

## MAIZE

December 10-15, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

During the week, maize domestic spot market prices mostly traded range bound at last week's level on good domestic and overseas demand amidst healthy supply. Good offtake by the private companies as well as exporters to fulfill the export commitment supported price level despite harvesting pressure. Slight drizzling over some part of south India partially obstructed harvesting as well as delayed in supply. Maize markets also found support from the feed industries' growing demand for maize due to higher soy meal prices as well as increasing demand for poultry. Towards weekend, prices slightly firmed up on increasing demand from south east Asian countries against slightly restricted arrivals as farmers preferred to sell cotton due to latter's good price. Procurement by the govt. agencies was also slowed down, as farmers are hesitant to sell at Rs.620/qrtl while private firms are buying at a price of Rs.680-700/qrtl. News of vessels sailing from Tuticorin and Kakinada port for maize export to the unknown destinations further supported the positive sentiment. In major producing centres like Nizamabad and Davangare, wagon bilty prices traded steady to better Rs.730-735 and Rs.710-715/qrtl respectively against the corresponding restricted arrival of 900-1000 and 40 000-45 000 qtls. Both Pune starch quality and Sangli truck bilty traded range bound on good overseas demand despite the ample supply of 30 000 qtls. In Delhi, red maize and hybrid (UP) maize traded steady to better Rs.790-795 and Rs.760-772/qrtl on good demand from the Punjab and Haryana against steady supply of 7-8 motors. Bajra in Delhi mandis firmed up Rs.615-625/qrtl on growing feed industries demand despite daily ample supply of 20-23 motors. Week also witnessed good offtake by the Kolkata millers. In short term, maize is likely to trade range bound on good overseas demand against ample supply. Rabi maize sowing is progressing well.

### NCDEX FUTURES MARKET:

Continuing last weekend's rally, maize futures firmed up initially on buying interest among traders. Profit taking and lack of supportive news forced the market to trade sideline in the rest of the week. NCDEX January contract traded in the range of Rs.751.00-772.00 during the period with decreased volume and increased open interest. On December 14, stocks in NCDEX warehouses increased from the previous level of 1247 MT to 2039 MT.

### PRICE DRIVERS:

- Good offtake by the private companies at Price Level of Rs.680-700
- Good Demand from Sri Lanka, Vietnam, Philippines feed industries
- Wet climate forecast over south India may partially obstruct harvesting as well as delay in supply
- Growing demand from the domestic poultry feed industries due to higher soy meal price
- Increasing demand for the poultry and eggs from overseas markets
- Arrivals down from last week's 60 000 to 40 000 qtls in Karnataka
- In Maharashtra, Farmers prefer to sell cotton then maize due to formers' higher price.

### GLOBAL MARKET:

#### CBOT Corn Futures Settled Higher

CBOT corn futures closed marginally higher on Friday. March corn opened marginally higher and made a new high. Trade was mostly quiet for the whole day and market traded just under the new high. Prices firmed late to put in a new high close near the highs of the day. The World Health Organization confirmed the first case of human Bird Flu in Myanmar on Friday. Informa released its projected corn plantings for 2008 at 87.4 million acres against the plantation of 93.6 million last year. If farmers stick to this number, this shows farmers are reluctant to plant the extra acre they had planted last year. The continuous strong buying at this level will be bullish factor for the corn futures. Japan bought 158,496 tonnes of US corn. Zambia sold 150,000 tonnes of corn to an unknown African customer. Zambia has exported 450,000 tonnes of corn so far this year. South Africa also committed not include corn for ethanol production. South Africa took this action after local corn producers complained about the ethanol production, which creates corn shortage for feed users and creates rising price. Basis levels at the Gulf were steady for December delivery to mostly lower for deferred.

