

## MAIZE

06<sup>th</sup> -13<sup>th</sup>, JANUARY, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Maize prices still ruling at some higher levels in the major spot markets on steady demand amidst inadequate arrivals. The steady export from India amidst lower expectation of output is underpinning the sentiments. The expected production would be 12.4 Mln Tonne including rabi crop against a previous estimate of 12.8 Million Tonne, which is less than the production of last year. Whereas the domestic demand is likely to be near 14 Mln tonne. Demand in India for starch industry is about 1.40 Mln Tonne, poultry above 7 Mln Tonne, livestock 1.5 Mln tonne and for human consumption it is above 3.50 Mln tonne. The poultry industry in India has been facing a severe supply constraint. Therefore, Govt. is considering on the duty free import of maize. The continuous export of maize from India will severely hamper the stock position. The disparity between supply and demand motivated the stockists to hoarding their stocks. The firmness in wheat, Jowar sentiments continuously added the bullish tone. However, some arrivals of rabi crops in the months of Feb-March will makeup some of the supply deficit but, rabi crop provides about 15-17% of the total maize production of India. It is unlikely that the prices would come down much lower side in coming days. Moreover, the global shortage of maize is reported to be around 6-7% this time on higher demand from sharply growing number of ethanol industries. The total global demand is expected to be higher. The demand in far east and middle east countries is approximately increased to above 36 Mln Tonnes. The export from China is not taking place and the lower crop of US is pressurizing the worldwide supply. In Delhi, maize prices remained at some higher levels despite the arrivals of 12-14 motors from UP. Red maize offered up between Rs.830-834/qtl and gajar maize quoted higher between Rs.812-815/qtl in this state. Maize prices quoted up in Bihar between Rs. 785-790 on poor arrivals. Maize prices in Maharashtra is quoted higher at Rs.820. The maize price will be go up further with tandem in export continuation amidst depleting stocks in the coming days.

### NCDEX FUTURES MARKET:

NCDEX maize futures traded mostly rangebound with bullish biasness during the week. However, traded some down side at the weekend. Increased speculative buying at lower levels traded the futures at some higher levels.

Continuous export from India amidst depleting stocks has increased the buying speculation. The most active February contract traded at Rs.757 over last week's closing off 750 and hovered between Rs.738-767 during the week with higher open interest and good volumes. The stochastic is in normal region and moving upwards following a bullish crossover. MACD in negative territory and moving upwards. The stock Position of maize at NCDEX accredited Warehouses increased to 13612 MT as on 11-Jan-07. It did not trade in MCX during the week.

### PRICE DRIVERS:

- Steady export of maize from India
- Sharply decreasing arrivals in the scenario of stockists hoarding along with lower production outlook
- GOI considering duty free import of maize to control the price
- Poor domestic demand at higher price levels
- Anticipation of increase demand from domestic as well as export sectors in coming future.
- Higher demand from growing number of starch industries
- Higher price of Jowar and Bajra
- Lower stocks of poultry industries

### GLOBAL MARKET:

CBOT corn futures surged up Friday on the release of several U.S. Department of Agriculture reports which projected lower than expected 2006 production and ending stocks data. As a result, March corn lifted up 20 cents to \$3.965 per bushel and that was 3.75 off the high and 9 up from the low. May rallied 20 cents higher to \$4.075 per bushel. This was 10 up from the low and 2.75 off the high. New life-of-contract highs were set in most months. Export news is also quite strong. Weekly US export sales for corn came in at 1.517 million metric tonnes as compared to trade expectations between 800,000-1.1 million. Cumulative sales have reached 56.5% of the USDA forecast as compared to 46.5% on average over the last five years. Sales of 709,600 metric tonnes per week are

needed to reach the USDA estimate. In addition to the weekly sales, the USDA reported a sale of 113,792 tonnes to Japan. China exported 470,000 tonnes of corn in December which was below the 600,000 tonnes expected. Ending stocks are expected near 905 million bushels (range 860-966) as compared with December's estimate of 935 million bushels.

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

MARKETS	06.01.07	13.01.07
Delhi (Red Maize)	820-825	834
Delhi (Gajar Maize)	810-812	815
Sangli truck Bilty (New)	770-775	750
Pune Starch (New)	825-830	820
Ahmedabad Poultry feed	840-850	830-840
Ahmedabad Starch	830-840	830-850
Kolkata mill delivery	860-870	885-890
Nizamabad (New Maize)	710-715	NA
Davengere (New Maize)	730	730
Bihar Bilty Price	770-775	785-790

#### DOMESTIC AND INTERNATIONAL

##### NEWS ANALYSIS:

#### Growing Ethanol Industry Looking for Huge Corn Supply

According to an Earth Policy Institute study, the growing number of ethanol industry will require more than twice as much corn in 2008 as previously expected. Ethanol producers are likely to build more than 279 plants over the next several years. The new diversion of uses of corn will no doubt affect the prices. The high corn prices will also increase the prices of products made using corn, such as milk, eggs, cheese, butter, pork, and ice cream. However, National Corn Growers Association are optimistic about meeting the rising demand for fuel without diverting corn from human food and animal feed markets.

#### The Acreage of Maize Increased to 10.533 Lakh ha

Government projected the maize production of India for the year 2006-07 is 12.41 MMT as against the demand of 14 MMT. Thus the deficit will be near 1.6 MMT. The continuous export from India will increase the deficit. The arrivals of rabi crops might be increased some supply but rabi crop provides about 15-17% of the total maize production of India. The area under rabi maize crops has increased to 10.533 lakh ha as on 12th January, 2007 as against 7.372 lakh ha corresponding period of last year. The rabi crop likely to hit the markets in Feb-March 2007 mainly in the markets of Bihar, Andhra Pradesh and Maharsahtra. In Bihar, major rabi maize belts the second phase of sowing is expected during January last to February. The late sowing might cause some reduction in output along with small size of grain. The peak arrivals of rabi crops might be pressurized the sentiments for short

time. However, traders are expected the firm sentiments of maize on increased global demand. Higher demand of ethanol has added the bullish tone at global market. The growing number of ethanol plants in US is demanding more supply.

