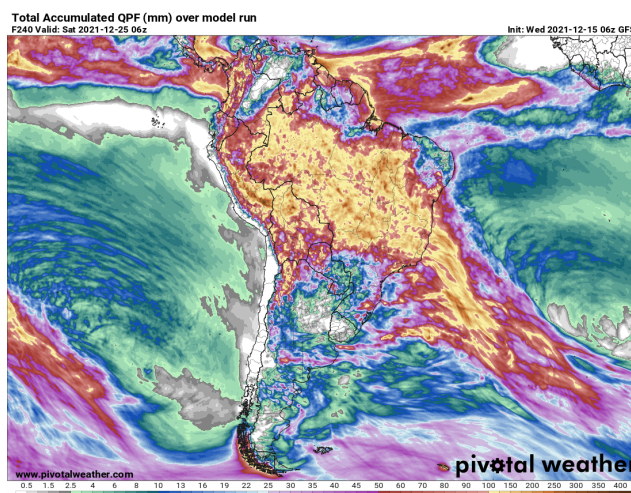


Weather

No changes. Northern Brazil will continue to see above normal rainfall over the next two weeks. Two week rainfall totals will range from 6-10". Recent rainfall in southern Brazil has been a bit mixed. RGDS has seen some decent amounts but rainfall in Parana has been disappointing vs. expectations. Southern Brazil should see below normal precipitation over the next two weeks with no better than 1-2". Temps should be near to above normal with highs mostly in the low 90s. That said, we should see some 95+ heat at times this weekend. Argentina should also see two week rainfall totals run below normal. Most of the main growing area is likely to see rainfall under 1" over the next two weeks. The best chance for rain would likely fall in the 6-10 day period, but even then we're not looking at exceptional chances for rain. Temps should average near to above normal.



Crops

With the comments on the shift in soybean export programs yesterday, I thought we should take a quick look at the pace of shipment and sales so far this marketing year and what that might mean for the final export total. The breakdown below is a similar format of analysis I've used before. At the top we have Census SON export totals. For this 21/22 marketing year we don't yet have an official November total but my current estimate is highlighted. Below that we have the beg-Dec outstanding sales total. This is followed by total Census Dec-Aug shipments, which in turn is followed by a calculation comparing Dec-Aug shipments vs. the beg-Dec outstanding sales total.

	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Sep	62	34	39	68	48	97	55	78	86	137.8	165.5	122.6	143.7	264.2	79.6
Oct	139	179	198	296	193	268	288	335	363	410.4	354.4	200.5	216.6	427.6	386.1
Nov	127	173	299	258	184	253	334	412	342	380.8	337.6	179.3	251.1	399.3	395
SON Total	328.1	386.9	536.0	622.1	424.9	618.4	676.6	824.4	791.7	929.0	857.5	502.4	611.4	1,091.1	860.7
Dec Out Sales	386	316	550	659	433	473	799	761	519	676	524	432	392	909	602
Dec-Aug Ship	831	892	963	883	940	701	970	1,028	1,144	1,238	1,276	1,251	1,068	1,174	
Ship/Sales	215%	282%	175%	134%	217%	148%	121%	135%	220%	183%	244%	289%	272%	129%	
Avg	198%	1,190	2,051												
Min	121%	731	1,592												
Max	289%	1,743	2,604												

