

## MAIZE

16<sup>th</sup> -26<sup>th</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 observe steady to firm during the week in the delivered centers and the producing region due to steady export. However, Maize prices at this time of the year are running much higher as against last year. Maize prices at Nizamabad are now ruling at around Rs 700-705 per quintal, against Rs 570-580 per quintal at corresponding period of last year. In Delhi, maize prices remained mostly steady at some higher levels on thin demand from Punjab and Haryana. Arrivals are reported to be decreased around at 10-11 motors from U.P. including bajra. Red maize offered steady at Rs.825-830/ql and gajar maize quoted at Rs.805-810/ql in this state. Meager demand is witnessed at this price levels. Weak tone of bajra is still pressurizing the maize prices. Maize prices quoted slightly down in Bihar at Rs. 750-755 on poor domestic demand at higher price levels. The arrivals have also decreased to 2-4 motors. First phase of rabi maize sowing is completed at Bihar. However, according to trade sources the acreage of maize under first phase is lower than normal. However, there is a possibility of makeup the deficit acreage in second phase during January last. The late sowing might cause some reduction in output along with small size of grain. The fresh arrivals are expected to in some phases. The fresh arrival of second phase crop is expected in the month of May-June. Maize traded firm at Rs.700-705/ql bilty in Davangere. Higher export demand amidst depleting stocks has added underlying firm sentiments there. The user industries are projecting a shortfall in domestic availability on steady export from India along with high international prices. The Govt. of India is taking into consideration about permitting duty-free import of corn that would help meet the demand from the India poultry sector. The poultry industry is keenly looking for that.

### NCDEX FUTURES MARKET:

NCDEX maize futures improved from early weakness. Increased speculative buying as well as strong technical support recovered the futures from early dips. The most active January contract traded at Rs.770 over last week's closing off 775.5 and prevailed between Rs.751-782 during the week with good open interest and higher volume. The stochastic is in normal region and moving upwards following a bullish crossover. MACD in negative territory and moving upwards.

### PRICE DIVERSE:

- No confirmation on maize export ban so far
- GOI considering duty free import of maize
- Reduced demand from poultry sector as well as starch sector at higher price
- Steady export demand
- Lower price of Jowar and Bajra

### GLOBAL MARKET:

Chicago Board of Trade (CBOT) corn futures finished up near sessions high Friday on technical buying. March corn settled 6.25 cents higher at \$3.84 per bushel that was 0.25 off the high and 6 up from the low. May corn increased 6 cents to 3.915 per bushel. talk that China demand is also very strong for corn with increasing concerns that China exporters will have a difficult time in sourcing supply from producers helped support the early gains. In Argentina the corn crop is 88% planted so far, up 4% from the previous week.

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

MARKETS	16.12.06	23.12.06
Delhi (Red Maize)	820-825	825-830
Delhi (Gajar Maize)	805-810	805-810
Sangli truck Bilty (New)	700-705	720-725
Pune Starch (New)	760-765	780-785
Ahmedabad Poultry feed	810-815	825-830
Ahmedabad Starch	780-800	805-815
Kolkata mill delivery	740-745	740-745
Nizamabad (New Maize)	700-705	700-705
Davangere (New Maize)	685-690	700-705
Bihar Bilty Price	760-765	750-755

## NEWS ANALYSIS:

### DOMESTIC AND INTERNATIONAL

#### **NECC Urged PM to Ban Maize Future Trading & Export**

THE National Egg Coordination Committee (NECC) is considering the severe crisis of maize stock in the poultry industry. The stock levels in poultry industry are reportedly low in recent time due to the higher price of the same commodity. The maize future in the NCDEX traded up. GOI is taking into consideration about permitting duty-free import of corn that would help meet the demand from the India poultry sector along with continuation of maize export. NECC reportedly urged Prime Minister Manmohan Singh to ban forward trading and export of maize. Maize along accounted to 80 per cent of the total cost of production of eggs and broilers.

