

### Highlights of the Month:

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- *Maize prices declined sharply in key spot markets during May. Rabi maize crop arrivals from Bihar hit the markets which became influencing factor for recent decline.*
- *Prices have decreased in Naugachia and Nizamabad markets by 5% and 4% respectively M-o-M owing to new Rabi maize crop in both States.*
- *There is shortage of maize stock in Southern part, despite of it; prices are at declining phase owing to fresh Rabi arrivals from Bihar which gives tougher competition to southern maize suppliers.*
- *Maize sowing in Karnataka has not started yet but recent monsoon showers might encourage the farmers to plant corn as soon as possible.*
- *Good buying has been witnessed from Poultry and Starch industries.*

### Factors affecting the domestic markets

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Bears	Bulls
Higher Maize Production Prospects in Bihar.	Dry Weather Affecting New Planted US corn crop.
Continuous Arrivals in Bihar	Argentina Cut Corn Production Estimate.
Weak demand in Bihar markets.	Dollar Appreciation increases the export parity for Indian maize exporters.
Global Economic Worries Affect Commodities Worldwide.	China and Japan Shifting its buying corn portfolio towards Ukraine and Argentina.

### Executive Summary:

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Maize prices declined during the month in key spot markets. Increasing maize arrivals from Bihar and higher maize production in Rabi season in Bihar region weigh on the prices.

In addition to it, markets has taken cues from International markets also where overall sentiments of maize are weak in tandem with record US corn planting.

## State - Wise Market Dynamics

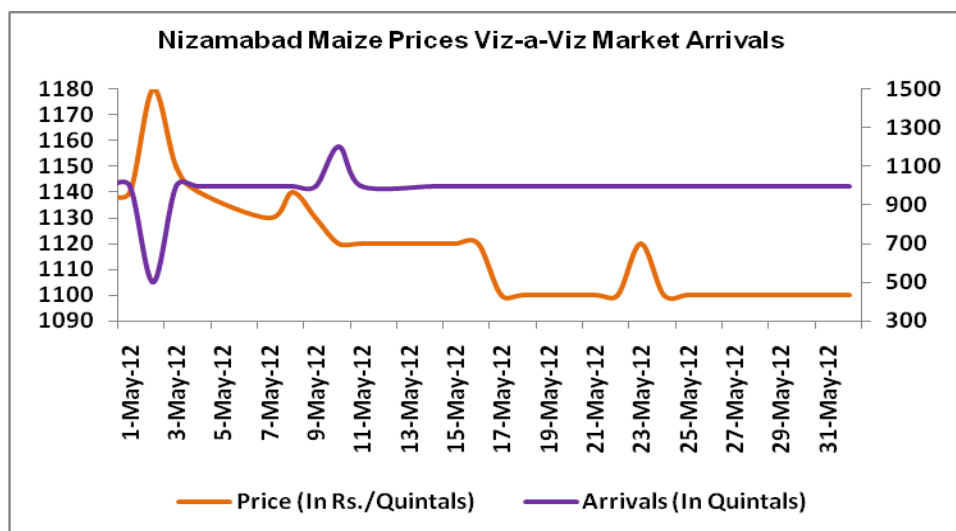
### Andhra Pradesh

Prices have declined by 9% M-o-M in Nizamabad market owing to consistent arrivals. Farmers are releasing their stocks keeping in view declining prices and lack of warehouse facilities to store maize. In addition to it, competition from increasing Bihar maize arrivals which pressurize the AP maize prices.

Meanwhile, around 30% stock of maize is still left in Nizamabad as reported. Traders are holding around 5 lac bags of maize in AP, out of which 1 lac bags of maize are held by traders in Nizamabad alone.

However, no rakes business has been reported this week from Nizamabad. Poultry and Starch Industries are holding maize stocks as reported as they are anticipating increase in maize prices in the coming month.

As far as sowing is concerned, it is delayed by 10-15 days owing to lack of rainfall in the region.

