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Sugar: Still sweet?

After spending three months locked in a very tight range, sugar prices have broken down to challenge the November lows (Chart 1). Oddly, by and large, the fundamental developments have been on the bullish side.

Brazil

For most of the 2025-26 crushing season, processors favored sugar over ethanol. Between May and October, the ratio ranged between 51% and 55%, the highest level in many years. Starting in November, as sugar prices fell, the ratio slipped back in favor of ethanol. In November and December, the ratio averaged 42%. The most recent bi-weekly report showed only 21% allocated to sugar. Analysts were forecasting an annual ratio of about 51.5%, but that has now fallen to 49%.

And indeed, we find that analysts have been lowering their estimates for Centre-South output. One estimate dropped their Brazilian forecast by 1.5 million tonnes, which would put the estimate for 2025-26 Centre-South production below 40 million tonnes for the first time during this marketing year.

While a falling sugar/ethanol ratio is typical towards the end of the season, it will certainly be interesting to monitor how the ratio behaves as the new crushing season begins in just a couple of months.

Looking ahead to 2026-27, the cane crop is estimated at 600 million tonnes, slightly higher than this past season. However, the forecast for the sugar/ethanol ratio seems to be picking up where this season left off, with a forecast for a drop in the sugar/ethanol ratio to 47%.

India

The 2025-26 crush season is in full swing. Estimates for the amount of sugar that will be diverted to ethanol have been falling. At one point, analysts were forecasting the sugar equivalent of over 5 million tonnes, but that figure has fallen to about 3.5 million tonnes.

That would leave sugar output at about 31.5 million tonnes, which seems to be the most popular estimate. The principal sugar regions are seeing yields that are roughly 10% higher than in the disastrous 2024-25 season that produced only 26.5 million tonnes. Sugar cane area was higher for 2025-26, but not by very much. The math doesn't match perfectly, but some regions saw an extraordinary recovery. For example, Maharashtra, the second-largest producing state, is expected to produce close to 4 million tonnes more than it did in 2024-25.

Most analysts see a global production/consumption surplus of between 2 and 3 million tonnes. However, the single most important issue that should determine the price of sugar going forward will be the Indian government's export policy. Thus far, the 1.5-million-tonne quota announced months ago has not been updated. According to the USDA's bi-annual *Sugar: World Markets and Trade* released in December, domestic consumption is 31 million tonnes.

Now, the USDA's estimate for Indian consumption is a bit high relative to most other analysts, which run between 29 and 30 million tonnes. Either way, the production/

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consumption surplus, if there is one, is not huge. The notion that the government would allow a meaningful increase in exports that would cut into historically low inventories of about 5 million tonnes is far-fetched.

In conclusion, yes, it is a terribly bearish-looking chart. However, we do not believe that the price action is a true reflection of the supply/demand fundamentals.

We are long March sugar as per our November 16 recommendation. Maintain stops at 14.00¢ per pound, close only. *[By Sholom Sanik, February 2, 2026]*

Chart 1 – ICE March sugar



Chart courtesy LSEG

COFFEE

Can a Brazilian recovery kill the bull?

It would be a bit premature to declare that the Brazilian coffee crop crisis has ended. Arabica output in 2025-26 fell to below 38 million bags, down from 44 million bags a year earlier. Global stocks were drawn down to 25-year lows.

To be sure, there are many things to worry about for the 2026-27 crop. Ample precipitation is imperative through the end of March. There have been periods of drought since August, but at the moment the weather is favorable. In addition, plants damaged during the 2025-26 cycle cannot be expected to produce optimum yields. Then, of course, even if all goes well during the key growing period, there is always the risk of early frost late in the season from July forward.

Nevertheless, overall, the weather has been better for crops than last year, and analysts are optimistic that a recovery is at hand. The range of estimates we've seen is between 46.5 and 49 million bags. At the high end of that range, we are looking at a record Arabica crop.

