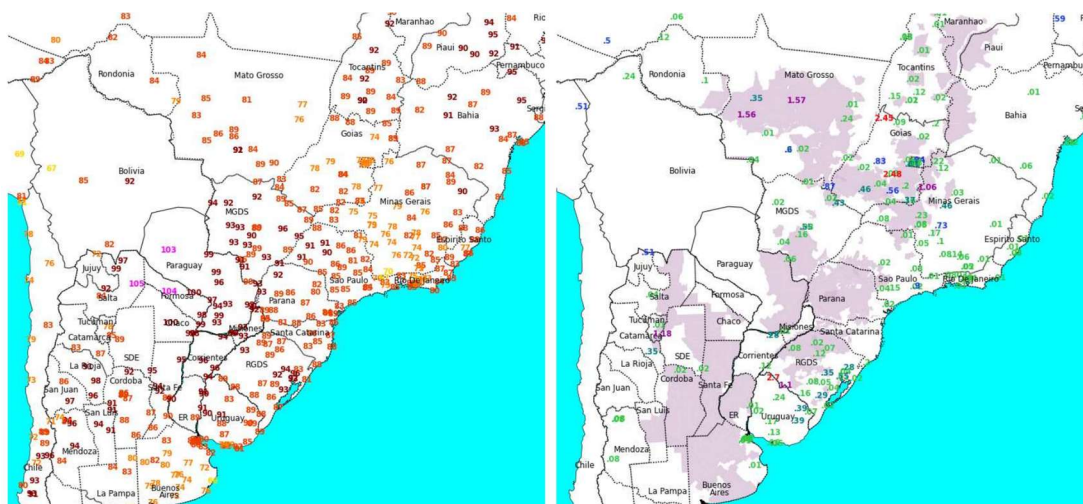


Weather

The current 1-5 day window is confirming as the driest stretch of the entire forecast for northern Brazil, with rainfall running below-normal across the eastern third of the growing region; however, this deficit is temporary as models project moisture increasing to normal or above-normal levels during the 11-15 day period of January 18-22. In contrast, southern Brazil and Paraguay are entering their wettest period of the forecast, with significant rains returning to Rio Grande do Sul and Paraguay tomorrow before expanding region-wide over the weekend to maintain near-perfect growing conditions. Heavy rainfall for Argentina is soon to unfold across northern Córdoba and Santa Fe as expected, while southern growing areas like Buenos Aires must wait until the January 13-15 window for their best precipitation chances before a drier trend re-emerges for the long term.



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

The intense storm system impacting the Corn Belt and Mid-South through Saturday is producing widespread rainfall exceeding one inch in the eastern belt, but this moisture is not indicative of a pattern change as dry conditions will quickly return and persist through at least January 16. While record-setting warmth continues to dominate the near-term with anomalies of 15-25 degrees above normal, the long-term outlook has intensified the cold threat; models now indicate the potential for bitter cold air to reach the Northern Plains by January 21-22, signaling a sharp departure from the current regime.

Grains

Going to start with the report expectations and will focus on beans today. The Census export data is only up to date through Sept (Oct out this am) and beans haven't had as much of a difference as corn with inspections. First off, I am expecting final yield at 52.5 bu/a but the risk is something 52.0 or less vs the USDA's previous 53.0 bu/a. Last year they lowered more than expected in Jan. The average trade estimate for yield is 52.7 with a crop of 4232 milbus. They could tweak acres, but I am assuming they do not. My Dec 1 stocks estimate (given the crop of 4219 milbus) is 3252 milbus vs 3100 last year. Q1 crush is set at 662 milbus and exports are estimated at 453 vs 831 last year. The average trade estimate is 3296 milbus. The average trade estimate for 25/26 c/o is 301 milbus vs 290 in Dec. I am at 286. Am not expecting a lot of change in the world numbers. The USDA could easily come up 1-3 mmt for Brazil production from 175 mmt and will likely leave Arg unchanged at 48.5 mmt.

