

## MAIZE

27<sup>th</sup> NOVEMBER-2<sup>nd</sup> DECEMBER, 2006

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Maize prices remained slight up during the week. The prices are higher as compared to last year by 15%. There has been speculation in the market and reports suggested that government may ban exports of maize from India, but this has not happened. The end users are keenly watching the situation and hoping for a relief from the Government by way of ban on exports on a short term. Maize continued to trade steady in Delhi on stable demand supply scenario. Demand from Punjab and Haryana were moderate. Arrivals are reported to be around at 12-15 motors from U.P. including bajra. Red maize prices quoted at Rs.825-830/qrtl and gajar maize offered Rs.815-820/qrtl in this state. Maize prices offered between Rs.655-665/qrtl loose basis in Davangere and arrivals stood at 40000 bags in Karnataka. In Nizamabad, prices were quoted up at Rs.710-715/qrtl bilty with average intake of 1000-1200 bags. According to trade sources, Bangladesh's strong export demand is boosting maize prices in Bihar. Maize has been going from Dalkola to Bangladesh. On the other hand, rabi maize sowing is progressing well and it estimated to 5.14 lakh ha as of 24 November over 4.58 lakh ha last year. But rabi accounts for just about 10% of total maize production. Rabi maize is mainly confined to Bihar states. Furthermore, maize production is likely to be lower to 11.4 MMt in the kharif season this year over 12.2 MMt of last year. Domestic consumption has been pegged at 14 MMt in 2006-07, well above the production estimate. In the international market, IGC forecasted further reductions in crop estimates for the US and the EU more than offset improvements in China and Kenya, and total production is down 2m. tons at 688m., 5m. less than in 2005. Consumption is expected to total 721m. tons, 1m. below last month.

### NCDEX FUTURES MARKET:

NCDEX maize futures maintained range bound sentiment this week also due to contradiction about ban on maize export. Therefore most active January contract has been trading within the range of Rs.793-838 since last 15 days. It traded between Rs.792.50-829 during the week with good open interest but reduced volume. It did not trade in MCX during the week.

### PRICE DIVERSE:

1. Contradiction about ban on maize export
2. Feeble demand from poultry sector as well as starch sector
3. Strong export demand from Bangladesh, Srilanka, Malaysia and Indonesia
4. Rabi maize sowing increasing
5. Steady to weak arrival
6. FMC tightening trading norms on maize futures

### GLOBAL MARKET:

Chicago Board of Trade (CBOT) corn futures fell down on Friday in thin market activity due to profit taking ahead of the weekend. CBOT December corn slipped 3 cents at \$3.74 cents per bushel and March slid 3.5 cents to \$3.87. Lack of fund buying also limited the upside. Weakness in the energy markets and continued talk of the overbought condition of the market helped to pressure futures into the mid-session. Funds were noted sellers of near 2,000 contracts into the mid-session.

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

MARKETS	25.11.06	2.12.06
Delhi (Red Maize)	820-825	825-830
Delhi (Gajar Maize)	810-815	815-820
Sangli truck Bilty (New)	700-705	665-670
Pune Starch (New)	750-760	740-760
Ahmedabad Poultry feed	815-825	810-820
Ahmedabad Starch	790-810	790-800
Kolkata mill delivery	860-880	880-890
Nizamabad (New Maize)	700-710	710-715
Davengere (New Maize)	660-665	655-660
Bihar Bilty Price	775-785	770-780

## NEWS ANALYSIS:

### DOMESTIC AND INTERNATIONAL

#### USGC: Maize Prices Remains Up, But Stable

According to Amit Sachdev, representative of U. S. Grains Council, corn prices have remained stable for 2 weeks now, with delivered prices close to Rs.8000 - 8200 per MT range average. In some areas delivered prices are as high as Rs.9000 per MT. The prices are higher than last year by 15% over last year at this time of the year. There has been speculation in the market and reports suggested that GOI will ban exports of maize from India, but this has not happened. The end users are keenly watching the situation and hoping for a relief from the Government by way of ban on exports on a short term.

Pearl Millet (Bajra) prices from the first week of Nov 2006 have increased from Rs.6600 per MT to Rs.7950 per MT at the market yard, an increase of 20.4%. The prices are also higher than maize (at market yard) by 20%. Under normal circumstances the prices of pearl millet during the harvest would be lower than maize, but not this time. In the last 2 months, it has been only one week (last week of Oct 2006), when the price of Pearl Millet was lower than maize.

Prices of Sorghum on the other size has been showing a downward trend, which average prices currently at Rs.7600 per MT at the Market Yard. The prices are still higher than the maize prices at the market yard by 16%.

Barley prices have shown the highest increase in these last two weeks and have increased to Rs.8000 per MT from Rs.6900 per MT at the market yard, an increase of 16%. Last week the prices were at a high of Rs.8600 per MT at the market yard. The prices during the last year were at the range of Rs.8600 per Mt level at the market yard.

