NESVICK TRADING GROUP, LLC

Friday, October 10, 2025

NTG Morning Comments

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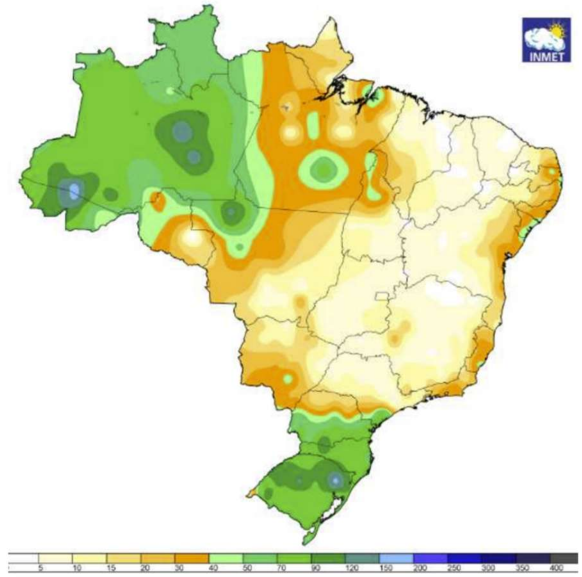
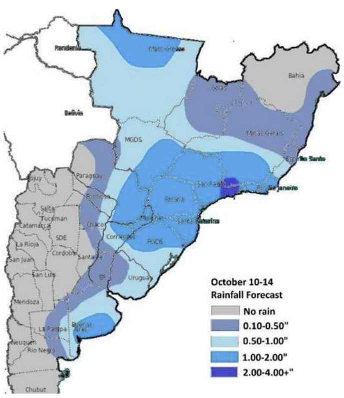
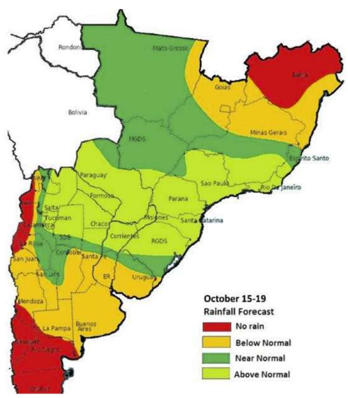
Weather

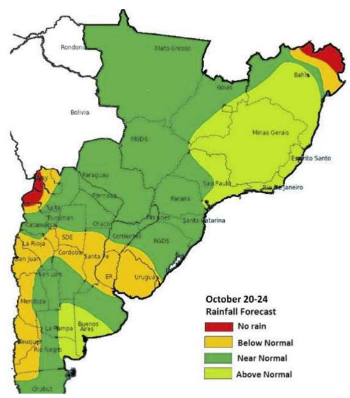
The forecast for northern Brazil has improved this morning, with better rain amounts and coverage expected to slowly evolve for the weekend and beyond. Any soybean crops in southeastern Mato Grosso eastward and northward that got planted right after the larger September rains are likely looking for a drink of water; Most of the planting area has seen less than half an inch of rain in the past two weeks. Crucially, the worst of the heat is now in the past for the region. These changes, along with milder temperatures, should allow for more regular planting activity to begin. For southern Brazil and Paraguay, the outlook remains favorable with near- to above-normal rainfall and no notable heat expected. The wettest period for this region will likely be around October 17-21. The forecast for Argentina is unchanged, with the weekend's heaviest and least-needed rains still targeting the already-saturated province of Buenos Aires.



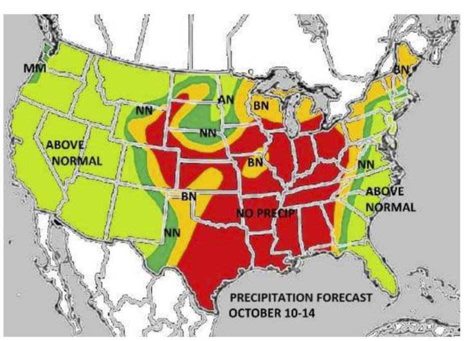
15-day rainfall totals for Brazil (values are in millimeters)

