

## Maize

23<sup>rd</sup> -27<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

### TRADE ANALYSIS

#### DELHI MARKET:

In Delhi mandis, the maize prices remained very high at this weekend due to less arrival, strong demand from Punjab and Haryana. The arrival from U.P. remained very less due to election. However the maize prices witnessed down at first few days of this week but later it got its old position and settled on higher side. The ongoing market sentiment entails that the maize prices likely to remain low in the coming days as long-term basis.

#### KARNATAKA MARKET:

Karnataka market witnessed a slight weak undertone at this week due to less demand. The market is expecting that the new crop will hit the market within one month. FCI's selling in the market has been closed. The Bangalore to Tamilnadu delivery was quoted at Rs.600 per qtl, The Nammaklall local maize was traded at the range of Rs.625 per quintal. The ongoing market sentiment is likely to remain steady in the coming days due to no arrival.

#### KOLKATA MARKET:

In Kolkata market the maize prices witnessed a weak undertone in this week as compared to previous week due to less demand. The arrival from Bihar remained moderately. The market price for Kolkata mill delivery was quoted at Rs. 600-610 per qtl., which was lowered from last week's price. It is likely to remain stable condition in the coming days.

#### BIHAR MARKET:

In Bihar, the maize prices remained slight strong in this week as compared to previous week's price amidst less arrival and less stock. The quality of the maize has deteriorated, according to the traders. As loose basis the maize was traded at the range of Rs.510-515 per quintal and the bilty price was at the range of Rs.535-540 per quintal. The Bihar maize has been supplied to M.P., Rajasthan, Delhi, U.P., and West Bengal etc, but limited. It is expected that the price would be weak in the coming days.

#### NIZAMABAD MARKET:

In Nizamabad, the prices remained range bound with slight weak undertone in this week as against of last week due to less demand. The market price for maize remained Rs.588-590 per quintal at this weekend. The new crop likely to hit the market in September. 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. 558-560 per qtl.

#### GLOBAL MARKET

Corn futures on the Chicago Board of Trade (CBOT) showed weak undertone Friday, figure out new contract lows as speculative funds continued their development to net short position holders. CBOT September corn finished 2.5 cents lower at \$2.038, and December ended 2 cents lower at \$2.178 per bushel. Speculative-led selling was the main market-governing factor. Analysts said commodity funds were evolving into their short positions, with traders estimating large speculative traders were net short 27,000 contracts heading into Friday's session. Commodity fund selling was estimated at 14,000 contracts. CBOT Ethanol futures ended steady to firmer Friday. The September contract settled at \$1.98 and the October contract settled unchanged at \$1.92 per gallon.

### CONCLUSION

This week is a mixed bag. Same time last month there was heavy rainfall in Maharashtra, Karnataka and surrounding areas and there was loss to agriculture in these parts. This week the monsoon has subdued and as per the report from the Indian Meteorological Department, the overall deficit at this point is 3%. Areas that have been put under moisture stress watch are Rajasthan, Tamil Nadu, Western Uttar Pradesh, Bihar, Jharkhand, Assam. The prices of corn are in the spot Market have risen tremendously is the last one

month. Corn in Davangere (Karnataka) is now offered at Rs.5640 (\$130) per MT as against Rs.5500 (\$126) per MT, an increase of 2.5 percent. While in Nizamabad the prices have gone up by 4.6 percent, The prices are up from Rs.5830 (\$134) per MT to Rs.6100 per MT (\$140) per MT.

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

MARKETS	27.08.05	22.08.05
Delhi (Bihar and U.P. Maize)	685-690	665-670
Maharashtra	520-525	575-580
Gujarat (Maharashtra Maize)	620-630	650-660
Sangli truck bilty	600-605	605-610
Pune Starch	640-645	650-660
Ahmedabad Poultry feed mills	685	700
Ahmedabad Starch	660	685
Bihar (Loose Price)	510	500-505
Bangalore - Tamil Nadu delivery	600	605
Nammaklall Maize	625	630
Kolkata mill delivery	600-610	615-620
Nizamabad Local Maize	588-590	591-592
Devengere Local maize	558-560	560-561

