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JANUARY EDITION

D&D AGReport MARKETmix

This monthly MarketMix highlights the latest WASDE report findings and what that means for you, your customers and your operation.

TOP TOPICS FOR JANUARY

- Surprising WASDE Market Reports
- The True Export Story?
- Plenty of Cow Power
- Remember the Food Pyramid?

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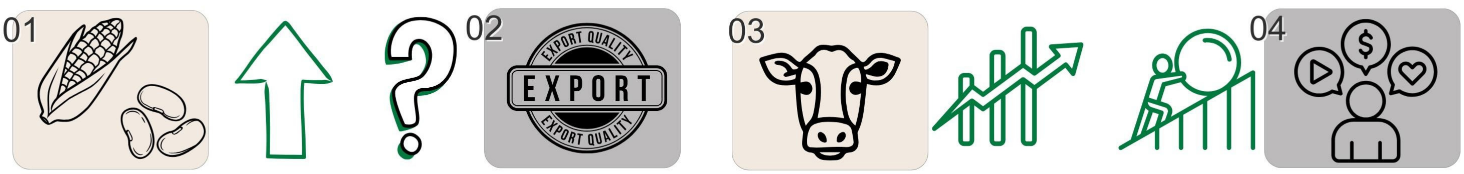

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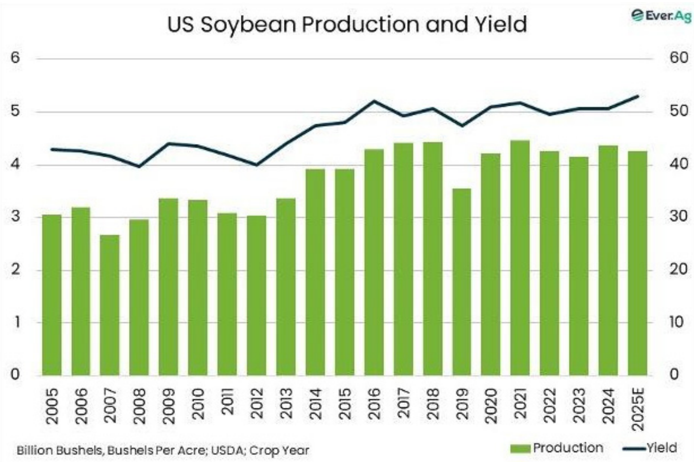
January World Agricultural Supply & Demand Estimates (WASDE) report ***surprised*** *the markets with USDA* ***increasing overall corn and soybean production.***

