October 2022 Monthly Commentary

October saw beans rally 49 cents with crush margins seeing gains of $1.50. Oil was the strongest product – gaining 1191 points. Meal was up $24. Arg crush had slowed considerably following their export burst in Sept. US producer selling slowed and we saw a post-harvest rally. Corn worked quietly higher on firm basis and producer selling shutting off. Corn was up 11 cents for the month – caught between beans and wheat. Wheat was under pressure on fund selling in Chgo – down 39 cents in Oct. KC was down only 12, with Mpls essentially steady. The dollar turned lower and equity markets rallied throughout the month which provided some macro support.

The USDA surprised the trade again in their October report – lowering the bean yield below 50 bu/a, with most in the trade expecting an uptick. The USDA forecast a 200 c/o, down from 274 in 21/22. Most private estimates are considerably higher given the lost first quarter exports due to the MS River issues and Argentina's export program. However, Argentina's currency holiday ended which shut off their sales and movement on the river picked up here. Crush margins spiked, US producer selling slowed, and we caught some shorts on the rally. In addition, Brazil is having trucker strikes and China is talking about finally opening up Covid restrictions, which all contributed to the strength. Additional upside is possible in the near term with a further yield reduction possible next week from the USDA. The Ukr/Russian war is helping to keep a bid in oil and the trade is watching Arg weather with their third year in a row La Nina induced drought underway. It is not expected to abate until at least the first of the year.

The USDA also lowered the corn yield again – 171.9 bu/a vs 172.5 in Sept. They forecast 22/23 stocks at 1172 milbus, down from 1377 last year with private forecasts even tighter. There is precedent for another yield reduction in November although some of the later yields were improved this year. Producer selling also shut off in corn, and basis is firming which should provide additional near-term support. Argentine dryness and the Black Sea corridor export situation should also limit downside.

Wheat has continued to be quite volatile with headlines leading the trade. Russia pulled out of the corridor deal and then a few days later was back on. It is difficult to hold a position, but wheat still has numerous friendly inputs starting with Black Sea trade restrictions. Ukraine's next crop could be considerably smaller due to much lower area, Argentine crop ideas continue to get smaller on drought considerations, and eastern Australian excess rain is downgrading quality and exportable supplies. The US is still in a drought in the Plains and initial HRW crop ratings were the worst ever recorded at 28% good-excellent.

Regards,

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

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