Tuesday, February 3, 2026
NTG Morning Comments
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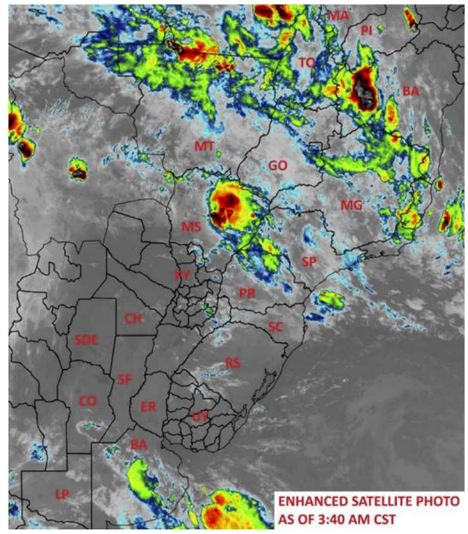
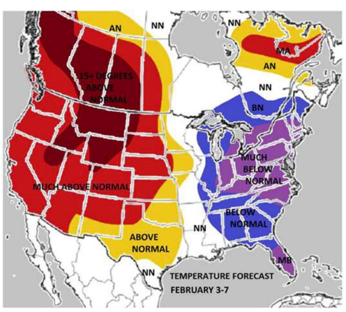
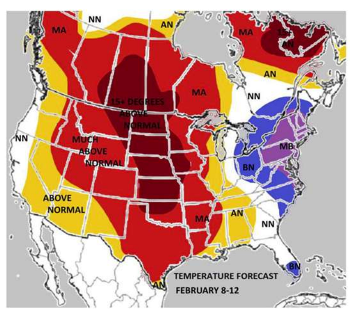
Weather

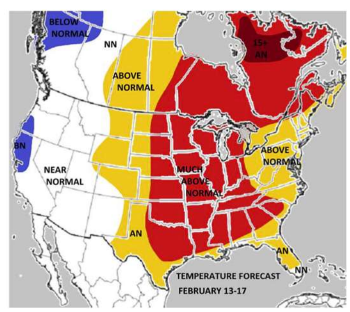


Rainfall totals for Week One across northern Brazil are expected to be substantial, with areas in Minas Gerais and Bahia likely receiving more than double their normal precipitation; while these 2.50-5.00 inch accumulations will significantly slow soybean harvesting and safrinha corn planting, the forecast for Week Two continues to show a beneficial drying trend with many regions likely seeing below-normal rainfall by the 11-15 day period. In southern Brazil, the critical need for moisture in Rio Grande do Sul remains unaddressed through Friday, though the outlook has improved with scattered rain chances now expected to arrive as early as Saturday—slightly faster than previously anticipated—before transitioning into a much wetter 11-15 day window. The optimistic turn for Argentina is now materializing as thunderstorms tonight in southern Cordoba and northern La Pampa mark the beginning of a sustained period of more frequent rainfall; these rains are forecast to remain in southwestern areas through Thursday before reaching the northeastern growing regions by Friday, eventually delivering beneficial totals to the entire country over the next 15 days.

The United States remains locked in an exceptionally dry pattern through at least February 9, with vast areas east of the Rockies expected to receive less than 50% of their normal moisture, and many locations in the Plains and Western Corn Belt likely to record next to nothing. Temperature trends maintain a sharp divide with the Eastern US staying 5-15 degrees below normal through the weekend while the West remains unseasonably warm, but the long-term forecast holds firm on a major shift starting around February 10-11 as a more active, stormy pattern emerges alongside a broad expansion of warmth into the central and eastern parts of the nation.

