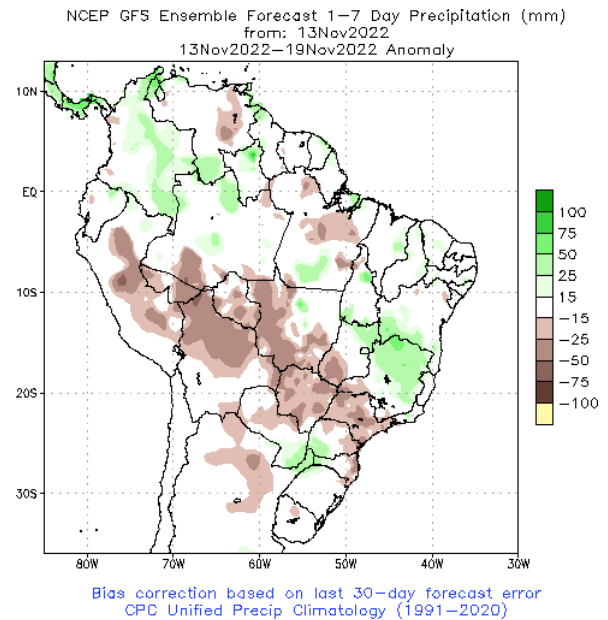


Weather

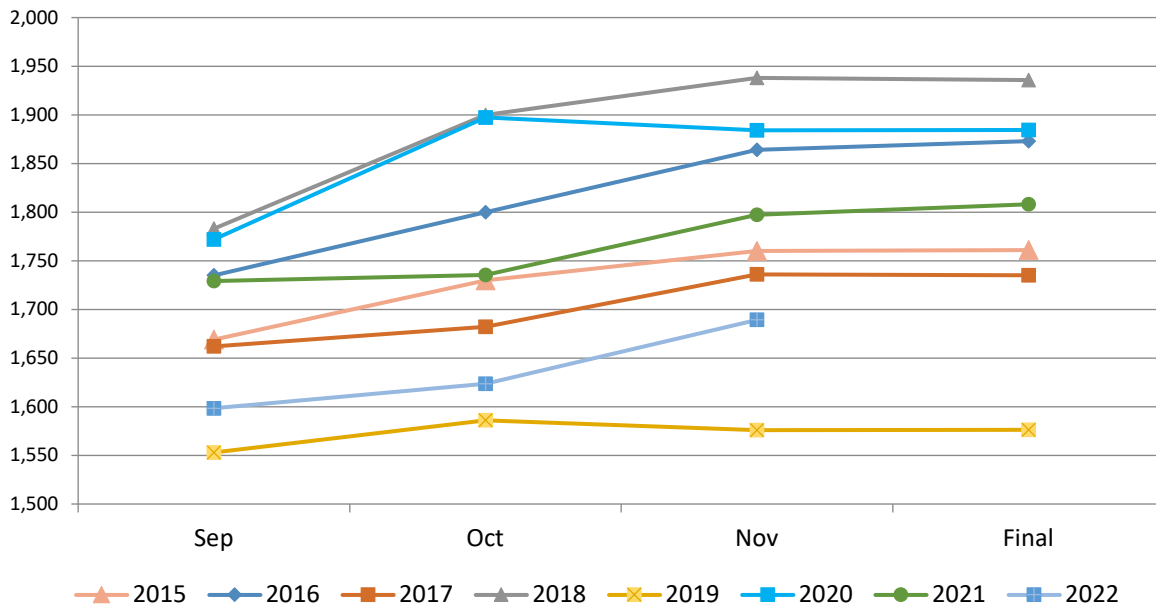
Northeastern Brazil will see rainfall this week while northwestern areas will see limited rain. Those western areas should see improved rainfall chances in Week 2. Southern Brazil is on tap for a fairly dry week as well, though some rains will return over the weekend before drying out again next week. Rainfall during the weekend in Argentina was decent but maybe a smidge less than hoped for. We should see limited rainfall this week in Argentina with highs into the 90s at times. There should be rainfall chances during the 6-10 day period before drying out again for the 11-15 day period.



