

MAIZE

4th-9th SEPTEMBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

- DOMESTIC AND INTERNATIONAL NEWS
- TRADE ANALYSIS
- WEATHER WATCH
- WEEKLY PRICE CHANGES IN DOMESTIC WHOLESALE MARKETS

TRADE ANALYSIS

Maize prices slipped in the wholesale grains market in Delhi due to owing to reduced demand from consuming industries and strong arrival from U.P. and Bihar. Traders said considerable fall in demand against increased offerings by stockists led to a fall in maize prices. Maize has traded in between Rs.780-785/qrt for Bihar maize as godown delivery with average arrival of 10-15 motors from U.P. and one rake from Bihar, according to the traders. The weakness in Bajra prices also supported the maize market to down. Bajra has offered at Rs.630-635/qrt. FCI has finalized their tender to supply of 45 lakh quintal of maize to the poultry farmers in South and the prices has decided likely to above Rs.570/qrt for Andhra Pradesh and above Rs.590/qrt for Karnataka, according to the traders. The overall outlook for maize is bearish in near future, as the arrival of new crop has been picking up. The higher arrival and FCI's selling of maize pulled down the maize prices drastically in Andhra Pradesh and Karnataka market. The new maize has quoted at Rs.665-670/qrt as bilty prices with average arrival of 7000-8000 bags in Nizamabad mandis and Rs.660-665/qrt in Davengere mandis with average intake of 400-500 bags. The FCI has completed their maize quota in A.P. and Karnataka, traders said. They also told that FCI has supplied 25 lakh quintals of maize to poultry farmers at Rs.575-641/qrt and 20 lakh quintals of maize at Rs.590-661/qrt to Karnataka. The maize prices are expected to come down in these state as strong arrival of new crop..

NCDEX FUTURES MARKET:

NCDEX maize futures have traded rangebound with down in the week due to speculative selling. The weak spot prices in Karnataka and A.P. has supported the futures market to remain down. The open interest increased but volume remained weak in this week. The most active October contract tumbled down to Rs.613 from Rs.617 and traded within the range of Rs.610-624.

PRICE DIVERSE:

1. FCI's selling
2. Increase in arrival of new maize crop in Bihar, U.P. and A.P.
3. Steady demand from poultry sector
4. Poor stocks at some pockets

5. Rains affected on arrival at some regions

GLOBAL MARKET:

Chicago Board of Trade (CBOT) corn futures extended their earlier strength on Friday in thin trading activity. CBOT September corn increased 1 cent to \$2.318 cents per bushel, and December marginally increased 0.25 cent at \$2.46. Light follow through buying provided support early in the session. Analysts' guesses for US corn production range from 10.846 to 11.188 million bushels, versus 10.976 that were estimated in the August report. What would appear to have been nearly ideal weather during the month of August suggests that the production number will be revised higher. The USDA reported net weekly US export sales for the week ending August 31st for the 2006/2007 marketing year (which began Sept 1) at 913,800 metric tons. On the other hand, Ethanol futures traded bearish. October ethanol didn't trade and settled 4 cents down at \$2.04 cents per gallon. November also didn't trade and slipped 6 cents to \$2.02.

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

MARKETS	2.09.06	9.09.06
Delhi (Bihar Maize)	785-790	780-785
Sangli truck Bilty (New)	845-855	750-760
Pune Starch	895-905	860-870
Ahmedabad Poultry feed	850-860	810-820
Ahmedabad Starch	800-805	775-785
Bangalore Bilty Price	815-825	800-805
Namakkal Bilty Price	840-850	815-825
Kolkata mill delivery	740-745	725-730
Nizamabad (New Maize)	790-800	665-670
Davengere (New Maize)	770-775	660-665
Bihar Bilty Price	630-635	620-625

NEWS ANALYSIS: DOMESTIC AND INTERNATIONAL

Maize Crop Estimated to 275 MMT in U.S.

According to the U.S. Grain Councils (USGC), Profarm, a US consulting company has estimated the US crop at 275 MMT, with an average productivity of 3.84 tons/acre, while USDA estimates the crop to be 278 MMT, with an average productivity of 3.86 tons/acre. These are still estimates and within the next 30 days a much clearer picture of the production will emerge as the harvest starts.

Source: USGC

China: Maize Output Expected to be Around 135 MMT

In China the production of maize for the year 2006 estimated at 142 MMT and the demand is expected to be about 135 MMT. This is based on estimates of the growth of the industrial sector at 30% and poultry sector at 4%. China, which is currently importing maize from US, may not be in the market for export of maize in years to come, due to the increased demand.

Source: USGC

Utilization of Maize in Ethanol Increasing in U.S.

According to the U.S. Grain Councils (USGC), the amount of U.S. maize utilized in ethanol has more than doubled in the past five years, rising from 17.2 MMT in 2001 to 36.32 MMT in 2005. The ethanol industry processed a record 13% of the domestic maize crop last year, which in 2006 is likely to increase to 40 MMT. In terms of the usage it ranks behind only feed/industrial (55%) and exports (17%). The reason for US going ahead with the ethanol in a big way is mainly to reduce its dependence on foreign crude oil. The numbers are surely going to be higher in the next couple of years as more plants come online. A study by the researchers from the University of Minnesota describes maize ethanol as a "first generation" bio-fuel that produces about 25% more energy than is needed to grow the crops and turn them into biofuels. The study is more favorable toward maize ethanol than several previous studies, which claim that it takes more energy to produce maize ethanol than the energy it provides. But researchers in the University of Minnesota study maintain that maize ethanol has its limitations, noting that if every acre of maize in the U.S. was earmarked for ethanol production, it would still only supply about 12% of U.S. motoring fuel. Although more than 60% of the world's ethanol is currently made from sugar, and cellulose is being touted as the future of the industry, experts say demand for grain-based ethanol will continue to grow. The rapidly growing U.S. fuel ethanol industry has the capacity to distill 4.8 billion gallons (18.6 billion liters) of the motor fuel this year, mostly from corn (maize). Federal law sets a target of using 7.5 billion gallons (28.4 billion liters) of renewable fuels annually by 2012.