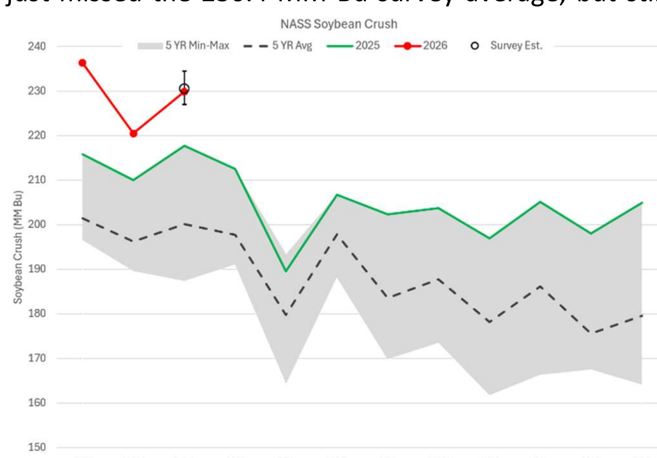






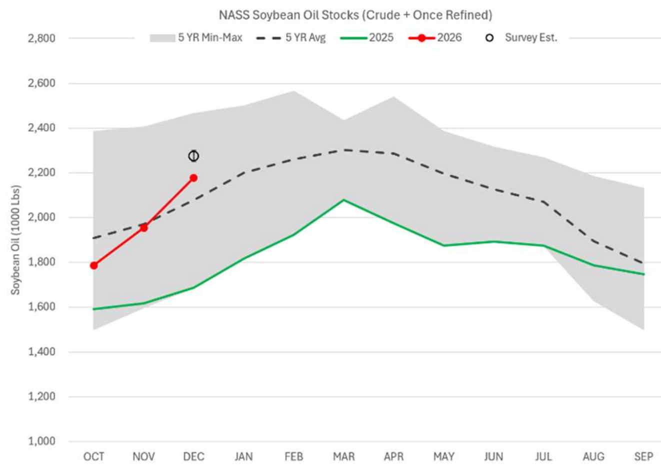
Grains

The December NASS crush reported at 229.865 million bushels just missed the 230.4 MM Bu survey average, but still established a new record crush for the month of December, representing a 5.6% increase YoY. This processing strength is being driven by a record daily crush pace of 7.415 MM Bu and exceptional meal demand.



Product yields presented a notable contrast:

- Record Meal Extraction: The soymeal yield reached a record for December at 44.437 lbs/bu. The current 2026 performance consistently tracks above the five-year average and represents the high end of the historical range for this window. Despite this record output, meal stocks remain at a multi-year low of 350,839 tons, representing just over two days of production.



- Depressed Oil Yield: Conversely, the soyoil yield remains a significant outlier to the downside. While it saw a slight monthly bounce to 11.561 lbs/bu, it continues to track well below the five-year average (approx. 11.75 lbs/bu) and even below the previous five-year minimums for December.

While crude oil production rose to 2,657.4 million pounds, stocks only saw a marginal build to 2.179 billion pounds, coming in 100 million pounds below the average industry estimate. This lack of inventory accumulation in both meal and oil despite record processing volumes indicates exceptionally strong immediate disappearance.

The USDA Grain Crushings report showed significant strength in corn-for-ethanol usage, which reached 488.3 million bushels for December. This represents a 5.1% increase from November and outperformed the average trade estimate. This increased throughput drove a substantial rise in co-product output, with DDGS production climbing 11% month-over-month to 1.947 million tons.

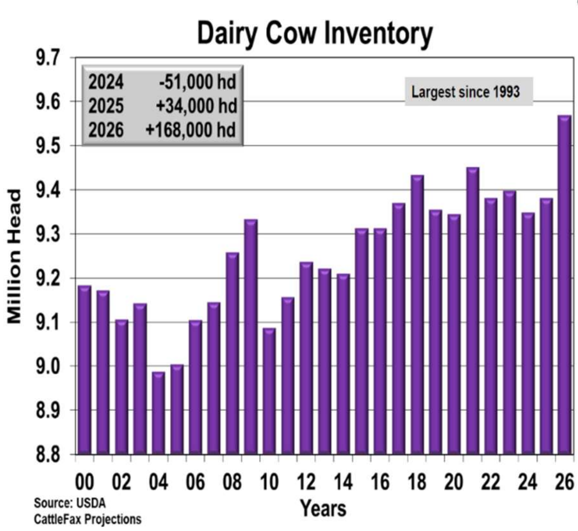
Grains commentary provided by Zachary Davis. For questions or comments, Zachary can be reached by email at zdavis@nesvick.com *or on Trillian at zdavis@nesvick.com.*

