BOCKEN TRADING
LLC

March 2015 Monthly Commentary

Wheat tried to base in March, corn was weaker but gained on beans, and oil share was sideways with both products under pressure. The Brazilian Real made new lows while the Dollar made new highs – increasing values to the Brazilian producer. There were a few strikes in South America but nothing out of the ordinary. The bean/corn ratio made new lows into the March 1 stocks and acreage report only to reverse direction on report day as bean stocks and acres were lower than expected while corn acres and stocks and were larger than expected. Ongoing HRW dryness and evidence of winterkill supported wheat. For the month, KC was up 20 cents, Mpls up 9, and Chgo was basically unchanged. Corn was down 17 with nearby beans down 58 cents and SX down 41. Meal lost $15.40 while oil was down 249 points.

Corn tested the low end of the range after the stocks and acres report with most in the trade lowering crop year feed/residual use and raising new crop area. It is uncommon to lose significant corn area from March to June without major planting delays, so most are adopting the USDA number. Currently planting is behind in the Delta/Southeast given recent wet weather. We are approaching crunch time so there is some risk that ultimately we end up with lower area. It will come down to yield however, and at this point you can plug in anything you'd like. Most are working with a 165-166 bu/a yield next year which draws stocks down slightly. Anything lower could be significant and anything higher would keep stocks comfortable. Basically biding time to see what the summer pattern will be – currently the US producer is the big long in the market and funds have a small short.

Wheat was interesting as funds keep getting shorter in Chicago while there is production risk here for both the HRW and SRW crops. Kansas precipitation through early April is the lowest in recent history but condition ratings have held up better than expected even with reports of winterkill and recent heat/dryness. There are chances for better moisture starting early next week but it is questionable whether it will happen and/or whether it will be enough. There is also some concern about heavy rain in SRW areas. We do not need another year of low quality. In the near term we are trading US weather. Given the massive fund short, if rains continue to disappoint in HRW areas and SRW remain too wet, we could have a considerable short covering rally. At the same time however, Ukraine/Russian winter wheat areas have received much better moisture of late and the cash market is searching for demand with world values at considerable discounts to the US.

Under pressure with South American crop ideas creeping higher again and increased selling/harvest pressure out of South America. The market covered shorts after March 1 stocks were lower than expected. Acres were not as big as the trade was expecting but general expectations are for larger bean area in the June report. Even with a 3.5 bu/a yield reduction in 15/16, beans still build stocks. It would take a yield below 44 bu/a to tighten things up. In the near term, beans/meal are feeling the pressure from Argentina where harvest is really getting going. Argentina is discount to Brazil and is at a significant discount to US. The US shipping line-ups for beans and meal are dwindling and it may be difficult to secure new business given the sharp discounts out of South America and weakening crush margins in China. Everyone seems sufficiently worn out trying to be short beans – almost feels like a big break is coming.

Regards,
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