ADM Investor Services, Inc.

Monthly Commodity Futures Overview
January 2025 Edition

Grain Market Outlook for the United States and South America by Mark Soderberg, Senior Grain Market Specialist, ADM Investor Services

*The following report is an overview of the US and South American economic, political and crop situations as of **January 15, 2025.** This report is intended to be informative and does not guarantee price direction.*

Corn

The USDA January production, WASDE and stocks data was bullish for corn and in my opinion shifted the fundamental value range higher. The old resistance for spot futures at $4.60 is now support with the top side of value likely in the $5.00-$5.10 range. The USDA slashed 2024 production 276 mil. bu. to 14.867 bil., roughly 140 mil. below expectations. The average yield was down nearly 4 bpa to 179.3 bpa. Yields were cut across several key states with Indiana down 11 bpa, down 9 in Kansas and Minnesota, 8 lower in Ohio, 7 in Wisconsin, 6 in Nebraska, 2 in Iowa and South Dakota. Harvested acres were up 186k from the November 2024 forecast. December 1 stocks at 12.074 bil. was 75 mil. below expectations. Ending stocks for the 2024/25 MY slipped to 1.540 bil., 135 mil. below expectations despite lower usage. The USDA cut feed usage 50 mil. bu., while exports were down 25 mil.

The average U.S. farm price was only raised $.15 to $4.25. Globally, there was not much change outside of the impact from lower U.S. production and stocks. As we expected, the USDA made no changes to South American production forecasts, keeping Argentine production at 51 mmt and Brazil at 127 mmt. The USDA chose to hold off for at least a month to see how the recent hot/dry stretch from Central Argentina into Southern Brazil plays out into early February 2025. The USDA did cut China imports 1 mmt to 13 mmt for the 2024/25 MY. Brazil's domestic usage (ethanol) was raised 2 mmt to 87.5 mmt while exports were cut 1 mmt to 47 mmt. Keys to price direction over the next month will be whether rains and cooler temperatures bring relief to central Argentina and southern Brazil, and if dryer conditions are able to set up across central growing regions of Brazil enabling soybeans to be harvested and the second corn crop to be planted. Speculative traders have built their largest long position in over two years, which may limit the upside above $5.00.

Corn Futures - Weekly

Chart from QST

Soybeans

The January USDA data was also supportive for the soybean complex as well. While prices have quickly responded to the upside, I suspect soybeans may run out of steam a bit more quickly than corn prices if a more favorable South American weather pattern sets up in late January into February. That is a big "if," however. The USDA cut 2024 soybean production another 95 mil. bu. to 4.366 bil., 85 mil. below expectations. The average U.S. yield was cut 1 bpa to 50.7 bpa. Yields were cut across several key states with Indiana, Kansas and Tennessee all down 3 bpa. Yields in Michigan, South Dakota, Nebraska and Ohio were all down 2 bpa. Harvested acres were down 221k from November. December 1 stocks were at 3.10 bil. bu., while up 100 mil. from a year ago, were down 130 from expectations.

The USDA made virtually no changes to their usage forecast resulting in ending stocks for 2024/25 falling 90 mil. bu. to 380 mil. Imports were raised 5 mil. bu. The average farm price was unchanged at $10.20 bu. Bean oil exports were raised another 500 mil. lbs. to 1.6 bil. Usage for biofuels was down 400 mil. Like corn, the global soybean balance sheet was little changed outside of the changes in the U.S. The USDA kept its Argentine and Brazilian production forecasts unchanged at 52 and 169 mmt respectively. With spot bean prices $1.00 above the December 2024 lows as of this writing, the key to price direction over the next several weeks likely to hinge on rainfall across central Argentina.

Wheat

The January USDA data was neutral to bearish for wheat prices. U.S. ending stocks were little changed at 798 mil. bu., however in line with expectations. December 1 stocks at 1.570 bil. were up 150 from a year ago. However, also in line with expectations. The acreage data tilted bearish as the USDA projected 2025 winter wheat acres at 34.1 mil., which is up 725,000 from a year ago vs. expectations of unchanged. The by class breakdown show HRW acres up 213k to 24 mil., SRW up 378k to 6.44 mil., white up 100k to 3.64 mil. Global stocks were slightly higher at 259 mmt at the high end of expectations. Russian exports were cut 1 mmt to 46 mmt while Ukraine exports were down .50 mmt to 16 mmt. The USDA made no changes to major producers in the Southern Hemisphere. Cool dry conditions appear likely for the Southern U.S. plains in the second half of January. Be on the lookout for drought readings in the winter wheat areas to expand over the coming weeks. Speculative traders continue to hold a sizable, short position across all three classes of wheat awaiting something to ignite a short covering rally.