Robusta production was not affected by last year's weather problems – output was actually higher than in 2024-25. Early forecasts call for a slightly smaller crop in 2026-27. But overall, the range of estimates for total Brazilian production is between 71 and 71.5 million bags.

Colombia is the world's second-largest producer/exporter of Arabica. It is not as well covered as Brazil. Output for 2025-26 was 13.8 million bags, below the previous season, but still close to record highs.

Like it or not, politics often intrudes on markets, so it would be difficult to ignore what happened last summer. Coffee prices were in the midst of a precipitous decline, having dropped about 30% from their highs (Chart 2). In July, the Trump administration increased the tariff on Brazilian coffee imports to the US to 50%. In the weeks that followed the announcement, the market shot right back up and traded at new highs. In October the new tariff was

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repealed and prices eased.

During the months that the tariff was active, exports to the US took a steep dive and inventories plummeted. International Commodity Exchange (ICE) warehouse stocks fell from a 2025 peak of close to 900,000 bags in May, to a low of 396,000 bags in mid-November (Chart 3). The recovery has been slow. The most recent figure stands at 436,000 bags. So, it was not merely saber rattling. The task at hand, of course, is to see those inventories rebuilt.

As noted above, there is still ample time for things to turn sour with the crop. Nevertheless, if Brazilian production proceeds as anticipated, the supply side is doing its job.

The global production/consumption balance managed to stay in surplus territory in 2025-26, despite the crop failure in Brazil (see *Focus on Futures*, December 23).

March coffee has tumbled to $3.16 per pound. We are short March coffee at $3.45, as per our December 23 recommendation, with a stop at $3.85. March will soon go off the board. Roll short positions into May coffee, trading at roughly a $0.20 discount. Lower stops to $3.40, close only.

[By Sholom Sanik, February 4, 2026]

Chart 2 – ICE May coffee



Chart courtesy LSEG

Chart 3 – ICE coffee warehouse stocks

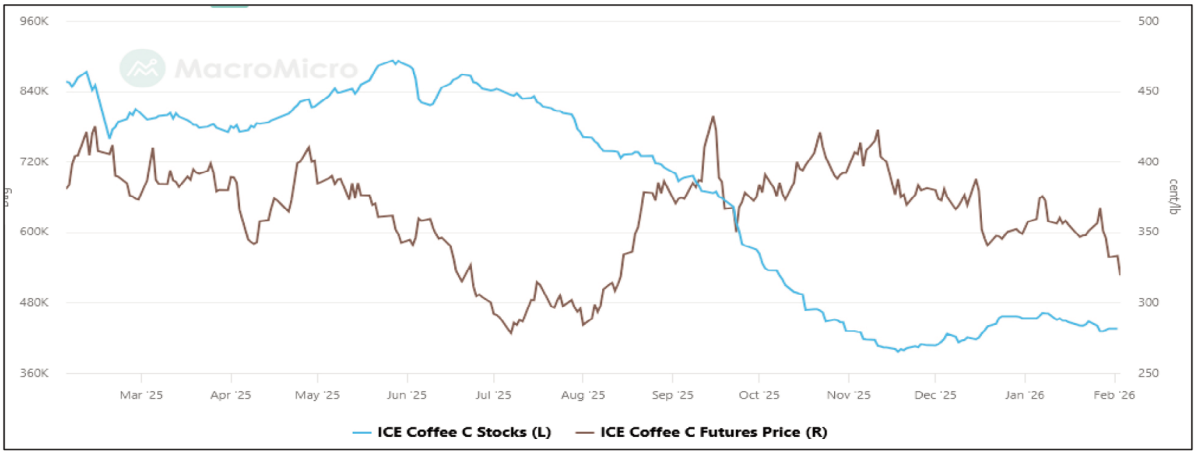


Chart courtesy Macro Micro

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CORN

Strong supply, but stronger demand

The February USDA crop report was a non-event for the corn market. The report reiterated the supply-side estimates from the January report, which at the time seemed to blunt a budding corn rally.

