

## MAIZE

27<sup>th</sup> August - 1<sup>st</sup> September, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Maize spot markets traded steady to weak on lower offtake from the consuming units against the slightly increased arrivals combined with subdued export demand. During the mid of the week, in major markets like Delhi and Kolkata, the market sentiments were quite firm as supply from Bihar tightened but tumbled towards the weekend on the back of healthy supply from Andhra Pradesh. With the report of harvesting of Maize crops in USA and comparatively high yield per acre than the pre-harvesting estimation along with the arrival of new crops in Andhra Pradesh further restricted the up move of the market. During the current season, traders estimate that India may see higher production than the last year and the production figure may touch around 12.5 million tonnes due to well distributed rainfall over the maize growing regions particularly southern India where good rainfall as well as increase in acreage is reported. Consequently, production in southern India is likely to increase this season. From April 1 to August 24, the kharif maize acreage stood around 7.3 million hectares against 6.9 million hectares during the same period a year earlier.

In Bihar, the subdued trading activities have been extended to this week, as transportation is not possible due to flood. The water level is now receding speedily, which is favourable for the maturity of maize crop but not favourable for transportation. At Naugachia market, prices traded steady at Rs.720-730 against the steady arrival of 100 to 200 bags. In other trading centers, in anticipation of higher crops, traders and farmers have started offloading their stuffs. Good demand against a restricted supply from Bihar pushed up the prices at Kolkota and Delhi and quoted at Rs.840-860/mt and Rs.825-850/mt respectively and the arrivals in Delhi declined to 1-2 motors. Hybrid maize arrivals from UP in Delhi are steady around 4-6 motors quoted steady Rs.780-800/mt. A subdued demand from the poultry industry pulled down the prices at Ahmedabad from Rs.770 from last week to 750/mt this week. The arrival of new crop in Andhra Pradesh, which has contained high moisture, traded low at Rs.690/mt whereas a subdued demand at Davengere pulled down the prices from Rs.700/mt last week to 630/mt this week. According to industry estimate, the poultry industry from 2007/08 onwards is likely to grow by 7% as against a 4% growth until last year 2006/07.

### NCDEX FUTURES MARKET:

Maize futures traded weak during the period starting August 27, on increased selling pressure making new lows every day with some recovery towards the weekend on profit taking. NCDEX September contract tested a high of Rs.733/mt and tumbled thereafter testing a low of Rs.693/mt. In September contract, both volume and open interest declined towards the weekend. On August 30, stocks in NCDEX warehouses remained steady at 685 MT.

### PRICE DRIVERS:

- Kharif maize sowing has increased to 7.3 million hectares during April 1 to August 24 to 6.9 million hectares in corresponding period last year.
- Kharif maize production may touch around 12.5 million tonnes and Tamil Nadu alone may produce around 500,000 tonnes
- The poultry industry is likely to grow by 7% during 2007/08 onwards as against 4% growth until last year 2006/07.
- Harvesting in the US has seen increased yield per acre against the pre-harvesting estimation
- IGC estimated maize output in the current crop season is likely to be around 755 million tonnes, up 8.5 per cent from last year due to higher production expected in the US. It estimated higher global maize consumption at 762 million tonnes.
- South Africa's Crop Estimates Committee has lowered its sixth corn production forecast for the 2007-08-crop season by 2,000 metric tonnes to 6.902 million tonnes.
- Maize supply towards North eastern states and Bangladesh from West Bengal and Bihar has been reduced significantly
- Bangladesh is looking into the south Indian markets for the maize import.
- Logistic problem due to floods in Bihar may further affect the arrivals from Bihar.