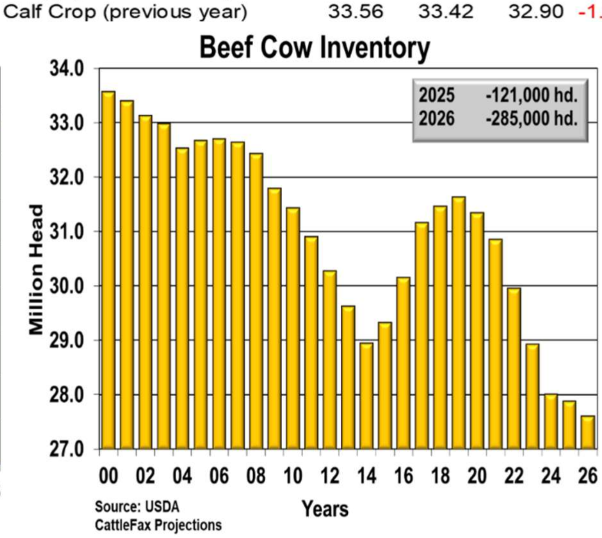
Livestock

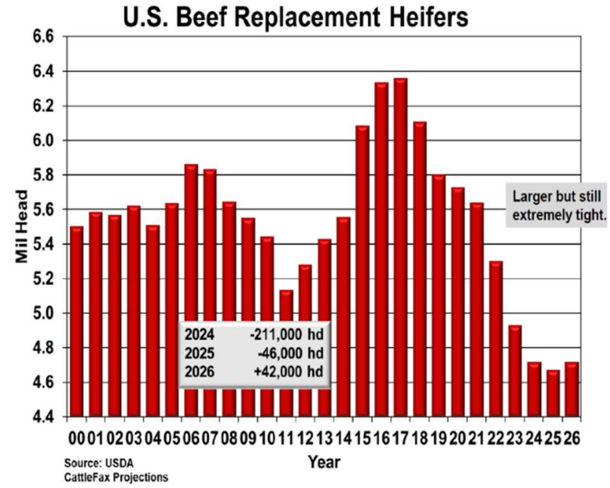
I'm going to take a deeper dive into the USDA Cattle Report today. CME cattle futures surged Monday after the Cattle report. The USDA revised past data lower and confirmed that cattle inventories remain in a cyclical decline. Total inventories and beef cow numbers fell to a new cyclical low. The breeding herd, which includes beef and dairy females, showed mixed signs of expansion. Beef replacement heifers were up 49,000 head and dairy cows were up 188,000 head, but the total potential beef breeding herd was slightly lower, down 285,000 head.

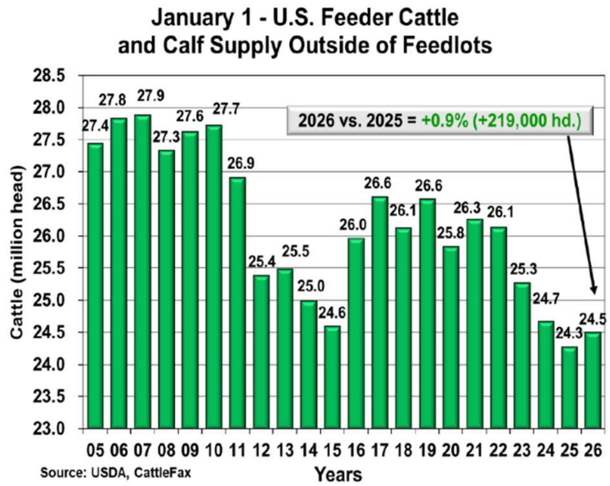
2026 U.S. Cattle Inventory Report

	2024	2025	2026	% YA	# vs YA
Total Cattle	87.16	86.47	86.16	-0.4%	-0.32
All Cows	37.36	37.27	37.18	-0.3%	-0.10
Beef Cows	28.01	27.89	27.61	-1.0%	-0.28
Dairy Cows	9.35	9.38	9.57	+2.0%	0.19
Heifers > 500 lbs.	18.32	18.13	18.02	-0.6%	-0.11
Beef Replacement Heifers	4.72	4.67	4.71	+0.9%	0.04
Expected to Calve	2.97	2.92	2.96	+1.4%	0.04
Dairy Replacement Heifers	3.95	3.92	3.90	-0.3%	-0.01
Expected to Calve	2.51	2.50	2.50	-0.1%	0.00
Other Heifers > 500 lbs.	9.65	9.54	9.40	-1.5%	-0.14
Bulls > 500 lbs.	2.03	2.01	2.01	+0.3%	0.01
Steers > 500 lbs.	15.96	15.70	15.60	-0.6%	-0.10
Calves < 500 lbs.	13.49	13.36	13.35	-0.1%	-0.02
Feeder & Calf Supply	39.10	38.60	38.35	-0.7%	-0.26
Total Cattle on Feed	14.43	14.32	13.85	-3.3%	-0.47
Supply Outside Feedyards	24.67	24.28	24.50	+0.9%	0.22
Calf Crop (previous year)	33.56	33.42	32.90	-1.6%	-0.52

