

## Domestic Market Recap

*Steady to weak sentiment witnessed in major key maize cash markets during the week ending June 06, 2011 on dull demand as well as lack of quality arrivals in Bihar and Andhra Pradesh (AP). Reportedly due higher moisture content in maize (16-18 per cent) it is fetching at a discount while buyers are unwilling to procure the same which is weighing on the prices.*

*On the other hand, reportedly good demand from poultry and cattle feed manufacturers, starch industry are restricting the fall in maize prices. Reportedly export activity remained subdued in the markets due to the poor quality of maize while those who are having good quality maize are holding back in anticipation of higher prices.*

*NCDEX maize futures June contract opened down but remained bullish in the week period.*

## Current Market Dynamics

Rains and cloudy weather in Bihar continued to hinder the maize trading activities and also impacting the quality of the produce which in turn is weighing on prices. Also due to increasing moisture level farmers are trying to liquidate their stocks at discounted rates aiding weakness. As per the sources, around 90-95 per cent of the maize has already traded in Mandis of Andhra Pradesh and 75-80 per cent in Bihar mandis.

As the government is yet to decide on allowing export of surplus grains, wheat prices have plunged below not just the government's promised minimum support price but also below the maize prices. And this has prompted poultry feed manufacturers to substitute wheat for maize in their produce. Currently wheat prices in Northern India (Rs. 950 to 1150/ qtl) are less compared to Maize prices (Rs. 1000-1250/qtl) wherein it will be cost effective to go for feeding wheat in place of maize. Poultry and cattle farmers may opt for bajra and/or wheat in place of maize to reduce the cost of feed. The poultry industry nearly uses 60% of India's maize production.

During the upcoming season maize crop may face stiff competition with other crops (cotton, sugarcane) that performed well during 2010-11 season. As per the initial sowing intention data received, this year in southern part of the country, paddy growers are expected to shift to sugarcane and/or maize cultivation. Also if monsoon remains favourable over NW part of country particularly over Rajasthan, maize planting will increase. Any government increase in MSP would also favour the maize cultivation. Ministry of agriculture proposed a hike of 11.40 per cent of minimum support price for maize in 2011-12 crop season to Rs. 980/qtl (Rs. 880/qtl for 2010-11 season) However, monsoon will remain the key factor and it should be watched very carefully, any deviation in monsoon will led to decline in sown area or increase pest and disease in the crop.

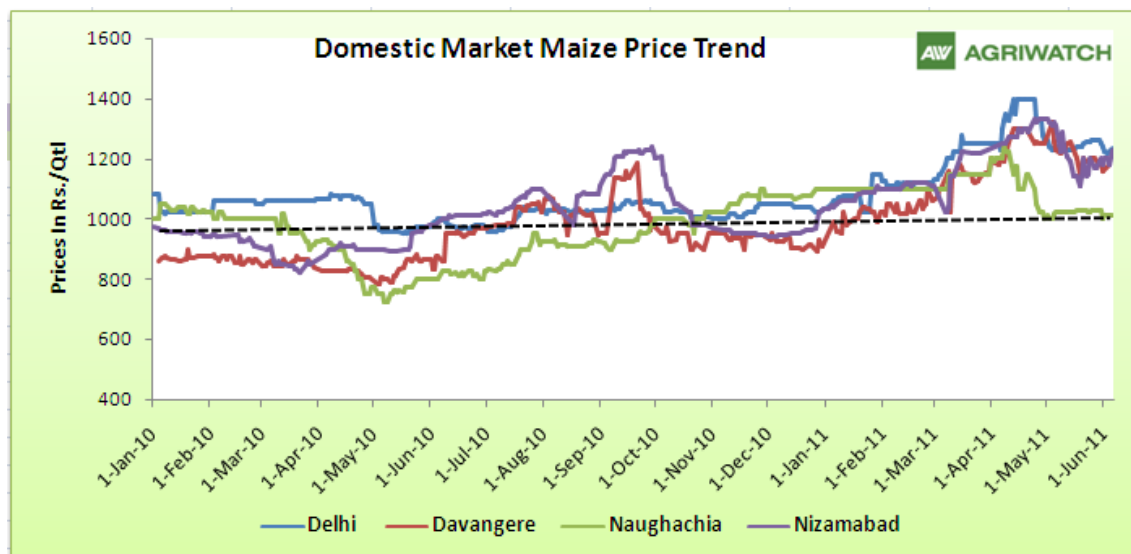
As per the initial estimates, maize planting this year in Kharif 2011 is expected to increase by 8 per cent to around 8 Million Ha. compared to last year.

