NESVICK TRADING GROUP, LLC

Thursday, September 30, 2021
NTG Morning Comments
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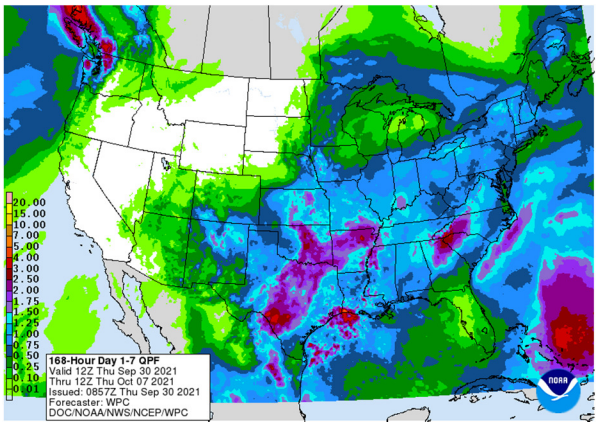
Weather



The forecast continues to add to precipitation totals east of the MS River, but otherwise the overall forecast dynamics are basically unchanged. We should see showers in the Southern Plains today and this should continue for the next few days. Over the weekend, the focus of the rainfall will shift to the east, encompassing most of the area east of the MS River. Note that most of the WCB will not see major rainfall totals during this week, meaning harvest should continue to roll in these areas. The extended outlook calls for a return to mostly below normal precipitation odds for the Week 2 period. Temps should continue to average well above normal over the next two weeks, with records likely being set in some areas. No serious threat of a freeze event.

Crops

Today we finally get the month/quarter end USDA reports we've been waiting on. Over the past week or so, I've reviewed expectations for the report so I won't go over all of that again. This morning, I'm going to keep it short and simply highlight the main thoughts going into the report. And then we just wait to see what happens.

Sep 1 2021 Grains & Soybean Stocks (Million Bushels)

	Average Analyst Estimate	Range of Estimates	Sept WASDE Ending Stocks
Corn	1,153	998-1,252	1,187
Soybeans	174	145-202	175
Wheat	1,855	1,775-1,998	N/A

USDA 2021 All-Wheat Production (Million Bushels)

	Average Analyst Estimate	Range of Estimates	USDA August Estimate
All Wheat	1,682	1,648-1,720	1,697
All Winter	1,320	1,296-1,364	1,319
HRW	778	772-785	777
SRW	366	355-370	366
Spring	331	295-358	343
Durum	34	30-40	35

Corn-
As shown at the right, the average guess is looking for a modest reduction in Sep 1 stocks relative to the most recent WASDE projection. That assumption has some merit, as the Sep-May F&R total would certainly imply that WASDE has understated total F&R demand. However, we showed earlier this week that often in "tight" supply years JJA F&R proves to be smaller than anticipated. I think it is a reasonable assumption to expect the same this year, and I will take a low-confidence guess of over vs. the average guess on Sep 1 stocks.

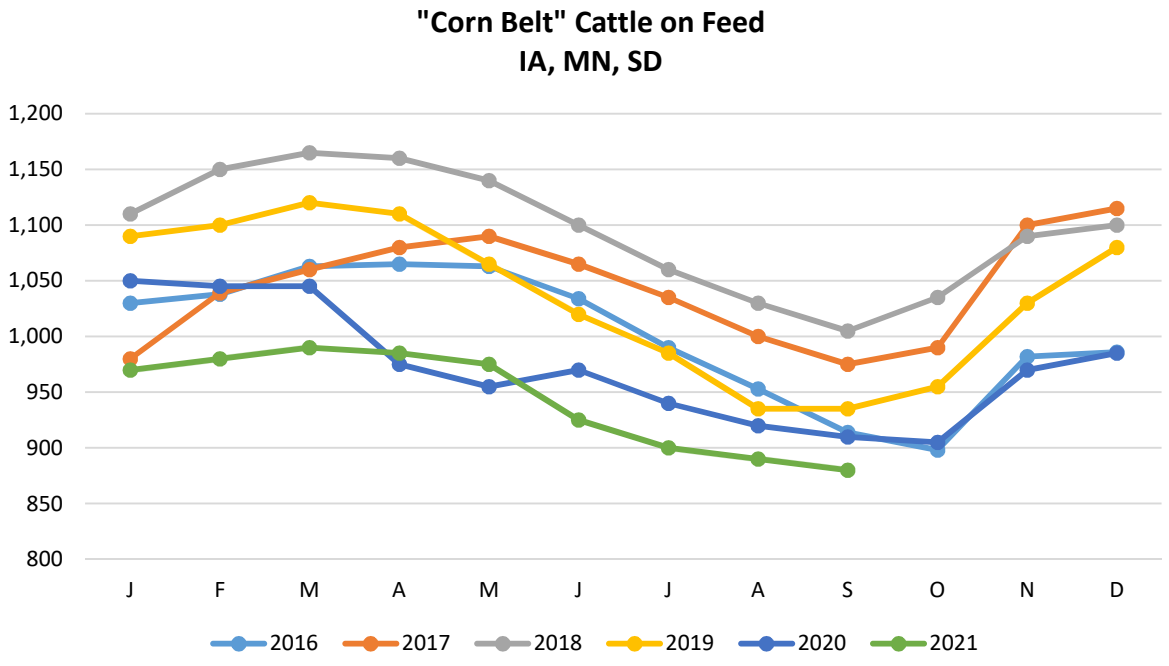
Soybeans –
The average guess for soybean stocks is right at the prior WASDE projection. Our work would show that there is a strong likelihood that JJA residual use could prove to be smaller than in the past few years, which would mean upside risk to the Sep 1 stocks figure. I will take a medium-confidence bet on the over vs. the average guess on Sep 1 stocks.

