BOCKEN TRADING

LLC

August 2022 Monthly Commentary

It was another tumultuous month under macro influence as the dollar made new highs and crude was weak/sideways. China endured more lockdowns raising add'l demand questions. However, corn broke through all of this as condition ratings continued to decline throughout the month and Pro Farmer's yield estimates gave credibility to the poor ratings. Corn was 49 cents higher in Aug. Wheat was mostly sideways with the exception of KC which gained on Chgo and Mpls as the HRW balance tightens and there is concern about ongoing dryness in the Plains. Chgo finished down 1 cent with Mpls up 9 and KC up 50. Bean yield ideas are getting bigger as late rains are viewed as more beneficial than to corn. The feature in the soy complex was crush margins improving on tightness in meal. Beans were down 50 cents with meal up $16.00 and oil up 620 points.

Condition ratings in corn continued to deteriorate throughout the month with hot and dry conditions in the west/southwest taking its toll while the east had its own set of issues, as did a number of fringe states. All of these issues have added up and came to light during the Pro Farmer crop tour. Their yield forecasts by state were almost all below a year ago by a considerable amount. Their final yield estimate was 168.1 vs the USDA's most recent 175.4 bu/a. A month ago, private estimates were in the 173-176 bu/a range. Now the trade is contemplating something near 170 or below. This could put ending stocks in a 500-800 milbus range vs the USDA's Aug forecast of 1388 milbus, which argues for additional upside. I also don't think the EU shortfalls have been fully addressed yet. We may consolidate in the near term after the recent run-up and given uncertain macro considerations. I doubt the USDA will lower yield to a Pro Farmer type yield in their Sep 12 report, but the direction should be lower, and I maintain corn has additional upside.

Bean ratings are more mixed and remain above a year ago overall. There has been add'l rain over the last few weeks, which the trade is assuming is boosting yield potential. Private estimates are edging higher despite the Pro Farmer tour which forecast pod counts generally below a year ago. Private estimates are in the 51.5-51.9 bu/a range vs last year's 51.4. Bean yields, in my opinion, are much more difficult to predict than corn yields. A yield in the above-mentioned range would leave carryout fairly comfortable next year and especially with potential for record SAm production. Currently though, the old crop situation remains tight – as has been reflected in the bean and meal spreads. Brazil's stock situation will also remain snug until their next crop is available, which may portend add'l strength in calendar spreads. I don't have enough confidence right now for a flat price position.

Wheat remains nearly untradeable within a big sideways chop. There are many cross currents making it difficult to navigate. On the friendly side, the EU needs to slow their exports as wheat is displacing corn in feed rations due to the drought induced short maize crop. Ukraine's winter wheat area may be down 30-50% due to ongoing war with reduced fertilizer availability an ongoing issue. Despite the opening of the Black Sea grain corridor, exports remain slow and Russia is way behind pace to export the 40-45 mmt currently forecast. Russia continues to aggress – bombing a Ukrainian grain storage facility this week. Argentine growing areas also remain dry. On the negative side, Australian crop prospects are very favorable with a new record likely – possibly by a large margin. US export interest remains routine/slow and US remains high priced. Have no interest in trading wheat here as the day-to-day swings are nearly impossible to predict.

Regards,

Megan Bocken

Megan Bocken
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9047 Poplar Avenue, Suite 101 • Germantown, Tennessee • 38138

newaccounts@bockentrading.com • *phone:* 901.766.4446 • bockentrading.com