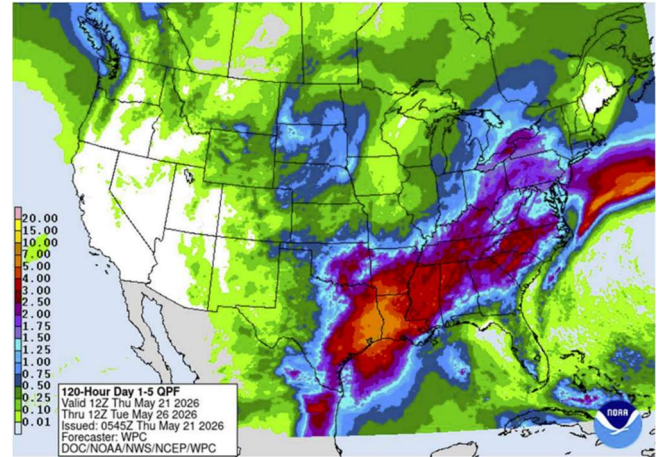


Weather

The southeastern Corn Belt is now the primary area of concern for fieldwork delays as the region remains overly saturated, and a forecast characterized by persistent rainfall threats over the next 15 days will provide virtually no multi-day dry windows for operations to resume. In the Mid-South and Southeast, an exceptionally wet pattern will deliver rainfall totals more than double and locally triple normal levels over the next 15 days, which will significantly alleviate long-term drought conditions but will inevitably generate complaints of excessively wet conditions and localized flooding. The HRW wheat belt continues to face its wettest 15-day forecast of the spring, delivering persistent, above-normal rainfall that will highly benefit developing summer row crops and pastures, although the winter wheat crop remains too severely damaged to recover. For the northern Plains, spring wheat areas would currently benefit from a wet pattern but will see close to normal rainfall over the next 15 days, while the Great Lakes region will be the driest area in the center of the country with strictly below-normal precipitation. Temperatures across the middle of the country will remain cool through the rest of the week before an exceptionally warm pattern emerges for Memorial Day and beyond across northern areas, highlighted by temperatures running 6-10 degrees above normal in the northern Plains during the 6-15 day period, while persistent cloud cover and rain will prevent any abnormal heat in the southern Plains and Mid-South.



Grains

Not a lot has fundamentally changed in the soybean S&D over the past week, but futures have experienced violent headline-driven swings in both directions. Neither the bulls nor the bears can feel particularly comfortable when futures can rally or break 30–40 cents in a single session depending on the latest headline.

Late last week, futures dipped after US/China meetings produced no new tangible agreements. Early this week, futures recovered on reports that China would purchase significant quantities of US agricultural products -even though they also mentioned soybean needs had already been “taken care of” by earlier agreements.

Meanwhile, South American farmer selling has accelerated sharply this month. Currency movements finally allowed producers to feel better about local cash prices and catch up on sales. In Argentina, harvest delays caused by early excessive rainfall are fading, and yields continue to come in better than expected.

The result is pretty straightforward - South America remains the cheapest origin to the world for the balance of 2026 - extending well into the US new crop window. South American soybean supplies will be record large heading into the US harvest.

At the same time, Chinese crush margins continue to deteriorate and are now deeply negative if crushers were forced to rely on US supplies deep into the new crop period. US new crop export sales remain almost nonexistent at a time when seasonal demand normally begins to emerge.

Bottom line: without meaningful political intervention, the US export outlook does not look very good.

Domestically, US soybean acreage appears poised to increase another 2–3 million acres in the June acreage report. The combination of a larger total corn+soybean pie, favorable planting weather with limited Prevent Plant concerns, and economics that continue to favor soybeans over high-input-cost corn all point in that direction.

So the recent shifts are fairly clear:

- increased competition from South America,

- poor crush economics from the world’s largest buyer,
- and likely larger US acreage.

On the positive side, US product demand has remained strong. US soybean meal exports have benefited from delayed Argentine harvest pressure along with ongoing quality and GMO issues. However, that support is showing signs of cracking as South American meal basis levels are now pushing to new lows driven by advancing harvest and farmer selling.

At the end of the day, futures reflect the value of that last marginal bushel. I am currently projecting US soybean ending stocks near 375 million bushels - relatively snug historically, but likely not tight enough to justify maintaining an old crop/new crop inverse, especially given the heavy commercial ownership of soybeans in both the US and South America.

