



BOCKEN TRADING
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April 2015 Monthly Commentary

The stocks and acreage report caught the trade leaning the wrong way as it was bearish corn and friendly beans for both reports and beans gained on corn throughout April. Corn acres were higher than expected as were stocks with most in the trade lowering annual feed use. This took some of the air out of the new crop “story” in corn given larger 15/16 carry-in stocks combined with larger area. Since then beans have gained relentlessly on corn as funds got shorter corn (and wheat) and covered shorts in beans and meal. Crush and bean export ideas continue to move higher and commercial stocks are quite low. The producer is not selling and cash markets firmed/ futures inverted. In wheat, better moisture in Russia/Ukraine alleviated concerns about winter wheat crop issues and the market anticipated Russia removing its export tax. The realization was that the demand picture was rather bleak and there would be increased competition with the Black Sea back in the game full force. For the month, corn was down 18 cents, Chicago wheat down 40, Kansas City wheat down 65, and Minneapolis wheat down 43. Nearby beans ended unchanged after chopping around with meal down \$8.00 and oil up 98 points.

On top of a more comfortable US situation, South American corn crop ideas continued to get bigger. Brazil’s second crop is “made” in May and weather forecasts look promising so far. US corn planting is ahead of the normal pace and most private forecasters do not see anything threatening ahead for the growing season. No one was really expecting a major crop issue in 2012 though either. There is not a lot to talk about with direction going forward being driven by weather and crop ideas. Cash/spreads have firmed on lack of movement and funds are quite short for this time of year. It will be easy to know what to do if there is a weather threat given structure and current values but if the weather is okay will likely just grind lower.

US, and major exporter stocks’ expectations continue to grow. Freeze/drought damage has definitely taken its toll on Kansas wheat but Oklahoma/Texas are in decent shape; with demand so grim, not sure it will matter in the bigger picture. Currently even with a sub 800 HRW crop, HRW stocks can still build to nearly 350 milbus with US stocks over 800. Strife in the Mideast has lowered import ideas although demand has actually increased. Ukraine and Russia will likely be aggressive sellers throughout the summer. Currently everything points to US and major exporter stocks being quite burdensome in 15/16. We are however, on a huge break and funds are holding massive shorts. It would not take much to have a ripping short covering rally. Aside from structure, in order to change the sentiment we will need a spring wheat crop issue or unexpected demand. The US N Plains/Can Prairies are currently dry. We could still have a problem with Russia/Kazak spring crops or the Southern Hemisphere. The USDA will give their first look at 15/16 on May 12; I can’t imagine they have anything bullish (maybe a low HRW crop) but I want to tread lightly here since we are on a huge break.

Lack of producer selling in the US as well as creeping higher basis levels in South America (during harvest) provided support. The US is doing bean business for summer slots (typically all South America then). US crush and export ideas area increasing for 14/15 with some carryout ideas below 300 milbus. This is not tight per se but it is a far cry from the 500+ideas this past fall. Argentina crop ideas continue to increase but not sure will matter in the near term. Harvest will wrap up soon and the Argentine producer is likely going to hold as much as they can in hopes of a more producer friendly tax set up after the fall elections. Bird flu has been a big headliner this past month as it continues to spread. Analysts are starting to lower domestic use as a result. Time will tell how big of an impact it will have – it should stop spreading once temps turn warmer. Most are expecting larger acres in the June report – I am leaning towards slightly more corn and beans. Most are expecting a 400+ milbus c/o in 15/16 but I am starting to question that with a lower carry-in and ideas that demand will continue to grow – especially if there’s the supply. Obviously summer weather will be key. In the meantime, I expect spreads will continue to narrow in order to keep beans flowing.

Regards,
Megan Bocken
May 6th, 2015

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