BOCKEN TRADING

LLC

May 2023 Monthly Commentary

Major liquidation in beans and the soy complex continued in May. Relentless selling in Chgo wheat also continued with funds now carrying a record short. Meal couldn't get out of its own way despite ever shrinking Argentine crop estimates. Corn found relative support as rain dried up in a big chunk of the Corn Belt and temps turned hot. KC wheat bucked the trend with the USDA forecasting a much smaller than expected HRW crop in the May production report. For the month, old crop corn was up 9 (firm interior basis provided support) with new crop down 7. Chgo was down 40 cents with KC up 16 and Mpls 24 lower. Beans were down roughly 120 cents for both old and new. Meal was down $38/ton and oil was down 541 points. Record US crush rates kept products under pressure.

Corn was down roughly 40 cents mid-month in new crop before the market realized that we needed some rain and retraced most of the early month break. Old-new spreads also peaked mid-month with Jly-Dec trading at an 85-cent inverse. Interior basis remains quite firm with producers remaining reluctant sellers. Funds built up a sizable short throughout the month and have been questioning that of late given the dry spell. There is at least one more week until a pattern change is possible and weather models may be adding a ridge in the extended forecasts. Crop ratings dropped considerably on the hot/dry spell after the initial conditions were reported. We are in a full-blown weather market with the trade watching each forecast. So far, the pattern has not been consistent with El Nino type weather. It is very early in the growing season and the crop could still go either way. If the weather turns more favorable there could be considerable downside. If it remains threatening, upside may not be that great from current levels.

Beans continued to break in late May as weather is not as important for beans and the bean balance sheet has a better cushion than corn given carry-in stocks. US business all but dried up and SAm basis worked lower to the point that US imported Brazilian beans. US crush continued at a record pace, pressuring product futures. Meal has been doing big business in the last couple months but not enough to tighten things, yet. With corn we are trading each forecast, but with beans it's harder to know what we're trading from day to day or even hour to hour. Not in full blown weather market yet and still have cross currents. It would take a major problem to really tighten things going forward as SAm should see record production next year. Still expect the meal market to reflect the Argentine shortages with US basis expected to firm and inverses widening throughout the summer.

Chgo Wheat made new lows all the way into month end as funds got shorter and discounts to hard wheats got steeper. KC-Chgo traded to 260 cents mid-month as KC staged a $1.50 rally and Chgo broke 45 cents. The USDA forecast the HRW crop at 514 milbus – below trade ideas (with no stair step at all) with a KS crop below 200 milbus – record low (even sub-300 is pretty rare). Given we had a small HRW crop last year, the HRW balance sheet could tighten to 07/08 levels. The major exporter balance is also expected to be record tight even before some weather that currently bears watching. Ukraine is too dry as is Russian/Kazak spring wheat areas. Southern Russian winter wheat areas have been too wet. Argentina still needs better moisture and Australia could be at risk for dryness given El Nino. US/Can spring wheat areas are dry/hot. As it's wheat, it's a difficult trade. But given the sharp break and massive fund shorts along with the above-mentioned issues, upside risk could be considerable especially in Chgo.

Regards,

Megan Bocken
June 7, 2023

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

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