MONTHLY MARKET UPDATE

January Monthly Market Update

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NOVEMBER SUMMARY

- Palm prices continue to move lower.
- US soybean oil exports are well ahead of the USDA crop year estimates
- Market volatility ahead of imminent tariffs on goods from Canada, Mexico and China
- Record US soy crush rates
- Dry conditions in Argentina a concern for soybean production and too much rain in Brazil is delaying harvest
- Delayed Brazil soybean harvest will delay the safrhina corn crop

March Soybeans	
Open	$ 9.9640
High	$ 10.7620
Low	$ 9.7860
Close	$ 10.4200

Palm Oil	
Open	$ 1,088.75
High	$ 1,088.75
Low	$ 1,015.50
Close	$ 1,024.25

March Soybean Meal	
Open	$ 307.20
High	$ 319.00
Low	$ 287.80
Close	$ 301.10

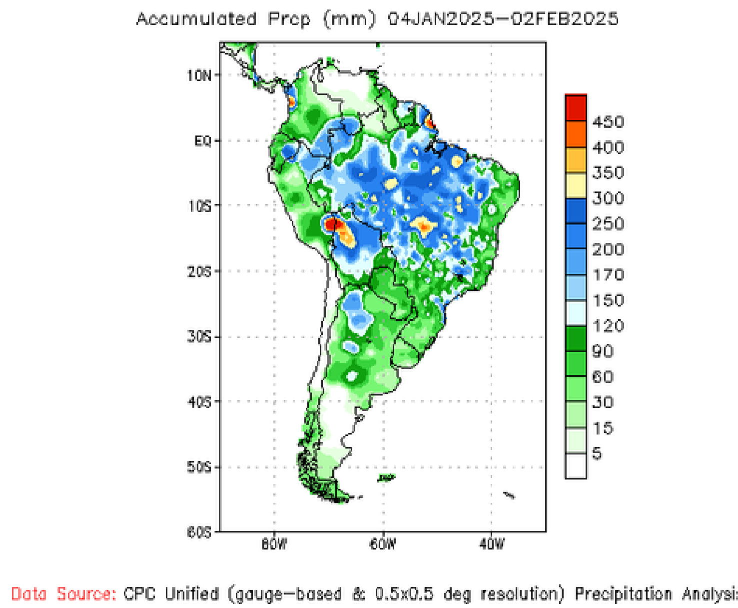
March Corn	
Open	$ 4.5720
High	$ 4.9740
Low	$ 4.4920
Close	$ 4.8200

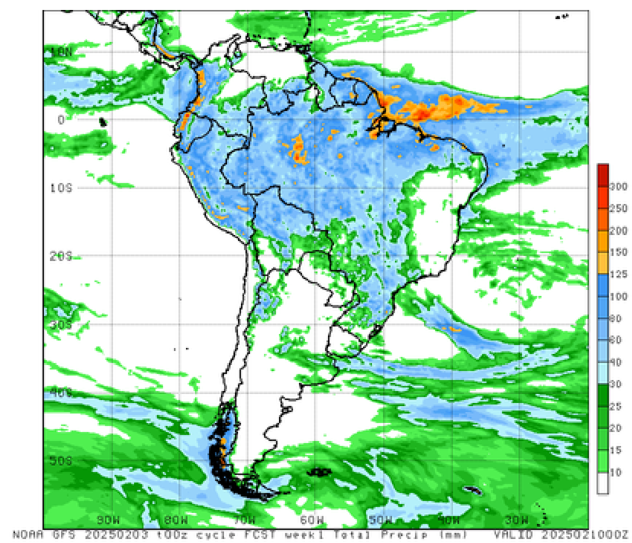
March Soybean Oil	
Open	$ 0.3985
High	$ 0.4710
Low	$ 0.3917
Close	$ 0.4611

