

## MAIZE

30<sup>th</sup> APRIL-05<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 market sentiments remained weak on higher arrivals and lower buying in the major markets. The demand from poultry sector has declined recently. The stock positions with private traders are reportedly good in Karnataka, Maharashtra and Gujarat. Moreover, the increase supply in Bihar added further bearish tone. Traders reported good crop size in the second phase of cutting that is going on steadily. The production of rabi maize crops in the country is likely to be higher around 2.85 Mln. Tonnes as against the 2.55 Mln. Tonnes last year. Rake loading has started from Bihar. Around 3 rakes already loaded for Punjab, Haryana and 1 rake loading is in progress, destined for Ahmedabad. Bihar mandis witnessed higher arrivals around 40,000 bags daily. The arrivals at Naugachia mandis reported to around 4000-5000 bags per day and the price decline further to Rs.560/qtl on loose basis. Demands from Kolkata and adjoining states are remained weak. Lower demand from starch industry of Ahmedabad further decreased the prices to Rs.800/qtl. The price also decline to Nizamabad mandis by Rs.25/qtl to Rs.710/ qtl on lower demand. Around 3000 bags arrivals are reported in the mandi. The red maize arrivals are increased at Delhi mandi around 25-30 motors from Bihar and prices quoted down at Rs.800/qtl. Most of the arrivals are coming from Muzaffarpur and Khagaria districts of Bihar due to relatively lower freight rates. Traders are expecting further decline of the prices in the coming days. However, According to IGC, World maize production is set to rise to by 52 million tonnes to a record 746 million tonnes but demand is forecast to increase to 755 million tonnes, meaning that stocks will fall by nine million tonnes to 85 million tonnes, the lowest for 30 years. It is expected that this bearish sentiments a short lived phenomenon as the prices will recover steadily as the Rabi harvest is over and the maize arrival decrease.

### NCDEX FUTURES MARKET:

NCDEX maize futures traded with bearish bias during the week. Increased selling pressure at higher levels pressurized the futures and tested fresh contract month's low. The near month May contract traded lower around at Rs.705/qtl as against the previous week's closing of around Rs. 723.5/qtl and hovered between Rs.702-735/qtl during the week with lower open interest as well as volumes. The stock Position of maize at NCDEX accredited Warehouses

remains lower about 9629 MT as on 03.05.07 as against 9896 MT during last week.

### PRICE DRIVERS:

- ✓ Higher arrivals amidst lower buying support
- ✓ Poor demand from starch industries of Ahmedabad
- ✓ Lower demand from poultry feed companies of Punjab and Haryana.
- ✓ GOI will allow exports of maize through state-run agencies
- ✓ 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 3rd advance estimate of Govt. the production of rabi maize crops in the country is likely to be 2.85 Mln. Tonnes as against the 2.55 Mln. Tonnes last year.
- ✓ 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 to 85 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.
- ✓ Imports likely to be feasible in case of rupee appreciation continues with weakening corn prices overseas.

### GLOBAL MARKET:

CBOT corn futures finished moderately up Friday. May corn settled 1.5 cents higher to \$3.813 per bushel, July increased by 1.5 cents to \$3.908 per bushel, and December gained 3.25 cents to \$3.905 per bushel. A late session rally sent December corn back towards the weekly highs into the close, as wetter than expected weather for the southern Midwest over the past two days and the forecast for increasing rains in the far western Corn Belt for the weekend contributed to concerns that producers would have difficulty getting the crop planted in the optimal

window ahead of May 15th. Much of the Midwest will be dry into the weekend and early next week, but scattered rains will become more prevalent from the west. Fears of continued slow exports due to near record high freight rates and ideas that this week's rally was overdone helped to trigger a setback into the mid-session, but the market rallied to close higher on the day. Higher gold and energy prices and a weak dollar helped provide some underlying support. Israel bought 35,000 tonnes of US corn products and 7,000 tonnes of US meal.

Source: CBOT

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

	28.04.07	05.05.07
Delhi (Red Maize)	835	800
Delhi (Gajar Maize)	-	-
Sangli truck Bilty (New)	780	770-775
Pune Starch (New)	820	810-815
Ahmedabad Poultry feed	830-840	800-810
Ahmedabad Starch	830-840	800-810
Kolkata mill delivery	690-695	685-690
Nizamabad (New Maize)	730	710
Davengere (New Maize)	715	710-715
Bihar Bilty Price	580-590	560-570

## DOMESTIC AND INTERNATIONAL

### NEWS ANALYSIS:

#### China: Maize Production and Consumption Likely to Increase

The maize production in China is likely to be higher this year on increased acreage by 3.6%. Last year the maize production in the country stood around 144 Mln Metric Tonnes. On the line of production the consumption is also projected to rise. In 2007 the requirement of corn is likely to be higher around 101 Mln Metric Tonnes as against 98 Mln Metric Tonnes during 2006. The demand for starch and ethanol is likely to increase to 38 Mln Metric Tonnes from 36 MMT Mln Metric Tonnes.

