

## Domestic Market Recap

*Mixed tone of sentiments witnessed in key maize cash markets during the week ending June 21, 2011 on reportedly varied demand condition based on price range and quality arrivals at different markets. However, normal monsoon progress limited the upside in prices as maize market value chain members expecting good crop production this year too.*

*During the week, demand from the poultry users as well starch industries remained good and traders as well as stockists were also active to marshal their stocks to the market as progressive monsoon brought hopes of good crop production. Reportedly, continued higher moisture content in maize as well as low quality arrivals at Bihar markets fetching at a discount while buyers are unwilling to procure the same which is weighed on the prices.*

*As per sources, export activity in maize mostly remained subdued in the market due to poor overseas demand particularly from Indonesia as corn production in 2010-11 is estimated higher at 8.4 MMT against 6.9 MMT last year.*

## Current Market Dynamics

Mostly the domestic market maize prices dropped by Rs.20-30 per quintal due to lack of demand from the exporters. The bigger Poultry players like Suguna/VHL/Shanti Feeds who were buying from Bihar @ Rs.1330/quintal by rake have started indicating price of Rs.1290 per quintal.

Karnataka spot was being quoted at Rs.1200 - Rs.1220 per quintal which comes to Rs.1350 - 1360 per quintal Chennai deliveries. The Andhra Pradesh maize price scenario also remained same as Karnataka markets. However export demand was weak at these levels and not interested to buy above Rs.1320 - 1330 per quintal Chennai delivery.

Trade sources expect that any rally in global corn prices will benefit Indian exporters as Indian domestic prices have always been lower than international prices and for stock coming from the United States to the south-east Asian market, there is a big freight component. Shipping costs from India to Asian buyers like Indonesia and Malaysia are typically around US\$ 30 per tonnes whereas from the United States, the cost can be double. Indian traders are quoting around \$280-290 per tonnes for corn free on board (FOB) currently, down slightly from \$304-305 per tonnes in January and February.

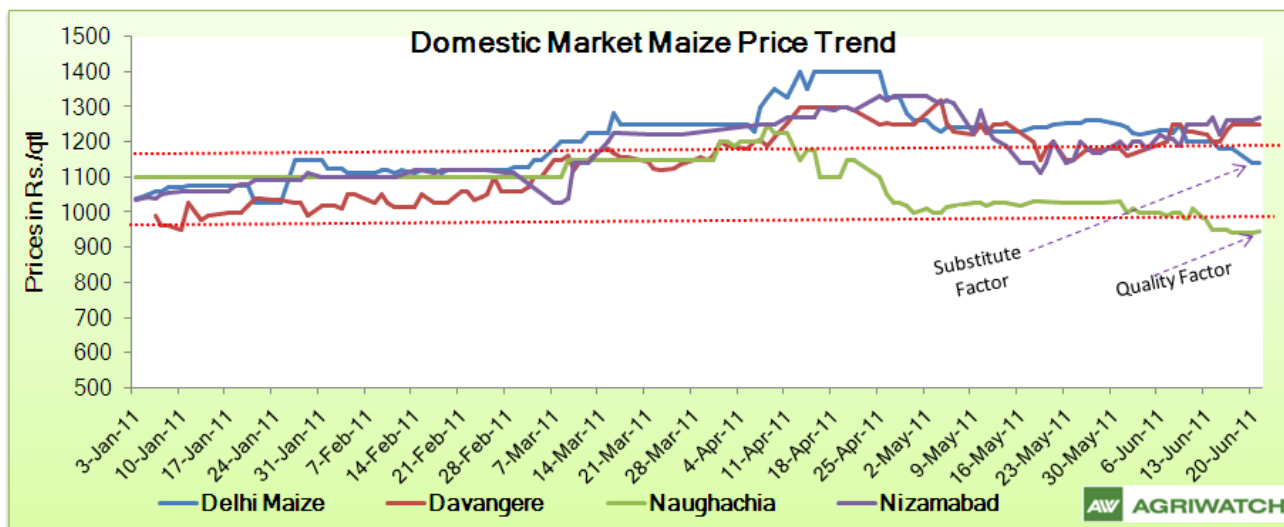
## Maize Spot Market Prices (Rs. /Quintal)

