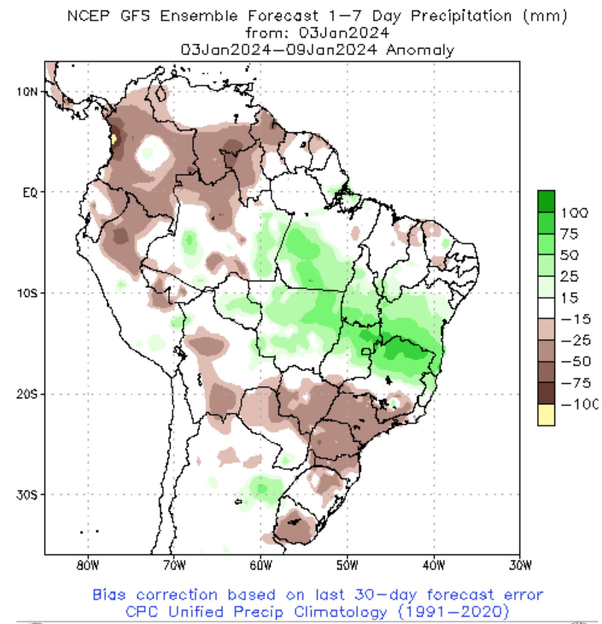
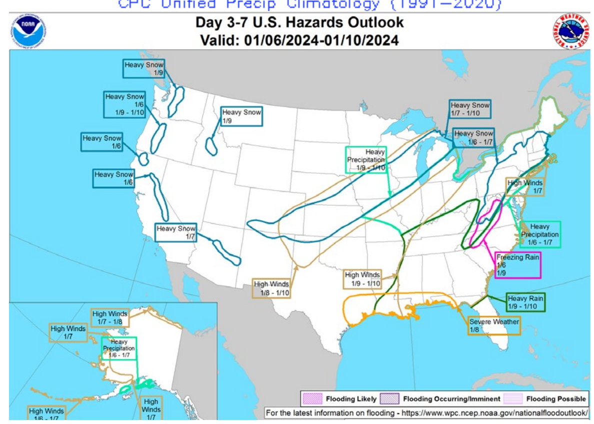
Weather

No big changes to pass along this morning. A lot of very good rainfall totals in northern Brazil for the next ~5 days or so. Rainfall amounts will diminish again in the Week 2 period, with above normal temps eventually returning in the 11-15 day period. Southern Brazil should continue to see below normal precipitation for the next week or so. RGDS could see 1" during that timeframe, but Parana and MGDS will see less. Rainfall will improve back to above normal levels for the Week 2 period, and overall two week rainfall totals should still range from 3-5" across the region. Argentina should see mostly dry conditions for the next couple of days. Rains will return during the weekend and will be seen on a near daily basis beyond that. Total two week rainfall totals should range from 2-3" in southern areas while northern areas could see 3-5" totals. Temps will be near normal.