Source: USGC

USDA: US Corn Crop Remains Good to Excellent Condition

According to the U.S. Department of Agriculture (USDA) report, the 59% of the U.S. corn crop was in good-to-excellent condition, up two percentage points from last week and above the 51% reported a year ago. Ninety-seven percent of the crop was in the dough stage, compared to the five-year average of 92%, with 81% of the

crop reported in the dough stage. Twenty percent of the crop was reported mature. Crops in poor to very poor condition were at 18% in late July and were down to 16% in early September. August weather was nearly ideal for kernel filling and maturity, and unlike last year, the country lacks a region where yield is expected to be down sharply from trend line averages.

Ukraine Exported 21,200 Tonnes of Maize in August

According to the source, Ukraine exported 21,200 tonnes of maize for total amount of \$3.12 million in August 2006. Almost whole volume was exported to Russia. The average selling price was \$148/tonnes last month, inform APK-Inform referring to the Customs data. About 2.5 million tonnes (MMT) of Ukrainian maize have been exported since the beginning of the season (October 2005). It is up 7% from the figure of October-August 2004/05 MY. The list of the largest five importers consists of Spain, Libya, Belarus, Israel and Russia. For the same period of the last season Iran, Spain, Israel, Belarus and Russia bought the largest volumes of maize.

USDA: US Weekly Corn Export Sales Increased

Net sales of 913,800 MT for the 2006/07 marketing year (which began Sept. 1) were primarily for Japan (245,900 MT), Taiwan (143,000 MT), Mexico (135,000 MT), South Korea (113,900 MT), unknown destinations (91,300 MT), and Egypt (60,000 MT). A total of 2,454,200 MT in sales were outstanding on August 31 (the end of the marketing year) and were carried over to the 2006/07 marketing year. Final shipments of 1,233,300 MT for the week brought accumulated exports for 2005/06 to 54,353,600 MT—up 20 percent from the 45,409,400 MT exported the previous year. The major destinations were South Korea (333,800 MT), Japan (236,600 MT), Egypt (214,900 MT), Mexico (102,900 MT), Canada (55,500 MT), and Israel (54,200 MT). Note: This is the largest corn exports since the 1995/96 marketing year of 55,769,500 MT. (This summary is based on reports from exporters for the period August 25-31, 2006)

Source: FAS, USDA

SUMMARY PROGRESS OF KHARIF MAIZE

(Area Coverage) (Area in lakh hectares)

Normal Area	Area Coverage (As reported on 31.07.06)			Area Difference in Important States—This Year vs. Last Year (Absolute, %)
	This Year	Last Year	Difference	
60	64.10	58.95	+5.15	AP (-1.8, -31.2), Bih (+1.1, +51.2), Guj (+1.3, +48.0), Kar (+1.3, +21.7), MP (+0.4, +5.6), Maha (+0.5, +13.2), Ori (+0.9, +141.9), Raj (+0.5, +5.4)

Source: Ministry of Agriculture, GOI

WEATHER WATCH:

Kharif maize is in grain filling stage in most of the producing region and it is in maturing stage in U.P., Karnataka and M.P. Therefore heavy rainfall might be affected the prevailing standing crop and it somehow reduces the arrival at the market yards.

Rainfall

Widespread/fairly widespread rainfall with scattered/isolated heavy to very heavy falls occurred over Central India (Chhattisgarh, Madhya Pradesh and Vidarbha) on 31st August, over Madhya Pradesh on 1st and over West Madhya Pradesh on 2nd September. The monsoon was vigorous/active over West Madhya Pradesh during 31st August-2nd September, over East Madhya Pradesh during 31st August-1st September and over Vidarbha on 31st August. The enhanced rainfall activity was again realised over central India with widespread/fairly widespread rainfall along with isolated heavy falls during last two days of the week. The monsoon was again active

TECHNICAL ANALYSIS

Commodity: Maize

Contract: OCTOBER

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

The most active October contract tumbled down to Rs.613 from Rs.617 and traded within the range of Rs.610-624 during the week on rangebound trading activity.

Technical: Candlesticks indicating indecisive market while Stochastic are indicating to upward market at neutral region. RSI is indicating to bearish market. The prices closed below the 9-days MA and 18-days MA, which are indicating to slightly bearish price movement. MACD is hinting to bearish market of maize futures as medium term and remained in positive territory. The open interest increased but volume remained weak in this week.

Outlook: The maize prices are expected to remain down as medium term as well as long term.

Recommendation: Go for short position at major high towards Resistance level as medium and long term.

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
October	611.00	625.00	582.00	575.00

over Chhattisgarh and West Madhya Pradesh on 5th & 6th respectively.

Outlook for the week ending on 13th September 2006

- Increase in rainfall activity over northeastern States, Sub-Himalayan West Bengal & Sikkim, Bihar and extreme south peninsula.
- Decrease in rainfall activity over western India.

Source: IMD



FOREX RATES (As on 8th September, 2006)

Country	Currency	Value in Rupees
USA	Dollar	46.20
European Union	Euro	58.72
Japan	100 Yen	39.77
Great Britain	Pound Sterling	86.56

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