NESVICK TRADING GROUP, LLC

Thursday, July 11, 2024

NTG Morning Comments

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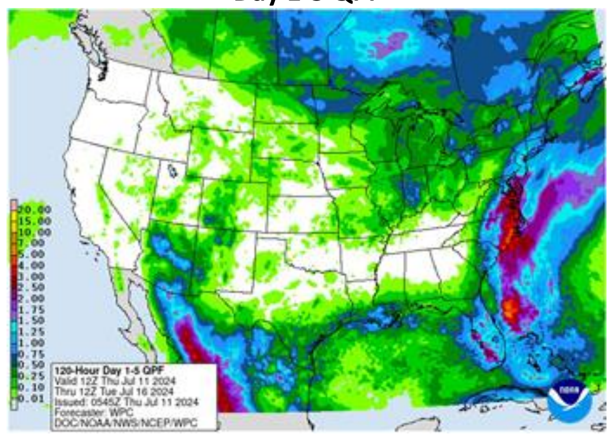
Weather

Day 1-5 QPF



For today through Monday (Day 1-5 QPF), look for the northeastern half of the Corn Belt to have better rain chances versus the southwest. In the southwest, much of the area can be dry for the period in question. In the northeast, “some” rain can fall on any day, but the better amounts / coverage will likely be in the second half of the period in question. There can be sizable areas in the northeast that pick up 0.50-1.50+” amounts over the next five days.

The Corn Belt has yet to see anything close to sustained “big” heat so far this month (most of the region is running below-normal on temperatures), so the 90+ degree highs forecast for Saturday through Tuesday will easily be the hottest of the month so far. Cooling still looks very notable though for July 17-22 (there will be several days in that period with temperatures running a solid distance below-normal), then maps remain in agreement on the return of 90+ degree highs to the area starting about July 23.

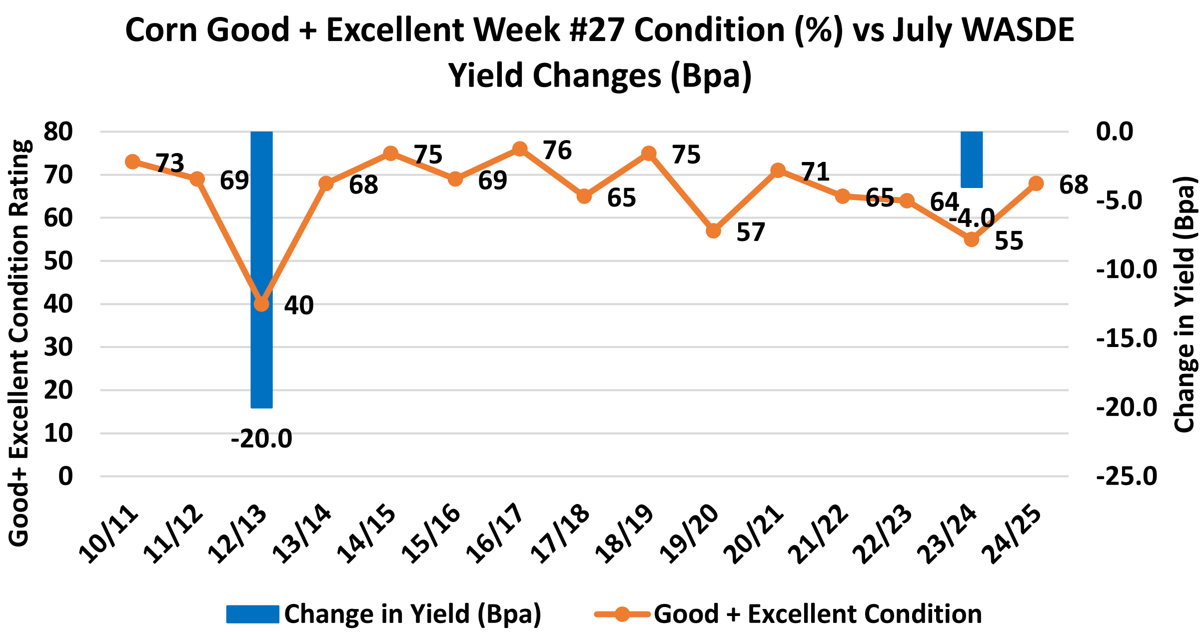
Grains

We’ll take a quick look at the SX/CZ price ratio today. The average ratio dating back to 2015 is ~2.46. Following the release of the June acreage report, the ratio spiked to ~2.70 which was the highest ratio dating back to December. Chart activity suggests that dramatic spikes tend to produce sharp declines and this has started to occur over the past week as the ratio currently sits at ~2.63. An argument could be made based on the ratio that soybeans have more downside risk relative to corn (or corn has more upside potential). Thoughts appreciated.

