BOCKEN TRADING

LLC

September 2024 Monthly Commentary

Rallies continued in September in volatile fashion. The first half of the month was mostly sideways in whipsaw trade as early yield indications were filtering out. On balance, the corn yields seem to be exceeding expectations while the early bean yields seem to be slightly below expectations (dry finish took the high end off). Harvest weather has been quite dry in the Corn Belt, particularly the northwest, which has not been good for River levels and transportation while Hurricane Helene wreaked havoc on the southeast. Then we have port strikes on the East Coast and Gulf Coast to deal with as well, which turned out to be short-lived. Geopolitical issues are also heating up with Iran launching missiles into Israel and Russia continuing to attack Ukraine. Commodities in general rallied in September while the dollar worked lower. The EU launched an initiative (EUDR) to ban commodities linked to deforestation (think beans/meal from Brazil) which sparked the rally in the last half of the month. Meal was the leader, rallying almost $30/ton for the month with EUDR and much slower than expected crush behind it. Oil was up 142 points and beans finished 58 cents higher. Corn was up 23 cents on general short covering with wheat up 33 cents in Chgo, 19 in KC, and 22 in Mpls. Russia values may have finally found a bottom which contributed to the rally.

August crush came in well below expectations, down 26 milbus from July and below year ago. On top of scheduled downtime, older crush plants are having run problems while newer capacity has been slow to come on line. And then the hurricane caused downtime at southern plants. Domestic meal was firm as a result and then the EU started buying beans and meal across origins ahead of the proposed EUDR which ran the meal market up. In addition, the trade grew concerned that the rainy season in Brazil was late to get underway. It is still late and becoming a bit more worrisome with planting about 5% below year ago. The rain is gradually expected to ramp up starting next week and the market wants to see the rain materialize. Argentina is also too dry which fits with the narrative of a La Nina (we are in the process of transitioning from neutral to La Nina). Rains are also forecast in Argentina next week. It was kind of a perfect storm for a short covering rally which I am viewing as an opportunity to re-establish shorts. This week the EU delayed the implementation of EUDR by a year – so not until December 2025, and end users have overbought their needs trying to front run. Arg meal penciled into the US at the highs and I'm not sure who is going to sponsor a further rally now that funds have gotten long and users are covered. If the weather turns wetter in SAm as advertised next week, and as the market feels harvest, the trend should return to lower given balance sheet considerations – stocks to use expected to be the highest since 2018/19.

September corn stocks came in below trade expectations and futures have rallied nearly 50 cents from the end of August lows on short covering and lack of producer selling. The dry finish in the US and Brazil dryness contributed to the rally. The dry start/late planting in Brazil could actually have a more adverse effect on corn than beans. End 23/24 stocks were reported at 1760 milbus, which compares to ideas a few months ago above 2000 milbus. However, going forward, much will depend on the 24/25 balance sheet and final yields. There is a faction of the trade that expects nat'l average yield to end up in the mid-high 180's vs the September USDA forecast of 183.6 bu/a based on anecdotal yield reports. Given the rally has cleaned up some shorts, rain expected to begin in Brazil next week, and with China remaining absent from the market, expect the downtrend to resume.

Wheat had a near dollar rally off the lows on short covering with the EU crop continuing to be downgraded, Russia's crop size going back down, and Australia losing tonnage due to drought/frosts. Russia and Ukraine are facing a very dry seeding season for new crop, with some areas in Russia declaring an emergency. The market also seemed to be waking up to the fact that Russia's export pace is unsustainable. Russian values finally stabilized and quit going down and are now working higher. Russian values are $15-20/ton off the mid-September lows. With the fund short cleaned up and US wheat pricing itself out on the rally, I'm not sure there is a catalyst for further upside to be sustainable.

Regards,

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September 6, 2024

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