BOCKEN TRADING

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April 2021 Monthly Commentary

April was an explosive month with extremely tight domestic cash markets in corn and beans leading the strength. Old crop corn finished the month up $1.26 with new crop 85 cents higher. Wheat got to feed value so is essentially corn and came along for the ride in addition to dryness concerns in the N Plains/Can Prairies spring wheat areas. Chgo was up $1.19, with KC up $1.21, and Mpls up $1.44. Old crop beans were up $1.08 with new crop up 86 cents. Oil was a clear leader up 1158 points while meal languished and finished only up $2.00.

There are a number of issues fueling the rally that should continue to provide support in the near/intermediate term. Old crop tightness has not been resolved. US basis is very firm with inverses making new highs. There is a huge pipeline to continue to fill in corn. Producers are getting more bullish and becoming tighter holders the higher we go.

The old crop tightness in both corn and beans spills over into new crop. We are now facing very snug new crop carryouts (negative without rationing with the March acreage forecasts) in both corn and beans and we won't know how many acres we added until the acreage report at the end of June. There are anecdotal reports that we have added a considerable amount of corn, but this could make beans even tighter. We need more acres in both crops and exceptional weather this summer. The planting pace is on track, but drought in western areas is being watched. It is going to be a very volatile summer. China has already begun buying new crop corn and their demand needs are not known yet for 21/22, but it doesn't appear to be slowing down.

The safrina (second crop) corn crop in Brazil is likely being dramatically reduced due to lack of moisture. Much of it was planted late so didn't benefit from the "wet" season, which wasn't wet enough. Now we are into the dry season (facing the driest conditions in 40 years) with little/no rain in the forecast at least two weeks out. The USDA is forecasting Brazil's corn crop at 109 mmt while privates are now in the 90-95 mmt range. This reduction will boost 21/22 US corn exports – possibly to above 3000 milbus making acreage/yield critical.

Wheat is now corn given that it is feed value. So even if the overall wheat situation is not as bullish as corn, wheat is going along for the ride. In addition, we have severe drought conditions in the spring wheat areas in the US N Plains and the Canadian Prairies. Nothing is forecast until the extended outlook, which is suspect at this point in time. So, in addition to the momentum from corn, wheat could have its own issue if dryness continues. This dryness could also affect corn and beans as increases in corn and bean acres in the Dakotas from last year amount to 4.0 mil acres. US wheat is priced well above EU/Black Sea wheat. This can go on for awhile, however, until we know the extent of the potential HRS losses.

There is nothing here currently suggesting values need to relax in corn, beans, or wheat. The USDA has a big job to do in the corn numbers next week. Then we will wait for the Jun acreage report to see if we have any cushion from acres, and also watch growing weather. The daily ranges could be very large and the repercussions of the tightness and the safrina losses could be felt for a few more growing cycles. We are positioned accordingly and watching day to day weather and market developments vigilantly.

Regards,

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