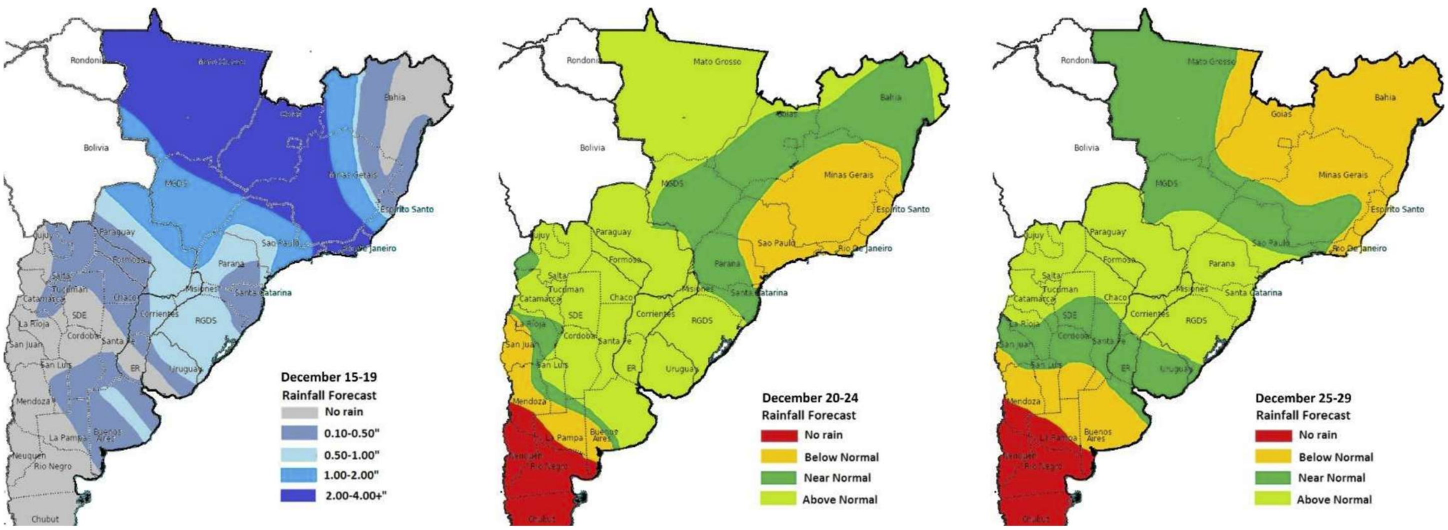
NESVICK TRADING GROUP, LLC

Monday, December 15, 2025
NTG Morning Comments
www.nesvick.com

Weather

The rainfall outlook for northern soybean growing areas of Brazil remains favorable for the duration of the 15-day forecast, characterized by a daily threat of scattered thunderstorms that will produce near to above-normal totals; the heaviest amounts are targeted for the December 16-20 period where widespread totals of 2-4” will maintain excellent soil moisture levels without posing significant flood risks. Further south, an active weather system delivered beneficial moisture to southern Brazil and Paraguay this weekend, but this will give way to a largely dry window in the 1-5 day period before rainfall coverage expands significantly again during Week Two. While Rio Grande do Sul will see sporadic heat, with highs reaching the 90s today and again next week, it is not expected to be persistent enough to cause crop stress given the accompanying moisture. In Argentina, rainfall over the weekend outperformed expectations in key growing areas, but the pattern will now turn drier for the 1-5 day period; the most significant moisture is not expected to return until the December 20-24 timeframe, which will help offset rising temperatures that are forecast to average above-normal from December 18-25.



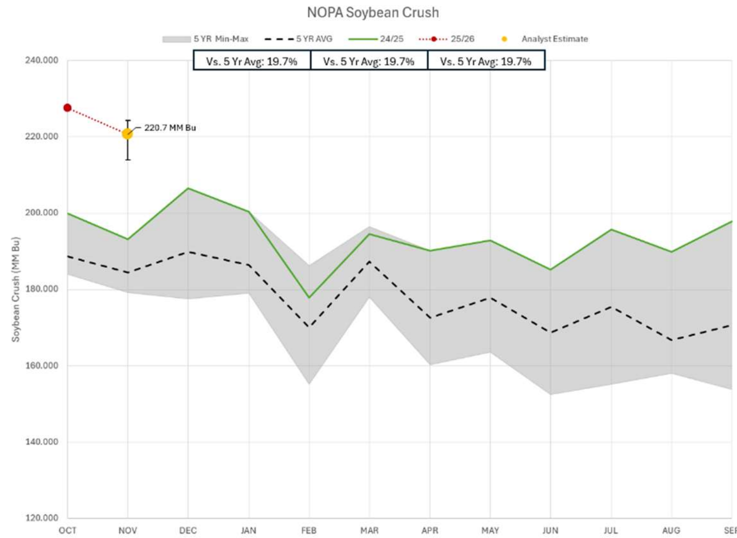
The immediate weather story for the US is the bitterly cold air mass currently situated over the Corn Belt, but this feature is transient and will be rapidly replaced by a much warmer pattern starting tomorrow. The 15-day forecast for the Corn Belt, Mid-South, and Southeast is dominated by dry conditions, with precipitation totals expected to run below or well-below normal. The major cattle feedlot areas of the Southern Plains continue to face an exceptionally favorable operational outlook, featuring a completely dry forecast for the next 15 days combined with a temperature regime that will transition to much-above-normal levels. This warming trend is significant, with widespread record high temperatures possible across the southern tier of the US leading up to and including Christmas Day, as readings in the 11-15 day period are projected to run 15+ degrees above normal.

