

## Maize

26<sup>th</sup> July- 1<sup>st</sup> August, 2005

### MAJOR ACTIVITY HIGHLIGHTS

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- TRUCK FREIGHT RATES BETWEEN VARIOUS CENTRES

### DOMESTIC AND INTERNATIONAL NEWS:

#### Malawi's President Bans Maize Exports

Malawi's president has banned all exports of the food staple maize as well as fertilizer because the country gets to grasp with the current food crisis. He said it did not make sense for Malawi hits by one of its worst food shortages in years to export maize. At least 4.2 million Malawians are in urgent need of food aid, according to the UN. There is a thriving unregulated trade of cheap Malawi maize and fertiliser in Zambia and Tanzania. Merchants buy the products, which is cheap in Malawi and export these products to neighbouring countries. Ironically, Malawian authorities buy the same maize at a higher price, especially in Tanzania. Malawi requires at least two million metric tons of maize to feed its 11 million citizens but, according to the Ministry of Agriculture, due to persistent drought, the country recorded a 24% drop in maize production. The government has announced it will use \$50 million to buy 300,000 tons of maize from South Africa.

#### China's Corn Export Likely to Down

Chinese corn prices showed a steady undertone in the week to Wednesday, after recent gains on higher demand and reduced stocks. Traders said an expected drop in corn exports in the coming months is not expected to significantly pressure domestic prices, as the majority of Chinese corn is consumed locally. Many in the market have been projecting lower corn exports in the second half of 2005 due to falling freight rates and rising domestic corn prices, in addition to the recent approval of the yuan. These factors combined would make Chinese corn more expensive than U.S. and South American corn in the neighboring Japanese and South Korean markets. China exported less than 5 million metric tons of corn in the first half of 2005, sharply up from the year-ago period. But domestic corn output in 2004 totaled around 131 million tons, slightly higher than demand of around 126 million tons. Traders said local demand, instead of exports, would determine future corn prices. Despite an expected rise in domestic demand, the upside potential in corn prices is expected to be limited in the coming month.

#### Droughts Destroyed nearly 20,000 ha of Crops in Vietnam

Severe droughts have seriously damaged nearly 20,000 ha of crops, including 10,000 ha of rice, maize and beans completely destroyed, in Central Highlands Gia Lai province's eastern districts of K Bang, Dac Po, Kong Chro, Ia Pa and Krongpa of Vietnam. The droughts, which have occurred in the locality since early May, are also causing a shortage of water for daily life. Kon Chro district is the hardest hit, with nearly 4,000 ha of maize and 3,000 ha of rice and beans completely ruined. In K Bang district, by July 24, droughts had completely destroyed 2,500 ha of crops, and damaged more than 5,000 ha of rice, maize and beans. Many wells 20-30m deep have run dry. According to the provincial Agricultural and Rural Development Service, the total losses caused by droughts in six eastern districts were estimated at 15 billion VND. The province has spent 20 billion VND to help local people in drought affected areas.

#### U.S. Corn Export Up by 21% over The Previous Week

According to latest report of USDA, the net sales of 638,700 MT corn were 7 percent above the previous week, but 17 percent under the prior 4-week average. Major increases for Japan (247,900 MT), Egypt (243,900 MT, including 174,200 switched from unknown destinations), South Korea (58,000 MT, including 55,000 MT switched from unknown destinations), Colombia (38,700 MT), Mexico (36,300 MT), Canada (34,200 MT), and Morocco (32,600 MT, including 30,000 MT switched from unknown destinations), were partially offset by decreases for unknown destinations (205,500 MT). Sales of 141,500 MT for delivery in 2005/06 were mainly for Japan (140,300 MT). Exports of 986,500 MT were 21 percent above the previous week and 23 percent over the prior 4-week average. The principal recipients were Japan (302,500 MT), Egypt (183,900 MT), Taiwan (66,600 MT), South Korea (57,800 MT), Syria (57,000 MT), Colombia (55,800 MT), Guatemala (37,700 MT), and Morocco (32,600 MT). (The report for 14-21 July, 2005)

## Current Maize Sowing Progress

Maize sowing is down 8.8 per cent at 54.44 lakh hectares.

