

## MAIZE

December 24-29, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Maize spot market prices traded unchanged at last week's level on good offtake by traders and exporters against restricted arrivals. Heavy rainfall caused damage to the standing crops in T Nadu and delayed harvesting further supported the price. As per the US Grains Council report, more than 5 lakh tonnes of maize has been exported to major South East Asian countries as well as Korea, Bangladesh and Sri Lanka. Exporters are expecting more export demand to come due to reasonable domestic price. Vessels are sailing at regular intervals from Mumbai, Kakinada, Tuticorin and Chennai port carrying maize to the unknown destinations in south East Asia. However, towards weekend, maize prices slightly dipped on lower offtake from the stockists against improved arrivals. Stockists are hesitant to buy at current price level, as buying and storing will make it pricier. Stockists and traders fear price decline in March when winter crops starts arriving. Farmers have brought more areas under winter maize cultivation compared to last year's due to higher domestic price. Present domestic prices are 3% higher than last year. Due to higher open market prices, procurement by the govt. agencies has been declined. Till December 24, AP MARKFED was able to procure only 60,000 tonnes against the target of 6-lakh tonnes. During the week, in Nizamabad and Davangare, wagon bilty quoted in the range of Rs.740-750 and Rs.715-720/mtl respectively and corresponding arrivals stood around 1000-3000 and 25 000-30 000 bags. Delhi red maize and hybrid (UP) quoted steady to down on restricted offtake from Haryana and Punjab against improved supply of 9 motors. Naugachia (Bihar) loose basis prices dipped due to lower quality grain. In Ahmedabad and Pune, maize mostly traded range bound at lower side on improved arrivals. In Delhi, Bajra prices dipped Rs.620 from its previous level of Rs.625-635.

### NCDEX FUTURES MARKET:

Initially trading at last weekend's level, maize futures dipped midweek onwards on aggressive selling by the traders and lack of supportive news. NCDEX January contract traded in the range of Rs.745.00-757.50 during the period with increased volume and increased open interest. On December 27, stocks in NCDEX warehouses increased from the previous level of 2039 MT to 3401 MT.

### PRICE DRIVERS:

- AP MARKFED procured 60,000 tonnes of maize against the target of 6 lakh tonnes due to higher open market prices
- Good overseas demand from South East Asia countries as well as from Bangladesh, Korea, Sri Lanka
- Export of Maize over 5 lakh tonnes
- Stockists opt not to buy at current high price level in anticipation of price decline in March ones winter crops arrive
- Higher soy meal prices and growing demand for maize from the feed industries
- Dry weather forecast over southern peninsula favours harvesting and arrival
- Inferior quality maize in Bihar fetches lower price
- Steady arrivals in Karnataka around 25-35 000 tonnes

### GLOBAL MARKET:

#### CBOT Corn Futures Settled Lower On Friday On Technical Selling

CBOT corn futures settled down on Friday. March Corn finished down 2.75 cents at \$452.00 per bushel; this was 5 cent off to the high and .25 cent up from the low. December Corn closed down 1.5 cents at \$473.00 per bushel. This was .5 cent up from the low and 3 off to the high. CBOT corn futures settled lower on technical corrections after making early upward movement. Corn futures settled lower ahead of the new year as traders preferred to square off before the start of the new year. The weaknesses in soybean and wheat also helped the corn market to close lower. Market also witnessed aggressive selling pressure. Weekly US export sales for corn came in at 1,484,300 metric tons, which was considered bullish by the trade but did not help the prices to move up. Cumulative corn sales have now reached 62.9% of the USDA forecast as compared to 47.7% on average over the last five years. Sales of 635,600 metric tons per week are needed to reach the USDA estimate.

