

**Highlights of the Month:**

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- Maize prices surged slightly in key spot markets during the month of August.
- During the month, Poultry industries from Southern region feel the heat of rising corn prices. However, simultaneous rise in wheat prices haven't left any choice in front of feed millers to use corn as a main feed ingredient.
- Total acreage of maize in India as on Aug 29, stood at 7.191 million hectares, down marginally year on year.
- During the month end, Poultry and starch industries declined their maize procurement and trying to shift towards jowar and bajra due to lower prices of alternate crops.

**Executive Summary:**

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Maize prices improved during the month ended on August 2012 owing to lower maize stocks and delayed sowing as well as harvesting prospects. However, prices got lower correction at the end of month owing to revival of rainfall in Karnataka and AP.

Meanwhile, Fresh rakes business from Bihar towards south and weak demand from Poultry and Cattle feed led the maize prices down in some markets. However, overall delay harvesting of maize in Karnataka and AP gives a hint of bullishness in medium to long term.

Suguna Foods sourced 2000 tons maize from Davengree and Haveri regions of Karnataka at Rs. 1580. Suguna Foods has 1000 metric tons consumption on daily basis. Main consumer like Suguna and VHL has only 20 days maize stock, after which they will have to come in the market for new purchase which might improve the prices.

Director of Karnataka Co-operative Milk Producers' Federation Limited, Bangalore, and Karnataka invites tenders notice for purchase of maize.

Maize prices are hovering at around Rs 1434 per quintal on an average on pan India basis, increased by around 6% compared to last month.

**Crop Condition and Expected Time of Maize Arrivals:**

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As per recent survey done by Agriwatch, maize crop is reportedly good to average in AP led by average rainfall in major Corn Belt in AP like Nizamabad, Warangal, Karimnagar, Mahboobnagar etc.

However, drought like condition in Central as well as North Karnataka affects the standing maize crop. Around 10% maize crop sowed in June and rest 90% maize crop sowed in July month in various Corn Belt of Karnataka. Delayed or severely less rainfall in these areas urge farmers to delay the sowing of maize.

Also, lower rainfall in these regions bound farmers to shift their area towards Soya and cotton as it needs less water compared to maize.

However, recent rainfall in Karnataka gives benefit to the maize yield and avoids further damage.

Meanwhile, as per recent update, crop has started to arrive in Warangal district however, volume is pretty low.

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Maize arrivals are expected to hit the AP markets in October mid and in first week of November in Karnataka markets.

## State - Wise Market Dynamics

### Andhra Pradesh

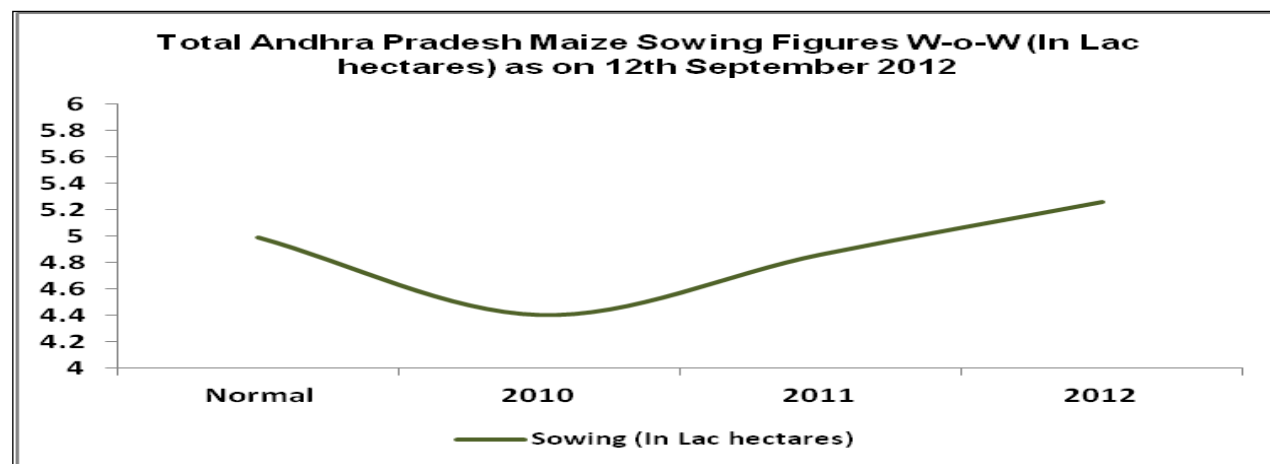
**Andhra Pradesh:** Maize prices were improved in Nizamabad market in AP during the month ended August 2012.

