

## MAIZE

23<sup>rd</sup> - 30<sup>th</sup> JUNE, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Maize trades marginally up around Rs. 750/qrtl ex-godown and Rs.736/qrtl in station delivery in Delhi mandis this week amidst steady arrivals of around 4 motors from Bihar. Only one rake arrivals are reported from Bihar in the week on lower demand due to inferior quality of fresh stocks in the state. The demand from Punjab remained down on local summer maize crops arrivals from Nanaksar and Hoshiarpur districts. According to the trade sources around 2000 bags arrivals are seen from the two districts on daily basis. Further, bearish tone of bajra (Rs.628/qrtl) has pressurized the maize tone. Bihar mandis witnessed steady sentiments on thin trading activities. Higher moisture content of fresh crops has limited the rakes demand. The demand from poultry industries of Tamilnadu is remained strong due to lower stock position. Despite the higher stock position in the state of Bihar the inferior quality factor is limiting the supply towards Tamilnadu. It is learnt that due to lower quality two rakes of maize from Bihar have rejected in Tamilnadu and are sold at much lower prices. However, according to trade source, there is an ample stock in the state and arrivals likely to increase at higher price levels. The sentiment remained firm in Maharashtra, Karnataka, A.P. and Ahmedabad mandis on good offtake from starch and poultry industries amidst lower arrivals. Higher prices of tapioca starch diverted the demand towards maize starch and this is added some firmness in the market. The arrivals are lower and reported from stockists. Widespread rainfalls have limited the market activities in Maharashtra. According to trade sources, the stock position in Karnataka is around 35 lakhs bags whereas, in A.P. it is 15 lakh bags. The market players are closely monitoring the kharif sowing acreage as around 75% of the total maize production in the country comes from kharif season. The kharif sowing is progressing in the main producing states of Karnataka and Maharashtra. However, as per the reports available from government sources the kharif maize sowing is lagging behind by 14.5% 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 sowing is likely to improve as monsoon progresses, coupled with higher prices of the commodity amidst good demand in the consuming markets.

### NCDEX FUTURES MARKET:

Maize futures traded range bound with weak inclination during the week. The most active NCDEX July contract

traded mostly lower on increased selling pressure. However, some buying interest at lower levels has recovered the futures in later part of the week and traded marginally down near Rs.778.5/quintal compared to last week's closing at Rs 779/quintal and remained in the range of 767.5-781 during the week. The open interest as well as volumes has declined during the week. On June 28, stocks in NCDEX warehouses remained lower at 2064 MT as against last week's stock of 3456 MT.

### PRICE DRIVERS:

- Fresh arrivals remained lower in Bihar due to widespread of rainfalls coupled with lower rakes demand on higher moisture content of the fresh crops.
- Good demand from poultry industries of Tamilnadu on lower stock position
- 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
- Rising export of egg may support maize prices
- Govt. has increased the MSP of maize by Rs 80 to Rs 620/qrtl
- Bearish tone of bajra on higher arrivals from U.P.
- Higher production outlook in S. Africa and U.S.

### GLOBAL MARKET:

#### CBOT Corn Futures Finished Sharply Down

CBOT corn futures settled down Friday on higher-than-expected 2007 corn planted acreage estimate from the USDA. July corn fell 10 cents to \$3.295 per bushel, September also declined 10 cents to \$3.40 per bushel, and December fell 7.5 cents to \$3.508 per bushel. The USDA adjusted planted acreage up by 2.434 million acres from the March intentions report which was the largest adjustment higher since 1971. The USDA indicated that producers intend to plant 92.888 million acres of corn this season as compared with the average trade estimate of

90.618 million acres (range 89.85-91.7) and compared with the March USDA preliminary forecast of 90.454 million acres.

