

May Grain Editorial - Reflecting and Forecasting



REESE DRENTH

MAY 25, 2025



Share

Good morning!

This weekend we honor those who have served and sacrificed for the betterment of this country and the world. From the bottom of our hearts, thank you.

As we head toward the final quarter of the 24/25 crop year, we think it's the perfect time to do some reflecting and forecasting. Why? Because May represents an inflection point for the marketplace. We kick-off the growing season in May. Old crop puzzles start to become clearer in May. USDA's first new crop S&D estimates are released in May. End users tend to show their hands (via their bid sheets) in May. Said another way, unknowns are becoming known this month, and we can form opinions accordingly. So, we'll spend this editorial studying what we've learned, while discussing the potential impact on our marketplace going forward. Let's get started.

What Happened?

Over the last 30 days, grain & oilseed markets have all been plagued by one common enemy: mother nature. Mother nature is the catalyst of all catalysts. She dictates the supply side of our S&D equations. She sees your doom and gloom "there's corn everywhere" scenario and raises you a derecho. She sees your tight U.S. soybean balance sheet and raises you perfect Brazilian

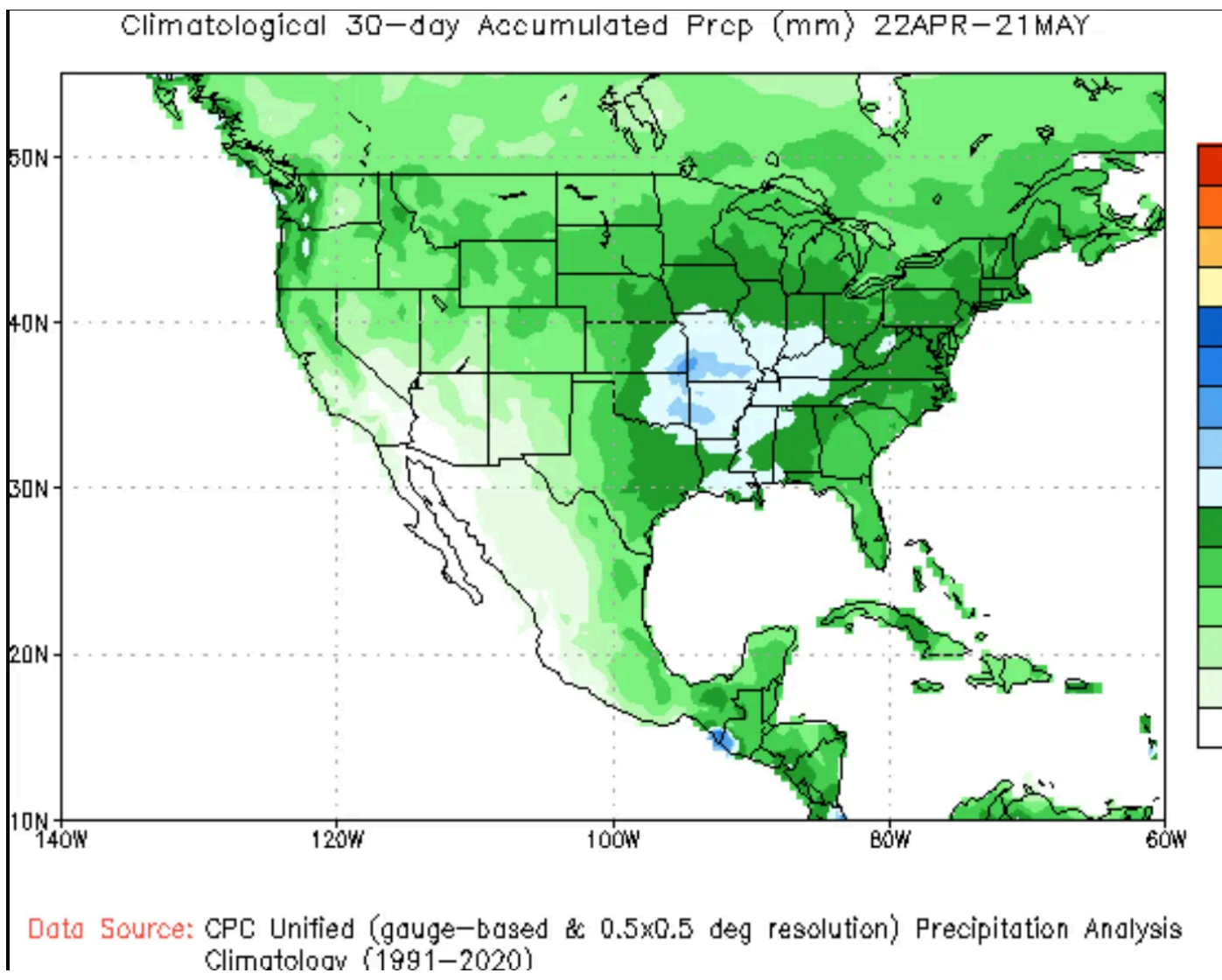
weather. She's incredibly important to our marketplace, and she likes to remind us from time to time.