#### 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

## 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 Down

Corn: Net sales of 615,000 MT were 44 percent below the previous week and 35 percent under the prior 4-week average. Increases reported for South Korea (223,000 MT, including 63,000 MT switched from unknown destinations), Mexico (186,300 MT, including 7,500 MT switched from unknown destinations), Japan (124,600 MT), Taiwan (68,300 MT), and Syria (63,300 MT, including 60,000 MT switched from Egypt), were partially offset by decreases for Egypt (77,000 MT), unknown destinations (71,500 MT), and El Salvador (12,000 MT). Optional origin sales of 10,000 MT to Colombia were canceled. Net sales of 40,300 MT for delivery in 2007/08 for Japan (21,300 MT), Colombia (20,000 MT), and Costa Rica (7,400 MT), were partially offset by decreases for Honduras (8,400 MT). Exports of 1,085,700 MT were 20 percent above the previous week and 25 percent over the prior 4-week average. The major destinations were Japan (299,400 MT), Mexico (246,800 MT), South Korea (233,300 MT), Syria (63,300 MT), the Dominican Republic (44,400 MT), Egypt (43,000 MT), and Turkey (32,900 MT).

This summary is based on reports from exporters for the period April 20-26, 2007.

Source: USDA

## WEATHER WATCH

Last week's cyclonic circulation over Central Pakistan and adjoining Rajasthan lay over Haryana and adjoining West Uttar Pradesh on 26th, over East Uttar Pradesh and neighbourhood on 27th and became less marked on 28th. A feeble western disturbance as an upper air cyclonic circulation lay over Jammu & Kashmir and neighbourhood on 26th and moved away eastwards on 27th. Another feeble western disturbance as an upper air cyclonic circulation moved over western Himalayan region during 30th April to 2nd May. A trough in lower level extended from East Uttar Pradesh to Assam with embedded cyclonic circulation over Assam and neighbourhood during 26-28th. Also a trough in westerlies at 700 hPa ran from Sub-Himalayan West Bengal & Sikkim to north Bay/north Orissa during this period. A north-south oriented trough in lower levels at times embedded with cyclonic circulation lay over south peninsula throughout the week. An upper air cyclonic circulation extending upto mid-tropospheric level lay over Gulf of Thailand on 28th and over Gulf of Thailand & adjoining south Andaman Sea on 29th. It lay over south Andaman Sea and neighbourhood on 30th. Under its influence, an extended low pressure area formed over south Andaman Sea and neighbourhood on 1st May. It was seen as a low pressure area over the same region on 2nd May with associated cyclonic circulation extending upto mid tropospheric level.

## LONG RANGE FORECAST FOR 2007 SOUTH-WEST MONSOON SEASON RAINFALL

Based upon the newly- adopted statistical forecast system, IMD's long range forecast for the 2007 south-west monsoon season (June to September) is that the rainfall for the country as a whole is likely to be 95 % of the long period average with a model error of  $\pm 5\%$ .

### Rainfall:

Isolated rain/thundershowers occurred over western Himalayan region on 26th April, 1st & 2nd May. Isolated to scattered rain/thundershowers occurred over different meteorological sub-divisions of east India outside East Uttar Pradesh during many days of the week. Isolated to scattered rain/thundershowers occurred over Tamil Nadu and Kerala on many days and isolated rain/thundershowers occurred over remaining parts of peninsula and Maharashtra on a few days. Scattered to fairly widespread rain/thundershowers with isolated heavy falls occurred over northeast India during 26-28th April. Isolated rain/thundershowers occurred over these regions thereafter. Scattered to fairly widespread rain/thundershowers occurred over Andaman & Nicobar Islands during many days of the week. Mainly dry weather prevailed over the remaining parts of the country during the week.

## TECHNICAL ANALYSIS

**Commodity: Maize**

**Contract: May 2007**

**Exchange: NCDEX**

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

NCDEX maize futures traded with bearish bias during the week. Increased selling pressure at higher levels pressurized the futures and tested fresh contract month's low. The near month May contract traded lower around at Rs.705/qrtl as against the previous week's closing of around Rs. 723.5/qrtl and hovered between Rs.702-735/qrtl during the week with lower open interest as well as volumes. The stock Position of maize at NCDEX accredited Warehouses remains lower about 9629 MT as on 03.05.07 as against 9896 MT during last week.

**Technical** Candlestick pattern shows weak sentiments. The price remains much below short term EMA, while the MACD remains at negative zone, indicates weakness may continue in medium term. Stochastic are in normal region whereas, RSI are oversold region and not showing any sign of recovery. Maize futures are expected to trade with bearish bias

**Outlook:** Range bound with weak bias on increasing second phase of rabi crops arrivals in Bihar amidst poor demand from poultry as well as starch industry.

### Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
May	730	720	675	660

## Outlook for the week ending on 09<sup>th</sup> May 2007

Under the influence of the well marked low pressure area over north Andaman Sea and neighbourhood, which is likely to concentrate into a depression, widespread rainfall with isolated heavy to very heavy falls are likely over Andaman & Nicobar Islands during first half of the week and decrease thereafter. Squally winds with speed reaching 40-50 kmph are also likely over Andaman & Nicobar Islands during next 48 hours. Scattered rain/thundershower activity is likely over West Bengal & Sikkim, northeast India and south Peninsula during the week. Gradual rise in day temperature over northwest, central and east India..

Source: IMD

### FOREX RATES (As on 07<sup>th</sup> MAY, 2007)

Country	Currency	Value in Rupees
USA	Dollar	40.90
European Union	Euro	55.47
Japan	100 Yen	34.01
Great Britain	Pound Sterling	81.29

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



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