

## MAIZE

17-22 September, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Initially, Maize spot markets traded steady to firm on good demand against restricted arrivals. Market found support from the export demand of Bangladesh, Vietnam and Sri Lanka as well as the growing demand for poultry from the Saudi Arabia countries. However, by midweek, prices tumbled due to absence of good export and domestic demand amidst healthy arrivals of fresh crops in some southern market. In weekend, prices recovered the midweek losses on good overseas demand from the south and south East Asian countries along with the normal domestic demand. News of China is planning to import corn instead of export to check its inflationary economy further added bullish tone and CBOT Thursday's future closed higher since June 26th. China is one of the world's major corn exporters.

During the week, in Delhi mandis, red maize (Bihar) traded in the range of Rs.790-805 on a steady arrival of 2-4 motors. At Ahmedabad, poultry feed mills grade traded up Rs.820-830/mt from last week's Rs.790-800 against the daily arrivals of 6000 qtls from last week's 2000. Maize (new) in Naizamabad and Davangare (Bilty) traded up Rs.690-700 and Rs.650-660/mt from previous level of Rs.625 and 635/mt respectively and daily arrivals stood around 1800-5000 qtls and 1200-4700 qtls respectively. On the other hand, Naugachia (Bihar) loose basis and Kolkata (mill delivery) mostly traded steady on a routine demand-supply situation. However, Pune starch quality ruled firm on good export demand while Sangli truck bilty traded down on lower offtake against the daily arrivals of 13000 qtls from last week's 10000. As per 1st Advance Estimate of 2007-08, a record production is expected in Maize at 13.07 million tonnes, up of 14.3 per cent from the 4th advance estimate of 2006-07 and Bajra production pegged at 7.97 million tonnes compared to the last year's 8.63 million tonnes.

### NCDEX FUTURES MARKET:

Maize futures declined initially while traded sideways thereafter with firm undertone besides some profit taking. NCDEX October contract traded in the range of Rs.705.00 - 745.00 during the period with increased volume and slightly declined open interest. On September 20, stocks in NCDEX warehouses increased and stood at 686 MT.

### PRICE DRIVERS:

- As per 1st Advance Estimate of 2007-08, a record production is expected in Maize at 13.07 million tonnes, up of 14.3 per cent from the 4th advance estimate of 2006-07.
- Bajra production pegged at 7.97 million tonnes compared to the last year's 8.63 million tonnes.
- CBOT Thursday's future closed higher since June 26th.
- Good Export demand from South and Southeast Asian countries
- Kharif maize acreage has increased to 74.22 lakh hectares as on September 7 as against 69.95 lakh hectares during previous year.
- China is planning to ban corn export to check inflationary economy
- Mexico bought 198,000 tonnes of US corn
- Growing demand from the poultry industries.
- Maize MSP for 2007-08 is Rs.620/mt from Rs.540 in 2006-07

### GLOBAL MARKET:

#### CBOT Corn Futures Settled Up

CBOT corn futures settled up Friday. December Corn finished up 7.25 cents at \$376.50 per bushel; this was .5 off the high and 5.25 up from the low. March Corn closed up 6.75 cents at \$392.00 per bushel. This was 5 up from the low and .5 off the high. CBOT Friday's corn closed sharply higher on the session and near 28 cents higher on the week despite the active harvest. Despite weakness in the soybean complex, solid export demand and follow-through technical buying of the past few sessions helped support solid gains early in the day. Strength in wheat and a bullish tone for several commodity markets added to the positive tone. Speculation about corn acreage loss as farmers are planning to shift to soybeans and wheat also added positive force. The buying late in the session pushed prices past technical resistance and beyond pre-weekend profit taking. Further China's intention of ban corn export, which means

the US, will receive additional corn export business added to the positive tone. South Korea bought 100,000 tonnes of optional origin corn.

Source: CBOT

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

	14.09.07	22.09.07
Delhi (Red Maize)	790	780-800
Delhi (U.P. Hybrid Maize)	750	715-725
Sangli truck Bilty (New)	740-760	720-735
Pune Starch (New)	750-760	810
Ahmedabad Poultry feed	820	840
Ahmedabad Starch	800	810-820
Kolkata mill delivery	840-850	860-870
Nizamabad (Bilty)	640-655	700-710
Davengere (Bilty)	640-650	685-700
Bihar Loose Price	710-715	710-720

#### DOMESTIC AND INTERNATIONAL NEWS ANALYSIS:

##### Kharif Corn Acreage UP

Kharif maize acreage has increased to 76.40 lakh hectares so far as on September 21 as against 72.42 lakh hectares during previous year. Good rainfall and satisfactory progress of sowing has increased the outlook of a good production this year. According to trade estimates, this year's kharif maize production is likely to be higher and may reach around 13 million tonnes.

##### 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.

##### Maize Production Estimated Around 13.07 Million Tonnes: 1st Advance Estimate

As per the government of India's 1st Advance Estimate of 2007-2008, Maize production at 13.07 million tonnes is expected to be a new record and 14.3 per cent higher than the 4th advance estimate of 2006-2007. Bajra production pegged at 7.97 million tonnes, lower from the fourth advance estimate of 8.63 million tonnes.

