ADM Investor Services, Inc.

Monthly Commodity Futures Overview
February 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 ***February 21, 2025.*** *This report is intended to be informative and does not guarantee price direction.*

Corn

The USDA left U.S. ending stocks unchanged at 1.540 bil. Bu. vs. expectations for a 15 mil. bu. drop. The average U.S. farm price was raised $.10 to $4.35 bu. Global stocks were cut 3 mmt to 290.3 mmt, below the range of estimates. Production in both Argentina and Brazil was cut 1 mmt. Chinese imports were cut 3 mmt to only 10 mmt. While the USDA report was mildly supportive due to the lower global inventories, the initial market reaction was lower. I suspect traders were disappointed not to see higher U.S. demand and lower stocks. Usage data since the USDA WASDE report has been strong, enabling spot futures to break through the $5.00 level for the first time since October 2023 on the spot weekly chart.

In the near term I would expect Argentine production to drift lower, while final production in Brazil will hinge on their second crop where plantings have been a bit slow. I anticipate U.S. demand will inch up a bit driving stocks below 1.50 bil. in either the March or April WASDE report. I believe the outlook for tighter U.S. stocks will keep old crop futures supported above $4.80 despite the large speculative long position. By early March the market's attention will start to shift to new crop acres where corn plantings in 2025 are likely to increase 2-3 mil. acres over 2024.

Corn Futures - Weekly

Chart from QST

Soybeans

The USDA also left soybean ending stocks unchanged at 380 mil. bu., in line with expectations. The average U.S. farm price was lowered $.10 to $10.10 bu. The balance sheets for both meal and oil were also left unchanged. Global stocks were cut 4 mmt to 124.3 mmt, below the range of estimates as Argentine production was cut 3 mmt and Paraguay cut .5 mmt. Production in Brazil was surprisingly left unchanged at 169 mmt. Chinese imports were cut 2.5 mmt to 8 mmt. Despite the lower global inventories, the markets initial response was also to the downside as the market likely anticipates higher Brazilian production in future reports. Even with South American production (Brazil, Argentina, and Paraguay) down 3.5 mmt from the previous month, combined production at 228.7 mmt is up 7.8% from last year's previous record.

Spot futures have found support near the $10.25 level. Upside potential seems limited with the bulk of Brazil's harvest in the late February to early March period. Moving forward I would not expect a significant change in combined production, leaning a bit higher in Brazil and lower in Argentina. The surge in U.S. soybean oil exports has come to a screeching halt as prices have recovered to a premium over Malaysian palm oil after trading at a record discount in December/January. The market still awaits clarity from the Trump Administration on renewable fuel policies moving forward.

Wheat

The USDA cut ending stocks 4 mil. bu. to 794 mil. due to increased usage for food. They kept the average farm price unchanged at $5.55 bu., $1.40 below the average price from the 23/24 MY. Global stocks were cut 1.2 mmt to 257.6 mmt vs. expectation for no change. Global inventories remain at a nine-year low. Russian and Ukrainian exports were trimmed .5 mmt each, while they were lower by 1 mmt in the EU. Chinese imports cut 2.5 mmt to 8 mmt. The USDA made no changes to Australian production, waiting for an update next month from ABARE. Argentine production was raised only .2 mmt to 17.7 mmt. Tighter global supplies should continue to bode well for U.S. exports.

We are starting to see the large slowdown in exports from the Black Sea region, while the Trump Administration has reached out to Russia to end the war with Ukraine. A fresh layer of snow across a vast portion of the southern plains helped insulate the U.S. winter wheat crop from winterkill. However, areas in far SW, KS along with the TX and OK panhandles may have been vulnerable to some damage. Lingering drought conditions across the northern plains does pose a risk ahead spring plantings.

