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Sugar: All about India

The Indian sugar market is emerging from an unmitigated disaster with the 2024-25 crop. When the harvest began back in December, production was forecast to reach 31 to 32 million tonnes. But after a series of mishaps, which included disease issues, current estimates have tumbled to the 26-million-tonne range. So why have prices been so weak since late March?

Over the past few weeks, the sugar market has been chock full of bearish news.

India

Perhaps the most damaging item for a bullish case was a USDA attaché report that weighed in with an estimate for 2025-26 Indian output. That crop is in its early growing stages with the harvest commencing in December. The USDA report is based on a 9% increase in planted area that would yield a crop of 35 million tonnes – very ambitious. It assumes an excellent monsoon between June and September and the absence of any disease hindrances.

At the moment, meteorologists are calling for an early arrival and a healthy monsoon. But even plentiful precipitation does not guarantee good yields. Case in point: Last year, monsoon rains were 8% above the historical norm, but as illustrated above, the end result disappointed in a big way.

Other analysts are also optimistic about the Indian new-crop, but not by quite as much as the USDA attaché. Those estimates range between 31.6 million and 32.3 million tonnes. If the USDA is correct with its planted-area estimate, the other analysts are being too cautious.

If at some point the USDA report appears to be realistic, the Indian government would certainly begin to relax export restrictions. We have not heard anything on that front. Time will tell.

In any case, domestic consumption continues to grow. The USDA estimate is 31 million tonnes, but that, like its production estimate, might be a tad exuberant. But even if we work with a more conservative figure of 30 million tonnes, and a realistic output estimate of 32 million tonnes, not much would be accomplished in terms of padding carryover stocks to the extent that exports would return to normal levels.

Brazil

Moving on to Brazil, the 2025-26 crush season is just getting underway, so it is somewhat early to assess whether forecasts are accurate. Most analysts are working with a recovery for the Centre South, to roughly 42 million tonnes, up from last year's 40 million tonnes. It's a bit of a stretch because the range of estimates for the cane crop is between 603 million and 607 million tonnes, down from last year's 621 million tonnes.

Two assumptions are being made: First, yields must be friendly. Second, the crush would have to favor the sugar/ethanol ratio. Thus far, the ratio has averaged about 44%/54%, which is much lower than last year's 49%/51%. However, crushers always favor ethanol in the early going because the cane is not fully mature and sugar yields are lower.

Thailand

Finally, Thai output is expected to bounce to 11.7 million tonnes, up from 10.3 million tonnes in 2025-26. Like India, the fortunes of the crop are governed by the strength of its monsoon.

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The International Sugar Organization's most recent estimate for the 2024-25 market global production/consumption balance shows a deficit of 4.7 million tonnes. Analysts are talking about a shift to a surplus of close to 2 million tonnes. And, of course, that is because they anticipate a recovery in India.

In conclusion, we believe that a recovery in India does not necessarily mean that availability for world trade will increase. Aside from the fact that the crop is so far from being harvested, we would have to see the Indian government move to relax export policy.

Furthermore, the USDA estimate cited above would require close to a miracle to be realized. The more down-to-earth estimates for India will still leave 2025-26 ending stocks in the 6-million-tonne neighborhood. Given the government's policy of maintaining adequate inventories, that does not leave it much room to normalize exports.

We remain bullish. Alas, the values of the call options we recommended buying in November and December are rapidly deteriorating. At this time, we suggest accepting their salvage value to use towards the purchase of October 19¢ calls, trading at about 0.55¢.

[By Sholom Sanik, May 16, 2025]

