FRIEDBERG'S
FOCUS ON FUTURES
Friedberg Mercantile Group Ltd. Volume 27, No. 9 October 24, 2025

Cotton: No China, no bull

Cotton prices are pressing down against the low end of a multi-month range. Viewed in isolation, the US supply side presents a rather bullish picture. Estimated planted area of 9.3 million acres for the 2025-26 crop has fallen from early season estimates of 10.12 million acres. That is an imposing 22.4% less than last year and the fewest planted acres since 2015-16. At the moment, the estimate for harvested-to-planted acres is 79%, up from last year's 69%. As a result of the higher recovery rate, the crop is estimated at 13.22 million bales, only 8.3% lower than in 2024-25.

This crop, however, is not "in the bag" quite yet. The most recent weekly crop progress report presented a bit of a surprise. The good-to-excellent portion of the crop, which was running at a respectable average of 52% for most of the growing season, fell by 5 percentage points, to 47%. The national pound-per-acre yield was estimated at 861 pounds in the September 12 USDA crop report, so we expect to see this figure revised downwards. The market reacted to the yield downgrade, but has since slipped back to recent lows.

So two bearish factors are keeping prices down. First, while the US supply side appears to be bullish, the other important source of cotton supply is anything but. As we have indicated in previous cotton articles, China has expanded cotton production. The early season forecast for Chinese output was 29 million bales, but the USDA has been inching up that estimate in every monthly crop report. With the September report we are up to 32.5 million bales. One respected analyst who we confer with says that the actual number could be as high as 34 million bales.

Then, China's supply-side growth leads us to the demand side. We are two months into the marketing year, and Chinese purchases from the US (shipped and unshipped) stand at 69,600 bales. That is down from 466,000 bales at this time last year.

Consider how the landscape has changed. In 2023-24 Chinese imports from all destinations peaked at just under 15 million bales. That was an extraordinary year, but imports fell to 5.2 million bales in 2024-25 and are estimated at the same level for the new crop.

For the outgoing marketing year, US exporters maintained sales to all destinations at 11.9 million bales, in line with previous seasons. The USDA is forecasting 2025-26 at 12 million bales. Early in the season as it may be, there is no evidence to suggest that this can be achieved. Export commitments to all destinations stand at 4.06 million bales, compared with 4.96 million bales at this time last year.

Brazilian output has entered a new paradigm. Production continues to grow. We moved to 17 million bales in 2024-25, from 15 million bales in 2023-24. The new crop is estimated at 18.25 million bales. China has been a steady customer of Brazilian cotton. But even so, the gap between Chinese domestic mill consumption and production is narrowing. In 2023-24 that gap was 11.55 million bales while the forecast for 2025-26 is estimated at only 6 million bales. If the 34-million-bale forecast for Chinese production cited above comes to fruition, China is moving toward self-sufficiency.

Hence, bears are not too fussed with bullish US supply developments.

We are short December cotton as per our May 2 recommendation. Maintain stops at 69.50, close only.

[By Sholom Sanik, September 26, 2025]

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Chart 1 – ICE December cotton

