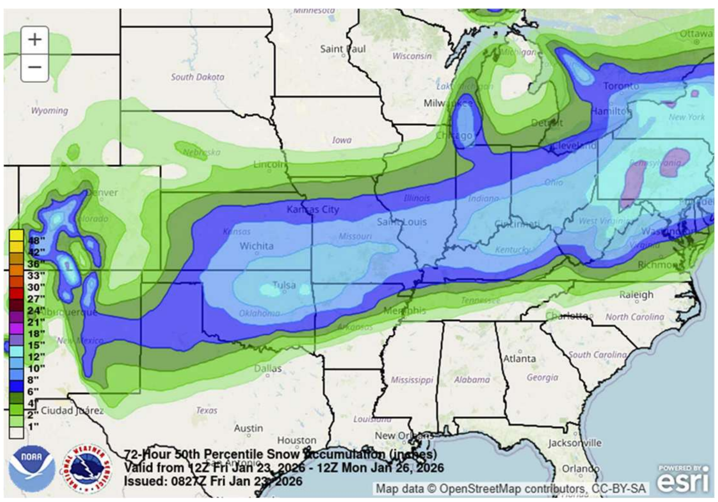
NESVICK
TRADING GROUP, LLC

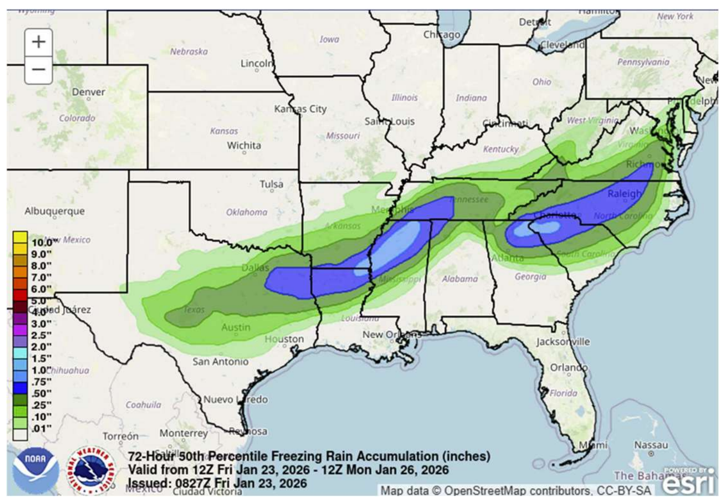
Friday, January 23, 2026
NTG Morning Comments
www.nesvick.com

Weather

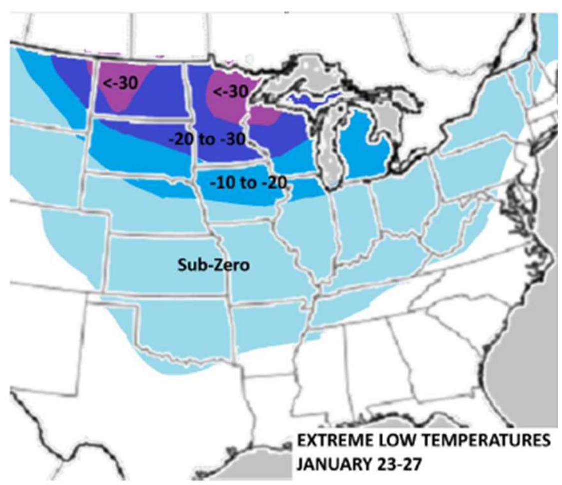
The South American forecast remains largely consistent with previous expectations, maintaining a distinct pattern of extremes across the primary growing regions. Northern Brazilian soybean areas are currently finishing a period of intense rainfall—particularly in southern Minas Gerais where 4-day totals have exceeded 4 inches—before transitioning into the region's driest 5-day stretch of the forecast for the January 25-29 period; while precipitation is expected to return for Week Two, totals will likely be less intense than the recent deluge. Conversely, southern Brazil and Paraguay remain locked in a critical dry pattern for at least another five days, with crop stress expected to escalate as temperatures climb above 90 degrees starting January 26; while models continue to suggest near-normal rainfall returning in Week Two, the forecast requires verification given the acute immediate dryness. In Argentina, the precipitation divide remains entrenched: western and southwestern growing areas like Cordoba and La Pampa will see persistent moisture through the end of the month, while the key eastern zones remain largely dry and are bracing for a high-impact heat wave that will drive temperatures to 100+ degrees in northern areas through Monday.

