

## MAIZE

03<sup>rd</sup> -10<sup>th</sup>, FEBRUARY, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Maize prices continued firm this week in the major spot markets on steady arrivals at lower side. Red maize prices at Delhi market ruling up at Rs.860-870 and arrivals remained steady at 5-6 motors from UP. Maize prices quoted firm in Bihar at Rs. 850-855. The Nizamabad mandis also witnessed tight prices around 785-790. However, demand is seen lower at the higher price levels as the consumers really can't afford at this levels. Maize along accounted to 80 per cent of the total cost of production of eggs and broilers. According to second advance estimates of Govt. this year maize production is likely to 13.56 Mln. tonnes as against the last years production of 14.71 Mln. tonnes. 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. Starch companies are reportedly shifting to tapioca starch because that is much cheaper than maize starch. However, arrivals of tapioca will slow down from mid-March. The poultry industry too, which consumes more than 50 per cent of the maize produce in the country shifting towards cheap rice bran, poor quality wheat and Soya meal. The increased worldwide demand mainly from the growing ethanol plants has added the bullish tone. Further, a good number of maize-based ethanol plants coming up in the United States this year, the largest producer of maize, chances of exports from the US are slim. Despite the Govt. decision to slashing import duty to zero last week no significant import is observed so far as the landed price of imported corn is ruling higher. International prices might come down only when production went up. The U.S. corn is likely to harvest in the months of May-June. The rabi crop of maize in India is expected to be around 2.5-3 Mln. tonne on the back of around 1.186 lakh ha increase in acreage. The rabi crops arrivals in the month of march-April no doubt will soften the sentiments to some extent.

### NCDEX FUTURES MARKET:

NCDEX maize futures traded bearish during the week. Increased selling pressure at higher levels pressurised the futures. The February contract traded lower at Rs.781 over last week's closing off 797 and hovered between Rs.775-800 during the week with lower open interest and decreased volumes. The stock Position of maize at NCDEX

accredited Warehouses increased to 13854 MT as on 08-Feb-07 as against last weeks' 13808 MT.

### PRICE DRIVERS:

- Weak domestic demand at higher price levels
- Increased demand from growing number of ethanol plants mainly in U.S.
- Despite duty waiver, imports may not be feasible because of strong overseas prices.
- Continued export of maize from India amidst big gap between demand and supply
- Maize acreage has increased to 11.134 lakh ha so far as on 09th February, 2007 compared to 9.948 lakh ha in the corresponding period last year
- The rabi crops is likely to hit the market during march-April
- U.S. corn is likely to harvest in the months of May-June
- Higher demand from growing number of starch industries
- Higher price of Jowar and Bajra

### GLOBAL MARKET:

CBOT corn futures finished higher Friday. March corn ended 6.5 cents higher at \$4.063 per bushel that was 3.5 off the high and 8.754 up from the low. December finished 2.75 cents higher at \$3.993 per bushel. The market got its strength after the neutral news from the USDA as solid fund buying emerged to support. Bullish sentiments in gold, crude oil and other commodity markets overnight, a lack of bearish news from the USDA and talk of potential hot and dry weather for the Midwest this summer helped drive the market higher early in the session.

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

MARKETS	03.02.07	10.02.07
Delhi (Red Maize)	845-850	860-870
Delhi (Gajar Maize)	842-845	850-860
Sangli truck Bilty (New)	750-765	770-775
Pune Starch (New)	805-815	820-825
Ahmedabad Poultry feed	870-880	860-870
Ahmedabad Starch	855-870	865-875
Kolkata mill delivery	925-930	930-935
Nizamabad (New Maize)	780-790	785-790
Davengere (New Maize)	790-800	820-825
Bihar Bilty Price	820-835	850-855

## DOMESTIC AND INTERNATIONAL

### NEWS ANALYSIS:

#### Maize Acreage has Increased to 11.134 lakh ha

Area under maize has increased to 11.134 lakh ha as on 8th February, 2007 from 9.948 lakh ha corresponding period of last year.

