BOCKEN TRADING LLC

May 2024 Monthly Commentary

May was generally a firmer month on Black Sea weather/crop concerns and an overall lack of producer selling. Corn rallied into mid-month but settled a couple cents lower. Chgo and KC wheat gained 74-75 cents with Mpls up "only" 35. Beans were 43 cents higher for the month with meal up $13/ton and oil up 240 points. Argentina producer selling and ramping up of crush was a lot slower than expected and meal tightness has lasted longer than expected.

Despite wet conditions, corn planting remained on track. We are past the prevent plant date for nearly all areas and now we have mostly open weather for at least a week. There is still a chance that we are down a million acres give or take from Mch. Initial US crop ratings were better than expected and were the 2nd best in recent years. In general, things are favorable, but there were indications of a ridge setting up over the next few weeks that got the market's attention in Thursday's trade. There are still wide discrepancies with the USDA and SAm crops. BACE is 46.5 mmt for Arg with the USDA at 53 mmt. CONAB is 111.6 for Brazil vs the USDA at 122. The dry season started a few weeks early and concern remains about the safrina crop. There are serious concerns about the Black Sea region that has been in a dry pattern with heat expected over the next couple weeks. The EU has been too wet for planting so there is also risk there. Spain has recently been buying US corn. The 450-460 area basis CZ may have been low enough for now given the above-mentioned risk items. Once the Jun stocks and acreage numbers are in the market, we can assess growing weather and see if more or less risk premium is needed going forward. The overall grain situation may be rather tight given issues with Russian wheat.

Russian wheat crop ideas are now centering around 80 mmt with some talk of 75 mmt. The Ag Min is holding at 85 mmt and the USDA remains at 88 mmt and last year was 92 mmt. This 12-17 mmt reduction will come mostly straight out of their export availability. There have been whispers of an export ban and that is typical of Russia when they have a short crop. The EU's crop is forecast 5 mmt lower than last year and exports should be down at least 3 mmt. So potentially a 20 mmt shortfall from EU/Russia. Ukraine had similar frost issues as Russia and is also in a dry pattern. Currently a 2 mmt reduction in crop and exports is forecast in Ukraine. Arg, Canada, and Austr should each have slightly more available for export in 24/25, but it is my opinion that the US will have to fill some of the gap from Russia. This is also coming at a time when India is talking about removing import duties. Many in the trade believe they need 3-5 mmt. Russia has basically set the world value (low end) over the last few years and Russian values have been moving higher in recent months – up $50-60/ton since March. Futures have had a $1.70 rally since mid Apr, but have recently given back a chunk of that – possibly due to the US getting ahead of itself and it also being harvest here. The USDA gave a low HRW crop forecast near 700 milbus, but most in the trade are back to 750-800 area. Wheat is ripe for further upside as the market comes to grips with these shortfalls and if/when it starts showing up in US demand.

Beans have held up better than most expected as the rebound in Argentina's crop was not felt as farmers held tightly and crush did not ramp up quickly. Then we had the RGDS flooding which lowered tonnage and caused logistical issues/shipping delays. There are also big differentials between the USDA and SAM gov't/private trade as far as bean crop size. The US crush industry had more downtime than expected and meal remained tight for much longer than the trade anticipated and commercials got caught short. Now Brazil is proposing tax changes that will not favor crushing nor exporting meal. This has not passed Congress yet, but could be another issue going forward. China has also been buying US beans recently. Beans could be gaining acres in the US. The balance sheet situation is more comfortable than corn and could be rather burdensome in 24/25 with a decent yield. Beans may still have considerable downside once the above mentioned items get ironed out. Another thing worth mentioning is sunseed prod'n in Russ/Ukr is at risk due to the current weather situation which could help favor oil share going forward.

Regards,

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