Grains

The NOPA crush report, to be released at 11:00 AM Central today, carries significantly more weight than usual. While the industry is forecasting historically high throughput, with the average analyst estimate pegged at 220.7 million bushels and oil stocks projected around 1,363 million lbs, the importance of this data point is amplified by the poor quality of the recent government data.

If realized, this 220.7 milbus figure would represent a 3.0% decline from last month’s record highs, a normal seasonal adjustment given the shorter month and reported margin management. However, the more critical narrative is the structural shift in demand: this estimate stands 14.2% higher than the previous year and nearly 19.7% above the five-year average. We are witnessing a volume environment that has completely detached from historical norms, even as plants throttle back slightly from their October peaks.

Last week's NASS report for October raised serious questions regarding data integrity. We observed statistical anomalies that are difficult to reconcile, specifically a NOPA-to-NASS spread exceeding 9.0 million bushels – more than the estimated capacity outside of NOPA – and highly irregular oil yields across key states. With the USDA unlikely to issue corrections on these figures until January 2, if they make corrections at all, we should set the NASS data aside for the time being and focus on the NOPA reports.



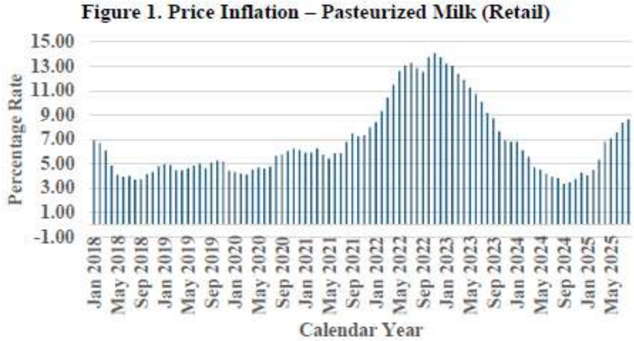
Grains commentary provided by Zachary Davis. For questions or comments, Zachary can be reached by email at zdavis@nesvick.com *or on Trillian at zdavis@nesvick.com.*

Livestock

The USDA released the *Dairy and Products Annual* report for Mexico last week, and it is clear the US is poised to keep dominating exports there through 2026. Mexico has a persistent dairy deficit, with about 25-30% of demand unmet domestically, and the US covers over 80% of that gap thanks to USMCA perks like low tariffs and easy logistics. In 2024, US dairy exports to Mexico hit $2.47 billion (756,790 MT), making it our top market and accounting for 25-30% of all US dairy exports. Forecasts show steady growth ahead, driven by Mexico's rising consumption from population growth, urbanization, and tourism.

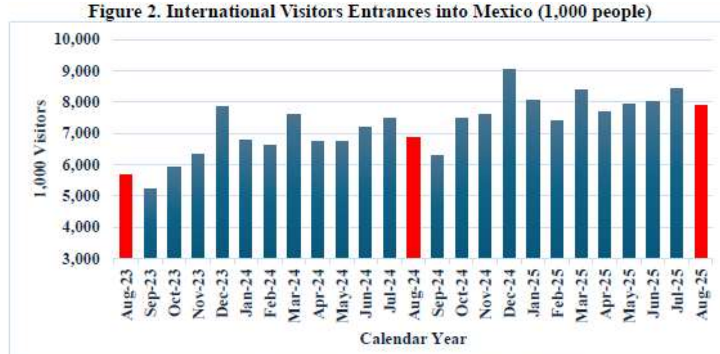
The Mexican dairy sector is expected to grow thanks to modernization, investments, and rising demand. Milk production in 2026 should hit 14.1 million metric tons, up 2% from 2025, mostly driven by big players like Alpura and Lala integrating smaller farms into cooperatives. Key regions include La Laguna in the north with high-yield Holstein cows (over 9,500 liters per cow per lactation) and southern areas with dual-purpose breeds yielding less but needing fewer inputs. Government programs like "Leche para el Bienestar" (Milk for Well-being) are boosting this by buying milk at guaranteed prices and subsidizing it for low-income people, aiming to reach 10 million beneficiaries by 2030.

