



March 2013 Month End Comments

March was a very difficult month of trading as markets spent the entire month waiting for the stocks report on the last trading day, which came out three hours before the close and month-end/quarter-end. The trade was anticipating another low stocks number for corn and also for wheat given all the reports of wheat feeding etc. Corn rallied 60 cents from early March up to the USDA report on March 28 before giving it all back and then some on the huge stocks miss. For the month, CK was down 8 cents (synthetically actually 27 cents) with CZ down 18.5 cents. Wheat also rallied 56 cents from early March until the report and then dropped 49 cents on report day. For the month Chicago was down 27, Kansas City 26, and Minneapolis 22. Beans rallied early in the month on Brazil shipping delays etc. but fund selling and unwinding of beans/corn and bull spreads weighed on beans/meal. For the month, SK was down 48 cents with SX down 8. Meal was down 31 dollars with oil up 99 points.

Corn spent the month anticipating a tight stocks number. The March-May spread traded at a record 31 cent inverse. Ethanol margins improved and ethanol stocks declined to levels not seen since November 2011. China was active buyer of new crop corn. There was much talk of Argentine corn into the US with both South American and Canadian corn said to be used for ethanol grind. There was also talk of wheat being used for ethanol but the quantity is likely quite small in the scheme of things. March 1 stocks came in roughly 400 milbus above trade ideas which implied 12/13 ending stocks closer to 900-1000 milbus than 600ish previously. The catch-phrase has been “game-changer.” And it really is as it implies we will “get by,” and flat price readjusted very quickly losing roughly a dollar following the report. Argentine corn, however, is still at roughly a \$30/ton discount to US and futures will likely grind lower – although it may be a volatile ride. New crop implications were even more bearish given higher carry-in ideas. Acres were up marginally from last year and 13/14 stocks could be above 3000 milbus if the weather cooperates. The trade is on edge about slow corn planting and an upcoming wet forecast. The bottom line is if the weather is good this summer we will be swimming in corn, but it is a waiting game and can get chewed up in the process.

Wheat got fairly cheap early in the month vs. corn and other origins, and a flurry of US business along with deliverable receipts being cancelled spurred a short covering rally into the stocks report. WK went 10 under CK early in the month. There was a lot of talk of SRW feeding and even wheat being used for ethanol, which also had the trade expecting a low stocks number from the USDA. Wheat stocks were also on the high side of expectations which should leave 12/13 stocks comfortable. Currently the expectation for 13/14 is for US, world, and major exporter stocks to build in 13/14. However, winter crops are not yet set in stone and much will depend on US, EU, and Black Sea crop outcomes. Wheat may be in a bit of a holding pattern in the near term, maintaining a bit of risk premium for any weather issues - particularly as SRW is the cheapest wheat and remains at a discount to corn and export interest has been rather strong of late.

Volatile trade has been the rule in beans so far this year and March was no different. Beans failed again near 1500 in the nearby early in the month. Brazilian execution remains difficult, but the shipping line up likely peaked late in the month. The US may have been able to do additional business if there had been ships available. The bean stocks number was also above expectations, but the US situation remains tight. We still need to cut March-August use (as a percentage of crop year use) to the lowest level in recent history. The transition to being a domestic market is underway. There are reports of crush plants scheduling downtime from May to September. This needs to happen. Both Gulf and interior basis is quite strong and I don't think the old crop “story” is over. New crop acres were below trade ideas and basically implied that there is little room in the 13/14 balance for any weather issues.

Regards,
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