

## Weather

No changes. Virtually the same conditions for all of South America for the next 8-9 days. Active showers in northern Brazil with mostly dry conditions elsewhere. In Argentina, the key story of the next week will be extreme heat. The Jan 10-16 timeframe should see widespread 100+ daily highs with some areas potentially posting 105-110F. However, consistent with the past few days we're still looking at a pattern change at the end of the 6-10 day period into the 11-15 day period. This will improve rainfall chances for Argentina and southern Brazil, while northern Brazil should see below normal precipitation amounts. The improvement in rainfall will also help bring temperatures down in Argentina.

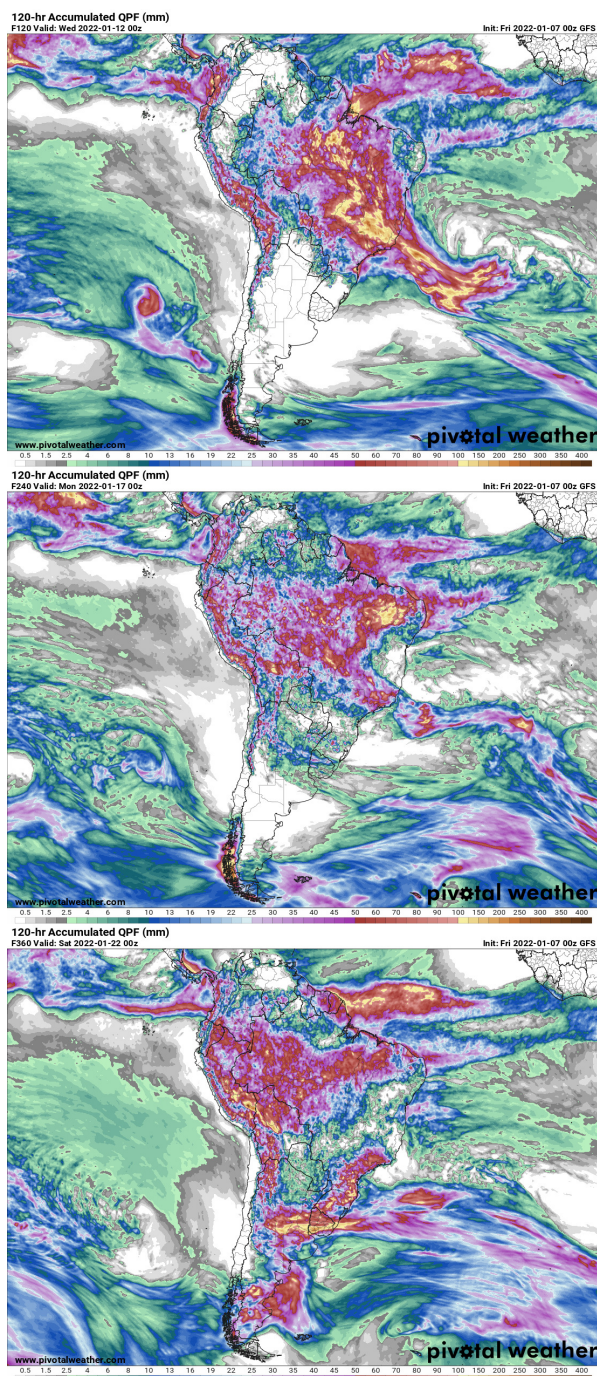
The maps at the right show the GFS model's precipitation forecast in roughly 5-day increments. You can see the top two maps mostly sticking with the pattern we've had recently, though some showers are starting to work into Argentina late in that period. The map at the bottom right shows a lot of rainfall through Argentina and southern Brazil, with lighter amounts to the north.

Nothing new for the US forecast. Active precipitation in the southeastern US with limited precipitation expected in the Southern Plains. There are hints of some snow chances for the Southern Plains in the 11-15 day period, but model inconsistency on this does not allow for any confidence at this point in time.

