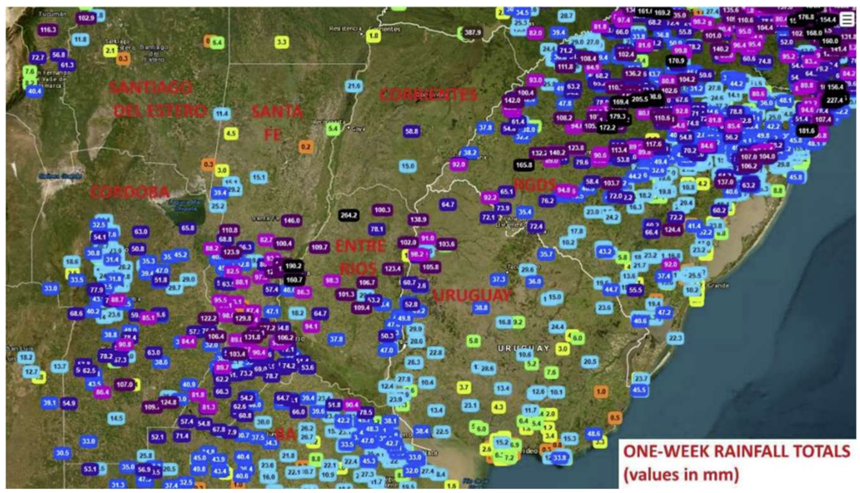
Weather

The meteorological outlook for northern Brazil remains firmly anchored in an exceptionally wet pattern, with rainfall totals over the next 15 days projected to reach four to eight inches and localized areas in Minas Gerais and Bahia expected to receive up to three times their normal precipitation, guaranteeing significant ongoing delays to soybean harvesting and safrinha corn planting progress. In southern Brazil, Rio Grande do Sul will see beneficial moisture of one to three inches into early next week to stabilize crop development, before the long-term pattern transitions to near- or below-normal precipitation for Week Two. For Argentina, a storm system will provide some additional moisture tonight into Monday, but the forecast confidently transitions to a completely dry regime for the remainder of February, placing a heavy reliance on existing soil moisture reserves to sustain crops until rain chances potentially return at the beginning of March. The agricultural weather forecast for the United States remains defined by critical moisture deficits in the hard red winter wheat belt of the southern Plains, where virtually zero precipitation is expected through at least the end of the month, maintaining a persistent and elevated threat of wildfires.



In the Corn Belt, an active near-term setup is delivering snow to western areas and a severe weather threat to the southeast today, but the region will quickly pivot to a quite dry pattern for Saturday through February 25. While the fresh layer of snow across the central Plains and western Corn Belt will temporarily suppress temperatures this weekend, this colder pattern is short-lived; temperatures are forecast to surge to 10 or more degrees above normal in the Plains by Tuesday, which will rapidly eliminate the newly established snow cover and drive a return to unseasonable warmth across the bulk of the Nation by late next week.

Grains

Saw follow through strength in oil which supported beans. Wheat was also independently firm and made new highs for the move. Oil strength continues to come from biofuels policy anticipation and the USDA's soybean oil balance sheet at the Outlook Forum added fuel to the fire. They raised 26/27 biofuel use to 17.3 bln lbs from 14.8 this year. Larger crush and lower exports partially offset this, but they still showed a 200 mln lb reduction in ending stocks. Energies in general continued to firm on Iran tensions which also provided support.

Table 5. Soybean Oil Supply, Demand, and Price, 2023/24-2026/27

	2023/24	2024/25	2025/26 /1	2026/27 /2
Production (mil. lbs.)	27,093	29,218	29,940	31,330
Beginning stocks	1,607	1,551	1,747	1,752
Imports	621	362	365	500
Supply	29,321	31,131	32,052	33,582
Domestic Use	27,153	26,891	29,100	31,400
Biodiesel 3/	12,995	11,758	14,800	17,300
Food, Feed, Other Industrial	14,158	15,133	14,300	14,100
Exports	617	2,492	1,200	600
Total use	27,770	29,384	30,300	32,000
Ending stocks	1,551	1,747	1,752	1,582
Avg. price (cents/lb.) 4/	47.3	47.6	53.0	58.0

The USDA balance sheet wasn't friendly wheat, but short covering continued with dry conditions in the S Plains and talk of winterkill/ice crust in Ukraine supportive. The move has been structural/technical and there just doesn't seem to be an appetite to carry shorts with the potential for war and/or China to step in at any time.

The corn balance was constructive with acres and carryout lower than expected. They forecast corn acres at 94.0 vs the 95 baseline (which is what the trade was expecting). They raised the yield to 183 bu/a from 182 (186.5 this year). They raised exports by 100 milbus to 3100 and forecast ending stocks at 1837 milbus, down from 2127 this year. This highlights the need for favorable weather and no yield issues. Also, won't want to lose more acres to beans but the overall acreage pie could be too small.

