Friday, January 2, 2026

# NTG Morning Comments

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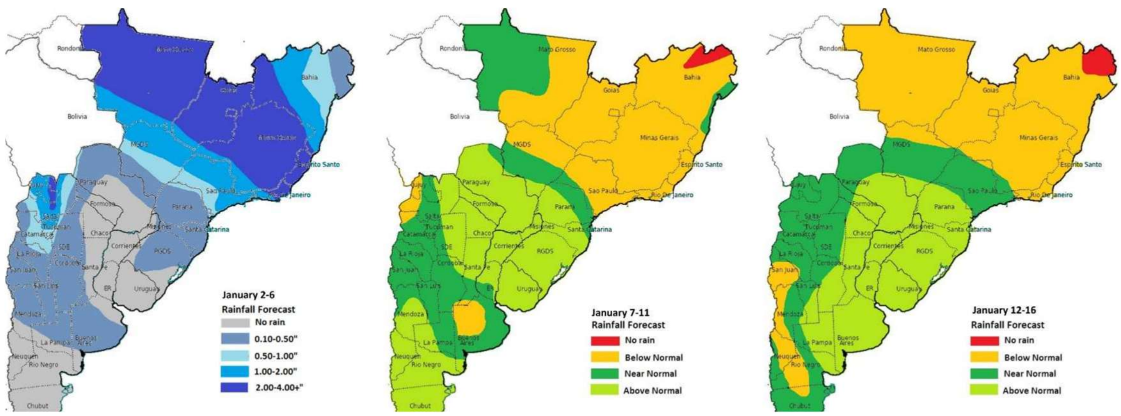
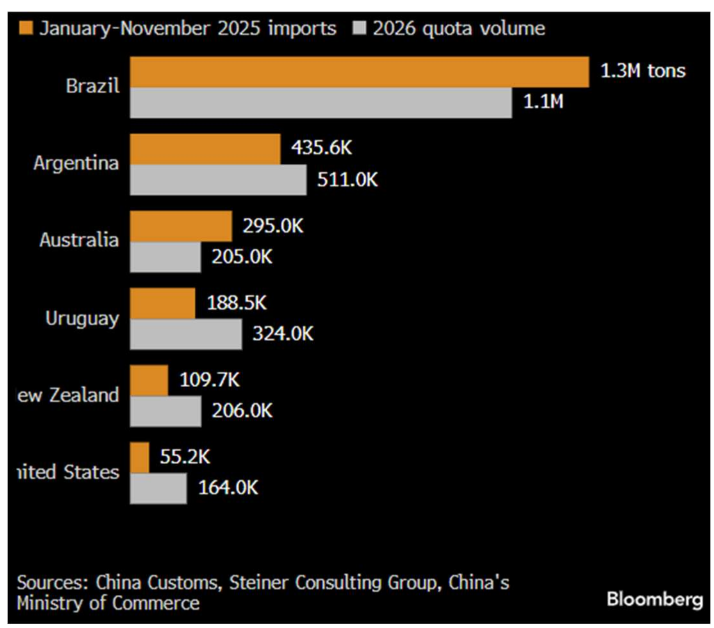
## Weather

The precipitation outlook for northern Brazil confirms that the current 1-5 day window will serve as the wettest period of the entire forecast with widespread 2-4 inch accumulations, but confidence has increased that this will be followed by a transition to below-normal rainfall for the 6-10 and 11-15 day periods. After extensive rains in the past 48 hours, Southern Brazil and Paraguay will see limited precipitation through Wednesday; however, this drier stretch is offset by a favorable temperature outlook that keeps abnormal heat out of the region until moisture chances increase again around January 8. The extreme heat in Argentina is subsiding, with 90-degree highs confined to the far north today and a cooler, below-normal temperature regime expected for the weekend; however, the region remains largely dry until rain chances characterized as "decent though not overly heavy" return towards the January 8 timeframe.




Forecast confidence for the US in Week Two period has degraded significantly, as the models have reversed previous indications of a pattern flip and now project a much warmer and drier trend for the 11-15 day period. This notably contradicts the Climate Prediction Center's wet outlook for the Southern Plains feedlots, but even the CPC is rating this forecast with below-average confidence. In the short term, record-setting warmth will dominate the Plains and Western Corn Belt from January 4-9, while the only significant precipitation threat is a system targeting the Mid-South and Ohio Valley around January 8.

