

## Highlights of the Month:

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- *Maize prices surged sharply in key spot markets during June.*
- *Prices have decreased in Naugachia and Nizamabad markets by 5% and 17% respectively M-o-M owing to firm spot demand and lower arrivals.*
- *rake restrictions of maize from Bihar due to railway congestion in khurja line stops the supply of maize in Southern part which gives prices of maize a big boost.*
- *Maize sowing in AP revive after delay due to lack of rainfall in the state.*
- *Corn crop damage reported in Karnataka due to lack of rainfall. However, no damage in AP reported till yet.*
- *Good buying has been witnessed from Poultry and Starch industries.*

## Factors affecting the domestic markets

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Bears	Bulls
Increasing maize prices in domestic markets increasing disparity compared to Brazil and Argentina.	Dry Weather Affecting New Planted US corn crop.
Rupee appreciation might decrease the export parity for Indian maize exporters.	Argentina Cut Corn Production Estimate.
Poultry industry not seems interested in buying maize from Bihar at higher prices.	Recent IGC and USDA report confirms increasing consumption and trade of corn.

## Executive Summary:

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Maize prices declined during the month in key spot markets.

Maize prices are continuously moving upwards in key spot markets due to firm spot demand from Poultry and Starch Industries and fewer arrivals of maize from Bihar as farmers and traders are holding stocks in anticipation of increase in prices.

Also, firm international sentiments and continuous depreciation of rupee get the Indian exporters in to the competition against major exporters like US, Brazil and Argentina. Presently, Indian maize FOB prices are hovering at \$270 per ton (Davengere Origin).

Maize prices are hovering at around Rs 1170 per quintal on an average on pan India basis, improved by around 11% compared to last week. However, Prices of maize also declined by 11% Y-o-Y.

## State - Wise Market Dynamics

### Andhra Pradesh

Prices have surged by 11% M-o-M in Nizamabad market in AP during the month ended June 2012 due to end of maize arrivals in the market.

Meanwhile, around 25% stock of maize still left in Nizamabad as reported. Traders are holding around 10 lac tons of maize stocks left in AP out of which 1.5 lac tons of maize left with traders in Nizamabad till date as reported.

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.

**Sowing Update:** Maize sowing has started in AP and farmers have planted maize in 1.66 lac hectares till 4th July 2012 higher than last year ~0.92 lac hectares maize sowed at same period but lower compared to normal sown area as on date ~2.17 lac hectares. Around 33% sowing has completed in AP till date, according to Government of AP.

	2012	2011	Normal (as on date)	Normal (Season)
<b>Area Sown (In Lac hectares)</b>	<b>1.66</b>	0.92	2.17	4.99

