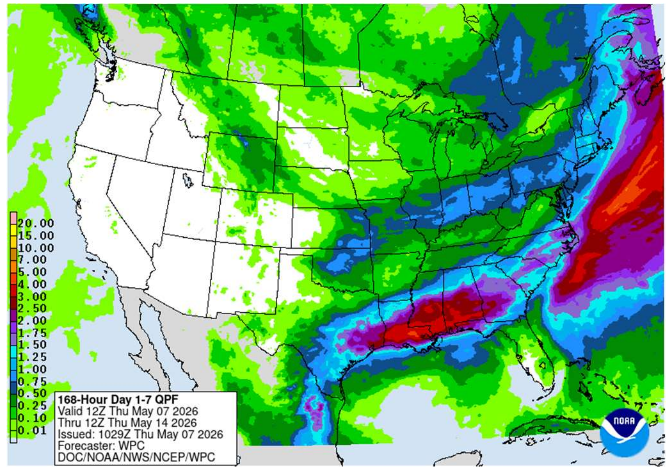
Weather



Across the United States, an exceptionally cold pattern continues to heavily impact the 1-5 day period, with severe frost advisories and freeze warnings covering much of the northern Corn Belt this morning following temperature drops into the mid-twenties. Despite this significant cold stress and another impending temperature drop for areas east of the Mississippi River during the 6-10 day period, highly favorable soil moisture levels will allow producers across the western and northwestern Corn Belt, as well as the northern Plains, to maintain aggressive planting paces as significant precipitation remains lacking. Conversely, widespread fieldwork operations remain completely stalled across the southeastern Corn Belt and Mid-South, where recent precipitation will be compounded by another rainfall event late Friday into the weekend, eliminating any necessary dry windows for soil recovery. In the hard-red winter wheat belt, the threat of sub-freezing weather has officially ended for the season, though the developing crop faces continued stress as the 1-10 day period remains overwhelmingly dry with precipitation running under 50% of normal despite some scattered weekend showers. Simultaneously, topsoils are rapidly deteriorating across the northern Plains due to an ongoing dry pattern, which will likely generate severe dryness complaints before a sustained warming catalyst brings near- to above-normal temperatures to the Plains by Monday and initiates a broader national moderation, along with increased storm chances for the western Corn Belt, throughout the 11-15 day period.

Grains

The soybean market continues to show a notable divergence between flat price and structure.

While soybean futures have worked higher over the past few weeks (particularly in new crop and deferred contracts), spreads continue to tell a very different story. Nearby spreads have remained under pressure, and recent structure into delivery has been historically weak.

There is no immediate shortage of soybeans.

From a balance sheet standpoint, that makes sense. South America just produced a record crop, global stocks are at all-time highs, and U.S. inventories remain comfortable. Domestically, crush demand continues to run strong, supported by exceptional margins, while export demand has slowed under the weight of increased South American competition as the recent Chinese buying program winds down.

Looking forward, South American soybean expansion likely slows next season, but it doesn’t stop. At best, production growth begins to look more in line with global consumption growth.

Even so, my numbers still show global soybean stocks building again next year from this year’s record levels.

So, the question becomes: if not tight supply, what is supporting the market?

Positioning.

Managed money continues to hold a historically large long position across the soybean complex, with massive length not only in beans, but across soybean oil and meal as well. That type of across-the-board ownership is unusual and suggests this is less about relative value and more about outright exposure.

At the same time, broader macro flows appear to be playing a role. With equities making new highs and energy markets firm - a strange combination - commodities have been attracting capital. Agriculture, relatively speaking, still screens as “cheap” in that environment, and that has brought additional interest into the ag space. Managed money often forgets how expensive it is to store grains and oilseeds (high cost of carry as they roll their futures forward).

There is also a growing narrative around longer-term food inflation, which has begun to gain traction alongside the rally. While that may become more relevant over time, current market structure suggests that, for now, the story is well ahead of the underlying fundamentals.

For the time being, the soybean market appears to be supported more by ownership and capital flow than by tightening supply.

