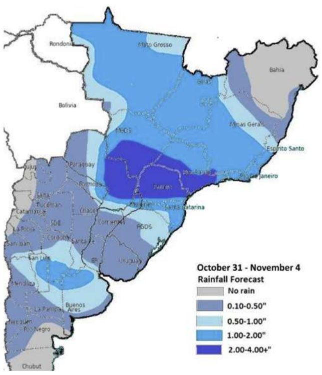
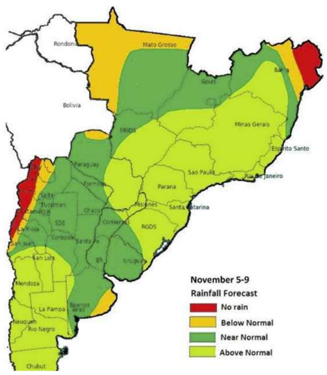
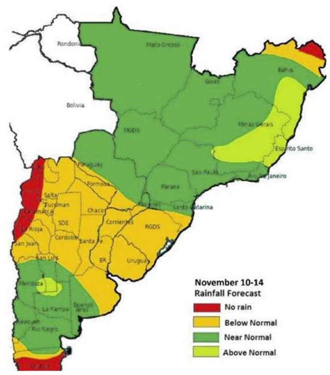
Weather

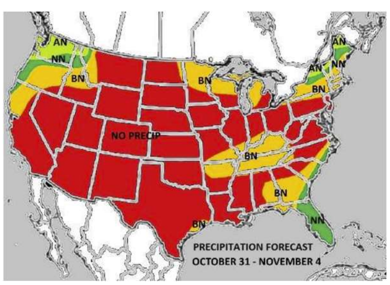
A more normal rainfall pattern is gradually evolving in northern Brazil's soybean areas, which is much needed as reports from Mato Grosso indicate young crops are stressed from recent heat and irregular rains. This more normal pattern is expected to continue for the 6-10 and 11-15 day periods, following heat that will persist into the weekend. The most significant change is in southern Brazil and Paraguay, where the forecast looks very wet through November 7; this period is expected to deliver 4-7 inches of rain to western Parana, southern Mato Grosso do Sul, and Paraguay, maintaining a fantastic start to the season. For Argentina, 15-day rainfall is forecast to run on either side of normal, with above-normal totals of 2.50-4.00 inches in southern Cordoba and northern La Pampa, while the cool period of November 5-9 remains in the outlook.

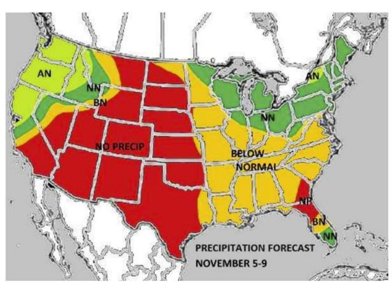


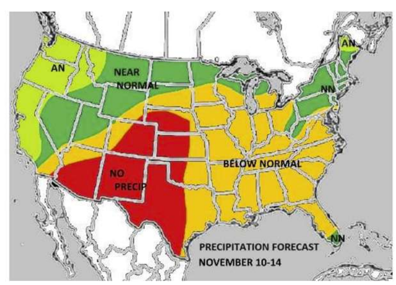




In the U.S., an exceptionally dry pattern is now setting in for the next 15 days, which will provide a wide-open window for completing the harvest. The forecast for the HRW wheat belt remains completely dry for the entire 15-day period, and the western Corn Belt may also be completely dry. The Mid-South is also forecast to be very dry, with rainfall expected to run under 25% to 50% of normal. This dry-down follows beneficial rains for most wheat areas, which will have to suffice for the coming weeks. The temperature forecast is unchanged, with a cool period lasting into the weekend followed by a widespread warm-to-very-warm pattern for the 6-10 and 11-15 day periods.







Grains

Is it Friday yet? There was a bit more clarification on the "tremendous" amounts of US soybeans that China would buy. Bessent said they would buy 12 mmt this year. It seems that the numbers came more from the US than China, but this is what we are looking at. It was also said they would buy a minimum of 25 mmt annually in 2026, 27, and 28. The other day I presented a scenario in which they buy 10 mmt this crop year with US exports of 1760 milbus in 25/26. I went deeper into the matrix and raised Brazil back to the "rest of world" and used 15 mmt to China from the US. If they are serious about the 12 mmt and 25 mmt annually this could be light. The crop year just started, and I only assumed 3 mmt for calendar year 2026 in crop year 25/26. But after raising Brazil to "other" destinations and lowering the US by a comparable amount, I ended up at 1685 milbus for the US in 25/26, coincidentally right where the USDA was in Sept. I also raised my yield to 53.1 bu/a, as it seems that yields were much better than the weather and the ratings suggested. Obviously, this is a guess on yields, but my S&D is constructive. It also really highlights the need for an increase in acres here next year. I have 84.5 mil acres plugged in, but it may have to be something quite a bit higher.

