BOCKEN TRADING LLC

March 2017 Monthly Commentary

For whatever reason, funds wanted to get long "soy" this fall/winter. There was a crop scare in Argentina early on, and China demand has been better than expected. However, it turns out Brazil is going to grow 15-18 mmt more beans than last year and Argentina possibly 1-2 mmt more. The US has 5.5 mmt more beans on hand than this time last year. World trade is up roughly 5.6 mmt (all China). So the increase in world trade offsets the increase in US supplies, but not the increase in SAm supplies. On top of this, the US is going to plant at least 6.5 million more acres than last year. That means we can have a 48.5 bu/a yield (down from 52.1 last year), and grow the same amount of beans as last year. And carryout will grow roughly 200 milbus in 17/18 in that scenario. At the same time, the Brazilian Real is turning weaker and the Brazilian producer is still sitting on a lot. Argentina has been slow to sell and their exports are lagging last year's pace. Their harvest is already behind last year with more rain coming in the near term. If Argentine harvest ramps up with no issues, and there are no planting delays here, it is difficult to imagine a sustained rally. It is just really hard to tighten things now. All that being said, I'm wondering how much of this has been discounted on the recent dollar break. There is a fairly strong seasonal for beans to rally in Apr/May. We are in a transitional time between the SAm and US growing seasons and it is best to tread lightly in the near term.

Corn acres were lower than expected and funds have gotten short. They may want a commodity to be long into our growing season, and corn makes the most sense. If there is a planting delay, it will hit corn first. The corn balance sheet will also be more sensitive to a yield issue and there is less of a buffer than in beans. It has been wet with more rain in the forecast. A wet spring could mean even fewer corn acres. Funds have gotten quite short corn the last few weeks and there is an entire growing season ahead. Demand for US corn should remain strong into late summer/early fall. At the same time there is currently no compelling issue for sustained strength, and corn may continue to drift for the time being.

I had thought spring wheat acres may be even lower than the USDA reported, but they were pretty much in line with trade expectations and stocks were bigger than expected. If last year's yields are repeated in one or more countries, wheat is dead in the water. But US wheat acres are record low and US stocks are set to decline with a return to normal yield. For the time being, assuming more normal yields, the US and world situation should not be as burdensome in 17/18 as it was this past year. Key growing periods for Northern Hemisphere winter wheat are underway and should determine short term direction.

Every growing season brings a surprise or two and there should be plenty of opportunities going forward.

Regards,

Megan Bocken

Megan Bocken
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9047 Poplar Avenue, Suite 101 • Germantown, Tennessee • 38138

newaccounts@bockentrading.com • *phone:* 901.766.4446 • bockentrading.com