Thursday, November 20, 2025
NTG Morning Comments
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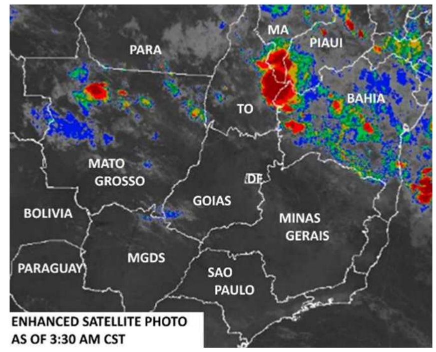
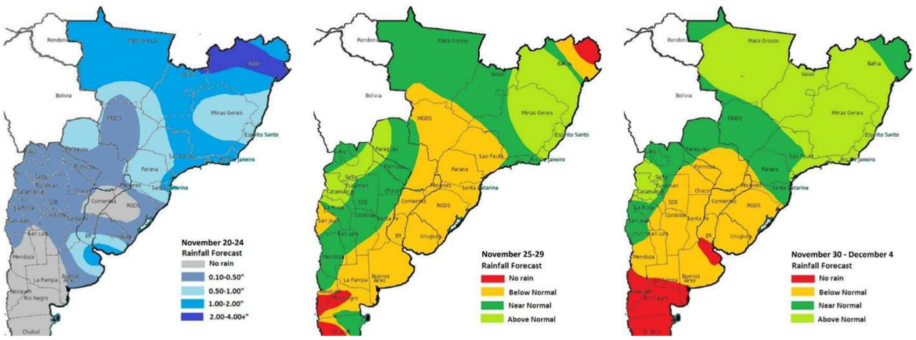
Weather

Thunderstorms have initiated in northern Brazil exactly as anticipated, concentrated at the intersection of the states in the MaToPiBa region, though initial coverage has been slightly underwhelming; however, the long-term outlook remains unchanged, projecting widespread 3-6" totals that will eliminate dryness concerns across the region. Conversely, southern Brazil and Paraguay have entered a distinct dry phase that will persist through Saturday, with dryness in Rio Grande do Sul potentially extending through Nov. 28, which favors planting progress, which Emater currently estimates at 43% complete. Argentine growing areas are receiving their final round of localized rainfall today—heaviest near Buenos Aires—before a confirmed week-long period of complete dryness begins tomorrow, continuing through Nov. 27.





The active pattern in the United States is delivering beneficial rains falling in the far southeastern Southern Plains as well as flash flood warnings issued for areas north of Dallas; this marks the start of a "wonderful" moisture setup that will deliver 0.50-1.00+ inch totals to the majority of Kansas, Oklahoma, and Texas through Friday. Over the next 15 days, the Northern Plains and northwestern Corn Belt will be completely short-changed on precipitation while the Ohio Valley and Mid-South face heavy rainfall and flood watches. The exceptionally warm fall season—which has set historical records in the western Corn Belt—will persist with temperatures running 5-10+ degrees above normal through November 25, after which a definitive transition to a notably colder pattern will take hold for the remainder of the month.

Grains

The soybean oil underwent a major repricing yesterday after a story hit the news outlining the potential for a major policy change from the Trump administration. For many weeks, the market had built in a premium based on the assumption that a Trump administration would immediately implement an "America First" energy agenda—specifically, slashing the value of RIN credits by the EPA for imported feedstocks starting January 1, 2026. However, Reuters released a report yesterday afternoon effectively pulling the rug out from under that trade, with sources indicating the administration is considering delaying those import curbs until 2027 or 2028. This potential delay highlights a critical decision to be made by the administration: whether to support the soybean farmer with increased demand for soybean oil through reduced RINs for cheaper imported biofuel feedstocks, or to continue with 100% RIN value for imported feedstocks to focus on fuel affordability and availability.

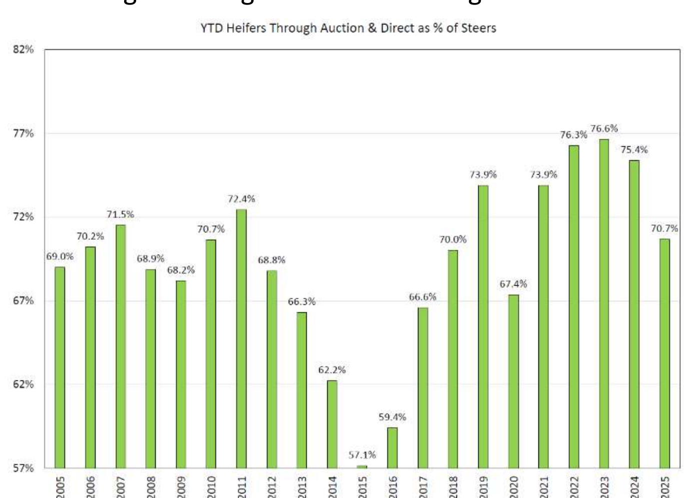
A delay to the RIN cuts would also strongly favor renewable diesel plants, which are primarily located on the West Coast and ideally situated to receive Asian imports of UCO and other feedstocks, but are not as well suited for receiving domestic soybean oil by rail from the Corn Belt. Most biodiesel plants, on the other hand, are located in the Mid-West for easy access to domestic SBO. As a result of a delay, the renewable diesel plants will continue to have the upper hand on feedstock costs, and crushers in the Midwest will (at least for the next 1-2 years) lose out on expected revenue increases from SBO that they anticipated would go to feed the renewable diesel plant production. Bloomberg estimated that, with the cut to 50% RINs for imported feedstocks, soybean oil demand for biofuels could increase by as much as 75% over the next two years; this number will be drastically reduced without the cut to imported feedstock RIN values, even as the EPA is expected to increase biofuel blending targets by 43% in 2026.

