NESVICK
TRADING GROUP, LLC

Friday, March 25, 2022
NTG Morning Comments
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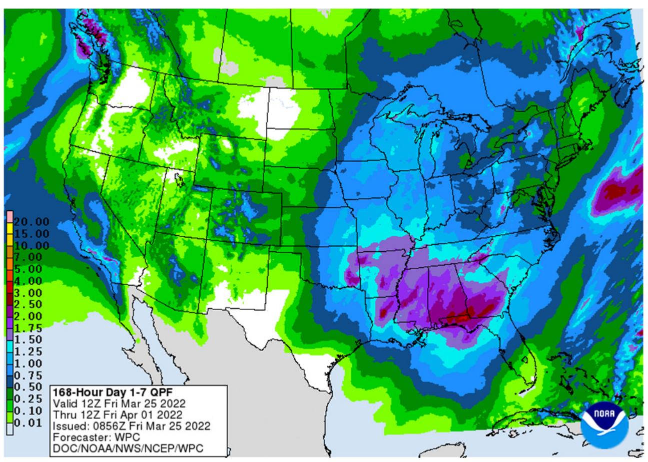
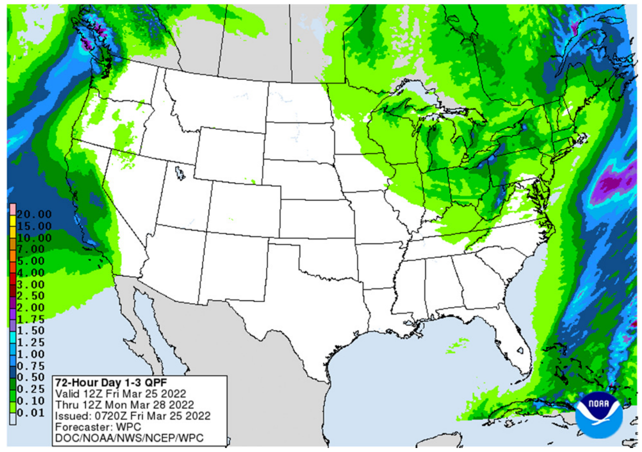
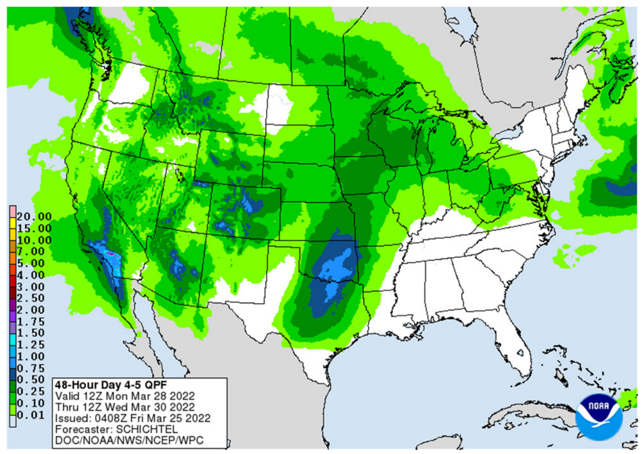
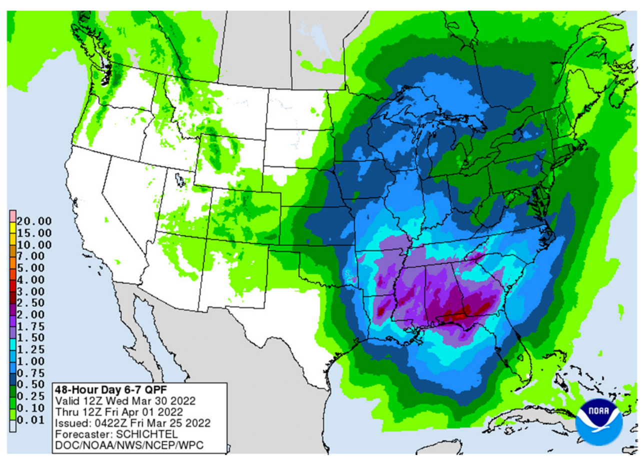
Weather

I have 3 QPF maps at the right. They show Days 1-3, 4-5, and 6-7. Below I've got the full 7-day QPF. You can see that the next few days will feature limited precipitation across the country. Starting early next week we should see some pick up in precipitation chances, though mostly it'll be scattered and light. This will culminate in some very big precipitation for the eastern half of the country in the second half of next week as shown in the final map at the right. Note that the HRW Belt will see some good precipitation over this period, but that once again western portions of the region will be somewhat short changed.







