

## MAIZE

December 3-8, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Initially trading steady at last week's price level, maize domestic spot market prices slightly dipped midweek onwards on normal domestic and export demand against improved arrivals. Disruption of vessels for shipping and shortage of place for storing in ports for export along with the favourable weather, which supports smooth harvesting as well as healthy arrival, further added the negative tone. Against initial expectation of around 7-8 lakh tonnes of maize export, the traders reported the actual export is not more than 2 lakh tonnes. As per the sources, higher domestic prices as well as rupee appreciation hit exports. The higher soy meal prices initially influenced the maize market as feed mill industries shifted to maize due to latter's cheaper price. Meanwhile, National Egg Co-ordination Committee (NECC) has asked the government to regulate maize exports and allow maize exports only through govt. owned agencies as private players and middlemen were exploiting the market. Over the last three years, the cost of production for 1 kg of chicken has risen from Rs 28 to Rs 37 and that of an egg from 0.95 paise to Rs 1.55. The rise in maize prices was the prime reason as the poultry industry depends heavily on maize. During the week, in major producing centres like Nizamabad and Davangare, wagon bilty prices traded steady to down Rs.740-730 and Rs.717-710/qlt respectively against the improved arrival 800-8000 and 50 000-55 000 correspondingly. Naugachia (Bihar) loose basis traded up on good buying by the Kolkata millers and feed industries against daily steady arrival. In Delhi, maize mostly traded steady on routine demand-supply situation while dipped in southern markets on healthy arrivals against steady demand. Buying by the stockists is also slowed down on the expectation of price decline in future as harvest progress as well as carrying charges.

### NCDEX FUTURES MARKET:

After initially started the week with indecisiveness, price tumbled thereafter on weak cash market. However, recovered towards the weekend on renewed buying interest at lower level. NCDEX December contract traded in the range of Rs.731.00-758.00 during the period with increased volume and open interest. On December 7, stocks in NCDEX warehouses increased from the previous level of 799 MT to 1247 MT.

### PRICE DRIVERS:

- Procurement by the govt. agencies was slowed down, as farmers are unwilling to sell at Rs.620 level.
- Dry weather over southern peninsula favours harvesting as well as healthy supply
- Stockists are not buying in expectation of price decline in future due to higher production
- National Egg Co-ordination Committee appealed the government to regulate maize exports as private players and middlemen were exploiting the market
- Lack of storage facility in ports which prevents maize purchasing
- Growing demand from the feed industries as other feed prices rose
- Steady export demand due to domestic high prices and rupee appreciation

### GLOBAL MARKET:

#### CBOT Corn Futures Settled Higher

CBOT corn futures settled moderately higher on Friday. March Corn finished up 5.25 cents at \$417.25 per bushel; this was .5 cent off the high and 5.75 cent up from the low. December Corn closed up 4 cent at \$440.50 per bushel. This was 4.5 up from the low and .5 off to the high. CBOT corn futures opened higher and traded at higher the whole day and settled at day's high. Corn futures surged on the strong outside markets particularly soy bean meal and wheat. Export demand for corn remains strong and farmers are optimistic for future good demand. Corn futures seem to be attracting fresh buying by both end users and funds. Corn also seems to have broken free from a tendency to suffer from liquidation of long corn/short wheat spreads on big rallies in wheat. Statistics Canada's release of lower estimates for 2007 grain production included a particularly sharp drop in barley to 9.573 million tonnes which was well below the lowest trade estimate of 11.5 million tonnes which shows tight stock in next year. Combined with continued increases in EU import licenses, this is very supportive to corn. Weather in Argentina is mildly supportive to corn, which would benefit from added moisture in central growing areas.

Source: CBOT

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

	01.12.07	08.12.07
Delhi (Red Maize)	785-790	790
Delhi (U.P. Hybrid Maize)	752-753	760-762
Sangli truck Bilty (New)	685	660
Pune Starch (New)	780	730
Ahmedabad Poultry feed	785-790	780
Ahmedabad Starch	780	775-785
Kolkata mill delivery	830-835	840
Nizamabad (Bilty)	740	720-725
Davengere (Bilty)	715	710-712
Bihar Loose Price	720	735

**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. As of November 30, Coarse cereals have been sown in 54.21 lakh ha as compared to 58.36 lakh ha by this time in 2006. 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. Although the rabi maize sowing is down compared to last year, but it has been progressing steadily and due to flood in Bihar, sowing was delayed. 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.

