

April 7, 2011

MF Global Daily Report

# Wheat Summary

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## Review

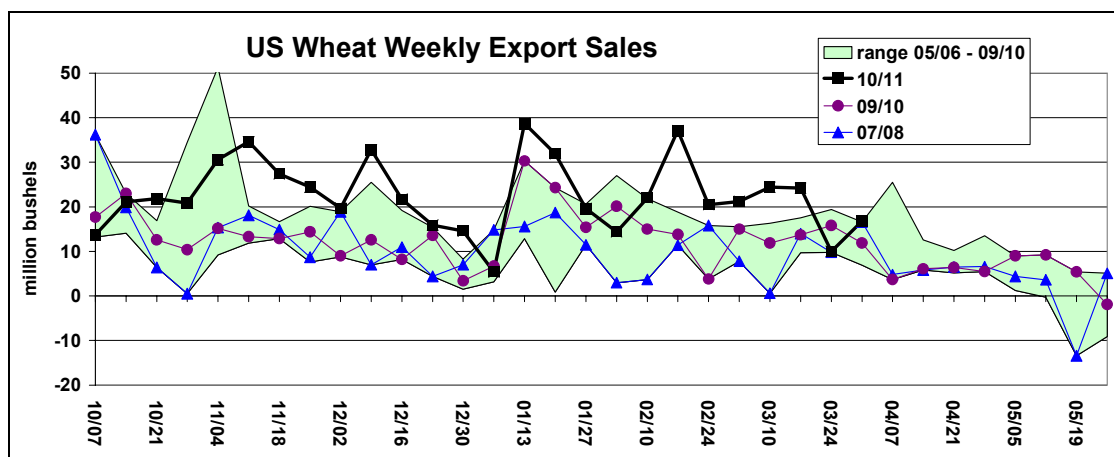
Markets that are being supported by weather concerns always have a bit more volatility to them. That may have been the case today as an earthquake registering 7.4 off the northeast coast of Japan sent wheat prices tumbling Thursday from which they never fully recovered. It may simply be a temporary break in an up trending market. KC July wheat traded nearly 31 cents lower closing down 16 1/4 cents. MPLS July closed down 13 cents while Chicago July closed down over 9 cents. Funds were reported sellers of 3,000 contracts Chicago wheat.

\*\*\*\* On Friday at 7:30 AM CST USDA will update its 2010/11 US supply/usage balances but revisions to its 2011/12 supply/usage balances based on planted acreage will not occur until May.

US Carryover/Ending Stocks						
	08/09	09/10	10/11			
	USDA	USDA	Mar USDA	MFG Estimate	Avg Trade Est Apr	Range
<b>Wheat</b>	657	976	<b>843</b>	<b>863</b>	<b>857</b>	835-893
<b>Corn</b>	1,673	1,708	<b>675</b>	<b>625</b>	<b>586</b>	515-650
<b>Soybeans</b>	138	151	<b>140</b>	<b>142</b>	<b>137</b>	120-157
<b>SBO</b>	2,861	3,176	<b>2,408</b>			
<b>SBM</b>	235	300	<b>300</b>			

## News/Research Features

\*\*\*\* The US wheat export sales were again good totaling 17 mil bu for the w/e 3/31. The total export sales commitments stand at 1,243 mil bu. Sales to unknown destinations total 59 mil bu, which reduces the commitments to known destinations to 1,184 mil bu. MFG recently raised our export projection to 1,250 mil bu leaving it shy of USDA's projection at 1,275 mil bu. There are 8 1/2 weeks left to the marketing year to add additional sales. The shipments are up 302 mil bu while MFG's export projection reflects an increase of 369 mil bu over last year.



Weekly US Wheat Export Sales By Class						
million bushels						
Wk endi	HRW	SRW	HRS	White	Durum	Total
3-Mar	11.6	1.6	3.2	4.7	0.0	21.2
10-Mar	18.4	0.6	2.9	1.9	0.5	24.4
17-Mar	11.3	1.5	5.6	5.4	0.3	24.2
24-Mar	4.8	0.6	3.0	1.2	0.3	10.0
<b>31-Mar</b>	<b>11.0</b>	<b>-0.4</b>	<b>4.7</b>	<b>1.5</b>	<b>0.0</b>	<b>16.9</b>