- High quality maize supplies to Delhi and Kolkata mandis continued from AP.
- Global industrial consumption of maize to increase on higher ethanol as well as bio-fuel demand
- Govt. has increased the MSP of maize by Rs 80 to Rs 620/qlt
- Bajra prices traded steady during the week on normal demand-supply situation

## GLOBAL MARKET:

### CBOT Corn Futures Settled Up

CBOT corn futures settled up Friday. December Corn finished up .25 cents at \$340 per bushel; this was 6 off the high and 1 up from the low. March Corn closed unchanged at \$356 per bushel. This was 1 up from the low and 5.5 off the high. CBOT maize futures opened firm with the support from wheat and with the news of rain forecast. The market also found some support from talk of possible heavy rains in the 6-10 day forecast across Iowa and northern Illinois. News that US exporters sold 180,000 tonnes of sorghum to unknown destination added to the positive tone with talk of strong world demand for feed grain. June US ethanol production measured 418,000 barrels per day, which was up from 406,000 bpd, or 3.0%, in the previous month and up from 318,000 barrels per day, or 27.67%, in the same month last year. International Grains Council's said maize output in the current year is likely to be around 755 million tonnes, up 8.5 per cent on year due to higher production expected in the US.

Source: CBOT

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

|                           | 25.08.07 | 01.09.07 |
|---------------------------|----------|----------|
| Delhi (Red Maize)         | 850      | 840      |
| Delhi (U.P. Hybrid Maize) | 800      | 785-790  |
| Sangli truck Bilty (New)  | 745      | 725      |
| Pune Starch (New)         | 775-780  | 735-740  |
| Ahmedabad Poultry feed    | 820-825  | 760-765  |
| Ahmedabad Starch          | 790-800  | 745-750  |
| Kolkata mill delivery     | 860      | 825-830  |
| Nizamabad (Bilty)         | 700      | 680-685  |
| Davengere (Bilty)         | 700-705  | 630      |
| Bihar Loose Price         | 730      | 730-740  |

## DOMESTIC AND INTERNATIONAL

### NEWS ANALYSIS:

#### Kharif Maize acreage has Increased to 7.14 MH

Kharif maize acreage has increased to 7.14 million hectares so far as on August 17 as against 6.77 million hectares during previous year. Good rainfall and

satisfactory progress of sowing has increased the outlook of a good production this year.

#### Maize Output Around 755 Million Tonnes: IGC

The International Grains Council's said maize output in the current year is likely to be around 755 million tonnes, up 8.5 per cent on year due to higher production expected in the US. Though the maize crop has deteriorated in EU and Canada on dry weather, the fall will be more than offset by a 10 million tonnes increase in US output. The council estimated the global maize consumption is to be around 762 million tonnes due to a sharp rise in industrial use. Higher consumption will reduce global ending stocks for 2007-08 to 96 million tonnes, the smallest since 1983-84.

#### Argentina Corn Export Around 13.5 Million Tonnes (2006-07)

As of August 24, Argentina sold 13.5 million tonnes of corn 2006-07 (March-February) for export against the 7.14 million tonnes during 2005-06. The amount remains unchanged since June. The government has frozen the export registry in the face of soaring export declarations. In June, the Agriculture Secretariat ordered the reopening of the corn export registry for 3 million tonnes, but the quota was filled within a week.

#### 120,000 Tonnes of Corn Sold to Egypt: USDA

As per the report of the U.S. Department of Agriculture on Monday, private exporters sold 120,000 metric tonnes of corn to Egypt in the 2007-08 marketing year. The corn marketing year begins September 1.

#### South Africa's Corn Output At 6.902 Million Tonnes for 2007-08

On Tuesday, South Africa's Crop Estimates Committee has lowered its sixth corn production forecast for the 2007-08 crop season by 2,000 metric tonnes to 6.902 million tonnes whereas I-Net Bridge poll had predicted the Department of Agriculture's committee would leave the crop forecast unchanged at 6.904 million tonnes. Of the total corn estimates, white corn crop estimated at around 4.127 million tonnes and yellow corn at 2.775 million tonnes. South African Grains Information Service's harvest report shows that a total of 5.334 million tonnes of corn have already been harvested.

#### US Corn Output May Exceed Pre-Harvest Estimation

Harvesting of corn crop is in full swing in the U.S. and the output may exceed pre-harvest estimation. In August crop production report, the U.S. Department of Agriculture estimated corn production for Illinois is at 2.314 billion bushels, with a yield of 178 bushels per acre. The corn producers had already picked about 2.63 million acres of corn - comprising 3% of the country's total expected harvest by this week. The U.S. corn harvest is pushing northward into southern Illinois, Missouri, Tennessee and southern Indiana, with yield reports being better than expected.

