BOCKEN TRADING

LLC

May 2021 Monthly Commentary

Summer volatility started early. Futures made new contract highs early in the month and then sold off following the USDA report. Producers took advantage of the rally and the planting pace was very fast. Corn finished the month down 17-18 cents. Without corn to prop wheat up, futures sold off. Chgo finished the month down 72 with KC down 90 and Mpls “only” down 37. The HRW region received favorable rains. Old new bean spreads corrected with July beans finishing the month down 4 cents while Nov was up 33. Oilshare continued to make new highs with meal down $31 while oil was up 340 points.

Very large private estimates for corn acres weighed on the market. The outfit formerly known as Informa pegged corn at 96.8 mil acres – up from the USDA’s 91.1 mil. It is hard to argue against this because there is no proof until the end of Jun. Such a large acreage increase would make new crop much more comfortable even with China demand continuing. I am confident corn acres will be larger, but not sure that much larger. If they are indeed close to 96-97 mil, then it is likely at the expense of beans, which will have a big problem.

It is going to be a long month waiting for the stocks and acreage reports on the 30th. There is nothing to keep the markets honest in the meantime. We have seen several limit moves already (both up and down). We also have the pleasure of trading the midday weather forecasts which can fluctuate greatly. The US N Plains/Can Prairies as well as the northwest Corn Belt is in a drought pattern and the market trades each forecast. Given current dryness however, the market should maintain some risk premium especially until acres are known.

The USDA still needs to fully address Brazil’s crop losses. They lowered to 102 mmt vs 109 mmt previously while privates are in the 85-90 mmt range. The USDA also still needs to raise old crop exports by 100-200 milbus as a result.

Wheat has been a follower of corn given it is at feed value, but has issues of its own given the historic N Plains drought. HRS ratings overall are the second worst historically aside from 1988. ND’s ratings are just under 1988’s for the same week that year. Without improvement, we could be facing an extremely short US HRS and Canadian crop. US white wheat ratings are also very low to due dryness. There is some rain forecast in the extended maps, but will have to be monitored with a hot/dry stretch forecast in the near term.

The only thing we can probably count on in the near term is continued volatility. Upcoming weather and acres will determine if we have a second year of tight stocks in both corn and beans. Risks are equally weighted at this point.

Regards,

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