BOCKEN TRADING
LLC

April 2014 Month End Comments

Beans, wheat, and corn all made new highs in April with beans trying to resolve extreme tightness, corn carryout ideas getting smaller, and HRW crop ideas getting smaller pushing Kansas City wheat to a dollar over Chicago. July beans were up 86 cents with November up 60, meal up 29 dollars and oil up 166 points. Kansas City wheat was 47 cents higher for the month with Minneapolis up 28 and Chicago up 20. Corn finished the month up 13 cents.

Continued dry conditions in central and western HRW growing areas, numerous bouts of freezing temps and a hot dry forecast have considerably reduced HRW crop prospects. What started out as an 850-900 milbus range now has many private estimates near 750 milbus and getting smaller. I am currently 725 milbus but the risk is closer to 700 if conditions remain hot/dry and if abandonment ideas grow. The Wheat Quality Council tour got the market going and forecast the smallest KS crop in years at 261 milbus. A crop 750 and lower gets the market into a rationing situation, and it is already happening with HRW well above HRS values. There is concern, however, about HRS area/slow planting. The forecast is cool and wet for both the Northern Plains and Canadian Prairies. The Ukraine/Russian situation adds to the uncertainty. So far shipments have continued, but I wonder about fresh business. Some are evacuating Ukraine. Ukraine has received nice moisture and their winter wheat crop should be decent. There is some concern about a warm/dry pattern in spring wheat areas of Russia/Kazakhstan. Australia has received very favorable moisture of late as have the drier areas in the EU. The HRW situation will likely prevent US ending stocks from growing in 14/15 but the major exporter S&D still depends on major Northern Hemisphere spring crops as well as Southern Hemisphere production. Chinese, Brazilian, and Egyptian needs will also be key factors in 14/15. At this point, I am assuming much lower imports out of China, but their domestic prices remain near all-time highs. I'm not sure how high flat price can go on just the HRW issue, but it really only takes one more crop issue in a major growing area or unexpected demand to tighten the major exporter balance.

Corn traded to 524 in the July contract following the April report as the USDA raised exports more than expected. Carryout ideas continue to get smaller and the trade remains on edge about the Ukraine situation. Export demand continues to exceed expectations and ethanol production margins remain quite favorable. My crop year export forecast is now 1850 milbus and I can't rule out something closer to 1900 although there were a few cancelations this week. The USDA is at 1750 and most are expecting at least a 50 milbus increase in the May WASDE. They also may increase ethanol use to 5050 milbus given the current pace and margins. My carryout is now 1149 milbus with a stocks-to-use ratio of 8.4% - not a lot different from last year's 7.4%. The tightening old crop balance sheet is putting more pressure on new crop to perform, and planting delays in northern areas are worrisome. Most private forecasters are calling for El Nino by July (and a likely a strong one) which may result in very favorable yields, but the trade isn't ready to discount this just yet. Once the crop is planted and the trade has a better idea of acreage, the focus will turn to growing weather. Even with the El Nino forecasts, I'm a bit nervous about what Mother Nature may throw at us this year.

Beans and meal made new highs and inverses widened in April in an effort to solve the old crop balance sheet. Chinese cancelations of Brazilian cargos that were then diverted here have likely gone a long way in getting closer to solving the situation. Import ideas have increased from 65 milbus to 85-95 milbus. However, at the same time crush margins have stayed strong and crush ideas have also increased. Trade so far in early May has seen quite negative price action with funds exiting longs and unwinding bull spreads. It is still a delicate balance, however, and most of the remaining supplies are in commercial hands. I'm

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not sure if old crop can completely fall apart – we do not want to encourage additional use and old crop is nearly untradeable. New crop could be very bearish; acreage ideas are increasing, South America will have a long tail, and China has restocked. Patience is required, however – new crop may not break materially until the old crop is solved.

Regards,
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