DITSCH TRADING

January 2025 Monthly Commentary

January featured various crosswinds tugging and sometimes throwing markets in different directions, oftentimes driven by the latest headline or social media post.

A few major events took place in January. First, USDA revised 2024 production of corn and soybeans significantly lower in their January release. While lower production levels were anticipated, nobody expected them to be to the degree realized. USDA reduced US soybean production by nearly 3 MMT and corn production by 7 MMT. This is a historically large revision. Both corn and soybean markets took the cue from that report and worked higher throughout the month.

Second, President Trump returned to the role in January. He has been very vocal about trade imbalances and suggesting tariffs will be placed not only on the usual suspects but also our allies and neighbors. This caused markets to whipsaw back and forth depending upon what imports might be taxed (such as competing veg oils from Canada) and what exports could be retaliated against (such as corn, soybeans and soybean meal). This is an ongoing issue that is not going to go away. This means more short-term volatility in all of the ag markets.

Third, South American weather has generally turned for the worse. While not a disaster, I will say that Brazil soybean production ideas have dropped from mid 170s MMT to low 170s MMT with Argentine ideas now in the mid to upper 40s MMT vs. earlier ideas near 50 MMT. If we assume Brazil now around 172 MMT and Argentina 46 MMT (and throw in Paraguay near 10 MMT), that would suggest USDA is about 4 MMT too high on their combined South American production. Just a month ago it looked as if the static USDA estimates would turn out too low. On the other side of the equation, Chinese imports and crush look to end up well below USDA estimates while US combined exports and crush also look correspondingly too high. There are a lot of offsets in place here, and it still looks as if world soybean stocks will increase by 13-15 MMT with the bulk of that accumulating at origin (US, Brazil, and Argentina). It just doesn't look quite as burdensome as it did a month ago.

While soybean stocks are decreasing from burdensome to somewhat less burdensome ideas, corn stocks are potentially decreasing into tight territory. The reduced US crop combined with less than favorable South American weather are both contributing. As US producers decide what to plant in 2025, they do now see some positive margins (and above last year) versus fears of negative returns. Thus, the corn/soybean acreage pie should hold fairly steady even with slightly higher acreage going to other crops. The market will want 94-95 million corn acres, which would suggest soybean acreage near 83-84 million. Stay tuned in March.

We are in a time period in which trading has been and probably will continue to be very difficult. The idea is to keep things small until the risks and opportunities can be better defined. The longer-term fundamental that does remain is that the world continues to produce 10+ MMT more soybeans than it consumes on an annual basis. At some point the market will want to address this in a more meaningful way, but it appears as if that will be after the US gets the crop into the ground.

Regards,

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February 6, 2025

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