## GM Corn Likely to Grow in Germany for Experimental Purposes

In this year genetically modified corn will again be grown on state-owned fields in Bavaria, Germany, for experimental purposes. The German Office of Agriculture announced that the German Institute scientifically supervises the experimental fields trials for Agriculture. According to the press release, the open-air experiments include the field trials, environmental monitoring and testing of the different corn varieties. The total area of 8.5 hectares is clearly smaller than last year's 24 available hectares. As stated by the German Office of Agriculture, the experimental cultivation should confirm last year's results and provide further insight into questions about the co-existence of transgenic and conventional corn. It is chiefly concerned with the dispersion of pollen.

## S.Africa Maize Prices Remained Six Month High

South African maize prices rallied to a six-month high on Friday in line with global prices and an outbreak of speculative buying by farmers, according to the traders. The market was shrugging off a crop forecast of over 12 million tonnes, which would be the country's largest harvest in over two decades, as demand from the drought-hit southern African region boosted exports. September white maize futures closed up 13.6 rand at 646.6 rand a tonne -- the highest since January 24. The equivalent yellow maize contract closed nine higher at 643 rand. Farmers say they have battled to stay profitable since prices dropped from over a 1,000 rand in November as news of the crop emerged, while falling exports and full surplus stocks have also weighed on prices. (1 rand= Rs.6.60)

## IGC: World Maize Consumption for 2005-06 at 668 MMT

According to the IGC (International Grain Council), a cut of 1.0 million MT in the world maize consumption figure for 2005-06 is due to reduced feed use forecasts for Brazil, because of a smaller crop and limited foreign purchases (due to GMO import regulations), and for the EU. This is now placed at 668 million MT, slightly below last year. Stronger import demand, especially in Brazil, Mexico and South Korea, is expected to boost trade in 2005-06 by 2%, to 77.9 million MT (76.1 million), unchanged from June. US exports are forecast to take a larger share of the total. The forecast of world maize stocks has been lowered by 5 million MT from June, to 130 million (127 million), due to a cut in projected US supplies.

## TRADE ANALYSIS

### DELHI MARKET:

Maize prices in Delhi mandis remained weak at this weekend due to less demand from Punjab and new crop arrival from U.P. The average arrival was prevailed in this week at 20-25 trucks from Bihar and U.P. However the trading sentiment remained on upper side at first few days of this week and reached around Rs.675-680 per quintal but later it fell down. The maize was traded at the range of Rs.645-650 per quintal at this weekend. The ongoing market sentiment entails that the maize prices likely to remain low in the coming days.

### KARNATAKA MARKET:

The maize market situation in Karnataka showed an upward tone in this week over last week amidst strong demand and less supply. The Bangalore to Tamilnadu delivery was quoted at Rs.620-625 per qtl, The Nammakalal local maize was traded at the range of Rs.650 per quintal. The FCI has released its maize stock and this stock was sold in this market. The ongoing market sentiment is likely to remain strong 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 prevailed on downside in this week as compared to previous week's price. As loose basis it was sold at the range of Rs.500-505 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 was not promised in this week. The new crop has been reached in the market but very few. It is expected that the price would be low 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 month. The government released the stock. 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 strong undertone as compared to previous week's price. It was reported that maize has traded at the range of Rs. 565-570 per qtl, which was increased from Rs.543-550 of last week's price.

## GLOBAL MARKET

In the global market, the corn prices fluctuated tremendously due to dry weather and weak crop conditions. It was witnessed that the corn futures at the Chicago Board of Trade (CBOT) finished moderately lower Friday on month-end position liquidation on markets, disregarding dry weather forecasts. The weather is still a supporting factor. September corn slipped 4.5 cents lower to \$2.365 per bushel; December corn lost 4.25 cents to \$2.483, and March declined 4 cents to \$2.555. The weather can still negatively affect the corn crop's yield in August, much of the damage already occurred in the pollination stage. Attention has now started to focus on the crop's yield potential and its impact on the supply-demand balance sheet. Next week, traders are expecting private crop forecasters' estimates of the crop's yield and production. Last year, the U.S. harvested a record corn crop, and it retains large ending stocks heading into the 2005-06-crop year, which begins Sept. 1. Commodity fund buying was estimated at 3,000 contracts. Ethanol futures ended Friday mixed, with the August contract up at 2 cents at \$1.77 per gallon.