The weather has been nothing short of ideal this spring. Granted, we started with borderline monsoons in the southeast corn belt which limited early progress in some key growing areas. But since then, our spring crops have been seeded very quickly. **Remember, our 3-5 week planting and harvest windows are the only 3-5 week windows where the market views dry weather as a negative input.** If the crop gets in with minimal issues, production potential stays high, prices stay low.

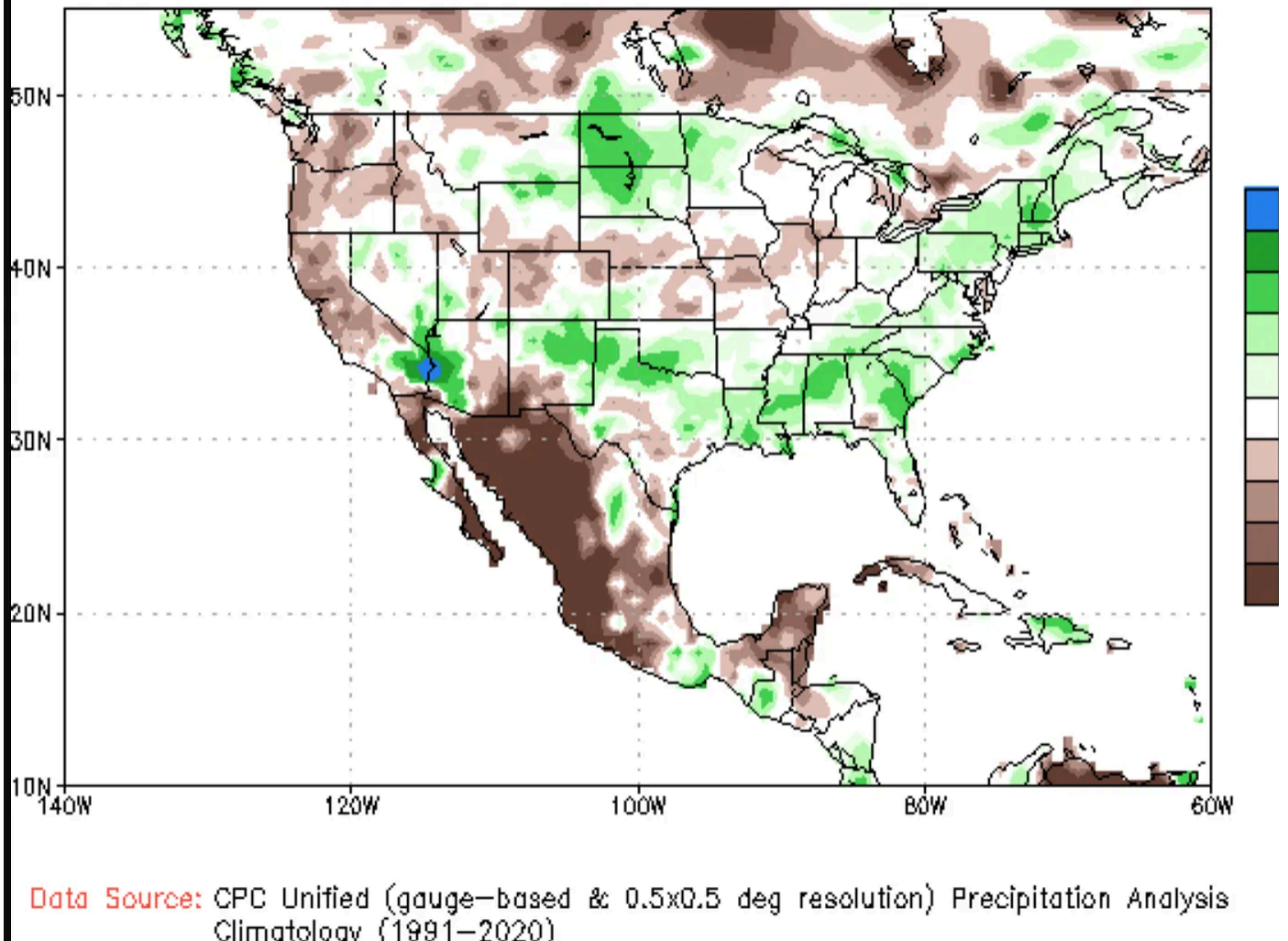
You may have noticed, we've yet to mention tariffs. Why? Well, in our estimation futures markets have been amazingly resilient toward the nation's new trade policies post "liberation day". In fact, before planting season, December 2025 corn attempted to climb within a dime of February's highs, spitting in the face of constant tariff related narratives and uncertainty. You may remember a few highlights: non-China export business flooding into the U.S. trying to beat tariffs, then USDA lowered ending stocks, then Brazil's export bids caught fire...for a couple weeks we were actually the beneficiary of a demand - led rally while we tariffed China at 145%. It wasn't until Mother Nature had to get in the way - opening up our planting window - where prices fell under pressure.



