FRIEDBERG'S
FOCUS ON FUTURES
Friedberg Mercantile Group Ltd. Volume 27, No. 8 September 22, 2025

Soybeans: The USDA takes the axe to the acreage

This summer's weather in the Midwest has been mostly favorable for US crops. There were hot and dry periods in July, but there was enough precipitation to maintain adequate subsoil moisture levels, allowing for normal crop growth. The most recent weekly crop progress showed the good-to-excellent portion of the crop at 68%, about the same as last year at this time. Analysts were therefore looking for an uptick in yield estimates in the USDA August crop report. The average guesstimate was 52.9 bushels per acre (bpa), up from the July estimate of 52.5 bpa. The actual figure came in at 53.6 bpa.

However, the USDA had quite a surprise in store. US farmers, perhaps concerned about Chinese retaliation to Trump's tariff regime and a shift of soybean purchases to Brazil, switched a huge amount of acreage to corn. The estimate for planted acres in the June 28 acreage report was 83.4 million acres, already down from 2024-25 area of 87.1 million acres. The new estimate for the 2025-26 crop was revised down to 80.9 million acres. So, the higher bpa-acre yield was eaten up by lower planted area.

The crop is now estimated at 4.29 billion bushels (116.82 million tonnes), down from 4.36 billion bushels (118.84 million tonnes) in 2024-25. All-in-all still a pretty decent crop, but with such a large loss of planted area, it is imperative for August weather to be cooperative in order to maintain the new yield estimate.

The estimate for US ending stocks falls to 290 million bushels (7.89 million tonnes), or 6.6 % of consumption. That is down from the July estimate of 7%, and compares with 7.5% and 8.3% in 2024-25 and 2023-24, respectively.

Fair to say that US inventory levels are trending downwards, which is not alarming if China is not a big buyer. But Chinese soybean requirements are actually forecast to grow. Consider: Production has remained constant at 21 million tonnes. The estimated crush, however, is forecast to increase to 133 million tonnes. That's up from 126.9 million tonnes and 121.8 million tonnes, in 2024-25 and 2023-24, respectively. The huge gap between production and consumption is bridged with imports.

The USDA actually cut its 2025-26 estimate for exports to all destinations in the August crop report by just over 1 million tonnes from its July estimate, to 46.4 million tonnes. That is down from 51 million tonnes this past marketing year.

And there is evidence to suggest that China is shying away from the US. If we look at the totals for the season, it would appear that all is at least close to normal. Shipments to China thus far this marketing year stand at 22.5 million tonnes, down from 23.9 million tonnes at the same time last year. However, US exporters have not heard from China for several months. The last decent size purchase was in early May.

In any case, the street was convinced that the revisions contained in the new crop were bullish. November soybeans are now 55¢ per bushel off the recent lows (Chart 1).

In conclusion, we are long November soybeans as per our June 6 recommendation. The primary bullish case was based on the vulnerability for output posed by lower acreage, and that case has now been exacerbated. The market was trading just below $10.40 at the time, and there were some tense moments as the market sank to $9.80. We are now just below breakeven. Maintain long positions, but raise stops to $9.90, close only.

[By Sholom Sanik, August 14, 2025]

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Chart 1 – CBOT November soybeans

