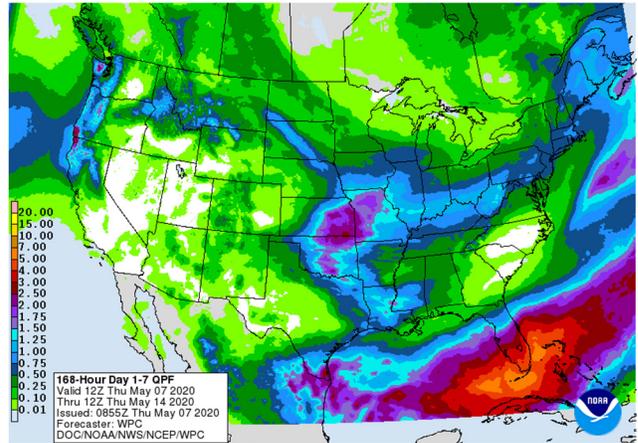
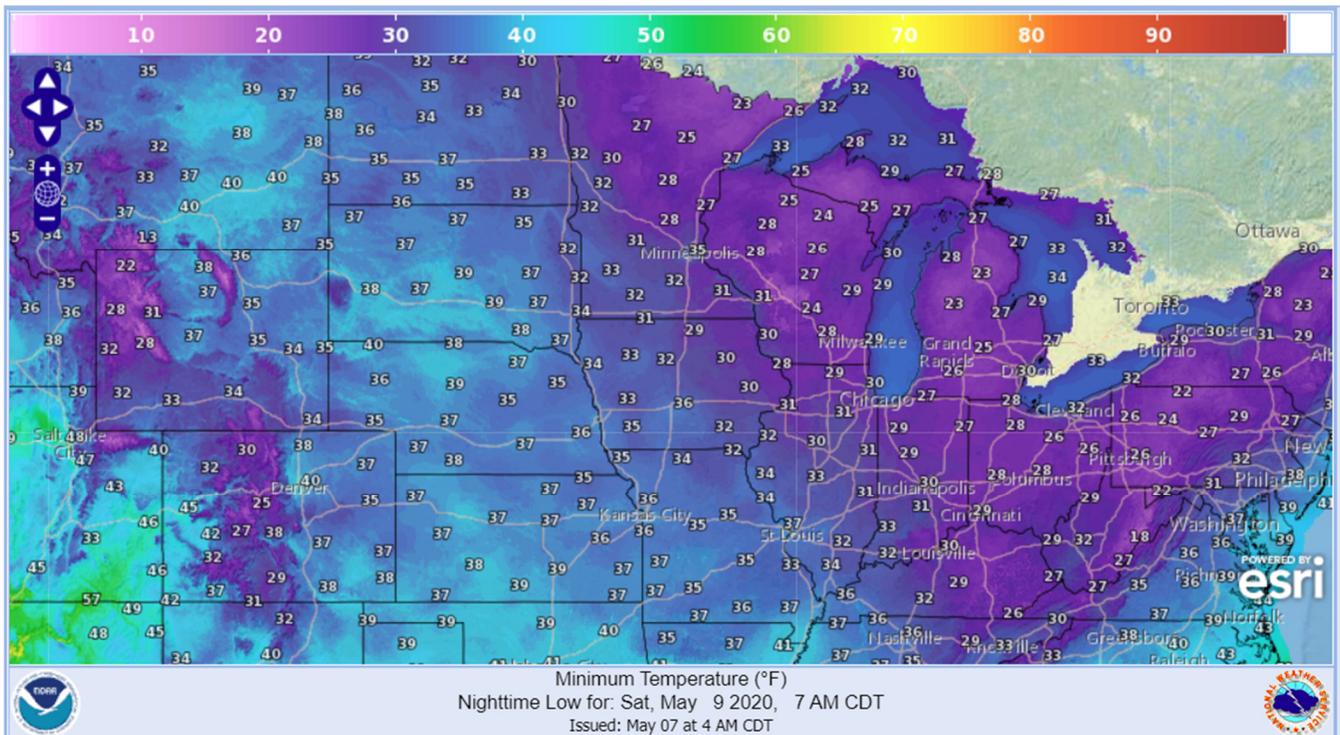


Weather

No major changes to the forecast. The bottom line is that the forecast continues to shift gradually wetter as we move forward. First note the good rainfall totals indicated in the map for a big portion of the HRW area. A lot of that will be seen today with additional amounts likely mid-next week. The same systems will be mostly responsible for the Corn Belt rainfall, which favors southern areas with the best amounts and coverage. As we progress deeper into the 6-10 and 11-15 day periods, rainfall chances should improve on a more widespread basis through the Corn Belt.