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

**Sowing Update:** In Andhra Pradesh, farmers has sown maize in 5.26 lac hectares till 12<sup>th</sup> September 2012 which is 7.6% higher as compared to last year and also higher from normal sown area as on date ~4.99 lac hectares. Around 105% sowing has completed in AP till date. Crop condition is reportedly good in various maize growing belts of AP owing to recent heavy rainfall.

	2012	2011	Normal (as on date)	Normal (Season)
Area Sown (In Lac hectares)	5.26	4.86	4.99	4.99

Note: Sowing Figures as on 12th September 2012

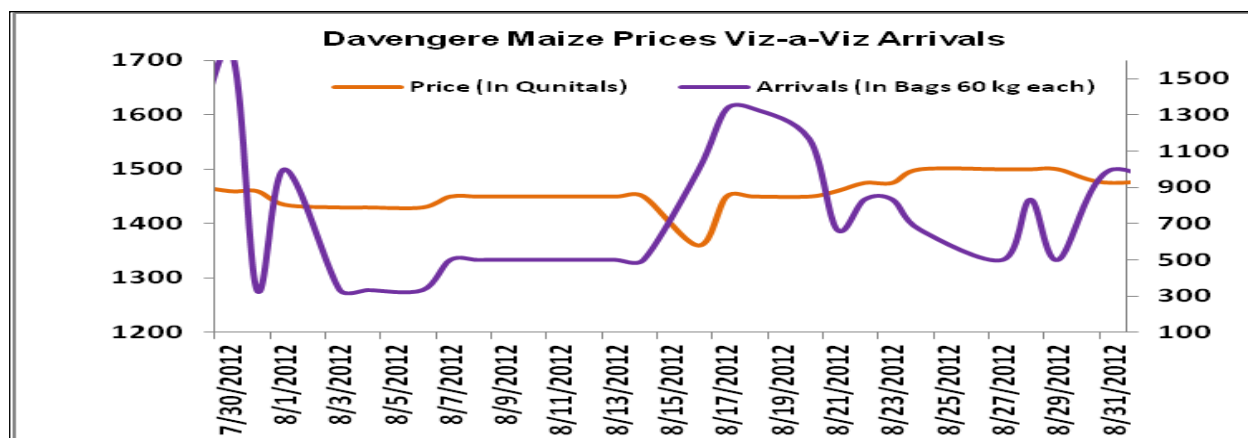


### Karnataka

Prices have improved in Davangere market compared to the previous month.

Recent rainfalls in Karnataka boost the standing maize Kharif crop and might offset the impact of drought upto some extent. However, crop may arrive up to 1 week of November in the market due to delayed sowing.

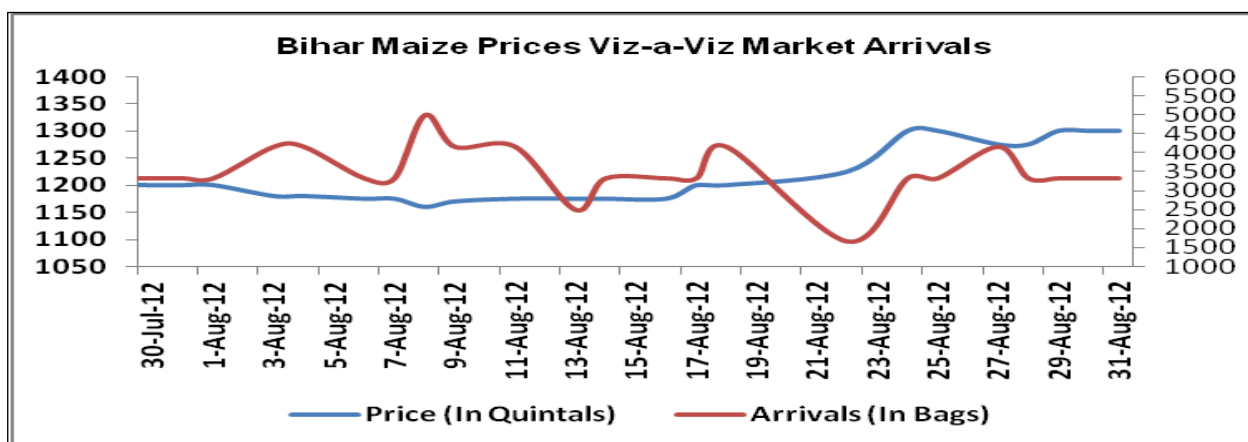
One rake moved towards Chennai on 7th September at Rs. 1630-1635 per quintal from bagalkote region of Karnataka.



## Bihar

Maize prices improved in various markets of Bihar during the month ended August 2012. Moderate domestic as well as export demand support the prices during the month.

