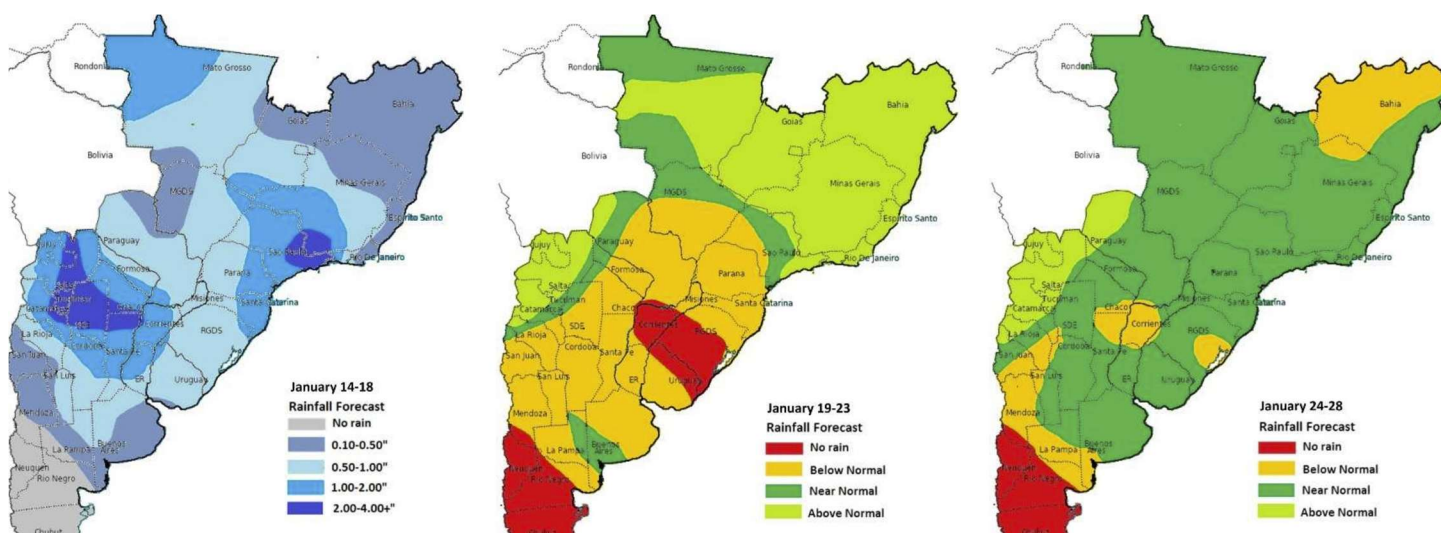


Weather

Rainfall across northern Brazil is forecast to run sub-normal for the immediate 1-5 day period before a dramatic shift brings widespread 2-4 inch totals (with localized amounts up to 6 inches) during the January 19-23 window, providing a beneficial "finishing touch" for soybean crops in Mato Grosso and Goiás. The outlook for southern Brazil and Paraguay remains characterized by limited moisture, with the only notable precipitation expected from Friday into the weekend; however, the subsequent week of dry weather will be operationally manageable due to a lack of threatening heat and a specific period of below-normal temperatures forecast for January 19-22. In Argentina, an imminent system is expected to trigger strong to potentially severe storms with 0.50-1.00+ inch rainfall totals favoring northern growing areas tonight through Thursday, but the longer-term outlook has trended drier, featuring a precipitation-free week starting Friday and reduced rainfall expectations for the January 24-28 timeframe compared to previous forecasts.