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

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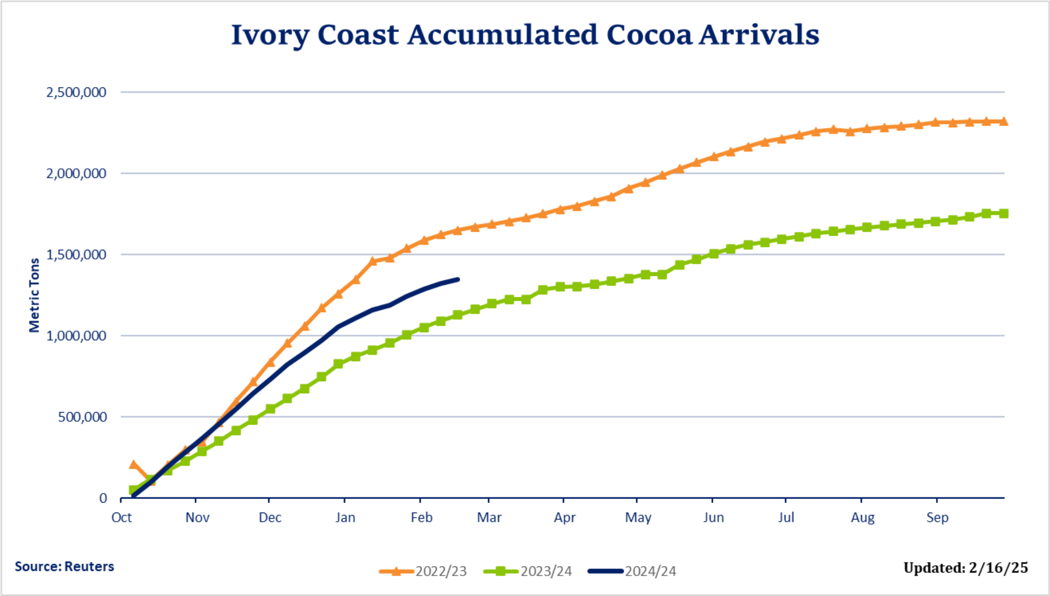
Cocoa

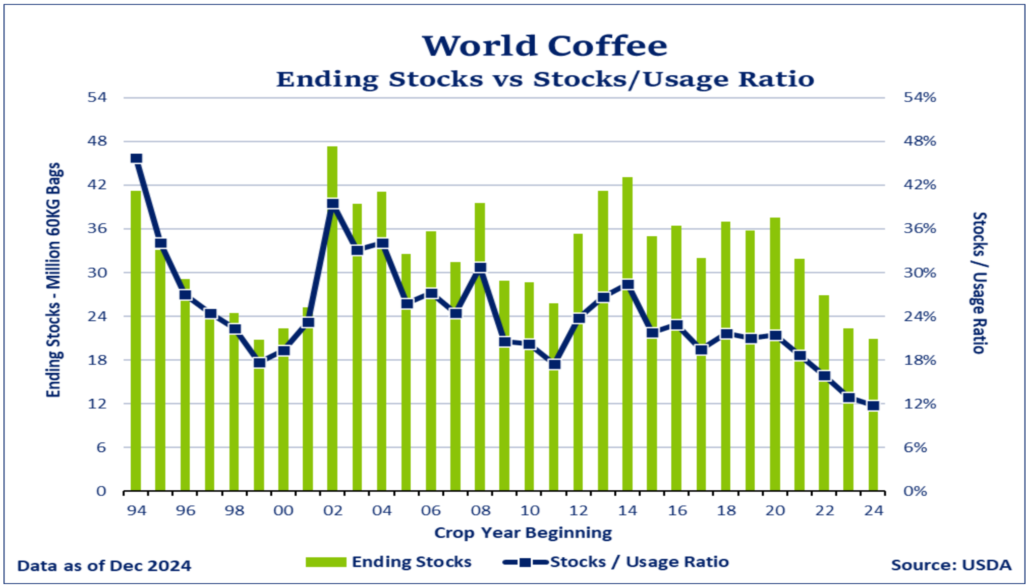
The cocoa market has spent two months consolidating after trading at a record high on December 18. The West African main crop harvest got off to a strong start in October, but the emergence of drier than normal conditions (during the traditional dry season) in late 2024 lowered expectations. The arrival of timely rains in early February did ease grower concerns a bit, but a full-throated rainy season has yet to emerge, and this has traders reluctant to push prices lower. As of February 20, periodic rains were expected to continue, but there was still no generalized rain event in the forecast. As of February 16, Ivory Coast port arrivals for the 2024/25 season were running 20% ahead of last year but 7% behind the five-year average. The ICCO's first estimate of global supply/demand for the 2024/25 marketing year will be released at the end of February. If the weather does not cooperate and the mid-crop is disappointing, cocoa could once again be flirting with all-time highs.



