

## MAIZE

30<sup>th</sup> JUNE -07<sup>th</sup> JULY, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Maize traded slightly up between Rs. 750-760/mtl ex-godown basis in Delhi mandis on lower demand and meagre arrivals around 2 motors daily from Bihar. No rake arrivals are reported from Bihar this week. Poultry industries of Haryana show preference for bajra, which is quoted at around Rs.630-640/mtl. The higher arrivals of bajra around 15 motors daily from U.P. is pressurizing the markets. Bihar mandis witnessed flat sentiments and price remained around Rs. 570-575/mtl in thin trading. Around 1000 bags arrivals were reported from Naugachia mandis. Rake loading continued for Kolkata, Ahmedabad. Maize demand for poultry feed is rising in Tamil Nadu after the government declaration to provide one boiled egg to the children after three weeks under the mid day meal scheme in the state. Further, lifting of ban on the export of eggs to Gulf countries is also supporting demand for maize as poultry feed. Hatcheries in different parts of Tamil Nadu are gearing up for higher production to meet the demand. The demand from starch industries of Ahmedabad is steady. However, arrivals fall short of the demand. Two rakes arrivals from Bihar are reported from Bihar mandis. However, Bihar maize in Gujarat is quoted Rs.15-20/mtl lower as against the local crop because of inferior quality. The flood in Maharashtra, Gujarat and AP is increasing concern of lower kharif production this year because sowing has started already and water stagnation in the field is not favourable for crop growth. But it is too early to predict about the total production. Continuous heavy rains would no doubt hamper sowing that is already lagging behind compared to the corresponding period of last year.

### NCDEX FUTURES MARKET:

Maize futures traded range bound during the week. The most active NCDEX July contract traded mostly lower on increased selling pressure during the first half of the week. However, some buying interest at lower levels has supported the futures in later half of the week and traded up near Rs.783/quintal compared to last week's closing at Rs 778.5/quintal and remained in the range of 771-784 during the week. The open interest as well as volumes has declined during the week. On July 05, stocks in NCDEX warehouses declined sharply at 695 MT as against last week's stock of 2064 MT.

### PRICE DRIVERS:

- Fresh arrivals remained lower in Bihar due to lower rakes demand on higher moisture content of the fresh crops.
- Lower stock position of NCDEX warehouses
- Good demand from poultry industries of Tamilnadu on lower stock position amidst rising demand of eggs
- Good demand from starch industries of Ahmedabad on higher prices of tapioca starch
- kharif maize sowing is lagging behind by 14.5% at 4.78 lakh ha so far as on 22.06.07 as against 5.59 lakh ha during year ago period.
- Global industrial consumption of maize to increase on higher ethanol as well as bio-fuel demand
- IGC forecasts global maize production to down by 1 Mln Tonnes
- Govt. has increased the MSP of maize by Rs 80 to Rs 620/mtl
- Bearish tone of bajra on higher arrivals from U.P.
- Higher production outlook in S. Africa and U.S.

### GLOBAL MARKET:

#### CBOT Corn Futures Settled Moderately Up

CBOT corn futures settled up moderately higher near session highs Friday on the forecasts of expected hot and dry weather in parts of the western U.S. Midwest. July corn rallied 10.5 cents to \$3.345 per bushel, Sep gained 9 cents to \$3.415 per bushel, and December gained 9.5 cents to \$3.52 per bushel. The private forecast called for 13.3 billion bushel corn crop and a yield of 156.6 and that should be considered bearish when compared to other recent forecasts. Weekly US export sales for corn came in at 1,953,700 metric tonnes, as compared to trade expectations between 700,000-1,050,000. Cumulative sales have now reached 97.1% of the USDA forecast as compared to 90.4% on average over the last five years. Sales of 170,400 metric tonnes per week are needed to reach the USDA estimate.