Source: CBOT

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

	08.12.07	15.12.07
<b>Delhi (Red Maize)</b>	<b>790</b>	<b>800-805</b>
<b>Delhi (U.P. Hybrid Maize)</b>	<b>760-762</b>	<b>780</b>
<b>Nizamabad (Bilty)</b>	<b>720-725</b>	<b>735-745</b>
<b>Davengere (Bilty)</b>	<b>710-712</b>	<b>715-720</b>
<b>Bihar Loose Price</b>	<b>735</b>	<b>720-725</b>
<b>Kolkata mill delivery</b>	<b>840</b>	<b>830-835</b>
<b>Ahmedabad Poultry feed</b>	<b>780</b>	<b>785-790</b>
<b>Ahmedabad Starch</b>	<b>775-785</b>	<b>780-790</b>
<b>Pune Starch (New)</b>	<b>730</b>	<b>740</b>
<b>Sangli truck Bilty (New)</b>	<b>660</b>	<b>660</b>

## DOMESTIC AND INTERNATIONAL

### NEWS ANALYSIS:

#### Kharif Corn Harvest is Progressing Well

Kharif maize harvest process has been completed in AP and progressing well in other states like Tamil Nadu, Maharashtra and Karnataka. 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/ql. Meanwhile, companies like Kargil and the starch and poultry industries procuring maize in a steady price level. The export figure was down then the estimated. 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. Due to higher acreage in rabi crops, traders also estimate higher rabi maize production this time.

#### USDA Lowered US Corn Ending Stocks On Strong Export Demand

USDA further lowered corn ending stocks for 2007-08 marketing year. Due to good export demand, the USDA dropped its corn ending stocks forecast to 1.797 billion bushels, a 100- million-bushel decrease from the 1.897 billion from its earlier estimation. The November prediction was also a 100-millionbushel drop from the 1.997 billion predicted in October. If corn exports reach 2.45 billion bushels, would surpass the record level of 2.4 billion bushels set in the 1979-80 marketing year. The corn export forecast is raised 100 million bushels on expected increases in foreign consumption and imports. USDA's forecast for corn usage by the U.S. ethanol industry remained unchanged at 3.2 billion bushels.

#### 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

#### South Africa Plans To Exclude Corn From Ethanol Production

According to the South African Press Association report, South African government's decision to exclude corn from the country's biofuel production plans will harm the corn industry. Although, at present, the govt. is not concerned the ill effects of manufacturing ethanol of from corn. To ban ethanol production from corn might affect govt.'s land reform policy. The main concern is that food shortages might occur if corn was used in the biofuel production. Generally, South Africa produces 12 million tonnes of corn per year and out of this 7 million tonnes are required for domestic consumption, 2 million tonnes for export, 1 million tonnes for surplus stock and 2 million tonnes for ethanol production. The Press Association also reported that by excluding corn, the government was missing an opportunity to grow the economy and fast-track its land reform program. The ethanol corn project is not only a huge economic boost for the commercial farmer, but also represents an ideal opportunity for government to settle black farmers on farms through the land reform policy with a big demand for corn that they could plant, press reported.

#### China Corn Prices Stable Amidst Harvest Pressure

China's corn prices were mostly stable in the week, but prices in some regions were lower, with more supplies entering the market. Chinese corn markets are receiving healthy supply due to harvesting pressure. Buyers making purchases in anticipation of higher prices due to overall inflation and rising demand. Rising corn-based starch prices also helped support corn prices. Higher soy meal prices also helped the corn sentiment. Soy oil futures catapulted higher, bouncing back from its consolidative mode on broad-based speculative buying in commodities and borrowed strength from a \$4.00 a barrel rise in crude oil futures.

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

As per the release of data by the Ministry of Agriculture on December 14, maize rabi sowing acreage during the same period compared to last year. The maize rabi acreage stood around 7.77 lakh hectares compared to last year's 6.96 lakh hectares. However, the area under jowar so far 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.

### **Informa Pegs US 2008 Corn Plantation Around 87.4 Million Acres**

As per the Private analytical firm Informac Economics prediction on December 14, US farmers may plant around 87.4 million acres of corn in 2008. The firm's corn acreage estimate is down from the 93.6 million acres seeded by U.S. farmers in 2007-08, as per the U.S.D.A report. In November, Informa estimated 2008-09 corn acres at 88.9 million acres.