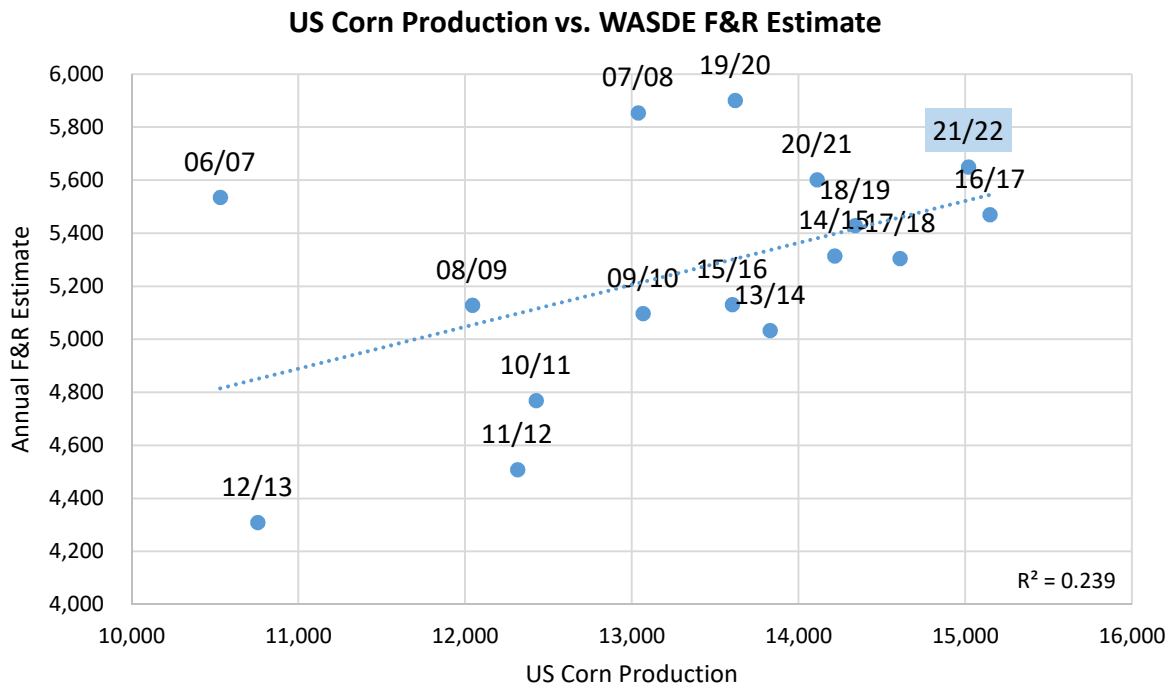
## Crops

Wrapping up our look at Dec 1 stocks this week with corn. Quarterly stocks reports are notoriously difficult to analyze in general, but for corn it is virtually impossible. One thing we've learned over the past few years is that corn stocks can be whatever NASS wants them to be...so no reason to take any of this as gospel.

Obviously the key to determining corn stocks is feed and residual and the first thing I look at for F&R is total corn production. Earlier this week I noted expectations for a very slight reduction in the corn yield by 0.5 bpa. Keeping acreage unchanged, this would result in a production reduction of 42 mb to a total of 15,020 mb. On its