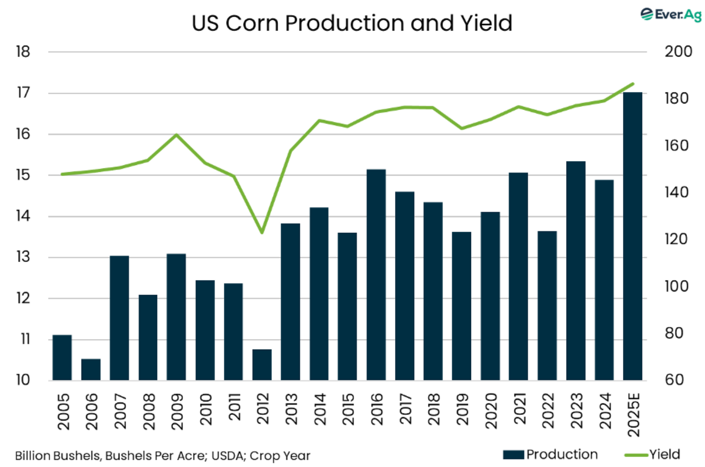
JANUARY *WASDE* UPDATE

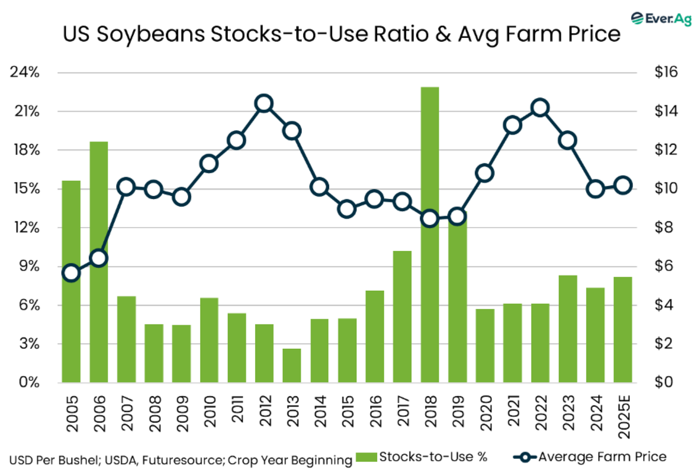
The *January World Agricultural Supply and Demand Estimates (WASDE)* report surprised the markets with USDA increasing overall corn and soybean production. Corn yield was raised to a record 186.5 bushels per acre, with total production pegged at 17.021 billion bushels, ahead of analyst expectations. Higher yield and more acres boosted total production to 17.021 billion bushels, far ahead of analysts' expectations. Beginning stocks increased by 19 million bushels. Corn demand grew by 90 million bushels, with feed usage up by 100 million bushels while feed, seed and industrial use declined by 10 million bushels. Corn exports held steady. As a result, ending stocks climbed to 2.227 billion bushels, up 198 million from December and well above expectations for 1.972 billion bushels. More US grain took world ending stocks up to 291 million metric tons, well above December's estimate of 279.15 million and exceeding analysts' expectations for 279.62 million.

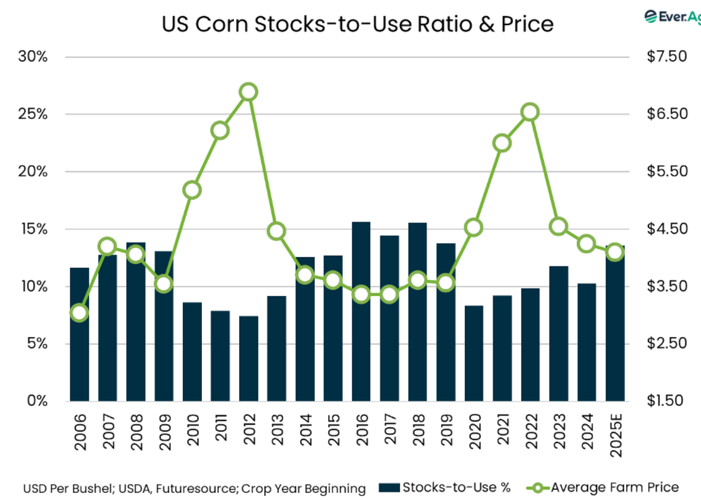
Soybean production was pegged at 4.262 billion bushels, up 9 million bushels and ahead of expectations. Yield held steady with December's WASDE report at 53.0 bushels per acre, and harvested acres increased by 100,000, both higher than expected. USDA finally reduced exports by 60 million bushels to 1.575 billion bushels to reflect lower volume moving to China. Crushing volume grew by 15 million bushels. The bottom line on the balance sheet had US ending stocks increasing to 350 million bushels, rising from 290 million bushels in December and well above analysts' expectations for 292 million. World ending stocks leapt to 124.41 million metric tons, led by Brazil harvest growing by 3 million metric tons. Global stocks sit above USDA's December estimate of 122.37 million and much higher than analysts' projection of 123.07 million.

JANUARY *WASDE* UPDATE CONTINUED









The report was bearish for corn and soybeans, and both markets tumbled following the news. Corn broke out of its 90-day range, and for the first time since August, March futures traded at $4.20 per bushel. The recent high of $4.50 now feels very out of reach for corn sellers, and many feed buyers are taking advantage. Based on US animal numbers, feed demand looks to be well overstated. Also, South America is due to ramp up harvest acreage in the month ahead, putting further downward pressure on prices. Given the size of both domestic and global ending stocks numbers, end users still needing to buy corn might consider price targets near $4.00 per bushel, especially when considering there is potential for further increases to inventories by way of lower corn feed demand and soybean export demand in February.