Corn prices had been firming up since the harvest of the 2025-26 crop. The January revision is typically the final word for crops harvested in the fall. The USDA increased the estimate of harvested area by a significant 1.3 million acres and raised the yield estimate by 0.5 bushels per acre. Already a record crop, the revisions resulted in an additional 269 million bushels (6.81 million tonnes) of corn for 2025-26 production. On the day the January report was issued, prices fell by close to 30¢ per bushel, an extraordinary one-day move for corn, not seen in several years (Chart 4).

But was it really that bearish? It's been one month since the January crop revision, and after spending a couple of sessions trading near those lows, the market has firmed back into the range – there was no follow-through selling.

There was one meaningful revision on the demand side. US exports, already at record levels, were revised upwards by 2.54 million tonnes, to 83.82 million tonnes. This should come as no surprise, because the weekly export reports have been consistently firm. Some concern emerged when during the holiday season there were a couple of weeks of soft sales. In the last two weeks of December, weekly new sales averaged 556,000 tonnes, but in the four weekly periods since, average sales have been 1.959 million tonnes. So, smooth sailing on that front.

In fact, the possibility exists that the USDA forecast for annual sales is still modest. Commitments stand at 58.7 million tonnes, 31% ahead of this time last year. The USDA forecast for total sales of 83.82 million tonnes is only 16% higher than last year's final sales.

The average shipment-to-commitment rate over the past several years on this date has been about 50%. This year exporters have shipped 57% of commitments to date. There are still six months remaining in the marketing year, which leaves ample time for sales abroad to slow down. However, as we have pointed out in the past, the shift to South American origins as crops are harvested in Brazil is not the same factor as it is for soybeans. The Brazilian crop is actually expected at 131 million tonnes, down from 136 million tonnes a year earlier.

The next big mile marker for the corn market that should influence prices is the planting of the 2026-27 crop. Most forecasts are calling for a shift of about 4 million acres away from corn to soybeans. That would put US corn area at about 94.5 million acres, which is still quite large in historical terms. In 2022-23 planted corn area was 94.6 million acres. Aside from that year and this past season, corn area has averaged 90 million acres. We should get a better idea from the upcoming USDA Agricultural Forum on February 20.

In the days following the January USDA crop report, we were stopped out of our long position in March corn at $4.20 per bushel, first recommended on August 29. Alas, that was the low. As illustrated, the additional supply should be overwhelmed by continued interest of foreign buyers in US corn. We do not believe that our bullish case has changed. As such, we suggest re-entering the long side. Buy May corn, currently trading at about $4.38. Place initial stops at $4.00, close only.

[By Sholom Sanik, February 11, 2026]

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Chart 4 – CBOT March corn



Chart courtesy LSEG

COTTON

Smaller crops, but without Chinese buying…

Cotton prices have bounced after touching multi-year lows (Chart 5). There have been several bullish developments.

The February USDA Agricultural Forum estimated US cotton area for the 2026-27 crop at 9.48 million acres. While higher than 9.28 million acres planted the previous season, the estimate was close to the low end of analysts' guesstimates.

Simultaneously, there was an estimate from a private analyst that forecast 2026-27 Brazilian output would be 11.5% lower than the record crop of 18.75 million bales produced in 2025-26.

The February USDA crop report once again raised its estimate for 2025-26 Chinese output by 500,000 bales, to 35 million bales. However, here too, although we have not seen specific estimates, there is talk of a reduction in planted area for the coming crop.

Chart 6 shows that commodity funds are heavily short cotton, so it is not surprising that we would see some short covering on bullish news.

The bullish sentiment was exacerbated by an improvement in the demand side. From the start of the marketing year in August through the end of 2025, US foreign sales have been sluggish, averaging below 200,000 per week. Since early January, sales have picked up steam, with weekly sales averaging 286,000 bales. The most recent weekly commitment report showed off-the-chart sales of 466,000 bales.

