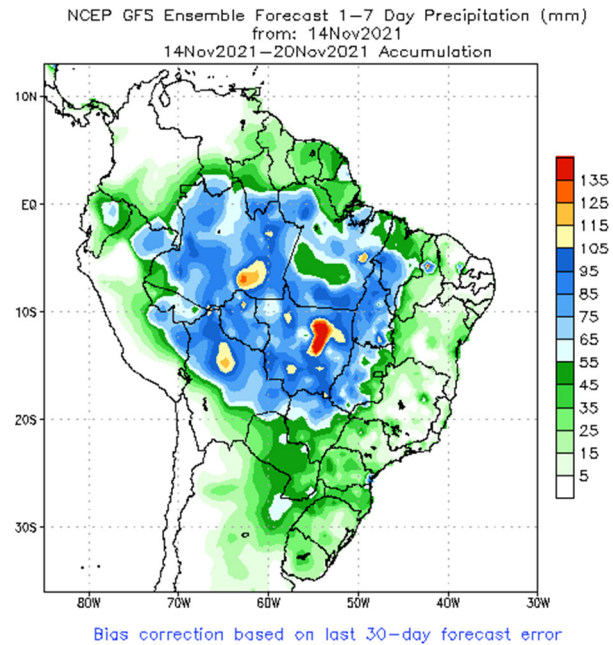


Weather

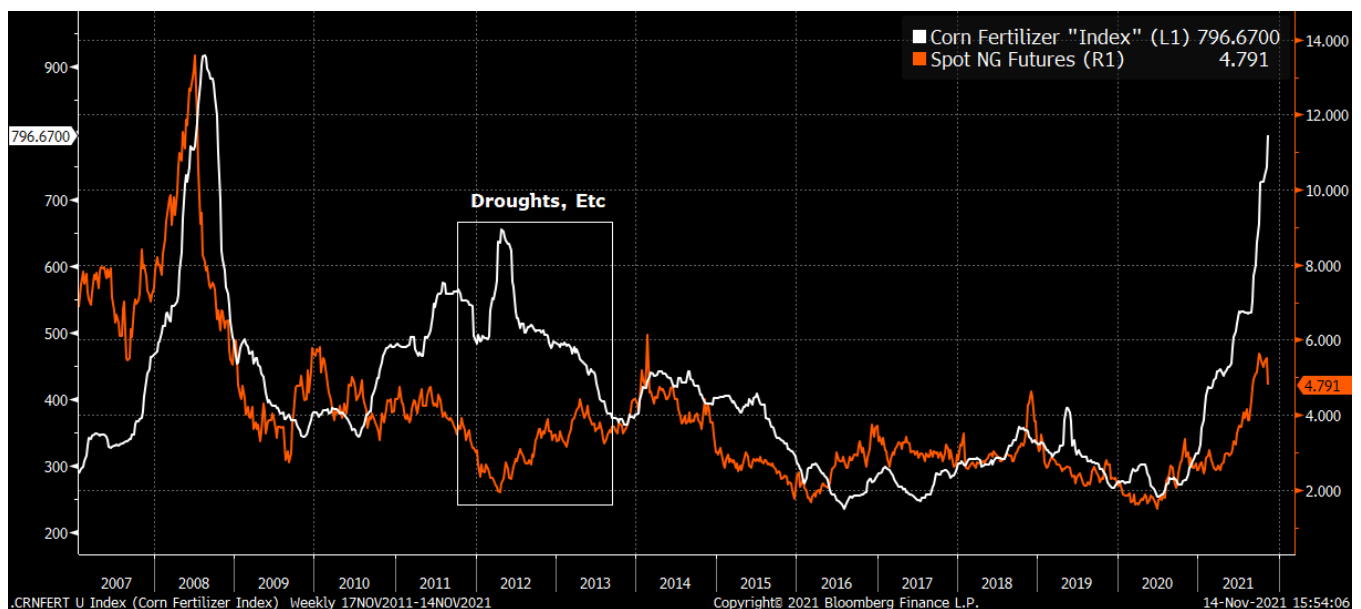
No huge changes to the forecast during the weekend. Northern Brazil is expected to continue to see near to mostly above normal rainfall over the next two weeks. Two week rainfall totals will range from 4-8". With rain falling so frequently, no extreme heat is expected during the next two weeks. Southern Brazil will see rainfall develop tonight and will continue through Thursday. Most of the region should see 1-2" rainfall totals during this period. The remainder of the two-week period won't be completely dry, but rainfall chances should be limited. No major heat here either.