USDA will release their July WASDE report on Friday (7/12) at 11:00am CT. The average trade estimate calls for 0.3bpa reduction to the national corn yield. History suggests that it is unlikely that USDA will make any revisions to the corn yield in this report. Since the 00/01 crop year, USDA has only adjusted corn yield five times in July. Even more significant is that USDA has only made two revisions over the past fifteen years. The two years were the 12/13 crop year where USDA reduced yield by 20 bpa and 23/24 (last year) where USDA made a four bpa reduction in July. Good + excellent ("G+E") crop conditions in those years were outliers: 2012 had a national condition rating of 40% while 2023 had a rating of 55% through week #27 (early July).

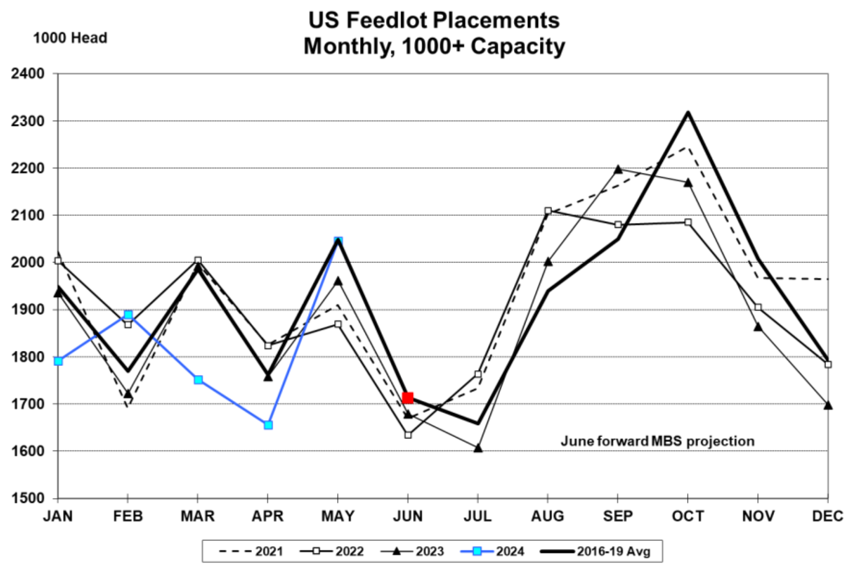
Current G+E crop conditions are 68% which is just above the 15-year average for week #27. It is unlikely that USDA will need to make any proactive adjustments to corn yield as conditions are within a normal range for this time of the year.

June to July WASDE Yield Changes		
Crop Year	Jun	Jul
00/01	137.0	137.0
01/02	137.0	137.0
02/03	135.8	135.8
03/04	139.7	142.7
04/05	145.0	145.0
05/06	148.0	145.0
06/07	149.0	149.0
07/08	150.3	150.3
08/09	148.9	148.4
09/10	153.4	153.4
10/11	163.5	163.5
11/12	158.7	158.7
12/13	166.0	146.0
13/14	156.5	156.5
14/15	165.3	165.3
15/16	166.8	166.8
16/17	168.0	168.0
17/18	170.7	170.7
18/19	174.0	174.0
19/20	166.0	166.0
20/21	178.5	178.5
21/22	179.5	179.5
22/23	177.0	177.0
23/24	181.5	177.5
24/25	181.0	

