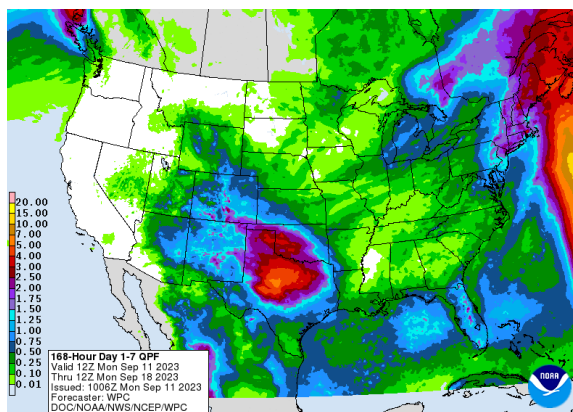


Weather

No big changes to the forecast. Still not looking at a wet forecast for the Corn Belt. We've seen some rains through NE & IA during the weekend. If you look at the radar this morning, you'll see this activity pushing east of the MS River into northern IL. While these rains are obviously welcomed, we're not seeing big areas of "significant" rainfall. Additionally, starting tomorrow we should see another long stretch of time where the heart of the Corn Belt sees very limited rainfall chances for a period of probably ~10 days. Meanwhile, the HRW Belt is obviously the favored spot for rainfall right now. The rains in TX/OK shown at the right are clearly very needed. The rains show no sign of letting up, with the Week 2 period likely to see additional above normal precipitation in the region. Temps should average mostly below normal over the middle of the country in the next couple of days. There could be some 30s for lows in a few parts of the Northern Plains, but nothing that should bring any widespread frost/freeze threat. We should see temps move back to above normal by the end of this week, which means no major frost/freeze in sight during the two-week period.



Crops

We'll continue thinking about WASDE US balance sheets today with a quick glance at soybeans. My baseline assumption is shown in the balance sheet below. Several small changes to the old crop balance sheet still loom. It looks like WASDE is too big on soybean imports. Admittedly, they might just punt on this adjustment until next month when they have official numbers in hand. Still, I wanted to flag it as something to be on guard for. Census export numbers also argues that WASDE is likely too small on exports. I've decided to boost my estimate by 15 mil bu as shown below. Again, this might be one of those situations where WASDE simply punts and waits for the official number to come in next month. Still, this change will happen either this month or next, so just be ready. They are probably spot-on with their crush estimate. Any adjustment to residual will have to wait until next month.

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

	USDA 18/19	USDA 19/20	USDA 20/21	USDA 21/22	USDA 22/23 Aug	Possible? 22/23	USDA 23/24 Aug	Possible? 23/24	Small Acres 23/24
Planted Acres	89.2	76.1	83.4	87.2	87.5	87.5	83.5	84.0	83.5
Harvested Acres	87.6	74.9	82.6	86.3	86.3	86.3	82.7	83.2	82.7
Abandoned Acres	1.6	1.2	0.8	0.9	1.2	1.2	0.8	0.8	0.8
Yield	50.6	47.4	51.0	51.7	49.5	49.5	50.9	50.0	50.0
Carryin (Sep 1)	438	909	525	257	274	274	260	242	242
Production	4,428	3,552	4,216	4,465	4,276	4,276	4,205	4,160	4,135
Imports	14	15	20	16	30	27	30	30	30
Total Supply	4,880	4,476	4,761	4,738	4,580	4,577	4,496	4,432	4,407
Crush	2,092	2,165	2,141	2,204	2,220	2,220	2,300	2,300	2,275
Exports (Census)	1,748	1,679	2,261	2,158	1,980	1,995	1,825	1,775	1,775
Seed	88	97	101	102	97	97	101	101	101
Residual	43	11	1	1	23	23	25	25	25
Total Use	3,971	3,952	4,504	4,464	4,320	4,335	4,251	4,201	4,176
Carryout (Aug 31)	909	525	257	274	260	242	245	231	231
Stocks/Use	22.9%	13.3%	5.7%	6.1%	6.0%	5.6%	5.8%	5.5%	5.5%

Of course the big debate will remain on new crop production levels. As noted last week, I'm personally of the assumption that the FSA acreage data argues for an uptick in planted area. I've boosted area by 500k acres in my baseline assumption above. However, I also will concede that I'm bigger than most on this and I'll always admit that I might be wrong. With that in mind, I am showing a secondary new crop balance sheet column with acreage unchanged vs. the prior estimates.

