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Wednesday, March 31, 2021
NTG Morning Comments
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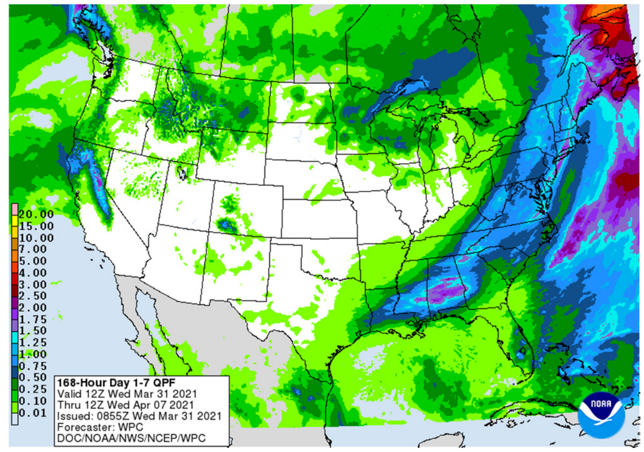
Weather

No changes. Some lingering rains in the southeastern US today, but aside from that we'll see very little precipitation over the next week. The light rains shown in the northern Corn Belt will come late in the period. Limited rainfall chances will be seen in the southern US for the 6-10 day period but some activity will eventually develop for the Corn Belt. This should continue into the 11-15 day period, though we're not expected truly "big" amounts. Cool temps over the next few days but otherwise looking at a mix of near to above normal temps for the remainder of the two week period.



Crops

The big day is here. We've spent almost the entire month consolidating in a sideways pattern in anticipation of today's reports. At the time I'm writing this, both CN and SN are within a nickel of where they started the month. I think it is safe to say, when this report is out of the way these markets are primed to bust a move.

We've spent the past week going over the details of my expectations. I won't rehash all of that today. Below is a quick rundown of my thoughts. For detailed explanations, please refer back to the past several days of commentary.

Corn and soybean acreage –
At the February Outlook Forum, USDA analysts suggesting a starting point for combined corn and soybean area of 182 million acres. I showed last week that the lack of snow cover in the Upper Midwest is a decent indicator to perhaps expect slightly larger combined area for today's report. The newswire average guesses combine for a total of 183 mil acres, so I have no strong argument against that level. However, I do have an argument against the breakdown in acres. The average guess calls for 93 mil corn and 90 mil soybeans. My work on net revenue comparisons, as shown last week, would suggest that corn should get a bigger percentage of the total acreage pie. So, vs. the newswire average guesses, I would take the over vs. the corn acreage guess and the under vs. the soybean acreage guess.

Corn March 1 stocks-
My estimate for March 1 stocks was 7,922 mil bu while the average guess is 7,770 mil bu. That is a pretty significant difference, so I'm either waaaay off or maybe on to something. As I (hopefully) showed last week, my Dec-Feb F&R estimate is inline with what one might expect for the quarter based on WASDE's annual projection. <u>IF</u> the average guess is correct, then it argues that WASDE is too small with their annual projection. Taking that a step further, it would argue a much tighter balance sheet. So, even if the average guess nails it and the report is technically "neutral" relative to the average guess, I would argue it would be very bullish. I would also argue that my "report-bearish" stocks estimate would be relatively neutral in time relative to the overall corn balance sheet. It will definitely be interesting and this is the number I'll be looking for right away at 11am this morning. I'm betting the over vs. the guess on corn stocks…but I won't claim to have a ton of confidence.