#### USDA Corn Export Sales Highlights

Corn: Net sales of 1,176,800 MT were double the previous week and 7 percent over the prior 4-week average. Increases reported for Japan (344,600 MT), Mexico (281,200 MT, including 14,200 MT switched from unknown destinations), Egypt (142,300 MT, including 24,700 MT switched from unknown destinations), Colombia (77,600 MT), Panama (56,800 MT), Syria (55,000 MT), and the Dominican Republic (44,300 MT), were partially offset by decreases for unknown destinations (27,900 MT). Net sales of 340,400 MT for delivery in 2007/08 were mainly for Mexico (320,000 MT). Exports of 852,900 MT were 11 percent below the previous week and 19 percent under the prior 4-week average. The major destinations were Japan (230,600 MT), Taiwan (149,400 MT), Mexico (109,000 MT), Egypt (64,800 MT), Ecuador (55,200 MT), and Israel (52,400 MT).

Source: USDA

#### US Corn Ending Stocks Projected 183 Mln Bushels Down

Projected U.S. 2006/07 corn ending stocks are projected at 752 million bushels, down 183 million bushels from last month as lower production is only partly offset by reduced feed and residual use. Corn production is estimated 210 million bushels lower reflecting lower planted and harvested area and a 2.1- bushel-per-acre reduction in the average yield. Feed and residual use is projected 75 million bushels lower based on the smaller crop and higher prices. Corn food and industrial use is lowered 5 million bushels reflecting lower use by the sweetener industry during the September- November quarter. Exports are raised 50 million bushels based on the continued strength of export demand as demonstrated by shipments and export sales. The projected price range is raised 10 cents on each end of the range to \$3.00 to \$3.40 per bushel.

Source: WASDE

#### Global Coarse Grain Production Lowered 6.6 Mln Tonnes

Global 2006/07 coarse grain production is lowered 6.6 million tons this month. The largest share of the reduction results from lower U.S. feed grain output. Also lower are EU-25 corn, barley, and mixed grains production and Russia corn, barley, and oats production. Partly offsetting are higher sorghum and barley production in Argentina and higher corn production in Bulgaria. World coarse grain consumption is down 1.2 million tons as the U.S. decline more than offsets a small increase in foreign use. Trade is raised this month. The largest export increases are for U.S. and Brazil corn. These increases are partly offset by lower corn and barley exports from Ukraine. Global coarse grain

ending stocks are lowered 6.2 million tons with global corn stocks projected to fall to their lowest level since 1977/78.

Source: WASDE.

### **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

### **WEATHER WATCH**

A western disturbance as an upper air system lay over north Pakistan and neighbourhood on 4th & 5th, over Jammu & Kashmir and neighbourhood on 6th and moved away eastwards on 7th. Another western disturbance as an upper air system lay over north Pakistan and adjoining Jammu & Kashmir on 9th and moved away eastwards on 10th. An upper air cyclonic circulation extending upto lower tropospheric levels lay over Assam and neighbourhood during many days of the week. A weak easterly wave affected Nicobar Islands and extreme south peninsula during the week.

#### **Rainfall:**

Scattered snowfall activity occurred over higher ridges of Jammu & Kashmir on 10th.

Isolated light rainfall occurred over Tamil Nadu and Andaman & Nicobar Islands during a few days of the week.

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

Morning fog conditions prevailed over some parts of East Uttar Pradesh, Bihar, Sub-Himalayan West Bengal and adjoining Assam on 4th, 5th and 7th and over some parts of the plains of northwest India during 9-10th

#### **Outlook for the week ending on 10<sup>th</sup> January 2007**

Cold wave conditions are likely to continue over some parts in the plains of northwest India during the week. They are also likely over East Uttar Pradesh and Bihar from middle of the week.

A fresh western disturbance is likely to affect western Himalayan region towards end of the week.

Source: IMD

#### **FOREX RATES (As on 15<sup>th</sup> JANUARY, 2007)**

Country	Currency	Value in Rupees
USA	Dollar	44.61
European Union	Euro	57.54
Japan	100 Yen	36.97
Great Britain	Pound Sterling	86.80

## TECHNICAL ANALYSIS

Commodity: Maize

Contract: February 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

NCDEX maize futures traded mostly rangebound with bullish biasness during the week. However, traded some down side at the weekend. Increased speculative buying at lower levels traded the futures at some higher levels. Continuous export from India amidst depleting stocks has increased the buying speculation. The most active February contract traded at Rs.757 over last week's closing off 750 and hovered between Rs.738-767 during the week with higher open interest and good volumes. The stock Position of maize at NCDEX accredited Warehouses increased to 13612 MT as on 11-Jan-07. It did not trade in MCX during the week.

**Technical:** Candlesticks formation hints firm market for the following trading day with firm opening. The stochastic is in normal region and moving upwards following a bullish crossover. MACD is in negative territory and moving upwards. Prices closed above 9-day and 18-day EMA, The open interest as well as volume of trade has increased during the week.

**Outlook:** Expected to remain firm on steady export amidst poor arrivals. Bullish tone of jowar and bajra is also supporting firm outlook.

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

### Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
February	785	795	734	722



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