Source: CBOT

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

	30.06.07	07.07.07
Delhi (Red Maize)	750	755-760
Delhi (Gajar Maize)	-	-
Sangli truck Bilty (New)	825	825
Pune Starch (New)	850	850
Ahmedabad Poultry feed	850	850-855
Ahmedabad Starch	850	830
Kolkata mill delivery	690	700
Nizamabad (New Maize)	780	765
Davengere (New Maize)	770	770
Bihar Loose Price	590	560

**DOMESTIC AND INTERNATIONAL****NEWS ANALYSIS:****Global Maize Production Forecast Down by 1 Mln Tonnes**

The production forecast of maize is reduced by 1m. tons to 750m. (696m. last year). After rains in the eastern corn belt, the US remains on course to harvest a bumper 315m. ton crop, but unfavourable weather will reduce yields in China. In the southern hemisphere, plantings for the next crop are set to rise in Argentina. Total consumption is forecast at 762m. tons, 1m. up from last month because of higher feed use in the EU and Mexico. The forecast of total endseason stocks is 86m. tons - a 30-year low - with 24.5m. tons in the US. Robust feed demand increases the world trade projection forecast by 1m. tons to 85m., just below 2006/07. Despite increased competition from Argentina and Brazil, the US is expected to account for almost 60% of maize exports in 2007/08.

SOURCE: IGC

**Global Industrial Consumption of Maize to Increase**

World industrial use of grains is forecast to increase by 23% to 229m. tons in 2007/08. In the past, starch was the main industrial product, but in 2007/08 more - almost 107m. tons - will be used to make ethanol. This is 50% above last year's figure. The US, where maize is the key feedstock, became the largest ethanol producer in 2006, overtaking Brazil, where sugar cane is the feedstock. Plants under construction in the US will double ethanol production capacity to some 50bn. litres (12.6 bn. gallons), with maize use in 2007/08 set to climb to around 86m. tons. China is expected to use over 9m. tons of maize to make ethanol in 2007/08, but the government has announced that in future most will be made from nongrain products. Ethanol production in the EU, which uses a wider range of raw materials, is smaller (1.6bn. litres in 2006) but growing rapidly. Tightening world grain supplies and high prices are stimulating research into alternative feedstocks, including cellulose derived

from various plants and crop residues, but their use is not expected to become generally viable for at least 5- 10 years. (See Market Focus Section)

Source: IGC

**Kharif Maize Acreage is Down so far**

As per the reports available from government sources the kharif maize sowing is lagging behind at 4.78 lakh ha so far as on 22.06.07 as against the acreage of 5.59 lakh ha during corresponding period of last year, but there is still time for sowing. The last year acreage was higher because of early arrivals of monsoon. The normal area under kharif maize is around 62.16 lakh ha. The area covered so far is 7.6% of normal area. It is very likely that higher prices of maize this year as compared to last year on increasing global as well as domestic demand translate to higher sowing in the year 2007/08.

**World Corn Production is Raised 1.5 million tons**

Global 2007/08 coarse grain production is nearly unchanged this month with higher barley and corn production in the EU-27 nearly offsetting the reduction in Ukraine coarse grain output. World 2007/08 corn production is raised 1.5 million tons mostly due to higher expected production in EU-27 and Ukraine. Higher Ukraine corn production reflects an increase in reported plantings. Corn production is raised 0.5 million tons each for Argentina and Brazil. Production in Argentina is raised to 22.5 million tons based on higher yields that more than offset a reduction in harvested area. Production in Brazil is projected at 50 million tons reflecting higher summer yields and increased winter corn area. Corn exports are raised 1 million tons for Argentina and 0.2 million tons for EU-27, nearly offsetting this month's 1.3-million-ton reduction in 2006/07 U.S. corn exports. The outlook for 2007/08 U.S. feed grains is little changed this month, with no changes to production or use and increases in ending stocks reflecting higher projected corn and barley carryin from the current marketing year. The 2007 projected corn yield is unchanged this month at 150.3 bushels per acre. Despite the very fast catch-up of planting during the second week of May, progress through the first week of May was the second slowest in the past 10 years. Early growing season weather remains mixed. Corn ending stocks for 2007/08 are projected at 997 million bushels, up 50 million bushels from last month. Barley ending stocks are projected 5 million bushels higher. The 2007/08 forecast price ranges for corn and the other feed grains are unchanged with the marketing year average corn price projected at \$3.10 to \$3.70 per bushel. Forecast U.S. corn exports for 2006/07 are lowered 50 million bushels reflecting the slowing pace of shipments in recent weeks and more expected competition from larger supplies in Argentina. U.S. corn ending stocks for 2006/07 are correspondingly raised 50 million bushels.