Grains

Let's look at balance sheet implications from the Monday reports. Going to start with wheat. There was nothing friendly from any of the numbers. Dec 1 stocks came in at 1675 milbus, up from the ave guess of 1637 milbus and my estimate of 1625 milbus, implying a lower feed/resid (more of find back from the first quarter). Durum stocks were 61 milbus vs 57 last year and my expectation of 57 milbus. I estimate the other classes as follows – 215 white, 403 HRS, 722 HRW and 274 SRW. The USDA will release their by-class estimates within a few weeks. The USDA lowered their crop year feed use by 20 milbus pegging ending stocks at 926 milbus from 901 previously. They did not touch exports despite them running well ahead of pace, likely implying exports are expected to slow going forward. Given China cancelations and the huge supplies held by major exporters, I have lowered my export number. Competition should be stiff going in the second half of the crop year. The world S&D was even more negative, as expected, with a 3.5 mmt increase in Argentine production to 27.5 mmt and a 2.0 mmt increase in Russia's crop to 89.5 mmt. World ending stocks

U S Winter Wheat Seedings				
mil acres				
	USDA Jan 12	MB	Ave trade est	Year Ago
HRW	23.5	23.4	23.0	23.5
SRW	6.1	5.2	5.9	6.1
White	3.4	3.4	3.5	3.5
Total	33.0	32.1	32.4	33.2

U.S. Dec 1 Wheat Stock Estimates By Class						
	White	HRS	HRW	SRW	Durum	Total
2014	156	464	581	285	44	1530
2015	155	462	783	285	61	1746
2016	226	533	961	286	73	2079
2017	210	400	897	310	56	1873
2018	215	510	891	310	84	2009
2019	225	490	856	205	64	1841
2020	250	470	731	190	62	1703
Actual usda 2021	147	320	648	220	42	1377
Actual usda 2022	189	369	500	206	48	1312
Actual usda 2023	190	404	508	274	45	1421
actual usda 2024	205	420	640	252	57	1573
Pre report 2025	194	401	720	251	57	1623
Post report 2025	215	403	722	274	61	1675

were up 4 mmt from last month to 278.3 mmt, up from 260 mmt this year. Winter wheat seedings were bearish as well, coming in nearly unchanged from last year. There was talk all fall that Midwest SRW acres were down 20% or more, but they came in at 6.1 milbus, unchanged from last year with HRW also unchanged at 23.5 mil. The market had been short covering into the report and was expecting friendly acres. Between the larger acres and the bearish corn numbers (will look at tomorrow), the market was all dressed up with nowhere to go. The market is still short and it is justified. Without a major surprise (either unexpected demand or a crop issue), the market should continue to work lower.

US Wheat Quarterly S&D											
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Sep 1 stocks	2097	2545	2267	2390	2346	2158	1774	1777	1767	1992	2134
Imports	27	29	36	31	22	26	24	27	37	37	28
Sep-Nov Supply	2124	2574	2303	2421	2368	2186	1798	1804	1804	2029	2162
Food	249	245	251	247	247	249	249	250	244	249	250
Seed	44	41	40	38	37	42	40	47	41	41	40
Feed	-107	-30	-55	-75	10	-46	-55	-13	-57	-26	-59
Exports	192	239	193	203	233	237	187	210	155	193	257
Sep-Nov Use	376	495	429	413	527	482	421	494	383	457	488
Dec 1 stocks	1746	2079	1874	2009	1841	1703	1377	1312	1421	1573	1675

WHEAT: U.S. SUPPLY AND DEMAND (JUNE - MAY MARKETING YEAR)										
	2019/20	2020/21	2021/22	2022/23	2023/24	12-Jan USDA 2024/25	MB 2025/26	12-Jan USDA 2025/26	Initial MB 2026/27	Baseline USDA 2026/27
Planted Area	45.5	44.5	46.7	45.8	49.6	48.3	45.3	45.3	44.9	44.0
Harvest Area	37.4	38.8	37.1	35.5	37.1	38.6	37.2	37.2	37.2	35.8
Yield	51.7	49.7	44.3	48.5	48.7	51.2	53.2	53.3	54.2	50.8
Carry-in	1080	1028	845	874	570	896	855	855	920	926
Production	1,932	1,820	1,845	1,850	1,804	1,979	1,985	1,985	2,019	1,819
Imports	104	100	96	122	138	149	120	120	120	120
Total supply	3115	2948	2588	2446	2512	2823	2960	2959	3059	2865
Seed	62	64	58	68	62	61	62	61	63	59
Domestic Mill	962	961	971	972	961	969	975	972	985	974
Feed/Residual	95	85	88	76	86	113	80	100	95	100
Exports	989	994	796	761	706	826	923	900	935	875
Total Use	2088	2104	1913	1876	1815	1968	2040	2033	2078	2008
Carry-out	1028	845	674	570	696	855	920	926	981	857
Carryout/use	49.2%	40.1%	35.2%	30.4%	38.3%	43.5%	45.1%	45.8%	47.2%	42.7%