Recently, 2 rake businesses have been reported from Bihar to karnataka at FOR 1505 per quintal.



Month-wise Average prices of Maize at various markets					
Market	2011-Aug	2012-July	2012-Aug	% Change from Prev. Month	% Change from Prev. Year
Delhi (U.P origin)	-	1380	1400	1%	-
Naugachia	1075	1200	1300	8%	20.93%
Davangere	1210	1460	1475	1%	21.90%
Nizamabad	1260	1404	1563	11%	24.05%

**Price Outlook:**

Maize prices are witnessing ups and downs during the end of August month owing to recent rains. Meanwhile, considering delayed sowing and harvesting prospects of maize for the coming kharif crop give us a hint of bullishness for medium to long term.

**ON THE EXPORT FRONT:**

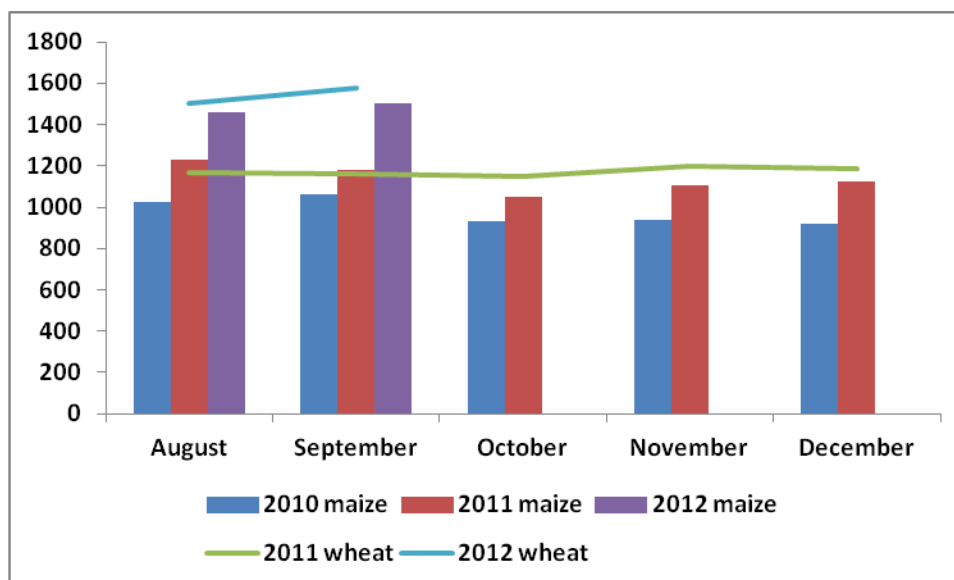
Indian C&F Maize prices (~\$351.59) improved by \$21 per ton during the month compared to the prior month.

Meanwhile, Indian maize exporters are getting parity compared to US Maize C&F prices (~\$392) and though getting stiff competition from Argentina (~\$337.00) and Brazil C&F (~\$325).

Indian C&F Rate to Thailand vs. other Countries (\$1= Rs. 55.425)				
	Argentina	Brazil	US	India (Davengere Origin)
<b>FOB</b>	287	270	332	317
<b>Incl Cost and Freight (C&amp;F)</b>	337	325	392	351.59

On the Export front, India maize export figures crossed 4 million tons approx. in the 2011-12 year till date.

Reportedly, Bangladesh started maize import at \$252-\$262 from the Bihar region. Increasing export as well as domestic demand with the lower maize stock availability in domestic markets could drive the prices towards upward direction in the coming days.

**Comparative Maize vs Wheat Prices**


As the chart depicts, generally maize prices stay lowest in the month of October due to new crop arrivals and wheat prices goes up on seasonal factor august onwards, supported by higher wheat products demand amid festive season up to December end. However in the current season, late sowing of maize crops due to delayed monsoon may extend harvesting time at least by 15-20 days and it may support maize price in the month of October against the previous trend. We expect prices of maize to decrease in

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the month of November onwards. As against this, wheat prices start firming up from the month of August and continue to increase up to February end. Generally, maize exports go up and wheat exports come down due to difference of prices. We expect wheat export to come down January onwards against higher maize exports. Under common assumption, arrival of maize affects wheat exports.

## Futures Market Analysis: NCDEX Maize



- As the chart depicts, maize prices are moving downwards.
- Decrease in prices with lower volumes and OI indicates to consolidation in the market.
- RSI is moving down in neutral region.
- **Strategy:** Buy at price level of 1350.

