

Weather

Big rains will dominate the northwestern Corn Belt in the Day 1-5 QPF while there is a general lack of rain further southeast, creating a sharp line between those two rainfall regimes. In northwestern parts of the region, there can be localized amounts even heavier than shown. In the southeastern Corn Belt, rainfall coverage may be even less than shown with sizable areas completely dry in this time frame. The other big rainfall “story” for this period will be very heavy rains for the Texas Gulf Coast / Mexico.

The second map on this page shows that it was a wet weekend for a lot of the northwestern Corn Belt, extensive rain/thunderstorm activity was noted in that area early on this Monday, and that area is going to pick up a lot of additional rain through the end of this week.

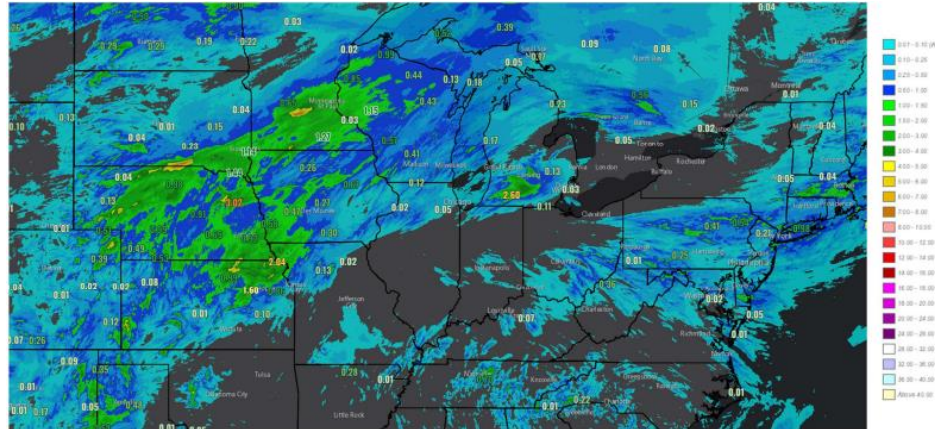
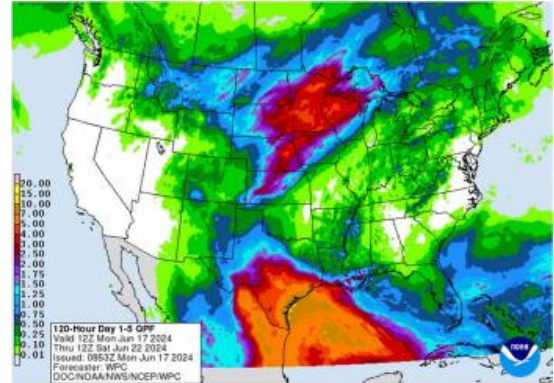
A few spots in the southeastern Corn Belt will top 95 for highs today, and a few spots in the southern Plains will top 100 degrees. Thursday to Saturday is going to be another period of really big heat in the eastern Corn Belt with some spots again able to top 95. As the ridge/dome flattens for June 23 and beyond, that will allow for some moderation in temperatures; clearly never “cool”, but there can be areas in the middle of the country running closer to normal on temperatures for the 5-day period of June 23-27. After that, temperatures are forecast to be on an upswing again to finish the month but the severity is still in question.

