

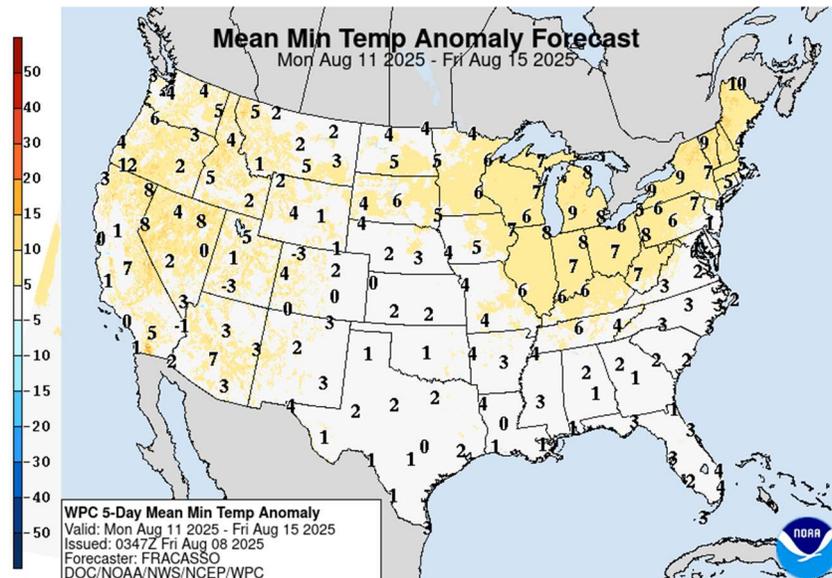
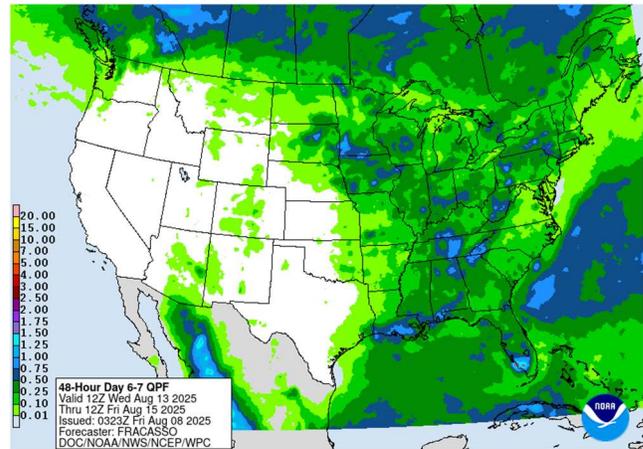
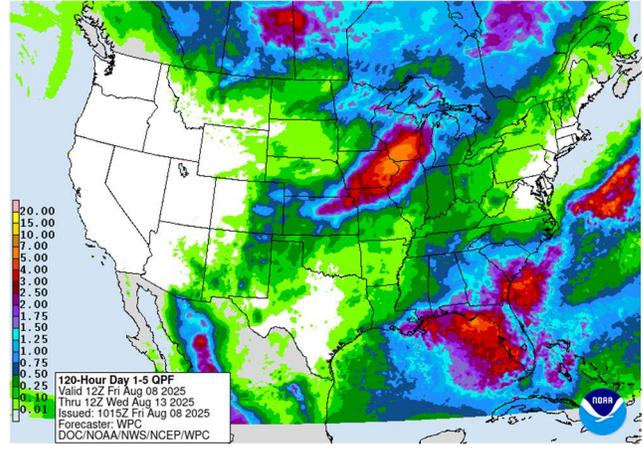
Weather

Past 24 hours saw rain in southern IA that wasn't on the maps at all. Amounts were ½-2". Mainly dry conditions expected today in the Corn Belt with rains and possibly flood conditions in the N Plains with a more organized rain event Sat-Mon for mainly IA/IL and surrounding areas.

Temps should be above normal over the 15-day forecast period heat advisories for today. High 80's/low 90's are expected with 70+ degree lows. Aug 14-19 is forecast to be especially hot with temps averaging 4-8 degrees above normal in the Corn Belt and 8-10 degrees above in the Plains. There is no indication of a cooler pattern.

Next week remains difficult to pin down with numerous chances for ridge-rider rains. The difficulty lies in where these rains may fall, but significant amounts can't be ruled out.

The Mid-South should stay dry through at least Monday with low confidence rain chances in the 6-15 day period. The N Plains/Can Prairies remain in a wet pattern, not the best forecast during harvest.



