

## MAIZE

13<sup>th</sup>-18<sup>th</sup> NOVEMBER, 2006

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Maize prices tumbled down at most of the market in the country during the week started 13th Nov, amidst increased arrival and stockists selling as the government may impose ban on maize export. Therefore stockists are releasing their stocks at the market yards. The red maize prices quoted down at around Rs.815-820/mtl while gajar maize has offered down at Rs.800-805/mtl with total intake of 20-25 motors including bajra in Delhi amidst weak demand from Punjab and Haryana. The bajra prices also got down to Rs.700-710/mtl in this state. Traders said, the arrival pressure from U.P. and A.P. has crashed the market when the demands from the buyers are remained quiet. However lack of export feasibility, as the export prices are much higher than international prices are creating pressure on maize prices in Karnataka and A.P. The maize prices have got down to Rs.640-650/mtl as loose basis in Davangere and daily average is reported to be around 35000-40000 bags in Karnataka. In Nizamabad, the prices also remained weak to Rs.710-720/mtl as bilty price. According to the traders, the arrival of maize is increasing day by day in Maharashtra as most of the crop has harvested and the daily average intake is reported to be around 35000-45000 bags in this state. Besides, the stocks of coarse cereals as of Nov. 1 slipped to 144,000 tons as compared to 408,000 tons in the year-earlier period, which exerts pressure on spot prices. On the other hand, the government is likely to consider imposing a ban on maize exports. The agriculture ministry is investigating maize production data to check whether there is a deficit in local supplies. Traders said, the maize prices are expected to come down as the prices are mostly high and export is not feasible in this price.

### NCDEX FUTURES MARKET:

The maize futures at the NCDEX traded bearish during the week on profit booking and talks of export ban on maize. Besides, the weak spot prices also added to the weak tone. Most active December contract declined from Rs.828.5 of last week to Rs.794.5 on Friday in this week and traded within the range of Rs.787-839. The open interest as well volume of trade was improving during the week.

### PRICE DIVERSE:

1. Government is likely to ban maize export

2. Stockists selling coupled with strong arrival pressure from A.P., Maharashtra and Karnataka
3. Sluggish demand from the buyers
4. Govt's coarse cereals stocks depleting
5. International prices are lower than Indian spot prices

### GLOBAL MARKET:

Chicago Board of Trade (CBOT) recovered their previous losses and settled at the positive territory on Friday amidst late speculative buying. CBOT December corn surged 3.75 cents at \$3.553 cents per bushel, and March increased 4.5 cents to \$3.705. December corn managed to close 12 cents higher on the week. The main bullish factor was ideas that the short-term fundamentals remain bullish in spite of the technical sell-off Thursday helped to provide early buying support but some additional long liquidation selling pushed the market to the lows shortly after the opening until there was a 5 cent bounce into the mid-session. On the other hand, ethanol futures traded weak Friday. The December ethanol contract slipped 3.51 cents at \$2.085 per gallon.

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

MARKETS	11.11.06	18.11.06
Delhi (Red Maize)	840-850	815-820
Delhi (Gajar Maize)	825-835	805-810
Sangli truck Bilty (New)	670-680	695-700
Pune Starch (New)	790-800	750-770
Ahmedabad Poultry feed	850-860	820-825
Ahmedabad Starch	800-810	800-805
Kolkata mill delivery	795-800	820-825
Nizamabad (New Maize)	750-760	710-720
Davangere (New Maize)	680-690	640-650
Bihar Bilty Price	690-700	715-725

## NEWS ANALYSIS:

### DOMESTIC AND INTERNATIONAL

#### USGC: Cut in Import Duty May Reduce Maize Prices

According to the representative of U.S. Grain Council Amit Sachdev, with prices of other ingredients (alternate) like Sorghum and Pearl Millet also high, poultry sector is finding it difficult to feed the birds for production of meat or eggs. Over the last few years there were instances wherein poultry sector has used rice cutting to cover the energy in feeds, but with its availability also poor (demand high for food purposes), it is becoming impossible to feed the birds. This may not be the best time to import maize into India and there is no price parity, but in order to give a choice, Government of India would need to ease restrictions on imports and remove the duty of 15% on import of maize and review the quota mechanism, which will give access to the end users to fulfil their requirements from the world market as and when required. With imports allowed without duty, the market sentiment would help in reducing the prices.

