

## MAIZE

12<sup>th</sup>-19<sup>th</sup> MAY, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Maize spot prices remained mixed in major domestic markets amidst continuous fresh arrivals of Rabi maize in Bihar, whereas new crop arrivals are sharply declining in A.P. and Karnataka. Traders reported lower stock levels in the markets, which led to increase the prices by Rs.20-25 in A.P. and Karnataka this week. Spot prices in Delhi weakened to Rs.750-760/mtl in Delhi mandis. With arrivals of 10-12 motors and 2 rakes from Bihar recently, stock levels are higher in Delhi mandis. Further, one rake is likely to arrive in the next couple of days. Maize fell by Rs.15 to Rs.565/mtl at Naugachia mandi on higher arrivals of around 5000 bags. Higher moisture content of 15-17% in fresh crop is reported, as against the standard moisture content at 12% for seeds and 14% for starch maize. Around 8-9 rakes already moved out from the state towards the destination of Punjab, Delhi, U.P. and Ahmedabad. Further rake loading are still continuing. Demand from Kolkata and U.P. has improved but bird flu fears still limited some of the market activities. The demand from Siliguri is still lower. Siliguri is the trade hub for poultry products worth over Rs 500 crore from north Bengal alone. Rake demand from U.P. and northern states are rising because of lower freight costs. Some demand from Ahmedabad starch industries is reported. Big units of Gujarat and Karnataka are reported to have piled up stocks for the coming months. However, demands from poultry industries are remained weak. Generally, during the summer demand from the poultry sector takes a setback because of the consumption of the poultry products remains down. Maize prices are unlikely to go much higher in the coming days because of rake arrivals from Bihar. However, price may recover as soon as rabi crops harvesting is over as the total maize production for 2006-07 is estimated lower at 13.85 million tonnes as against 14.71 Mln Tonnes last year despite the higher rabi crops. In contrast, the demand is expected to be around 14 million tonnes. The next maize crops are likely to hit the market around September-October this year.

### NCDEX FUTURES MARKET:

NCDEX maize futures traded range bound with bearish bias during the week. Increased selling interest at higher levels pressurized the futures. The most active June contract tested low at Rs.725.5/mtl and traded lower around at Rs.736.5/mtl as against the previous week's closing of

around Rs. 739.5/mtl. The contract hovered between Rs.725.5-757.5/mtl during the week with higher open interest as well as volumes. The stock Position of maize at NCDEX accredited Warehouses decline sharply and stood around 5244 MT as on 17.05.07 as against 9194 MT during last week.

### PRICE DRIVERS:

- ✓ Fresh arrivals are continuing at major markets of Bihar but declining sharply in the states of A.P. and Karnataka.
- ✓ **Maize MSP increased by Rs 80 to Rs 620 for a quintal.**
- ✓ Despite the higher production of rabi maize crops around 2.85 Mln. Tonnes as against the 2.55 Mln. Tonnes last year the total maize production for 2006-07 is estimated lower at 13.85 million tonnes as against 14.71 Mln Tonnes last year.
- ✓ The demand is expected to be around 14 million tonnes
- ✓ Some demand from starch industries of Ahmedabad
- ✓ Lower demand from poultry feed companies of Punjab and Haryana.
- ✓ Bird flu fears in West Bengal and north eastern states limited some market activities
- ✓ GOI will allow exports of maize through state-run agencies
- ✓ IGC projected record maize crop around 746 Mln Tonnes, in 2007-08 i.e.; 52 Mln Tonnes higher from last year.
- ✓ Despite the record crop, world maize stocks are forecast to decline 9 million tonnes for the third successive year.
- ✓ IGC projected total consumption in 2007/08 is 29 Mln Tonnes higher than this season, at 755 Mln Tonnes.
- ✓ Higher production outlook in South Africa and U.S.

### GLOBAL MARKET:

CBOT corn futures settled down Friday on squaring off interest. July corn ended 1.75 cents lower at \$3.713 per bushel, and December finished 4 cents lower at \$3.665 per

bushel. Higher cash markets and a firm basis at the gulf this week (due to jump in exports) along with talk of a jump in spot demand from both ethanol producers and livestock producers helped spark the early strength led by the nearby futures. December corn traded both sides of unchanged with what appears to be good weather for planting, and good weather for emergence and early growth for the crop areas which are already planted, helping to limit the support for new crop corn. Cold weather in the northern Corn Belt could slow growth and there is some talk that conditions in some areas may be less than ideal. The first USDA weekly crop conditions report for corn will be released on Monday. For the 1st conditions report last year, the crop was rated 66% in good to excellent condition. Israel bought 50,000 tonnes of corn and 8,000 tonnes of meal from Argentina overnight. Weather seemed to be the over-riding force to drive new crop futures moderately lower into the close.