Ethanol demand was left untouched, although near a record high. Processors will have lower input costs given the break in corn futures, though a slightly firmer basis in the Midwest may be required to keep bushels flowing off farms. Those feeding dry distillers need to work proactively with vendors to capture prices when they're attractive. We continue to see more ethanol plants shifting toward wet distillers as the carbon footprint of gas-powered dryers takes away from the carbon credit incentives available to their business model. This trend is likely to continue as the subsidies are a significant portion of the profit margin, changing the availability and price of dry distillers in localized markets.

JANUARY *WASDE* UPDATE CONTINUED

USDA WASDE Report: January

2025-2026 US Production Estimates (Billion Bushels)	Corn	Soybeans	Wheat
January	17.021	4.262	
Consensus	16.552	4.229	
Range	16.353-16.700	4.176-4.300	
December	16.752	4.253	

2025-2026 US Harvested Area Estimates (Million Acres)	Corn	Soybeans	Wheat
January	91.300	80.400	
Consensus	89.974	82.561	
Range	86.500-86.800	82.300-83.500	
December	90.000	80.300	

2025-2026 US Yield Estimates (Bushels Per Acre)	Corn	Soybeans	Wheat
January	186.5	53.0	
Consensus	184.0	52.7	
Range	182.0-186.0	51.9-53.5	
December	186.0	53.0	

2025-2026 US Ending Stocks (Billion Bushels)	Corn	Soybeans	Wheat
January	2.227	0.350	0.926
Consensus	1.972	0.292	0.896
Range	1.772-2.235	0.245-0.350	0.851-0.926
December	2.029	0.290	0.901

2025-2026 World Ending Stocks (Million Metric Tons)	Corn	Soybeans	Wheat
January	290.91	124.41	278.25
Consensus	279.62	123.07	275.95
Range	277.02-283.00	121.80-124.50	274.60-277.71
December	279.15	122.37	274.87

Source: Reuters, USDA

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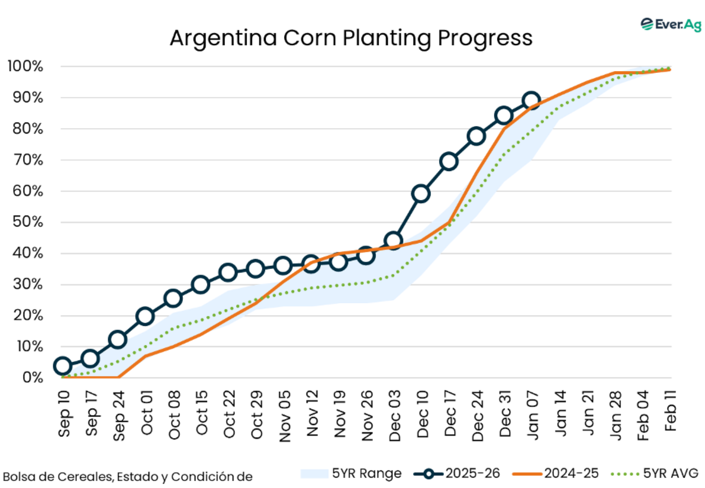
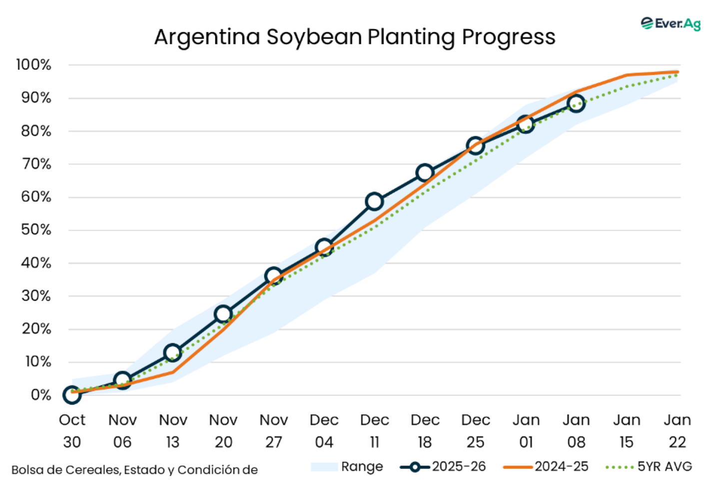
Fast Facts:
- WASDE Report

