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Soybeans: *If* China comes through…

Chinese imports

The most prominent issue for soybean prices going forward was and remains US exports to China. Over the past several months, Chinese buying has come in dribs and drabs. Since early March, there have been new sales of just over 1 million tonnes. The total for marketing year 2025-26 stands at just over 12 million tonnes, of which 99% has been shipped.

But all this means is that China has honored the first leg of the agreement with the US that was signed back in October. We are still a far cry from the historical norm, which saw China buy at least 20 million tonnes per year. At this juncture of the 2024-25 marketing year, commitments had reached over 22 million tonnes.

There has been no indication that the subsequent discussions in May, which dangled purchases of 25 million tonnes per annum for three years, have triggered any buying. In fact, early sales to China for the upcoming 2026-27 marketing year stand at a paltry 200,000 tonnes.

And yet traders and farmers alike are treating this market as though the buying will come. Corn farmers planted 4 million fewer acres for the 2026-27 crop, all of which went to soybeans. Despite this shift, soybeans have outperformed corn prices by a wide margin (Chart 1), particularly since the May US-China deal was announced.

It is interesting to note that the USDA has not taken the Chinese commitment to buy US soybeans over the next three years very seriously. The export forecast to all destinations for 2026-27 is 44.36 million tonnes, up only 3.25 million tonnes from 2025-26. That is even less than the 51.1 million tonnes sold in 2024-25, the last "normal" year. If all goes well politically and the agreement does not run into snags, the USDA export estimate could turn out to be a gross underestimate. If so, the current estimate for a stocks-to-consumption ratio of 6.9%, already on the low side, would have to be revised into what would be very vulnerable territory.

Supply

The June 30 USDA acreage report raised the estimate for planted soy area to 85.369 million acres. That was an increase of 665,000 acres from the March 30 planting intentions report, but was well known and pretty much in line with analysts' estimates.

We are now entering the key weather period in the US. El Niño can wreak havoc with crops around the globe. We are watching some tropical commodities already feeling the effect. However, when it comes to soybeans that are grown in the US, El Niño can actually benefit the crops, with cooler and wetter weather. For the moment, though, we are experiencing forecasts for hot and dry weather in the Midwest.

As of the most recent USDA weekly crop progress report, 66% of the crop is rated good-to-excellent, which is the 5-year average. So, there is no known problem yet.

As an indication of street sentiment, the quarterly stocks report, which always accompanies the acreage report, showed US soybean stocks 15 million bushels above analysts' guesstimates. Not an overwhelming miss, but in any other environment, would have been considered at least slightly bearish. But the market rallied sharply after the report was released,

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and even after settling back, closed higher on the session. And now, as mentioned earlier, we have a weather scare, which has exacerbated that sentiment (Chart 2).

On May 21 we recommended establishing a one-third size position in November soybeans. We were reluctant to go full force because there has been no evidence that the Chinese will come through. As illustrated, the USDA is not convinced either. Maintain moderate long positions. No stop for now. Stay tuned.

[By Sholom Sanik, July 7, 2026]