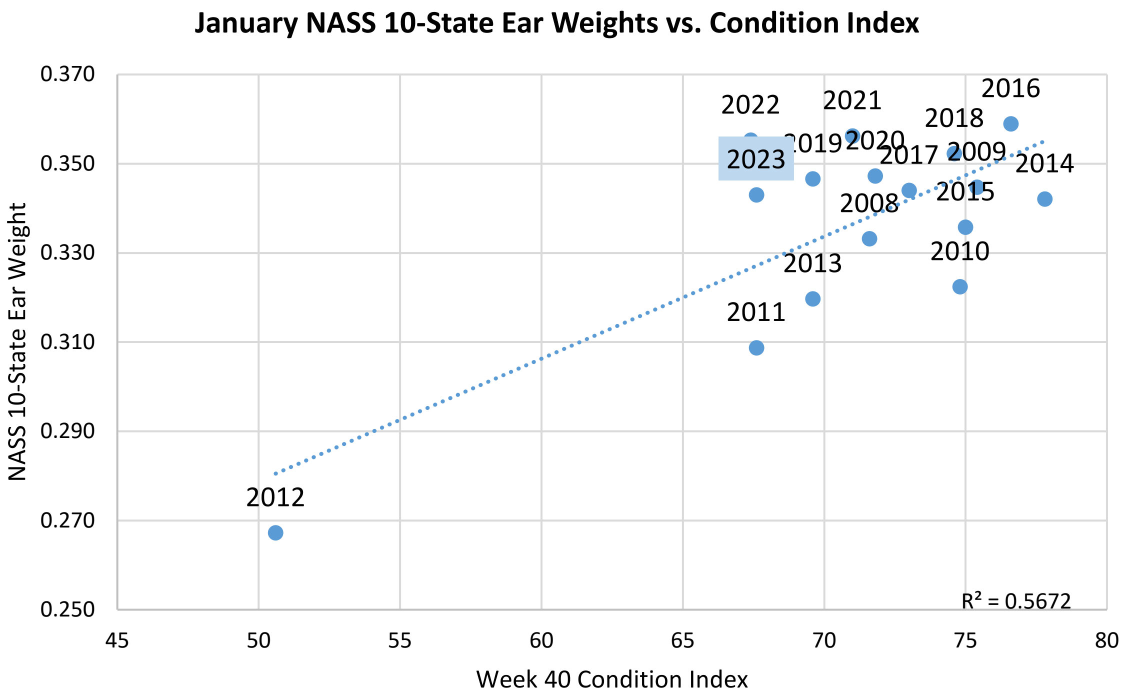
The map at the right shows the NWS hazards outlook for the day 3-7 period. What I want to point out here is the outlook for heavy snow and high winds through the Plains for early next week. Snowfall projections are still a moving target, but there is good consensus for true blizzard like conditions for some of the feedlot areas early next week. Extended models are hinting at more snow after this event as well.



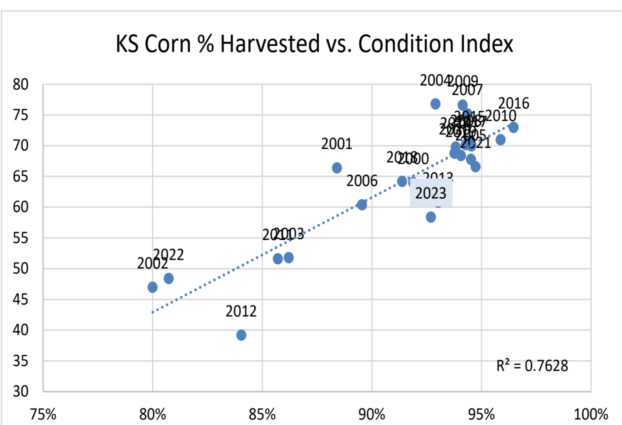
Crops

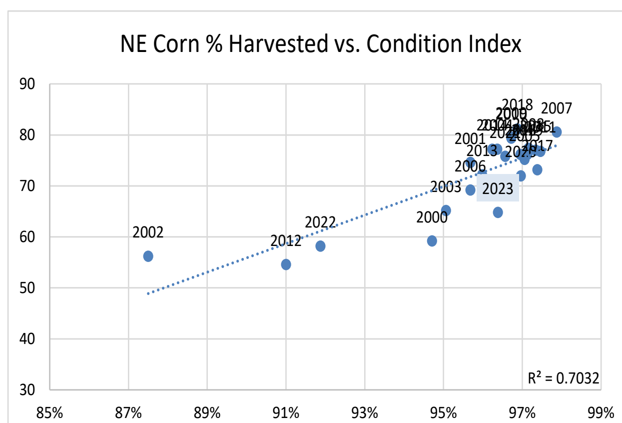
We have a lot of USDA reports due next Friday so I'm probably behind on prep work. Today we're going to take a very quick look at corn production prospects, though I'll spoil things here and say I'm not expecting much change from the prior USDA estimate. There really isn't anything new to report on yields. Yields have been dissected so many different ways by now, so I struggle to find much new to discuss. I suppose one important thing to keep in mind is that this January Annual Crop Production report involves a much larger farmer survey than prior reports, so there is always a chance for a surprise.

