NESVICK TRADING GROUP, LLC

Thursday, June 12, 2025
NTG Morning Comments
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Weather

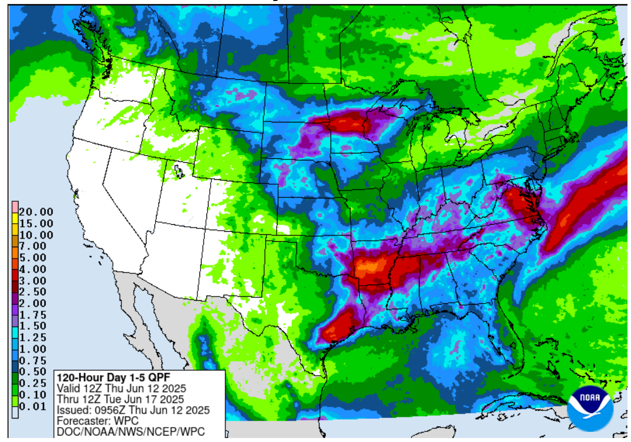
Northeastern Iowa received extensive and locally heavy rain overnight, with some areas still experiencing significant rainfall early Thursday. Rainfall totals over the past 24 hours include 1.28 inches at Forest City, 0.70 at Mason City, 0.84 at Charles City, 0.68 at Iowa Falls, 1.87 at Waterloo, and 1.23 at Oelwein.

This marks the beginning of an active weather period across the Corn Belt, expected to persist through the entire 15-day forecast. Rainfall through early tonight will be focused on far northwestern areas before shifting southeast tomorrow into part of the weekend. Thunderstorms are expected to return to the western region by Sunday night, with another likely round Tuesday night. Beyond that, the forecast becomes less certain, but “ridge-rider” thunderstorms during Week Two could bring multiple rainfall threats.

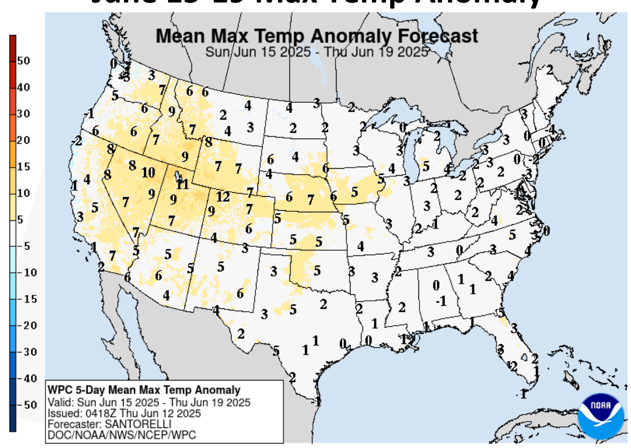
Of note to markets today: overnight runs of the European and GFS operational models show a strong high-pressure dome building into the Corn Belt during the 11–15 day period, resulting in minimal rainfall and significant heat, with temperatures 10–15 degrees above normal in the western region. However, since ensemble runs from both models do not support this outcome, that scenario is discounted.

The 15-day temperature outlook for the Corn Belt remains clearly warmer than normal and continues to trend modestly warmer. While not extreme, temperatures averaging over 5 degrees above normal in Nebraska are worth considering. More days like yesterday, with highs in the upper 80s to lower 90s, are expected.

