

## MAIZE

Nov 26-Dec 01, 2007

### MAJOR ACTIVITY HIGHLIGHTS

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

### TRADE ANALYSIS

Initially, Maize domestic spot market prices mostly traded unchanged at last week's level on good overseas and domestic demand despite the healthy supply. Steady purchase by the govt. agencies and domestic starch and poultry industries and the news of the vessels sailing from Kakinada and Tuticorin port with carrying maize to South East Asian countries further supported the price. Higher soy meal prices also led to the increase of maize prices as feed industries using more maize than soy meal. However, towards weekend, maize prices slightly dipped in major domestic mandis as supply offset the demand. Dry weather over the southern region, which smoothen the harvesting process, was another negative factor to the maize prices. In AP, maize harvesting is nearing for completion and in Karnataka, T Nadu, Maharashtra, harvesting process is progressing well. Compared to last year, rabi maize acreage in Bihar is very negligible. But the country expects higher production due to higher kharif acreage. Sowing in maize during kharif was done in 74.55 lakh hectares against 68.4 lakh hectares last year and the kharif production is estimated at 13.07 MT compared to last year's 11.43 MT. During the week, in Nizamabad and Davangere, maize wagon bilty traded steady Rs.730-760 and Rs.715-720 respectively and corresponding supply stood around 1000-1500 and 55000-65000 qtls. Delhi red and hybrid (UP) maize traded steady to lower on lower offtake from Punjab and Haryana. However, the week witnessed good demand from the country's starch and poultry industries. Both Ahmedabad starch and poultry feed mills quoted higher at Rs.775-785 and Rs.775-790/qty respectively on good demand despite the improved arrivals of 12000 qtls from Maharashtra. Pune starch quality and Sangli truck bilty prices also propped up on good domestic and export demand against steady supply of 15 000 qtls. Maize export prices quoted around \$220-230 per MT FOB.

### NCDEX FUTURES MARKET:

Maize futures traded weak during the week starting November 26 on increased selling pressure at higher level along with the healthy arrival in physical markets. NCDEX December contract traded in the range of Rs.737.00-768.00 during the period with decreased volume and open interest. On November 23, stocks in NCDEX warehouses increased from the previous level of 750 MT to 799 MT.

### PRICE DRIVERS:

- Dry weather over southern peninsula may help smoothen maize harvesting and lead to healthy supply
- Steady maize procurement by the poultry and starch industries as well as govt. agencies
- Farmers getting premium of Rs.50 above the MSP due to good export demand
- Harvesting Pressure leads to increase in arrivals.
- Higher Soy meal prices lead to the feed sectors to shift to maize
- Global maize production forecast for 2007-08 is at 767 million tonnes, up of 1 million tonnes from last month
- Negligible maize rabi acreage in Bihar
- Good demand from the south East Asian countries.

### GLOBAL MARKET:

#### CBOT Corn Futures Settled Higher

CBOT corn futures settled higher on Friday. March Corn finished up 75 cents at \$401.50 per bushel; this was 3.5 cent off the high and 6 cent up from the low. December Corn closed up .25 cent at \$430.50 per bushel. This was 4.75 up from the low and 1.5 off to the high. CBOT corn futures settled higher after managing the early losses on strong support from wheat. Towards the end of session, corn found support from crude oil. The cash markets remain steady and quiet and this may have been the overriding price influence as we closed out the day. The Commitments of Traders Report will show whether trend-following funds have begun to liquidate their large net long corn position. This factor may well set the market direction well into next week.

Source: CBOT

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

	24.11.07	01.12.07
Delhi (Red Maize)	785-790	785-790
Delhi (U.P. Hybrid Maize)	755-760	752-753
Sangli truck Bilty (New)	710	685
Pune Starch (New)	780	780
Ahmedabad Poultry feed	770-775	785-790
Ahmedabad Starch	775	780
Kolkata mill delivery	835-840	830-835
Nizamabad (Bilty)	725-733	740
Davengere (Bilty)	695-702	715
Bihar Loose Price	725	720

## DOMESTIC AND INTERNATIONAL

### NEWS ANALYSIS:

#### Kharif Corn Harvest is Progressing Well

Kharif maize harvest has is in full sowing in the state of AP, Tamil Nadu, Maharashtra and Karnataka. Govt. procurement agencies have started procuring maize by various procurement centres in various producing areas of the states. AP govt. has procured around 50 000 tonnes of maize from the farmers at the MSP price level. 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. However, Good rainfall and satisfactory progress of sowing has increased the outlook of a good production this year. 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.