Market	Grade	Today	Week Ago	Month Ago	2 Month Ago	Year Ago
Delhi	Hybrid	1140	1200	1250	1400	970
Davangere	Bilty	1250	1220	1200	1290	950
Nizamabad	Bilty	1270	1250-1270	1200	1290	1010
Naugachia	Bilty	945	975	1025-1030	1150	825
Kolkata	Mill	1175-1200	1180	1200	1300-1325	930-940
Ahmedabad	Feed	1260-1280	1240-1260	1200-1230	1280-1300	1040-1050
	Starch	1240-1250	1230-1255	1215-1250	1290-1320	1030-1065

### Indicative Market Arrivals (in Tonnes)

Market	Grade	Today	Week Ago	Month Ago	2 Month Ago	Year Ago
Nizamabad	Bilty	200	200	1000	700	700
Davangere	Bilty	100	25	30	30	-
Naughachia	Bilty	200	500	300	200	3000

### Price Outlook



Maize prices mostly remained steady to firm during the week. Maize prices at Delhi market were continued to ease on third consecutive week and down Rs. 60/quintal to Rs. 1140 per quintal as buyers are continued substitute wheat and bajra for maize.

In Davangere prices were up by 2.80 per cent to Rs. 1250/qtl as demand from poultry feed users good and are found active in procuring raw material to fulfill the requirement on depleting stock levels. Summer season is almost ended and rainy season may create higher demand for poultry products. As prevailing prices reached the price level expected by traders/stockists and are interested to release remaining stock slowly to market at Rs. 1250/quintal prices.

Maize prices at Nizamabad (Andhra Pradesh) remained firm at Rs. 1270/qtl price level on continued regular demand from local poultry feed manufacturers amid declining new crop supply even export demand from overseas also down.

In Naughachia (Bihar), maize prices were down by 3.08 per cent to Rs. 945/qtl as continued rain affected the quality of maize considerably. Quality concern as well as higher moisture content kept buyers away from the markets and new crop is fetching at discount, which further keeping prices in check.

Ahmadabad poultry feed prices were up by 1.56 per cent to Rs. 1280/quintal on good demand from the poultry feed users. Starch maize prices continued down trend and are marginally down by 0.40 per cent to Rs. 1240-1250/qtl on lean demand from starch industry.

We feel maize prices are following the US corn futures market trend and any further raise in US corn prices will create good export demand for Indian maize in medium term. Maize prices are expected to remain range bound with slight firmness on declining Rabi crop arrivals in southern states of the country as well as traders and stockists are keeping check on stock availability in the market by holding back of stocks during regular

demand from feed and starch industries. Prices are expected to remain in the range of Rs. 935-960/qlt in Naugachia, Rs. 1250-1280/qlt in Nizamabad and Rs. 1120-1180/qlt in Delhi markets during the coming week.

### International Market Highlights:

As of June 13<sup>th</sup>, US Corn planting was completed 99% well above from the last week's 94% while remains lower from last year's 100% and 5 years average of 99%. A week of nearly ideal weather conditions allowed producers in US ample time to plant a significant portion of their intended acreage during the week. Nationwide, 91 percent of the crop was emerged, 6 percentage points behind last year and 5 points behind the 5-year average. Overall, 69 percent of the corn crop was reported in good to excellent condition, up 2 percentage points from last week but 8 points below the same time last year. Meanwhile, damage due to flooding is expected to lower the ratio of harvested to planted acres to 91.7 per cent compared to previous year ratio of 92.30 per cent.

Crop	June 13, 2011	Last Week	Last Year	5 Year Average
Corn	99%	94%	100%	99%

On the US domestic demand front, USDA decided to lower feed use by 100 million bushels, reflecting profitability issues in livestock and poultry industry and expectations for lower meat production in late in 2011 and 2012. Higher energy prices and tight world corn supplies remain long term bullish for corn prices and will further pressure already razor thin pipeline supplies.

