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MF Global Daily Report

Corn Summary

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Review

March corn closed near today's high up nearly 13 cents. The supportive features may have been the record pace to US corn grind for ethanol, indications a framework is in place for Argentine exports of corn to China or a reduction in South American corn production forecasts by a crop scout followed by the market. A trade group also confirmed that a deal is in place to include an extension of the US ethanol credit within pending legislation. For those thinking the rally high to wheat may be in, corn/wheat spreading or the unwinding of wheat/corn spreads may have provided support to the corn market as well. Chicago March wheat closed 3/4 cents lower after trading 18 1/2 cents lower. Funds were reported buyers of 8,000 contracts of corn.

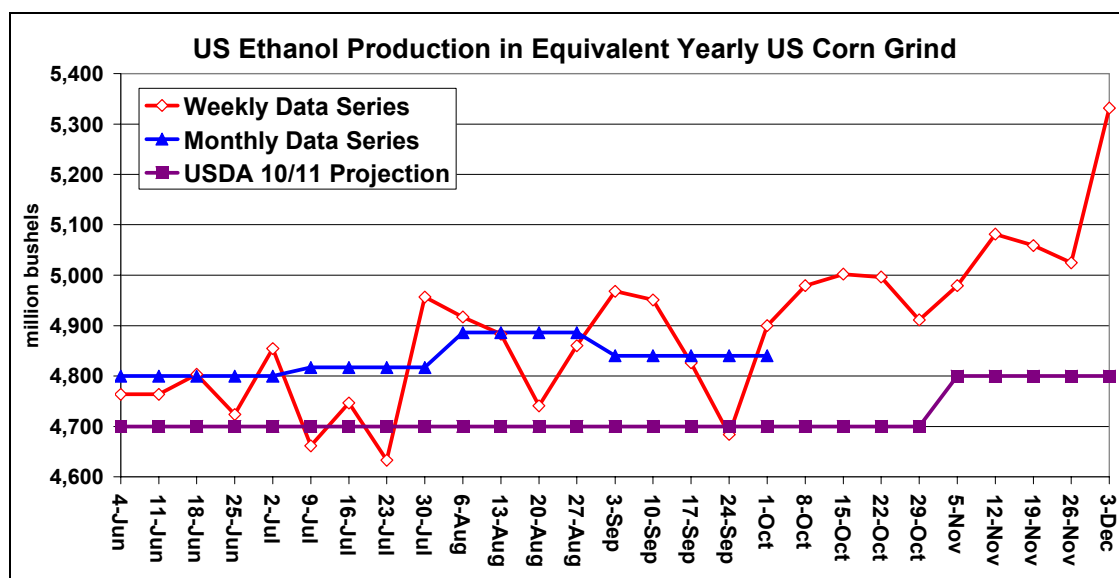
2011 Chicago March Wheat minus March Corn



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News/Research Features

The weekly US ethanol rate of production jumped to a new record of 939 thousand barrels per day for the w/e 12/3. That sharply exceeded the previous week at 885 thousand and the previous record at 895 thousand barrels per day. That is the equivalent of annualized ethanol production at 14.4 bil gal versus the 2011 renewable fuels standard requirement of 12.6 bil gal. It is equivalent to an annualized corn grind of over 5.3 bil bu versus MFG's 2010/11 projection at 5.0 bil bu and USDA's projection at only 4.8 bil bu.



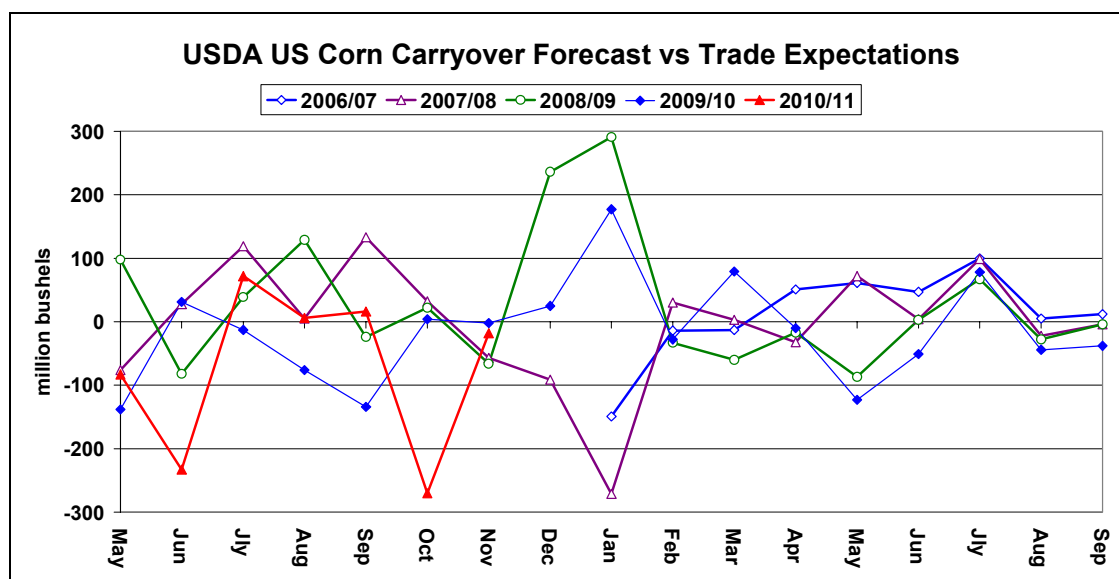
A few weeks ago Argentina suggested it would export 5.5 MMT of corn to China in 2011. The Chinese Agriculture Minister stated last week that no agreement had been signed for importing corn from Argentina. The information now suggests there is a framework in place for China to take Argentine corn if feasible.

