

**Maize**

**9<sup>th</sup> -16<sup>th</sup> August, 2005**

## MAJOR ACTIVITY HIGHLIGHTS

- DOMESTIC AND INTERNATIONAL NEWS
- TRADE ANALYSIS
- WEATHER WATCH
- DAILY PRICE CHANGES IN DOMESTIC WHOLESALE MARKETS
- TRUCK FREIGHT RATES BETWEEN VARIOUS CENTRES

## NEWS ANALYSIS:

### DOMESTIC AND INTERNATIONAL

#### Maharashtra Poultry Industry in Danger amid Rains & Flood

The poultry industry in Raigad, Thane and Ratnagiri districts of Maharashtra witnessed a worst affected due to the heavy rains and floods. It was noticed that around half a million ready-to-market broiler birds have perished in the floods, leading to losses of over Rs 2.5 crore for the poultry farmers. The poultry feed, which worth lakhs of rupees has been destroyed, in addition to poultry sheds. Due to the breakdown in transportation, poultry feed and raw material for the feed could not reach the farms, leading to starvation of birds. For the State's poultry industry, the recent years have proved to be lucky with the monsoons bringing down the prices of maize, which is the main ingredient of poultry feed. But if the current crisis continues for long, the farmers will find themselves in the same situation they were in a couple of years ago when the industry was on a slide due to drought and fear of bird flu.

#### Corn Demand Rationed in 2002-03

In the case of corn, a modest decline in use of U.S. crops was required in the 2002-03 marketing year due to a crop of just under 9 billion bushels. Prior to that year, the most recent year of a significant shortfall in U.S. production was in 1995, resulting in a record low ending stocks-to-use ratio and record high prices. For the 2005-06 U.S. corn-marketing year, the USDA projects total use of corn at 10.67 billion bushels about equal to use during the current year. That projection includes a 7% increase in exports and a 6% increase in the domestic processing use of corn. Feed and residual use is expected to decline by nearly 5% (300 million bushels). That decline implies that residual use during the current year is significantly inflated, likely due to an over-estimate of the size of the 2004 crop.

#### GM Maize Trying to Get Provisional Approval to Cultivate

According to the German consumer protection authorities, America seed companies Monsanto and Pioneer are eyeing to get provisional approval to cultivate their pest-

resistant maize, Mon 810, in Germany. But according to Alexander Muller of the consumer protection office, it is not allowed under European law. Mon 810 has been approved in the EU only as feed and as food for the past seven years. Cultivation of the crop was explicitly excluded. But the EU Commission, in contrast, says that Mon 810, also as seed, is legal and must be allowed to be used in Germany, a commission spokeswoman told ARD. The maize has been included in the collective EU catalogue of allowable imports since 2004, authorizing its use.

#### USDA Export Sales Highlights on Corn

According to the latest report of USDA, the net sales of 1,073,200 MT corn were much improved from the previous week and two and two-fifths times the prior 4-week average. Increases for Japan (326,200 MT, including 77,200 MT switched from unknown destinations), Egypt (303,700 MT), Mexico (160,800 MT), South Korea (114,200 MT), Colombia (78,000 MT, including 26,000 MT switched from unknown destinations), Taiwan (73,300 MT), Algeria (70,000 MT), and Syria (39,200 MT, all switched from unknown destinations) were partially offset by decreases for unknown destinations (103,800 MT) and Guatemala (47,600 MT, including 32,000 MT switched to marketing year 2005/06)). Sales of 269,900 MT for delivery in 2005/06 were mainly for unknown destinations (118,000 MT), Japan (56,900 MT), South Korea (52,500 MT), and Guatemala (33,400 MT). Exports of 962,700 MT were 6 percent above the previous week and 17 percent over the prior 4-week average. The principal recipients were Japan (497,400 MT), Taiwan (92,900 MT), Mexico (92,200 MT), Egypt (63,700 MT), South Korea (57,600 MT), Syria (39,200 MT), Colombia (39,100 MT), and Peru (28,600 MT). (This summary is based on reports from exporters for the period July 29-August 4, 2005.)