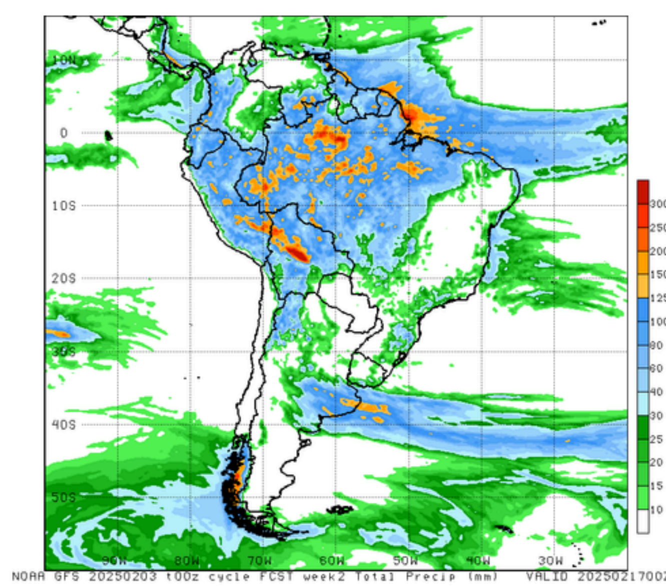
March Chicago Wheat	
Open	$ 5.5160
High	$ 5.6960
Low	$ 5.2600
Close	$ 5.5940

SOAM WEATHER

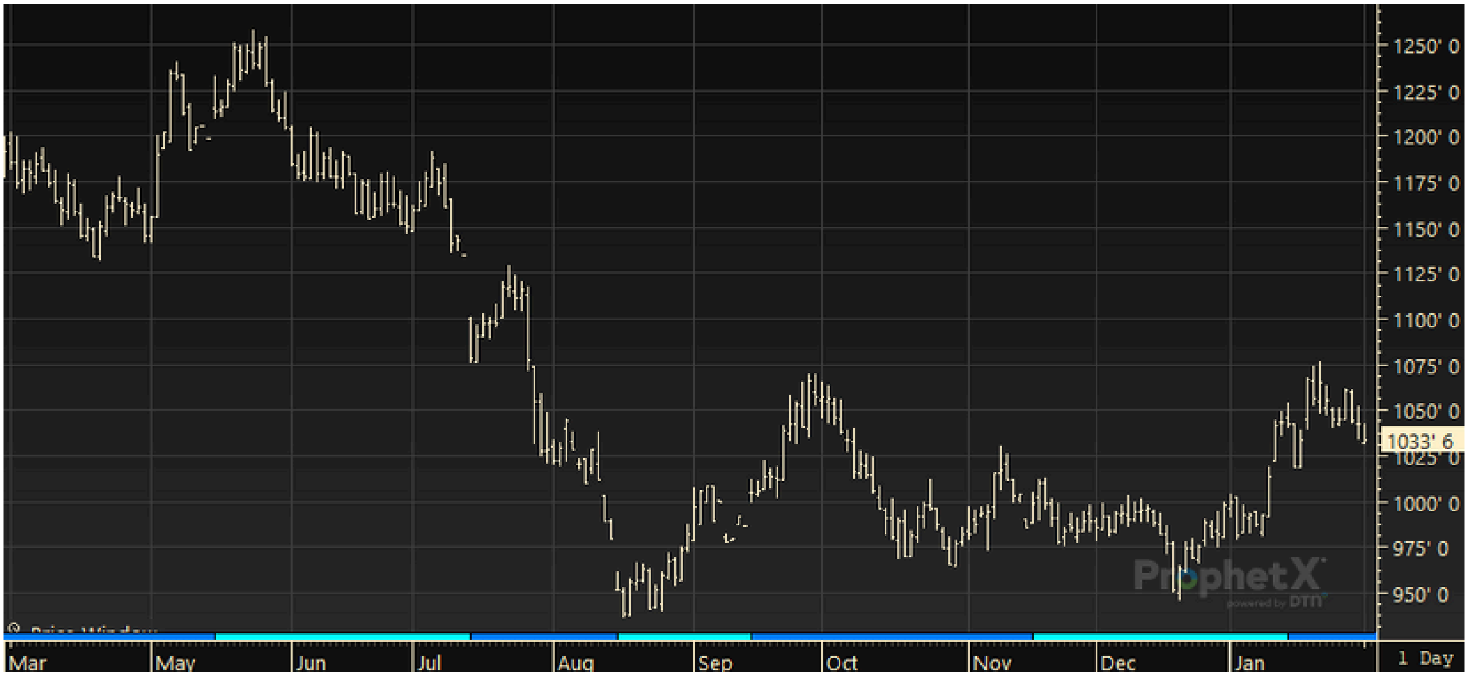
Things have taken a bit of a turn when it comes to South America. Central Brazil has been hit with very heavy rains over the last month which has caused soybean harvest & Safrinha corn planting to be historically slow. This shouldn't have too much of a negative impact on the soybean crop, but there is an ideal planting window for the Safrinha corn crop (the largest Brazilian corn crop) and this slow harvest is making it look like that corn crop will be planted outside that ideal window, or not planted at all. The ideal planting window lines up with the rainy season. If the crop is planted too late, it likely won't get enough rain to finish the crop off later in the season. Unfortunately, that's not the only issues when it comes to South America. Southern Brazil and Argentina have been on the flip side of the coin and have been facing hot and dry conditions that have deteriorated those crops. Argentina has been able to get some rains the past week or so but not looking at much in the 7 day forecast. We will likely continue to see delays in Brazil harvest & planting, and further crop reductions in Argentina.







