

## MAIZE

24<sup>th</sup> -31<sup>st</sup>, MARCH, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Maize trades steady to down in majority of domestic markets. Fresh arrivals are continued in Karnataka and Andhra Pradesh and Bihar. However, Bihar produces major portion of total rabi crops and the arrivals are reported to around 7,000 bags all over the state. Majority of arrivals from the state are reported at Gulab baug mandi about 2,000-3,000 bags. The Naugachia mandi witnessed around 600-700 bags of arrivals and price decline by Rs.40/qrtl to Rs.680-690/qrtl on bilty basis. Some demand from Kolkata has supported the sentiments. However, higher moisture contents of new crops limited some of the demand. In Delhi both the red maize and gajar maize prices quoted flat at Rs.900/qrtl and Rs.890/qrtl respectively on the back of steady arrivals around 4-5 motors mainly from U.P.. However, around 20 boxes (wagons) arrivals are reported from Maharashtra. Some demand from feed companies of Haryana and Punjab are supporting the sentiments. Bajra price remained higher at Rs.705/qrtl. March ending limited the market activities. In Nizamabad, the new maize prices quoted down at Rs.750/qrtl on bilty basis on the back of fresh arrivals around 20,000 bags. The bullish tone of global market is supporting the prices from further plunge. The Stockists are consciously taking position as Govt. declared exports of maize would be permitted only through the State Trading Corporation.

### NCDEX FUTURES MARKET:

NCDEX maize futures traded mostly range bound with weak bias during the week. Increased selling pressure at higher levels has pressurized the sentiments and slid down sharply during the weekend. The most active May contract traded lower around at Rs.779/qrtl as against the previous week's closing of around Rs. 802/qrtl and hovered between Rs.771.5-817.5/qrtl during the week with higher open interest and good volumes. The stock Position of maize at NCDEX accredited Warehouses remains lower at 11772MT as on 30-March-2007 as against last week's stock of 12266 MT.

### PRICE DRIVERS:

- ✓ Increased fresh arrivals in Karnataka, Andhra Pradesh and Bihar
- ✓ Some demand from poultry feed companies of Punjab and Haryana.

- ✓ GOI will allow exports of maize through state-run agencies
- ✓ Firm tone of jowar, bajra prices
- ✓ Govt. releases maize to the poultry industry in WB
- ✓ Maize acreage has increased to 11.134 lakh ha so far as on 19th February, 2007 compared to 9.948 lakh ha in the corresponding period last year
- ✓ According to the second advance estimate of Govt. the production of rabi maize crops in the country is likely to be 2.46 Mln. Tonnes as against the 2.55 Mln. Tonnes last year.
- ✓ Despite duty waiver, imports may not be feasible because of strong overseas prices.
- ✓ The fresh arrivals of rabi maize in Bihar market during first phase around April likely to be lower.
- ✓ U.S. corn is likely to harvest in the months of May-June
- ✓ Higher demand from growing number of starch industries

### GLOBAL MARKET:

CBOT corn futures settled down Friday on as a higher-than-anticipated U.S. planting intentions estimate from the U.S. Department of Agriculture. May corn fell down 20 cents to \$3.745 per bushel, July finished 20 cents down to \$3.8555 per bushel, and December settled 20 cents lower at \$3.835 per bushel. The USDA indicated that producers intend to plant 90.454 million acres of corn this season as compared with the average trade estimate of 87.98 million acres (range 86.3-90.76) and 78.327 million acres planted last year. For the quarterly grain stocks report, March 1st corn stocks were pegged at 6.07 billion bushels as compared with the average trade estimate of 5.994 billion bushels (5.906-6.080) and compared with 6.987 billion last year. The news is bearish for new crop and for old crop corn and with funds holding a massive net long position, aggressive selling is possible. If US producers plant 90.54 million acres and yield comes in near 150 bushels/acre (assuming usage near 12.286 billion bushels), ending stocks would come in near 777 million bushels as compared with 752 million for this year, 1.967 billion last year and 2.114 billion bushels three years ago. A slightly drier trend for the Midwest for next week clashes with a

much colder temperature trend to make fieldwork somewhat uncertain for next week; especially in areas which receive hefty rain totals for the weekend.

