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With Futures Prices Rallying Again, Early-Year Highs In Soybeans & Cattle Should Be Considered In Your Risk-Profit Plan

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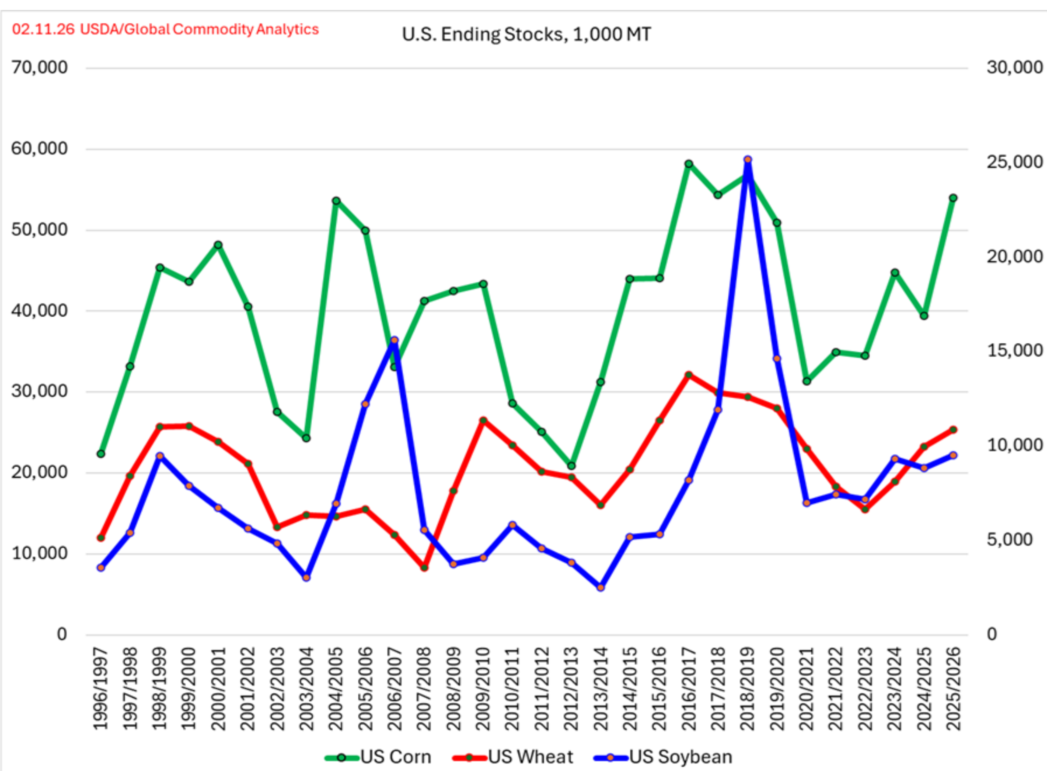
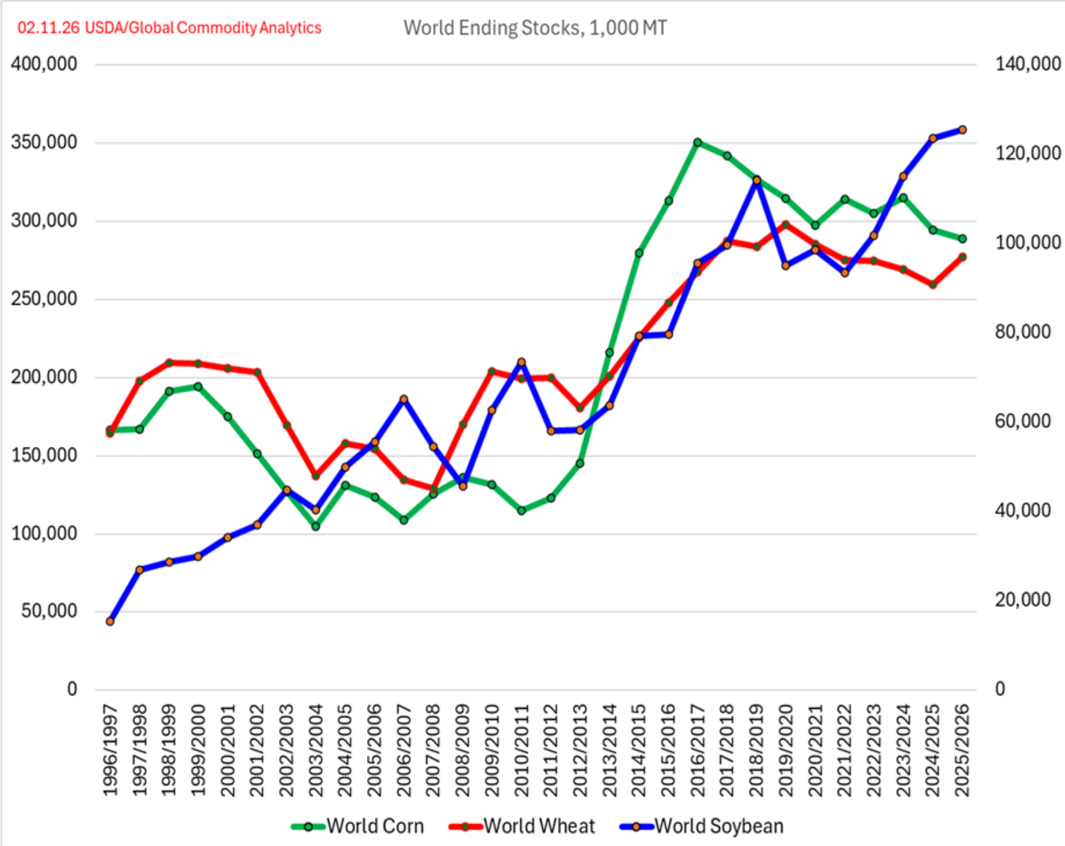
As I Continue To Await A Major Crude Oil & Wheat Low—As An Indication For A Possible Major Low In The Commodity Sector As A Whole—Price-Action Heading Into The Agr. Forum Into March Has Been One Where Trade Policy & U.S. Supply-Demand Fundamentals Outweigh Global S/D Fundamentals. Since last month's writing, we have indeed seen increased tensions between the U.S. & Iran; this has helped give the WTI Crude the appearance of a price low; SRW Wheat is beginning to respond as well, with the help of warm/dry weather in the HRW Wheat-Belt. But neither have "broken-out" yet, technically-speaking, in my view. In light of this, and in light of the fact that the Supreme Court still hasn't ruled on the validity of Pres. Trump's tariff policy (as of the time of this writing), the trade has once again re-focused its attention on trade policy news heading into the February WASDE report: specifically, the EPA 45Z announcement, followed by Pres. Trump's announcement that China is due to add another 8 MMT to their soybean purchases in the short-term, and this then being followed by a U.S.-India bi-lateral trade deal [the U.S. will reportedly cut tariffs to India from 50% to 18%, and India will reportedly make concessions to U.S. agriculture products such as soyoil & DDGs]. Among all of these policy initiatives, soybeans have rallied sharply, helped (if not led) in my view by the soyoil.