## Maize NCDEX (October Monthly)

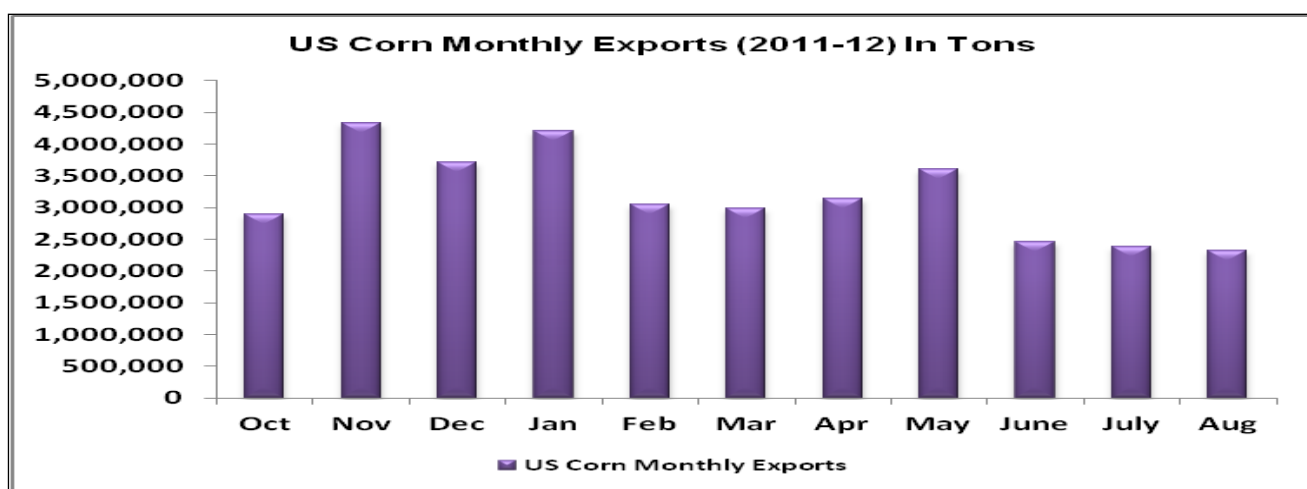
Support & Resistance				
S2	S1	PCP	R1	R2
1185	1353	1364	1405	1457

## International Market Scenario:

International corn prices are stable at present owing to higher week-on-week US corn harvesting and lower corn yields which unable the markets to give the prices any direction.

As per USDA sowing progress report, 58% corn crop was reported in maturity stage till date, higher by 33% from last year. 15% corn crop has harvested, higher by 10% from last year during the same period. 22% crop was reported in good to excellent condition, same from last week and lowered by 31% from last year during the same period.

As per USDA, U.S. corn export figures reached to 37.899 million tons which is lowered by 7.35 million tons from last year during the same period.



Meanwhile, good sowing of corn reported in Argentina owing to higher remuneration in corn and recent rainfall.

## International Corn Highlights

- As per USDA sowing progress report, 58% corn crop was reported in maturity stage till date, higher by 33% from last year. 15% corn crop has harvested, higher by 10% from last year during the same period. 22% crop was reported in good to excellent condition, same from last week and lowered by 31% from last year during the same period.
- As per USDA, U.S. corn export figures reached to 37.899 million tons which is lowered by 7.35 million tons from last year during the same period.
- China's biggest ever imports of corn may support to continue a record rally in Chicago that has been driven by drought across the U.S. Midwest. As per custom data, shipments in the first 10 months of the 2011-2012 marketing year were 4.2 million tons, near the record 4.3 tons in 1995-1996 and it may climb to 7 million metric tons in the year starting Oct. 1 from about 5 million tons this year.
- As per USDA, U.S. corn exports were reported down by 37 % to 2,35,400 MT from the previous week and 55% from the prior 4 week average.
- As per European traders, A Libyan state grains agency in Benghazi has issued an international tender to purchase 15,000 tons of yellow corn. Shipment was sought for September and bidding deadline is Sept. 10. Indonesia is likely to reduce corn imports by 35% to 2 million tons due to higher global corn prices.
- Argentina's government authorized 2.75 million tons of corn export from the 2011-12 crops, bringing to 16.45 million tons the amount of corn that can be shipped abroad from that harvest. The Agriculture

Ministry said in a statement that the authorities have authorized 15 million tons of corn exports from the coming 2012-13 harvest.

