BOCKEN TRADING
LLC

May 2020 Monthly Commentary

It was kind of a "nothing" month for Ags. We bottomed in late April on the day that nearby crude oil futures went negative and were basically sideways throughout the month of May. The dollar started working lower mid-month and the Brazilian Real turned higher. Cities slowly started reopening and driving and activity picked up. Equity markets continued to move higher while our markets were more cautious. Likely due to the overhang of Chinese tensions. For the month, corn was up 6 cents. Chgo wheat was down 3, with KC down 18, and Mpls up 10. Mpls gained vs the other two wheats as spring wheat seeding was a bit delayed and it had gone discount to Chgo. KC corrected lower vs Chgo and Mpls. Beans were down 14 cents for the month with meal leading – down $12. Oil gained 83 points in May.

Producer selling shut off in corn and export business picked up some. Ethanol markets stabilized but corn use for ethanol remains down sharply from a year ago. Most are expecting a reduction in corn acres from the March intentions due to some switching to beans and some planting delays in the Dakotas. The 20/21 balance sheet can still be quite heavy if there are no yield issues even with strong export business. Brazil's safrina crop estimates continue to come down and the US should benefit in the export market. I am torn in corn. I can envision a near term short covering rally "just because". Technically we haven't made a new low since Apr 21st and the producer is not selling and funds are short. Fundamentally, there is little reason for sustainable strength, and long-term considerable downside is likely (without a major weather threat) given current balance sheet expectations.

The fundamental picture could get fairly interesting in wheat with EU crop size continuing to come down and Black Sea stocks tight. The USDA is still at least 4 mmt too high on their EU crop size and possibly 5-7 mmt too high. Their export availability should be down by 13-15 mmt in 20/21. Ukr/Russ combined exports are expected to be flat in 20/21 with Russia up 2-3 mmt and Ukraine down 3 mmt. Argentine/Canadian exports should be up slightly. Australia has the biggest chance to rebound – could be up 6-10 mmt depending on their crop size. That still could leave a deficit that the US has to fill with the major exporter balance tightening further and also the tightest since 07/08. Currently, the US is in the midst of winter wheat harvest and spring wheat is off to a good start, and markets have come under pressure recently. Another limiting near term factor is the wide spread to corn and the negative balance sheet implications in corn. However, I think there could be a longer term "story" developing and there may be considerably more upside than down, and will position accordingly when we are closer to the halfway mark in US harvest.

I continue to view beans as undervalued. US beans are the most competitive August forward as Brazil has sold too aggressively and will have diminished exportable supplies until the next crop cycle is available – not until Feb/Mch. The market also seems to be underestimating China demand. November beans at this time a year ago were over the 900 level and the market was facing a carryover of over a billion bushels for the second year in a row. We were dealing with late planting/lost acres at that time. But we have thrown everything bearish you can throw at this market – a world pandemic, lower GCAU (grain consuming animal units), crude oil going negative, and the market has managed to stabilize. Through all of this, domestic meal demand was a record for the months of March and April. The funds are carrying an historically large short in meal and this seems vulnerable. SAm premiums are firm, the Brazilian Real has turned, and China continues buying US beans despite headlines to the contrary. I am positioning long meal and beans in the near term.

Regards,

Megan Bocken

Megan Bocken
June 3, 2020

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

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