NESVICK TRADING GROUP, LLC

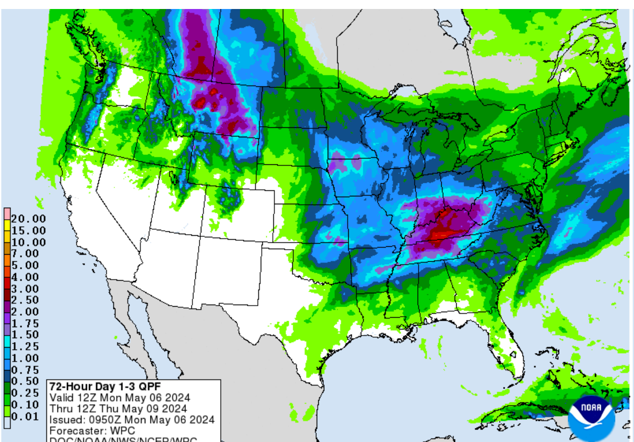
Monday, May 6, 2024
NTG Morning Comments
www.nesvick.com

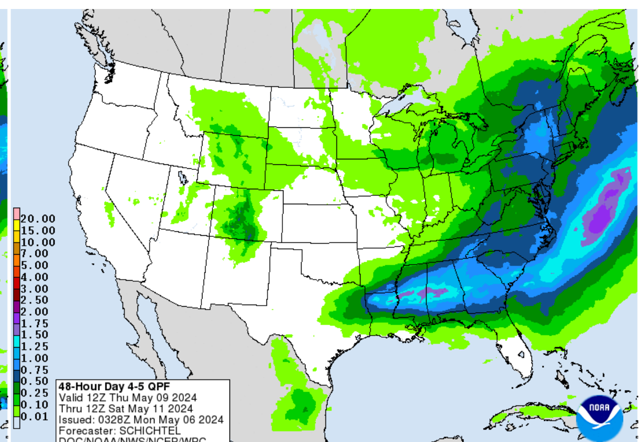
Weather

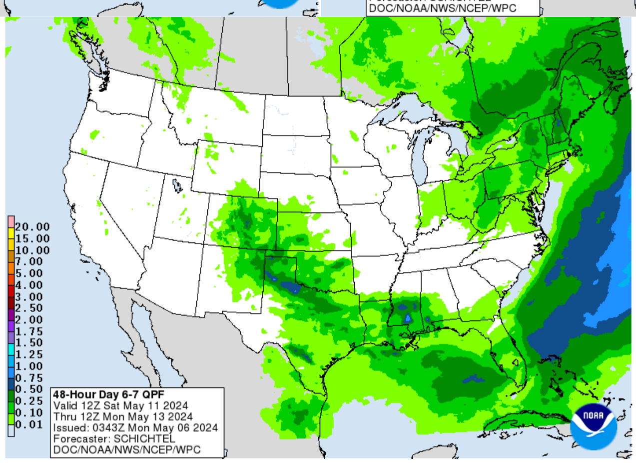
There was “some” fieldwork that got done in the Corn Belt over the weekend, and “some” will continue to get done today with most of the area staying dry through the afternoon hours. It is clearly not “widespread” fieldwork activity though, and rains from tonight through Wednesday night (two systems in that time frame) will bring operations to a halt once again; note the significant amounts shown on the Day 1-3 QPF map. It is worth noting that the Plains and far southwestern Corn Belt will miss the second weather system (for Wednesday), so those areas will start into a lengthy period (of as much as nine days) of little or no rain for tomorrow. The Day 4-5 and Day 6-7 QPF maps show that much of the middle of the country is looking at very limited rainfall for Thursday through the weekend, and that limited rainfall pattern could last through as late as May 15…giving all of the Corn Belt about a week of limited rainfall starting on Thursday.

Southern parts of Kansas saw wonderful (and badly-needed) rainfall on Friday night, but rain chances in the HRW wheat belt look poor through Saturday (even with a notable risk of severe weather in that area for today/tonight). Rain chances will improve in especially southern parts of that area though for a few days starting on May 12.

