

**Subject:** Agriculture Weekly: We lift our forecast for China's 2011/12 corn imports to 4.5 mmt  
**To:** [REDACTED]  
**From:** "Jonah D. Waxman, CFA" [REDACTED]  
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Global Commodities Research

Agriculture Weekly: We lift our forecast for China's 2011/12 corn imports to 4.5 mmt

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Corn forward curve backwardation in both Chicago and Dalian suggest slow farmer selling and higher Chinese import demand: On March 9, the May/July CBOT corn spread moved into backwardation, suggesting tightness in the spot market. March 2012 marks the first time in the past 10 years that the CBOT corn May/July spread (as of mid-March) has been in backwardation. On March 12, southwestern Iowa corn basis and north-central Illinois corn basis, relative to prompt CBOT corn futures were ?18.5 cents/bu and ?4 cents/bu, respectively, the strongest basis for both regions in four years. This could suggest reduced farmer interest in selling as spring planting approaches.

The tightness in the spot corn market is not unique?the Dalian May/July corn futures also went into backwardation in mid-February. This may have foreshadowed additional Chinese purchases from the US as the USDA reported

122 kmt of corn sales to China on February 23 and 240 kmt of corn to unknown destinations on March 13, both for 2011/12 delivery. As of March 8, total US corn commitments to China, including accumulated exports and outstanding sales for 2011/12, amount to 3.8 mmt, about 95% of our Chinese corn import estimate for 2011/12 of 4.0 mmt. Based on recent anecdotal evidence, it would not surprise us if this forecast was too low by at least 0.5 mmt. This week we raise our forecast for 2011/12 Chinese corn imports to 4.5 mmt. We would be inclined to raise our Chinese corn import estimate to an even higher level, but the steep inverse between the old crop and new crop CBOT corn futures prices suggests that Chinese buyers may shift some of their purchases to the next marketing year. Today, prompt Dalian corn prices touched a new high of 2498 CNY (about \$10/bu). In 3 of the 11 Chinese cash markets we track, corn prices are above \$10/bu. Our current estimate for Chinese corn imports in 2012/13 is 5.0 mmt; this may prove too conservative.

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