

## MAIZE

27<sup>th</sup>, JANUARY- 03<sup>rd</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 remained firm this week in the major spot markets on steady arrivals at lower side amidst lower stock position of users. However, demand is lower at the higher price levels. Arrivals remained steady at lower side in major markets. Red maize prices at Delhi market remained at higher sides at Rs.845-850 and arrivals remained steady at 4-6 motors from UP. Maize prices quoted up further in Bihar by Rs.20 at Rs. 820-835. The firm prices of Indian maize are losing its ground in the Southeast Asian market. 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 rising demand for bio-ethanol production in U.S., the world's largest producer and exporter has reduced the available export surplus and resulting into firm prices. Increased feed demand from China has added further bullishness. The bullish sentiments at CBOT continued supported the sentiments. 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 acreage under maize in U.S. is also increased by 7.3 million acre to 85.6 million acres. Annual US maize plantings is 80 million acres. The higher arrivals in U.S. might be dropped the price levels there at that time. The rabi crops arrivals is also hit the Indian domestic market during March- April. Maize acreage has increased by over 3.267 lakh hectare so far as compared to last year. Therefore, the gap between supply and demand is expected to decrease in that time.

### NCDEX FUTURES MARKET:

NCDEX maize futures traded bullish during the week. However, increased selling pressure at higher levels pressuring futures. The most active February contract traded at Rs.793 over last week's closing off 768 and hovered between Rs.757-805 during the week with lower open interest and decreased volumes. The stochastic is in

normal region and moving downwards following a bearish crossover. MACD is in positive territory and moving slightly downwards, indicating weakness at medium term. The stock Position of maize at NCDEX accredited Warehouses increased to 13808 MT as on 01-Feb-07 as against last weeks' 13710 MT.

### PRICE DRIVERS:

- 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 10.67 lakh ha so far as on 19th January, 2007 compared to 7.403 lakh ha in the corresponding period last year
- The rabi crops is likely to hit the market during march-April
- The acreage under maize in U.S. is also increased by 7.3 million acre
- Poor domestic demand at higher price levels amidst supply need
- Higher demand from growing number of starch industries
- Higher price of Jowar and Bajra

### GLOBAL MARKET:

CBOT corn futures finished higher. March Corn finished up 4 at 402 per bushel that was 3.75 off the high and 7 up from the low. May Corn futures finished up 5 at 414.7 per bushel. This was 7.75 up from the low and 2.75 off the high. The January USDA reports about the jump in soybeans and crude oil helped support active fund buying. However, ideas that the US soil as well as weather conditions are favourable for a large crop for the coming season and that the hot and dry weather for a few days in Argentina should not cause much of a problem for the crop is pressurising the tone.

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

MARKETS	27.01.07	03.02.07
Delhi (Red Maize)	870-872	845-850
Delhi (Gajar Maize)	850-855	842-845
Sangli truck Bilty (New)	760-765	750-765
Pune Starch (New)	790-795	805-815
Ahmedabad Poultry feed	850-865	870-880
Ahmedabad Starch	845-870	855-870
Kolkata mill delivery	895-900	925-930
Nizamabad (New Maize)	785	780-790
Davengere (New Maize)	755-757	790-800
Bihar Bilty Price	810	820-835

## DOMESTIC AND INTERNATIONAL NEWS ANALYSIS:

### Maize Acreage Increased by 1.248 lakh hectare

Maize has been sown in 11.094 lakh ha so far as on 1st February, 2007 compared to 9.846 lakh ha in the corresponding period last year, representing an increase of over 17.5 lakh hectare, representing an increase of over 1.248 lakh hectare.

### Higher Global Prices Restricted Maize Import in India

The firm prices of Indian maize are loosing 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.

### 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.

### USDA Corn Export Sales Lower

Corn: Net sales of 797,300 MT were 20 percent below the previous week and 23 percent under the prior 4-week average. Increases reported for Japan (325,400 MT, including 79,400 MT late reporting), Mexico (116,000 MT), the Dominican Republic (70,200 MT), Saudi Arabia (60,000 MT, all switched from Egypt), South Korea (57,500 MT), Chile (56,400 MT), and Syria (54,800 MT, including 50,000 MT switched from unknown destinations), were partially offset by decreases for unknown destinations (86,500 MT), and Egypt (60,900 MT). Exports of 1,201,900 MT were 16 percent above the previous week and 25 percent over the prior 4-week average. The major destinations were Japan (240,300 MT, including 79,400 MT late reporting), Taiwan (174,100 MT), South Korea (115,800 MT, including 57,700 MT late reporting), Mexico (89,400 MT), Algeria (73,200 MT), Egypt (59,100 MT), Chile (56,400 MT), and Syria (54,800 MT).

Source: USDA

### WEATHER WATCH

A western disturbance affected Western Himalayan region during 26-28th and moved away eastwards thereafter. An upper air cyclonic circulation at lower levels lay over south Rajasthan and neighbourhood on 29th with a trough from the system running upto Haryana. It lay over northeast Rajasthan and neighbourhood on 30th and became less marked on 31st. A trough in the westerlies at lower levels ran from Sub-Himalayan West Bengal & Sikkim to north Orissa on 31st. A easterly wave affected Nicobar Islands, south Peninsula and Lakshadweep during the week.

### Rainfall:

Scattered to isolated rain/snowfall occurred over Jammu & Kashmir during 27-29th. Isolated rain/thundershowers occurred over plains of northwest India, West Madhya Pradesh and west India outside Marathwada on 30th and over Haryana, East Rajasthan, Madhya Pradesh, Uttar Pradesh, Bihar and northeastern States on 31st. Isolated rain/thundershowers also occurred over Nicobar Islands on 29th, over Tamil Nadu and Kerala during 27-29th, over Coastal Karnataka on 28-29th and over Lakshadweep during 28-30th. Mainly dry weather prevailed over the remaining parts of the country during the week.

### Outlook for the week ending on 07<sup>th</sup> February 2007

Isolated rain/thundershower is likely over northeastern States during many days of the week. Isolated rain/thundershower is also likely over West Bengal & Sikkim during second half of the week. A fresh western

### TECHNICAL ANALYSIS

**Commodity: Maize**

**Contract: February 2007**

**Exchange: NCDEX**

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

NCDEX maize futures traded bullish during the week. However, increased selling pressure at higher levels pressuring futures. The most active February contract traded at Rs.793 over last week's closing off 768 and hovered between Rs.757-805 during the week with lower open interest and decreased volumes. The stochastic is in normal region and moving downwards following a bearish crossover. MACD is in positive territory and moving slightly downwards, indicating weakness at medium term. The stock Position of maize at NCDEX accredited Warehouses increased to 13808 MT as on 01-Feb-07 as against last weeks' 13710 MT.

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

**Outlook:** Steady to slightly down on lower demand at higher price levels. The export may not increase further as firm prices of Indian maize are loosing its ground in the Southeast Asian market.

disturbance is also likely to affect Western Himalayan region during the middle of the week.

**Source: IMD**

### FOREX RATES (As on 05<sup>th</sup> FEBRUARY, 2007)

Country	Currency	Value in Rupees
USA	Dollar	44.11
European Union	Euro	57.44
Japan	100 Yen	36.55
Great Britain	Pound Sterling	86.79

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

**Resistance and Support level:**

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
February	809	814	776	768



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