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

Market	Grade	Today	Week Ago	Month Ago	2 Month Ago	Year Ago
Delhi	Hybrid	1235	1250	1240	1230	960
Nizamabad	Bilty	1230	1200	1310	1250	990
Davangere	Bilty	-	1180	1230	1200	805
Naugachia	Bilty	1000	1030	1020	1200	750
Kolkata	Mill	1150	1225	1155	1350	900
Ahmedabad	Feed	1250	1240	1210	1280	925
	Starch	1250	1245	1200	1280	975

**Indicative Market Arrivals (in Tonnes)**

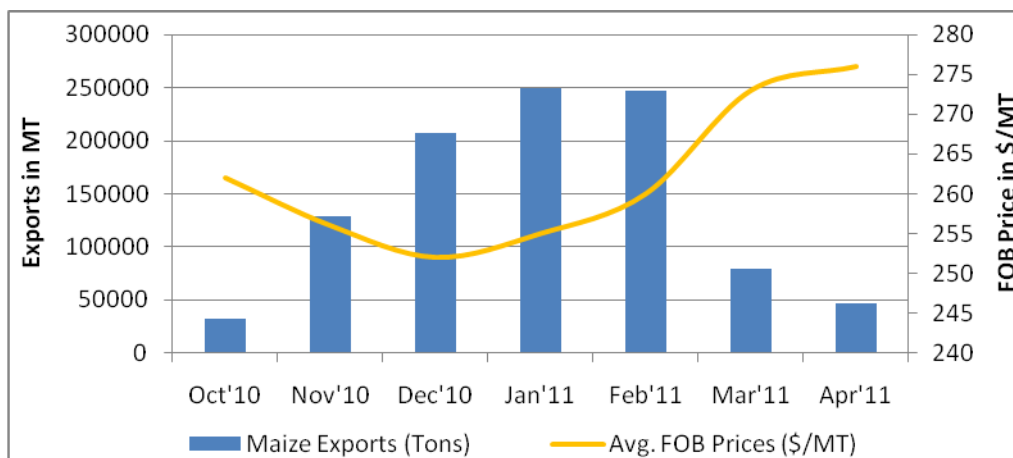
Market	Grade	Today	Week Ago	Month Ago	2 Month Ago	Year Ago
Nizamabad	Bilty	300	200	800	1000	500
Davangere	Bilty	-	100	250	400	-
Naughachia	Bilty	800	500	600	100	2000

**Price Outlook**


Maize prices mostly remained flat to weak in the last week period as subdued export activities as well as lack of aggressive purchase by industrial users. Prices eased in Delhi by 1.20 per cent to Rs. 1235/ctl and Davangere prices remained flat to Rs. 1180/ctl as lack of fresh arrivals amid reduced offtake from the purchasers.

Maize prices at Nizamabad (Andhra Pradesh) were sturdily up by 2.50 per cent to Rs. 1230/ctl on regular demand from locals for quality maize amid lean supply as stocks are in decline trend. In Naughachia (Bihar), maize prices were down by 3 per cent to Rs. 1030/ctl as high moisture content produce is coming to market provoked stockists and industrial users to go for aggressive procurement. And also cloudy weather impacted on maize trade activities considerably. Ahmadabad poultry feed and starch maize prices were marginally up by 0.80 per cent to Rs. 1245-1250/ctl on continued good demand.

So far (Oct'10-April'11) during the current season country has exported around 1.2 - 1.4 MMT of maize at an average price of USD 262 per MT. The chart below shows the exports of maize and FOB prices M-o-M basis -



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.

As traders holding back the stocks in expectation of prices rise, we feel maize prices to remain range bound to higher side at current price levels (above Rs. 1050/qtl- Naugachia, Rs. 1230-1250 and above /qtl- Nizamabad and Rs. 1235-1260/qtl in Delhi) in the coming week on declining supply in the market amid good demand.