We still have several more days of below normal temps to work through, but the coldest morning will probably be Saturday. The map below gives a look at expected low temps that day. You can see widespread sub-freezing lows through the ECB at that time.



Crops

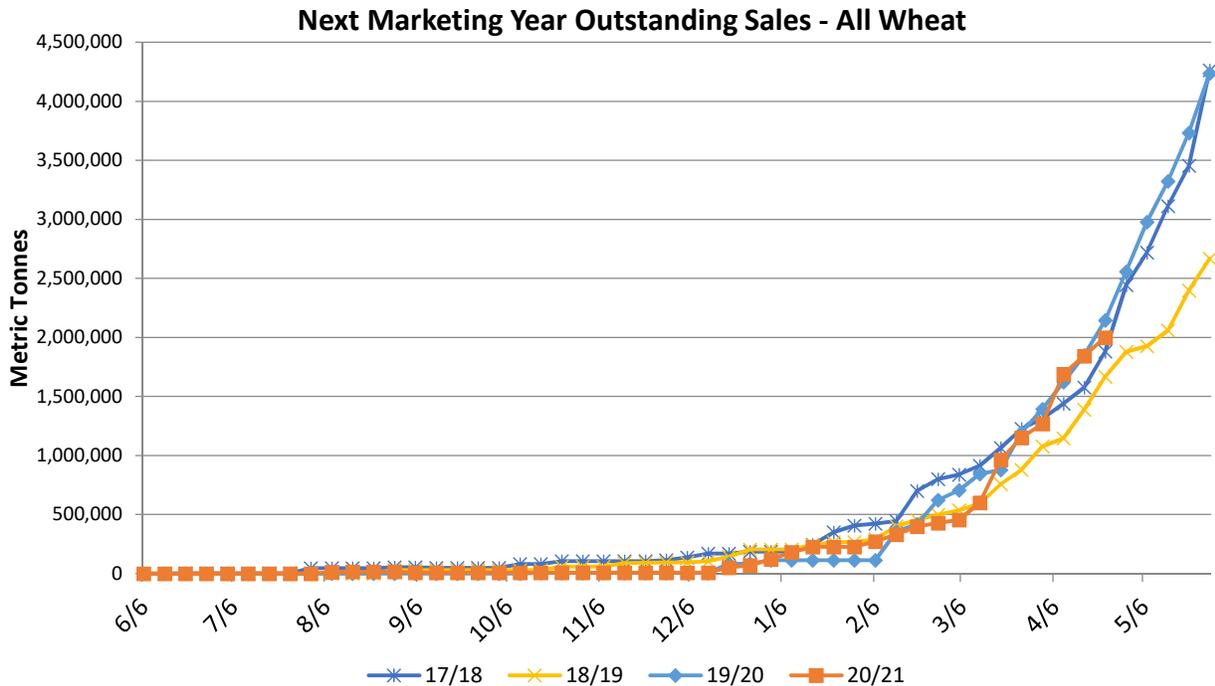
Time to start looking ahead to next week’s WASDE release. Obviously the highlight of this month’s report is that we’ll get our first look at “official” 20/21 balance sheets. With the 19/20 marketing year for wheat almost wrapped up, these new 20/21 projections will take on added meaning. With that in mind, we’ll start our WASDE preview with a look at US wheat balance sheet prospects this morning.

Before getting into new crop ideas, there is some fine-tuning needed for the old crop balance sheet. There isn't much work to do, but I do think a further adjustment might be necessary to exports. WASDE cut exports by 15 mil bu last month and I think another similar cut could be looming. Census wheat exports were a bit disappointing relative to my expectations at only 69 mil bu. Based on what I've seen on April inspections, we'd need to see a pretty solid uptick in weekly shipments this month to reach the current WASDE projection. You'll note below I'm penciling in 20 mil bu reduction in exports, but I'll concede that it is possible WASDE waits one more month before making a change.

