Friday, January 9, 2026

NTG Morning Comments

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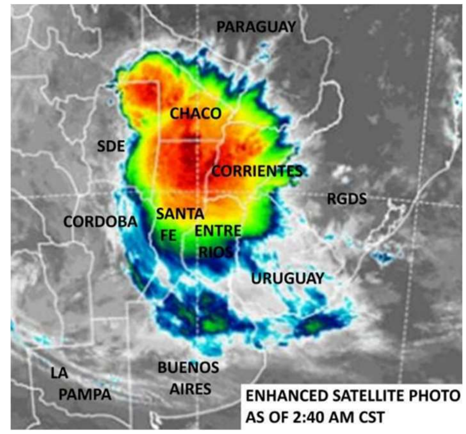
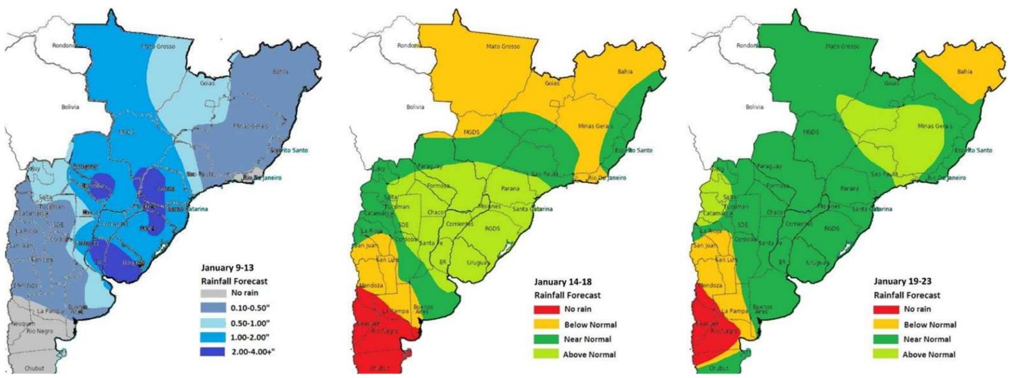
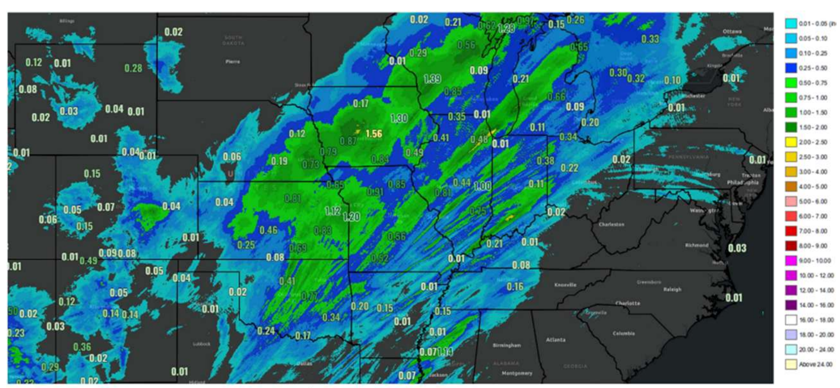
Weather



The forecast for northern Brazil remains consistent with previous expectations, featuring below-normal rainfall for Week One before a recovery to more normal moisture levels occurs in Week Two; importantly, this drier near-term stretch is not accompanied by any significant heat threats. Southern Brazil and Paraguay are currently in the midst of their most favorable moisture window, with conditions characterized as "wettest in the near term" before the pattern moderates. In Argentina, the heavy rainfall event for the northern regions did start yesterday morning and will be concluding today; however, this rainfall is doing little for the crop areas of Argentina. The broader growing area still looks to the January 13-15 window for the next round of significant precipitation before a drying trend re-emerges.