Note: Sowing Figures as on 4<sup>th</sup> July 2012

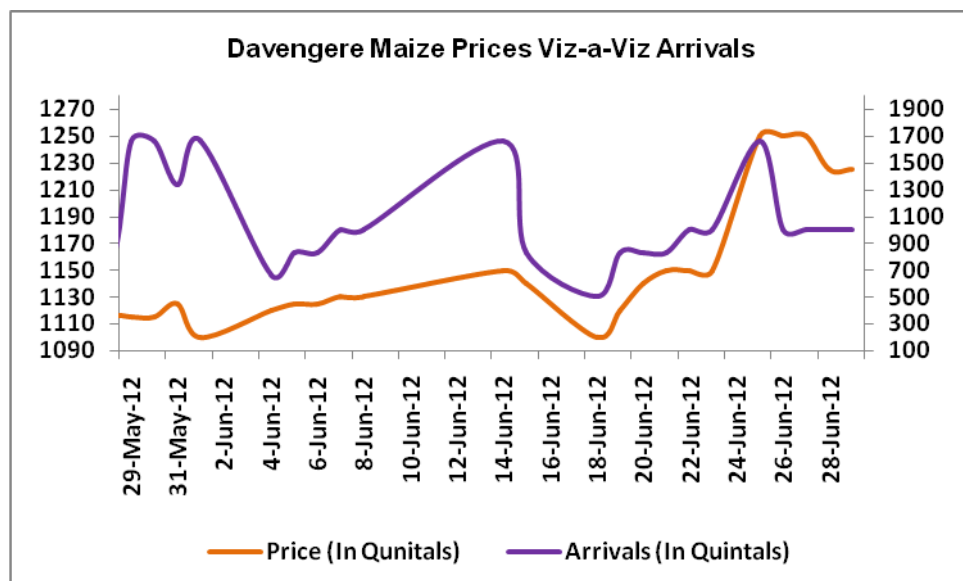
### Karnataka

Prices have improved in Davangere market compared to the previous month. Good demand from domestic Poultry and starch industries drive the prices upwards.

Recently, domestic poultry feed buyers like Sugana and VHL bought maize from Davangere at Rs 1330 Bangalore delivery by road. Around 70 trucks of maize (15 tons each) moved from Davangere as reported.

However, no rake business reported in this month from Davangere market.

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.



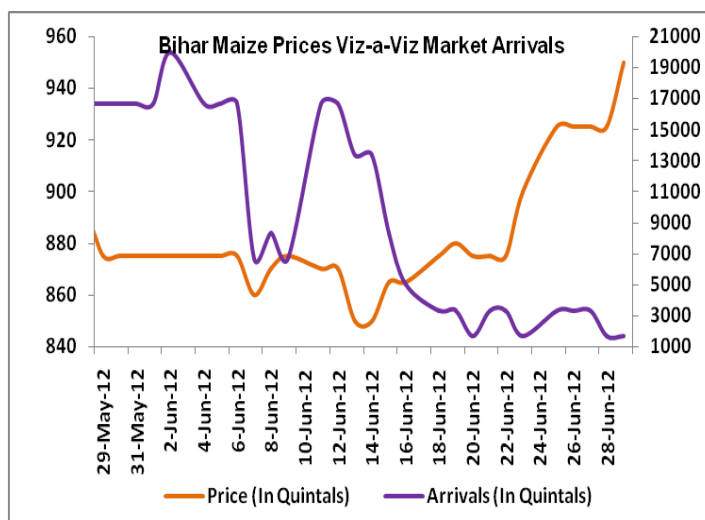
Meanwhile, dull trading activity recorded in Koppal as stocks of maize are negligible which kept the prices steady at present.

## Bihar

Maize prices improved in various markets of Bihar during the month ended June 2012. Moderate demand and lower arrival kept the prices at higher side during the week.

Meanwhile, prices in Naugachia market stabilize at present due to decline in arrivals. Farmers are holding maize stocks at present. Also, scattered rainfall in various maize growing region in Bihar raise a concern of increase in moisture content and fungus in maize.

Rake loading restricted from Bihar to all routes due to traffic congestion at Khurja line which support the prices in Delhi as well as in Southern markets.



Around 70% of maize has arrived in the Bihar markets till date as reported. With depleting stocks as well as arrivals amid firm demand would increase the prices of maize from here on. Presently, farmers and traders are holding maize in Bihar markets in anticipation of higher prices.

However, late sown corn crop is still due to arrive in the market till August.

## Delhi

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Prices of maize improved in Delhi market during the month due to firm demand from Poultry sector. In addition to it, arrivals of maize has stopped from Bihar give support to the prices.

Meanwhile, Delhi markets are arrivals of maize from U.P. Arrivals of 250-300 quintals of maize are reported from Uttar Pradesh in Delhi.

