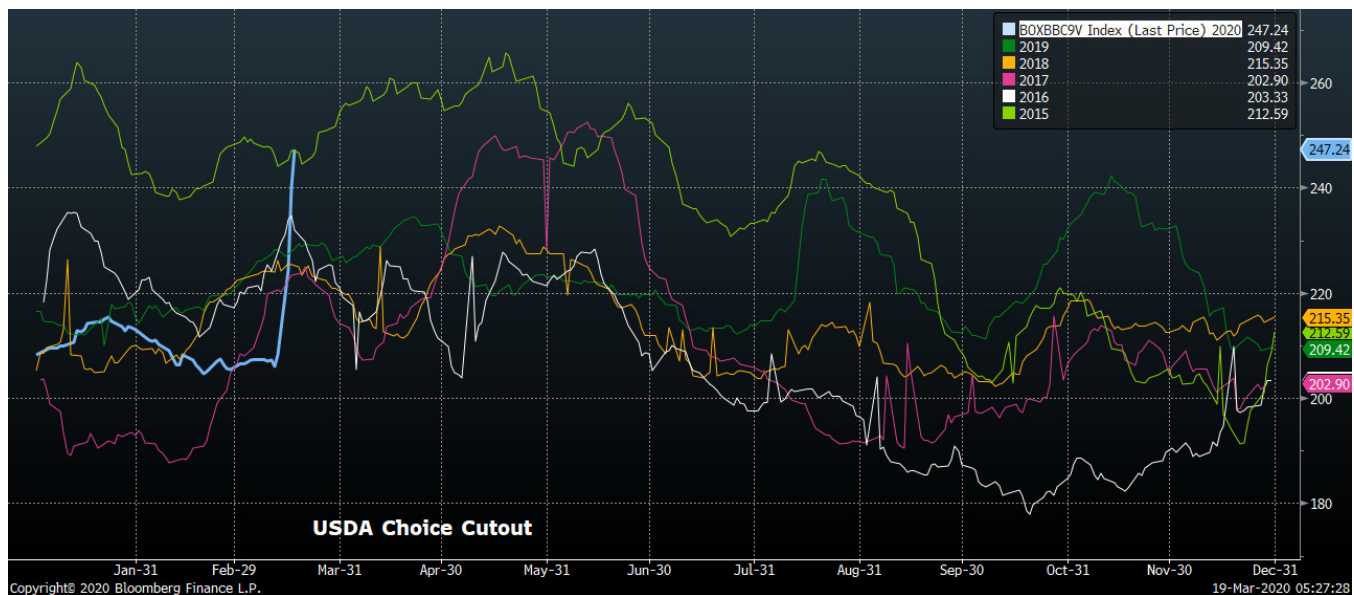
Some will say that soybeans could get the nod as it is a less expensive crop to grow. USDA estimates for a national average basis are shown to the right. There is where I need help from my readers. **Are you or people you speak with or know about considering shifts to their acreage mix vs. expectations from two months ago?** A few months ago roughly 99% of everyone I talked to seemed to imply more corn acreage. Has the price movement over the past several weeks really been enough to shift that decision? I’d love some feedback here.

Estimated Cost of Production (\$/ac)



Livestock

A “wow” chart below. This shows the past several years of history of the choice beef cutout. You can see that in the past two days we’ve taken choice boxes from the lowest level in several years to the highest level in several years.



