BOCKEN TRADING

LLC

November 2022 Monthly Commentary

Grains liquidated in Nov while beans worked higher. Lack of US business with US FOB uncompetitive pushed wheat lower with Chgo down $1.04/bu. KC was down 66 cents with Mpls down 47 cents. Weakness in wheat weighed on corn and long positions were abandoned. Corn is tight on paper but there really isn't a catalyst for near term strength. China has an import margin again for US, but they haven't stepped in. Corn was down 28 cents for the month. Beans moved higher on Argentine weather concerns and then turned mostly sideways. The trade awaited the EPA biofuel mandates for much of the month. Beans were up 51 cents with meal steady for the month and oil up 114 points. Macro influences were mixed during the month with the dollar continuing to work lower and crude making new lows.

The EPA announcement trickled out after the close on the 30th and the advanced biofuel mandate was much lower than expected, materially changing the forward soybean oil balance sheet to something much more comfortable. Funds have been loaded up long on a tight forward situation, and in fact we have been crushing for oil. The market is in the process of resetting this with oil futures down over 800 points to start the month. Calendar spreads and oil share are also correcting and still could have a ways to go. Nearby futures should move below 60 and possibly lower. Beans can hang around the 1450 level with meal working a bit higher. Meal is also getting help from Argentine weather. We're going into the third consecutive growing season in a drought. Temps have been hot (over 100F) and are expected to stay hot with very little moisture forecast in the near term. We are still in La Nina, and until that changes, Arg will likely stay dry. Low end production ideas are 32 mmt, vs 49.5 mmt this year. That would be a major disaster. The optimal planting window has passed and planting is well below year ago/average. A more reasonable starting point is probably 40-45 mmt, but the market is very aware of the risks. Unless it's a disaster, a larger Brazilian crop (record) and slow China demand should keep prices in check. Argentina has started another currency holiday during December. Selling will most likely not be as robust as the first round, but it's a negative feature. We are still high priced historically so "value" is difficult to define.

Corn and wheat are in liquidating mode. Export demand has been very poor for both and funds are selling out corn longs and getting shorter wheat. The Black Sea corridor has remained open, keeping grain flowing, but is an ongoing risk. USDA could be overestimating 22/23 corn exports by 200-300 milbus which would help loosen up the balance sheet. One factor, however to keep in mind in corn is that we need to encourage increased area here next spring by 3-6 mil acres. The market is not latching on to the Arg dryness in relation to corn, but the corn crop is also at risk to the tune of roughly 10 mmt. Wheat remains tight on paper and there are some ongoing weather issues to monitor, but these are longer term issues. SRW has already gotten competitive in the world market, but it hasn't translated to increased demand yet. The path of least resistance appears for grains to work lower into year end and it already feels like we're in holiday mode.

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