BOCKEN TRADING

LLC

February 2015 Month End Comments

What's the saying…insanity is doing the same thing over and over and hoping for a different result?? That about sums up February – another poor month of trading and fighting markets. Brazil harvest was slower than expected, which should've been expected given late planting, and a trucker strike helped run shorts in while corn longs liquidated. Wheat continued to have few friends but managed to finish the month up 6 cents in Chicago, down 4 cents in Kansas City, and down 1 cent in Minneapolis. Corn, which had made new lows at end of January, was pretty much range bound and finished up 15 cents. Corn was frustrating for longs. February was insurance pricing month which also provided support.

There is not a lot to rehash in corn. Export sales continue to be fairly strong. Ethanol grind is on track; both production margins and blending margins have improved but forward margins are mostly negative. South Africa has had a hot/dry spell with production estimates down 4 mmt from last year; they are typically a 2-3 mmt net exporter and could turn into a net importer in 15/16. Private analysts in Ukraine are expecting a sharp reduction in maize area this spring due to input costs and potential for much smaller exports in 15/16. The market will be gearing up for the stocks report and planting intentions report at the end of the month. Structurally the market is much less long and the risks are skewed to the upside. Most are still expecting a reduction in corn acres. The lower the planted acres, the greater the need for a trend or above trend yield - especially if the world will need additional exports out of the US due to less exportable supply from South Africa and/or Ukraine. Once the March reports are behind us, the focus will turn to planting weather. I am going to try to buy breaks (instead of rallies) and take profits as they come.

I remain quite humbled in wheat but maintain that the risks are to the upside. There have been numerous winterkill threats both to Soft Red Winter and Hard Red Winter with at least one more ahead of us in early March. There have also been a number of anecdotal reports about the poor condition of Soft Red Winter. Spring weather will be important to watch as it can still help or hurt the crop. There are wide ranging ideas on Russia's winter crop potential and also about spring wheat acreage. France is running out of quality and both Soft Red Winter and Hard Red Spring quality is scarce. There is still a huge range of possibilities regarding the 15/16 situation. The upside risks are considerable if Russia has crop issues and remains out of the export market especially if we have a short Soft Red Winter crop. If US and/or Russian crops are bigger than expected and the US remains the residual supplier, it will likely be more of the same with funds remaining short and few opportunities. But given the fund short (Kansas City has a record large short) if there are crop issues etc, could have a considerable rally.

With most in the trade (guilty) waiting for a big break in beans, the market ground higher all month on a late harvest in Brazil, lack of producer selling, a Brazilian trucker strike, and a domestic meal market that would not budge. The USDA also lowered carryout below 400 mil bushels by raising both crush and exports. They may prove to be too high on both but it did not help the bears. Funds cleaned up their shorts and everyone was left wondering if beans were ever going to break. Then…the truck strike started to get resolved and US meal basis finally broke. US bean shipments dropped off a cliff the last couple weeks and we saw a negative sales week in meal. So possibly we are transitioning, but it still may not be without bumps in the road. Every time we break, we shut off producer sales. I have a negative bias but am going to trade it and not try to marry it (for a change).

Regards,
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