



## *June 2016 Monthly Commentary*

Beans made new highs early in the month as the trade started to grasp the extra business the US was doing for old crop and concerns about hot temps fueled buying. Beans gave back a big portion of the gains mid-month but rallied back after acres were less than expected. For the month, the nearby was up a dollar. Meal was up \$21/ton and oil was down 36 points. Crush margins got hit hard from their rally to \$1.60 in late May. In hindsight, this should've been a red flag. Argentine selling was larger than expected in the last couple weeks as well. US export sales have been very strong and most private forecasts are well above the USDA for old crop exports. I am forecasting old crop exports at 1843 milbus vs. the USDA's 1760 milbus. My old crop ending stocks are roughly 100 milbus below the USDA's. My new crop balance sheet is considerably tighter than the USDA given the lower carry in stocks and higher exports for 16/17. I am using a similar yield to the USDA. A lower yield makes the new crop impossibly tight. That is what we were trading in May and Jun – the possibility of a zero carryout (which the market won't actually allow). As rain continues timely, and with nearly all areas of concern dwindling, the market has considered the possibility (I, unfortunately, did not consider until too late) of a 48 or 50 bu/a yield which would "solve" the new crop balance sheet, at least for now. That being said, futures dropped \$1.20 off their highs and we still have the rest of Jly and the entire month of Aug in front of us. From current levels, the market will be especially jumpy if the weather turns more threatening. There could be add'l liquidation ahead of the USDA's July report next week.

Corn and wheat made new highs early in the month as well. Corn had strong export demand and weather concerns behind the rally and wheat went along for the ride. Temps cooled off at the end of the month and there was much more rain around than expected. Corn gave back all of the May gains and more losing 38 cents for the month. I shorted it briefly but was nervous about heat returning in Jly. Ideas that a hot Jun translate into a hotter Jly kept me from shorting corn after the bearish USDA report at the end of the month. So far in Jly temps have been hot but rain and forecast precip are much wetter and yield ideas are getting bigger. Jun 1 stocks were also 200+ milbus above trade expectations. Along with larger area, there is a much better cushion in corn for a yield issue. Given we are into Jly and rain has basically fallen where it needs to, yield ideas are now in the 164-170 bu/a range which leaves carryout ideas near 2200-2700 milbus. There is also an abundance of wheat in the world which is weighing on grains. Nearly all major wheat crop ideas are getting bigger with the exception of France and maybe US HRS. We're going to add more onto already burdensome stocks. The one opportunity in wheat that I see is the KC-Chgo spread which got to deep "unders". KC is typically 20-40 cents over Chgo due to protein content/quality alone. The times when it has stayed "unders" have been times when we needed to ration SRW. That is not the case this year as Black Sea crops/exports/stocks should be even larger than last year.

It's rather painful to write about June when I have given back nearly the entire month in three trading sessions. I am now sidelined and waiting for the dust to settle. My instinct is that this move is creating another opportunity, but need to let the liquidation run its course.

Regards,  
Megan Bocken  
July 7th, 2016

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