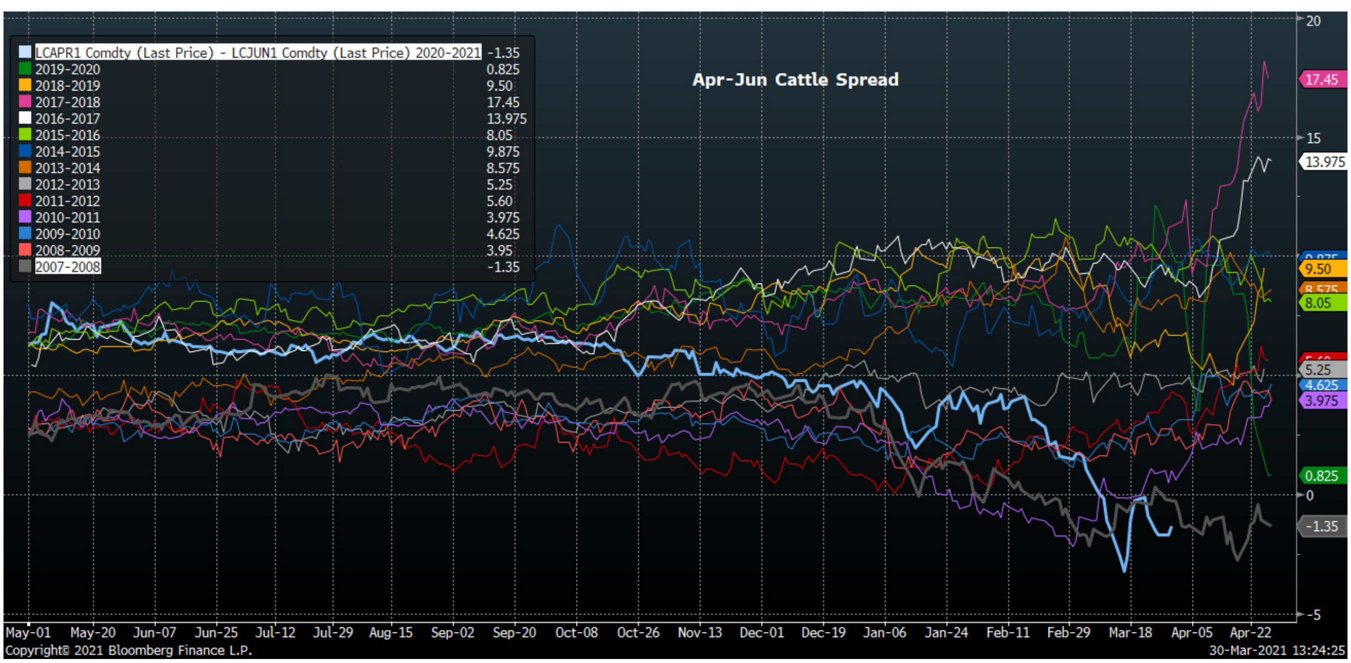
Soybean March 1 stocks –
My personal estimate for Mar 1 soybean stocks is 1,529 mil bu, which is almost exactly the newswire average guess. With that in mind, I don't have a ton to point out here. I will point out that the risk might be skewed to a slightly bigger number, however. With such a sudden reversal in the export program heading into spring, there is a risk that the soybean supplies in transit were smaller which could mean smaller residual consumption – adding to stocks.

Wheat March 1 stocks-
I'm not expecting any fireworks with the wheat stocks number today, but you just never know. My estimate for wheat stocks, 1,287 mil bu, is only slightly higher than the average guess…not enough to make a fuss over. I'll bet the over vs. the average guess. I would probably argue that the risk is skewed towards a bigger inventory number as I think the hype over wheat-feeding has been, as usual, overdone a bit.

Well…that's the best I can do. These reports are entirely unpredictable, so I won't pretend to have a ton of confidence. Let me know if you have any thoughts or questions. Good luck.

