



February 2022 Monthly Commentary

The month started out focusing on SAm production and weather but quickly turned to geo-political concerns. Wheat and oil led the strength as tensions between Russia and Ukraine escalated into a war with Russia invading Ukraine. This has set in motion a number of sanctions and port closures and will affect trade (primarily wheat, corn, sunflower oil) for the next month or two at a minimum. There is also now the risk that corn planting and new crop prod'n will be affected due to infrastructure and man power losses. Chgo and KC wheat were up \$1.68-1.69 with Mpls up 91 cents. Oil was up 760 points in Feb. Beans were \$1.44 higher and meal was up \$38/tonne. Corn was up 67 cents. We are in a very volatile situation with geo-political risks at the forefront. Things could turn on a dime and I plan to stay nimble.

Wheat became untradeable near the end of Feb with a number of limit moves seen. Wheat is up another \$3.00+ to start the month of March. Spreads have gone parabolic. This move has likely been exaggerated given liquidity issues in wheat (wheat moves are always exaggerated) as well as hedges getting blown out. There is no way of knowing how this plays out. My gut is saying this could be a long, drawn-out issue, affecting trade for years to come. Russia is a 30-40 mmt/ year wheat exporter and Ukraine is a 15-24 mmt/year wheat exporter. For this crop year so far (Jly-Dec), Ukraine has exported 16.0 mmt wheat so far, and Russia 16.7 mmt. My forecast which is similar to the industry for combined crop year exports is 55.9 mmt so there is roughly 23 mmt at risk. Likely 3.0 mmt had been shipped already in Jan – so make it a round 20 mmt. The major exporter balance in wheat was already extremely tight – coming close to the 2008 record tightness. It is nearly unsolvable without Black Sea exports. The Chgo high in 2008 was \$13.34, \$13.85 in KC, and \$24.00 in Mpls. If there is any sign of resolution or withdrawal, futures will see multiple limit down days, and I cannot justify being involved.

Corn has just as much at risk if not more than wheat and it has been and should continue to be more orderly. Ukraine is a 20-30 mmt year corn exporter. So far this crop year, 9.7 mmt has been exported through Dec. Their next planting season is around the corner and production will likely be trimmed no matter if there is a swift resolution or not. The other issue is fertilizer as Russia/Belarus account for 40% of the world's potash exports. Russia is also a major producer of other key fertilizer ingredients. Less fertilizer/increased costs (this was already going to be an issue) may mean fewer corn acres here this spring and/or reduced yields. We already had an acreage fight brewing as we are on the path to running out of beans given Brazilian and Argentine crop shortfalls. The previous high in corn was \$8.44 in the 2012 drought year. I am staying long calls and bull spread in corn until I can see our way out of this.

Ukraine is not a material soybean exporter, but they do export roughly 10 mmt vegoils to the world – hence the leadership from oil in Feb. Beans already had a nearly impossible situation brewing with crop losses in Brazil and Argentina expected to force US to step up exports and significantly reduce US stocks this year as well as next. So now that we will likely *need* more corn acres, and we already needed more bean acres, not sure how this is solved without the CRP being opened up or China demand being down significantly. I had already expected significant further upside in beans without the war. Brazilian premiums have rallied during harvest and the burden will fall on the US. The USDA has a lot of work to do in their balance sheets next week in all markets. Volatility is likely to stick around for the near to intermediate future.

Regards,

Megan Bocken
March 3, 2022

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 • phone: 901.766.4446 • bockentrading.com