DavisCommodities LLC

July 2025 Market Commentary

The month of July posted modest declines in both corn and soybeans as continued mostly favorable weather in the US continues to point to trend or higher yields. With the current 15-day forecast giving a good idea of what to expect for the most critical month for soybeans, the overall benign conditions look to continue.

The corn market is starting to dial in an above trend yield due to the incredible moisture profile over the majority of the corn belt. The only reason for pause stems from the above normal temperatures that have been around since the beginning of summer. There is a strong correlation between above normal temperatures and corn yields at or below trend. While no two growing seasons are completely alike, the strong correlations are raising some concern. On the demand side of the balance sheet, it appears that USDA is overestimating exports for new crop. With a record large Brazilian crop that must move by January, US exports should be curtailed from Nov-Jan. Those larger exports should drop US demand and allow for larger ending stocks. With our current expectations of over 2 billion bushels, the balance sheet is substantial enough to push prices down another 5% or so.

Like corn, the soybean market is starting to discount a yield that is above trend. Unlike corn, however, soybeans are not really affected by high temperatures. As long as they have a good moisture profile, they tend to yield well. With the current forecast taking us through the 19th, I am also inclined to start raising the yield slightly. That said, even at trend yields, the US balance sheet still looks burdensome. With the record Brazil and good Argentine crops from last season, there are plenty of beans in the world. The overriding factor for US demand is the ongoing trade war with China. China, thus far, is avoiding the US completely. Their reserve bean supplies are originating in Argentina and they get their immediate crushing needs from Brazil. If China remains absent, USDA is far too optimistic on US exports. Assuming very little to China, the balance sheet becomes burdensome which should mean that we move prices lower to entice demand or discourage production.

Sincerely,

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