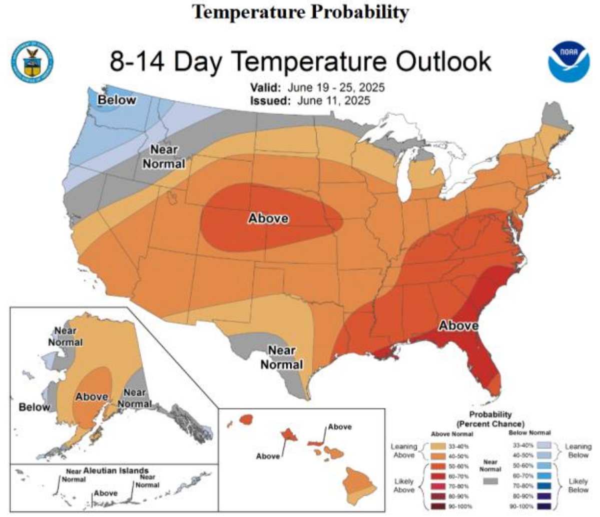
Day 1-5 QPF



June 15-19 Max Temp Anomaly



Temperature Probability



Grains

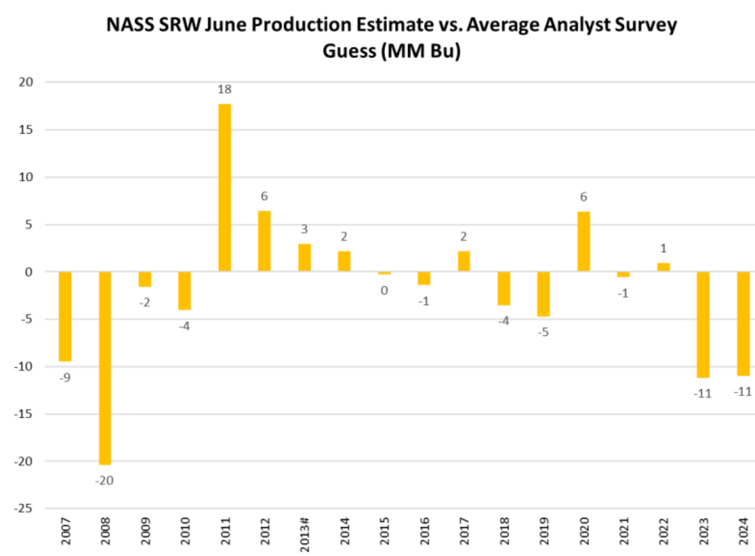
The June WASDE and Crop Production reports are set to be released today. Here’s a quick recap of what we’ve discussed over the past week:

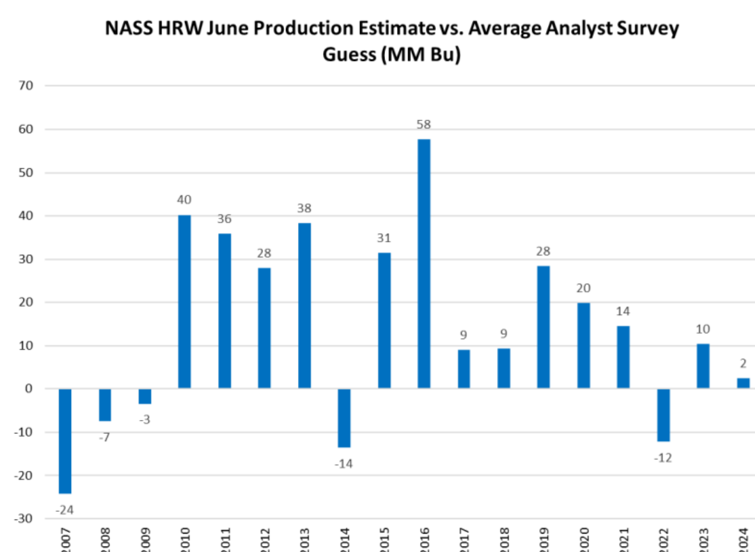
U.S. Demand: I’m not expecting significant changes for corn or soybeans, though any adjustments are more likely to be in corn. I believe old crop corn exports should be increased by 50 million bushels. As for ethanol, old crop usage may ultimately prove to be 25-50 million bushels lower, but I doubt USDA will make that change in this report. Given that the quarterly stocks report is due at the end of the month, I also don't expect USDA to adjust feed and residual until that data is available. Additionally, I also don't expect USDA to revise new crop demand or supply at this stage, given that planting progress is ahead of schedule and crop conditions are relatively normal to improving.

For soybeans, I anticipate that USDA will leave the balance sheet (old and new crop) entirely unchanged. There's no clear reason for USDA to materially alter their new crop figures. Although, there is belief (myself included) that WASDE's new crop export projection is utterly too high.

World Production: Most old crop figures are likely set, but I'll be watching for possible increases to Brazil's corn crop (by 2–3 MMT) and potentially Argentina's soybean crop (by 1–2 MMT).

Crop Production: I expect winter wheat production to be revised higher from May, based on May precipitation data we reviewed yesterday. It's also noteworthy that winter wheat condition ratings have improved by 4% since early May. Note the two charts to the right which shows how production has come in for HRW and SRW relative to expectations. I find it interesting that HRW production almost always beats expectations while there is less of pattern in SRW.

