NESVICK TRADING GROUP, LLC

Tuesday, February 24, 2026

NTG Morning Comments

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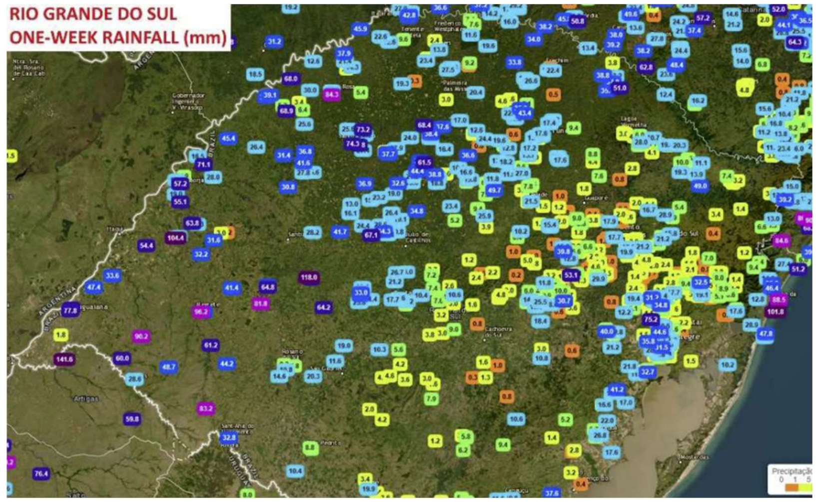
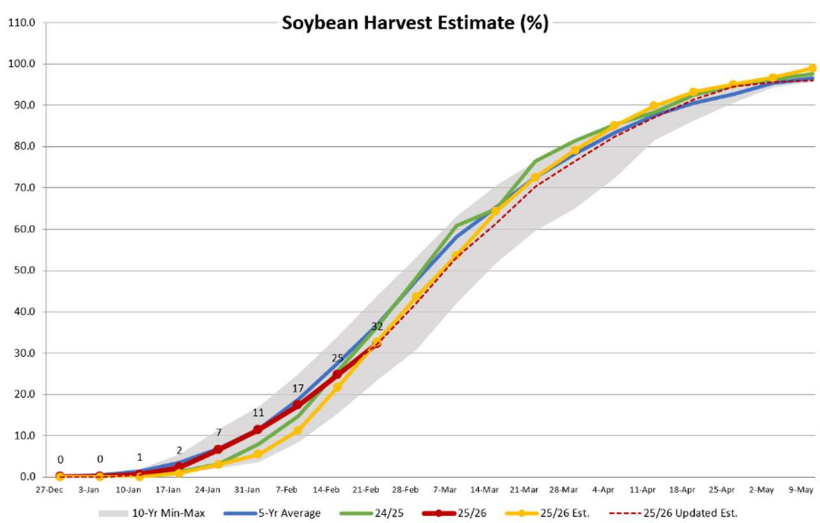
Weather



In northern Brazil, the wet pattern remains firmly entrenched, with double to triple normal rainfall continuing across Minas Gerais and Bahia for the next 10 days, maintaining significant delays to soybean harvesting and safrinha corn planting operations. In southern Brazil, the precipitation window for Rio Grande do Sul will close tomorrow, initiating an extended 11-day period of dry weather that could stall further soybean crop development through the first week of March. Conversely, the forecast for Argentina has trended noticeably wetter; while immediate rainfall remains confined to western areas like Cordoba and La Pampa through the 1-5 day period, an active pattern will expand eastward beginning March 2 to deliver widespread, above-normal precipitation across the entire growing region during both the 6-10 and 11-15 day periods, substantially improving soil moisture reserves for late-planted crops.