Grains

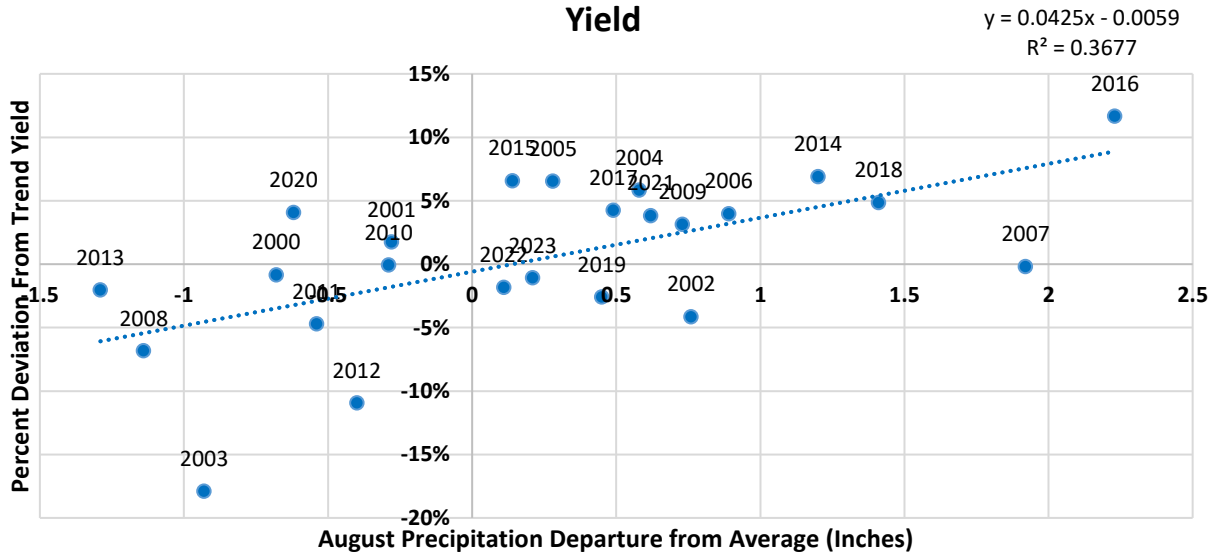
Last week we reviewed the correlations between temperature and precipitation departure from average in relation to corn yields. Today, we will review the same for soybeans. There isn’t an obvious narrative like there was in corn. The R² between temperature departure from average and percent deviation from the 30-yr trend soybean yields for months June, July and August were all below 0.2. June had the strongest correlation at an R² of ~0.15 followed by July (~0.08) then August (~0.04).

In terms of precipitation, June and July both had very weak correlations (R² of under 0.10). The strongest correlation was August which had an R² of ~0.37. Soybeans are more resilient to temperature than corn and late summer precipitation is more important for yields than temperature.

Day 1-5 QPF

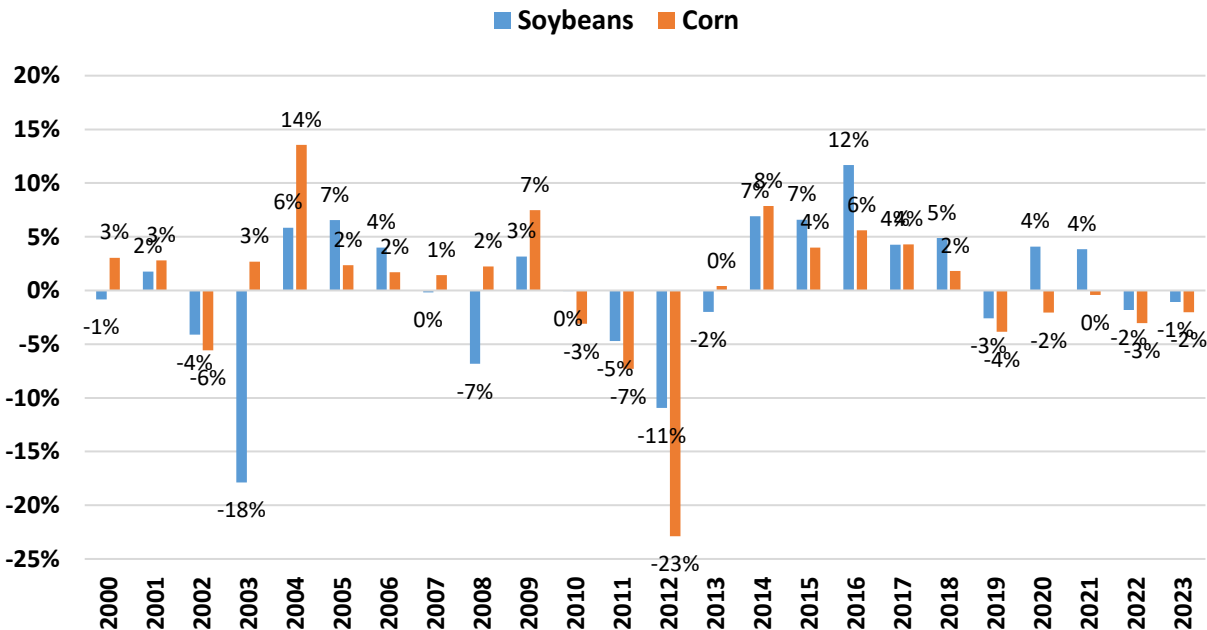


August Soybean Belt Precipitation Departure from Average (1901-2023) vs Percent Deviation From 30-Yr Trend Soybean Yield



The below chart shows the percent deviation from 30-yr trend yield for both soybeans and corn. It's interesting to note that there has not been more than a 5% deviation in yields (+ or -) since 2018. The variances for corn and soybeans are similar since 2000. Corn has of 0.44% variance while soybeans have a 0.39% variance.