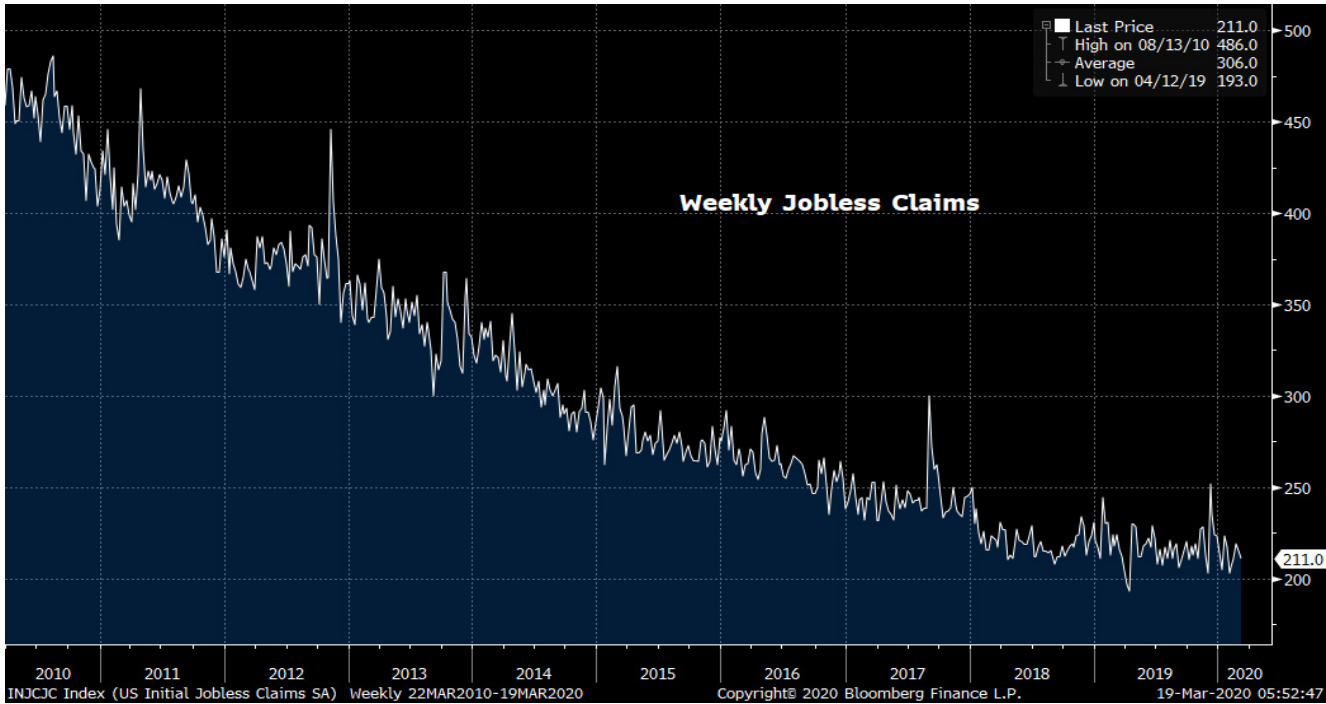
I guess my question going forward is this – When the retailer is done restocking following the consumer freakout over quarantine measures, what is going to happen next? You can see from the chart above that, seasonally speaking, the next several weeks aren’t an especially strong period for beef prices. The foodservice industry is down for the count for the foreseeable future. The export market has been quiet for weeks. Yes, the retailer is now in a scramble to restock...but then what? With a lot of consumers severely hurt by lost income, are they going to be favoring beef or cheaper pork and chicken options? I’m just thinking outloud here...I don’t really have any answers. I just think the conversations about what a packer breakeven for fat cattle with beef at these levels is going to sound different in a few weeks. Now, that is not to say I’m bearish the cattle board here. The board ~20 below cash and that is crazy. I guess my only point here is that I wouldn’t get too excited about *beef* prices here and just keep in mind what that will mean for the remainder of the complex.

Financials

Well...equity futures aren’t limit down this morning so that is something. Yesterday afternoon the ECB announced their own bazooka aimed at providing liquidity to the markets. They expanded their asset purchase program and even said they would buy Greek debt for the first time. They will also expand the pool of debt they’re going to buy to include commercial paper. Bond yields in Europe, and around the world, are sharply lower following the announcement. ECB President Lagarde went on to say there are “no limits to our commitment to the euro” and promised to add even more purchases if necessary. In addition to the ECB action the central banks of Australia, Indonesia, Philippines, Taiwan, and Brazil have all cut rates in the past 24 hours.

Initially this supported equity markets yesterday evening, but we’ve since faded modestly and are trading slightly lower this morning. The dollar continues to surge against all other major currencies. Despite the Fed’s

best efforts to provide liquidity to the world, it still seems we're facing a major dollar squeeze globally. In economic data on tap today, one item I'll be watching closely is the weekly jobless claims report. I've read articles reporting a big surge in jobless claims this week, though I doubt today's report will capture a huge increase yet. The median estimate calls for an uptick to 220k in today's report. Expect the chart below to look a lot differently in a few weeks.



Energy

It's not just US shale oil that is feeling the brunt of the new Saudi-Russian push for increased oil production. You can see in the chart at the right that Canadian crude oil prices just hit a record low level. Obviously Canadian oil has been relatively weak to begin with due to their logistical constraints. Firms operating in the North Sea are also now reporting field shutdowns as they are now well below breakeven price levels. WTI futures are bouncing a bit this morning, though I don't see any specific news that I would say is sparking the strength. Look for ongoing volatility here, but the bottom line is that it appears the Saudis remain committed to their goal of expanded production.



Today's Calendar (all times Central)

- Export Sales – 7:30am
- Jobless Claims – 7:30am

- EIA Natural Gas Storage – 9:30am

Thanks for reading.

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