**NECC Urged Govt. To Regulate Maize Export**

The National Egg Co-ordination Committee (NECC) has asked the government to regulate maize exports. The chairperson of NECC strongly urged the govt. to allow maize exports only through govt. owned so as to rein in maize exports. She also said that a representation to this effect will be sent to the central government this week. In the export process, private players and middlemen were exploiting the market. The poultry industry, which consumes around 65 per cent of the total maize production in the country, has witnessed a rise in the cost of production. According to her, over the last three years, the cost of production for 1 kg of chicken has risen from Rs 28 to Rs 37 and that of an egg from 0.95 paise to Rs 1.55. The rise in maize prices was the prime reason as the poultry

industry depends heavily on maize. The chicken (meat) industry is growing by 20 per cent where as the egg industry is hovering between 10 and 12 per cent. She also said in the peak season, maize prices rule near about Rs.7/kg where govt. fixed the MSP at Rs.620. Rising input costs combined with the current peak consumption period for chicken and eggs (December-January) could result in poultry farmers, who have suffered losses, reducing production. Source: Business Standard

**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

**Karnataka Expects An Increased Food Grain Production**

Due to increased acreage under kharif crops particularly in cereals and pulses, Karnataka is expecting increased food grains production. Govt. has fixed the target for this year's kharif acreage of 72.33 lakh hectares whereas the actual coverage up to the end of the first week of October was 74.19 lakh hectares of land compared to last year's 67.11 lakh hectares. The actual coverage was 66.90 lakh hectares during the same period last year. The target of 35.35 lakh hectares fixed for kharif cereals, the achievement was 36.63 lakh hectares and for pulses, the target was 12.90 lakh ha while the achievement was 15.25 lakh hectares. The target for the food grains was fixed at 48.25 lakh hectares and the actual coverage 51.88 lakh hectares. Among cereals, the sources said, paddy and maize exceeded the target fixed. Other cereals like jowar, ragi, bajra and millets, were on par with the target fixed. Against the target of 9.92 lakh hectares fixed for paddy, the actual coverage was 10.06 lakh hectares. The increase in the coverage of maize was phenomenal standing at 10.88 lakh hectares against the target of 8.10 lakh hectares. Source: The Hindu

**USDA Lowers Corn End Stocks, Production Forecasts For 2007-08**

The U.S.D.A on last Friday lowered its forecast for corn ending stocks by 100 million bushels, due to lower production than expected in 2007-08 marketing year. The reduction came just a month after the USDA raised its expectations for corn ending stocks by 322 million bushels in October. The new ending stocks forecast was set at 1.897 billion bushels, down from the 1.997 billion bushels predicted in October and the 1.675 billion bushel total predicted in September. The USDA, in its November World Agricultural Supply and Demand Estimates report, said,

"Projected U.S. ending stocks of corn for 2007-08 are lowered 100 million bushels this month as lower production more than offsets reduced feed and residual use." The new production forecast is 13.168 billion bushels, down from the October forecast of 13.318 billion bushels, because of lower yields, the USDA said. The USDA's latest average yield forecast is for 153 bushels per acre. That's down from the 154.7-bushel-per-acre forecast last month, but the new figure would still be "the second highest on record behind 2004," the USDA said in its Crop Production report, which was also released Friday. "Forecast yields are lower than last month across the northern and western corn belt and adjacent areas of the Great Plains where actual harvest results are revealing that the impact of the hot, dry conditions during pollination was worse than initially expected," the USDA said in the Crop Production report. Along with the decreased production forecast this month, the USDA also lowered its forecast for some domestic corn usage. The forecast for feed and residual use was lowered in November to 5.65 billion bushels, a 50-million bushel decrease from October. The September forecast was for 5.85 billion. The USDA left its forecast for corn usage for ethanol production unchanged this month at 3.2 billion bushels after lowering it back in October by 100 million bushels from the September forecast of 3.3 billion. The U.S. ethanol industry used 2.15 billion bushels of corn in the 2006-07 marketing year. Source: CBOT

#### **Australia Is All Set To Import Food Grains**

Government of Australia has given Australia's livestock producers the green light to import grains, as local supplies dropped because of the ongoing drought. Grain producers are predicting a two million tonne grain shortfall for the eastern states, as ABARE this week released its revised down forecast for 2007-08 winter crops. The winter wheat crop output is now forecast at 12.1 million tonnes compared to a previous estimate of 15.5 million tonnes. Federal govt. approved the following food grains will be imported: wheat and rye from Canada, wheat from the United Kingdom, maize and sorghum from the United States, maize sunflower, sorghum and wheat from Argentina, soybean from Paraguay. BA also is undertaking pest and disease assessments for wheat and sunflower seed from the Ukraine, corn from South Africa and corn from the US states of Indiana, Kentucky and Tennessee. The last time Australia imported bulk shipments of grain for stockfeed was in 2003. About 48,000 tonnes of maize was imported from the United States and 270,000 tonnes of wheat from the United Kingdom.