Source: CBOT

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

	22.12.07	29.12.07
Delhi (Red Maize)	815-820	805
Delhi (U.P. Hybrid Maize)	795	785
Nizamabad (Bilty)	745-747	735
Davengere (Bilty)	720	715-720
Bihar Loose Price	700	700
Kolkata mill delivery	825	830-835
Ahmedabad Poultry feed	790-800	800
Ahmedabad Starch	790-800	800-810
Pune Starch (New)	730-735	715
Sangli truck Bilty (New)	660-675	670

## DOMESTIC AND INTERNATIONAL NEWS ANALYSIS:

### Kharif Corn Harvest is Progressing Well

Due to last week's rainfall over T Nadu, maize harvest was delayed. As at present, dry weather prevails over T Nadu, harvesting is progressing steadily. As per the estimated, rabi maize output may reach around 3 million tonnes due to higher acreage. As per the latest data released by the Agriculture Ministry, the total maize rabi acreage stood around 0.9 million acres against last year's 0.7 million hectares. The present favourable climate helps the growth of young maize crop. Although the govt. procurement agencies have started procuring maize from the farmers but it has been slowed down due to lower price at Rs.620/qlt compared to higher prices in open market. Meanwhile, companies like Kargil and the starch and poultry industries procuring maize in a price level around Rs.670-700/qlt. Government of India has estimated the total maize production for 2007 at 16.07 million tonnes against 14.98 mt for 2006. Global maize production forecast for 2007-08 is at 767 million tonnes, up of 1 million tonnes from last month and global consumption is up 2 million tonnes around 762 million tonnes. According to government of India's 1<sup>st</sup> estimate, this year's kharif maize production is likely to be higher and may reach around 13 million tonnes. Adequately favourable soil, climatic conditions and growing poultry feed industries have encouraged the farmers of Bihar, AP and T Nadu in farming maize in more lands to earn more profits through farming the cash crop. The present rabi acreage was higher 23% higher than last year.

### Corn/Maize Used To Produce Ethanol Set To Reach 100 Million Tonnes

As per the International Grain Council report, the increase in consumption from bio fuel sector, with the amount of corn/maize used to produce ethanol set to reach 100 million tonnes, an increase of 44% from the last year. A huge rise in maize output in the US, more than offsetting the expected increase in ethanol use, prevented maize prices from rising as sharply as those of wheat.

### Maize Output Around 767 Million Tonnes: IGC

Production in 2007-08 is forecast at 767 million tonnes, 1 million tonnes more than last month as increases for the EU, Ukraine, India and Brazil more than offset declines in the US, where yields are falling short of earlier forecasts, and Nigeria. Planting is well advanced in South America with big crops expected both in Argentina and Brazil. South Africa's crop is expected to be larger than the past year's. Forecast world maize consumption is up 2 million tonnes at a record 762 million tonnes. World meat production continues to expand and maize feed use is projected at 475 million tonnes, 8 million tonnes more than last season. Forecast industrial use (mostly for ethanol) is unchanged at 173 million tonnes, 25% more than in 2006-07. The world closing stocks forecast is down 1 million tonnes at 111 million tonnes reflecting the smaller US crop estimate. World trade is now projected at a record 95 million tonnes, 2 million tonnes up from October, after accelerated purchases by Near East Asia, particularly Saudi Arabia, and a strong pace of EU imports from Brazil. Forecast US exports are unchanged at 60 million tonnes, but Brazil's are now put at a record 9.5 million tonnes. Source: IGC , 21.11.07

### AP Markfed Procured 60,000 Tonnes Of Maize So Far Against Target Of 6 Lakh Tonnes

Andhra Pradesh State Cooperative Marketing Federation Limited (Markfed) procured only 60,000 tonnes till date against the target of 6 lakh tonnes, valued at Rs. 52 crore, through 400 procurement centres in the state. Despite the bumper production and higher MSP, farmers are selling in the open market instead to govt. agencies due to higher open market price. The Centre had announced Rs. 620 MSP for maize, while the going rate in the market is Rs. 670 and above. At present, maize procurement is going on in Nizamabad, Karimnagar, Adilabad, Warangal, Mahabubnagar, Medak, Ranga Reddy, Anantapur, Kurnool and Khammam. Markfed targeted to buy 1.50-lakh tonnes of maize in Karimnagar but had only procured 11,282 tonnes. In Nizamabad, it targeted for 1 lakh tonnes but purchased only 14,617 tonnes till last Tuesday. In Mahabubnagar, 18,264 tonnes had been procured. As per the Markfed chairman, Markfed started procurement from October 1 in 400 centres in the 10 districts. But, the rates suddenly went up after Deepavali resulting in poor arrivals in the Markfed centres. He also said that Poultry sector in the State directly approached the farmers with promise of higher prices. Multinational companies by setting village procurement centres are buying maize from the farmers at higher price.