SOYBEANS

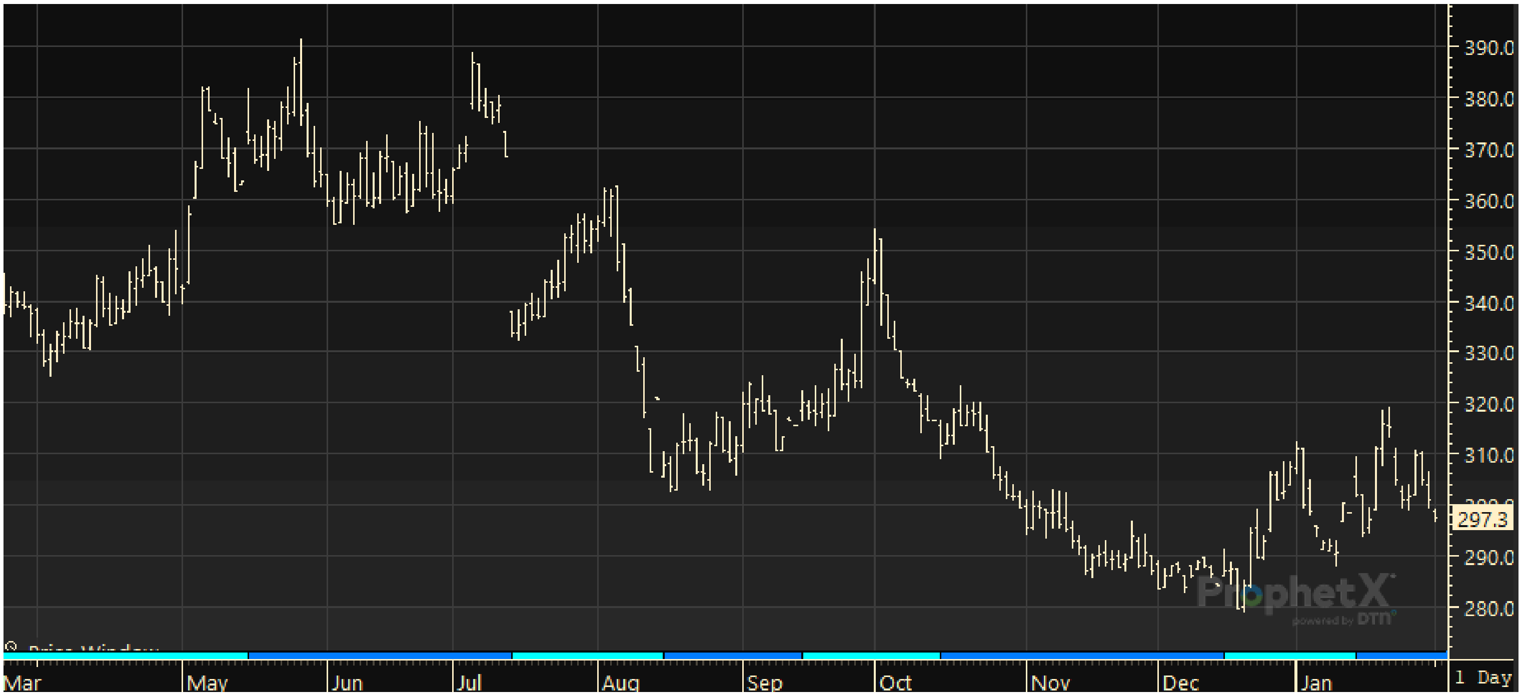


Earlier this month we received the USDA's final crop production estimate. The report highlighted a lower soybean crop by 95 M bu. The yield was revised from 51.7 bu to 50.7 bu/acre. It was a bit surprising, as the adjustment in the final for this crop was tied for the 2nd largest in the last 15 years. Harvested area was reduced by 221,000 acres to 86.05 M acres. The total estimated soybean production is now 4.366 B bu, down from 4.453.