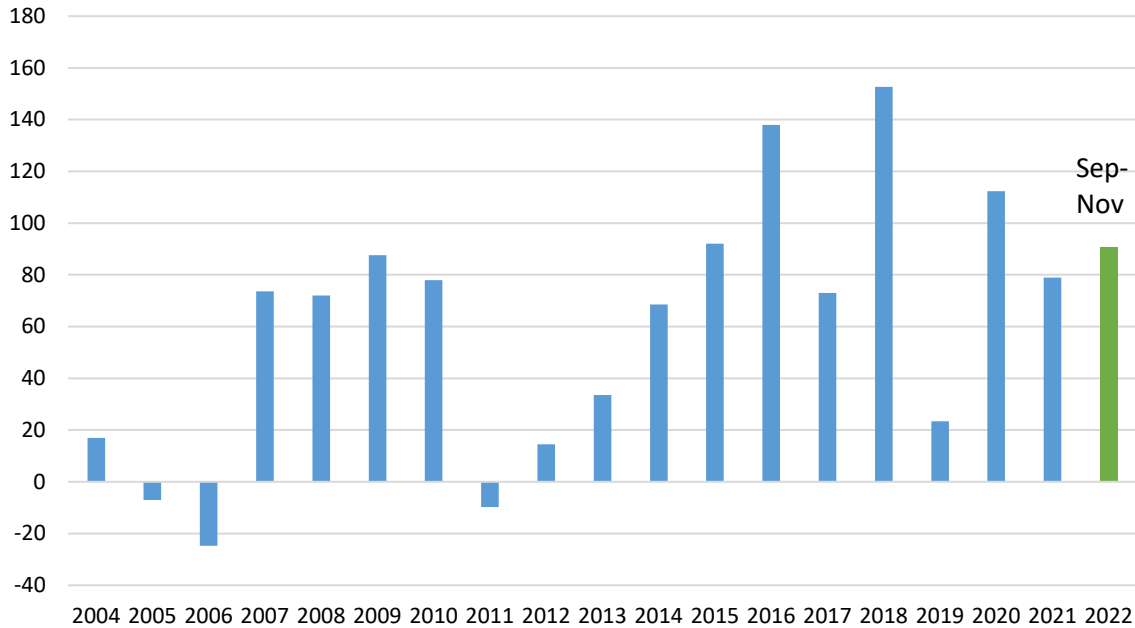
Crops

We'll quickly review some of the November Crop Production report objective yield data for soybeans this morning. The first chart below is a breakdown of the typical pod count progression over the course of a year. You can see there was a big jump in pod counts from Oct to Nov this year, but that isn't too big of a surprise. We noted before that it seemed NASS started too small on pod counts (based on PF data). The second chart shows the history of pod count changes from Sep to Jan. The 2022 bar shows the change so far from Sep-Nov this year. As you can see, we're looking a somewhat above average pod count increase this year. This would seem to argue that any adjustment to pod count in the January report should be pretty minimal.