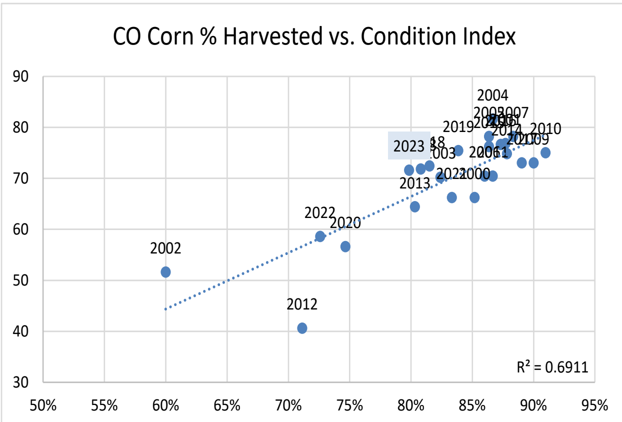
Looking at the objective yield numbers on corn from the November report, it is hard for me to make an argument that the NASS implied ear weight is out of line with reported conditions. The chart on the following page plots the 10-state implied ear weight vs. late season (Week #40) condition index. The highlighted 2023 print of course uses the November implied ear weight. Yes the ear weight is above the "trend" but that isn't especially useful in my opinion. If you compare the ear weight and condition relationship with the past several years, this implied ear weight seems more than reasonable to me. So with this in mind, I don't see a strong argument for a significant adjustment to the yield.

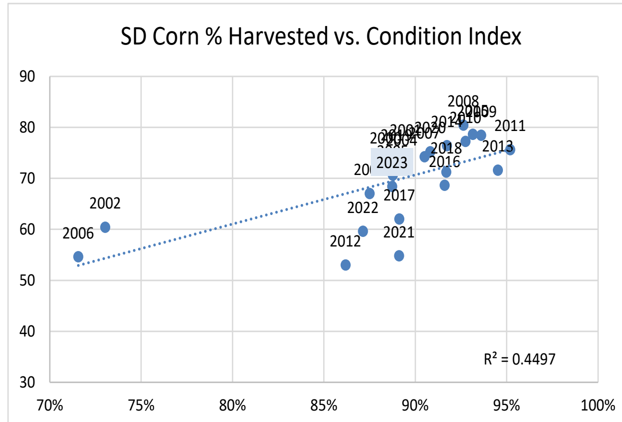


I also don't see a strong argument for a significant adjustment to harvested area. The charts below look at % harvested for grain vs. condition ratings in western Corn Belt states where abandonment can vary widely from year to year. I suppose you can make the case for slightly smaller harvested area in a few states, but in the grand scheme of things these adjustments likely wouldn't mean a lot.