#### **NEWS ANALYSIS:**

#### **DOMESTIC AND INTERNATIONAL**

##### **S. Africa Expecting Bumper Corn Crop**

South Africa's commercial maize farmers are expected to harvest 12.2-million tons this year, the largest crop since the 14.4-million tons produced in the 1980-81 season. On the other hand the government's latest estimates on corn crop is 0.7% higher than the last forecast for this year. Therefore the maize prices fell down due to huge stock in the country. At current prices, some of the farmers will struggle to recover their costs. National Chamber of Milling executive director Jannie de Villiers said yesterday the crop could be higher than the committee's estimate and their estimates are around 12.5 million tons. According to him, a number of commercial maize farmers harvested late in order to save on storage costs, while others stored their crop in the fields. He said storage costs ranged from R60 to R70 a ton. Commodity Trading House grain dealer Dirk Noeth said yesterday it was believable that the maize crop figure was underestimated.

##### **S.Africa Maize Supplies Soar as Harvesting Increases**

South African maize stocks jumped by over two million tonnes in July as what may be the biggest harvesting season in over two decades kicked into gear. Last month's unused stocks stood at 7.984 million tonnes as compared to 5.075 million in May, according to the South African Grain Information Service (SAGIS). Exports were slightly up at 224,000 tonnes in July as compared to 220,000 tonnes of the previous month. But traders notified export demand might fall off as Johannesburg maize futures rose towards the level when it might be cheaper to buy South American imports than local maize, which is known as

import parity, traders said. Despite forecasts of a 12.18 million tonne crop, which is the biggest since 1981. Therefore the prices have rallied in recent weeks as traders began to lower expectations of a bigger crop still and demand from drought-stricken neighbour countries fuelled exports.

##### **IGC: World Maize Production Reduced by 10 MMT**

According to the latest report of IGC (International Grain Council), the forecast of world maize production in 2005 is reduced by 10 MMT to 661 MMT, 45 MMT down from last year's record. Hot and dry conditions in the US corn belt in the first half of August stressed crops and subsequent rains may have come too late to restore yield prospects. The crop is now forecast at 265 MMT, 35 million less than in 2004, despite a slightly larger sown area. Unfavourably dry conditions in southern Europe led to a further reduction in EU crop prospects, while in Argentina some farmers are likely to turn from maize to soybeans because of its lower costs and likely higher returns. World maize consumption in 2005/06 is forecast at 665 MMT, 3 MMT down from the July projection and 8 MMT less than in 2004/05. Most of the change is in the US where official figures suggest a reduction in feed use. World maize trade in 2005/06 is projected at 77 MMT, 1 MMT more than last year, reflecting firm demand in most regions. The reduction of 1 MMT from the previous trade forecast is attributable to Brazil, where a release of government stocks will help meet this year's feed deficit. Recent outbreaks of avian influenza are affecting feed demand and maize imports in parts of Asia, including Indonesia. World maize stocks at the end of 2005/06 are forecast at 124 MMT, 6 million less than in July and 3 million down from the end of 2004/05. US stocks are now expected to fall to 51 MMT compared with an estimated 54 million at the end of 2004/05, but this is still twice the previous year's level.

##### **Latest Kharif Maize Sowing Progress**

Shortfall in kharif sowing is on a decrease, according to the latest agriculture ministry data, thereby spelling good news for the farmers and consumers. Delay in onset and advancement of the south-west monsoon has led to shortfall in kharif acreage this year. As on 22 August, coarse cereals is down 1.3 per cent on year, pulses down 2.9 per cent and oilseed down 3.4 per cent. On the other hand, sugarcane acreage has risen 9.3 per cent on year, rice up 1.05 per cent, cotton up 2.4 per cent and that of jute is up slightly. Maize down 2.2 per cent at 71.03 lakh hectare.

##### **Malawi Likely to Expend \$80 Million on Maize, Fertilizers**

Malawi will spend about \$80 million on fertilizer and maize this year as part of efforts to boost grain production and cover a food shortage affecting 4.2 million people. The amount included a \$38 million fertilizer subsidy, which was being introduced for the first time to help 8 million families buy the product at half the retail price. The southern African country is facing its worst maize harvest since 1992 due to heavy drought, producing just 1.25 million tonnes or 37 percent of the food staple needed for national consumption this year. The amount to be spend, which will \$38 million on fertilizer and \$45 million on maize, more than the \$32 million we spent on importing both commodities last season. The money would be used to purchase 132,000 tonnes of fertilizers from South Africa and the Middle East, and 300,000 tonnes of imported maize. The International Monetary Fund and World Bank have both backed Malawi's

plans to subsidize fertilizer. The IMF approved a three-year \$55.9 million loan programme for the country earlier this month.