EXPORTS TELL TWO DIFFERENT TALES

Corn exports slowed over the holidays but still kicked off the year nearly 5% ahead of the five-year average. Soybean exports are another story, with total commitments down over 16% from the five-year average as of January 1. China has stepped in and made purchases, with reports it is nearing the verbal commitment to buy 12 million metric tons of US soybeans this marketing year. That still falls far short of what they normally buy from the US annually.

Nearly ideal weather conditions in South American crop regions laid the groundwork for a successful start to the growing season. Corn and soybean planting in Argentina are both about 90% complete. Nearly all corn and soybeans are rated as excellent, good or fair. If favorable weather conditions continue, both Argentina and Brazil could have large harvests, pulling demand away from US grain exports.





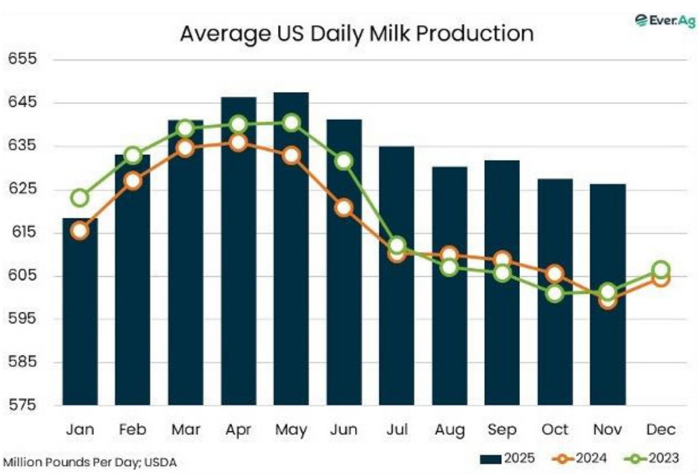
Fast Facts:
- China Buys More US Soybeans

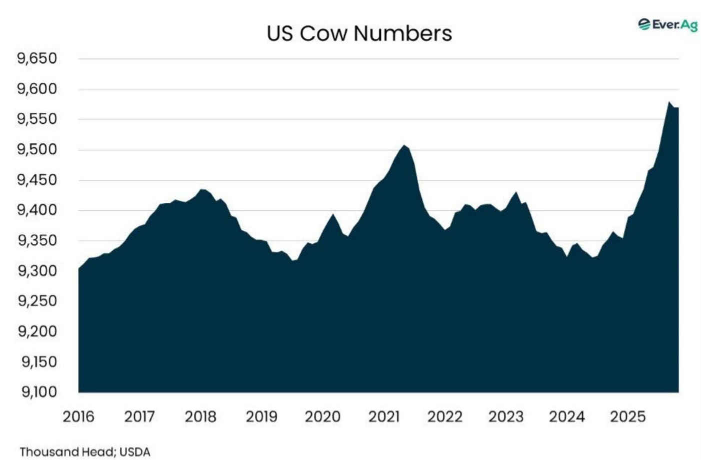
DAIRY MARKET UPDATE

Milk production growth is still making headlines. In USDA's latest *Milk Production* report, November output totaled 18.8 billion pounds, up 4.5% year-over-year. It was the biggest year-over-year increase since May 2021, but a big gain was expected considering the current momentum in production and an easy year-over-year comparison. The biggest jump came from California, where output increased 10.4% compared to a 7.9% decline in November 2024 due to the impacts of avian influenza. Production was up across all regions, including 3.5% growth in the Mideast and 3.0% increases in the Midwest and Southwest.

