BOCKEN TRADING
LLC

June 2015 Monthly Commentary

A bit of redemption! Wheat started the short covering as weather issues in Can/EU/Australia got the market's attention early in the month. Canada also had a freeze that zapped wheat and canola in late May/early June. It also never stopped raining in the ECB. IL/IN/OH/MO may have had their wettest Junes since 1895 (when records began). There were reports of massive flooded out areas and concerns about losing area. Given market structure it was fairly easy to get long. The market had priced in perfection ahead of the entire growing season and then the weather went south. Wheat ended the month roughly a dollar higher in Chicago and KC and just under in Minneapolis. Beans rallied $1.50 with corn up $0.63 cents. Meal gained $53.00 and oil was up 35 points.

Funds were holding a very large short corn position in early June. The short covering rally was met with massive producer selling but technicals also took over. June 1 stocks came in less than expected and acres were neutral. Most are now starting 15/16 with lower carry-in ideas and lower yields ideas – given sharply lower condition ratings in ECB states. Yield ideas started near 168 (where USDA is) – some are now low 160's (myself included). Some are saying the WCB can make up for ECB but that's not how it comes out when I do the state by state analysis. WCB ratings are good but ECB ratings are terrible. There are reports of a lot of yellow looking corn and nitrogen leaching. It has also stayed wet. New crop carryout is now expected near 1200-1300 milbus – which would suggest we are still undervalued. There is a wide-range of yield ideas, and little to keep the market honest at this point. There are concerns about EU maize production given 90-110 F temps over the last few weeks and dry conditions especially in France. On the other hand, the USDA may be about 5 mmt too low on their Brazilian corn crop estimate. The EU may absorb it though, depending on their crop outcome--tentatively friendly. We are on a big rally but there are still concerns about yield potential in the flooded areas and we haven't dried out yet. It seems reasonable to maintain some risk premium.

Wheat was actually the leader of all. Structure was a big factor along with a number of weather risks. Canadian crop size will be a swing factor. Their stocks are low going in and crop losses directly correlate to lower exports which in turn should come back to the US. Canadian crop estimates are centering around 20-22 mmt vs 29 mmt last year and the 29 from the USDA. A 20 mmt crop would mean 12 mmt less for exports vs 14/15. When you combine that with lower production in the EU and Austria, the major exporter situation is rather tight and it means the world would need US wheat. SRW crop ratings dropped significantly throughout the month due to too much rain and it is still wet in the SRW areas. Harvest is behind and quality is a concern. All that said, we are on a big rally in wheat and I am a bit cautious. The market needs to embrace lower Canadian/EU/Australian crop ideas and raise US export ideas to sustain further upside.

Beans also started the month short. Old crop carryout ideas were getting smaller on higher crush and export ideas. There was also talk of last year's crop being overstated. The stocks report basically confirmed all of the above coming in 45 milbus below trade ideas. There was a faction of the trade that expected a much larger acreage estimate in June (something near 87 mil) which didn't happen. And with all the rain and slow pace of planting, most are taking 1-2 mil more off the USDA's 85.1 mil. Crop ratings are the second worst ever in IL/IN/OH/MO with just 2012 worse. The WCB is in good shape but ratings are not the best ever and most yield ideas have gone from 46 to 45 to 44 or lower. Given the lower carry-in, less acres/harvest acres, 15/16 may only be 200-250 vs initial ideas of 500 milbus. We are also not out of the woods yet. There are some pretty dire reports out of IL/IN/OH/MO. Beans do not like wet feet and it has been cold. We are underpriced below $10.00 given the above and ongoing risk factors. SX could be a $10.50-$11.00 item. It is a bit more difficult this year since there is a buffer with bigger South American stocks. Some are slashing demand considerably and it may happen but we really underestimated demand this year. It should continue to trade supply side risks in the near term. Funds swung long and it is going to be more volatile – may be more long liquidation to get through but upside risks outweigh downside.

Regards,
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7/08/2015

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