

The month of March should be full of plenty of fireworks in the ag space in addition to the ongoing conflict in Iran. The EPA has already sent the Renewable Volume Obligation (RVO) to the White House for approval and should be released to the public in the next couple of weeks. We saw the initial proposal in June, 2025, but the final rules will give greater clarity to the soybean oil space. Next, we have the Stocks in All Positions report and Prospective Plantings. Both of those reports can be market movers by themselves. Finally, President Trump heads to China for a meeting with Xi Jinping. Any one of these events would make for an eventful month. Dealing with all four in a couple of weeks means heads will have to be on a swivel at all times.

Starting with the RVO, there are many nuances to this final rule mainly dealing with renewable diesel and bio-diesel. The most important piece (most likely) will be the total number of gallons required to meet the mandate. EPA has previously suggested 5.2-5.6 billion gallons will need to be utilized during the current calendar year. The lower level of that range is supportive, but not overly bullish to soybean oil. The mid-upper end should push bean oil to new highs and tighten the balance sheet demonstrably. Trades are (and have been) in place to take advantage of that likelihood in the program.

The next two reports come out on March 31: Prospective Plantings and Stocks in All Positions. While the stocks report has the ability to move the market, data is still flowing and guesses cannot be made until later this month. Instead, I will focus on the plantings report. Based on economic data, the US farmers should switch some of their corn acres over to soybeans. The government has given us two reports showing their initial thoughts on the switch supporting the idea of more soybean and less corn acres from last year. While my numbers are still somewhat fluid, my current best guess is that soybean acres will be up about 5mm and corn will be down a similar amount. Those numbers are slightly larger in total than the latest USDA estimate. The big difference with the upcoming report is that USDA surveys farmers for their intentions. The R^2 on the econometric model is good, but the survey will be the last number the market will use until the end of June. A smaller or larger shift could have large implications to prices.

Finally, the trip by President Trump to China starting at the end of March and extending a couple of days into April should prove to be a large market mover. The latest soybean rally started due to a Trump post indicating that China is "considering" the purchase of an extra 8 million metric tonnes (mmt) of US soybeans. Since then, soybeans have rallied ~\$1 per bushel. Whether or not China buys more US soybeans is paramount to what prices will do over the next several months. If China does agree to buy 8mmt this crop year, prices are too cheap and futures need to rally to ration US soybean demand. If they don't, prices are too high and futures need to fall to buy back demand. It is a large risk either way. While nobody (except Trump/Xi) has any true knowledge of what will happen, betting against the president has not been a smart decision for the past year. If he really wants China to buy more, it simply comes down to what he is willing to give up on the tariff/trade war front. As we look forward to new crop, the acreage switching should allow for a comfortable balance sheet at the very least. If China buys the extra 8mmt, the ending stocks will be ample to allow prices to fall for next crop year (assuming a normal growing season). If they do not, the outlook for soybeans is downright burdensome. After the recent rally, the likelihood is that new crop soybeans are overpriced today.

As for the corn market, prices continue to chop around with big supply/big demand. Rallies are met with farmer selling and dips are met with consumptive buying. The old crop is primarily rangebound and absent a shock on stocks or acres, it should stay that way. As for new crop, the loss of acres and a trend yield leave the US balance sheet in a comfortable position. It is not bullish or bearish at this point. That said we still have three crops to finish before we can comfortably look at the world balance sheet. Argentina is getting close to the finish line, but can still be helped/hurt over the next 45-60 days. The safrinha corn crop in Brazil is still being planted and its size will be debated until July. Then, starting in April, we have US planting season getting under way. Structuring a limited risk long position that has ~20 cents down and ~\$1 upside with any hiccup in weather seems prudent. If all goes well through the next 7 months, December corn will most likely fall to the \$4.25 area. With all of the unknowns, the risk appears asymmetrical at this point in time.

Sincerely,



Stephen Davis

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