That does not preclude further upside. Markets with this type of positioning can remain firm longer than expected. But it does introduce a different type of risk.

If the flow of capital slows, or if broader macro conditions shift, the market may need to rely more heavily on its underlying supply and demand profile.

And today, that profile does not point to a tight system. Without a meaningful production issue, it’s difficult to build a convincing case for scarcity over the next 18 months.

Final Thought -

April into the first few days of May was not a classic bull market.

It was a liquidity-driven advance layered on top of a well-supplied system.

Those types of markets can persist longer than expected. But they are also vulnerable. Not to weather, not to yields, but to something simpler:

A loss of interest.

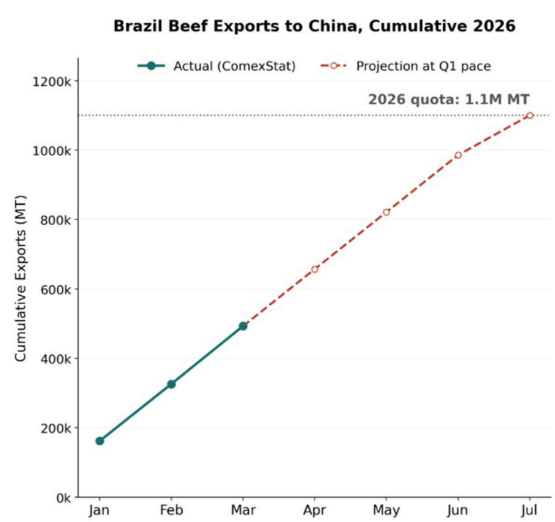
And when that happens, price has a way of reconnecting with reality.

US SOYBEAN SUPPLY & DEMAND

	23/24	April 24/25 USDA	25/26 Ditsch	April 25/26 USDA	26/27 Ditsch
Planted Area	83.6	87.3	81.2	81.2	86.0
Harvested Area	82.3	86.2	80.4	80.4	85.1
Yield	50.6	50.7	53.0	53.0	53.0
Carryin	264	342	325	325	380
Production	4162	4374	4262	4262	4510
Imports	21	29	25	25	25
Total Supply	4447	4746	4612	4612	4915
Crush	2285	2445	2630	2610	2740
Exports	1700	1882	1500	1540	1600
Seed	75	70	73	73	73
Residual	44	23	29	39	37
Total Usage	4105	4421	4232	4262	4450
Carryout	**342**	**325**	**380**	**350**	**465**
Stocks % of Use	8.3%	7.4%	9.0%	8.2%	10.4%

Grains commentary provided by Mark Ditsch. For questions or comments, Mark can be reached by email at mark@ditschtrading.com *or on Trillian at mark@nesvick.com.*

Livestock



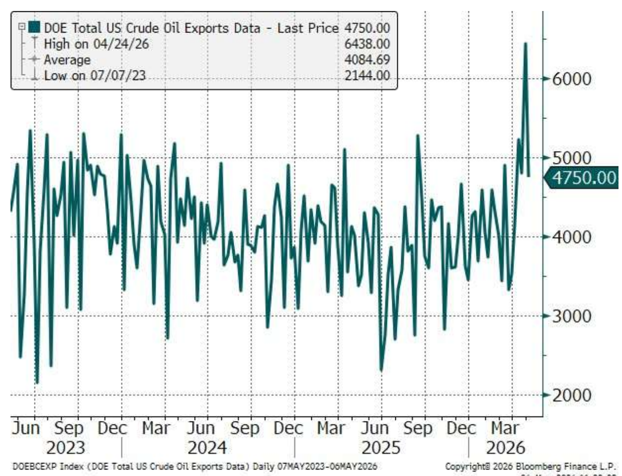
At the end of last year, I talked about the new beef import quotas that China implemented for 2026, and mentioned how Brazil was the country expected to be hardest hit by these new limits. Well, Brazil is on pace to fill its 2026 China beef quota midway through July, with Q1 shipments alone clearing ~500,000 MT, or 45%, of the 1.1 MMT annual cap. The pace through April pushes that toward 65%, and ABIEC, the Brazilian exporters' group, says local plants may stop processing China-bound beef as soon as mid-May. Above the quota, a 55% tariff applies, which effectively shuts off the trade.