In looking at the balance sheet as a whole, however, we are still far from declaring a bullish demand side. Commitments to date stand at 8.5 million bales, down 10% from this time last year. That is in sharp contrast to the USDA's forecast for annual sales of 12 million bales, which is still slightly *higher* than final sales for 2024-25.

The recent torrid pace of sales abroad would need to continue unabated to make a dent in burdensome US ending stocks, which are currently estimated at 32.35% of consumption. That is the largest carryover in five years.

While it is certainly constructive to see other Asian nations, such as Vietnam, picking up some of the slack left behind by China, we cannot ignore its absence. Consider the following: Thus far this marketing year, China has purchased only 400,000 bales, of which only 44% has been shipped. Last year at this time, sales to China were 766,000 bales, with shipments of 69%. Two years ago on this date, sales to China were 4.18 million bales, with 61% shipped.

It's no mystery and has very little, if anything, to do with trade wars. Two years ago, in the 2023-24 marketing year, the gap between Chinese mill usage and production was 11.55 million bales. Last year that figure fell to 7 million bales. With the USDA's upward revision to this year's crop, China is only short 4 million bales, which need to come from exports or its own inventories.

It is understandable that bears would get spooked by smaller crops in the US, China, and Brazil. But it is still

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early, and output estimates can go either way. The Brazilian crop has been planted, but still has the entire crop development season ahead. And the crops in the US and China have yet to be planted. Favorable yields could mitigate smaller area. Cotton crops are particularly volatile. Last year the harvested-to-planted ratio was 84%, compared with an average of 64% in the two previous seasons.

We continue to believe that the overriding issue for US cotton prices is the loss of China as a customer. Even if the Chinese crop is smaller as per early forecasts, they are still producing more than they have historically. Thus, Chinese buying of US cotton is not likely to return to historical volumes.

We rolled our short March cotton position into December as per our January 6 recommendation, accepting handsome profits. Place stops at 71¢, close only.

[By Sholom Sanik, February 23, 2026]

Chart 5 – ICE May cotton

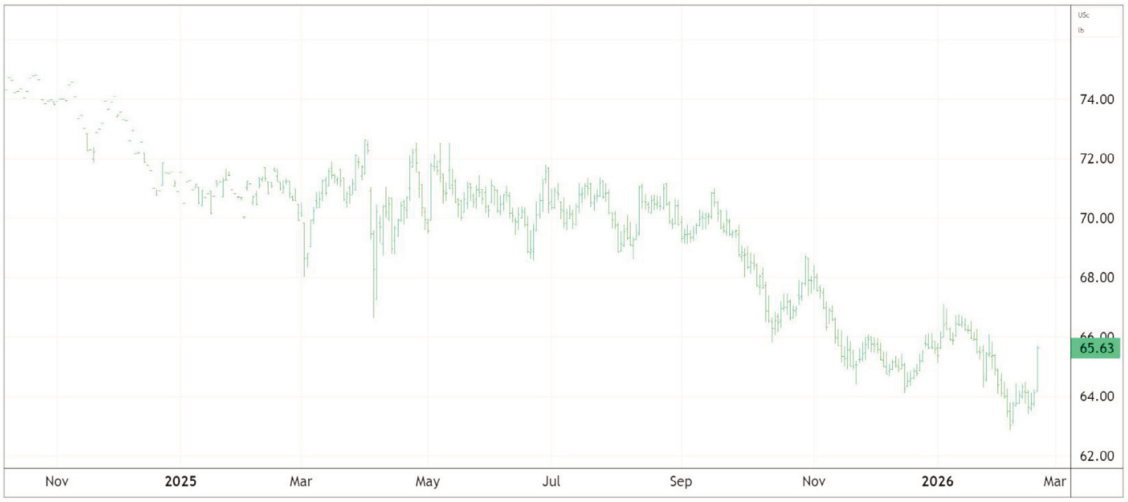


Chart courtesy LSEG

Chart 6 – CFTC commodity fund net-short position



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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