

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]>
Sent: Friday, March 16, 2012 2:22:43 PM
[JPM_Agriculture Weekly_2012-03-16_809990.pdf](#)

Global Commodities Research

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

[Click here for the full Note and disclosures.](#)

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.

Jonah D. Waxman, CFA

[REDACTED]

[REDACTED]

JPMorgan Chase Bank NA

Elizabeth Volynsky

[REDACTED]

[REDACTED]

JPMorgan Chase Bank NA

If you no longer wish to receive these e-mails then click [here](#) to unsubscribe

www.morganmarkets.com

Analyst certification: I certify that: (1) all of the views expressed in this research accurately reflect my personal views about any and all of the subject securities or issuers; and (2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed herein. Important disclosures, including price charts, related to the companies recommended in this report are available in the PDF attachment, through the search function on J.P. Morgan's website <https://mm.jpmorgan.com/disclosures.jsp>, or by calling this toll free number [REDACTED].

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Confidentiality and Security Notice: This transmission may contain information that is privileged, confidential, legally privileged, and/or exempt from disclosure under applicable law. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, or use of the information contained herein (including any reliance thereon) is **STRICTLY PROHIBITED**. Although this transmission and any attachments are believed to be free of any virus or other defect that might affect any computer system into which it is received and opened, it is the responsibility of the recipient to ensure that it is virus free and no responsibility is accepted by JPMorgan Chase & Co., its subsidiaries and

affiliates, as applicable, for any loss or damage arising in any way from its use. If you received this transmission in error, please immediately contact the sender and destroy the material in its entirety, whether in electronic or hard copy format.



Global Commodities
Research

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

Click [here](#) for the full Note and disclosures.

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.

Jonah D. Waxman, CFA

JPMorgan Chase Bank NA

Elizabeth Volynsky

JPMorgan Chase Bank NA

If you no longer wish to receive these e-mails then [click here to unsubscribe](#)

www.morganmarkets.com

Analyst certification: I certify that: (1) all of the views expressed in this research accurately reflect my personal views about any and all of the subject securities or issuers; and (2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed herein. Important disclosures, including price charts, related to the companies recommended in this report are available in the PDF attachment, through the search function on J.P. Morgan's website <https://mm.jpmorgan.com/disclosures.jsp>, or by calling this toll free number (1-800-477-0406).

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Confidentiality and Security Notice: This transmission may contain information that is privileged, confidential, legally privileged, and/or exempt from disclosure under applicable law. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, or use of the information contained herein (including any reliance thereon) is STRICTLY PROHIBITED. Although this transmission and any attachments are believed to be free of any virus or other defect that might affect any computer system into which it is received and opened, it is the responsibility of the recipient to ensure that it is virus free and no responsibility is accepted by JPMorgan Chase & Co., its subsidiaries and affiliates, as applicable, for any loss or damage arising in any way from its use. If you received this transmission in error, please immediately contact the sender and destroy the material in its entirety, whether in electronic or hard copy format.

J.P.Morgan