

## MAIZE

31<sup>st</sup> JULY-5<sup>th</sup> AUGUST, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- DOMESTIC AND INTERNATIONAL NEWS
- TRADE ANALYSIS
- WEATHER WATCH
- WEEKLY PRICE CHANGES IN DOMESTIC WHOLESALE MARKETS

### TRADE ANALYSIS

Good buying activity from Haryana, Punjab and local buyers lifted up the maize prices in Delhi. The weak arrival is also boosted up the prices. Therefore maize prices increased to Rs.720-725/mt as godown delivery with daily average intake of 4-5 motor, traders said. The strong prices of bajra also supported the maize to climb. In Bihar, the prices also climbed to Rs.530-535/mt as loose basis and Rs.545-550/mt as bilty prices with weak arrival amidst rain. The maize has dampened due to heavy rains recent. The truck freight rate was also increased therefore it was also put some pressure on prices. According to a trader in Bihar, two rakes are being loaded for Delhi and other unknown destinations. The prices are also climbing in South India on no arrival. The maize has offered at Rs.650-655/mt in Andhra Pradesh and Rs.645-650/mt in Karnataka as loose basis due to strong demand from the poultry farmers. FCI is likely to open tender to supply maize in the coming week, according to the sources. The Indian poultry industries are bearing brunt due to high corn prices at the local market. They are unable to import corn as high customs tariffs and a bullish international market. This is becoming a major concern for the poultry industry, already reeling under the impact of slump in exports after the bird-flu outbreak in February. The Indian government has decided to provide 100,000 tons of corn from its own stocks for the poultry industry at a subsidized rate of Rs.550/mt. The government has decided to supply 50,000 tons of maize for the southern province of Andhra Pradesh and 25,000 tons each for Tamil Nadu and Maharashtra. The government also plans to release 450,000 tons corn through competitive bidding in tenders. The prices are expected to remain firm in the coming weeks also.

### NCDEX FUTURES MARKET:

NCDEX maize futures skyrocketed during this week due to strong spot prices and robust speculative buying. The buying pressure from lower level and strong spot prices pushed up the futures market on mostly upper side. The most active August contract traded mostly up from Rs.623 of previous week to Rs.667 and made Rs.676.50, which was contract high and hovered within the range of Rs.619.00-676.50 during this week. Open interest was decreasing but volume was decreasing at the weekend.

### PRICE DIVERSE:

1. Robust demand from the poultry farmers

2. Good demand from the starch industry
3. Almost no arrival in South India
4. FCI did not sale maize to the poultry farmers till now
5. Monsoon rain affected on arrival in Bihar
6. Higher import duty on maize
7. Sowing pressure

### GLOBAL MARKET:

Corn futures at the Chicago Board of Trade (CBOT) remained rangebound to slight up on Friday. CBOT September corn remained unchanged at \$2.45 per bushel and the December contract inched up 0.25 cent at \$2.623. According to the CBOT, the corn market traded in a choppy manner Friday following strong opening on ideas that a return to hot and dry weather in the forecast for next week will hurt this year's crop. Weather reports have been mixed with some indications that the western Corn Belt will have a chance to receive some spotty rains over the weekend, but with ending stocks already tight and demand strong, the market is aware of how a strong production number is needed, just to avoid an extremely tight supply situation.

### DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

| MARKETS                       | 29.07.06 | 5.08.06 |
|-------------------------------|----------|---------|
| Delhi (Bihar Maize)           | 705-710  | 720-725 |
| Sangli truck Bilty            | 700-705  | 700-705 |
| Pune Starch                   | 770-775  | 760-765 |
| Ahmedabad Poultry feed mills  | 775-785  | 785-790 |
| Ahmedabad Starch              | 730-735  | 755-760 |
| Bangalore                     | 725-730  | 735-740 |
| Nammakal Maize                | 725-730  | 730-735 |
| Kolkata mill delivery         | 620-625  | 650-655 |
| Nizamabad New Maize           | 635-640  | 655-660 |
| Davengere Local maize         | 627-632  | 650-655 |
| Bihar (New Maize) Loose Basis | 520-525  | 530-535 |

## NEWS ANALYSIS: DOMESTIC AND INTERNATIONAL

### Corn Acreage Likely to Increase in Vietnam

It is expected that the corn acreage would increase in Vietnam by 5-10% on-year for the next 5 years to meet growing demand from the feed sector, according to the senior government official. Of the 7 million hectares of arable land in Vietnam, only about 100,000 hectares are currently under soybean cultivation while another 200,000 hectares are used for growing corn. Around 400,000-500,000 metric tons of corn is expected to produce in Vietnam, which is almost unchanged from last year, but the country will also need to import another 400,000-500,000 tons to meet domestic demand.

