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Can a large US corn crop compensate for falling global supplies?

We have been harping on the USDA underestimation of US 2024-25 exports (see (*Focus on Future*s, January 13 and March 28). The April crop report finally addressed the matter. The forecast was revised upwards by 2.54 million tonnes, to 64.77 million tonnes. And as we will illustrate, the revision probably did not go far enough.

Mexico continues to buy despite the tariffs placed on Mexican goods imported to the US. The Mexicans have not retaliated mainly because they do not have much leverage with regard to corn. Neither Brazil nor Argentina, the world's second- and third-largest exporters behind the US (as discussed in previous articles referenced above) have the volumes required by Mexico, the world's largest importer of corn. Ending stocks in these South American countries are small, so we do not see this situation changing by very much.

At the moment, Mexican imports from the US (shipped and unshipped) stand at 19,683 tonnes, up from 18,746 tonnes at this time last year. So, no tariff overtones.

Commitments to all destinations stand at 56.6 million tonnes, 26.6% ahead of last year at this time. By contrast, even after the upwards revision for the marketing year, the USDA forecast is only 11.2% ahead of 2023-24. To date, US exporters have shipped 38.4 million tonnes, or 66.6% of commitments, in line with the historical trend. At the moment, there does not seem to be any reason to doubt the continuation of solid sales abroad, and thus, the USDA will once again need to raise its export estimate.

With the export revision, the estimate for US ending stocks falls below 10% of consumption, down from 11.8% in 2023-24.

In shifting to the supply side, we find the potential for a huge US corn crop for the 2025-26 marketing year. Planting is just underway. The March 31 USDA planting intentions forecast came in at 95.3 million acres. That topped the February 27 USDA Agricultural Outlook Forum estimate of 94 million acres. Only 90.6 million acres were planted for the 2024-25 crop.

Early yield estimates are typically based on trendline estimates, which would mean about 181 bushels per acre. That would represent record yields. Obviously, with only 10% of the crop planted, weather for planting, growing, and harvest seasons needs to be considered. Some key regions, such as the Plains, the northwestern Midwest, and the Delta, have experienced wet weather, which will cause some delay. The first weekly planting progress report will be published Monday, April 28.

Turning to the international front, the consensus estimates for 2024-25 Brazilian and Argentinean crops are close to the USDA forecasts for 126 million tonnes and 50 million tonnes, respectively. Actually, among producing/exporting countries, Brazil is the only country that grew a larger crop this year than last. Argentinean output was about the same as in 2023-24, but Ukraine, Russia, the EU, and of course, the US all had smaller crops.

For 2024-25, world production fell by 14 million tonnes, while consumption is estimated to have jumped by 20 million tonnes, resulting in a production/consumption deficit of 25 million tonnes and a drawdown in carryover stocks. The USDA estimate for 2024-25 world ending stocks is 288 million tonnes, or 23.16% of usage, down from an average of 25.85% in 2022-23 and 2023-24. Global stocks have now been in decline since the late 2010s. This puts a lot of pressure on the 2025-26 US crop.

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Very much unlike soybeans, the US remains the world's largest producer and exporter of corn.

We will get the first comprehensive outlook for all supply and demand categories for the 2025-26 marketing year in the May 12 USDA crop report. Owing to strong demand and the relatively low level of global inventories for the outgoing marketing year, we retain a bullish stance. Naturally, a US corn crop grown on 95.3 million acres will keep us nervous and watching the weather carefully.

We were stopped out of long May corn position at $4.65 per bushel in early March, as per our February 13 recommendation. After spending some time at the bottom of the range, the market rallied. We now suggest reestablishing long positions in July corn, currently trading at about $4.83. Place initial stops at $4.40, close only.

[By Sholom Sanik, April 24, 2025]

Chart 1 – CBOT July corn



Chart courtesy LSEG

COCOA

Are these prices sustainable?

Cocoa prices have been characteristically volatile during April. First rallying, then setting back to the low of the range, and most recently, spiking back up to the top of the range (Chart 2).

The recovery in West African crops remains weak. As of the most recent weekly report, 2024-25 Ivory Coast port arrivals stand at 1.505 million tonnes, 11.1% ahead of last year's pace, but 21% behind the last "normal" crop in 2022-23 (Chart 3).