Shortly thereafter, we were blessed with a couple headlines the market eventually deemed unimportant. First, a surprise reversal in U.S./Chinese trade relations where both parties agreed to drastically lower tariffs and we on a bilateral agreement. Pretty positive development, right? Well, shortly after (the next day) USDA surprised everyone with lower ending stocks estimates for 24/25 AND 25/26 crop years in their May WASDE report. Another positive. Did markets rally?? No. Since then, both corn and bean futures have been sideways at best. Why? We'd again argue mother nature is to blame.



30-day Accumulated Prop % of Normal 22APR2025-21MAY2025



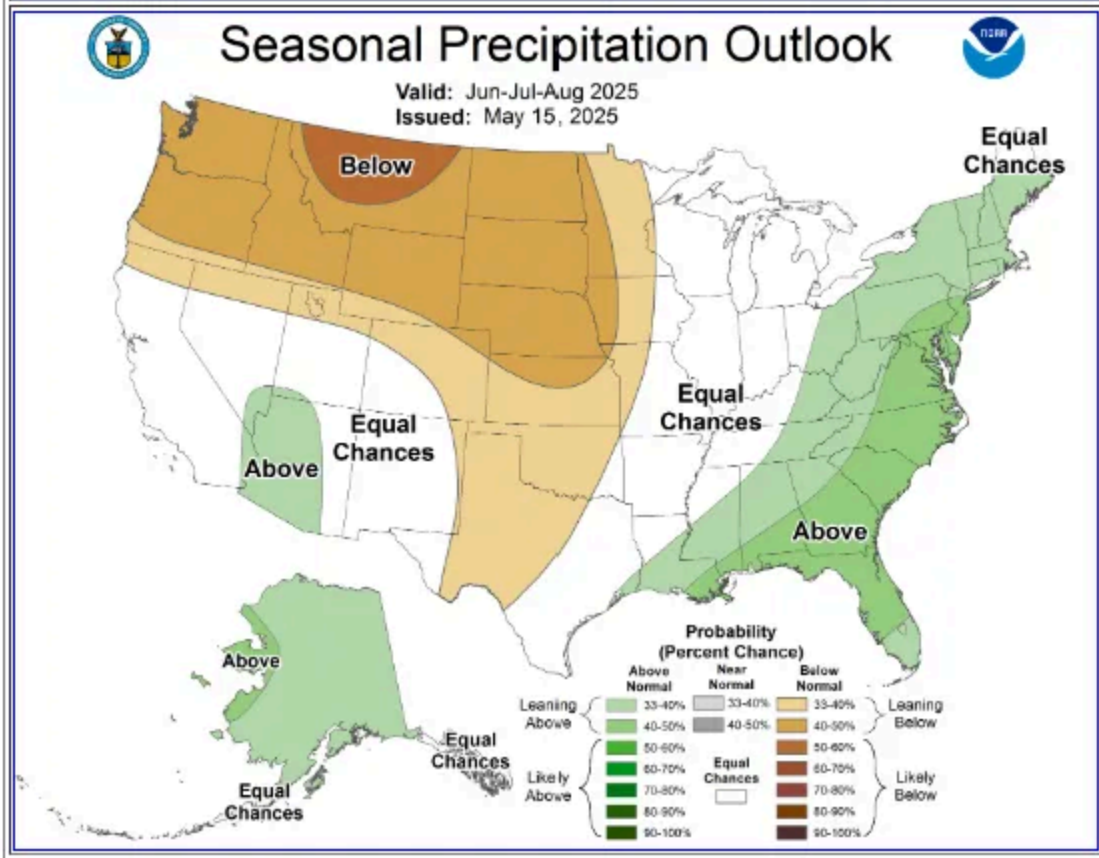
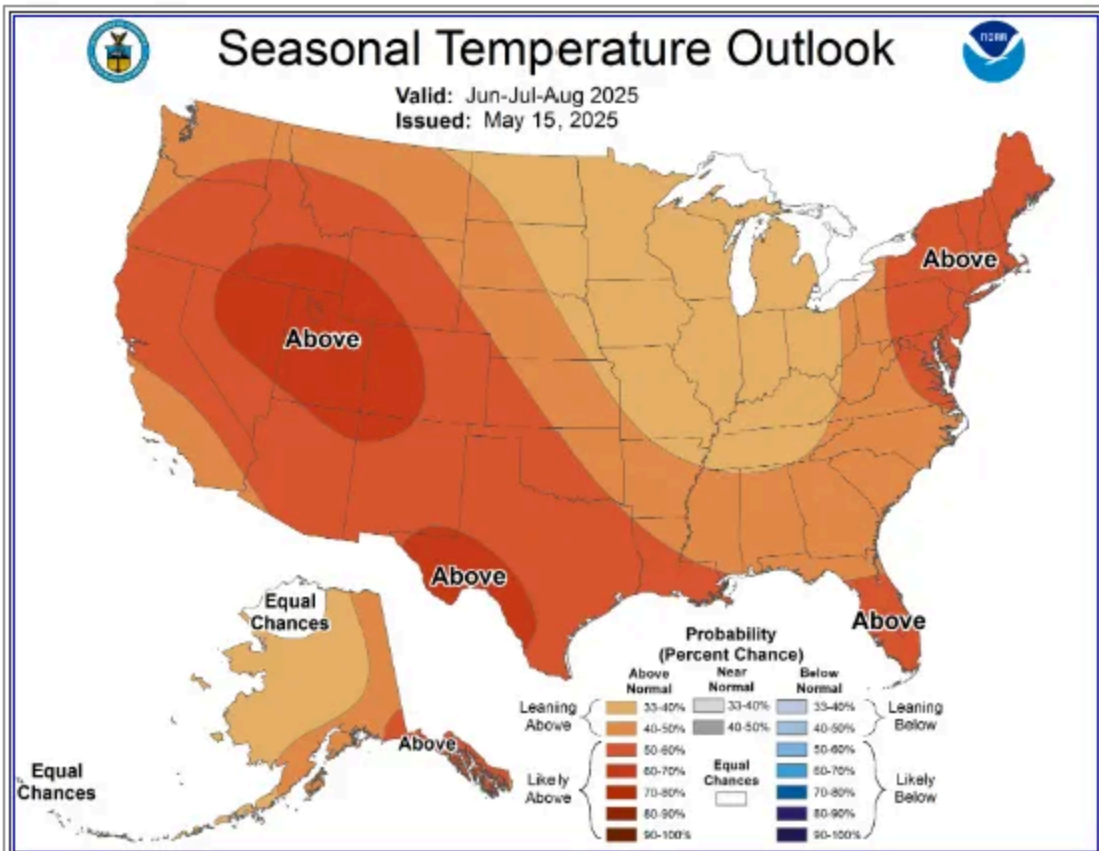
Are there problem spots? Sure. Always are. But the 2025 planting season's story will read: crop in the ground quickly, immediately followed by adequate moisture. Not overly supportive to the grains complex. There endeth the story of the last 30 days.