Source: WASDE

**Record coarse grains production in 2007**

FAO's latest forecast for world production of coarse grains in 2007 is 1 073 million tonnes, up 9 percent from last year and a record high. The bulk of the increase is expected in maize, which accounts for about 70 percent of total coarse grain production with output set to reach a record 770 million tonnes in 2007. In the southern hemisphere, the main 2007 harvests are underway or already complete. In South America, a record main maize crop is being gathered in Argentina, Brazil and Chile, following increased plantings, in response to strong demand for ethanol production, and favourable growing conditions, which led to bumper yields. The secondary crop in Brazil also looks set to increase. In Southern Africa, however, prospects are less favourable and aggregate output is forecast slightly lower

than last year's below-average crop. In the northern hemisphere, the bulk of the maize crops has now been sown, with all the main producing countries expected to harvest larger crops. However, by far the most noteworthy development this season is the approaching completion in the United States of the highest level of maize planting since 1944, mostly in response to exceptionally strong domestic demand for maize-based ethanol production.

Source: FAO

### **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 Corn Weekly Export Sales Increased by 42%**

Net sales of 1,067,700 MT were 42 percent above the previous week and 72 percent over the prior 4-week average. Increases reported for Egypt (240,000 MT), South Korea (225,900 MT), Mexico (148,600 MT), unknown destinations (104,700 MT), Taiwan (63,800 MT), and Japan (62,500 MT), were partially offset by decreases for Guatemala (20,400 MT). Net sales of 886,000 MT for delivery in 2007/08 were primarily for South Korea (435,000 MT), Mexico (185,700 MT), Japan (70,400 MT), unknown destinations (63,900 MT), and Guatemala (54,700 MT). Exports of 860,900 MT were up 1 percent from the previous week, but 4 percent under the prior 4-week average. The major destinations were Japan (402,500 MT), Mexico (129,900 MT), South Korea (56,900 MT), Turkey (55,400 MT), and Venezuela (35,600 MT). Note: Accumulated exports for Japan were adjusted down 10,200 MT.

This summary is based on reports from exporters for the period June 22-28, 2007.

### **CROP- WEATHER ANALYSIS**

Summer maize is at tasseling/silking/cob formation stages in Chhattisgarh, Bihar, Assam and at grain formation/cob maturity/harvesting stage in northeastern hilly tracts, UP and Tamil Nadu. Land preparation and sowing of Kharif Maize is in progress in Karnataka, AP, MP, HP, Gujarat, Jharkhand, Rajasthan and TN. Kharif crop at vegetative stage in Chhattisgarh and J&K. Expected rains in eastern and central India may affect the harvesting process. But rains in other parts of the country will be beneficial for the crop. Since maize crop is highly susceptible to water logging, provision for surface drainage should be made in the field in most of the country.

### **MONSOON WATCH**

Southwest monsoon further advanced into the remaining parts of Madhya Pradesh & Uttar Pradesh, most parts of East Rajasthan, some parts of West Rajasthan and some more parts of Haryana including Delhi and Punjab on 28th June. It advanced into the remaining parts of East Rajasthan and some more parts of West Rajasthan on 30th June. Southwest monsoon further advanced into the remaining parts of Rajasthan, Haryana & Punjab and thus covered the entire country on 4th July (Map enclosed).

### **WEATHER WATCH**

Last week's well marked low pressure area over north & adjoining central Bay of Bengal concentrated into a depression in the early morning of 28th June over northwest & adjoining west-central Bay of Bengal near lat. 18.5 °N/ long. 87.0° E about 200 km southeast of Puri. It remained practically stationary, and further intensified into a deep depression at 0830 hrs. IST of same day. It moved northwestwards and crossed Orissa coast near Puri between 0530 & 0630 hrs. IST of 29th June. It lay centred at 0830 hrs. IST of the same day east of Bhubaneswar. The system moved west-northwestwards and weakened into a depression and lay centred at 0830 hrs. IST of 30th June over East Madhya Pradesh and adjoining Chhattisgarh about 150 kms southeast of Jabalpur. It moved westwards and further weakened into a well marked low pressure area over northwest Madhya Pradesh and neighbourhood at 2030 hrs. IST of the same day. It lay over southeast Rajasthan & neighbourhood in the morning of 1st July. It further weakened and lay as a low pressure area over the same region in the morning of 2nd July. It lay over south Rajasthan & neighbourhood on 3rd July and over central parts of Rajasthan on 4th July. A low pressure area formed over northeast Bay of Bengal and neighbourhood on 3rd morning and became well marked at 1430 hrs. IST of the same day. It concentrated into a depression and lay centred at 0830 hrs. IST of 4th July, over Bangladesh coast near lat. 22.0°N/ long.89.5°E about 150 km southeast of Kolkata. An off-shore trough extended from Maharashtra coast to Kerala coast during the week. An upper air cyclonic circulation lay over Jammu & Kashmir & neighbourhood During 28th to 30th June. It lay over Himachal Pradesh & neighbourhood during 1st to 3rd July and became less marked afterwards. An upper air cyclonic Circulation lay over central Pakistan and adjoining West Rajasthan between 0.9 to 2.1 km a.s.l. on 28th & 29th June. Strong westerly/southwesterly winds prevailed over south Peninsular India in the lower level during the week.

