BOCKEN TRADING

LLC

April 2019 Monthly Commentary

Markets were weaker following bearish March stocks and acreage reports. Favorable weather in the HRW areas and ideas that world wheat production would be up in 19/20 weighed on wheat. There was no real progress or end in sight for the China trade deal, but the reality of ASF seemed to hit the markets (finally). Slow planting progress provided late month support in corn with futures only finishing 3 cents lower for the month. Chgo was down 35 cents with KC down 44 and Mpls down 50. Chgo had relative support on SRW areas being flooded. Beans finished 43 cents lower as the market seemed to realize that SAm crops keep getting bigger and it will be very difficult to tighten the situation especially with ASF ongoing. Meal was down $9.40 and Oil finished down 83 points.

There has been a material shift in corn balance sheet ideas in the last few weeks. In last month's letter, 2700 milbus for 19/20 carryout was a real possibility given the huge SAm crops and bigger than expected stocks and acres. Now the market is pondering the chance that only 25-30% will be planted by May 12 given current conditions and forecasts. There has also been much talk that yield potential decreases when the bulk of the crop is planted after May 10. The other recent years with late planting (2013 and 2015) found windows in May where 35-40+% was planted in a week. At this point, that doesn't seem to be in the cards given current rain outlooks, but 2013 saw a yield drag nonetheless. With a 2-3 mil acre loss and a yield closer to 170 bu/a, carryout could drop to 1500-1700 milbus. This is the current risk, which could be exacerbated by the massive fund short position. There are definitely bearish inputs including SAm crop ideas that keep getting bigger and bigger which could lead to US exports below 2000 in 19/20. There was talk this week that Mexico was buying Brazilian corn out through OND which is typically a captive US market. In add'n most users are well covered, and the US producer is undersold. However this is the time of year we start focusing on US supply and the weather issues should dominate in the near term. The next 2-3 weeks are critical for planting and the market will remain on edge about late planting and potential yield drag. I am positioned for a further near term rally with a close eye on the weather – if we see a big planting window, it will be an opportunity to get short again.

Wheat has seen a dollar break since late Feb and for good reason. It may have been enough for a while though. KC traded well under $4.00 and the KC-corn spread is the narrowest it has been in years. The corn rally has provided support and wheat can rally further just on less liquidity. The long term picture is still bearish on assumptions of rebounds in EU, Russian, and Australian crops. Not willing to press here however while corn is rallying. There are also concerns about spring wheat seeding which is only 13% done vs 33 ave. There was more snow in SD this week. Given the lateness of the HRW crop and recent rain, a low protein crop is expected. Mpls could gain on KC as a result.

Beans are also down roughly a dollar since Feb as the market has come to grips with the huge supply we are dealing with and the difficulty in tightening the situation even with a China deal. The ballooning US stocks combined with the rebound in Argentine production and the demand issues in China due to ASF point to an oversupplied situation for the next few crop cycles at least. It would take a major yield issue this summer and/or much larger than expected China buying to tighten the US balance sheet. In addition, the late corn and spring wheat planting is currently adding to bean area ideas. If the wet spell continues into June, it could also mean less bean area. I have been short beans, but am sidelining for a bit on oversold conditions.

Regards,

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