

January 06, 2011

### DOMESTIC SPOT MARKET:

- Maize prices witnessed firm tone of sentiment during the fortnight.
- An increase of prices ranged from Rs 20 to 90 has been witnessed in key cash maize markets.
- In Delhi and Bihar, the prices were up by Rs. 20 and Rs. 35, respectively, on increased industrial offtake.
- In Davangere, increase of Rs. 85/Qtl has been witnessed over the fortnight due to higher demand from feed industry and overseas export.
- Driven by strong demand from starch industry, maize prices in Nizamabad improved by Rs 90/Qtl with prices moving up constantly over the fortnight.
- As per data released by Ministry of Agriculture, the sowing area of maize in India stood at 9.44 lakh hectares as on 31<sup>st</sup> Dec. 2010, which is 0.21 lakh hectares less than last year on this date.
- According to weekly crop coverage report released by Govt. of Andhra Pradesh, the total maize sown stands at 2.14 lakh hectares, as on 5<sup>th</sup> Jan. 2011, which is 71% of normal maize sown in a season.
- In Andhra Pradesh, the arrival of Rabi maize in the market is expected to start from second to third week of March, respectively. Whereas, maize arrivals from Bihar and Madhya Pradesh are expected from January 15<sup>th</sup> onwards.
- Chennai port, which is now relatively cleaner, is attracting exporters which also turn to be cheaper in freight by 5-7 USD per ton for maize, as compared to Mangalore port. Reportedly, 17000 tonnes of maize cargo was shipped from Chennai port during third week of Dec. 2010 to Vietnam. Around 100000 tonnes of maize was expected to be exported in coming months.
- According to trading source, export prices for maize (FOB basis at Chennai port) is quoted at around USD 260-2661 and 253-254 for Indonesia and Vietnam, respectively
- As per sources, renegotiation of prices were done for the maize exported during October-November from India to south-east Asian countries like Vietnam, Indonesia and Malaysia due to high moisture content above acceptable level. However, regular export of maize at lower moisture level is being reported to these countries at present.
- As per trade sources, so far in the month Dec. 2010 around 75,000 MT maize has been exported to Vietnam, Bangladesh and the Gulf.

We feel that prices are likely to trade steady to slightly firm in days ahead on demand from poultry, starch industry and export market.

### SPOT PRICES

Market	Variety	Prices (Rs/qtl)			Arrivals in bags (1 bag = 1 Qtl)		
		06.01.11	16.12.10	Change	06.01.11	16.12.10	Change
Delhi	Hybrid	1060	1040	+20	300	300	Unch
Nizamabad	Bilty	1040	950	+90	500	700	-200
Davangere	Bilty	990	905	+85	5000	20000	-15000
Naugachia	Bilty	1100	1065	+35	500	300	+200
Kolkata	Mill	1240	1190-1200	+40	3500	4000	-500
Ahmedabad	Feed	900-1000	970-975	+25	15000	20000	-5000
Ahmedabad	Starch	990-1000	980-985	+15	15000	20000	-5000

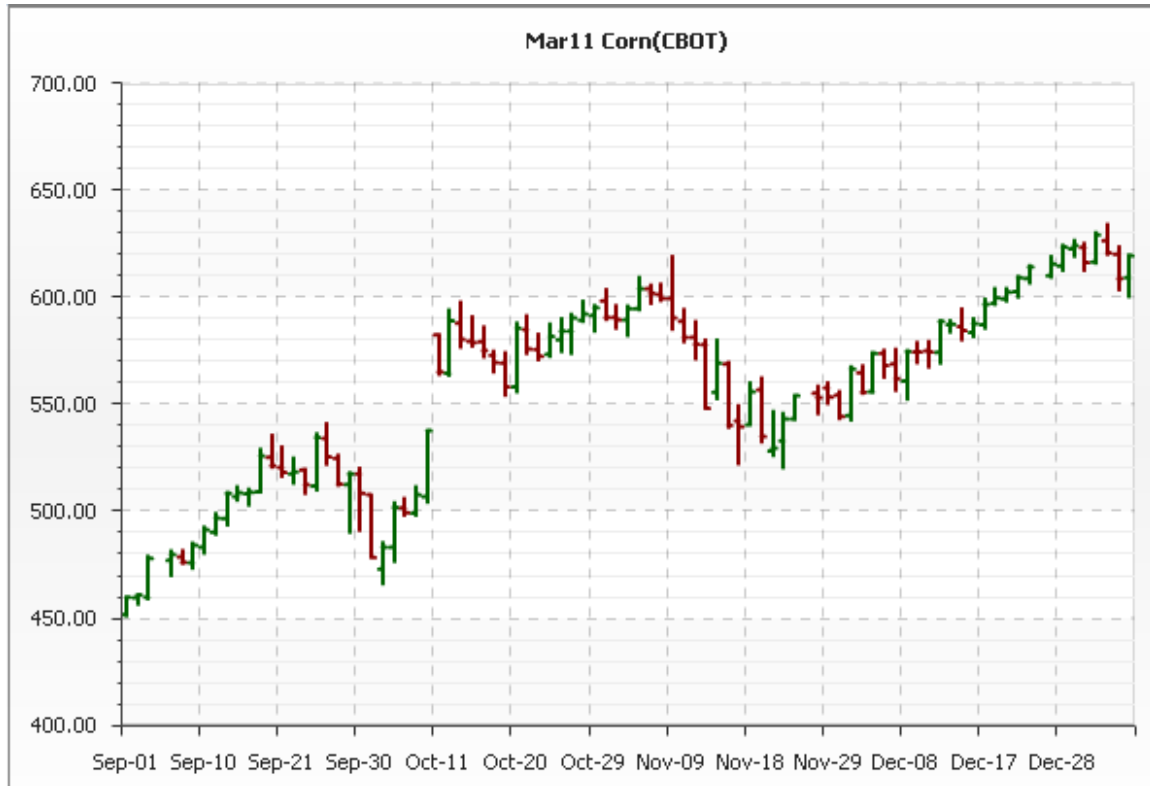
## INTERNATIONAL MARKET:

