

## MAIZE

28<sup>th</sup> AUGUST-2<sup>nd</sup> SEPTEMBER, 2006

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Following a stuck in a strong phase, the maize prices are declining at the major spot market due to the advent of new maize crop in U.P., A.P. and Bihar and releasing of stocks by the FCI to the poultry farmers. FCI have been releasing 1.69 lakh tonnes of maize in Andhra Pradesh and 2 lakh tonnes in Karnataka to the poultry farmers. The poultry farmers were buying maize at mostly higher rate from the market. The fresh arrival of new crop in Bihar, A.P. and U.P. crashed the market therefore maize has prevailed down at Rs.785-790/qlt as godown delivery in Delhi. The average arrival is witnessing to 8-10 motor from Bihar and U.P. The demand from Punjab and Haryana is also weakened. The maize has also got down in Nizamabad mandis and new maize has quoted at Rs.775-780/qlt as loose basis with very short of arrival at 300-400 bags only. It is offering strong at Rs.770-775/qlt in Davengere mandis due to no arrival. The demand from the poultry sector got slackened as they are feeding by FCI. Traders said, the maize production is likely to be up in this kharif season and there was no report about crop loss due to rain. The arrival of new maize crop is expected to be picked up within 10-20 days. Besides, the District administration planning in Davengere is likely to announce that Davengere, Harapanahalli and Jagalur are drought-hit due to poor rainfall. The poor rainfall in these regions has affected the maize crop; therefore farmers of the remaining three taluks have urged that the entire district be covered for drought. However the overall sentiments about maize market is likely to bearish in near future.

### NCDEX FUTURES MARKET:

NCDEX maize futures tumbled down following a trapped in a strong phase. The stumbled down of maize prices at the spot market bolstered the futures market to down. The selling pressure and profit booking at lifetime high level pulled down the prices during the week. The open interest increased but volume remained weak in this week. The most active September contract fell down to Rs.661 and touched Rs.660, which was three week's low and got down by Rs.123 this week and traded within the range of Rs.660-779 this week.

### PRICE DIVERSE:

1. FCI's selling pressure to the poultry farmers

2. Arrival of new maize crop in Bihar, U.P. and A.P.
3. Slackened demand from poultry sector
4. Expectation of good crop production in this kharif season

### GLOBAL MARKET:

Chicago Board of Trade (CBOT) corn futures traded marginally bearish on Friday amidst profit booking ahead of the long holiday weekend. The other factors for market bearishness were weak wheat futures and lack of fundamental news. CBOT September corn slipped 2 cents at \$2.30, with December slid 2.25 cents at \$2.458. There was little speculative buying, and people took the opportunity to take in some profits before the long weekend. The CBOT will be closed Monday in account of Labour Day. Ethanol futures remained mixed in thin trading activity. September ethanol settled 0.5 cent lower at \$2.185 cents per gallon and October surged 0.5 cent to 2.185.

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

MARKETS	26.08.06	2.09.06
Delhi (Bihar Maize)	790-795	785-790
Sangli truck Bilty	850-860	845-855
Pune Starch	895-900	895-905
Ahmedabad Poultry feed mills	905-910	850-860
Ahmedabad Starch	800-810	800-805
Bangalore	890-900	815-825
Nammaklal Maize	900-905	840-850
Kolkata mill delivery	750-760	740-745
Nizamabad New Maize	850-870	790-800
Davengere Local maize	740-745	770-775
Bihar (New Maize) Loose Basis	620-625	630-635

### NEWS ANALYSIS:

### DOMESTIC AND INTERNATIONAL

### Maize Crop Affected Due to Poor Rain in Davengere

The District administration planning in Davengere is likely to announce that Davengere, Harapanahalli and Jagalur are drought-hit due to poor rainfall. The poor rainfall in these regions has affected the maize crop; therefore farmers of the remaining three taluks have urged that the entire district be covered for drought. The maize acreage was seen at 3.13 lakh hectares in this kharif season where 1.82 lakh hectares has not received the expected rains. It was reported that nearly 60 per cent of maize had started wilting in Harapanahalli, Jagalur and Davangere taluks. In Jagalur taluk sowing was not taken up in 12,000 hectares. In many hoblis where sowing was completed, maize had failed to transform into strong seeds resulting in grass for fodder, farmers said.

### Ethanol Production Increasing in U.S.

According to the source, the ethanol production of U.S.A. in June rose to a record rate at 318,000 barrels per day, up from 293,000 barrels per day in May and compared to 245,000 barrels per day in June, 2005. Total ethanol production for June stood at a record 9.532 million barrels, up from 9.093 million barrels in May and compared to 7.463 million barrels in June, 2005. Total stocks stood at 6.731 million barrels in June, down from 7.848 million barrels in May, but up from 6.016 million barrels in June, 2005.

### Efforts on to Increase of Production for Maize in Coimbatore

According to the daily newspaper The Hindu, Coimbatore district in South Indian is famous for poultry hubs but the poultry farmers are buying maize from other states for poultry feed at mostly higher rate due to negligible production in this district. Therefore the district administration is looking at steps to increase production of maize. Promoting cultivation of this crop in the district will benefit industries and farmers here. The department is trying to facilitate an agreement between maize growers and poultry farmers. The maize acreage in this district has seen 20,000 hectares in 2005-06. The poultry sector in the district is now purchasing maize mainly from Karnataka and pays at least Rs. 2 more for a kg. A committee of maize farmers and broiler growers is likely to be formed soon in this regard.