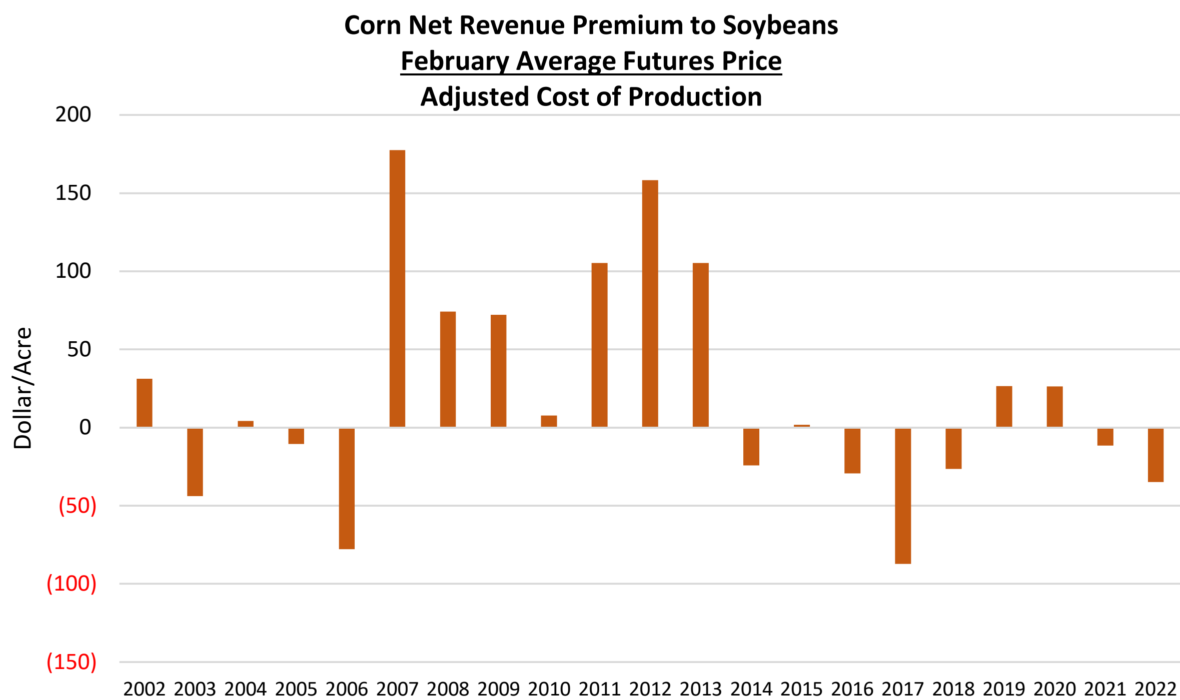


Temps will be relatively cool over the next 10 days. We might gradually start to warm up to near normal temps by the 11-15 day period, but fairly cool before that. That being said, nothing extreme.