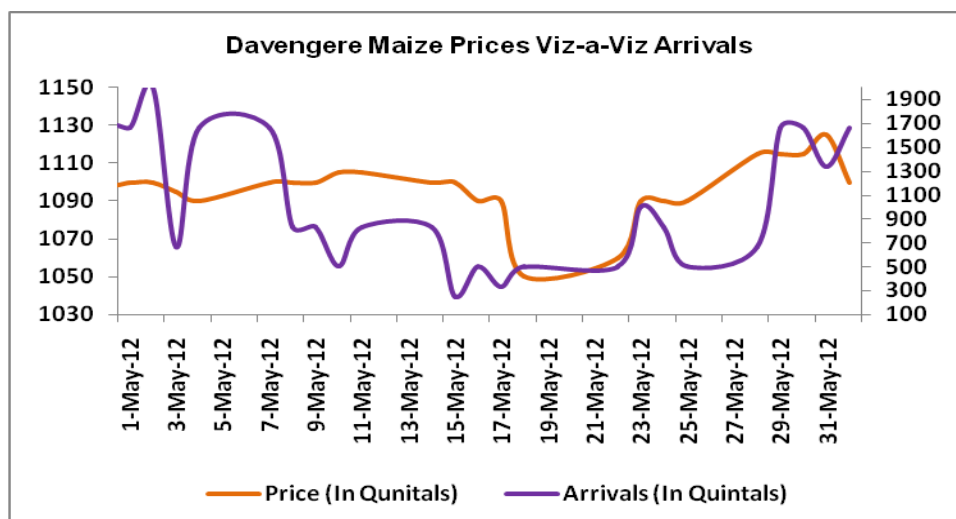


### Karnataka

As far as Davengere market is concerned, prices have improved by 1% M-o-M as decreasing stocks of maize in Davengere and improved maize buying from Poultry and Starch Industries support the spot maize prices. However, very few rake businesses reported of maize for other consuming markets due to lower stocks.

Meanwhile, more than 250 rakes has moved from Karnataka in this season out of which 40 rakes moved from Haveri district and 110 rakes from Ranebennuru.

Sowing of maize has not started yet and likely to start only when monsoon hits the state. It is expected to hit Kerala by 1<sup>st</sup> June and Karnataka by 5<sup>th</sup> June as per IMD forecasts.



As far as Koppal market is concerned, lackluster trade and lower arrivals of maize kept the maize prices range bound with weak tone. Prices declined by 4% compared to last month in Koppal.

Rake business of maize are dull as reported as very less arrivals in the market restrict the buyers to load the rake.

## Bihar

Maize prices continuously declined in various sourcing markets during the month ended 1<sup>st</sup> June 2012. Weak demand and consistent maize arrivals kept the prices on the lower side.

However, Punjab and Haryana maize buyers have already fulfilled their short term maize requirement which is the major reason for decline in demand as well as prices in Bihar.

Prices of maize are moving downwards in Naugachia market during the month due to continuous arrivals in the market. Prices are trading below MSP at Rs 875 per quintal.

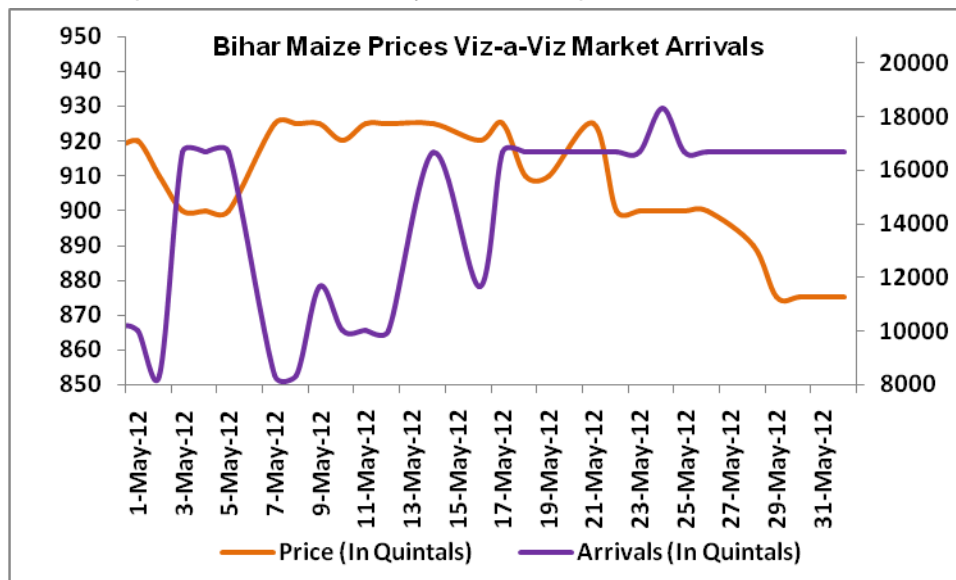
Maize production is now estimated at 2.5 million tons in Bihar only for this season as distributed and timely rainfall in maize growing region resulted in bumper yield.

As far as rake business from Bihar is concerned, around 125 rakes of maize have moved from Bihar to various consuming centers.

Rake business of maize has been witnessed from Khagaria, Mansi, Naugachia and Gulab Bagh sourcing centers to Rajasthan, Punjab, Delhi etc. Around 6 rakes worth of business has been reported from Khagaria market till date in this season.

Only 25-30% maize stocks have arrived in the Bihar markets till date as reported. Also, favorable weather conditions reduced the moisture content of maize to 12-13% compared to 13-14% couple of weeks ago, which is suitable for exports also.

At present, Bihar maize is offered at FOR Rs 11900 per ton by rakes to Namakkal and Tirupur and FOR Rs. 11500 per ton to Kakinada by Rake as reported



## Delhi

Prices are continuously declining owing to good arrivals of new maize from Bihar. In addition to it, dull demand pressurizes the prices. There are no prospects of increase in price of maize in Delhi market at present.