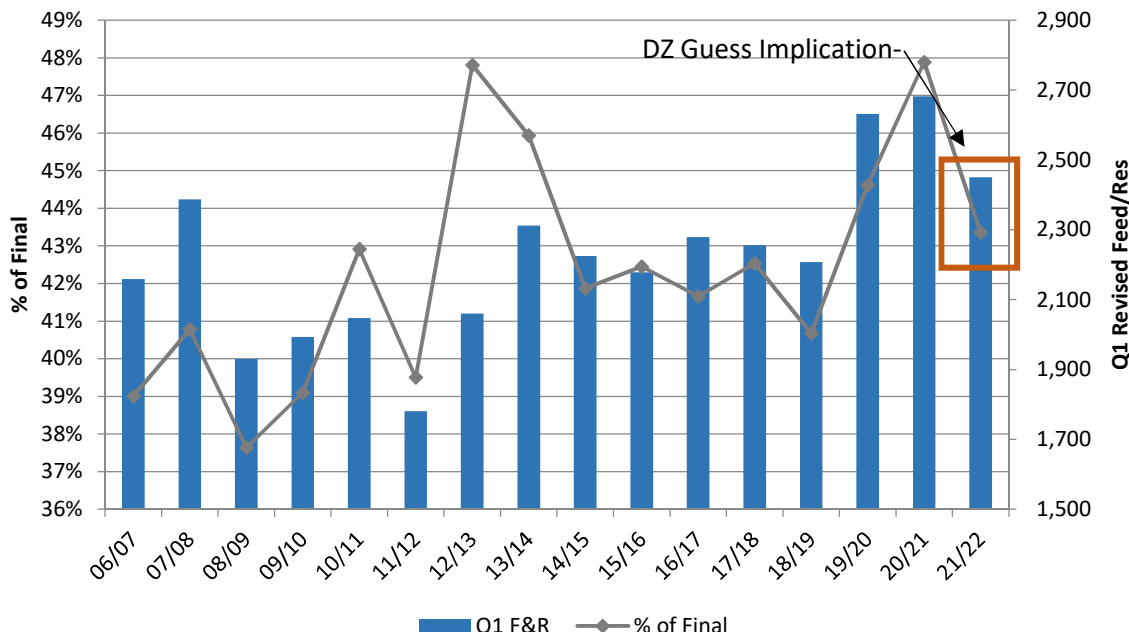


own, that should hardly be a market mover, but crop size is a key variable in WASDE's F&R model. I don't think the production adjustment, assuming I'm close to correct, would be enough to prompt a meaningful shift in WASDE's annual F&R projection. The chart below plots WASDE annual F&R figures vs. total production. While it is far from a perfect relationship for reasons that should be obvious, I do think it illustrates that the current F&R should be considered "in the ballpark" of a reasonable estimate for now.



So if the WASDE annual projection is reasonable under our assumptions, what would be a reasonable corresponding SON F&R figure? The chart below is an attempt to determine this. It shows the absolute level of SON F&R over the past several years along with the percentage it represents of the final annual total. At the right you can see where my current leaning on 21/22 SON F&R lies. My current guesstimate calls for a little more than 43% of the annual total to be seen in Q1. As you can see, this would be slightly above an "average" level, but well below some years...like last year for example.

## Sep-Nov Corn Feed & Residual



Is there a chance I could be understating SON F&R as a percent of the total? Well, the short answer is – of course there is. I spent a little time trying to determine if there was any sort of clue in the years where SON F&R was a larger percentage of the annual total. I’m not fully convinced, but here is something I’ve found. As shown to the right, 3 out of the 4 years we’ve seen elevated SON F&R as a percentage of the annual total have followed Sep 1 stocks report that were significantly smaller than expected. Admittedly, I can’t explain why that should necessarily matter and I’ll also concede that correlation is not causation, but I found it somewhat interesting. And of course 2013 was a notable exception, though clearly we dealing with a much smaller F&R annual total. Anyway, this is partly why I’ve decided to keep my SON percentage elevated but not “big”.

Sep 1 Stocks Report (Unrevised)			
	Actual	Guess	Miss
2012	988	1,126	(138)
2013	824	681	143
2014	1,236	1,185	51
2015	1,731	1,739	(8)
2016	1,738	1,754	(16)
2017	2,295	2,346	(51)
2018	2,140	2,010	130
2019	2,114	2,418	(304)
2020	1,995	2,266	(271)
2021	1,237	1,153	84