Chart 1 – CBOT November soybeans/December corn ratio

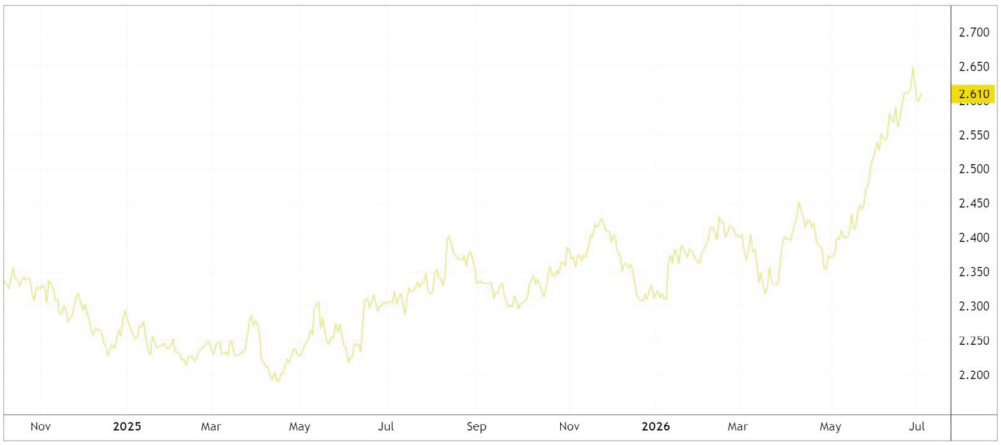


Chart courtesy LSEG

Chart 2 – CBOT November soyeans

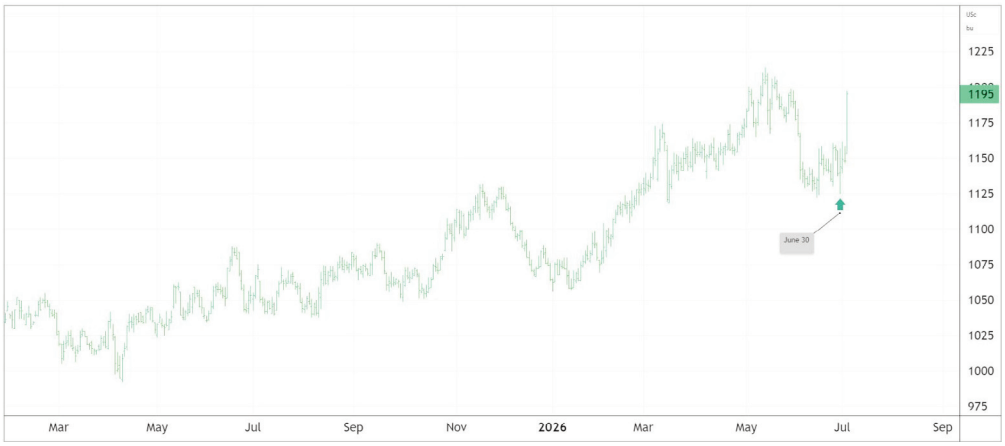


Chart courtesy LSEG

HARD RED WINTER WHEAT

The bull has emerged from dormancy

Kansas City wheat prices rallied sharply after the hard red winter wheat crop emerged from winter dormancy because of drought in the Southern Plains. After peaking in mid-May, the market has fallen sharply, all the way back to the original breakout level. The market has consolidated over the past couple of weeks and, most recently, has firmed up above that consolidation. The weakness, however, was somewhat counterintuitive and merits an explanation (Chart 3).

The harvest is almost complete, but conditions have not improved. Only 26% of the crop is in good-to-excellent condition, down from 48% last year at this time. The most recent USDA crop forecast is just 471 million bushels, down 41% from last year. It will be the smallest crop in 65 years.

The weakness in May can be attributed to several factors. First, there was a broad selloff among US agricultural commodities, particularly for fertilizer-intensive crops, as crude oil prices plunged with the easing of Middle East tensions. The shock of rising input costs was mitigated. Hard red

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winter wheat definitely has its own story, which is not connected at all to input costs, as illustrated. But there was broad liquidation of large long positions. Markets with *bona fide* bullish fundamentals were not spared (Chart 4).

Perhaps the most logical argument comes from upward revisions to the Russian wheat crop. Like the US, more than 70% of the wheat grown in Russia is winter wheat. In its June crop report, the USDA raised its forecast for all Russian wheat varieties by 2 million tonnes, to 88 million tonnes, and in July, by an additional 500,000 tonnes. Some private analysts are forecasting a crop that could reach 93 million tonnes. Estimates for the winter wheat portion is over 69 million tonnes, up about 10 million tonnes from last year, which, if achieved, would be a record.

