BOCKEN TRADING
LLC

June 2013 Month End Comments

June was another trying month but there seemed to be some clarity at the end. The features were very tight cash markets in corn and beans with the old/new inverses widening significantly over the month. CN-CZ widened by 74 cents and SN-SX widened by 132 cents. Planting delays continued but the trade seemed more confident by the end of the month, especially after the large corn acreage number from the USDA. Meal continued to gain on oil with the meal situation remaining quite tight. Wheat was in a death dive on harvest, huge SRW yields, and Russian values that seemed to go down every day. For the month, Chicago was down 57 with Kansas City down 75 (based on a bigger crop than expected) and Minneapolis "only" down 35. Minneapolis has gained all year and the stocks report implied tighter than expected HRS stocks, which helps explain the strength.

Corn balance sheet ideas went from high 2000's (I think I was over 3 bilbus briefly 6 months ago) to 1500-1800 during the peak concern on planting delays/lost acres. However, after the USDA forecast corn acres up 100 thousand from March vs. trade ideas of down 2.0 mil, stocks ideas have increased again with the general consensus over 2000 milbus again. The other factor is the weather has turned much more favorable and benign. The wet areas have turned drier and the drier areas in the east have received rains. The forecast is mostly-normal to normal for the next couple of weeks. I am using a national average yield of 159.4 bu/a. My lowest estimate a few weeks ago was 156 bu/a. The USDA in June was 156.5. Using USDA acres and 159.4 yield results in 13/14 end stocks of 2237 milbus. This is quite comfortable/burdensome and if realized would be the most well-supplied market since the late 80's. Looking ahead, such a large ending stocks figure would set the stage for even greater stock building in 14/15 even with much larger use. Harvest lows this fall could be in the low 400 area and possibly have a 3 in front. The producer has been used to very high prices for the last 3-4 years and may be in denial. They really just started selling 13/14 this week. It may not be a straight shot down and the old crop may still have some fireworks left, but if the weather stays favorable and we manage to escape an early frost we should be looking at a much lower price structure in 4-6 months' time and I am positioned as such.

There is still a wide range of 13/14 carryout ideas for beans. USDA did not forecast as much of an increase in area as the trade expected, and I am still in the camp that thinks it could be down from March given there were still 1.0 mil acres not seeded (in northern, non-double crop states) as of July 1st. My carryout forecast is right around 200 milbus with 76.8 mil acres and currently using a 43.5 bu/a yield. This is comfortable and assumes China restocking. However a 42 yield would tighten the balance considerably to less than 100 milbus carryout (without adjusting use) and it seems that beans should maintain some risk premium throughout August. Beans are also more susceptible to frost/freeze damage than corn. The new crop bean/corn ratio could go to 2.7 or higher with an over 2000 milbus corn carryout and under 200 milbus bean carryout. August/November bean and August/December meal inverses will likely widen further. Old crop remains very tight and 4th quarter crush needs to be down 15% from a year ago vs. 3rd quarter, which was down 7% from a year ago, so there is still a job to do.

Wheat is tricky. My 13/14 US and major exporter balances are tighter than last year and the US has decent demand (China/Brazil). China's needs may be larger than most in the trade are expecting, and India should be a non-factor as far as

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exports. Argentina needs imports and will not export a pound until November or December, leaving Brazil turning to the US or Canada for the next 4-5 months. Australian exports during July-November are expected near 4-5 mmt vs. 9.0 mmt during the same period last year. It doesn't feel like Russian stocks are tight at all given how their prices have dropped, but if the government decides to build up intervention stocks it will crimp their exports at some point. Pakistan may also be an importer this year (they were net exporter last few years), and Egypt under bought last year. It is difficult to forecast their import needs given financing restraints and political uncertainty. Overall world weather seems okay. Russian spring wheat areas and Kazakhstan need a rain as does WA, and these areas need to be monitored. It would be fairly easy to be friendly wheat given US harvest has reached the halfway point and in light of the above mentioned items. However if corn is going to break 100-150, wheat will not sit here. In the short term however, I like wheat on a relative basis.

Regards,
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