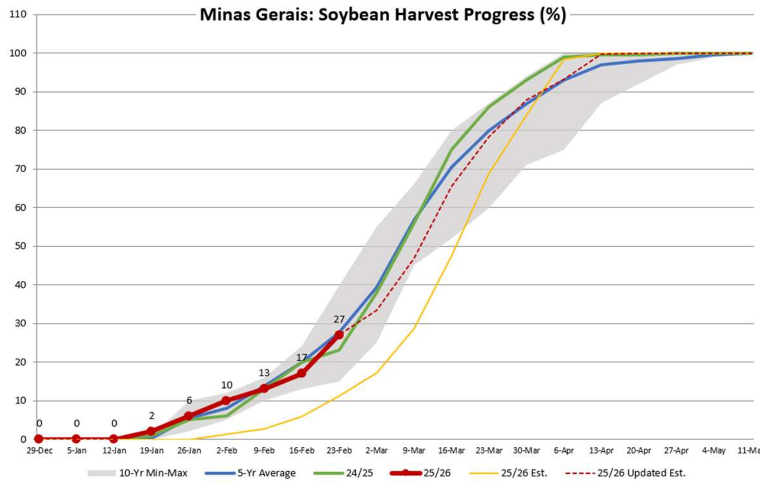
The forecast for the United States features an improvement for the southern Plains; while the region will remain completely dry through the 1-5 day period, maintaining acute short-term fire risks, the long-term forecast has shifted to deliver substantial relief. Beginning March 3 and continuing through the 11-15 day period, the region will transition to a much wetter regime, with forecast models now projecting significant totals exceeding a half-inch broadly, and one-inch-plus accumulations targeting the eastern and southeastern portions of the main growing area, effectively easing the severe moisture deficit for dormant crops. In the Corn Belt and Mid-South, the transition to a more active weather pattern remains on track to begin Thursday, with the 6-10 and 11-15 day periods expected to bring above-normal precipitation, particularly favoring the southeastern Corn Belt and Ohio River Valley with totals exceeding two inches.

Grains



The CONAB estimates for Brazil's soybean harvest progress was updated last night (to February 21st), and I thought we'd take a look at the data now that we're approaching 1/3rd complete in the country, and compare the actual progress to the projections that I built at the beginning of the harvest season.

The average harvest progress across the entire country has fallen behind the 5-year average in the past couple weeks after starting right in line with it; in my original projection I expected a slower start based on delays in planting, but the updated estimates are now showing a slightly slower harvest completion as the original projection saw a slightly quicker pace through the middle half of the harvest. This pattern is largely due to Mato Grosso's pace, where the harvest started in earnest a few weeks before my original estimates had projected, but slowed down somewhat during the heavy rains they received a week ago. With more above-average rainfall forecasted throughout much of the next 15 days, we could see progress slow even further into the final 25% of harvest.



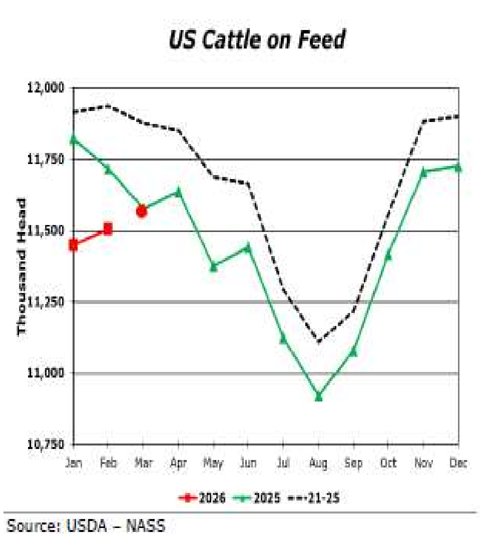
Paraná and Minas Gerais are both strongly beating my early projections, sitting right in line with their 5-year averages despite significantly delayed planting progress that I had estimated would similarly delay their harvest timelines; for Minas Gerais especially, I had expected record-low harvest pace until late March.

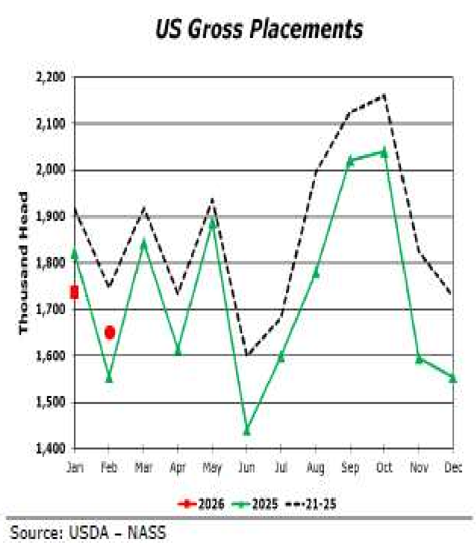
São Paulo, Mato Grosso do Sul, and Goiás have all fallen well behind the average planting pace, having stayed largely near or below the record low progress threshold throughout the harvest season. Mato Grosso do Sul specifically saw nearly no progress over the last week, moving from 16% to 18% - at a time in the season where it would generally be at peak harvest speed – likely due to the widespread heavy rains that the state saw during this week.