Delhi maize prices are trading well below wheat prices, due to recent crop arrivals from Bihar, which indicates that wheat demand is likely to shift towards maize.

Meanwhile, arrivals of maize from Bihar are coming by road to Delhi due to the distance of the local maize markets from Railway stations where rakes unload. Other neighboring states like Punjab and Haryana are getting maize through rakes from Bihar.

**Rake Business from Various Sourcing Centers During the Season:**

Sourcing Centers	30 <sup>th</sup> Apr	31 <sup>st</sup> May
Davengere	71	-
Bihar	-	125
Koppal (Including Neighboring Centers)	-	-
Ranebennur	100	110
Haveri	45	45
Shimoga + Bagalkot, Bellary	28	-

\* Figures in Rakes.

Destination	By Road (Rs/MT)	By Rake (Rs/MT)	FOB in USD /Tonne
Chennai	12300-13500	-	-
Kolkata	10600		
Tirupur/Namakkal	11500 -11600 Karnataka Origin	11600 – Karnataka Origin	
Kakinada	-	11500 (Bihar Origin)	-

Following are the few active buyers in southern states of country with their purchase prices -

Buyer	Purchase Prices (Rs/MT)
VHL Hosur	11100
CP Vellore	11100
Godrej Chitradurga	10800

Month-wise Average prices of Maize at various markets					
Market	2011-May	2012-April	2012-May	% Change from Prev. Month	% Change from Prev. Year
Delhi	1250	1200	1090	-9%	-12.80%
Naugachia	1030	920	875	-5%	-15.05%
Davangere	1180	1100	1115	1%	-5.51%
Nizamabad	1200	1140	1100	-4%	-8.33%
Koppal	1130	1140	1100	-4%	-2.65%

**Exports:**

Indian C&F Maize prices (~\$281.21) improved by \$2 per ton during the week compared to the prior week owing to recent increase in maize prices in Southern India due to increase in demand. Meanwhile, Indian maize exporters are getting parity compared to US Maize C&F

prices of maize (~\$315.83) and though getting stiff competition from Argentina (~\$273.43) and Brazil C&F (~\$257.06).

Indian C&F Rate to Thailand vs. other Countries (\$1= Rs. 55.92)				
	Argentina	Brazil	US	India
FOB	223.43	202.06	255.83	246
Incl Cost and Freight (C&F)	273.43	257.06	315.83	281.21

Indian Corn from AP market and Bihar markets are offered at FOB USD 240 and FOB USD 238 respectively.

Meanwhile, trade in Chennai is subdued with very marginal quantity as most of the exports has shifted towards Kolkata port for the Malaysian delivery.

It is noticeable that around 2.5 million tons of maize has already been shipped in this marketing year and we are expecting more than 3 million tons of maize exports this year.

Meanwhile, a vessel named Vinalines unity is expected to arrive at Vizag port for loading of around 21000 tons maize.

Indian maize exports might pick pace in the coming month as bullish International maize sentiments will increase the export parity for Indian exporters.

### **Kharif Maize Sowing News:**

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Maize Kharif sowing has not started yet as farmers are waiting for precipitation. Kharif maize sowing generally starts in June end in UP, Karnataka, AP, MP, and Rajasthan near to the monsoon season.

Maize acreage are likely to increase keeping in view 20% increase in MSP for 2012-13 season to Rs 1175 from Rs 980 as per the recommendation of CACP.