There will be chances for light and scattered rain in Argentina today and tomorrow, but it won't amount to much. Mostly dry conditions are expected for the remainder of this week. Next week doesn't feature a lot of rainfall either, with two week rainfall totals probably averaging easily below normal for most of the country. The good news is that temps should be mostly pretty mild, with maybe a little heat at the finish of the two week forecast period.



Crops

Just one quick chart with limited commentary today. The white line below is what I introduced a few weeks ago, showing an index of corn fertilizer costs. The orange line is simply spot NG futures. With one big exception around 2012, these two values typically have moved in line with each other over the past several years.



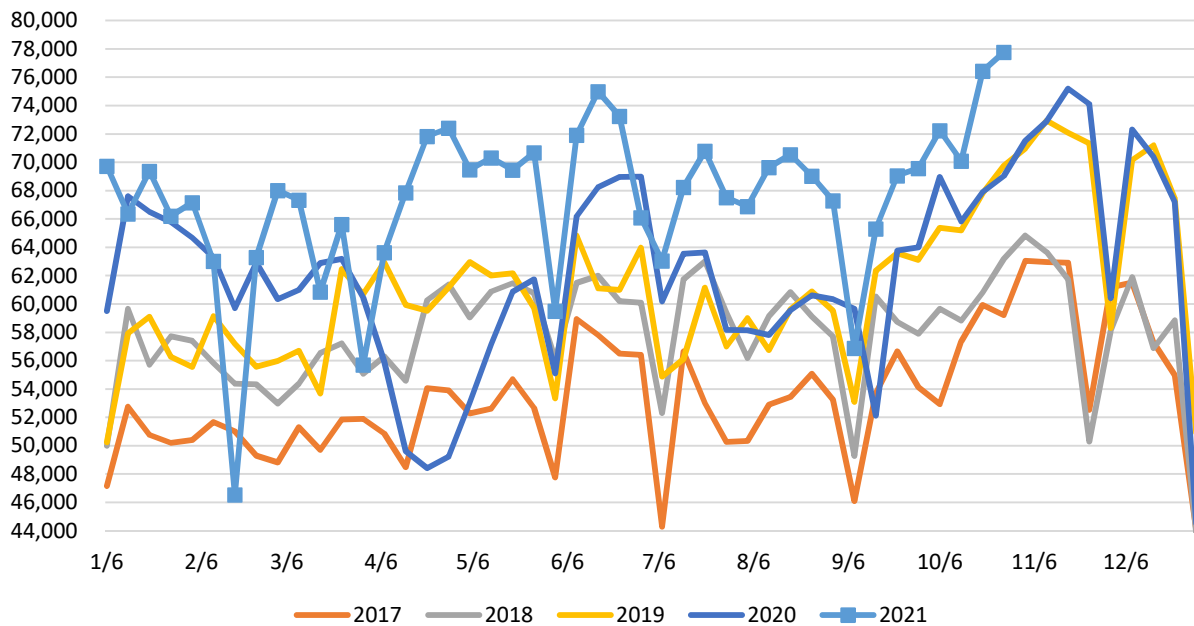
Obviously in and around 2012 we had several different crop problems develops, both here in the US and internationally. That likely explains the divergence in the fertilizer index away from NG futures.

