BOCKEN TRADING

LLC

# *February 2013 Month End Comments*

February was a month when beans gained on grains, bean spreads inverted further, meal gained on oil, and corn gained on wheat. Corn broke over 50 cents by mid-month and then recovered over half of the losses. Old crop corn gained on new crop – for the month, old crop corn was down 21 cents with new down 34. Chicago wheat was down 72 cents for the month with Kansas City down 91 and Minneapolis down 65. India continued to cut into exports and the HRW wheat areas received a couple major snow events which weighed on the market. Beans were supported by Argentina continuing to miss rains in key areas and growing Brazilian shipping line-ups/delays. Old crop beans ended the month up 6 cents with new crop down 68. Meal was up $8.40 with oil down 404 points.

The feature in corn was ethanol margins improving on the break below 700 and some plants that had idled coming back online. Given the extreme tightness of the 12/13 balance, the flat price break sent the wrong signal to the market. This will likely be the pattern for the rest of the crop year: find support when using too much, run the market up to make sure rationing, break when think can "get by." The other feature was the USDA outlook conference. A big carryout was expected for 13/14 but the surprise was much lower-than-expected ethanol use. We have known ethanol use is in the process of plateauing, but given that we've destroyed our export program too, 4600 ethanol use vs. 5000 is not a small difference. Old/new spreads will likely be volatile but should continue very wide. The CH-CK made new all-time highs at a 20 cent inverse – a signal for what's to come in CK-CN. Downside potential remains significant for new crop.

Wheat had no friends in February and basically went straight down with very little pause. Exports and weekly shipments continued to underwhelm while India kept pounding out exports. In addition, there were much better signs that the US drought was abating with a few major snow storms in the Plains and WCB. Wheat has priced itself as a feed grain and there is no reason for wheat futures being priced over corn. The Marchs went 35 over – (CH over WH) and the Mays are now 3 over. The glaring thing is the CZ-WZ spread at 170 over. This has a long way to go in my opinion unless there are major issues in a key growing area in wheat. India's harvest is around the corner and it seems that some wheat is coming out of the woodwork in other areas too at the realization that $300/ton wheat is going to become a distant memory rather quickly. Wheat can be subject to a short covering rally at any point in time, but I maintain new crop still has considerable downside.

Argentine crop size and Brazilian execution or lack thereof were the main features in the soy complex in February. The wait times to load out of Brazilian ports are getting longer and longer and as a result bean business has come back to the US at a time when we should be shutting off fresh exports almost completely. The bottom line is the rationing job going forward is getting bigger as the pace of use continues to be too large. Volatile trade is likely to continue in both flat and spreads but the job is not done. Depending on South American crop outcomes and Chinese demand, the 13/14 US balance doesn't even look that burdensome anymore. We may need a trend yield or better and the function of the market may be to encourage more bean acres. SX should continue to gain on CZ.

Regards,<br>Megan Bocken<br>Bocken Trading , LLC<br>March 6, 2013



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