



BOCKEN TRADING
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October 2021 Monthly Commentary

The tightness in world wheat and particularly spring wheat came to the forefront in October with Mpls gaining \$1.40/bushel and surpassing the 2012 high. The short Canadian and US HRS crops are being felt with Canadian exports slowing. World values rallied with Paris futures making new highs and Russian values continuing to move higher to levels not seen since 2013. Funds covered shorts in Chgo with futures gaining 48 cents in that market and 54 cents in KC. Corn firmed in sympathy with wheat and also in a post-harvest rally and extremely strong ethanol margins gaining 32 cents for the month. Crush margins were the story in the soy complex with beans down 16 cents for the month while meal gained \$4.00 and oil was up 256 points. Beans rallied off the low as they ran out of sellers with the strength in oil providing support.

World wheat values lead the way higher in Oct and we saw US futures markets make new highs as the short spring crops are being felt. The larger crops in the EU, Austr, and Ukr are not enough to make up for the losses in the US, Canada, and Russia. The EU pace of exports needs to slow and I maintain that the US is going to be needed to make up for the shortfalls. So far, the US export pace has been slow, but I think it's a realizing market and eventually US wheat will be needed instead of a residual supplier. We also are now facing harvest delays/quality concerns with Australia's harvest which could be a very big deal this year when the world is counting on Austr to make up a big portion of world trade. Middle Eastern demand is still being underestimated by the USDA and world buyers do not have much forward coverage. The next growing cycle will also be very important and US winter wheat ratings are starting out worse than expected and Russia/Ukr winter wheat areas are too dry. We have had a big run up, and the market may set back/consolidate for a bit, but I maintain there is more to go on the upside before this runs its course.

Strong ethanol margins with ethanol production setting monthly records were a feature in the corn market in Oct. Wheat's strength also provided support and the market ran out of natural sellers as we passed the halfway mark in corn harvest. Most in the trade are expecting a further yield increase in the Nov report (Oct edged up to 176.5 from 176.3 in Sept). However, a production increase may be offset by an increase in corn use for ethanol. I maintain that more acres and an increase in yield is needed next year (even with a rebound in SAM crops) in order to build stocks. Fertilizer shortages and sky-rocketing prices may affect both and are currently a supportive feature. I don't see much downside in corn in the near to intermediate term.

Despite a decidedly bearish situation in beans, the market has seen a decent post-harvest rally as the market ran out of sellers, US business finally picked up (even though still way behind last year), and inflation talk/energy shortages supported the futures market in Oct. The rally in crush margins and continued strength in oil was also a source of strength. China is also waving a red flag as they are showing concern about energy and food supply which could be a feature going forward. Beans could eventually have considerable downside, but may have to be patient.

Regards,

Megan Bocken
November 3, 2021

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