### Bangladesh Flood Hit Farmers May Bring More Land Under Maize Cultivation

As per an official, maize cultivation is going on in large scale in northern region of Bangladesh as sowing of maize seeds gets full momentum where a record cultivation target has been fixed for this season. No seed crisis was reported as huge quantities of the seed were distributed among the farmers under the post-flood agriculture rehabilitation programme and the farmers are expected to bring more land under maize cultivation. The Department of Agriculture Extension (DAE) has fixed a target of producing 7,86,602 tonnes maize from 1,35,155 hectares of land in the region this year which is 67.65 percent of the national target. Adequately favourable soil, climatic and topographic conditions and growing poultry feed industries have encouraged the farmers in farming maize in more lands to earn more profits through farming the cash crop. The

farmers are expected to bring a record land area under maize farming this year to recoup the colossal losses caused by the recent floods and an all-time record production of the crop may be achieved this time in the region, official reported.

### **Good Domestic Maize Price Saw Higher Maize Rabi Acreage**

As per the release of data by the Ministry of Agriculture on December 28, maize rabi sowing acreage during the same period compared to last year is higher. The maize rabi acreage stood around 9.78 lakh hectares compared to last year's 7.41 lakh hectares. However, the area under jowar up to December 14 this year, at 44.51 lakh hectares, is below the 46.81 lakh hectares of the corresponding period of 2006. Barely planting was up at 6.43 lakh hectares compared to last year's 6.25 lakh hectares.

### **Maize Domestic Prices Remained Firm Despite Bumper Production**

Despite the bumper kharif production, maize domestic prices remained firm on good export demand along with the demand from the domestic feed and starch industries. Higher soy meal prices also helped the maize prices to trade steady as feed industries looking more for maize as substitution of soy meal. At present maize spot prices are ruling around at last year's level of Rs.680/mt. As per trade estimation, winter maize crop output will be around 2.7-3 million tonnes due to higher acreage as of today, maize rabi acreage stood around 9.78 lakh hectares compared to last year's 7.41 lakh hectares during the same period. In southern markets, maize prices remained firm and in Nizamabad and Davanagere, maize prices quoted at Rs.6,80-6,90/mt. However, prices quoted higher at Ratlam (MP), Nimbaheda (Rajasthan) at Rs.830 and Karimnagar loose basis prices quoted at Rs.700.

### **Rainfall In Argentina Boosted Dry Corn Crop**

Showers over Argentina's corn field helped the young plants to grow further as moisture content had been to started to decline. The rainfall will allow farmers to plant fields they had put off seeding due to the dry weather. As of December 14, farmers had planted 86.5% of the 2007-08 corn crop, 1.7 percentage points ahead of the pace a year earlier. Source: CBOT

### **USDA Corn Weekly Export Sales Up**

Net sales of 1,423,500 MT were 22 percent above the previous week and 9 percent over the prior 4-week average. Increases reported for Japan (425,200 MT, including 45,000 MT switched from unknown destinations), Mexico (186,500 MT), unknown destinations (168,000 MT), Guatemala (116,500 MT), South Korea (111,700 MT), Colombia (77,000 MT), and Saudi Arabia (60,000 MT), were partially offset by decreases for Tunisia (29,000 MT). Exports of 1,262,600 MT were 3 percent above the previous week, but 4 percent under the prior 4-week average. The primary destinations were Japan (338,100 MT), Mexico (180,200 MT), Egypt (110,100 MT), Canada (89,000 MT), Taiwan (87,400 MT), Algeria (62,100 MT), the Dominican Republic (61,600 MT), and South Korea (61,000 MT). December 14-20, 2007.