- The global corn supply is seen tight in 2010-11 due to lower production estimates coupled with tight ending stocks of 121 million tonnes in 2010-11 against 152 million tonnes in 2009-10.
- US weekly export sales were 29.8 million bushels, close the pace needed to reach USDA's forecast for the 2010/11 marketing year. However, export shipments were much stronger than the recent pace at 44.9 million bushels. Export commitments so far in 2010/11 total 1,024 million, up 4 percent from a year ago.
- China broke with years-long convention to become a massive new net importer of US corn, shipping 1.5 million tons of the grain. While China announced a robust corn harvest later in the season, the market still expects China may be in the market for more imports.
- Reportedly, Japan has made its first corn purchases from the next Argentine crop, to be harvested early next year, in combination or split cargoes that contain 50% sorghum.
- Asian buyers are importing low-grade Australian wheat, mainly as feed grain in place of costlier corn. Reportedly, Vietnam has recently made purchases of feed-grade Australian wheat around \$295-\$305/ton, cost and freight. Due to rise in prices of corn above \$300/ton, cost and freight, for delivery into southeast and north Asia, buyers are eager to purchase Australian wheat instead.
- U.S. Department of Agriculture reported an export of 116,000 metric tons of corn. However, destination for the exports was not disclosed.
- China has been negotiating with Argentina for future corn purchases this year, and the threat of a drought raises the likelihood of the U.S. having to fulfill any short falls in production.
- Drought-like conditions in Brazil and Argentina helped the price of corn rise to its highest value since early November.
- Chinese officials indicate their corn crop could be up 10 MMTs from last year which would put production at 168 MMTs, on par with USDA's current estimate for China. China likely imported more than 3.1 million metric tons of U.S. distiller's dried grains (DDG) up from 652,000 tons last year,
- The People's Bank of China increased its key one-year lending and deposit rates by 25 basis points on Christmas Day, which had supported
- The U.S. agency maintained its output forecast for Brazil at 67.5 million metric tons this season.
- According to agricultural ministry, Argentina should produce around 20 million tonnes of 2010/11 corn, rather than the 26 million tonnes estimated initially, following weeks of severe dryness.
- According to U.S. Department of Agriculture estimates, global corn use in 2010-11 will increase 3.1 percent, to 837.9 million metric tons, while stockpiles will decline.
- **USDA view of Argentina 2010-11 corn, (yr-on-yr change)**

Area harvested	3.2m hectares, (+18.5%)
Production	24.0m tonnes, (+5.7%)
Exports	16.1m tonnes, (+0.6%)
Domestic consumption	7.5m tonnes, (+5.6%)
Year-end stocks	1.04m tonnes, (+66%)

- U.S. farmers this year may shift more acres to corn from soybeans than estimated in July because of rising prices, Farm Futures said, citing a survey of more than 1,000 growers
- The fundamentals of the corn (maize) market are clearly the tightest ones.
- Central growing regions of Argentina received some much needed rainfall overnight Tuesday. Rainfall totals were from 0.75 to over 2.0 inches in central Argentina. Rainfall amounts surrounding this area were much lighter. The weather forecast is drier again for early next week.

**CBOT:** U.S. corn futures rallied on support from soybeans, which surged on worries about South American weather. The dry weather expected in Argentina was supportive to both corn and soybean. Corn prices followed soybean higher, as commodities in general climbed despite a stronger dollar that boosted demand prospects. March corn closed up 10 3/4 cents, or 1.8%, to \$6.19 1/4 per bushel.



#### CBOT FUTURES QUOTES AS ON January 06, 2011

Contract	Open	High	Low	Close	Change
Mar 11	609.00	619.75	600.25	619.25	+10.75
May 11	617.00	629.50	608.75	627.50	+10.75

## FUTURES MARKET:

- Maize futures at NCDEX witnessed firm tone of sentiment during the fortnight period. Maize prices traded up by 42.5 points during the last fortnight period. NCDEX prices are expected to remain on the steady to firm side ahead, but if prices fall and keep below the level of 1035, further decline in prices can be anticipated.

## NCDEX FUTURES PRICE MOVEMENT (January).



## TRADING STRATEGY

- Maize prices closed above 9 days and 18 days EMA suggesting that the intermediate term trend is bullish.
- MACD is moving upward in the positive territory denoting bullish momentum.
- RSI is moving up in the neutral zone, supporting bearish momentum.
- Prices are likely to trade range bound between 1035 and 1051. However, breaching of either side will decide the actual price movement.

Contract	Call	Entry	T1	T2	SL	S2	S1	PCP	R1	R2
NCDEX-January	Neutral	-	-	-	-	1026	1035	1045.5	1051	1054

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