

### Domestic Market Recap

*Weak sentiment witnessed in major key maize cash markets during the week ending May 23<sup>rd</sup>, 2011 amid new crop arrival (Rabi harvest) from major producing states particularly Bihar and Andhra Pradesh which weighed on prices. According to the trade sources, overall the Rabi maize output is higher this year in all the key producing regions (Bihar, A.P. and Tamil Nadu) on favourable weather condition which weighed on prices. On other hand, reportedly good demand by poultry and cattle feed manufactures as well as from starch industry and regular exports restricted the steep fall in prices besides slow planting progress in the US due to floods in the key growing belts combined with declining stocks. NCDEX maize futures rose by 5.79 per cent on domestic market firm sentiments amid strong demand from the overseas market.*

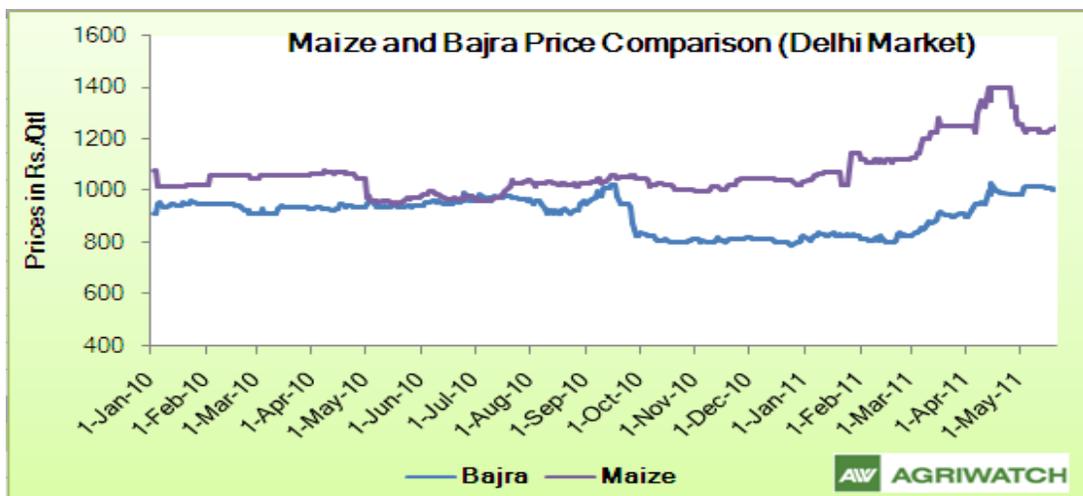
### Current Market Dynamics

Recent rains hindered harvesting of the standing crop and also affected the trading activities in Bihar and Andhra Pradesh. As per the sources around 80-85 per cent of the maize crop is harvested and around 50 per cent of the produce is traded in mandis so far in both the states.

Big traders and stockists are actively procuring maize from Bihar and sending the produce to Uttar Pradesh, West Bengal, Haryana and Rajasthan to meet the requirement of poultry and cattle feed manufactures. However, after the recent rains the moisture content in the harvested maize increased from the normal (12-14%) to 16-17% due to which trading activity remained dull in the market. Arrivals too are declined in the markets due to recent rains over the eastern part of the country.

In Nizamabad (Andhra Pradesh) maize prices shot up by 5.26 per cent on higher export demand from South East Asian countries with most of the export are from Kakinada port. At present the maize export prices from Kakinada port (Andhra Pradesh) is around Rs. 1250 per quintal.

Prices eased in Davangere by 4.4 per cent as compared to last week on lack of good quality maize in the market. However, depleting stocks and regular demand from locals for quality maize restricted the fall in prices to some extent. Delhi market also featured a weak tone increased supply from Bihar. The poultry and cattle feed manufacturers are shifting towards bajra due to cheaper prices which also exerted pressure on maize prices. In tandem with maize prices, bajra prices rose significantly between the period from Jan. mid to April mid. However, any further fall in maize prices may again attract the feed manufacturers for buying maize.



Meanwhile, as per the trade sources, India's maize exports from October onwards to date are around 1 million tonnes. Maize exports for the marketing year (Nov-Oct) 2010-11 is estimated at around 2.4 million tonnes up by 33 per cent from last year's 1.8 million tonnes.

