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Tuesday, January 20, 2026
NTG Morning Comments
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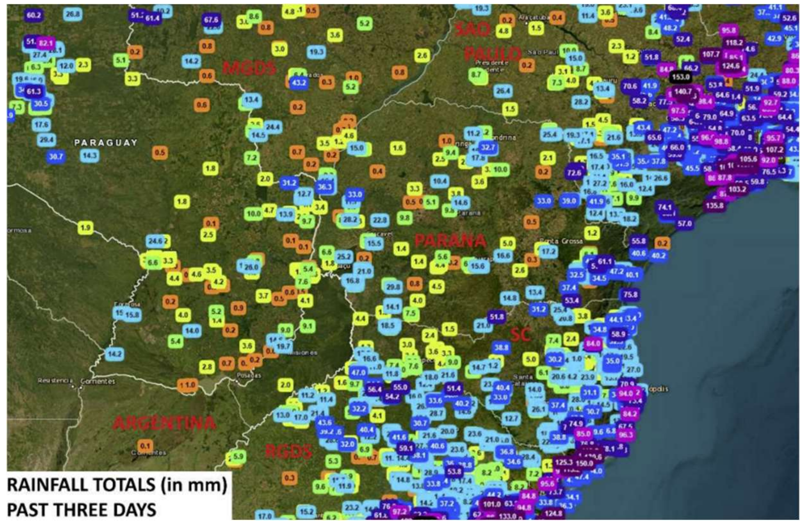
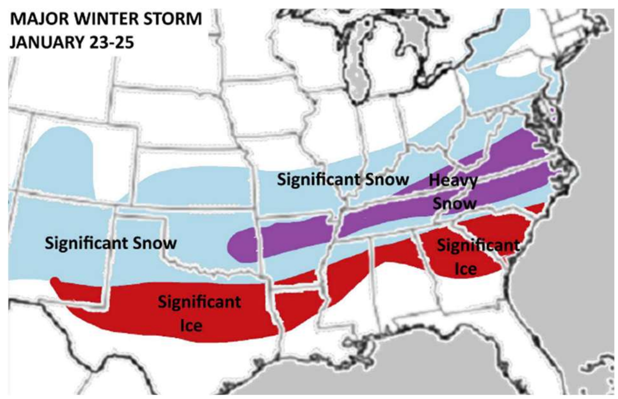
Weather

Northern Brazil soybean growing areas have entered a significant wet period for the current work-week where widespread rainfall of 2-4 inches will be common, while southern Minas Gerais is expected to see locally heavier amounts; this moisture is viewed as a favorable finishing touch for the crop before rainfall totals fall back to more normal levels for the 6-10 and 11-15 day periods. In contrast, southern Brazil and Paraguay face a distinct lack of rainfall for the next ten days alongside cool near-term temperatures, though heat will return for the January 25-29 timeframe before rain chances likely increase again in the 11-15 day period. Argentina remains dry through Thursday with significant rains subsequently confined strictly to western and southwestern growing areas for the January 23-31 period; the eastern growing regions look to remain dry with below-normal precipitation over the next 15 days while a notable period of heat impacts the entire region starting January 25.



The outlook for the United States is headlined by a major winter storm targeting the Mid-South and Southeast for the January 24-25 timeframe, bringing heavy snow to northern parts of the region and significant ice accumulations further south. While the feedlot and winter wheat areas of the southern Plains will see significant snow at the end of this week, the pattern does not signal a shift to wet conditions as dry weather dominates the region for January 25 and beyond. The most significant agricultural impact is the bitter cold invading the central and eastern United States; the period of January 23-27 will see temperatures average 10-20 degrees below normal, with sub-zero lows possible in the southern Plains where snow cover is present. This bitter cold will also impact the northern Plains and Corn Belt before temperatures moderate and return to above-normal levels for the start of February.



