

**Bottom Line:**

*Uncertainty in distribution of rains mostly paused the sowing activities in the southern states of the country while the sown crop which are in germination to vegetative stage are requires immediate rains. With the targetted 8.39 million more hectares planting expectation by government for Kharif 2011, production is expected to reach 17.52 million tonnes if other factor remains favourable. Actual maize crop prospects will be determined by the distribution monsoon rains in July. Reportely the demand from poultry feed millers are good and is supporting the prices. Domestic maize futures prices at NCDEX moving in tandem with the international market (US CBOT futures).*

*IGC, reduced world maize production by 0.5 per cent to 843 MMT compared to previous month (May) estimate due to revised lower estimate for US corn. But the market participants are hopeful for improvement in crop prospect on improving weather condition.*

*Some of the countries shifted to use feed wheat in poultry feed rations to avoid the higher cost of production due to prevailing high price corn at international market.*

**Domestic Market Maize Supply and Demand Scenario:**

Taking the targeted area of government (8.39 million ha), we expect that 2011Kharif maize production will reach to a record level of 17.52 MMT considering the other factors like weather etc remain congenial.

Kharif	Area (in Million Ha.)	Production (in MMT)	Yield (in Kg/ha)
2011-12*	8.39	17.52	2075

\*Agriwatch estimates.

The ministry of Agriculture has set higher target for kharif 2011acreage for Maize at 83.99 lakh hectares on announcement of higher MSP at Rs 980/Qtl (increase of Rs 100 from last year) as well as higher returns to growers last season.

The table below shows the state wise estimated area, production and yield for Maize for this Kharif 2011:

Kharif 2011-12 Projections			
State	Area in lakh Ha.	Production in lakh tonnes	Yield Kg/ha
Andhra Pradesh	5.10	18.97	3720
Bihar	3.75	9.60	2560
Karnataka	12.70	35.88	2825
Madhya Pradesh	8.90	13.80	1550
Maharashtra	7.95	23.45	2950
Rajasthan	11.45	18.32	1600
Tamil Nadu	2.50	9.50	3800
Uttar Pradesh	8.14	14.55	1788
Others	23.5	31.14	1325
<b>Total India</b>	<b>83.99</b>	<b>175.21</b>	<b>2075</b>

Source: Kharif Campaign 2011, Agricoop

India's June-September (especially July) monsoon rains are a key factor for commodities market as they influence output of various crops in India. According to IMD the cumulative rainfall during 1<sup>st</sup> June to 22<sup>nd</sup> June are 11 per cent higher from the LPA despite that the distribution of rains over the southern part of the country which is main maize growing region for Kharif, so far is uneven due to which sowing is lagging behind. As per the data from Indian Meteorological Department (IMD) the rains are deficit to scanty over key growing districts of Rajasthan, Karnataka, Madhya Pradesh (MP), Uttar Pradesh (UP), Andhra Pradesh (AP), Gujarat and Maharashtra (the states accounts for more than 74% of total Kharif maize area in the country) due to which sowing is reportedly lagging behind.

The table below shows the percentage departure of rainfall in the key Maize growing districts of Rajasthan, Karnataka, Madhya Pradesh, Uttar Pradesh, Andhra Pradesh, Gujarat and Maharashtra for the period ending June 22, 2011:

State	Districts	% Departure	State	Districts	% Departure
<b>Rajasthan</b>	Udaipur	-100%	<b>Karnataka</b>	Davangere	+17%
	Chittorgarh	-44%		Haveri	+28%
	Bhilwara	-61%		Belgaum	3%
	Banswara	-81%		Bellary	-79%
	Dungarpur	-99%		Chitradurga	-28%
<b>MP</b>	Chindwara	+96%		Shimoga	-9%
	Jhabua	-100%		Bagalkot	-78%
	Dhar	-93%		Dharwad	+18%
	Rajgarh	+106%	<b>UP</b>	Bahraich	+102%
	Betul	+32%		B.shahar	+70%
	Ratlam	-100%		Etah	+265%
	Shajapur	+119%		Gonda	+77%
	Alirajpur	-100%		Hardoi	-46%
<b>AP</b>	Mahabubnagar	-53%		Kannauj	-52%
	Medak	-78%		Jaunpur	+451%
	Karimnagar	-64%		Mainpuri	+548%
	Nizamabad	-56%	<b>Maharashtra</b>	Nashik	-61%
	Warangal	-69%		Aurangabad	-97%
	Rangareddy	-83%		Jalna	-97%
<b>Gujarat</b>	Dahod	-100%		Jalgaon	-91%
	Panchmahal	-100%		Dhule	-99%
	Sabarkantha	-97%		Ahmednagar	-99%
	Vadodara	-98%			