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### **Monsoon Prediction**

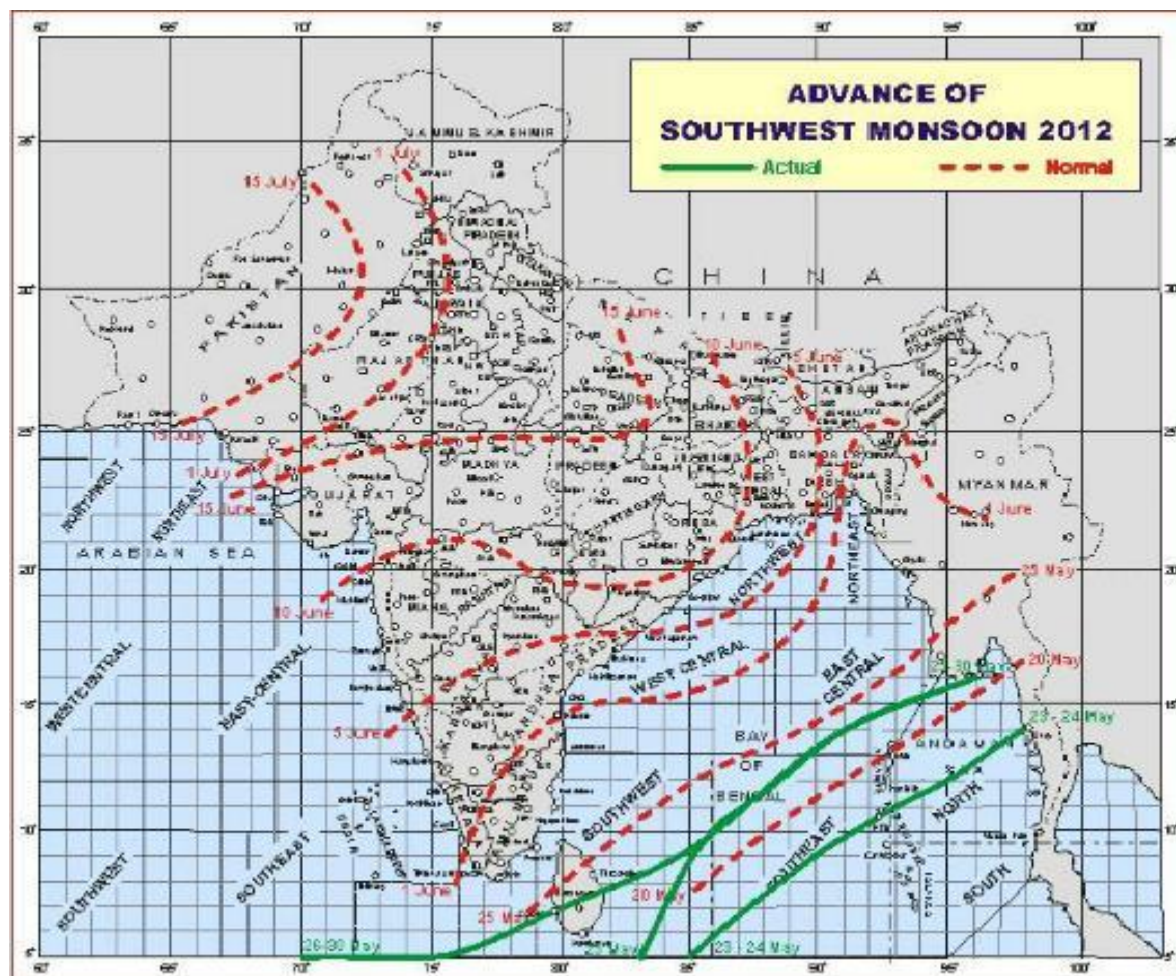
Weather is likely to be favourable in the first phase of monsoon till July and we expect normal rainfall. However, July onward lower rainfall is feared due to La Nina impact. It may hamper kharif planting in India.

No major change in monsoon forecast has been viewed even in the month of May. India expect normal monsoon in the first phase of kharif season. Monsoon rainfall over South Asia will be normal for a third year in a row, potentially increasing plantings of rice, soybeans and sugar cane, boosting global food supplies. El Nino weather conditions, which can affect parts of Asia,



may emerge only in the later part of the June-September monsoon season and most forecasts indicate neutral conditions and normal rains, the South Asian Climate Outlook Forum said in a statement in the western Indian city of Pune.

Farmers in South Asia may plant more of rice, corn, sugar cane and cotton on normal showers, helping India sustain exports and ease global food prices. A normal monsoon is more important for inflation as we see food prices have started rising again. So a normal monsoon will help in stabilizing food prices.



### Price Outlook:

*Maize prices are moving downwards owing to improved arrivals of maize from Bihar. However, prices are likely to stabilize at present and should move up from here on considering good demand from Poultry and Starch industries from lower price levels.*

*Also, shortage of maize stocks in southern part of India with around 4 months time still left in kharif maize harvesting might support the prices of maize in domestic markets in the coming months.*

## Domestic Maize Balance Sheet:

India is likely to produce 21.6 million tons of maize in 2011-12 which is down by 0.6% Y-o-Y. Decline in Kharif maize production to the tune of 3.2% Y-o-Y followed by decline in Rabi area in UP and AP are the reasons for decline in maize production.