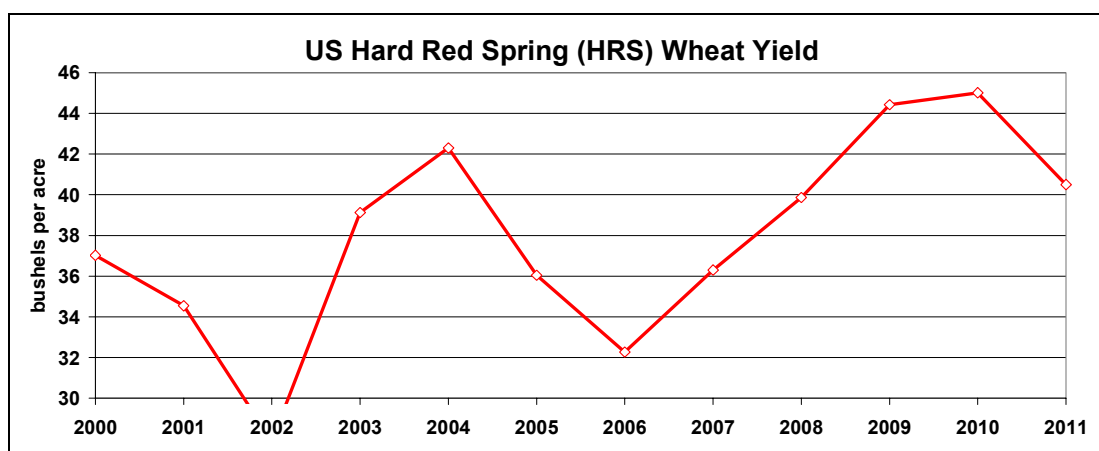
US Wheat Export Sales Commitments By Class						
Year	HRW	SRW	HRS	SW	Durum	Total
07/08	510	211	293	157	38	1,209
08/09	412	186	201	125	16	940
09/10	302	104	201	146	36	787
<b>10/11</b>	<b>596</b>	<b>102</b>	<b>327</b>	<b>185</b>	<b>33</b>	<b>1,243</b>

\*\*\*\* In Wednesday's Wheat Summary MFG discussed the potential tightness to the 2011/12 US hard red winter wheat supply/usage balance if the dry pattern continues for the for the US Central and Southern Plains, which appears to be the case as this juncture.

Today MFG will discuss the concerns about the 2011/12 US hard red spring wheat supply/usage balance, which at this juncture is more acreage related. US hard red spring seedings are forecast at 13.6 mil acres, up 600,000 from last year. It could be the highest seedings since 2008 at 13.5 mil acres as the market responds to historically high prices. A cool spring weather pattern and excessive winter snow cover that

has yet to melt has the market worried that the planting intentions may not be realized. Each 0.5 mil acres is equivalent to around 20 mil bu of production. MFG is assuming an average yield of 40.5 bushels per that is down from record yields of 45 and 44.4 bushels per acre the last two years but higher than most other years. If the crop is seeded in a timely fashion and rains are adequate this summer, than the yield will likely need to be raised.

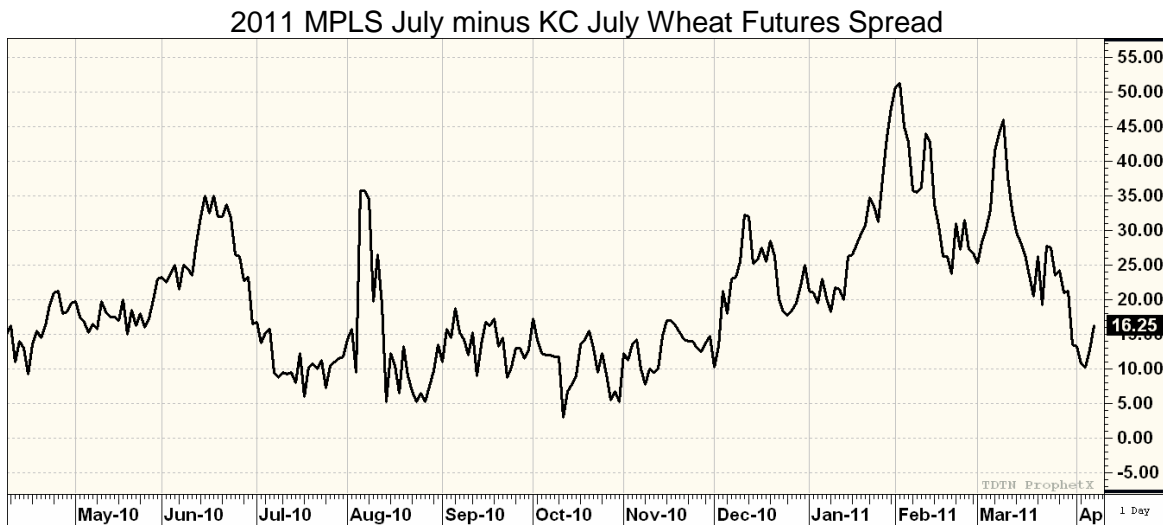
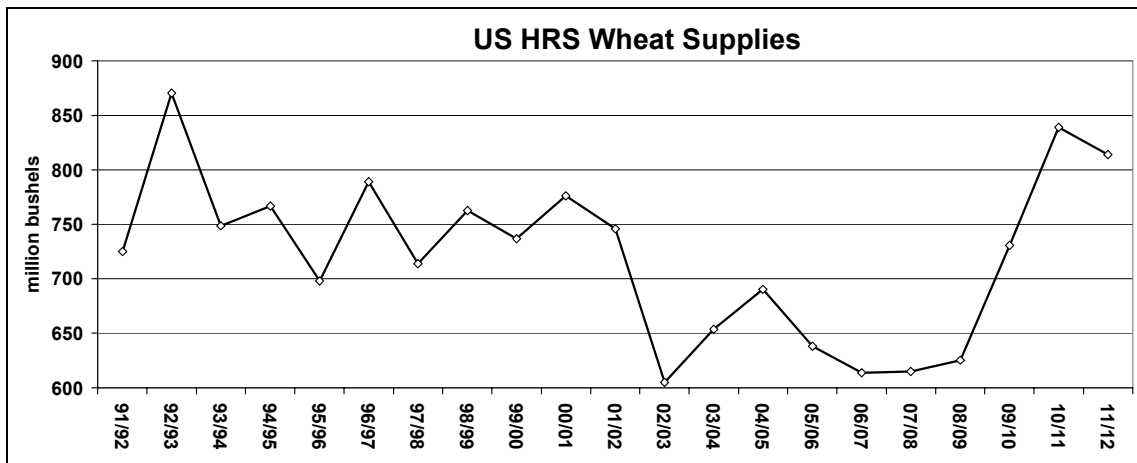
Hard Red Spring Wheat												
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Planted	14.4	14.8	14.8	13.2	13.0	13.3	14.4	12.7	13.5	12.6	13.0	<b>13.6</b>
Harvested	13.6	13.8	12.6	12.8	12.4	12.9	13.4	12.4	12.8	12.3	12.7	<b>13.4</b>
% Abandon	5.5%	6.9%	15.0%	2.9%	4.4%	3.0%	7.0%	2.6%	4.6%	2.4%	2.5%	2.1%
Yield	37.0	34.5	27.9	39.1	42.3	36.0	32.3	36.3	39.9	44.4	45.0	<b>40.5</b>
Production	502	475	351	500	525	467	432	450	512	548	570	<b>541</b>