Chart 1 – ICE July sugar

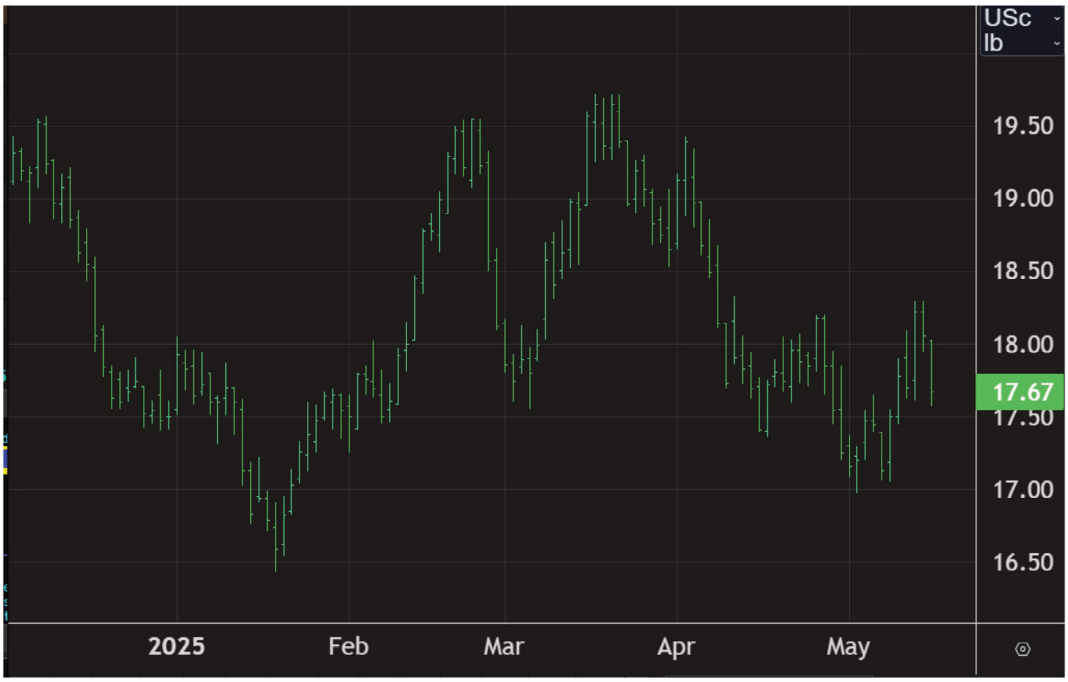


Chart courtesy LSEG

CORN

Where's the bear?

The May USDA crop report was deemed bearish by the street. Prices challenged six-month lows, but have subsequently bounced (Chart 2). Traders focused on robust production forecasts for the upcoming 2025-26 marketing year, most notably for the US.

Supply

Using the March 31 planting intention's area estimate of 95.3 million acres and a very ambitious trend-line yield of a record 181 bushels per acre (bpa), the estimate for US output is 15.82 billion bushels (401.85 million tonnes). That compares with 14.87 billion bushels (377.63 million tonnes) in 2024-25.

The planting season certainly got off to a stellar start. As of the May 19 weekly planting-progress report, 78% of the crop has been planted, up sharply from this date last year when only 67% of the crop was in the ground, and also up from the five-year average of 73%. All is well on that front. The problem is that the Midwest is in need of moisture.

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Northern regions, such as the Dakotas, received ample rainfall in May. Subsoil moisture in key Midwest states, such as Iowa and Illinois, however, is at multi-year lows. Long-term weather forecasts for the central/western corn belt call for hot temperatures from June through August. So, at the moment, a 181 bpa average national yield seems a bit out of reach. We have a long summer ahead.

Other production highlights from the USDA's first comprehensive look at 2025-26 include Ukraine at 30.50 million tonnes, up from 26.8 million tonnes in 2024-25. Even if that could be achieved, exports are estimated at 24 million tonnes, a far cry from 29.49 million tonnes reached in 2023-24. Ukraine has no carryover stocks. Output would have to be at optimum levels to meet the export target.

Record output is expected for Brazil and Argentina, but those crops are many months from even being planted and are thus not even in the discussion of corn available for world trade for the balance of the calendar year.

Demand

While no surprise to us (see *Focus on Futures*, March 28 and April 23), the USDA increased its estimate for 2024-25 US exports by 1.27 million tonnes, to 66.04 million tonnes. Commitments to date stand at 62.08 million tonnes with over three months remaining in the marketing year. At 45 million tonnes, the shipment-to-final sales ratio is at 68%, well ahead of the pace of the two previous years at this juncture of the season – 63% and 61% for 2022-23 and 2023-24, respectively. Expect more upward revisions for final sales from the USDA. With the revised export estimate, US 2024-25 ending stocks fall to 9.28% of consumption. That compares with 11.8% in 2023-24.

In conclusion, what we find most intriguing about the weak performance of the corn market is that the fresh USDA balance sheet for 2025-26 is not really very bearish at all. For the second consecutive season, there will be a global production/consumption deficit. With the resulting drawdown of inventories, ending stocks for 2025-26 are estimated at 277.84 million tonnes, or 21.8% of consumption, down from 287.29 million tonnes, or 23% of consumption in 2024-25.

