



April 2024 Monthly Commentary

Another month of leaking equity. I am going to get this turned around if it's the last thing I do. I know what's gone wrong and what we're trading. Much of the month of April it was difficult to tell what we were even trading from day to day. I'm not going to rehash in detail what happened last month as I want to face forward. Quick recap is that corn was a big sideways fair in April ending steady. Wheat rallied lead by hard wheats as HRW ratings were worse than expected coming out of winter and western areas are in major need of rain. Beans were under pressure as oil share had a big correction and SAM harvest was underway. Meal had another blast higher as the domestic market is still working through tightness with commercials caught short and Arg crush is not ramping up fast enough. The Arg producer is not selling fast enough.

Issues currently at hand include a wet pattern in the US that may hinder planting for the next couple weeks. It was brought to my attention that we are currently wetter than we were in 2019 which was the wettest May on record and corn lost 3 mil acres from May to final and beans lost 8.5 mil acres. We had the most prevent plant ever. Currently we are forecast to have at least another week of wet weather. Most forecasters are in agreement that conditions should turn drier by mid-late month and I am not saying this is 2019 (it also did happen to be a transition year from El Nino to La Nina). But...this in combination with large fund short positions across the board (actually just went long in meal), and SAM issues that have crept up has been a perfect storm for a rally. The Argentine corn crop is being downgraded mainly due to leafhoppers and a run of wet weather during harvest (BACE just reduced the Arg corn crop to 46.5 mmt from 49.5 mmt and compares to the USDA at 55.0 mmt). At the same time, RGDS in Brazil is experiencing severe flooding with 20" rain falling over the last 4-5 days with another 10" coming over the next couple weeks. These are historic floods. Beans were 70% harvested as of last week, which means there is roughly 7 mmt remaining and at risk. This could be significant, especially since we are really not sure where a reduction would come from – what is the starting point for losses? The USDA is using 155 mmt for Brazil, while CONAB is at 146.5 mmt.

Wheat also has some supply side threats brewing. HRW areas need rain in western areas. Some light amounts have fallen this week, but the crop is being reduced with some private estimates around 700-725 milbus, vs 800+ ideas to start the growing season. Western Europe has been too wet with area down considerably and current ideas for a crop reduction of 6-7 mmt. EU stocks were tight coming in. And most importantly, eastern Ukraine and western Russia has been in a hot/dry pattern, and crop estimates have been coming down in recent weeks. Russia has been and is the driver of world values and if they have an issue, it will be a very big deal to the market. Even if they don't have a significant issue, major exporter stocks are tight. Most are not expecting that China will have as big of an import program in 24/25, but if they did, it could really tighten up the trade matrix on top of the above issues.

We are in the middle of "silly season" where anyone can come up with any kind of new crop balance sheet they want, with so much depending on weather going forward. Most had thought the corn acres that the USDA printed in Mch would be the smallest of the season, but it may difficult to increase while conditions are so wet. We are nearly guaranteed a warm summer (given the warm winter) which can be more detrimental to corn yields than a lack of rain. There are still risks that SAM crops are getting smaller, and funds are short. I had thought that the best short on the board would be meal once Argentine new crop was available, but too many people got caught short at once. It still may be, but this needs to run its course first.

Regards,

Megan Bocken
May 2, 2024

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

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