FRIEDBERG'S
FOCUS ON FUTURES
Friedberg Mercantile Group Ltd. Volume 27, No. 7 August 11, 2025

# Corn: big supply, but big demand

**US**

We are headed into the key development stages for the 2025-26 US corn crop. Farmers planted 95.2 million corn acres, 4.6 million, or 5.07%, more than in 2024-25. The July USDA crop report tweaked the acreage figure down slightly, by 100,000 acres. More significant, though, they revised the harvested-to-planted ratio down to 86.8%, from 87.4%. That shaved 115 million bushels off the crop estimate – still a huge crop. Weekly progress reports indicate the crop is in fine shape. The good-to-excellent portion stands at 75%. That compares with 67% last year at this time, and only 57% in the season prior to that.

Still, one could not say that the crop is "in the bag" just yet. Weather conditions have been particularly volatile this year. In mid-July, prices popped because of heat. The market settled back into bear mode when rain came. But then again, the precipitation may have been excessive, with mold being discussed as a possibility for the wettest regions. It pays to note that last year, yield forecasts were flying high at this juncture of the season, reaching a high estimate of 183 bushels per acre. After the harvest was complete and counted, the USDA lowered that estimate to 179.3 bushels per acre.

**Brazil**

South American production has been increasing, but is not nearly the competition factor it poses for US soybeans and cotton. In 2024-25, Brazilian corn output jumped to 132 million tonnes, from 119 million tonnes the previous year. But the USDA forecast for 2025-26 is only 131 million tonnes. The domestic market consumes 69% of production (which includes ethanol), leaving 31% available for exports. In contrast, domestic soybean consumption is only 36%, while cotton usage represents only 19%. The balance is sold abroad.

To illustrate the point, the USDA estimates that in 2025-26 soybean and cotton exports will increase by about 10%, while corn exports are forecast to remain constant at 43 million tonnes.

**Demand**

It is therefore imperative for the US crop to perform well. And this is particularly true in light of the demand side. US export commitments stand at 70 million tonnes, up from 55 million tonnes at this time last year. With six reporting weeks remaining in the marketing year, we could end up shy of the USDA estimate of 69.85 million tonnes, but not by a significant amount. Weekly shipments were averaging 1.5 million tonnes per week, but have tailed off to an average of 1.1 million tonnes over the past two weeks. Either way, shipments as a percentage of the USDA estimate stand at 87%, compared with 83% at this time last year.

More important, though, in terms of attempting to determine whether this year was an anomaly for US export sales or part of a trend, is that sales for next year's crop are very strong. As of the most recent weekly export report, new-crop sales were 6.7 million tonnes, up from 4.2 million tonnes at this time last year.

The downwardly revised US crop means the estimate for US 2025-26 ending stocks will fall to 10.8% of consumption, down from last month's 11.3% estimate.

At the global level, even with good crops, because demand is strong enough, we are headed into a second consecutive year of a production/consumption deficit.

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The USDA lowered its estimate for the global carryout to 21.3%, down a bit from last month's 21.5%, but a fair bit lower than 22.6% in 2024-25.

Focusing on the demand side, we were long July corn, but were mercifully stopped out in early June, before the recent market plunge. We advise observing from the sidelines until there is more clarity on US crop size.