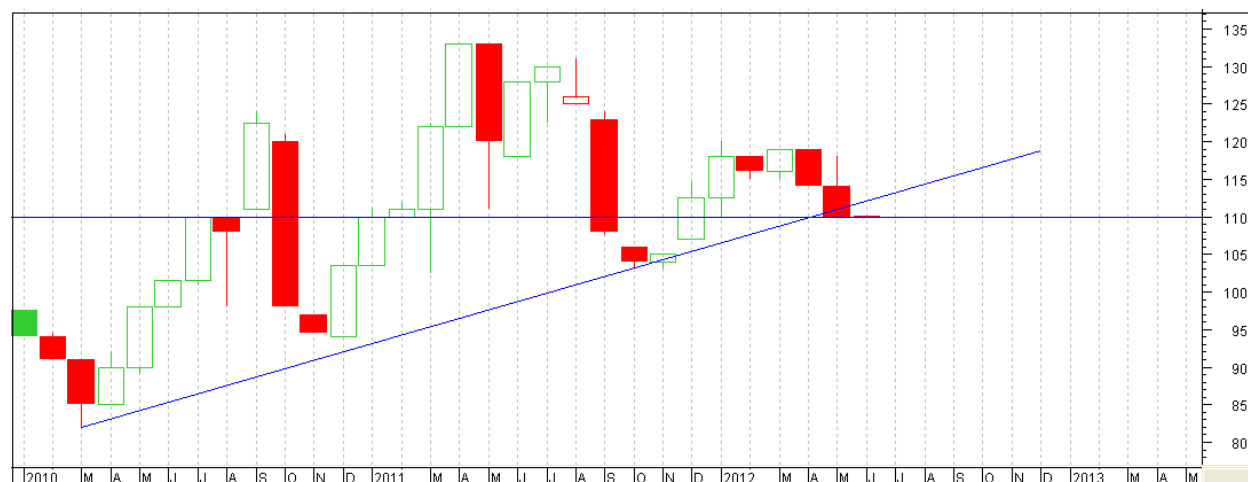
However, thanks to the higher beginning stocks, availability is likely to improve by 2.29% Y-o-Y. Domestic consumption is expected to improve by 5%. Export is likely to see some decline compared to last year as depicted in the table. Given higher domestic consumption anticipation and marginal decline in export ending stock is likely to decline by 25.64%.

Supply and demand component are listed in the table below:

All Units in Million Tons	2010-11	2011-12
Opening stocks	0.48	1.13
Production	21.73	21.60
Imports	0.02	0.01
Total Availability	22.23	22.74
Domestic consumption	18.00	18.90
Exports	3.10	3.00
Total Usage	21.10	21.90
Closing stocks	1.131	0.84

## Price Forecast:

### Maize: Nizamabad (Bilty Price)



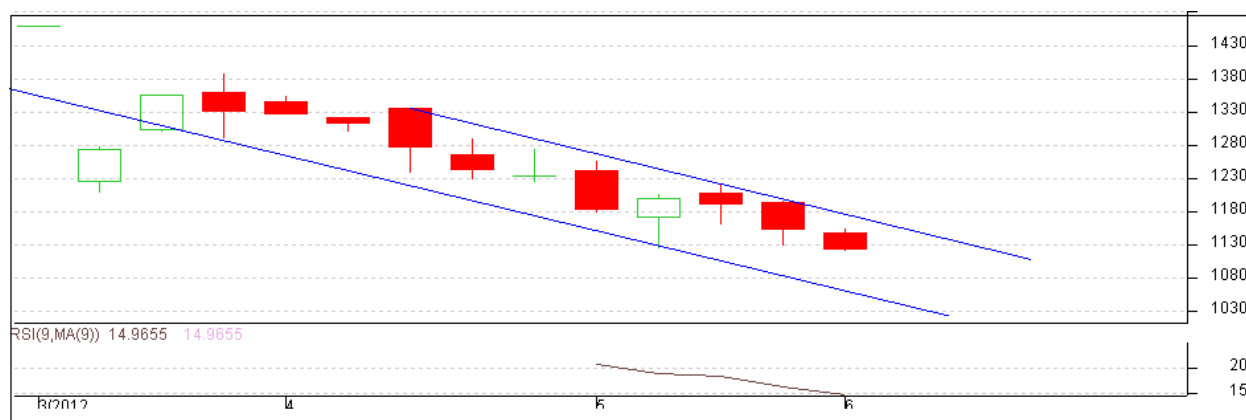
- Maize prices have declined in Nizamabad spot market during the month ended May 2012.



- Prices are hovering at Rs. 1140 per quintal at present and might test lower trendline i.e. 1110 in the coming week.
- Prices are trying to test lower support trendline.
- Also last candle stick pattern indicates bearishness in the prices supported by weak domestic market sentiments.

**Strategy:** Buyers should wait to buy maize from Nizamabad until price level reach to Rs 1070 to 1080.

### Futures Market Analysis: NCDEX Maize (Weekly Chart)



- Maize prices are showing weakness on the charts.
- Maize prices are moving in a falling channel as chart depicts.
- Meanwhile, RSI is hovering near to oversold region.
- **Strategy:** Market participants should sell towards Rs 1120 level and out first objective would be 1085, breach of mentioned level would take the prices down to 1060 level

### Maize NCDEX (July Weekly chart)

Support & Resistance				
S2	S1	PCP	R1	R2
1060	1085	1120	1185	1224

## International Market Scenario:

### World Estimates:

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IGC recently raised global corn production estimate to 913 million tons for 2012-13 in its May report from 900 million tons estimate last month. Good corn planting figures came from US and Ukraine urge them to raised their global corn production estimates by 5%.

