



April 2023 Monthly Commentary

April saw early month strength give way to relentless selling pressure to end the month. It was a transition month from SAm prod'n being the focus to new crop US prospects. Also transitioning from US demand to SAm. Argentine crop ideas continued to get smaller, but the market didn't care as the US export program came to a halt and planting weather opened up. The trade started looking ahead to 23/24 balance sheets and didn't like what it saw. Corn finished the month down 51 cents. Chgo wheat was 72 cents lower with KC down 71 and Mpls down 108. Beans were down 60 cents with meal down almost \$30 and oil down 437 points. The dollar moved mostly sideways and the trade debated whether the Fed would continue to hike rates and for how long.

A combination of factors came together and corn futures broke 78 cents from mid to late Apr. After a run of buying, China canceled some of their recent purchases, Brazilian premiums broke, and the US export window was quickly shut. In add'n, planting weather opened up and planting is on pace with average. Without a US yield issue, 23/24 ending stocks should build to much more comfortable levels and the trade is feeling fairly confident about this given the transition to El Nino has been right on schedule. The May-Jly inverse went to 65 over on domestic tightness and tight producer holding. Some are expecting USDA to lower old crop exports. US corn is anywhere from a \$20-45/ton premium to competing origins. Brazil should be aggressive going forward and the focus should shift to new crop weather. I am expecting futures to grind lower if the weather cooperates. That said, we had a sharp break in Apr and it may be a bit more sideways/choppy going forward before the downtrend is resumed especially with heightened risk in the Black Sea.

Beans broke as Brazil harvest advanced and their basis went to 220 under. Argentine crop ideas are now in the low 20's, but the market has discounted this and the flood of Brazilian supply outweighed the Arg situation. Beans broke over a dollar from the mid-Apr high and has turned more sideways. Brazil still has a big job to do, but for now the US export window has essentially closed and world demand has been slower than expected even outside of China. Brazil basis has improved but is still steep unders and remains at a sharp discount to US. Looking ahead, the forward picture is looking less exciting (even with no increase in area) as export ideas are dialed down. USDA should end up lowering their 22/23 export forecast, which would spill over into new crop carryout. If we have a record yield as most in the trade (including USDA) are expecting at this time, ending stocks should expand further in 23/24. Obviously, there is a long way to go, but given we are already high priced, the market will have to earn these levels with a yield scare (or China demand coming roaring back). Otherwise futures should leak throughout the summer.

Wheat broke to levels not seen since July of 2021 with the nearby going to a 40-cent discount to nearby corn. Russia continued to undercut world values and the S Plains finally received some measurable precip (mainly southwest KS and OK). Wheat has seen a decent rally since the very beginning of the month as the Ukr / Russian conflict escalated and HRW condition ratings failed to improve following the rain. There are KS crop estimates circulating under 200 milbus (HRW crop around 550) which could result in the tightest HRW carryover since 06/07. HRS stocks are also expected to remain tight and we could have a tight hard wheat situation on our hands. The major exporter balance is still shaping up to be the tightest ever with lower crops in Canada, Austr, Ukr, and Russia is expected to more than offset gains in Arg, the EU, and the US. Funds are carrying a significant short position in Chgo which could be at risk. The problem is more hard wheat than soft, but overall tightening major exporter stocks could blow up the short. SRW is also competitive with EU wheat on a FOB to FOB basis. Next week is the first look at the new crop balance sheet and winter wheat production. I'm expecting further strength into the report and considerable add'l upside is possible longer term.

Regards,

Megan Bocken
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