DAVIS COMMODITIES LLC

October 2025 Market Commentary

October was a frustrating month as fundamental data was cast aside as the market traded the "story" of a potential deal with China. As we learned last Thursday, the Trump administration (yet to be signed by the Chinese) worked out a deal for the Chinese to buy roughly the same tonnage of soybeans as they do in a normal year without tariffs. Not exactly the "win" that some are touting, but the market obviously takes it that way. In addition, corn was completely left out of the conversation. The cash markets do not indicate any significant business has been done, but eyes are pealed for indications of such.

With the government shutdown, data has been lacking for most of the fundamental inputs normally utilized. One of the key data points still available is export inspections. Corn inspections have been stellar to start the year running ~200 million bushels (mb) over last year. Despite the good export data, the corn market continues to languish. Yes, it has rallied some from the fall low, but hardly an impressive move higher. The combination of larger beginning stocks, larger planted/harvested area year over year, and a likely record yield, means supplies should remain abundant for the remainder of the crop year. Yield estimates have been dropping due to the dry finish to the growing season which should temper downside. However, any yield of 181 or higher should keep a lid on rallies as well. The corn market will most likely be a trading affair in a range of ~$4.20-4.50.

As mentioned earlier, the soybean market has been mainly trading the potential trade deal with China. While the market participants are arguing about will they or won't they buy US soybeans, I am digging into the balance sheets. After looking at both US and South American supplies, whether the Chinese end up buying US or South American soybeans makes little difference. If the Chinese business does appear in the US, the rest of the world will shift some of their demand to South America and the US ending stocks might get slightly tighter, but nothing price moving. As we sit today after ~$1.50 rally in cash US soybeans, Brazil supplies are cheaper than US for the foreseeable future. Any country not locked into a trade deal with the US should be shifting demand to Brazil. While it is still early in the growing season for South America, I would have to grade their weather thus far at a B+ at least. It will take a significant shift in SA weather for a bullish bias to be needed.

The cattle market has been quite volatile of late. The combination of New World Screwworm (NWS) in Mexico and prohibitive tariffs levied on Brazil has tightened the overall meat supply in the US. President Trump announced that his administration will do everything in their power to lower beef prices to the consumer. An agreement with Argentina for increased exports to the US has already been announced. It is widely expected that Brazil will be approved for a similar measure. Preventative measures to mitigate NWS into the US are being put into place. Those measures should allow the US to begin importing Mexican feeder and fat cattle which will also help the overall meat supply. Once those measures are in place, expect beef prices to fall which will drag the live cattle prices. The market has been long and right for the past 2 years. Now they are feeling the flipside of the coin. Look for sharply lower prices into the upper 190-200 range as we move through the year.

Sincerely,

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