Livestock

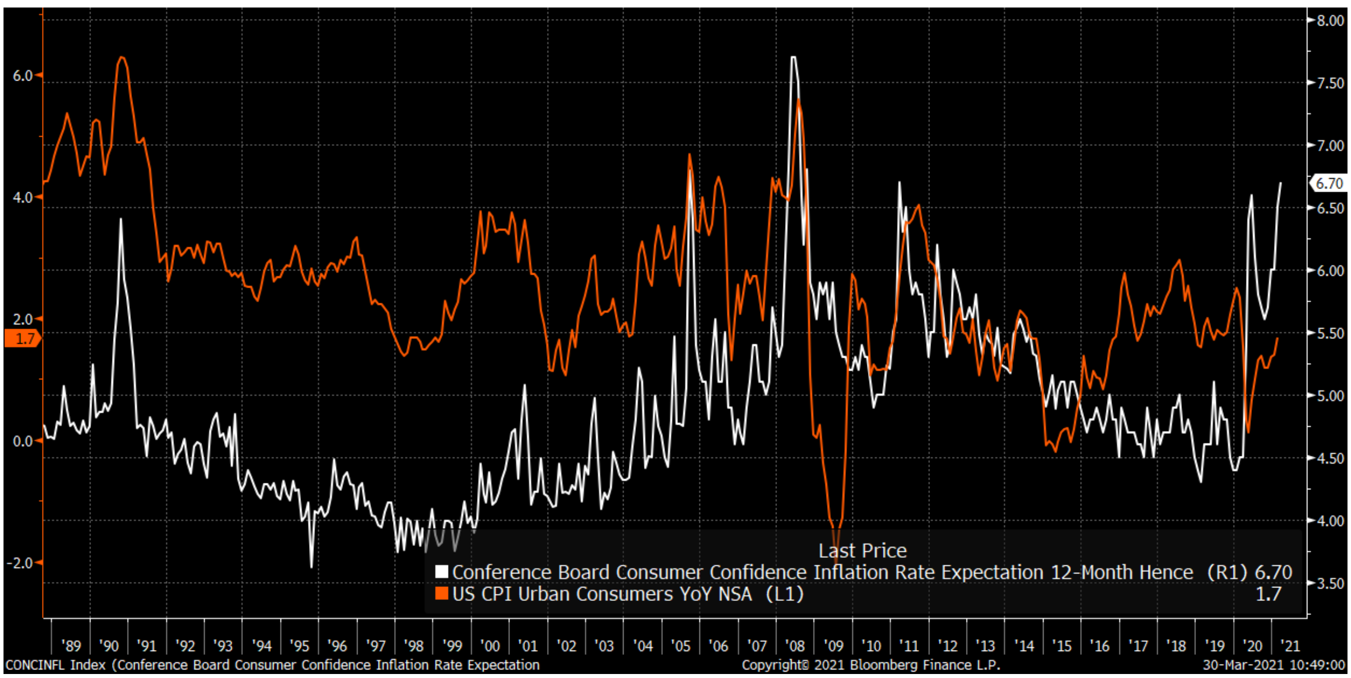
Nothing we haven't discussed before, but simply an update. The Apr-Jun spread continues to be very weak. The chart below looks at the past 10+ years of history on this spread. There is only one other time that the spread was negative going into FND and that was in 2008. Are there any similarities between this year and 2008 or is it just a coincidence? Obviously 2008 was early innings of GFC and right before the commodity-bubble burst later that year (crude oil peaked just under $150 in July 2008). In 2011 the spread was briefly negative but it had regain positive territory heading into FND. Certainly a rare situation developing…



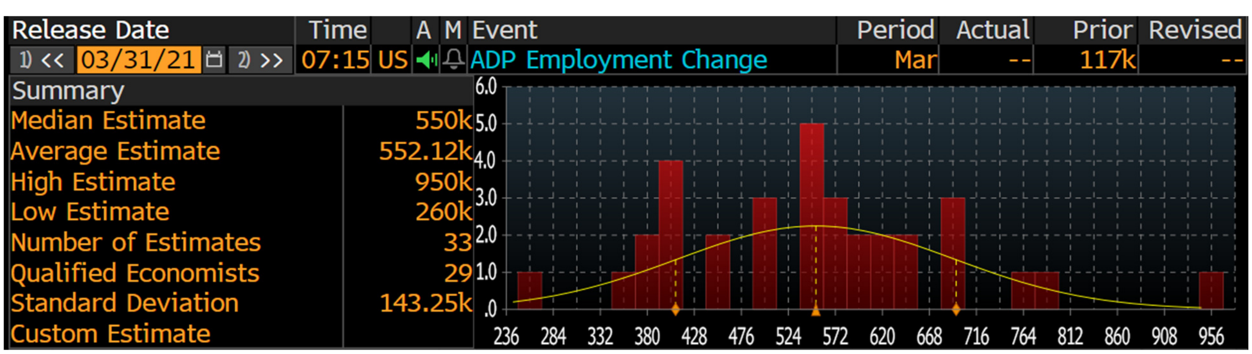
Financials

I thought the chart below might make for an interesting discussion on inflation. It is pretty simple, it shows the Conference Board's index for consumer expectations for inflation in 12 months vs. CPI YOY. A few points:

- It should come as no real surprise, but consumer expectations are generally entirely based on what is happening right now. When inflation rates are running high, expectations are high for ongoing inflation. If we were to grade the consumers' 12-month expectations vs. actual inflation at that time, it would not be a passing mark in most cases.
- I also find it interesting that current inflation expectations are the highest since 2011, while the latest CPI readings are really not that close. With base effects, CPI should really start to rip in the coming months, but this makes me wonder if we're under-reporting inflation levels.