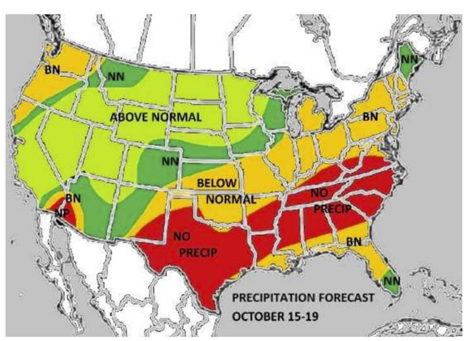


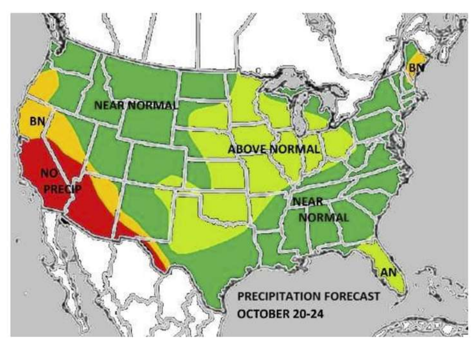




The most significant forecast change this morning is a notably wetter trend for the central U.S. in the 11-15 day period. This part of the forecast now shows a sizable area of above-normal precipitation, which will be beneficial for winter wheat planting and is not expected to cause significant harvest delays. This long-range shift comes as the near-term (1-10 day) forecast continues to look extraordinarily dry for the eastern Corn Belt, southern Plains, and Mid-South. The next 10 days are also still expected to be very warm, with temperatures in large parts of the middle of the country running 10+ degrees above normal. The potential for the first widespread fall freeze in the Corn Belt remains in the forecast for the 11-15 day period as more normal temperatures return.