#### U.S. Corn Supply, Stocks Projection 2006/07 Unchanged This Month

U.S. supply, use, and stocks projections for 2006/07 corn is unchanged this month. Corn exports are unchanged this month despite stronger competition from South America supplies as Mexico corn imports are increased. Projections for the corn and oats season-average farm prices are unchanged this month at \$3.00 to \$3.40 per bushel and \$1.75 to \$1.95 per bushel, respectively.

Source: WASDE

#### Global 2006/07 Corn Production Projected Higher this Month

Global 2006/07 coarse grain production is raised 4.8 million tons this month on improved prospects for corn crops in South America. Corn production for Argentina is raised 2 million tons to 21 million. Brazil corn production is raised 4 million tons to 46 million. Both increases are based on good growing season weather as reflected in recent area and yield indications. Supportive weather and higher prices also favor increased area for second-crop corn in Brazil. Partly offsetting these increases is a 0.5-million-ton decrease for South Africa corn production. South Africa corn output is projected at 9.5 million tons on lower reported area and declining yield prospects as heat and dryness have stressed crops in the western Maize Triangle. Other coarse grain production changes include reductions for Australia sorghum; Ukraine barley, oats, and corn; and Turkey corn. Other production increases include Kazakhstan barley and India corn.

Source: WASDE

#### Global Coarse Grain Consumption Up 3 Mln tonnes

World coarse grain consumption is raised 3 million tons this month as improving supply prospects support stronger global use. Corn feed use for Brazil is revised higher for 2005/06 and projected higher for 2006/07 based on indications of stronger poultry and hog feeding demand. Global coarse grain exports are raised 2.8 million tons with the biggest increases for Argentina and Brazil corn. Corn imports for Mexico are raised 0.7 million tons this month based on the strong pace of shipments and sales from the United States. Canada corn imports, however, are lowered 0.3 million tons reflecting sharply higher wheat feeding. Global coarse grain ending stocks are raised 1.3 million tons with a 1.5-million-ton increase in corn stocks offset by slightly lower barley and sorghum stocks.

Source: WASDE

#### Higher Global Prices Restricted Maize Import in India

The firm prices of Indian maize are losing its ground in the Southeast Asian market. On the other hand, despite the Govt. decision to slashing import duty to zero last week no significant import is observed so far as the landed price of imported corn is ruling higher. The maize mills are buying the local crop much higher rates around Rs.8.25-8.60 per kg. The import cost will be further higher which, they can't afford practically. The higher global prices restricted Indian starch industry, one of the main consumers of maize from import. Starch companies are reportedly shifting to tapioca starch because that is much cheaper than maize starch. The poultry industry is also reportedly switch to cheap rice bran, poor quality wheat and Soya meal. If the global prices not come down the import won't be viable in coming months. However, U.S. corn is likely to harvest in the months of May-June. The higher arrivals in U.S. might be dropped the price levels there at that time.

#### Govt Announces Duty Free Imports of Maize

Govt of India has removed customs duty on Maize imports till December 31, 2007 in yet another measures to curb rising inflation. Maize imports are currently governed by Tariff Rate Quota (TRQ), under which up to 5 lakh tonnes will attract 15 pct customs duty and thereafter 50 pct on all additional imports. India is exporting maize to neighbouring countries including Indonesia as the global prices are attractive and Indian exporters find parity at UD\$ 190 pmt FOB levels for exports. While the domestic prices are ruling around Rs 8000 per tonne as against Rs 5500-6000 per tonne last year, the international maize prices are currently ruling at around Rs 10,000 per tonne

#### 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 Lower

Corn: Net sales of 917,300 MT were 15 percent above the previous week, but 16 percent under the prior 4-week average. Increases reported for Mexico (314,100 MT), Japan (309,600 MT), Egypt (97,500 MT), Guatemala (46,100 MT), and Taiwan (43,800 MT), were partially offset by decreases for South Korea (56,500 MT) and Ecuador (20,000 MT). Exports of 1,029,800 MT were 14 percent below the previous week, but equal to the prior 4-week average. The major destinations were Japan (444,500 MT), Mexico (126,700 MT), Egypt (97,500 MT), South Korea (59,400 MT), Saudi Arabia (45,700 MT), the Dominican Republic (41,800 MT), and Morocco (41,500 MT).