I bring this up this morning because last week’s fertilizer index posted another new high for this most recent move. However, note that NG prices have perhaps started to roll over a bit in the past few weeks. I understand it is probably premature to call the strength in NG prices over, but just for the sake of argument – what if NG prices have peaked? Would that mean fertilizer costs would calm down and, by extension, remove some of the fear-premium out of corn futures? Or, are we looking at a 2012-ish scenario where a decoupling can continue? I honestly don’t have the answer...I’m truly asking a question here. Thoughts appreciated.

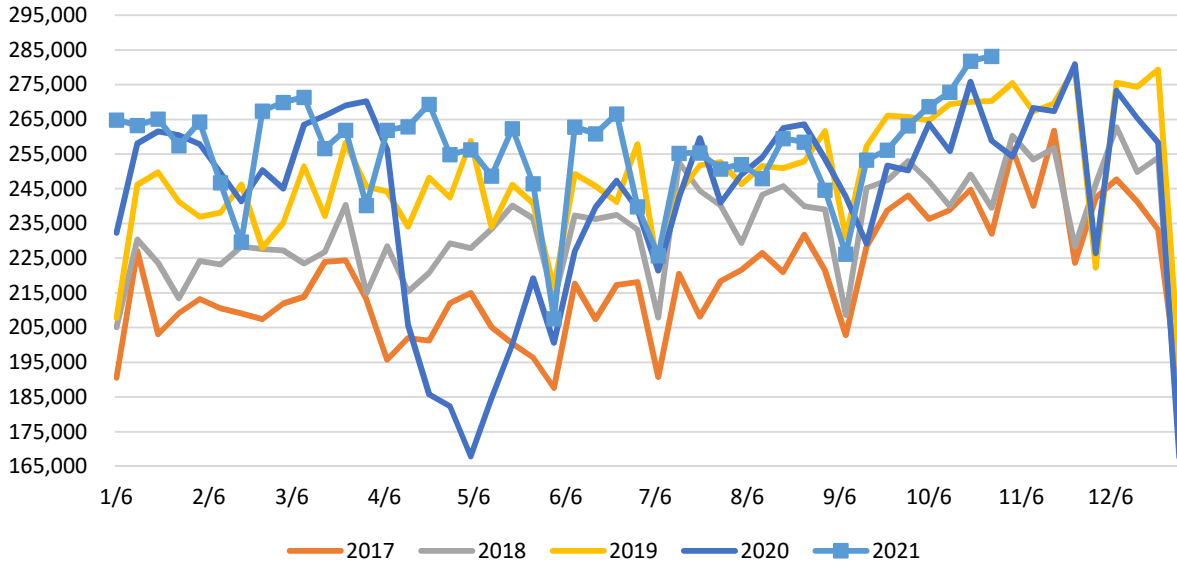
Livestock

The official slaughter report was released a day later last week due to the Veteran’s Day holiday. No change in the overall theme of what it showed...ongoing herd liquidation is what we’ve been talking about here for months now. The charts below are a few I’ve shown several times before and I’ll probably show on a regular basis going forward. The first chart, the weekly beef cow kill, shows ongoing big numbers of cow kill. The second chart, on the following page, combines the beef cow kill with the heifer slaughter for a figure on the total female kill. Obviously, the fewer females available, the smaller number of calves we’re going to have for future feedlot needs.