SOYBEANS: U.S. QUARTERLY SUPPLY AND DEMAND							
	mb	mb	mb	mb	mb	mb	mb
	19/20	20/21	21/22	22/23	23/24	24/25	25/26
Sep 1 stks	925	538	257	274	264	342	316
Prod'n	3552	4216	4464	4270	4162	4374	4219
Sep 1 supply incl imports	4492	4782	4737	4570	4449	4746	4560
SON Crush	524	559	552	554	576	612	662
SON Exports	611	1089	861	802	712	831	453
SON Res'd	105	188	188	192	160	202	193
SON Total Use	1240	1836	1601	1548	1448	1645	1308
Dec 1 Stocks	3252	2947	3137	3021	3001	3100	3252

SOYBEANS: U.S. SUPPLY AND DEMAND											
	19/20	20/21	21/22	22/23	23/24	9-Dec 24/25 MB	9-Dec 24/25 USDA	9-Dec 25/26 MB	9-Dec 25/26 USDA	Initial 26/27 MB	Baseline 26/27 USDA
Planted Area	76.1	83.4	87.2	87.5	83.6	87.3	87.3	81.1	81.1	84.5	85.0
Harvested Area	74.9	82.6	86.3	86.2	82.3	86.2	86.2	80.3	80.3	83.5	84.2
Yield	47.4	51.0	51.7	49.6	50.6	50.7	50.7	52.5	53.0	53.5	53.0
Carryin	925	538	257	274	264	342	342	316	316	286	290
Production	3552	4216	4464	4270	4162	4374	4374	4219	4253	4467	4465
Imports	15	20	16	25	21	29	29	25	20	25	20
Total Supply	4492	4774	4737	4569	4446	4746	4746	4560	4590	4778	4776
Crush	2165	2141	2204	2212	2285	2445	2445	2567	2555	2650	2640
Exports	1679	2266	2152	1980	1700	1882	1882	1605	1635	1750	1715
Seed	97	101	102	72	75	70	70	73	73	75	78
Residual	15	9	5	41	44	32	32	30	37	20	27
Total Usage	3956	4517	4463	4304	4104	4429	4429	4275	4300	4495	4460
Carryout	538	257	274	264	342	316	316	286	290	284	314
Carryout % Use	13.6%	5.7%	6.1%	6.1%	8.3%	7.1%	7.1%	6.7%	6.8%	6.3%	7.0%

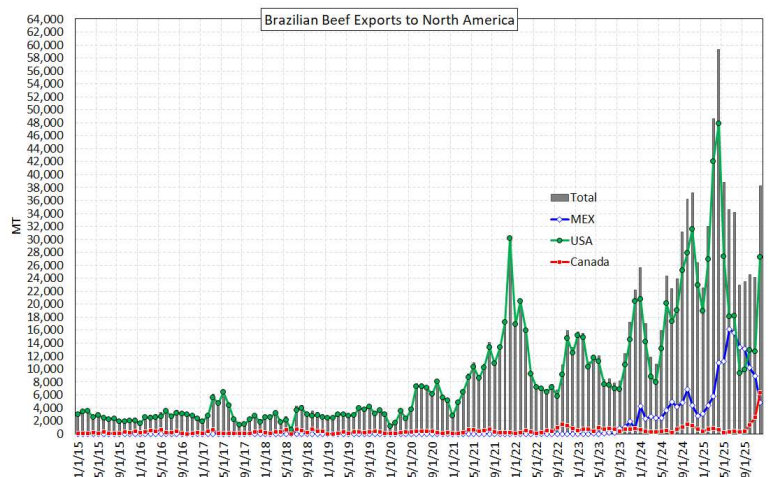


Grains commentary provided by Megan Bocken. For questions or comments, Megan can be reached by email at megan@bockentrading.com or on Trillian at megan@nesvick.com.

Livestock

The short-lived era of unlimited, duty-free Brazilian meat entering Mexico has officially come to an end. The Mexican government published a new decree Gazette this week, and while it leaves the door cracked open, it definitely changes the rules of engagement. After removing beef and pork from the duty-free PACIF inflation pact back in December, they have replaced that free-for-all with hard quotas for 2026: a cap of 70,000mt for beef and 51,000mt for pork. Looking at the Brazil's exports, this is a significant squeeze on their current flows into Mexico. Brazil shipped ~125,000mt to Mexico last year, so capping them at 70,000 for the full year of 2026 leaves a massive, 55,000mt hole in demand that simply cannot be filled under the new rules.