Wheat-
Aside from the corn and soybean stocks figure, the other key highlight that everyone will be watching will be spring wheat production. As shown above, expectations call for further downside vs. the Aug estimate. My work showed potential for some modest upside however. If 2017 is any guide, NASS will lower harvested area but might partially offset by raising the yield. This is somewhat supported by the fact that spring wheat condition ratings improved modestly during harvest, perhaps suggesting yields were turning out a little better than feared. With that in mind, I feel it is possible that all-wheat production could be closer to unchanged or even slightly higher. That said, the average guess is fairly reasonable. It seems to account for reasonable reduction in harvested area with no change in yield. That is definitely a plausible scenario as well.

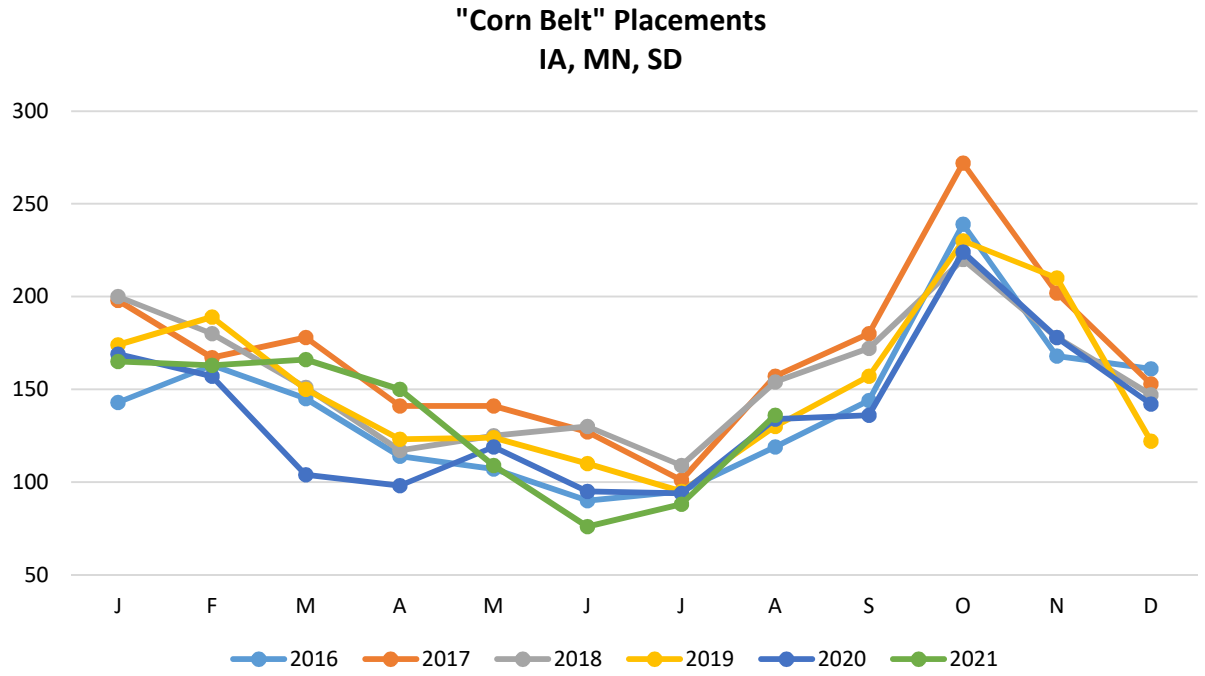
My analysis for Sep 1 wheat stocks came in relatively close to the average guess shown above. However, again keep in mind I was assuming unchanged wheat production relative to the Aug report. If the average guess on wheat production is correct, Sep 1 wheat stocks could turn out modestly smaller than the guess there.

Good luck today.

Livestock
The guys at MPA pointed this out earlier in the week, but cattle on feed in the smaller-population Corn Belt states is running at multi-year lows. The chart below looks at the monthly COF levels for IA, MN, and SD. You can clearly see we're running at levels well below recent years. There could be a number of different reasons for this, but I would speculate that the biggest culprit is that the farmer-feeder type is no longer looking for an outlet for low-priced corn. With corn prices where they are at present, it probably looks less profitable to the farmer-feeder to keep large numbers on-feed.



