DAVIS COMMODITIES LLC

April 2025 Market Commentary

The corn and soybean markets have shown plenty of sound and fury while signifying nothing over the past month. December corn had a trading range of ~30 cents, but closed the month almost unchanged. November soybeans had a range of almost 75 cents with a similar conclusion. With all of the policy noise, the markets have been loathe to move far away from their perceived value. While the chop has not been good for the program so far this year, I do believe that bigger opportunities are starting to unfold.

The soybean market is staring down a double-barreled bearish shotgun. First, the US crop is getting planted in a timely fashion with already record large production in South America. Planting weather in the US has been near optimal. Most areas have sufficient moisture to germinate the crop, but not so wet that it is impeding progress. Planting windows have been wide, but moisture continues to move through the corn belt. After the past few years of difficult planting, the farmers should be quite happy. When you add in the record crops in South America, worldwide supply of soybeans will be burdensome if trend yields materialize this summer. Second, demand for US supplies is greatly diminished. With plenty of competition out of South America that will last well into the peak US export season this fall, prospects for US exports are falling. When you couple plenty of competition with slack demand from the largest consumer, China, it becomes apparent that the path of least resistance for price is down. The two main traps to this thesis could be adverse summer growing weather or a deal with China that shifts a preference to US supplies. The summer forecast can only be taken in 15-day chunks, so that will be monitored closely. As far as a China deal is concerned, it does not appear that much progress is being made as of now.

The corn market is in a similar situation to soybeans, but not quite as bearish (yet). The peak demand of the season is ending. Planting progress in the US is off to a great start. South American production prospects are increasing. Argentine harvest has been progressing well and they are starting to compete with US exports. By last half of July, Brazil will be joining the export competition. While domestic demand in Brazil has been expanding, it appears that this current crop will be significantly larger than last year. Coupled with good Argentine production, US exports will remain small through January, 2026. With a continuation of benign weather, corn should move lower.

The cattle market has been on an epic rally ever since "Liberation Day." There are a couple of major inputs that favor a setback in prices in the near term. The packing companies are deeply in the red. With packing margins dismal despite record high beef prices, they have started cutting kills. In a normal year, fed cattle slaughter in April runs ~20k head larger per week than March. This year, slaughter is running even with March which is deferring the slaughter of some of the fall placements. Those cattle will come to market which should push cash prices lower and pressure the futures market as well. While there isn't any concrete evidence of slack demand yet, the record high beef prices are certainly not helping demand. With recent reports of 25% of consumers using "by now, pay later" to purchase groceries, the soft data is not pointing to robust demand. We are still waiting for those problems to show up in the hard data, but it is certainly on the radar. When you couple record high beef prices with uncertain demand, the odds of a correction are high and rising.

Sincerely,

Stephen Davis
May 6, 2025

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