NESVICK
TRADING GROUP, LLC

Friday, January 22, 2021
NTG Morning Comments
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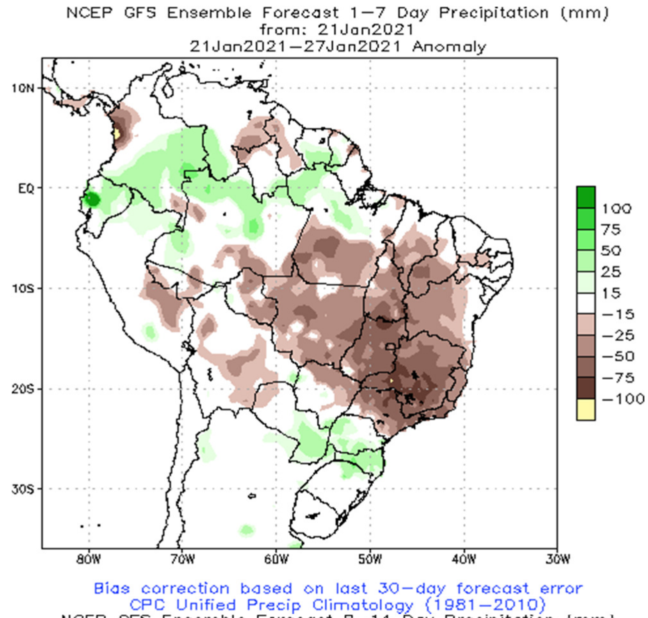
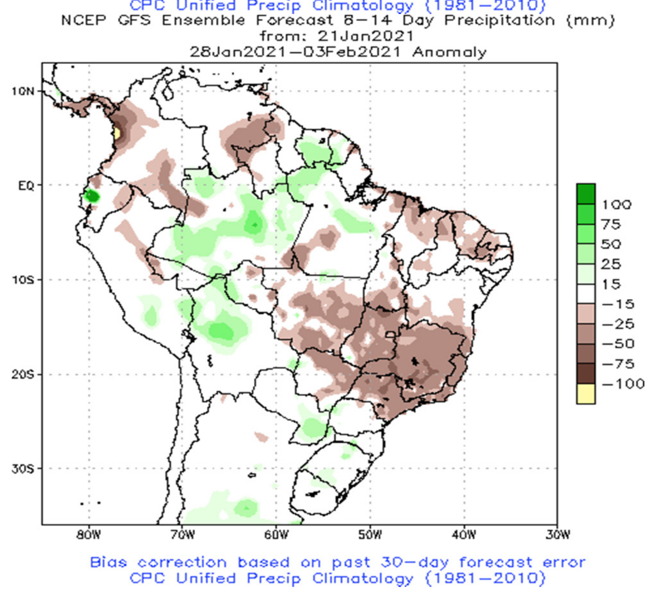
Weather

No changes to the forecast this morning. Northern Brazil should see rainfall over the next two weeks average near to below normal. The least rain will fall in the 1-5 day period with rainfall amounts improving marginally for both the 6-10 and 11-15 day periods. Temps will average modestly above normal. Southern Brazil should see mostly above normal precipitation totals over the next two weeks. Rainfall chances should be seen on a daily basis for the next 10 days. With daily chances for rain, it will be difficult to see any meaningful heat in this area.





Two week rainfall totals in Argentina will run near normal. We should see dry conditions over the next few days, and at the same time some hot weather as well. During the weekend, we should see a lot of 95+ heat. Rainfall chances should start to redevelop on Monday. There is not good model agreement on where exactly the best rains will fall, but there is good model agreement that rain will fall somewhere. As rains return, temps should cool off as well. Rainfall chances should continue through the 11-15 day period.

Crops

Another long (shortened) week to start 2021, so I thought I'd keep things short and light this morning. We're just going to have fun with a little math on soybean export sales today. In the past I have looked at thoughts on a bare-minimum level of soybean shipments. Today I want to look at a thought process on a bare-minimum of US soybean export sales. We are supposed to be rationing demand, after all.

The table below takes a simplistic view of what a bare minimum of export sales might look like. I've simply tallied the total CMY export sales from Feb-Aug starting with 2010. With current demand trends, I figured going further back would probably not be instructive. I then assume that 1.5 mmt of each year's sales during that period would be rolled-over into the following marketing year. Some years it will be more and some less, but just to keep it simple that is what I'm using. You can see that "bare minimum" of sales for the CMY would be illustrated by 2014 with "only" ~55 mil bu.

(Note: 2019 has an asterisk because of the government shutdown during that timeframe. Export sales reporting was impacted, making the number somewhat less reliable. For our purposes this morning, however, it doesn't really matter)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*	2020
Feb-Aug CMY Sales	6,319,413	3,908,168	12,500,565	3,032,597	2,986,087	5,568,763	13,095,718	10,787,416	15,269,606	12,550,325	15,948,900
Less 1.5 mmt Rollover	4,819,413	2,408,168	11,000,565	1,532,597	1,486,087	4,068,763	11,595,718	9,287,416	13,769,606	11,050,325	14,448,900
Converted to Mil Bu	177.08	88.49	404.20	56.31	54.60	149.50	426.07	341.25	505.95	406.03	530.91
Current Outstanding Sales				14,561,138	535.0	mil bu					
Current Sales + "Bare Minimum" Sales					589.6	mil bu					
Estimated Sep-Jan Census Exports					1,816.7	mil bu					
Shipment Potential?					2,406.3	mil bu					

If we assume a bare minimum of additional sales for this marketing year of ~55 mil bu and add those to our current outstanding sales and Census exports from Sep-Jan (Dec and Jan are my estimates), we can come up with a bare minimum shipment total of….2,400 mil bu? Obviously that is miles higher than WASDE's current projection.

