BOCKEN TRADING

LLC

February 2023 Monthly Commentary

Was a liquidating month despite continued threatening South American weather. Futures held up during the first half of the month with beans making new highs and corn mostly sideways. But slow export business and large fund length lead to selling pressure in the last week of the month. The market basically discounted the weather issues in Argentina on the assumption that Brazil could make up for the shortfalls. Corn was down 47 cents in Feb with beans down 51. Meal held up relatively – only down a couple of dollars while oil lost 222 points. Wheat was firm in the first half of the month also but sold off with corn. Chgo was down 65 while KC was down 59 and Mpls lost 49 cents. There was better moisture in the S Plains. The dollar worked higher all month which didn't help.

Argentine crop ideas have dropped to 25-30 mmt from 35-41 mmt last month. The USDA is holding an unrealistic forecast of 41, but will need to lower next week. A crop below 30 suggests lower yields than the 08/09 growing season. There were some decent rains in February, but not enough to offset deficits, and hot temps that returned. Brazilian crop ideas have also peaked with Parana getting inundated with rains and harvest remains behind. Arg crush will remain slow throughout the crop year, which should continue to benefit US crush and meal sales. The market and the USDA has been assuming that Brazil's record crop alone can solve Argentina's export and crush deficits. Brazil will have to export to Arg, which leaves less for other countries. Arg imports ideas are now 7-9 mmt which makes the trade matrix hard to balance and should keep the US balance sheet relatively tight depending on area/yield this spring/summer. The USDA forecast 23/24 area at 87.5 mil acres – unch from last year. Anything less than a record yield, and US stocks will contract. With a sub 30 mmt Arg crop now actually staring the market in the face, it's going to take higher prices lead by meal to solve.

Argentina's corn crop is also getting smaller with the trade talking sub-40 mmt now. The USDA is the highest by far at 47 mmt and will have to address this next week. Wet weather in Brazil is slowing harvest with major issues in Parana which is delaying safrina planting. The market had been expecting better export demand for US to surface over the last month. It didn't' show up which lead to the liquidating sell-off to end the month. But now China is back buying and US is at a discount to Argentine. Ukraine is still cheaper, but carries geo-political risk. A limiting factor for corn is expectations for bigger acres and with fertilizer prices coming down. The USDA forecast acres at 91.0 vs 88.6 last year with a record yield. Most in the trade are expecting El Nino to be in place by June, which typically means favorable weather/big yields. This will definitely be the assumption especially if we have open spring weather. But in the near term, considering we are on a 60-cent break, and now China is back in the market for US. I am expecting futures to work higher and spreads to narrow in the near term.

Wheat continues to be demoralized. Early month strength couldn't hold after corn came under pressure and Chgo and Mpls made new lows. US wheat is not competitive despite the board break as world FOBs have also worked lower. Russia continues to undercut the market and US demand remains slow. On the supply side, there are a number of areas to watch as far as new crop weather. HRW areas are still in rough shape although better moisture continues to be forecast. Western Europe is trending dry. Ukraine/southern Russia needs better rain and have had ice crust issues. Most are assuming a return to normal crop sizes in Canada and Austr after this year's monster crops. There is also an El Nino risk in Australia which could mean dryness. The US balance sheet is expected to remain tight into 23/24 even with the area increase. Given the above assumptions, the major exporter balance is shaping up to be the tightest ever. Not sure when, but it will matter when it matters.

Regards,

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