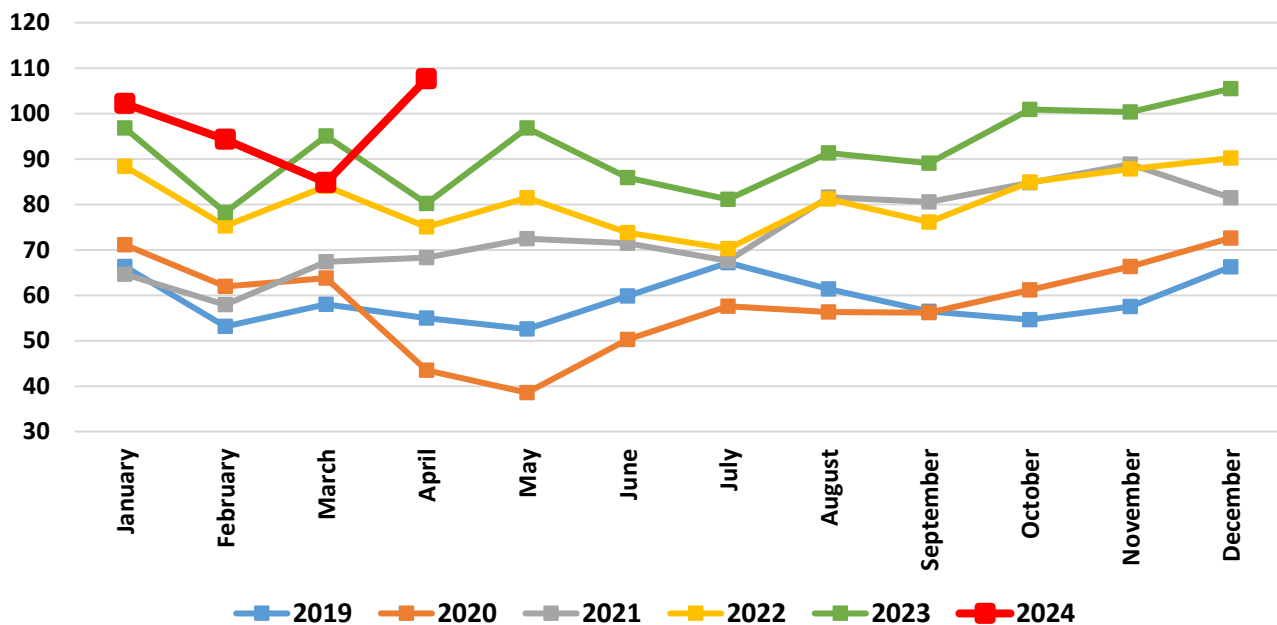
Percent Deviation From 30-Yr Trend Yield