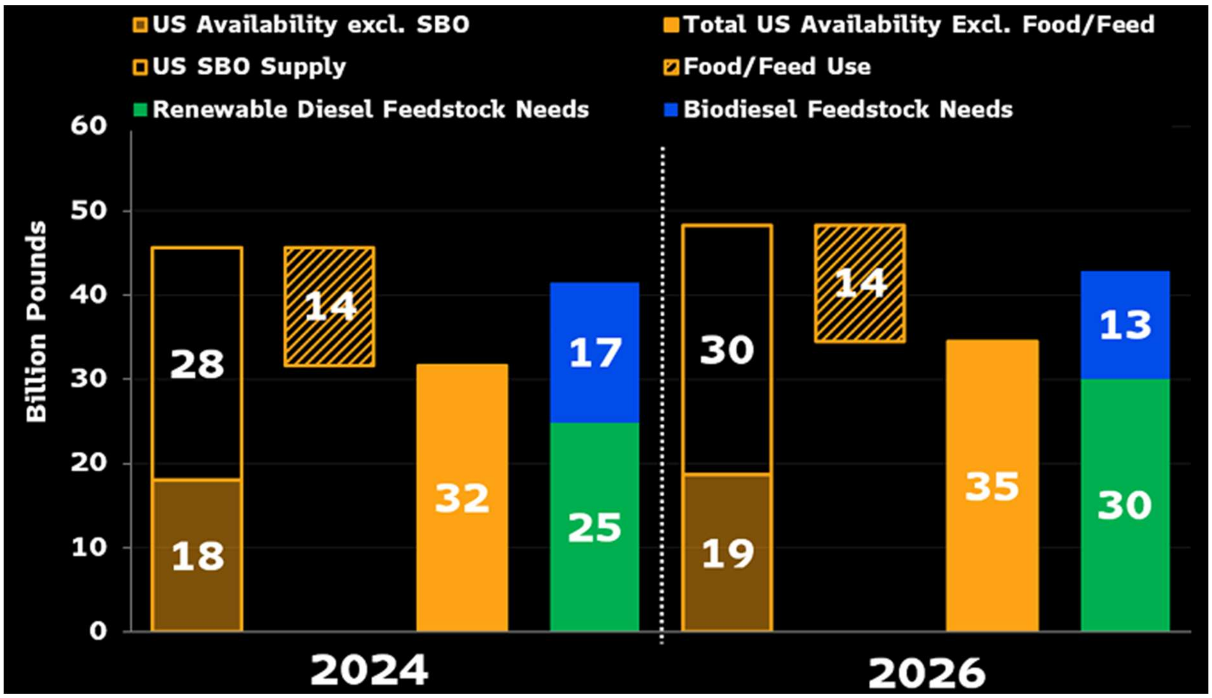




Grains

The US soybean market currently looks like it will have a much lower demand than projected by the USDA and supply that is much higher than the actual demand, based on the near-certain loss of exports to China and what looks to be a very large crop (on top of large supplies in South America as well). However, it looks like a bullish opportunity for soybean oil is approaching with the upcoming finalization of the EPA's 2026/2027 Renewable Volume Obligations for biomass-based diesel (BBD).

The EPA's 26/27 proposal requires US BBD production to operate near full capacity, which would demand an estimated 43 billion pounds of feedstock. Estimating total US domestic feedstock availability to be approximately 34 billion pounds in 2026 leaves a substantial 8-billion-pound shortfall that must be filled. Given its role as a primary BBD feedstock and the current administration's desire to promote use of domestic inputs, the majority of this new demand will fall to US-produced soybean oil.

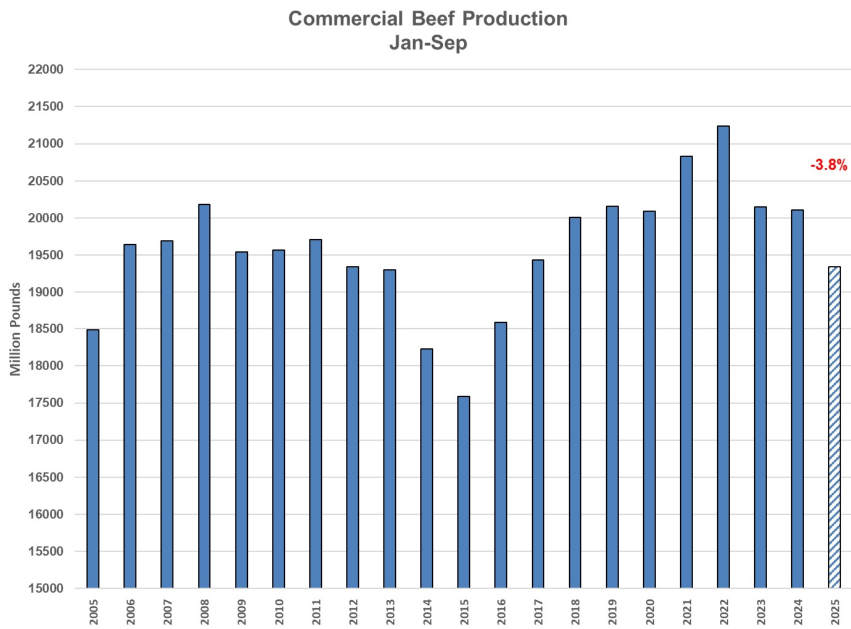


Outside of a jump higher following the EPA's announcement of the 26/27 proposal, which has since largely sold off, it seems that the uncertainty surrounding the final decisions on SREs has held the market back from pricing in this new soybean oil demand. With the 45-day public comment period for SREs ongoing until the end of October and the ongoing government shutdown, a final ruling is not anticipated until at least December. Assuming the EPA confirms the strong RVO levels of the proposal, which seems highly likely, the price of soybean oil will need to move significantly higher to incentivize the market to meet this new domestic demand rather than exporting.