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

MARKETS	25.07.05	1.08.05
Delhi (Bihar maize)	660-665	645-650
Maharashtra	600-605	640-655
Gujarat (Maharashtra Maize)	680-700	730-750
Sangli truck bilty	635-640	635-645
Pune Starch	675	675-680
Ahmedabad Poultry feed mills	700	700-705
Ahmedabad Starch	680-685	680-690
Bihar (Loose Price)	530	500-505
Bangalore - Tamil Nadu delivery	595-600	620
Nammaklall Maize	625	650
Kolkata mill delivery	615-620	615-620
Nizamabad Local Maize	588-590	590-595
Devengere Local maize	543-550	565-570

## CONCLUSION

The increased monsoon activity has played havoc in Maharashtra and is likely to affect Konkan, Gujarat, Andhra Pradesh, and Kerala as well in the long run. While farmers in some parts have suffered major losses especially in Maharashtra, Gujarat and Konkan are not ruled out. As per the reports received from IMD, the overall rainfall is 2% above normal (as on July 27) and only areas of Bihar, Jharkhand, and North Eastern States are not covered as yet. What is going to be the likely impact of these rains is yet to be seen.

Midweek saw very little activity in commodity sales as the markets were affected due to heavy rains in Maharashtra and surrounding areas.

Average corn prices went up slightly from last week. The spot prices in Nizamabad and Davangere also showed an upward trend. Reports from Gujarat indicated a high price of Rs.690 per qtl for corn delivered in feed mills in Baroda. Prices in US for September corn went up slightly from \$2.335 / bushel (\$92.00 per MT) to \$2.365 (\$92.10 per MT). It is interesting to note that if the prices for the month of July in India and US are compared, the estimated CNF prices at port in India are higher by 9.13% - 12.2 % when compared with Indian average prices in market yards in the states and 15.93% - 19.22% higher than Minimum Support Prices (MSP) set by Government of India.

## WEATHER WATCH:

### Meteorological Analysis

An upper air cyclonic circulation lay over North & adjoining Central Bay of Bengal extending between 5.8 & 7.6 Km above sea level on 22<sup>nd</sup>. Under its influence a low pressure area formed over North Bay of Bengal off Gangetic West Bengal - Orissa Coasts on 23<sup>rd</sup>. The system persisted on 24<sup>th</sup> & 25<sup>th</sup> and became well marked. It moved inland and lay over Orissa & neighbourhood on 26<sup>th</sup> and over East Madhya Pradesh & neighbourhood on 27<sup>th</sup>. The associated

upper air cyclonic circulation extended upto mid tropospheric levels tilting southwestwards with height.

A fresh upper air cyclonic circulation extending in lower tropospheric levels formed over southwest Rajasthan & neighbourhood on 23<sup>rd</sup>. It persisted on 24<sup>th</sup> & became less marked on 25<sup>th</sup>.

Another upper air cyclonic circulation extending upto 0.9 km above sea level developed over East Uttar Pradesh on 24<sup>th</sup> and it merged with seasonal monsoon trough on 25<sup>th</sup>.

An offshore trough running from Konkan to Kerala Coast was seen on 21<sup>st</sup> & 22<sup>nd</sup>; from Karnataka Coast to Kerala Coast on 23<sup>rd</sup> & 24<sup>th</sup> and from Konkan to Karnataka Coast during the later half of the week.

The monsoon trough shifted southwards in the beginning of the week and was located in its near normal position subsequently with the eastern end more southward.

Last week's upper air cyclonic circulation over Marathwada & neighbourhood became less marked on 21<sup>st</sup>.

Towards the end of the week an upper air cyclonic circulation extending upto 0.9 km above sea level was seen over West Rajasthan & Central Pakistan on 27<sup>th</sup>.

### Rainfall

Heavy to very heavy rainfall occurred at a few places over Konkan & Goa and Coastal Karnataka on many days of the week; over Telangana, Madhya Maharashtra, Marathwada, South Interior Karnataka on some days of the week and over East Uttar Pradesh, southwest Madhya Pradesh, Uttaranchal, Coastal Andhra Pradesh and Tripura on 1-2 days of the week.