In beans, everything was about as expected and similar to the baseline numbers from Nov. Acres were 85.0 mil, up nearly 4 mil from this year. Harvested were lowered by 200 thous to 84.0 mil. They left yield at 53 bu/a. On the demand side, they raised crush by 15 and lowered exports by 15 milbus with ending stocks pegged at 355, down from 373 previously. The interesting thing to me is even with 4 mil more acres, the balance sheet doesn't expand. If the 25/26 balance sheet tightens at all, (crush likely needs to come up and everyone is focused on the export number and what China will do), the 26/27 balance will tighten. Beans will need to maintain acres as well as not have any yield threat. I'm attaching updated balance sheets.

SOYBEANS: U.S. SUPPLY AND DEMAND

	21/22	22/23	23/24	24/25 MB	10-Feb 24/25 USDA	25/26 MB	10-Feb 25/26 USDA	*Initial 26/27 MB*	*Outlook 26/27 USDA*
Planted Area	87.2	87.5	83.6	87.3	87.3	81.2	81.2	*85.0*	*85.0*
Harvested Area	86.3	86.2	82.3	86.2	86.2	80.4	80.4	*84.0*	*84.0*
Yield	51.7	49.6	50.6	50.7	50.7	53.0	53.0	*53.5*	*53.0*
Carryin	257	274	264	342	342	325	325	*226*	*350*
Production	4464	4270	4162	4374	4374	4262	4262	*4494*	*4450*
Imports	16	25	21	29	29	25	20	*25*	*20*
Total Supply	4737	4569	4446	4746	4746	4612	4607	*4745*	*4821*
Crush	2204	2212	2285	2445	2445	2588	2570	*2650*	*2655*
Exports	2152	1980	1700	1882	1882	1696	1575	*1820*	*1700*
Seed	102	72	75	70	70	73	73	*75*	*79*
Residual	5	41	44	23	23	30	39	*20*	*30*
Total Usage	4463	4304	4104	4420	4420	4388	4257	*4565*	*4464*
Carryout	274	264	342	325	325	226	350	*181*	*355*
Carryout % Use	6.1%	6.1%	8.3%	7.4%	7.4%	5.1%	8.2%	*4.0%*	*7.9%*

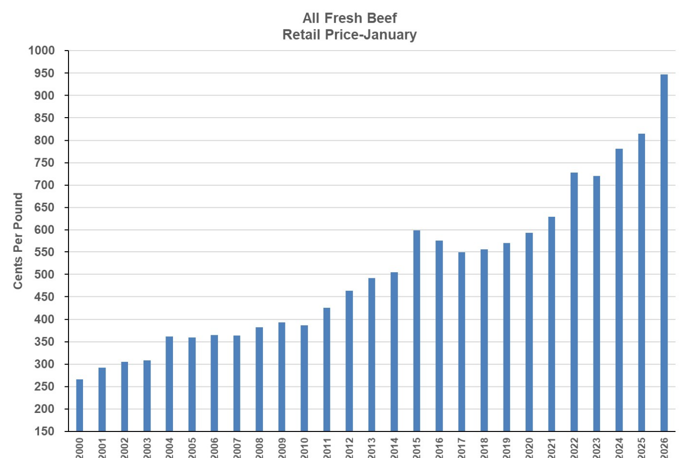
CORN: U.S. SUPPLY AND DEMAND (September - August Marketing Year)

	18/19	19/20	20/21	21/22	22/23	23/24	10-Feb 24/25 USDA	25/26 MB	10-Feb 25/26 USDA	*Initial 26/27 MB*	*Outlook 26/27 USDA*
Planted Acres	88.9	89.7	90.7	92.9	88.2	94.6	90.9	98.8	98.8	*94.0*	*94.0*
Harvested Acres	81.3	81.3	82.3	85.0	78.7	86.5	83.0	91.3	91.3	*85.0*	*86.1*
Yield (Bu/Ac)	176.4	167.5	171.4	176.7	173.4	177.3	179.3	186.5	186.5	*183.5*	*183.0*
Begin Stocks	2140	2221	1919	1235	1377	1360	1763	1551	1551	*2338*	*2127*
Production	14340	13620	14111	15018	13651	15341	14892	17021	17021	*15598*	*15755*
Total Supply	16508	15883	16055	16277	15067	16729	16677	18596	18597	*17961*	*17908*
Exports	2066	1777	2747	2472	1662	2255	2858	3205	3300	*3000*	*3100*
Feed Use	5429	5900	5607	5671	5486	5831	5454	6144	6200	*6000*	*6000*
Food/Ind/Seed	6793	6286	6467	6757	6558	6880	6813	6909	6970	*6975*	*6970*
Ind Use-Swtnr/Star	*1090*										
Ind Use-Bevg/Mfg A	*150*										
Ind Use-Fuel Alcoh	5378	4857	5028	5320	5176	5489	5436	5545	5600	*5650*	*5600*
Food/Seed	*240*										
Total Usage	14288	13963	14821	14900	13707	14966	15125	16258	16470	*15975*	*16070*
End Stocks	2221	1919	1235	1377	1360	1763	1551	2338	2127	*1986*	*1837*
End Stks/Use %	15.5%	13.7%	8.3%	9.2%	9.9%	11.8%	10.3%	14.4%	12.9%	*12.4%*	*11.4%*