If the situation continues then the sowing may be delayed or the area will other crops like bajra or jowar etc. So, the progress and distribution of monsoon will remain the key to deciding the actual maize area and production and lull in monsoon coupled with uneven distribution may translate into lower acreage and productivity which in turn could result in lower production. Thus rainfall is to be watched very carefully any deviation in monsoon will lead to lower acreage and may affect the early sown crops which in turn add firmness.

**Domestic Supply and Demand:**

<i>Values in MMT</i>	<b>2009-10</b>	<b>2010-11*</b>	<b>2011-12**</b>	<b>% Change over last year</b>
<b>Production</b>	16.72	19.26	21.16	10
<b>Total Availability</b>	18.75	19.61	21.47	9
<b>Consumption (inclusive of exports)</b>	15.90	19.30	21	9
<b>Carryover Stocks</b>	0.35	0.31	0.47	52

\* Agriwatch Estimates, \*\* Agriwatch Projections

As evident from the above table, India's total availability increased by 5% to 19.61 million tonnes (including carry-in of 0.35 MMT and production of 19.26) on estimated higher production in 2010-11, which outpaced India's total domestic requirement of 19.30 (including expected export of 2.40 MMT). However, carry-out stocks are expected to decline by 11% to 0.31 MMT on expected higher exports this season. In 2011-12, maize production is estimated to reach a record level of 21.16 MMT and total availability is estimated to remain higher at 21.47MMT (including carry-in of 0.31 MMT and production of 21.16MMT), This means that country is expected to have a exportable surplus of 3.5 MMT with a comfortable carry-out stock of 0.47 MMT compared to 0.31 in 2010-11.

On the export front, due to disparity, exporters mostly remained on the sidelines. Consequently overseas demand has shifted towards cheaper origins like Pakistan. Currently Indian Maize prices are ruling at around USD 319-320/MT CFR Malaysia where as the Pakistan Maize is available at USD 308-310/MT CFR to South East Asian ports. Indian maize is practically out of the International market. Reportedly, buyers from Indonesia who were planning to come back in the market for Indian corn have now started covering from Pakistan for their requirements for August.

**Prevailing FOB Prices Origin wise**

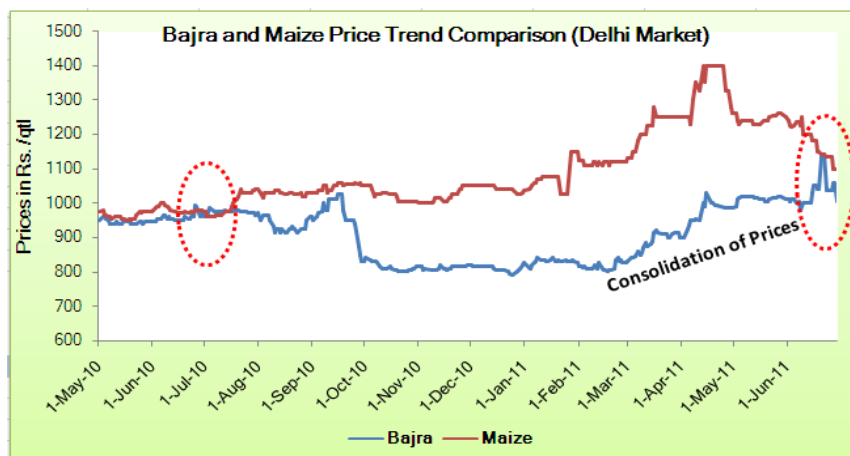
<b>Origin</b>	<b>FOB Price</b>
India	319-320
Argentina	294-298
US	302-306
Pakistan	308-310
Ukraine	300-305
Brazil	290-300
*Prices in USD/MT	

Meanwhile, during October 2010 to May 2011 India has exported around 1.4 - 1.8 million tonnes of maize at an average price of USD 268/MT FOB Indian ports and total exports are expected to reach to 2.4 - 2.5 million tonnes in MY 2010-11 (Oct-Sept). In May 2011 exports stood at 195,292.8 tonnes at an average price of USD 317/MT against April's export of 46,482.8 tonnes at an average price of USD 276/MT.