What's Next?

If you've been following along on our daily wires, you may be thinking "wait, I thought these guys were bullish". You'd be correct! Despite an ideal start to the growing season, we're not throwing any towels just yet, and there's a few key reasons why.

1. Long range forecast
2. Tighter than expected balance sheets
3. Corn exports
4. The government

Let's start with the weather.



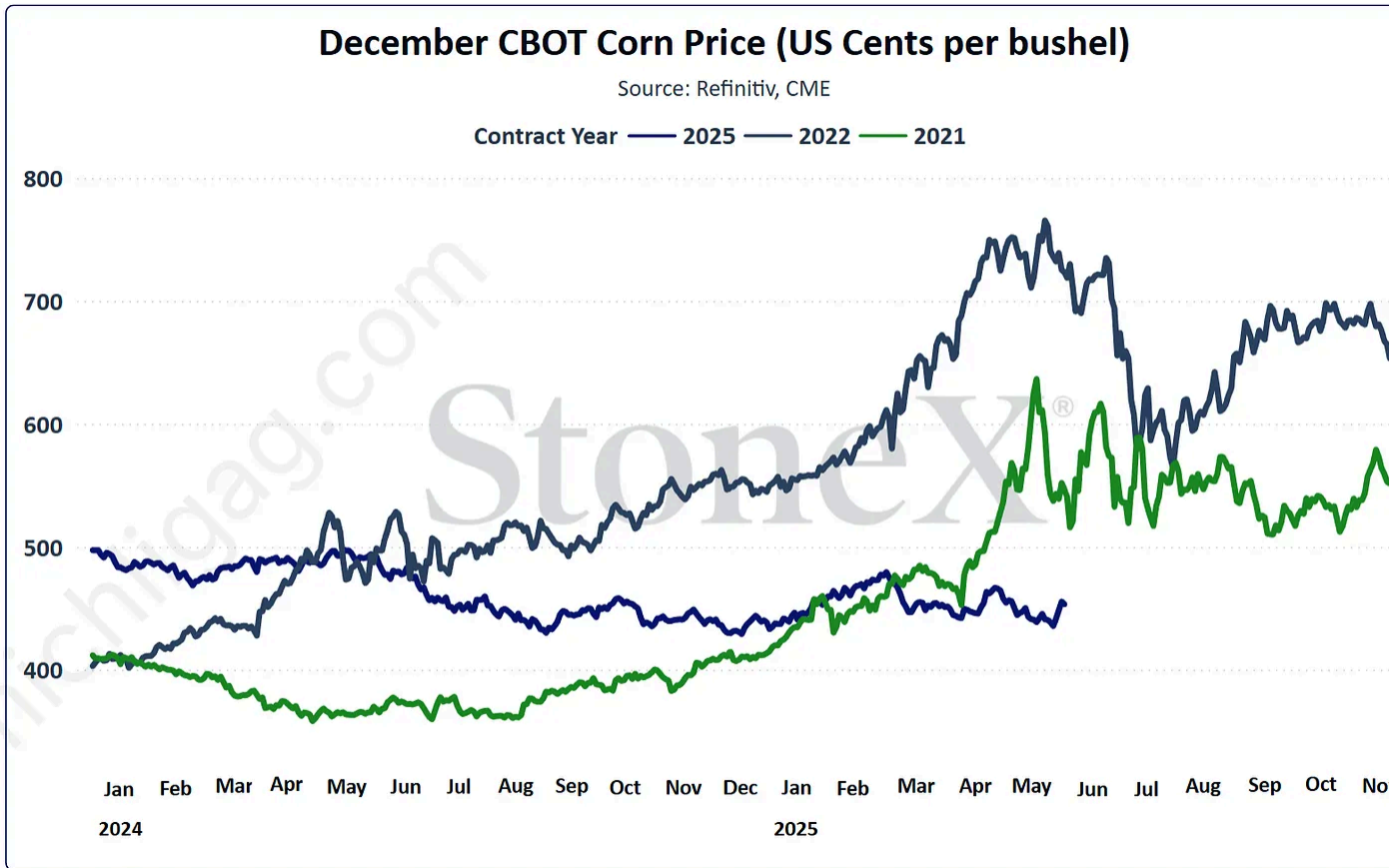
The market loves to “kill the crop” a few times per growing season. What does that mean? It means every so often, it gets hot and dry in the U.S. To bet against a weather event impacting our marketplace in a positive way is the same thing as betting on perfect weather. Could it happen? Sure. Will it happen? Unlikely. See NOAA’s long-range forecast above. We’re not suggesting this forecast is 100% accurate. We’re simply arguing that on Memorial Day weekend, which horse would you rather bet on? The “weather stays perfect” horse or the “something might change” horse?

