BOCKEN TRADING
LLC

# *February 2023 Monthly Commentary*

Was a choppy month with corn and beans breaking early but coming back on continued reductions in Argentina crop ideas. Corn finished nearly unchanged for the month – up 1 cent. Beans were up 14 cents while meal continued to make new highs and gain on oil. Meal was up $13/ton and oil finished the month down 404 points. Wheat just grinded lower, making new lows for the move on continued undercutting by Russia into the export market. The dollar worked lower throughout the month.

Argentine crop ideas are now centered around 35-41 mmt (the USDA is holding an unrealistic forecast of 45.5) vs 42-45 mmt last month. Key growing areas saw better rains in January but February is a key month for development and the next 10 days look to resume the hot/dry pattern. Brazilian crop ideas may have peaked as RGDS is also getting smaller. Some are talking 150 mmt max vs the USDA at 153.5 mmt. Harvest is underway (slowly and behind average), but early yields have been favorable. US exports in the second quarter have been much better than expected. The USDA did not lower exports when most private analysts were, and they may end up being correct. The Brazilian Real is quite strong which is slowing producer sales in Brazil. Argentine sales have slowed dramatically following the tax holiday and given increased crop stress. Arg crush will remain slow throughout the crop year, which should continue to benefit US crush and meal sales. Arg imports may be in the 6-7 mmt range which should tighten the matrix quite a bit especially if China imports rebound. If the 22/23 USDA export forecast proves correct, the US bean balance will stay tight even with record production in Brazil. Without an increase in area in the US in the spring (even with a record yield), stocks will not build in 23/24. Risk premium is warranted especially in this inflationary environment with the dollar under pressure.

Corn has the same issues with Argentine weather and deteriorating crop conditions, but the main difference with the bean market is that Brazil won't begin their export program until after $2^{nd}$ crop is available (July). In addition, second crop planting is slow due to the slow pace of bean harvest. For now, US corn is competitive with Argentina. Ukraine is at a discount, but there are still logistical issues and expanded risks given the ongoing conflict in the region. US exports have been quite strong of late and China has showed up as a buyer of US in add'n to Brazilian. The US needs 3-5 mil more acres and a record yield to build stocks in 23/24. Downside should be limited in the near term and expect futures to work higher and spreads to narrow.

Wheat is very demoralized and could be ripe for a short covering rally. The market has gotten to levels that are competitive with EU wheat. Domestic cash levels are near corn values, and that spread may be narrow enough for now. With downside expected to be limited in corn, downside should also be somewhat limited in wheat. The US balance sheet is expected to remain tight into 23/24 even with the area increase. In addition, the major exporter balance should also remain at historically tight levels for the second year in a row. Rebounds in Argentine and EU production should be more than offset by smaller crops in Austr, Can, Ukr, and Russia. There is no room for a major crop issue. Currently the EU is dry and there are wintering concerns in the Black Sea region. The US HRW region has received better moisture recently with more in the forecast which could change the outlook if wetter conditions continue into spring. Am cautiously friendly here, but am not getting married to it.

Regards,

Megan C Bocken

Megan Bocken
February 2, 2023



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

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