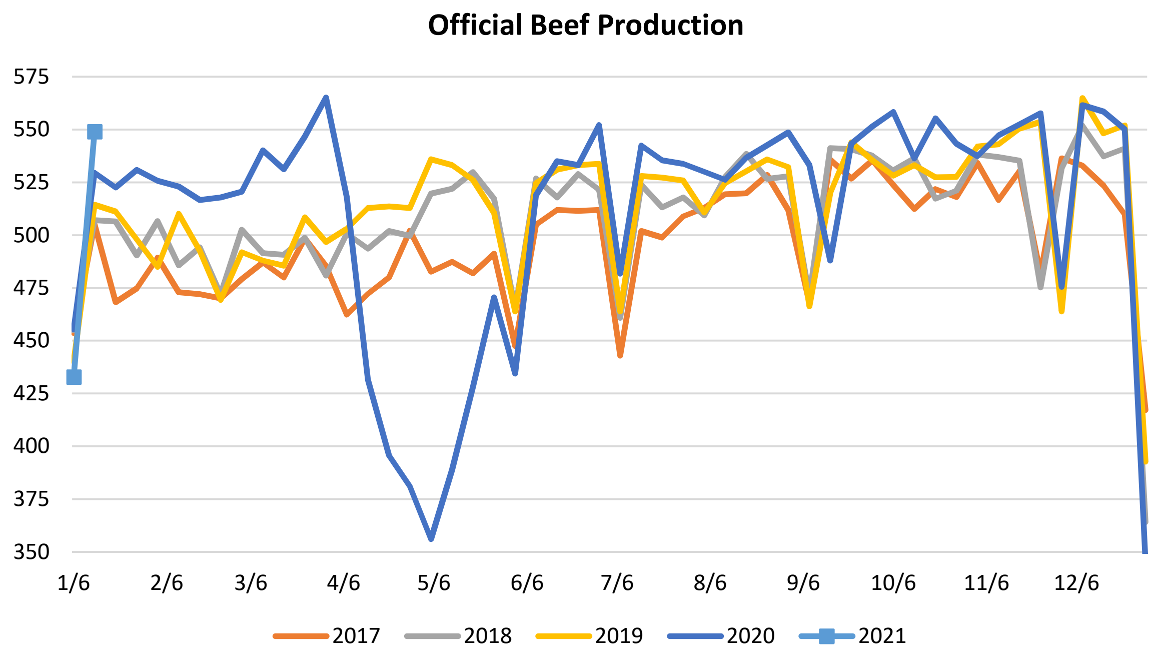
I want to make clear that I am not trying to say that I believe 20/21 exports will reach 2,400 mil bu. What I hope this illustrates, however, is the pace of shipments and sales to date and the job ahead of the market in terms of rationing soybean demand going forward. We absolutely have to have record low soybean sales (at least relative to recent history) in order to get close to the current WASDE projection. Based on the flash sales we've seen in the past few days, it doesn't seem we're doing that job yet. Thoughts appreciated.

Livestock

On tap this afternoon will be the COF. Attached to the right is the breakdown of survey guesstimates. I suppose it is worth noting that our friend Mike Sands is calling for a modestly smaller placement number, looking for placements down roughly 5.5%.

	Survey Results			Survey avg	USDA Yr-ago
	Avg	Low	High	Mln Head	Mln Head
Cattle on Feed (Jan. 1)	-0.4%	-1.2%	1.2%	11.907	11.958
Placements (Dec.)	-3.1%	-7.0%	0.0%	1.772	1.828
Marketings (Dec.)	0.9%	0.3%	2.4%	1.850	1.834

I don't have much else to say this morning…I guess we'll just see how the COF turns out. One thing that did catch my attention from yesterday's official slaughter report was the level of total beef production. The chart is shown below and the latest round of data clearly sticks out. What I find impressive is that cutout prices have been going almost straight up so far this year despite the much stronger than normal beef production. Cash cattle trade thus far this week continues to run a bit weaker than my expectations, but at the same time it still sounds like we've got some work to do.



Financials

A risk-off tone in markets this morning. News explaining the pessimism seems a bit lacking in my opinion. As always, whenever markets are trading lower you get the typical "Covid back in focus" type of headlines, and those are certainly present again this morning. In addition to the Covid hype, we did get some preliminary PMI numbers which were a bit soft. Eurozone composite PMI for January is being projected at 47.5, down from 49.1 in December and obviously below the 50-level indicating contraction. In the UK, PM Johnson is threatening to keep the country on lockdown until the summer. It seems all hope surrounding a vaccine has evaporated this morning. Of course that sort of on-and-off sentiment is nothing new in markets…

I don't have anything major to pass along this morning. The only economic data of note today is existing home sales. Clearly the housing market has been a strong leader in the past several months. No major earnings releases on tap today.

Energy

Oil futures are weaker this morning following the risk-off sentiment in markets. We get the weekly inventory numbers this morning. Yesterday's API release was somewhat unexpected as it showed a 2.6 mil *build* in inventories last week. Expectations had been for a 1.6 mil decline.

Today's Calendar (all times Central)

- Export Sales – 7:30am
- Existing Home Sales – 9:00am
- EIA Natural Gas Storage – 9:30am
- EIA Petroleum Inventories – 10:00am
- Cattle on Feed – 2:00pm

Thanks for reading.

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