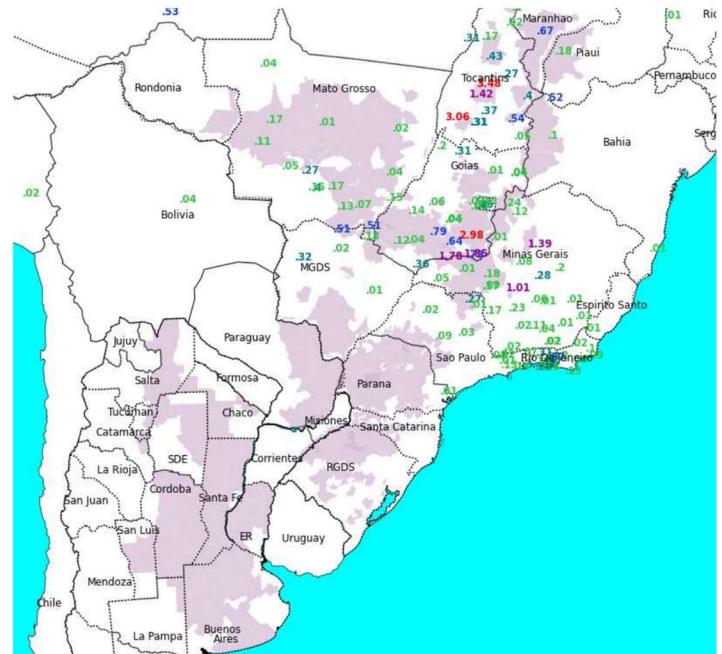
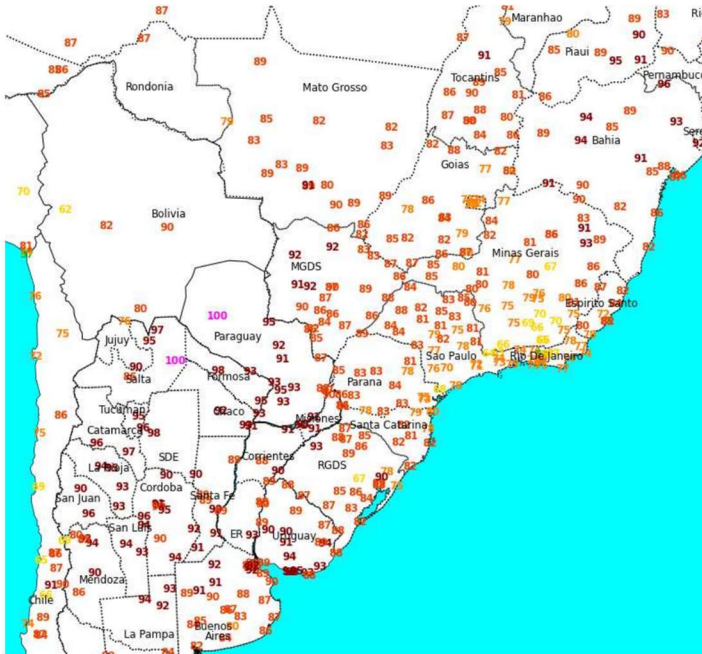


## Weather

The rainfall outlook for northern Brazil remains heavily weighted toward the near term, with the wettest conditions of the 15-day forecast period currently targeting Mato Grosso; however, a significant downturn in precipitation is still projected for eastern growing regions in the 6-10 day window, where rainfall totals are expected to fall to near or mostly below-normal levels. In southern Brazil and Paraguay, the short-term dry spell will persist through tomorrow, but the pattern change remains on track for Sunday, when Rio Grande do Sul will enter a wet to very wet period featuring multiple rounds of significant rainfall that will likely continue through the end of the month. Argentine growing areas are set to receive their primary moisture event starting tonight into the weekend, bringing widespread coverage to the region; following this system, the forecast maintains a distinct regional split for next week, with southwestern areas turning limited and dry while northeastern zones continue to see frequent precipitation chances.