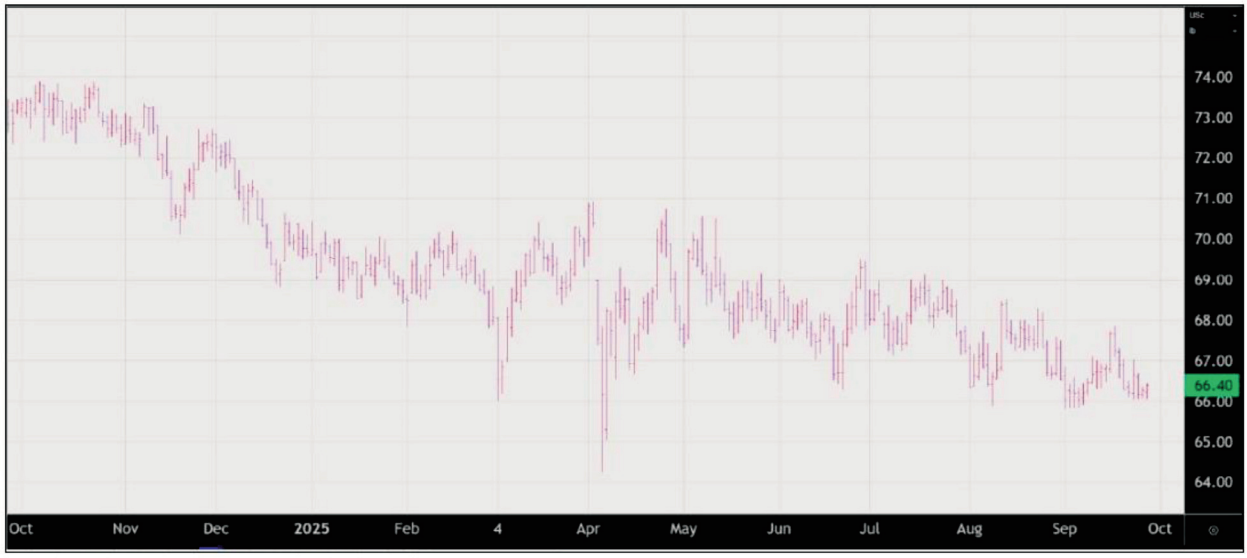


Chart courtesy LSEG

SUGAR

Left standing at the gate?

Most private analysts balked at the original estimate of 35 million tonnes for India's new 2025-26 crop that will soon enter its harvesting/crushing season. The consensus was closer to 32 million tonnes. Then, in early September, Indian Sugar Mills Association (ISMA) reiterated its estimate for 35 million tonnes. We believe that this was the catalyst that pushed prices to yet another new low for the move. On the other hand, on September 23 a well-regarded US analyst confirmed its forecast at 32.3 million tonnes. Perhaps ISMA knows best. In any case, therein lies the primary issue that will determine the direction of sugar prices for the foreseeable future.

The Indian monsoon was the strongest in five years. In fact, the rains were so abundant that they may turn out to be a mixed blessing. Flooding has reportedly damaged standing crops, but we have not seen any comprehensive estimates of damage to sugarcane.

One thing is very clear, though: The 2024-25 crop failure in India left the global production/consumption balance with a deficit of close to 5 million tonnes. Ending stocks have not been this low since the 2016-17 marketing year. In the past, that kind of deficit has laid the groundwork for some major bull runs. The only difference between the environment that we're in and previous periods is the hope for a gargantuan recovery in Indian production.

One indication that the optimistic forecasts are not concrete is that the government has not announced a relaxation of export quotas for 2025-26. The closest we have seen is a recent announcement from a government official who stated that "there is scope for sugar exports in 2025-26." The number we have seen discussed is 2 million tonnes. That compares with 1 million tonnes in 2024-25, but a far cry from 6 million tonnes that importing nations had become accustomed to.

With the 2024-25 marketing year just about closed, Indian carryover stocks are estimated at 5 million tonnes, the lowest in modern history. So, the amount of exports that will be allowed comes down to how output will look in three or four months from now. If 35 million tonnes is realistic, we can see the export quota rise above 2 million tonnes, while the government retains its comfort level for ending stocks of between 8 and 10 million tonnes.

Another region that is not normally included in discussion on world trade is the EU. In 2023-24 and 2024-25 it was a player in world trade, exporting about 2 million tonnes per annum. Planted area fell by about 10% for 2025-26 crops as farmers shifted to more profitable crops. The situation was exacerbated by hot and dry weather this summer, which will

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compromise yields and produce total crop of about 16 million tonnes. That is pitted against domestic consumption of roughly 16.5 million tonnes.

Currently, analysts are estimating exports to fall to 1 million tonnes, but some simple math would seem to indicate that there may not be much available for foreign sales. If India comes through at the higher end, it will absorb EU problems. If not, EU customer requirements will tighten the market.

On August 27 we recommended buying October sugar with a 15.25¢ per pound stop close, which was triggered on September 22 – right at the low of the move. The market then rallied by more than 1¢. Such are markets.

Looking ahead, March is the next trading month and represents the first delivery month for 2025-26. March is trading at 16.60¢ with the market in backwardation going forward. Which is unusual if India can actually produce 35 million tonnes of sugar. Prices are cheap if Indian estimates are overblown. We suggest reestablishing a long position. Buy March sugar. Place initial sell stops at 15.25¢, close only.

[By Sholom Sanik, September 30, 2025]

Chart 2 – ICE March sugar



Chart courtesy LSEG

SOYBEANS

Without China a bear is born

We did not get to see a USDA balance sheet in October because of the government shutdown. The last crop report was in September, and *in isolation*, it presented a mostly bullish picture for the US. Ending stocks for the 2025-26 marketing year are forecast at 300 million bushels (7.89 million tonnes), or 6.7% of consumption. That is not a high number in historical terms. It compares with 7.5% and 8.3% in 2024-25 and 2023-24, respectively, and would leave the market vulnerable to yield revisions and strong demand.