The worst of the flooding for Rio Grande do Sul in Brazil is now clearly behind us, with that state actually seeing a lot of dry weather for today and tomorrow. In Argentina, the state of Entre Rios will see substantial rain for today/tomorrow; otherwise, dry weather for the next 15 days will favor corn and soybean harvest progress.



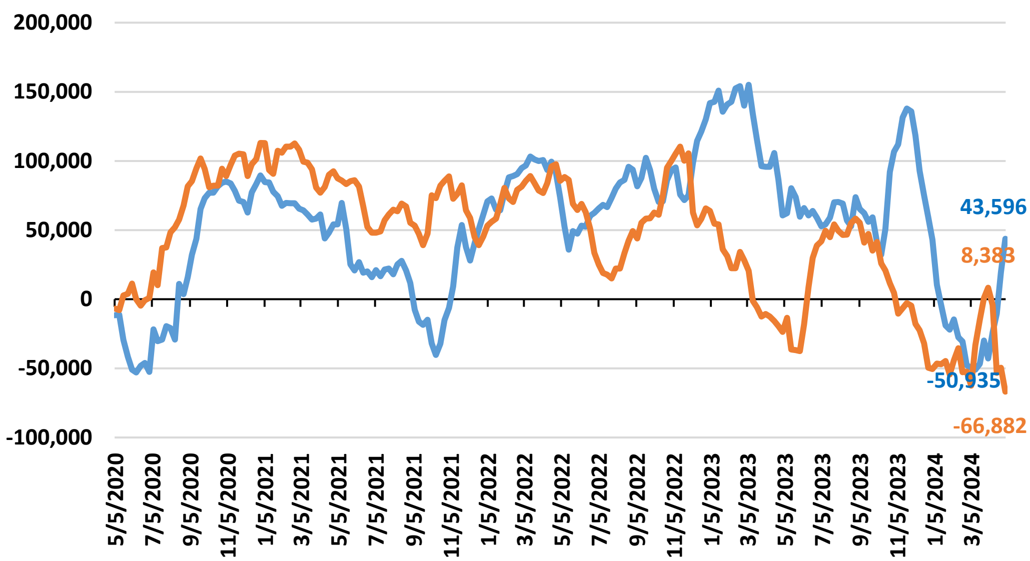


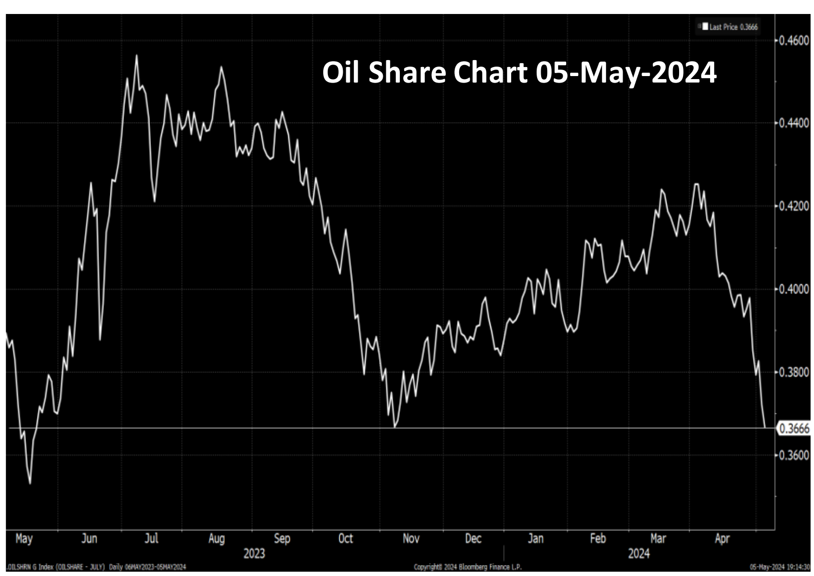


Grains

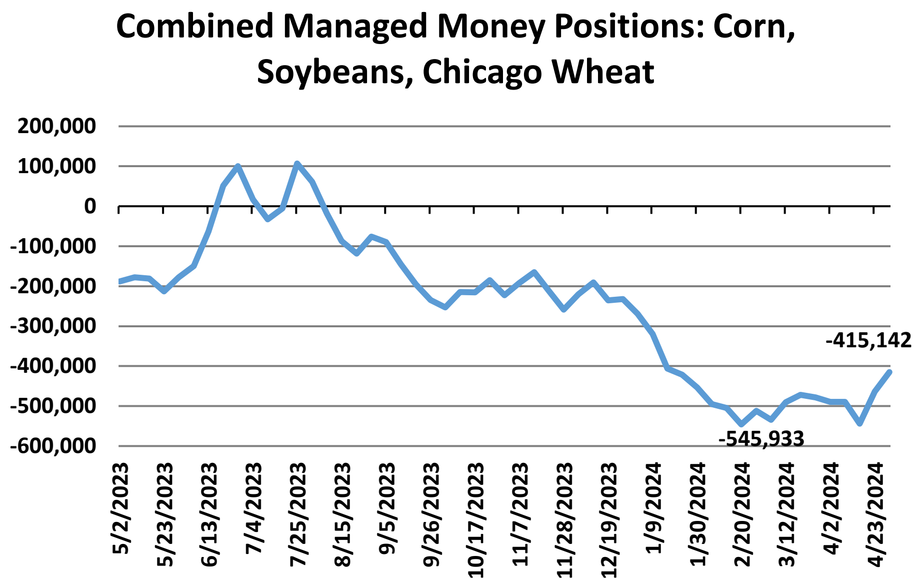
Friday's Commitment of Traders report showed that managed money increased their net long soybean meal position by ~24k contracts to ~44k contracts and increased their net short soybean oil position by ~18k contracts to ~67k contracts suggesting that traders