

## MAIZE

13<sup>th</sup> -20<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 continued bullish in the major spot markets on decreasing arrivals amidst good demand. However, at the higher price levels demand is seen decreasing. The domestic demand is about 14 Mln tonne. Half of the total demand is coming from poultry industry. Despite the supply need, higher prices of maize in the recent period diverted the buyers from market. The stocks of poultry industry is much lower but they can't afford from the present price levels as maize alone accounted to 80 per cent of the total cost of production of eggs and broilers. The expected production is lower near about 12.4 Mln Tonne including rabi crop. Further, the continuous export of maize from India will severely hamper the stock position. Moreover, firm tone at maize prices in the world is underpinning the sentiments. World wide maize shortfall is reported to be 6 to 7% compared to last year. Maize output in the US, largest producer accounting for about 40 per cent of total maize production in the world, is estimated to reduce by about 10 million tonnes to 272 million tonnes for 2006-07. At the same time, the demand is expected to go up by about 12 million tonnes. The demand in Far East and Middle East countries is approximately 3 times higher than India's total maize production. Projected U.S. 2006/07 corn ending stocks are projected at 752 million bushels, down 183 million bushels from last month. Therefore, the outlook of supply constraints motivated the stockists to hoarding their stock. Consequently, arrivals have sharply decreased to all over the major markets. Maharashtra market is witnessed only 2-3 motors of arrivals. The arrivals remained 4-6 motors on an average in Delhi mandis from UP. The Gujarat mandis observed nearly 1-2 motors of arrivals and are mostly coming from Maharashtra. As a result, maize prices remained at some higher levels. In Delhi, Red maize prices up by Rs.25 to Rs.855-865/qlt and gajar maize quoted higher by Rs.25 at Rs.835-840/qlt. Maize prices quoted up by Rs.10 in Bihar at Rs. 795-800. The Govt. of India is taking into consideration about permitting duty-free import of corn that would help to fulfill some supply. However, Bullish sentiments at Global market are also major constraints on that. 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 in coming days.

### NCDEX FUTURES MARKET:

NCDEX maize futures traded up during the week. Increased buying interest supported the futures. Continuous export from India amidst depleting stocks has increased the buying speculation. The most active February contract traded at Rs.781.5 over last week's closing off 743.5 and hovered between Rs.746.5-785.0 during the week with higher open interest as well as volumes. The stochastic is in normal region and moving upwards following a bullish crossover. MACD is in positive territory and moving upwards. The stock Position of maize at NCDEX accredited Warehouses increased to 13650 MT as on 18-Jan-07. No delivery intention is reported from investors towards January 19, 2007 expiry contract. It did not trade in MCX during the week.

### PRICE DRIVERS:

- Continued export of maize from India amidst big gap between demand and supply
- 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 amidst supply need
- 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
- Firm sentiments at Global market
- Projected U.S. 2006/07 corn ending stocks are projected at 752 million bushels, down 183 million bushels from last month

## GLOBAL MARKET:

CBOT corn futures settled down Friday on some buying interest. The market seemed to be unable to gain from the stronger-than-expected weekly export sales report. March corn settled 5.5 cents lower to \$4.068 per bushel; this was 7.75 off the high and 1 up from the low. May slid down 4 cents to \$4.18 per bushel. This was 2.5 up from the low and 5.75 off the high. Smaller than expected increase in 2007 corn plantings in the coming season has underpinned the tone. Weekly US export sales for corn came in at 1.42 mln tonnes as compared to trade expectations between 800,000-1.0 mln tonnes. Cumulative sales have already reached 57.7% of the USDA forecast for the entire marketing year as compared to 48.1% on average over the last five years. Sales of 726,200 metric tonnes per week are needed to reach the USDA estimate. On top of the weekly sales, the USDA announced a sale of 120,000 tonnes of US corn to Egypt. By the end of the session the acreage story had played itself out as the market settled toward the low end of this week's range.