**Domestic Maize Price Trend**

Maize prices during the month ended June 30th 2011 mostly featured firm tone in major markets on depleting stock levels and good demand from poultry feed manufacturers. But prices in Bihar mostly featured a weak tone on regular rains which affected trading activity as well as lower availability of good quality maize (higher moisture to the tune of 14-17% due to rains). Prices also eased in Delhi on poor supply from Bihar due to which feed manufacturers shifted towards other cheaper substitute viz "Bajra".

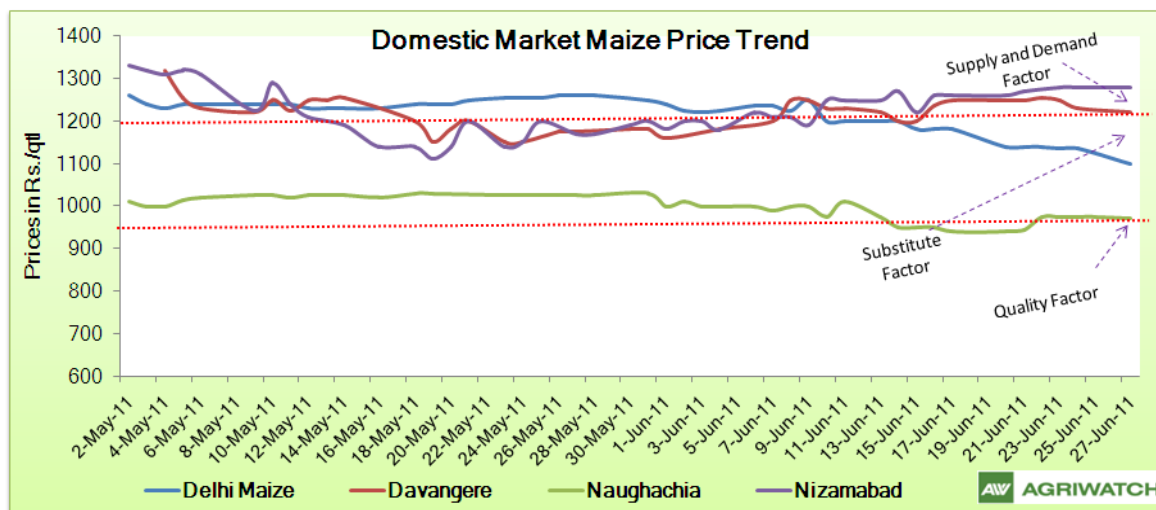
Meanwhile, in Bihar reportedly, the big stockists/feed manufacturers remained active in the market which restricted the fall in prices besides declining arrivals and quality issue in maize (high moisture due to regular rains). As per IMD (Indian Meteorological Department) further monsoon rains are expected over eastern part of the country, which may further affect the quality and supply of maize in the markets which may further support prices. Meanwhile, due to poor supply of Bihar maize due to rains and quality issue, the feed manufacturers shifted towards other cheaper substitute viz “Bajra”.



In southern part of the country, demand from feed and starch manufacturing industries are reportedly good and are buying maize at around Rs.1230-1250/quintal warehouse delivery basis. Demand from both poultry and starch industry is expected to remain good in coming days.

Market	Monthly Average Prices of Maize (Rs. /quintal)			
	April 2011	May 2011	June 2011	Per cent Change over previous month
Naughachia (Bihar)	1142	1023	983	+4.07
Delhi	1327	1245	1196	+4.10
Davangere (Karnataka)	1247	1217	1225	-0.65
Nizamabad (Andhra Pradesh)	1295	1213	1238	-2.02

Maize prices in current marketing season were sturdily up by 22.70 per cent to Rs. 1000 in Naugachia (Bihar), 12.24 per cent to 1100/qtl in Delhi, 25.77 per cent Rs. 1225/qtl in Davangere (Karnataka) and 26.73 per cent Rs. 1238/qtl in Nizamabad (Andhra Pradesh) as compared to corresponding period last year. Maize prices may remain on higher side due to reportedly good demand.



