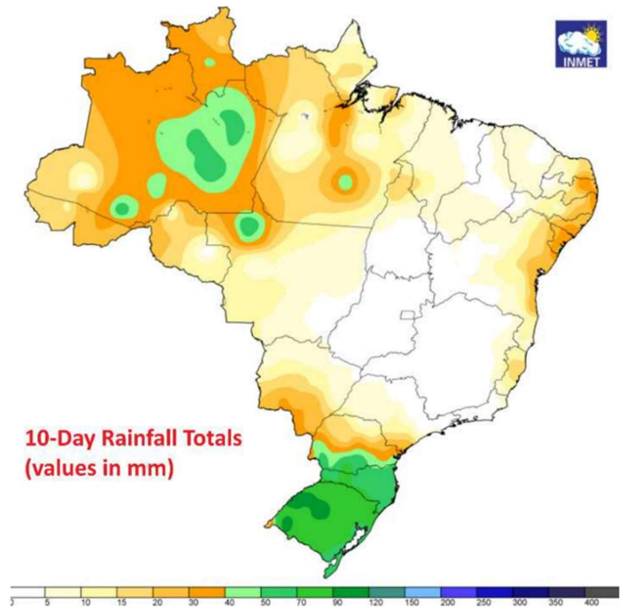
Tuesday, October 7, 2025

NTG Morning Comments

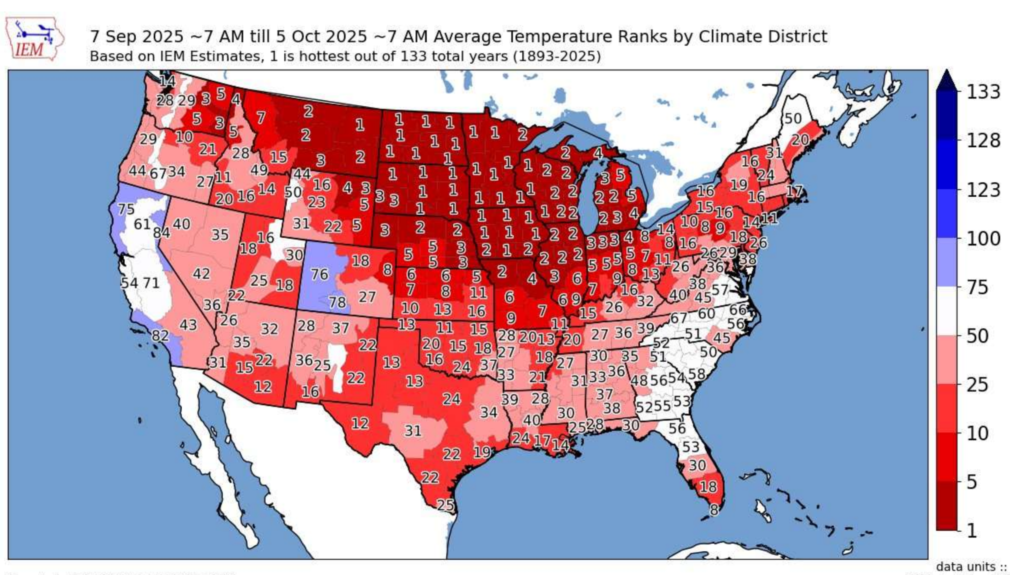
www.nesvick.com

Weather



The forecast for northern Brazil continues to show hot and dry conditions through Friday, and early-planted soybeans in eastern Mato Grosso, Goiás, and Minas Gerais are now likely struggling following 10-14 days without rain combined with intense heat. The forecast still calls for a break in this pattern, with rains now expected to begin on Saturday and continue into the 6-10 day period, which should allow planting operations to resume as temperatures also moderate. The favorable forecast for southern Brazil and Paraguay remains firmly in place, with conditions continuing to be quite favorable for planting and development. This region is not expecting any lengthy dry periods, with near to above-normal rainfall and no significant heat forecasted for the next 15 days. For Argentina, the forecast for near to mostly below-normal rainfall is now characterized as generally welcome, as the primary complaints from the region have recently been about overly wet conditions. The area is expected to remain dry through Friday before chances for light rain return over the weekend.