Crops

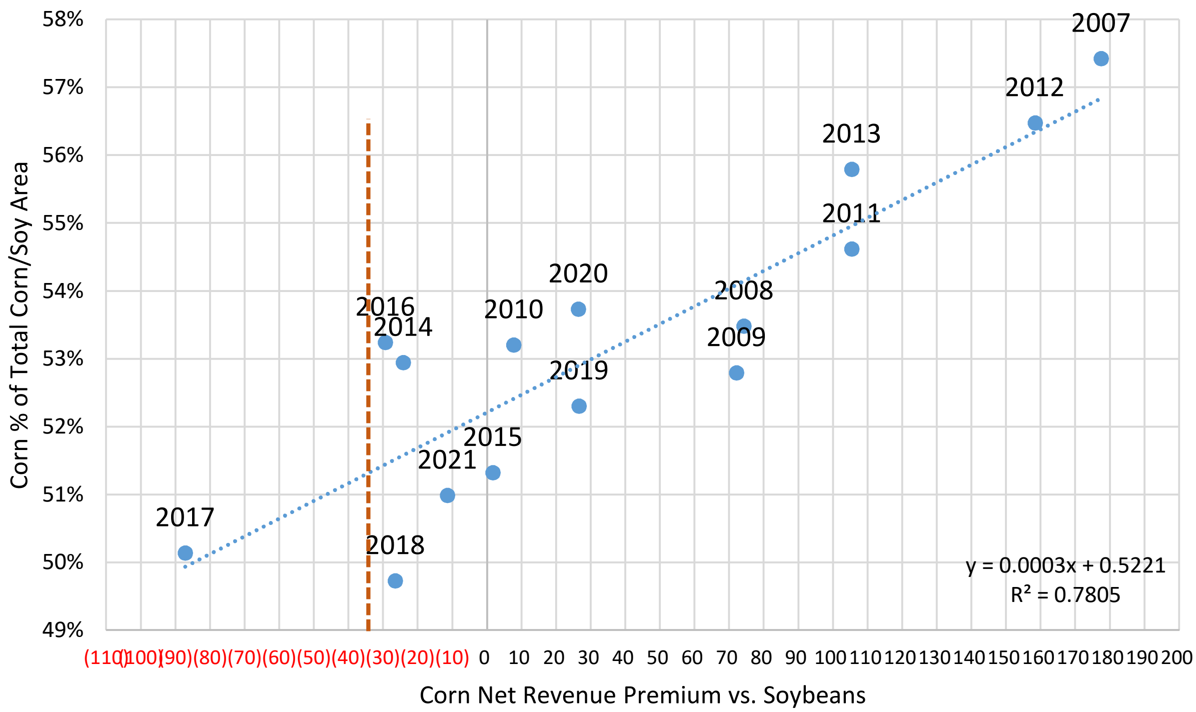
We've spoken a lot of acreage over the past few months but it's time to finally stick my neck on the line and come up with a guesstimate on what next week's March Prospective Plantings report will show. I never have a ton of confidence going into this report, and this year is even harder for reasons that should be obvious.

Go back to yesterday's commentary and you'll see my adjustments for cost of production relative to the USDA's figures for this year. If we take those cost of production estimates and use the February average CZ and SX futures price along with guesstimates on yields and basis (I'll keep some of those details to myself), we can come up with a comparison of net revenue of growing corn vs. soybeans. The chart below shows what I am spitting out for this year compared to the numbers over the past several years. Keep in mind, this is a national average look…your individual situation will almost certainly vary from these figures.



So based on the cost of production estimates and the estimates on revenues, I'm showing that soybeans have a sizeable net revenue advantage over corn (again, using the Feb average futures prices). As we've shown in the past, this calculation is actually a relatively useful tool in at least getting in the ballpark on what to expect from the Prospective Plantings report. The chart below plots the net revenue calculation shown above on the X-axis. The Y-axis shows corn's percentage of the total corn+soybean acreage combo in the March PP report. As you can see, these typically line up fairly well…though nothing is ever perfect. The dotted orange line indicates where this year's net revenue calculation lines up as shown above.

Corn's Net Revenue Premium vs. Soybeans and % of Corn Acres March P.P. Report



So what does that mean for actual acreage numbers? I'm going to assume a 179 million acre "pie" for corn and soybeans. Interesting to see the Bloomberg survey of analysts suggest a pie closer to 181 million acres. I think that is a bit too much.

With a 179 pie…the above relationship would imply **91.6 million acres for corn and 87.4 million acres for soybeans.** That is relatively close to the average guess on corn but about 1.5 mil under for soybeans.