The planting intentions at 13.6 mil acres and a yield of 40.5 bushels per would foster production of 541 mil bu. That is down from 570 mil bu last year. The 2011/12 US hard red spring supplies at 814 mil bu, would be down from 839 mil bu last year but would be second highest since the early 1990's.

	Hard Red Spring Wheat				Hard Red Spring Wheat (HRS)					USDA	MFG
	2009	2010	2011		05/06	06/07	07/08	08/09	09/10	10/11	11/12
				Carry-In	159	132	117	68	142	234	233
Planted	12.6	13.0	13.6	Production	467	432	450	512	548	570	541
Harvested	12.3	12.7	13.4	Imports	12	50	48	45	41	35	40
% Abandon	2.4%	2.5%	2.1%	Total Supply	638	614	615	625	731	839	814
Yield	44.4	45.0	40.5	Domestic Usage	227	246	238	275	285	271	
				Exports	279	251	309	209	211	335	
Production	548	570	541	Total Usage	506	497	547	483	496	606	
				Carry-Out	132	117	68	142	234	233	

Despite a sharply higher 2010/11 US HRS export program projected by the USDA at 335 mil bu, the carryover at 233 mil bu would fall in line with the historically high 2009/10 carryover. This has been a unique year in which a shortage of world milling wheat led to increase demand for US wheat HRS and HRW. Demand similar to 2010/11 would leave the hard red spring market with a potential 2011/12 wheat carryover again in excess of 200 mil bu. However, if the US hard red winter wheat crop is reduced by drought issues lowering export availabilities than the demand for hard red spring could increase. MPLS HRS wheat has been trading higher on the back of the strength KC HRW wheat but losing its premium over KC.



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## Summary/Conclusion

MFG views today's setback to wheat prices as a temporary situation fostered by an outside event (earthquake) and once under way simply contributed to profit taking after the recent run up to prices. While USDA's adjustments to the 2010/11 US wheat supply/usage balance mean little Friday, there simply may have been some caution about adding new longs ahead of the USDA's US and world reports.

As MFG continues to review the weather pattern, we see little change to the dry conditions for the US Central and Southern Plains. While there is no specific blocking high pressure ridge, this may be situation where dryness promotes dryness as well as higher temperatures with a few recordings over 100 in Northern Texas yesterday. This was the second earliest date that 100 degree temperatures have been recorded. What limited storm systems there have been, have quickly passed through the plains without providing much moisture. Given the lack of a 45 day weather pattern change around April 1, MFG believes there is a strong chance the dry weather pattern could persist into May reducing the US hard red winter wheat production prospects sharply. As outlined yesterday a drop in yield toward the 2006 and 2002 levels could sharply reduce US HRW wheat supplies.

Given the demand for protein wheat versus the surplus of soft red winter wheat, KC wheat is trading at a record premium over Chicago wheat. MFG believes KC wheat has a strong chance of trading new contracts highs providing support to MPLS and to a lesser degree Chicago wheat.

Nearby KC HRW Wheat Futures minus Chicago SRW Wheat Futures Spread