*High temperatures yesterday (left) and 18-hour rainfall through midnight CST (right, soybean growing areas shaded)*

## Grains

Let's take a look at the KC-Chgo spread as it's had a sizable move the last few days. KC has spent most of the last 4 months under Chgo, mainly due to balance sheet considerations as the HRW balance sheet is quite comfortable and SRW is on the tighter side. HRW has been doing sizable business – nearly double the pace a year ago, but it's not tightening the S&D. Total HRW commitments are 6.9 mmt vs 3.5 (this is a/o the latest sales report in the w/e Nov 27). SRW sales are slightly ahead of year ago at 2.7 mmt vs 2.6 mmt. Most of the years where KC is "unders" are when the HRW balance is burdensome. Over the last week the Mch KC has gone from 11 under Mch Chgo to 9 over today. In mid-Nov, it was 18 under.

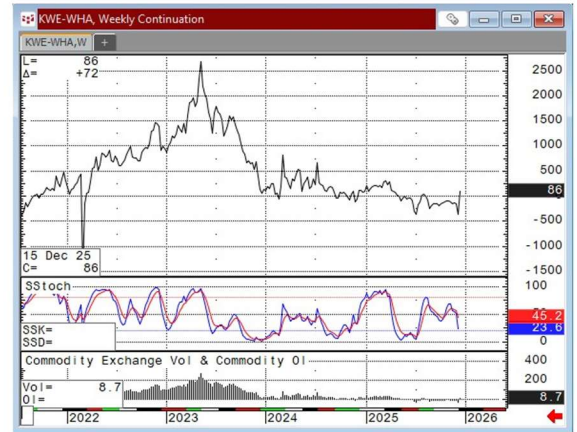


The market has leaned long Chgo short KC and the China cancelation talk late last week may have spurred the selling in Chgo and Chgo made a new contract low. We did have confirmation of a white wheat cancelation (which is a soft wheat). KC didn't make a new low last week and uncovered some support/user pricing near the 500 level. It remains to be seen if KC can remain premium to Chgo. The 26/27 HRW balance sheet also looks bearish. I used slightly lower area and a similar yield to last year. The USDA won't give any forecasts for winter wheat area until the Jan 12 report, but some are expecting a considerable reduction in SRW, which could tighten up the SRW balance. Charts and balance sheets attached.

U S SRW Supply/Usage					USDA				MB				
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2025/26	2026/27				
Carry-in	158	105	85	99	90	126	127	127	131				
Production	240	266	361	336	449	344	353	353	296				
Imports	4	5	3	4	6	5	5	5	5				
<b>Total supply</b>	<b>402</b>	<b>376</b>	<b>449</b>	<b>439</b>	<b>545</b>	<b>474</b>	<b>485</b>	<b>485</b>	<b>433</b>				
Seed	11	13	13	14	11	12	12	11	13				
Domestic Mill	148	148	154	163	158	153	152	160	155				
Feed/Residual	46	61	71	65	91	67	70	50	30				
Exports	92	69	112	107	158	117	120	137	140				
<b>Total Use</b>	<b>296</b>	<b>291</b>	<b>350</b>	<b>349</b>	<b>418</b>	<b>349</b>	<b>354</b>	<b>358</b>	<b>338</b>				
Carry-out	105	85	99	90	126	127	131	127	95				

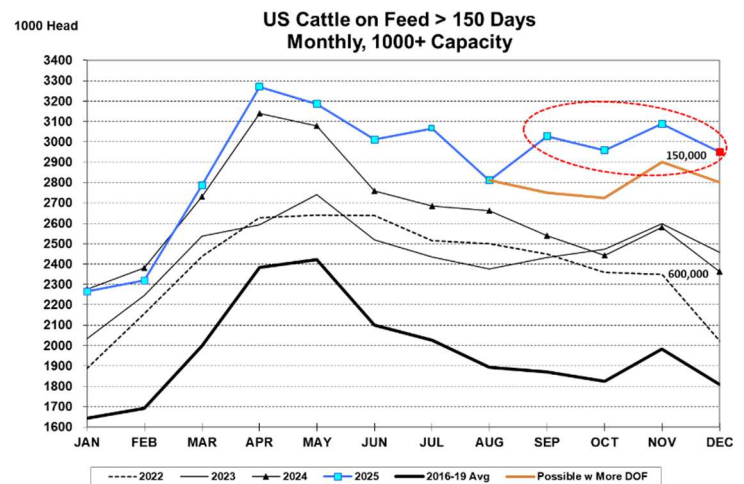
U S HRW Supply/Usage					USDA				MB				
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2025/26	2026/27				
Carry-in	516	506	428	356	223	274	398	400	426				
Production	845	659	750	531	596	773	804	804	805				
Imports	2	4	4	5	18	6	5	5	5				
<b>Total supply</b>	<b>1363</b>	<b>1169</b>	<b>1182</b>	<b>892</b>	<b>837</b>	<b>1054</b>	<b>1207</b>	<b>1210</b>	<b>1236</b>				
Seed	24	26	26	29	27	26	26	26	26				
Domestic Mill	378	377	411	374	384	387	390	390	400				
Feed/Residual	78	-1	72	42	18	26	40	30	65				
Exports	376	340	317	224	134	218	325	328	335				
<b>Total Use</b>	<b>856</b>	<b>742</b>	<b>826</b>	<b>669</b>	<b>563</b>	<b>657</b>	<b>781</b>	<b>774</b>	<b>826</b>				
Carry-out	506	428	356	223	274	398	426	436	410				



