

After the sharp rally in October based on the deal with China, November mainly traded in a broad range for both corn and soybeans. The program produced a small profit mainly due to the large drop in live cattle. Let's delve further into these contracts.

The soybean market has rallied ~\$1.40 since the low at the beginning of October. While there is a seasonal tendency to rally toward the end of harvest, the scope of this rally is primarily predicated upon the newly announced deal with China. Despite the announcement of a deal by the White House following the October 30 meeting between Trump and Xi, the Chinese counterparts have been quiet on the actual outcome. With the White House indicating 12 million metric tonnes (mmt) to be purchased by year end, sources indicate that total purchases have been closer to 4mmt thus far with 3mmt announced by USDA. Time is indeed getting short for China to buy 8mmt by the end of the calendar year. While China has been buying US soybeans, prices in South America have fallen. As of today, US soybeans are the most expensive of the three major exporters. With the current price differential, any commercial buyer without a political agenda is turning to Brazil. The bottom line is that even if China does buy 12mmt of US soybeans, the rest of the world will buy South American and the net gain to US exports will be small. The market and USDA both seem to be overestimating the impact of the Chinese political purchases to the balance sheet. With weather still going well in South America, odds are increasing that the eventual pressure of Brazil harvest starting primarily in late January will push soybean prices down toward the low-mid \$10 area.

The corn market is struggling with the competing forces of strong demand and large supply. While a lot of the corn market is opaque with data lagging for feed/residual use and corn grind for food, seed, and industrial use. Following the US government shutdown, the usually timely export sales/shipments report has been delayed. Full clarity will not occur until early January when USDA finally catches up on the reporting. Until then, the market still gets export inspections. Thus far, export inspections are running ~325 million bushels (mb) higher than last year. With USDA projecting a 245mb increase, the current pace certainly supports their estimate. Even with the large exports, the balance sheet appears to be comfortable with ending stocks staying over the 2,000mb mark. Without a crop problem in South America, corn will struggle on rallies as the US farmer still needs to sell. However, dips will be bought by end users to cover their needs. As this year progresses, we are looking for a choppy trading affair until more is known about South American production.

Finally, the cattle market sold off sharply from its high in mid-October. There are several reasons for this action. First, President Trump has removed the extra 40% tariff on beef exports from Brazil while also pushing for more beef from Argentina. The push to import more beef from South America will certainly help to calm US beef prices, leading to lower prices for live cattle. Second, US cattle feeders have been slow in their marketing efforts. Despite sharply lower placements year over year, actual cattle in the feedyards are only down ~2%. In addition, those cattle being marketed are record large. Despite the fed cattle slaughter being down 5.3% YTD, fed beef production is only down 2.9%. While significant, the heavy weights are certainly offsetting some of the lost slaughter. Also, if you add in the net import/export data, imports are up while exports are down. Total beef production net of trade is only down 0.9% so far this year. Finally, progress is being made on curtailing the New World Screwworm (NWS) fly. The technology already exists to eradicate the NWS. The problem now is rolling out those measures. While timing is still unknown, progress is being made. When the US is finally safe from the northward migration of the fly, the border with Mexico will reopen and ~9 months of feeder cattle and some fat cattle will cross the border and go into US feedyards. That extra supply will keep pressure on cattle prices. With a decently large cattle supply, increasing imports, and the threat of reopening the border with Mexico, cattle prices should fall back toward the lower \$200 area.

Sincerely,



Stephen Davis

December 2, 2025

The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions expressed reflect judgments at this date and are subject to change without notice. Davis Commodities, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such. There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. This document contains only commentary on economic, political, or market conditions and is not intended to be the basis for a decision to enter into any derivatives transaction. The contents of this commentary are for informational purposes only and under no circumstances should they be construed as an offer to sell or a solicitation to buy or sell any futures or options contract. This material cannot be copied, reproduced, modified, or redistributed without the written consent of Davis Commodities LLC. No one has been authorized to distribute this for sale.