Russia is by far the world's largest exporter of wheat. In 2025-26 it sold 48 million tonnes abroad, accounting for more than 20% of world trade. US exports made up 11% of world trade. In addition, the customer lists do not overlap. Russia sells primarily to Middle Eastern and North African countries, while the destination for US wheat is Latin America and South East Asia. To further illustrate by way of contrast, exports for the other two large US agricultural crops, corn and soybeans, comprise 38% and 22% of world trade, respectively. While the headlines of a bountiful Russian winter wheat crop may have created some excitement, we believe the impact on the US is limited.

When we first introduced our bullish sentiments for hard red winter wheat (see *Focus on Futures*, April 11), we established a metric for the level of ending stocks that would be considered tight. Historically, 35% of consumption for all varieties has been the trigger for bull markets. The USDA began its coverage for 2026-27 with a 40.7% ratio. The June estimate was 39.7%. The new July estimate is 38.5%. The USDA is typically conservative with early crop estimates, but incorporating private forecasts for the winter wheat crops, would put ending-stock estimates below 37%. We are heading in the right direction.

We were stopped out of our initial foray into the long side of this market on June 23. We waited patiently for the market to break upwards out of the consolidation. We do not want to see the market return into that consolidation. As such, buy December Kansas City wheat, currently trading at about $6.90 per bushel. Place initial stops at $6.40, close only.

[By Sholom Sanik, July 10, 2026]