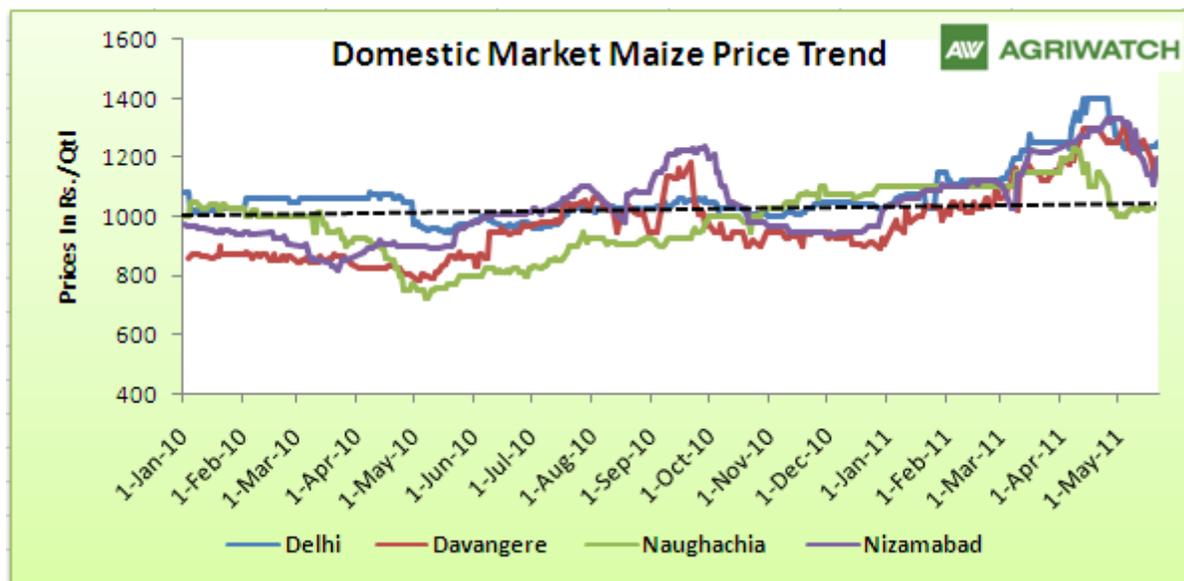
### Maize Spot Market Prices (Rs. /Quintal)

| Market    | Grade  | Today | Week Ago | Month Ago | 2 Month Ago | Year Ago |
|-----------|--------|-------|----------|-----------|-------------|----------|
| Delhi     | Hybrid | 1255  | 1230     | 1400      | 1260        | 965      |
| Nizamabad | Bilty  | 1140  | 1140     | 1290      | 1220        | 950      |
| Davangere | Bilty  | 1190  | 1200     | 1290      | 1120        | 865      |
| Naugachia | Bilty  | 1030  | 1020     | 1150      | 1150        | 775-780  |
| Kolkata   | Mill   | 1200  | 1200     | 1325      | 1350        | 900      |
| Ahmedabad | Feed   | 1215  | 1260     | 1300      | 1200        | 1000     |
|           | Starch | 1245  | 1275     | 1290      | 1200-1230   | 1000     |

### Indicative Market Arrivals (in Tonnes)

| Market    | Grade | Today | Week Ago | Month Ago | 2 Month Ago | Year Ago |
|-----------|-------|-------|----------|-----------|-------------|----------|
| Nizamabad | Bilty | 1000  | 1000     | 700       | 1500        | 200      |
| Davangere | Bilty | 18    | 18       | 18        | 36          | -        |
| Naugachia | Bilty | 300   | 400      | 200       | 500         | 1000     |

### Price Outlook



From the month Jan 2011 onwards maize prices started upward rally as a result of reduced inventory level amid strong demand in the domestic market. However, Rabi maize arrivals exerted pressure on prices and prices started easing from March end onwards in the domestic markets. However, good domestic demand both from feed and starch industry as well as from exporters restricted steep fall in prices.

As evident from the above chart, maize prices in Delhi, Davangere and Nizamabad are holding the levels above Rs 1000 per quintal while in Naughachia prices are at Rs 1000 per quintal.

We feel maize prices to remain range bound to higher side at current price levels (above Rs. 1000/qrtl- Naugachia, Rs. 1150/qrtl- Nizamabad and Rs. 1150-1200/qrtl) in the coming week on new crop arrival pressure and reportedly good domestic demand as well as for exports. Maize export prices from Kakinada are expected to remain in the range of US \$ 285 - 320 per MT.

