

Maize Monthly Research Report

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1st February, 2018**OUTLOOK AND REVIEW:****DOMESTIC MAIZE MARKET SUMMARY**

Overall maize cash markets traded down during the month of January'18 compared to previous month and from the corresponding period of last year due to supply pressure amid sluggish stockiest demand. About a 70% of the material arriving in the Davangere market is still infested with fungus. In the affected lots between 2 to 8% of the grains are infested while in Nizamabad, about 10-12% of the material is damaged grains and infested with fungus.

International factor like ample global corn stock is a bearish factor. Agriwatch expects that maize domestic market could also trade steady to slightly weak during the month of Feb'18 as demand of stockiest remains low because of quality issue and peak crop arrivals from Tamil Nadu could keep pressure on market sentiments.

At the demand side, In Ahmadabad region of Gujarat, poultry feed makers quoted maize (monthly average) down by 2.32 % to Rs. 1307 per quintal while Starch feed makers quoted it down by 1.47 % to Rs. 1338 per quintal compared to last month.

STATE WISE RABI SOWING COVERAGE

As per Ministry of Agriculture in India, maize has been sown in around 16.71 lakh hectares as on 2nd February'18 for Rabi season (2017-18) which is higher than 16.26 lakh hectare covered during corresponding period last year. In Bihar, it has been sown in around 4.70 lakh hectares which is higher than 4.48 lakh hectares covered during corresponding period last year. While, in Maharashtra, Karnataka and A.P it has been sown in around 1.99, 0.99 and 2.09 lakh hectares respectively as on 2nd February'18 for Rabi season (2017-18).

Agriwatch forecast production of maize for Rabi season during 2017/18 at 6.46 MMT which is higher than 6.24 MMT compared to last year.

As per Agriwatch trade sources, in Bihar, maize area is likely to increase by 10%. Maize crop conditions are good right now and new crop arrivals are expected to arrive in the end of March month.

RECOMMENDATION:

Market participants are advised to wait as there is no trade volume in near future contract.

INTERNATIONAL CORN MARKET SUMMARY

Corn prices on CBOT rose by 4.24 USD/MT to 142.32 USD/MT for March contract compared to last month. Agriwatch expects that increase in export demand could support U.S corn market to gain. However, that gain could be limited due to ample global corn supply.

IGC increased its forecast for 2017/18 global corn production by 14 MMT to 1054 MMT compared to previous forecast. Forecast for global corn ending stock was also up by 116 MMT to 322 MMT compared to last forecast for 2017/18.

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USDA increased its global corn ending stocks estimates by 2.49 MMT to 206.57 MMT for 2017/18 compared to last month due to decrease in domestic consumption estimates by 1.58 MMT to 1061.29 MMT and decrease in exports estimates by 0.6 MMT to 150.81 MMT for 2017/18 compared to last month.

At 1.04 MMT (for the period 19th January –25th January, 2018) U.S corn exports were up 75 percent from the previous week and 51 percent from the previous 4-week average.

INDIA MAIZE BALANCE SHEET

| Maize Year-(Oct-Sep) | 2016-17E | 2017-18F | Oct-Dec'17 F | Jan-Mar'18 F |
|------------------------------|-----------------|-----------------|---------------------|---------------------|
| Opening Stocks (MMT) | 2.21 | 2.97 | 2.97 | 6.62 |
| Production (MMT) | 23.84 | 22.12 | 12.53 | 3.13 |
| Farmer's Release (MMT) | 20.55 | 19.10 | 9.30 | 3.98 |
| Govt. Procurement (MMT) | 0.06 | 0.06 | 0.02 | 0.04 |
| Pvt. Trade Release (MMT) | 20.49 | 19.04 | 4.63 | 8.59 |
| Seed Retention (MMT) | 0.26 | 0.26 | 0.05 | |
| Imports (MMT) | 0.02 | 0.02 | 0.00 | 0.02 |
| Total Supply (MMT) | 26.07 | 25.11 | | |
| Quarterly Add On(MMT) | | | 12.53 | 3.15 |
| Export (MMT) | 0.54 | 0.54 | 0.13 | 0.17 |
| Domestic Consumption (MMT) | 22.56 | 21.55 | 8.75 | 6.34 |
| Total Demand (MMT) | 23.10 | 22.09 | 8.88 | 6.51 |
| Ending Stock (MMT) | 2.97 | 3.02 | 6.62 | 3.26 |

