

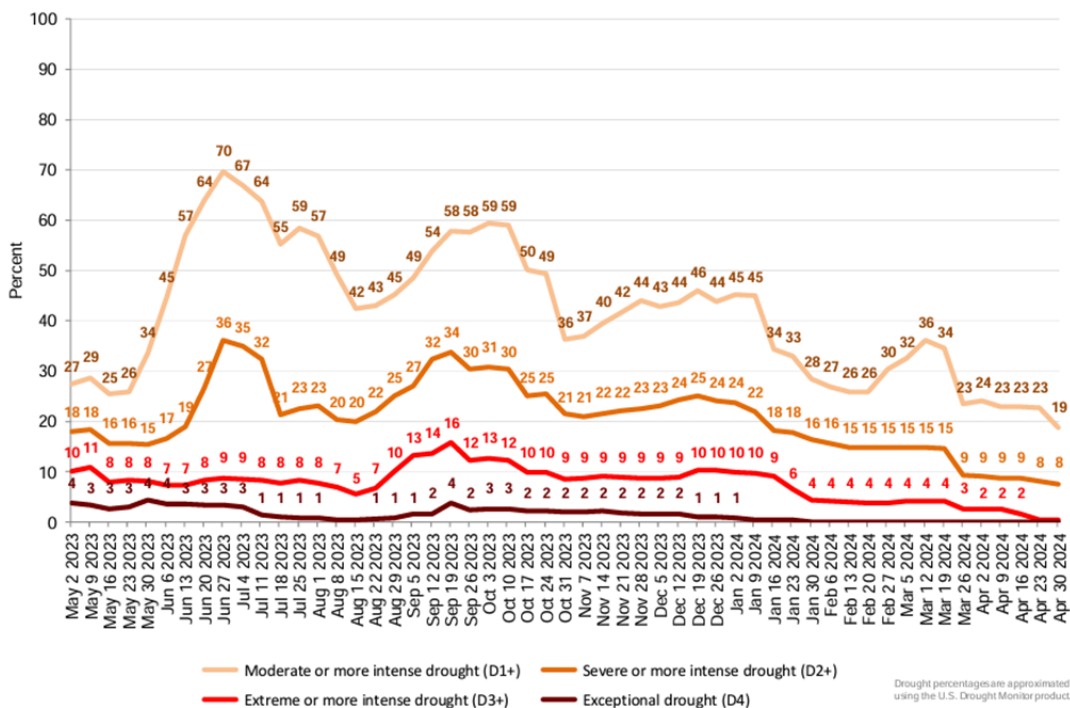
Weather

The below chart shows that the area covered by drought in the major corn growing areas of the Nation has reached its lowest level for the past year. In fact, it reached its lowest level this week going back to June 21, 2022. With additional notable rain in the Corn Belt since Tuesday (when the most recent data was compiled), and with more notable rainfall in the Corn Belt through about May 8, we are only going to see the drought percentage contract over at least the next 1-2 weeks. It's obviously great news for longer-term Corn Belt production prospects, but clearly something that has brought fieldwork operations to a halt. Of the major corn/soybean producing states in the Nation, probably just Michigan, Indiana, Ohio, North Carolina, Tennessee, Arkansas, Texas and Colorado have been able to get notable fieldwork done this week. Little or nothing has gotten done elsewhere, and that will likely not change into late next week. There is hope of getting fieldwork going again longer term though, with western parts of the Corn Belt forecast to go into a drier-than-normal pattern starting Tuesday. Eastern areas should get into a similar pattern starting Thursday (May 9).

HRW wheat areas of the southern Plains have legitimate (and multiple) chances for rainfall for tonight through Tuesday, with better optimism today on above-normal rainfall in the 11–15-day period.

The very biggest rains for Rio Grande do Sul (Brazil) are now behind us, but above-normal rainfall over the next 10 days (additional 3-7") means that flooding problems will continue. It is estimated that 26% of the soybean crop in that state remains left to be harvested.

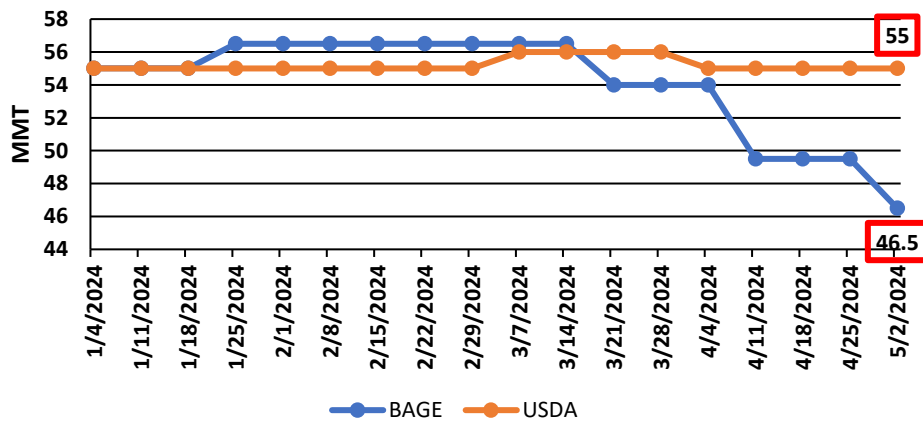
Percent of United States Corn Located in Drought