This brings us to point number two - good ole S&D’s. USDA’s first go-round estimating the 25/26 balance sheets this month highlights the importance of mother nature cooperating this summer. To demonstrate, we’ll start with corn.

Corn	20/21	21/22	22/23	23/24	24/25	24/25 Alt.	25/26	25/26
Acres Planted	90.8	92.9	88.2	94.6	90.6	90.6	95.3	96.3
Acres Harvested	82.5	85	78.8	86.5	82.9	82.9	87.4	88.3
Yield	172	176.7	173.4	177.3	179.3	179.3	179.3	178
Carry In	1927	1234	1377	1362	1763	1763	1415	1315
Production	14184	15020	13657	15337	14867	14867	15820	15710
Imports	25	25	33	25	25	25	25	25
Total Supply	16136	16279	15068	16723	16655	16655	17260	17050
Food/Ind	1405	1405	1350	1375	1360	1360	1365	1365
Ethanol	5050	5320	5176	5450	5500	5500	5500	5500
Seed	30	35	32	38	30	30	30	30
F/S/I	6485	6760	6558	6863	6890	6890	6885	6890
Feed	5650	5670	5487	5800	5750	5750	5900	5900
Exports	2740	5472	1661	2300	2600	2700	2675	2400
Total Usage	14875	14902	13706	14963	15240	15140	15460	15190
Carry-Out	1261	1377	1362	1760	1415	1315	1800	1860
Stocks/Use	8.5	9.2	9.9	11.8	9.3	8.6	11.6	12.2

The main thought behind our friendly short-term bias toward corn futures has to do with USDA's borderline responsibility to take 24/25 corn exports higher next month. We're on a corn exporting tear this year, even without Chinese purchases. AND folks we know in the export business tell us the fairy lady ain't singing yet - suggesting corn boats have been sold well into the summer - when Brazil was supposed to take over. Cumulative corn sales to 2.491 billion bushels so far, only 109 million off of USDA's May estimate. For reference, last week's sales totaled 47 million bushels. The point? It's not going to take much longer to exceed the current bogey.

So, let's assume Uncle Sam is reasonable and increases corn exports by 100 million bushels in the June WASDE report. Our 24/25 balance sheet looks a different if/when that happens (see graphic above). We're talking a very similar setup to 2020/2021. Throw hot & dry weather into the mix, shading some temporary doubt on this year's production potential and you've got yourself a rally opportunity. Remember, last year the U.S. achieved record breaking corn yields. Playing the odds again, what are the chances it happens two years in a row?