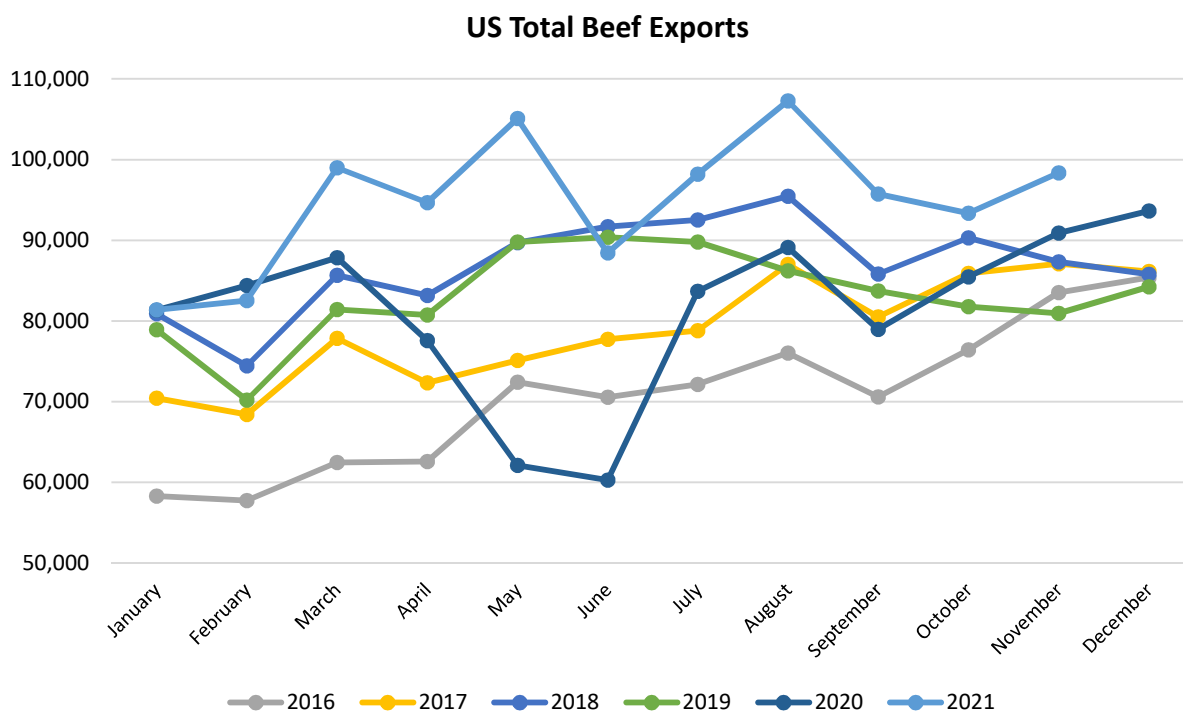
My rundown of expectations follows in the breakdown below. My estimate is higher than the average guess. Thoughts appreciated.

### US Corn Quarterly Supply and Demand

	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Carryin (Sep 1)	1,232	1,731	1,737	2,293	2,140	2,221	1,919	1,236
Production	14,216	13,602	15,148	14,609	14,340	13,620	14,111	15,020
Sep-Nov Imports	5	13	14	11	6	18	6	6
Total Supply	15,453	15,346	16,899	16,914	16,487	15,859	16,036	16,262
<b>Sep-Nov</b>								
Feed & Residual	2,225	2,178	2,279	2,256	2,208	2,632	2,682	2,450
Food/Seed/Ind	1,615	1,631	1,689	1,743	1,710	1,628	1,612	1,684
Exports	401	301	548	349	632	271	449	430
Total Use	4,241	4,111	4,516	4,347	4,550	4,531	4,743	4,564
Stocks (Dec 1)	11,212	11,235	12,383	12,567	11,937	11,327	11,294	11,698