### USDA: US Weekly Corn Export Sales Increase

Net sales reductions of 346,800 MT resulted as major increases for Egypt (82,800 MT, including 40,100 MT switched from unknown destinations), Colombia (58,400 MT), Jordan (46,400 MT, including 38,000 MT switched from unknown destinations), Chile (32,400 MT), Ecuador (30,000 MT), and Morocco (25,400 MT, including 21,000 MT switched from unknown destinations) were more than offset by decreases for Mexico (210,000 MT--switched to 2006/07), unknown destinations (166,700 MT), Taiwan (163,500 MT--switched to 2006/07), and South Korea (103,700 MT--switched to 2006/07). Net sales of 2,028,000 MT for delivery in 2006/07 (which begins Sept. 1) were primarily for Mexico (505,300 MT), Japan (505,200 MT), unknown destinations (316,800 MT), Egypt (233,000 MT), Taiwan (221,500 MT), and South Korea (160,800 MT). Exports of 1,488,000 MT--a marketing-year high--were 26 percent above the previous week and 22 percent over the prior 4-week average. The primary destinations were Japan (465,200 MT), Mexico (230,300 MT), South Korea (169,900 MT), Egypt (127,800 MT), and Colombia (93,400

MT). (This summary is based on reports from exporters for the period August 18-24, 2006)

Source: FAS, USDA

### Orissa Govt Prepares Plan to Procure Maize from the Farmers

The State Government of Orissa is seriously considering to procure maize from the farmers to save them from exploitation by the middlemen and traders. In spite of the Centre fixed the MSP for maize but the farmers never get the remunerative prices due to lack of government intervention. The MSP fixed for maize for the current fiscal is Rs.540 per quintal. But farmers hardly get half of the MSP in the absence of any regulatory mechanism, according to the sources in the Agriculture Department. The major traders in food materials and big companies are collecting maize from tribal-dominated districts through their agents. The production of maize in 2005-06 was 2.80 lakh tonnes respectively. The State Government has projected 3.36 LT of maize in 2006-07. Yield of the maize per hectare is rising every year considering the use of high yielding varieties.

### SUMMARY PROGRESS OF KHARIF MAIZE

(Area Coverage) (Area in lakh hectares)

Normal Area	Area Coverage (As reported on 31.07.06)			Area Difference in Important States-This Year vs. Last Year (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:

Kharif maize is in grain feeling stage in most of the producing region and it is in maturing stage in U.P., Karnataka and M.P. Therefore heavy rainfall might be affected the prevailing standing crop and it some how reduces the arrival at the market yards.

### Rainfall

Widespread/fairly widespread rainfall with isolated heavy to very heavy falls occurred over many subdivision of Eastern India including Orissa, Gangetic west Bengal, and Jharkhand and adjoining sub-divisions of central India (Chhattisgarh & east Madhya Pradesh) during most days of the week. Enhanced rainfall with scattered heavy to very heavy falls and isolated extremely heavy falls occurred over Orissa on 30th. The monsoon was active/vigorous over above-mentioned sub-divisions during a few days of the week. Fairly widespread/ widespread rainfall with isolated heavy to very heavy falls also occurred over Bihar during a few days of the week.

The rainfall has been subdued over most sub-divisions of remaining parts of the country with scattered/isolated rainfall during many days of the week.

### Outlook for the week ending on 6th September 2006

- Increase in rainfall activity over Rajasthan and northwest India and decrease in rainfall activity over eastern India,

Chhattisgarh and east Madhya Pradesh during the first half of the week.

- Increase in rainfall activity over Orissa and Gangetic West Bengal from middle of the week.

Source: IMD

## TECHNICAL ANALYSIS

**Commodity: Maize**

**Contract: SEPTEMBER**

**Exchange: NCDEX**

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

The most active September contract fell down to Rs.661 and touched Rs.660, which was three week's low and got down by Rs.123 this week and traded within the range of Rs.660-779 this week.

**Technical:** Candlesticks and Stochastic indicators are indicating to downward market but Stochastic is indicating technical reversal as it was prevailed in oversold region while RSI is indicating to upward market. The prices closed below the 9-days MA and 18-days MA, which are indicating to slightly bearish price movement. MACD is hinting to bearish market of maize futures as medium term and remained in positive territory. Open interest was increasing but volume was decreasing this week as compared to last week.

**Outlook:** The sentiments are expected to remain firm for technical correction and might be get down after that due to decreasing trend in spot prices.

**Recommendation:** Go for short position at major high towards Resistance level as medium and long term.

**Resistance and Support level:**

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
September	682.00	710.00	660.00	650.00



## FOREX RATES (As on 1<sup>st</sup> September, 2006)

Country	Currency	Value in Rupees
USA	Dollar	46.53
European Union	Euro	59.61
Japan	100 Yen	39.67
Great Britain	Pound Sterling	88.57

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