Grains

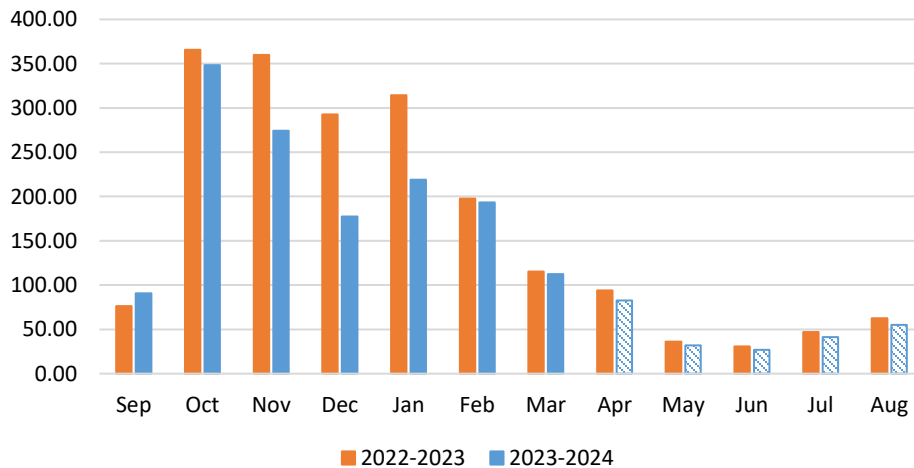
Buenos Aires Grain Exchange (“BAGE”) reduced their corn production forecast from 49.5mmt to 46.5mmt which represents an 8.5mmt difference relative to USDA. BAGE concluded that yields for the late planted corn in the north of the country have worsened. USDA will update their production estimate on the May crop report which will occur next Friday.

Argentina Corn Production Estimates (Buenos Aires Grain Exchange vs USDA)



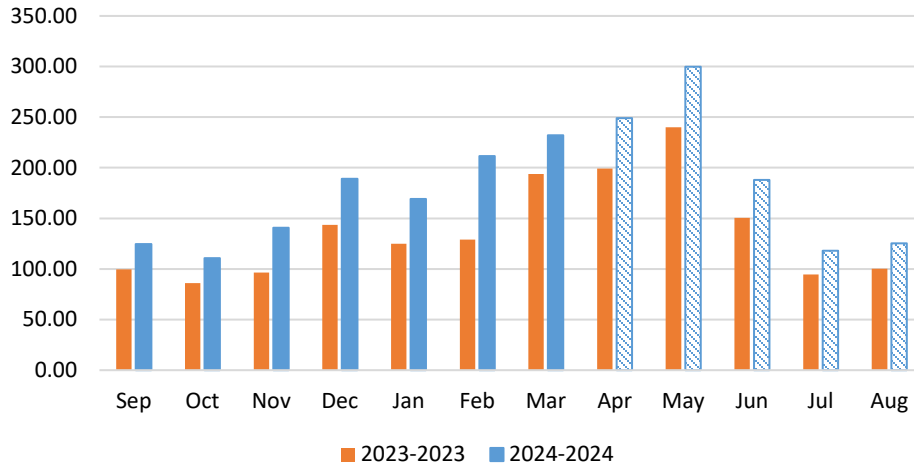
Census trade data was released yesterday for March. Let’s take a quick look at soybean and corn export pace. Simple pace analysis for the remainder of the crop year shows that USDA will likely have to make further adjustments to both soybean and corn exports. USDA is currently at 1,700mm bu for soybeans but this is likely ~50mm bu too high and an outcome of 1,650mm bu is reasonable. Soybean exports are down ~325mm bu YoY due to Brazil’s record soybean crop. Please note that the below shaded bars represent estimates.

23/24 Soybean Export Projections (MM Bu)



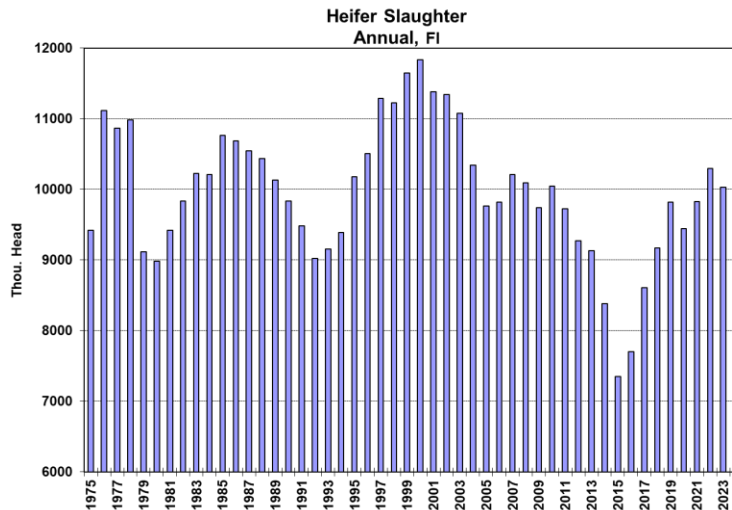
In reviewing corn and using the same pace methodology as soybeans, USDA is likely ~50-75mm bu too low from their current estimate at 2,100mm bu. An increase of 50mm bu is reasonable which would bring total exports to 2,150mm bu.