- Earlier this year, the Indonesian Feed Mill Association said corn imports would fall by 2 million tons to 1.5 million tons, due to increase in Indonesian production at 9-10 million tons in 2012 but now it revised it at 8-9 million tons.
- Maize harvest for EU is forecasted to be at 56.9 million tons during the year, down from 65.2 million tons in 2011 due to drought damage, thus raising its import requirements.
- Maize crop outlook in France is reported to improve due to good weather conditions in past weeks and an average yield of 9.7-9.8 tons per hectare is likely to be seen.
- Indonesia is likely to reduce corn imports by half to 1.5 million tons on the expectation of higher production around 9-10 million tons as compared to 8-9 million tons in 2011.
- Ukraine could harvest 19 Million tons of Corn, 14.2 million tons of wheat and 6.5 million tons of Barley this year, it estimated. Ukraine harvested a record 22.7 million tons of corn last year and planned to harvest at least 25 million this year. But hot weather this summer likely to reduce the output to about 20 million.
- Ukraine exported 15 millions of corn last year. In August 1-28, Ukraine exported 1.356 Million tones of grains verses 1.2 million tons in July. The August export included 612900 tons of wheat, 511700 tons of Barley and 206300 tons of Corn. Ukraine corn went mostly to Egypt Israel, and Algeria.
- The Philippines may possibly export corn as much as 4 lakh tons as early as this year to take advantage of the corn price cause by US drought.
- US on high alert for toxin in drought-hit corn.
- With an increased availability of a special credit line, Brazil is encouraging corn growers not to switch to soybean.
- South Africa ups 2012 Corn output forecast to 11.192 million tons from 10.836 of last month.
- As per pro farmer group, U.S. corn yield is likely to be at 120.25 bushels per acre for 2012-13 which is far below from U.S. agriculture Department forecast at 123.4 bushels per acre.
- South Africa maize traders are anticipating 10.919 million tons output against 11 million tons forecasted earlier.
- Argentina farmers considered early sowing of corn to take advantage of good moisture in soil and high global corn prices due to the worst drought in U.S. Early planting could help in bumper corn harvesting and will replenish global stockpiles that have been depleted by the U.S. drought. As per USDA estimate, Argentina corn harvesting could increase by 33 percent to 28 million tons this year.

IGC Global Corn Estimate					
	2011-12 E	2012-13(forecast)			
		July	Aug	% change MOM	% change YOY
<b>Production</b>	875	864	838	-3.10%	-4.42%
<b>Trade</b>	95	97	90	-7.78%	-5.56%
<b>Consumption</b>	870	878	853	-2.93%	-1.99%
<b>Carryover Stock</b>	134	115	120	4.17%	-11.67%
<b>YOY change</b>	4		-14		

- IGC recently downgraded global corn production output by 26 million tons to 838 million tons for 2012-13, largely reflected by worst drought in US.
- In addition to it, weak export supplies from US and Ukraine also led the prices of corn upwards in CBOT market. However, IGC downgraded the global corn consumption outlook for 2012-13 by 2.93% M-o-M basis owing to surging corn prices as major corn importing nations like China, South Korea and Japan are shifting towards wheat as a feed substitute.
- Bunge says it may export corn from Brazil to US. It is notable that corn has been harvested in Brazil recently. Also, FOB prices of corn in Brazil is quite competitive ~\$274 compared to US and Argentina.



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- Pakistani traders exports around 80000 tons of corn to south East Asian countries at FOB \$280-290 per ton as reported.
- China National Grain and Oil Information Center downgrades Chinese corn production by 5 lac tons to 197 million tons for 2012-13. As far as corn sowing is concerned, it is 1 million hectares lower than the estimate made in July 2012. In addition to it, corn crop is affected by insects attack in Northern and north eastern China which also bound to lower the corn production estimate for 2012-13.

## Outlook:

**Corn prices in CBOT traded range bound during the month. With increasing imports of US corn by Mexico and China and overall lower US corn production results in lower exports, we expect demand likely to weigh over supply in International markets which likely to surge the corn prices upwards.**

Maize CBOT Monthly Futures Price Listing (Cents/bushel)				
	Contract Month	30/7/2012	30/8/2012	Change
Corn CBOT Prices	Sep-12	322.75	319.41	-3.34
	Dec-12	320.39	318.23	-2.16
	Mar-13	317.44	318.32	0.88
	May-13	313.80	315.47	1.67

## CBOT Maize Monthly Chart: December 2012 Contract



- Maize prices are trying to get correction from resistance level as chart depicts.
- Evening star pattern could be seen on the charts.
- Prices are trying to breach 23.6% retracement line; breach of mentioned level would take the prices down to 38.2% or 715 cents per bushels.
- Last candlestick pattern suggests further bearishness in the prices.



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- Also, RSI is hovering at overbought regions which further give hints of downtrend in the market.
- Strategy: **Markets participants should sell Corn CBOT at current level level and the target would be 715 cents/bushels for next week.**

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