BOCKEN TRADING
LLC

October 2023 Monthly Commentary

The feature in October was meal tightness finally coming to the forefront along with post-harvest rallies in beans and corn. Meal rallied $82/ton off the lows and closed nearly $50/ton higher for the month. It was frustrating to say the least given I had been long meal spreads a few times and it just wasn't grabbing. Oilshare dropped significantly as a result with oil down 432 points. Beans finished the month up 15 cents and saw a 64-cent rally off the early month lows. Corn had a 35-cent short covering rally off the lows and finished the month up 3 cents. Wheat was mixed with KC seeing a sharp correction to Chgo and Mpls unch for the month. Chgo gained 15 cents while KC lost 35 cents.

The USDA bean yield came in below trade ideas at 49.6 bu/a, down from 50.1 in Sept and the average trade estimate at 50.0. They left 23/24 ending stocks at a snug 220 milbus. The lower crop offset a reduction in exports. They raised crush by 10 milbus, which was rather unexpected. Many in the trade have been well below the USDA's export forecast. It may be premature to go too much below USDA. As bad as the demand talk has been, September shipments were larger than year ago. We also now have concerns with Brazil weather. Central and northern areas remain too dry with the wet season late in getting started. In addition, the south has been inundated with rain with 7-18" seen in the last week alone. Even though El Ninos typically result in favorable yields in Brazil, the drier north/wetter south patterns do coincide with El Nino. The trade has been making references to the strong El Nino year of 15/16 when Brazil's bean crop didn't grow from the previous year and safrina corn had a big issue. Given the US carry-in is snug, the market will be sensitive to any issues in SAm. It may be difficult to break much until there is a pattern change and as long as meal remains firm. Meal should be tight into next spring when the new batch of Arg supplies will be available. In the meantime, their crush should be severely curtailed.

The USDA also lowered the corn yield to 173.0 bu/a from 173.8 in Sept and expectations of 173.7. Carryout was down 100 milbus from Sept with the smaller crop and smaller beginning stocks more than offsetting a 25 milbus reduction in both feed use and exports. Still, a 2111 milbus carryout is rather unexciting. Aside from random, short covering rallies, it's hard to expect any lasting strength unless the market is convinced Brazil's safrina crop will have an issue and/or China comes in for more US corn than expected.

Nothing has really changed in wheat although Chgo (at least) has stopped going down. China has reportedly bought 800 tmt – 1.0 mmt over the last week to 10 days and the market barely budged. Given we had the tightest major exporter balance in history and did nothing but go down, can't expect too much excitement going forward with the US and major exporter balance sheet set to expand in 24/25. The next thing to watch is if VSR is triggered again, expanding carries further.

Regards,

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