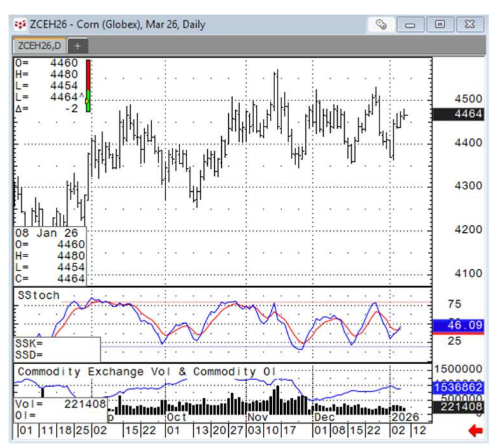


In the U.S., the storm system impacting the Corn Belt and Mid-South is performing as expected through Saturday, but the post-storm outlook has solidified into an "extremely dry pattern" that will dominate the central U.S. starting tomorrow and persisting through at least January 15. The long-term temperature signals have strengthened, with "strong signs" now pointing to a pattern shift around January 17 that will likely usher in colder conditions for the 11-15 day period, potentially evolving into very cold air for the Northern Plains.

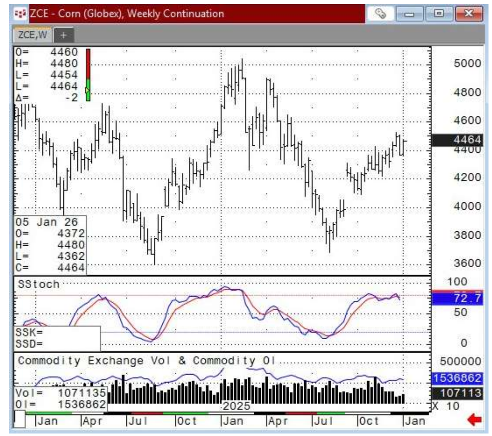


24-hour precipitation/24-hour radar-estimated precipitation through around 5 AM CST

Grains



Let's look at corn. The average trade estimate for yield is 184 bu/a, down from 186 in Dec. I am using 182.4 bu/a. Some are expecting a slight increase in area. USDA should leave exports at 3200 milbus, as they just raised. I am slightly lower at 3100. They could lower ethanol use by 25-50 milbus. My 25/26 ending stocks are forecast at 1963 milbus vs the USDA's 2029 in Dec. Obviously much will come down to final yield/prod'n. In the world numbers, the USDA remains low on SAm crops at 131 mmt for Brazil and 53 mmt for Argentina. The market is in the 137-141 mmt range for Brazil and 58-61 mmt for Arg so there will likely be at least modest upward revisions for both. The Bloomberg average trade estimate for Dec 1 stocks is 12981 milbus vs 12075 last year. The Dow Jones ave was just above 13000 milbus. I am using 12959. We still don't have Nov Census



(end of Jan), but I extrapolated the inspecs to census ratio for Nov and am using Q1 exports of 845 milbus vs 517 last year. Ethanol was similar to last year and I am using feed/residual higher given bigger supplies. I think the risk is for a yield (and consequently) stocks number lower than trade expectations. But this report is prone to surprises so we shall see. US corn is still the most competitive origin on a FOB basis. Sales are caught up and the w/e Jan 1 was the lowest of the marketing year by far. We will see if it was a fluke or if SAm and Ukraine are going to be more aggressive going forward. Longer term direction should depend on SAm crop ideas and then spring acreage ideas here (currently expecting corn down 3-4 mil).

