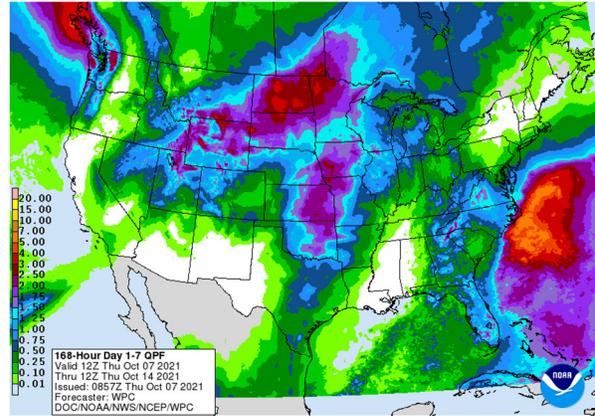


Weather

Some additional light rains in the ECB today, but otherwise fairly dry conditions for next few days. The majority of the rain shown on the 7-day QPF at the right starts on Sunday and continues for the early half of next week. Temps should continue to average above normal.



Crops

The next few days we'll go over my expectations for WASDE balance sheets. The WASDE report is due next Tuesday. Today we'll look at the corn balance sheet. Of course the focus will remain new crop production and ending stocks, but there is a lot to review on the old crop balance sheet first.

We know that NASS set Sep 1 ending stocks at 1,236 mb. We also finally got official ending demand figures. The breakdown below shows my best guess of how WASDE might tweak the balance sheet. The trade and ethanol figures should be almost exactly right. There could be some difference on F&R and Other FSI than what is shown below, but it should be minimal. Bottom line, old crop carryover is roughly 50 mb bigger than the prior WASDE.

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

	USDA 16/17	USDA 17/18	USDA 18/19	USDA 19/20	USDA 20/21 Sep	Possible? 20/21	USDA 21/22 Sep	Possible? 21/22
Planted Acres	94.0	90.2	88.9	89.7	90.8	90.7	93.3	93.3
Harvested Acres	86.7	82.7	81.3	81.3	82.5	82.3	85.1	85.1
Abandoned Acres	7.3	7.5	7.6	8.4	8.3	8.4	8.2	8.2
Yield	174.6	176.6	176.4	167.5	172.0	171.4	176.3	176.0
Carryin (Sep 1)	1,737	2,293	2,140	2,221	1,919	1,919	1,187	1,236
Production	15,148	14,609	14,340	13,620	14,182	14,111	14,996	14,978
Imports	57	36	28	42	25	23	25	25
Total Supply	16,942	16,939	16,509	15,883	16,127	16,053	16,208	16,239
Feed and Residual								
Total Feed and Residual	5,470	5,304	5,430	5,897	5,725	5,617	5,700	5,700
Food, Seed, and Industrial								
Corn for Ethanol Fuel	5,439	5,605	5,378	4,857	5,035	5,030	5,200	5,200
Other FSI	1,446	1,452	1,415	1,430	1,435	1,420	1,425	1,425
Total FSI	6,885	7,057	6,793	6,287	6,470	6,450	6,625	6,625
Total Domestic Use	12,355	12,361	12,223	12,185	12,195	12,067	12,325	12,325
Exports (Census)	2,294	2,438	2,065	1,778	2,745	2,750	2,475	2,475
Total Use	14,649	14,798	14,288	13,963	14,940	14,817	14,800	14,800
Carryout (Aug 31)	2,293	2,140	2,221	1,919	1,187	1,236	1,408	1,439
Stocks/Use	15.7%	14.5%	15.5%	13.7%	7.9%	8.3%	9.5%	9.7%

As for the new crop balance sheet – this should be pretty simple. The only change I'm expecting (other than the change in carry-in) is a very minor adjustment in production. Please see my comments from earlier this week for