## WEATHER WATCH:

### Meteorological Analysis

Last week's upper air cyclonic circulation over Jharkhand and adjoining southeast Uttar Pradesh lay over East Uttar Pradesh and adjoining Bihar on 18th & 19th. It was seen over central Uttar Pradesh extending in the lower tropospheric levels on 20th & 21st. The system became less marked on 22nd. The other upper air cyclonic circulation over central Pakistan and neighbourhood became less marked on 18th. The upper air cyclonic circulation extending in middle tropospheric levels over Gujarat and neighbourhood persisted on 18th and 19th and became less marked on 20th.

A fresh upper air cyclonic circulation extending upto 5.8 km a.s.l. formed over north Bay of Bengal on 18th. It moved in a northnorthwesterly direction across coastal Orissa and Gangetic West Bengal on 19th and 20th. It was seen over Bihar & neighbourhood on 21st & 22nd. It lay over southeast Uttar Pradesh on 23rd and over Sub-Himalayan west Bengal & Sikkim on 24th.

Another upper air cyclonic circulation developed over Tamil Nadu and adjoining Kerala extending upto middle tropospheric levels on 23rd. It was seen over Lakshadweep area extending between 3.1 & 4.5 km a.s.l. on 24th.

The western end of the axis of the monsoon trough lay close to foothills of Himalayas throughout the week. However its eastern end passed through East Uttar Pradesh, Bihar, Gangetic West Bengal and thence to central Bay of Bengal on most days of the week with slight day to day oscillations.

### Rainfall

Under the influence of above systems moderate rainfall occurred at many places with isolated heavy falls over Northeastern States, West Bengal & Sikkim, Bihar, East Uttar Pradesh, East Madhya Pradesh, Orissa, Chhattisgarh and Jharkhand on many days of the week. Scattered showers also occurred over Peninsular India and Western Himalayan region on some days of the week. Rainfall activity remained subdued over plains of northwest and westcentral India.

### Rainfall During The Week (For the week ending on 24th August, 2005)

Rainfall was excess/normal in 14 and deficient/scanty in 22 out of 36 meteorological sub-divisions (Actual: 47.2 mm, Normal: 56.9 mm and Departure: -17%).

Cumulative Seasonal Rainfall (1st June to 24th August, 2005)

Rainfall was excess/normal in 28 and deficient/scanty in 8 out of 36 meteorological sub-divisions (Actual: 646.7 mm, Normal: 668.0 mm and Departure: -3%).

The sub-division-wise weekly and seasonal rainfall distribution is presented in the enclosed map.

### Outlook For The Week Ending On August 31st, 2005

1. Axis of the monsoon trough is likely to remain close to foothills of Himalayas leading to break monsoon conditions over the country during the week.

2. Moderate rainfall with isolated heavy falls likely over Northeastern states, Sub-Himalayan West Bengal & Sikkim and Bihar.
3. Rainfall activity is likely to increase over south Peninsula.
4. Rainfall activity is likely to remain subdued in the rest regions of the country with the possibility of mainly dry weather over northwest & westcentral India during the week.

### KHARIF CROP ACERAGE STATISTICS (In Lakh Hectares)

Normal Area	Area Coverage (25.08.05)			Area Difference In Absolute %Age Over Last Year
	This Year	Last Year	Diff	
60.00	71.02	72.66	-1.64	AP(+1.0, +18.7), Bih(-0.5, -14.3), Guj(-0.4, -7.7), Kar(-0.9, -11.4), Raj(-0.6, -6.1), UP(-0.6, -5.7)

Source: Department of Agriculture, Government of India

### 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	2500	Ahmedabad to Bangalore	2000
Delhi to Guwahati	3330-3340	Ahmedabad to Kolkata	2890
Karnal to Guwahati	3500	Ahmedabad to Delhi	1445
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	1350
Kolkata to Delhi	2000	Kolkata to Ahmedabad	2400
Karnal to Mumbai	1800	Kolkata to Bangalore	1850
Mumbai to Delhi	1800	Delhi to Ahmedabad	900