Consistent data from other West African production countries, Ghana and Nigeria, do not exist, but from what we do know, the recoveries in those countries mirror the progress in Ivory Coast.

On the demand side, we now have two consecutive quarters of lower grinding figures in the bean-importing countries. For Q1 2025, the EU grind was down 3.7% (minus 5.4% in Q4), year-over-year. North America was down 2.45% (minus 1.16% in Q4). Asia dropped by 3.4% (minus 0.52% in Q4).

Interestingly, Ivory Coast grindings are not down from 2023-24. The latest data show that since the marketing year began in October, cumulative grindings are up 0.5%. This and the fact that the importing-countries' grinding results were down less than expected may have been the rationale for the recent rally.

Earlier in the season, the International Cocoa Organization (ICCO) forecast that global grindings would fall by 4.8%. Cumulatively, the data for the past six months presented above have certainly shown stronger processing than that estimate. The forecast for production called for an increase of 7.8%. Aside from Ivory Coast, it is difficult to monitor the other West African producers with any precision. But using the Ivory Coast as a proxy, which is running about 11% higher than last year, we'll assume that ICCO estimates may have underestimated output by 2 to 3 percentage points as well.

Stating that, the ICCO balance sheet estimates are still fairly accurate. It shows a 2024-25 global production/consumption surplus of 142,000 tonnes, compared with a deficit of 441,000 tonnes for 2023-24. Ending stocks as a percentage of consumption are estimated at 31.8%, up from a generational low of 27.3% in 2023-24.

From this angle, we may have seen the highs for cocoa prices. There are two variables to consider.

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First, as illustrated, demand destruction has been moderate. We suspect that the strategy employed in the retail sector to offer products that contain less chocolate without raising prices to exorbitant levels will continue. This could mean a longer-term trend of falling grinding activity. The next grinding data are due in mid-July.

Then, the bulk of the West African mid-crop harvests still lie ahead. For the first time since early in the season, we saw an uptick in Ivory Coast year-over-year weekly arrival figures. Actually, the most recent figure was the third consecutive week of higher arrivals. Now, we are talking small change here, but perhaps it is an indication that the disease scrooge has eased and we will see better-than-expected mid-crops in the Ivory Coast, Ghana, and Nigeria.

This market has been in a downtrend since December. The most recent rally failed at the early-April high. Not for the faint of heart, but we suggest establishing a short position in September cocoa, currently trading at about $8,300 per tonne. Place initial stops at $9,300, close only.

[By Sholom Sanik, April 29, 2025]

Chart 2 – ICE September cocoa



Chart courtesy LSEG

Chart 3 – Weekly Ivory Coast port arrivals 2024-25 vs 2023-24

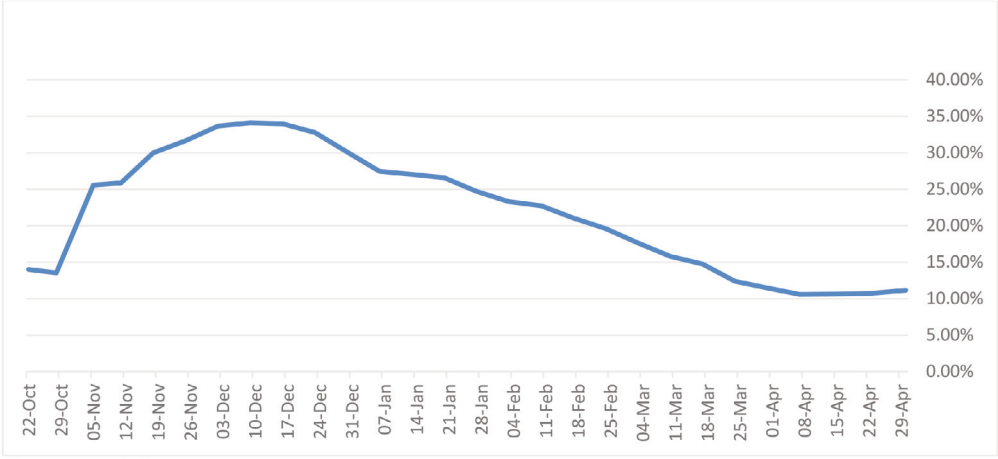


Chart courtesy LSEG

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COTTON

Are Chinese imports from the US gone for good?