NASS 10-State Soybean Pod Count Progression

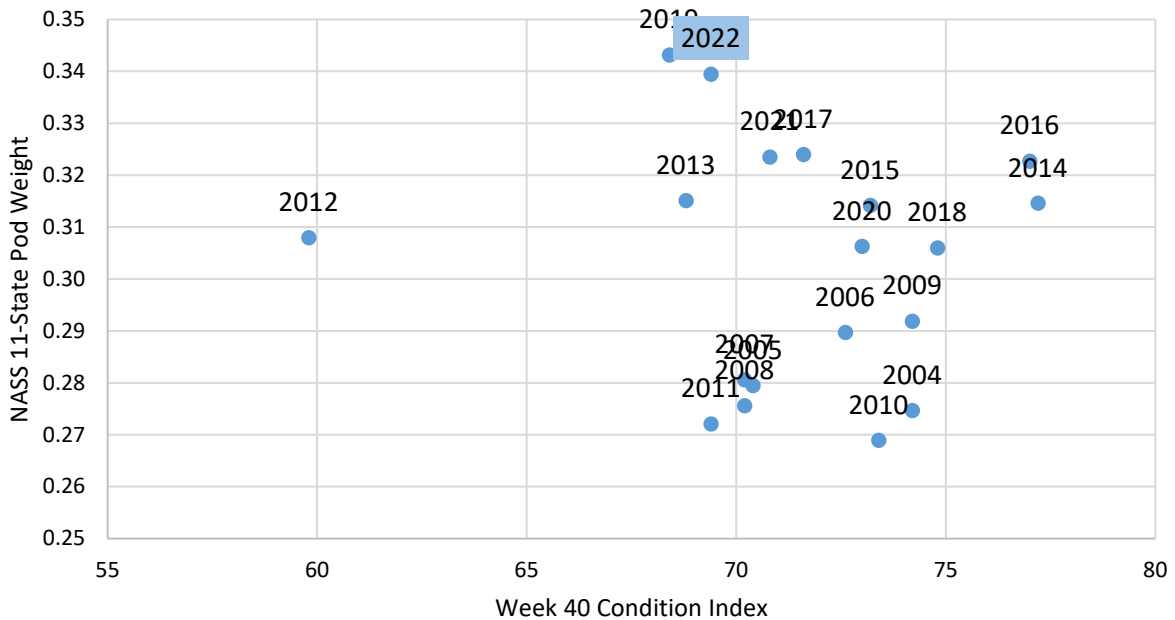


Change in 10-State Pod Count from Sep to Jan



There is no good way of modeling pod weights...at least none that I'm aware of. Please speak up if you know of any. I've plotted weights against conditions below. Hard to argue that weights are too high considering 2019 was similar.

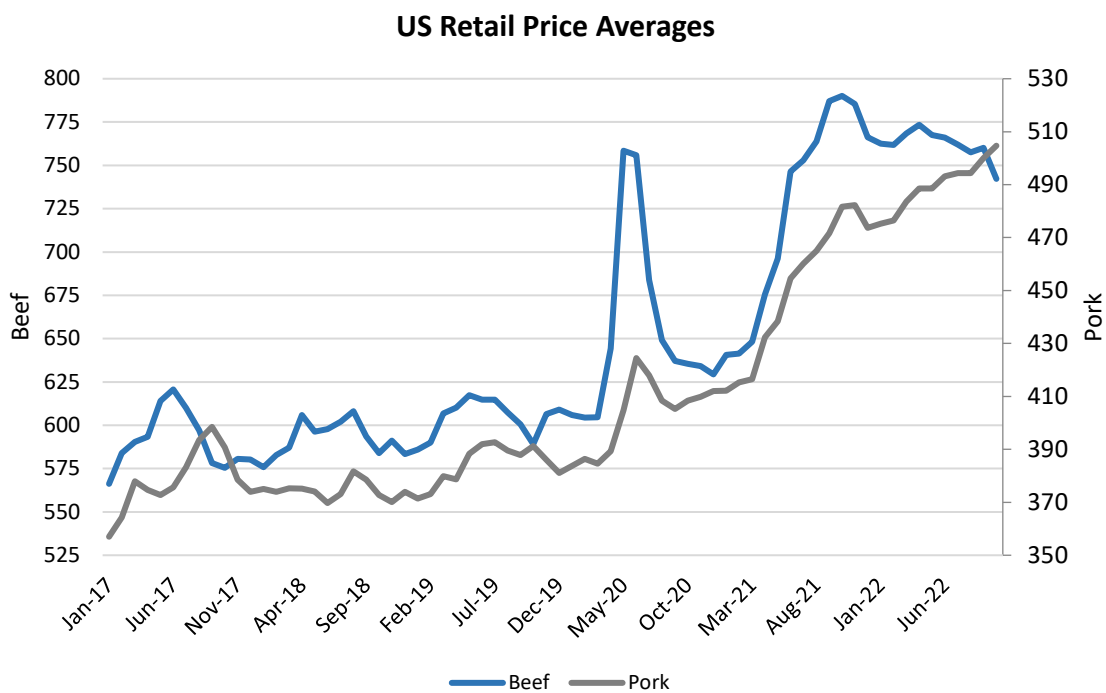
Soybean Condition Index vs. Pod Weight (January)



Hard to point to anything that stands out. I would expect minimal change to the yield in January. Any surprises on production would be more likely to come on acreage adjustments.