Figure 1. Price Inflation – Pasteurized Milk (Retail)



Source: National Institute of Statistics and Geography (INEGI)

Figure 2. International Visitors Entrances into Mexico (1,000 people)



Source: National Institute of Statistics and Geography (INEGI)

Consumption is forecast at 14.3 MMT, also up 2%, mostly fueled by population growth (132 million), urbanization, and a shift to protein-rich foods. Urban consumers are shifting from powdered milk to fresh; inflation has eased, but prices remain high due to costs and regional differences (northern producers get a 3 peso/liter premium to the southern areas).

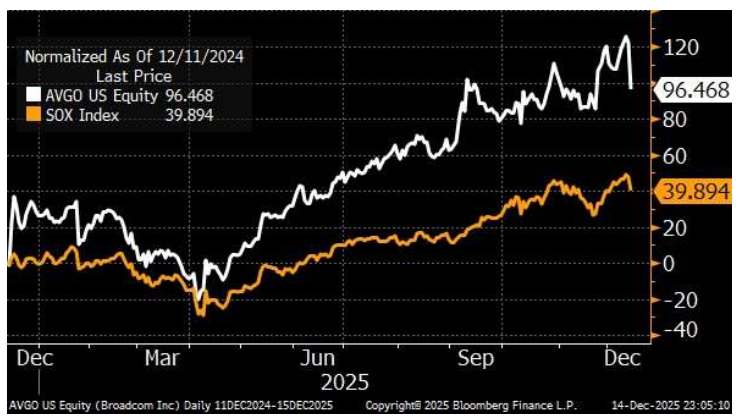
Cheese production is forecast to reach 495,000 MT, up 2%, while consumption is expected to increase by 3%, with imports rising to 210,000 MT—up a whopping 8%—to meet HRI demand from tourism. Mexico had 63.7 million visitors from Jan-Aug 2025 and will get a boost from hosting the FIFA World Cup in 2026. Trends include flavored cheeses and ready-to-eat snacks. Butter production is expected to be up 1% to 255,000 MT, consumption is expected to be up 3%, and imports are once again expected to be up 20% due to the growing demand from tourism and cheap US imports. Overall, Mexico is pushing self-sufficiency but relies on imports like Skim Milk Powder for raw materials. With tourism, urban growth, and investments, the industry is ripe for expansion, though challenges like costs and logistics persist.

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.*

Macro/Financials

Last week, Oracle showed us that the market is losing patience with massive AI spending. With its quarterly earnings report last Thursday after the close, Broadcom proved that this wasn't just a one-off event—it's a full-blown sentiment shift in the market. We are moving past the phase where just saying "AI" gets you a pass. Now, if you can't show exactly *when* the payoff is coming, the market is going to punish you.

On paper, Broadcom actually had a great quarter. They beat revenue estimates at $18 billion, beat earnings at $1.95 per share, and even raised their dividend by 10%. But the stock still experienced its worst drop in ten months, down 11%. Why? Because despite boasting a massive $73 billion backlog, management couldn't tell investors exactly when that backlog would be converted to revenue.



While Oracle got hit for spending too much, Broadcom got hit for saying too little. The stock was trading at a historically rich 42 times forward earnings (compared to its 17x average), which means it was priced for perfection. Instead of clarity, CEO Hock Tan called 2026 AI revenue "a moving target" and refused to give specific guidance.

That kind of ambiguity doesn't fly anymore. The "In Hock We Trust" attitude —where investors relied on Tan to pull a rabbit out of the hat every quarter— that has carried the stock all year has faltered with this earnings call. After a year of strongly outperforming the semiconductor chip index, with a 125% gain in the year leading into this earnings call, the tricks seem to have finally run out. The takeaway here is simple: The bar has been raised. Investors are done underwriting indefinite "build phases" or vague timelines for AI projects. Companies expecting to hold these valuations need to provide a concrete roadmap to cash flow, or they're going to face a serious correction.

Macro/Financials 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)

- Export Sales (11/20/2025) – 7:30 AM
- NAHB Housing Index – 9:00 AM
- Export Inspections – 10:00 AM
- NOPA Soybean Crush/Oil Stocks – 11:00 AM

Thanks for reading,

Zachary Davis
zdavis@nesvick.com
(901) 604-7712
Trillian IM: zdavis@nesvick.com
Bloomberg IB: zrdavis@bloomberg.net