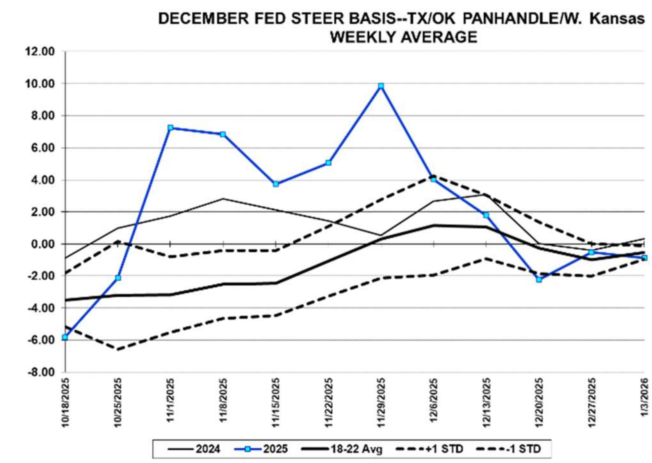
CORN : QUARTERLY SUPPLY/DEMAND (Millions of Bushels)										
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Begin Stocks			1,737	2,293	2,140	2,221	1,919	1,235	1,377	1,360	1,763
Production			15,148	14,609	14,340	13,620	14,111	15,018	13,651	15,341	14,892
Sep 1 Supply Incl Imports			**16,899**	**16,913**	**16,487**	**15,859**	**16,036**	**16,259**	**15,034**	**16,710**	**16,661**
Sep-Nov		**Exports**	548	349	632	271	449	431	283	376	517
		Feed	2,277	2,256	2,208	2,632	2,682	2,554	2,310	2,482	2,357
		Sweet/Starch	260	265	257	247	254	258	247	239	239
		Ethanol	1,343	1,391	1,366	1,301	1,268	1,342	1,282	1,348	1,383
		O. Dom	85	87	88	79	90	90	97	94	90
	Total Use		4,513	4,348	4,550	4,531	4,743	4,674	4,220	4,539	4,585
	12/1 Stocks		**12,386**	**12,566**	**11,937**	**11,327**	**11,294**	**11,585**	**10,813**	**12,171**	**12,075**

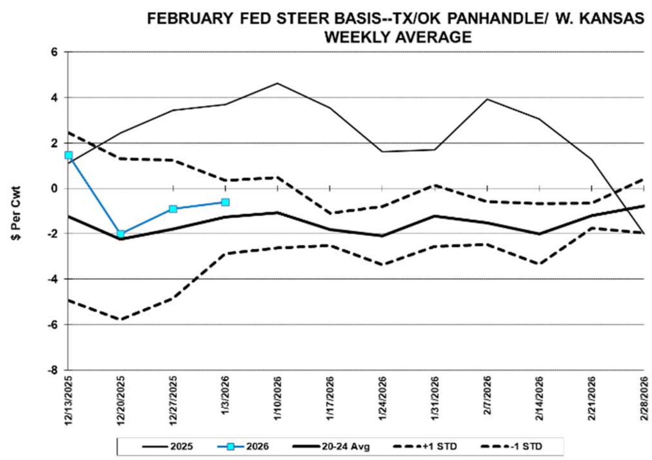
CORN: U.S. SUPPLY AND DEMAND (September - August Marketing Year)										
							9-Dec		9-Dec	*Initial*	*Baseline*
	18/19	**19/20**	**20/21**	**21/22**	**22/23**	**23/24**	**24/25**	***25/26***	**25/26**	***26/27***	***26/27***
							USDA	***MB***	**USDA**	***MB***	**USDA**
Planted Acres	88.9	89.7	90.7	92.9	88.2	94.6	90.9	*98.7*	*98.7*	*95.0*	*95.0*
Harvested Acres	81.3	81.3	82.3	85.0	78.7	86.5	83.0	*90.0*	*90.0*	*86.0*	*86.9*
Yield (Bu/Ac)	176.4	167.5	171.4	176.7	173.4	177.3	179.3	*182.4*	*186.0*	*183.5*	*182.0*
Begin Stocks	2140	2221	1919	1235	1377	1360	1763	*1532*	*1532*	*1963*	*2029*
Production	14340	13620	14111	15018	13651	15341	14892	*16427*	*16752*	*15781*	*15815*
Total Supply	**16508**	**15883**	**16055**	**16277**	**15067**	**16729**	**16677**	***17984***	***18309***	***17769***	***17869***
Exports	2066	1777	2747	2472	1662	2255	*2858*	*3100*	*3200*	*2900*	*3000*
Feed Use	5429	5900	5607	5671	5486	5832	*5466*	*6000*	*6100*	*6000*	*6000*
Food/Ind/Seed	6793	6286	6467	6757	6558	6879	*6821*	*6920*	*6980*	*7000*	*6975*
Ind Use-Swtnr/Star	*1090*										
Ind Use-Bevg/Mfg A	*150*										
Ind Use-Fuel Alcoh	5378	4857	5028	5320	5176	5489	*5436*	*5550*	*5600*	*5700*	*5600*
Food/Seed	*240*										
Total Usage	**14288**	**13963**	**14821**	**14900**	**13707**	**14966**	***15145***	***16020***	***16280***	***15900***	***15975***
End Stocks	**2221**	**1919**	**1235**	**1377**	**1360**	**1763**	**1532**	***1963***	***2029***	***1869***	***1894***
End Stks/Use %	15.5%	13.7%	8.3%	9.2%	9.9%	11.8%	*10.1%*	*12.3%*	*12.5%*	*11.8%*	*11.9%*

