BOCKEN TRADING
LLC

March 2019 Monthly Commentary

The threat of a China deal hangs over the trade. Everything rallied mid-month on flooding in the Corn Belt and Plains, talk and evidence of China buying US corn, as well as general short covering into the month end reports. The reports were decidedly bearish with Mch 1 corn stocks 300 milbus above trade ideas with corn acres also above expectations. Wheat stocks were big, and while the bean report was a bit more neutral, there was nothing friendly there. Futures were pressured into month and quarter end with corn finishing the month down 13 cents. Chgo wheat was down 1 with KC down 14, and Mpls 4 lower. Beans were down 26 cents for the month; meal down 50 cents and oil down 186 points.

Corn had a double whammy of large stocks and higher than expected acres. The stocks miss was market changing and suggests the crop may have been understated (despite some ideas that the crop was smaller than USDA). The last five stocks reports have been bigger than expected. Carrying the larger stocks through to ending stocks raises old crop carryout to nearly 2200 milbus. This compares with ideas mid-crop year that stocks may be as low as 1500 milbus. 19/20 gets even more bearish with huge SAm crops expected to push US exports considerably lower (without China). Without a big China program, and assuming normal yields, US stocks may surpass 2700 milbus. Even if China bought 10 mmt US in 19/20, stocks may still be 2300 milbus– a slight build. Without China – stocks to use could be near 20% - something that hasn't been seen since 2004/05 when futures dipped below $2.00/bushel. This was pre-ethanol. The point is, it is going to be very difficult to tighten the US corn balance without a major yield issue and/or a major China buying program. That said, the Corn Belt is very saturated now with flooding in IA and NE, funds are carrying a big short, and the US producer likely won't sell much until the crop is planted. It may be choppy in the near term but there is considerable downside longer term.

Bean stocks were right in line with trade ideas while acres were lower than expected, which was slightly supportive. However, overall acres were low and US stocks will remain excessive even with a 46 bu/a yield (a 5.6 bu/a drop vs last yr). I am not sure why the market is hanging its hat on a China deal when US beans are not competitive for 15-18 months out, China demand continues to disappoint overall (their hog herd is down 40%), and ASF is spreading in Asia. The damage has been done. SAm crop ideas continue to edge higher. The market will need a major planting issue, major summer weather issue, and/or a massive China reserve buying program in order to sustain strength.

Wheat bounced off the lows in March after the relentless Feb pounding. There are some valid concerns about SRW condition ratings and flooding and US SRW is the cheapest wheat in the world - even a discount to Black Sea feed wheat, which may provide near term support. However given that Mch 1 stocks were bigger than expected and the US export program never got off the ground, 18/19 wheat carryout will barely draw down vs last year. There was a time when many were thinking that stocks would be down considerably as the US would have to make up for EU, FSU, and Austr shortfalls. Basically we got by and world trade declined. If the above mentioned countries see rebounds in their crops this cycle, US ending stocks could build in 19/20. The US HRW crop is in much better shape than year ago and HRW stocks could build back to 500 milbus. SRW could be somewhat tight and current Chgo-KC sprds are reflecting that. If there are problems in a major growing area, US exports may benefit as world trade is expected to rebound. The market should hold some risk premium until more is known about EU/FSU crop prospects, but as of now there is no reason not to expect higher production.

Regards,

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