BOCKEN TRADING
LLC

July 2014 Month End Comments

Everything continued lower in July on cool temps and favorable condition ratings. Wheat went along for the ride. Corn was down 56 cents in July with Chicago wheat down 48, Kansas City wheat down 67, and Minneapolis wheat down 61. Old crop beans were down 105 cents with November soybeans down 72. Meal lost $39 in the old crop and $18 in new with oil down 268 points in July.

Crop ideas continued to get bigger. By month's end, the trade was widely talking 172+ corn yields and 46ish bean yields. Huge ear weights and plant populations as well as talk of double ears could put yields over the top. No one is expecting a huge yield in the USDA's August report however as they will use the 5-year average for ear weights. I am expecting that big crops get bigger and each crop report will show a larger yield. Another bearish factor in corn is the huge amount of feed wheat in the world this year. Ukraine has a high proportion and the EU may have a record amount this year. Last year the EU exported record amounts of wheat, kept wheat feeding small, and had very large maize imports. This year will likely see huge wheat feeding, sharply lower wheat exports, and lower maize imports and maize feeding. This should weigh on corn.

By the end of the month things had turned dry in many western growing areas. The cool temps are a saving factor, but the market has stabilized some as we wait for a better rain. There are indeed big rains forecast the first week in August and no extended heat. Beans are "made" in August and they would like to see these rains materialize. Beans are off to one of the best starts in recent history but will need a few rains this month to realize record yields. The sharp decline futures prices has also been met with huge demand – we have seen huge new crop bean and meal buying.

We have had numerous years of rather tight US/ South American supplies, and if we have abundance this year we will find out how large China's soy appetite really is. How the demand is absorbed is something for down the road. Right now the market is focusing on crop size. A few good rains in August should take beans down to the $10.00 level rather quickly. Eventually, I am expecting we visit the $9.00 level, if a 450-500+ milbus carryout is in the offing.

Wheat declined along with corn, but despite the fact Chicago wheat was already short and built a bigger short, it did not match corn's losses for the month. The quality issues in the EU have caught the market's attention, particularly as the funds are carrying a record short and the commercial is also carrying a large short. Index funds are the only longs.

The quality issues in the EU wheat – France and Germany, with the forecast continuing to be wet, has some thinking that US exports may increase. France may not be able to make quality specs for Algeria and they are

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typically a captive market for France. There have been no French offers to GASC lately due to quality. Algeria has taken HRW in the past and Egypt may need to take SRW. Russian crop ideas are getting bigger – considerably bigger than the USDA forecast – going from 53 mmt previously to now in the 58-60 mmt range. However, I am already forecasting record exports out of Russia – their capacity may be stretched. It is interesting that Russian values stabilized/firmed last week while crop ideas were getting bigger. Canadian yields are variable but may be down considerably from last year. Australia has turned drier recently. Western Australia and northern New South Wales/Queensland are in need of much better rain. Australian futures have reacted to the upside. Risks in wheat appear to be much greater to the upside given the uncertainties about Southern Hemisphere crops, the possibility of increased export interest from the US due to EU quality issues, Russian export capacity constraints, and of course market structure.

Regards,
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