Destination	By Road (Rs/MT)	By Rake (Rs/MT)	FOB in USD /Tonne
Chennai	12600	-	-
Kolkata	10700-10800		
Tirupur/Namakkal	12600 Karnataka Origin	12800 – Bihar Origin	
Kakinada	-	11000-11100 (Bihar Origin)	-

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

Buyer	Purchase Prices (Rs/MT)
VHL Hosur	11000
CP Vellore	-
Godrej Chitradurga	10900-11000

Month-wise Average prices of Maize at various markets					
Market	2011-June	2012-May	2012-June	% Change from Prev. Month	% Change from Prev. Year
Delhi (Bihar origin)	1100	1090	1160	6%	5.45%
Naugachia	950	875	1025	17%	7.89%
Davangere	1230	1125	1225	9%	-0.41%
Nizamabad	1280	1100	1225	11%	-4.30%
Khagaria	-	900	985	9%	-

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## Exports:

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Indian C&F Maize prices (~\$305.65) improved by \$25 per ton during the month compared to the prior month as maize prices got support due to good poultry and starch industries from Southern India. In addition to it, recent appreciation in Rupee also supports the export prices of maize. Meanwhile, Indian maize exporters are getting parity compared to US Maize C&F prices of maize (~\$373.15) and though getting stiff competition from Argentina (~\$292.2) and Brazil C&F (~\$290.12).

Indian C&F Rate to Thailand vs. other Countries (\$1= Rs. 55.65)				
	Argentina	Brazil	US	India (Davengere Origin)
<b>FOB</b>	242.22	235.12	313.15	271
<b>Incl Cost and Freight (C&amp;F)</b>	292.22	290.12	373.15	305.65

India has exported around 3 million tons of maize in this marketing year till date starting in October. It is notable that Indian exporters are expected to ship around 900,000 tons of maize in the coming months. India is mainly export maize to countries like Vietnam, Malaysia and Indonesia at cheaper rates compared to US and Argentina.

However, recently Vietnam has rejected 6300 tons of Indian maize and soy meal owing to insect infestation. Vietnam officials threatened to impose import ban of Indian corn if more violation found this year. It is notable that India exports around 3 lac tons of maize to Vietnam each year.

Recent corn cargo rejected by Vietnam raised a red signal for Indian maize as rejection hurts the reputation of Indian markets. It is notable that M-o-M US export decline as crop concerns divert the attention of major exporters like South Korea, China and Japan towards India, Ukraine, Argentina and Brazil.