Source: USGC

#### USGC: China Issued Export Permits for 4 MMT Corn

According to Amit Sachdev, representative of U. S. Grains Council, Chinese government has finally confirmed that they have issued export permits for 4 MMT of corn from Nov 2006 to Feb 2007, but there have been reports that the 1 MMT corn export slated for Nov - DEC 2006 is delayed. Speculation on exports from China, have also increased the local prices in China. In Argentina, the permits for new crop export registrations are on hold, as the government audits the registrations and wishes to introduce a higher export tax.

Source: USGC

#### Higher Maize Prices Rising Cost of Production of Eggs & Broilers

According to Amit Sachdev, representative of U. S. Grains Council, as the delivered price of maize have increased to levels beyond Rs.9000.00 per MT, the price of feed which constitutes 55 - 60 percent maize, have also gone up, thus signalling the increase in cost of production of eggs and broilers.

When maize was delivered to the feed mills and farms at Rs.6000 per MT, the feed prices were in the range Rs.9000-9500 per MT and the cost of production of live broilers ranged from Rs.25 per kg in South India to Rs.29 per kg in North India.

With the price of maize at Rs.9000 - 9300 per MT at several locations, the feed prices have reached Rs.13000 - 13500 per MT, and the cost of production of live broilers is up to Rs.33 per kg in South and Rs.38 in North India. The market

prices though have not gone up so much, thus affecting the profit margins of the farmers.

The cost of production of eggs, which used to be average at Rs.1.11 each at times when price of maize was Rs.6000 per MT, has now gone up to Rs.1.41 each at these times.

While some state governments like Maharashtra have increased the sale price of milk by Rs.1.00 per kg (to the consumer) due to increase in price of feed, it is not possible to increase the price of broiler. Egg prices in the markets have shown an increase.

Source: USGC

#### Maize: Sowing Progress in Argentina; 97% Crop Harvested in US

Sowing progress of maize crop is progressing well in Argentina. According to sources, officials pegged the corn crop plantings at 75% so far. On the other hand, so far 97% of corn crop was harvested in U.S.

#### Russia Exported Record Volume of Maize in October

According to sources, Russia exported record volume of maize around 17,700 tonnes at the beginning of maize season (October-September). Average export price is around \$153/tonne. Azerbaijan (10,300 tonnes) and Georgia (7,300 tonnes) were the main buyers of Russian maize. In 2005/06 MY maize export totalled 52,800 tonnes that is an absolute record for Russia. Simultaneously maize import totalled 14,500 tonnes in October, down 34.9% from September and up 19.7% from October 2005. The main supplier was Ukraine (10,500 tonnes). Also, Hungary exported rather big lot of maize around 3,900 tonnes.

#### Govt Unwilling to Ban Maize Exports For Now

According to sources, the government is not likely to ban maize exports for now in spite of higher demand than current production. Commerce Secretary G.K. Pillai said that they are not planning to impose ban maize export. Maize production is estimated to be down to 12.75 MMT in the crop year that began on Oct. 1, however the consumption is estimated to 14 MMT. Till now, India exported around 150,000-17,0000 tonnes of maize to Indonesia, Malaysia and Sri Lanka. Apart from this, maize has also exported to Bangladesh from Bihar.

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

Net sales of 1,021,200 MT were 2 percent below the previous week and 24 percent under the prior 4-week average. Major increases were reported for Japan (158,300 MT), Egypt (120,000 MT), South Korea (113,000 MT, including 58,000 MT switched from unknown destinations), Mexico (106,200 MT), the Dominican Republic (81,600 MT), Guatemala (76,400 MT), Taiwan (65,400 MT, including 29,900 MT switched from Japan), Colombia (61,600 MT), and unknown destinations (54,900 MT). Net sales of 62,200 MT for delivery in 2006/07 were mainly for Japan (60,000 MT). Exports of 897,300 MT were 27 percent below the previous week and 20 percent under the prior 4-week average. The major destinations were Japan (204,800 MT), Mexico (160,500 MT), Colombia (110,800 MT), Algeria (64,000 MT), the Dominican Republic (58,700 MT), and Jordan (53,000 MT). (This summary is based on reports from exporters for the period November 17-23, 2006)

Source: USDA

### Contradiction about Ban on Maize Export

According to Radha Singh, agriculture secretary, ban on maize exports cannot be ruled out given the current demand-supply situation and rising prices of the commodity in the country. Kharif Maize production is likely to be lower at 11.4 MMt this year over 12.2 MMt of last year. Domestic consumption has been pegged at 14 MMt in 2006-07, well above the production estimate. However the Ministry of Commerce said, the export of maize cannot be banned. However there is some scope for duty concessions in imports, which needs to be discussed with the finance ministry. Current import duty on maize is 15% for 4 lakh tonnes and thereafter 60% for above this quantity, which makes it unviable for private trade to import maize, as the international prices are much more.