In its April crop report, the USDA once again raised its estimate for the 2024-25 Chinese cotton crop to a record 32 million bales. It was a relatively small change from the March estimate of 31.75 million bales. But it was just the latest in a series of post-harvest revisions for the 2024-25 crop that cumulatively totaled close to 4 million bales, and it is a trend that began 10 years ago (Chart 4).

Cotton area for the new 2025-26 crop, most of which has already been planted, is estimated to have expanded slightly from 2024-25. With good weather and favorable yields, we can expect a similar-sized crop. We believe that two consecutive seasons with crops at these levels ushers in a new era in the dynamics of international cotton trade.

In continuing to monitor Chinese purchases of US cotton (see *Focus on Futures*, March 21), we find that evidence of this new paradigm does indeed exist. Since we last wrote about cotton, cancellations have cut even deeper into the already meager total of US exports to China. Over the past six weekly reporting periods, Chinese importers have cancelled 68,900 bales. This brings total sales to China (shipped and unshipped) down to 686,000 bales. That compares with 4.483 million bales last season at this time. The drop in Chinese imports from the US is roughly the amount of increase in Chinese output, from 27.35 million bales in 2023-24 to the current marketing year's 32 million bales.

Despite China's obvious absence from the 2024-25 marketing year, sales to all destinations remain respectable relative to 2023-24. Commitments stand at 10.97 million bales, compared with 11.4 million bales last year at this time. Shipments are 7.7 million bales, 68% of the USDA estimate for final sales, compared with 72% of final sales last year. Achieving the USDA forecast is within reach. There is almost nothing left for China to cancel – only 33,000 bales of unshipped Chinese commitments remain on the books. But a future without China as a customer certainly paints a bearish picture down the road for US prices.

The March 31 USDA planting intentions report for the upcoming 2025-26 marketing year was a clear indication that US farmers are concerned about losing Chinese imports. Cotton area of 9.87 million acres, down from 11.17 million acres in 2024-25, will be the lowest since 2016. While not quite as stark, soybean farmers share similar worries regarding Chinese imports with cotton. US corn, as we have discussed several times since the tariff wars began, has virtually no reliance on China. Hence, acreage shifted from cotton and soybeans to corn.

The demand side presents an unmitigated bearish case. From the US perspective, Chinese reliance on imports has nearly vanished. Of course, China still has a gaping-wide production/consumption deficit. Brazil, however, is growing record crops and can meet Chinese needs.

The potential bullish case is the 2025-26 US crop. With such small acreage, weather must be on its best behavior. Just over the past few seasons, there have been years in which cotton abandonment has been very high.

We were stopped out (profitably) of our short position in May cotton at 68.5¢ per pound, right at the high of the range. After setting back to the lows, the market has rallied once again, ostensibly because of hopes of a positive outcome from US and China trade talks (Chart 5). With July now trading back to 68¢, we recommend reestablishing a short position. Place initial stops at 71¢, close only.

[By Sholom Sanik, May 2, 2025]

Chart 4 – Chinese cotton production (millions of bales)

