BOCKEN TRADING
LLC

October 2013 Month End Comments

Net changes for the month were rather small. Corn lost 13 cents – continuing to work lower. Chicago was down 11 cents for the month with Kansas City up 1 and Minneapolis up 1.5 cents. However Chicago was nearly 40 cents off the month's highs. Corn vs. wheat and corn vs. KC widened to new highs (265 and 328 respectively) mid-month before giving most of the gains back by month's end. Funds moved from net short to long, India lowered their export price by $40/ton, and US export interest went quiet prompting a sell-off. Brazil buying also slowed and wheat has given back nearly all of its gains. Beans traded in a rather narrow range and lost 2.5 cents for the month and oil gained on meal. The government shutdown for much of the month and lagging data made the huge export sales in beans and meal "old news" and seemed to disrupt normal trade flows. The shutdown was advantageous for the Chinese who bought significant amounts of US corn and beans under the radar. The trade is now awaiting the November Production report from the USDA after missing the October report.

Bigger than expected old crop corn stocks as reported in the September 30 report set the tone for the month – adding that much more cushion to a rather burdensome 13/14 S&D. Yield reports continued to be quite favorable and well above expectations aside from a few pockets in IA. Ethanol margins have been quite favorable and corn for ethanol use ideas have inched higher. In addition the US is back to doing export business with Korea buying US corn for the first time in about a year and a half. US corn finally became competitive and the slow maize harvest in the Ukraine benefited the US. Their large export program is about to ramp up however. Feed margins are also the best they have been in a few years. My usage ideas have increased of late and may have further room for increase. However, crop ideas have also increased and we are still looking at the most plentiful supply situation in 8-9 years. The big ethanol growth is behind us and it should level off over the next couple of years – the blend wall is now prohibitive and the EPA may lower the mandate in the near term. South American corn area is expected to be lower this year and the US should lose corn area this spring. Both the US and South American balance sheets should be able to absorb this. It will now take a series of crop failures to tighten things materially going forward. I expect we will see a three in front of corn before all is said and done, and am positioned accordingly.

I caught the rally in wheat but overstayed and then missed the break. The big US export program is nearly behind us but the US can't really afford to do any additional business; particularly HRW and Arg remain question marks. Black Sea exports are winding down as well, with the EU off to a record fast start. Canada and Australia are left to supply the world and they have logistical restraints as well as lower than normal protein crops. India lowered their export price to $260/ton from 300/ton previously. They can now take over for the Black Sea and we need their 2.0-2.5 mmt. Egypt still has sizable needs as do a number of Middle Eastern countries including Iran, Syria, and Libya. It remains to be seen, however, if they will under-buy again this year. SRW is now competitive with French and Black Sea wheat and doesn't need any extra business. That being said, it seems as if China and Brazil have slowed considerably and Egypt is not being very aggressive. Ukraine and Russia were way behind on winter wheat seeding a month ago but have caught up somewhat – Ukraine more than Russia. US winter wheat crops are off to a great start. The big wheat feeding programs of the last few years are over. The bigger picture is rather negative with huge feed grain supplies. Major exporters' as well as Russian/Ukrainian stocks will be tight starting the 14/15 crop year and the market will be sensitive to any crop issues that may come up over the winter.

Beans could not gain traction either way in October. It has been a push and pull between crop size getting bigger (yields rather stunning in some areas) and demand ideas increasing. We will have a better idea after the November crop report on how tight the US balance will be in 13/14. Demand ideas have increased dramatically over the last four weeks but crop size

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is still a bit of a wild card. The big US buying (beans and meal) is also likely behind us and South American weather is generally favorable with even the driest area in Argentina getting taken care of recently. Both Argentina and Brazil are increasing soybean area considerably and some are even considering a safrina bean crop. Flat price direction likely depends on weather in South America and eventually South American execution. A possible snug US situation may support basis and spreads going forward as needed to execute record bean and meal export programs, but that idea has been rather crowded.

Regards,
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