#### International Market Highlights:

Early in the week US corn sold off a little on concern that much of the wheat to be shipped from Russia was actually going to be used in animal feed and that it would cut into corn export sales. That is certainly is a cause for concern to them as the market does expect more wheat consumption in feed. The crop progress report tended to push prices back up again as the numbers were not as high as the trade had expected and some experts are now talking much reduced yields in some areas and increased switching of corn planting to later planting soybeans. The trade is looking for corn plantings to reach 95% in this week.

US Corn plantings was completed on 86% of the intended area as of May 26 (against 97% last year and 95% average). That average is slightly less than a week behind the five-year average of 95 percent. However, Ohio seriously lagged behind with only 19 percent of its corn planted; far below the state's five-year average of 93 percent.

However, expectations by analysts that total U.S. abandonment could approach 5 million acres may be overly pessimistic.

Crop	May 26, 2011	Last Week	Last Year	5 Year Average
Corn	86%	79%	97%	95%

Brazil's winter corn crop is currently in the silking stage and has suffered somewhat from dry weather. About 40 percent of Brazil's total corn production comes from their winter crop. Brazil's main corn crop is planted in November-December and harvested in April-May. The second crop is planted in January-February and harvested in July-September.

Outside the US, there are on-going concerns about the impact of dry weather on western European grain and concerns about planting delays for Canadian grain. In contrast, prospects are generally more favorable in China, India, and the Black Sea region.

In the meantime, China's corn planting, with increased acreage, is almost complete and they are expected to produce a record crop if weather cooperates. Some traders believe that higher pork prices reported in China over the past few weeks could mean there will be increased feed grain demand coming from China. As per Rabo Bank, China's corn imports this year will likely rise several times over last year's volume as increasing rural incomes underpins steady growth in pork consumption. While there are some drought concerns in China, their corn production outlook is still favorable. (As per reports from China that 7 million hectares of farmland have been affected by drought.)

#### US Corn Export Statistics:

Net sales of 471,600 MT were down 35 percent from the previous week and 18 percent from the prior 4-week average. Sharp decreases were noticed for Mexico.

Net sales of 229,300 MT for delivery in 2011-12 were mainly for Mexico (168,000 MT) and Japan (60,800 MT). Exports of 900,500 MT were down 6 percent from the previous week, but up 1 percent from the prior 4-week average.

Corn - Un milled					(Values in MT)	
Week Ending	Weekly Exports	Accumulated Exports	Net Sales	Outstanding Sales	-----Next Marketing Year-----	
					Net Sales	Outstanding Sales
5/12/2011	961,632	31,013,048	843,214	11,270,752	308,487	3,559,096
5/19/2011	953,748	31,966,796	726,723	11,043,727	52,900	3,611,996
5/26/2011	900,535	32,867,331	471,611	10,614,803	229,300	3,841,296

#### CBOT Corn Futures Dynamics and Outlook:

As per experts, there is still a limited supply of old crop corn in the market and it is expected that prices up to the start of harvest will be stronger for old crop than new. Experts seem to feel that there is little reason for corn prices to drop, especially in the old crop, but that new crop prices will be led by changes in weather and crop concerns.

CBOT corn futures have remained with sideways movement in the last week period. Prices have seen a bullish trend in the first two trading sessions on concerns about lost acres due to Missouri River flooding, along with acres that aren't getting planted at all in the eastern corn belt, due to wet weather. The last two trading sessions remained with bearish movement in corn futures on outside market pressure amid lackluster export sales. The market pulled back after two days of strong gains on crop concerns.

Meanwhile a record crop that was needed to help replenish historically low supplies seems increasingly unlikely.

CBOT corn prices are expected to remain range bound to firm for the coming week and may remain in the range of USc 730-770 per Bushel. Holding the level above 750 may continue to hold the corn prices.