We also can't have any issues in SAm this growing season. I know I know, Brazil is going to grow 175-180 mmt. And they very well may, but the central and north needs more rain (supposed to start in earnest over the weekend). Craig and Zach highlighted the Arg flooding this week. The forecasts added rain back to southern Arg in the near term, which is not needed. Beans have rallied a dollar and it is likely that funds now have a decent-sized long, so some consolidation is likely in order in the near term. We had very large volume trade the last few sessions. But the balance sheet is tightening, and I am not sure we can break a lot right now. There was talk of China washing out Brazilian cargoes Thurs and Brazil basis broke hard. US beans have been the cheapest while China was shunning us, but they will all likely get close in rapid fashion. I'm adding my bean matrix, updated S&D, and weekly charts of beans and meal.

World Soybean Import/Export Matrix 2025-26(sep-aug; 1000 tonnes)							2025-26	2024-25	2023-24
	ARGY	BRAZIL	UKRAINE	US	OTHERS		TOTAL	TOTAL	TOTAL
Europe	100	7,000	1,150	7,000	1,500		16,750	16,450	15,744
Canada	0	0	0	150	200		350	248	310
Mexico	0	800	0	5,800	0		6,600	6,228	6,419
Other North Am.	25	175	0	150	900		1,250	1,119	1,274
Chile	75	0	0	0	25		100	101	83
Colombia	0	0	0	500	250		750	834	708
Peru	50	75	0	100	100		325	248	161
Other South Am.	0	725	0	500	2750		3,975	3,851	4,082
Iran	200	2,000	275	100	425		3,000	2,366	2,364
Israel	0	150	100	100	50		400	452	262
Turkey	0	1750	1500	550	500		4,300	4,367	3,993
Other Middle East	50	1,500	50	750	700		3,050	3,861	1,577
Indonesia	0	0	0	1,850	1200		3,050	3,152	3,310
China	9,000	85,000	0	15,000	3,500		112,500	107,062	110,466
Japan	0	750	0	2,050	300		3,100	3,236	3,130
South Korea	0	550	0	550	50		1,150	1,066	1,075
Maylaysia	50	50	0	550	300		950	929	739
Taiwan	0	1,200	0	1,400	750		3,350	3,323	3,204
Thailand	50	2250	0	1,500	500		4,300	4,620	3,550
Other Far East	50	2,100	0	2,450	250		4,850	4,716	4,226
Egypt	50	300	100	3,800	550		4,800	4,391	2,814
Other Africa	0	950	100	1,000	25		2,075	2,036	1,409
Oceania	0	0	0	0	0		0	0	0
Other	650	350	0	25	2025		3,050	2,429	2,272
							184025	177,085	173,172
Total 2025-26	10350	107675	3275	45875	16850	0			
Total 2024-25	5851	101917	2825	51113	15375	0			
Total 2023-24	5025	104440	2325	45669	15700				

SOYBEANS: U.S. SUPPLY AND DEMAND							12-Sep		12-Sep	Initial
	19/20	20/21	21/22	22/23	23/24	24/25 MB	24/25 USDA	25/26 MB	25/26 USDA	26/27 MB
Planted Area	76.1	83.4	87.2	87.5	83.6	87.3	87.3	81.1	81.1	84.5
Harvested Area	74.9	82.6	86.3	86.2	82.3	86.2	86.2	80.3	80.3	83.5
Yield	47.4	51.0	51.7	49.6	50.6	50.7	50.7	53.1	53.5	53.5
Carryin	925	538	257	274	264	342	342	316	316	247
Production	3552	4216	4464	4270	4162	4374	4374	4263	4301	4467
Imports	15	20	16	25	21	25	27	20	20	20
Total Supply	4492	4774	4737	4569	4446	4742	4744	4598	4637	4734
Crush	2165	2141	2204	2212	2285	2445	2430	2565	2555	2650
Exports	1679	2266	2152	1980	1700	1875	1875	1685	1685	1750
Seed	97	101	102	72	75	70	70	73	73	75
Residual	15	9	5	41	44	36	53	29	37	20
Total Usage	3956	4517	4463	4304	4104	4426	4428	4352	4350	4495
Carryout	538	257	274	264	342	316	316	247	286	240
Carryout % Use	13.6%	5.7%	6.1%	6.1%	8.3%	7.1%	7.1%	5.7%	6.6%	5.3%

