Clear Focus Hedging News and Views
October 1, 2025

"Another Bearish Surprise"

The USDA gave us yet another surprise yesterday with the Quarterly Grain Stocks numbers as the corn stocks came in nearly 200 million bushels higher than the average trade guess. Beans were just slightly less than the average trade guess. Wheat stocks were also above average trade guess. These increases, will lead to an increased carry out in the October Supply/Demand report. This report, scheduled for October 9th, is now in doubt due to the Government shut down, so we may be left without any updates on yields, production, and demand. While the numbers were negative, one could argue that corn prices held up well given the implied 25-26 carryout which now projects to over 2.3 billion bushels, but as this is written, we are 2-3 lower in corn, 5-6 lower in beans and wheat with a very good weather forecast for the week ahead. Harvest pressure is likely as a very big crop looks for a place to stay for a few months.

The reality is that now we have a better handle on yields, as beans overall have been above expectations in many areas, especially here in Northern Indiana given the lack of rain this season. Combine this with the lack of any Chinese buying of soybeans so far, and Argentina selling up to 40 cargos of beans to China when the export taxes were temporarily lifted and you have a very bearish situation. This is not what we were hoping for, but with every situation there is always the "other side". Is there hope for a rally? Here are some possibilities:

1. While bean yields so far have been very good, early corn yields have been more variable
2. South American weather so far has been favorable, but increased attention will be given from here on
3. Corn and wheat demand has been very good; exports are running ahead of last year and average
4. Much of the eastern corn belt is now in some level of drought with no real improvement in the forecast. Both North and South America have had record crops in the last two years. Is it time for a weather event?
5. Harvest pressure should max out soon, once it is over, do we rally?
6. What will the funds do now?

While the bearish side of the market is certainly in the driver's seat now, there are things we can do to improve our balance sheet:

1. Watch basis! It is ugly now, but as harvest progresses, some areas may still need grain, and it is cheap relative to average. End users are profitable, and demand for corn and wheat remains strong
2. Sell the carry if storage is available, but not high-priced commercial storage
3. Make a plan, or adjust one that takes into account your yields: Sell rallies and have a plan to re-own with limited risk
4. Look for opportunities to sell or hedge 2026 crops now. Decide what price is acceptable
5. Flexibility! While it looks bleak now, things could change quickly!

For instance, we have no Chinese business as of now, but there are trade talks in the works. IF we do get one, what is the most likely time frame? Our thought, and it is only a thought, is IF we can get the two sides together this month or next, it may be December or January that the window of opportunity is open. We like owning March puts now, which does put a floor in, but also would limit the risk of a long futures position in the January or March contract. This gives us the "courage" to sell good basis (if it comes around) and re-own the paper position while limiting our risk. Call us for details, as it is an individual decision based on local basis, storage costs, and cash flow needs, and management is called for depending on what and when these possibilities develop.

Here is what we are doing here on our farm:

2025 Soybeans

Given all the factors facing beans, we felt like we needed to "start" by doing an HTA for next November at $11.00. We bought some short, dated May expiration 10.20 puts ahead of the report, and these have now expired. We still hold short November $11 calls and will continue to hold them until we get a close over 10.60. We also bought short, dated July expiration 10.40 puts on May 2nd and sold full November 11.00 calls to pay for them at even money. These exercised into short November beans at 10.40. We also added an HTA contract for November at 10.50. This has all our expected production sold or protected. We took the profit on the calls we sold, buying them back at 3 ½ cents adding about 40 cents to our price. We are holding on to these hedges and will roll our November HTA contracts to May or July on the beans we are able to store, delivering on the ones we can't.

2025 Corn

Our long standing orders for HTA contracts got completed at $4.48, $4.49 and $4.50 during the Jan crop report, when the market rallied sharply. We added sales at $4.63 this past week (late January) and another at $4.73 this past week. We also added 4.60 short, dated December puts and sold full December $5.00 calls to cover all production. These puts were exercised into short December futures at $4.60, and the September options we bought have expired with no value. We did buy back the $5 calls for a penny, closing out that trade with about 14 cents that paid for our put options. As harvest progresses, we will store all we can and only deliver on the HTA contracts that we have to, and roll the rest to March and May. We rolled our futures hedges to May for 28 ½ cents carry, which lets us buy December futures IF we see the need to. Right now, we are in no hurry.

2026 Corn

We are looking at $4.75 as a place to start, higher than our 2025 starting price but with increased input costs we will "hope" we can start there with some HTA contracts. This looks less likely now, but we will still be a little patient, feeling we may bring yields down a bit in future reports

2026 Beans

Given the lower planted acres this year and the possibility of some positive renewable fuel ideas, we will target $11 as a place to start, and will stay with this idea for now, as potential trade deals "could" get us a little rally, and any real weather threat in South America could help as well.

In conclusion, we have and remain "defensive" with our price outlook, as with current carry-out and demand ideas there is plenty of grain available. It is a futures market, so looking back is not the ideal, only to learn from. We must look forward to what "could' happen and what can change the price landscape. Weather in South America will be a major factor, but the funds and money flow will be front and center as well. They are holding a big, short in wheat, a moderate short in corn, and a small short in beans. Will they pile on the short side? This week, and the close on Friday will be watched closely! Today is also the first day of crop insurance fall price discovery, so watch that too, consult with your agent to see if your yield will yield a payment. In this busy time, take a few minutes to check in and see if there is something we can help with to try to add to our price. Have a safe and bountiful harvest!

..

Dates to remember:
Every Monday – Export Inspections at 10:00 am CST Crop conditions at 3:00 pm
Every Thursday – Export Sales at 7:30 am CST
Every Friday – Commitment of Traders Report at 3:00 pm CST
October 9th – Supply/Demand and Crop Production Reports
October 24th- Cattle on Feed at 2:00 CST
October 24

+++++++++++++++th- October options expire.

Mike Daube- 574-586-3784 or 574-910-3818 (cell)
Peter Schram- 317-910-1473
Allen Gard- 573-769-4193

Mike Daube (574) 586-3784
Allen Gard (573) 769-4193
Peter Schram (317) 910-1473