U S Durum Wheat Supply/Usage						USDA	USDA	MB	MB
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2025/26	2026/27
Carry-in	55	42	27	24	28	21	28	28	42
Production	54	69	38	64	59	80	86	86	92
Imports	41	37	40	51	45	51	40	40	35
Total supply	150	148	105	139	132	152	154	155	169
Seed	1	2	2	3	3	3	3	3	3
Domestic Mill	86	88	79	85	83	88	85	85	85
Feed/Residual	-21	3	-14	0	-2	15	10	5	5
Exports	42	28	14	23	27	19	25	20	20
Total Use	108	121	82	111	111	125	123	113	113
Carry-out	42	27	24	28	21	28	32	42	56
U S White Wheat Supply/Usage						USDA	USDA	MB	MB
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2025/26	2026/27
Carry-in	88	95	70	54	74	85	80	80	81
Production	273	303	201	272	234	276	283	283	294
Imports	6	7	5	7	6	7	5	5	5
Total supply	367	404	276	333	314	368	368	367	381
Seed	6	6	5	6	6	6	6	5	5
Domestic Mill	85	85	83	85	84	84	85	85	85
Feed/Residual	-6	-26	-14	-22	-12	-24	-10	-15	-15
Exports	187	270	148	190	152	222	210	211	220
Total Use	272	334	222	259	229	288	291	286	295
Carry-out	95	70	54	74	85	80	77	81	86

US HRS Supply/Usage						USDA	USDA	MB	MB
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2025/26	2026/27
Carry-in	263	280	235	142	155	190	218	218	210
Production	520	531	297	446	465	505	458	458	439
Imports	53	47	43	56	63	79	65	65	70
Total supply	836	858	575	644	683	774	741	741	720
Seed	18	17	12	17	15	15	15	17	16
Domestic Mill	265	263	245	266	253	258	260	260	255
Feed/Residual	5	59	-33	-8	-10	33	10	10	-10
Exports	268	284	209	214	235	250	230	244	240
Total Use	556	623	433	489	493	556	515	531	501
Carry-out	280	235	142	155	190	218	226	210	219

US SRW Supply/Usage						USDA	USDA	MB	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	155
Production	240	266	361	336	449	344	353	353	394
Imports	4	5	3	4	6	5	5	5	5
Total supply	402	376	449	439	545	474	485	485	554
Seed	11	13	13	14	11	12	12	11	13
Domestic Mill	148	148	154	163	158	153	152	155	160
Feed/Residual	46	61	71	65	91	67	65	40	70
Exports	92	69	112	107	158	117	115	124	120
Total Use	296	291	350	349	418	349	344	330	363
Carry-out	105	85	99	90	126	127	141	155	191