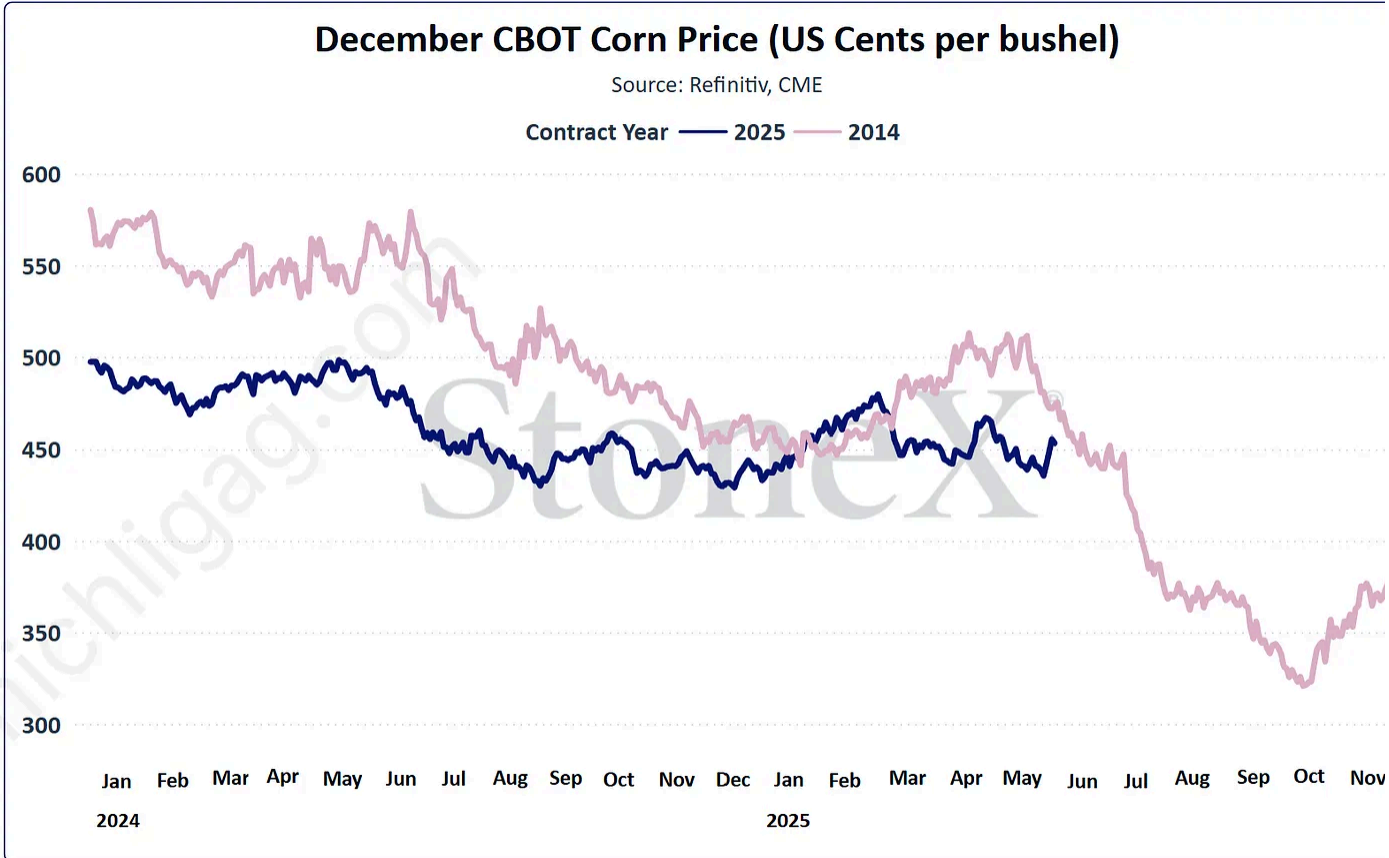


Now, how/why could we be wrong here? A) The weather stays great. B) USI changes nothing - which they've been known to do. C) Enough cheap wheat has made it into feed rations out west to offset higher corn exports.

We haven't spent too much time talking about point C of late, but cheap wheat does pose a threat to our "tight corn balance sheet" narrative. However, typically if/when USDA makes those changes they come later on in the crop year, potentially giving us time for markets to overreact in a positive manner if our assumptions are correct. We view this event as low risk over the next 30 days.

If point A materializes though, it's not going to be a fun summer. As you can see in our alternative S&D estimates above, we're in the "we planted a lot of corn" camp this spring. In our opinion, corn futures play out like 2014 if mother nature decides to bless us with ideal weather. The similarities are

uncanny to this point, and problems to solve will be limited. We're also of the opinion that this year's export pace - an awesome story thus far - will not carry over into 25/26. That kind of setup very rarely happens in back-to-back years.



On to soybeans, everyone's favorite weed. We know folks love to hate on frijoles, but we actually believe their setup is the most constructive of the three major U.S. crops. See below.