Out of 913 million tons, US are likely to produce 355 million tons of corn which is up by 13% Y-o-Y.

However, corn use in feed is likely to increase by 5%. However, use of corn is expectedly slower in industrial use by 2% compared to 2011-12. World corn stocks are expected to be at its higher levels in three years owing to surge in US corn output.

It is notable that the corn planting has finished in US and USDA rate 72% corn crop good to excellent.

US is suffering from lower corn stocks at present but recent corn planting would lift the corn stock levels considerably higher after harvesting.

	2011-12 est.	2012-13 (Forecast)			
		Apr-12	May-12	% Change MOM	%Change YOY
<b>Production</b>	866	900	913	1.4%	5.4%
<b>Trade</b>	94	100	102	2.0%	8.5%
<b>Consumption</b>	870	893	902	1.0%	3.7%
<b>Carryover stocks</b>	129	135	141	4.4%	9.3%
<b>YOY Change</b>	-4		+12		

Meanwhile, International Maize prices declined sharply during the month ended May 2012. US corn planting over with good emerging corn crop and crop conditions which affected the corn prices.

### News Highlights:

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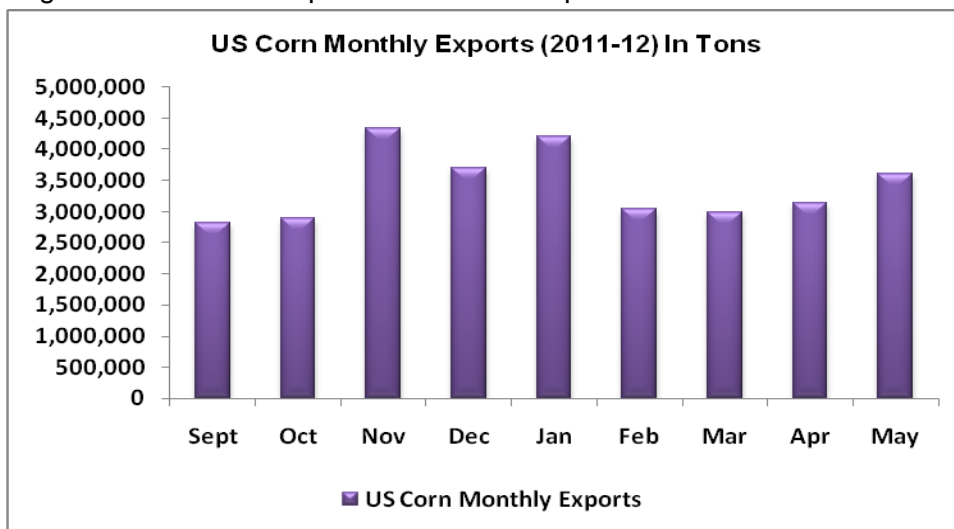
- Argentina corn exports reached to 3.51 million tons till 9<sup>th</sup> May down from 4.05 million tons corn exported last year same period, according to Agriculture ministry weekly report.
- Asian buyers prefer to buy corn over wheat for animal feed for the first time this year owing to higher wheat prices in CBOT market.

- Concerns over dry weather in Midwest region of US might hurt the newly planted corn crop.
- South Africa cut its corn production estimate to 11.056 million tons from 11.12 million tons for 2011-12. Corn output is affected by dry weather in Northwest province which ultimately affect the yield. It is notable that out of 11.056 million tons, 6.36 million tons is white maize and rest is yellow maize. Source: Crop Estimates Committee (CEC).
- Japan feed millers bought around 500000 tons of corn for shipments between July and September. Buyers purchased 300000 tons of corn from Brazil and 200000 tons of corn from Argentina. It is notable that corn prices in Argentina and Brazil are quite low at present compared to other major exporting nations.
- Ukraine might produce 24 million tons of corn in 2012-13 season owing to increase in corn planting by growers in their respective fields. It is notable that growers in Ukraine plant corn in around 4.5 million hectares for 2012-13 season compared to 3.5 million hectares for 2011-12.
- Argentina declined its corn production estimate for 2011-12 to 20.1 million tons from 20.3 million tons on Thursday. According to agricultural ministry in its monthly report. Argentina's Buenos Aires Grains Exchange cuts corn production estimate to 19.3 million tons from 19.8 million tons for 2011-12. It is notable that drought and then flooding in Argentina hurt crops like Corn and Soyabean.
- South Africa cuts its corn production estimate to 11.056 million tons from 11.12 million tons for 2011-12. Corn output is affected by dry weather in Northwest province which ultimately affect the yield. It is notable that out of 11.056 million tons, 6.36 million tons is white maize and rest is yellow maize. Source: Crop Estimates Committee (CEC).
- US is facing stiff competition from Ukrainian and Argentina corn as China is slowly shifting its corn buying intentions towards these corn producers. Recently, Japan bought 500000 tons of corn from Ukraine. It is notable that FOB prices of Ukraine and Argentina corn is considerably lower compared to US at present. However, queries might rise on quality grounds. Chinese corn imports increase considerably this year to 7 million tons from 6 million tons a year earlier.
- China corn output for 2012 estimated at 197.5 million metric tons up 3 percent compared to last year. Increased corn output in China is due to increase in corn acreage by 2.6 percent. Source: Reuters.
- China bought 8 cargoes which totaled around 500,000 tons of corn from US this week. It is notable that most of the shipments will be delivered for the next marketing year i.e. 2012-13.
- Ukraine corn exports tripled compared to last year to 11.3 million tons from the period started July 1 till 7<sup>th</sup> May 2012
- China is likely to import around 7.9 million tons of corn in 2012-13 as per the survey conducted by Reuters from 10 different analysts and traders.
- More than 50% corn area has been covered so far. Weather remains favorable for corn planting and proper growth for the crop.
- Ukraine corn exports tripled compared to last year to 11.3 million tons from the period started July 1 till 7<sup>th</sup> May 2012.

