DAVIS COMMODITIES LLC

September 2025 Market Commentary

The month of September was another choppy affair making it difficult to latch onto a single trade. Corn basically traded sideways all month while soybeans bounced back and forth in a more general downtrend. With three months left in the calendar year, there is still plenty of time to end on a positive note.

The corn balance sheet appears to be loosening due to larger beginning stocks than anticipated and what appears to still be a record yield. On September 30, USDA issued the stocks in all positions report which they will adopt as their ending stocks for the 24/25 crop year. While I thought that odds were high that the stocks would be bigger than the September 12 USDA estimate, they were even larger than expected at ~200 million bushels (mb) larger than the average guess. The extra 200mb flows right into available supply for the 25/26 crop year adding to the ending stocks. While most feel that the dry August has lowered the potential yield for the crop, there appears to be plenty of room to cut demand and still end up with ample supplies for the year. Current USDA projections for corn exports are record large at 2,975mb while competing exporter supplies are expanding. While it is certainly possible that demand can increase on a worldwide basis, assuming that the US will export aggressively while competitors will build stocks would be highly unusual. After working through the balance sheets, it appears that we can lose ~6 bushels per acre on the national average yield and still end up with a comfortable 2,000mb+ ending stocks.

While the soybean market did not receive the big bump in beginning stocks that corn had, there still appears to be more than enough supply to keep prices under pressure. With the government shutdown, we are left to only look at anecdotal yield reports from farmer harvest. Like corn, the dry August most certainly took the to end off of the crop, but yields appear to be holding in well enough to justify a new record yield. Beyond total crop production lies the single variable that will drive the market for the rest of the year: China. With the ongoing trade dispute, China has bought zero soybeans out of the US. With their main buying window out of the US running from October-January, our window to sell to them is closing rapidly. All of October, most of November, and part of December-January has already been purchased out of South America. If no resolution is reached at the November meeting between Trump/Xi, it is likely that the US will see near zero exports to China for the crop year as the world's attention shifts to Brazil starting in late January. This leaves us with a binary outcome. If China keeps avoiding US soybeans, prices can fall into the low-mid $9 area. If they start buying due to a new deal, prices could bounce toward $11. While supplies are certainly tightening in South America, China can easily make it to new crop Brazil harvest without purchasing US soy. Trump will likely have to offer some big concessions in order to get China back at the table.

Sincerely,

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