Coffee

NY (arabica) coffee prices achieved all-time highs this year on the back of low expectations for Brazil's 2025/26 coffee crop. A long, severe drought accompanied by excessive heat in 2024 set the stage for a poor outcome for 2025. The arrival of timely rains in late 2024 allowed for an active flowering season, but stress brought on by the drought may have deprived trees of enough energy to develop a strong crop. A dry trend has emerged over the past few weeks, which has raised concerns about cherry development. This is also an off-year in Brazil's biennial production cycle. However, a weak off-year could lead to a strong on-year in Brazil's production cycle. Early reports had strong branch growth, which could mean an exceptionally strong crop in 2026/27. A poll of analysts conducted by Reuters recently called for prices to fall 30% by the end of 2025 based on their expectations for a strong crop next year, provided the weather cooperates.

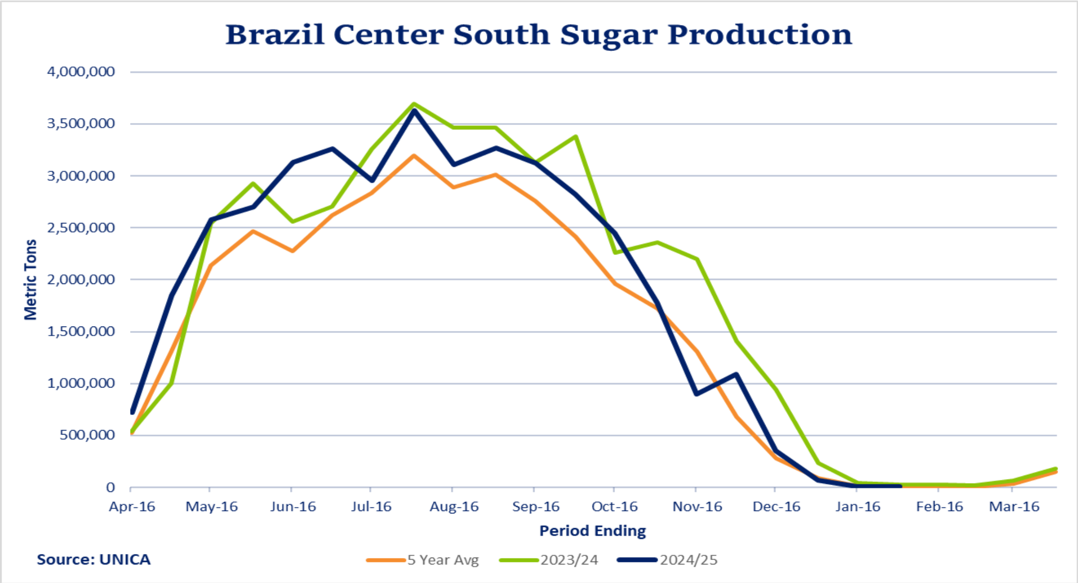
The trade is also waiting for more details on Vietnam's crop, which suffered from drought last year but is expected to see an improvement this year. Vietnam produces robusta beans, and a shortfall in last year's crop led to a tight coffee supply overall, as buyers looked to arabica to cover some of their 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

Sugar prices fell to their lowest level in almost two years in late January. Since then, they have rallied 18% off their lows. The peak of selling came amid news that India had decided to allow 1 million metric tons of sugar exports for their 2024/25 marketing year (October-September) after suspending exports in 2024/25 due to a disappointing crop. Reports that India may struggle to meet that quota have helped lift prices off their lows. There were reports that Indian sugar mills were shutting for the season earlier than normal, and some analysts have called for exports to top out at 700,000 tons, well short of the 1 million allowed.

Brazilian production has continued its seasonal decline, and total production for the year has fallen to well below year ago levels. As of February 1, cumulative cane crush for the 2024/25 marketing year (April-March) was 4.9% behind year-ago levels, and sugar production was 5.5% lower. Ethanol production is 3.4% above a year ago. Sugar production is still 15% above the five-year average. The rains in late 2024 alleviated concerns about the upcoming crop after last year's severe drought, but a dry trend has emerged over the past few weeks and has raised concerns.



Crude Oil

Crude oil has traded in a choppy, sideways pattern this month as the market has tried to reconcile tariff threats, a cease-fire in Gaza, sanctions on Russian oil and a drone strike on a Russian oil pipeline.

President Donald Trump announced 25% tariffs on imports from Mexico and Canada on February 1 and postponed them for a month on February 3 after he was able to reach agreements with both countries on steps to block illegal immigration and the flow of fentanyl over the borders. Canada represents approximately 60% of all U.S. crude imports and Mexico 11%. Midwest refiners need the heavy, sour crude that Canada delivers, not the light WTI crude oil that is produced in the U.S. If enacted, the tariffs would increase the cost of gasoline and diesel in the U.S. As the postponement deadline approaches, we will see if the deadline gets pushed back or if there are any carve-outs for energy.