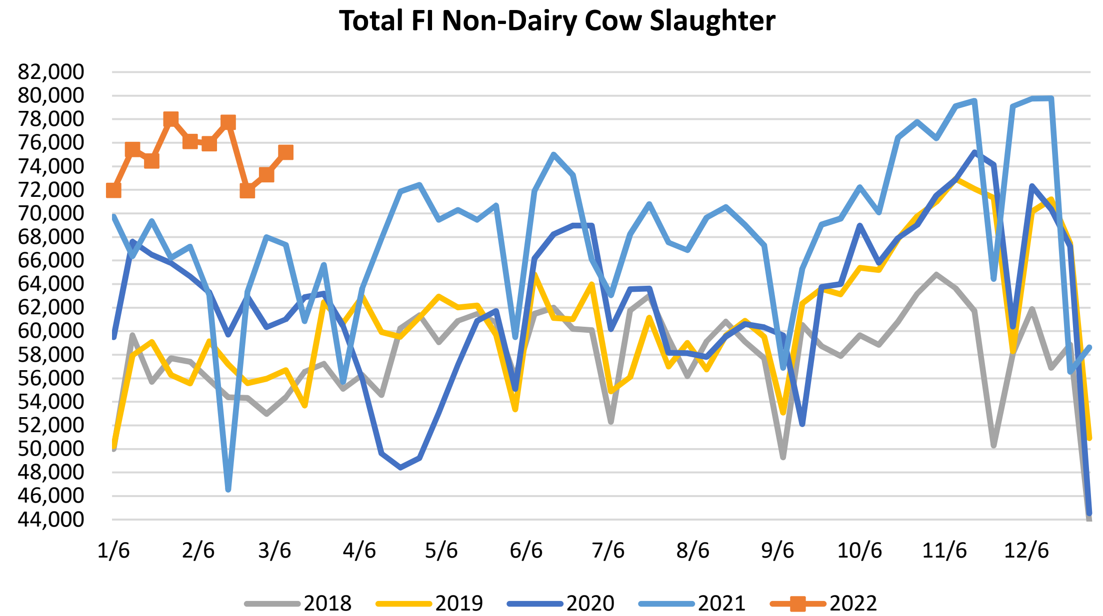
I'm definitely open to some constructive criticism….let me know what you think.

Livestock

On tap today we have the Cattle on Feed report. The breakdown to the right shows the Bloomberg survey for expectations. Our friend Mike Sands isn't too far off the averages. His placement figure is a bit lower at +4.4% and his on-feed is only +0.7%...but that wouldn't be a market-moving difference.

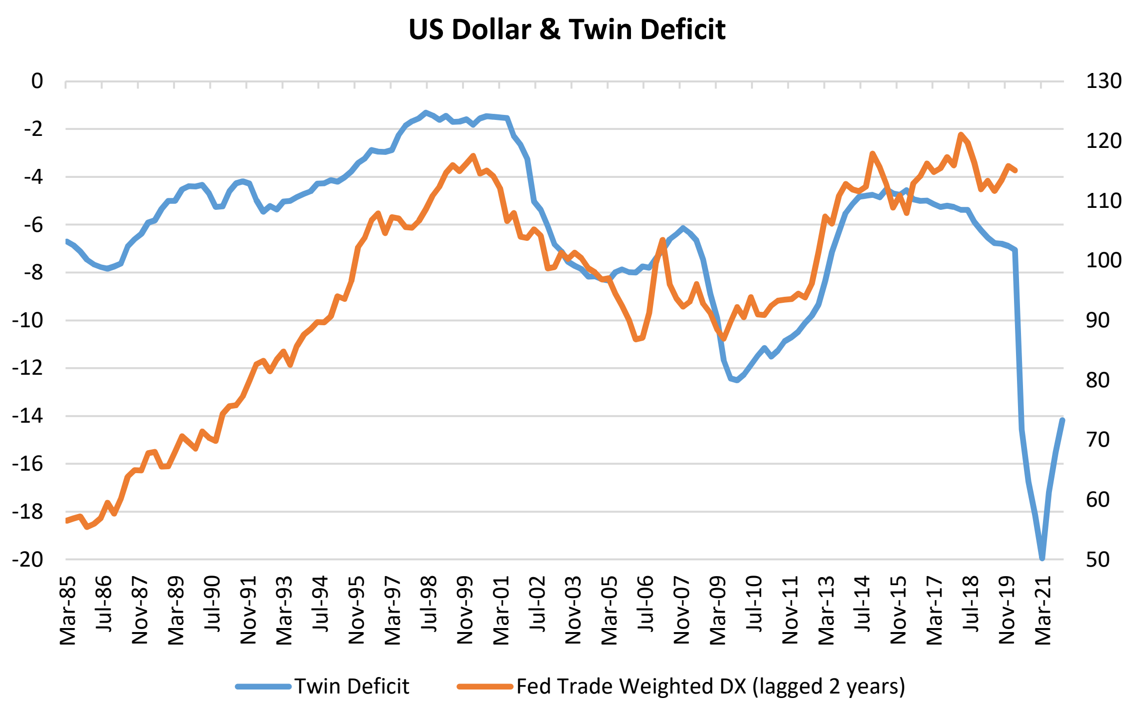
	Survey Results			Survey avg	USDA Yr-ago
	Avg	Low	High	Mln Head	Mln Head
Cattle on Feed (March 1)	1.6%	0.8%	5.9%	12.196	12.000
Placements (Feb.)	6.5%	4.5%	9.8%	1.801	1.691
Marketings (Feb.)	3.4%	-1.1%	4.5%	1.798	1.739

Not much else to talk about this morning. Nothing special stood out to me from yesterday's official slaughter report. Beef cow kill remains robust.