Source: USDA

### **CROP- WEATHER ANALYSIS**

Kharif crop is in grain development/maturity/harvesting stage in Gujarat, MP, Bihar, Jharkhand, Chhattisgarh, Rajasthan, TN, HP, J&K and Karnataka. Fodder maize is in vegetative stage in Bihar, while Rabi Maize is in vegetative/flowering stage in Maharashtra, TN and Karnataka. It is at end harvesting stage in Assam, Arunachal Pradesh AP and Sikkim. Incidences of stem borer have been reported in maize in AP. Dry weather condition will be beneficial for the maturity of crop in most of the tract, while irrigation is needed for Rabi crop.

### **WEATHER WATCH (WEEK ENDING ON 26<sup>th</sup> December, 2007)**

- A deep trough of low pressure at mean sea level ran from southwest Bay of Bengal to west central Bay of Bengal off Tamil Nadu and Andhra Pradesh coast on 20th & 21st December.
- Another trough of low pressure at mean sea level extended from southeast Arabian Sea to east central Arabian Sea on 20th and 21st and moved away slowly westwards thereafter.
- Last week's western disturbance as an upper air system over Jammu & Kashmir and neighbourhood persisted on 20th & 21st December and moved away eastward thereafter.
- An induced cyclonic circulation at lower tropospheric levels lay over south Pakistan & adjoining Rajasthan on 20th, West Rajasthan and adjoining Pakistan during 21st to 23rd and became less marked thereafter.
- A fresh western disturbance as an upper air system lay over north Pakistan and adjoining Jammu & Kashmir on 24th and over Jammu & Kashmir and neighbourhood on 25th and 26th.
- A cyclonic circulation at lower levels lay over Nagaland, Manipur, Mizoram & Tripura (NMMT) and neighbourhood during the week.

#### **Rainfall:**

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

- Fairly widespread rain/thundershowers with isolated heavy to very heavy falls occurred over Tamil Nadu & Puducherry, south coastal Andhra Pradesh and Rayalaseema on 20th and 21st and over Lakshadweep on 21st and 22nd.
- Isolated to scattered rainfall also occurred over Lakshadweep on 20th, Kerala, south interior Karnataka and coastal Karnataka on 20th and 21st and Andaman & Nicobar Islands and Tamil Nadu & Puducherry on 22nd.
- Isolated rain/snow occurred over Jammu and Kashmir on 21st and 22nd and over Rajasthan on 24th.

#### **Outlook for the week ending on 2<sup>nd</sup> January 2008**

- ✓ Fog conditions in morning hours are likely over some parts of Indo-Gangetic plains.
- ✓ Fall in night temperatures are likely over northwest India during second half of the week.

## TECHNICAL ANALYSIS

Commodity: Maize

Contract: January 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Initially trading at last weekend's level, maize futures dipped midweek onwards on aggressive selling by the traders and lack of supportive news. NCDEX January contract traded in the range of Rs.745.00-757.50 during the period with increased volume and increased open interest. On December 27, stocks in NCDEX warehouses increased from the previous level of 2039 MT to 3401 MT..

**Technical:** Candlestick chart pattern shows weaknesses in prices. Prices closed below the 9 and 18-days EMA indicate medium term weaknesses in prices. MACD is dipping in the negative region. RSI as well as Stochastic is dipping in the neutral region shows selling pressure in the market. Maize is likely to trade range bound with weak bias.

**Outlook:** Maize is likely to trade range bound with firm bias on good offtake by the traders and exporters.

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



## Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
September	774	784	735	725

## FOREX RATES (As on 31<sup>st</sup> December 2007)

Foreign Currency	Rs. per unit
1 US \$	39.44
1 Euro	57.69
100 Yen	34.93
1 British £	78.73

## Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>  
 © 2005 Indian Agribusiness Systems Pvt Ltd.