BOCKEN TRADING
LLC

July 2023 Monthly Commentary

Another volatile month with the market adding risk premium (weather and Russ/Ukr war) but quickly giving it back. Corn and beans rallied 90 cents as widespread areas continued to miss rains and condition ratings remained poor. After a warm and dry spell at the end of the month, forecasts turned wetter and cooler and futures have given up nearly all of the July rally. Corn finished the month 17 cents higher. Beans gained 15 cents. Products and crush margins were the winners with meal finishing the month with $19/ton gains while oil was up 295 points. The long-awaited tightness in meal started to surface. Wheat also had a big rally on the continued bombing of Black Sea ports but gave it all back as Russian grain continued to flow cheaply. Chgo was up 23 cents with KC up 13. Mpls was the strongest, up 39, as the N Plains and Can Prairies spring wheat areas remain dry.

Corn has gone rather quiet as much of the Corn Belt has received better moisture. The Eastern Corn Belt was mostly taken care of in July. Much of IA, MN, and the Dakotas remain in need of rain. However, the first decent chance all summer is expected this weekend and should be a big market mover (whether it verifies or not). Currently the trade is contemplating whether the yield is in the low 170's or high 170's, which is a significant difference. Corn has more of a buffer than beans given large area and a rather bleak demand picture. Argentina launched an incentive program for selling corn and their exports increased as a result. US corn remains uncompetitive. Given current forecasts (if verify), the path of least resistance is likely a slow grind lower to 450 CZ. If rains/yields underperform and/or there is escalation in the Black Sea, futures will add back some risk premium. For now, corn seems like the safest short.

Beans have held up better than corn with low planted area increasing the importance of a favorable yield. August is the key growing month for beans, and the forecast seems nearly ideal. It does need to verify however, as a larger portion of the NW Corn Belt is in need of rain. The difference between a 50 and 52 yield is the difference between rationing and adequate/comfortable. Private crop estimates have come out at 50.5 and 51 bu/a this week with the USDA next Friday (although it's just a survey). Previous USDA was 52 bu/a. Crush margins are near historic highs on the tight meal situation (Arg crop shortfall with their crush finally slowing in a big way) and ongoing strong biodiesel use. Meal tightness should continue to be felt in basis and spreads as Arg crush pace continues to slow. Flat price direction hangs in the balance of the weather currently.

Wheat rallied as Black Sea exports were in question as more ports were struck and transport on the Danube was in question. Futures gave back the entire rally (in Chgo and KC) as business ultimately continued as usual. US and EU FOBs can't compete with the Black Sea. There was much press about India banning rice exports and whether they need large wheat imports. The major exporter balance is historically tight on paper, but unless it translates to increased US exports, it may not matter. Hard wheats should stay wide relative to soft with the hard wheat balance very tight. It could be getting tighter as N American spring wheat areas are still in need of better moisture. Australia is also on El Nino watch for dryness.

Regards,

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