February 2025 Monthly Commentary

It was a volatile month. After making new highs early to mid-month, the markets broke hard on long liquidation with better Argentine rains and renewed tariff concerns being the main catalysts. The pattern had been to buy the break, but the selling was relentless. The markets, corn in particular, had gotten too long. The other negative influence was the USDA Outlook Conference which showed a 3.5 mil acre increase for 25/26 corn area, with ending stocks seeing a decent build. Corn had been the driver of the rally – up a dollar from the fall lows. Corn finished the month 25 cents lower. Wheat gave up 16 cents in Chgo and KC and lost 26 in Mpls. Beans were down 35 cents with meal down $10 and oil down 244 points.

Corn futures needed to shake the tree a bit, but the break was rather violent. US corn had remained competitive on the FOB market the whole way up and is now at discount to Arg and Ukr. Brazilian won't be available until July. Some producers may be changing their mind about acreage mixes again. The 94.0 mil that the USDA printed in Feb, may be the highest we see. The overall acreage pie may be smaller based on expected net revenues being among the lowest in recent years (both corn and beans). The Prospective Planting report will be out on the 31st. Expectations currently are for a "wet" spring here, which will need to be monitored for possible planting delays. Safrina planting finally caught up in Brazil, but now the concern is about dryness which is expected to continue. Given the sharp break, US competitiveness, safrina dryness, and unknowns about US acreage/yields, a further bounce is expected as the market needs to add back risk premium. We are currently undervalued based on the 24/25 stocks to use, but the day to day is being driven by tariff headlines/threats. There has been a lot of back and forth about the tariffs on Mex/Can and it seems likely that something will be worked out. China tariffs are not as much of a concern for corn as they haven't been buying anyway.

Outlook Conference acres for beans were down 3.0 mil to 84.0 mil and showed stocks tightening in 25/26. That included a record 52.5 bu/a yield – the previous record was 51.9 in 16/17. A slightly lower yield and slightly lower acres could snug up the new crop US balance sheet pretty quickly. SX dipped under $10 this week which is likely too low right now given the unknowns about new crop. In addition, Brazilian harvest has surpassed the halfway mark and SAm premiums on both beans and products are firming. The tariff situation is fluent, but China is the main concern and if tariffs are enacted, it likely just juggles the matrix around. Oil is the most sensitive to the tariff headlines as we import a substantial amount of Canadian canola.

Wheat staged a short covering rally from LH Jan into mid-Feb and then gave it all back in quick fashion. Black Sea/EU exports have slowed considerably, and the US export pace has been better. SRW is the cheapest wheat, and futures should find support near current levels. Ukraine and Russian winter wheat may have issues coming out of dormancy and the extent of the freeze damage in the US is still unknown. India is facing a hot month right before their harvest and there has been talk of imports. 2-3 mmt imports would impact the world market. We are likely low enough for now, and could rally depending on corn and the above mentioned items.

Regards,

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