## Kharif Maize Sowing News:

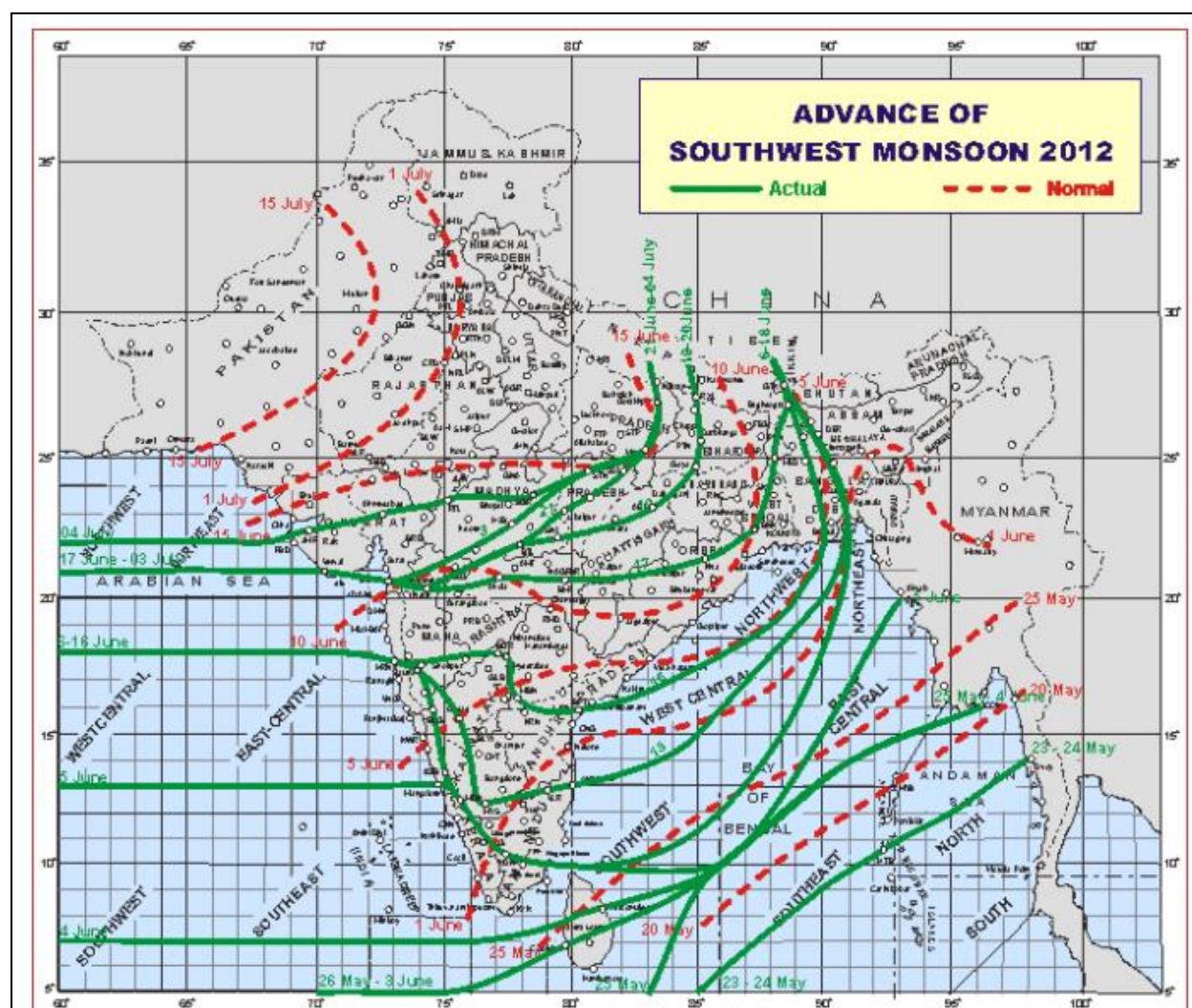
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Maize sowing in India as on 27 June was 8.211 lakh hectares compared to 16.56 lakh hectares last year at the same time. Delayed sowing in Karnataka and UP due to lack of rainfall was the major reason for overall declined in sowing of maize overall this week.

Maize acreage likely to shift towards pulses and oilseeds owing to lesser lack of rainfall, according to a statement given by Mr. Sharad Pawar.

## Monsoon Prediction

Madhya Pradesh and Maharashtra will get some very important rainfall over the next full week to ten days. A general soaking of rain is not likely, but repetitive showers and thunderstorms will evolve to provide enough rain to support coarse grain, oilseed and cotton planting. Rainfall over this coming week will vary from 0.65 to more than 3.00 inches and similar amounts may occur again next week. Rajasthan and Gujarat may not fare as well with rainfall potentials during the coming week to ten days. The precipitation that comes will be erratic and light resulting in a net loss in soil moisture and some ongoing stress for previously planted crops. Showers and thunderstorms will impact many other areas during the coming week to ten days with the most frequent and significant rain expected in the Ganges River Basin and far Eastern States of India. These areas may receive 2.00 to 6.50 inches of rain during the coming week resulting in some flood potential. Flooding may also occur along the west coast where rainfall of 4.00 to more than 15.00 inches of rain may fall by this time next week with additional rain expected in the following week.





## Price Outlook:

*Maize prices moving upwards in spot markets taking cues from strong demand from poultry and starch industries and firm international sentiments. However, increasing maize crop from UP and Punjab and expected increase in supply from Bihar might depress the prices of maize in the coming days for the shorter term as expected.*