#### **USDA Corn Export Sales Highlights**

Corn: Net sales of 1,264,900 MT were 10 percent below the previous week, but 18 percent over the prior 4-week average. Major increases were reported for South Korea (223,900 MT), unknown destinations (176,500 MT), Taiwan (175,900 MT), Mexico (113,100 MT), Japan (108,800 MT), Colombia (79,100 MT), Saudi Arabia (68,300 MT, including 60,000 MT switched from unknown destinations), Indonesia (60,000 MT), and Egypt (60,000 MT). Sales of 83,400 MT for delivery in 2007/08 were for Egypt (60,000 MT) and the Dominican Republic (23,400 MT). Exports of 903,100 MT were 27 percent below the previous week and 24 percent under the prior 4-week average. The major destinations were Japan (257,400 MT), Mexico (232,000 MT), Taiwan (109,700 MT), South Korea (105,800 MT), Saudi Arabia (68,300 MT), and Tunisia (32,800 MT).

Source: USDA

#### **USDA: Global 2006/07 Coarse Grain Production Raised to 969 MT**

Global 2006/07 coarse grain production is raised to 969 million tons, up 4.5 million tons from last month. Much of this increase results from higher corn production in Argentina and Brazil where area is raised in both countries due to recently favorable weather and the sharp rise in world corn prices. Corn production for Argentina and Brazil is raised 1.5 million tons and 1 million tons, respectively. Corn production is also raised 0.5 million tons in Canada, Russia, South Africa, and Ukraine. Partially offsetting these increases is a 0.6 million ton reduction in Croatia's corn output. The projected increase in South Africa reflects higher prices and adequate early season moisture that is expected to boost plantings. Corn production for Canada is raised based on recent estimates from Statistics Canada, which also lowered oat production 0.2 million tons. Changes for Croatia, Russia, and Ukraine are based on updated harvest results. World coarse grain consumption and trade are raised this month. The largest increases in consumption are for Argentina and EU-25 corn. The increase for Argentina is driven by higher expected feed use. The rise in EU-25 consumption is consistent with higher imports and lower exports. High EU-25 grain prices are allowing intervention stocks to move into consumption. The largest export increases are projected for Argentina and Brazil where higher corn production will increase exportable supplies. Global coarse grain ending stocks are raised 2.5 million tons as corn stocks expand, especially in South Africa, Brazil, and EU-25.

Source: USDA

#### **China: Corn Prices Rises Due to Higher Ethanol Demand**

For the first time in China's history, foodgrains prices are increasing not due to a poor harvest or rising demand but because of soaring international oil prices. According to the Chinese Academy of Agricultural Sciences, rise in corn prices is a strong factor popping up the prices of other food products, as increasing role of corn as a crude-oil substitute. Analysts say that while industrial use only accounts for about a sixth of overall corn consumption, it is expanding at 15% a year, fuelled by high crude oil prices. Official estimates are that annual corn consumption by processing industries would rise to 20 million metric tons (MMt) from 16 MMt last year; and reach 40 MMt by 2010, in China. Total consumption is expected to be 125 MMt this year. Ethanol is the main biofuel produced in China with output hitting 1.02 MMt in 2005 and corn accounted for 76 per cent of the raw material. The others are mainly wheat and sorghum. The country plans to produce about 6 MMt of ethanol by 2010 and 15 MMt by 2020 in addition to 5 MMt of biodiesel.

#### **USGC: Maize Prices Remained Up; Production Estimates Down**

According to the Amit Scahdev, Representative of U.S. Grain Council, local maize prices in India moved up in India in the week (Nov 27 - Dec 2) to Rs.6700 - Rs.6900 per MT range at the market yard. The delivered prices were close to Rs.8500 - 8700 per MT range. The prices were higher by about 2% over last week, and about 13.6% higher over last year at market yard values.

The new estimate for maize production put out by Government of India for the year 2006-07 is 12.41 MMT, much lower than last year. The demand of maize for the year 2006-07 is estimated at 14 MMT, thus the deficit will be close to 1.6 MMT. If the exports of 0.7 MMT to Bangladesh, Sri Lanka and Nepal are accounted, the deficit will be close to 2.1 MMT. The prices will be much higher than they are now between March - Sept 2007 as during the time, no new corn will be coming in the market and the new crop will only arrive in the market in October 2007.

Pearl Millet (Bajra), prices have reached Rs.7500 - 7700 per MT at market yard, which are about 2.8% lower than last week., but the prices are still higher than maize by 11.5%.

Sorghum (Jowar) prices have also reached Rs.7500 per MT levels at market yard and are 1.8% lower over last week. The prices are higher than maize by 12.2%.

Barley prices, which were down in the last week, jumped to Rs.8900 per tons level at the market yard in this week, gaining almost 17% over last week. The delivered prices are close to Rs.11000 per MT level. The prices are higher than last year by almost 5%. The demand for Barley has increased considerably and the production is estimated to be down, which is leading to higher prices.

