BOCKEN TRADING
LLC

August 2021 Monthly Commentary

Was a whippy month where it was hard to know what we were trading from day to day. The USDA yields were well below trade expectations and markets rallied. However, the market leaked from report day on as the trade believes those were the lowest yields we will see. Corn and wheat held up okay for the month but beans were under pressure as the pattern turned more active in the Corn Belt. The real fundamental story going forward is in wheat, with the major exporter balance expected to be as tight as 07/08. The bull story is waning for the moment in corn and beans as harvest is getting underway and the market is already anticipating big SAm crops in the next cycle. For the month, corn was down 10 cents. Wheat in Chgo was up 10 cents, while KC was up 28, and Mpls up 12. Beans finished the month down 57 cents with meal down $7.00 and oil 430 points lower.

The USDA forecast the corn yield at 174.6 bu/a – below the 177-178 expected and well below 179.5 bu/a that was forecast in July. It was aggressive, and while I can't argue with it, it will likely not get any lower. I am suspect of yields getting much bigger though. Some better rains materialized at the end of the month (mainly in the northwest areas), but may have come a bit too late. Also, we had extremely hot temps throughout August with some record high overnight lows. The market traded better weather but condition ratings did not improve, and in fact went down throughout the month. There were some macro influences that pressured markets along with a thin Aug trade and a structure that is already long. The corn balance can still be quite tight going forward, but final crop size isn't known, harvest is upon us, and China is covered for now. I am reassessing how I would like to be positioned in corn after getting chopped up a bit in August. The 21/22 US balance sheet can still be quite tight, but it may have been mostly discounted. It may also be that we need for the demand to show up.

The bean yield also came in below expectations at 50 bu/a vs the ave trade guess of 50.4 and 50.8 in July. The feeling in beans, however, is that there was more time to improve in Aug with better rains. Some areas did receive better rains and the US carryout could be much more comfortable in 21/22 even with the 50 yield. Demand has been rather slow for this time of year and the private trade has been dialing down export and crush forecasts. Carryout ideas are centering around 300-350 milbus for 21/22. SAm crops are also expected to be quite big with a record anticipated in Brazil. There are some forecasts for LaNina which could be a limiting feature for Argentina. China demand ideas continue to get smaller. Their crush margins have improved however and import ideas could get larger moving forward. Beans have the most downside potential. I got a bit turned around in Aug. Will reassess after the Sept crop report.

The USDA lowered the US wheat crop in Aug due to lower winter crop forecasts in the PNW/N Plains (HRW and white). They left spring mostly alone after a low crop estimate in July. They did finally acknowledge Canada's issues though, printing a 24 mmt crop, down from 31.5 mmt in July. I am not convinced we have discounted the world wheat tightness. US had gotten too high priced relative to the rest of the world. World business continues to pick up, however, and Russian values have firmed by $60-65/ton since the beginning of July. I maintain that he US, particularly HRW will have to make up a chunk of the spring wheat shortfalls. This may be a realizing type market. I am positioned for further strength with minimal risk. Will look to get more aggressive when the time is right.

Regards,

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