BOCKEN TRADING
LLC

May 2015 Monthly Commentary

It has been a challenging year for me thus far. I got out of step early on in January and have had a hard time finding my way back. It is difficult when you are focusing on past mistakes and don't give your ideas room to work. I greatly appreciate your patience. I am feeling better about upcoming opportunities as the growing season starts for row crops and as there are a number of issues going on that could tighten the world wheat situation. I am not going to talk much about what markets did in May as would like to focus on the "future". In a nutshell, corn planting was ahead of pace and funds continued to build shorts with futures losing 15 cents for the month. Wheat had a swift short covering rally that failed with futures up 3 cents for the month in Chicago, unchanged in Kansas City, and down 7 in Minneapolis. Beans had a particularly weak month after the USDA forecast a 500 milbus new crop c/o and on ideas we are still adding acres. SN was down 42 cents with SX down 46.5. Meal worked into new lows as well on the same themes in addition to bird flu continuing to spread. Oil was up 168 points on fund buying, a tightening US and world outlook, and the supportive RFS proposals from the EPA.

CZ came within a cent of the October 1 low of 364.25 on the first trading day in June. Funds are short over 175k contracts with the entire growing season ahead of us. Given recent heavy rain in TX, KS, CO, NE, and MO there are up to 1.7 million acres of corn that may go unplanted. The prevent plant date has passed. I took these states down and overall lowered acres 1.3 million from the USDA's March intentions. Ratings are the best ever to start out in the Eastern Corn Belt but not as great in the west. My starting point for yields was 169.2 bu/a and am now using 168 bu/a. With the lower acreage and a 168 yield, this results in 2015/16 carryout near 1,575 milbus vs 1,853 last year and the USDA's starting point of 1,746. It doesn't take a lot of imagination to tighten further. We took a lot of risk premium out and it will be tough to beat last year's exceptional yields. I think futures got cheap enough and may work higher if funds cover shorts. I am trading lightly from the long side – monitoring weather, action in wheat, technicals, and structure.

There are a number of concerns creeping up in wheat that have me a bit friendly. The Indian crop was badly damaged at the end with estimates near 80 mmt vs 96 mmt last year. Government stocks have quietly been drawing down and India has begun importing Australian wheat. If 80 mmt is a good number, import needs could be near 5 mmt – after being an exporter for the last several years. El Nino could also threaten India's next crop as well as Australian production this year. The Canadian Prairies are dry in western areas with little rain in the forecast and a late May freeze may require reseeding. Canada hasn't had a crop issue in a number of years and this situation bears watching. The forecast in the EU is also raising concerns with hot/dry for the next 10 days. A number of areas already had moisture deficits and this is a key time for their winter crop. They have been a HUGE exporter the last couple years. Russia has a few problem areas and Kazak is way behind on their spring seeding. North African crop outcomes were less than expected and Egypt demand may be stronger than previously thought. If one or more of these issues continue, the US and world wheat situation could tighten considerably. Funds are still carrying a very large short position and most in the trade still have a bearish mind-set.

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The bean complex is also set up for a rally given structure, etc. but most are still expecting further acreage gains in beans and given record production in Brazil/Argentina (with crop ideas still getting bigger) there will be increased competition. Most are still expecting bean carryout to grow in 2015/16. We would need to see a 10% reduction in yield to really tighten the US balance. Argentina's elections may also be a bearish input (about the time of our harvest) with all of the front runner candidates running on lowering export taxes which could end the hoarding mentality. The RFS mandates from the EPA suggests the bean oil balance could get quite tight going forward – already a tight situation this year. This may be exacerbated by El Nino/lower palm production/weak India monsoon. A late May freeze in Canada also put roughly 25% of their canola crop at risk. Oil share is still a theme I think is going to work especially if weather is favorable. Beans/meal can have short covering rallies, which at this point I still think are selling opportunities.

Regards,

Megan Bocken

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