#### U.S. Corn Output Likely to Down from Last Year

Corn production in the United States is forecast at 10.3 billion bushels, down 12% from last year but 3% above 2003, according to the latest USDA crop estimates, but at the upper end of pre-report trade guesses. Based on conditions as of August 1, yields are expected to average

139.2 bushels per acre, down 21.2 bushels from the record high last year. The number is above the average trade prediction yields would come in at 138.4 bushels per acre, putting it at the upper end of the 135 to 142.5 bushel range predicted by the trade. With the exception of Michigan, forecast yields are lower in all of the Corn Belt States as warm, dry weather throughout the growing season depleted soil moisture levels and stressed the crop. Across the U.S., yields are forecast lower than last year in 29 of the 33 published corn States. The largest decreases occurred in Missouri, Illinois, and Kansas. Farmers expect to harvest 74.4 million acres of corn for grain, unchanged from June but up 1% from 2004.

## TRADE ANALYSIS

### DELHI MARKET:

Maize prices in Delhi mandis remained very strong in this week as compared to last week. The arrivals in the market remained weak. The demand from Punjab was also low and new crop arrival from U.P. was poor. However the trading sentiment remained on upper side this week. The ongoing market sentiment entails that the maize prices likely to remain low in the coming days as long term basis.

### KARNATAKA MARKET:

The maize market situation in Karnataka showed a range bound with stable undertone in this week over last week amidst stable demand and supply. The maize prices remained almost same as last week. The Bangalore to Tamilnadu delivery was quoted at Rs.610 per qtl, The Nammakal local maize was traded at the range of Rs.640 per quintal. The ongoing market sentiment is likely to remain steady in the coming days due to no arrival.

### KOLKATA MARKET:

It is witnessed that the maize prices remained range bound with stable sentiment in Kolkata market due to less demand. The market price for Kolkata mill delivery was at Rs. 615-620 per qtl., which was unchanged from last week's price. It is likely to remain stable condition in the coming days.

### BIHAR MARKET:

In Bihar, the maize prices remained very strong in this week as compared to previous week's price amidst less arrival and less stock. The new crop will come later. As loose basis it was sold at the range of Rs.535-540 per qtl at this weekend. The Bihar maize has been supplied to M.P., Rajasthan, Delhi, U.P., and West Bengal etc. The demand from Bangladesh did show some improvement in this week. It is expected that the price would be strong in the coming days.

### NIZAMABAD MARKET:

In Nizamabad, the prices remained very firm due to strong demand and no arrival. The new crop likely to hit the market within two months. It is expected that the price would stable in the coming days.

### DAVENGERE MARKET:

This market price for maize in this market remained range bound with slight weak undertone as compared to previous week's price. It was reported that maize has traded at the range of Rs. 560 per qtl.

## GLOBAL MARKET

Despite the extremely dry weather experienced in parts of the U.S. Midwest this summer, the U.S. corn crop has ample supplies of old crop corn ahead of the 2005-06 crop providing a resistance to the current production estimates given by private analysts. Corn production in the United States is forecast at 10.3 billion bushels, down 12% from last year but 3% above 2003, according to the latest USDA crop estimates, but at the upper end of pre-report trade guesses. Based on conditions as of August 1, yields are expected to average 139.2 bushels per acre, down 21.2 bushels from the record high last year. The number is above the average trade prediction yields would come in at 138.4 bushels per acre, putting it at the upper end of the 135 to 142.5 bushel range predicted by the trade. With the exception of Michigan, forecast yields are lower in all of the Corn Belt States as warm, dry weather throughout the growing season depleted soil moisture levels and stressed the crop. Across the U.S., yields are forecast lower than last year in 29 of the 33 published corn States. The largest decreases occurred in Missouri, Illinois, and Kansas. Farmers expect to harvest 74.4 million acres of corn for grain, unchanged from June but up 1% from 2004.