Source: CBOT

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

	24.03.07	31.03.07
Delhi (Red Maize)	895	Closed
Delhi (Gajar Maize)	885	Closed
Sangli truck Bilty (New)	790	Closed
Pune Starch (New)	820	Closed
Ahmedabad Poultry feed	860	870
Ahmedabad Starch	850-855	865-875
Kolkata mill delivery	N.A.	880
Nizamabad (New Maize)	760	735-740
Davengere (New Maize)	765	755-760
Bihar Bilty Price	740	660-670

## DOMESTIC AND INTERNATIONAL

### NEWS ANALYSIS:

#### USDA Estimates Higher-than-Anticipated U.S. Corn Planting

U.S. Department of Agriculture estimated a higher-than-anticipated U.S. planting intentions this year. The USDA indicated that producers intend to plant 90.454 million acres of corn this season as compared with the average trade estimate of 87.98 million acres (range 86.3-90.76) and 78.327 million acres planted last year. For the quarterly grain stocks report, March 1st corn stocks were pegged at 6.07 billion bushels as compared with the average trade estimate of 5.994 billion bushels (5.906-6.080) and compared with 6.987 billion last year.

#### Maize Prices Go Up in South Africa on the Concern of Lack of Rains

Maize sentiments remain bullish in South Africa on the concern that a lack of rain would damage crops. According to the local weather service forecast, that rain was unlikely to fall in the Mpumalanga province, where most of the nation's yellow maize is grown and no rain is expected in the Free State, where most white maize is grown.

#### USDA Long-term Projections on Corn

Domestic corn use grows throughout the projection period, primarily reflecting increases in corn used in the production of ethanol. Global economic growth underlies increases in U.S. corn

- Large increases are projected in corn used for ethanol production over the next several years. Relatively high prices for oil contribute to favorable returns for ethanol production, which combine with government programs to provide economic incentives for the large ongoing expansion in ethanol production capacity.

- Feed and residual use of corn declines in the initial years and then rises only moderately as increased feeding of distillers grains, a co product of dry mill ethanol production, helps meet livestock feed demand.

- Gains in food and industrial uses of corn (other than for ethanol production) are projected to be smaller than increases in population. Consumer dietary concerns and other changes in tastes and preferences limit increases in the combined use of corn for high fructose corn syrup, glucose, and dextrose to about half the rate of population gain.

- U.S. corn exports fall over the next several years as more corn is used domestically in the production of ethanol. After growth in ethanol production in the United States slows, U.S. corn exports rise in response to stronger global demand for feed grains to support growth in meat production.

- Additionally, U.S. corn exports to Mexico are boosted because of the elimination of tariffs on corn imports from the United States. This shifts some U.S. exports to corn from sorghum, which already has tariff-free status.

Source: USDA

#### USDA Long-Term Projections: Global Coarse Grains Exports

The United States dominates world trade in coarse grains, particularly corn. However, increasing use of corn for U.S. ethanol production and rising world prices are assumed to limit U.S. export growth. During the next half decade, some countries respond to higher world prices by increasing corn production and exports—most notably Argentina, some countries in Eastern Europe, the Republic of South Africa, Ukraine, and Brazil. Still, U.S. corn exports are projected to grow after the ramp up in domestic ethanol production slows in 2009. The U.S. share of world corn trade stays close to 60 percent as few countries have the capability to respond to rising international

- Argentina, with a small domestic market, remains the world's second largest corn exporter. Argentina's corn planted area gradually increases in response to higher prices. Corn exports rise steadily by more than 60 percent to 21 million tons. Argentina and other South American countries increase corn exports to Chile to support its expanding pork exports to South Korea.