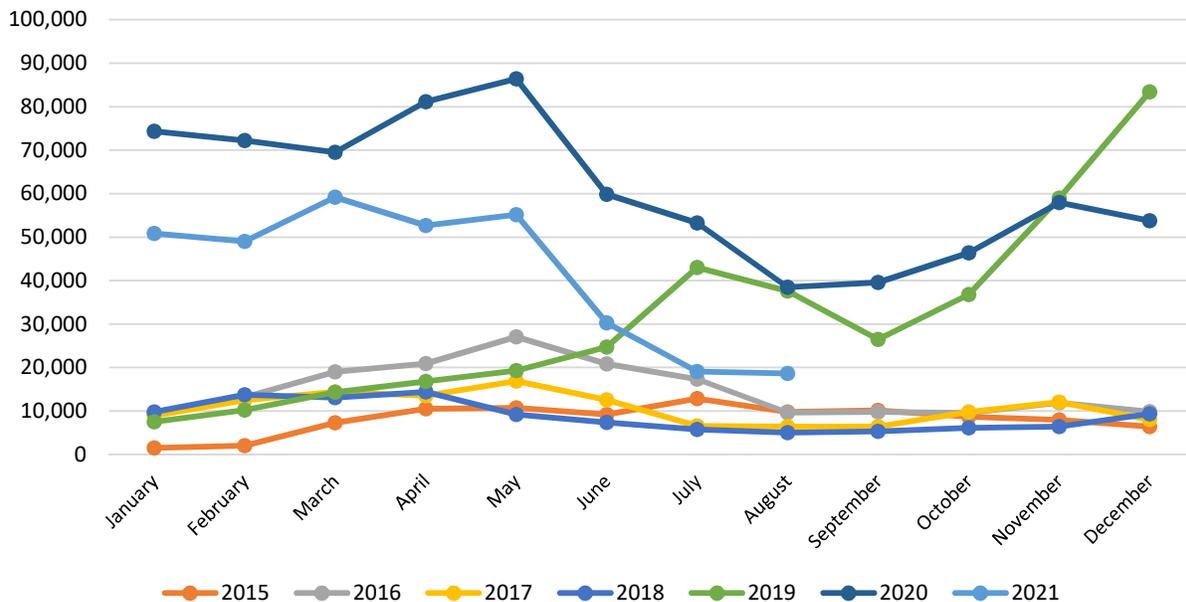
my breakdown on why I believe production will likely be little changed. If there is a bigger than anticipated change to production, WASDE could adjust their F&R demand estimate as a partial offset. Sharply bigger production would mean bigger F&R and sharply smaller production would mean smaller F&R. However, my expectation for only a modest increase in supplies doesn't seem to call for an adjustment to their prior figure. I don't see any evidence to suggest they need to adjust exports or ethanol either.

Nothing too exciting in all of the above. With a slightly larger carryin-in and a slightly smaller production estimate, I am only expecting a modest adjustment in new crop carryout. My guesstimates are not too far off from the average guesses on the Bloomberg survey. Please feel free to pass along your thoughts.