It is also important to read the fine print here because this quota is not just first come, first served. The decree explicitly states that these 70,000mt will be awarded through a public bidding process using a "Minimum Price" mechanism. That means traders are going to



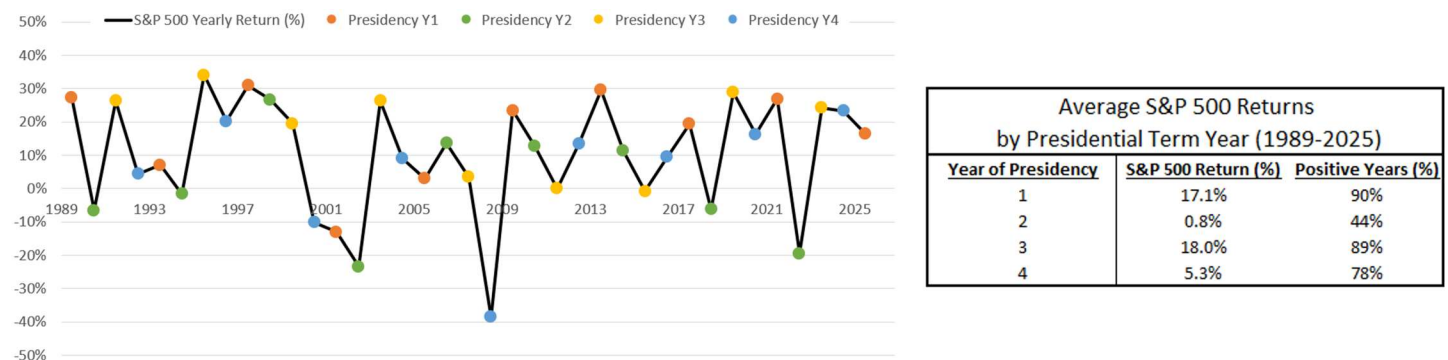
have to pay a premium just to get a ticket to the dance, which adds a new layer of cost to every pound of Brazilian beef that enters the country. That extra cost is going to eat directly into the massive price advantage that allowed Brazil to steal so much market share from the US last year.

This move by Mexico couldn't have come at a worse time for Brazil, as they are essentially getting squeezed from all sides. Right as Mexico is slamming the brakes on imports, China has also implemented its own safeguard measure, placing a 1mmt quota on Brazilian beef and slapping a punitive 55% tariff on anything that crosses that line. With their two biggest export growth targets from 2025 now simultaneously capping imports, Brazil is going to have a lot of product looking for homes this year. For the US producer, this is the silver lining they've been looking for; with Brazil structurally limited and facing higher costs to enter Mexico, the door is wide open for US beef to start reclaiming its traditional shelf space south of the border.

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

I heard someone say that midterm election years are historically not very good for the stock market, so I decided to do some digging to see if there is any truth to that statement. After pulling the data for every year since 1989, it turns out that "not very good" is actually a pretty generous way to put it. Looking at the past 10 presidential terms (including the current one that we are in right now), the election cycle isn't just a vague superstition; it's practically a roadmap for market performance, painting a very clear picture of when to be aggressive and when to run for cover.



Many think of the 1st year of a presidency as being a bit of a "hangover" period for the market, but that really couldn't be further from the truth. Year 1 is actually, generally speaking, an extremely positive period for the S&P 500, with average returns of 17.1% and a win rate of 90% since 1989. It's almost as strong as the Pre-Election Year 3, which remains the undisputed peak of the cycle with an 18% average return and only a single down year (-0.7% in 2015) during this time period. Even Year 4, the election year itself, tends to be a steady performer, grinding out a solid 5% average gain as incumbents try to keep the boat steady. Basically, for three out of every four years, the market's default move is upwards.

The exception is Year 2 of a presidential term, the year of the mid-term elections. While the other three years are making steady to very-strong gains, in Year 2, the S&P is barely treading water – averaging just a 0.8% gain. To make this even worse, Year 2 has only made a positive return 44% of the time. Looking at the major periods of volatility over the past ~4 decades, many of them have occurred during the 2nd year of the presidential term. The really interesting thing about this year, though, is that the losses really only occur up until the mid-term elections take place. As soon as the elections are over, the three months following (November through January) have returned, on average, 4.8%.

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)

- Challenger Job Cuts – 6:30 AM
- Nonfarm Productivity – 7:30 AM
- Jobless Claims – 7:30 AM
- Export Sales – 7:30 AM
- Wholesale Inventories – 9:00 AM
- Nat. Gas Storage Change – 9:30 AM

Thanks for reading,

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