Dec USDA 2010/11 US Carryover/Ending Stocks Projections			
Corn/wheat/soybeans mil bu, SBO mil lbs, SBM st			
	Average		Nov
	Trade		Projections
	Estimate	Range	
Wheat	839	764-938	848
Corn	806	672-877	827
Soybeans	160	98-198	185

The average trade estimate for the USDA's 2010/11 US corn carryover at 806 mil bu reflects a 21-mil-bu reduction from its November projection at 827 mil bu. The accompanying chart shows the deviation of the monthly USDA carryover projection from the average trade estimate. The limited history shows that the December projection has deviated quite sharply from trade expectations over the last three years. While the 2008/09 higher than expected carryover projection reflected a reduction in the ethanol projection and exports, export changes account for the bulk of the deviations in other years. MFG sees no reason for USDA to change its export projection at this time based on the US export pace. An increasing level of

world feed/wheat and higher Canadian corn production are excuses USDA could use to lower its US corn export projection at 1,950 mil bu. On the other hand that might be offset by a reduction to the South American corn production forecasts. There is the risk USDA could raise its corn grind for ethanol projection rather than waiting for the ethanol credit extension.

The bigger deviations tend to come in January when USDA adjusts its both production and its feed/residual projection based on the implications of the quarterly Grain Stocks report. The larger deviations June through October reflect the changes to USDA's US corn production forecasts/estimates.



US Corn Supply/Usage Balance (million bushels/million acres)

	2006/07	2007/08	2008/09	2009/10	Nov USDA	MFG
					2010/11	
Planted Acres	78.3	93.5	86.0	86.5	88.2	88.2
Harvested Acres	70.6	86.5	78.6	79.6	81.3	81.3
Yield per acre	149.1	150.7	153.9	164.7	154.3	153.9
Beg Stks (Sep 1)	1,967	1,304	1,624	1,673	1,708	1,708
Production	10,531	13,038	12,092	13,110	12,540	12,505
Imports	12	20	14	8	10	10
Total Supply	12,510	14,362	13,729	14,792	14,257	14,223
Feed/Residual	5,540	5,858	5,182	5,160	5,300	5,300
Food/Seed/Ind (FSI)	3,541	4,442	5,025	5,938	6,180	6,380
Ethanol Grind	2,119	3,049	3,709	4,568	4,800	5,000
Domestic Use	9,081	10,300	10,207	11,098	11,480	11,680
Exports	2,125	2,437	1,849	1,987	1,950	1,950
Total Usage	11,207	12,737	12,056	13,084	13,430	13,630
Carryover (Aug 31)	1,304	1,624	1,673	1,708	827	593
Stocks/Use	11.6%	12.8%	13.9%	13.1%	6.2%	4.3%

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Crop scout Cordonnier cut his Brazilian corn production forecast by 1 MMT to 49 MMT. That would compare to USDA's November projection at 51 MMT. He cut his Argentine corn production estimate also by 1 MMT to 21.5 MMT. That would compare with USDA's November forecast at 25 MMT. USDA could lower its Argentine corn production forecast, which might provide an excuse to raise its corn export forecast.

Summary/Conclusion

The close to corn looked extremely positive today negating the setback of the previous two sessions. While closing near Friday's high, it still needs a technical confirmation with a higher close. Long term MFG sees corn testing recent highs, the issue is whether to do it now or wait until January with more two sided trade action. Any surprises Friday, could impact the near term action. The dollar index continued its 3 day recover fostering a collapse to precious metal prices. While the outside markets do not dominate the action, the can have an occasional impact. One needs to watch for signs that corn/wheat spreading is supporting the market.