The major winter storm targeting the Mid-South and Southeast remains on track to impact the region this weekend, bringing a potent combination of heavy snow and significant ice accumulation. While the axis of heaviest snowfall has trended northward for the bulk of the snowfall, the expected accumulation hasn't decreased. This isn't the beginning of a wet pattern, however, and most of the US can expect to stay dry through the end of the month. The storm is also bringing along a bitter cold air mass across the central and eastern U.S. through January 28, driving temperatures 20-30 degrees below normal and extending sub-zero low temperatures unusually far south into areas with minimal snow cover.

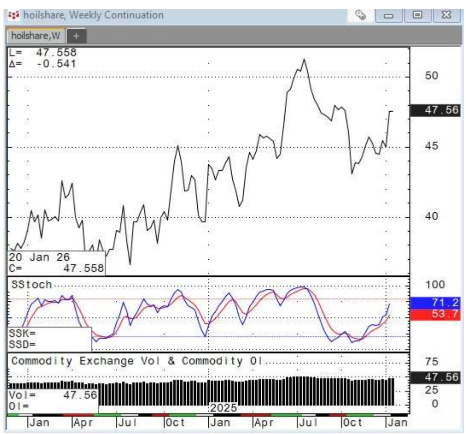


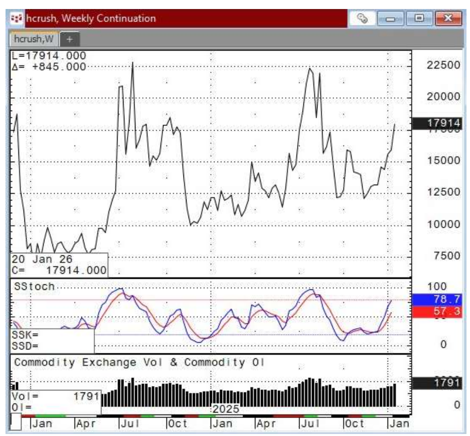


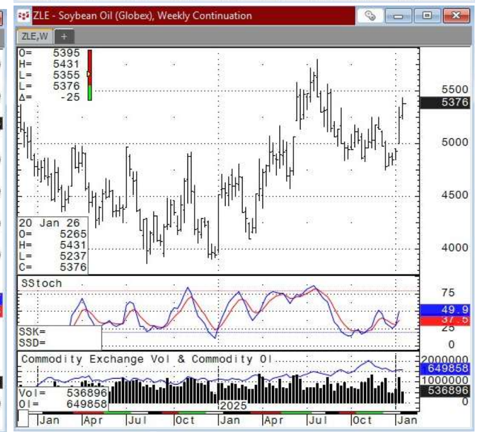
Grains

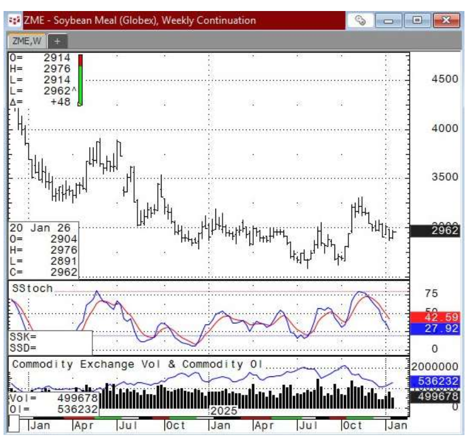


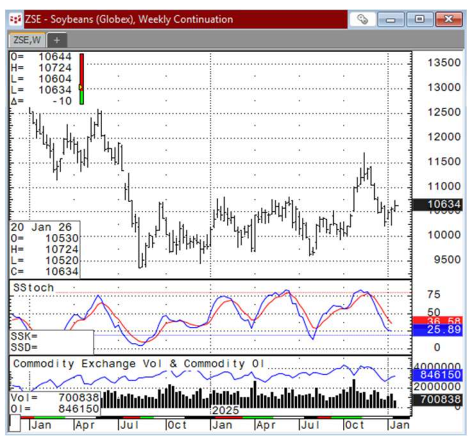
Was a rather quiet session with grains bouncing a bit, beans mixed, and meal gaining on oil after the sharp move the other way. There is some growing concern about Argentine weather and meal typically leads in an Arg weather event. Meal may have just been correcting, but the BACE did report that bean conditions went down 10% in G/E. Between the RVO rumors, short covering in oil, and increasing margins, oil has seen over a 500 point rally this month (year). There are supposed to be additional details on the biofuel policy by Feb 2 ahead of the early Mch deadline. It may end up being sell the news, but improving margins are just as important. The big ice/snow storm in the south and cold blast in the north expected over the next 5 days (with cold lasting through the end of the month) is expected to slow runtimes on crush and cause logistical issues. There are also potential winterkill threats for both SRW and HRW with some areas likely lacking adequate snow cover before temps dip 20-30 degrees below normal. There is also potential winterkill from cold in Russia and ice crust damage being talked about in Ukraine. Wheat is being supported by the ongoing Ukraine/Russian war in addition to the cold threats. It's very difficult to trade winterkill, especially during winter, but the fundamental picture is extremely bearish and the market is not going down. Going to leave you with some weekly charts. Much will depend on Argentine weather going forward. Beans have bounced off the lows, but strength is likely not sustainable without a weather issue, especially with Brazil harvest starting.