*[By Sholom Sanik, July 29, 2025]*

**Chart 1 – CBOT December corn**

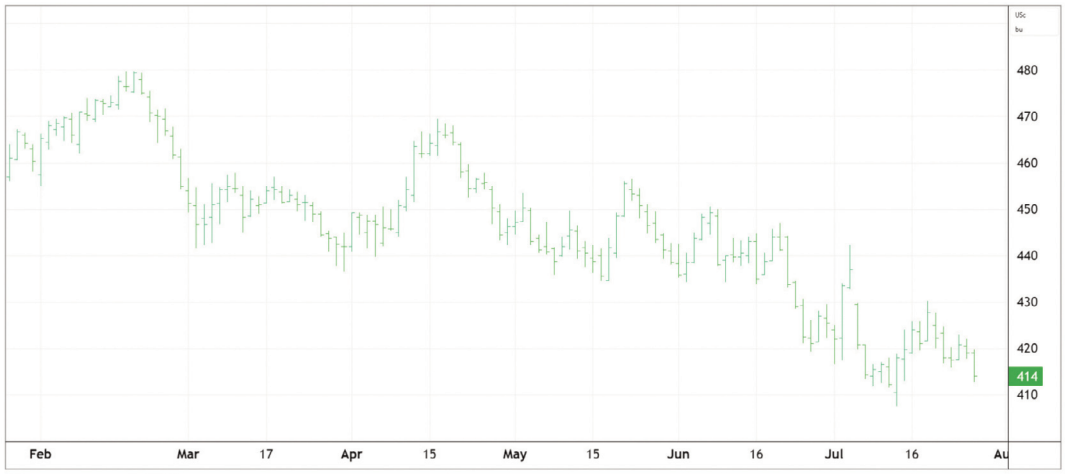



*Chart courtesy LSEG*

## SUGAR

# India must perform

After sinking to four-year lows in late June, sugar prices have firmed up a bit (Chart 2). There have not been many major supply/demand developments, but there have been several notable tweaks. The single most important factor remains the forecast for India to produce 35 million tonnes for the 2025-26 market year. That would be a gargantuan leap from 2024-25. We last reported 2024-25 output at 28 million tonnes (see *Focus on Futures*, June 30), but the estimates keep slipping and are now below 26 million tonnes.

**India**

The monsoon has provided ample precipitation for the new crop and is expected to continue until the rainy season ends in September. Once the market tumbled after digesting the potential for large supplies from India starting in November, we believe the selling abated for several reasons:

First, the lower output estimates for the current season have surfaced only fairly recently. With domestic consumption now close to 30 million tonnes, a further drawdown of inventories must be anticipated. Second, as we have discussed previously, last year's monsoon was also quite healthy, but it definitely did not translate into healthy crops, and indeed, as illustrated, quite to the contrary.

In addition, there was an increase in sugarcane plantings, but it was modest. The forecast for a 35-million-tonne crop assumes a jump in yields and an absence of disease.

Finally, with an expanded ethanol/petroleum ratio mandate, diversion from sugar production is a relatively fresh and growing factor for India. The estimates seem a bit optimistic, but at this point, it is difficult to quantify. The 35-million-tonne sugar production forecast does not appear to account for any significant shift to ethanol production, but it probably should.

All told, after the depletion of stocks in 2024-25, nothing but a perfect crop scenario is acceptable.

**Brazil**

Turning to Brazil, the sugar/ethanol output ratio has been running between 52% and 53% since June. That is quite high compared with last season's 48.1%. We're a bit surprised at that because domestic ethanol demand, if anything, should be increasing with the minimum blend mandate being raised to 30% from 27%, effective August 1. In addition, profitability should be leaning towards ethanol. The domestic price has been steady over the past year at just over 4 reals per liter, whereas sugar prices are trading near multi-year lows.


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Regardless of the trend towards a higher sugar/ethanol ratio, on July 30, one prominent analyst revised their outlook for Brazilian production. Heavy rains during June have compromised both volume and yields. The cane crop is estimated at 598.8 million tonnes, down 3.7% from last season, and lower than previous estimates of about 607 million tonnes. The forecast for sugar output has been revised to 40.16 million tonnes, down from their May estimate of 41.8 million tonnes.

In conclusion, with the possibility of record output in India, we have stepped aside from our long-held bullish views. But there must be strong evidence that a record crop of 35 million tonnes is achievable. Global ending stocks have shifted from a deficit of several million tonnes for 2024-25, to estimates of a 2025-26 surplus that some analysts put at over 5 million tonnes.

We have presented the barometers that need to be monitored carefully. For now, we remain sidelined. Stay tuned.

*[By Sholom Sanik, August 1, 2025]*

**Chart 2 – ICE weekly nearest contract**




*Chart courtesy LSEG*

## COCOA

# Demand is slipping, but supply is shrinking even faster

Cocoa prices peaked at over $10,000 per tonne back in May. Precipitous selling culminated with a sharp dip that tested four-month lows in mid-July. The market then recovered, popping by 14%, back into the previous range (Chart 3). The bear leg most likely was associated with the belief that the new crop will finally return to normal output levels.