The state extension service estimates that harvest of Louisiana's 750,000-acre corn crop is already 75% complete, and should be finished within 10 days. As per the unofficial report, although Louisiana yielded highest of 148 bushels an acre in 2001, this year some fields are cutting between 180-220 bushels per acre. The corn crop is expected to be above average in North Texas, with yields

averaging in the 160-180 bushel per acre. Harvesting of corn is done 39% in South Carolina, 37% in Georgia, and 19% finished in Alabama.

### **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. tonnes. China is expected to use over 9m. tonnes of maize to make ethanol in 2007/08, but the government has announced that in future most will be made from non-grain 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

### **Argentina June Corn Exports Up 150%**

As per the latest Agriculture Secretariat data, Argentina has exported 1,564,223 metric tonnes of corn in June, up almost 150% from the 629,463 tonnes exported in June 2006. The major buyers were Spain, Egypt and South Africa with the quantity of 219,387, 187,382 and 138,681 tonnes respectively.

### **China's Corn Output May Be Around 147 Million Tonnes**

Due to drought in Jilin province, China's largest corn producing may see slight down in the corn output as increased acreage, higher yields and larger investment may offset the impact of drought. Jilin's corn output accounts for 15% of China's total corn output. China's corn output is likely to be around 147 million tonnes in 2007, down from the latest official forecast of 149 million tonnes.

### **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**

Net sales of 173,000 MT resulted as increases for Japan (200,900 MT), Jordan (48,400 MT, including 44,000 MT switched from unknown destinations), Colombia (40,100 MT, including 25,000 MT switched from unknown destinations), Venezuela (35,700 MT), Romania (31,500 MT, including 30,000 MT switched from unknown destinations, the first activity since 1992/93), El Salvador (23,400 MT, switched from Guatemala), and Algeria (18,900 MT), were partially offset by decreases for unknown destinations (148,000 MT), Mexico (77,300 MT), Guatemala (39,900 MT), and South Korea (27,000 MT). Net sales of 1,433,400 MT for delivery in 2007/08 (which begins September 1) were primarily for unknown destinations (577,000 MT), Japan (289,800 MT), Iran (180,000 MT), Egypt (120,000 MT), and Colombia (65,900 MT). Exports of 1,266,700 MT were 33 percent above the previous week and 31 percent over the prior 4-week average. The primary destinations were Japan (545,600 MT), Mexico (114,400 MT), Egypt (96,200 MT), Colombia (73,000 MT), the Dominican Republic (70,100 MT, including 22,600 MT late reporting), and Venezuela (70,000 MT, including 36,700 MT late reporting).

This summary is based on reports from exporters for the period, August 17-23, 2007.

Source: USDA

### **CROP- WEATHER ANALYSIS**

Kharif crop at vegetative stage in Chhattisgarh, Rajasthan, MP, TN, Jharkhand, and J&K, whereas it is in late vegetative/flowering stage in HP, AP, Gujarat, Karnataka and Kashmir division. It is at late harvesting stage in Assam, Arunachal Pradesh and Sikkim. It is at maturity stages in Chhattisgarh, Bihar. Incidences of stem borer have been reported in maize in AP. But, expected rainfalls in most of the Maize growing tracts will be helpful for the crop.

### **WEATHER WATCH**

The western end of the monsoon trough gradually shifted northward and lay north of its normal position till 27th. It then gradually shifted southwards and lay south of its normal position on the last day of the week. The eastern end of the monsoon trough lay near its normal position during the week. However, a secondary trough extended from East Uttar Pradesh to Northeast Assam during this period. A cyclonic circulation lay over West-Central Bay of Bengal off Andhra Pradesh coast between 3.1 km and 5.8 km above sea level on 23rd. It persisted over the same