## Domestic Maize Balance Sheet:

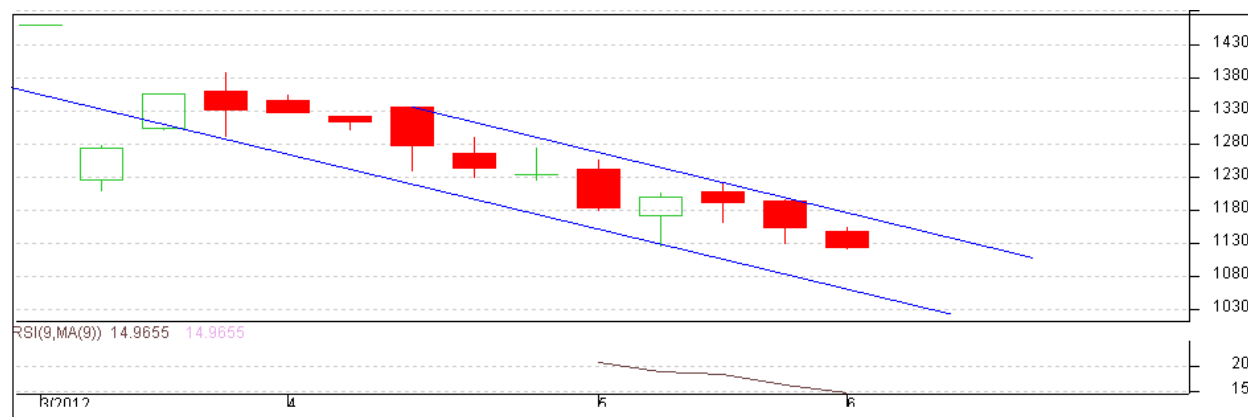
India is likely to produce 21.6 million tons of maize in 2011-12 which is down by 0.6% Y-o-Y. Decline in Kharif maize production to the tune of 3.2% Y-o-Y followed by decline in Rabi area in UP and AP are the reasons for decline in maize production.

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 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

## 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 (August Weekly chart)**

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

### International Market Scenario:

#### World Estimates:

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Recent IGC report proves bullish for corn markets as increase in consumption by 0.9% and trade by 1% change market the sentiments. US Corn is already suffering from drought like situations which damaging the standing corn crop.

IGC recently raised global corn production estimate to 917 million tons for 2012-13 in its June report from 913 million tons estimate last month. Good corn planting figures came from US and Ukraine urge them to raised their global corn production estimates by 5.6% Y-oY.

Out of 917 million tons, US are likely to produce 350 million tons of corn down by 5 million tons from last month owing to projected yields now likely to be below ten year trend due to lack of rainfall.

However, corn use in feed is likely to increase by 6% owing to increasing meat consumption. World Carryover stocks up for 2012-13 compared to 2011-12 after three years of consecutive downfall.



	2011-12 est.	2012-13 (Forecast)			
		May-12	June-12	% Change MOM	%Change YOY
Production	868	913	917	0.4%	5.6%
Trade	94	102	103	1.0%	9.6%
Consumption	871	902	910	0.9%	4.5%
Carryover stocks	129	141	137	-2.8%	6.2%
YOY Change	-4		+8		

Meanwhile, International Maize prices surged sharply during the month ended June 2012. Extended dryness in major US corn belt hurting corn crop support the prices of corn in CBOT.

### News Highlights:

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- Around 79 percent of corn crop is harvested in the marketing year 2011-12 in Argentina till this week, Source Reuters.
- EU grain lobby Cocalat increased its corn production estimate for EU this year and put its overall output estimate at 65.31 million tons up by 3 million tons on its March forecast.
- Ukraine corn exports shows a considerable increase this year with around 9 million tons of corn exports already reported by Ukraine to various destinations like North Africa, Middle East and Europe. USDA projects around 14 million tons of corn exports from Ukraine for 2011-12.
- Drought hits corn crop in Argentina affecting corn yield. Argentina is the 5<sup>th</sup> biggest corn grower after US, China, Brazil and EU-27 and also contributes 3% of the world's total corn production. Major consuming countries are already eyeing over South American corn producing nations to buy corn due to lesser corn prices compared to US.
- Informa Economics raised its US corn planting estimate for 2012-13 to 96.759 million acres from its previous forecast of 96.124 million acres.
- Israel private buyers have issued a tender to buy 45000 tons of corn from South America or Europe.
- Rosario Grains exchange held its Argentina corn production outlook at 19 million tons for 2012-13.
- US corn rose after Greece elected a new leader committed to stay in the Euro Zone which curb the fire to the Euro crisis and boosting demand for risky assets.
- Chinese ministry of foreign affairs might give clean chit to the Brazilian corn imports soon. It is notable that China is becoming world's biggest corn importer and expecting to import 7 million tons of corn in this season. Also, Brazil is eager to enter in Chinese corn market as Brazil has a corn surplus of around 11 million tons this year.