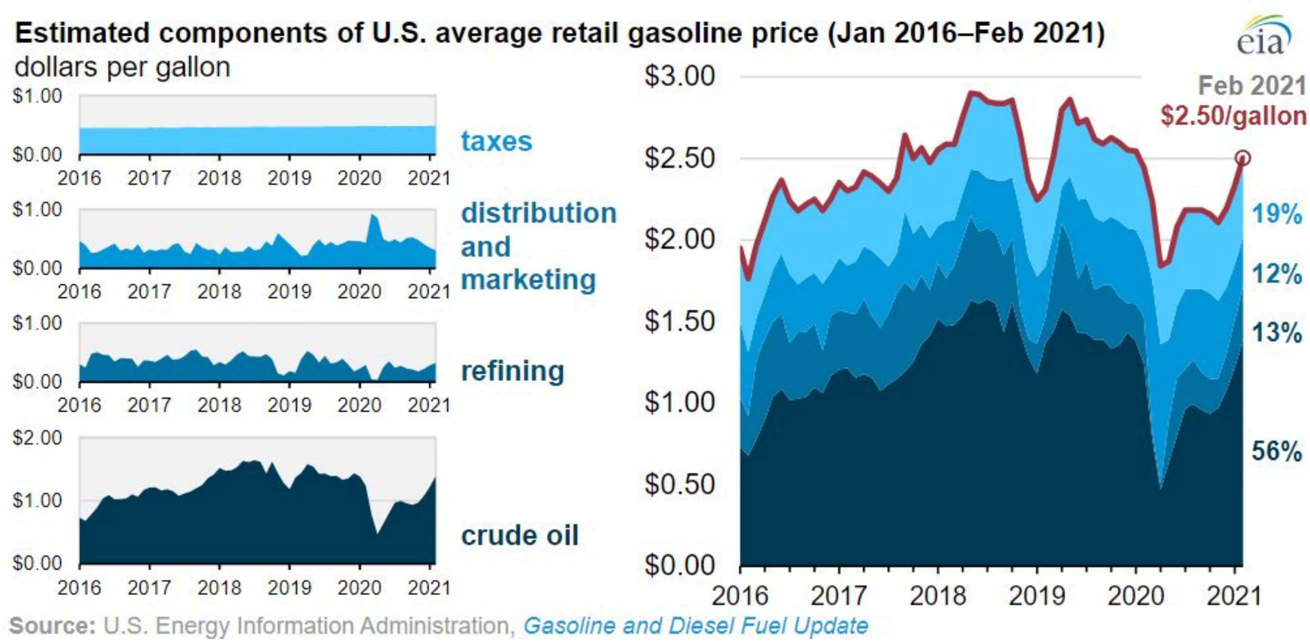
On tap today is the ADP employment release, which is expected to show a strong improvement this month. Lessening of lockdowns and improved weather should support a solid number. Below is a breakdown of expectations, and you can see the range of estimates is extremely wide.



Energy

Nothing truly new to discuss this morning. The Biden administration has unveiled some of their infrastructure plans overnight and Biden will have a speech later today to hype them. As you would expect, the plan is heavy on "clean" energy and electric cars. Also on tap this week we have the OPEC meeting tomorrow, which is expected to produce no change in the oil production target. An OPEC+ committee already this week revised their oil demand estimate for 2021 lower to 5.6 mbpd from 5.9 mbpd previously. The committee recommended that production cuts remain in place at current levels, and we already know the Saudis agree.

A quick chart from the EIA showing the breakdown on a cost per gallon of gasoline…just for triva…



Today's Calendar (all times Central)

- ADP Employment Change – 7:15am
- EIA Petroleum Inventories – 9:30am
- Prospective Plantings, Quarterly Stocks – 11:00am

Thanks for reading.

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