And many things have to click for even a global carryover of 21.8% of usage to be realized. The US crop must perform, and we will need some hard evidence that the Ukraine estimate is real. If demand were to continue at the current pace into the new marketing year, as the USDA forecast would suggest, any supply-side glitch would make this market vulnerable to tightness.

We were fortunate to survive our $4.40-per-bushel stop close in the aftermath of the May crop report. Remain long.

[By Sholom Sanik, May 21, 2025]

Chart 2 – CBOT July corn



Chart courtesy USDA LSEG

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COTTON

Can we survive without China?

Cotton prices have been drifting lower since late April (Chart 3). The May 12 USDA crop presented the first comprehensive look at the upcoming 2025-26 marketing year. It did not contain much in the way of earth-shattering surprises.

One notable exception was the output forecast for China, at 29 million bales. After a series of upward revisions for the 2024-25 crop, Chinese production ended up at 32 million bales, 4 million bales higher than early-season estimates. As we've discussed previously (see *Focus on Futures*, May 2, 2025), this may explain in part why China bought almost no cotton from the US in marketing year 2024-25 (more on that later).

There have been reports that there was a small increase in Chinese planted area for the new crop, hence we were surprised by the USDA's estimate for a 3-million-bale drop in output from 2024-25. However – as evidenced by the revisions for 2024-25 output – early forecasts are by no means a reflection of final output. We therefore believe that the Chinese estimate for 2025-26 could very well be on the conservative side. The USDA did not comment on the rather low estimate in its accompanying notes.

Still on the supply side, US output for 2025-26 was based on the March 31 planting intentions estimate of 9.87 million acres, which is down sharply from 11.18 million acres planted for the 2024-25 crop. The estimate for the harvested-to-planted ratio was a rather generous 84.85 when compared with the two previous seasons, in which that ratio was only 64.5%. So, despite lower planted area, the initial production estimate is 14.5 million bales, *up* slightly from 14.41 million bales harvested in 2024-25.

Obviously, the estimates for both the US and China will be subject to weather conditions.

One bullish factor that cannot be ignored is that US exports for the current 2024-25 market year continue to put in a very respectable performance – without China. Over the past month, US export data show one week in which China purchased 13,000 bales. But going back over the past two months, that purchase was handily overshadowed by net cancellations, so in fact China has been totally absent from the US market.

Nevertheless, total sales to all other destinations have easily compensated to a level we did not believe possible. As of the most recent weekly USDA sales report, commitments stand at 11.4 million bales. In late February, commitments were 8.2% below same time last year and are now only 6.6% lower. The strong demand is particularly underscored by actual shipments, which are slightly higher than this time last year. Over the past eight weeks, shipments have averaged 326,000 bales, well above the comparable period last year when shipments averaged 230,000 bales. If this pattern were to continue, we should easily meet the USDA target of 11.1 million bales, with a strong possibility of exceeding it.

Our primary bearish argument has been that US prices will be challenged by the disappearance of China as a customer. Whether it's on account of tariff retaliation or increased production, that remains a primary focus. Indeed, it seems clear now that we have successfully muddled through this season without China. But it is difficult to see that continue indefinitely.

The performance of the US and Chinese crops will play a key role in the coming months. With the reduced US acreage, there is much vulnerability for the US crop. Weather must be on its best behavior. With very little information about the size of the Chinese planted area, that too is a wild card.

For the moment, we advise maintaining the profitable short position in July cotton recommended on May 2, at 68¢ per pound. Owing to the surprisingly low new-crop estimate for China and the optimistic harvested-to-planted ratio estimate for the US, we worry about rallies generated by the supply side. We suggest lowering protective buy stops to 68¢ from 71¢, close only. If we're not stopped out, roll to December in mid-June.

[By Sholom Sanik, May 30, 2025]

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Chart 3 – ICE July cotton



Chart courtesy USDA LSEG

SOYBEANS

Can China do without the US?

We have not traded soybeans since we were stopped out of a long position back in February. The market continued to fall and subsequently rallied back into a 10-month-old range (Chart 4).

There are three primary issues that will affect prices in the coming months: Brazilian 2024-25 production, US 2025-26 production, and US exports going forward.

Brazil

The harvest in Brazil is almost complete. The USDA estimate calls for record output of 169 million tonnes, up sharply from drought-stunted 2023-24 production of 154.50 million tonnes. Actually, there is a slight bullish tinge to the 2024-25 estimate. While the crop was growing, estimates were climbing, but the most current private estimates have been slipping and are 2 to 3 million tonnes below the most generous estimates of the past several months. Either way, the crop is made, and we do not expect any important surprises.