## DAILY PRICE CHANGES IN DOMESTIC WHOLESALE MARKETS (Rs. Per Quintal)

MARKETS	16.08.05	08.08.05
Delhi (Bihar maize)	665-670	645-655
Maharashtra	575-600	640-655
Gujarat (Maharashtra Maize)	675-700	730-760
Sangli truck bilty	645-650	645-650
Pune Starch	675-680	675-680
Ahmedabad Poultry feed mills	700-705	700-705
Ahmedabad Starch	680-690	680-690
Bihar (Loose Price)	500	535-540
Bangalore - Tamil Nadu delivery	610	610
Nammakal Maize	640	640
Kolkata mill delivery	615-620	615-620
Nizamabad Local Maize	608-610	595-600
Devengere Local maize	555-560	560

## CONCLUSION

Though the monsoon has been good in most parts of India and Government of India reports a higher grain production, market sentiments prove otherwise. Midweek saw a surge in prices in almost all commodities across all states though the future prices were a little low. The spot prices on the other hand very a little higher at Rs.6100 (\$140) per MT at Nizamabad (Andhra Pradesh) and Rs.5640 (\$130) at Davangere (Karnataka).

Indications are for a low crop of coarse cereals. The total area as per GOI is still not covered (21.6 Mill Hac against 22.2 mill hac last year), of which Maize is 6.8 mill hac

against 7.26 mill hac last year. But with areas like Maharashtra, North Karnataka which produce bulk of maize effected and with no time for re-sowing the production is likely to be effected.

In the US the WASDE report was out on Aug 12, 2005. The report indicates a lower production of corn for the year 2005/06. Of the total area of 81.6 million acres planted 74.4 million acres is expected to be harvested (91.17%), with an average production of 3.535 tons/acres, producing 263 million metric tons of corn. This is lower than expected in July report by almost 11 MMT, due to decreased moisture and drought conditions prevailing in US.

Of the total production about 95.25 MMT (36.21%) is expected to be used for feed and residual purposes, while food, seed and industrial sector are expected to utilize 72.90 MMT (27.5%) of the production. Ethanol use is expected to remain same as in July report at 38.10 MMT (14.48%), but the end stocks will to 48.26 MMT, almost 8.64 MMT reduction from the July report.

The prices in US also came down. CBOT closed at \$85.79 per MT for September delivery, which translates to \$105 per MT FOB US gulf.

## WEATHER WATCH:

### Meteorological Analysis

Last week's well marked low pressure area over north Bay of Bengal off Gangetic West Bengal coast lay over Jharkhand and neighbourhood on 4<sup>th</sup>. It weakened into a low pressure area over north Chhattisgarh and adjoining Jharkhand on 5<sup>th</sup> and was seen over Jharkhand and adjoining Bihar on 6<sup>th</sup>. It became less marked on 7<sup>th</sup>. However, its associated upper air cyclonic circulation extending in lower tropospheric levels moved east-northeastwards and lay over northeastern States and neighbourhood upto 10<sup>th</sup>.

Last week's upper air cyclonic circulation over East Rajasthan and neighbourhood lay over southwest Rajasthan and neighbourhood on 4<sup>th</sup> and became less marked on 5<sup>th</sup>.

A fresh upper air cyclonic circulation in the middle tropospheric levels formed over northwest Bay of Bengal off Orissa-West Bengal coast on 8<sup>th</sup> and persisted upto 10<sup>th</sup>.

The off-shore trough running from south Konkan to Kerala was seen on many days of the week.

The western end of monsoon trough shifted northwards on 5<sup>th</sup>. With the weakening of the low pressure area over Jharkhand & Bihar, its eastern end also shifted northwards on 7<sup>th</sup>. Thereafter the axis of monsoon trough continued to lay close to the foot hills of the Himalayas.