US All-Wheat Supply & Demand Estimates (Million Bushels/Million Acres)

	USDA 15/16	USDA 16/17	USDA 17/18	USDA 18/19	USDA 19/20 Apr	Possible 19/20	OF-Implied 20/21	DZ Guesses
Planted Acres	55.0	50.1	46.1	47.8	45.2	45.2	44.7	44.7
Harvested Acres	47.3	43.9	37.6	39.6	37.2	37.2	37.7	37.7
Abandoned Acres	7.7	6.2	8.5	8.2	8.0	8.0	7.0	7.0
Yield	43.6	52.7	46.4	47.6	51.7	51.7	48.2	48.2
Carryin (Sep 1)	752	976	1,181	1,099	1,080	1,080	970	990
Production	2,062	2,309	1,741	1,885	1,920	1,920	1,817	1,817
Imports	113	118	157	135	105	105	140	120
Total Supply	2,927	3,402	3,079	3,119	3,105	3,105	2,927	2,927
Food Use	957	949	964	955	955	955	1,019	965
Seed	67	61	63	59	60	60		60
Feed & Residual	152	156	51	90	135	135	120	90
Total Domestic	1,177	1,167	1,079	1,103	1,150	1,150	1,139	1,115
Exports	775	1,055	901	936	985	965	1,000	1,000
Total Use	1,952	2,222	1,980	2,046	2,135	2,115	2,139	2,115
Carryout (May 31)	976	1,181	1,099	1,080	970	990	788	812
Stocks/Use	50.0%	53.2%	55.5%	52.8%	45.4%	46.8%	36.8%	38.4%

In compiling my new crop balance sheet guesses, I was surprised to find how much in agreement I am with the Outlook Forum projections. For production I'm simply taking the OF's yield estimate and applying it to the new acreage numbers. I'm slightly lower on imports based on this year's low-ish number, but I'll concede that is basically a guess. There isn't a ton of variation year-to-year on food use, so I'm simply accounting for some modest YOY gains. On F&R, I have a smaller figure due to expectations for a big corn crop leading to lower wheat usage than the OF was probably counting on at the time. On exports, I am actually going to agree with the OF projection right now. We can see EU wheat production will be down significantly YOY (attache report is down about 10-11 mmt YOY) and there are question marks surrounding FSU production and export levels. I think starting with an optimistic number here makes a good deal of sense. Additionally, NMY sales on the books right now are pretty solid...fairly similar to levels we saw at this point last year. Throw in some presumed optimism on the US-China trade deal and a 1 billion bushel projection makes sense to me.



My ending stocks guess for 20/21 is actually fairly close to the Bloomberg survey estimate. The average guess on production is higher than what I'm showing above, however, so I suppose the market is expecting bigger demand levels than I'm showing?

