BOCKEN TRADING

LLC

December 2022 Monthly Commentary

December was defined by continued fallout from the EPA announcement on Nov 30 as well as increasing concerns about Argentine weather. Oil continued to break/liquidate with oil share correcting. Not only did oil break, but meal rallied – partly in unwind and partly due to Arg weather becoming increasingly concerning. Meal rallied $55/ton while oil lost 603 points. Beans were up 49 cents. Corn was weak early in the month and rallied back to gain 12 cents for the month. Wheat also made new lows to start the month but clawed back a portion. Chgo ended the month down 3 cents with KC down 12 and Mpls down 4. Russia continues to undercut the world market.

Beans were fairly straight forward last month, but not so much going forward. We added risk premium for Argentine weather and now need to hone in on crop size. The USDA remains at 49.5 mmt while Oil World is at 39.5 mmt, Rosario Exch gave a low end of 32.1, and privates are around 42-45 mmt. There have been many comparisons to the 2008-09 growing season in Arg when the crop was 32 mmt (a lower yield than a 32 crop this year). I tend to think that trade ideas are a bit conservative and could be closer to the lower end with the weather thus far and given the forecast. Brazil is expected to harvest a record crop (and soon), but the top end may be taken off as southern Brazil is also in a hot/dry pattern. So far in Jan we have been in liquidation mode influenced by macro considerations. The market is also painfully aware that the US export window is closing fast as fresh Brazilian supplies will be available soon. Going forward, much will depend on how much damage was done to the Arg crop. Exports should slow but that is expected. China is opening up slowly. Many in the trade have a much looser balance sheet than the USDA. I am somewhere in between. Looking ahead, 23/24 supplies may not grow much, even with a record yield, given corn needs to gain 3-6 mil acres.

US corn supplies remain tight and we're entering the period when Brazilian exports start to slow. We are also dealing with much reduced Ukraine exports and uncertainty about Ukraine's crop prospects next year. Argentina weather is harming the corn crop there as well and the US needs to add 3-6 mil acres of corn next spring. Also, China has re-entered the market. None of these are particularly pressing issues but doesn't make me want to sell here. I think it's a "buy breaks" market.

Wheat remains tight on paper but brutal to trade. After a huge mid-year run up on the Russ/Ukr war, wheat finished the year nearly where it started. So far the world continues to get by, and Russian offers remain below other major exporters. US exports/shipments have been quite slow. Given the ongoing HRW drought as well as a possible major winterkill event in Dec, there is reason to maintain some risk premium. The HRW balance sheet in particular remains tight. There are also reports that Ukraine winter area will only be half of last year which could keep the major exporter balance snug in 23/24.

2022 was a year of big trends with volatile moves and yet a general lack of direction as well as a very significant macro influence. I didn't adjust well during the second half of the year and unfortunately let gains slip. We have important production, stocks, and winter wheat seedings reports coming up next week from the USDA which will help set the tone for the near and intermediate term. The extent of Argentine crop shortfalls will also be crucial and may not be realized for a month or two. 2023 should be a year filled with plentiful opportunities given all that is going on in the commodities world and the world in general.

Regards,

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January 5, 2023

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