Livestock

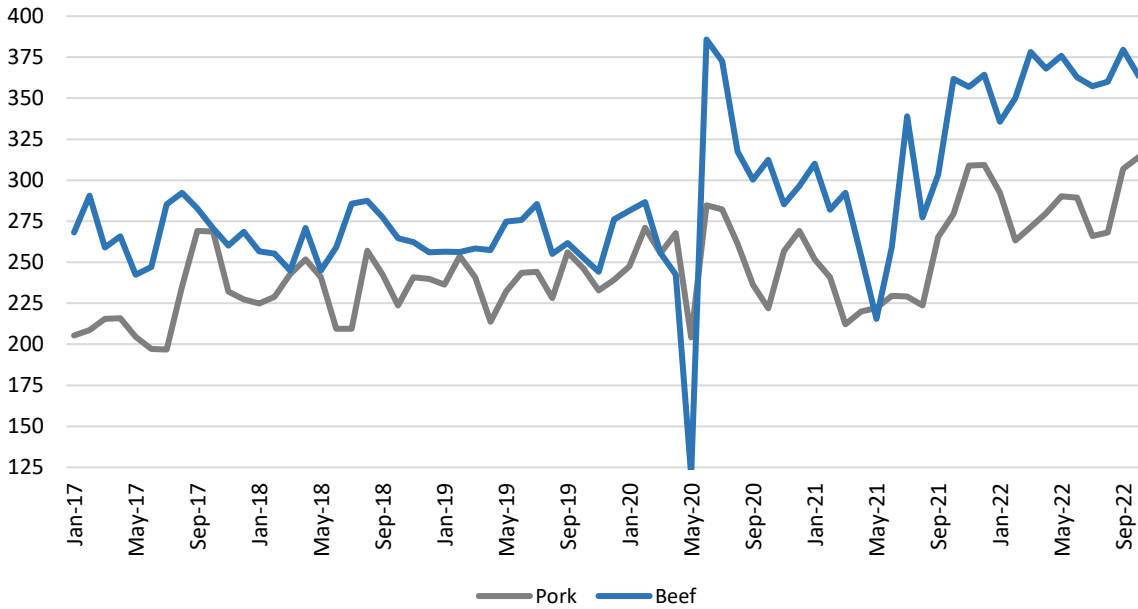
With the release of the CPI data we also got USDA numbers on retail meat prices. The chart below looks at the retail price averages for both beef and pork. Beef has been trending lower for several months in a row and this is now the lowest beef value since May 2021. Pork however continues to push higher, hitting another record high last month.



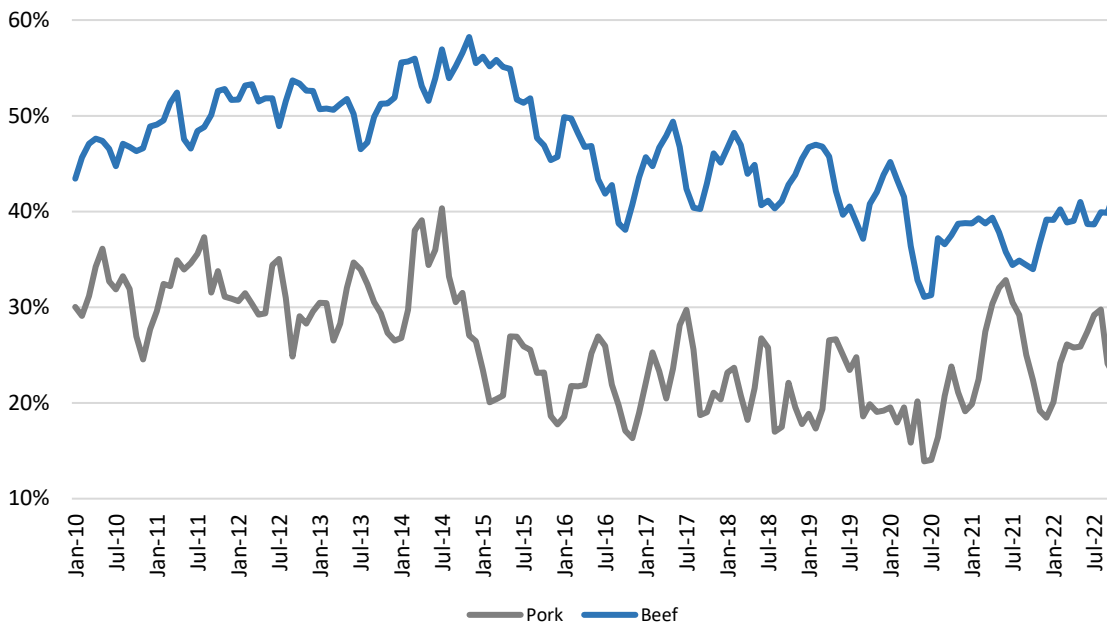
I think what is interesting about the decline in the beef prices is that the retailer is managing to maintain their record large margin. Look at the chart on the following page. The retail margin for beef remains near the record highs, despite the decline in overall retail beef prices. How is the retailer managing to maintain their margin despite the price pressure? That is pretty darn impressive. You can see that the retailer is also doing historically well when it comes to their pork margin. In fact, that appears to be a new record wide retail pork margin.