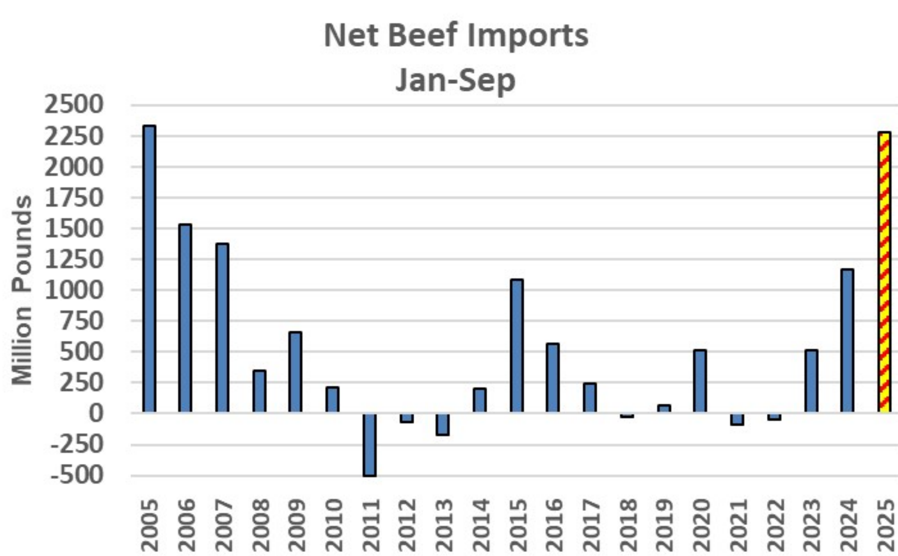
Grains commentary provided by Zachary Davis. For questions or comments, Zachary can be reached by email at zdavis@nesvick.com *or on Trillian at zdavis@nesvick.com.*

Livestock

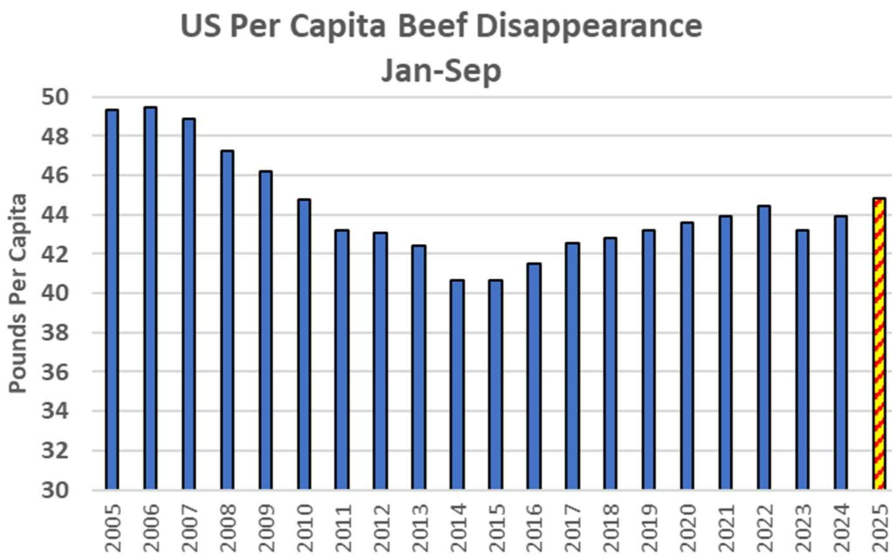
Through the first three quarters of the year, beef production is down about 3.8% from last year and nearly 9% from the record output posted during 2022, and the smallest since 2017. That's a significant decline by any measure, but perhaps not a small as might be presumed considering the "decades small cow herd" noted earlier in the week. That smaller beef output is a function of both fewer fed cattle and fewer cows in the overall slaughter mix. For the Jan-Sep period, fed cattle slaughter is down 5.3% (a little over a million head) from last year with the bulk of that decline occurring during the past six months, most noticeably during the JAS quarter, which is estimated down more than 8% from last year. Cow slaughter is also significantly smaller than last year during the Jan-Sep period, dropping about 12% (about 500,000 head) compared to last year. With total Jan-Sep cattle slaughter down about 6.6%, one might have anticipated a larger decline in beef production—the difference, of course, offset by a 2.8% increase in average carcass weights.



While heavier carcass weights have offset some of the decline in cattle slaughter and beef production, net beef trade has compensated for the rest of the difference. Trade data for August and September have yet to be officially released by USDA, but imports have been on a sustained upward trajectory in recent months while exports have declined. For the Jan-Sep period, beef imports are estimated record large, near 4.3 bln pounds, up 26%, while exports near 2 bln pounds are down 10% from last year. As a result, net beef imports are up nearly 2.3 bln pounds, almost double compared to the same period last year.