- The Republic of South Africa boosts corn exports slightly to nearly 3 million tons. Some exports go to East Asian markets and some shipments of white corn are exported to neighboring countries for food use. Uncertainties associated with the land reform program in the Republic of South Africa are assumed to limit increases in production.

- Corn exports from non-EU-25 Eastern European countries, primarily Romania and Bulgaria, rise to more than 3 million tons by 2016. Favorable resource endowments, increasing economic openness, greater investment in their agricultural sectors, and duty-free access to the EU-25 for Romania and Bulgaria are behind the projected gains in production and trade.

- Brazil's corn exports increase rapidly in the early years of the projections in response to higher corn prices relative to soybean prices. Brazil targets niche market demand for

nongenetically modified grain. However, strong growth in domestic demand from its livestock sector and the profitability of growing soybeans limits corn exports.

- China's corn exports decline in the projections, reflecting strengthening domestic demand driven by its expanding livestock and industrial sectors. It is assumed that Chinese policy will tend to favor importing soybeans rather than corn.

Source: USDA

### **Global Coarse Grain Production 0.5 MT Down this Month**

Global 2006/07 coarse grain production is lowered 0.5 million tons this month as higher corn production in South America is more than offset by lower coarse grains production in South Africa and Australia. Argentina corn production is raised 0.5 million tons to 21.5 million, and Brazil corn production is raised 2.0 million tons to 48.0 million. Production is expected to be a record in both countries as excellent growing season weather is reflected in higher yields. Corn area for Brazil's winter crop is also expected to be higher as producers respond to high corn prices with increased planting. South Africa corn output is lowered to 7.0 million tons, down 2.5 million from last month as drought and heat during February sharply reduced production prospects. Australia sorghum, oats, and corn production are all lowered as drought affected these spring planted crops. Coarse grain production in India is lowered as a reduction in millet is only partly offset by an increase in corn. The Philippines corn production is raised this month.

Source: WASDE

### **World Coarse Grain Consumption Up This Month**

World coarse grain consumption is raised slightly this month. An increase in corn consumption is nearly offset by lower millet, sorghum, and oats consumption. Corn consumption is raised for EU-25, Mexico, India, and the Philippines as larger supplies support increases in feeding. Reduced coarse grain production lowers consumption in other countries. With lower output, millet consumption is lowered for India. Sorghum, oats, and corn consumption are lowered for Australia, reflecting drought-reduced supplies. Corn consumption in South Africa is also lowered with production.

Global coarse grain exports are raised 1.8 million tons this month with the biggest increases for Brazil, EU-25, and Ukraine. Brazil corn exports are raised 1.5 million tons as the projected record crop boosts available supplies. EU-25 and Ukraine barley exports are raised 0.5 million tons and 0.3 million tons, respectively. Australia barley exports are lowered 0.3 million tons. Corn imports for Mexico and the EU-25 are each raised 0.5 million tons reflecting continued strong demand for corn. South Africa corn imports are raised 1.0 million tons as production falls short of projected consumption. Global coarse grain ending stocks are lowered 0.6 million tons with a reduction in barley accounting for most of the change.

Source: WASDE

### **USDA Corn Export Sales Moved Up by 75%**

Corn: Net sales of 1,123,400 MT were 75 percent above the previous week and 62 percent over the prior 4-week average. Increases reported for Mexico (328,600 MT),

unknown destinations (127,000 MT), South Korea (113,000 MT), Colombia (89,800 MT), Egypt (83,800 MT, including 29,300 MT switched from unknown destinations), Syria (78,000 MT), and Guatemala (73,000 MT), were partially offset by decreases for Japan (57,100 MT). Net sales of 32,500 MT for delivery in 2007/08 resulted as increases for Mexico (52,500 MT), Ecuador (30,000 MT), and Jamaica (10,000 MT), were partially offset by decreases for Egypt (60,000 MT). Exports of 1,146,500 MT were 27 percent above the previous week and 5 percent over the prior 4-week average. The major destinations were Japan (273,000 MT), Egypt (202,200 MT), Mexico (194,300 MT), and Taiwan (173,900 MT).