### FOREX RATES (27.08.05)

Country/Continent	Currency	Value in Rupees
USA	Dollar	43.73
European Union	Euro	53.82

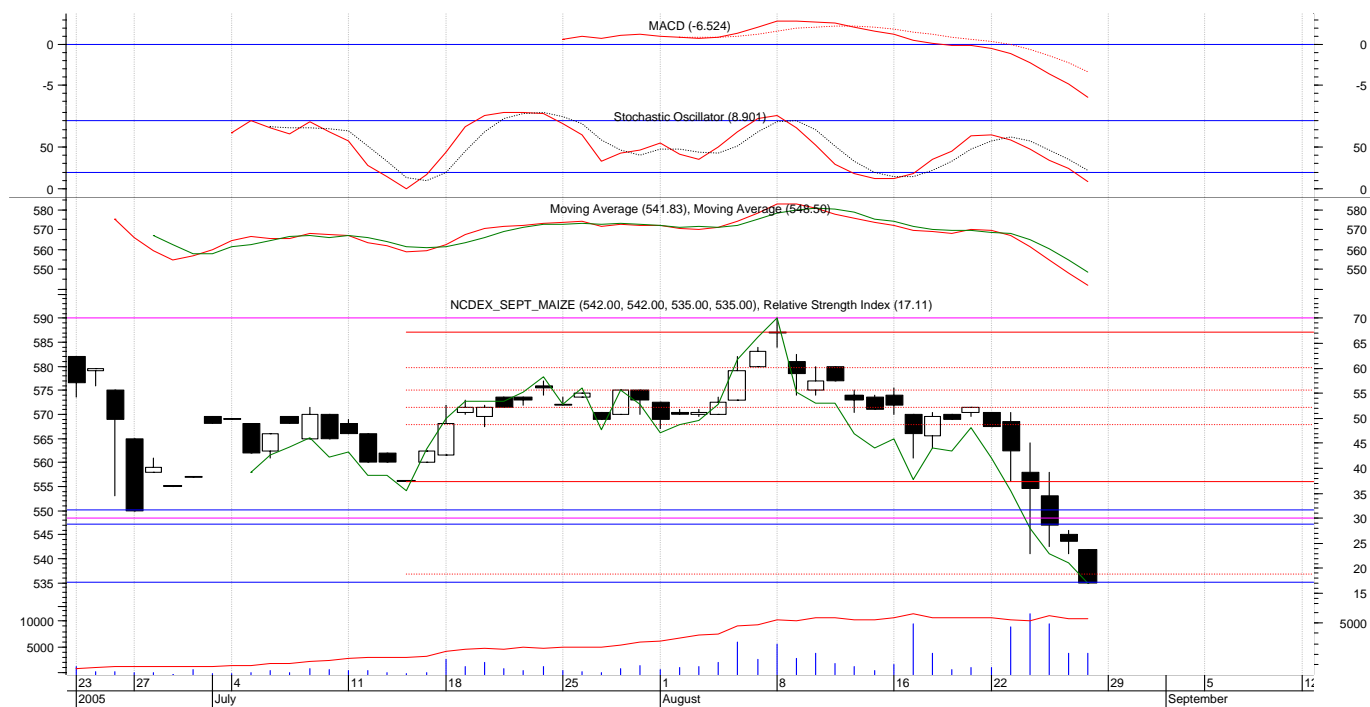
## TECHNICAL ANALYSIS

Commodity: Maize

Contract: September (Future)

Exchange: NCDEX

Perspective: Very Short Term (Weekly)



**Candlesticks:** The candlestick pattern is showing bearishness. The opening price remained below the previous day's closing price and intra day movement prevailed on lower side. RSI (17.11) is in the oversold condition. Indicating trend reversal.

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

**Stochastic:** The %K-line is going downward after cutting the %D -line from up and %K line remained in oversold condition. Indicating slight bearishness.

**Moving Average:** The 3-day moving average line is going downward after cutting the 5-day moving average line from up, indicating weak sentiment.

### Resistance and Support level:

The resistance level at present is at 546.92 and 550.42 marks. Support level may be seen at 535.67 marks.

Almost all the indicators are pointing towards the bearishness of the prices. However the candlesticks showed trend reversal. The prices for maize likely to remain range bound, but intraday movement may be on upper side in the coming days. The volume and open interest are indicating that there is strong support from the market.

**Recommendation:** Remain short.

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