- In 2017/18, season starting from October is expected to begin with 2.97 MMT and end with 3.02 MMT.
- Total maize production in India could be around 22.12 MMT in 2017-18 against our yearly total demand of 22.09 MMT.
- With carryout of 2.97 MMT total availability goes up to 25.11 MMT in 2017/18.
- Total demand including domestic and export could be around 22.05 MMT.

| Maize Year-(Oct-Sep) | 2016-17E | 2017-18F |
|-----------------------------|-----------------|-----------------|
| Monthly Use | 2.17 | 2.09 |
| Stock to Use Ratio | 0.11 | 0.12 |
| Stock to Month Use Ratio | 1.37 | 1.44 |

| Consumption Break Up For 2017-18 F (Figures in MMT) | |
|--|-------|
| Poultry & Cattle feed | 14.20 |
| Starch & Brewery | 4.24 |
| Human Consumption | 1.78 |
| Seed | 0.26 |
| Shortage & Wastage | 0.64 |
| Storage and Moisture Loss | 0.43 |

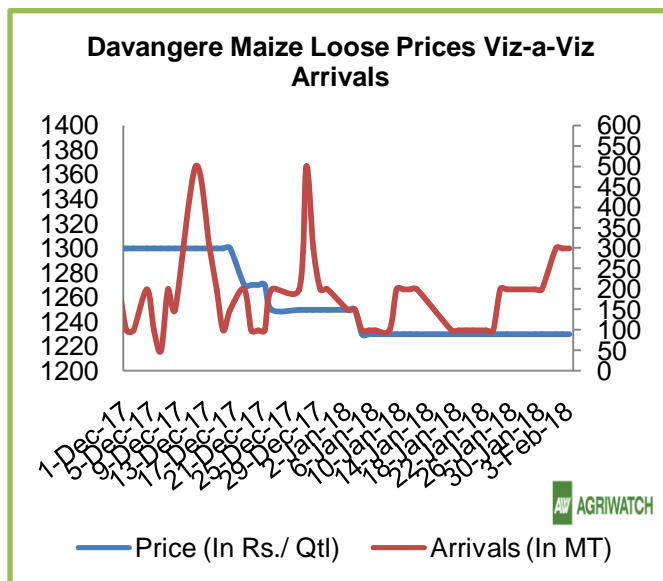
- **E= AW Estimates, F=AW Forecast**

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STATE - WISE MARKET DYNAMICS

Karnataka

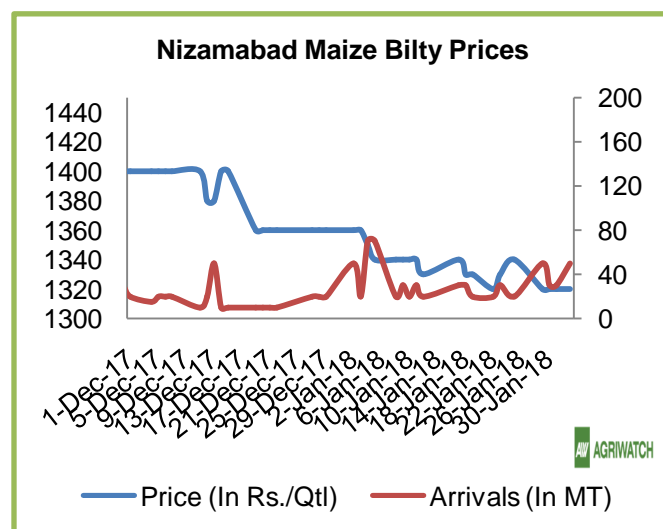
In Davangere region, about 70% of the material arriving in the market is still infested with fungus. In the affected lots, between 2 to 8% of the grains are infested. It is likely to trade in a range of Rs. 1100-1230 per quintal (loose) during the month of February amid sluggish stockiest demand due to quality issue. Besides, peak crop arrivals in Tamil Nadu could also keep pressure on market sentiments.



TELANGANA:

Lower prevailing price in other states amid limited trade in Nizamabad markets kept market at lower side. It is expected that maize could trade steady to slightly weak during the month of February amid sluggish demand. However, Starch feed makers demand could support the market at lower level. Agriwatch expects that it could be in a range of Rs. 1270-1340 per quintal (Bilty) during the month of January.

