BOCKEN TRADING

LLC

July 2022 Monthly Commentary

Macro considerations maintained a hold on the grain markets much of July before weather concerns took hold late in the month. The central and southern Plains and WCB have been short changed with rain and also have experienced a hot summer while the Aug forecasts maintained a warm/dry outlook. A very threatening ridge of high pressure snapped the market out of the macro doom late in the month with corn rallying 74 cents off the lows and beans rallying 212 cents off the lows. Corn still closed 15 cents lower for the month. Wheat just continued to grind lower with Chgo down 76 cents, KC down 78, and Mpls down 84. Promising US spring wheat yields weighed on wheat as did hopes for getting Ukr grain to move. Beans finished up 13 cents for the month. Meal was the clear leader up $29/tonne while oil was down 165 points.

Crop ratings declined for soybeans throughout the month with some fringe states in pretty rough shape – including AR, KS, KY, MS, MO, and TN. Southern IA is also struggling due to lack of rain and hot temps. Aug is the key month for beans and yield is even more important this year given low acreage. The USDA has been at 51.5 bu/a and some privates are closer to 50-51 bu/a, which could result in a fairly snug balance sheet. We continue to trade cross currents with recessionary fears a negative influence while weather and yield risks provide underlying support. China demand has also been slow which isn't helping sentiment. We're not out of the woods on weather but I remain cognizant of the negative head winds.

Corn conditions also worsened in July with the national rating the second worst in the last 7 years. IN, NE, KS, CO, KY, NC, and TN all rank worst or second worst in recent history. IA ratings are hanging in there, but rain and cooler temps are needed to finish the crop. Private yield estimates are in the 173-176 bu/a range compared to the USDA's 177. Anything near the low end of that range results in a very tight stocks to use level and the fundamental trader in me is struggling at the amount of risk premium we've given up. In addition, the EU maize crop has suffered from hot/dry conditions and the market doesn't seem to be paying attention. The trade is contemplating something in the 55-60 mmt range vs the USDA's most recent forecast of 68 mmt. It remains a volatile trading environment which needs to be respected.

Wheat still can't get out of its own way. The Ukrainian Black Sea export corridor opened last week bringing hope that Black Sea exports can return to at least a new normal. Wheat remains tight on paper and there is a feed grain problem brewing in the EU, but it won't matter until it matters and I will be patient until then.

Regards,

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