



## December 2023 Monthly Commentary

Corn and beans came under pressure in December as better rain fell in SAm and Brazil's crop ideas stabilized. Corn lost 11 cents while beans were down 50 cents. Meal basis came under pressure with favorable Argentine prospects assuring tightness will be alleviated by the spring. Meal was \$42/ton lower while oil lost 482 points. Chgo wheat continued to short cover on China buying and logistical issues (Red Sea and Houthi shipping issues). Chgo was up 30 cents with KC down a penny and Mpls 6 lower.

Central and northern Brazil continued to see better rainfall in December and while it was still below normal, the low end of crop ideas stopped going down. The lowest estimate I have seen is 150.7 mmt – an outfit out of Brazil. Safra just lowered to 151.4 mmt. Conab remains at 160.2 mmt and USDA is 161 mmt. Last year's crop is still not actually known as Conab is 154.6 mmt and USDA revised to 160 mmt (basically to balance the S&D). Conab and USDA will both update next week and a least a modest reduction is expected from both. Early yield results have been quite poor. China had a decent run of buying (partially building reserves and partially concern over Brazil crop issues). This is expected to slow down again as arrivals should be big going forward. In addition, both hog margins and crush margins are weak. Argentina's new president hasn't started off as aggressive as expected. He actually raised export taxes slightly. But longer term, the implications are still negative and Argentine production is expected to double from last year. Arg crush should come back to normal by the spring and forward meal looks considerably overpriced. Once the US slows crush as a result, oil may begin to tighten again and forward share should favor oil. If Brazil crop ideas don't go down further, and China business slows as expected, beans should work lower into the spring. The trade is currently dialing in a decent increase in US acres, so there is not much to get excited about currently. It's a sell rallies market and am trading accordingly.

Corn really has no story with Brazil's moisture improving, Argentina's crop expected to be a new record, and US stocks ample. US acres should be down as beans should see an increase. But US stocks can build even with lower area if yield improves. Stocks can hold with lower area, even with a lower yield, given the carry-in stocks. Longer term there isn't a story. Given the speculative short, there will likely be bouts of short covering. Futures could bounce next week on the index rebalance, but rallies should be used as a selling opportunity.

Wheat has maintained a bit of independent strength recently. China buying of SRW along with logistical issues has spurred short covering. There may be add'l short covering in the near term with the index rebalance coming up. However, for now China purchases have slowed and unless there is more in the pipeline, there is nothing compelling here to warrant sustained strength. The US and major exporter balances are forecast to build stocks for the first time in a few years. US winter wheat crop ratings are improved from last year and HRW areas are receiving favorable moisture.

Regards,

Megan Bocken  
January 5, 2024

Information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Bocken Trading, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such. Opinions expressed reflect judgments at this date and are subject to change without notice. There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. The contents of this report are informational purposes only and under no circumstances should they be construed as an offer to sell or a solicitation to buy or sell any futures or options contracts. This material cannot be copied, reproduced, modified, or redistributed without the express written consent of Bocken Trading, LLC. No one has been authorized to distribute this for sale.

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

[newaccounts@bockentrading.com](mailto:newaccounts@bockentrading.com) • phone: 901.766.4446 • [bockentrading.com](http://bockentrading.com)