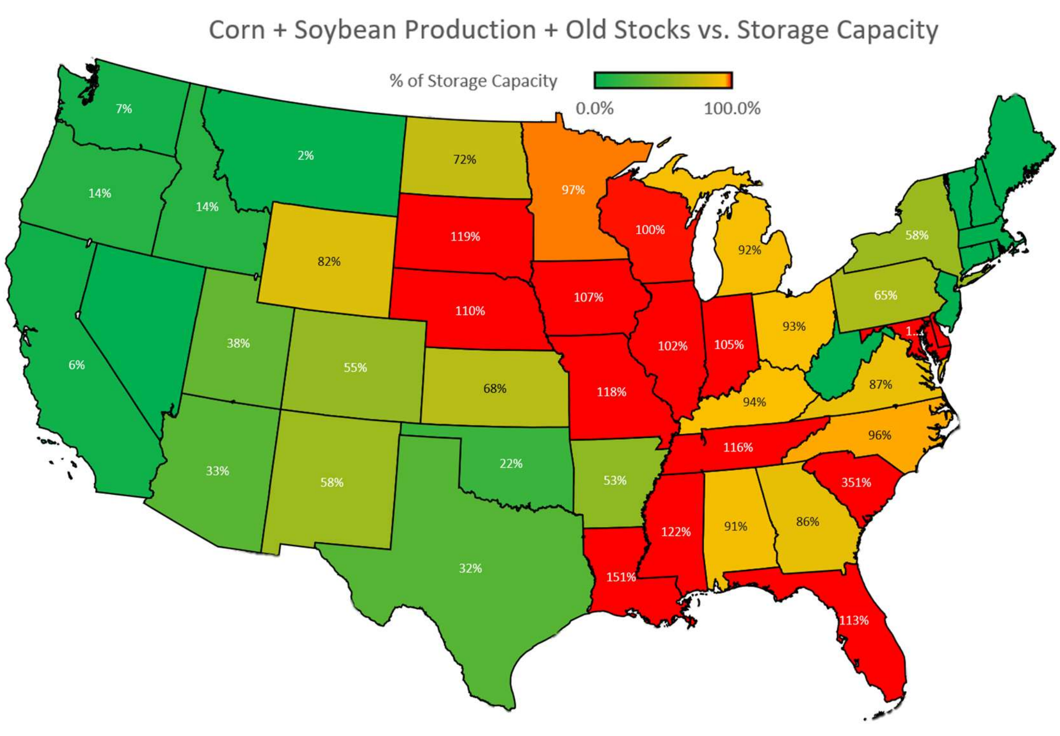
Sizable areas in the middle of the US have received their biggest rains in weeks over the past 48 hours, particularly along the IA/MO/KS/NE border and in the TN/AR/MS border area (West Memphis saw 4”). While this will cause a short-term increase in Mississippi and Ohio River levels, this rainfall does not mark the start of a new wet pattern. The most significant change is that the forecast has trended drier for the 6-15 day period compared to previous expectations. An extended period of dry weather is now expected to begin this week and last through the 6-10 day period for the Ohio Valley and Mid-South. Much of the US has had one of its top 25 hottest September-Early October months on record, and most of the Corn Belt in particular has had **the** hottest September on record. The overall temperature forecast remains warm for the next 15 days, with the coolest weather occurring now through Friday, which may bring some frost to northern areas of the Corn Belt. This will be followed by an exceptionally warm period, with temperatures running 5-8+ degrees above-normal during the second week.



Grains

Let's take some time to revisit the data on the potential shortage of grain storage in the US from a few weeks ago. Since then, we've gotten the September 1st Stocks Report, but the government shutdown means that we likely will not get the October WASDE Report later this week. This means that we will have to rely on the September WASDE numbers and/or survey results from StoneX, S&P Global, etc.; this is especially unfortunate as the October WASDE was expected to provide harvested yield data from the NASS sample plots, giving much better insight into the harvested yield expectations. The hot, dry weather that nearly the entire US has experienced over the last 1.5 months has brought about many anecdotal reports of much worse yields and lower production than was expected in the September WASDE. There is also the looming announcement of an aid package for farmers, but no details are known about it except that it is expected to provide ~$10B in farmer support.