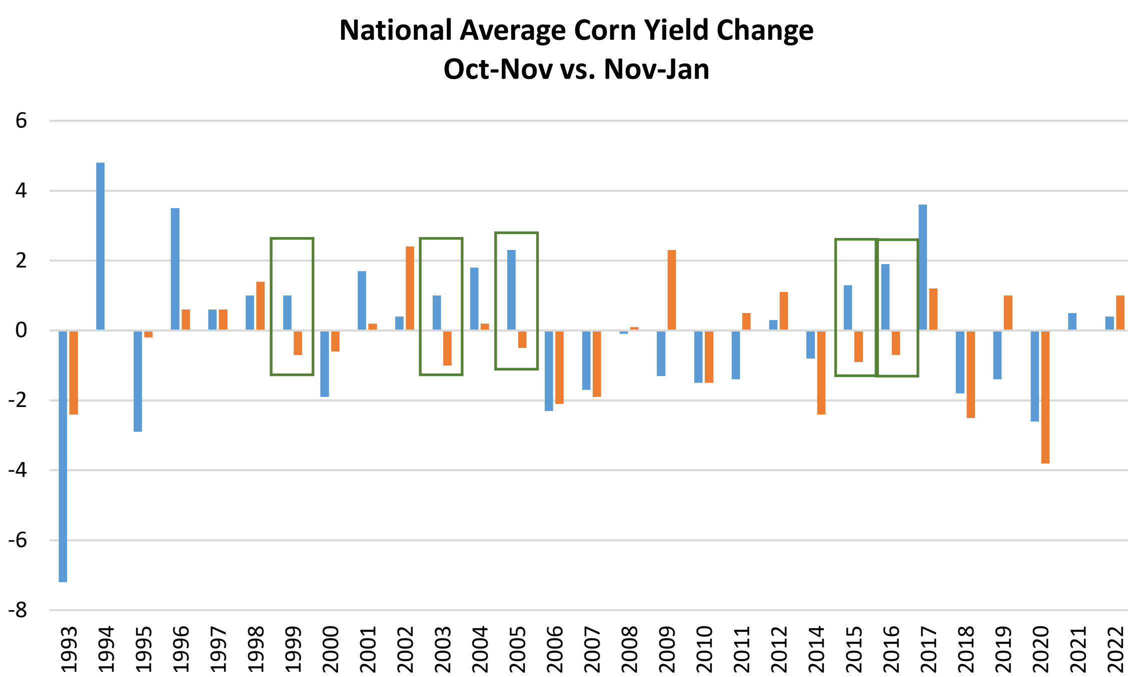








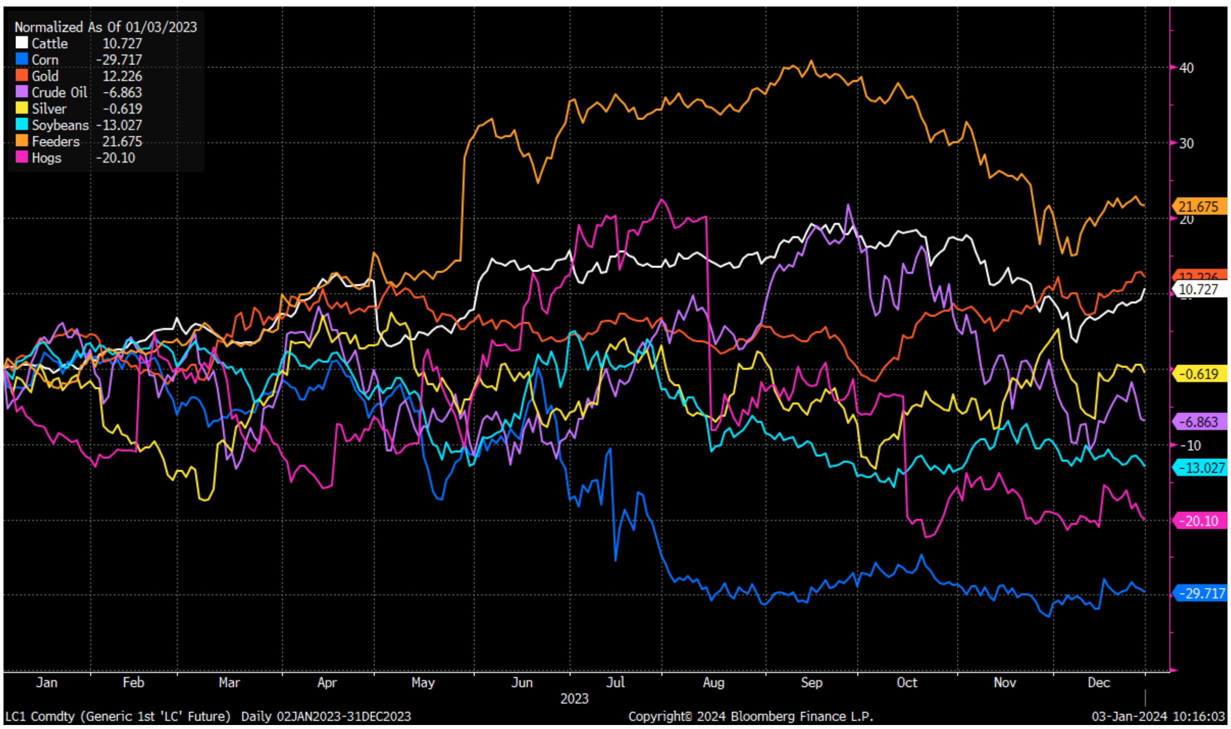
This next chart is for those who believe that NASS is more likely to increase the corn yield because they just posted an increase in November. Yes, the chart shows 8 instances where NASS increased in both Nov and Jan (such as last year). However, the highlighted years show 5 instances where NASS increased the corn yield in Nov but lowered it in Jan. Hardly a conclusive tally. Admittedly, the declines in these 5 highlighted years were pretty modest.