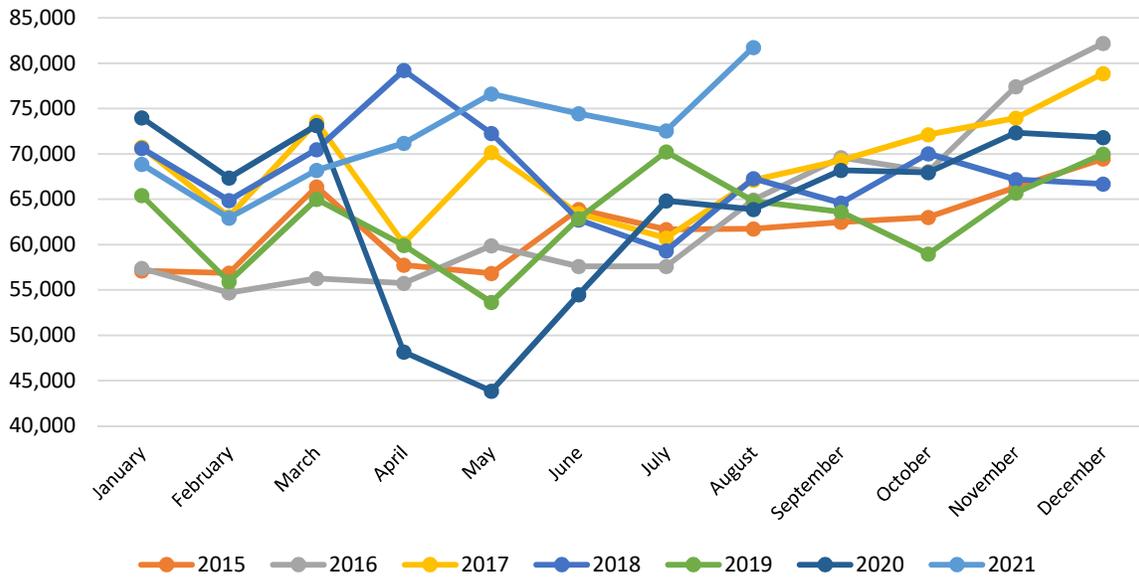
Livestock

Taking a quick look at Census pork trade numbers today. Total US pork exports in Aug were roughly 175k mt, which is just about unchanged from both 2019 and 2020. However, it is still well off from levels we saw a lot in 2020 and earlier this year. This is primarily due to the big reductions in exports to China. Note the chart below, which shows that pork exports to China are back fairly close to pre-ASF levels. A partially offsetting bright spot is exports to our USMCA partners, Canada and Mexico. While not quite record large in August, this is still a good sign for demand.

US Pork Exports To China

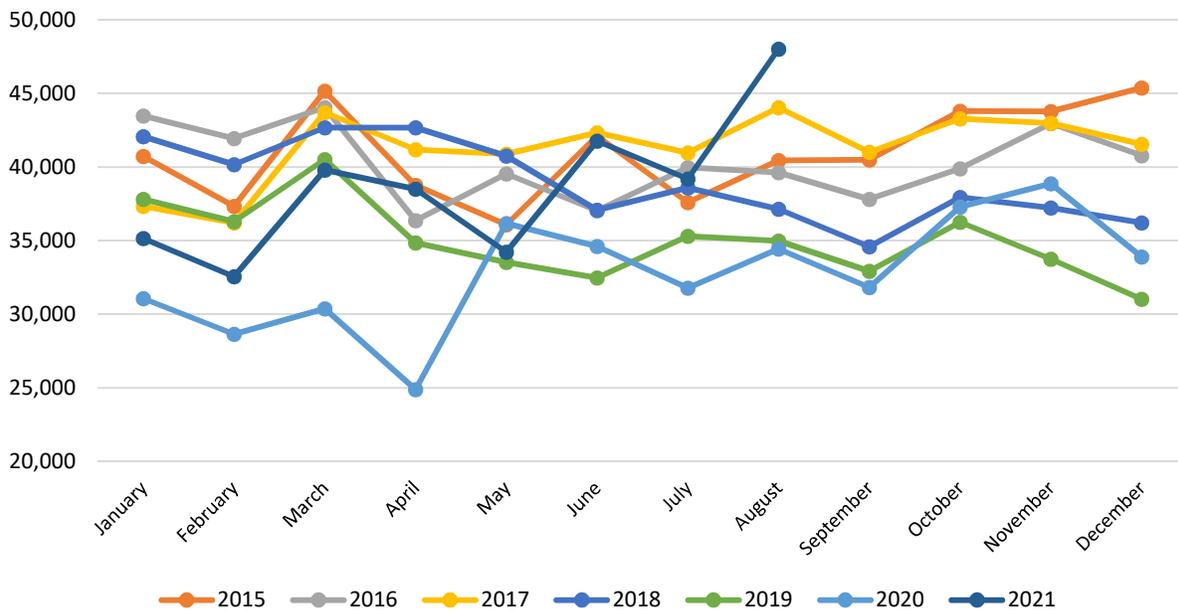


US Pork Exports to Canada + Mexico



At the same time, it is worth pointing out that pork imports for August were pretty large as well. See the chart below. This isn't quite record large, but it's pretty close. Pork demand certainly isn't enjoying the huge net exporter status that we had become accustomed to last year and earlier this year. Net trade is now back closer to a "normal" pre-ASF level.