US new-crop production

Planting has progressed rapidly with 84% of the crop in the ground, up from 77% last year at this time and ahead of the five-year average of 80%. The vulnerability lies in the fact that farmers planted only 83.5 million acres, down from 87.1 million acres in 2024-25, to address the "China problem," but more on that later.

In its first look at the new crop year, the USDA used an ambitious bushel-per-acre (bpa) yield estimate of 52.5 bpa. That would be a record and would surpass 51.9 bpa from way back in 2016-17. Over the past three seasons, yields averaged 50.3 bpa. So, we need good weather and nothing but, to achieve 52.5 bpa.

At the moment, the estimate for 2025-26 US ending stocks is 295 million bushels, or 6.7% of consumption. That compares with 8.3% and 7.9% in 2022-23 and 2023-24, respectively. By no means is that a comfortable level even if crop conditions are favorable.

US exports

Chinese purchases from the US have dried up. In April and early May there was some activity, but it has been several weeks since we have seen anything from China. This is probably an indication that tariff retaliation is on. We clearly muddled through for the current marketing year. Commitments to all destinations stand at 48.6 million tonnes, 12% ahead of last year at this time. That compares with the USDA forecast for an increase in final sales of 9%. Shipments are 89% of the USDA target, compared with 87% at this time last year. So, without a slate of cancellations, we should hit the USDA estimate.

At 22.48 million tonnes, Chinese imports from the US for 2024-25 were only 5.8% lower than last year, but that is because most of that business was conducted before the

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tariff wars flared. But what will happen from here on in will determine just how good a crop the US will need to grow.

In conclusion, as we have discussed many times in the past, China grows only a fraction of its soybean requirements and the forecast for this year is no different. In fact, the USDA estimates that Chinese domestic demand will grow by 4 million tonnes in 2025-26, to 108 million tonnes. This of course means that the need for imports will only grow.

As mentioned earlier, we have maintained a neutral stance on this market for several months now. We find it impressive that the market has moved sideways, rather than following the strong possibility that the Chinese will shift an ever-bigger portion of their business to Brazil. The USDA's forecast for record yields is not a given, and must be proven.

Establish a long position in November new-crop soybeans, currently trading just below $10.40 per bushel. Place initial stops at $9.50, close only. Raise stops to $10.25 on a close above $10.75.

[By Sholom Sanik, June 9, 2025]

Chart 4 – CBOT November soybeans

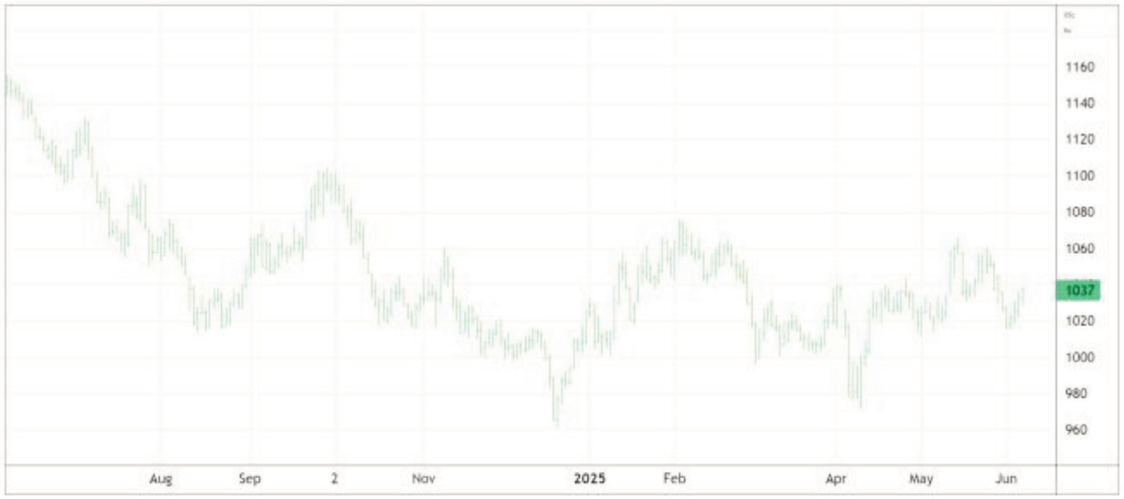


Chart courtesy USDA LSEG

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