Softs and Energy Outlook by Mark Bowman, Senior Global Market Analyst, ADM Investor Services

*The following report is an overview as of **January 15, 2025** and is intended to be informative and does not guarantee price direction.*

Cocoa

The cocoa market has spent the past month consolidating after trading to a record high on December 18. The West African main crop got off to a strong start, but the emergence of drier than normal conditions (albeit during the traditional dry season) has lowered expectations. As of January 10, Ivory Coast port arrivals for the 2024/25 season were running 27% ahead of last year but 21% behind two years ago. This suggests that global production will have a difficult time making up for three straight years of deficits. Swiss chocolate maker Lindt & Spruengli recently raised its 2024 margin estimate, and it forecast further sales growth in 2025 after reporting 7.8% organic growth for last year. The bulls see the sales growth as an indication that high prices have not deterred shoppers from splurging on chocolates.

Fourth quarter grind numbers from Europe, North America and Asia are scheduled for January 16. Third quarter results showed European grind -3.3% from a year ago, and the 12-month total -1%. Asia was +2.6% from a year ago, and the 12-month total was -2%. The North America grind was +11.6% from a year ago, and the 12-month total was +3.5%. With nearby +51% during the fourth quarter, traders are on the lookout for a drop in grind.

The ICCO will publish its first estimate for 2024/25 at the end of February.

Coffee

NY (arabica) coffee spent the past month consolidating its latest move to all-time highs. The trade is still concerned that last year's drought in Brazil will have a negative effect on the 2025 crop, but a pattern of decent rainfall over the past two months has mitigated some of those concerns. The question remains whether the trees will have enough energy reserves to produce a strong crop. Anecdotal reports earlier this season pointed to strong branch growth but a lack of cherry development. In late November/early December, several analysts lowered their forecasts for 2025 production.

The trade is also waiting more details on Vietnam's crop, which suffered from drought last year but is expected to see an improvement this year. Vietnam produces robusta beans, and a shortfall in last year's crop led to a tight coffee supply overall, as buyers looked to arabica to cover some of their needs. March NY coffee's move to new highs last month was met with significant divergence against momentum indicators like RSI and stochastics, which suggests a loss of bullish momentum.

Sugar

The downtrend in the sugar market continues with a recent move in March sugar to its lowest level since late August. The market fell under pressure this week on reports that that India may lift its restrictions on sugar exports. The Indian government has banned mills from exporting sugar since October 2023 as it attempted to keep domestic prices down after a drought had reduced output. The government has been slow to lift the ban, as it is also interested in boosting ethanol production. Last month some private firms lowered their forecasts for 2024/25 production, so the talk that the government may allow exports apparently caught the market by surprise. Shares of Indian sugar companies jumped 3% to 7% on the news.

The bi-monthly UNICA report on Brazilian Center-South showed cane crush and sugar production fell sharply in the second half of December, but that is not unusual this time of year. Cane crush for the period was down 64.9% from last year, and sugar production was down 71.1% . Ethanol production was down only 8.1%, as ethanol's share of crushing capacity increased to 68.3% from 64.3% previously. Production tends to drop off sharply this time of year as the arrival of seasonal rains slow harvest and crushing activity. Cumulative crush for 2024/25 is running 4.75% behind a year ago, and sugar production is down 5.42% from last year. Ethanol production is up 3.07% from last year. The market saw a brief rally off the report but then resumed its march lower, falling to its lowest level since August 22.

The market this week is approaching the August 21 low at 17.88. A move below that would put it back into a consolidation range from 2022 between 18.00 and 16.00.

Crude Oil

Crude oil has advanced to its highest level in six months, as increased hostilities in the Middle East, a patient OPEC, a more aggressive stance on the part of the U.S. against Russian oil exports have lent support. OPEC+ was due to start lifting some of its production quotas in October, but they have postponed them several times due to low prices. The collapse of the Syrian regime, Israel's stalwart moves against Hamas, Hezbollah and the Houthis have raised tensions in the Middle East, but they have also put Iran back on it heels. News of a cease-fire/hostage exchange agreement between Israel and Hamas may lower some of those tensions. The U.S. Treasury recently announced new sanctions against Russian oil producers and exports, particularly aimed at the "shadow fleet" of tankers that have been bringing Russian oil to China and other Asian nations. The move by the Treasury has reportedly sent Asian buyers scrambling to secure Mideast oil.