Market participants are operating in the dark without the monthly crop report, weekly crop progress, and perhaps most important, weekly export sales. What we do know is that US farmers shifted a massive amount of planted area away from soybeans to corn. Fear of Chinese retaliation in response to the tariff wars made corn a safer bet because China does not buy corn abroad. Despite the drop in planted area, great weather generated excellent yields of 53.6 bushels per acre. So, while 2025-26 harvested area is estimated to fall by 6.7% from 2024-25, it will be strongly mitigated by a 5.5% increase in yields. The total crop is estimated at 4.301 billion bushels (117.05 tonnes), down only 1.5% from a year earlier.

The domestic demand side is constructive. Feed usage is estimated to increase by 125 million bushels (3.4 million tonnes), or 5.1%. Although soybean oil exports are expected

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to fall materially, the new biofuel mandate is expected to expand soybean oil usage by 26%, which more than compensates for the drop in soybean oil exports.

The problem is exports. In the September crop report, the USDA trimmed its export estimate by 20 million bushels (544,000 tonnes), to 1.685 billion bushels (45.86 million tonnes). That's a 10.1% drop from last year's 1.875 billion bushels (51.03 million tonnes), already a rather substantial haircut. The most recent weekly export sales report, however, shows that export commitments stand at 11 million tonnes, down 37% from last year at this time! And guess why? China has purchased zero beans from the US for the new marketing year.

Last year and the previous year, the Chinese had already purchased 6.5 million tonnes at this juncture of the season. And let's remember that they stopped buying even before the Administration dangled the latest round of tariffs. A strong domestic demand sector is simply no challenge for that kind of loss of foreign sales. Whenever the shutdown ends and the USDA resumes publishing reports, expect the US export estimate to be slashed materially.

Brazil grew 169 million tonnes of beans in 2024-25, up from a drought stunted 2023-24 crop. While estimates for the 2025-26 crop are still futuristic at this point, based on planted area, the crop is expected to expand to 175 million tonnes. Brazilian ending stocks are ample at roughly 22% of domestic and export usage, so there are plenty of beans available for sale to China.

On June 6 we recommended establishing a long position in November soybeans because of the vulnerability posed to supply from such a large acreage reduction. The market was trading at $10.40 per bushel at that time. Now that the crop is made and, as mentioned above, healthy yields have minimized that vulnerability, supply is no longer an issue. The loss of China as a customer could be a monumental development and should pad inventories.

At this time, we are going to make an unusual suggestion: Liquidate long positions in November soybeans, currently trading just below $10.20 and establish short positions in March soybeans, currently trading just above $10.50. Place initial stops at $11.00, close only.

[By Sholom Sanik, October 17, 2025]

Chart 3 – CBOT March soybeans



Chart courtesy LSEG

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COCOA

Ivory Coast crop recovery or *déjà vu?*

The Ivory Coast 2024-25 marketing year has drawn to a close with port arrivals of 1.691 million tonnes. It marks the second consecutive year of crop failure – a long way from several years of output that reached well over 2 million tonnes. Beans for the 2025-26 Ivory Coast main-crop have begun to arrive at port. Certainly, if the first two weeks are any indication, Ivory Coast production levels seem to be sinking to a new paradigm. Thus far, arrivals total 132,000 tonnes, down from 193,000 tonnes at this time last year. It is much too early to draw any conclusions, though.

Prices have rallied over the past two weeks, likely in response to the early showing in the Ivory Coast, but the market peaked many months ago, and most other market developments are leaning to the bearish side.

Overall, the weather has been mostly cooperative. The rainy season lasts for several more weeks, and in years where precipitation is relentless, harvested beans do not dry properly, which in turn leaves plants vulnerable to disease. This year, however, there has been a fairly well-balanced mixture of rain and sunny breaks, which should promote favorable yields and allow for proper drying. In fact, one analyst said recently that the pod count was significantly higher than last year and 7% above the five-year average.

There is other evidence that production is trending higher. There is little in the way of scheduled supply reports out of Ghana. But it seems that the neighboring country, which for the most part is in the same climatic region as the Ivory Coast, has been experiencing much better results. First, for September, arrivals reached 51,000 tonnes, compared with only 11,000 tonnes for the same period last year. The presence of diseased plants has fallen materially.