I'll be very interested to see how placements progress in this region over the coming months. As you can see below, we're coming into a seasonal pattern for higher placements in the region. My guess is that placements will still follow this seasonal tendency, but if we're right about higher corn prices leading to less interest it should mean that the upswing in placements is less than what we've seen in recent years. Thoughts appreciated.



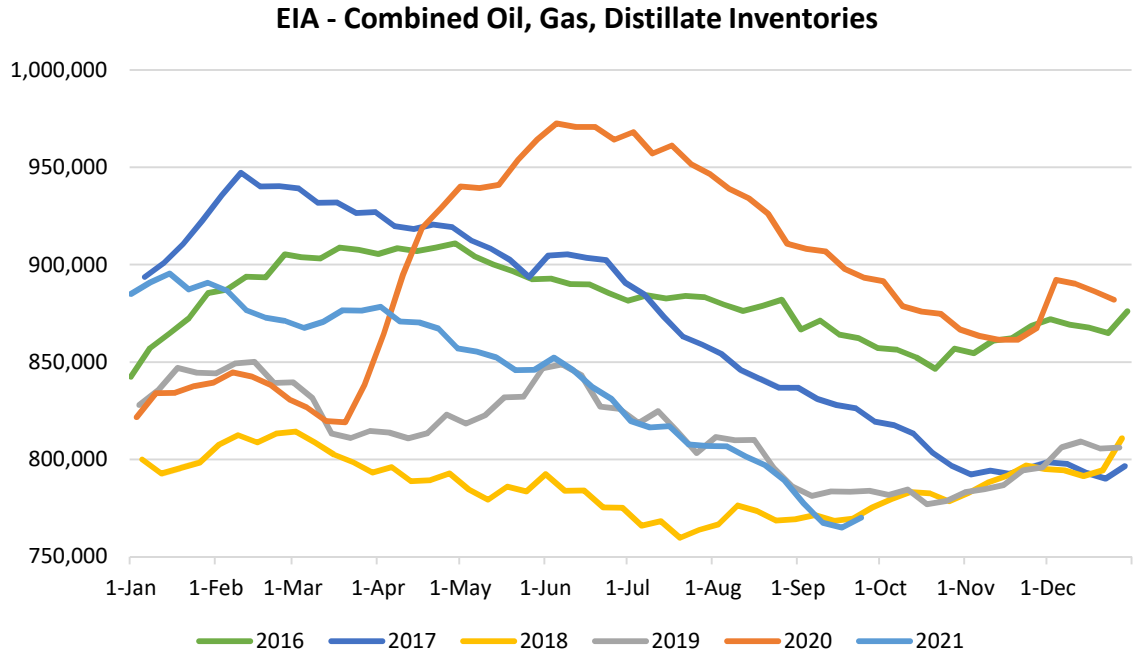
Financials

A relatively quiet overnight session compared to a lot of what we've seen here lately. This is obviously the last day of the quarter, so a lot of volatility could be expected today. Equity futures are higher at the time of writing this morning, partly in dead-cat bounce action after finding support on the 200-day MA again. It is also supported by word that Congress should manage to avoid a government shutdown today. It sounds like there is an agreement to keep the government running. That stopgap spending bill would expire on Dec 3, so we'll be back in this situation again soon, but for now the market can breathe a sigh of relief. This doesn't affect the debt ceiling debate, which still looks like it could go down to the wire.

I just want to point out a few charts this morning that I'm closely watching. Some of these I've pointed out already recently, but I just want to make sure they're on your radar. The first chart on the following page in the Euro. It appears on the verge of a significant technical breakdown vs. the dollar. The ongoing energy price squeeze could dampen economic output, which could weigh further on the Euro. The second chart is one I hardly ever look at…copper. The 200-day MA has held as rock solid support the past two tests, but here we go again. I don't follow copper fundamentals at all, but as a sentiment barometer I will be keeping an eye on this.

Energy

Yesterday EIA confirmed a somewhat surprising increase in US crude oil stocks. Despite the increase, total US petroleum inventories remain right at its lowest levels in several years. You can see in the chart on the following page that combined oil, gasoline, and distillate inventories are basically tied at 2018 levels. Interestingly, in 2018 WTI futures basically topped out at around the same level WTI is trading today. Of course, it isn't an apples-to-apples comparison either. For starters, we didn't have a natural gas and coal supply crunch across Europe and Asia at that time. It will be interesting to see if we start to see the typical seasonal builds in inventories as we head into late fall and early winter. With a chunk of the GOM production still offline, that is far from certain.



Today's Calendar (all times Central)

- Jobless Claims – 7:30am
- Export Sales – 7:30am
- EIA Natural Gas Storage – 9:30am
- Small Grain Summary & Quarterly Stocks – 11:00am

- Several Fed speakers throughout the day

Thanks for reading.

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