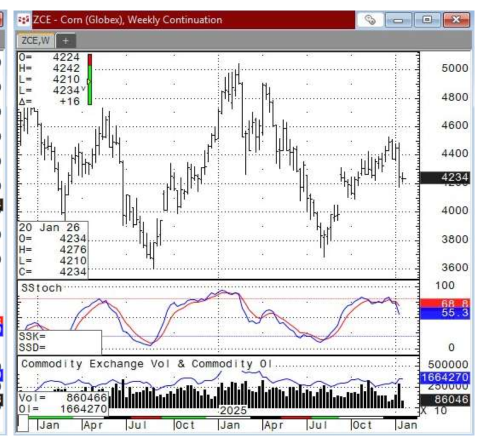










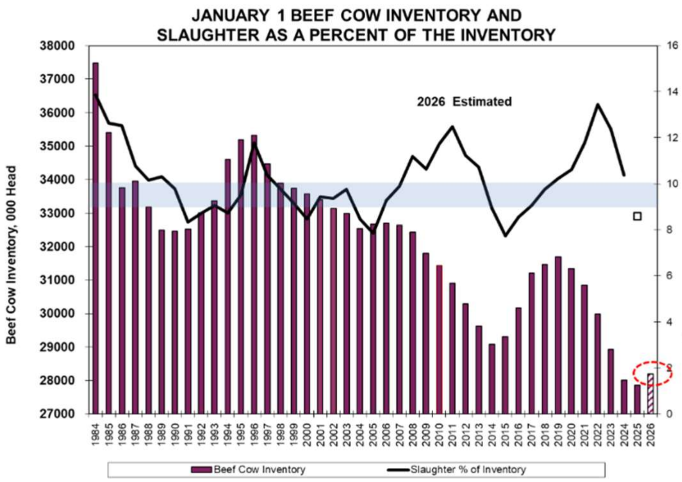


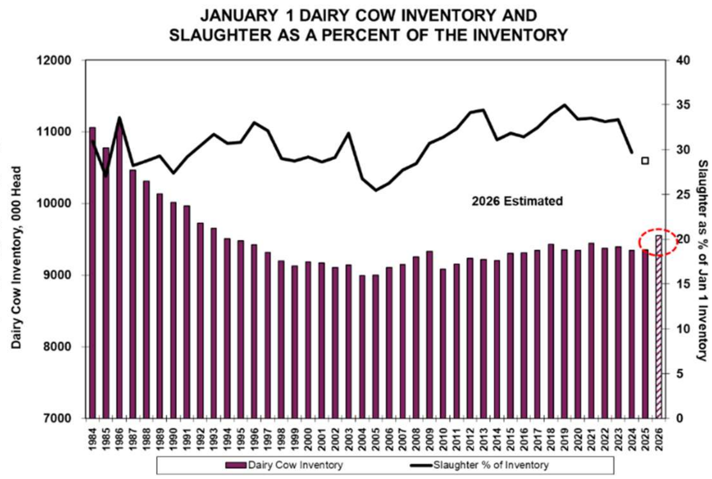
Grains commentary provided by Megan Bocken. For questions or comments, Megan can be reached by email at megan@bockentrading.com *or on Trillian at megan@nesvick.com.*

Livestock

USDA's annual Cattle inventory report will be issued at the end of the month and is expected to show a slightly larger cow herd a more heifers being held as herd replacements. Led mostly by fewer beef cows in the slaughter mix, total 2025 FI cow slaughter slipped near 5 million head, more than 10% below a year earlier and nearly 29% or 2 million head below the cyclical peak kill in 2022. In addition, nearly 7% fewer heifers in the 2025 slaughter mix, the smallest since 2018, added to the decline in female slaughter. The small female kill, near 38% of the Jan 1 cowherd, the smallest female percentage since 2018, suggests a transition `from herd liquidation to the initial stage of herd growth, albeit at a slow pace.