## Analysis for Downstream Industries for Demand

Continued higher demand from the starch industry and poultry and cattle feed manufacturers were seen in the month of June with their active buying in the major markets. As per the sources, poultry feed millers were active in the market amid expectation of good demand for feed in days ahead.

In northern India, poultry feed users shifting for cheaper substitute like wheat and bajra as prevailing maize prices are not economical for them.

## NCDEX Futures Market Analysis

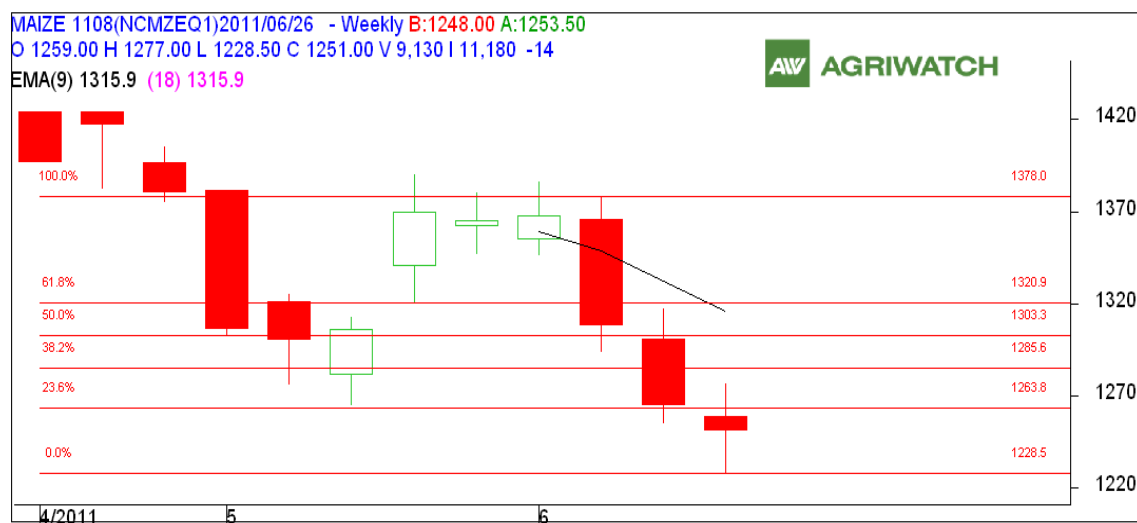
As depicted in the chart, NCDEX maize July contract is moving in the falling channel. 1205 at lower side acting as a good support and two consecutive closes below this will drag down the prices to 1162 level which the channel objective or else prices after taking support may retrace back to the immediate resistance level near 1230 or go into the consolidation phase.



## August Month Contract (NCDEX)

As depicted in the below chart, NCDEX maize August contract is moving with bearish trend. 1228 at lower side acting as a immediate good support and prices likely get support at this level. If it breaches, this level, then 1213 will likely to hold the price movement. Maize prices are expected to remain range bound between 1210- 1280 in coming week.

**Strategy:** Wait till direction is clear or one can gradually buy near the channel objective.



## Domestic Maize Outlook

Domestically prices are expected to remain range bound with slight firmness in coming month on declining arrivals due to lean season and expected demand from poultry feed manufacturers. However, subdued export activity may cap the gains to some extent. Furthermore, progress of monsoon in the month of July will also

remain the key for deciding the price movement. Timely and well distributed monsoon may weigh on prices while lull in monsoon would boost maize prices.

Export demand coupled with higher MSP will continue to aid maize prices in India in the coming season.

### International Market Maize Supply and Demand Scenario:

International Grains Council, reduced world maize production by 0.5 per cent to 843 MMT compared to May month forecasts on reduced maize prospects in the US.

<i>Values in MMT</i>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12 (May forecasts)</b>	<b>2011-12 (June forecasts)</b>
<b>Production</b>	799	815	812	848	843
<b>Trade</b>	84	86	94	93	93
<b>Consumption</b>	781	817	843	853	850
<b>Carryover Stocks</b>	155	152	121	116	114
<b>Year/Year Change</b>	+18	-3	-31	-5	-7
(Source: IGC)					

Market participants at US remained under dilemma as they were waiting for the USDA's report on acreage and quarterly stocks which is going to release on Thursday. Market participants are expecting that USDA may raise its estimate for planted acres for Corn to near 90.8 million acres, vs. 88.192 acres planted last year.