Add another 2–3 million US soybean acres and a sluggish start to the export season, and the downside risks for 2026 soybean futures begin to build.

But what about the inflation trade?

Yes, that narrative still exists. However, grains are notoriously expensive markets to carry forward. Let’s assume soybean futures are 5–10% higher a year from now due purely to inflation. Inflation-driven macro funds typically buy the “top step” (the nearby futures contract) and continuously roll those positions forward. In soybeans, that carry cost can become substantial enough to consume most or even all of that annual appreciation.

Put another way - even if soybean futures are moderately higher a year from now, passive inflation longs may have little to show for it after paying the cost of carry.

Without a meaningful weather threat, I struggle to find a compelling bullish catalyst over the next several months.

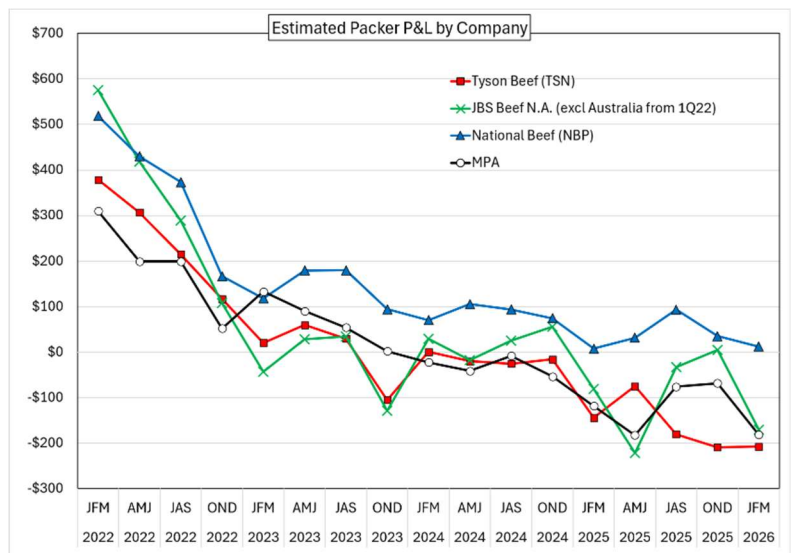
It now feels like even the bears have turned bullish. Markets have a tendency to punish what becomes consensus while rewarding what remains unseen. I’m beginning to sense something potentially asymmetric developing under the surface, particularly given current managed money length.

Nothing suggests prices must immediately collapse lower. But I do think vulnerability may quietly be building.

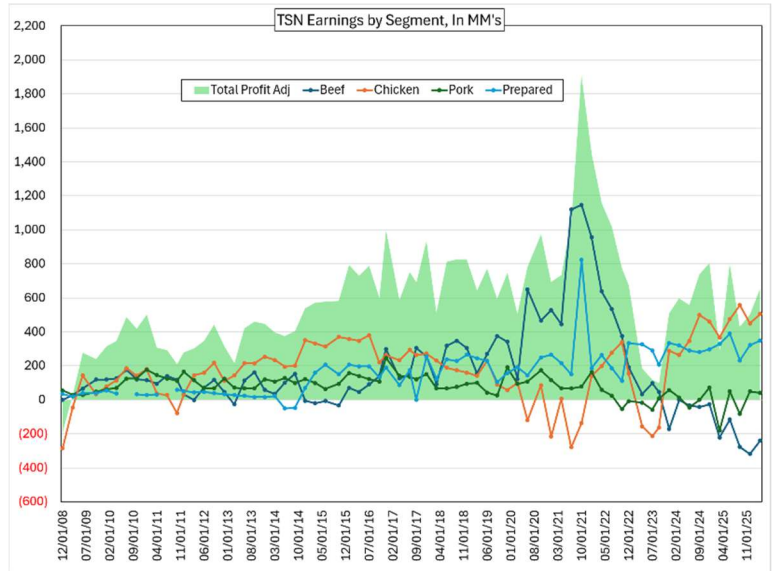
Grains commentary provided by Mark Ditsch. For questions or comments, Mark can be reached by email at mark@ditschtrading.com or on Trillian at mark@nesvick.com.