## Rainfall:

### Under the influence of the above systems:

Southwest Monsoon was vigorous/active over Uttarakhand, Gujarat, Konkan & Goa and Karnataka on many day of the week. It was also vigorous/active over West Uttar Pradesh, Haryana, Jammu & Kashmir, Himachal Pradesh, East Uttar Pradesh, Orissa, Gangetic West Bengal, Jharkhand, Nagaland, Manipur, Mizoram & Tripura, Chhattisgarh, Vidarbha, West Madhya Pradesh, east Rajasthan, Madhya Maharashtra, Rajasthan, Andhra Pradesh and Kerala on one or two days of the week. Scattered heavy to very heavy rainfall with isolated extremely heavy falls occurred over Chhattisgarh, East Madhya Pradesh, Madhya Maharashtra, Konkan & Goa, Gujarat region and South Interior Karnataka during few days of the week. Isolated heavy to very heavy rainfall also occurred over Jammu & Kashmir, Uttarakhand, Himachal Pradesh, Orissa, Bihar, Gangetic West Bengal, Jharkhand, North Madhya Pradesh, Chhattisgarh, East Madhya Pradesh, Vidarbha, south Madhya Pradesh, Kerala and Coastal Karnataka during few days of the week. Fairly widespread to widespread rainfall occurred over East,

Northeast and Central India during the week. Fairly widespread to widespread rainfall occurred over west India outside northwest Rajasthan where isolated to scattered rainfall occurred. Fairly widespread to widespread rainfall occurred during 28th & 29th June and 3rd July and isolated to scattered on remaining days of the week over northwest India. Fairly widespread to widespread rainfall occurred over south India outside Tamil Nadu, Andhra Pradesh where it was isolated to scattered during the week.

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

Enhanced rainfall activity is likely over east India during first half of the week and subsequently shift to central India & adjoining northern plains. Widespread rainfall with heavy fall is likely over Gujarat, Konkan & Goa, Madhya Maharashtra from 8th July onwards. Fairly widespread rainfall activity is likely over Rajasthan during first half of the week.

Source: IMD

### FOREX RATES (As on 09<sup>th</sup> JULY, 2007)

Country	Currency	Value in Rupees
USA	Dollar	40.41
European Union	Euro	55.00
Japan	100 Yen	32.69
Great Britain	Pound Sterling	81.23

## TECHNICAL ANALYSIS

**Commodity: Maize**

**Contract: July 2007**

**Exchange: NCDEX**

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

Maize futures traded range bound during the week. The most active NCDEX July contract traded mostly lower on increased selling pressure during the first half of the week. However, some buying interest at lower levels has supported the futures in later half of the week and traded up near Rs.783/quintal compared to last week's closing at Rs 778.5/quintal and remained in the range of 771-784 during the week. The open interest as well as volumes has declined during the week. On July 05, stocks in NCDEX warehouses declined sharply at 695 MT as against last week's stock of 2064 MT.

**Technical:** Candlestick showing bullish market. Prices closed above the EMA's showing strength for medium term, while MACD is moving upwards in positive region. RSI and Stochastic has turned higher in neutral zone, favours the bulls. Maize is likely to trade bullish following a steady to firm opening.

**Outlook:** Rangebound with firm bias on decreasing arrivals from Bihar amidst some demand from starch as well as poultry industries.

**Recommendation:** Buy on dips towards support level

### Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
July	797	804	772	765



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