BOCKEN TRADING

LLC

# *November 2021 Monthly Commentary*

Wheat continued to be the leader with world values strengthening further, which translated into new highs for Matif and CME futures. Heavy rain in Australian wheat areas caused concern about both quality and quantity which was a major catalyst for further strength. Fresh highs were made near month end, but the macro collapse after the Thanksgiving holiday on the COVID Omicron variant set off a sharp break. Chgo finished the month up 1 cent. KC was up 33 cents while Mpls lost 32 cents. Mpls corrected vs KC last month, but remains at a $2.00/bu premium. Corn followed along with wheat and extremely strong ethanol margins providing support. Corn also made new highs in November, but gave some back finishing the month down 1. Beans saw a major correction in oil share which was the feature. Concerns about the biofuel mandate, a sharp drop in crude oil, and a tightening in the meal market were the bullet points. Beans worked higher during the first half of the month, but finished down 29 cents. Meal rallied $16 while oil lost 592 points.

The world is already short high protein wheat this year due to drought in the US N Plains and Can Prairies and was counting on Australia to make up for some of the issue. Eastern Australia is where their quality is grown and significant downgrades to quality have already been made. Western Australia has been drier but that is a lower protein growing area and blending may not be an option. There are some reports that up to 60% of wheat in NSW will only make feed grade. Russian producers finally increased selling, which also contributed to the late month break. It is unclear whether the world issues have been resolved. There is precedence not to top until around February, so it may be early yet. World buyers continue on a hand to mouth basis which likely supports breaks into the near and intermediate term. It is likely to remain volatile especially as trade gets thinner into the holidays and year-end.

Not much changed in corn this month with wheat providing ongoing support. Strong ethanol margins continued to be a feature with nearby prod'n margins reaching $3.00/bu. China remains a buyer of Ukrainian origin with the trade still waiting for add'l US purchases. The longer-term outlook remains supportive with more acres needed and an increase in yield (even with a rebound in SAm crops) to build stocks. Fertilizer shortages could affect planting decisions and yields (if skimped on). I don't see much downside in corn in the near to intermediate term barring a macro event/full blown lockdown situation.

Crush margins made new highs early in the month which provided strength. Beans couldn't break despite a bearish fundamental picture while meal was staging a big recovery rally. The longer term supply building story may be too obvious or too well advertised, and the market may tread water for a while longer. Futures may be building in some risk premium for the threat of Argentine strikes as well as the possibility of Argentine dryness (due to another La Nina). Crush margins have backed off considerably and the nearby localized meal tightness has been resolved for the moment, which may make further strength unsustainable. Maintain there should be considerable downside longer term, but the day to day will likely continue to be volatile.

Regards,

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December 2, 2021



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