January had the bulls excited about another great NOPA crush report. The crush number was again a record high at 206.6 M bu. December 2023 crush was reported at 195.328 M bu and the year prior it was 177.505 M bu. The market expects a similar trend when we get the January NOPA data in a couple of weeks.

Lastly, South American weather was all over the place this month. Argentina remains dry despite forecasted rains, and Brazil is getting plenty of rain. Production estimates are being lowered by analysts by upwards of 5 MMT. Argentina also announced a reduction in export taxes for grains and oilseeds. For soybeans they were lowered from 33% to 26% and for SBO taxes fell from 31% to 24.5%. This will be somewhat negative for US commodity prices.

SOYBEAN MEAL



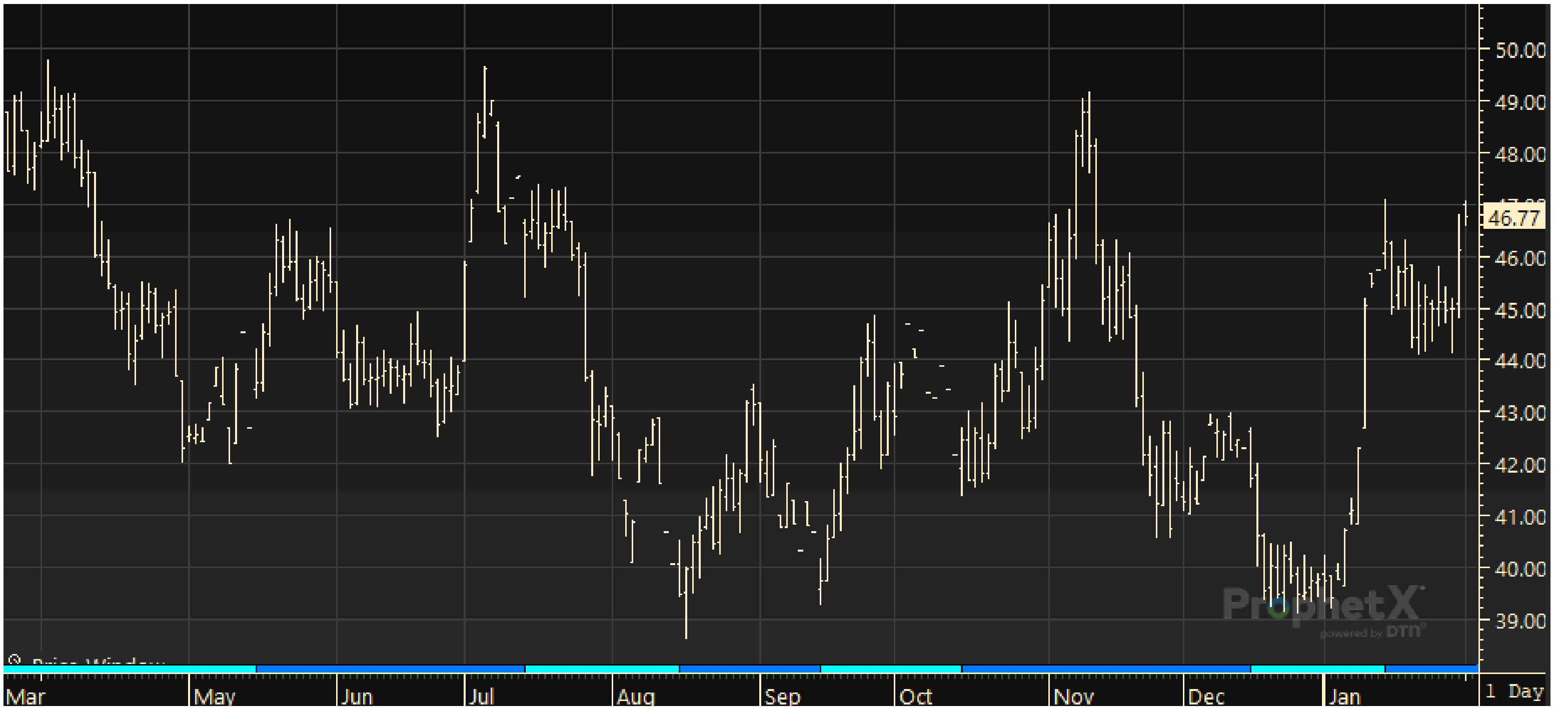
Meal prices were quite volatile in January, trading in a $25/ton range. But ultimately, prices were lower over the month, with the high coming on 1/2 at $319.90, and the month end value was $301.10 on 1/31 (-5.8%). The $300 level seems comfortable, as the market traded at or below that mark on 12 of the 21 trading days of the month.