With the understanding that there is still a lot up in the air, I want to see how the storage looks with the most recent production and stocks numbers that we have. I will be using the September 1 Stocks report as a estimate for old stocks currently in storage. For new crop production, I'm going to use last week's StoneX production estimates for the 12 states that StoneX surveys, and continue to use the September WASDE production data for all other states. As I already mentioned, this is likely a conservative estimate, as these stocks numbers are "as of" over a month ago, and consensus seems to be that StoneX and the September WASDE are projecting higher yields than we will see come the end of harvest – especially for corn. Additionally, the chart represents storing 100% of both corn and soybeans to approximate the worst-case scenario for storage; and with basis continuing to be low, there is also little reason for the farmer to want to sell any crop that he doesn't have to sell.

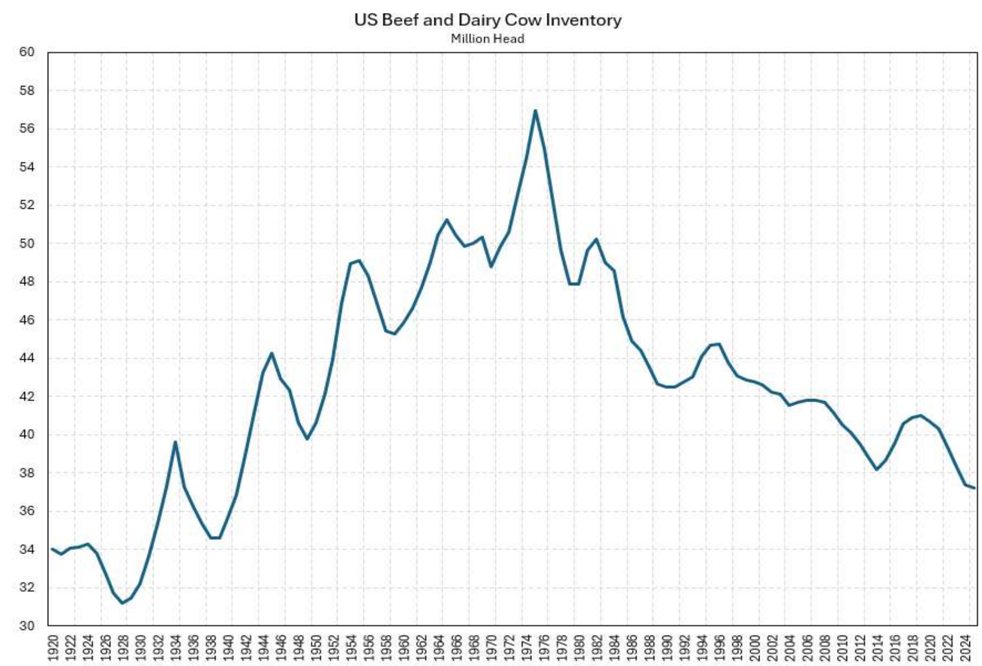


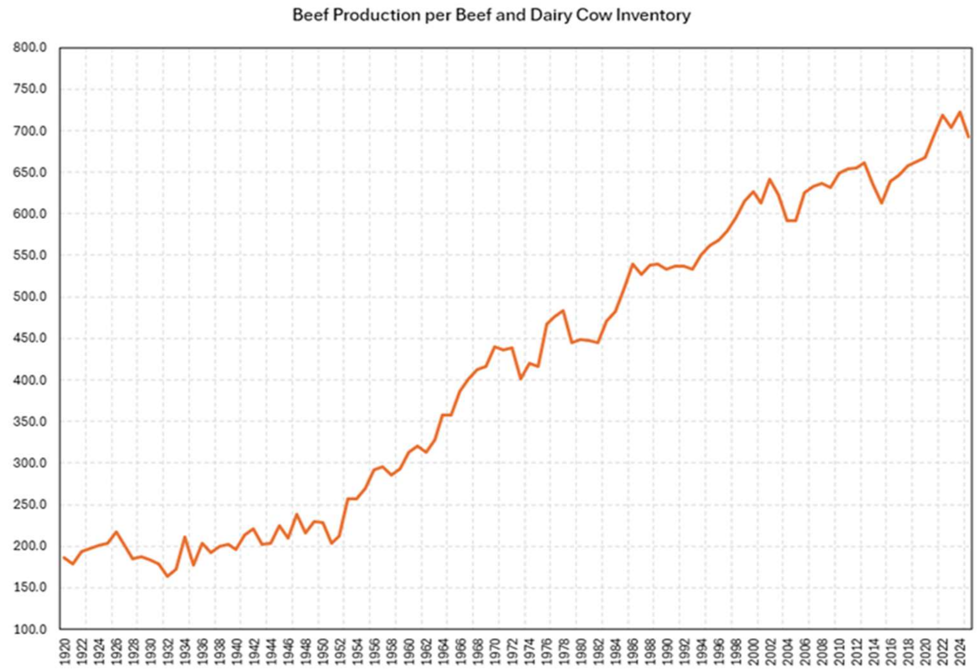
With the given assumptions, total (corn + soybeans) new crop production is estimated to be 21,037 milbus, ~66 milbus lower than using only the September WASDE production. Adding in the September stocks, the national total is 22,726 milbus, which is still below the national total storage capacity of 25,122 milbus. Just as we discussed previously, however, this surplus at a national level does not hold up when looking state-by-state. With both the old stocks and new crop, there are a total of 13 states at or above 100% capacity and another 7 states at over 90% capacity; this is 2 and 4 states higher, respectively, than were presented previously (Sep. WASDE, no old stocks). With the old stock accounted for in storage, it’s clear that there is not room