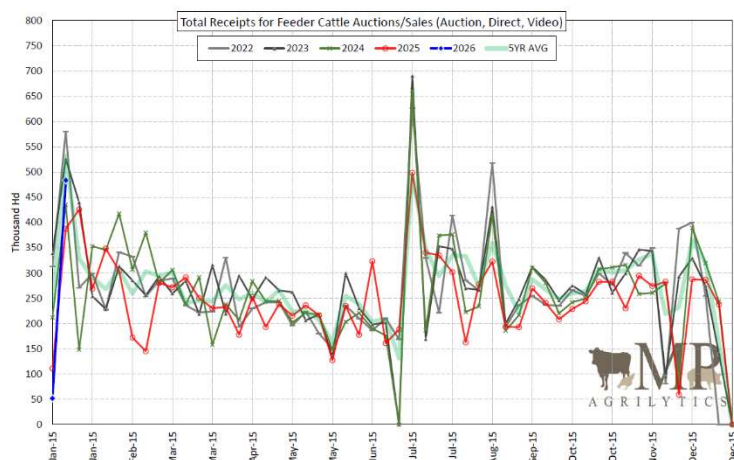
US HRW Supply/Usage						USDA	USDA	MB	MB
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2025/26	2026/27
Carry-in	516	506	428	356	223	274	402	402	431
Production	845	659	750	531	596	773	804	804	799
Imports	2	4	4	5	18	6	5	5	5
Total supply	1363	1169	1182	892	837	1054	1211	1211	1235
Seed	24	26	26	29	27	26	26	26	26
Domestic Mill	378	377	411	374	384	387	390	390	400
Feed/Residual	78	-1	72	42	18	22	25	40	45
Exports	376	340	317	224	134	218	320	324	335
Total Use	856	742	826	669	563	653	761	780	806
Carry-out	506	428	356	223	274	402	450	431	429

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

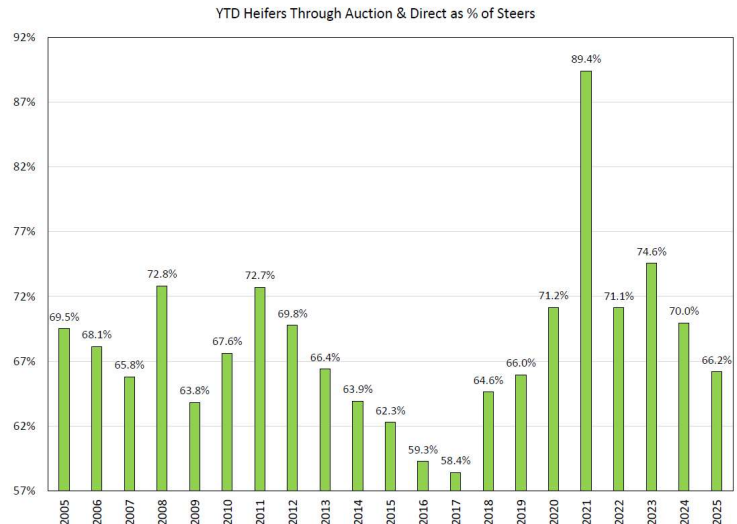
The livestock market showed supportive dynamics for cattle amid bearish grain reports. Corn yield surprised higher at 186.5 bushels per acre and sent corn down almost \$0.25, easing feed costs. This lifted feeder cattle a bit on Monday and the market continued to rally on Tuesday. January feeders are now \$66 off the low and a mere \$14 away from the record high price of \$380.20 set back in mid-October. Not sure corn was the entire cause for the rally this week, but it probably didn't hurt.

Cash is still very strong in the sale barns across the country to start the year and the index looks poised to reach the 370+ level as I have been yapping about for the last few weeks. Now what? Well, we are within \$6 of the record high cash price printed back on October 17, 2025. Can we get back up there? I don't see why not at some point this year. The first couple of weeks of January typically post the largest volume of weekly feeder cattle sales for the year. Currently, there are just over 65,000 total cattle in the index at an average price of \$369.15 and the January feeder board is just \$3 under cash with two weeks until expiration. Total feeder cattle receipts



from auctions and direct sales for the first two weeks of the year were 535,000 head—which is down 32% (171,000 head) compared to the previous 5-year average.

Feeder cattle supplies in 2026 will be tighter than 2025, so why won't feeders be higher than they were last year? Next week's Cattle on Feed report will likely show smaller placements and fewer total cattle on feed, as well as some heifer retention confirmed in the breakdown by sex class. Heifer retention will take away from the overall feeder cattle supply, but it will not come close to the sub-60% levels seen in 2016-2017 (as pictured in the bar chart below). I cannot make myself bearish this market from the supply side. There are fewer feeder cattle, which makes fewer fat cattle down the road. Even if the border fully reopens today, that does not create any more fat cattle until August at the earliest. The only way to be bearish this market is from the demand side, which has been nothing but stellar since COVID. Why would demand fall out of bed now?



