September 2012 Performance Summary

Soybeans got pummeled in September as harvest got underway and yield reports were better than expected to much better than expected in some cases despite low pod count projections. The market was extremely long and every rally attempt uncovered fund as well as producer selling. November beans finished the month down $1.55. Corn also worked lower all month on harvest considerations as well as some better than expected anecdotal yield reports. Export sales dwindled to next to nothing while ethanol margins moved deeper in the red. A bullish stocks report at the end of the month allowed corn to make back part of its monthly losses, ending the month down 43 cents. Wheat was relatively firm – up 13 in Chicago, 1 cent in Kansas City, and 10 cents in Minneapolis as Black Sea wheat became sold out and Australian crop ideas got smaller.

After making a new high in the first day of trading in September, soybeans got overwhelmed by better than expected yield reports despite a low yield from the USDA. A limit down day mid-month spurred fund selling and technical damage was done. The market could not find support (although there seemed to be a major change of ownership from funds to user hands) and September 1 stocks came in bigger than expected. The market went from "we are going to run out of beans" to "we may get by" to "how big is this crop?" We may have discounted a 39-40 bu/a yield on the break. The world will need and use the bigger supplies, but it will be more of a realizing market than a panic/rationing market. We will need to wait for the October 11 USDA to see what we are dealing with – the difference between a 37 and 39 yield is significant.

Corn was lower on better than expected yield ideas as well as waning demand with strong signs that ethanol and exports were being rationed. Export sales have been extremely slow, ethanol margins moved deeply in the red, ethanol imports increased, and South American corn remains at steep discounts to USC. The USDA did not lower yield as much as expected in September and did not touch harvested area. I maintain there is a good chance that yield continues to move lower and that there could be a significant drop in harvested area in the October report. September 1 stocks were much lower than expected (roughly 3.5 mmt) despite early harvest. Another factor going forward that could become a big feature is the EU grain situation. Their grain situation is the tightest in recent history and large imports may be needed. They are working on approving a Brazilian GMO variety, and, while Brazil has abundant supply, their logistics are already strained; the export focus will likely move exclusively to beans in March. The US, EU, and world corn situation is quite tight and further rationing is needed, the degree to which will be better known following the October crop report.

The wheat market could become quite dynamic going forward. Wheat has been in a sideways pattern for roughly two months, managing to finish the month of September with small gains despite considerable weakness in row crops. September 1 stocks were considerably below expectations suggesting a large JJA feeding program. The Black Sea is sold out and may need imports later in the crop year, the EU will likely sell itself out within a couple months, and Southern Hemisphere crops (particularly Australian) are getting smaller. The US export program will be quite strong in the second half of the year. The major exporter situation is the tightest in recent history and even with an Australian crop of 22.5 mmt (most private estimates are closer to 20-21 mmt) suggests that wheat should continue to be well-supported and could have considerable upside moving forward.

Regards,
Megan Bocken
Bocken Trading , LLC

gfirtik@nesvick.com • aduhon@nesvick.com
9047 Poplar Avenue, Suite 101 • Germantown, Tennessee • 38138 *phone:* 901.766.4446 • *fax:* 901.766.4406