Livestock

I saw these interesting charts from MP Agrilytics the other day and thought I’d share my thoughts. I wrote recently about how retail margins being at record high levels per head, despite the fact that the packer is getting all the regulatory attention from the DOJ. Well, with the most recent earnings reports from the major packers, we have a better idea of their margins. Tyson's beef segment just printed its worst quarter on record going back to 2008, and JBS isn't far behind. The more interesting number is sitting right next to them. National Beef is the only major U.S. packer still printing positive per-head profits, and the gap isn't subtle. NBP has averaged ~\$140/hd above Tyson since 2018, but the spread has widened even further to ~\$200/hd over the past year. Compared to JBS, NBP is running ~\$100/hd ahead since 2022.



While Tyson's beef numbers look like a corporate crisis, the overall P&L tells a different story. Chicken and prepared are both running at multi-year highs, and between them they're underwriting the beef segment's losses one quarter at a time. This is the multi-protein diversification thesis playing out exactly as it was supposed to. The whole reason Tyson owns chicken and prepared alongside beef is to absorb cycles like this one. With that in mind, Tyson is able to wait for the other packers lead on improving beef profitability as long as their other segments are printing money. If other packers start cutting kills or putting discounts on large carcasses in order to take more control of pricing and improve their margins per head, Tyson can take advantage of the downturn in prices to improve their own beef margins to further boost overall profits.

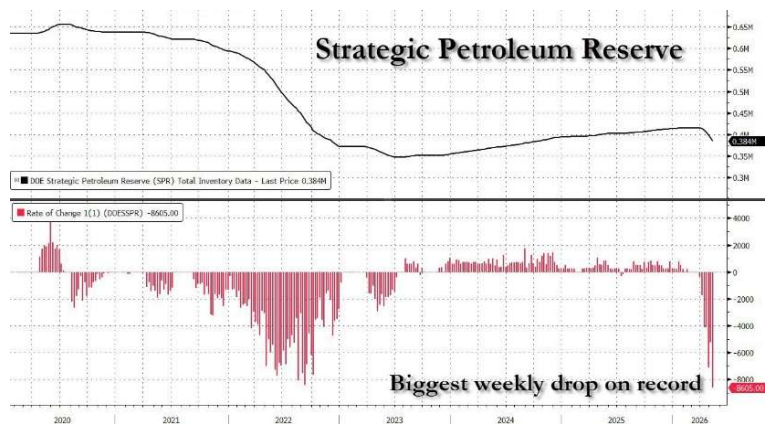


Livestock commentary provided by Zachary Davis. For questions or comments, Zachary can be reached by email at zdavis@nesvick.com or on Trillian at zdavis@nesvick.com.

Macro/Financials

I've touched before on how the US has become the exporter of last resort for buyers shut out of Middle Eastern barrels – and this week's EIA report makes the cost of that role hard to miss. Total US crude stocks, including the SPR, fell by 17.8 million barrels in the week ended May 15; this is the largest weekly draw on record.

Commercial crude inventories dropped 7.9 million barrels to 445 million barrels, past the 2.9 million barrel decline analysts were looking for, and to the lowest commercial level in nearly a year. The bigger story is the SPR: a 8.6 million-barrel weekly release, the largest single-week SPR drop in history, running at a ~1.3 mb/d pace. US crude exports hit 5.6 mb/d last week and have averaged 5.3 mb/d this month – the heaviest monthly export tempo on record – and the US was recently a net crude exporter for the first time on record. It's exports plus SPR doing the work together: barrels going overseas to fill the global gap, and the reserve being tapped to keep the domestic price ceiling in place.



What gives me pause is the math on how long that can continue. The SPR sits at 384 million barrels today, well below the ~635 million barrels we started the 2022 release campaign with. And this week's pace is roughly 3x the average 2022 drawdown rate. At 1.4 mb/d, what's left exhausts in ~38 weeks, though the realistic limits on how hard you can pull that lever bite well before then. So the cap on crude prices right now is likely mechanical rather than structural – and the buffer behind it is visibly finite. With the end of the Iran conflict still in limbo, it could make these supplies feel very constrictive by the time shipping get back to normal.

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
- Jobless Claims – 7:30 AM
- Housing Starts/Building Permits – 7:30 AM
- S&P Global PMI – 8:45 AM
- Nat Gas Storage Change – 9:30 AM
- USDA Red Meat Production – 2:00 PM

Thanks for reading,

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