- 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.

## Country Wise Corn Summary

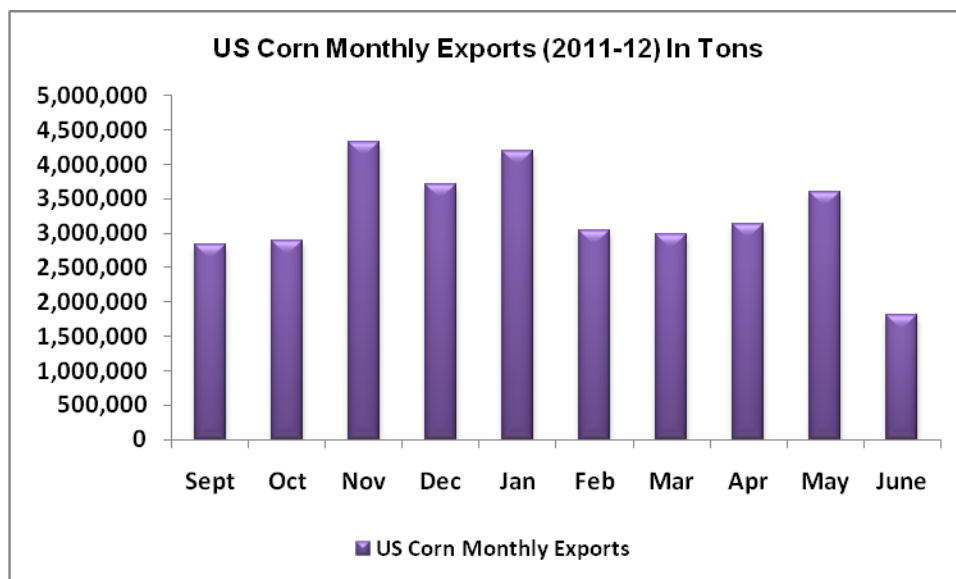
### UNITED STATES

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USDA report shows that 48 percent of US corn standing crop is in good to excellent condition, compared to 56 a week earlier due to lack of rainfall and dry weather affecting the new planted corn. Majorly, corn crop condition affected in states like Missouri, Indiana and Illinois.