Source: CBOT

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

	23.06.07	30.06.07
Delhi (Red Maize)	750	750
Delhi (Gajar Maize)	-	-
Sangli truck Bilty (New)	825	825
Pune Starch (New)	830	850
Ahmedabad Poultry feed	855	850
Ahmedabad Starch	845	850
Kolkata mill delivery	685	690
Nizamabad (New Maize)	775-780	780
Davengere (New Maize)	775	770
Bihar Loose Price	785	590

#### 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 Down by 8%

Net sales of 762,800 MT were 8 percent below the previous week, but 27 percent above the prior 4-week average. Increases reported for Taiwan (247,500 MT, including 58,000 MT switched from unknown destinations), Japan (194,400 MT), Egypt (161,200 MT), unknown destinations (72,900 MT), Syria (48,700 MT, including 25,100 MT switched from Egypt), and Israel (48,000 MT), were partially offset by decreases for Mexico (67,300 MT) and Guatemala (26,600 MT). Net sales of 226,100 MT for delivery in 2007/08 were primarily for Japan (67,600 MT), Guatemala

(60,400 MT), and Colombia (60,000 MT). Exports of 865,900 MT were 3 percent below the previous week and 9 percent under the prior 4-week average. The major destinations were Japan (308,400 MT), Taiwan (100,100 MT), Syria (84,700 MT), Mexico (78,400 MT), and Egypt (65,600 MT).

This summary is based on reports from exporters for the period June 15-21, 2007.

SOURCE: USDA

### CROP- WEATHER ANALYSIS

Summer maize is at vegetative/flowering stages in UP, Chhattisgarh and at cob maturity/harvesting stage in northeastern hilly tracts, Tamil Nadu and Maharashtra. Land preparation and sowing of Kharif Maize is in progress in Karnataka. Expected rain/thundershowers in UP and Karnataka will help the crop. But rain in most part of the country may affect the harvesting in other parts of the country.

### MONSOON WATCH

Southwest monsoon further advanced into the remaining parts of Arabian sea, most parts of Saurashtra & Kutch, some parts of Gujarat region, the remaining parts of Madhya Maharashtra & Marathwada, some more parts of Vidarbha, Orissa and Jharkhand on 24th June. It advanced into remaining parts of Gujarat, some parts of southeast Rajasthan and south Madhya Pradesh, some more parts of Chhattisgarh and remaining parts of Vidarbha, Orissa and Jharkhand on 25th June. It further advanced into some more parts of East Uttar Pradesh, remaining parts of Uttarakhand, entire Himachal Pradesh, Jammu & Kashmir and northern parts of West Uttar Pradesh, Haryana and Punjab on 26th June. Northern limit of monsoon passed through lat. 25.0 °N/ long. 60.0° E, lat. 25.0 °N/ long. 65.0° E, Deesa, Idar, Hoshangabad, Pendra, Ambikapur, Varanasi, Sultanpur, Lucknow, Bareilly, Ambala and Amritsar (Map Enclosed).

### WEATHER WATCH

Last week's well marked low pressure area over east-central & adjoining west-central Bay of Bengal concentrated into a depression at 0830 hrs. IST on 21st over west-central Bay of Bengal near lat. 15.5 °N/ long. 86.0° E about 430 km east-southeast of Kakinada. It moved west-northwestwards and intensified into a deep depression around the same evening. Moving further west-northwestwards, it crossed Andhra Pradesh coast near Kakinada around 0430 hrs. IST of 22nd June. Continuing its west-northwestward movement, it weakened into a depression and lay centred over Marathwada close to Osmanabad in the morning of 23rd June. It further moved north-westwards and weakened into a well marked low pressure area and lay over northeast Arabian Sea and adjoining Saurashtra & Kutch on 24th morning. The system again concentrated into a depression and lay centred at 0830 hrs. IST on 25th June near lat. 23.5 °N/ long. 67.5° E about 150 km west-northwest of Naliya. Continuing its west-northwestward movement, it further intensified into a deep depression in the same evening near lat. 23.5°N/ long.66.5° E about 250 km west-northwest of Naliya. The system moved north-westwards and crossed Pakistan coast near long. 64.0° E between 0730 and 0830 hrs. IST of 26th. A cyclonic circulation lay over north Bay of Bengal on 25th extending upto mid-tropospheric levels. Under its