were shorting oil share through the week ending 4/30. July Oil share decreased from 40% to 38% for the week ending 04/30 but continued to decline to ~37% through 5/5 potentially suggesting that managed money continued to increase their bearish oil share position. July Oil share is currently at a support level of ~36.67% from November 2023 lows which could provide a reprieve from the recent decline.

Managed Money Net Soybean Meal and Oil Position



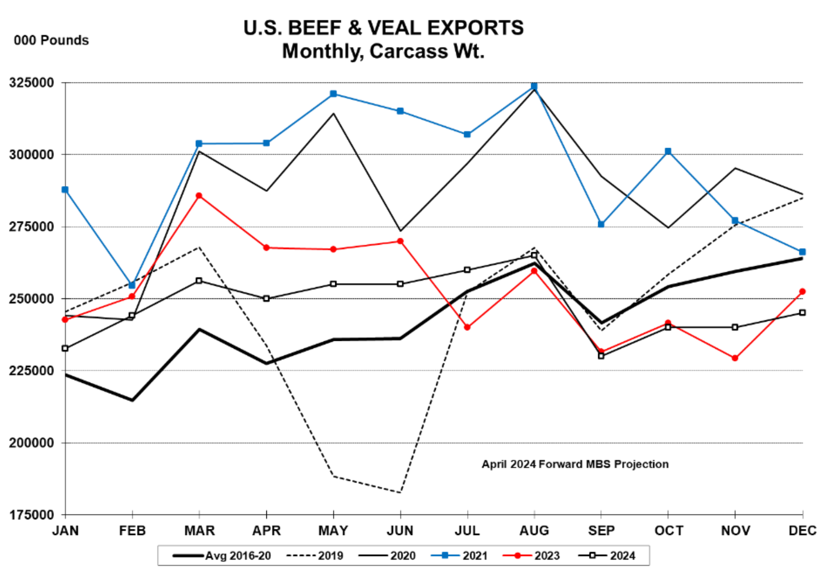


I've also included another chart which shows aggregated managed money positions for corn, soybeans and Chicago wheat. On a combined basis, the total net short reduction from February 2024 lows is approximately 130k contracts or 25%.