Mumbai(SCZ) received exceptionally heavy rainfall of 94.4 cms on 27<sup>th</sup> which was an all time record for Mumbai

During this week, light to moderate rainfall also occurred at many/at a few places over the rest regions of the country outside Rajasthan, Punjab, Haryana, Gujarat, Jammu & Kashmir and Tamil Nadu & Pondicherry where it was isolated.

### Rainfall During The Week (For the week ending on 27<sup>th</sup> July, 2005)

Rainfall was excess/normal in 18 and deficient/scanty in 18 out of 36 meteorological sub-divisions (Actual: 69.3 mm, Normal: 68.6 mm and Departure: +1%).

### Cumulative Seasonal Rainfall (1<sup>st</sup> June to 27<sup>th</sup> July, 2005)

Rainfall was excess/normal in 31 and deficient/scanty in 5 out of 36 meteorological sub-divisions (Actual: 426.4 mm, Normal: 418.2 mm and Departure: +2%).

### Outlook For The Week Ending On August 3<sup>rd</sup>, 2005

i) Heavy to very heavy rainfall activity likely over West Madhya Pradesh, Gujarat, south Rajasthan and north Konkan during first half of the week.

ii) A depression has formed over northwest Bay of Bengal close to Balasore in Orissa. It is likely to enhance the rainfall activity over eastcentral India during first half of the week and may extend westward subsequently.

iii) Increase in rainfall in Gangetic Plains.

iv) Normal rainfall activity over west coast of India.

v) Subdued rainfall activity likely to continue over northeast India.

## IASL'S PRELIMINARY SUPPLY AND DEMAND ESTIMATES (2004-2005) (Million tonnes)

Beginning Stocks	Domestic Production	Demand for Maize						Supply for Maize	
		Human Consumption	Starch	Poultry feed	Brewery	Cattle & other feed	Exports	Consumption	Ending Stocks
0.72	12.24*	3.70	1.50	6.70	0.00	1.20	0.15-0.20**	13.25-13.30	Insignificant

\*\* Discounting exports, other than traditional buyers; \* summer + winter season crop projections

## KHARIF CROP ACERAGE STATISTICS (In Lakh Hectares)

Normal Area	Area Coverage (22.07.05)			Area Difference In Absolute %Age Over Last Year
	This Year	Last Year	Diff	
58.00	54.44	59.71	-5.27	AP(+2.0, +58.4), Bih(-0.9, -29.5), Chhat(-0.8, -43.6), Guj(-2.5, -48.6), MP(-0.5, -8.3), Kar(-1.4, -20.4), UP(-1.4, -15.0), Jhar(-0.4, -29.8)

Source: Department of Agriculture, Government of India

## REVISED MAIZE PRODUCTION FIGURES (2000-2001 TO 2004-2005\*\*) (Million tonnes)

Year	2000-2001	2001-2002	2002-2003	2003-2004*	2004-2005**
Production	12.04	13.30	11.11	12.72*	12.24

\*IASL's final Estimates/ \*\*IASL's preliminary estimates (Other figures are government estimates)

## TRUCK FREIGHT RATES BETWEEN VARIOUS CENTRES

City	Freight rates (RS./ton)	City	Freight rates (RS./ton)
Delhi to Kolkata	1940-1950	Kandla to Delhi	1600
Delhi to Cuttack	2660-2670	Ahmedabad to Bangalore	2000
Delhi to Guwahati	2830-2840	Ahmedabad to Kolkata	2835
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	2400
Jaipur to Kolkata	2660-2670	Bangalore to Ahmedabad	1400
Kolkata to Delhi	1700	Kolkata to Ahmedabad	2300
Karnal to Mumbai	1500	Kolkata to Bangalore	1850
Mumbai to Delhi	1800	Delhi to Ahmedabad	900

## INDIA MAIZE CROP - IASL'S PRELIMINARY ESTIMATES FOR YEAR 2004-2005 (Million Tonnes)

States	2004-2005 Projections	2003-2004 final estimates
Madhya Pradesh	2.26	2.26
Rajasthan	0.99	1.96
Uttar Pradesh	1.40	1.54
Bihar	1.22	1.22
Andhra Pradesh	1.12	1.12
Karnataka	1.85	0.92
Himachal Pradesh	0.85	0.85
Maharashtra	0.63	0.63
Punjab	0.60	0.60
Gujarat	0.32	0.52
Tamil Nadu	0.45	0.45
Others	0.65	0.65
Total	12.24	12.72