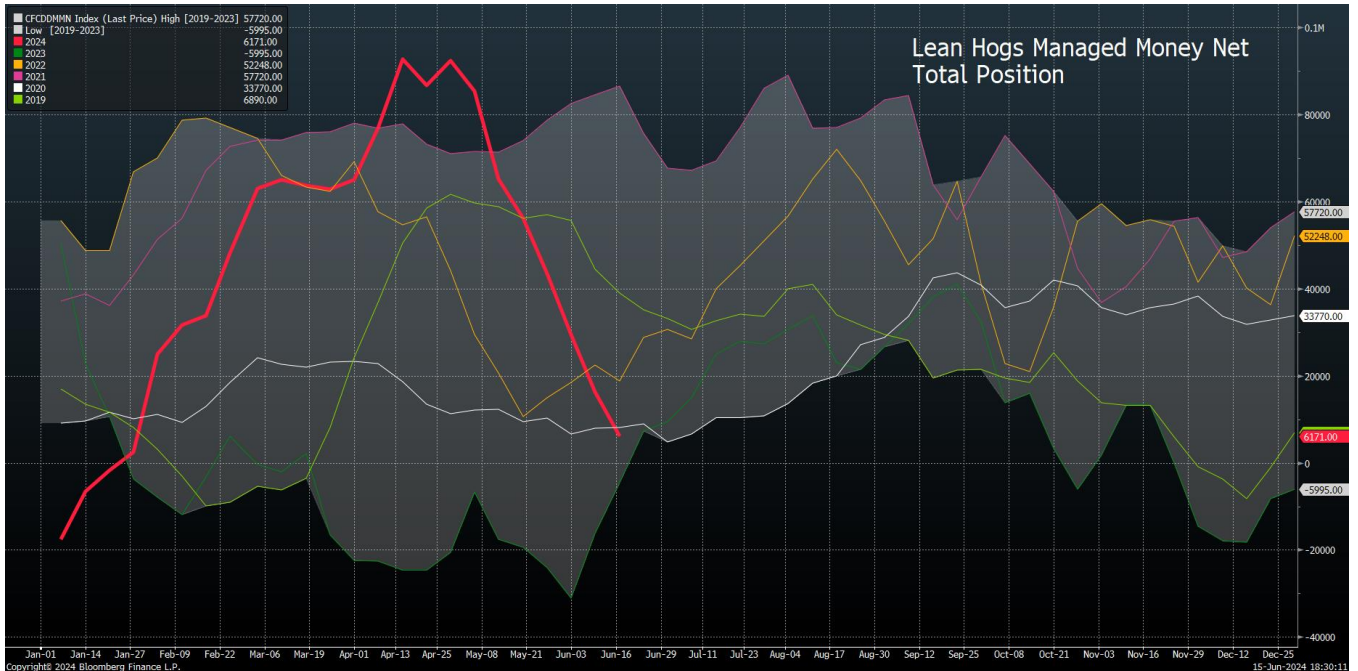
Livestock

I've received a few questions about US pork exports to Mexico so we will spend some time reviewing the topic this morning. The US exported a record large amount of pork to Mexico in April totaling ~107k metric tons which represents a ~27% MoM increase and a ~34% YoY increase. Mexico's demand for meat protein has risen in recent years due to growth in Mexico's per capita GDP. Of late, Mexico's demand for pork has remained strong as pork represents a "cheap" source of protein relative to beef.

US Pork Exports to Mexico (1,000 MT)



The recent election of Claudia Sheinbaum has derailed the value of the Mexico peso which has contributed to the decline in price of lean hogs in the US. Since 6/2 (the election date of Sheinbaum), the correlation in price movement between the value of the peso and lean hogs has been -0.55, which is a very strong correlation between these two products relative to history. Managed money has largely been responsible for the decline as the Commitment of Trader's report showed a ~10k contract decline to their net long lean hogs position through Tuesday of last week. The decline in price of lean hogs into Friday could suggest that managed money continued their selling into the end of the week. This could also indicate that managed money is now carrying a record short position in lean hogs for this time of year. Thoughts appreciated.



Today's Calendar (all times Central)

- NY Empire State Manufacturing Index – 7:30 am
- NOPA – 11:00am
- Various FOMC speakers

Thanks for reading.

Evan Basse

evan@nesvick.com

847-650-8002

Trillian IM: evan@nesvick.com

Bloomberg IB: ebasse3@bloomberg.net

DISCLAIMER:

This communication is a solicitation for entering into derivatives transactions. It is for clients, affiliates, and associates of Nesvick Trading Group, LLC only. The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions expressed reflect judgments at this date and are subject to change without notice. These materials represent the opinions and viewpoints of the author and do not necessarily reflect the opinions or trading strategies of Nesvick Trading Group LLC and its subsidiaries. Nesvick Trading Group, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such.

Officers, employees, and affiliates of Nesvick Trading Group, LLC may or may not, from time to time, have long or short positions in, and buy or sell, the securities and derivatives (for their own account or others), if any, referred to in this commentary.

There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. Nesvick Trading Group LLC is not responsible for any redistribution of this material by third parties or any trading decision taken by persons not intended to view this material.