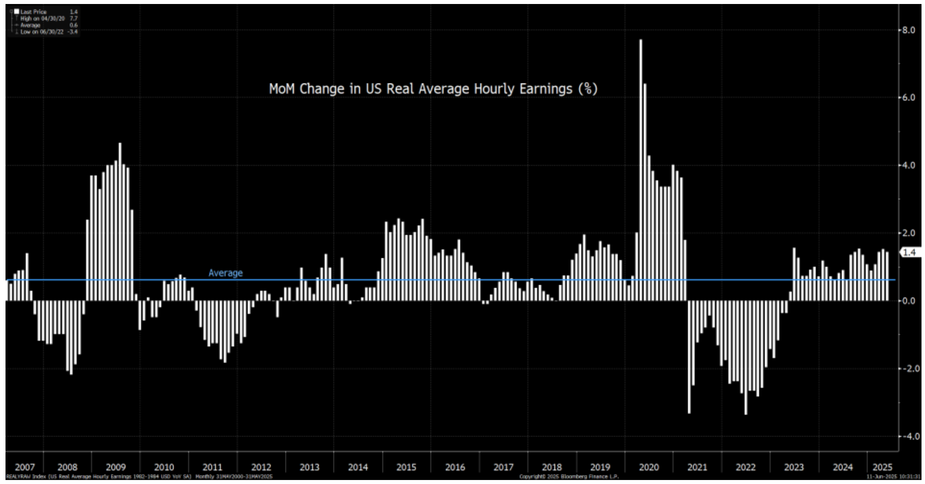




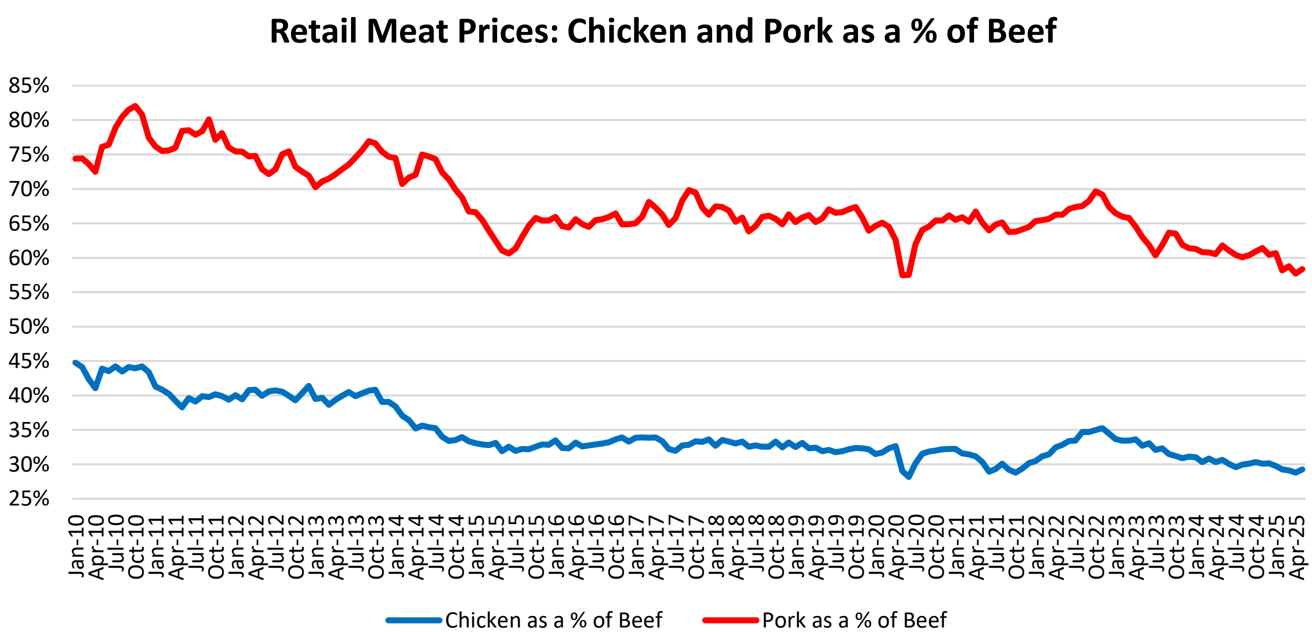
Livestock

Today we're looking at May retail meat prices. All-fresh retail beef fell nine cents to $8.41 per pound, the first decline since last November, though prices are still up 3% year-to-date. Pork held steady at $4.91 per pound and is down 1% on the year. Retail chicken rose 0.4% in May to $2.46 per pound, and is up 1.3% on the year.