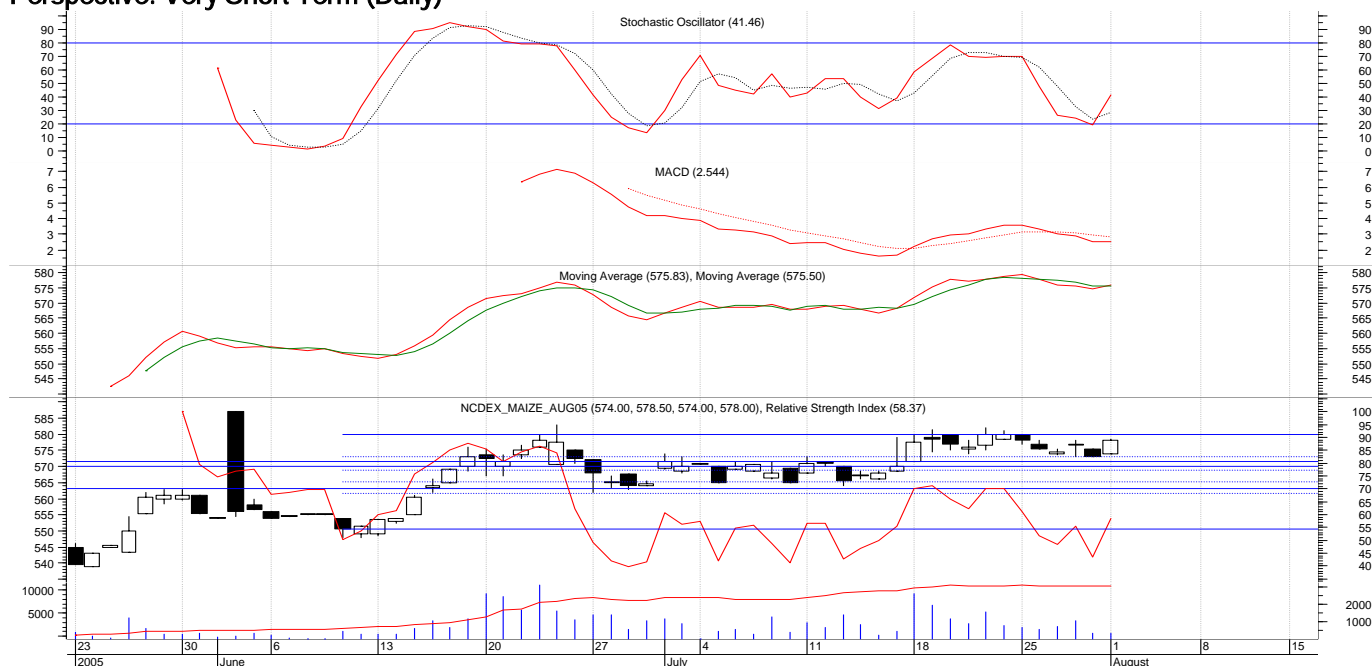
## TECHNICAL ANALYSIS

Commodity: Maize

Contract: AUGUST (Future)

Exchange: NCDEX

Perspective: Very Short Term (Daily)



**Candlesticks:** The candlestick pattern is indicating towards upward direction. The opening price remained above the previous day's closing price and intra day movement prevailed on upper side. RSI (58.37) is in neutral.

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

**Stochastic:** The %K-line is going to upward after cutting the %D -line from down and indicating strong ness of the market as long-term basis.

**Moving Average:** The 3-day moving average line is going to 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 580.27 marks and a support level may be seen at 571.71 marks.

Almost all the indicators are pointing towards the strong ness of the prices. Therefore the trading sentiment is expected that the prices for maize would remain range bound with slight strong undertone in the coming days. The volume and open interest are indicating that there is strong support from the market.

**Recommendation:** Remain long.

**Exchange Rate:** Indian rupee was quoted at **Rs.43.45** per dollar.

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