Source: USGC

#### USGC Poultry Team Back in India

According to the representative of U.S. Grain Council Amit Sachdev, the 8 member poultry team sponsored by USGC to tour the US Poultry sector to study the marketing and packaging trends, returned this week after meeting with the key people in US poultry industry. The team met with USDA officials in Washington. In North West Arkansas, the team was in the hometown of Tyson and Walmart and visited the corporate offices of the Poultry and Retail bigwigs.

Based on the discussions the team had with the best in the field, the team was able to put a time line on India's position against US. Indian poultry is at a point where the US sector was in 1972. Though it will not take 34 years to reach where the US sector is today, the Indian poultry sector will need to embrace innovations and invest in the retail infrastructure to sell more.

Another major learning was the fact that the majority of the chicken sold in the market, parts or value added was chilled with the average shelf life of over 12 days. In India the shelf life provided is about 3 days on chilled product. The major difference is in the chilling process wherein the product is deep chilled and is distributed at 0 deg C in US. In India the product is chilled at 4 deg C and the temperature during distribution and sale is up at 6 deg C, which is detrimental to the shelf life of chicken.

The team also studied the various packing models and systems which are used by the companies and which help the consumers to identify the product and are convenient as well.

The team would be working together to put out the set of observations and recommendations for the Industry, academics and the government which will help the sector to grow faster.

Source: USGC

#### Coarse Cereals Acreage Increasing; Maize Down

According to the agriculture minister, the acreage of rabi coarse cereals is improving well. The total coverage under Jowar has been 38.72-lakh hectare as of Nov.9 against 38.48-lakh a year ago period. The acreage under maize has been declined and stood at 1.73 lakh hectare against 2.23 lakh hectare, barley 1.67 lakh hectare against 1.34 lakh hectare.

#### WASDE Report: US Corn Output Forecast at 10.7 Bil Bushels

According to the latest World Agricultural Supply and Demand Estimate (WASDE), U.S. corn production for 2006 is forecast at 10.7 billion bushels, down 160 million bushels from last month. The national average yield is lowered 2.3 bushels per acre this month largely reflecting declines in Illinois, Indiana, Iowa, and Nebraska. Feed and residual use is lowered 50 million bushels reflecting sharply higher cash prices and the reduced crop. Exports are also lowered 50 million bushels as prices are expected to slow the pace of sales and shipments later in the year as supplies tighten. Ending stocks are projected 60 million bushels lower at 935 million. The 2006/07 marketing year average price is raised 40 cents on both ends of the range to \$2.80 to \$3.20 per bushel. Despite the strength of current cash prices, farm prices are expected to lag current cash levels as a result of farmer forward pricing during this past spring and summer. (1 Bushel= Approx. 27.216 Kg)

Source: USDA

#### USDA: Latest WASDE Report on Coarse Grains

According to the latest World Agricultural Supply and Demand Estimate (WASDE), global 2006/07 coarse grain production is lowered 0.3 million tons to 964.5 million tons. Production is decreased for Australia barley, EU-25 barley and oats, and Romania corn. These reductions, combined with the U.S. corn reduction, more than offset increases in China and Brazil corn and FSU-12 barley and oats. Australia barley production is lowered 0.3 million tons this month to 4.2 million based on October's continuation of drought and heat. China corn production is raised to 143 million tons, up 2 million from last month based on indications of higher than expected yields in the major growing areas. World coarse grain consumption and exports are both lowered this month. Global coarse grain ending stocks are raised 1.0 million tons as higher corn stocks in China and higher barley stocks in Ukraine, more than offset the reduction in U.S. corn ending stocks.