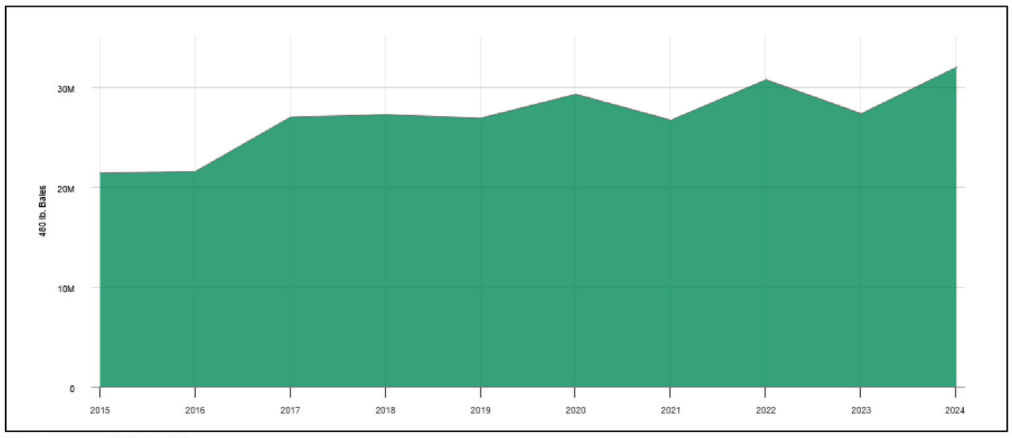


Chart courtesy USDA FAS

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Chart 5 – ICE July cotton



Chart courtesy LSEG

SOYBEANS

How long can Chinese buying last?

The risk of Chinese reprisals to US import tariffs has been a prominent concern among traders. China traditionally has accounted for about 50% of US soybean exports. Losing a chunk of that business to Brazil is not bullish. Yet, soybean prices rallied by close to $1 per bushel during April. The intensity of the rally seemed somewhat counterintuitive (Chart 6).

Shaking off reliance on US soybean imports will not come easy for China. Chinese output has been a constant for years now, at just over 20 million tonnes per annum. According to the USDA, domestic consumption grew to 128.9 million tonnes in 2024-25, up from 121.8 million tonnes in 2023-24. Import requirements have thus increased. Retaliating against President Trump's tariffs may not be a workable strategy that will help feed the nation's hogs and chickens.

In fact, at least for now, China continues to be a factor in US exports. For the marketing year, shipments stand at 22.3 million tonnes, down from 23.5 million tonnes last year at this time. Since we last wrote about soybeans (see *Focus on Futures*, March 31), Chinese weekly commitments have averaged 140,000 tonnes. That is not too shabby, considering that in the comparable period last year the weekly average was 134,000 tonnes. Only 112,000 tonnes of committed but unshipped beans remain on the books, so cancellations are not a factor. Final shipments to China for 2023-24 were 24.3 million tonnes, so with four months remaining in the 2024-25 marketing year, we are likely to match last year's sales.

However, and herein lies the principal issue, past results are no guarantee for what will happen down the road. Although China has been increasing its Brazilian purchases over the past couple of seasons, the reasonably healthy pace of sales to China can be explained by an off year in Brazil in 2023-24. Production fell to 154 million tonnes, down from 162 million tonnes in 2022-23. Production for 2024-25 is forecast at a record high. The USDA estimate calls for output of 169 million tonnes. Once 2024-25 Brazilian supplies become available in bulk, the situation could change. Some weather issues surfaced earlier in the growing season, but some analysts have been revising their estimates to as high as 172 million tonnes. This would leave ample soybeans for sale to China.

The only potential bullish factor is the 4% dip in US acreage, to 83.5 million acres for the 2025-26 crop. As we have discussed in previous issues, while making their planting decisions, US farmers were well aware that the shift to Brazil was on and the tariff wars could only exacerbate that shift. Hence a smaller crop.

With seeding of the new crop barely underway, there is no way of knowing how weather for the planting, growing, and harvest seasons will play out. So far so good. Early planting results from weekly USDA progress reports show that 30% of the crop has been planted. That compares with

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24% last year at this time and a five-year average of 23%. Early planting reduces the probability of the harvest extending into frost-risk season come harvest time. But the summer-months growing season lies ahead and could always pose a vulnerability if weather does not cooperate.

On May 12 the USDA presents its first comprehensive forecast for 2025-26. The yield estimate will be crucial eventually, but does not mean all that much at this early stage, because the estimates are based on historical trendlines.

By all rights, the overall outlook is bearish because it is difficult to imagine a scenario in which Chinese imports match this year's performance. And Chinese imports are the single largest wild card in determining US disappearance. Prices are being kept afloat by the ongoing trade talks between US and China. We're not going to speculate on the outcome of those talks.

We will remain sidelined for now and monitor developments carefully. Stay tuned.

[By Sholom Sanik, May 7, 2025]

Chart 6 – CBOT July soybeans



Chart courtesy LSEG

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