At this point it should be fairly obvious that I don't have much conclusive here. I guess I'll just pass along my gut call: I think the yield will be steady to maybe slightly higher while harvested area will be steady to maybe slightly lower. In the end, I think the final production estimate will be little changed. Please hit me up if you have strong feelings for something different.

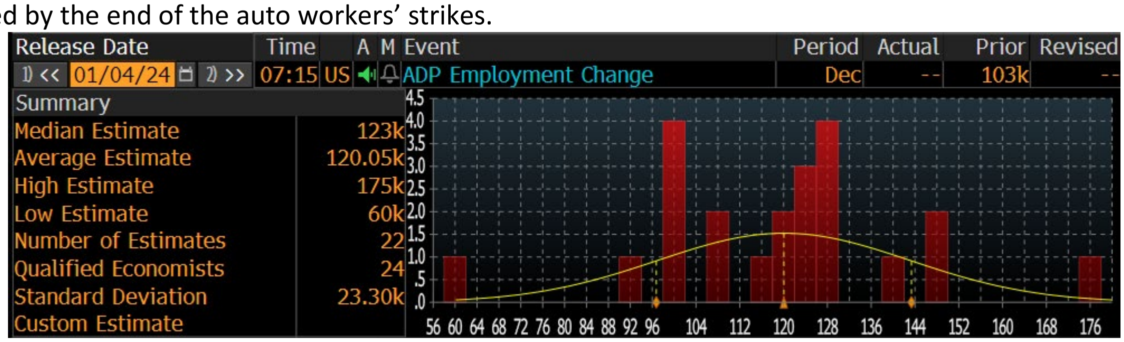
Livestock

One quick chart for giggles this morning. I wanted to have one more "year in review" moment for cattle. The chart below compares spot futures gains/losses for calendar year 2023 across several different commodity markets. Because this looks at spot futures, there will be some "volatility" in the chart surrounding significant roll events. Still, the hope is that this captures a little bit of a picture of commodity market performance last year. The cattle market was one of the top performers. You can see feeders at the top of the chart at +21%, though obviously that was well off the highs from the fall. Fats were up almost 11% YTD by this measure, coming in third place (among these markets) just behind gold. Corn was the big loser on the year, which goes together with the strength in feeders, of course.