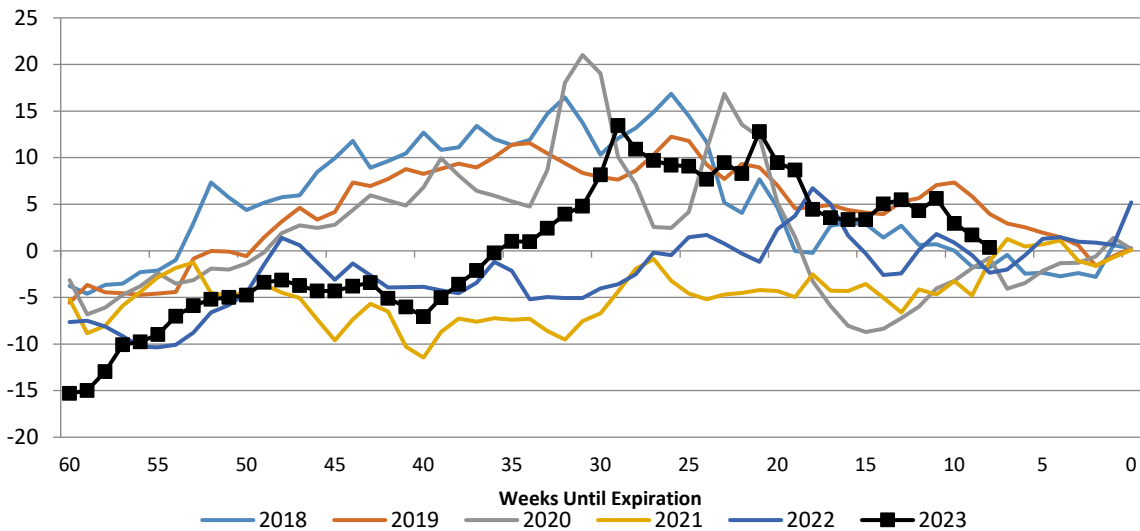
As noted last week, I think there is a good argument for a reduction in soybean yields. I'm plugging in a 50.0 bpa yield which is down almost 1 bpa vs. last month. Certainly there could be a little further downside to that figure. The good news, depending on your bias, is there is plenty of room for demand cuts in the new crop balance sheet. In my baseline assumption, I'm keeping crush unchanged but I've dropped exports by 50 mil bu. New crop export commitments would be roughly 33% of that figure, which is still a slightly below-average pace of commitments. In the end, I ultimately believe that US exports will total smaller than what I show above (assuming trend production levels in South America). So with added acreage and a sizeable demand cut, I find myself coming in above the average guess on new crop carryout. Obviously the big debate is over production and not demand.

In the world numbers, I guess we're still watching to see if WASDE wants to take old crop production down in Argentina. It seems likely they'll post a modest increase to Chinese imports as well. A recent attache report took old crop imports to 101 mmt...which seems reasonable but it could be as high as 102. I suppose that might also mean an increase to new crop imports as well.

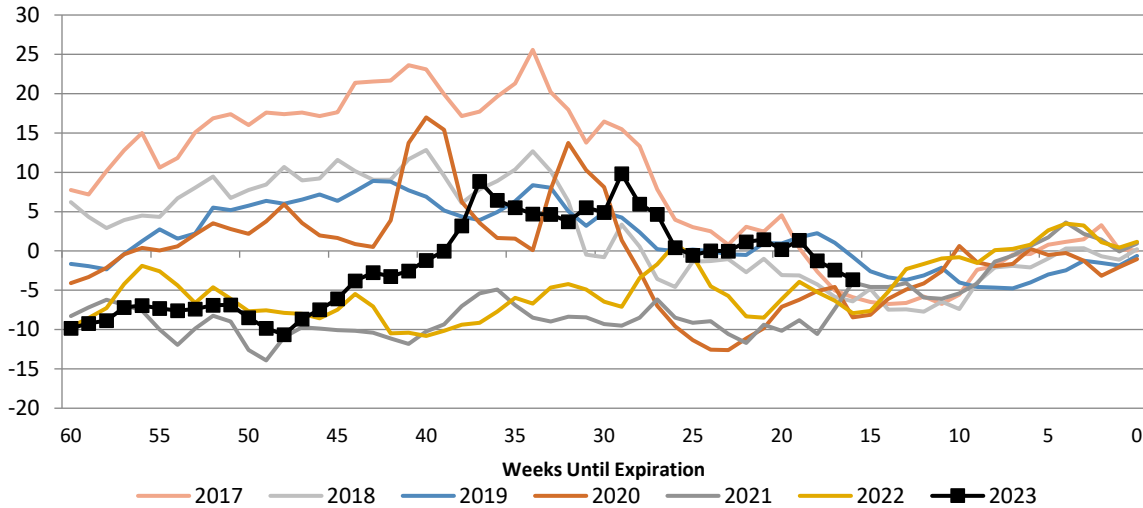
Livestock

We haven't looked at basis in a while, but honestly...there isn't much to see. Basis levels seem pretty average at this point. There is nothing special about that, other than we've gotten so used to looking at strong basis in the past several weeks/months.