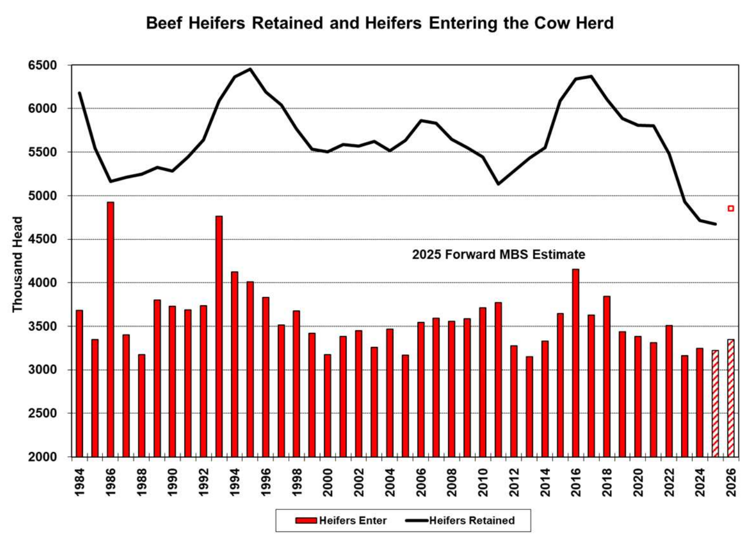
Beef cow slaughter in 2025 was near record small, nearly 18% below a year earlier and over 40% under the historically large volume posted in 2022. The small beef cow slaughter represents the lowest culling rate since 2014/15, near 8.6%. Typically, a culling rate in the 9-10% range is a precursor to a larger beef cow herd, which is estimated near 28.2 million head on January 1, up about 350,000 head from a year earlier.





Along with fewer beef cows in the slaughter mix, dairy cow slaughter declined in 2025, as well, slipping about 3% below a year earlier. But, all of that decline was concentrated in the first half of the year, down over 8%, while slaughter during the last half was more than 2% above a year earlier. Historically low dairy cow culling rates, coupled with more new heifers entering the herd, led to a significantly larger dairy herd in recent months, estimated near 9.55 million head on January 1, about 200,000 head larger than a year earlier and the largest dairy herd since the early 1990s.