US Total Pork Imports



Financials

A bit of a reversal in fortune in the past 24 hours for several markets. Firstly, Congress does appear to be on the verge of a short-term debt ceiling deal. The Senate could vote on the issue this morning. It is only a temporary fix and we'll be back to worrying about this again in a few months, but for now it can help spark a relief rally in risk assets. Additionally, Putin showed how deeply he cares for Europe by saying Russia will help stabilize energy markets with additional exports. As always, that is a very open-ended statement that doesn't provide much in the way of clarity. We'll see if his actions follow his words, but for now this allows for a sharp correction in the energy market that also helps support a risk-on appetite. We have no major economic data due to be released today, with NFP on tap tomorrow. Yesterday's ADP report was solid, and a good NFP release should all but guarantee a formal taper announcement from the Fed next month.

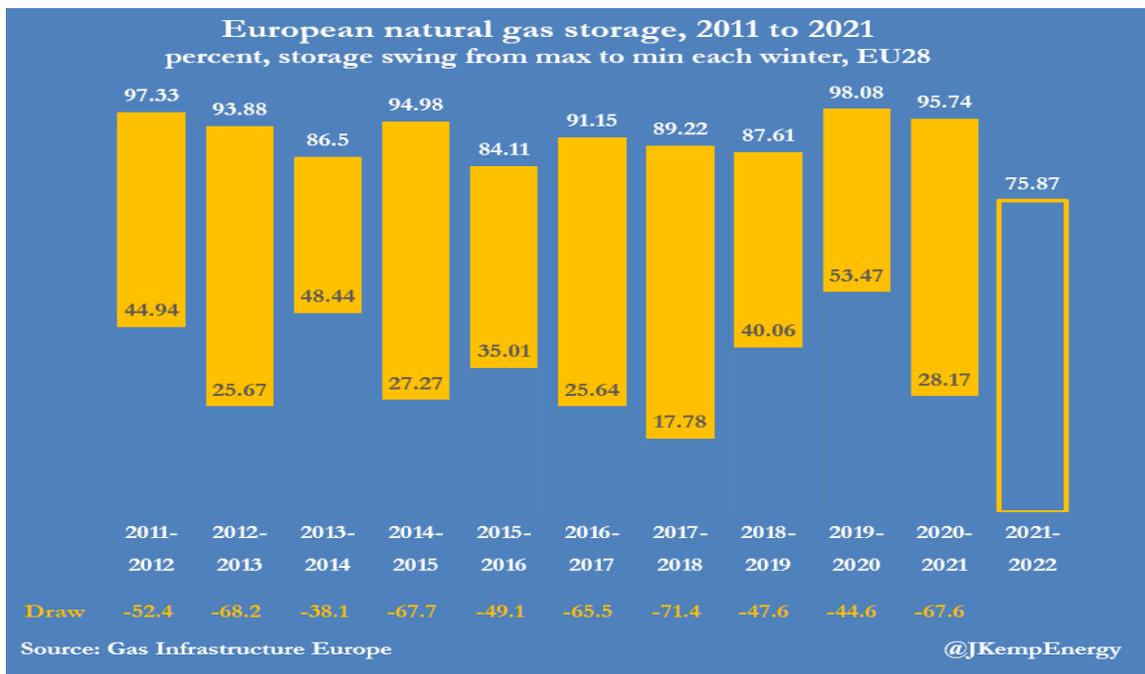
Energy

Pulled from Twitter with little commentary to add myself. The situation Europe finds itself in is definitely unenviable. European natural gas inventories are already running well below normal and we haven't even hit the seasonal drawdown timeframe. Look for governments to eventually step up by imposing some energy rationing measures.



John Kemp
@JKempEnergy

EUROPE-WIDE gas storage has emptied by an average of -57 percentage points in the last ten winters, ranging from a minimum drawdown of -38 percentage points in the winter of 2013/14 to a maximum drawdown of -71 percentage points in 2017/18. Storage sites are currently 76% full:



Today's Calendar (all times Central)

- Jobless Claims – 7:30am
- Export Sales – 7:30am
- EIA Natural Gas Storage – 9:30am

Thanks for reading.

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