In their "Short Term Energy Outlook," the EIA forecast global oil demand to increase by 1.3 million barrels per day in 2025 and 1.1 million in 2026. This was down slightly from previous forecasts, and the expected rate of growth is below pre-pandemic annual increases of 1.5 mbpd. Much of the growth is expected to occur in Asia, particularly India. The EIA expects global production to increase by 1.8 mbpd in 2025 versus +0.5 million in 2024; most of the increase due to a relaxation of OPEC+ cuts but also from increased production in non-OPEC states. U.S. production is expected to reach 13.5 mbpd in 2025 and 13.6 million in 2026, up from 13.2 million in 2024. U.S. crude oil stocks are starting out 2025 at their lowest level in six years, but gasoline and distillate stocks are more towards the middle of the range.

Crude Oil Futures - Weekly

Chart from QST

Natural Gas

The EIA's "Short Term Energy Outlook" was supportive to natural gas, as it called for U.S. demand to generally grow faster than supply in 2025. The EIA is looking for 2025 supply to increase by 1.4 billion cubic feet per day (Bcfd) and demand (including exports) to increase by 3.2 Bcfd. Exports are expected to increase by 2.9 Bcfd, mostly in the form of liquified natural gas. 2025 began with U.S. storage 6% above the five-year average, and the EIA expects it to be 4% below the average by the end of the year. Despite the recent cold trend in the U.S., the EIA forecast U.S. gas consumption this January to reach 119 Bcfd, similar to 2024 levels. It expects supply to grow at about the same rate as demand in 2026.

Livestock Outlook by Chris Lehner,
Senior Livestock Analyst, contracted by ADM Investor Services

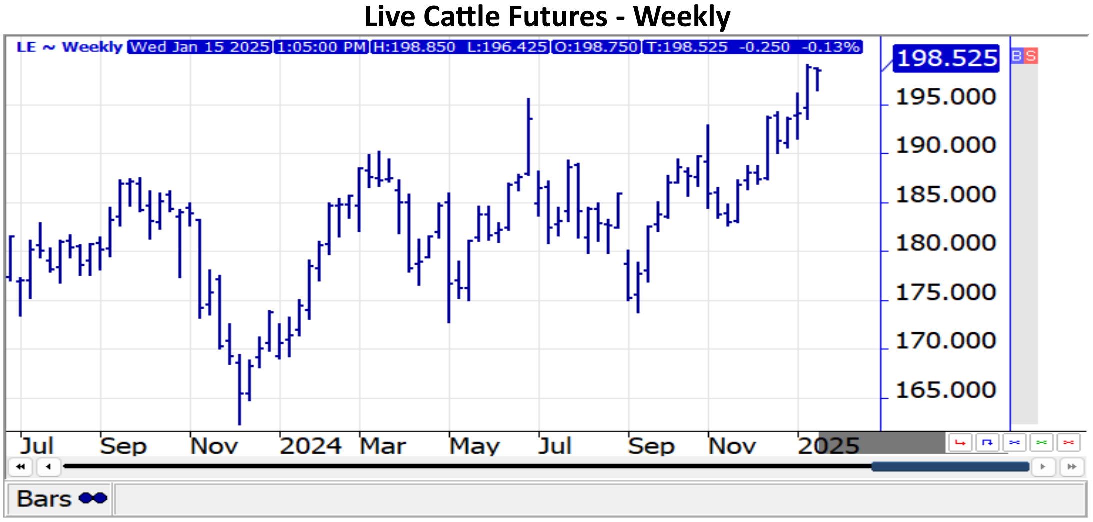
*The following report is an overview as of **January 15, 2025** and is intended to be informative and does not guarantee price direction.*

Live Cattle

From the 2021 COVID pandemic through 2024, the holidays in December have been good for cattle prices and beef prices. From office parties to home get-togethers, beef demand has grown in December. With federal cattle slaughter down over 1 million head by November 2024 following 2023 when slaughter was down over a million head, and when economists would use the high prices for beef as a factor for inflation, consumers want beef for the holidays. Even as beef prices increased in 2024, current estimates are reported U.S. consumption per capita is steady with 2023 when consumption dropped by less than one pound.

On December 2 choice boxed beef was $311.85. The cash five-day steer average price was $188.40. By December 19 the big shopping weekend before Christmas, choice boxed beef was $320.69, and the five-day average steer price was $194.99. Beef prices and cattle prices remained high into New Year’s Eve with choice boxed beef at $324.22 and cash cattle at $194.96.

Live Cattle Futures - Weekly



Lean Hogs

The estimated hog slaughter for 2024 is estimated to be up 1.7% compared to 2023. With increasing demand for pork particularly from exports, close to 5% higher for the year, plus the high prices for beef, pork prices in December 2024 were higher than 2023.

The CME lean hog Index began December 2024 at $85.21 and the CME pork index was $91.04. By mid-December the lean hog index was slightly lower at $84.16, and the CME pork index was higher at $94.70. Even though hog slaughter was over 1 million hogs in 2024 compared to 2023 prices by the end of 2024 they were higher. By year end 2024 lean hogs were nearly the same as mid-month at $84.35 and compared to end of the year 2023 at $65.57 with the pork index at $95.30 compared to $82.23 in 2023.