Chart 3 – CBOT December Kansas City wheat

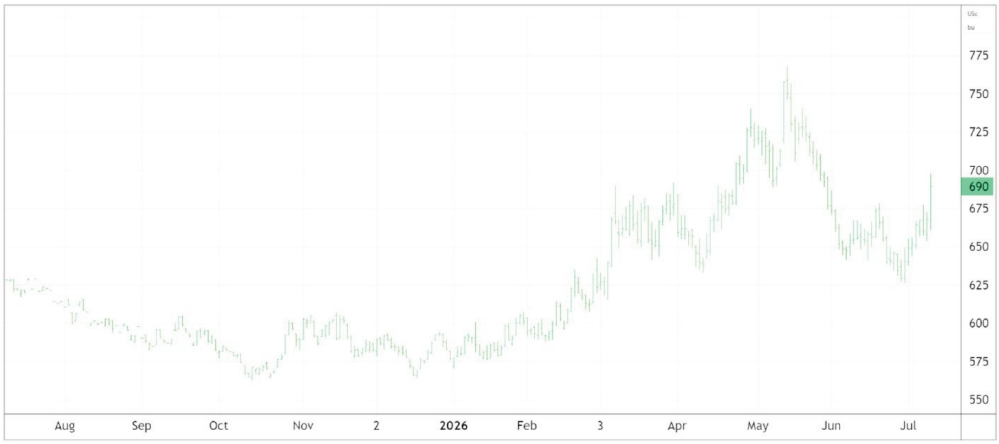


Chart courtesy LSEG

Chart 4 – Kansas City wheat, CFTC net fund long position

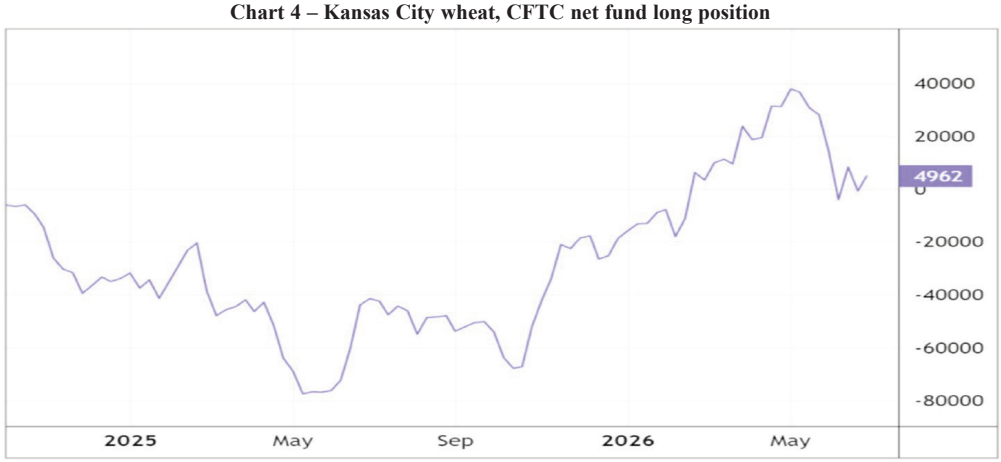


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COTTON

Crop problems vs. Chinese imports

Back in March, after a deep slumber that lasted for a period of more than one year, cotton prices spiked higher (Chart 5). At the time, Northern Hemisphere crops had not even been planted. There were several rationales for the strength.

First, and most significantly, although the USDA had not yet issued its first estimates for the 2026-27 crop year, it was well known that we were looking at smaller planted area in key producing/exporting countries Brazil and Australia. In addition, China, whose buying of US cotton had dried up for the past two seasons and who grew a record crop in 2025-26, was cutting back as well. The May USDA crop report – the first comprehensive outlook for the new marketing year – confirmed: Brazil, Australia, and China would all have smaller crops.

Ironically, the top of the spring rally coincided almost to the day with the release of the May USDA crop. A sharp downward correction then ensued.

Second, there is a theory that cotton would be on China's list of agricultural products to import in fulfilment of its commitment to the May trade agreement between the US and China. This would become a material factor if Brazilian output were to be smaller than in 2025-26.

US

Most recently, the market has been firming up. Traders are focusing on concerns for the US crop. About 40% of US cotton is grown in the Mississippi Delta and the Southeastern states. Weather has been cooperative for crop development in those states. However, Texas is by far the single largest growing region, and drought has been an issue.

Weekly USDA crop progress reports show how Texas is dragging down the quality of the prospects for a healthy crop. In early June the nationwide average rating for the good-to-excellent portion of the crop was 53%, while the most recent reading has fallen to 44%. Last year at this juncture of the growing season, the rating was 54%. Texas stands at 30%, while the number-two state, Georgia, is at 62%.

At this point in the season, a 44% good-to-excellent rating is at the low end of the range of recent years. Were the weather to improve with much-needed precipitation going forward, the crops would have ample time to recover. Below this level, however, the crop will be challenged. Unless the weather changes, we expect to see a downward revision for US output in the August crop report.

The July US crop production estimate is based on the June 30 acreage estimate of 9.85 million acres. That was 210,000 acres higher than March planting intentions, and up 570,000 acres from 2025-26. The USDA forecasts output at 13.7 million bales, down from 13.9 million bales last season. But that estimate does not account for recent dry conditions in Texas.

Australia

While still far away, another developing bullish factor is the Australian crop. Australia exports just about 100% of its crop. Two years ago, production was 5.6 million bales. The recently harvested 2025-26 crop then fell to 4.5 million bales. The new crop is forecast at only 3 million bales. The USDA maintained its export estimate at 4.5 million bales, which is only possible if inventories are sold off. In recent years, Australian ending stocks have averaged about 5 million bales. The USDA estimates that ending stocks will fall to 2.36 million bales.

The US and Australia share Asian export destinations, and both countries may be heading towards supply constraints, which will compromise their ability to contribute to world trade.

We have presented what appears to be a bullish case. However, barring a total US crop failure, it is difficult to envision a bull market for US cotton prices without Chinese buying.

The 2025-26 marketing year ends on July 31, and sales to China stand at about 550,000 bales. In a typical year prior to the explosive growth in Chinese output, that figure would be hovering at about 4 million bales at this time of year.

We are short December cotton at about 80¢ per pound, as per our June 3 recommendation. The suggested stop was 86¢. While the Chinese have begun buying some cotton, there is a long way to go for China to become a factor. At this time, we must pay attention to, and address the possibility of, crop problems in the US and Brazil, and eventually in Australia. The market is trading below 79¢. We advise covering short positions. Stand aside.