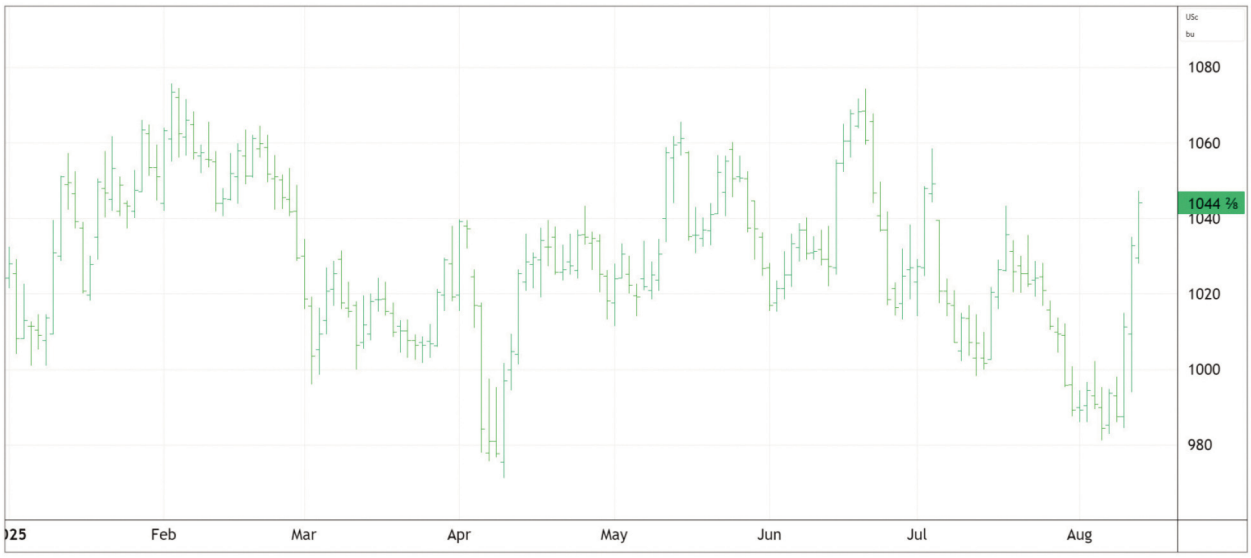


Chart courtesy LSEG

SUGAR

Sweet once more

Sugar prices drifted lower during this past May and June and culminated in a sharp plunge to four-year lows (Chart 2). A strong Indian monsoon provided a backdrop for the weakness. Analysts forecast that production would bounce back from a 2024-25 crop failure, which is now estimated to be below 26 million tonnes, down from 31 million tonnes in 2023-24. Exuberant forecasts for 2025-26 called for a rather dramatic recovery to 35 million tonnes.

After bouncing back from the sharp losses, the market has been drifting sideways. There have been two important developments.

India

We had cast some doubt on India's ability to produce 35 million tonnes, mainly because cultivated area had increased, but not by that much (see *Focus on Futures*, August 1). To achieve the kind of yields that would be required to reach this lofty target, everything in all regions must be perfect. However, similar to last year, a vast amount of precipitation is not necessarily an exclusive blessing. For example, Maharashtra, one the three large producing states, has experienced excessive flooding, which has damaged crops. While it may be difficult to quantify the losses, the 2024-25 experience underscores the risk to crops that could result in flooding and disease from excessive monsoon rains.

Indeed, a poll released by Reuters on August 22 shows the average estimate for 2025-26 Indian output at 32 million tonnes! Well, that – if accurate – would certainly alter the landscape.

In another indication that a generous crop of 35 million tonnes is not a realistic target, to date, there has not been any word from the government regarding export quotas for 2025-26. The number floating around is 1.5 million tonnes. In terms of world trade, that would be just an insignificant 500,000 tonnes more than in 2024-25. Bearing in mind that domestic consumption is hovering around 30 million tonnes, the probability that the government will allow stocks to be drawn down again after last year's disaster is not high.

Brazil

Forecasts for Center South output that reached as high as 42 million tonnes have fallen by the wayside. Poor precipitation and hot weather have lowered yields. The range of estimates is now between 39.5 and 40.5 million tonnes. It would still be a large crop in historical terms, but with India not looking anything like it did two or three months ago, Brazil again becomes the source of last resort for sugar importers.

Bi-weekly Brazilian production reports are still favor-

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ing sugar over ethanol. Processors are allocating about 53% of cane crushing to sugar, which is both higher than last year as well as above early-season estimates. Although the government increased the minimum ethanol blend to 30%, up from the previous 27%, effective August 1, increased corn-based ethanol output will compensate for the shortfall resulting from lower ethanol production. The downward output revisions for the Centre South are then the result of lower yields.

We abandoned our bullish stance on sugar as per our June 30 recommendation. If India can eke out only 32 million tonnes and Brazil is performing poorly despite a strong tilt to sugar *vis-à-vis* ethanol, forecasts for a 2025-26 global production/consumption surplus will surely be revised.

We now recommend reestablishing a long position. Buy October sugar, currently trading at about 16.5¢ per pound. Place initial protective sell stops at 15.25, close only.

[By Sholom Sanik, August 27, 2025]

Chart 2 – ICE weekly nearest contract sugar



Chart courtesy LSEG

CORN

Maybe not so bearish

In the annals of USDA surprises, the August crop update for the 2025-26 corn crop definitely ranks near the top. According to USDA weekly progress reports, conditions have been very good. The good-to-excellent portion of the crop has been around 71% for most of the growing season, compared with 65% last year. So, analysts were expecting upward revisions, but the actual results were rather extraordinary.

First, planted area was revised up by 2.1 million acres, to a record 97.3 million acres. Harvested acres are estimated at 88.7 million acres, up 1.9 million acres from the July estimate, and compared with the average guesstimate of 86.7 million acres.

But the real kicker was the yield revision. The July estimate was already at a very healthy 181 bushels per acre (bpa), and analysts were expecting an uptick to 184.4 bpa, but the estimate came in at 188.8 bpa.

All told, the crop estimate jumps by over 1 billion bushels, to 16.74 billion bushels, and ending stocks move from 10.8% of consumption in July to 13.2%.

As would be expected, prices continued lower, with a 13¢-per-bushel drop to close to one-year lows. Traders have had three weeks to absorb the new data, but the low was set on the day of the report's release (Chart 3). For such a bearish report – how to explain that?

There are several factors to consider. First, results for the

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well-regarded Pro Farmer tour were released on August 22, and it shows some considerably different results from the USDA surveys. Its yield number comes in at 182.7 bpa for a crop of 16.2 billion bushels. That's more than 500 million bushels lower than the USDA. The report cites disease that appeared after the USDA surveys were conducted. Still a great crop, but it highlights the potential volatility for yields even in the late stages of crop development. Other notable analysts have lower estimates than the USDA as well, but Pro Farmer, who conducts its own extensive surveys, is the lowest we've seen.