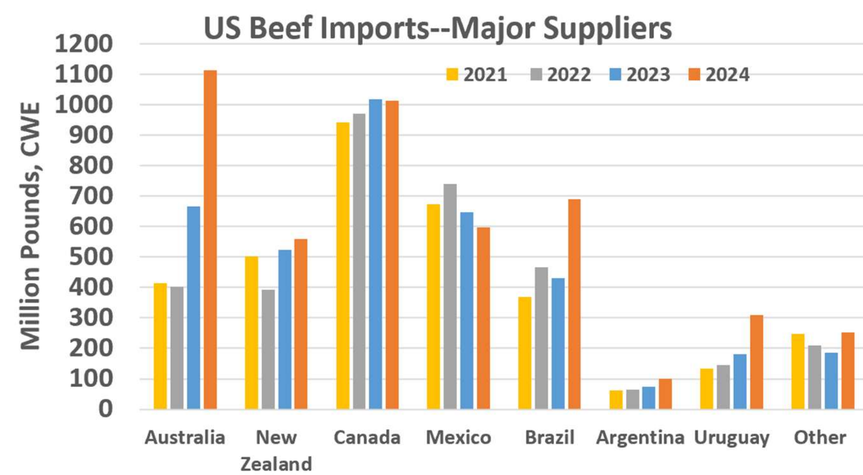
Grains commentary provided by Megan Bocken. For questions or comments, Megan can be reached by email at megan@bockentrading.com *or on Trillian at* *megan@nesvick.com.*

Livestock

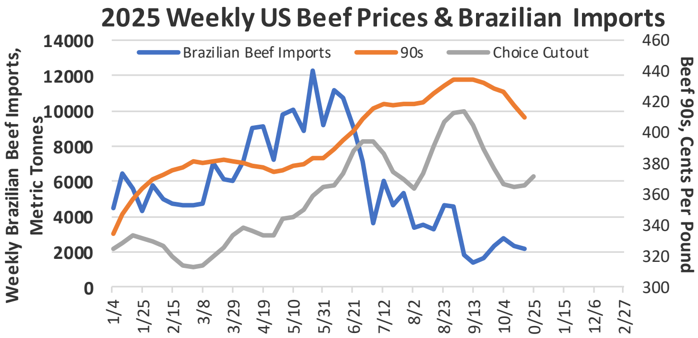
Policy uncertainty, ranging from the WH "beef is too high" comment to importing more Argentinian or Brazilian beef, along with speculation regarding imminent reopening the Mexican border to feeder cattle imports have been the major elements behind the volatility in LC and FC futures during the past two weeks. Amid the surge in uncertainty, LCZ futures plunged more than $20 and FCX spiraled down more than $50 from their mid-October highs before rebounding at mid-week. Amid the massive futures price declines, open interest has declined significantly as a large portion of the net futures length headed for the exit – and may be loathe to return to the fold, at least not any time soon. Amid the speculative/commercial exodus, deferred LC and FC futures have faded to deep discounts to the nearby contracts, which could temper longer-term industry investment (expansion) plans.

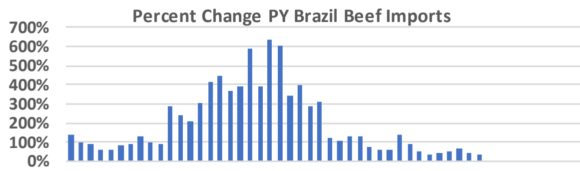
Part of the WH "formula" to lower US beef prices to consumers seems to revolve around increasing imports. Something over half of US beef consumption is in ground or processed form, composed of various formulations of lean beef and fat trim to meet specific lean points. Domestic lean beef production has declined sharply in recent years as the cow herd declined, dropping about 12% this year and over 30% below the record output in 2022. Imports in 2024 were about 17% of total US beef production and this year may climb above 21%.

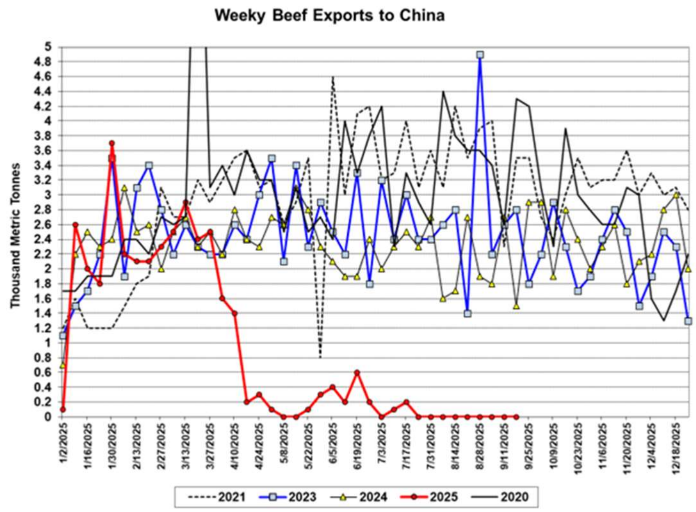
Initially, the focus on larger imports centered on Argentina, but even doubling or tripling tonnages from that source would represent a small addition to US beef supplies and likely a negligible impact on prices. Brazil, however, is a much larger supplier, ranking third last year, behind Australia and Canada, but ahead of Mexico, New Zealand, and other South and Central American sources.