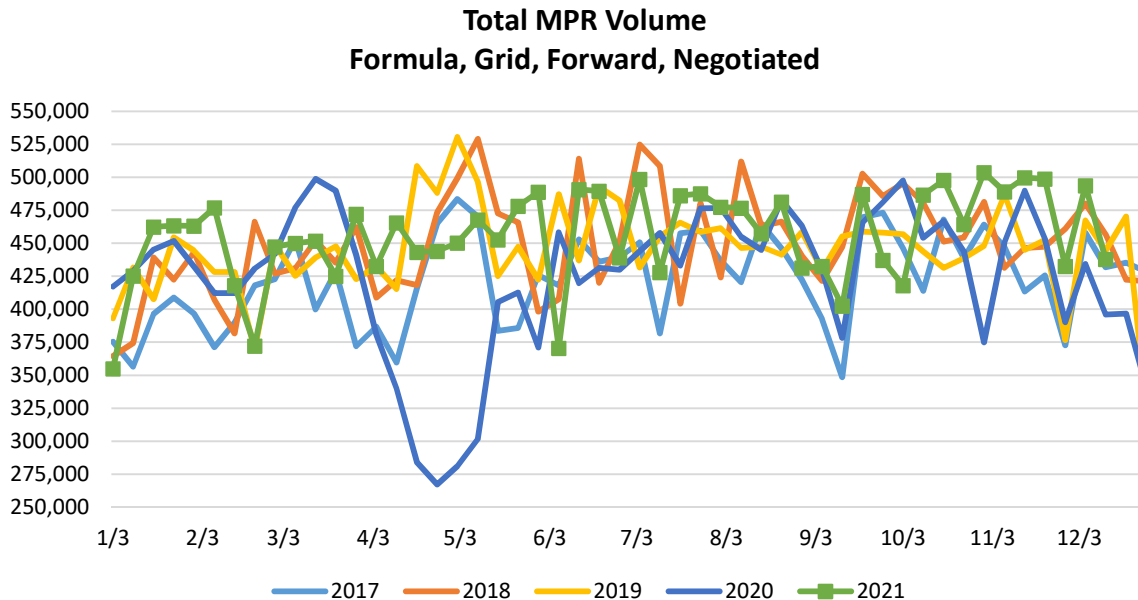
At the bottom I show the average, min, and max percentages of Dec-Aug shipments vs. beg-Dec outstanding sales. Highlighted in yellow is the marketing year total if that percentage happened to be realized. I think it is interesting to point out that the average level of Dec-Aug shipments vs. current outstanding sales would line up almost spot-on with the latest WASDE estimate. That makes a pretty solid case that WASDE is unlikely to make significant adjustments to their projection for at least the next several months.

However, I want to also point out the minimum level and point out that last year was fairly close to hitting that minimum level. Recall our conversation from yesterday...due to the size of Brazil's crop they managed to keep their strong export window open longer than usual. For now most are still expecting a bigger Brazilian crop than last year. Obviously we still have some time to go before the final word is in for that crop size, but assuming no major problems develop going forward it seems reasonable (in my opinion) to expect something similar this year. With that in mind, I'm still personally betting the under vs. the WASDE export projection. Not nearly as low as indicated by the minimum level above, but there is still potential for a significant cut to the WASDE projection at some point in the distant future.

Livestock

Some light cash volume yesterday mostly at 138. At one point there was talk of "offers" at 137, but nothing traded that low. Holiday reduced kills could keep the packers from getting too aggressive this week, but at the same time they're not estimated to have a tremendous level of coverage.

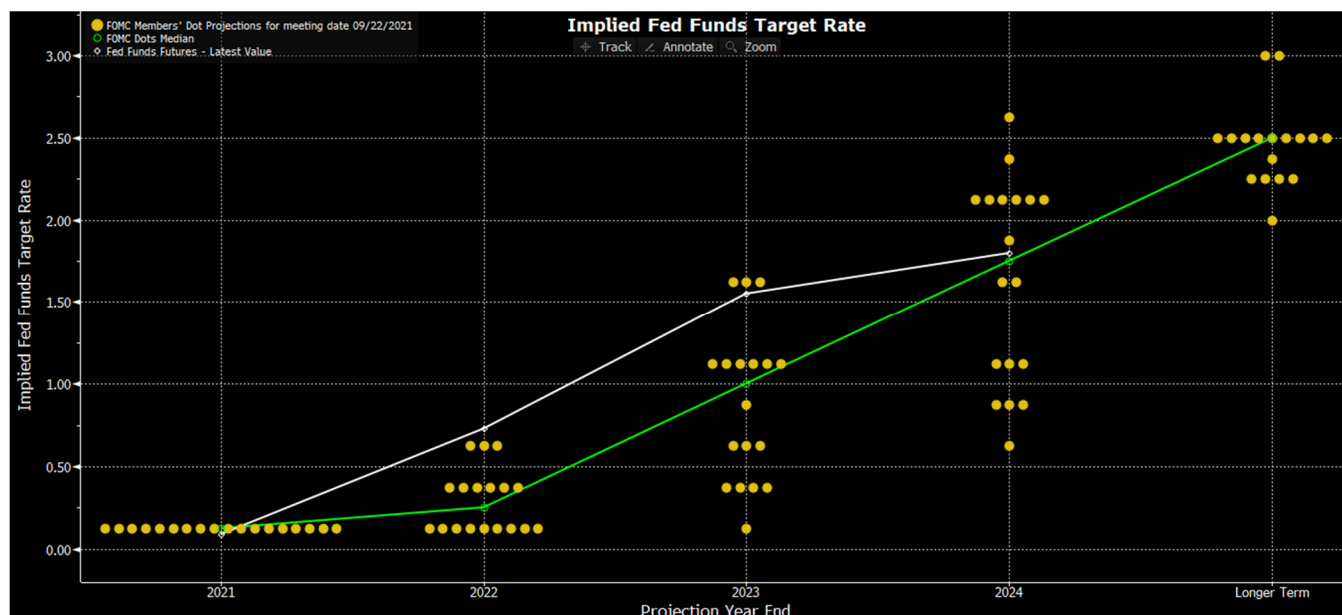
A bit late updating on this, but last week's MPR volume was among the weakest we've seen in several weeks. Note the chart below. Obviously with all the holidays upcoming, we're not likely to see a lot of cash volume in the next couple of weeks either. Whether or not that will have a significant impact on cash prices remains to be seen, but on the margin it isn't especially supportive.