Source: USDA

#### Govt: Coarse Cereals Stocks Depleting

According to the government data, the stocks of coarse cereals as of Nov. 1 slipped to 144,000 tons as compared to 408,000 tons in the year-earlier period. Total food grain stocks with the government as of Nov. 1 are projected at 18.65 million tons, which is down 5.8% from 19.79 million tons on the same day last year. The total food grain stocks were estimated at 12.60 million tons as of Oct. 1.

#### Govt Likely to Consider Imposing Ban on Maize Export

According to the Commerce and Industry Minister Kamal Nath, the government is likely to consider imposing a ban on maize exports. He also concluded that the agriculture ministry is investigating maize production data to check whether there is a deficit in local supplies. The local maize prices are mostly high, which has hit the poultry as well as starch industry. The most of Indian corn has been used as a feed mill in the poultry industry. Increasing exports demand for the maize in this year bolstered the maize prices mostly high at the domestic market. According to the source, the maize production has slipped to around 11.4 MMt as compared to 12 MMt last year while the demand is much higher at 14 MMt. The All India Starch Manufacturers' Association (AISMA) has been already

urged to the Union ministries of finance, agriculture and commerce, to check the exports of maize and allowing import at zero percent import duty.

#### **USDA: US Corn Export Sales Remains Weak**

Net sales of 1,395,600 MT were 28 percent below the previous week, but 16 percent above the prior 4-week average. Major increases for Japan (344,700 MT), Mexico (255,000 MT), South Korea (119,300 MT, including 57,800 MT switched from Taiwan), Colombia (95,100 MT), the Dominican Republic (81,900 MT), Libya (69,400 MT, including 45,000 MT switched from unknown destinations), Morocco (57,000 MT), Guatemala (51,500 MT), and Jordan (50,000 MT) were partially offset by decreases for Taiwan (24,900 MT). Sales of 8,000 MT for delivery in 2007/08 were for Trinidad. Exports of 1,003,900 MT were 15 percent below the previous week and 4 percent under the prior 4-week average. The major destinations were Japan (240,900 MT), Mexico (230,500 MT), Colombia (120,700 MT), South Korea (92,600 MT), Algeria (48,300 MT), Libya (44,400 MT), Egypt (38,800 MT), and the Dominican Republic (37,000 MT). (This summary is based on reports from exporters for the period November 3-9, 2006)

Source: USDA

#### **Exports Ban & Duty Free Import may Reduce Maize Prices**

Generally India exports small volumes of maize to nearest country Bangladesh, Sri Lanka and Nepal. But the country has exported a cargo of around 15,000 metric tons of maize to Malaysia earlier of this month, according to a source. The maize prices are higher than last year price at the same time by approximately 8.6% due to tight supplies and a lower production estimate. Starch manufacturers and poultry industries are pressurizing to the government to impose ban on maize export and reduce the import duty of maize, which is at 15%. The maize production is expected to have slipped to 11.4 million metric tons (MMt) as compared to previous year. The country also produces around 2.5 MMt of maize from rabi season crop, which is mainly confined to Bihar. The annual consumption of maize is estimated to over 14 MMt. The current upward trends of maize prices may be reduce if the exports are banned and imports made duty free.

#### **Argentina Temporarily Suspended Corn Export Permits**

According to the source, Taiwan is taking into consideration of temporarily lifting a ban on imports from China. On the other hand, Argentina temporarily suspended grain and oilseed export permits due to administration problems and would only be in effect for one day caused grain markets to set-back off of the highs. Although a government official said the move would not block exports based on previous declarations. It is reported that all Argentine agricultural exports must be registered for export and the reference price is then fixed based on the day of registration. The reference price set on that day will be used for the export tax fixation. Declared exports of wheat and corn have reached extraordinary levels in Argentina in recent times as exporters have chased to lock in reference prices and export commitments due to uncertainty over the government's desires to limit exports and control domestic food prices.