## Country Wise Corn Summary

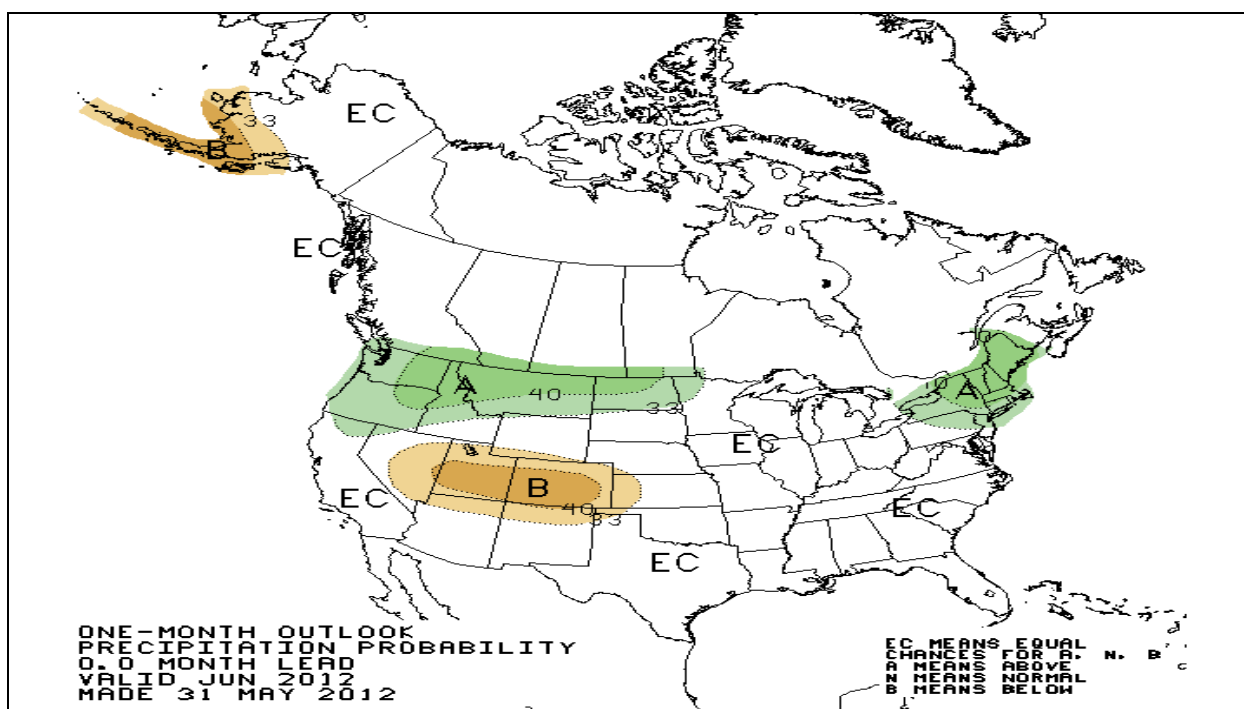
### UNITED STATES

Corn planting is over in all states of US and Corn emergence is 97 percent till June 3<sup>rd</sup> compared to 75 percent corn emergence last year same period. In addition to it, crop condition is 72 percent good to excellent as per recent USDA report.



Meanwhile, around 30 million tons of US corn exported in this MY 2011-12 till 31<sup>st</sup> May 2012. However, lack of rainfall in various regions of US creates concerns over US corn crop.

### Next Month Rainfall Outlook- US



As per 30 day rainfall prediction chart, there are equal chances for above normal, normal and below normal rainfall in US major corn growing belt like Iowa, Indiana, Illinois and Ohio (together contributes around 50% of US corn).