**International Market Highlights:**

CBOT corn prices seen rallied during the week on slow planting progress in the US, However, the planting report for the week ending May 15, 2011 is higher from the last week. The table below shows the percentage planting progress in the US. But there was still concern over the effect of the late planting on the 2011 crop.

| Crop | May 15, 2011 | Last Week | Last Year | 5 Year Average |
|------|--------------|-----------|-----------|----------------|
| Corn | 63%          | 40%       | 87%       | 75%            |

There are also reports of expected heavy rains major corn growing area’s that will further slow planting while in some areas cold condition may affect the growth of the corn crop. It is expected that the current situation may force farmers to switch to soybean crop.

As per USDA’s weather and crop progress report, about 21 per cent of the planted crop emerged from the ground compared with 53 per cent a year ago and 39 per cent on average for the past five years.

Moving forward, China, the world’s second-biggest consumer of corn after the U.S., likely to expand planting this year as farmers seek to profit from strengthening prices and it’s expected that acreage will likely grow by 2.1 per cent from last year. China is limiting corn use by the biochemical and sweetener industry to ensure sufficient supplies for livestock feed. Processors are barred from buying more corn than they consumed in 2009. Argentina and China are close to a deal that will open up corn exports to the Asian giant. China has expressed interest in buying corn from Argentina, the world’s second-largest corn exporter after the U.S.

Argentina had decided to allow an additional 2.5 million metric tonnes of corn to be exported in the current 2010-11 marketing year for a total of 11 MMT. USDA estimates that Argentina will export 14.5 MMT before this season is complete. Argentina’s total corn production in 2010/11 was 22 MMT and USDA forecasts that current high global prices will encourage Argentina’s farmers to plant 26 MMT next season. USDA forecasts that Brazilian corn production will remain at 55 MMT in 2011/12.

As per the Agriculture officials of Mexico, it produced 23.3 MMT of corn in 2010-11, down from last year because of the freezes and it is expected to reach 25 MMT in 2011-12 and continue increasing steadily in the long term. Out of the total estimated corn output for next year, 23 million tons will be white corn and 2 million tons will be yellow corn. Land cultivated with corn is expected to increase to 8 million hectares as high international prices motivate farmers to plant more.

Livestock producers within Russia are encouraging their government to continue restricting exports to keep down domestic prices. However, Russian grain growers are likely to become furious because they intentionally increased acreage to benefit from high global prices.

Ukraine has declared that its farmers can freely export, so long as the government is able to collect tariffs on all grain shipments. Ukraine’s exports of corn fell in April and corn exports declined to 192,840 metric tons last month from 484,360 tons a month earlier.

As per the Zambian presidency, Zambia has at least 1.7 MMT of surplus corn following a bumper harvest in the mineral-rich southern African country. Zambia's corn output in 2010-11 (May-April) increased by around 8 per cent to hit a historic record of 3 MMT, aided by government farmer support programs.

**US Corn Export Statistics:**

Net sales of 843,200 MT were up 94 percent from the previous week and up noticeably from the prior four-week average. Increases reported for South Korea, Japan, Mexico, Egypt, and Canada.

Exports of 961,600 MT were up 12 percent from the previous week and 10 percent from the prior four-week average. The primary destinations were Japan (287,900 MT), South Korea (225,800 MT), Mexico (146,600 MT), Taiwan (116,700 MT), and Colombia (44,500 MT).

| Week Ending | Weekly Exports | Accumulated Exports | Net Sales | Outstanding Sales | -----Next Marketing Year----- |                   |
|-------------|----------------|---------------------|-----------|-------------------|-------------------------------|-------------------|
|             |                |                     |           |                   | Net Sales                     | Outstanding Sales |
| 28/04/2011  | 798,547        | 29,191,070          | 284,245   | 11,815,712        | 0                             | 3,226,955         |
| 05/05/2011  | 860,346        | 30,051,416          | 433,804   | 11,389,170        | 23,654                        | 3,250,609         |
| 12/05/2011  | 961,632        | 31,013,048          | 843,214   | 11,270,752        | 308,487                       | 3,559,096         |

(Values in MT)

**CBOT Corn Futures Dynamics and Outlook:**

CBOT Corn rose by 9 percent compared to week ending prices on concern of US planting progress. Prices had climbed as rains delayed planting, raising concerns farmers would not produce as big of a crop as previously expected. CBOT prices were at range of \$3.62 per bushel a year ago and rose by 109.81 percent in one year period on reduced inventory levels of corn amid strong demand in market by industrial users (Ethanol, starch).