### Livestock

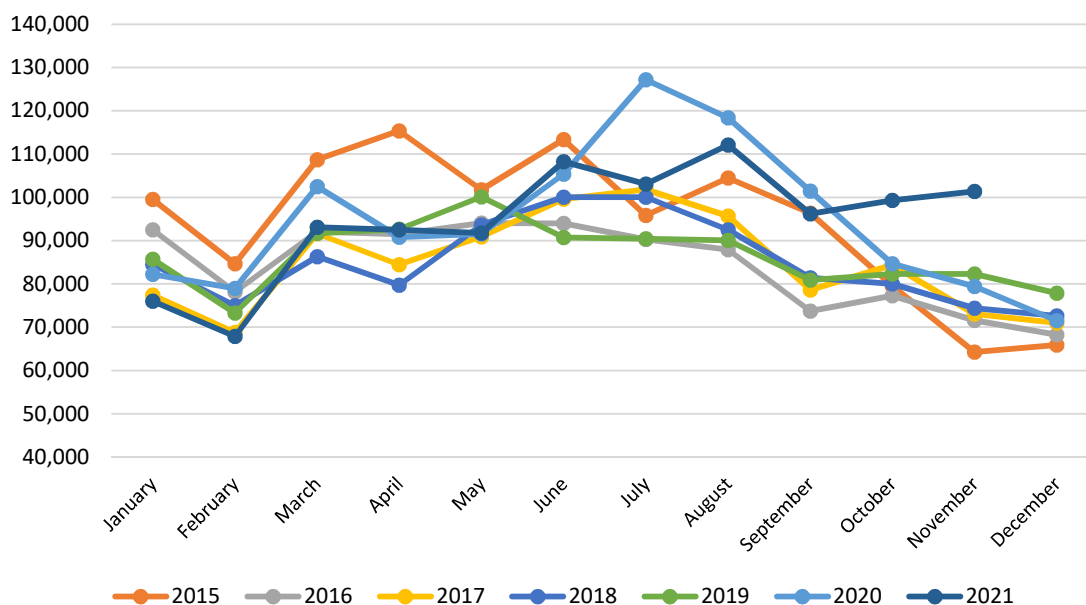
We'll take a quick look at Census beef trade numbers for November this morning. We'll look at the pork numbers on Monday. Total US exports in Nov were 98k mt, up from 93k in Oct and from 91k in Nov 2020. As you can see in the chart below, this is yet another fairly solid export total.



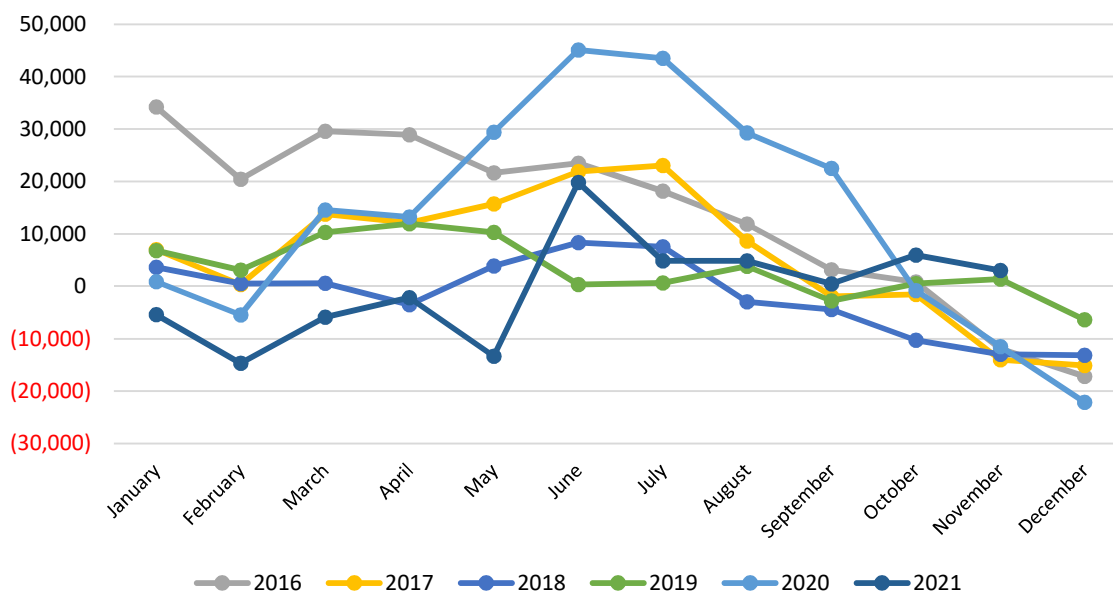
The bigger story, I think, is the pace of US beef imports. Total imports are shown in the chart below, and you can see we have not had the normal seasonal decline in US beef imports into the fall. There are a couple of