This summary is based on reports from exporters for the period March 16-22, 2007

Source: USDA

### **WEATHER WATCH**

Last week's western disturbance as an upper air system over Jammu & Kashmir and neighbourhood moved away eastward on 22nd. The induced cyclonic circulation at lower levels over central Pakistan and adjoining Punjab & Rajasthan lay over Haryana and neighbourhood on 22nd and became less marked on 23rd. An upper air trough in the westerlies ran from Bihar to North Interior Karnataka across Chhattisgarh and Vidarbha extending upto 1.5 km a.s.l. on 22nd. It ran from Sub-Himalayan West Bengal & Sikkim to north Bay of Bengal on 23rd and became less marked on 24th. However, a cyclonic circulation at lower levels lay over Assam and neighbourhood on 24th. It was seen as a trough extending from Assam to north Bay of Bengal at lower tropospheric levels on 25th and became less marked on 26th. Strong northwesterly winds prevailed over Indo-Gangetic plains during 2nd half of the week. A trough/line of wind discontinuity at lower tropospheric levels ran across south India during many days of the week.

#### **Rainfall:**

Fairly widespread precipitation occurred over Jammu & Kashmir, Himachal Pradesh, Uttarakhand and Punjab and scattered precipitation occurred over Haryana, Chandigarh, Delhi and Uttar Pradesh on 22nd. Isolated to scattered rain/thundershowers occurred over Bihar and Jharkhand on 22nd & 23rd, Sub-Himalayan West Bengal & Sikkim on 22nd to 24th, northeastern States on 22nd to 26th and Gangetic West Bengal and Orissa on 23rd. Isolated rain/thundershowers also occurred over Orissa on 25th. Isolated rain/thundershowers occurred over south India during many days of the week. Mainly dry weather prevailed over the remaining parts of the country during the week.

#### **Outlook for the week ending on 04<sup>th</sup> April 2007**

- ✓ Under the influence of a fresh western disturbance as an upper air system, scattered precipitation likely over Jammu & Kashmir and isolated over Himachal Pradesh, Uttarakhand, Punjab and north Haryana during 31st March and 1st April onwards. Scattered rain/thundershowers are likely over northeast India from 1st onwards.

Source: IMD

**TECHNICAL ANALYSIS****Commodity: Maize****Contract: May 2007****Exchange: NCDEX****Perspective: Very Short Term (Weekly)**

NCDEX maize futures traded mostly range bound with weak bias during the week. Increased selling pressure at higher levels has pressurized the sentiments and slid down sharply during the weekend. The most active May contract traded lower around at Rs.779/qrtl as against the previous week's closing of around Rs. 802/qrtl and hovered between Rs.771.5-817.5/qrtl during the week with higher open interest and good volumes. The stock Position of maize at NCDEX accredited Warehouses remains lower at 11772MT as on 30-March-2007 as against last week's stock of 12266 MT.

**Technical** Candlesticks showing bearish market sentiments. Long bearish candle indicates, sellers dominated the market. Prices closed below 9-day and 18-day EMA. Stochastic are in normal region and moving downwards following a bearish crossover, indicating some weakness in medium term. MACD is in positive territory and moving sharply down. Volume as well Open Interest has increased. Maize is likely to trade range bound with weak undertone following a steady to firm opening.

**Outlook:** Down on fresh rabi crops arrivals in A.P. Karnataka and Bihar amidst steady demand. Export ban for private traders will add underlying bearish tone. However, tight sentiments of jowar, bajra and wheat will support the maize sentiments.

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

**Resistance and Support level:**

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
May	800	810	760	750

Country	Currency	Value in Rupees
USA	Dollar	43.59
European Union	Euro	58.14
Japan	100 Yen	37.00
Great Britain	Pound Sterling	85.53

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