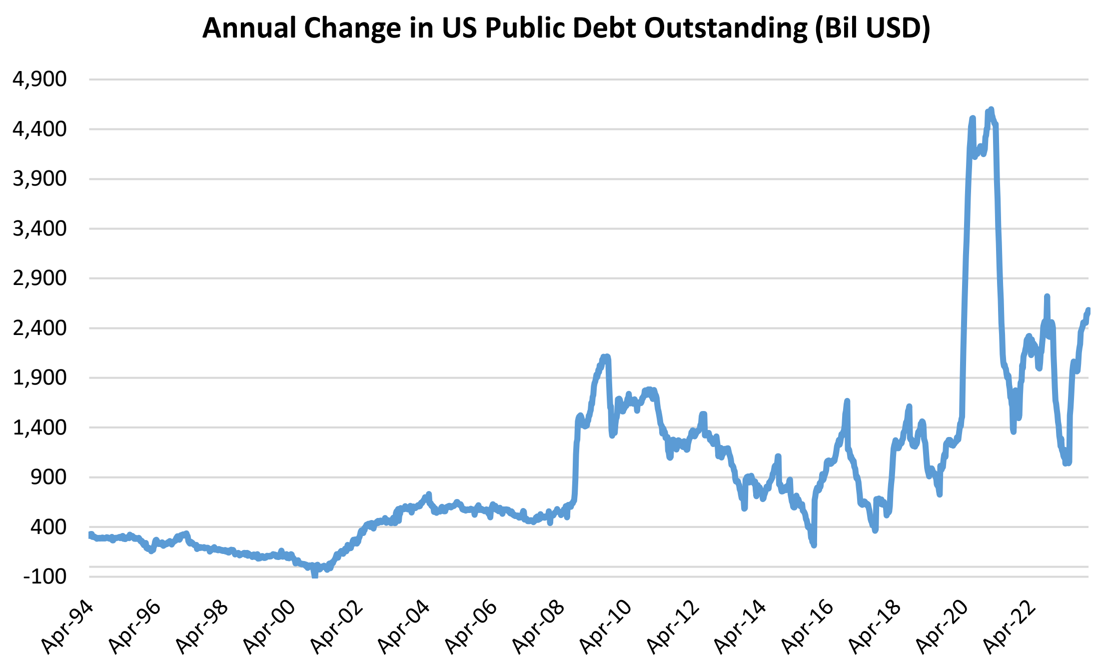
Financials

More potentially market-moving data to contend with this morning. Up first we get the ADP employment change number. The breakdown below shows the range of expectations. Basically, nobody knows what to expect. I think the outlook for a "soft" number makes sense, however, as last month's data was somewhat influenced by the end of the auto workers' strikes.



Also on tap today will be the weekly jobless claims number. I don't think there is any reason to believe we should see something different vs. the norms of recent months. Considering the ADP number has been shown to be a very poor indicator of what to expect from the NFP (due tomorrow), today's reports really shouldn't be market-moving…but we know prices will certainly jump around a lot this morning after their release.

I don't have much else to add about today's numbers, so I thought I'd just pass along a chart I saw yesterday. My version of the chart is shown below. This shows the annual net change in the US's total public debt outstanding. I find it pretty fascinating that US debt is growing faster than just about any other time in history aside from the peak Covid period. This comes despite the fact that unemployment is still running below 4% and equity markets are skimming along near all-time highs. What happens to the debt if the economy actually does slow down a bit? For those trying to find a story behind the rally in equities (and bitcoin, etc) late in 2023, this is probably the best explanation. Simply put, US fiscal policy appears to be highly stimulative. Combined with a perception of a Fed pivot in monetary policy, it now makes more sense why "stonks" have been launching.



Extrapolating a bit…is there any reason to suspect the current administration won't keep its foot to the pedal during an election year? And is there any serious candidate that gives off the slightest hint of fiscal discipline?

Energy

Oil futures are trading higher again this morning. One story that didn't get a lot of attention yesterday was word that Libyan oil production was shut-in again after "protesters" entered key oil fields. The one field in particular that was shut-in was producing roughly 270k bpd before the protests. We also have a new development in the Middle East, with a bombing in Iran that has killed at least 100 people. It is unlikely the US or Israel had any direct involvement, but that doesn't mean it won't raise tensions. And obviously the Red Sea issues haven't gone anywhere.

Expectations are for today's EIA inventory release to show a drawdown in crude oil stocks of 3.0 million barrels. Yesterday's API report showed a bigger decline of 7.4 million.

Today's Calendar (all times Central)

- ADP Employment Change – 7:15am
- Export Sales – 7:30am
- Jobless Claims – 7:30am
- EIA Natural Gas Storage – 9:30am
- EIA Petroleum Inventories – 10:00am

Thanks for reading.
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