### India: Poultry Industry Tolerates Losses as High Corn Prices

The Indian poultry industries are bearing brunt due to high corn prices at the local market. They are unable to import corn as high customs tariffs and a bullish international market. This is becoming a major concern for the poultry industry, already reeling under the impact of slump in exports after the bird-flu outbreak in February. The corn is now offering at Rs.720-730/qlt to poultry units, which is around 35% higher than the MSP of corn. It is witnessed that the poultry industry is the single largest user of corn in India, using between 6-7 million tons as feed for poultry stocks each year. Another 3.5 million tons is used for human consumption, and 1.5 million tons each is consumed by the starch and livestock industries. Of the remaining output, farmers are used for seed as sowing purpose for next season.

### Maize Import Unviable because of 15% Customs Tariff

According to the representative of the U.S. Grain Council Amit Sachdev, imported corn is even costlier than local production because of the 15% customs duty levied on the commodity. He also concluded that if India imports corn, it has to be mostly from the US as neighboring China has itself become an importer. He said that even if the customs duty is removed, the cost of imported corn delivered to poultry units near ports would be almost the same as local prices. However, such imports could ease pressure on domestic supplies and cool-off prices, Sachdev noted.

### Maize: Government Subsidy Plan Might Not Take Off

The Indian government has decided to provide 100,000 tons of corn from its own stocks for the poultry industry at a subsidized rate of Rs.550/qlt. The government has decided to supply 50,000 tons of maize for the southern province of Andhra Pradesh and 25,000 tons each for Tamil Nadu and Maharashtra. The government also plans to release 450,000 tons corn through competitive bidding in tenders. According to the representative U.S. Grain Council Amit Sachdev, the open tenders are not likely to curb down local prices and the quantity offered is hardly sufficient to meet the country's demand for just two weeks. He said other coarse cereals, such as bajra and sorghum, are even costlier and unlikely to be used for poultry feed.

### India: Maize Stocks Down to the Government

According to the government official, the total stocks to the government are estimated to down on the year to 21.4 million tons, down 14.7% on the year.

### Kharif Maize Acreage Increased by 5.13 Lakh Ha

Kharif sowing, which starts June 1, continues till July end and the crop is harvested in September-October. Though kharif sowing is on in full swing, experts have started worrying about the output, as rains have been 14% below normal, or 86% of the long-period average during June 1 and July 26. According to the government, the acreage of coarse cereals has tumbled down marginally to 15.7 million hectares from last year's level of 16.1 million due to significantly lower coverage in Rajasthan in the wake of late arrival of monsoon. Lower cultivation has been reported in the case of jowar and bajra. However the maize sowing is higher compared with last year in Bihar, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Orissa and Rajasthan while it declined in Andhra Pradesh. The maize acreage has covered to 57.33 lakh hectares, which is up by 5.13 lakh hectares as compared to 52.20 lakh hectares as on 24th July, 2006.

### USDA: US Weekly Corn Export Sales Observes Weak

Net sales of 900,100 MT were 8 percent below the previous week, but 34 percent over the prior 4-week average. Major increases reported for Mexico (207,600 MT, including 7,500 MT switched from unknown destinations), Japan (135,200 MT), Indonesia (130,600 MT, including 60,000 MT switched from Egypt), South Korea (106,400 MT, including 55,000 MT switched from unknown destinations), Taiwan (89,600 MT), Colombia (61,400 MT), the Dominican Republic (59,100 MT), Morocco (56,800 MT), and Syria (50,400 MT, including 50,000 MT switched from Egypt) were partially offset by decreases for unknown destinations (201,300 MT). Net sales of 702,000 MT for delivery in 2006/07 were primarily for Japan (354,100 MT), South Korea (171,500 MT), Mexico (60,500 MT), and Israel (60,000 MT). Exports of 1,173,600 MT were 15 percent below the previous week, but 4 percent over the prior 4-week average. The primary destinations were Japan (448,300 MT), South Korea (148,300 MT), Egypt (131,200 MT), Syria (85,400 MT), Indonesia (67,600 MT), Chile (40,800 MT), and the Dominican Republic (39,100 MT). (This summary is based on reports from exporters for the period July 21-27, 2006)