### CBOT Futures Quotes (As On May 31, 2011)

Contract	Current (06/06/2011)	Week ago (31/05/2011)	Month ago (06/05/2011)	Year ago (07/06/2010)	% Change Y-O-Y
Jul 11	732.00	747.50	686.25	335.75	+118.02
Sep 11	711.50	717.50	668.25	345.75	+105.78
Dec 11	667.00	673.00	640.25	355.00	+87.89
Mar 12	678.00	683.50	650.50	368.75	+83.86
Values in cents/bushel					

CBOT corn futures prices were down by 2.07 per cent to USD 7.32/bushel in the week period on lackluster export sales. Prices were initially weak in overnight actions as traders took profits following strong gains in mid of week. But the market recovered later in the session as a weaker dollar helped boost commodities generally.

As a result, the outlook remains moderately bullish and consistently volatile as speculative funds juggle their large positions in response to changing conditions.

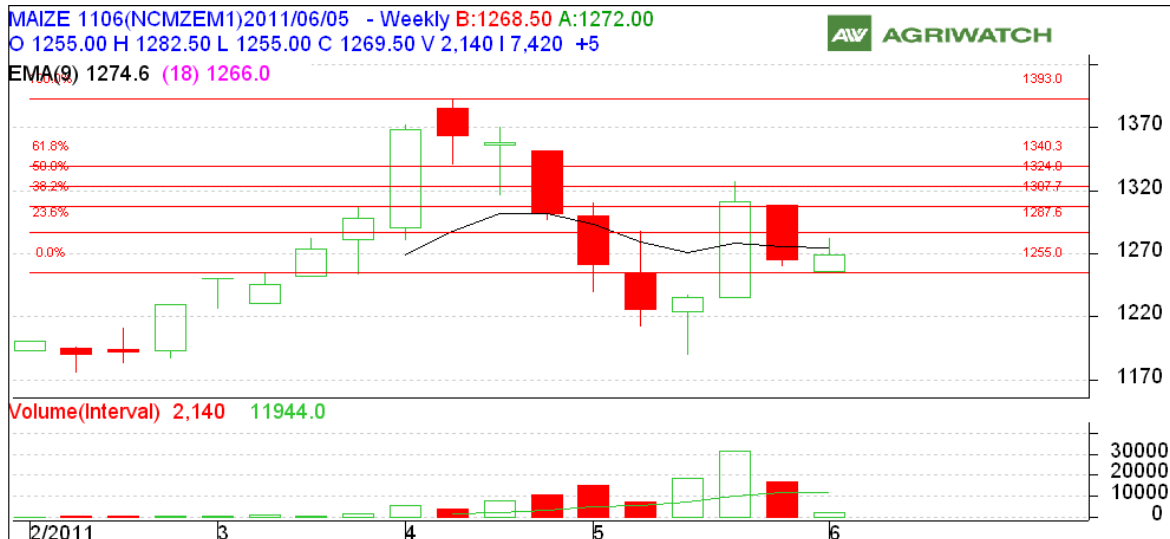
### NCDEX Futures Price Movement (June Contract)

NCDEX Maize (June contract) futures movement remained to trade bullish in a range bound manner between 1255-1271 levels during the last week. Weekly candlestick depicts that, market opened at 1255 level which is down by 4.05 per cent compared to previous week opening price and as it found 1255 as strong support level. If it breaches the support level, then will be next supported by price level of 1235. Before taking bullish rally, prices may reach 1223-1235 price level.

June 2011	Open Price	High Price	Low Price	Close Price	Volume	Open Interest
Current week	1255.00	1282.50	1255.00	1268.50	2140	7420
Previous week	1308.00	1308.00	1260.00	1264.50	16830	7940
Per cent Change	-4.05	-1.95	-0.40	+0.32	+87.28	-6.55

NCDEX maize futures prices are expected to remain steady to weak for the coming week.

### Futures Market Analysis: NCDEX Maize June Contract



Since the NCDEX maize June contract is trading range bound between 1255-1287 levels. Volume remains unsupportive for rise in prices. Closing of prices below short term EMA (9days) hints for weakness in prices. Good support is at 1255 level and resistance at 1287 level breaching either side will decide the further price movement. We expect maize prices to remain range bound with slight weakness in coming week.

**Strategy:** Sell on rallies or opt for selling near 1287 level for the target of 1250. Put a strict stop loss at 1305 level.

Support & Resistance:

S2	S1	R1	R2
1235	1255	1309	1324

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