area extending up to mid-tropospheric level on 24th. It lay over south Telangana and adjoining areas of Coastal Andhra Pradesh and Rayalaseema on 25th over North Interior Karnataka and neighbourhood on 26th; over South Madhya Maharashtra and neighbourhood on 27th; over north Madhya Maharashtra and neighbourhood on 28th and over southwest Madhya Pradesh and neighbourhood on 29th. An off shore trough extended from Konkan coast to Kerala coast during 23rd 24th August and from south Gujarat coast to Kerala coast thereafter. An upper air cyclonic circulation lay over North Pakistan and adjoining Jammu & Kashmir in the lower levels on 23rd and over Jammu & Kashmir and adjoining Himachal Pradesh on 24th & 25th. It moved away eastwards on 26th. A fresh upper air cyclonic circulation in the lower levels lay over North Pakistan and adjoining Jammu & Kashmir on 26th and over Himachal Pradesh and adjoining areas on 27th. It moved away eastwards on 28th. Another upper air cyclonic circulation in lower levels lay over Central Uttar Pradesh on 25th; over Bihar and neighborhood on 26th, over Sub-Himalayan west Bengal and adjoining Assam & Bangladesh on 27th and over Northeast Assam and neighbourhood on 28th. It moved away eastwards on 29th

#### Rainfall:

#### Under the influence of the above systems:

Widespread/fairly widespread rainfall occurred over northeastern States and Sub-Himalayan West Bengal & Sikkim during many days of the week. Fairly widespread rainfall also occurred over remaining subdivisions of east India during 28-29th. Fairly widespread rainfall occurred

### TECHNICAL ANALYSIS

**Commodity: Maize**

**Contract: September 2007**

**Exchange: NCDEX**

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

Maize futures traded weak during the period starting August 27, on increased selling pressure making new lows every day with some recovery towards the weekend on profit taking. NCDEX September contract tested a high of Rs.733/qrtl and tumbled thereafter testing a low of Rs.693/qrtl. In September contract, both volume and open interest declined towards the weekend. On August 30, stocks in NCDEX warehouses remained steady at 685 MT.

**Technical:** A solid dark candlestick has formed showing weak sentiment in market. Prices closed well below the short term and medium term EMAs. MACD is further dipping into the negative region. Stochastic is moving flat in the oversold region whereas RSI is about to enter into the oversold region.

**Outlook:** Maize is expected to trade down with possibility of steady to slightly firm opening.

#### Resistance and Support level:

| Contract Month | Resistance 1 | Resistance 2 | Support 1 | Support 2 |
|----------------|--------------|--------------|-----------|-----------|
| September      | 738          | 749          | 685       | 675       |

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over Andaman & Nicobar Islands, Lakshadweep, Kerala, Coastal Karnataka and Konkan & Goa during many days of the week. Fairly widespread/scattered rainfall occurred over remaining parts of Peninsula, Chhattisgarh, Vidarbha, Marathwada and Madhya Maharashtra during many days of the week. Fairly widespread rainfall occurred over Gujarat Region and Madhya Pradesh during second half of the week. The rainfall was subdued over remaining parts of the country where isolated/scattered rainfall occurred during many days of the week.

#### Outlook for the week ending on 29<sup>th</sup> August 2007

A low-pressure area is likely to form over West-Central & adjoining North-West Bay of Bengal around 2nd September. Under its influence, fairly widespread rainfall with isolated heavy to very heavy falls is likely over Andhra Pradesh and adjoining Orissa up to 3rd September and decrease thereafter. Subsequently, the fairly widespread rainfall with isolated heavy to very heavy falls is likely over Chhattisgarh and East Madhya Pradesh. Fairly widespread rainfall with isolated heavy to very heavy falls is likely along the West coast and northeastern states. Subdued rainfall activity is likely over Northwest India.

#### FOREX RATES (As on 3<sup>rd</sup> September 2007)

| Country        | Currency       | Value in Rupees |
|----------------|----------------|-----------------|
| USA            | Dollar         | 40.96           |
| European Union | Euro           | 55.96           |
| Japan          | 100 Yen        | 35.23           |
| Great Britain  | Pound Sterling | 82.55           |

**Recommendation:** Sell on rallies towards resistance level.