Grains

Since we were busy getting into the corn, soybeans, and wheat S&Ds after all the USDA reports that came out last week, we didn’t get an opportunity to discuss the January Conab Crop Survey that was released on Thursday, so let’s take a look at the current estimates for Brazil’s corn and soybean production in the 2025/26 crop year.

When you look past the headline number of a record 353 MMT grain harvest, the real story in this Conab report is the glaring disconnect between the massive investment in acreage and the lower estimated yields. Based on these estimates, Brazil will effectively brute-forcing its way to higher production totals solely through land expansion, rather than with yield improvements. The 176.1 MMT soybean estimate is the perfect example of this dynamic; while the country added nearly 3% more planted area, national yields are effectively flat, with estimates at 0.06% lower than last year. Conab states that the irregular rains in Mato Grosso do Sul and soil deficits in Goiás have capped the crop's upper potential.

The situation is even more severe in the corn balance sheet, where the weather tax has completely erased the producer's expansion efforts. Despite farmers committing nearly 4% more land to corn this cycle, total production is actually estimated down 0.6% to roughly 138.9 MMT. Yields are expected collapse of over 4.3%, with Conab predicting that the hail and storms in the southern states and early-season dryness in Minas Gerais will lead to late planting of the safrinha crop. This has created a scenario where the Safrinha crop could underperform relative to the planted area, with yield estimates for the second crop corn down ~6%.

2025/2026
CONAB Estimates
January 2026

		Survey Results			Prior		Change	
	Actual	**Avg**	**Low**	**High**	**Month**	**Year***	**Month**	**Year**
Soybean Planted Area (M Ha)	48.67	49.00	48.30	49.50	48.94	47.35	-0.54%	2.79%
Soybean Production (MMT)	176.1	179.2	176.0	184.0	177.1	171.5	-0.57%	2.71%
Soybean Yield (k Kg/Ha)	3.619	3.700	3.600	3.700	3.620	3.621	-0.03%	-0.06%
Corn Planted Area (M Ha)	22.71	22.50	21.80	23.00	22.73	21.86	-0.08%	3.90%
Corn Production (MMT)	138.9	139.9	135.0	145.0	138.9	139.7	-0.01%	-0.59%
Corn Yield (k Kg/Ha)	6.114	6.200	6.100	6.500	6.111	6.391	0.05%	-4.33%

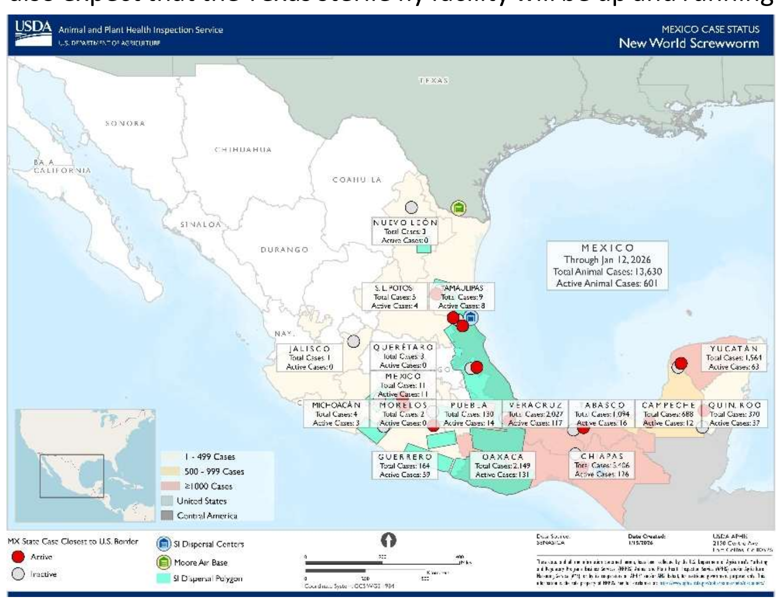
**Prior Year Data is from end of Prior Crop Year*

Grains 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.*

Livestock

Friday morning, rumors of New World Screwworm reaching the US started circulating, with these rumors suggesting the screwworm case being confirmed in either Texas or New Mexico; potentially fanning the flames further, Texas Agriculture Commissioner Sid Miller went live on RFD-TV just as these rumors were getting started, stating that screwworm is "going to be across the border. I hate to say it, but it's inevitable." As a result, feeder cattle futures plummeted to limit down.