Source: USGC

#### **Asia 06-07 Fuel Ethanol Demand Seen 2B Liters**

Asia's demand for ethanol for fuel use is projected around 2 billion litres in the marketing year to September 2007, German consultancy F.O. Licht said Wednesday. The demand in Asia is mainly being driven by China and India...it is expected to rise annually at the rate of between 7% and 8%," F.O. Licht Deputy Director Christoph Berg said on the sidelines of a conference organized by the consultancy in New Delhi. Berg said the demand for fuel

ethanol in India in 2006-07 is expected at 500 million liters, up from an estimated 300 million liters the previous year.

#### Ukraine Likely to Remove Restrictions for Grain Export

Ukraine will remove restrictions for grain export, which was introduced in October, according to the President of Ukraine. The meeting will be held in next week. According to the estimations there are 2 MMt of grain in Ukrainian elevators, in particular, barley and wheat, waiting for being exported. Ukraine is the seventh largest supplier of wheat in the world. Ukrainian Government decided to introduce quotas for grain export on October 11, 2006 to stabilize the grain prices in the country. In particular, quotas for export till the end of the current year for wheat and meslin (rye and wheat mixture) totalled 400,000 tonnes, barley - 600,000 tonnes, maize - 600,000 tonnes and rye - 3,000 tonnes.

#### Maize Sowing Rise to 6.85 lakh ha, Up by 1.14 lakh ha

Sowing progress of rabi maize is progressing well this year. Acreage has increased by 1.14 lakh hectares to 685,000 hectares as of December 8, up from 571,800 hectares. Rabi maize crop is mainly confined to Bihar. But rabi accounts for just about 10% of total maize production. However jowar acreage has declined to 454,200 hectares as compared to 463,500 hectares of last year this time.

#### WEATHER WATCH

The regular market arrival is not expected to get affected due to rainfall. Sowing of wheat has completed around 80% of normal area in Haryana, Gujarat, Karnataka, M.P., Punjab, Uttaranchal and Maharashtra etc. Current weather is friendly for the development of the crop. Sowing should be completed by mid of December, and any delay would result in a yield loss.

#### TECHNICAL ANALYSIS

**Commodity: Maize**

**Contract: JANUARY 2006**

**Exchange: NCDEX**

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

NCDEX maize futures improved from early weakness. Increased speculative buying as well as strong technical support recovered the futures from early dips. Good export from India amidst tight global prices as well as depleting stocks has increased the buying speculation. The steady to firm sentiments at spot market has also added the positive note. The most active January contract traded at Rs.770 over last week's closing off 775.5 and prevailed between Rs.751-782 during the week with good open interest and higher volume. The stochastic is in normal region and moving upwards following a bullish crossover. MACD in negative territory and moving upwards. It did not trade in MCX during the week.

**Technical:** Candlesticks formation hints firm market for the following trading day with weak opening. The %K- line moving up after a bullish crossover at normal region, indicating bullish market. MACD remains in the negative territory and moving upwards. Prices closed below 9-day and 18-day EMA, The open interest was somewhat good but volume of trade has decreased during the week.

**Outlook:** Expected to remain rangebound with firm undertone on steady export amidst depleting stocks. Buy at any lower level will be good strategy for profit making as medium term.

**Recommendation:** Buy on dips towards support levels

#### Rainfall:

Scattered rain/thundershower occurred over Nicobar Islands during 14-15th and 17th and over Lakshadweep Islands on 14th. Isolated rain/thundershower also occurred over Tamil Nadu & Pondicherry on 14th.

Isolated rain/thundershower occurred over northeastern States during 18 and 19th.

Mainly dry weather prevailed over the remaining parts of the country during the week.

#### Outlook for the week ending on 20<sup>th</sup> December 2006

A fresh western disturbance is likely to affect Western Himalayan region during second half of the week.

Rise in night temperature by 2-3°C over plains of northwest India and Gangetic plains during middle of the week and fall towards the end of the week.

Subdued rainfall activity over south peninsula during second half of the week.

Source: IMD

#### FOREX RATES (As on 26th DECEMBER, 2006)

Country	Currency	Value in Rupees
USA	Dollar	44.59
European Union	Euro	58.83
Japan	100 Yen	37.69
Great Britain	Pound Sterling	87.54

#### Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
January	810	822	745	730



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