BOCKEN TRADING
LLC

June 2019 Monthly Commentary

The markets made new highs by mid-month due to ongoing slow planting weather, continued wet/cool conditions, and crop ratings starting out at the worst levels since 2012 and similar to 1995. The second half of the month was sideways trade with vol leaking as the market prepared for the month end reports which most thought wouldn't capture all of the acreage losses. Then came a huge shock on the last trading day in June as the USDA only lowered corn acres 1.1 mil acres from March intentions and bean acres came in 4.0 mil below trade ideas. The trade had built sizable corn length and was still carrying a short bean position heading into month end, which created huge moves to end the month. Corn finished the month down 10 after being up 20 mid-month. Chgo wheat was up 17 with KC down 24. Much better than expected HRW harvest results weighed on KC while very firm SRW basis provided support in Chgo. Mpls was down 7 as the weather improved in the N Plains. Beans finished up 20 cents. Meal was down $7.60 with US priced well above SAm meal while oil gained 71 points.

There are still many uncertainties in corn. The USDA reported acres down 1.1 mil acres vs March intentions at 91.7 mil vs trade ideas of down almost 5 mil. They also said there was still 16.7% of acreage unplanted at the time of the survey. This compares to 1-2% unplanted during the survey the last 4 years. The weather also continued generally wet overall and cool in the ECB. The USDA said they are going to resurvey in July and present the findings in the Aug WASDE. If acres are not much different than the 91.7 presented, yield ideas will likely come down. I am still of the opinion that we lost a lot of acres and it wasn't captured in the report. It was an unprecedented slow pace with unprecedented weather conditions thus it is difficult to compare to previous slow years. We are still likely dealing with a stocks to use ratio anywhere from 6-10% vs 14-17% the last three years. The market may go into a chop and continue liquidating as it could be months before we have a good idea on acreage and yield. The weather has recently finally turned warmer which should help improve crop conditions.

The bean balance sheet could be significantly altered assuming 80 mil acres is near correct. 80 mil is down 4.6 mil from March intentions and down 9.2 mil from a year ago. The market had underestimated the China trade issue and ASF as a deterrent to planting beans. Assuming 80 mil acres and a yield of 47 bu/a (the beans have barely emerged and if they have they are small), ending stocks may be in the 600 milbus range. This is still comfortable obviously, but a far cry from the 1100 milbus expected as recently as a week ago. The USDA said that at the time of the survey there were still 41.2% left to plant. This compares to 8-15% the last four years. Meaning, there still seems to be a risk that not all of the 41.72% got planted. The G-20 meeting had a more positive slant on trade than there has been in weeks although this is on the back burner for now. As with corn, there remains a great deal of uncertainty, but the risks to the bean situation are greater now assuming lower acres.

There really isn't anything exciting going on in wheat. There has been some hot/dry weather in EU and Ukraine/Russia, but it came too late to do much damage. Rains have improved in the Canadian Prairies and Australia has also seen some better moisture in the west and southeast with the northeast remaining problematic. SRW quality may be tight, but it is really difficult to tighten the US or major exporter balance. Wheat should remain a follower of corn and could have considerable downside given how uncompetitive US wheat is on the world market.

I overstayed my welcome and plan to be pretty small FH July as the market chops and digests the USDA. I still see big opportunities ahead, but the moves may not come until closer to harvest.

Regards,

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July 1, 2019

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