U.S. and Russian officials are having talks on ending the war in Ukraine but neither Ukraine nor Europe are involved in the discussions. The sanctions imposed on Russian oil in January sent Asian buyers scrambling for new crude oil, and a peace agreement could open Russian supply. In mid-February, a Ukrainian drone strike damaged a Russian a pumping station on the Caspian pipeline that carries crude oil from Kazakhstan and Russia to the Caspian Sea. The owner of the pipeline, the Caspian Pipeline Consortium, estimates that oil flows could fall 30%-40% as a result.
OPEC+ is scheduled to start gradually lifting some of its quotas in April. They postponed this action several times in 2024 because of low prices and sluggish demand from China, and there have been suggestions that they are considering postponing that action again.

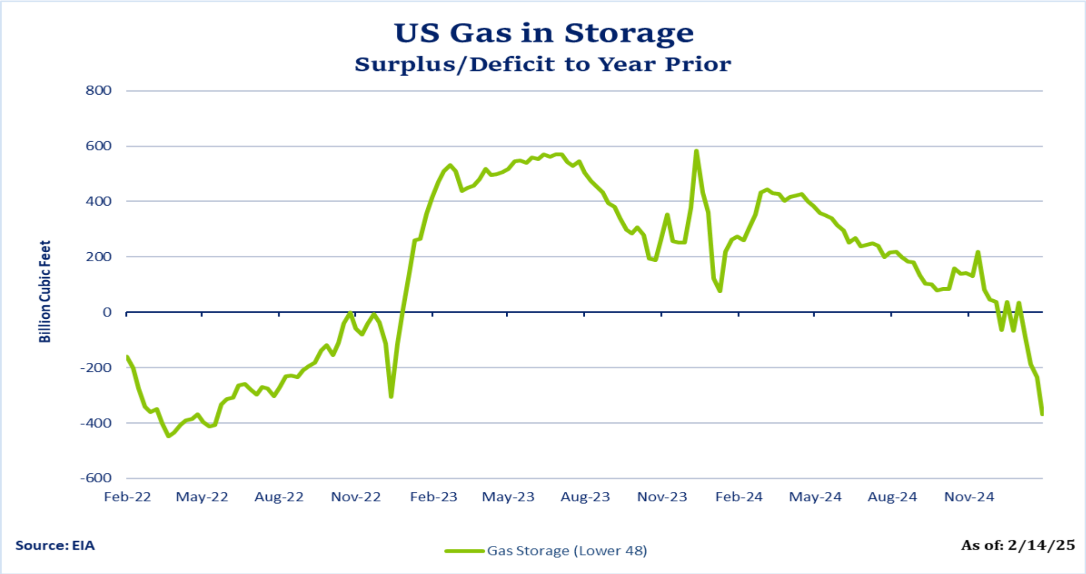
Crude Oil Futures - Weekly

Chart from QST

Natural Gas

After two years of running at a surplus to the previous the year's levels, U.S. natural gas storage is back in a deficit scenario. Frigid temperatures in the U.S. have accelerated the seasonal decline in storage. With the latest cold snap affecting much of the lower forty-eight states this week, another sharp draw is expected in next week's report. As of February 14, U.S. gas in storage was down 14.9% from a year ago and down 5.1% below the five-year average. Storage had reached its biggest deficit to year ago levels since June 2022.

U.S. export capabilities continue to expand with the development of new LNG export facilities. One of President Donald Trump's first actions after taking office was to lift the moratorium on building new facilities that had been put in place by the Biden administration. Global demand for electrical power is expected to increase significantly to meet the growing needs for artificial intelligence and for data centers, and natural gas is expected to play an important part in meeting those requirements (along with nuclear and renewables).



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

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Live Cattle

Cash cattle prices in January 2025 made historical highs. Cattle prices moved up to $212.00/cwt for cattle in Iowa, Minnesota and Nebraska. Consumers quickly shifted from the December holiday demand for rib and loin roasts and demand quickly shifted like a U-turn for cheap beef cuts and ground beef. Beef supplies were low going into the New Year because the two weeks of Christmas and New Years it is normal to have a light slaughter but in 2025, they were followed by a week of snow and subzero temperatures that added a third week of light slaughter. It was the "perfect storm." Cattle inventories were already down to lowest levels since 1951. Consumer demand shifted to inexpensive beef on top of a light slaughter.