causes, but one that really sticks out is the increase in imports of Brazilian beef...which we've talked about before. Brazilian beef imports hit a new record in Nov totaling over 12k mt, up from under 6k mt during Nov 2020. Brazilian beef represents 12% of total US imports now compared to 7% at this time last year and only 2-3% to start 2020. Normally at this time of year the US is a net exporter of beef, but in part due to the surge in Brazilian imports, we remain a net importer.

**US Total Beef Imports**

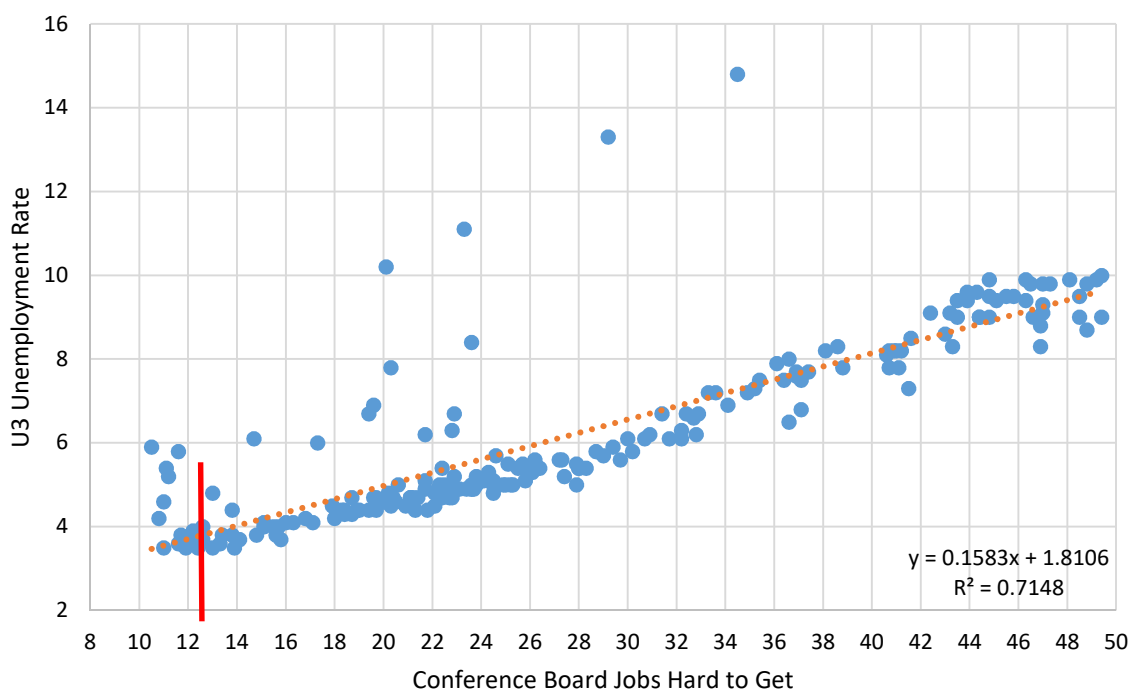


**US Beef Net Imports**



## Financials

The big item on tap today is the NFP release first thing this morning. I have no expertise in predicting a precise number, but I will reiterate what I said on Wednesday ahead of the ADP release – every recent labor-related piece of data has been indicative of a strong labor market. I would expect today's release to reflect that. The chart below shows one such supportive bit of data. The Conference Board's Jobs-Hard-To-Get index has long been strongly correlated with the unemployment rate. That correlation broke down a bit during the pandemic (all the dots well above the trendline) but it is starting to line-up again. The red line shown on the chart shows the latest Jobs-Hard-To-Get reading. Pre-pandemic this was an area to expect a sub-4% unemployment rate. Is it possible we could be below 4% today? The consensus expectation for today's unemployment rate is 4.1%, but I'd be on the lookout for a lower number.