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.*

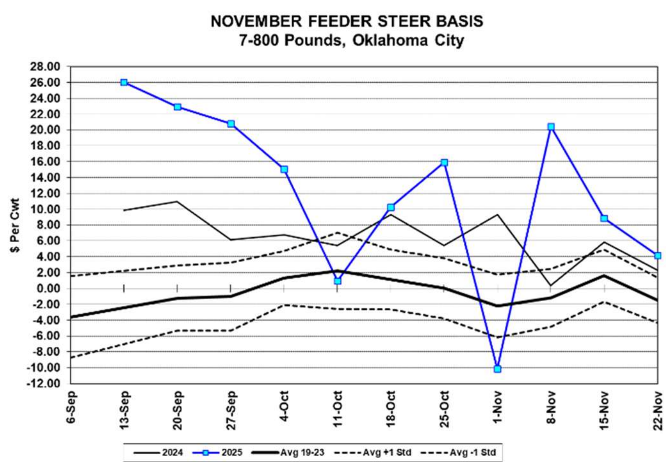
Livestock

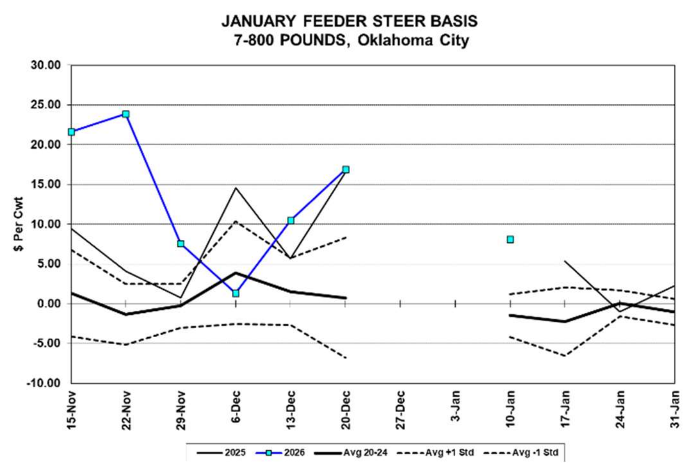
The risk management tenant declaring basis to be more stable and forecastable than flat price has been tested in recent weeks, both for fed cattle and feeder cattle. In the fed cattle market, cash prices carried a much stronger than normal premium to futures through much of last summer and fall—keeping basis much stronger than historical relationships would have suggested. Through much of the summer the strong fed cattle basis seemed to be dominated by the strong cash market, which defied seasonal odds and posted record highs in late summer rather than the more typical spring months, with futures generally playing catch-up to the strong cash market. That script was flipped later in the year amid a flurry of political rhetoric regarding “too high” beef prices, threats of larger beef and cattle imports, and slaughter plant capacity rationalization, which quickly led to the exodus of significant speculative long interest, pressuring futures sharply lower, more rapidly than the decline in cash, which also sustained the strong basis. However, basis reverted to more normal relationships during the Dec delivery period with cash near par with futures. The more stable basis has carried into the new year with cash ranging around par to $2 under Feb, much weaker than a year ago, but more consistent with longer-term relationships.





