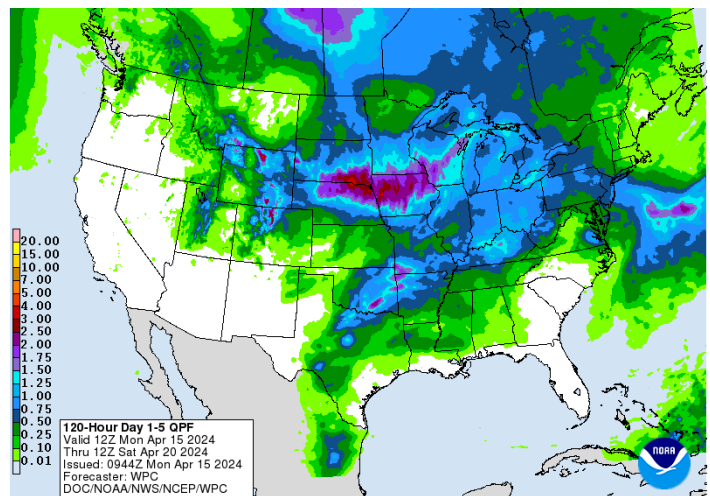
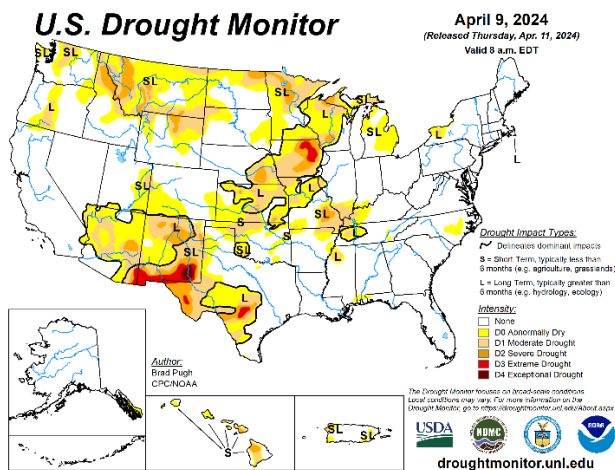


Weather

The latest Drought Monitor (4/9) showed that Iowa and nearby areas were still in the midst of notable drought problems. The recent dryness and warmth (including record highs yesterday at Lincoln, Des Moines and Peoria), likely encouraged farmers to get a lot of fieldwork get done in the western Corn Belt. Fieldwork will likely continue on Monday, but thunderstorms will return to the western Corn Belt for tonight and will continue through tomorrow night. The 5-day QPF map shows that a lot of drought area is forecast to receive over an inch of rain; bringing fieldwork to a halt, but the rainfall has to be considered as beneficial. Significant rainfall is expected in the dry areas on the western Corn Belt again in the 11-15 day period (April 25-29). Notable “dents” will likely be made in western Corn Belt drought conditions from today and through the second half of April.

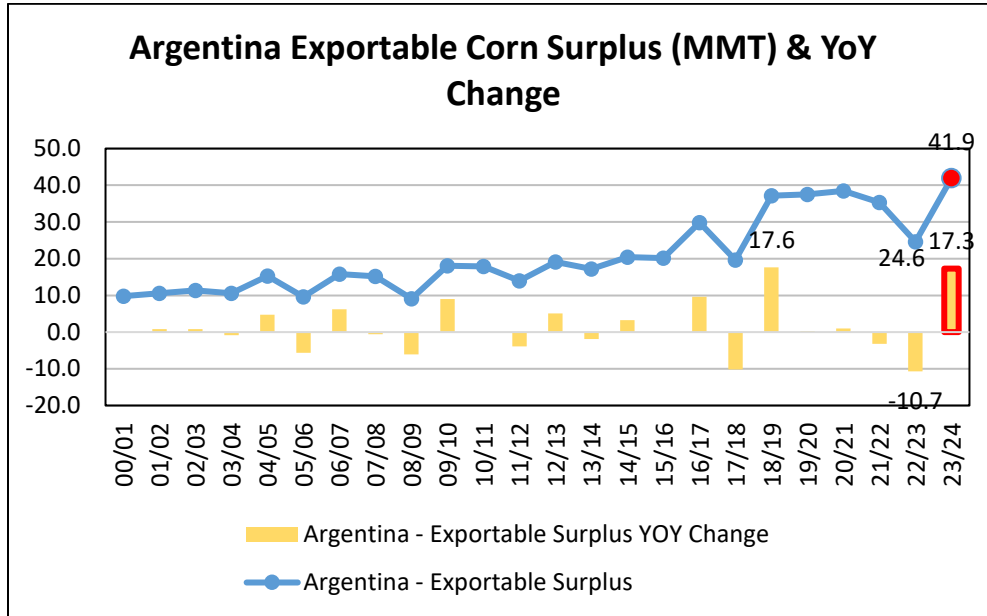
Concerns about dryness are increasing in the HRW wheat belt of the southern Plains (where a number of places had highs above 90 degrees yesterday). Truly “good” rains will stay mostly east and north of that area for at least the next ten days.

