



December 2016 Monthly Commentary

This was another humbling year, but I am starting 2017 fresh. There have been many changes in the industry the last few years regarding automation and the lightning speed of information flow. However, I still believe that fundamentals win out and there will be many opportunities going forward. I am privileged to be in this business and to have many loyal customers. My number one goal for the year is to redeem the losses.

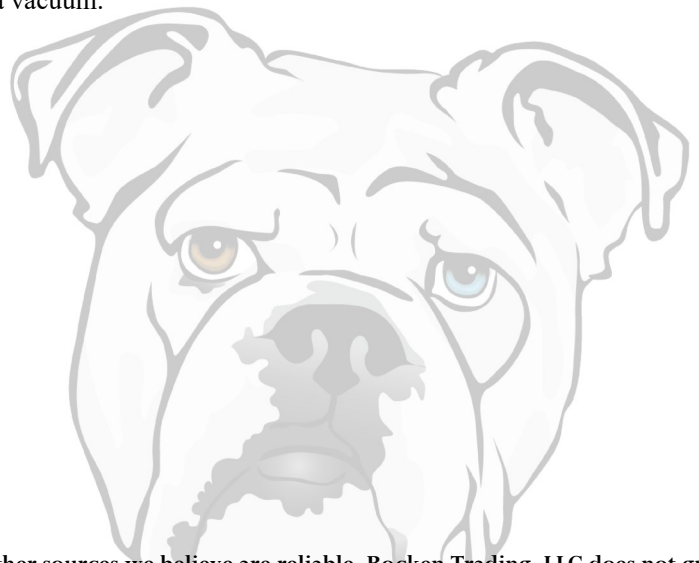
Currently there are a few weather issues that need to be monitored in South America that will determine the direction of the bean and corn markets in the near/medium term. Argentine growing areas went from concern over too dry to now too wet with 8-11" seen over the last two weeks in a concentrated area (and with more to come). RGDS has also seen heavy rain with a very wet two week forecast. Also, northeast Brazil has turned dry and far southern Argentina has remained dry. There is a risk of lost area in Argentina with beans 84% planted and corn 71%. The last few years, the bean market has been forecasting ending stocks in the 400-500 milbus range at this time of year only to end up sub-200 on bigger than expected demand. If Argentine crop estimates move lower (talk already starting), we could be in a similar situation this year. There is still a lot of weather ahead (last year the weather issue was at harvest), and the market needs to maintain some risk premium. China demand forecasts have been edging higher and the world needs more and more protein each year. The next thing the market will focus on is US acreage; we need to ensure we plant more soybeans (especially if South American crops disappoint). The US soybean oil balance is expected to continue to tighten with 17/18 balance sheet considerations warranting a much steeper inverse in forward spreads.

Corn production could also be at risk with current Arg weather, but the Brazil crop is forecast to be 17-20 mmt bigger this year so there is a buffer. US stocks are also considerably higher. Corn supplies are big and demand is also big. Exports continue strong and ethanol use is chugging along. Feed use is still a question mark with the USDA forecasting a 10% increase this year vs most privates forecasting a 4% increase. There is nothing that compelling in the US balance. I have a hard time tightening next year's outlook much (even with lower area) unless yield is below 165 bu/a. The index rebalance next week should provide additional support in the near term, which may be a selling opportunity. The US producer still has a great deal of corn to market.

It is difficult to see a sustaining rally in wheat without some major production shortfalls, but there are a few supporting items in the near term. The index rebalance is also going to result in wheat buying. US winter wheat ratings are declining and there is another cold spell coming. The EU and FSU are also facing cold threats. The upcoming winter wheat seedings report may also be an eye opener, and if we have a fund short covering run alongside the index buying, we may rally in a vacuum.

Regards,

Megan Bocken
January 5th, 2017



Information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Bocken Trading, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such. Opinions expressed reflect judgments at this date and are subject to change without notice. There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. The contents of this report are informational purposes only and under no circumstances should they be construed as an offer to sell or a solicitation to buy or sell any futures or options contracts. This material cannot be copied, reproduced, modified, or redistributed without the express written consent of Bocken Trading, LLC. No one has been authorized to distribute this for sale.

9047 Poplar Avenue, Suite 101 • Germantown, Tennessee • 38138

newaccounts@bockentrading.com • phone: 901.766.4446 • bockentrading.com