Total FI Non-Dairy Cow Slaughter



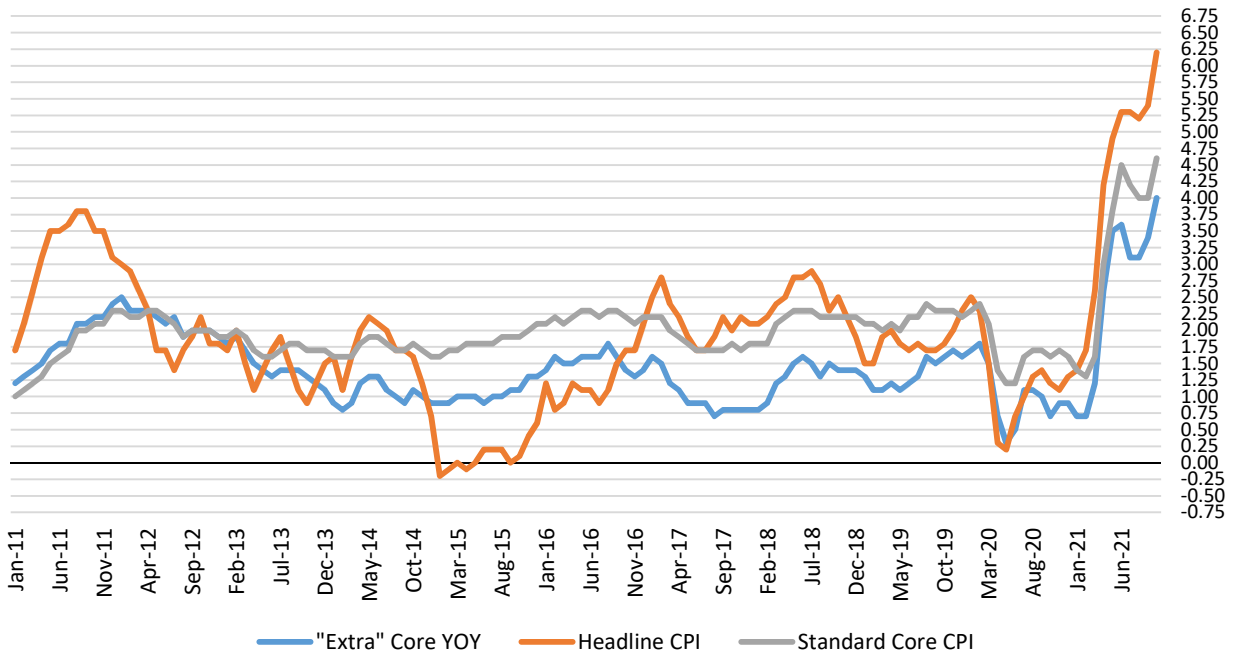
Total FI Female Slaughter Heifers + Beef Cows



Financials

A quick chart, with an explanation on the following page:

Looking at BLS's New "Extra" Core CPI YOY



Remember a few months ago we pointed out that the BLS had invented a new measure on inflation. I'm calling it "extra core" in the chart above, but it covers "all items less food, shelter, energy, and used cars and trucks". Essentially this appeared to be an attempt by the BLS to show low inflation in areas outside of those that had been significantly impacted by supply-chain and pandemic related issues. Unfortunately, even this measure stripping out these important prices (we all need food, shelter, energy, and transportation, of course) is ripping higher along with everything else. Neither the Fed nor the Biden Admin can simply say "if you strip out X or Y or Z, inflation isn't that bad". This shows that high and persistent inflation is seen across just about everything you can buy. No surprise to anyone outside of DC, of course.

Otherwise, not a ton new to discuss. President Biden and Chinese President Xi Jinping will have a "virtual summit" at some point later today. It is doubtful anything of substance is accomplished. President Biden will sign the infrastructure bill into law later today. Covid counts in Europe are picking up with new lockdown measures being proposed.

Energy

The UAE's energy minister said over the weekend that the OPEC+ group will continue to resist calls from the US and others to produce at a higher level than they are currently planning. He pointed towards OPEC's current projection for the oil market to turn to a surplus next year. The attached chart shows the current OPEC forecasts. The Saudi energy minister had similar comments. Of course, neither mentioned the fact that OPEC only increased production by roughly 250k bpd in October vs. their "planned" 400k bpd increase. Members like Nigeria and Angola are running behind, citing lack of investment in oil production development. There are a lot of analysts and hedge funds speculating that the OPEC+ group is not capable of raising production to levels they claim are their "benchmarks".



Today's Calendar (all times Central)

- Export Inspections – 10:00am
- Crop Progress -3:00pm

Thanks for reading.

David Zelinski

dzelinski@nesvick.com

901-766-4684

Trillian IM: [dzelinski@nesvick.com](https://www.trillian.im/chat/dzelinski@nesvick.com)

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