The immediate result is visible in the chart, as the market is rapidly removing the "policy premium" we had previously priced in. If the EPA indeed delays these import curbs, the flood of foreign feedstock will likely continue in the short term, keeping a lid on domestic soy oil demand. While this does not kill the long-term bull case for soybean oil, it does introduce a period of significant uncertainty. Until the market receives a final ruling from the EPA, it has lost the immediate catalyst for demand, and can expect volatility to remain high as traders adjust to the potentially delayed timeline.

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

Lower cash trade in the north kicked the market in the teeth yesterday, sending live cattle down 6+ and feeder cattle followed suit and went limit down -9.25 for a few minutes but did not stay there long. Fats finished the day down 4 and feeders finished the day down 5. There were some 347 dressed trades to a major packer early, which quickly went to a regional packer getting a few bought at 345 which was 11-13 lower than the previous week. There was also some live cattle cash traded 215 in Nebraska which is 10 lower compared to last week. I heard some bids in the south at 220 which would be 8 lower for the week but didn't hear of much, if any, trade there. By mid-morning there was some cash trade in Kansas at 224 which would be 4 lower than last week. If the south were to trade big volume at 224, with the board at 215, the basis remains very strong for this time of year and one can't fault a hedger for taking advantage of it. For now, it seems the packer has the leverage for the first time in a long time and seems more than willing to use it to his full advantage to improve both his margin and the cattle inventory around him. Packer margins have gone back into the green for now and it looks like they will improve more next week. Looking at the cutout, the beef is still hanging around the 370 area and most likely heading for somewhere south of 360 and will continue to pressure the live market probably through the end of the year due to the holiday shortened kill schedules around Thanksgiving, Christmas, and New Years. Moving right along to the feeder cattle, I will not argue with those that say heifer retention is underway, but I will point out we are nowhere close to levels seen back in 2014-2016. Something else to keep in mind. November feeders expire today at 12pm CST and I look for expiration to be above 340 conservatively, possibly 342+. With November feeders gone off the board and January the next to expire in 10 weeks, use caution as the board and index have a long time before they have to converge.



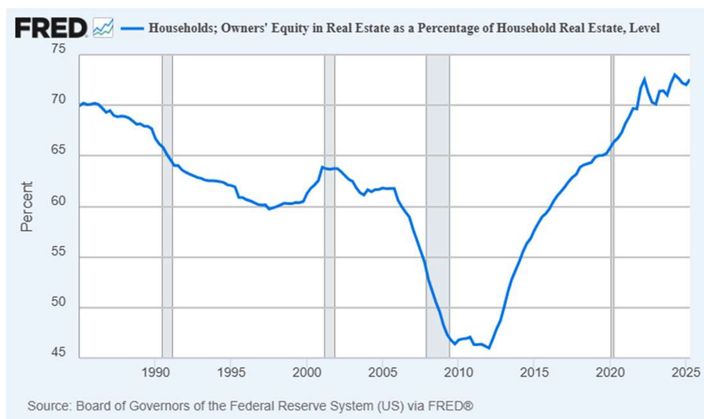
Livestock commentary provided by Ashley Lowe. For questions or comments, Ashley can be reached by email at ashley@nesvick.com *or on Trillian at ashley@nesvick.com.*

Financials

Beneath the headline figure of a record $55.1 trillion housing market lies a "silent correction," with new data showing that over half of U.S. homes declined in value over the past year. This represents the highest share of declining assets since the tail end of the Great Recession. However, it is critical to distinguish this current cooling from a systemic crash; the data suggests this is a normalization after the post-pandemic housing frenzy rather than a collapse of fundamentals.

The correction is far from uniform; it is a geographically concentrated unwinding of the valuations found in the pandemic-era boom markets of the Sunbelt and the West. Metros like Denver (91% of homes losing value), Austin (89%), and San Francisco (83%) are leading the drawdown, while established markets like New York are driving the gains, adding $216 billion in value year-over-year. Capital appears to be rotating out of the most overheated speculative zones and back into traditional strongholds, effectively re-pricing the aggressive growth seen during the last cycle.

The primary reason this correction has not triggered a broader crisis lies in the owner’s equity data. As shown in the latest Federal Reserve figures, owners’ equity as a percentage of household real estate remains near historic highs, hovering above 72%. Unlike previous cycles where a drop in price immediately put borrowers underwater, such as the 2008 recession, the vast majority of homeowners today are sitting on substantial equity buffers and low fixed-rate mortgages. While "paper losses" are widespread, realized losses remain rare, at only 4.1%, suggesting the structural integrity of the sector remains intact despite the cooling prices. Ultimately, the data points to a classic reversion to the mean: while we are witnessing real-time price discovery, particularly in the Sunbelt, the massive equity cushion suggests a soft landing for established homeowners, even if the environment feels like a recession for recent homeowners.



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)

- Jobless Claims – 7:30 AM
- Export Sales (Catch-up for 10/2/25) – 7:30 AM
- Existing Home Sales – 9:00 AM

Thanks for reading,

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