BOCKEN TRADING

LLC

June 2022 Monthly Commentary

The macro influences continued to lead our markets with recessionary fears and a broad-based sell-off in nearly everything (along with a sharp rally in the dollar) put grain fundamentals on the back burner. I underestimated the liquidation and gave up a lot in the process. Crop ratings for both corn and beans went down throughout the month and despite a very bullish acreage number in beans from the USDA, Ags saw much lower trade in June. China was absent as a buyer and was back in lockdown. Corn finished down 91 cents with Chgo wheat down $2.00-2.50/bu. Beans lost 58 cents. Oil was the downside leader losing 965 points. Meal was actually higher, partly as oil share corrected, but also as crush slowed and both domestic and SAm basis firmed.

Beans and meal actually held up fairly well relatively, but from the early June high to early July lows, beans were down $2.65/bu. China's absence and Brazil turning competitive were negative influences on top of the recessionary talk. The Fed finally started hiking rates in a big way (only years too late), and all the "inflation plays" got hurt. Obviously, beans are "made" in Aug, but crop ratings are starting off quite poor in a number of states with IL, IN, OH, KY MS, TN, and NE being the standouts. There are anecdotal reports of second crop beans in KY that are not even up yet and very short beans in southern IA. All this on top of the further acreage reduction the USDA gave us on June 30. They forecast bean acres at 88.3 mil, down from 91.0 in March. They are going to re-survey the problem areas, but there is little historical precedence for a material increase after a special survey. This leaves the 22/23 potentially very tight. After going through each state and their crop ratings, my working yield is 50.6 (vs the USDA 51.5) and leaves me with a negative carryout at first blush. Obviously if supply is that low, then crush and exports will have to be cut, but currently we are facing a very tight situation. There has been some rain this week, but another dry stretch is expected with additional heat. Given the above, downside seems limited unless outside markets continue to break, or the weather turns materially better.

Corn is similar as overall ratings are the second worst in last 8 years with IL, IN, OH, KY, TN, NC, and NE being the problem areas. My state-by-state analysis resulted in a 174.3 bu/a yield vs the USDA's 177. For all of the talk of finding more corn acres from March, the USDA only increased area by 400 thousand. My yield along with USDA acres portend ending stocks below 1000 milbus. After a $2.00/bu break, futures need to maintain some risk premium as there is still weather risk with tight balance sheet prospects. Europe is also in a heat wave with risks to their grain crops.

Wheat gave back all its gains since February. As tight as it is on paper, and despite the fact that some issues have not been resolved (primarily shipping/execution of Black Sea wheat), futures relentlessly broke from mid-May. SRW is the cheapest wheat in the world and EU/Arg dryness and India export controls continue to be of issue. The end user appears to have stepped in and, given much of the world is uncovered (hand to mouth), downside should be limited from here and a post-harvest rally is likely.

Regards,

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