The second chart that follows on the next page shows the USDA’s estimate for “farmer’s share” of retail value. Interesting to see that even as the retail price for beef has been falling, the farmer is at least increasing their share of it. In pork, however, the farmer’s share is not too far from the lows. It would certainly seem the retailer seems to be the biggest winner right now.

USDA Retail-Wholesale Price Spread



USDA Estimate of "Farmer's Share" of Retail Value



Financials

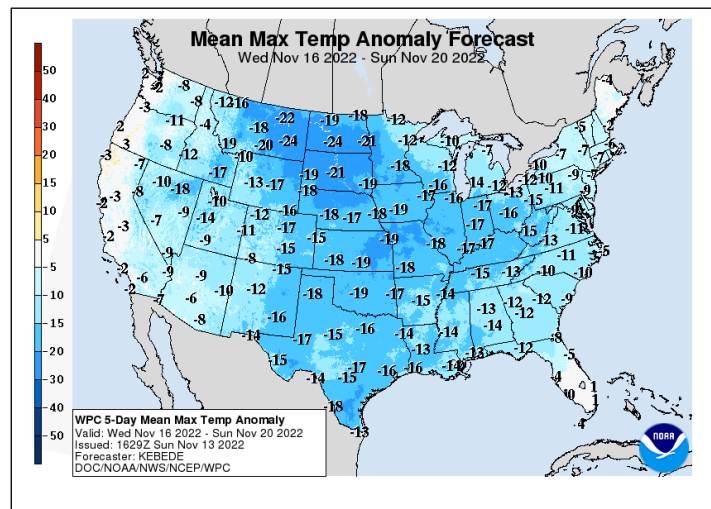
A bit of a risk-off tone to markets this morning. The weakness in equity futures overnight seems mostly related to comments from Fed Governor Waller to the WSJ. Waller said the Fed had “a ways to go” before ending rate

hikes. He seemed to lament the big risk-on rally that has taken place since the CPI release last week. According to the WSJ, the Fed “knew” the markets would “jump for joy” based on the FOMC statement and that is why Chair Powell came out swinging during the press conference. Certainly an interesting take...but I’m still of the belief that inflation numbers will continue to roll over in the months ahead.

There isn’t much going on today, except for the G-20 summit. Already we’ve seen a photo of Biden and Xi shaking hands. They’ll eventually get together for formal discussions at some point today. There isn’t much else on tap for today, but we’ve got a busy week ahead. We have several Fed speeches due this week and ECB President Lagarde will speak on Wednesday. We will also get Eurozone CPI reported on Thursday. And don’t forget, former President Trump has a “big” announcement scheduled for tomorrow.

Energy

Natural gas futures are higher so far overnight. Nothing like the extreme rally (and subsequent crash) that we saw last week, but still a pretty solid rally. It should go without saying that the forecast for the US is looking very cold for at least the next 10 days. The map at the right shows the average daily max temp anomaly during the Day 3-7 period. A lot of the country is going to be 15-20F below normal through this period and potentially another few days beyond. The good news, depending on your perspective, is that the forecast seems to be showing a likely return to near normal temps for the 11-15 day period.



Today’s Calendar (all times Central)

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

Thanks for reading.

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