BOCKEN TRADING
LLC

April 2013 Month End Comments

The main features in April were wheat gaining on corn and inverses widening in beans and meal. Meal gained on oil and Kansas City wheat gained on Chicago. For the month, corn was down 26 cents; early in the month there was still fallout from the stocks report, but corn finished the month 40 cents off the mid-month lows. Wet/cold weather didn't let up and finally got the attention of the market with CZ adding some risk premium back and scaring shorts out. SRW had gotten very cheap vs. corn and all other world wheats and along with renewed US export interest provided support. The HRW crop experienced four freeze events in addition to missing out on key rain events with crop ideas getting smaller. Kansas City was the leader and gained considerably on Chicago wheat as well as corn. Chicago was up 40 cents for the month, Kansas City up 57, and Minneapolis up 42. Extremely firm cash bean and meal markets provided support to the nearbys with SN up 13 for the month and SX down 28 cents. Acreage shift ideas (less corn/more beans) also weighed on SX. SMN was up 14 dollars with SMZ down 3.40. Oil took the back seat and was down 119 points for the month.

Funds went from long corn to short corn during April, covering shorts late in the month as planting was basically stalled. There was basically no letup in the cold/wet pattern, and corn was only 5% planted by late April vs. 31 average. At the same time, however, ethanol production margins turned very profitable, and weekly production levels were better than expected and more than needed to reach the USDA forecast. Export demand also perked up a bit and HRW priced itself out of the feed ration. Throughout the month, corn area ideas got smaller and most lowered yield ideas to account for the late planting. I can make a case for losing 3-4 mil corn acres from the USDA's 97.2 mil forecast in March with many taking yield from above 160 bu/a to something closer to 154-156 bu/a. My 13/14 ending stocks forecast went from 2955 milbus in early April to 1753 by late April. 1753 is still comfortable but a huge difference from 2955 – it's actually surprising the market didn't rally more. I think the market inherently knows that ethanol use is plateauing, the US role in the export market may have been permanently tarnished, and soil moisture has been very much replenished. The entire price structure is likely heading lower if corn ending stocks above 1500-ish remain attainable. It is, however, crucial that the weather pattern shapes up and fast.

Shrinking HRW crop ideas due to lack of rain and consecutive freeze threats rallied Kansas City wheat 90 cents from early April. HRW crop ideas are ranging from 725-800 milbus. There doesn't seem to be a lot of confidence in forecasts, however, as it is difficult to tell how much favorable weather in central and eastern areas will offset the bad weather in western KS and the OK/TX panhandles. In addition, on the rally HRW priced out of the export market and feed market. The low HRW crop was likely discounted on the rally, especially considering the big HRW beginning stocks. Chicago was also strong during April with China interest and overall decent export demand seen. SRW got to a $50/ton discount to French. EU and Black Sea stocks are rather tight heading into new crop with neither crop off to the best start. World buyers did not chase the rally, however, and seem content to wait for new crop supplies. The world is counting on additional Black Sea wheat this year and it will be very important that their crops rebound. However, WZ is roughly $2 over CZ – which is rather rich suggesting considerable downside in wheat if we ever get the corn in the ground.

Extremely firm cash markets were the feature in the soy complex in April. The pace of use of beans and meal continues to be too strong, and if it weren't for the bird flu outbreak in China the flat price rally likely would've been much stronger. It remains to be seen how much long term damage was done in China due to bird flu but typically their feed use doesn't see long term effects from disease incidents. In addition, they had drawn down stocks so larger imports are forecast in 13/14 regardless. Brazil shipped a record amount of beans in April and are working through their logistical challenges. Tight producer holding (as a currency hedge) remains a problem in Argentina. However, we have transitioned to a domestic market and will need to cut the crush significantly for the balance of the year and may need bean and meal imports to balance the old crop S&D's. The SK-SN

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traded to a 77 cent inverse and the July will likely be even tighter. Old crop should remain volatile. Most in the trade have added bean acres due to the slow corn planting pace. My 13/14 ending stocks forecast is above 300 milbus vs. below 250 a month ago. If the growing season is okay (assuming everything gets planted), supplies should be more comfortable in 13/14 and prices should work lower.

Regards,
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