Grains

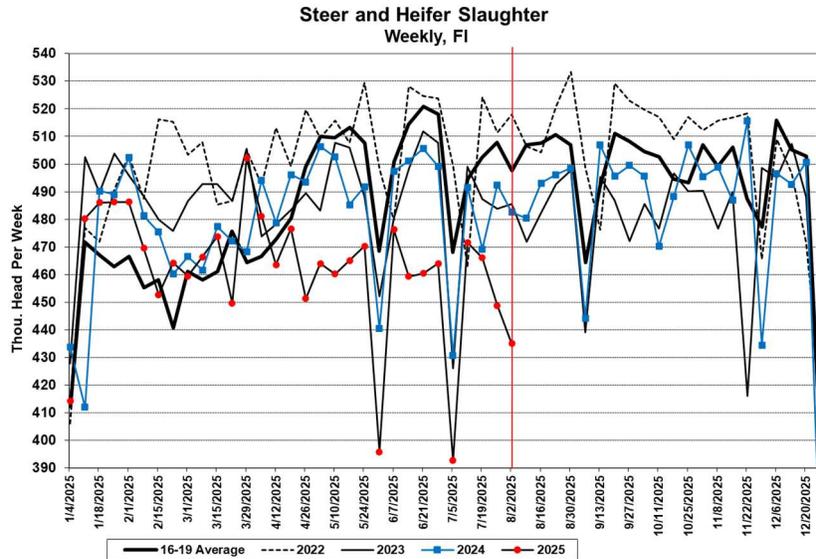
Let's look closer at the corn balance sheet ahead of the USDA Tuesday. The average trade estimate came in at 184.3 bu/a, up from USDA's 181 bu/a in July and below StoneX/Informa in the 186-188 range. Whatever the USDA shows Tuesday, I'm in the camp that it could be the biggest yield we see. I think the overnight lows and overall warm summer scenario may prevent us from having an off-the-charts crop. For my own S&D, I have been using 182.9 bu/a which is still a record but would be below the USDA's trend yield of 183.5. I have raised my export forecast given that the US pace has not slowed yet, US corn is still the most competitive, and Brazil is still busy pumping out beans. It is expected that Brazil will ramp up corn exports in the Nov-Jan time frame and it will be important it happens. The current new crop export sales commitment is 11.8 mmt, which compares to 5.8 mmt at the same time last year and 6.0 mmt two years ago.

CORN: U.S. SUPPLY AND DEMAND (September - August Marketing Year)														
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	11-Jul 23/24 USDA	11-Jul 24/25 MB	11-Jul 24/25 USDA	11-Jul 25/26 MB	11-Jul 25/26 USDA	Aug USDA 25/26 USDA	Aug USDA 25/26 USDA
Planted Acres	94.0	90.2	88.9	89.7	90.7	92.9	88.2	94.6	90.6	90.6	95.2	95.3	95.3	95.3
Harvested Acres	86.7	82.7	81.3	81.3	82.3	85.0	78.7	86.5	82.9	82.9	86.8	86.8	86.8	86.8
Yield (B u/Ac)	174.6	176.6	176.4	167.5	171.4	176.7	173.4	177.3	179.3	179.3	182.9	181.0	184.3	188.0
Begin Stocks	1739	2293	2140	2221	1919	1235	1377	1360	1763	1763	1382	1340	1340	1340
Production	15148	14609	14340	13620	14111	15018	13651	15341	14867	14867	15868	15705	15997	16312
Total Supply	16944	16938	16508	15883	16055	16277	15067	16729	16654	16655	17275	17070	17363	17678
Exports	2294	2438	2066	1777	2747	2472	1662	2255	2732	2750	2675	2675	2675	2675
Feed Use	5470	5304	5429	5900	5607	5671	5486	5843	5649	5675	5750	5850	5850	5850
Food/Ind/Seed	6885	7057	6793	6286	6467	6757	6558	6868	6890	6890	6885	6885	6885	6885
Ind Use-Swtnr/Star	1080	1067	1090											
Ind Use-Bevg/Mfg	150	149	150											
Ind Use-Fuel Alcoh	5432	5605	5378	4857	5028	5320	5176	5478	5550	5500	5500	5500	5500	5500
Food/Seed	240	236	240											
Total Usage	14649	14799	14288	13963	14821	14900	13707	14966	15271	15315	15310	15410	15410	15410
End Stocks	2293	2140	2221	1919	1235	1377	1360	1763	1382	1340	1965	1660	1953	2268
End Stks/Use %	15.7%	14.5%	15.5%	13.7%	8.3%	9.2%	9.9%	11.8%	9.0%	8.8%	12.8%	10.8%	12.7%	14.7%
Fall lows CZ	3.15	3.35	3.43	3.52	3.20	4.97	6.23	4.47	3.85	3.85	3.97 so far			