Perhaps not surprising, the feeder cattle basis has been more volatile than for fed cattle—for some of the same reasons, not the least of which is the historically tight feeder cattle supply in the wake of several years of shrinking calf crops and expanding feedlot capacity, along with limited imports and the early stages of cow herd rebuilding. The unprecedented strength in cash feeder prices persisted deeper into the fall than is typically the case, but then declined more slowly than futures, keeping the cash market at a stronger-than-normal premium. Considering the continuing imbalance between feeder supplies and the strong demand from cattle feeders, stockers and backgrounders, and cow herd owners, basis likely will continue to range stronger than historical norms.





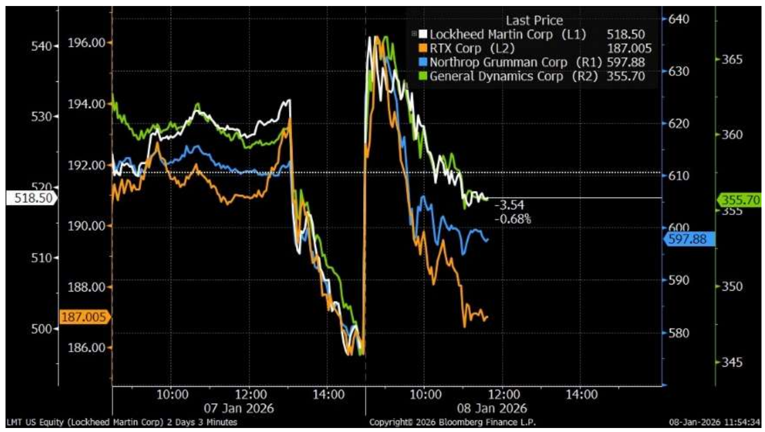
Livestock commentary provided by Mike Sands. For questions or comments, Mike can be reached by email at msands@nesvick.com *or on Trillian at miksan66@trillian.im.*

Macro/Financials

If you were watching the news feed on Wednesday, you witnessed just how quickly President Trump's social media posts can reprice entire sectors. We saw a flurry of activity that started with a significant headline regarding the housing market, where the President announced immediate steps to ban large institutional investors from buying single-family homes, which resulted in stocks like Blackstone and Invitation Homes selling off sharply. But while the housing news grabbed a lot of attention, let's actually dive into the impact of his posts about the military and the defense sector.

The President pivoted from housing to announce a major overhaul of the Defense Industrial Base, effectively using a "carrot and stick" approach. On the one hand, he was quite direct with defense contractors – specifically naming Raytheon – stating that they would lose business if they didn't speed up production. He also issued a directive to ban stock buybacks and dividends for these firms and cap executive pay at $5 million until they prioritize investing in plants and equipment. The message is that the administration is looking for a shift away from financial engineering and toward physical production capacity.

You might expect defense stocks to struggle with a ban on shareholder returns, and we did see a strong dip initially, but the market quickly rallied after Trump's next post with the "carrot" side of the equation. The President is calling for the military budget to increase by roughly 50% to $1.5 trillion for 2027. Investors initially wagered that foregoing buybacks was a manageable trade-off if it meant accessing a share of an additional $500 billion in potential revenue, which is why we saw names like Lockheed Martin and Northrop Grumman rally early this morning.



However, that initial enthusiasm was clearly fading yesterday, with the defense sector – especially Raytheon – retracing back down toward yesterday's lows. The market is likely waking up to a harsh reality: the "stick" (capital restrictions) is an Executive Order that can go into effect immediately, while the "carrot" (the 50% budget increase) is merely a request that Congress has yet to approve. It is worth noting that we are rapidly approaching a critical congressional budget deadline at the end of January, and until that money is actually codified by legislators, investors are realizing they might be left with all the new regulations but none of the new funding. If the money is put into the budget, however, I think it's fair to say that the defense sector rally could quickly reignite.

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)

- BLS Jobs Report– 7:30 AM
- Housing Starts/Building Permits (Sept. & Oct.) – 7:30 AM
- U. of Mich. Sentiment – 9:00 AM

Thanks for reading,

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