After the close Friday, USDA Under Secretary Dudley Hoskins held a call where he refuted the rumors of a US screwworm case, and reiterated that they have tested over 37,000 flies in Texas since June, with zero NWS flies being found. If a NWS fly were to make it across the border, the USDA is confident that they will be able to catch it and "immediately notify our state and industry partners and the general public." They also expect that the Texas sterile fly facility will be up and running in the matter of weeks, doubling the current 100 million fly capacity coming from the facility in Panama.



Since the beginning of the new year, 11 cases of NWS have been found in the states of Tamaulipas and San Luis Potosi. While none of these cases are closer to the US border than the cases that were found in Nuevo León, they were all still within 200 miles of the US border. Additionally, these cases do not seem to be in cattle that were transported north; this would imply that the screwworm flies are continuing to migrate north themselves, despite the thought that their spread would slow significantly in the winter. I won't try to guess if or when screwworm will enter the US, but it seems to me that there isn't much chance of the border reopening anytime soon with these NWS cases continuing to spread closer to the US 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

This mid-term election year has barely gotten started, but President Trump is wasting no time going on the offensive against unaffordability. Between a directive calling for a hard 10% cap on interest rates and renewed support for the Credit Card Competition Act to break up the Visa/Mastercard duopoly, the message is clear: the status quo for payments is the newest target in his crosshairs. The market reaction was swift, with heavyweights like Visa, Mastercard, American Express, and Capital One taking a dive as investors tried to price in the odds and impact of this action actually occurring.

While, on the surface, it sounds great to limit interest rates on debt that can quickly overwhelm finances, the math tells a different story. If you forcefully cap rates at 10% – when the average is floating north of 20% – banks aren't just going to accept lower margins; they are going to stop lending to anyone who looks even remotely risky. For the broader economy, that means the "marginal consumer" – the person financing discretionary spending on a revolving balance – suddenly loses their purchasing power. It effectively engineers a credit crunch without us technically being in a recession.

This will force these marginal borrowers toward alternative sources of debt, such as BNPL and payday lenders, could put them in even worse financial positions. Even prime borrowers would likely see negative changes. While banks will keep these safe customers, the massive reduction in interest revenue will directly hamper the rewards points and perks that premium cards offer. Those 3x miles on dining and $75/quarter Lululemon credits are effectively subsidized by the 20-30% interest rates paid by riskier borrowers; if that subsidy vanishes, so do the rewards.

This push also exposes the fragile financial engineering under the hood of corporate giants like airlines and retailers. We saw stocks for Delta, United, and Southwest take a hit right alongside the banks, and for good reason—these companies are effectively credit card issuers that happen to fly airplanes. The US airline industry generates roughly $30 billion a year just from selling miles to bank partners. If regulation chokes off that revenue stream, the economics of flying change overnight. The same goes for retailers like Macy's and Kohl's, who rely on store-branded cards (often backed by Synchrony) to drive profit; if lenders tighten up, that inventory sits on the shelf.

With all that said, many on Capitol Hill, including Speaker Johnson and Senate Majority Leader John Thune, are already signaling that this is going to be a heavy lift, with analysts putting the odds of passage at less than 20%. Johnson emphasized that he wasn't enthusiastic about the "negative secondary effects" of locking people out of credit. As a result of these low odds, the initial panic in the markets has started to stabilize. But even if the law never passes, it serves as a warning: if lenders tighten standards out of fear of regulation while US consumers are relying on plastic to stay afloat, we could see demand soften regardless of what Congress does.

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)

- ADP Weekly Employment Change – 7:15 AM
- Philly Fed Non-Manufacturing Activity – 7:30 AM
- Export Inspections – 10:00 AM

Thanks for reading,

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