Live Cattle Futures - Weekly

Lean Hogs

Lean hogs ended 2024 on a weak note. Pork exports dropped off in December as U.S. consumers were spending money on the holiday presents, holiday dinners, buying more poultry and cheap proteins like ground beef and ground pork. But during January 2025 pork and hog prices quickly moved higher. For example, February 2025 lean hogs moved up more than $11.00/cwt during January. Like cattle, there were three weeks of light slaughter with the last week of December and the first week of January impacted by severe weather. Also, hog prices benefited when cattle prices moved to historic highs, tagging along with soaring cattle prices.

Lean Hog Futures - Weekly

Charts from QST

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

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Stock Index Futures

U.S. stock index futures have remained firm despite the headwind of expectations that the Federal Open Market Committee will be slow to add to accommodation. Currently analysts are predicting the FOMC will remain main on hold at it's March and May meetings. However, a 25-basis point interest rate cut is expected either at the June policy meeting.

The bearish impact of hawkish comments from Federal Reserve officials has only had a limited negative impact on stock index futures. Federal Reserve Governor Christopher Waller suggested a pause in rate cuts, based on recent economic data unless inflation behaves similarly to 2024. Federal Reserve Governor Michelle Bowman also called for patience, urging the Federal Reserve to wait for more evidence that inflation is on track to reach the 2.0% target. In addition, Philadelphia Federal Reserve Bank President Patrick Harker advocated for holding interest rates steady in light of a strong economy.

In addition, futures have held up well despite the release of the minutes from the Federal Open Market Committee's January 29 policy meeting, which showed policymakers are in no hurry to lower interest rates further.

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

Flight to quality longs in the U.S. dollar have been liquidated in light of hopes of a peace deal between Ukraine and Russia. This bearish influence has more than offset the bullish impact of interest rate differential expectations that remain favorable to the greenback, especially versus the European currencies. There was only temporary strength in the greenback when Federal Reserve officials signaled the central bank should refrain from rushing to resume interest rate cuts, while it remains focused on curbing inflation.

Euro Currency

The euro currency has remained firm despite increasing probabilities of the European Central Bank cutting its key interest rates several times in 2025. It is predicted that the ECB is on track to reduce its deposit rate by 25 basis points at each of the next three meetings, lowering it from the current 2.75%. Predictions now suggest that rates could dip below 2% by 2026.

There was support for the euro currency on news that investor morale in Germany improved more than expected, according to the ZEW Economic Research Institute. The ZEW Indicator of Economic Sentiment for Germany improved to +26 in February 2025, surpassing market expectations of +20. In addition, the euro was supported by a report that showed the euro zone Manufacturing PMI improved to a nine-month high at 47.3, which exceeded expectations.

Gold

April gold futures advanced to new record highs, as ongoing uncertainty over U.S. tariffs fuels demand for safe-haven assets. Since taking office, U.S. President Donald Trump has introduced a

10% tariff on Chinese imports, announced but later postponed 25% tariffs on goods from Mexico and non-energy imports from Canada, planned 25% tariffs on imported steel and aluminum, and is preparing reciprocal tariffs for countries that impose taxes on U.S. imports.

April gold futures put in an impressive 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.

Gold prices are higher despite hawkish comments from Federal Reserve officials. 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

May 25 Corn

Support 4.90 Resistance 5.40

May 25 Soybeans

Support 10.10 Resistance 10.90

May 25 Chicago Wheat

Support 5.65 Resistance 6.36

Softs

May 25 Cocoa

Support 8900 Resistance 12931

March 25 Coffee

Support 342.00 Resistance 440.85

March 25 Sugar

Support 17.59 Resistance 21.25

Energy

April 25 Crude Oil

Support 69.05 Resistance 75.02

March 25 RBOB

April 2.2080 Resistance 2.4457

April 25 ULSD

Support 2.2695 Resistance 2.9402

March 25 Natural Gas

Support 3.557 Resistance 5.755

Livestock

April 25 Live Cattle

Support 185.00 Resistance 199.00

April 25 Lean Hogs

Support 79.50 Resistance 95.00

Stock Index

March 25 S&P 500

Support 5950.00 Resistance 6240.00

March 25 NASDAQ

Support 21200.00 Resistance 22900.00

Metals

April 25 Gold

Support 2900.0 Resistance 3080.0

May 25 Silver

Support 32.300 Resistance 34.400

May 25 Copper

Support 4.4100 Resistance 4.7400

Currencies

March 25 U.S. Dollar Index

Support	105.500	Resistance	107.300

March 25 Euro Currency

Support	1.04300	Resistance	1.05900