US crush has continued to be very strong, as Sep-Oct-Nov-Dec were all record level for that month, as well as all O/N/D being above the highest levels previously seen. We expect the January crush totals to continue the trend, as early estimates are forecasting crush totals well over 200 MM bu. Argentine crush is also rolling along, setting similar record production for September-December.

US export sales were strong, as the US hit a 2-month high, with the largest buyer being the Philippines. However, as mentioned above, there is stiff competition from Argentina. This, along with the threat of Trump tariffs and a strong US$ will help keep a lid on values.

The Canada, China, and Mexico tariffs should not a huge affect on SBM as we import none, and SBM represents only about 4% of our total ag exports. So even retaliatory tariffs should have limited impact.

VEG OILS

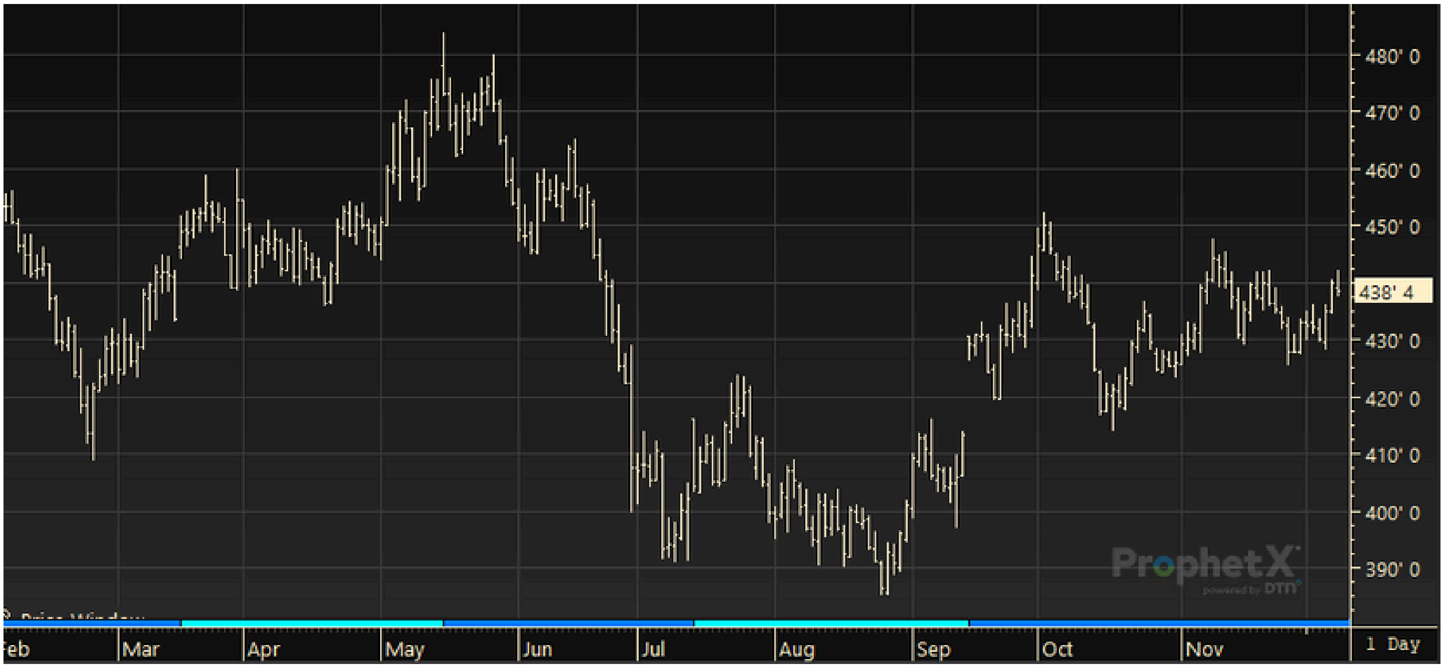


In January soybean oil prices rallied over 5 cents. Prices were supported by news that used cooking oil (UCO) would be excluded from the 45z tax credit. However, the Trump administration has pledged to repeal the Inflation Reduction Act, which includes the 45z tax credit. We likely won't get a resolution on this until sometime mid 2025. In addition to this UCO news in the US, Indonesia announced they would be restricting exports of UCO to help feed their growing domestic biofuels program.

The biggest palm news this month was that the Malaysian Palm Oil Board released its Production and Stocks report, and it indicated that ending stocks decreased to 1.71 MMT, the lowest monthly ending stocks in 19 months. The same report also showed palm production for the period of Jan 1st-20th was down 13%. We're still watching out for increased flooding in Malaysia with the threat of a monsoon.

Now that we know the US will be putting 25% tariffs on Canadian imports the reality is setting in on what the impact will be on the US canola oil market and what ripple effects might be. The jury is out on how long these tariffs might last. It is safe to say we will see buyers looking at ways to move to other oils or be forced to pass the tariff on to the consumer.

CORN



Corn futures were down slightly this week but finished up 5.4% on the month, closing at $4.82. Prices gained initial support after the January WASDE showed a smaller crop with reduced carry out. Demand remained strong as well despite rising prices. Weekly exports have been at the high end of trade expectations and weekly ethanol production has remained above 1 million barrels per day consistently.