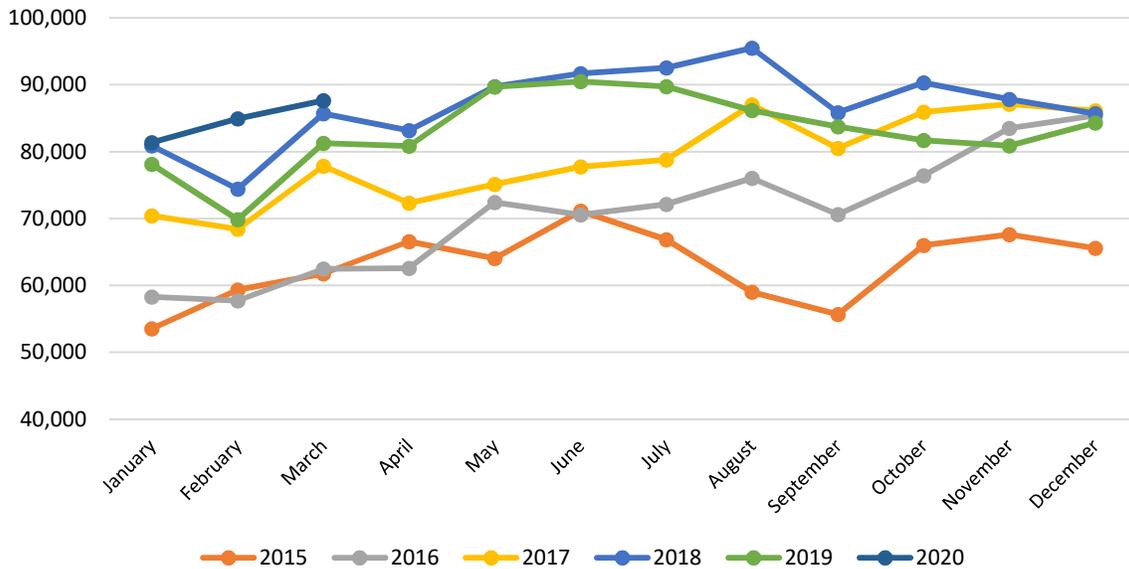
Livestock

A wild ride yesterday with cash trade. The FCE posted very small 95 trade but it wasn't long after that a pair of packers supported the market with sharply higher bids. One packer was bidding 110 and then another decided to apparently put a 115 floor on all cattle bought this week. The 115 trade wasn't officially reported by MPR yesterday but it should eventually show up in formula data. Kills have picked up...but only a little. We're still backing up cattle. But optically it makes sense for the packer to spend a little more for the cattle considering their huge margins and the fact that the DOJ is being asked to look into their practices by the Trump administration.

USDA Sec Perdue said yesterday the packing industry could be back to full capacity in "a week to 10 days". I'll bet the over.

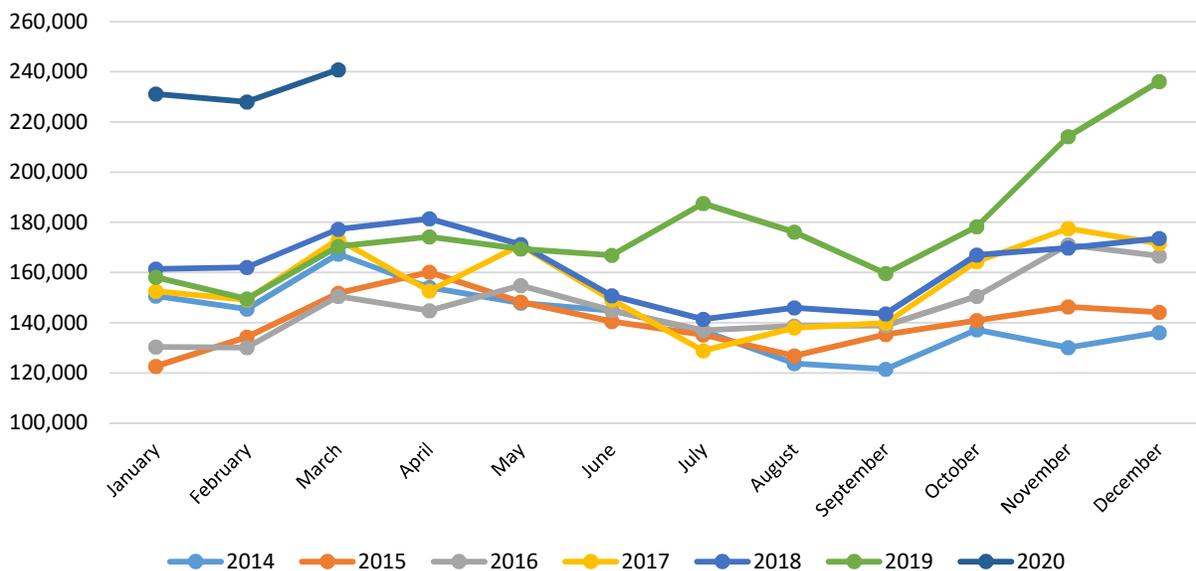
Earlier in the week we got official Census trade data. Total US beef exports were pretty strong, totaling 87.7k mt. This is up from roughly 84.9 in February and from 81.2k mt in March of 2019. The chart is shown below. However, what stands out to me in the trade data is that imports were very big too. Imports totaled 101.5k mt, up from 79k in February and up from 92k in March 2019. US net imports of beef were roughly 14k mt, which is the largest net import total since late 2017.