The best rainfall over the next 15 days for the safrinha corn areas of Brazil will likely occur over the next three days; Goias is looking at especially dry conditions for the rest of this month. The soybean harvest in Rio Grande do Sul has been impacted by significant / heavy rain in recent days which will continue into early tomorrow. After that, a lot of dry weather is expected there through about April 21 before another round of big rain arrives. Argentine growing areas will see a lengthy period of welcome dry weather starting tonight.



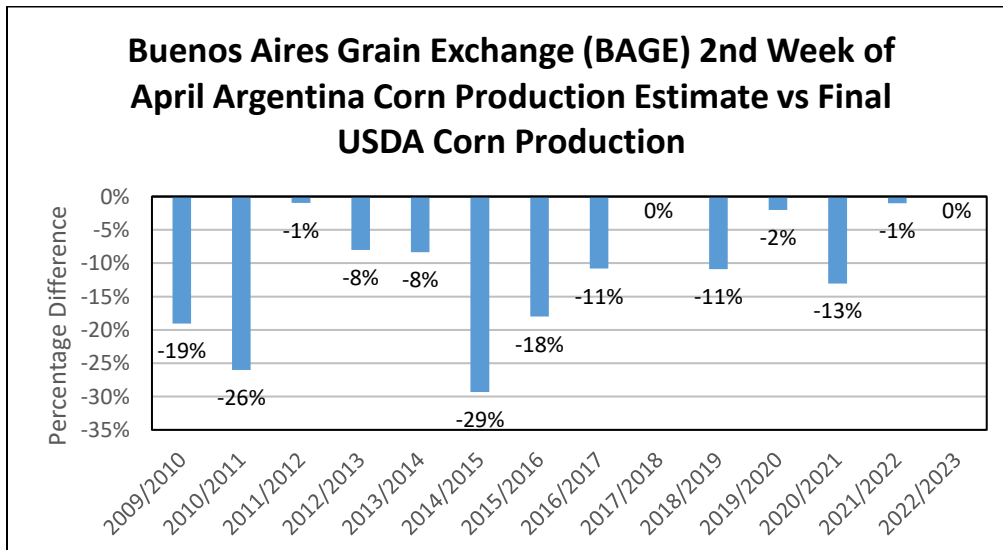
Grains

Argentina has exported ~99% of their exportable corn surplus on average over the past ten years. Simply put, Argentina grows corn to export it and it is rare if they have more than a few million metric tons of corn ending stocks at any given year. Last year, Argentina’s corn crop was decimated by weather but Brazil grew a record corn crop at 137mmt which supported global markets. Brazilian corn production is estimated at 124mmt by USDA (down 13mmt) meaning that Argentina will be a more important corn producer relative to last year. Argentina’s exportable surplus (production – total domestic use) is projected to rise 17.3mmt YoY per USDA.



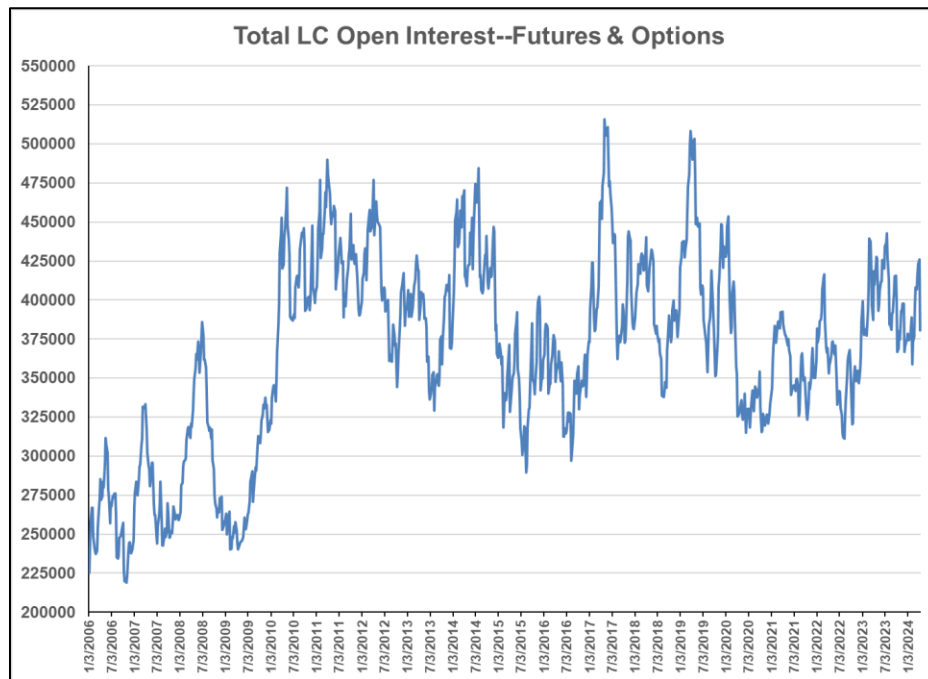
Last week, Buenos Aires Grain Exchange (“BAGE”) reduced their corn production estimate from 52mmt to 49.5mmt due to concerns over corn stunt disease caused by leafhoppers. In last week’s WASDE, USDA took a more conservative approach and only reduced their Argentina corn production estimate by 1mmt (from 56mmt to 55mmt).