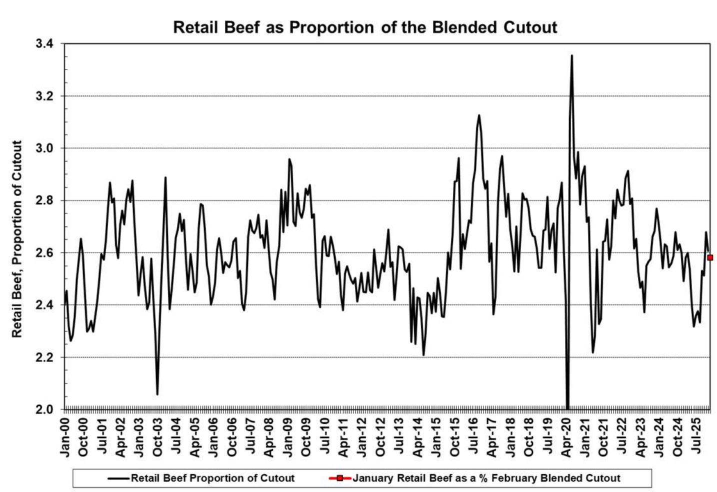
WHEAT: U.S. SUPPLY AND DEMAND (JUNE - MAY MARKETING YEAR)										
	2019/20	2020/21	2021/22	2022/23	2023/24	10-Feb USDA 2024/25	MB 2025/26	10-Feb USDA 2025/26	*Initial MB 2026/27*	*Outlook USDA 2026/27*
Planted Area	45.5	44.5	46.7	45.8	49.6	46.3	45.3	45.3	*44.9*	*45.0*
Harvest Area	37.4	36.6	37.1	35.5	37.1	38.6	37.2	37.2	*37.2*	*36.6*
Yield	51.7	49.7	44.3	46.5	48.7	51.2	53.3	53.3	*54.2*	*50.8*
Carry-in	1080	1028	845	674	570	696	855	855	*898*	*931*
Production	1,932	1,820	1,646	1,650	1,804	1,979	1,985	1,985	*2,019*	*1,859*
Imports	104	100	96	122	138	149	120	120	*120*	*120*
Total supply	**3115**	**2948**	**2588**	**2446**	**2512**	**2823**	**2960**	**2959**	***3037***	***2910***
Seed	62	64	58	68	62	61	62	61	*63*	*58*
Domestic Mill	962	961	971	972	961	969	975	967	*985*	*970*
Feed/Residual	95	85	88	76	86	113	100	100	*95*	*100*
Exports	969	994	796	761	706	826	925	900	*935*	*850*
Total Use	**2088**	**2104**	**1913**	**1876**	**1815**	**1968**	**2062**	**2028**	***2078***	***1978***
Carry-out	**1028**	**845**	**674**	**570**	**696**	**855**	**898**	**931**	***959***	***933***
Carryout/use	49.2%	40.1%	35.2%	30.4%	38.3%	43.5%	43.5%	45.9%	*46.1%*	*47.2%*

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

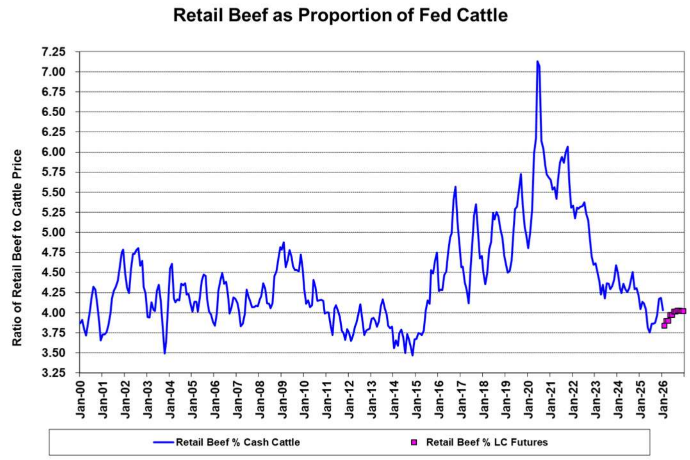


Retail beef prices (all fresh beef) averaged near $9.46 per pound in January, slightly lower than the record $9.55 posted in December, but still 16% higher than the $8.15 average during the same month a year earlier. While beef prices have risen more rapidly than competing pork and chicken items in recent months, those competing proteins also are hovering near historical highs, but have largely evaded the scrutiny leveled at the beef industry. Retail beef prices are record high relative to pork and chicken and have been since last summer, spurring concerns that financially stressed consumers may be increasingly tempted to replace beef in their grocery carts with the lower-valued proteins, resulting in lower demand for beef. However, evidence of demand weakness has yet to surface—rather, it's at least plausible that record high beef prices are doing more to support pork and chicken demand than the other way around.