## Energy

Crude oil prices continue to keep grinding higher. As of yesterday's rally, WTI prices have completely erased the "coordinated SPR release" break. I wonder what our all-knowing politicians will throw at the market next? Along those lines, I found these comments from CEO of Hess yesterday somewhat interesting:

- \*HESS SEES CURRENT GLOBAL OIL DEMAND AT ABOUT 99M BBLS A DAY
- \*HESS SEES OIL DEMAND IN RANGE 102M-103M BBLS/DAY BY END OF '22
- \*HESS SEES OIL DEMAND BY 2030 IN RANGE OF 105M-106M BBLS A DAY
- \*HESS SEES GLOBAL OIL GOING INTO STRUCTURAL SUPPLY DEFICIT

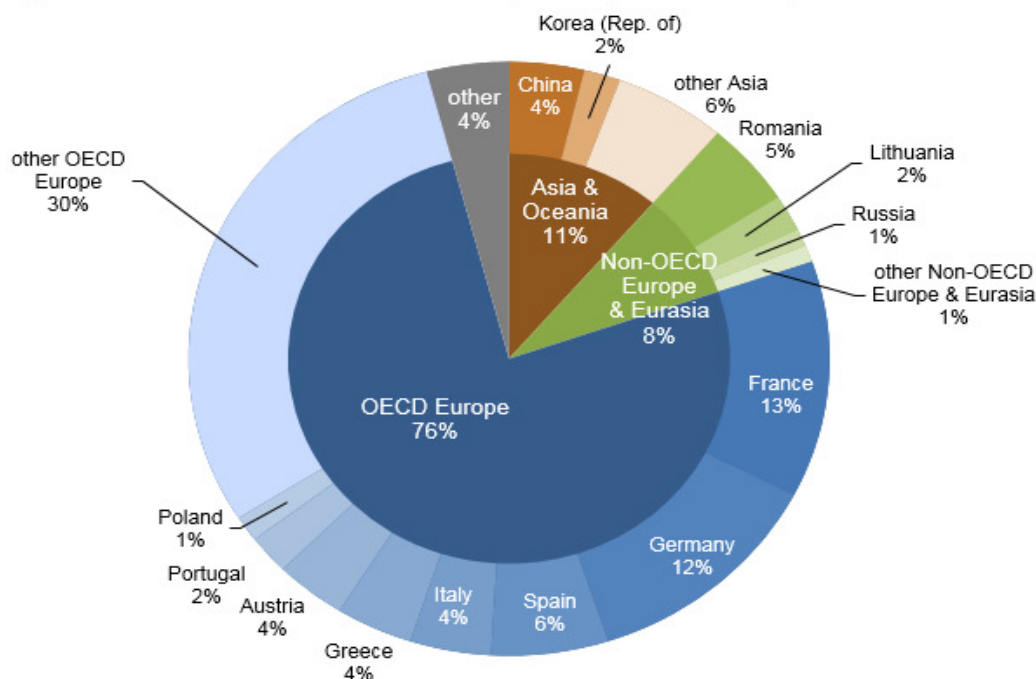
So Hess sees current global oil demand basically back to pre-pandemic norms and they see it continuing to grow over the next several years. Where is the production growth coming from? OPEC continues to show an inability



to hit their increased production quotas. Perhaps the articles suggesting OPEC doesn't have the spare capacity they claim to have are correct. US production is gradually increasing, but hard to imagine it getting back to pre-pandemic levels any time soon.

Quick chart on Kazakhstan oil exports. Looks like Europe is the area that could be cut short if oil export disruptions persist.

Figure 3. Kazakhstan's crude oil exports by destination, 2017



Source: U.S. Energy Information Administration based on Kazakh export statistics and partner country import statistics, Global Trade Tracker

### Today's Calendar (all times Central)

- NFP – 7:30am

Thanks for reading.

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