[By Sholom Sanik, July 16, 2026]

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Chart 5 – ICE December cotton

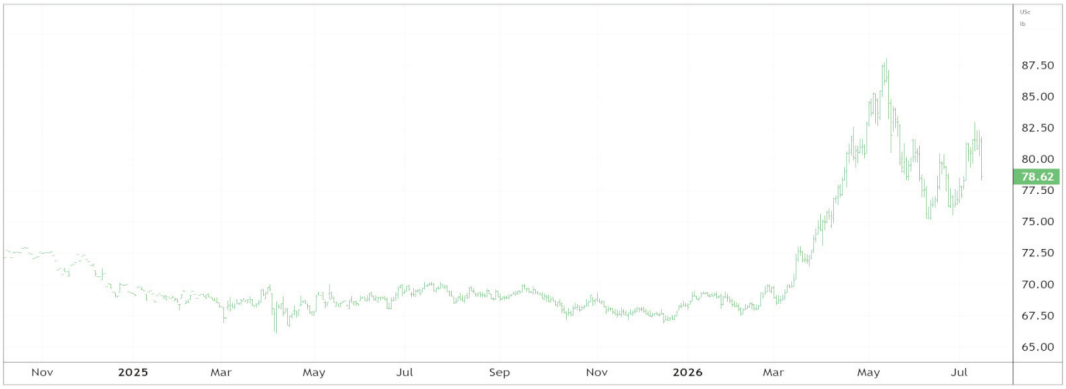


Chart courtesy LSEG

CORN

Is the energy story a bust?

At the start of the 2026-27 planting season, corn prices were looking healthy. Several supportive supply-and-demand components had pushed the market to one-year highs. But the rally ground to a halt, and prices plunged all the way back to the year's low and beyond (Chart 6). Most recently, the market bounced sharply off the bottom. What happened?

In the bullish camp, exports have been roaring all season long. The USDA estimates record foreign sales for 2025-26 of 84.46 million tonnes, up from 72.97 million tonnes the previous year. Commitments are at 86.3 million, with shipments at 73 million tonnes. There has been no letup in the shipment pace. Last year on this date, 81% of the final estimate was shipped. This year 86% has been shipped. With six reporting weeks remaining in the marketing year, we are on target to meet the USDA estimate. So, no problem here.

The June 30 acreage update showed that farmers planted 3.45 million, or 3.5%, fewer acres than in 2025-26. That should have been a bullish factor as well.

With solid export demand and a smaller crop coming, it was difficult to understand why the market took such a steep dive.

The war in the Middle East was bullish on two fronts. First, 35% of the US corn crop is used for ethanol. With petroleum prices soaring, it was assumed that ethanol demand would increase. However, the USDA has not made any revisions to its initial estimate, and is forecasting less than 1% growth in ethanol usage for 2026-27.

Then, with rising fertilizer prices, it was believed that farmers would be somewhat frugal with treating crops. We are still quite early in the growing cycle. As of the most recent weekly USDA crop progress report, the good-to-excellent portion of the crop was 68%. That's down from last year's 74% at this juncture of the season, which saw record yields of 186 bushels per acre, but above the 5-year average of 65%. Given the reasonable crop rating, the fertilizer issue does not seem to be an overwhelming factor.

We therefore believe that the strongest case for the price weakness in May and June was the *appearance* of an end to the Middle East war. Chart 7 shows a massive buildup of fund longs right when the war began. The addition of the energy angle to strong exports and a smaller crop seemed to check off all the right bullish boxes. As illustrated, however, there was no great rush on corn-based ethanol, and the crops seemed to be progressing normally. Thus, a massive liquidation ensued. The other two primary bio-fuel commodities, sugar and soybean oil, suffered a similar fate.

We are therefore basically back to where we started from before the war began. Export demand is fine. The June 30 quarterly stocks report, an indication of domestic demand, showed inventories came in 113 million bushels below the average of analysts' guesstimates.