#### Argentina's Corn Output Estimated at 24 MMT: USDA

Recent weeks rainfall over Argentina increased the water level, which bode well for corn planting, which started this month. Farmers have planted 4% of the normal 3.27 million hectares and 1.2 percentages behind last years planting. Buenos Aires Exchange reported. Argentina's corn production this season is expected to set a new record. The USDA estimates 24 million metric tonnes being grown this year, up from the record 22 million tonnes produced last season.

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

Last week, 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 Up

Net sales of 2,032,300 MT were 95 percent above the previous week. Increases were reported for Mexico (766,000 MT, including 197,700 MT switched from unknown destinations), Japan (577,900 MT), South Korea (240,700 MT), Canada (233,400 MT), Algeria (81,600 MT, including 25,000 MT switched from unknown destinations), Taiwan (41,900 MT), and Peru (35,000 MT), were partially offset by decreases for Egypt (58,500 MT), Venezuela (28,000 MT), and unknown destinations (21,100 MT). Exports of 874,100 MT were 26 percent below the previous week and 22 percent under the prior 4-week average. The primary destinations were Japan (285,900 MT), Mexico (109,500 MT), Syria (61,700 MT), South Korea (57,800 MT), Saudi Arabia (46,200 MT), Egypt (45,900 MT), and Taiwan (42,900 MT).

This summary is based on reports from exporters for the period, September 7-13, 2007.

Source: USDA

### CROP- WEATHER ANALYSIS

Kharif crop at vegetative stage in Chhattisgarh, MP and TN whereas it is in tasseling/silking/milking stage in AP, Gujarat, Rajasthan, Jharkhand, Karnataka and Jammu division. Sowing of maize is going on in TN. It is at end harvesting stage in Assam, Arunachal Pradesh and Sikkim and at maturity stages in Chhattisgarh, HP, Bihar and Kashmir division. Incidences of stem borer have been reported in maize in AP. Expected rainfalls will be helpful for the crop.

### WEATHER WATCH

- A low-pressure area formed over northwest Bay of Bengal and adjoining coastal areas of north Orissa and West Bengal on 13th morning. It persisted over the same region on 14th and became less marked on 15th. However, the associated upper air cyclonic circulation lay over northwest and adjoining West-Central Bay of Bengal off Orissa and Andhra Pradesh coasts on 16th. Again, under the influence of this cyclonic circulation, a low-pressure area formed over west-central Bay of Bengal and adjoining Coastal Andhra Pradesh on 17th. It lay as a well-marked low-pressure area over the same region on 18th and 19th.
- While the western end of the monsoon trough lay to the north of its normal position or near normal position, the eastern end of the monsoon trough shifted gradually from north to south during the week in association with the low pressure area over the Bay of Bengal.
- A feeble offshore trough at mean sea level ran from Konkan coast to Kerala coast during many days of the week.
- A trough in lower tropospheric levels ran from north Pakistan to north Arabian Sea during the week.

### Rainfall:

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

- Widespread /fairly widespread rainfall with isolated heavy to very heavy falls occurred over Orissa during 14-17th and over Andhra Pradesh during 15-19th. Widespread /fairly widespread rainfall

with isolated heavy to very heavy falls also occurred over Kerala, Karnataka and Andaman & Nicobar Islands during many days of the week.

- Scattered/fairly widespread rainfall occurred over Konkan & Goa, Madhya Maharashtra, Marathawada and Lakshadweep during many days of the week. Scattered/fairly widespread rainfall also occurred over Sub-Himalayan West Bengal & Sikkim and northeastern states during many days of the week.
- Isolated to scattered rainfall occurred over remaining parts of the peninsula, most parts of central India and remaining parts of East India during many days of the week.
- The rainfall activity was sub-due over remaining parts of the country, where isolated rainfall occurred during many days of the week.
- Scattered rainfall occurred on 6th, 10th & 11th and isolated rainfall on many days of the week over Punjab, Haryana and Himachal Pradesh. Isolated rainfall occurred during 9-11th and mainly dry weather prevailed on remaining days of the week over the rest regions of North West India.
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## TECHNICAL ANALYSIS

**Commodity: Maize**

**Contract: October 2007**

**Exchange: NCDEX**

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

Maize futures declined initially while traded sideways thereafter with firm undertone besides some profit taking. NCDEX October contract traded in the range of Rs.705.00 - 745.00 during the period with increased volume and slightly declined open interest. On September 20, stocks in NCDEX warehouses increased and stood at 686 MT.

**Technical:** A doji candlestick on the chart shows indecision. Prices remain well above the EMAs while the MACD is flat in positive region. Stochastic is dipping in the neutral region while RSI is moving flat in the neutral region.

**Outlook:** Maize is likely to trade range bound with firm bias.

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

**Resistance and Support level:**

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
September	748	754	701	710

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## Outlook for the week ending on 19<sup>th</sup> September 2007

- ✓ The well marked low pressure area over West-Central Bay of Bengal is likely to concentrate into a depression and cause widespread rainfall with isolated heavy to very heavy falls over Orissa and north Andhra Pradesh during first half of the week. The enhanced rainfall activity is likely to shift towards central and west India during second half of the week
- ✓ Scattered fairly widespread rainfall activity is likely over northwest India during second half of the week.
- ✓ Decrease in rainfall activity over the peninsular India during second half of the week.

Country	Currency	Value in Rupees
USA	Dollar	39.47
European Union	Euro	56.19
Japan	100 Yen	34.74
Great Britain	Pound Sterling	80.11

## FOREX RATES (As on 22<sup>nd</sup> September 2007)