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

MARKETS	13.01.07	20.01.07
Delhi (Red Maize)	834	865
Delhi (Gajar Maize)	815	835-840
Sangli truck Bilty (New)	750	755-760
Pune Starch (New)	820	785-790
Ahmedabad Poultry feed	830-840	860-865
Ahmedabad Starch	830-850	840-860
Kolkata mill delivery	885-890	890-895
Nizamabad (New Maize)	NA	750-755
Davengere (New Maize)	730	735-738
Bihar Bilty Price	785-790	795-800

## DOMESTIC AND INTERNATIONAL

### NEWS ANALYSIS:

#### Maize Acreage in AP 1.98 lh as Against the Normal 1.36lh.

Maize production in Andhra Pradesh is likely to be much higher this year. The total cultivated area under maize crop estimated 1.98 lakh hectares as against the normal 1.36-lakh hectares. The total area under maize crop over the country is also increase to 10.53 lakh hectares as on 12 January 2007 as against the corresponding period of last years' 7.37 lakh hectares. Traders expected arrivals of rabi crops in February-March will make over some of the deficit mainly due to the lower output in kharif season. The maize production for the current years kharif crop is 11 Mln tonne added with rabi crop, the expected crop size likely to 12.4 Mln tonne, which is lower the production of last year, whereas the demand for the maize is likely to be 13.86 Mln tonne.

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.

#### U.S. Corn Acreage is increased by 7.3 million acre

Informa Economics, a private analytical company estimated 2007 corn planted acreage in U.S. is increased by 7.3 million acre to 85.6 million acres. 78.3 million acre planted last year. Annual US maize plantings is 80 million acres or 32 million hectares. The increase acreage is underpinning some weak trading at CBOT Friday.

#### Maize Acreage is Up in India

Maize has been sown in 10.67 lakh ha so far as on 19th January, 2007 compared to 7.403 lakh ha in the corresponding period last year, representing an increase of over 3.267 lakh hectare.

#### 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.

#### USDA Corn Export Sales Highlights

Corn: Net sales of 1,425,500 MT were 21 percent above the previous week and 37 percent over the prior 4-week average. Increases reported for Japan (598,300 MT), Mexico (147,600 MT), unknown destinations (135,400 MT), Colombia (104,100 MT), including 21,000 MT switched from unknown destinations), Taiwan (69,400 MT), and Algeria (55,100 MT, including 53,700 MT switched from unknown destinations), were partially offset by decreases for South Korea (53,100 MT). Net sales of 147,600 MT for delivery in 2007/08 were mainly for unknown destinations (116,200 MT). Exports of 1,006,800 MT were 18 percent above the previous week and 5 percent over the prior 4-week average. The major destinations were Taiwan (145,000 MT), Algeria (105,100 MT), Japan (81,800 MT), Mexico (71,400 MT), Panama (70,700 MT), Colombia (63,500 MT), South Korea (57,100 MT), Tunisia (56,700 MT), Morocco (54,100 MT), and Peru (52,100 MT).

This summary is based on reports from exporters for the period January 5-11, 2007.

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 weak easterly wave affected Nicobar Islands and coastal Tamil Nadu during the week. A cyclonic circulation at lower levels lay over Assam and neighbourhood during 11-13th. It lay over Nagaland, Manipur, Mizoram & Tripura and neighbourhood during 14-16th with a trough extending upto Sub-Himalayan West Bengal & Sikkim at lower levels. A cyclonic circulation at lower levels lay over Gangetic West Bengal & adjoining north Orissa and Jharkhand on 16th evening. It lay over Gangetic West Bengal and neighbourhood with a trough extending towards south Orissa on 17th.

#### **Rainfall:**

Isolated rain/thundershowers occurred over Arunachal Pradesh and Assam during 12-14th. Isolated rain/thundershowers occurred over Sub-Himalayan West Bengal & Sikkim during 15-17th and over Jharkhand, Orissa and Gangetic West Bengal on 17th. Isolated rain/thundershowers occurred over Nicobar Islands on 16th. Mainly dry weather prevailed over the remaining parts of the country during the week. Morning fog conditions prevailed at some places in Indo-Gangetic plains during 11-13th. Isolated fog conditions prevailed during remaining days of the week.

#### **Outlook for the week ending on 24th January 2007**

Rise in night temperature over Indo-Gangetic plains during next 1-2 days and fall thereafter alongwith fog condition at some places.

Source: IMD

### **FOREX RATES (As on 22<sup>nd</sup> JANUARY, 2007)**

Country	Currency	Value in Rupees
USA	Dollar	44.21
European Union	Euro	57.34
Japan	100 Yen	36.43
Great Britain	Pound Sterling	87.30

## TECHNICAL ANALYSIS

**Commodity: Maize**

**Contract: February 2007**

**Exchange: NCDEX**

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

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**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 positive 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	800	812	749	740



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