After continued gains and peaking at almost $5.00 this week, the big story was the confirmation from the Trump admin that the proposed 25% tariffs on Canada and Mexico imports would indeed take effect this weekend (Feb 1), and prices gave back almost 15 cents in two days. To put the effects of a potential trade war in context, Mexico imported a record high 23.4 MMTs of corn from the US during the 2023/24 marketing year. The admin also proposed 10% tariffs on China, who hasn't been buying nearly as much (from any source) as they're forecasting a record corn crop.

The main bullish story comes from South America, where hot and dry conditions led Dr. Cordonnier to cut his Argentina corn estimate to 47 MMT, while his Brazil forecast is unchanged at 125 MMT, though he now has a lower bias as 30% to 40% of the safrinha crop will likely be planted after the ideal window due to soybean harvest delays.

Despite those weather concerns, several bearish factors still loom. With tariff's on our largest corn importer, a strong US dollar, prices at the highest level since 2023, and a large net long position, prices may have found a ceiling for a little while.

WHEAT

After mixed trade to start the month, wheat prices finished January higher with Chicago futures up 1.4%, KC up 3.5%, and MN up 3.4%. All three gave back some gains this week after Friday's tariff announcements, following corn back downward.

Here at home, crop conditions are in decent shape. January brought winter kill concerns with the lack of snow and arctic temps, but these areas can still recover with good spring weather. US exports have been better than expected, with weekly inspections reaching a 17-week high last week. The big export story has been Russia, where shipments are forecast to drop by 20% this crop year due to poor growing season weather. Their Ag minister estimates 45.6 MMT of wheat exports this year vs. last year's record of 57 MMT; SovEcon is even lower at 42.8 MMT. India's wheat is also at risk with a warm February ahead. While the USDA is still forecasting a better India crop than last year (+3MMTs), ending stocks will be very tight for what they consume, so any widespread drought could make them a net importer.

This could push demand our way, but the US will still have to contend with cheap supplies coming online from Australia and Argentina, the latter of which just lowered export taxes from 12% to 9.5%. With all three wheats still at the low end of recent trading ranges and large short positions in each, it's hard to be too bearish, but a strong US dollar, cheap competition to fill Russia's gaps, and higher US ending stocks will probably keep prices mostly sideways this next month.

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