23/24 Corn Export Projections (MM Bu)

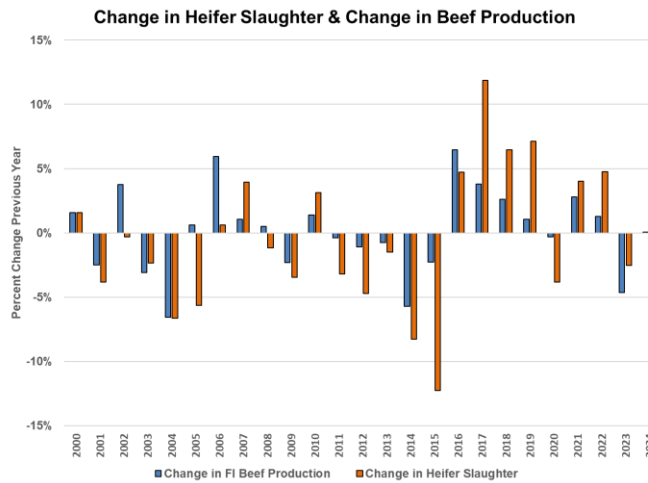


Livestock

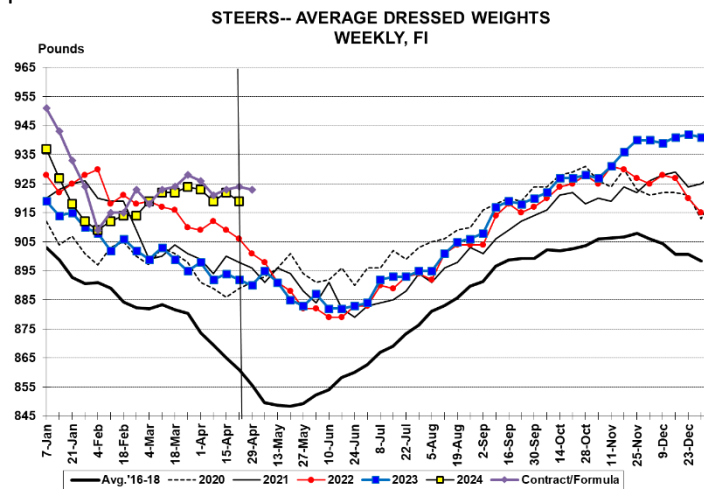
The number of heifers on feed at the beginning of the year was record large and nearly 2% higher than a year earlier. And, not much changed during the first quarter of 2024; the number of heifers on feed April 1 was smaller than on January 1, but was still more than 1% larger than a year earlier and historically large. As a result, heifer slaughter this year is expected to be only slightly below last year. Heifer slaughter typically declines sharply during the cyclical transition from herd contraction to expansion. It's doubtful that the 2014-16 plunge in heifer slaughter below 8 mil head will be replicated, but a decline from over 10 mil head to around 9 mil is likely over the next 2-3 years.



YoY changes in heifer slaughter is often positively associated with changes in beef production. For example, the plunge in heifer slaughter during 2014 and 2015 accounted for much of the decline in beef production during those years. Similarly, the larger heifer slaughter during 2016-19 accounted for much of the increase in beef production. A small change in heifer slaughter this year will not make much of a dent in beef production and likely will be overshadowed by a 1.5 to 2% rise in carcass weights. But, as more heifers are diverted from the marketing channel to the breeding herd later this year, the subsequent slaughter decline will coincide with smaller beef output. However, a replication of the near double-digit declines in 2014/15 heifer slaughter is doubtful.



The slow marketing pace of recent weeks coupled with longer-day feeding regimes continues to limit the seasonal decline in steer carcass weights. Steer weights in mid-April were similar to recent weeks and about 27 pounds heavier than last year. Based on the 2016-18 period, steer weights in mid-April average about 40 pounds lower than at the beginning of the year. The seasonal decline this year is less than half of that average. With more calf-feds entering the slaughter mix in the weeks ahead, weights will erode further toward seasonal lows, but will remain far above last year. And, a seasonal rise into the fall likely will propel fall peaks well above last fall's record highs. A procession of record heavy weights may impede cattle feeder leverage even as cattle on feed and fed cattle supplies erode.



Today's Calendar (all times Central)

- Average Hourly Earnings – 7:30am
- Nonfarm Payrolls – 7:30am
- Unemployment Rate – 7:30am
- S&P Global Services PMI – 8:45am
- S&P Global Composite PMI – 8:45am
- ISM Non-Manufacturing PMI – 9:00am
- ISM Non-Manufacturing Prices – 9:00am

Thanks for reading.

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