## Livestock




Beginning January 1, 2026, China will implement a restrictive quota system for beef imports, imposing a 55% duty on any shipments exceeding its new designated country-specific thresholds. Total quotas are set to rise incrementally from 2.69 million tons in 2026 to 2.8 million tons by 2028, with top suppliers like Brazil, Argentina, and Australia allocated volumes roughly in line with their historical market share. While smaller producers like Mongolia and Thailand remain exempt, the world's largest exporters face a significant contraction; most notably, Brazil's 2026 quota of 1.1 million tons is a sharp reduction from the 1.7 million tons it shipped in 2025. Analysts expect suppliers to front-load shipments in the first quarter of the year as suppliers race to clear customs before these national thresholds are met.

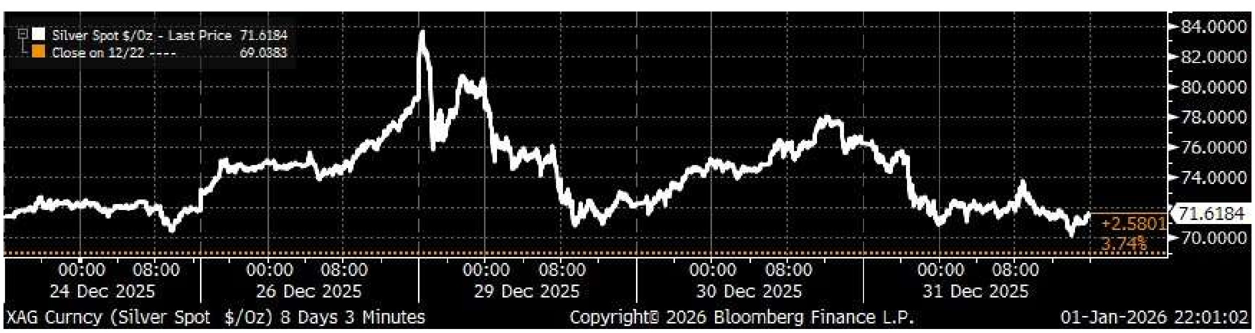
This policy shift is a direct response to a massive domestic glut that has sent Chinese wholesale beef prices to five-year lows. This imbalance is the result of a deliberate government push for domestic self-reliance—targeting an 85% self-sufficiency rate for beef and mutton by 2025—colliding with a slowing economy where cash-strapped consumers are cutting back on premium proteins. Currently, domestic production of approximately 7.5 to 7.7 million tons is facing pressure from a wave of cheaper imports and additional supply from dairy herd culls, leaving much of the local cattle industry operating at a loss. Beijing's Ministry of Commerce is effectively prioritizing the solvency of local farmers, using these tariffs to stem the flow of foreign meat, which is priced more than 50% lower than domestically produced beef, that has left domestic freezers full.

The "winners and losers" here are clearly defined by their current trade flows, with Australia and Brazil are taking the brunt of the blow. The Australian Meat Industry Council has warned of a severe impact on trade worth more than A$1 billion, potentially slashing its beef exports to China by about one-third from recent levels. Conversely, the United States has been granted a relatively generous 164,000-ton quota for 2026—well above current trade flows—though this remains a theoretical benefit until China restores export registrations for major U.S. beef plants. For global markets outside of China, this restriction may provide rare price relief for consumers, as reduced Chinese demand could ease the record-high beef prices currently seen in the US, as major beef exporters like Australia and Brazil will have to export their beef to countries other than China.

*Livestock 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.*

## Macro/Financials

We are seeing a classic example of CME acting as a "volatility dampener" to close out the year due to the recent market movement in precious metals. By hiking margin requirements for the second time in a week across gold, silver, platinum, and palladium, the CME has throttled a market that was becoming dangerously parabolic. While these moves are technically intended to ensure traders can cover potential losses, it also forces aggressively-leveraged traders to downsize their positions. Earlier this week, the math for a silver trader changed overnight, with the rapid price movement translating to nearly a $20,000 move for a single standard futures contract. When you combine that level of risk with the CME's higher collateral demands, it's no surprise that we saw a sharp retreat toward $70 an ounce on Wednesday.




What's particularly interesting is that this wasn't just a precious metals story; the exchange even swept copper into the mix earlier in the week, signaling a broad-based effort to tighten the screws across the entire metals complex. While a pullback was likely inevitable after such a dramatic run, the exchange's decision to squeeze the leverage out of the system served as the definite catalyst.

*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)**

- S&P Global Manufacturing PMI – 8:45 AM
- Fats and Oils – 2:00 PM
- Ethanol Crush – 2:00 PM

Thanks for reading,

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