



## *August 2014 Month End Comments*

Corn traded in a very narrow range all month after July's decline with producers still not letting go. Futures were 3 cents higher for the month. Wheat was supported mostly by Ukraine/Russian tensions heating up and quality issues around the world. Chicago was the strongest given market structure – up 20 for the month with Kansas City up ½ cent and Minneapolis down 1. The real action was in beans – we finally ran out of old crop beans – basis went to 400+ November beans in the interior with meal trading \$180+September soymeal. Old/ new spreads widened significantly. September beans finished the month down 8 with November beans down 56 while September soymeal was up \$78.50 and December soymeal up \$1.90. Oil was the clear loser – down 426 points.

On August 1 my yield estimates were 168.9 bu/a for corn and 46.4 bu/ a for beans. By the end of the month, my forecasts were 171.8 bu/a and 47.3 bu/a. Ratings improved contra-seasonally throughout the month. ProFarmer had their crop tour with corn yield estimates and bean pod counts well above last year. Their final yield estimates made the USDA August estimates of 167.4 and 45.4 look low. Temperatures were not as cool as July but all areas received nice rains (almost too much in spots). These late rains should've added pods/pod weight and ear weight to corn. The anecdotal yield reports from southern IL, LA, MO, MS, and TX have been mostly records by a large margin for both corn and beans.

Ethanol production margins have remained quite good – the EPA decision on the RFS mandate is still awaited. Export demand for corn has slowed. US corn is the most expensive in the world with Argentina, Brazil, and Ukraine at a discount to US and Black Sea feed wheat at a steep discount. EU maize production ideas continue to get bigger and their import needs are shrinking. In addition, the EU, Ukraine, US, and likely Canada are having wheat quality issues resulting in much larger feed wheat supplies. This should also weigh on corn demand. While I continue to think there is additional downside in corn as bigger than expected yields are realized and the producer is under-sold, we still have to get the crop harvested without a frost/ freeze (cold air forecast mid-September), get more FSA data (a key to final acreage), and get through the September 30 stocks report. I also think corn may be the first to bottom as the trade is expecting lower area in both South America and in the US next spring.

Wheat remains a difficult trade and I have been focusing more on corn and beans. Both EU and Russian crops continue to get bigger as do Russian export ideas. EU has quality issues and it remains to be seen whether France can keep Algeria as a captive market. My US export forecast is larger than most as I feel both Egypt and Algeria will come to the US for at least a portion of their needs. The quality issues make position trading difficult. Of major world exporting crops, only US HRW and Russia don't have quality issues. The N Plains/Canadian Prairies spring wheat harvests are very late with early results low protein/high yielding. HRW should take back the domestic demand that was lost over the last couple years to HRS and possibly export demand (Algeria?). Southern Hemisphere crops are not out of the woods and could change the dynamic going forward. The Ukraine/ Russian tensions have kept me from getting too bearish – just never know when it's going to flare up. However, I think it may be more of a longer term issue – maybe next year's crop/exports are lower on credit issues, etc. In the meantime, I expect Kansas City will go to stronger premiums to Minneapolis.

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For beans, the feature was the old crop tightness (highlighted above) and bigger yield/carryout ideas for new crop. ProFarmer pod counts suggested USDA yields were low and early southern yields have been off the charts. The wet August should've added pods and pod weights. There was some concern about Sudden Death Syndrome after the wet weather, but it will likely be fairly isolated. We need to get through the frost threat next week and also USDA stocks and FSA data. I maintain there is considerably more downside longer term, especially with ideas of bigger South American and US acreage next year, and will position accordingly. But, I am mindful that trade will likely be choppy into all the upcoming USDA/FSA stats

Regards,  
Megan Bocken  
Bocken Trading, LLC  
September 5, 2014

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