

The month of December saw soybeans fall sharply and corn basically traded sideways. While there will be a lot more color in the following paragraphs, the bottom line is that more of the same is expected over the next couple of months.

The soybean market is expected to remain under pressure for the next several months due to slack demand out of the US and great growing conditions in South America. Futures rallied sharply in November on rumor of and then confirmation of an agreement with China. While China is on pace to buy the 12 million metric tonnes (mmt) discussed by the White House, the ensuing rally made the US uncompetitive to the rest of the world. That demand promptly shifted to primarily Brazil. The net result has been a small increase in overall demand, but not nearly enough to support the market at these prices. In addition, the growing season thus far in South America has been nearly ideal. Brazil has seen mostly ample rainfall for the entire growing season with no lengthy stretches of abnormal heat. Argentina has received timely rainfall, but have endured one 5 day stretch of above normal temperatures (not enough to materially hurt the crop). Over the next 30 days, Brazil will start to harvest their crop in earnest. The cash pressure from those harvested bushels should pressure the futures market lower. With US prices already over Brazil and Argentina, pressure on Brazil should exert a similar downforce to the US.

The corn market continues to trade the dynamic of large supply vs large demand. With the US producing a record yield this year along with a large planted area, the supply of corn is simply huge. That said, export commitments from the US are also record large. The US farmer has plenty of supply to sell which should cap rallies. The end users remain focused on US supplies for the next several months which should support the market on dips. Looking forward, one potentiality could tip the scales a bit more bearish. Like soybeans, the Argentina corn crop is in incredible shape right now. While there are still a few months left in the growing season there, if this weather pattern continues, production will need to be raised sharply. Currently, USDA is estimating a trendline yield. While yields on average trend higher over time as new technology and better agronomy are utilized, Argentina's historical yields are all over the map. As their weather moves from La Nina to El Nino, yields move sharply higher and lower. In good years, yields will come in at 8 metric tonnes per hectare (mt/ha) or higher. Currently, USDA is projecting a more middle of the road ~7mt/ha. If weather stays benign over the next few months, a yield appreciation to 8 mt/ha would increase production by 7mmt or 275 million bushels (mb). That extra production would flow primarily into the export channel. Though it won't mean much to US exports in the short term, that extra production should weigh heavily on US exports through the summer months and into the US new crop starting next September. The bottom line is that prices are basically stuck in a range for the next couple of months. If beneficial weather continues in Argentina, look for a move lower to price better export competition as we move into the spring.

The final item to note this month is the upcoming USDA report for their final yield estimate for both corn and soybeans. Last year this report had a large impact on pricing as USDA lowered yields much more than expected. With that experience fresh on the collective mind of the market, many are worried that we could see a similar outcome this year. The last 2 growing seasons have been similar in nature. We had a great start and a dry finish in both years. With a nod to history, I am expecting the corn yield to come down from the December estimate by a range of 2-4 bushels per acre (bpa). However, harvested acreage is expected to be increased slightly due to the overall high condition rating of the crop. When you put it all together, I expect a modest 100-150mb decrease in total corn production. Regarding soybeans, anecdotal yield estimates stayed consistent as harvest progressed. In addition, the USDA estimates have also remained stable. In the end, I expect little change to the yield (+/- 0.5bpa) and total production.

Sincerely,



Stephen Davis
 January 5, 2026

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.