Given This Policy News, The Familiar Trend of The Futures Market of Buying Soybeans & Selling Corn Continued Heading Into The USDA Agr. Outlook Forum. The question needs to be asked: *With USDA raising the Brazil soybean production a total of 5 MMT to 180 MMT, and pushing World Soybean Ending Stocks to a fresh record-high of 125.5 MMT, are soybeans building a*



demand premium thanks to expectations of higher soy crush for bio-based diesel? I believe that to be the case; and we'll likely have a better idea of this with USDA's fresh agriculture baseline projections. In addition, and potentially just as key to our risk-profit plan: the recent Nov. Soy/Dec. Corn Ratio has eclipsed 2.42 (soy is 2.42 times the price of corn). This historically can suggest that soybeans are now trying to "buy" acres for 2026 at the expense of corn, especially given that February is the month when the "base price" for crop insurance is calculated for both. Will USDA show this as well? For 2026, given rotation back into soybeans, my planted acreage forecast is 93.0 Mln. corn & 87.5 Mln. soy planted acres. Finally, when we look at the ending stocks here in the U.S. vs. the World (see charts), U.S. soy stocks are not nearly as large as global stocks; this suggests to me that if the SA crop production is a high as projected, the futures market may need to come back-around to this global oversupply at some point (unless drought worsens). In contrast, the corn has not only continued to be weighed-down by the Wheat, it has also been the short side of spreads in my view; and yet, we see world stocks low. Ukraine's YTD corn exports down over 40% & USDA raised U.S. exports by another 100 Mln. Bu. in the February WASDE. The trade seems to be focused more upon large U.S. corn stocks.

For Cattle, Tightening Supplies & USDA Raising Cash Prices Has Helped Push Futures Back Toward The Record-High: But This Latest Rally Hasn't Been Led By The Feeders. From the P/L analysis I've viewed, Fat Cattle profitability continues to be record-high heading into early summer; after that, sharply higher prices paid for Feeders likely puts many ranchers "in the red" after summertime without higher futures prices in the deferred contracts. This is why—like soybeans—I am focusing my attention upon the potential for an early year high (unless drought worsens). This is especially key given that the main reason I think the Feeders haven't led the Fats higher this time around is due to the news headlines surrounding TX and the U.S. in general preparing for screwworm to enter this country sooner rather than later. If this were to occur, the likelihood of re-opening the Mexican border increases, and with this I think we need to be prepared that investment funds may liquidate long positions. I don't know whether this would have a serious impact on cash Feeders or not; but I think it could. Along the same lines, I am more concerned about Feeder futures being sold in case the corn market finally finds its low; I think the investment funds are essentially "long feeders/short corn" currently. Like Fats, I think being ready to hedge if prices re-test the old highs is something to seriously consider…especially if we see a correction in the equity markets later in the year (because I see this as having a lot to do with the positive sentiment related to retail beef consumption).

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