BOCKEN TRADING
LLC

February 2017 Monthly Commentary

It was a month of wide ranges but relatively small changes with the exception of wheat. Fund money continued to flow to commodities with corn open interest up roughly 150k mid-month. Grains and soy are viewed as historically low priced and there continues to be inflation/reflation talk. Rumors about the RFS and executive orders regarding ethanol and biodiesel spurred a volatile rally on the last day of the month. The uncertainty from the new administration continues. For the month, corn was 6 higher with Chgo wheat up 11, KC up 21, and Mpls up 3. Beans finished 3 higher, with meal down $2.00, and oil up 7 points. Soybean oil has the most to gain if the rumors turn out to be true, with talk of stopping/limiting imports and giving the producer a credit instead of the blender. Oil had been beaten up for much of the month. It seems the fear was that the new administration wouldn't support renewable fuels as they had been in the past, which no longer seems to be the case.

US corn exports and ethanol use continue to surpass expectations with 16/17 carryover tightening. The rumors about RFS executive orders are hanging over the market and are generally supportive. The record Brazil crop won't be felt until our 17/18 crop year. US corn is the cheapest grain in the world right now without much competition. In add'n, our "risk premium" season is just ahead. There is talk of El Nino by July or August which typically means no major threats. At the same time, the warm winter is portending a warm summer. The influx of new length is probably here for the intermediate/longer term and the US producer is only selling strength. The next big event is the Prospective Plantings report at the end of the month (along with quarterly stocks). The market should hold risk premium until the crop is planted and can have an idea about pollination weather.

Beans continue to be unable to follow through on rallies or breaks. South American crop ideas are getting bigger but producer selling has been slow. Their marketing practices have gotten a bit more sophisticated with increased storage. The strength in the Brazilian Real has been hindering selling, but has weakened over the last week. If the weakness continues, we could see increased selling from the Brazilian producer. The forecast for Argentina is wetter going forward and the trade is a bit nervous after last year's disaster, especially after the Dec/Jan flooding. Arg needs a smooth harvest. Even with a record Brazil crop, the world still needs increased US area and a trend yield given the ever increasing demand base. The market is now on alert for a major change to the biodiesel policy, which could be quite friendly for bean oil and should continue to support oilshare in the near term.

The sentiment in wheat has turned and funds continue to cover shorts in Chgo. Supplies remain more than adequate overall, but there are a few issues that should continue to garner support in the near term. The EU is close to running out of exportable supply, the Russian producer is not selling due to currency considerations, and there continues to be a quality deficit which may benefit HRW. In add'n, Egypt is under bought. Their private trade imports are down considerably and there is nervousness that the producer won't sell due to their devaluation. There is also a risk that US winter wheat area is even lower than forecast and the HRW region remains dry. The key period for N Hem winter crops is around the corner and the market should maintain some risk premium.

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March 3rd, 2017

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