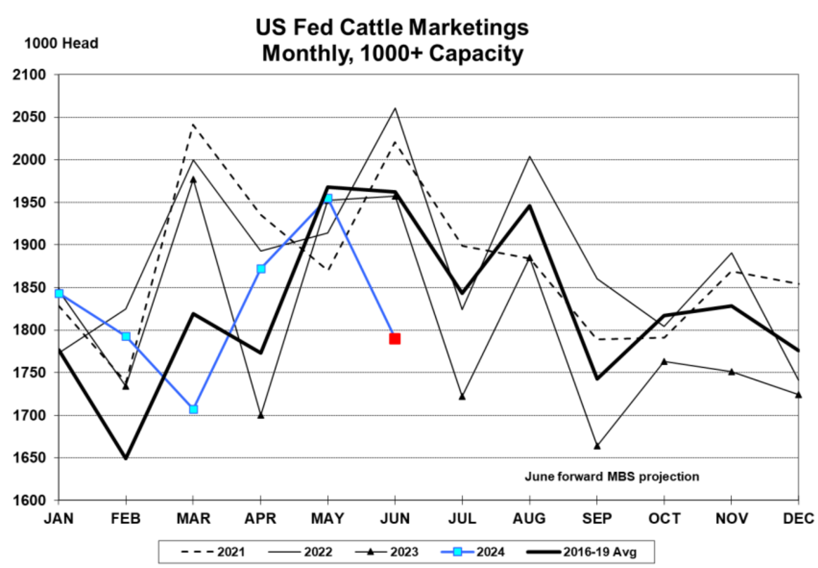


Livestock

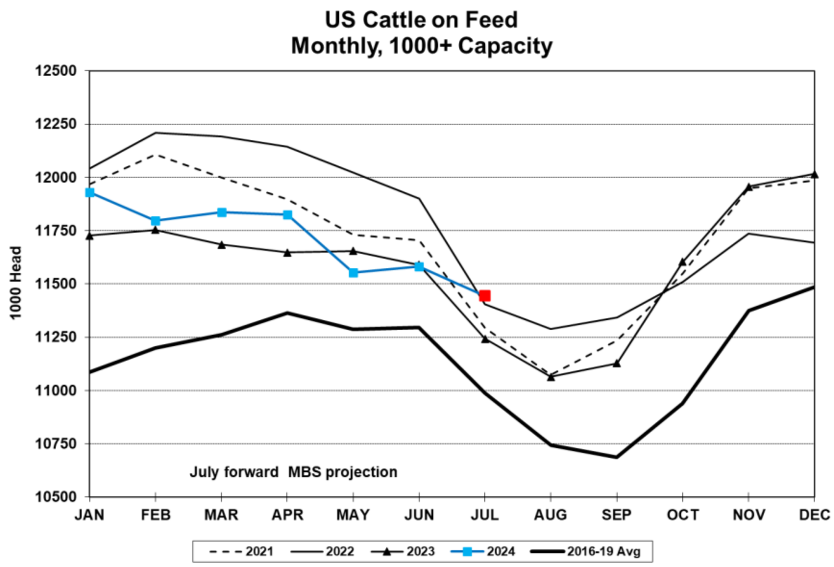
The next monthly Cattle on Feed report will be issued on Friday, July 19th, and is expected to indicate larger feedlot placements and smaller marketings during June, leading to a larger feedlot inventory at the beginning of July. Following the larger feedlot placements during May, June placements are projected at 1.715 mil head, 102% of last year and the largest since 2020. However, despite the year-over-year increase, projected June placements are seasonally much smaller than a month earlier—down about 330,000 head—and likely will be followed by a seasonally small volume in July, as well. Those smaller seasonal volumes still point to seasonally smaller fed cattle supplies late this year and into early 2025, although significant year-over-year declines in fed cattle supplies are doubtful during the last half of the year. Jan-Jun feedlot placements are estimated about 2% smaller than last year, but placements over 800 pounds were nearly 2% larger than a year ago. Those larger heavier weight placements, coupled with a larger July 1 feedlot count, suggest July-December fed cattle supplies likely will exceed last year, as well.



June fed cattle marketings are projected near 1.790 mil head, about 91.5% of last year and the smallest June total since 2015. However, most of that marketing decline is related to two fewer business days during the month. Adjusted for that difference, the marketing rate was slightly less than 1% higher than last year and generally consistent with the feedlot inventory at the beginning of the month.



The larger placements and smaller marketings during June translate into a July 1 feedlot count near 102% of last year—about 200,000 head larger than a year ago and the largest since 2019. Those cattle will provide the bulk of fed cattle marketings during the balance of year. The relatively large placements during the first half of the year suggests little likelihood of any significant heifer retention during the period (and perhaps an understatement of inventories at the beginning of the year). And, with the industry part way through the breeding period for next year's spring calf crop, odds favor at least a modestly smaller 2025 calf crop, which in turn, suggests the smaller fed cattle supplies will extend into 2027.



Today's Calendar (all times Central)

- CONAB – 7:00am
- Export Sales – 7:30am
- CPI – 7:30am
- Jobless Claims – 7:30am
- 30-Yr Bond Auction – 12:00pm

Thanks for reading.

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