3 Structural Challenges in US Agriculture Markets and Futures Prices

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We are living in interesting times. As of September 2025, the soybean prices in US are about 15% lower than cost-to-grow and the largest importer of the US soybeans, China, did not place a single order yet for 2026. The market is also seeing increased transportation cost due to lower water levels in the Mississippi river, combined with the record harvest due to above-average rainfall this year. How will all these shape the futures? As everyone knowns, it is impossible to reliably predict long-term futures prices. No one can. Similar to all other complex systems, the outcomes are determined by many factors and the outcomes, i.e. futures, will show large variations due to small fluctuations in input parameters, such as yield, demand, and input pricing.

Perhaps the best-known example of fluctuating futures prices is the oil prices. Everyone who is reading this post would probably recall when the price of crude oil hit nearly $150 per barrel in 2008 and was down negative $40 per barrel in 2020. We sincerely hope that the soybean futures will never drop to negative territory ever, but let’s analyze the structural challenges in the US agricultural industry relevant for the soybean futures.

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Like other agricultural markets around the world, the US agricultural industry has structural challenges, shaped by a complex interplay between geography, climate, history, and socio-economic realities. Here, we will highlight and discuss the top 3 challenges relevant to soybeans. These are the systemic, consistent, and significant output surplus; challenges in transportation & storage; and global competition & uncertainties.

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Let us start with the soybean surplus. US produces more than twice as many soybeans than the domestic market can use. According to the US Soybean Export Council, nearly 60% of US soy products are exported. In last decade, between a third and half of the exported soybeans have been bought by the single largest soybean importer of the world, China. Indeed, China imports more than half of all soybeans sold in the international markets every year.

There is also similar, albeit smaller, surplus in production of corn which has been the usual alternative crop to soybeans in the US. US farmers, on average, produce 10-20% more corn than the domestic demand. It is difficult to project a significant change in domestic demand of corn or soybeans in near future, so it is reasonable to assume that the output surplus will continue to be persistent. It is also evident that the substitution of soybean and corn with other crops is not feasible in near term, due to climate, geography, and farm economics.

The second structural challenge is transportation and storage. Vast quantities of US agricultural land are located far away from major population centers and from the nearest major port. For instance, there are currently only two feasible transportation avenues available for the crops grown in upper Midwest. The first option is loading the harvest onto river barges which will take them down the Mississippi, either for domestic processing or for exporting from the major ports in the South. Although this is usually a cost-effective option, the cost and availability are subject to water level of the river. This year, lower water levels of the river significantly increased the cost of barge transportation which is a common limitation of barges. Indeed, many readers of this post would also recall that low water levels not only skyrocketed the barge prices in Central Europe about 3 years ago, but the entire barge system came almost to a complete stop due to drought and the record-low water levels of only 1.5 ft.

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The second transportation option is using trains heading to the West Coast. This is usually reliable, however more expensive option that the barges. The third option, exporting from the deepwater port of Duluth, MN virtually disappeared due to unfavorable shipping economics.

It is also obvious that the long-term storage of large quantities of soybeans (or corn) is not feasible due to the sheer size of harvests. Every year, US produces about 120M tons of soybeans and nearly 400M tons of corn. Evidently, even storing an extra fraction of the annual harvest is a gigantic task.

The third structural challenge is the global competition and uncertainties. In last 25 years, the soybean output of Brazil skyrocketed from 40M tons/yr to 180M tons/yr, although US production increased only from 80M tons/yr to 120M/yr. In 2025 alone, Brazil's output increased by 15% compared to that in 2024.

Similarly, Brazil also displaced US as the world's largest soybean exporter. Indeed, Brazil is projected to be the source-of-supply for more than 60% of all exported soybean in the global markets. It is reasonable to assume that this trend will continue in near future, as major deepwater ports (such as Port of Chancay in Peru) and the planned transcontinental railways in S. America will increase the supply even further.

Once again, we are living in interesting times of major transformation in agricultural markets. It will be even more interesting to see how the futures prices will be shaped in view of these structural challenges. If you are interested in learning more about our work in agricultural markets and about how we can help you, please contact us at sei-partners.com

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