BOCKEN TRADING

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August 2024 Monthly Commentary

Everything made new lows and then bounced. Corn finished the month steady on ideas that the USDA's Aug yield may be the highest print. Wheat made new lows and then also stabilized as EU crop ideas continued to get smaller. Pro Farmer reported record pod counts and suggested USDA may be too low on their bean yield. Beans finished the month down 24 cents with meal down $4.50 and oil down 30 points. Just when the trade was getting even more bear'd up on ideas that yields could be closer to 54-55, the weather turned drier with some heat. Beans were/and in some areas are still developing, and it isn't the best finishing weather. We have since uncovered some short covering and technical momentum.

Yield ideas in corn are still expected to be a record, but some in the trade are closer to 178-179 bu/a vs the USDA's 183.1 and last year's 177.3 (previous record). Something below 180 bu/a could tighten the balance sheet considerably from earlier ideas and vs last year. The USDA still has some changes on the demand side to make. They are still too high on both Braz and Arg exports and also on Black Sea exports. This could be significant. But at the same time, the USDA could be vastly overestimating China demand. Most private estimates are 10-15 mmt lower than the USDA's 23 mmt. China has been noticeable by their absence for months. Also, low River levels are slowing movement and pushing up transportation costs and we could lose export potential in a key quarter. Near term direction should depend on technical momentum, the Sept USDA report, and actual harvest results. Risks seem a bit more balanced at current levels.

Wheat also made new lows and then had a respectable short covering rally. The EU wheat balance is shaping up to be quite tight with the lowest crop in 6 years. They priced themselves out of the market as a result which was necessary to maintain stocks. While EU and US values have rallied, Russian values have worked sideways/lower. US Export business has been decent of late, but nothing out of the ordinary. There is some technical momentum here, but nothing really compelling to sustain upside past that. Canada and Australia crop sizes are edging up, spring wheat harvests are wrapping up, and winter wheat seeding is next up.

Maybe all of the bearish bean inputs got priced in for the near term in the move to the low 950's basis SX. The Pro Farmer crop tour suggested a yield something closer to 55 bu/a which had private c/o estimates in the 700-800 milbus range. Then China showed up. They are way behind in their buying, but good for a headline almost every day recently. Also, their crush margins are improving. At the same time, we also had a hot and dry spell, and aside from one rain event favoring IA in the last couple weeks, the forecast is dry through at least mid-Sept. We are likely taking the high end off yield potential. This was probably news following the rally, but Brazil's dry season is lingering a bit longer than normal, and has also made for trade fodder. None of the private forecasters appear too worried however. More continue to tout La Nina risk for Argentina. We are in a technical moment, but after this runs its course, bearish fundamentals should take over again especially given that a rather bleak demand picture may be even worse given the low River levels and inability to move grain in our key harvest/export period. The market tends to switch directions mid-month, and post USDA report should be a good opportunity for re-establishing short positions in beans.

Regards,

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