CBOT corn prices are expected to remain firm for the coming week and may remain in the range of USc 780-790 per Bushel. Holding the level above 790 may trigger sharp increase in corn prices.

**CBOT Futures Quotes (As On May 20, 2011)**

| Contract               | Current (20/05/2011) | Week ago (13/05/2011) | Month ago (20/04/2011) | Year ago (20/05/2010) | % Change Y-O-Y |
|------------------------|----------------------|-----------------------|------------------------|-----------------------|----------------|
| Jul 11                 | 759.50               | 682.00                | 740.05                 | 362.00                | +109.81        |
| Sep 11                 | 717.50               | 653.75                | 697.25                 | 369.50                | +94.18         |
| Dec 11                 | 666.50               | 627.00                | 655.50                 | 378.50                | +76.09         |
| Mar 12                 | 676.75               | 638.50                | 663.25                 | 390.75                | +73.19         |
| Values in cents/bushel |                      |                       |                        |                       |                |

Grain experts opined that, world grain prices could rise up to 35% from already historically-high levels in 2011-12. And they expect that, the global corn harvest may well fail to match demand, even if there is no severe drought in the EU, China or the U.S., suggesting stocks could fall further in 2011-2012 which may full the corn prices to 35% rise from Aug 2011 to July 2012.

From the point of view of technical analysis, since new crop from Argentina and Brazil entered the market, the price has been in the state of wide flat 7.84 \$/ bushel - 6.08 \$/ bushel. This crop entrance has not lead to the breaking price dynamics, and members of the market expect the data about the yield

capacity in the USA, China, EU, Mexico, and India. In case of worse crop the option of reaching the price level of 8.00 \$/bushel shall not be rejected, for in such a case there will be no opportunity to increase transit stocks in the countries.



Wet weather that's delaying corn seeding in the U.S. also may be boosting prices. As per USDA report, corn inventories in the U.S. will fall to a 15-year low on Aug. 31. And prices doubled in the 12 months after adverse weather limited the size of last year's crop and demand rose for livestock feed and grain-based fuel. The global inventory of corn drop 16 percent to 122.4 million metric tons at the end of this marketing year, while demand was forecast to rise 2.8 percent to 838.3 million tons a year earlier.

Experts are saying that there appears to be very little chance of falling corn prices in the short term as poor weather, CBOT corn futures prices will take support at \$7.40 per bushel and resistance at \$7.60 per bushel. The price trend is totally depend on the US planting progress and the report releasing on 26 may which clears the outlook of corn inventories with US.

This perspective has additional support from recent discussions about reduced acreage, strengthening basis, and U.S. farmer reluctance to hedge production until the December contract breaches \$7.00. The uncertainty about weather during pollination, estimates of the June 30th Acreage report and potential additions to Chinese corn purchases also seem to make sellers hesitant. As a result, corn could test prior contract highs between now and mid-June.

**NCDEX Futures Price Movement (June Contract)**

NCDEX Maize (June contract) futures rose by 73.5 points from the open price of 1234 in the week and seen a high of 1319. Strong domestic market sentiment supported the futures prices.

| June 2011       | Open Price | High Price | Low Price | Close Price | Volume | Open Interest |
|-----------------|------------|------------|-----------|-------------|--------|---------------|
| Current week    | 1234       | 1319       | 1234      | 1307        | 4440   | 12730         |
| Previous week   | 1223       | 1237.50    | 1190      | 1235.50     | 18730  | 12300         |
| Per cent Change | 0.90       | 6.59       | 3.70      | 5.79        | -76.29 | 3.50          |

Maize futures prices shot up by 4 per cent on 23 May as aggressive buying by the exporters during lean arrival (due to rain) supported prices considerably. NCDEX maize futures prices are expected to remain firm for the coming week.

**Futures Market Analysis: NCDEX Maize June Contract**



As reflected in the chart, maize prices get the falling channel breakout at 1238 level supported by good volume and also it got the channel objective at 1315 level. Prices are also sustaining above the 50 percent retracement level at 1290 which is acting as good support while it taking resistance of 61.8 percent retracement at 1315. Since the channel objective is already achieved we expect that maize prices to trade sideways in a range bound manner between 1290-1315 level during the coming week while breaching the level either side will decide the price trend.

**Strategy:** Go for buying at 1290 level for the target of 1315. Put a strict stop loss at 1275 level.

Support & Resistance:

| S2   | S1   | R1   | R2   |
|------|------|------|------|
| 1276 | 1290 | 1315 | 1329 |

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