



## June 2021 Monthly Commentary

Was a month of liquidating trade. Corn and beans nearly matched May highs early in the month and then spent the rest of the time working lower in wide choppy ranges. Wheat was under pressure in sympathy aside from Mpls which showed independent strength. Spring wheat in the N Plains/Can Prairies continues to be at risk. Everything rallied the last day of the month after we averted bearish surprise from the USDA. The only thing from the report that was negative was an upward revision in winter wheat area. Acreage was much less than expected overall and both corn and beans NEED an above trend yield. For the month, corn finished 26 cents higher (due to a limit up move at month-end). Chgo wheat was up 12, KC up 39, and Mpls up 116. Beans finished down 59 cents despite a near limit up move on month-end. Meal was down \$20 for the month with oil up 56 points.

Corn was under pressure most of the month as the trade feared a much larger acreage increase in June. Informa spooked the market with an acreage estimate at 96.5 mil – vs the USDA’s Mch intentions of 91.1 mil. USDA, in the June report came in at 92.7, up from Mch but down from the average trade estimate of 93.8 and the fear of something above 95 mil. Something above 95 mil would’ve ruined the “story” as even with a yield reduction, supplies would have been ample. But the current 92.7 makes it critical for an above trend yield. There is also tendency for the final acreage number to be less than the June forecast. In addition, weather is far from perfect as we have drought in the PNW, N Plains, and northwest Corn Belt, while parts of the southeast Corn Belt are getting inundated with rain. Another point to note is that we added acres in the problem areas of the Dakotas and MN, which may not help much. When I plugged in the USDA acres, and using a 175 bu/a (based off condition ratings), my ending stocks forecast is 775 milbus – with a 5.2% stocks-to-use. In 12/13, the last major drought year, ending stocks were 821 with a 7.4% stocks-to-use. It remains to be seen what July weather will bring, but futures should maintain risk premium and not break much in the near term, unless growing conditions turn perfect overnight. US corn is at large premiums to other world corn origins and also soft and hard wheat. It can go on like this, and it should until the corn crop size is better known. July will be volatile with the market hinging on each weather forecast. My bias is sideways/higher, but if the weather turns for the better the market will turn very quickly and I plan to be nimble. June 1 corn stocks came in slightly below trade expectations, again averting a bearish surprise.

In beans, the trade had kind of geared toward a bearish surprise in the June 1 stocks number as cash markets had turned weaker. Stocks came in at 776 vs 773 expected. Acres also came in less than expected at 87.6 – unch from Mch, and below the 89.1 expected. Given no increase in area, and using a lower yield than the USDA based on current conditions/weather, my 21/22 carryout forecast is less than 100 milbus. So as with corn, it will be difficult to break the bean market much without a drastic turn in the weather. Beans are “made” in August, so July will likely be choppy and we’ll take fresh direction as the market can better see the Aug forecasts.

Wheat is getting interesting. The drought in the N Plains and Canadian Prairies is serious with potential for substantial losses. Canada could see a crop near 24.5 mmt, down from 35.2 last year, which would lower export potential by at least 10 mmt. The US HRS crop could be down 150-200 milbus from last year. The Canadian export losses can be made up by EU/Russ/Ukr, but major exporter stocks will continue to decline for the 4<sup>th</sup> consecutive year (this assumes a somewhat lower Australian crop vs last year’s record). There is some rain forecast in the N Plains/Can Prairies in the next week, but if it doesn’t happen, Mpls should have another leg up. At some point the other wheats should follow as we’ll have to ration HRS also, and HRW exports should benefit as result.

July is typically quite volatile. I plan to trade small with the operative word being “trade”. This is not the time to get married to a position with everything riding on weather going forward.

Regards,

Megan Bocken  
July 2, 2021

Information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Bocken Trading, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such. Opinions expressed reflect judgments at this date and are subject to change without notice. There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. The contents of this report are informational purposes only and under no circumstances should they be construed as an offer to sell or a solicitation to buy or sell any futures or options contracts. This material cannot be copied, reproduced, modified, or redistributed without the express written consent of Bocken Trading, LLC. No one has been authorized to distribute this for sale.

9047 Poplar Avenue, Suite 101 • Germantown, Tennessee • 38138

[newaccounts@bockentrading.com](mailto:newaccounts@bockentrading.com) • phone: 901.766.4446 • [bockentrading.com](http://bockentrading.com)