#### **Informa Pegged US Corn Output At 13.193B Bu, 2007-08**

Private analytical firm Informa Economics estimated 2007-08 U.S. corn production at 13.193 billion bushels, with a yield of 153.3 bushels per acre. In October, the U.S. D.A. estimated U.S. corn production at 13.318 billion bushels with a yield of 154.7 bushels per acre. On Nov. 9, the U.S. D.A. is scheduled to release updated U.S. corn estimates at 8:30 a.m. EDT. In 2006, U.S. corn production was 10.535 billion bushels yielding 149.1 bushels per acre. Source: CBOT.

#### **USDA Corn Weekly Export Sales Down**

Net sales of 1,059,000 MT were 43 percent below the previous week and 35 percent under the prior 4-week average. Increases were reported for South Korea (171,800 MT), Colombia (171,100 MT), Taiwan (133,500 MT, including 16,000 MT switched from Japan), Saudi Arabia (65,200 MT, including 60,000 MT switched from

unknown destinations), Canada (61,500 MT), the Dominican Republic (60,600 MT), and Egypt (60,000 MT). Exports of 1,528,100 MT—a marketing-year high—were 6 percent above the previous week and 5 percent over the prior 4-week average. The primary destinations were Japan (438,600 MT), Mexico (215,600 MT), South Korea (142,100 MT), Algeria (85,600 MT), Morocco (79,700 MT), and Taiwan (70,300 MT). Note: Accumulated exports for Japan were adjusted down 57,600 MT and up for South Korea 57,600 MT. November 23-29, 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 early vegetative stage in Bihar, while Rabi Maize is in vegetative/flowering stage in Maharastra, 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 5<sup>th</sup> December, 2007)**

- Last week's upper air trough extending from Nagaland & Manipur to Sub-Himalayan West Bengal & Sikkim in the lower tropospheric levels persisted on 29th November and became less marked on 30th.
- Weak easterly waves sometimes with embedded cyclonic circulations at lower tropospheric levels passed through Andaman & Nicobar Islands, South Bay of Bengal, extreme south peninsula and southeast Arabian Sea during the week.
- A western disturbance as an upper air system lay over north Pakistan & neighbourhood on 29th, over Jammu & Kashmir & neighbourhood during 30th November to 2nd December and moved away eastward thereafter.
- An upper air cyclonic circulations in lower tropospheric levels lay over north Pakistan & neighbourhood on 4th and over Jammu & Kashmir and neighbourhood on 5th December.
- An upper air cyclonic circulations in lower tropospheric levels lay over Assam & neighbourhood during 30th November to 3rd December and moved away eastwards on 4th.

#### **Rainfall:**

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

- Isolated to scattered rain/thundershowers occurred over coastal Tamil Nadu during many days of the week.
- Isolated rain/thundershowers occurred over Kerala on 29th.
- Isolated rain/thundershowers occurred over northeastern States on a few days of the week.

- Isolated to scattered rain/thundershowers occurred over Punjab, Jammu & Kashmir and Himachal Pradesh on 29th & 30th November, over Haryana, northwest Madhya Pradesh and West Uttar Pradesh on 2nd December.
- Mainly dry weather prevailed over remaining parts of the country during the week.

#### Outlook for the week ending on 12<sup>th</sup> December 2007

- ✓ Isolated to scattered rain/thundershowers are likely over extreme south peninsula.
- ✓ Under the influence two western disturbances, isolated to scattered precipitation is likely over western Himalayan Region and adjoining northern plains during the week.
- ✓ No significant change in night temperatures during first half of the week and rise in night temperatures by 2-3°C during second half of the week is likely over plains of northwest & adjoining central India.

#### TECHNICAL ANALYSIS

**Commodity: Maize**

**Contract: January 2007**

**Exchange: NCDEX**

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

After initially started the week with indecisiveness, price tumbled thereafter on weak cash market. However, recovered towards the weekend on renewed buying interest at lower level. NCDEX December contract traded in the range of Rs.731.00-758.00 during the period with increased volume and open interest. On December 7, stocks in NCDEX warehouses increased from the previous level of 799 MT to 1247 MT.

**Technical:** A long hollow candlestick has formed in the chart shows firmness in prices. However, prices closed above the 9 day EMA indicate short-term firmness in prices. MACD is moving up in the negative region. RSI is moving upward in the neutral region while Stochastic is moving upward in the over sold region shows market firmness. Maize is likely to trade range bound with firm bias.

**Outlook:** Prices are likely to remain range bound with weak undertone on healthy supply

**Recommendation:** Sell on major rallies



#### Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
September	774	785	724	716

#### FOREX RATES (As on 10<sup>th</sup> December 2007)

Foreign Currency	Rs. per unit
1 US \$	39.41
1 Euro	57.58
100 Yen	35.42
1 British £	79.81

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