Source: CBOT

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

	12.05.07	19.05.07
Delhi (Red Maize)	750	755-760
Delhi (Gajar Maize)	-	-
Sangli truck Bilty (New)	760	760
Pune Starch (New)	780	800
Ahmedabad Poultry feed	810	825
Ahmedabad Starch	820	820-825
Kolkata mill delivery	680	685-690
Nizamabad (New Maize)	700	710
Davengere (New Maize)	700	715
Bihar Bilty Price	570-575	560-565

## DOMESTIC AND INTERNATIONAL

### NEWS ANALYSIS:

#### US Corn Output Projected 18% Up

The 2007/08 US corn crop is projected at 12.5 billion bushels, up 18 percent from 2006/07. Planted area is based on producer intentions reported in Prospective Plantings. Harvested area is based on derived demand for silage and historical abandonment. The yield is projected at 150.3 bushels per acre reflecting the slower-than-average planting pace reported in Crop Progress. Despite a 1-billion-bushel decline in carry in stocks from 2006/07, total corn supplies are projected at a record 13.4 billion, up 7 percent from the current year.

Source: WASDE

#### Global Corn Production Likely to be Higher

Global 2007/08 coarse grain production is projected at a record 1.1 billion tons, up 8 percent from 2006/07. Rising corn production in the United States accounts for much of this increase; however, corn production is also expected at

record levels again in 2007/08 in Argentina and Brazil. Increases in corn production are also expected for Canada, China, FSU-12, India, Mexico, and several other countries. Barley production is expected to increase in Australia. Despite higher world coarse grain output, lower carryin and rising consumption leave world ending stocks down 3 percent from this year's projection.

Source: WASDE

#### Maize Production in South Africa to Decrease

The maize production in South Africa likely to be lowers this year. The production is expected to around 6.9 Mln Tonnes, a deficit over one million tonnes, not counting stocks carried over from last year. It look as there won't is any exportable surplus in South Africa this year and the country may need to import white maize for the first time in several years.

#### IGC: Maize Supply Demand Projection for 2007-08

MAIZE: New area estimates for major producers result in a 13m. tons increase in forecast world maize production, now put at a record 746m. Tons, 52m. up from last season. At end-March, US plantings were projected to increase by 15%, which could result in a crop of around 315m. Tons, but wet weather has delayed fieldwork. Total consumption in 2007/08 is forecast 29m. Tons higher than this season, at 755m. Tons. All the increase is due to larger industrial use, principally for transformation into ethanol, most of that in the US. Feed use of maize may be slightly down from 2006/07 because of higher prices and greater availability of alternative feeds, including distillers' dried grains. Despite the record crop, world maize stocks are forecast to decline for the third successive year. They could fall to only 85m. Tons, 9m. less than at the end of 2006/07 and the lowest since 1977/78. Total maize trade is forecast at 84m. Tons, 1m. less than this season's record. Strong demand for animal feed will underpin imports, especially by Mexico and Vietnam, but high prices will lead some countries including South Korea to substitute other grains and products.

#### 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.

#### 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

### **USDA Corn Export Sales Up**

Corn: Net sales of 1,513,800 MT were three and one-third times the previous week and double the prior 4-week average. Increases reported for South Korea (613,700 MT, including 55,000 MT switched from Japan), Japan (299,400 MT), Egypt (180,000 MT), unknown destinations (97,500 MT), and Taiwan (60,500 MT), were partially offset by decreases for Guatemala (19,600 MT). Optional origin sales of 495,000 MT were reported for South Korea. Net sales of 347,900 MT for delivery in 2007/08 were mainly for Japan (222,500 MT), unknown destinations (58,000 MT), and South Korea (55,000 MT). Exports of 1,146,700 MT were 32 percent above the previous week and 22 percent over the prior 4-week average. The major destinations were Japan (467,600 MT), Mexico (230,800 MT), South Korea (173,900 MT, including 57,700 MT late reporting), and Taiwan (72,200 MT).

This summary is based on reports from exporters for the period May 4-10, 2007.

