

MAIZE

20th-25th NOVEMBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Maize prices recovered from lower level at the end of the week due to stockists buying and increasing export demand. Market remained volatile due to rumour of export ban. According to the source, a trading company has contracted to export around 20,000 Mt of maize to Sri Lanka at the cost of about to \$210/ton c & f. However according to the Commerce and Industry Minister Kamal Nath, the government is likely to consider a ban on maize exports. Red maize prices prevailed at around Rs.820-825/qrtl while gajar maize quoted slight up at Rs.810-815/qrtl in Delhi with moderate arrivals of 15-20 motors including bajra. Bajra prices moved up to Rs.700-705/qrtl. Maize prices firmed up in Karnataka amidst lower arrivals, however the market tumbled in A.P. despite poor arrival. Maize prices quoted up between Rs.660-665/qrtl loose basis in Davangere and arrivals were poor around 38000 bags in Karnataka. In Nizamabad, prices were quoted down at Rs.700-705/qrtl bilty with average intake of 3000-4000 bags on sluggish demand and bearish cues from NCDEX futures market. According to trade sources, Bangladesh's strong export demand is boosting maize prices in Bihar. Maize has been going from Dalkola to Bangladesh. Maize prices have increased by Rs.70-90/qrtl in Bihar during the week. Therefore maize prices quoted mostly up at Rs.800/qrtl over bilty yesterday in Dalkola and Rs.775-785/qrtl bilty in Naogachia mandis with reduced arrivals at the market yards. Stockists are still holding stocks and with a view to mount pressure on prices in the domestic market.

NCDEX FUTURES MARKET:

NCDEX maize futures traded range bound with bearish during the week on iterating the chances of ban on maize export. Furthermore, several traders are believed to have cut back on positions they had taken on maize futures on reports that notorious stockbroker Ketan Parekh may be manipulating trade in the commodity. Therefore most active December contract traded slight up at Rs.801 on Saturday over Rs.794.50 of last week and tumbled from Rs.818 and moved between Rs.791-818. The open interest as well volume of trade was decreasing during the week.

PRICE DIVERSE:

1. Government may ban maize export

2. Increasing arrival in the market yards
3. Export demand from Bangladesh, Srilanka and Indonesia
4. Sluggish demand from poultry sector

GLOBAL MARKET:

Chicago Board of Trade (CBOT) corn futures continued to increase and finished mostly up Friday with some contracts establishing new life-of-contract highs. CBOT December corn climbed 6.5 cents to \$3.693 cents per bushel and March soared 7.75 cents to \$3.86. Corn rallied due to sharp drop in the US dollar and continued solid demand and fears of tightening supply. Talk of delays of export for near 1 million tonnes of corn from China, which was scheduled for export shipment in November and December, provided some underlying support as well. Permits for new crop export registrations from Argentina are still on hold as the government audits the registrations.

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

MARKETS	18.11.06	25.11.06
Delhi (Red Maize)	815-820	820-825
Delhi (Gajar Maize)	805-810	810-815
Sangli truck Bilty (New)	695-700	700-705
Pune Starch (New)	750-770	750-760
Ahmedabad Poultry feed	820-825	815-825
Ahmedabad Starch	800-805	790-810
Kolkata mill delivery	820-825	860-880
Nizamabad (New Maize)	710-720	700-710
Davengere (New Maize)	640-650	660-665
Bihar Bilty Price	715-725	775-785

NEWS ANALYSIS:

DOMESTIC AND INTERNATIONAL

Argentina Temporarily Suspended Corn Export Permits

According to the source, Taiwan is taking into consideration of temporarily lifting a ban on imports from China. On the other hand, Argentina temporarily suspended grain and oilseed export permits due to administration problems and would only be in effect for one day caused grain markets to set-back off of the highs. Although a government official said the move would not block exports based on previous declarations. It is reported that all Argentine agricultural exports must be registered for export and the reference price is then fixed based on the day of registration. The reference price set on that day will be used for the export tax fixation. Declared exports of wheat and corn have reached extraordinary levels in Argentina in recent times as exporters have chased to lock in reference prices and export commitments due to uncertainty over the government's desires to limit exports and control domestic food prices.

Food Minister: Govt Not Likely to Ban Maize Export

According to the food ministry, the government does not intend to ban maize export. The poultry and starch industry had urged government to impose ban maize export as the prices were skyrocketing during early of this month. Maize production is expected to remain between 12.5-13 MMt in the crop year October 2006-September 2007. Demand for maize is estimated over 14 MMt. According to the source, higher international maize prices have been tempting domestic exporters to export maize. Indonesia, Malaysia and Sri Lanka have been the biggest buyers of Indian corn. On the other hand, demand from the poultry industry has been growing 6-7% on an average, while the 10-year average of maize production growth has been less than 4-5%.