### Rainfall

Moderate rainfall occurred at many places with isolated heavy falls over Gangetic West Bengal, Orissa, Chhattisgarh and East Madhya Pradesh during 1<sup>st</sup> half of the week. Subsequently the rainfall activity increased over Bihar, Sub-Himalayan West Bengal & Sikkim and parts of northeastern States.

Moderate rainfall with isolated heavy falls also occurred along the west coast on many days of the week. Increased rainfall activity occurred over Western Himalayan Region and adjoining plains of Punjab & Haryana during middle of the week.

Light to moderate showers also occurred in the remaining parts of the country. However, the rainfall activity was subdued over West Uttar Pradesh, Rajasthan, West Madhya Pradesh, Saurashtra & Kutch and Tamil Nadu & Pondicherry.

### Rainfall During The Week (For the week ending on 10<sup>th</sup> August, 2005)

Rainfall was excess/normal in 16 and deficient/scanty in 20 out of 36 meteorological sub-divisions (Actual: 48.1 mm, Normal: 64.2 mm and Departure: -25%).

### Outlook For The Week Ending On August 17<sup>th</sup>, 2005

Monsoon trough is likely to remain close to foot hills of Himalayas during 1<sup>st</sup> half of the week. Under this scenario moderate showers with isolated heavy falls likely over northeastern States, Sub Himalayan West Bengal & Sikkim and Bihar.

There is possibility of revival of monsoon with formation of low pressure area during middle of the week which may enhance the rainfall activity over eastcentral and adjoining Peninsular India.

Moderate rainfall activity likely to continue along the west coast.

Subdued rainfall likely in most parts of the remaining country.

### TRUCK FREIGHT RATES BETWEEN VARIOUS CENTRES

City	Freight rates (RS./ton)	City	Freight rates (RS./ton)
Delhi to Kolkata	2050	Kandla to Delhi	1600
Delhi to Cuttack	2660-2670	Ahmedabad to Bangalore	2150
Delhi to Guwahati	2830-2840	Ahmedabad to Kolkata	2780
Karnal to Guwahati	3440-3445	Ahmedabad to Delhi	1500
Chandigarh to Cuttack	3110-3120	Bangalore to Kolkata	2350
Karnal to Hyderabad	3110-3120	Bangalore to Delhi	2350
Jaipur to Kolkata	2660-2670	Bangalore to Ahmedabad	1400
Kolkata to Delhi	1700	Kolkata to Ahmedabad	2400
Karnal to Mumbai	1500	Kolkata to Bangalore	1850
Mumbai to Delhi	1800	Delhi to Ahmedabad	900

## KHARIF CROP ACERAGE STATISTICS (In Lakh Hectares)

Normal Area	Area Coverage (8.08.05)			Area Difference In Absolute %Age Over Last Year
	This Year	Last Year	Diff	
60.00	68.02	72.69	-4.67	UP (-0.6, -5.7)

Source: Department of Agriculture, Government of India

## FOREX RATES

Country/ Continent	Currency	Value in Rupees
USA	Dollar	43.60
European Union	Euro	54.33

## TECHNICAL ANALYSIS

Commodity: Maize

Contract: AUGUST (Future)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)



**Candlesticks:** The candlestick pattern is indicating upward tone. The opening price remained below the previous day's closing price and intra day movement prevailed on upper side. RSI (61.31) is in the neutral zone.

**MACD:** The MACD (7-day) is moving downwards and it is still in positive territory, indicating strong sentiment as long-term basis.

**Stochastic:** The %K-line is going upward after cutting the %D -line from down and both has prevailed in the neutral condition. Indicating bullishness.

**Moving Average:** The 3-day moving average line is going upward after cutting the 5-day moving average line from down, indicating strong sentiment.

### Resistance and Support level:

The resistance level at present is at 598.3 marks and a support level may be seen at 591.2 marks.

Almost all the indicators are pointing towards the strong ness of the prices. The prices for maize likely to remain range bound with strong undertone in the coming days. The volume and open interest are indicating that there is no strong support from the market.

**Recommendation:** Remain long.

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