Traders expecting that, current ideal weather conditions would help to overcome concerns about loss of yield on the rather late planted crop this spring.

### Maize International Fundamentals and crop situation:

As per USDA's weather report (21st June), 97 percent of the corn crop was emerged by June 19th, 3 percentage points behind last year and 2 points behind the 5-year average. Overall, 70 percent of the corn crop was reported in good to excellent condition, up slightly from last week but 5 percentage points below the same time last year.

<b>Crop Condition</b>	<b>Very Poor</b>	<b>Poor</b>	<b>Fair</b>	<b>Good</b>	<b>Excellent</b>
<b>Corn</b>	2%	5%	23%	56%	14%

According to current weather forecast, prevailing weather condition is good in most corn growing areas and the same is expected in over the next couple of weeks or even longer, with drier and warmer weather replacing the rains. And the warm and sunny weather will have a good effect on the corn crop and that the condition will improve in coming weeks.

Weather conditions remained mostly favorable for corn harvesting in Argentina and harvest is near completion. Argentina raised its 2010-11 season corn forecast to 21.60 million MT, up from 20.90 MMT forecast a month earlier.

### Global Trade Update:

**China** bought approximately 1.7 million metric tons of U.S. corn in the last four months including 700,000 tons in recent weeks and more sales are in channel. U.S. corn was offered at around \$338 a ton C&F China for shipment in September from the Pacific Northwest and offers for August shipment to China from the U.S. Gulf were around \$342/ton, C&F. Trade sources projecting China's purchase may touch 4.0 million tons by the end of the year.

**South Africa** may slightly lower its May 2010-April 2011 season maize estimates as yields disappoint due to heavy rains. Quality may also suffer due to heavy rains. As per the trade estimate, South Africa's 2010-11 season



maize production is likely to be 10.87 million tonnes and South Africa crop estimate committee forecasted its maize production to reach 10.99 million tonnes last month.

**South Korea**, the third largest corn importer, 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 mostly from Canada and Europe. This step has been taken as a result of surge in corn prices to record highs.

### International Market Price Scenario

The US corn futures rose strongly to an all time record for front month contract during early part of the month on concerns about planting falling far short of expectations due to poor weather. July corn contract surged as high as USc 799 per bushel on dwindling near-term supplies before prices retreated. USDA increased supply concerns by slashing its inventory outlooks more than expected. Traders remained worried over poor weather that may prevent farmers from harvesting a larger crop. Also USDA projects lower inventories in the coming year even if harvest turns to be a record.

The US corn prices started downward movement from mid June onwards on expectations of milder temperatures and wet weather aiding crop conditions. Consequently, July corn prices dropped steadily by 7.89 per cent to USc 698 per bushel from all time high of USc 799 per bushel.

Contract Month	29/05/2011	30/05/2011	Per cent Change
Jun 11	698.00	758.50	<b>-7.98</b>
Sep 11	678.00	728.25	<b>-6.90</b>
Dec 11	650.50	684.00	<b>-4.90</b>
Mar 12	662.75	695.00	<b>-4.64</b>

### CBOT Corn Futures (July 2011-Contract)



US corn futures remained mixed in a volatile sessions, with prices fluctuating wildly ahead of upcoming USDA report on acreage and quarterly stocks. The market prices again on bullish move as renewed optimism about export demand, as well as worries about the US crop. .

CBOT corn futures are expected remain range bound with bullish trend and prices may take strong support at USD 6.75/bushel and resistance at price level of USD 7.75/bushel. If prices breach the support level of USD 6.75/bushel, then strong support will be at USD 6.25/bushel.

USDA will release Quarterly Grain Stocks and 2011 Planted Acreage reports on Thursday and the particular report is very significant report for market direction.

**Maize Outlook**

Internationally, corn prices are expected to remain on softer side (from now onwards) on improvement of US weather as well as shifting of demand from poultry feed industries for cheaper substitute like Wheat due to sizeable availability of feed grade wheat globally.

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