BOCKEN TRADING

LLC

# *January 2021 Monthly Commentary*

All the markets made new highs in January led by corn which had a barrage of unexpected very large China buying. Corn finished the month near the highs while the soya complex gave back some gains on much improved Argentine rain. The environment turned much choppier to end the month. Futures finished up 62 cents in corn. Wheat was up 23 in Chgo, 35 in KC, and 34 in Mpls. Beans were 58 cents higher while meal was only $1.50 higher and oil gained 216 points.

Early month strength was in anticipation of the USDA stocks and final production reports. The USDA surprised even the most bullish estimates with corn stocks roughly 600 milbus below trade ideas and a final yield of 172 bu/a, down from 175.8 in Nov. They lowered ending stocks but it was buffered by reductions in use. Exports were lowered to 2550 milbus. Ending stocks were forecast at 1552. There were sales announcements to China in late Jan for the current crop year of roughly 6.0 mmt. Most private estimates for exports are now in the 2900-3000 milbus range with ending stocks closer to 1000 milbus. Now we are really going to be in a position where we need to increase corn acres in the US this spring. Most are forecasting record total acreage and hoping for a dry spring for planting. Even with a two million corn acre increase and a 180 yield (a record), ending stocks may not get above 1200 milbus. We are now facing a 20/21 stocks to use tighter than the drought year of 12/13 and a potential problem again in 21/22 if we don't get the acres/yield we need. We also do not know if China's corn buying program will continue into next crop year. They still have sizable import margins. We are not yet at levels that are needed to ensure acres and hold a risk premium for adverse spring or summer weather. There could be significantly more upside from current levels, and am positioned as such.

The bean trade has turned much choppier as Argentina received much improved rainfall in January and crop ideas are stabilizing/getting bigger in both Argentina and Brazil. While it wasn't as obvious or pronounced, China continues to buy US beans and for non-typical timeslots (Feb and Aug). Harvest delays in Brazil are prompting additional US sales. Outstanding sales are over 95% of the USDA's crop year forecast with 7 months to go. We are not rationing at current levels, and even with a 133 mmt Brazil crop, conditions remain tight into the next SAm crop cycle. It's going to be choppy from here, but there is currently more upside than down, especially for new crop.

Wheat is better supplied than beans or corn, but there are still some imbalances going on. Russia has increased the export tax to $50/ton from Mch to June (from the current $30/ton) and is considering $70/ton from June forward. The EU export pace remains unsustainable and Canada and Australia are facing capacity issues. Wheat will come more into focus as spring weather for N Hem crops approaches. I continue to like owning KC vs Chgo in the deferreds as HRW could get fairly snug next year. KC should go back to a more normal premium (20-40 cents).

The "easy" trade may be over, but the markets still have a big job to do. I am prepared to trade the swings and keep core length until the rationing job is done and/or ample crops are assured next summer.

Regards,

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