Grains commentary provided by Megan Bocken. For questions or comments, Megan can be reached by email at [megan@bockentrading.com](mailto:megan@bockentrading.com) or on Trillian at [megan@nesvick.com](mailto:megan@nesvick.com).

## Livestock

The structure of cattle feeding has changed significantly in recent years, the culmination of dramatic changes in genetics, feeding technology, and economics, to mention a few, and there probably are others, too. The end result is longer feeding regimes and much heavier fed cattle, but also higher quality beef. The rather massive beef cow herd liquidation of recent years, likely raised the average genetic potential of the cow herd and the feeder cattle produced, which has enabled other changes. The incentives to feed to heavier weights have been well-noted and those incentives are still in place, meaning that feedlot inventories will remain larger and the marketing rate relative to the inventory will remain smaller—so, getting that front end supply back to last year was never going to happen and the calculated front-end supply significantly overstates the market backlog. Adding 30 days to a feeding program is akin to foregoing or delaying a full month of marketings or about 1.5-1.7 million head annually or 125-140,000 per month. The calculated front-end supply (on feed over 150 days) of fed cattle (the blue line in the following chart) increased counter-seasonally higher and far above a year ago during recent months. As of Dec 1 that front-end supply stood at nearly 600,000 head or 25% above last year. However, extending the “more days” feeding regime of the last two years through the late summer and fall—reflecting the more typical 180-200 day feeding period—results in something similar to the brown line on the chart. Using this seasonal approach suggests the front-end supply on Dec 1 was closer to 150,000 head—much more manageable and less burdensome than perceived. Although carcass weights



remain historically high, the much more aggressive slaughter rates in recent weeks have made a sizeable dent in the more modest front-end supply.

Along with the longer feeding periods and heavier carcass weights come some other changes—the number of Y4s and Y5s (yield grade 4s and 5s, carrying more fat cover and seam fat) in the slaughter mix have increased along with more cattle grading Choice and better. The number of Y4s/Y5s in the slaughter mix in October was near 30% and likely increased in November and December. During the decade from 2010-2020 that percentage ranged around 10-12%. While there are discounts on 4s and 5s, those discounts have not escalated in recent years—perhaps related to the strong demand for tallow—but, reaching near a third of the fed slaughter mix may invite some pushback.