#### 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

#### Maize prices Propped Up on Increase In Export Demand

On rising overseas demand, maize prices propped up. According to the US Grains Market India report, the reasons for the rise is the export consolidation as well as rains in parts of Tamil Nadu and Andhra Pradesh which held up deliveries. Government of India has estimated the total maize production for 2007 at 16.07 million tonnes against 14.98 mt for 2006. As per the report, with the minimum support price for the wheat raised to Rs 10,000 per tonne, the land under maize in Bihar, Uttar Pradesh and Madhya Pradesh may go down. The high wheat prices in local market will force many farmers to consume maize as food thus reducing the market surplus. The combined demand of maize by poultry, starch, livestock, brewery besides export demand is estimated at 15.93 million tonnes. Any reduction in rabi maize harvest along with increase in human consumption and higher exports could trigger an increase in maize prices in India.

#### 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 l 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 Unchanged**

Net sales of 1,841,600 MT were unchanged from the previous week, but 38 percent over the prior 4-week average. Increases were reported for South Korea (752,500 MT, including 55,000 MT switched from Japan), Japan (235,200 MT), Egypt (148,900 MT, including 60,000 MT switched from unknown destinations), Colombia (111,000 MT), unknown destinations (100,400 MT), Mexico (84,100 MT), and Morocco (81,500 MT). Exports of 1,439,600 MT were 5 percent above the previous week and 2 percent over the prior 4-week average. The primary destinations were Japan (322,300 MT), Mexico (201,100

MT), Egypt (192,900 MT), Colombia (151,100 MT), Syria (103,400 MT), Morocco (64,700 MT), and Ecuador (63,100 MT). November 16-22, 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 sowing of Rabi Maize is going on in 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 28<sup>th</sup> November, 2007)**

- Weak easterly waves sometimes embedded with cyclonic circulations at lower tropospheric levels passed through Andaman & Nicobar Islands, Southwest Bay of Bengal, extreme south peninsula and southeast Arabian Sea during the week.
- Last week's upper air cyclonic circulation over southwest Bay of Bengal and adjoining Commorin area and neighbourhood persisted on 22nd November in the lower tropospheric levels and moved away westwards thereafter.
- An upper air trough extended from Nagaland & Manipur to Sub-Himalayan West Bengal & Sikkim between 0.9 and 1.5 Km above mean sea level during 25th to 28th

#### **Rainfall:**

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

- Isolated to scattered rain/thundershowers occurred over Andaman & Nicobar Islands during many days of the week.
- Isolated rain/thundershowers occurred over coastal Tamil Nadu and south Kerala on a few days of the week.
- Isolated rain/thundershowers occurred over Sub-Himalayan West Bengal & Sikkim on 27th & 28th.
- Mainly dry weather prevailed over remaining parts of the country during the week.

#### **Outlook for the week ending on 5<sup>th</sup> December 2007**

- ✓ Under the influence of western disturbance, isolated to scattered precipitation is likely over western Himalayan Region and adjoining northern plains during the first half of the week.
- ✓ Increase in rainfall activity over extreme south peninsula.
- ✓ Fog condition is likely over plains of northwest India during second half of the week.

### **TECHNICAL ANALYSIS**

**Commodity: Maize**

**Contract: December 2007**

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

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**Technical:** Candlestick chart pattern shows weaknesses in prices. Prices closed below the 9 and 18-days EMA indicate medium-term weaknesses in prices. MACD has entered into the negative region. Stochastic is moving downward in the neutral region while RSI is flatter in the neutral region. Maize is likely to trade range bound with weak bias.

**Outlook:** Range bound with weak bias on ample supply

**Recommendation:** Sell on major rallies

**Resistance and Support level:**

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
September	762	769	725	718

**FOREX  
RATES (As on 3<sup>rd</sup>  
December 2007)**

Foreign Currency	Rs. per unit
1 US \$	39.67
1 Euro	58.46
100 Yen	35.94
1 British £	81.78

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