Cow numbers held steady in November at 9.570 million head, but the US dairy herd is up more than 200,000 head year-to-date. There's plenty of cow power to make more milk, and that is weighing on milk prices. Current Class III futures prices average $16.63 per hundredweight, compared to an average Class III price of $18.01 in 2025 and $18.59 on the five-year average. Both block cheese and butter sit at the lowest price levels seen in a few years, and an abundance of milk – and butterfat in that milk – are keeping supplies flowing. Prices for cull cows and dairy-beef calves have come off the peak but still contribute a few dollars per hundredweight in revenue. With this beef income, farmers are still holding on to cows and making more milk. If culling starts to ramp up, that could be an early indicator that farms are feeling the squeeze of tighter margins.

Milk production continues to swell globally as well. Output was up an estimated 4.5% in the EU in November, with production climbing 7.5% in Germany and 6.3% in France. New Zealand continues to have a good production season, too, with output up 2.4% in November. With plenty of surplus milk, more products are heading to the global marketplace. For October 2025, US dairy exports were still strong. Cheese exports reached 121.4 million pounds, up 36% year-over-year and breaking a record for monthly export volume. Butter exports remained firm, hitting 16.3 million pounds – up 170% from 2024. The trade story could be different as we move into 2026 because in late 2025, EU prices fell faster than US values, shifting in favor of EU sellers for a few months. Market participants suggest the US lost exports for at least part of Q1. With US cheese and butter prices currently sitting below price levels in the EU and New Zealand, the export story could shift again for Q2 and beyond.





Fast Facts:

- **Milk Production Report**

CONSUMER SENTIMENT STRUGGLES MORE

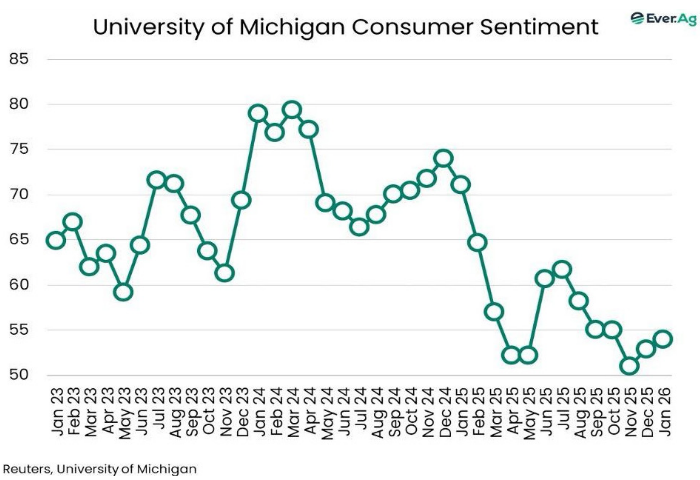
Consumer sentiment improved slightly as we entered the new year, but concerns remain about high prices and softening labor markets. The preliminary January reading of the University of Michigan Consumer Sentiment Index came in at 54.0, up from 52.9 in December. Even with this improvement, sentiment remains well below last January's reading of 71.1 and the 10-year average of 83.8.

According to the Bureau of Labor Statistics recent jobs data, the ratio of openings to unemployed persons was 0.92 - the lowest reading since May 2021. Payrolls were up 50,000 jobs in December, slightly below analysts' expectations and much lower than 323,000 added jobs in December 2024. The unemployment rate did improve slightly, from 4.5% in November to 4.4% in December. But an overall slow job market weighs on people's minds and doesn't bode well for consumer spending.

Some good news for dairy foods is USDA's newest dietary guidelines, which were released last week.

CONSUMER SENTIMENT STRUGGLES MORE CONTINUED

USDA flipped the old pyramid, putting protein, dairy and healthy fats near the top. A push toward more nutrient-dense foods and away from processed goods should bode well for dairy and beef demand.



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Fast Facts:

- Consumer Sentiment Still Struggles

WHAT'S IN IT FOR YOU?

Top Takeaways From This MarketMix

The Bottom Line

1. Bearish WASDE report - make a plan for 2026
2. Weather will play a BIG part of exports. Are you prepared?
3. Milk production & cull numbers are still making headlines.
4. Get and KNOW the facts.

If you would like to talk with a D&D Ingredients representative, please contact Pat Kahle at 517-260-8295 or Pat@DDIngredient.com.

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