BOCKEN TRADING
LLC

February 2021 Monthly Commentary

Was another choppy month with oil the real leader – marching higher in an orderly fashion and gaining 619 points on the ongoing tight world oils situation and in anticipation of slower US crush. Beans also made new highs as Brazil shipments got off to a slow start and Arg dryness creeped back in. Meal struggled as Argentine crush came back stronger than expected. Beans finished the month off the highs but up 44 cents, while meal was down $6.00. Corn made new highs mid-month and then languished as China corn buying slowed dramatically. Futures finished the month just 2 cents higher. Wheat struggled as well with Chgo down 2 cents, KC down 7, and Mpls down 4 in Feb.

Beans had another strong month on continued strong export demand. Fresh buying has slowed, however, and shipments slowed considerably in Feb (which was as expected). The transition to SAm dominating demand has begun but it is not without its challenges. Brazil harvest remains roughly two weeks behind and their shipping line-up is an all-time record. Early anecdotal yield reports out of Mato Grosso were poor and there are some quality concerns, but Brazilian crop estimates have been getting bigger. Argentine crop ideas have been getting smaller however with the return of dry conditions in Feb. Dry weather is forecast to continue through the first half of Mch with hotter temperatures accompanying the dryness. The USDA Outlook Conference also provided support as did the need to price in strong CRC insurance average prices (incentive for spring area). The USDA's first 21/22 ending stocks forecast was a snug 145 milbus with a 7-mil acre increase, a strong yield (50.8 bu/a), and demand down from this year. I am concerned that the bean/corn ratio is not doing enough to get the 90 mil acres of beans. A lot needs to go right to get the 145 milbus c/o. If we don't get the acres, and/or there are any weather threats, we will be in trouble again. For now, however, we have transitioned to SAm for exports, but we still have a big job to do to ration the US crush. Meal may continue under pressure in the near term as US crush may not really slow down until at least May and Argentine meal premiums continue under pressure. Swine fever is popping up again in the headlines in China which needs to be monitored. Also am not looking for further strong advances in oil in the near term with palm production expected to ramp up over the next 5-6 months. I got caught in the chop a bit in February and plan to be more disciplined this month, while maintaining a friendly bias for new crop. The stocks and prospective plantings report at the end of the month will be very important and likely make for volatile trade.

China corn buying has slowed but the US shipment pace is ramping up. There are still big inverses in the market as the market will require continued movement. The USDA also needs to raise their old crop export forecast. At the Outlook Conference, the USDA forecast 92.0 mil corn acres this spring (up from 90.8 last year). They forecast a record yield of 180 bu/a with a near billion bushel increase in production forecast vs last year. Their usage forecast was up some vs last year and the net result was ending stocks of 1552 milbus, nearly unchanged from their old crop forecast of 1502 milbus. Most in the trade are working with smaller old crop stocks based on higher exports and feed use. Would not be surprised to see prospective plantings come in higher than 92 mil acres, but the record yield will still be needed to ensure adequate supplies. It is also unknown whether a big import program from China will continue in 21/22. I don't think new crop can break too much into the end of March reports, and then depending on the acreage starting point, the planting season and growing season. I am likely done trading old crop and will maintain a friendly bias new crop until the trade is assured of adequate supplies going forward.

Have not been "trading" wheat much recently, but there may be more opportunities as we get into spring weather for N Hem crops. US wheat is competitive for both SRW and HRW on a FOB basis which should provide some support. I continue to like KWN vs WN based on tightening HRW stocks going forward while SRW are expected to build. There may be an opportunity to add to this trade in the near term. There could still be a considerable move coming for hard wheat vs soft to get back to historical norms.

Regards,

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