### Rabi Maize Sowing Progressing Well

In the current rabi season, acreage of coarse cereals estimated at 5.4 million ha as compared to 5.5 million ha last year same period. Maize sowing is progressing well and it estimated at 5.14 lakh ha as of 24 November over 4.58 lakh ha last year. But rabi accounts for just about 10% of total maize production. Rabi maize is mainly confined to Bihar. On the other hand, Pearl millet (Bajra) is the major food crop of Rajasthan, which is also grown abundantly in the arid tracts of Gujarat, Uttar Pradesh, Karnataka, Maharashtra and Andhra Pradesh. It has multiple uses - besides being a staple food, its fodder is an important feed for the milch animals.

### FMC Tightening Trading Norms on Maize Futures

Forward Markets Commission (FMC) has tightened the trading norms on maize futures to check the volatility. Therefore they revised open position limit for maize. According to leading newspaper, for brokers, it has been reduced to 30,000 tonnes from 45,000 tonnes and for client 10,000 tonnes from 15,000 tonnes for contracts expiring in January onwards. The near-month position limits, accordingly, will be 6,000 tonnes for members and 2,000 tonnes for clients. These new position limits will be applicable from Dec 21, NCDEX said. Furthermore, FMC imposed the additional margin for long position and it has been increased to 9% (this additional margin will be inclusive of the prevailing 4% additional margin on the long side on all the running contracts of maize that is December 2006, January 2007 and February 2007 contracts). This will be applicable with effect from December 1, 2006. Therefore, the minimum total margin will be 20% for all running contracts of maize.

### FMC Ruled Out Ketan Parekh's Link in Maize Futures Trade

According to renowned daily newspaper, Forward Markets Commission (FMC) has not found any evidence of stock-scram accused broker Ketan Parekh's involvement in manipulation of maize futures, FMC Chairman Sundareshan told CRISIL Market Wire. He said that the report has already been submitted to the government and they have found no evidence of Ketan Parekh's involvement in maize futures trading.

### FAO: World Coarse Grains Output Estimated Down to 980 MMt

World production of coarse grains in 2006 is now forecast by FAO at about 980 million tonnes, down 1.3 percent from 2005 but still above the average of the past five years. Latest estimates confirm significantly smaller outputs in two major producing countries in the southern hemisphere - namely Argentina and South Africa - where crops have

already been harvested. However, the bulk of this year's decrease is expected to be accounted for by the United States, where the forecast is tentative as crops are still some way off harvesting, but the planted area is estimated to have been reduced by 4 percent in favour of less input-intensive crops, such as soybeans. The overall decrease in global output this year comes despite increased production in some other major producing countries, including Brazil, Mexico and several main producers in Asia, Europe and North Africa.

Source: FAO

### WEATHER WATCH:

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:

Light to moderate snowfall occurred at a few places over Jammu & Kashmir, Himachal Pradesh and Uttaranchal on 23rd. Light rain/thundershowers also occurred over the adjoining plains of Punjab, Haryana, Delhi and West Uttar Pradesh on 23rd.

Scattered rainfall activity occurred over Arunachal Pradesh and Assam & Meghalaya during 23rd to 26th.

Light to moderate rain/thundershowers occurred over Konkan & Goa, Madhya Maharashtra on many days of the week and over Marathawada and southwest Madhya Pradesh on one or two days of the week.

Rain/thundershowers also occurred over many places over Tamil Nadu and Kerala on 23rd, 24th, 27th and 28th and at a few places/isolated places on remaining days of the week.

Light rain/thundershowers also occurred over Coastal Karnataka, Lakshadweep and Andaman & Nicobar islands on some days of the week.

Weather remained mainly dry over the rest of the country during the week.

### Outlook for the week ending on 29th November 2006

Under the influence of the western disturbance, scattered rain/snow is likely over Western Himalayan Region and light rain/thundershower over plains of northwest India in the beginning of the week.

Scattered rainfall activity is likely to continue over extreme south peninsula during the week. Isolated rainfall/thundershower also likely over Konkan & Goa and south Madhya Maharashtra during first half of the week.

Fall in night temperatures by 3-4 °C likely over north and adjoining central India during first half of the week. Fog/mist conditions also likely over some parts of plains of northwest India

Source: IMD

### FOREX RATES (As on 25<sup>th</sup> November, 2006)

Country	Currency	Value in Rupees
USA	Dollar	44.67
European Union	Euro	59.26
Japan	100 Yen	38.55
Great Britain	Pound Sterling	88.18

## TECHNICAL ANALYSIS

**Commodity:** Maize

**Contract:** JANUARY 2006

**Exchange:** NCDEX

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

NCDEX maize futures maintained range bound sentiment this week also due to contradiction about ban on maize export. Therefore most active January contract has been trading within the range of Rs.793-838 since last 15 days. It traded between Rs.792.50-829 during the week with good open interest but reduced volume. It did not trade in MCX during the week.

**Technical:** Candlesticks formation depicts indecision market for the following trading day with weak opening. The %K- line remained above %D-line and moving up at neutral region, indicating bullish market. MACD remains in the negative territory and hinting bearish market as medium term. Prices closed below 9-day and 18-day EMA, indicating bearish market for medium term. The open interest was good but volume of trade was decreasing during the week.

**Outlook:** Maize prices are expected to trade rangebound during the coming week until the government takes final decision on maize export. 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
January	810	815	785	775



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