Financials

We have retail sales and a few other economic releases to digest early this morning. Gun-to-head, I'd take the over on the headline retail sales figure due to the ongoing strength in gasoline prices. The "real" big ticket item on the docket today is the FOMC statement this afternoon. There is a lot that could happen from this statement. My personal bias is that the Fed will announce a faster taper pace. That seems to be a fairly

consensus opinion...certainly not unique to me. Bloomberg expects the Fed will double the pace of the taper from \$15B to \$30B, meaning the wind-down should be completely by mid-March. Perhaps of more interest will be the dot plot projection. The chart below shows the dots from the prior meeting. You can see that the median expectation (green line) for end-2022 rates is "only" 0.25% or essentially one rate hike. Fed Funds futures (white line) show the market is currently pricing in closer to three rate hikes. I don't necessarily think the Fed will make that big of a jump at one time, but it will be very interesting to see how aggressively the dots move. And...how many rate hikes beyond that will be shown for 2023?

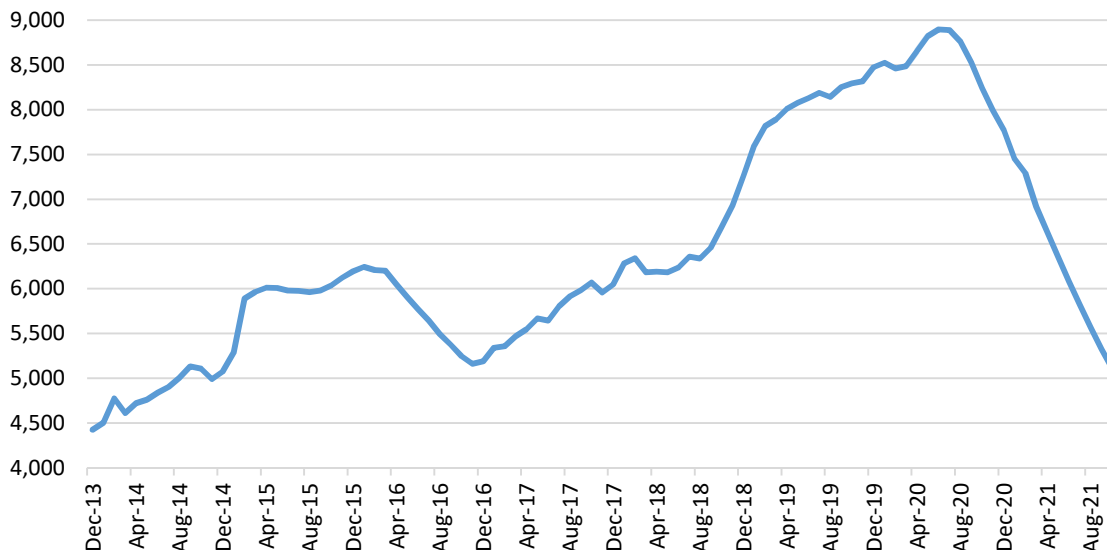


I have no clue how markets will react this afternoon. Good luck today.

Energy

Yesterday we noted the Saudi's were lamenting the lack of investment into new oil and gas production. The chart below is a decent illustration of that here in the US. This shows the number of drilled but uncompleted wells in the US (DUCs). DUCs are wells that have been drilled but have not yet been made ready for production. What this chart seems to imply is that the recent uptick in US oil production is not entirely due to new drilling efforts but rather due to simply bringing previously drilled wells into production. DUCs are now sitting on their lowest level since early 2015...even lower than the 2016 OPEC price war. A lower level of DUCs leaves the US less able to respond quickly if a significant supply disruption were to develop. Also keep in mind that wells lose production capacity over time, so without ongoing additional drilling the advance in US production will eventually roll over.

US Drilled but Uncompleted Wells



Today's Calendar (all times Central)

- Retail Sales – 7:30am
- NAHB Housing Index – 9:00am
- EIA Petroleum Inventories – 9:30am
- FOMC Statement – 1:00pm

Thanks for reading.

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