for all the crop that is going to be harvested to be stored until the farmer is more comfortable with prices – he will have to sell some off the combine and/or out of the old stocks to fit within the storage capacity available, further lowering basis levels. We should see what the aid package for the farmer will look like sometime today, which will give more insight into what the farmer will do with his crop to maximize payments. Other than that, it looks extremely unlikely that we will get any new yield/production data until November.

Grains commentary provided by Zachary Davis. For questions or comments, Zachary can be reached by email at zdavis@nesvick.com *or on Trillian at zdavis@nesvick.com.*

Livestock

Let's talk today about the headlines mentioning the 70+ year low in the cow herd on repeat, and how that is creating an unsolvable issue for record high beef prices. Here is the chart of the cow herd. The years of drought from 2018 to 2022 accelerated the decline in cow numbers. The reduction in Bureau of Land Management (BLM) and Forest Service (FS) pasture leases over the past 20 years has also constrained herd size. However, the industry has done a truly amazing job of doing much more with much less, with regard to total herd size. While the US cow herd is at a 70+ year lows, beef production in late 2025 is only 8% lower than the record highs in 2024. While this trend suggests a strong demand for beef, it also implies that the industry doesn’t need to rebuild the herd as much as the market thinks. A modest 500,000 hd increase in the herd should act like 1,000,000+ hd when we consider the weight, yield, and genetic advances that have evolved over the years. Arguably, the closure of the Mexican border and reduction in Brazilian beef imports have more to do with prices today than the cow herd does.