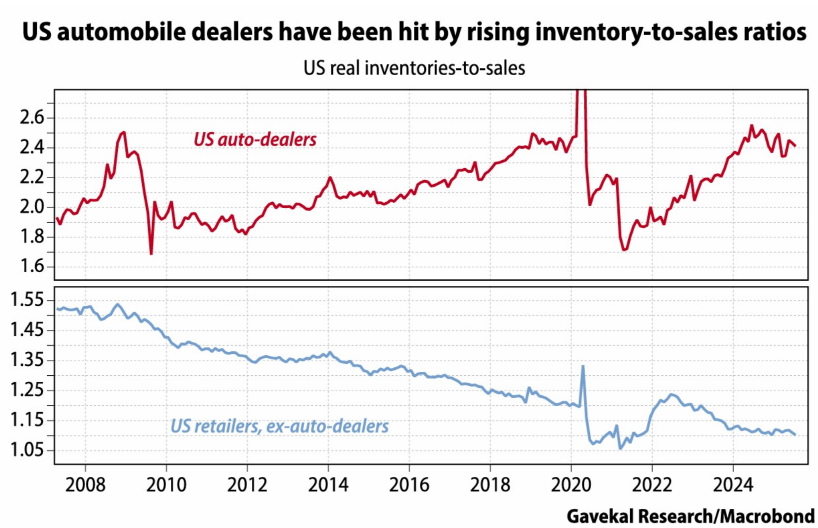


Despite much smaller slaughter volumes, the heavier carcass weights have tempered a portion of the production decline and net trade has offset the rest. Through the first three quarters of the year, domestic per capita disappearance is near 45 pounds, nearly a pound higher than last year. Larger domestic beef disappearance at much higher beef prices, up 19%, and cattle prices, up over 16%, leaves little doubt regarding the strength in beef demand for the year to date.

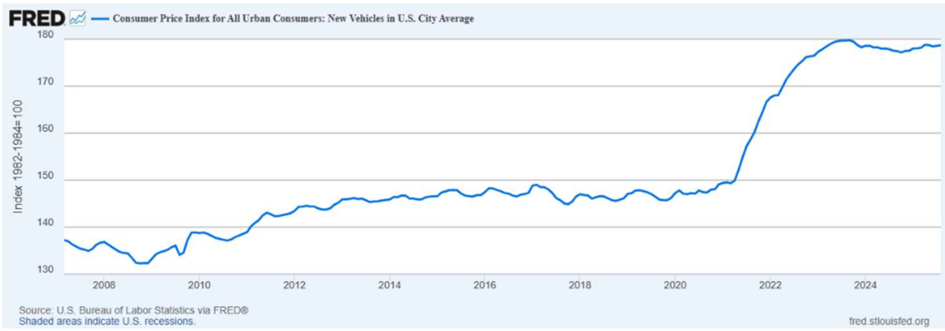


Livestock commentary provided by Mike Sands. For questions or comments, Mike can be reached by email at msands@nesvick.com *or on Trillian at miksan66@trillian.im.*

Financials



A clear divergence is emerging within the US retail sector. While general retailers have successfully maintained lean inventory-to-sales ratios, auto dealers are facing a rapidly different reality. The auto dealer inventory-to-sales ratio has surged from its 2022 lows, returning to the higher levels seen during the Great Recession.



The cost of new vehicles has risen significantly since the pandemic, fueled initially by component shortages reducing the supply of vehicles, followed by increasing interest rates. Production rates have returned to normal levels, but demand is no longer meeting the supply of new vehicles, leading to this surplus inventory on dealer lots. This is not indicative of broad excess supply across retailers, as the rest of the industry – minus auto dealers – is actually seeing declining inventory-to-sales ratios. Are we finally seeing the end of the seller's market and a return to a buyer's market in the automotive market? Automakers will likely have to introduce more affordable models and offer greater incentives to reignite sales, a strategy already being deployed by Tesla and GM with their respective announcements of the lower-priced Model 3 Standard and Chevy Bolt EV models on Wednesday.

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)

- U. Mich. Sentiment Index – 9:00 AM

Thanks for reading,

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