Lean Hog Futures - Weekly

Chart from QST

Stock Index, Currency and Precious Metal Futures Market Outlook
by Alan Bush, Senior Financial Economist, ADM Investor Services

*The following report is an overview as of **January 15, 2025** and is intended to be informative and does not guarantee price direction.*

Stock Index Futures

Stock index futures have come under selling pressure on the belief that the Federal Open Market Committee will be slow to move to accommodation in 2025. In fact, it now appears that there may be only one 25 basis point fed funds rate cuts this year when last December the feeling was that there could be a total of four 25 basis point cuts this year. Financial futures markets are predicting the FOMC will remain on hold at its January, March and May policy meetings. However, an interest rate cut now appears likely at the June meeting.

There was some recovery when Inflation reports came in softer than expected. The December producer price index increased 0.2% when up 0.3% was expected, and the producer price index excluding food and energy was unchanged when up 0.2% was anticipated. These softer than forecast inflation reports give latitude to the Federal Open Market Committee to potentially be more accommodative.

In addition, there was support for stock index futures when U.S. banks announced stronger than expected earnings in the fourth quarter of 2024.

Looking ahead, the U.S. economy is likely to perform well, which may cause the FOMC to be slower to add accommodation in 2025 than the consensus view. However, this bearish interest rate influence is likely to be offset by better than expected corporate earnings.

S&P 500 Futures - Weekly

U.S. Dollar Index

The U.S. dollar index advanced to its highest level since November 2022 as interest rate differentials continue to support the greenback. While the Federal Reserve is likely to be slow to add accommodation this year, other central banks such as the European Central Bank and the Bank of England may more aggressively be cutting their key interest rates, which is a recipe for Long term U.S. dollar strength.

There was only a temporary setback when the recent producer price index and consumer price index reports were released. In addition, there was some selling in the U.S. dollar index when the January Empire State manufacturing index was -12.6 when 1.0 was estimated.

The long-term fundamentals and technical indicators support the U.S. dollar, and higher prices are likely.

Euro Currency

The euro currency declined to its lowest level since November of 2022 as interest rate differentials continue to undermine the euro currency. In addition, economic data has come in on the weak side. For example, Germany's gross domestic product fell by 0.2% in 2024, following a 0.3% contraction in 2023, which was in line with market expectations. Also, Germany's wholesale prices increased 0.1% year-on-year in December 2024.

The long term trend for the euro currency is lower.

Gold

February gold futures put in a strong performance so far this year, despite the belief that the Federal Open Market Committee will be slow to add to accommodation, especially compared to the predictions last December that the Fed could aggressively cut its key interest rate. Any time a market can advance on bearish news it must be viewed as a sign of strength.

In addition, in the longer term view, the precious metal remains supported by ongoing geopolitical tensions and expectations of continued central bank buying.

Gold Futures - Weekly

All Charts from QST

Support and Resistance

Grains

March 25 Corn
Support 4.60 Resistance 5.10
March 25 Soybeans
Support 10.10 Resistance 10.95
March 25 Chicago Wheat
Support 5.25 Resistance 5.85

Softs

March 25 Cocoa
Support 8984 Resistance 12931
March 25 Coffee
Support 272.75 Resistance 348.35
March 25 Sugar
Support 16.73 Resistance 20.24

Energy

March 25 Crude Oil
Support 72.27 Resistance 79.23
February 25 RBOB
Support 2.0739 Resistance 2.7744
February 25 ULSD
Support 2.3640 Resistance 2.6446
February 25 Natural Gas
Support 3.063 Resistance 3.790

Livestock

February 25 Live Cattle
Support 186.00 Resistance 202.00
February 25 Lean Hogs
Support 75.00 Resistance 89.00

Stock Index

March 25 S&P 500
Support 5800.00 Resistance 6140.00
March 25 NASDAQ
Support 20600.00 Resistance 22200.00

Energy

March 25 Crude Oil

Support	72.27	Resistance	79.23

March 25 RBOB

Support	2.0739	Resistance	2.774

March 25 ULSD

Support	2.3640	Resistance	2.6446

March 25 Natural Gas

Support	3.063	Resistance	3.790

Metals

February 25 Gold

Support	2655.0	Resistance	2840.0

March 25 24 Silver

Support	30.050	Resistance	32.500

March 25 Copper

Support	4.2200	Resistance	4.4800

Currencies

March 25 U.S. Dollar Index

Support	107.500	Resistance	110.500

March 25 Euro Currency

Support	1.02300	Resistance	1.05000