In Nizamabad, stock of maize could be around 25000 MT and 2500 MT in the hands of Government and Private Traders respectively.

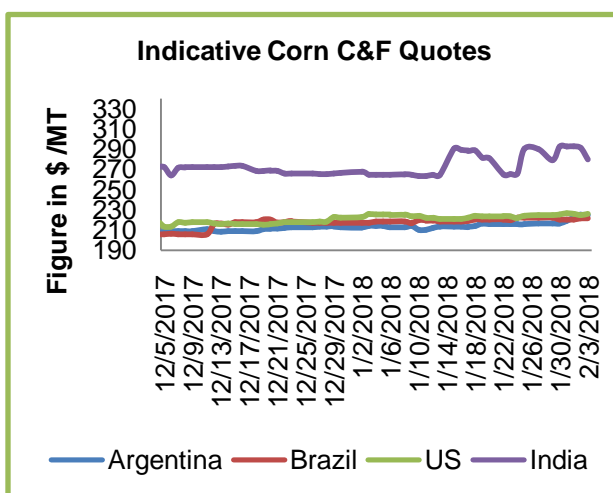
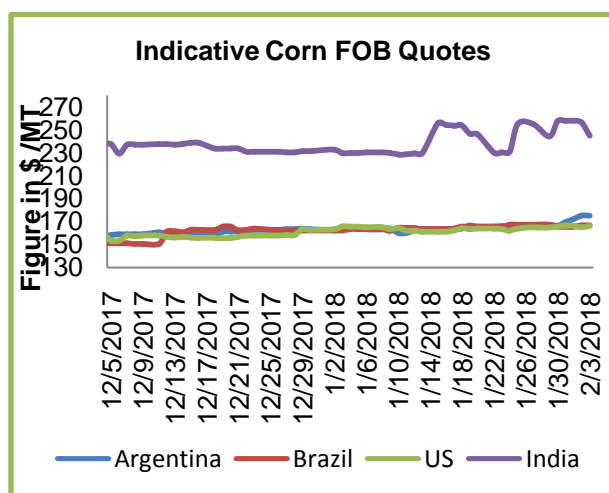


DOMESTIC PRICE OUTLOOK:

Agriwatch expects maize cash market to be steady to slightly weak during the month of February due to supply pressure and sluggish demand.

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ON THE EXPORT-IMPORT FRONT:



| Indian C&F Rate to Thailand vs. other Countries (\$1= Rs. 64.14) | | | | |
|--|-----------|--------|--------|--------|
| As on 3.02.2018 | Argentina | Brazil | US | India |
| FOB | 174.9 | 166.4 | 166.3 | 244.78 |
| C&F | 224.90 | 221.40 | 226.30 | 279.78 |

As depicted by the above data, there is no parity for Indian maize as gap of prices between India and other exporting countries is wide.

- We are unable to update export-import data as Govt has restricted the latest IBIS data for Public domain. We will be able to update it as and when available.

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INTERNATIONAL MARKET SCENARIO:

GLOBAL

USDA increased its global corn ending stocks estimates by 2.49 MMT to 206.57 MMT for 2017/18 compared to last month due to decrease in domestic consumption estimates by 1.58 MMT to 1061.29 MMT and decrease in exports estimates by 0.6 MMT to 150.81 MMT for 2017/18 compared to last month.

Corn ending stock estimates for Brazil increased by 1.00 MMT to 10.369 MMT for 2017/18 while Argentina corn ending stock forecast was unchanged at 6.267 MMT for 2017/18 compared to last month.

IGC increased its forecast for 2017/18 global corn production by 14 MMT to 1054 MMT compared to previous forecast. Forecast for global corn ending stock was also up by 116 MMT to 322 MMT compared to last forecast for 2017/18. IGC has mentioned that this sharp boost in the forecast for ending stock is mainly because of adjustments to historical figures for maize in China.

Agriculture ministry of China raised its forecast for 2017/18 corn imports by 2 lakh tons to 12lakh tons as rally in domestic prices encouraged buyers to seek cheap imports.

Preliminary Japanese government data shows that Japan's use of corn in animal feed production rose to 47.2% in the November'17 from 45.8% during the same month last year as users' reliance on sorghum decreased.