### **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 1,155,900 MT were 9 percent above the previous week, but 24 percent under the prior 4-week average. Increases reported for Mexico (412,300 MT), Japan (298,100 MT), Syria (75,300 MT, including 28,000 MT switched from Egypt), Colombia (75,100 MT, including 27,500 MT switched from unknown destinations), Taiwan (54,200 MT), and Algeria (54,000 MT, including 52,000 MT switched from unknown destinations), were partially offset by decreases for unknown destinations (116,800 MT). Net sales of 310,200 MT for delivery in 2008/09 were for Mexico (265,200 MT) and unknown destinations (45,000 MT). Exports of 1,056,000 MT were 31 percent below the previous week and 28 percent under the prior 4-week average. The primary destinations were Japan (201,200 MT), Mexico (146,200 MT), Taiwan (61,600 MT), Morocco (59,400 MT), Egypt (56,900 MT), Colombia (54,100 MT), and Algeria (54,000 MT). November 30-December 06, 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. Expected rainfalls will be helpful for the crop in TN.

### **WEATHER WATCH (WEEK ENDING ON 12<sup>th</sup> December, 2007)**

- Last week's upper air cyclonic circulation in lower tropospheric levels over Jammu & Kashmir and neighbourhood moved away eastwards on 6th.
- A western disturbance as an upper air system lay over north Pakistan & adjoining Jammu & Kashmir on 6th, over Jammu & Kashmir and

neighbourhood on 7th and moved away eastward thereafter.

- Another western disturbance as an upper air system lay over north Pakistan & adjoining Jammu & Kashmir on 9th, over Jammu & Kashmir and neighbourhood on 10th, over Himachal Pradesh & neighbourhood on 11th and moved away eastward on 12th.
- An upper air cyclonic circulation in lower tropospheric levels lay over Rajasthan & neighbourhood on 11th and over West Madhya Pradesh & neighbourhood on 12th.
- Easterly waves sometimes embedded with upper air cyclonic circulations at lower tropospheric levels passed through Andaman & Nicobar Islands, South Bay of Bengal, extreme south peninsula and southeast Arabian Sea. Under its influence, a low pressure area formed over southwest Bay of Bengal off southeast coast of Sri Lanka on 11th. It persisted over the same area on 12th.

### **Rainfall:**

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

- Scattered to fairly widespread rain/snow occurred over Jammu & Kashmir, Himachal Pradesh and Uttarakhand during 10th to 12th December.
- Isolated to scattered rain/thundershowers occurred over Punjab & Haryana on 11th & 12th, over Uttar Pradesh and northwest Madhya Pradesh on 12th.
- Isolated rain/thundershowers occurred over Andaman & Nicobar Islands during many days of the week.
- The rainfall was subdued over south peninsula during the week. Isolated to scattered rain/thundershowers occurred over Tamil Nadu during first half of the week. Isolated rain/thundershowers occurred over Kerala & Karnataka on 7th.
- Mainly dry weather prevailed over remaining parts of the country during the week.

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

- ✓ Fairly widespread rain/thundershowers with isolated heavy to very heavy falls are likely over extreme south peninsula during first half of the week.
- ✓ Cold wave conditions are likely to develop over plains of northwest India, West Madhya Pradesh and Rajasthan during second half of the week.
- ✓ Fog conditions are likely over some parts in the plains of northwest India.

### **TECHNICAL ANALYSIS**

**Commodity: Maize**

**Contract: January 2007**

**Exchange: NCDEX**

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

Continuing last weekend's rally, maize futures firmed up initially on buying interest among traders. Profit taking and

lack of supportive news forced the market to trade sideline in the rest of the week. NCDEX January contract traded in the range of Rs.751.00-772.00 during the period with decreased volume and increased open interest. On December 14, stocks in NCDEX warehouses increased from the previous level of 1247 MT to 2039 MT.

**Technical:** The long lower shadow of the candlestick shows buying interest at lower level. However, prices closed above the 9 day EMA indicate short-term firmness in prices. MACD is moving up in the negative region. RSI is dipping in the neutral region and Stochastic is flatter in the neutral region. Maize is likely to trade range bound with firm bias.

**Outlook:** Prices are likely to trade range bound with firm bias on strong overseas demand

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



#### Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
September	778	787	735	725

#### FOREX RATES (As on 17<sup>th</sup> December 2007)

Foreign Currency	Rs. per unit
1 US \$	39.35
1 Euro	57.62
100 Yen	35.00
1 British £	80.36

#### 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.