The very forgettable 2024-25 campaign – for both Ivory Coast and Ghana – is drawing to a close. As of the most recent weekly data, total arrivals for the Ivorian main- and mid-crop stand at 1.632 million tonnes. The size of the crop keeps shrinking *vis-à-vis* last year's, now down 2.16% from the same time last year (Chart 4). With what little information we have regarding Ghana, it seems that the estimate for a 650,000-tonne crop was overly optimistic. The number being floated is now 600,000 tonnes.

We're just weeks away from the beginning of the harvest of the West African 2025-26 main crops. As mentioned above, the new crops were expected to represent a *bona fide* recovery. And at one point precipitation levels seemed in line with hopes for improved output. However, most recently, meteorologists are forecasting precipitation will be below the 30-year average. That in addition to hot weather. This does not bode well for the development of crops.

Another explanation for the May through July weakness was anticipation that higher prices at the consumer level would put a damper on demand. Indeed, the grind statistics for the second quarter confirmed that. The North American grind fell 2.78%, year-over-year, but that was the strongest result. In the more significant regions, where far more beans are ground, the data showed that processors pared back. That means that they allow more previously purchased beans to accumulate to inventory, which in turn delays future bean purchases. Asia was down 16.3% – the smallest second-quarter grind in eight years. EU was 7.3% lower.


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Ivory Coast does not report quarterly results, and the grind numbers were surprisingly steady for most of the marketing year. But as we reported on July 11, that did not last. April and May were down 7% and 8.5%, respectively. Brazil, not a big player, but just to conform to the trend, was down 14.4% for the first half of 2025 to the lowest level in nine years.

Traditionally, cocoa bean demand was measured by grindings. But with rising prices, are people eating less chocolate? It would appear so. A sampling of major confectionary manufacturers would seem to indicate that higher prices have curbed appetites. Barry Callebaut AG said that from March to May, the most recent period for which data are available, sales volume fell 9.5%. Lindt and Sprüngli reports that sales volume in the US was already down by 5% in 2024. Overall sales volume in the US is estimated to be down 2% between July 2024 and June 2025, year-over-year.

And we can expect deeper demand destruction going forward. Hershey recently advised retailers to expect sharp price increases.

So, demand has certainly taken a hit, but the supply crisis has not abated. Estimates for a global production/consumption surplus of 200,000 tonnes were based on assumptions of improved supply and a downturn in demand. The latter is still in play, but at the moment, the supply side is not cooperating. That is true for both for a much worse tail-end of West African mid-crops and a rather gloomy outlook for the new crops.

Establish long positions in December cocoa, currently trading at about $7,800 per tonne. Place initial sell stops at $7,000, close only.