Analyst UkAgro Consult cut Ukraine's 2017/18 maize export forecast at 19 MMT which is lower than 21.2 MMT compared to last year due to a smaller harvest. Besides, increase in supply from Brazil and other South American countries are likely to affect Ukrainian's maize sales.

As supply of corn is increasing globally due to high corn production in U.S.; Agriwatch estimates that could keep pressure on market sentiments.

U.S.

As per USDA, U.S corn exports reached 13.81 MMT in the 2017-18 marketing year. At 1.04 MMT (for the period 19th January –25th January, 2018) U.S corn exports were up 75 percent from the previous week and 51 percent from the previous 4-week average. The destinations were primarily to Japan (333,300 MT), Colombia (201,800 MT), Mexico (186,300 MT), South Korea (63,100 MT), and Morocco (60,600 MT).

USDA increased its corn ending stock estimates for U.S by 1.01 MMT to 62.92 MMT due to increase in production estimates by 0.674 MMT to 370.96 MMT for 2017/18. Besides, 0.38 MMT decrease in domestic consumption estimates also add value to the ending stock.

GLOBAL TRADES

Major Feedmill Group of South Korea purchased about 130000 MT corn from trading house Pan Ocean. Some 65,000 MT was purchased at 193.67 per MT c&f plus a \$1.25 per MT surcharge for additional port unloading for arrival in South Korea around April 30. Another 65,000 MT was purchased at \$193.55 per MT c&f plus a \$1.25 per MT surcharge for additional port unloading for May 10 arrivals.

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Nonghyup Feed Inc (NOFI) of South Korea purchased about 137,000 MT of corn. Some 68,000 MT was purchased from trading house CHS at \$193.95 per MT c&f for arrival in South Korea around April 30 plus a \$1.25 per MT surcharge for additional port unloading. Another 69,000 MT was bought from Cargill at \$193.30 per MT c&f for May 15 arrival plus a \$1.25 per MT surcharge for additional port unloading.

MFIG group of Taiwan buys 65,000 MT corn from Columbia Grain International, United States at premium of 144.00 U.S. cents c&f over the Chicago May corn contract for the shipment from the U.S. Gulf for March 6-25 or from the U.S. Pacific North West coast for March 21 to April 9.

INTERNATIONAL CORN OUTLOOK:

Corn prices on CBOT rose by 4.24 USD/MT to 142.32 USD/MT for March contract compared to last month due to weakness in U.S dollar and dry weather condition in rival exporter Argentina. Agriwatch expects that increase in export demand could support U.S corn market to gain. However, that gain could be limited due to ample global corn supply.

Monthly Spot Price Comparison

| Month-wise Average Loose Prices of Maize at Various Markets | | | | | |
|---|--------------|---------------|--------------|---------------------------|--------------------------|
| Market | 2018-January | 2017-December | 2017-January | % Change from Prev. Month | % Change from Prev. Year |
| Delhi | 1323 | 1320 | 1586 | 0.23 | -16.58 |
| Davangere | 1232 | 1281 | 1498 | -3.83 | -17.76 |
| Shimoga | 1289 | 1240 | 1435 | 3.95 | -10.17 |
| Bagalkot | 1149 | 1216 | 1441 | -5.51 | -20.26 |
| Gadag | 1131 | 1170 | 1466 | -3.33 | -22.85 |
| Nizamabad (Bilty) | 1298 | 1381 | 1391 | -6.01 | -6.69 |
| Khanna | 1313 | 1327 | 1521 | -1.06 | -13.68 |
| Sangli | 1276 | 1280 | 1495 | -0.31 | -14.65 |
| Gulabgh (Bilty) | 1227 | 1278 | 1633 | -3.99 | -24.86 |
| Naugachia | 1200 | 1217 | 1551 | -1.40 | -22.63 |

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CBOT Corn Future Prices

| Maize CBOT Monthly Futures Price Listing (\$/MT) | | | | |
|--|----------------|------------|------------|-------------|
| | Contract Month | 01/30/2018 | 12/30/2017 | Change |
| Corn CBOT Prices | Mar-18 | 142.32 | 138.08 | 4.24 |
| | May-18 | 145.56 | 141.33 | 4.23 |
| | July-18 | 148.62 | 144.58 | 4.04 |
| | Sep-18 | 151.47 | 147.53 | 3.94 |
| | Dec-18 | 154.91 | 151.17 | 3.74 |

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