According to Argentina's Ministry of Agriculture, corn harvesting were 84 percent complete as of June 9. And also Argentina raised its corn forecast in its monthly crop report, as the harvests near completion and the amount of final output becomes clearer. Final production from the 2010-11 corn crop was raised to 21.6 million metric tons, up from 20.9 million tons forecast by the agriculture ministry a month earlier. Argentina is the world's second-largest corn exporter after the U.S.

Dry weather and late-season planting could cause Brazil's winter corn harvest but the Agricultural Ministry estimated that Brazil's 2010-11 corn crop will reach 56.7 million metric tons, up 1.3% from a year earlier.

South Korea plans to buy around 600,000 metric tons of animal feed-grade wheat for arrival in the October-December period, along with 110,000 tons for September which depicts that most of the corn users got the heat of rising prices.

### US Corn Weekly Export Status:

Net sales of 295,800 MT were down 8 percent from the previous week and 50 percent from the prior 4-week average.

Net sales of 598,900 MT for delivery in 2011/2012 were mainly reported for Mexico (548,600 MT) and Japan (45,700 MT).

Exports of 820,300 MT were down 18 percent from the previous week and 14 percent from the prior 4-week average. The primary destinations were Japan, Mexico, Taiwan, China, South Korea, and the Netherlands.

Corn - Un milled					(Values in MT)	
Week Ending	Weekly Exports	Accumulated Exports	Net Sales	Outstanding Sales	-----Next Marketing Year-----	
					Net Sales	Outstanding Sales
26-May-11	900,535	32,867,331	471,611	10,614,803	229,300	3,841,296
2-Jun-11	1,003,958	33,871,289	320,251	9,931,096	29,939	3,871,235
9-Jun-11	820,725	34,691,564	295,802	9,406,623	598,932	4,470,167

### CBOT Corn Futures Dynamics and Outlook:

After surging to new highs on USDA's bullish report, the nearby corn contract (July' 11 contract) fell sturdily by 82.25 US cents during the week on improved weather forecasts. Traders felt that improvement in weather (forecasts) could facilitate for higher corn yields than the current USDA's conservative estimate of 158.7 bushels per acre.

Buyer side, continued reports of livestock culling of herds and switching from corn to wheat in their rations also had a considerable effect on prices during the week. U.S. poultry feeders and Asian feeders are started to adopt using more feed wheat in their rations neglecting the higher priced corn.

Ethanol refineries remained inactive due to falling profit margins as of prevailing higher corn prices. As per U.S. Energy Information Administration, U.S. ethanol output in the latest week was down by 35,000 barrels per day at 880,000 barrels (which was down -3.8% from the previous week and up 4.89% from last year.), while ethanol stocks rose by 101,000 barrels to 19.75 million barrels. Finally, the slowing/inactiveness among ethanol refineries may reduce demand for corn as it uses 40 per cent of US corn crop.

*CBOT corn prices are expected to remain range bound at current levels in the coming week.*



### CBOT Futures Quotes (As On June 20, 2011)

Contract	Current (20/06/2011)	Week ago (13/06/2011)	Month ago (20/05/2011)	Year ago (21/06/2010)	% Change Y-O-Y
Jul 11	700.50	782.50	759.50	355.00	<b>+97.32</b>
Sep 11	687.50	751.75	717.50	364.25	<b>+88.74</b>
Dec 11	660.50	704.50	666.50	374.75	<b>+76.25</b>
Mar 12	673.00	716.25	676.75	387.50	<b>+73.68</b>
Values in US cents/bushel					

CBOT corn futures prices were fall by 10.48 per cent to USD 7.0/bushel in the week period on below mentioned bearish factors:

### Bullish Factors for International Corn Market:

- ✓ Expectations that mild temperatures and wet weather will boost crop conditions in US
- ✓ Forecasts of favorable weather during the week weighed on prices.
- ✓ Falling crude oil and the climbing US dollar

### NCDEX Futures Price Movement (July Contract)

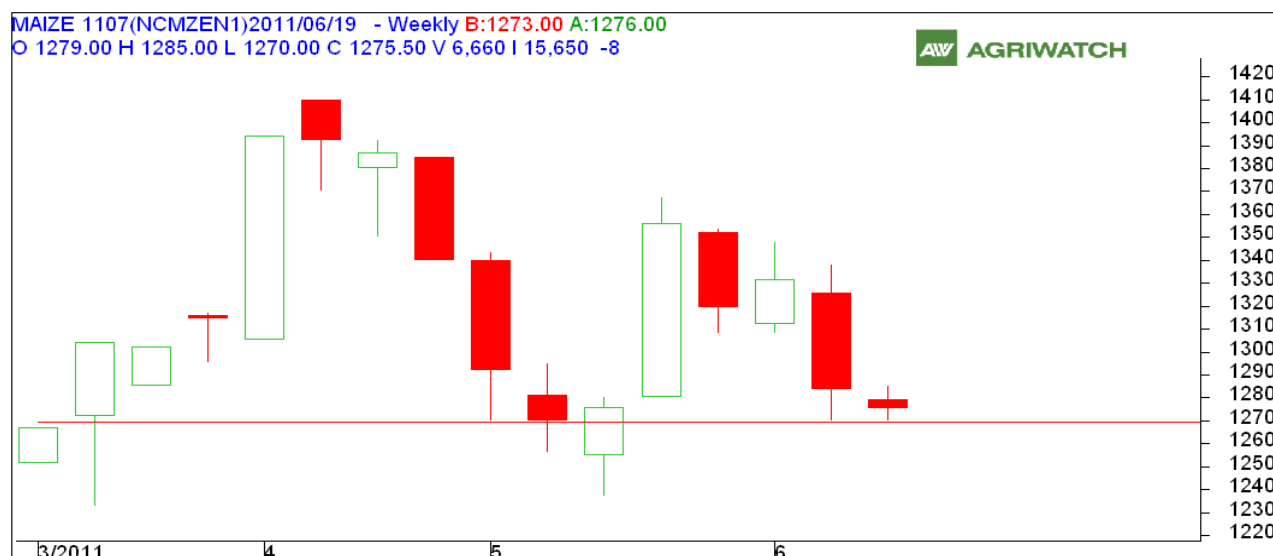
NCDEX Maize (July contract) futures movement remained sideways with weak bias during the week. 1270 level is acting as strong support wherein couple of week price movement couldn't able to breach this level and remained above the support level.

Weekly candlestick depicts that, market opened at 1279 level which is down by 3.51 per cent compared to previous week opening price and previous week low price i.e., 1270 level acted as strong support level where current week prices sustained.

July 2011	Open Price	High Price	Low Price	Close Price	Volume	Open Interest
Current week	1279.00	1285.00	1270.00	1275.50	6,660	15,650
Previous week	1325.50	1338.00	1270.00	1283.50	19,190	14,790
Per cent Change	-3.51	-3.96	Unch	-0.62	-65.29	+5.81

*NCDEX maize futures prices are in indecision stage and expected to remain range bound for the coming week.*

### Futures Market Analysis: NCDEX Maize July Contract



NCDEX maize July contract is trading range bound between 1245-1285 levels. Declining Volume along with prices suggest prices may rebound at this level. We expect prices to remain range bound in coming week between the current price levels. If prices breach the strong support level at 1270, then prices will fall up to 1250 level and retrace back.

In short term, 1270 will act as a good support level from where prices expected to retrace back to immediate resistance level at 1330.

**Strategy:** Buy on dips or opt for buying near by 1270 level for the target of 1293. Put a strict stop loss at 1259 level.

Support & Resistance:

S2	S1	R1	R2
1250	1270	1296	1307

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