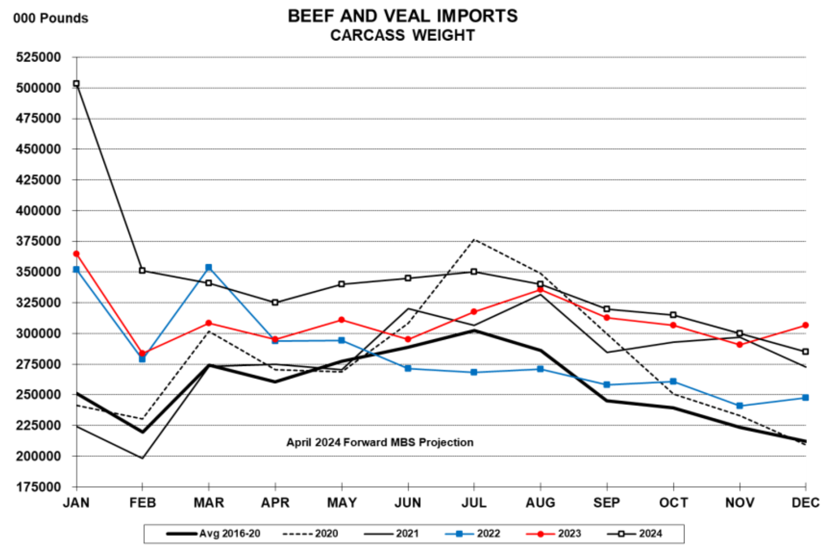


Livestock

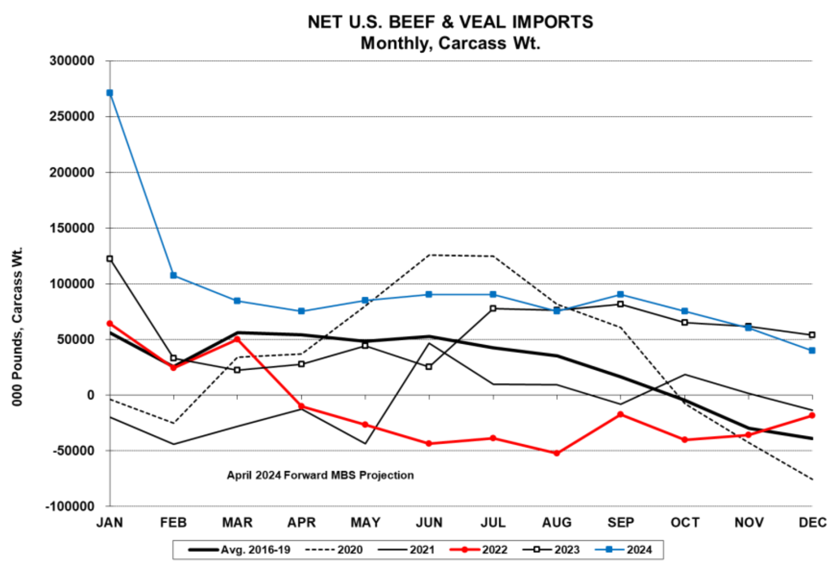
Beef exports rose seasonally during March, but slipped 10% below last year and nearly 16% below the record pace established in 2021. Shipments were smaller to all major export destinations including: South Korea ↓14%, Japan ↓5%, China ↓8%, Mexico ↓5%, Canada ↓4%, and Taiwan ↓33%. Historically high US beef prices, a strong dollar, and stiffer competition from other major beef exporters likely will keep a lid on US shipments in the months ahead.



At the opposite end of the spectrum, US imports in March continued to slow compared to the record volumes posted in Jan/Feb, but were still 11% larger than last year. Historically high US lean beef prices, coupled with the strong dollar and larger production in several competing world beef exporting countries will continue to attract imports in the months ahead. Larger March purchases were noted from: Australia ↑117%, Canada ↑20%, New Zealand ↑7% and Uruguay ↑29%, which were partially offset by smaller purchases from Mexico ↓21% and Brazil ↓27%. The "Other" country quota, which includes Brazil, was reached in early March and the over quota tariff likely will continue to temper purchases from those sources in the months ahead.



Seasonally larger exports during March coupled with seasonally smaller imports pared net imports below 100 mil pounds, but were still nearly 4-fold larger than last year. The larger net imports may persist into mid-year before moderating as the import pace slows. Still, net imports are on pace to reach near 1.2 bil pounds, up nearly 70% from last year and likely slightly larger than the previous peak posted in 2015.



Today's Calendar (all times Central)

- Export Inspections -10:00am
- FOMC Member Williams speaks – 12:00pm
- Crop Progress – 3:00pm

Thanks for reading.

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