BOCKEN TRADING
LLC

# *January 2015 Month End Comments*

It was a humbling month all around. My ideas were okay (aside from wheat) but got chopped. Funds finally liquidated some length in corn. Beans worked lower for the month but not without a ripping rally early on to shake the tree. I caught a nice move in the oilshare only to overstay my welcome and ruin the month. Wheat just traded like death. Not only was I focusing on the wrong things but missed a big move to the downside. Crude made new lows and the dollar made new highs. For the month corn was down 26 cents, wheat lost 88 in Chicago, 86 in Kansas City, and 66 in Minneapolis (Minneapolis moved back to premium Kansas City). Beans were down 62 cents with Meal down $16 and oil down 218 points.

The weakness in crude weighed on ethanol margins which flirted with turning negative. This has caused many to lower their crop year ethanol use ideas. At the same time however, exports have been running well above the needed the pace and most are raising crop year exports. The USDA did not lower acreage as many in the trade had feared for months. They did lower the yield by over 2 bushels per acre though which was somewhat of a surprise. December 1 stocks were larger than expected, however, especially given the lower crop suggesting lower feed use. Carryout ideas really haven't changed all that much – old crop remains ample just under 1900 million bushels with any possible tightness not until 2015/16 if corn loses acres and has a lower yield. Acres are likely to be down by 2-3 million. Currently in my balance sheet, I am using 88.5 million acres with a 165 bushel per acre yield which results in a small drawdown in stocks. We need a 167+ yield to keep stocks unchanged or build further stocks. It will eventually come down to weather; the weather at planting time and obviously during the growing season. Corn will likely continue to gain on beans, but funds are still long and will not be completely immune to breaks.

Funds resumed building a short position in wheat as world FOB values continued to move lower. Euro weakness helped French wheat fill in for Russia's absence in the world market. EU export ideas continue to get bigger while the world hasn't seemed to miss Russia or Ukraine for that matter. US exports have picked up over the last few weeks but it will likely be too late in the crop year to matter. Both HRW and SRW acreage was lower than expected but the market did not care. The market gave back all the gains from late September through December during the month of January. For the moment there is no pressing reason to buy wheat and I have no interest in selling on a $1.50 break. The direction going forward will depend on how Northern Hemisphere winter crops come out of dormancy and world demand in 2015/16. There are likely increased needs in the Middle East given ongoing turmoil but it may not translate into increased imports (they may even be down). There has been talk recently of China looking at new crop US which could potentially be a big deal but I am not going to hang my hat on it. Ideas regarding Russian production vary widely and won't be known for months. The export restrictions game too late in 2014/15 to really alter world trade but if they carry over into 2015/16 it will be a much bigger deal.

Beans had a huge rally early in the month that took many by surprise. It had little follow through and beans worked lower into month end. There was some concern about dryness in northern Brazil but other areas are making up for it and a record crop is still expected. Argentine crop ideas are getting bigger as rains were quite favorable in January. US crush margins remain very strong and this has extended the US meal export program a bit, but the shipment pace needs to pick up.



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

newaccounts@bockentrading.com • *phone:* 901.766.4446 • *fax:* 901.766.4406

BOCKEN TRADING
LLC

# *January 2015 Month End Comments*

Soybean Oil gained on meal much of the month. Oilshare has been historically very low all year and this has kept the US balance sheet rather tight. With big crops coming in South America, oil should gain as meal works lower. Funds had gotten long oil and I underestimated how crowded the trade was. The EPA announced it would allow Argentine biodiesel to be used as RINS in the US, which caused a massive sell-off. It may not mean much in the longer term but the market was long and already under pressure. The Brazilian producer has been a reluctant seller but renewed weakness in the Real may spark selling. Harvest is underway but will be a few more weeks before going full force. There is still considerable downside potential as record crops both in Brazil and Argentina are digested (on top of the US record crop) and potential for increased area/bigger carryout in the US. Weather will determine US crop prospects this spring/summer but we will likely be adding risk premium from much lower levels.

Regards,
Megan Bocken
Bocken Trading, LLC
February 6, 2015



9047 Poplar Avenue, Suite 101 • Germantown, Tennessee • 38138
newaccounts@bockentrading.com • *phone:* 901.766.4446 • *fax:* 901.766.4406