Now we are dealing with a new issue. July is the key development period for US corn crops. It has been hot and dry in the Midwest. The forecast for most key corn regions calls for cooler, but not necessarily wet, weather which is imperative for crop development

Overall, we have a bullish bias towards corn. Another season of strong overseas buying would certainly help.

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The USDA is forecasting exports at 81.28 million tonnes, down 3 million tonnes from the current marketing year. If achieved, that would still be quite supportive for prices.

There is some evidence that we are indeed continuing towards strong exports. Early corn sales for 2026-27 stand at 6.9 million tonnes. Last year at this time, they were 5.9 million tonnes. Not a huge indicator at this point, but certainly a barometer to watch carefully.

We get weather scares every year, and there is no telling if this one is serious. With reduced acres, poor weather could leave the market vulnerable. Nevertheless, we do not see this as a good spot to establish a long position, certainly not until we get a clearer picture of how the weather is developing.

Remain sidelined, but stay tuned.

[By Sholom Sanik, July 21, 2026]

Chart 6 – CBOT December corn

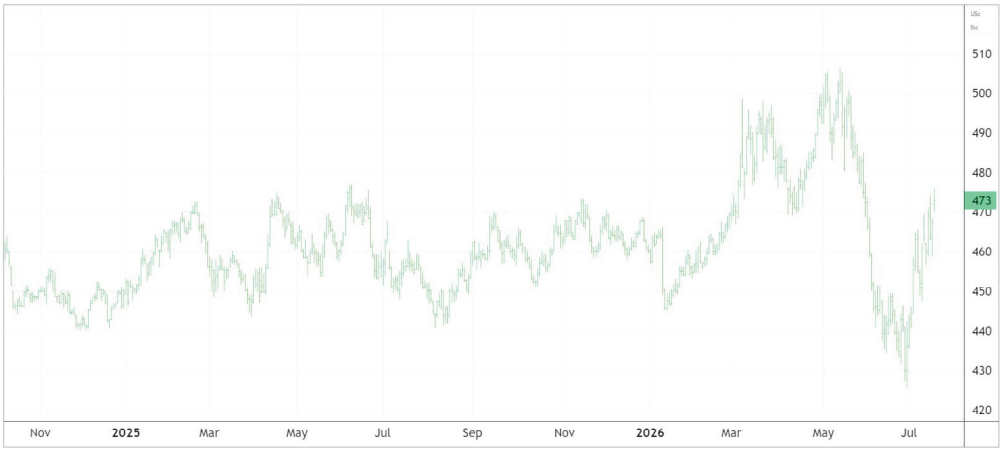


Chart courtesy LSEG

Chart 7 – CFTC corn funds net-short position

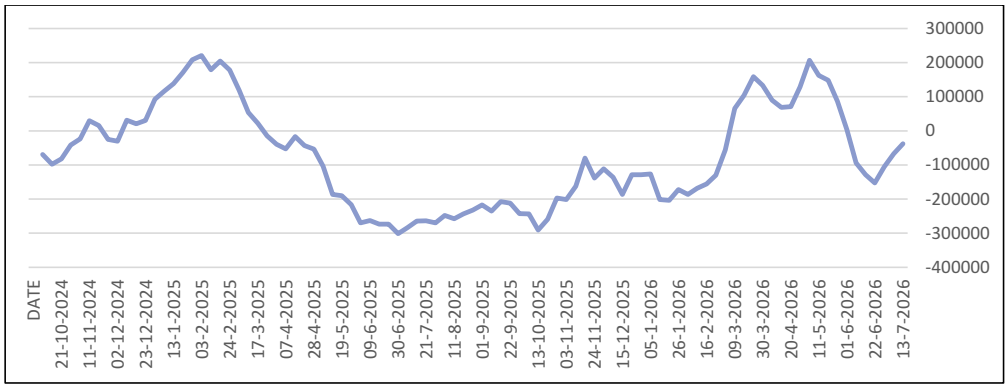


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