October Live Cattle Basis History

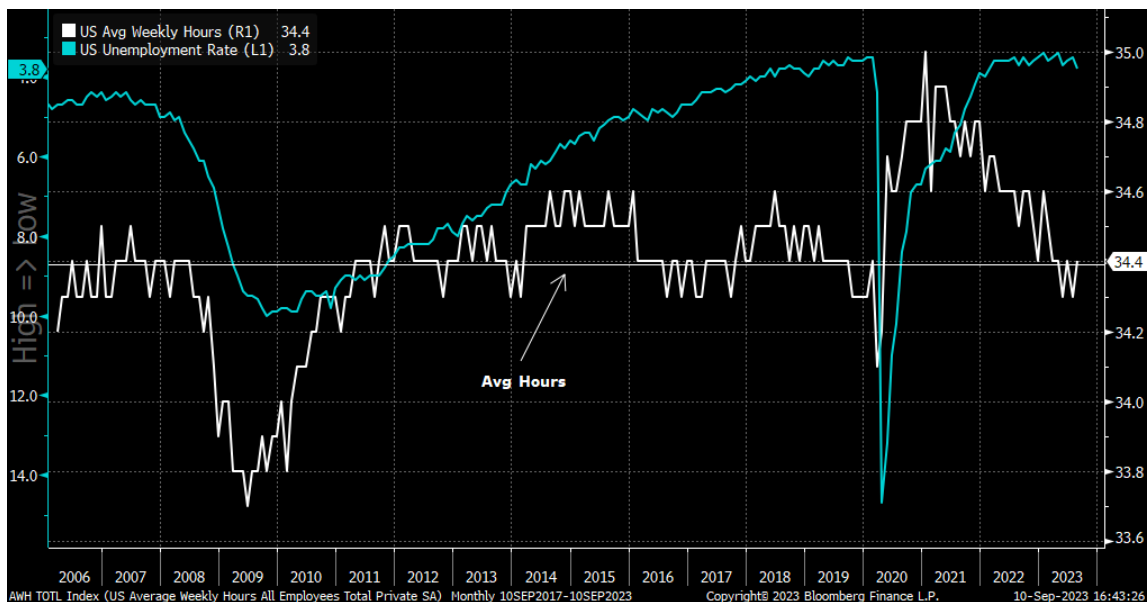


December Live Cattle Basis History



Financials

Looking at another internal detail from the NFP report earlier this month. This time we’re looking at average weekly hours for US employees. This is shown with the white line in the chart below. Unfortunately, this is a relatively “new” data series so I don’t have a ton of history. However, what we can see is that when hours worked is moving higher, it is typically a sign of a tight labor market. Right now we’re seeing average hours worked decline, which should be indicative of a loosening labor market. Note how the unemployment rate seems to follow average hours worked around. It makes sense...when the labor market is tight employers ask more of their workers. In a slowing economy, hours worked decline and employers eventually resort to job cuts. After making new records during the pandemic, the average hours worked right now has fallen back to an average level. Any further weakness should be viewed as a sign of loosening labor conditions.



An interesting article in the WSJ over the weekend by Nick Timiraos suggesting the Fed is “likely” to pause rate increases at their Sep meeting. According to the article, the “pause” will give the Fed time to assess if progress on inflation is continuing. Timiraos seems to be the Fed’s new mouthpiece at the WSJ and they often float trial balloons through his writing to gauge market reaction. This isn’t a big surprise, however, as the market was pricing in no rate hike as of Friday’s close. The outlook for a November rate hikes was almost 50-50 on Friday.

Energy

Nothing particularly new to report this morning. Oil futures are lower at the time of writing, but I don’t see any major new information to pass along from the weekend. US gasoline prices remain elevated. Part of this could stem from some refinery issues. Midwestern gasoline prices have surged in the past few weeks due to refinery maintenance at Pine Bend, MN. There is also an outage at a refinery in OK. More interesting than the gasoline price, I find GasBuddy’s data on demand last week somewhat interesting. GasBuddy is reporting weekly (Sun-Sat) US gasoline last week was down almost 4% from the prior week and is also down about 4% from the four-week moving average. One week doesn’t necessarily make a trend, but this data is something I’ll be watching more closely in the coming weeks.

Today’s Calendar (all times Central)

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

Thanks for reading.

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