The chart below shows retail prices of chicken and pork as a percentage of beef. Beef has never been more expensive relative to the other two proteins, yet demand remains strong. The chart to the right offers a likely explanation, it tracks month-over-month changes in real (inflation-adjusted) average hourly earnings. Since inflation eased in 2023, real wage growth has remained consistently positive, with 25 consecutive months of gains.

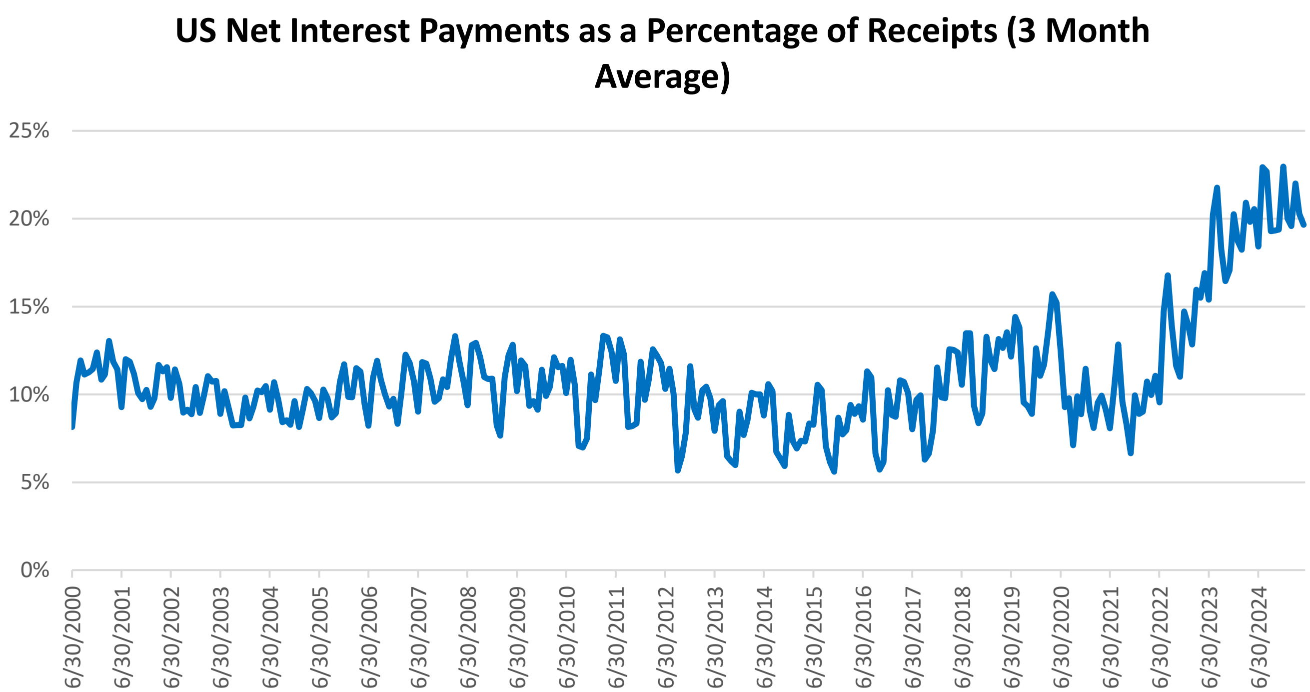


That said, consumers are still accumulating credit card debt and sentiment remains weak. However, without clear signs of labor market weakness or slowing wage growth, it's hard to make a bearish case for beef demand. Thoughts appreciated.



Financials

We got an update on the federal deficit yesterday, and I wanted to highlight one chart this morning. It shows U.S. net interest payments as a percentage of federal receipts, using a 3-month moving average. After holding near 10% for much of the 2000s and 2010s, this ratio now is consistently above 20%, meaning more than one in every five tax dollars go to interest on the national debt. The federal deficit issue isn't just new borrowing, but refinancing: a wave of short- and medium-term debt issued during COVID is now maturing and being rolled over at much higher rates. Even if deficits shrink, rising interest costs are consuming more of the budget, squeezing fiscal space. It's no surprise that Trump is looking for rate cuts as this would lower the cost of those refinances.



Today's Calendar (all times Central)

- PPI – 7:30 am
- Export Sales – 7:30 am
- Jobless Claims – 7:30 am
- EIA Nat Gas Storage – 9:30 am
- WASDE – 11:00 am

Thanks for reading.

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