This summary is based on reports from exporters for the period January 26 - February 1, 2007.

SOURCE: USDA

### WEATHER WATCH

A western disturbance as an upper air system lay over Jammu & Kashmir and neighbourhood on 3rd and moved away eastwards on 4th. Another western disturbance as an upper air system affected Western Himalayan region during 5-6th and was moving away eastwards on 7th. An induced upper air cyclonic circulation in the lower levels lay over West Rajasthan and neighbourhood on 5th, over northeast Rajasthan and adjoining Haryana on 6th and over Haryana and neighbourhood on 7th. A cyclonic circulation in the lower levels lay over East Uttar Pradesh and adjoining Bihar on 6th & 7th. A trough from this system extended upto north Telangana on 7th. Another cyclonic circulation in the lower levels lay over Gangetic West Bengal and neighbourhood on 5th and north Orissa and neighbourhood on 6th. It became less marked on 7th.

### Rainfall:

Scattered to isolated rain/snowfall occurred over Western Himalayan region during 4-7th. Isolated rain/thundershowers occurred over Rajasthan, Punjab and Haryana on 6-7th and over Uttar Pradesh on 7th. Scattered to isolated rain/thundershower occurred over northeastern States and Sub-Himalayan West Bengal & Sikkim throughout the week. Isolated rain/thundershower also occurred over Orissa on 3rd and 5-7th and over Gangetic West Bengal and Jharkhand on 5th. Mainly dry weather prevailed over the remaining parts of the country during the week. Isolated morning fog conditions prevailed over Indo-Gangetic plains throughout the week except on 3rd when the morning fog conditions occurred at many places over the region. Fog also occurred at many places over Orissa and Sub-Himalayan West Bengal & Sikkim during morning hours on 3rd.

### Outlook for the week ending on 14th February 2007

A fresh western disturbance is likely to cause scattered precipitation over northwest and east India for 2-3 days commencing from 9th. Rise in night temperature over plains of northwest India during 9-12th and fall thereafter. Dense fog conditions are likely over plains of northwest India towards end of the week.

### Source: IMD

### FOREX RATES (As on 10<sup>th</sup> FEBRUARY, 2007)

Country	Currency	Value in Rupees
USA	Dollar	44.06
European Union	Euro	57.46
Japan	100 Yen	36.30
Great Britain	Pound Sterling	86.34

## TECHNICAL ANALYSIS

Commodity: Maize

Contract: February 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

NCDEX maize futures traded bearish during the week. Increased selling pressure at higher levels pressurised the futures. The February contract traded lower at Rs.781 over last week's closing off 797 and hovered between Rs.775-800 during the week with lower open interest and decreased volumes. The stock Position of maize at NCDEX accredited Warehouses increased to 13854 MT as on 08-Feb-07 as against last weeks' 13808 MT.

**Technical:** Candlesticks formation hints weak market for the following trading day with lower opening. The stochastic is in normal region and moving sharply downwards. MACD is in positive territory and moving downwards, indicating weakness at medium term. Prices closed in-between 9-day and 18-day EMA, The open interest as well as volume of trade has decreased during the week.

**Outlook:** Rangebound with firm undertone on depleting stocks. The bullish tone at international market is also underpinning the sentiments.

**Recommendation:** Sell on High towards resistance levels

### Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
February	800	807	756	764



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