Indonesia's Maize Imports Likely to Hit 1.6 MMt in 2006

It is expected that Indonesia would make a record on maize import this year, more than three times of the total import of 5 lakh tonnes in 2005. The country is anticipated to import 1.6 million metric tonnes (MMt) of maize this year. The main cause is sharp decline in domestic maize production. However the production estimation is differing between industry estimates and government estimates. Industry estimates are pegged at around 6-7 MMt, down from 8 MMt years earlier period while the government's estimates are much higher at 12.5 MMt, unchanged from its own estimate of actual production in 2005.

S. Africa Ups 2006/07 Maize Plantings

In South Africa, the government's Crop Estimates Committee said farmers would likely to plant 2.768 million hectares of maize for the 2006/07 seasons, up from the last forecast of 2.634 million ha in its previous. Higher plantings is mainly attributed to higher maize prices, which has surged 50% over the last 12 months.

Maize: Traders Squared Up Positions Due to Ketan Parekh

Several traders are believed to have cut back on positions they had taken on maize futures on reports that notorious stockbroker Ketan Parekh may be manipulating trade in the commodity, as per leading daily newspaper. They reported that the Forward Markets Commission (FMC) had in January this year banned Parekh and his associate entities from trading in commodities. January maize futures at the NCDEX fell to Rs.817.50 from Rs.838 following strong

opening at Rs.825 and finally settled at Rs.828.50 during Tuesday's trading. Most of the traders squared of their position due to this news.

India's Maize Export Prices Remains Mostly Up to \$200/tonne

Due to shrinkage of global supplies, India struck its first corn export deals in many years earlier of this month. It is reported that India has exported around 1.5 lakh tonnes of maize to Indonesia, Malaysia and Sri Lanka at the prices range between \$160-\$175 per tonne. According to the traders, Indian exporters had committed to export another 50,000 tonnes following the initial deals. However the export prices of maize has now increased to \$200/tonne from \$160/tonne on a free on board basis. The second largest maize exporter Argentina following United States has a suspension on corn exports in place.

Private Traders Exporting 20,000 Mt Maize at \$210/ton

According to the source, a trading company has contracted to export around 20,000 metric tons (Mt) of maize to Sri Lanka at the cost of about to \$210/ton, cost and freight basis. The delivery will be given next month in Colombo. However according to the Commerce and Industry Minister Kamal Nath, the government is likely to consider a ban on maize exports.

Corn: Traders Keeps Track on Global Ethanol Demand

According to the source, the Indian traders are also keeping track of global ethanol demand, particularly in the US. Corn is the main raw material for ethanol in the US. Therefore corn prices also depend on ethanol demand, which is linked to crude oil. At present, ethanol refineries are 97 in the US and 35 under construction. As per the US Department of Agriculture's report on September 12, corn used for ethanol will increase by 25%, from 1.6 billion bushels in 2006 to 2.1 billion bushels in 2007. U.S. is still a net corn exporter. In the long term, corn is certain to enjoy an increase in ethanol demand as well a strong global feed demand due to rising demand for chicken, eggs, meat and milk. Furthermore, domestic ethanol industry set to be doubled in the next 6 years in India. Therefore corn prices will be governed by the rising demand of ethanol.

Maize: Demand Rising on Higher Export Potential & Low Output

Demand for maize in the domestic market has been increasing this year mainly owing to robust demand from the poultry and livestock sectors. Traders are expecting that ethanol producers would place large orders for the coming few months. Demand from poultry sector industry is placed around 7 MMT, 1.5 MMT for starch industry, 1.5 MMT for livestock and 3.57 MMT for human consumption in a year. Therefore total demand is around 13.6 MMT per year. Against this demand, maize production has dipped to 11.5 MMT from 12.4 MMT in 2005. US, which is the largest producer and exporter of maize also reported drop in production. Out of the total global demand of around 600 MMT of maize, US supplies around 50% i.e. around 299 MMT. Furthermore, with sale restrictions in Argentina and China, the supply situation is very tight now, according to an Industry Official. South Africa, which has traditionally imported maize from the US has for the first time, signed a supply agreement from India.

Ukraine Harvested around 6.2 MMt of Maize Till Now

According to sources, Ukraine has harvested around 6.2 million metric tonnes (MMt) of maize so far this year. Maize

was harvested from 1.63 million hectares area, out of 1.79 million hectare planted i.e. about 92% under this crop. Production is likely to touch around 7.2 MMt in 2005-06 marketing year, down 1.7 MMt from last year.