The government jumped on these results and predicted that 2025-26 would exceed early forecasts for 650,000 tonnes. In 2024-25 Ghana eked out a scant 500,000 tonnes. Output was as high as 850,000 tonnes before the two consecutive crop failures. We therefore believe that Ivory Coast arrival figures are likely being affected by factors such as transport delays and will improve in the coming weeks as well.

One supply-side factor that has floated under the radar is a boom in Ecuadorian output. In 2023-24 Ecuador produced 420,000 tonnes of beans. The International Cocoa Organization estimates that with cooperative weather, 2025-26 output will reach close to 600,000 tonnes. One analyst is forecasting output of more than 650,000 tonnes. Yields in Ecuador are much higher than in West Africa. Quite possibly this is because Ecuadorian farmers receive about 90% of the world price for their beans, compared with only 60% to 70% in West Africa, which allows farmers to spend on pesticides to reduce disease. Going forward, we will be monitoring crops in Ecuador more closely.

Then there is the demand side. Save for North America, the smallest of the major processing regions (plus 3.8% year-over-year), third-quarter results were largely dismal. EU was down 4.8% and Asia was 17.08% lower. but Ivory Coast does not publish quarterly, recently reported that grindings were down 10% for the 2024-25 marketing year.

And it seems that consumers are balking at higher prices as well. A US research firm recently said that during the last quarter of the 2024-25 marketing year, North American volume sales were down 21%, year-over-year.

In conclusion, the fortunes of the Ivory Coast crop remain the single most important factor for this market. At the moment, a recovery in Ivory Coast is a *strong* assumption, but not a concrete reality. We recommend observing from the sidelines for now. Stay tuned.

[By Sholom Sanik, October 24, 2025]

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Chart 4 – ICE March cocoa

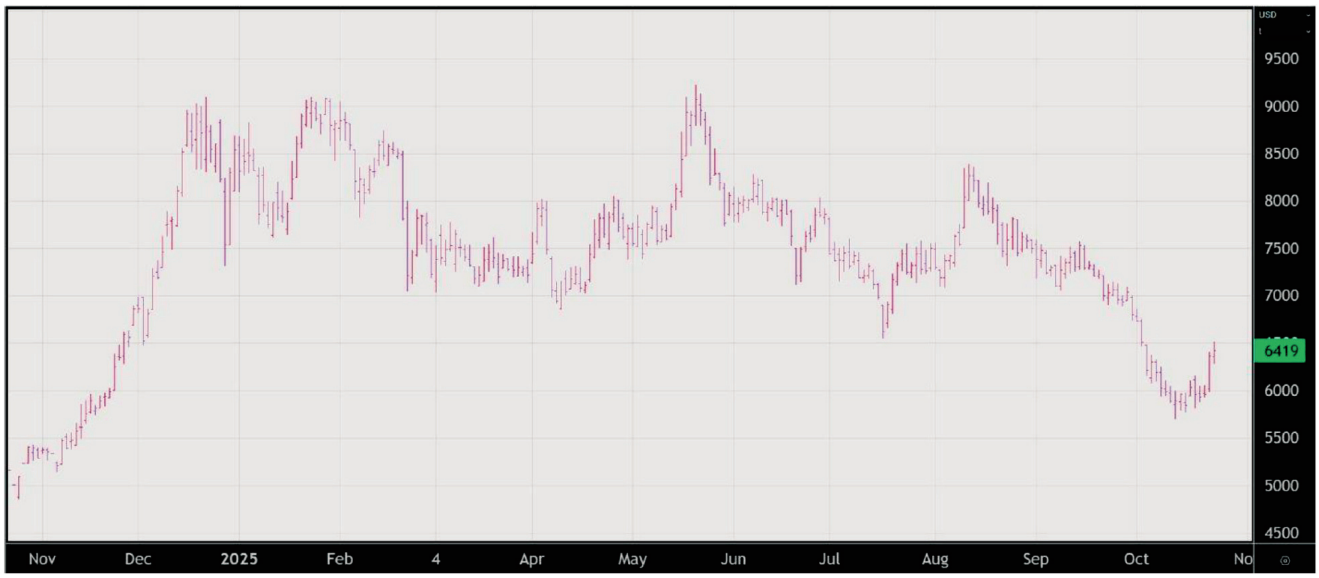


Chart courtesy LSEG

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