Financials

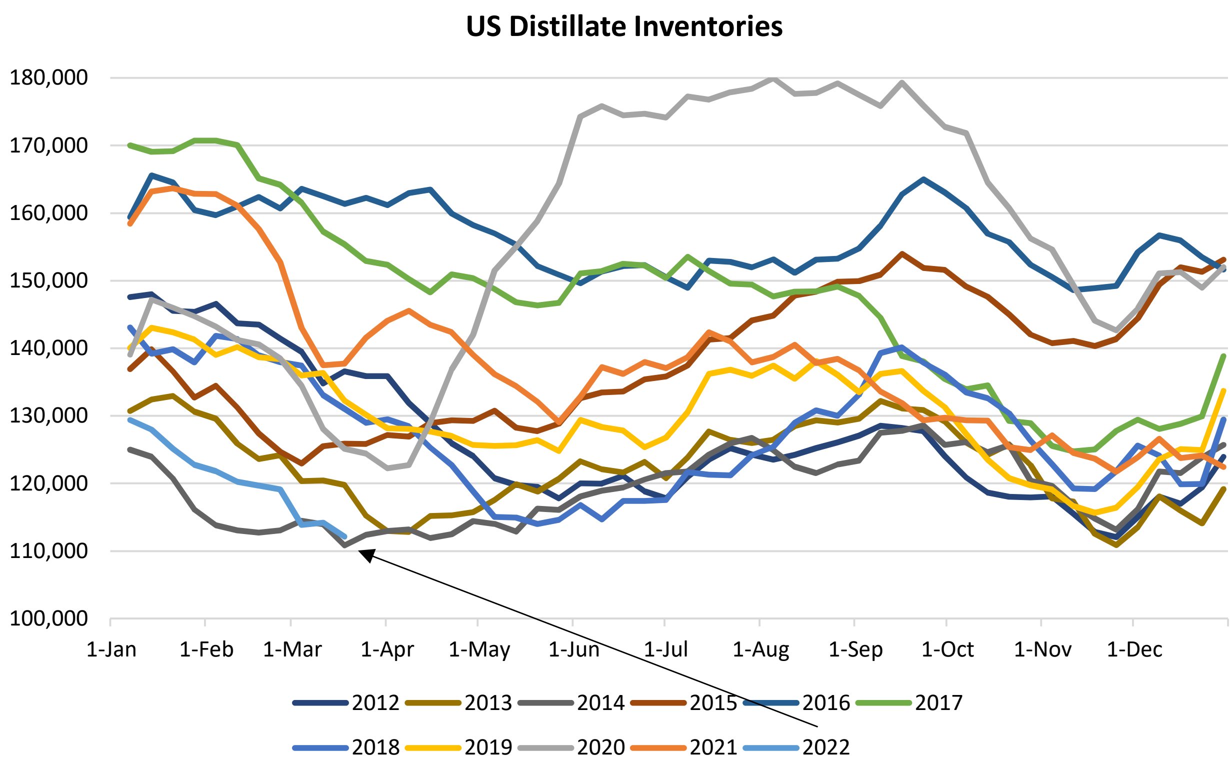
I mentioned the current account balance yesterday. The chart below is why. The blue line is the US twin deficit in percentage of GDP terms. The orange line is the dollar index, but lagged by two years. We saw the twin deficit blow out starting two years ago with the start of Covid. This "should" be when the dollar starts to crack. Obviously no signs of that yet, but something I'm trying to keep in mind here.



As a reminder- the twin deficit is the combination of the US budget deficit (huge) and the current account balance (also huge deficit). The current account balance is similar to the trade balance, but it also includes services and net foreign investments along with some other transfers.

Energy

Presented with limited commentary…US distillate inventories. We're at the lowest levels since 2014, and I'd bet we take out those lows relatively soon. Anything that travels by truck is going to feel this through higher diesel prices. Last time I checked…almost everything hits a truck at some point.



Today's Calendar (all times Central)

- U of M Consumer Sentiment – 9:00am
- Cattle on Feed – 2:00pm
- Several Fed speakers

Thanks for reading.
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