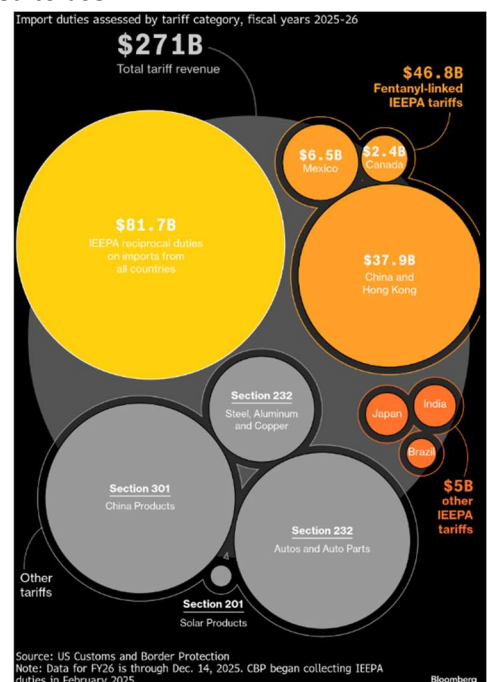
Livestock commentary provided by Ashley Lowe. For questions or comments, Ashley can be reached by email at ashley@nesvick.com or on Trillian at ashley@nesvick.com.

Macro/Financials

As we discussed a few days ago, the Supreme Court was expected to rule on the legality of President Trump's tariffs last Friday. Friday morning came, and the Supreme Court only ruled on a single criminal case, choosing instead to kick the tariff decision down the road. The next opinion day is scheduled for this morning (Wednesday, 1/14), so there is once again a chance for a decision to be announced on the legality of the tariffs. With that in mind, let's look at the financial stakes of the ruling and the alternative legal frameworks the President is prepared to use.

The administration has collected about \$133 billion in tariffs under the emergency powers (IEEPA) currently being challenged, contributing to a total tariff revenue pool of roughly \$271 billion. If the Court strikes these down and demands that the tariff revenues be paid back, that revenue stream doesn't just disappear—it turns into a liability. Losing that income creates a massive hole in the federal budget that would likely need to be patched by issuing more Treasuries. That kind of sudden supply shock could easily send yields spiking as bond traders adjust to the new reality.

The President clearly sees this risk, and he isn't mincing words. In a recent post, he warned that if the ruling goes against the US, "WE'RE SCREWED," and claimed that refund obligations could reach into the "trillions" once corporate investments are factored in. Trump has already indicated they are exploring "other mechanisms" to keep these duties in place under different frameworks, such as Section 301 (Unfair Foreign Practices) or Section 122 (Balance of Payments Emergency) Tariffs. These frameworks were put aside by the President due to the slower timeline to enact these tariffs compared to IEEPA, but if the legwork has already been done on these alternatives, we could see



these tariffs snapped back into place almost immediately, limiting the time any relief would actually last.

We are actually seeing a prime example of these "other mechanisms" right now with the new Iran sanctions. By slapping a 25% tariff on any country "doing business" with Iran, the President effectively creates a workaround to keep targeting major economies like China, India, and the EU—Iran's biggest partners—without relying on the specific powers currently tied up in the Supreme Court. This allows the Administration to maintain economic pressure on Beijing under a completely separate national security banner. Even if the Supreme Court strikes down the broader tariffs, moves like this ensure that trade friction is likely here to stay. Ultimately, it seems most likely to me that the Supreme Court rule against the IEEPA tariffs, but don't require the repayment of any revenues collected by these tariffs. This forces the tariffs to be brought through the more traditional workflows to be enacted, but doesn't create the same level of logistical challenges (who receives the refunds, how much are they refunded, etc.) and market volatility risk.

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)

- MBA Mortgage Applications – 6:00 AM
- BLS PPI (Oct. and Nov.) – 7:30 AM
- Retail Sales – 7:30 AM
- Existing Home Sales – 9:00 AM
- EIA Energy Stocks – 9:30 AM

Thanks for reading,

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