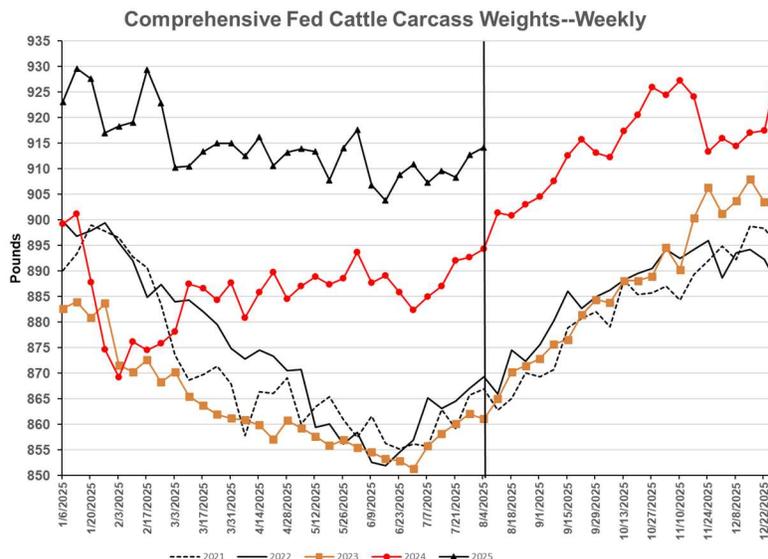
If we're in the 183-184 range, which would be a stocks-to-use of 12.5-13%, downside could be fairly limited from here. We could possibly test last year's low of 3.85 CZ. Last year's stocks-to-use is going to end up around 9%, but in Aug last yr the USDA forecast and many private estimates was in the 14-15% range. Futures made the low of 3.85 in late Aug and worked up to 4.40 by CZ expiration. We dipped to 3.97 CZ in yesterday's trade and have bounced 10 cents off that low. If we do end up closer to the 188 bu/a yield, stocks-to-use will likely end up closer to 15% level. We saw those levels in four consecutive crop years from 16-17 to 19-20 and the fall lows ranged from 3.15-3.52 CZ. We should start to get a better sense of where we will land during the Pro Farmer crop tour and as anecdotal yield reports start filtering out. As of now, I don't like the warm temp forecast (overnight lows rather extreme) for finishing weather.

Grains commentary provided by Megan Bocken. For questions or comments, Megan can be reached at megan@bockentrading.com or on Trillian at megan@nesvick.com.

Livestock



Fed cattle slaughter has defied seasonal patterns and consistently underperformed expectations associated with previous feedlot placements and feedlot inventories. Last weeks estimated fed slaughter near 435,000 was the smallest for that week since 2015 and the second smallest for that week dating back to 1985. Marketings as a percent of cattle on feed have been historically low since early spring. The wide spread between cost of gain and sale price, coupled with record high replacement costs, have incentivized additional days on feed and heavier carcass weights.



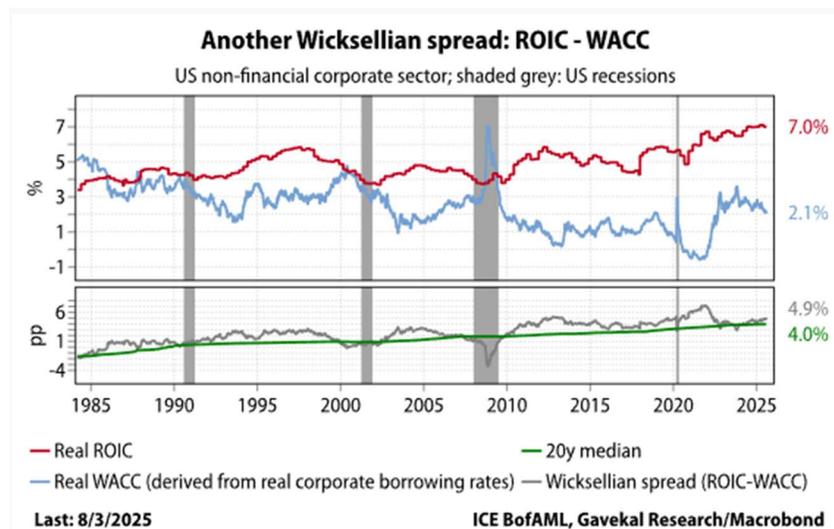
The longer feeding regimes limited the usual seasonal decline in carcass weights during the spring months leading to record heavy weights at the beginning of August. With those incentives in place, a seasonal rise in weights heading into the fall adds about 25-30 pounds—to around 940-945 pounds--at the seasonal peak in the fall. So far there has been little push-back regarding heavier carcass weights and heavier boxes (and larger cuts) for retail and food service accounts. However, heading into the usual seasonal increases in the fall, weights may

become a much larger issue. Given the incentives, the feeder will provide as much weight as the packer will accept. Can or will the market accommodate both a large volume of long-day cattle and much heavier carcass weights?

Livestock commentary provided by Mike Sands. For questions or comments, Mike can be reached at msands@nesvick.com or on Trillian at miksan66.

Financials

On Wednesday, the charts posted here showed how stretched P/E values are at this time. The following question then comes to mind: are they justified? It's a difficult question without a quick answer. One metric that I frequently rely upon is the Return on Invested Capital (ROIC) vs. the Weighted Average Cost of Capital (WACC). This spread between ROIC and WACC simply visualizes whether companies (as a whole) are still profitable. A positive spread indicates that companies are still profitable and should be positive for both growth and risk assets. As demonstrated below, corporate profitability is strong with the spread running over the 20-year average.



While this may not answer the question about P/E ratios, it certainly does indicate that dips are still opportunities to accumulate longs in the stock market.

Financials commentary provided by Stephen Davis. For questions or comments, Stephen can be reached at sdavis@daviscomllc.com or on Trillian at sdavis@nesvick.com.

Thanks for reading.

Zachary Davis

zdavis@nesvick.com

(901) 604-7712

Trillian IM: zdavis@nesvick.com

Bloomberg IB: zrdavis@bloomberg.net

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