The easy move is for Brazil to then redirect that excess supply to the US, where the cattle herd is at multi-decade lows and beef demand has been remarkably resilient. Live cattle futures hit an all-time high of ~$255/cwt last week, and the choice cutout is over $390. So, at least in theory, more Brazilian beef landing on U.S. docks is exactly what the consumer needs. However, as we know, Brazil ships into the U.S. under a shared "Other Countries" tariff-rate quota with Uruguay, Argentina, and Paraguay, which Trump trimmed to 52,000 MT for 2026 (down from 65,000 MT). Brazilian exporters loaded so much beef into U.S. cold storage at year-end 2025 that they cleared the entire 2026 allocation within the first six days of January. Every kilogram of Brazilian beef arriving in the U.S. since then has been paying the 26.4% out-of-quota rate. The redirect isn't a free pass; it's an expensive one, and the fact that imports are still flowing tells you how tight the U.S. supply picture really is.

This brings us to today, when Lula meets Trump at the White House for their first in-person bilateral on U.S. soil since Trump returned to office. Tariffs, organized crime cooperation, and rare earths are the headline agenda items. Beef is unlikely to be the lead ask, but it's a concrete economic lever: any softening on the 26.4% out-of-quota rate, or a reversal of the 13,000 MT quota cut Trump signed in December, would meaningfully shift the math on Brazilian beef into the US. Trump already exempted Brazilian beef from the 50% reciprocal tariff in November, citing the U.S. production gap, which suggests the administration sees beef as a pressure-relief valve rather than a protected sector. If this meeting yields TRQ relief, that's bearish for the front of the live cattle curve and probably caps the cutout's run somewhat. If no beef agreement is made, the cattle shortage continues to do the heavy lifting while the China-quota redirects additional meat.

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.*

Energy



We had a pair of headlines crash into each other today, and they tell the same story once you sit with them. EIA put US oil products exports at a record 8.2 mb/d last week, with diesel cargoes hitting an all-time high. EIA's weekly crude exports hit a record 6.4 mb/d in late April, with the most recent print at 4.75 mb/d still well above the 5-year average of 3.8 mb/d. Saudi Arabia's export capacity is limited to a maximum of 4.5 mb/d—and more realistically 3 mb/d—due to infrastructure constraints at the Port of Yanbu, where the Petroline ends. This solidifies the US as the dominant leader in global crude exports.

Asian refiners that normally pull from the Persian Gulf have been routing to the US Gulf Coast as a last resort because their preferred barrels can't move with the Strait closed. Corpus Christi just ran the busiest quarter in its history, with 50-60 VLCCs heading to US ports daily – roughly double last year. The US is near its ceiling though, with Kpler estimating that the practical US export capacity is "just above 5 mb/d," and DOE inventories continue to draw down.

That's why the binary is doing all the work in price. Brent is up roughly 78% year-to-date and 40% since the conflict started February 28. Today's 12% move on a single headline tells you how thin the bid is once de-escalation enters the frame. Trump's "Project Freedom" escort effort lasted 50 hours before he paused it citing progress on a deal. However, even if Iran signed the proposal tomorrow, today's 12% move feels too aggressive for how slowly convergence actually plays out. Paper can unwind on the signature, but physical can't. The strait's backlog stretches for months, US inventories are still drawing, and OPEC+ enters a market-share scramble with the UAE freelancing rather than a quiet glide back to range. Based on how the past negotiation efforts have gone with Iran, I wouldn't bet on the conflict truly resolving before President Trump goes to China to meet with Xi next week.

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
- Nonfarm Productivity – 7:30 AM
- Jobless Claims – 7:30 AM
- Nat Gas Storage Change – 9:30 AM

Thanks for reading,

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