Then, moving along to the demand side, US exports have been very strong. Looking ahead to new-crop sales, it would appear that this trend has not abated. Forward sales for 2025-26 stand at 18.8 million tonnes. That compares with an average of about 10.3 million tonnes in the previous three years on this date. So we're certainly off to a good start. The USDA forecast for final sales is 73 million tonnes, compared with 71.6 million tonnes for 2024-25. It is early in the season, and large sales are likely the result of prices that foreign buyers have not seen in some time. But if the buying persists, it is fair to assume the USDA could be underestimating the export market.

Yet another mitigating factor that we believe has not been widely considered is Brazil, the world's second-largest exporter behind the US. The government recently expanded its ethanol mandate for a minimum ethanol/petroleum blend, from 27% to 30%, which went into effect on August 1.

While the majority of Brazilian ethanol is produced from sugarcane, corn processors have ramped up corn-based ethanol production. The 2025-26 corn crop is forecast at 131 million tonnes, which is actually down 1 million tonnes from 2024-25. The USDA estimates 2025-26 Brazilian exports at 43 million tonnes, the same as in 2024-25. One estimate says that the new ethanol mandate means that corn devoted to ethanol production will grow by 10 million tonnes.

Brazilian corn carryover stocks are negligible, so the simultaneous occurrence of exports of 43 million tonnes and an additional 10 million tonnes of ethanol diversion cannot both happen. So the US retains its crown as the supplier of last resort.

In conclusion, yes, a great US crop, soon to be harvested, albeit with some possible overreach by the USDA. The US is the only country that can meet demand, as illustrated.

We recommend establishing long positions in December corn, currently trading just below $4.20 per bushel. Place initial sell stops at $3.85, close only.

[By Sholom Sanik, August 29, 2025]

Chart 3 – CBOT daily nearest-contract corn



Chart courtesy LSEG

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COCOA

Optimism for upcoming cocoa crops neutralizes the bull

With the 2024-25 Ivory Coast mid-crop trickling down (and that is to be taken literally) to its final weeks, a second consecutive crop failure is all but in the books. But cocoa prices are trading near one-year lows (Chart 4), and that demands an explanation.

For a snapshot of the unmitigated supply-side disaster, consider that port arrivals stand at 1.686 million tonnes, down from 1.733 million tonnes a year earlier. The season before that, arrivals on this date were 2.323 million tonnes.

Last September, as the 2022-23 season was drawing to a close, prices also fell in anticipation of a 2024-25 production rejuvenation. However, after the initial spurt of strong arrivals at the beginning of the main-crop, which at times was running more than 30% higher than the previous year, everything headed south. A similar scenario can explain, at least in part, why the market has been so weak.

The weather for early development of the new crop has been inconclusive. And to be sure, we've seen mixed reviews of the impact of wet weather in some regions and dry conditions in others. Nevertheless, while there has been virtually nothing in the way of actual crop estimates yet, the selling would seem to indicate that conditions are sufficiently favorable for a return to more normal crops. Weekly arrival data for the new crop are only a couple of weeks away.

Even with the sharp correction from recent highs, cocoa has spent several years now at historically elevated prices and is still very high in terms of the dynamics that will determine demand. Second-quarter grind results show clearly that there has been demand destruction. We discussed this in detail (see *Focus on Futures*, August 6), but just to recap, the three largest consuming regions, EU, Asia, and North America, were down 7.2%, 16%, and 2.8% year-over-year, respectively.

Consumers have responded. Higher bean prices have been passed on from manufacturers to consumers, and as a result, volume of chocolate sales has declined. According to a recent publication by Barry Callebaut, *Top Chocolate Trends in 2025 and Beyond*, North American prices rose 10.6% in 2023 and by 20.4% in 2024. An interesting statistic contained in the report: 35% of survey participants are consuming less chocolate and 51% of those cite higher pricing (health is cited as the other factor).

And herein lies perhaps the single most important factor for this market: Higher prices are modifying consumer behavior, and confectionary manufacturers are not very likely to lower prices. Of course, if cocoa prices retreat back to pre-bull-market levels, they might. And even if, say, we have great West African crops for 2025-26, and we experience further price declines for beans, we believe that chocolate manufacturers will be very cautious when it comes to lowering prices.

Indeed, even with lower volumes being purchased by consumers, actual sales and profits have by and large not been affected because of product reconfiguration, which basically means offering less chocolate for the same or higher prices. Various strategies are employed, but the bottom line is that manufacturers remain profitable. They do not have much incentive to alter their business plan. Using less chocolate in their products translates into less bean purchases for grinding.

December cocoa is currently trading at $7,250 per tonne. We are long at $7,800, with a stop at $7,000, as per our August 6 recommendation. At this point we believe that hopes for a West African crop recovery will continue to guide the market. Coupled with abysmal developments on the demand side, as illustrated, we suggest liquidating the position.

[By Sholom Sanik, September 19, 2025]

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Chart 4 – ICE weekly nearest contract cocoa



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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