Source: USDA

### **WEATHER WATCH**

A low pressure area formed over eastcentral Bay of Bengal and neighbourhood on 11th morning. It persisted over the same area on 12th. It concentrated into a depression and lay at 0300 UTC of 13th over eastcentral Bay near lat. 15.0° N /Long. 90.5° E about 400 km northwest of Port Blair. Moving in a north-northeasterly direction. It intensified in a deep depression at 2100 UTC of same day. It intensified into a cyclonic storm and lay centred at 0300 UTC of 14th near Lat. 16.5° N /Long. 91.0° E about 750 kms southeast of Kolkata. Continuing north-northeastward movement, it crossed south Bangladesh coast close to south of Cox's Bazar in the early morning of 15th and weakened gradually. It lay as a well marked low pressure area over south Assam and adjoining areas of Manipur, Mizoram, Bangladesh and Myanmar in the same evening and became less marked on 16th. Last week's cyclonic circulation over West Uttar Pradesh and neighbourhood at lower levels lay over central Uttar Pradesh and neighbourhood on 10th & 11th and became less marked on 12th. A cyclonic circulation at lower levels lay over East Rajasthan & adjoining Madhya Pradesh on 11th and became less marked on 12th. However, an eastwest trough at 0.9 km a.s.l. extended from West Rajasthan to East Madhya Pradesh on 12th & 13th and from northwest Rajasthan to Chhattisgarh on 14th, 15th & 16th. Mainly northwesterly winds prevailed at lower levels over central and Peninsular India during many days of the week.

### **MONSOON WATCH**

Southwest monsoon set in over parts of southeast Bay of Bengal, Nicobar islands and Andaman Sea on 10th. It further advanced into some more parts of southeast Bay of

Bengal and Andaman Sea on 11th. The northern limit of monsoon as on 11th passed through Lat. 5.0° N /Long. 86.0° E, Lat. 11.0° N /Long. 90.0° E, Maya Bandar and Lat. 14.0° N /Long. 97.0° E. The predictors for this year suggest an early monsoon onset over Kerala. The forecast Model Suggests that the monsoon onset over Kerala is likely to be on 24th May 2007 with a model error of ±3 days.

#### Rainfall:

Fairly widespread/ widespread rain/thundershowers occurred over Andaman & Nicobar Islands during many days of the week. Isolated heavy to very heavy falls also occurred during a few days. Widespread rainfall with isolated heavy falls occurred over northeastern States on 15th & 16th, scattered to fairly widespread rainfall occurred over the region during remaining days of the week. Scattered to fairly widespread rain/thundershowers occurred over Orissa, West Bengal & Sikkim on 15th & 16th and activity was isolated to scattered on remaining days of the week. Isolated rain/thundershowers occurred over central & south India and remaining parts of east India and western Himalayan region during many days of the week.

#### TECHNICAL ANALYSIS

#### Commodity: Maize

Contract: June 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

NCDEX maize futures traded range bound with bearish bias during the week. Increased selling interest at higher levels pressurized the futures. The most active June contract tested low at Rs.725.5/qrtl and traded lower around at Rs.736.5/qrtl as against the previous week's closing of around Rs. 739.5/qrtl. The contract hovered between Rs.725.5-757.5/qrtl during the week with higher open interest as well as volumes. The stock Position of maize at NCDEX accredited Warehouses decline sharply and stood around 5244 MT as on 17.05.07 as against 9194 MT during last week.

**Technical:** A bullish candlestick with long lower shadow has formed following a bearish candlestick, which indicates some possibility of recovery. MACD shows some hints of recovery though the EMAs show bearish trend. Stochastic and RSI are falling in neutral region indicating short-term weakness. Maize is expected to trade with a bearish bias.

**Outlook:** Range bound with bearish inclination on continuous arrivals of rabi crops from Bihar amidst some demand from starch industries.

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

**Resistance and Support level:**

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
May	743	750	715	705

Isolated duststorm/thunderstorm occurred over Rajasthan and plains of northwest India during many days of the week.

#### Outlook for the week ending on 23<sup>rd</sup> May 2007

Conditions are favourable for further advance of monsoon to some more parts of south Bay and east central Bay of Bengal. Scattered rain/thundershower activity likely over east and northeast India. Heat wave conditions likely to abate from Coastal Andhra Pradesh and Tamil Nadu. Rise in day temperature over northwest India and adjoining west & central India during second half of the week.

Source: IMD

#### FOREX RATES (As on 21<sup>st</sup> MAY, 2007)

Country	Currency	Value in Rupees
USA	Dollar	40.60
European Union	Euro	54.87
Japan	100 Yen	33.48
Great Britain	Pound Sterling	80.13



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