influence a low pressure area formed over northwest Bay of Bengal off Orissa coast on 26th June. It lay as a well marked low pressure area over north and adjoining central Bay of Bengal on 27th. An off-shore trough extended from Gujarat coast to Kerala coast during 21st to 23rd June and from Gujarat to Karnataka coast from 24th to 27th. A Cyclonic Circulation lay over north Pakistan and adjoining Jammu & Kashmir extending upto 2.1 km a.s.l. from 22nd to 25th June. An upper air cyclonic circulation extending upto mid-tropospheric levels lay over northwest Rajasthan & neighbourhood on 21st; over East Rajasthan & neighbourhood on 22nd and became less marked on 23rd. A cyclonic circulation extending upto 1.5 km a.s.l. lay over west Assam & neighbourhood on 22nd & 23rd June and over east Assam & Neighbourhood during 24th to 26th.

#### Rainfall:

Southwest Monsoon was vigorous/active along the west coast during many day of the week. It was also vigorous/active over Andhra Pradesh during first half and over Interior Karnataka and Maharashtra during 2nd half of the week. Scattered heavy to very falls with isolated extremely heavy falls occurred over south Coastal Andhra Pradesh, Rayalaseema, Telangana, Kerala, Karnataka, Konkan & Goa and Madhya Maharashtra during the few days of the week. Southwest monsoon was also active over

#### TECHNICAL ANALYSIS

**Commodity: Maize**

**Contract: July 2007**

**Exchange: NCDEX**

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

Maize futures traded range bound with weak inclination during the week. The most active NCDEX July contract traded mostly lower on increased selling pressure. However, some buying interest at lower levels has recovered the futures in later part of the week and traded marginally down near Rs.778.5/quintal compared to last week's closing at Rs 779/quintal and remained in the range of 767.5-781 during the week. The open interest as well as volumes has declined during the week. On June 28, stocks in NCDEX warehouses remained lower at 2064 MT as against last week's stock of 3456 MT.

**Technical:** A doji candle has formed, implying some indecisive market sentiments. Price closed above the EMA's, reflecting some strength in the market. However, stochastic remains weak in neutral region although the RSI has turned upwards in neutral zone. MACD turned up slightly in positive region. Maize is likely to trade higher after a slightly weak 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	802	807	763	758

Orissa during the last two days of the week. Rain/thundershowers occurred at many places over Andaman & Nicobar Islands, Lakshadweep, Gangetic West Bengal & Orissa on many days; Chhattisgarh, east Madhya Pradesh, Vidarbha, Marathwada & Gujarat state on a few days of the week. Isolated to scattered rain/thundershower occurred over remaining parts of the country during many days of the week..

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

The well marked low pressure area over north & adjoining central Bay of Bengal is likely to concentrate into a depression. Under its influence, widespread rainfall with scattered heavy to very heavy falls and isolated extremely heavy falls (> 25 cms.) are likely over Orissa, Chhattisgarh and north Andhra Pradesh during next 2-3 days. The enhanced rainfall activity is likely to extend into Vidarbha, Madhya Pradesh, Madhya Maharashtra, Konkan & Goa and Gujarat from 29th onwards. Decrease in rainfall activity over Orissa, Andhra Pradesh, Chhattisgarh during second half of the week. Conditions are favourable for further advance of southwest monsoon in some more parts of west, central and northwest India.

Source: IMD

#### FOREX RATES (As on 02<sup>nd</sup> JULY, 2007)

Country	Currency	Value in Rupees
USA	Dollar	40.75
European Union	Euro	54.79
Japan	100 Yen	33.04
Great Britain	Pound Sterling	81.63



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