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.*

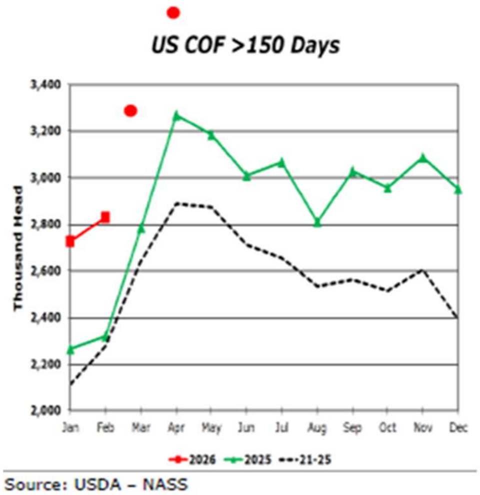
Livestock

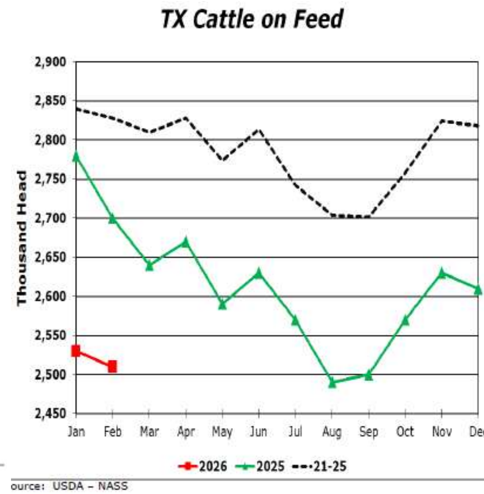
Now that everyone has reviewed last Friday's Cattle on Feed (COF) report, it is worth revisiting one key point about January placements. The reported -5% gross placement figure for January actually contained a figure for bigger yearling cattle that placed at a rate steady with a year ago. When you roll those cattle out into the early or late summer, it takes some of the bullishness out of the reported figures.

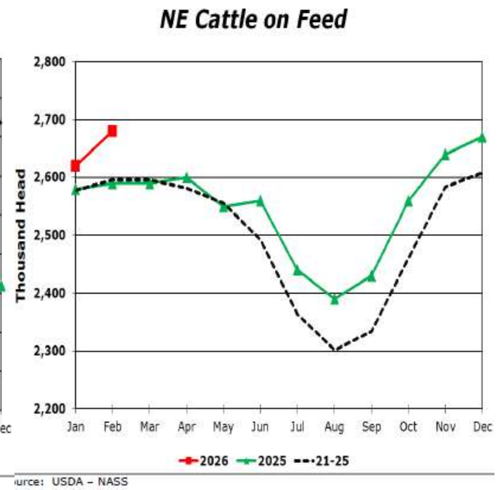




Looking ahead to the next COF report, the data and charts suggest total cattle on feed at 100% of a year ago, placements at 104%, and marketings at 94%. As total cattle on feed supplies continue to grow, the number of cattle on feed over 150 days will also keep increasing, likely reaching 124% of a year ago on March 1 and 126% on April 1.







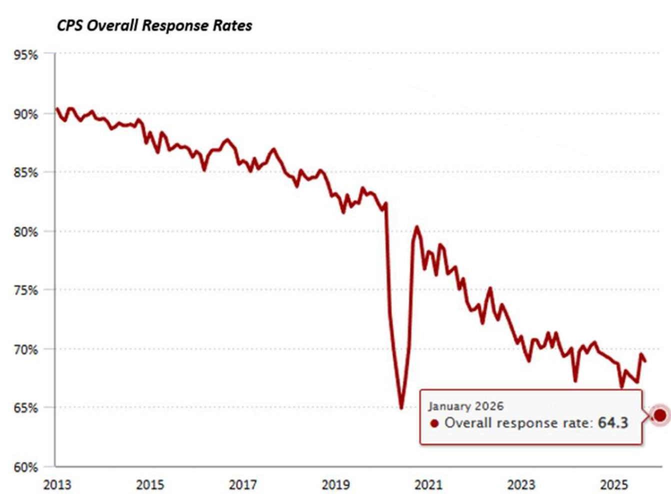
The larger concern appears to be the very tight supply of cattle in Texas. While the number on feed is unchanged from what supplies dropped to late last summer, it remains about 300k head below the five-year average and 200k head below last year. Because of the missing supply in the South, those cattle are setting the tone for negotiated live trade prices.