### US Corn Balance Sheet:

All Units in Million Tons	2010-11	2011-12	2012-13
Opening stocks	43.374	28.644	21.604
Production	316.16	313.91	375.68
Imports	0.70	0.50	0.38
Total Availability	360.234	343.054	397.664
Domestic consumption	285.00	278.27	301.63
Exports	46.59	43.18	48.26
Total Usage	331.59	321.45	349.89
Closing stocks	28.644	21.604	47.774
Average Monthly consumption	23.75	23.19	25.14
Stocks in months to use	1.21	0.93	1.90
Stock/Consumption Ratio	0.10	0.08	0.16

(Source: USDA)

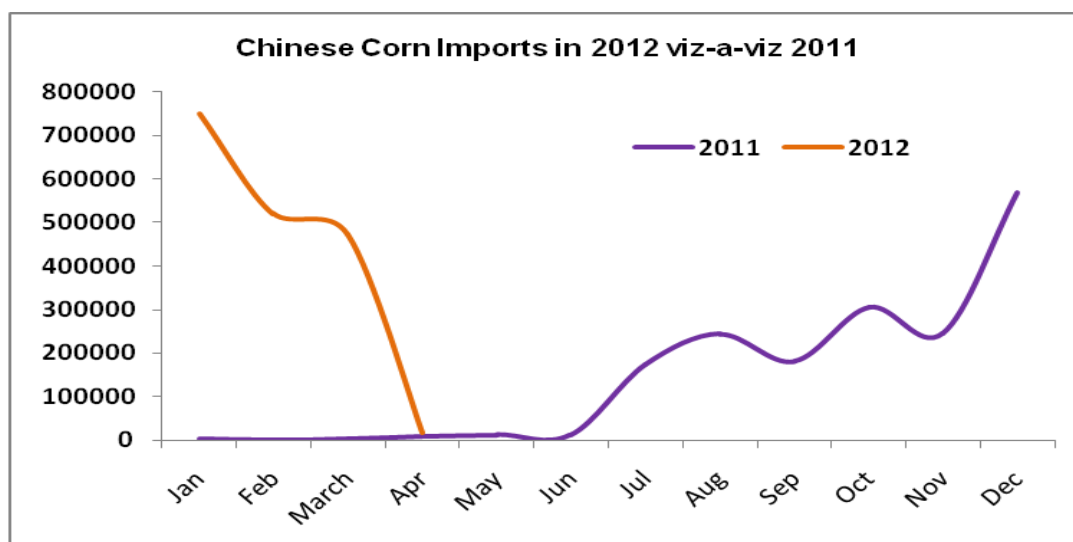
### China

China corn production likely to reach 193 million tons in 2012-13, according to USDA. However, China National Grain and Oils Information Center estimate 197.5 million tons corn production for MY 2012-13.

Meanwhile, Chinese imports increase by 2 million tons Y-o-Y which take the overall import figure to 7 million tons. Recently, China, unknown destination, buy 1.56 million tons of corn from US which is a biggest sale of US corn since 1991 as reported.

As far as sowing is concerned, corn acreage is likely to remain same compared to last year.

Meanwhile, China has imported around 1.76 million tons corn in the first four months and still there is a potential of around 5.2 million tons of corn imports in this marketing year.



### China Corn Balance Sheet:

All Units in Million Tons	2010-11	2011-12	2012-13
Opening stocks	51.3	49.4	57.95
Production	177.24	191.75	193.00
Imports	0.97	5.00	7.00
Total Availability	229.51	246.15	257.95
Domestic consumption	180.00	188.00	200.00
Exports	0.11	0.20	0.20
Total Usage	180.11	188.20	200.20
Closing stocks	49.4	57.95	57.75
Average Monthly consumption	15.00	15.67	16.67
Stocks in months to use	3.29	3.70	3.47
Stock/Consumption Ratio	0.27	0.31	0.29

(Source: USDA)

### Outlook:

**Corn prices are moving at southward direction at present. However, lack of rainfall in US affects the newly planted corn crop at present which might support the prices for short term. Here rainfall plays crucial role in the coming month which gives clear idea for corn production in US. We expect prices will trade in a range with weak tone in the coming month.**

Maize CBOT Monthly Futures Price Listing (Cents/bushel)				
	Contract Month	29/4/2012	29/5/2012	Change
<b>Corn CBOT Prices</b>	<b>Jul-12</b>	249.64	221.40	<b>-28.24</b>
	<b>Sep-12</b>	220.71	205.66	<b>-15.05</b>
	<b>Dec-12</b>	213.82	203.69	<b>-10.13</b>
	<b>Mar-13</b>	218.35	207.62	<b>-10.73</b>

### CBOT Maize Chart: July Contract



Maize prices are moving in a range between 554 to 615 cents per bushel as chart depicts. Prices are presently moving downwards and might get support at trend line support level. Decrease in OI with increase in prices suggests short covering occurs from lower levels. We advise market participants to buy @ 580 cents/bushel and we expect prices to test 620 cents/bushel in the coming month.

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