US Total Beef Exports

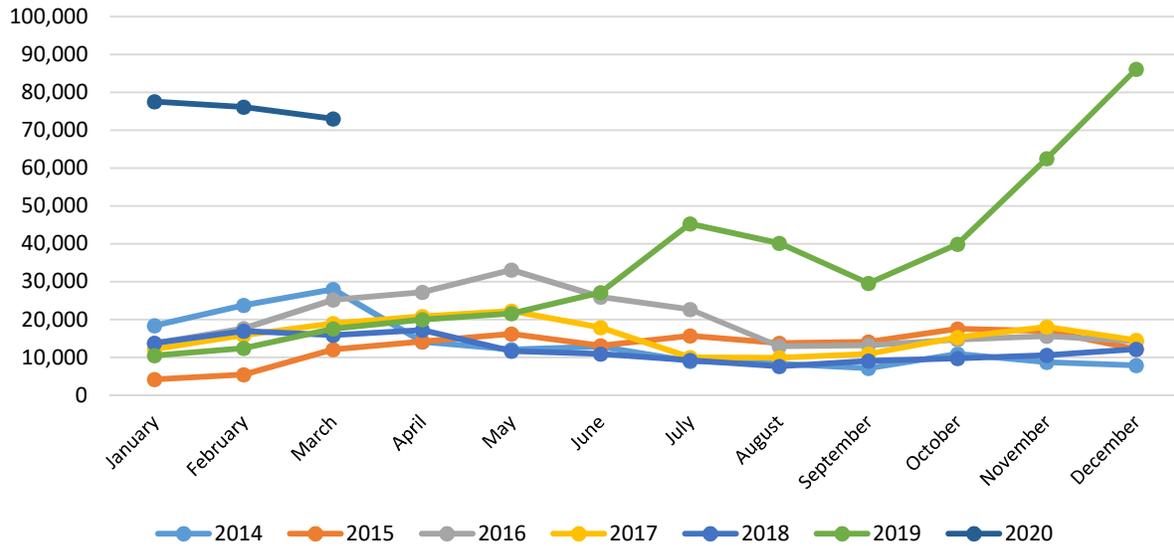


US pork exports in March were exceptionally strong. While I don't have the exhaustive data to prove this is a new record for US pork exports, I'm pretty sure it is. Chart below. Exports to China were actually down slightly MoM, but US total exports were up substantially. The second chart that follows shows exports to the ASF-impacted region in Asia. It'll be interesting to see if demand for additional pork imports picks up a little more in the months ahead now that the combo double-punch of Chinese Lunar New Year and coronavirus lockdowns are easing.

US Total Pork Exports



US Pork Exports To ASF-Impacted Region China, Hong Kong, Taiwan, Vietnam



Financials

No major news to pass along this morning. The markets have bounced this morning, though I don't see any major news to explain the enthusiasm. Some will argue that trade talks between the US and China could be reason for the bounce as it might help sooth tensions. We'll see. The focus of the market in the next two sessions will be employment data. Today we get weekly claims numbers. Initial claims are expected to be "only" 3 million today but continuing claims are expected just under 20 million. Tomorrow we get the NFP release. Yesterday the ADP reported a loss of 21 million jobs last month, and that is essentially the expectation for tomorrow. The median guess on the unemployment rate is 16%, but as you can see below there is a wide range of expectations.



Energy

Crude oil futures are back rallying again this morning. This is, in part, due to the underlying risk-on tone of markets this morning. Additionally, we are seeing word that the Saudis are raising prices for the month ahead. Prices to Asia, as an example, were raised by \$1.40/bbl. They also raised prices to Europe and the Mediterranean, which is a market they've been in fierce competition against Russia for. While this certainly doesn't signal the price war is over, it is an interesting shift that should be noted.

Today's Calendar (all times Central)

- Jobless Claims – 7:30am
- Export Sales – 7:30am
- EIA Natural Gas Storage – 9:30am

Thanks for reading.

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