Beans	20/21	21/22	22/23	23/24	24/25	25/26	25/26 a
Acres Planted	83.1	87.2	87.5	83.6	87.1	83.5	82.5
Acres Harvested	82.3	86.3	86.2	82.3	86.1	82.7	81.7
Yield	51	51.7	49.6	50.6	50.7	52.5	50.5
Carry In	528	255	276	264	342	350	350
Production	4199	4463	4275	4167	4366	4340	4125
Imports	20	10	18	25	25	20	25
Total Supply	4747	4728	4569	4456	4734	4710	4500
Crush	2135	2205	2212	2290	2420	2490	2475
Exports	2250	2145	1992	1700	1850	1815	1700
Seed/Feed/Resid	107	102	101	121	114	110	121
Total Usage	4492	4452	4305	4111	4384	4415	4296
Carry-Out	255	276	264	342	350	295	204
Stocks/Use	5.7	6.2	6.1	8.4	8.0	6.7	4.7

As you can see, in our opinion we're an "average" year away from waking up one day shouting, "where'd all the beans go??"

Now, we do recognize a few things need to move back toward status quo for the stars to align and the market to buy acres back. A) The U.S. and China need a trade deal. B) The government needs to address our ongoing biofuel battle. C) Brazil can't continue to expand soybean production at the same rate as last year.

Points A and B have the potential to completely change the landscape of our marketplace, let alone the soybean complex. We remain hopeful that deals are struck in both cases. Our opinion - there's too many folks in the biofuels industry who have invested billions of dollars into infrastructure over the last five years to see their investment go up in flames. Additionally, this administration has reiterated several times it's for the farmer. This administration has reiterated several times it's for a self sustaining energy

supply. It just seems unlikely that we blatantly overlook both those initiatives by limiting growth in biofuels.

As for China, well, fingers are squarely crossed. From a macroeconomic standpoint, it feels like there's enough pressure on the U.S. equity and bond markets to limit anymore irrational trade policies. At the end of the day, a great deal of the countries we're soliciting to buy our debt are the same ones we're trying to tariff. Not a great setup, especially when the latest spending legislation is set to increase our national debt substantially. Said another way, without trade deals we're biting the hand that feeds our U.S. economy and our spending problem. Feels like resolution is a better alternative to a recession.

We'd also add that points A, B, and C, are all 3-4 months away from being decided. Given the figures USDA gave us last month, mother nature is the one who holds the cards for the soybean prices. And just like corn, a weather scare in the U.S. could really strike fear into the market. There isn't a lot of room for error...

Strategies We Like

If you break down the paragraphs above our take is this: corn and bean markets are setup nicely for the next 30 days, after the June acres report we need to catch a few breaks to rally futures further - particularly corn futures. So, how can we plan accordingly?

We'll start with soybeans....we wouldn't sell a thing until we have a better feel for U.S. biofuel policy and planted acres numbers. Prices remain below crop insurance levels. And again, the initial S&D estimates from USDA are too small to play from the short side in our opinion. If there are growers out there who completely disagree with our take, we'd encourage re-owning sales on paper via options, short or long-dated.

For corn risk management we're a fan of one in particular: combining new crop 2025 sales with the sale of 2026 options

This strategy sells option premium. The reason we like selling option premium today is because of our friendly bias toward corn prices in the short term. More unknowns = more price potential = more volatility = options worth more. We also believe most producers are less than 25% sold on new crop 2025 - not enough exposure to limit OTC strategies yet.

If we're friendly, why sell now? Ultimately, we believe we put too many corn acres in the ground this spring to rally December futures past \$5, maybe even \$4.80 depending on how the weather shapes up. Let's go through an example

Sell 10,000bu at \$4.50 Dec 25 Futures

Sell Dec 26 \$5.00 call option expiring 11/20/26, collect 28c

Net sale for new crop 2025 = \$4.78 futures + fees

Risk: Selling another 10,000bu at \$5.00 vs Dec 26 if Dec 26 futures close at or above \$5 on 11/20/26.

In our opinion, this juice is worth the squeeze. Both \$4.80 for 2025 and \$5.00 for 2026 are solid "worst case sale" levels. If you'd like to learn more, please don't hesitate to reach out or contact your local originator. Most grain companies offer solutions like this particular one.

As is the nature of our industry EVERYTHING is subject to change. Lord knows there's plenty of outside and inside noise making our markets volatile. We'll keep our heads down keeping you informed and looking for profit when it rears its head.

THANK YOU FOR READING

← Previous

Next ·

Discussion about this post

Comments Restacks



Write a comment...