Source: USDA

### SUMMARY PROGRESS OF KHARIF MAIZE

(Area Coverage) (Area in lakh hectares)

| Normal Area | Area Coverage<br>(As reported on 31.07.06) |           |            | Area Difference in Important States-This Year vs. Last Year<br>(Absolute, %)   |
|-------------|--|-----------|------------|--|
|             | This Year                                  | Last Year | Difference |  |
| 60          | 64.10                                      | 58.95     | +5.15      | AP (-1.8, -31.2), Bih (+1.1, +51.2), Guj (+1.3, +48.0), Kar (+1.3, +21.7), MP (+0.4, +5.6), Maha (+0.5, +13.2), Ori (+0.9, +141.9), Raj (+0.5, +5.4) |

Source: Ministry of Agriculture, GOI

### WEATHER WATCH:

### ZONE-WISE WEATHER FORECAST

NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]

Scattered to fairly widespread rainfall is expected over J&K, H.P., Punjab, Uttranchal, Haryana and west U.P. during next 3 days.

#### **EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]**

Scattered rainfall is likely to continue over Gangetic West Bengal and NE States. Fairly widespread to widespread with isolated heavy to very heavy rainfall is likely over Orissa, Jharkhand during next 2-3 days. East UP and Bihar is likely to receive scattered rainfall.

#### **CENTRAL INDIA [ MP, CHATTISGARH, VIDARBHA]**

Fairly widespread to widespread rainfall with isolated heavy rains is likely over Chhattisgarh, Vidharbha and Madhya Pradesh during next 3 days.

#### **SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]**

Fairly widespread to wide spread rain with isolated heavy falls is likely over Karnataka, Telangana, Coastal Andhra Pradesh and Rayalseema. Ongoing rainfall activities over Kerala are likely to enhance. Isolated to scattered rainfall is likely over Tamilnadu during 3-4 days.

#### **WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]**

Fairly wide spread to widespread with isolated heavy to very heavy falls is likely over Konkan & Goan region. Fairly widespread rainfall with isolated heavy falls is likely over East Rajasthan during next 24 Hrs and over Madhya Maharashtra and Marathwada during next 3-4 days.

### **TECHNICAL ANALYSIS**

**Commodity: Maize**

**Contract: AUGUST (Future)**

**Exchange: NCDEX**

**Perspective: Very Short Term (Weekly)**

The most active August contract traded mostly up from Rs.623 of previous week to Rs.667 and made Rs.676.50, which was contract high and hovered within the range of Rs.619.00-676.50 during this week.

**Technical:** Candlesticks, RSI, Stochastic indicators are indicating to technical reversal of the market as the market went to mostly overbought region. The prices closed far above the 9-days MA and 18-days MA, which are indicating to upward price movement. MACD is hinting to steady movement of maize futures and remained in positive territory. Open interest was decreasing but volume was decreasing at the weekend.

**Outlook:** The sentiments are likely to remain bearish for coming one to two days due to technical correction and might be remain bullish after that in the coming week.

**Recommendation:** Go for short position towards Resistance level as medium term for two to three days.

**Resistance and Support level:**

| Contract Month   | Resistance 1 | Resistance 2 | Support 1 | Support 2 |
|------------------|--------------|--------------|-----------|-----------|
| AUGUST Contracts | 680.50       | 685.50       | 644.10    | 634.56    |



### **FOREX RATES (As on 4<sup>th</sup> August, 2006)**

| Country        | Currency       | Value in Rupees |
|----------------|----------------|-----------------|
| USA            | Dollar         | 46.54           |
| European Union | Euro           | 59.55           |
| Japan          | 100 Yen        | 40.43           |
| Great Britain  | Pound Sterling | 87.76           |

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