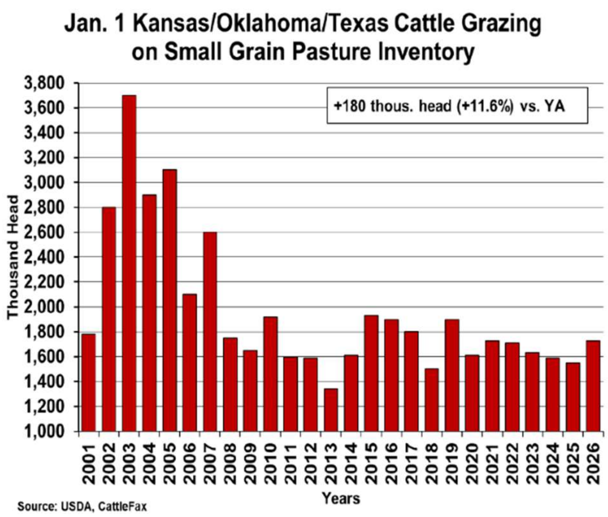


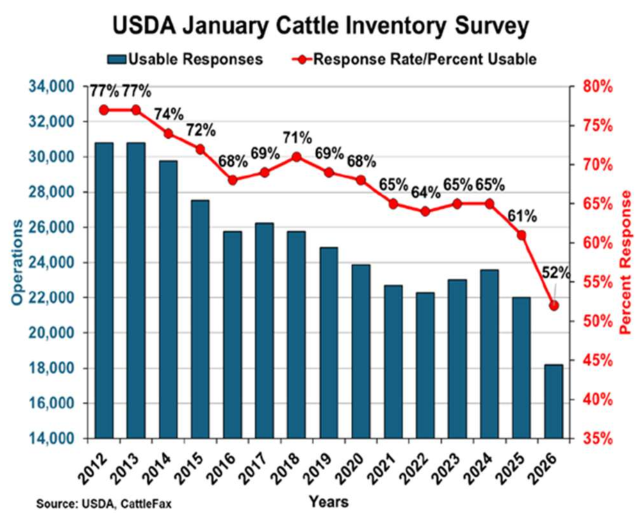






USDA has faced persistent challenges with its supply and demand balance sheets in recent years across grains, hogs, and cattle. While we need to respect the reported data, its accuracy is increasingly in question. Survey response rates were the lowest on record, leaving more room for statistical error. The beef herd, for example, was reported lower, yet nearly all high-frequency indicators available to us suggested an increase. Total feeder cattle supplies were larger than expected, and supplies outside feedyards exceeded 2025 levels, which does not align with a smaller calf crop and the continued shortfall in Mexican imports. The most likely implication is that USDA is not fully accounting for the impact of dairy cross-bred inventories in this report. When they will fully incorporate these effects is difficult to predict. In the meantime, it will be important to monitor placement data closely for early signs that underlying realities differ from what this report suggests. If USDA revises these figures to correct any errors, the earliest opportunity will be at this same time next year.





Livestock commentary provided by Scott Shepard. For questions or comments, Scott can be reached by email at scott@mnrcapital.us *or on Trillian at scott@nesvick.com.*

Macro/Financials

Heavy truck sales, which have historically been a strong leading indicator for recessions, declined steeply for much of the last 6 months. The index dropped as much as ~21% before rebounding in December to finish 2025 down 16% YoY. As you can see in the chart, the US heavy truck sales index leads all the major recessions (inverse of unemployment shown) for the past several decades. With that said, the index has been declining for roughly 2.5 years while unemployment has stayed largely steady over that same time period.

There have been some other factors affecting the trucking industry that could indicate that freight trucking could be contracting without a full-on recession. Following the pandemic in 2020, the number of carriers surged as stimulus money flowed and rates were low; this quickly led to a surplus of supply, causing many carriers to have to operate at a loss, while interest rates began increasing to clamp down on inflation. After nearly 60,000 carriers went out of business between 2022 and 2024, the carrier population was still 86,000 higher than before Covid (33% increase). Even as interest rates have floated lower, unprofitable trucking and the number of carriers shutting down has hampered demand, as the number of truckers reduces and the years using the same machinery increases. Add to that the K-shaped economy which is lowering the overall demand for goods, and new regulations by the Trump Administration and in many states that now require passing English reading and writing tests, and you can see how both the demand for heavy trucks would be rapidly decreasing without the rest of the economy following suit.

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)

- Purdue Agri. Sentiment – 8:30 AM
- JOLTS Job Report – 9:00 AM

Thanks for reading,

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