While record high beef prices have been signaled out for political and economic scrutiny, retail prices are not "high" relative to cutout values. It's evident, in hind sight, that retail beef last summer at about 2.35x the cutout value were "low" relative to history. More recently, retail beef has increased to around 2.6x the cutout—again, not particularly "high" relative to the cutout. While current cutout values are around $360-$365, seasonally stronger beef demand in the spring could push the cutout back to $380 or higher. Should that be the case, historical relationships suggest significantly higher retail beef prices—likely breaching the $10 mark.

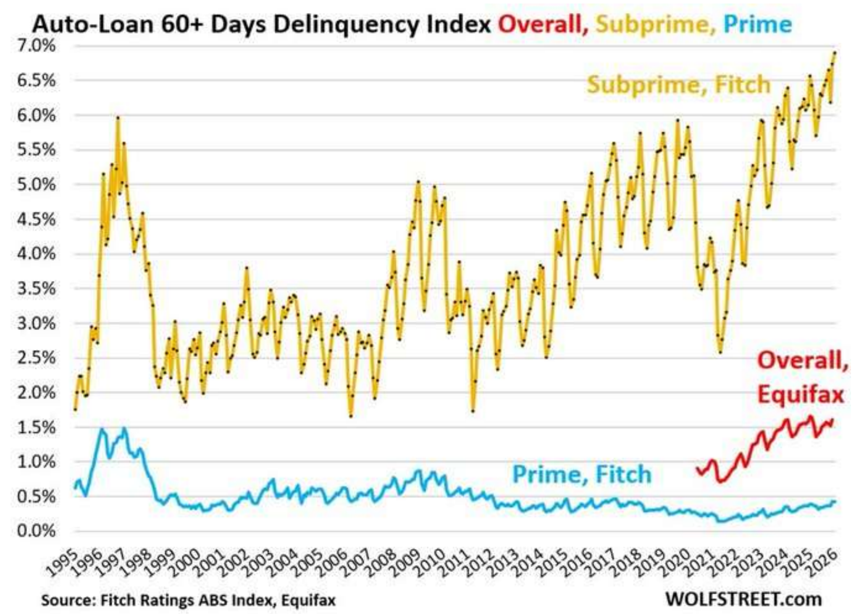
Similarly, current record high retail beef prices are not "high" relative to fed cattle prices, which also have established a succession of record highs in recent weeks. Again, $250 fed cattle would be generally consistent with $10+ retail beef. All of this begs the question, of course, as to the sustainability of much higher retail beef prices. Will beef supplies be sufficiently tight and demand strong enough? Recent history suggests—maybe—prices have generally overperformed expectations, but operating at economic extremes invites behavior changes at all levels of the marketing channel accompanied by elevated price volatility, not to mention the re-emergence of the political wild card.



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

I saw this chart the other day and thought it was worth a quick discussion. Obviously, the most striking thing on this chart is that we are seeing a new high in sub-prime (<620 credit scores) delinquencies, nearly reaching 7%. This well exceeds the delinquency rates peaks during the late 90's (6%), the GFC (5%), and the COVID pandemic (5.9%).



I think that the more interesting story with this chart is the bifurcation between prime and sub-prime delinquencies. While the sub-prime delinquencies have spiked to record highs, prime rates have stayed steady below 0.5%. This is just another example of the K-shaped economy; while wealthier people are able to keep up with their car loans, sub-prime borrowers are having record difficulties paying off their debts.

These two groups come together for an overall delinquency rate of 1.5%. What does this tell us? Looking a little more into the data, roughly 14% of auto loans are to sub-prime borrowers; With 7% of those borrowers being delinquent on their loans, these sub-prime delinquencies only account for ~1% of total auto loans. This also means that the vast majority of car loans are to prime borrowers. So, while this data does show that there is a subset of the population that is seeing significant financial stress, this data doesn't show a widespread negative outlook for the overall economy.

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
- PCE – 7:30 AM
- GDP – 7:30 AM
- New Home Sales – 9:00 AM
- U. Mich. Sentiment – 9:00 AM
- Cattle on Feed – 2:00 PM

Thanks for reading,

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