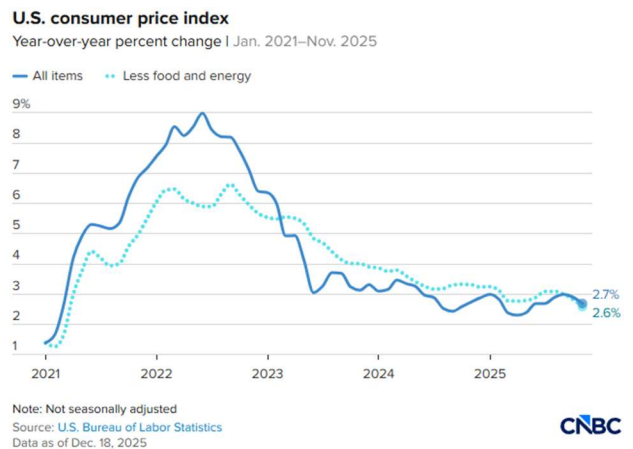
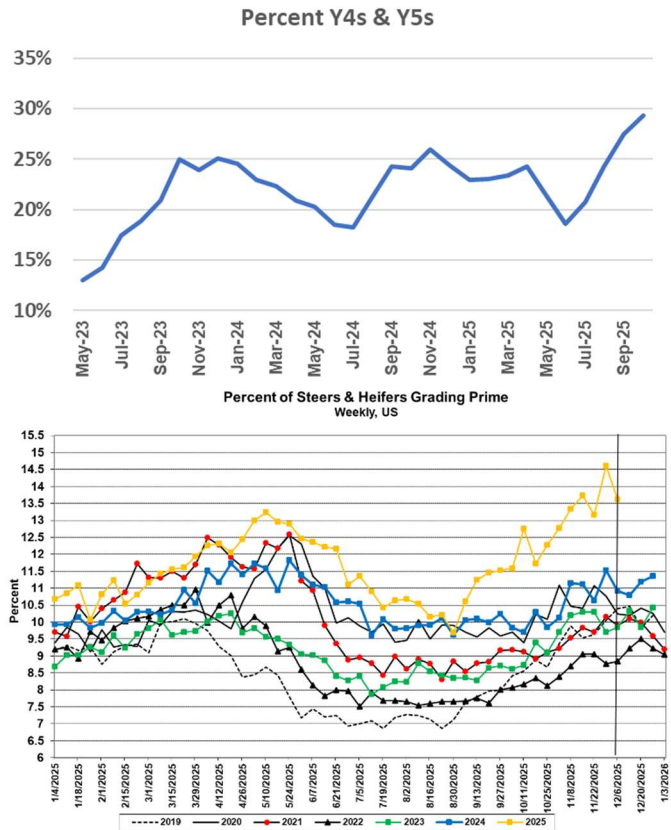
On a more positive note, longer feeding regimes are positively associated with higher quality grades, Choice and Prime. Grading is seasonal, but the percentage of Prime in the slaughter mix has been the same or higher during every week of 2025 and in recent weeks has ranged around 13-14%. The higher quality measures, Choice and better or upper 2/3rds of Choice, likely has contributed to strength in beef demand in recent years and will continue to be sought. The risk is that grid programs in the years ahead may seek to discourage more 4s/5s in the slaughter mix while standardizing the expectations for higher quality grades.

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

## Macro/Financials

The headline numbers from the November CPI report appear, on the surface, to be a decisive victory for disinflation, with the overall index only rising at a 2.7% annualized rate—notably cooler than the 3.1% economists expected. Core CPI, which strips out volatile food and energy, also surprised to the downside at 2.6%, its slowest pace since early 2021. However, these figures cannot be taken at face value without acknowledging the severe disruptions to data collection at the Bureau of Labor Statistics. Due to the extended government shutdown, the BLS was forced to cancel the October data collection entirely and delayed the November release, relying on "non-survey data sources" and imputed values to bridge the gap rather than its standard, rigorous methodology.

With this in mind, we should view this report as potentially compromised rather than a clean economic signal. The most glaring anomaly lies in the shelter component—typically a major driver of inflation and a strongly-weighted portion of the



index—which was reported as essentially flat. This unusual stability likely stems from "carry forward" assumptions used to fill the data void, where the BLS simply extended previous trends rather than capturing actual price changes. Furthermore, the methodology for health insurance inflation, currently modeled off retained earnings, appears to be artificially assisting the disinflation narrative. When a significant portion of a data set is imputed rather than observed, it serves more as a placeholder than a reliable tool for modeling demand.

Despite the flawed nature of the data, the market is aggressively pricing in the implications of a "Fed pivot." The soft inflation print, combined with a rise in the unemployment rate to 4.6%, has emboldened the doves, with traders now pricing in a higher probability of a January rate cut. While the consensus expectation sits around 60 basis points of cuts for 2026, some analysts are now projecting up to 100 basis points of easing, driven not by a "soft landing" victory, but by the necessity to support a deteriorating labor market. We are seeing a relief rally in equities, but it is built on the precarious assumption that the Fed will act swiftly to counter the economic drag signaled by this softening data.

*Macro/Financials commentary provided by Zachary Davis. For questions or comments, Zachary can be reached by email at [zdavis@nesvick.com](mailto:zdavis@nesvick.com) or on Trillian at [zdavis@nesvick.com](mailto:zdavis@nesvick.com).*

### Today's Calendar (all times Central)

- Existing Home Sales – 9:00 AM
- U. of Mich. Sentiment – 9:00 AM
- Cattle on Feed – 2:00 PM
- Commitment of Traders (12/9/25) – 2:30 PM

Thanks for reading,

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