Along with the small cow kill, herd growth is dependent on adding some new heifers to the cow herd. At the beginning of 2025, the number of beef heifers being held as herd replacements was reported near 4.7 mil nead, down only 1% from a year earlier and record small. Since then, another profitable calf crop has been weaned and sold; drought has been less of an issue than recent years; feed costs have declined; feeder cattle and calf prices have been record high; the number of heifers on feed has declined; and the number of heifers moving in the auction mix has been below recent years. The number of new heifers entering the herd in 2025 likely matched or exceed a year earlier and the number of beef heifers held as replacements on Jan 1, 2026 is estimated near 4.85 million head, nearly 200,000 head above a year earlier.



The January 1 total cow herd is estimated near 37.75 mil, up 550,000 head or about 1.4%. In addition, more beef and dairy heifers likely are being held as herd replacements, although most of this year's calf crop has already been determined and the increase likely will be small. Despite the slow transition from herd contraction to herd growth, prospects for more heifer retention this year will further limit feeder cattle supplies and fed beef production likely will remain constrained through 2027—or longer.

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

Slowly but surely, we've finally gotten caught up on all the delayed data from the government shutdown. However, that shutdown was only ended by a stopgap spending bill, funding the federal government through the end of January. As we are quickly approaching that deadline, I thought it would be a good time to look at the odds of a shutdown and how it could compare to the last one.

While President Trump stated on Thursday that he "thinks we're going to probably end up in another Democrat shutdown," the market is aggressively betting the opposite. Prediction markets like Polymarket have seen the implied probability of a shutdown collapse to just 11%, down significantly from earlier highs. This market optimism is mirrored on the Hill, where key leaders from both parties are projecting confidence. House Appropriations Chairman Tom Cole (R) recently noted that "everyone is trying to get there," while ranking member Rosa DeLauro (D) bluntly stated, "We are not going to shut down."

The primary reason for this confidence is the "decoupling" strategy currently being employed. After having enacted three of the twelve annual spending bills late last year, the House has advanced five more this month and is poised to release the final four-bill package next week. Additionally, Congress has effectively isolated the most contentious issue, immigration enforcement, into a separate Homeland Security bill, leaving the bulk of the $1.2 trillion funding package—which covers key agencies like Transportation and Labor—safe from the crossfire. This separation is crucial; unlike the 2025 shutdown that severed data flows for 43 days, the agencies responsible for the majority of our economic and agricultural reporting are poised to remain fully operational. Even if the separate DHS negotiations stall, lawmakers have already signaled a fallback option to keep that specific agency running on a stopgap, preventing a broader blackout.

One casualty of the expedited nature of passing these spending bills against a hard deadline has been the provision for E15 fuel. Just one day after making it into an amendment to the budget bill, it was removed again; to appease the congressmen who originally pushed the issue forward, a congressional E15 working group was established to focus on future ethanol policy. Ultimately, it looks like these spending bills will make it through congress without major incident, and we can probably proceed under the assumption that government operations and data releases will continue without interruption next month. These spending bills will fund the government through September 30, 2026, the end of the fiscal year. One thing to watch out for later this year, however is that shutdowns are more common in midterm years when congressional majority flips parties; if a spending bill isn't passed before the elections and Democrats take the majority in the House and Senate, another shutdown could very well be in our future.

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)

- Export Sales – 7:30 AM
- S&P Global PMI – 8:45 AM
- U. of Mich. Sentiment – 9:00 AM
- KC Fed Services Activity – 10:00 AM
- Cattle on Feed – 2:00 PM
- Cold Storage – 2:00 PM

Thanks for reading,

Zachary Davis
zdavis@nesvick.com
(901) 604-7712
Trillian IM: zdavis@nesvick.com
Bloomberg IB: zrdavis@bloomberg.net