#### **Maize Shows Mixed Sentiment in Spot Market**

Maize prices remained steady in Delhi Saturday amidst stockists buying and reduced arrival. The red maize prices quoted at around Rs.815-820/mtl while gajar maize has offered slight up at Rs.805-810/mtl with steady arrival of 20-25 motors including bajra in Delhi. The bajra prices

strengthened to Rs.705-710/mtl in this state. The market remained slight down in Karnataka and Andhra Pradesh due to poor demand and higher arrival. The lack of export feasibility, as the export prices is much higher than international prices are creating pressure on maize prices. The maize prices have registered to Rs.640-650/mtl as loose basis in Davangere and total arrival is reported to be around 38000 bags in Karnataka. In Nizamabad, the prices also tumbled down Rs.710-720/mtl as bilty price. According to the traders, the arrival of maize is increasing day by day in Maharashtra as most of the crop has harvested and the daily average intake is reported to be around 40000-50000 bags in this state. Traders said, the maize prices are expected to come down as the prices are mostly high and export is not feasible in this price.

#### **WEATHER WATCH:**

The arrival has been peaking up in Maharashtra and Karnataka and the sowing of rabi maize crop has started in Bihar and other parts, therefore heavy rainfall may hinder in market arrival and sowing progress. The sowing of rabi maize crop is likely to going on till December last to January 2007.

#### **Rainfall:**

Fairly widespread rainfall occurred over Tamil Nadu & Pondicherry, Kerala and south Coastal Andhra Pradesh on many days of the week. Fairly widespread rainfall also occurred over north Coastal Andhra Pradesh during 9th to 10th. Isolated heavy rainfall also occurred over Tamil Nadu on 9th & 12th and Coastal Andhra Pradesh on 9th & 15th. Isolated to scattered rainfall activity occurred over remaining parts of the peninsula during many days of the week.

Fairly widespread/scattered rainfall activity occurred over coastal Orissa during 9-10th and it was isolated over remaining parts of east India during 10-11th.

Scattered rainfall activity occurred over northeastern States during 10-12th and it was isolated on 9th and 13th.

Scattered/isolated precipitation was realized over Jammu & Kashmir during many days of the week.

The weather was mainly dry over remaining parts of the country during the week.

#### **Outlook for the week ending on 22<sup>nd</sup> November 2006**

Fairly widespread/scattered rainfall activity is likely to continue over south peninsula during the week.

Two western disturbances as an upper air system are likely to affect Jammu & Kashmir and adjoining areas during beginning and end of the week respectively.

The night temperatures are likely to fall by 2-3°C over northwest and adjoining central India during the middle of the week.

Source: IMD

#### **FOREX RATES (As on 17<sup>th</sup> November, 2006)**

Country	Currency	Value in Rupees
USA	Dollar	45.01
European Union	Euro	57.48
Japan	100 Yen	38.02
Great Britain	Pound Sterling	84.91

## TECHNICAL ANALYSIS

**Commodity:** Maize

**Contract:** DECEMBER 2006

**Exchange:** NCDEX

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

The maize futures at the NCDEX traded bearish during the week on profit booking and talks of export ban on maize. Besides, the weak spot prices also added to the weak tone. Most active December contract declined from Rs.828.5 of last week to Rs.794.5 on Friday in this week and traded within the range of Rs.787-839. The open interest as well volume of trade was improving during the week.

**Technical:** Candlesticks formation is hinting indecisive market for the following trading day with strong opening. The %K- line prevailed below %D-line and moving downwards at oversold condition indicating technical correction near. MACD remains in the positive territory and hinting bearish market as medium term. Prices closed in between 9-day and 18-day EMA, indicating bearish market for medium term. The open interest as well volume of trade was increasing during the week.

**Outlook:** Maize prices are likely to trade up due to technical correction and profit booking at lower level and may be going down thereafter. Sell at any higher level will be good strategy for profit making as medium term.

**Recommendation:** Go for short position at major rallies towards resistance levels.

### Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
December	820	835	790	775



### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.