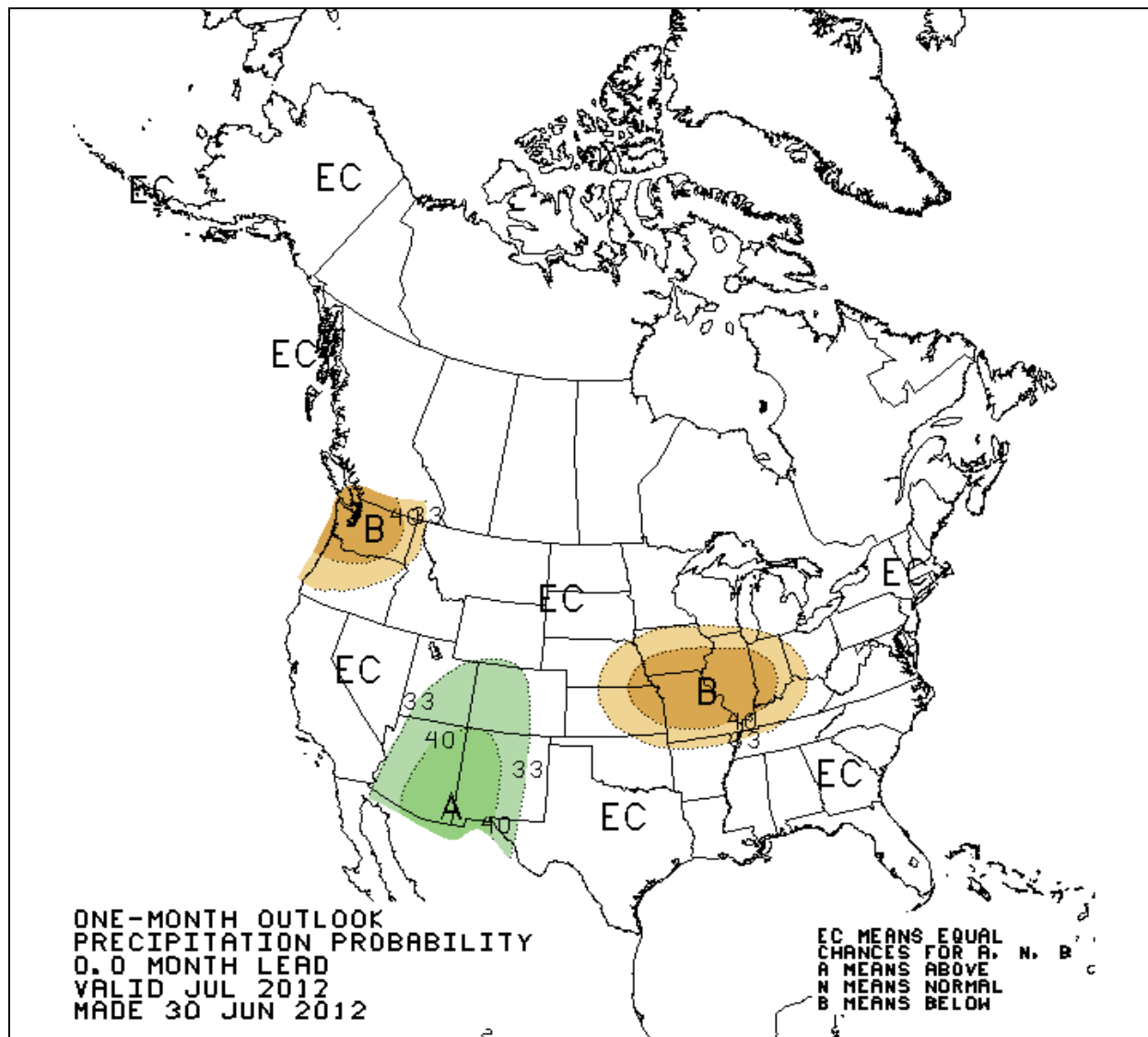
Recently, USDA increases its corn planting estimates for 2012-13 by 5 percent to 96.4 million acres from 2011. Farmers are expecting corn to be most remunerative crop compared to other crops which results in corn acreage for 2012-13 which is the largest area where corn sowed in eight decades.

Meanwhile, US Corn stocks stood at 3.15 billion bushels till 1 June 2012 down by 14 percent Y-o-Y. Out of total stocks, 1.48 billion bushels are stored on farms, down by 12 percent from a year earlier. Off farms stocks stood at 1.67 billion bushels compared to 2.85 billion bushels during the same period last year.



Meanwhile, around 32.55 million tons of US corn exported in this MY 2011-12 till 21<sup>st</sup> June 2012.

Concern over US corn crop impact on M-o-M decline in US corn exports.

**Next Month Rainfall Outlook- US**


As per 30 day rainfall prediction chart, there are below normal rainfall forecast in US major corn growing belt which might increase the crop damage in the coming month.

**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)

### Outlook:

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*Corn prices are moving at northward direction at present. Lack of rainfall in US affects the planted corn crop at present which support the prices. Here rainfall plays crucial role in the coming month which gives clear idea for corn production in US. We expect prices will trade upwards in the coming month.*

Maize CBOT Monthly Futures Price Listing (US\$/Ton)				
	Contract Month	29/5/2012	29/6/2012	Change
Corn CBOT Prices	Jul-12	221.40	264.70	43.3
	Sep-12	205.66	247.38	41.72
	Dec-12	203.69	249.84	46.15
	Mar-13	207.62	253.38	45.76

**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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