Brazil shares a 65,000 mt tariff-free quota on exports to the US on a first-come-first-served basis and that TRQ was filled in January with over-quota shipments subject to a standard 26.4% over-quota tariff. Liberation Day, reciprocal tariffs of 10%, which had been threatened for months, were implemented in early April. In addition, a further 40% tariff on Brazilian imports was threatened in retribution for treatment of former president Bolsonaro. In an effort to "get ahead" of the rapidly escalating tariffs, Brazilian shipments to the US surged higher, at times climbing from 100 to 500 percent of a year earlier. But, those larger Brazilian tonnages did not preclude the Choice cutout or lean beef prices from trending seasonally higher during the first half of the year; nor did the much smaller Brazilian imports during the summer months prevent US beef prices from declining. Much of this year's surge in Brazilian imports and subsequent decline appears directly related to tariff decisions.







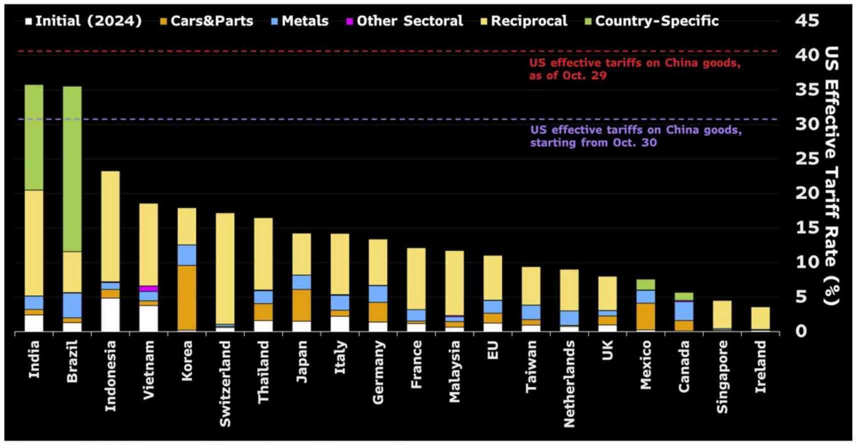
And, it isn't just imports that are affected by tariff disruptions. Since trade is a two-way street, escalating tariffs on imports often invites retaliatory tariffs on US exports. In 2024, the US exported about 475 mln pounds of beef (CWE) to China, the third largest US export destination, behind only Japan and S. Korea, but larger than Canada, Mexico, and Taiwan. As the tariff war escalated US beef purchases by China collapsed. Headlines surrounding this week's US/China trade meeting in S. Korea focused on soybeans and perhaps other grains, but made no mention of beef. Sustaining the current impasse will leave a sizeable hole in US beef exports this year.

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

The recent meeting between Presidents Trump and Xi appears to have put a pause in the trade war, shifting it to more of a trade "cold war." While this materially dials down tensions in the short term, the agreement is best characterized as a temporary truce, not a resolution of longstanding grievances. The proposed deal, which is not yet fully agreed to by both parties, contains several quantifiable data points relevant to the markets.

China has committed to purchasing soybeans, with Bessent saying 12 million metric tons of US soybeans this year and 25 mmt for the next three years. This provides a new, tangible data point for the demand side of the balance sheet, though it is worth noting China has fallen short of previous purchase commitments. Trump also suggested that China would be purchasing unspecified amounts of US oil and gas. On the tariff front, the US will cut fentanyl-related tariffs on Chinese goods in half, from 20% to 10%. This substantial reduction will lower the overall average US tariff rate on China from 40.8% to 30.8%. However, the US has also announced that the investigation into China's compliance with the deal from the first trade war will continue, and could result in additional tariffs being placed on China if it is found to have been noncompliant. It's also worth noting that even with this tariff reduction, China will still have higher US tariffs on their goods than most other countries. Both sides will extend the existing 10% reciprocal tariff truce for another year and suspend levies on each other's ships. The US will suspend the expansion of export controls on semiconductors for one year, while China will reciprocate by suspending its new critical minerals export licensing regime for the same period. An agreement regarding Tik Tok was also reportedly finalized.



Source: US Census, Bloomberg Economics.

However, this de-escalation is defined by its temporary nature, with the agreement is structured as a "one-year pause." This framework of mutual one-year suspensions highlights the enduring mistrust between the two sides. While the immediate risk of escalation is off the table, the risk of another flare-up in trade tensions remains considerable.

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

- Personal Income/Spending – 7:30 AM
- PCE Price Index – 7:30 AM

Happy Halloween,

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

Bloomberg IB: zrdavis@bloomberg.net