The below chart compares BAGE’s 2nd week of April Argentina corn production estimate to final USDA Argentina corn production. On average, BAGE **underestimated** Argentina corn production by ~11% during the 2nd week of April since the 2009/2010 crop year. BAGE has not overestimated Argentina corn production in over fifteen years. This does not necessarily mean that BAGE is overestimating the production loss from corn stunt disease but it could be mean that they are being overly pessimistic if we rely on historical trends.

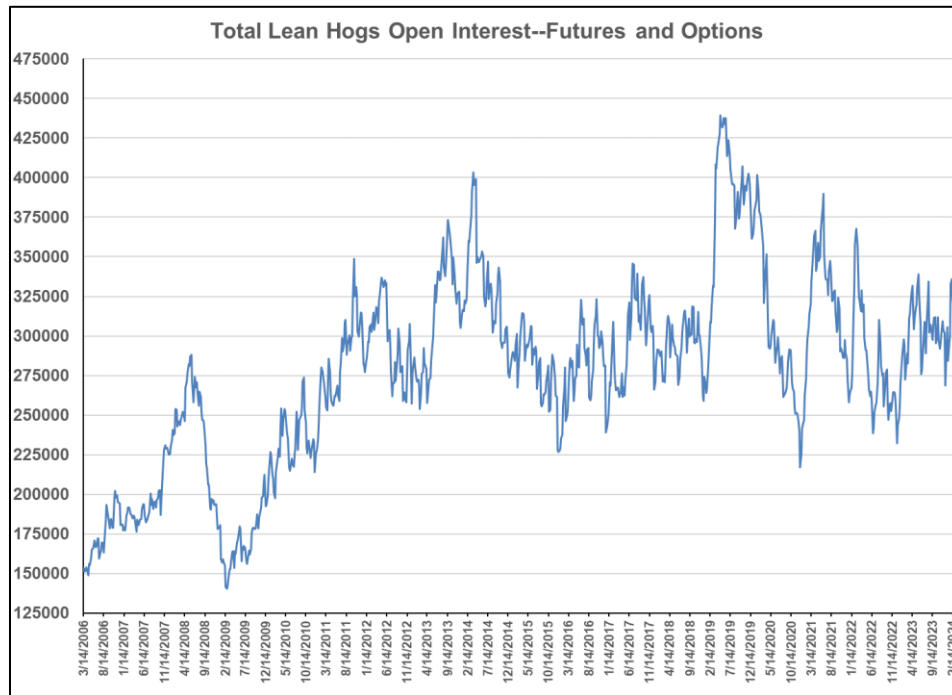


Livestock

The COT report indicated total open interest in cattle for the week ending 4/9 plunged nearly 46,000 contracts. Amid that decline, the large specs reduced their net long by about 14,000; the commercial long by about 5,900; and spread positions plunged more than 25,000. From Tuesday to Friday, open interest in futures alone dropped another 10,000 contracts, suggesting the long exodus continued into week's end. As of last Tuesday, the large spec still commanded a net long near 30,000 and the commercial a still-large 77,000. Absent a catalyst that significantly alters buying interest, additional long liquidation may continue.



In contrast to the eroding open interest in cattle, hogs have skyrocketed to a new high, near 446,000 contracts, eclipsing the previous peak in 2019 and far above the 380,000 in cattle. Both the large spec and the index funds have been active participants in the buying spree. The large spec net long is approaching 60,000 contracts and in recent years has peaked in the 60-70,000 contract range. However, the net long commanded by the index funds have surged to a new peak near 107,000 contracts, pushing the combined total near 167,000. This is not far off the peaks established in 2013/14 which were at 175-180,000 range. This certainly raises questions regarding the catalyst to fuel additional buying or if the current commitments are even sustainable.



Today's Calendar (all times Central)

- Retail Sales – 7:30am
- Business / Retail Inventories – 9:00am
- Export Inspections – 10:00am
- Crop Progress – 3:00pm
- Various FOMC members are speaking

Thanks for reading.

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