IGC Cut Global Maize Production by 2 MMt

Further reductions in crop estimates for the US and the EU more than offset improvements in China and Kenya, and total production is down 2m. tons at 688m., 5m. less than in 2005. Consumption is expected to total 721m. tons, 1m. below last month. Tighter supplies and higher prices are restraining feed use in the US, but continued growth in Pacific Asia's poultry and pigmeat industries sustains demand there. Forecast maize trade is up 0.9m. tons at a record 81.5m., mainly due to larger imports by the EU where domestic feed prices are high and import duties much lower than at the start of the season. US export commitments in the first ten weeks of its marketing year were already over 23m.. tons, 6m. more than in the same period in 2005 but the pace will slow because of increasing competition. Sales by Argentina and Brazil are also at a high level, while China's export forecast is raised from 3m. to 4m. tons after more transactions were announced. World stocks are projected at 92m. tons, 2m. less than in October, with the US carryover now put at only 23.8m. tons, compared with 50.1m. at the end of 2005/06.

Source: IGC

USDA: US Corn Export Sales Observes Weak

Net sales of 1,042,200 MT were 25 percent below the previous week and 23 percent under the prior 4-week average. Major increases were reported for Israel (187,400 MT), unknown destinations (158,000 MT), Japan (152,000 MT), Mexico (121,000 MT, including 16,000 MT switched from unknown destinations), Egypt (105,200 MT), Colombia (62,500 MT), Syria (60,700 MT, including 30,000 MT switched from unknown destinations), and Cuba (50,000 MT). Exports of 1,220,900 MT were 22 percent above the previous week and 20 percent over the prior 4-week average. The major destinations were Japan (381,300 MT), Mexico (226,500 MT), Taiwan (143,100 MT), South Korea (115,600 MT), Colombia (73,500 MT), Egypt (66,500 MT), Israel (49,400 MT), and Libya (41,900 MT). (This summary is based on reports from exporters for the period November 10-16, 2006)

Source: USDA

WEATHER WATCH:

The sowing of rabi maize crop has started in Bihar and other parts, therefore heavy rainfall may hinder in market

arrival and sowing progress. The sowing of rabi maize crop is likely to going on till December last to January 2007.

Rainfall:

Scattered rain/snow occurred over Jammu & Kashmir during 16th to 19th and 21st & 22nd. Rain/snow also occurred at a few places over Himachal Pradesh during 18th & 19th. Isolated rain/thundershower occurred over Punjab during 18th & 19th.

Rainfall occurred at a few places over Sub-Himalayan West Bengal and Sikkim, Assam, Meghalaya and Arunachal Pradesh on 20th and isolated on 21st.

Rainfall occurred at many places over Tamil Nadu & Pondicherry, Lakshadweep, Kerala and south coastal Andhra Pradesh during many days of the week and at a few places over Andaman & Nicobar Islands, Rayalaseema and South Interior Karnataka. Isolated rainfall also occurred over Coastal Karnataka, Konkan & Goa, Madhya Maharashtra, north interior Karnataka and south Gujarat during last two days of the week.

Mainly dry weather prevailed over remaining parts of the country during the week.

Outlook for the week ending on 29th November 2006

Under the influence of the western disturbance, scattered rain/snow is likely over Western Himalayan Region and light rain/thundershower over plains of northwest India in the beginning of the week.

Scattered rainfall activity is likely to continue over extreme south peninsula during the week. Isolated rainfall/thundershower also likely over Konkan & Goa and south Madhya Maharashtra during first half of the week.

Fall in night temperatures by 3-4 °C likely over north and adjoining central India during first half of the week. Fog/mist conditions also likely over some parts of plains of northwest India

Source: IMD

FOREX RATES (As on 25th November, 2006)

Country	Currency	Value in Rupees
USA	Dollar	44.87
European Union	Euro	58.15
Japan	100 Yen	38.57
Great Britain	Pound Sterling	85.99

TECHNICAL ANALYSIS

Commodity: Maize

Contract: DECEMBER 2006

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

NCDEX maize futures traded range bound with bearish during the week on iterating the chances of ban on maize export. Furthermore, several traders are believed to have cut back on positions they had taken on maize futures on reports that notorious stockbroker Ketan Parekh may be manipulating trade in the commodity. Therefore most active December contract traded slight up at Rs.801 on Saturday over Rs.794.50 of last week and tumbled from Rs.818 and

moved between Rs.791-818. The open interest as well volume of trade was decreasing during the week.

Technical: Candlesticks formation depicts bullish market for the following trading day with strong opening. The %K-line remained below %D-line but moving up at neutral region, indicating upward market. MACD remains in the positive territory and hinting steady market as medium term. Prices closed in between 9-day and 18-day EMA,

indicating bearish market for medium term. The open interest as well volume of trade was decreasing during the week.

Outlook: Maize prices are expected to remain up ahead of the coming week due to technical buying and may be move down thereafter. Sell at any higher level will be good strategy for profit making as medium term.

Recommendation: Go for short position at major rallies towards resistance levels.

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
December	820	830	790	780



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