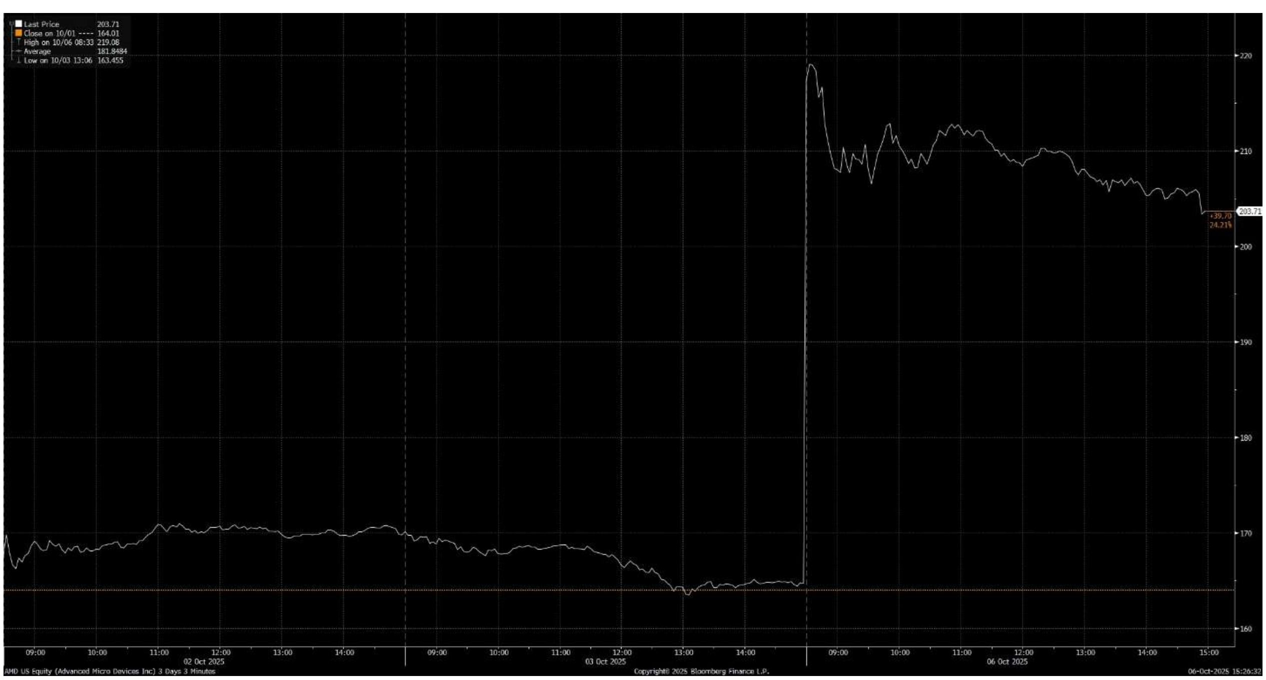




Livestock commentary provided by Scott Shepard. For questions or comments, Scott can be reached by email at scott@mnrcapital.us *or on Trillian at scott@nesvick.com.*

Financials

On Monday morning, AMD announced a multi-year partnership with OpenAI, marking a significant development in the competitive landscape for AI hardware. The agreement details a plan for AMD to supply 6 gigawatts of its new and future GPUs to power OpenAI's future models. According to AMD's CFO, this collaboration is expected to generate tens of billions of dollars in revenue for AMD. OpenAI also gains a warrant to acquire a stake of nearly 10% in the company in the deal, contingent on deployment milestones.



AMD has already seen a massive boost to its stock price off the news of this deal, with the stock shooting up as high as 38% in pre-market trading before settling down to "only" a 24% gain on the day. The partnership provides AMD a foothold in the AI compute market that Nvidia has dominated up until now, while also providing OpenAI the capital it needs to continue investing in datacenters while also letting it diversify its hardware supply chain somewhat (AMD and Nvidia chips are both made by TSMC). AMD's immediate shot upward this morning clearly shows that, despite the concerns of many that AI and datacenter investments are strongly outpacing demand, the market still has a significant appetite for this expansion.

Accounts on X were quick to notice unusual options market activity last Friday for AMD, including a single purchase of over $6M in calls; one comment said "bet AMD just signed a multi-billion dollar deal to support GPUs to OpenAI." Coming one trading day ahead of this announcement, the timing of these trades is certainly suspect, but we'll have to wait and see if it attracts any regulatory scrutiny or not.

Financial commentary provided by Zachary Davis. For questions or comments, Zachary can be reached by email at zdavis@nesvick.com *or on Trillian at zdavis@nesvick.com.*

Today's Calendar (all times Central) – Subject to Gov't Shutdown

- Trade Balance – 7:30 AM

Thanks for reading,

Zachary Davis
zdavis@nesvick.com
(901) 604-7712
Trillian IM: zdavis@nesvick.com

Bloomberg IB: zrdavis@bloomberg.net