At the same time, heavy-weight cattle will still be coming this spring, and heavy-weight discounts are expected to be more rigorously enforced beginning April 6th. Feeders with carcasses over 1,151 pounds will be at risk of a $22 per hundredweight live discount on all those cattle. Nebraska cattle on feed are at a record 2.7 million head, around 100,000 head more than a year ago, indicating that a large volume of cattle may likely come to market this spring, many of them approaching 1,080 pounds in the North during that period. Any disruption in the ability to market these bigger cattle on time would make it statistically difficult to avoid those discounts. If that occurs, it could create a two-tier market, potentially $10 below current expectations, as feeders work to pull days off cattle and sell them ahead of the discounts. The northern trade last week at $242 to $245 may be an early indication of what could be developing.

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.*

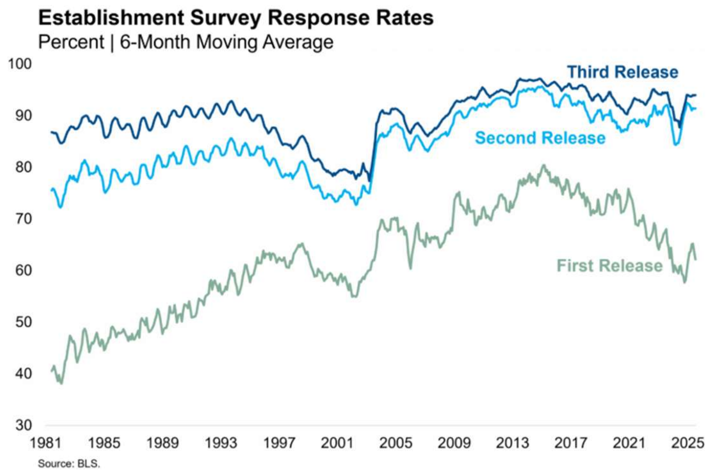
Macro/Financials

Over the last year, we've seen major revisions and inconsistencies in all kinds of government data, but the one that's gotten the bulk of the attention has been the BLS jobs report. With that in mind, I decided to look into what is causing the issues with data quality for this report, and what – if anything – is being done to improve this data's accuracy. As it turns out, there are two completely separate problems at play, and understanding the distinction matters for how we interpret the numbers going forward.



The unemployment rate comes from the Current Population Survey (CPS), a monthly household survey where Census interviewers contact about 60,000 households by phone or in person. The problem is that people have largely stopped answering — the CPS response rate has fallen from roughly 90% in 2013 to around 67% today, driven by privacy concerns, the difficulty of reaching people on cell phones, and general survey fatigue. When a third of your sample stops responding, both the margin of error and the risk of bias in the unemployment rate grow significantly. The BLS and Census Bureau have been working on a modernization plan since 2023, centered on introducing an Internet Self-Response mode by 2027 — but after 3 years of work, that fix is still over a year away.

The payroll numbers, however, are a different story. The nonfarm payroll count comes from the establishment survey, which contacts roughly 119,000 businesses representing about 622,000 worksites — and this survey doesn't actually have a nonresponse problem. Over 93% of establishments respond by the third monthly release. The real issue is one of *timing*; initial response rates for the first release have been declining, meaning the data that moves the market on jobs day is based on a thinner sample than it used to be, which increases the size of revisions as late responses trickle in. On top of that delayed-response problem, there's a separate *modeling* problem. The BLS uses a birth-death model to estimate the net impact of new businesses opening and existing ones closing, since these can't be captured by the survey sample in real time. This model relies on a time series built from historical data (essentially a full census of payroll employment from unemployment insurance tax records), and after COVID, the historical patterns it was trained on broke down. New business applications surged to unprecedented levels, but many of those entities either didn't hire or didn't survive — yet the model kept assuming robust job creation from new firms, and it wasn't until the annual benchmark reconciliation against hard QCEW data that the full extent of the overestimation became clear. The BLS has now recalibrated the birth-death model effective with the January 2026 data, and the difference is dramatic — in April 2025, the model was adding a net +386,000 jobs, while in January 2026 that figure swung to -61,000. Professional and Business Services alone went from +134,000 to -29,000 over that same period.



So, we're ultimately dealing with three distinct data quality issues — a response rate crisis on the household survey side, and significant response delays and a modeling failure on the establishment survey side — each with its own fix in progress. The birth-death recalibration is already in effect, but survey modernization is still at least a year away. In the meantime, the market should treat initial jobs report releases with an extra grain of salt and pay closer attention to the revisions until these fixes have had time to prove themselves.

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
- FHFA House Price Index – 8:00 AM
- S&P Cotality Composite City Home Price Index – 8:00 AM
- Richmond Fed Manufact Index – 9:00 AM
- Conf. Board Consumer Confidence – 9:00 AM
- Wholesale Inventories – 9:00 AM
- Cold Storage – 2:00 PM

Thanks for reading,

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