*[By Sholom Sanik, August 6, 2025]*

**Chart 3 – ICE September cocoa**




*Chart courtesy LSEG*

**Chart 4 – Ivory Coast port arrivals – 2024-25 vs. 2023-24 (weekly percentage net change]**

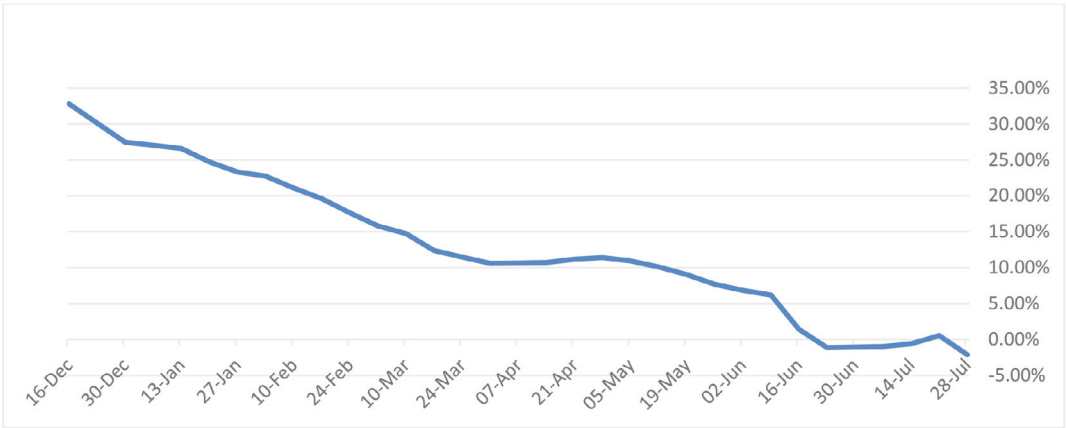



*Chart source: LSEG*


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## COTTON

# Healthy crops, healthy demand. But are US exports sustainable?

Ever since the 2025-26 US cotton crop was planted back in the spring, prices have been rangebound (Chart 5). At the moment, we have travelled back to the bottom of the range.

**Supply**

As we have previously discussed (see *Focus on Futures*, July 9), just about everywhere you look, output expectations for 2025-26 crops are firming up. The biggest surprise is the US because farmers planted 10% fewer acres than in 2024-25.

In the July crop report, the USDA actually lowered the estimate for national yields because of uncooperative weather in the Southwest, to 809 pounds per acre, down from the June estimate of 820 pounds per acre. The size of the crop, however, was revised upwards by 600,000 bales, to 14.6 million bales from the June estimate of 14 million bales. That is higher than last year's final production tally of 14.4 million bales.

The reason for the increase in the output estimate was a revised harvested-to-planted ratio to 85.6%, up from 83% in June. This, despite the poor conditions in the Southwest. For cotton, this ratio can be quite volatile – last year's final ratio was 65%.

And the weekly crop-condition reports make sense of it all. When we last wrote about cotton, the good-to-excellent portion of the crop was 52% and has now moved to 55%. Last year at this time, that figure was 45%.

The USDA, in its customarily conservative fashion, increased the forecast for the Chinese crop by 1 million bales from the June estimate, to 31 million bales. Private forecasters estimate that based on planted area – and of course good weather – we could see 33 million bales. The Chinese picture is especially important because it explains why they bought so little cotton from the US in 2024-25, and one would expect this to continue, if indeed they produce 33 million bales.

**Demand**

As the 2024-25 US marketing year draws to a close, the USDA's estimate for export sales of 11.8 million bales has been achieved. The shipment tally varies a bit from the USDA estimate (11.9 million bales) to the Census Bureau's estimate (11.5 million bales). But what at one point would have seemed impossible without China, is now in the books.

The USDA forecast for 2025-26 is 12.5 million bales. We believe that this is on the optimistic side. We would have to see yet another season of sales to customer countries other than China in such robust volumes. It happened this past season, but can it happen again?

In 2024-25 the final export total was padded by outstanding sales of 1.3 million bales carried forward from 2023-24. This year, there are only 600,000 bales to be carried forward. So that is a testimonial to the strong year we had in that export commitments generated in 2024-25 plus most of the carryover from the previous season was shipped. Export commitments for the incoming 2025-26 marketing year stand at 2.9 million bales, higher than last year's 2.7 million bales. But the evidence to suggest that we can repeat this year's performance is not compelling enough.

In the June crop report the USDA forecast for the global production/consumption balance was in deficit. The upward revisions to the US and Chinese new crops have pushed that estimate into surplus territory. Modest for now, but this estimate has very likely underestimated Chinese production.

We remain bearish. Remain short as per our original May 2 recommendation. Maintain protective buy stops at 69.5¢ in December cotton, close only.

*[By Sholom Sanik, August 8, 2025]*


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**Chart 5 – ICE December cotton**




*Chart courtesy LSEG*

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**Subscription Enquiries for**
Friedberg's Focus on Futures
Suite 600
220 Bay Street
Toronto, Ontario, Canada M5J 2W4
Telephone: 416-350-2913
Fax: 416-364-0572

**All enquiries concerning trading accounts should be directed to:**
Friedberg Mercantile Group Ltd.
Suite 600
220 Bay Street
Toronto, Ontario, Canada M5J 2W4
416-350-2903
Attn: Sholom Sanik

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