

MAIZE

4th-9th DECEMBER, 2006

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Maize prices remained rangebound to slightly up during the week in the delivered centres but it witnessed down in the producing region due to feeble demand from poultry and starch sector. In Delhi, prices remained steady at upper level due to modest demand from Punjab and Haryana. Arrivals are reported to be around at 12-15 motors from U.P. including bajra. Red maize offered at Rs.830-835/ql and gajar maize quoted at Rs.810-815/ql in this state. Weakness in the bajra prices kept pressure on maize prices, traders said. However the market tumbled in A.P., Maharashtra and Karnataka mandis due to fresh arrival and reduced offtake. Contradiction about ban on maize export continued to keep pressure on prices. Maize prices are witnessing steady sentiment at higher level in Bihar amidst strong export support from Bangladesh despite poor demand from West Bengal. Most of the maize is exporting to Bangladesh from Dalkhola region. Stocks at the market yards are depleting. Maize traded down at Rs.650-660/ql loose basis in Davangere and arrivals stood at 40000 bags in Karnataka. In Nizamabad, prices were quoted down at Rs.680-700/ql bilty with average intake of 1000-1200 bags. The demand of maize for the year 2006-07 is estimated at 14 MMT against the production estimation 12.4 MMT, thus the deficit will be close to 1.6 MMT. If the exports of 0.7 MMT to Bangladesh, Sri Lanka and Nepal are accounted, the deficit will be close to 2.1 MMT. Sowing progress of rabi maize is progressing well this year. Acreage has increased by 1.14 lakh hectares to 685,000 hectares as of December 8, up from 571,800 hectares. But rabi accounts for just about 10% of total maize production. Current outlook for maize is bullish for long term due to shortage of supply as the new crop will be arrive in March-April from Bihar.

NCDEX FUTURES MARKET:

NCDEX maize futures continued to remain bearish although the government has not banned maize exports so far. Selling pressure continued added to bearish tone. The main reasons are higher moisture content of new maize crop and dearth of speculative buying, which had dictated the price movements until recently. It did not trade in MCX during the week.

PRICE DIVERSE:

1. Contradiction about ban on maize export

2. Reduced demand from poultry sector as well as starch sector
3. Rabi maize sowing increasing
4. Increasing arrival and stockists selling
5. FMC tightened trading norms on maize futures
6. Lack of demand for moistened maize

GLOBAL MARKET:

Chicago Board of Trade (CBOT) corn futures traded bearish Friday amidst light speculative sales due to lack of fresh fundamental issues. CBOT December corn slipped 4.25 cents at \$3.543 cents per bushel, and March slid 4 cents to \$3.685. Overnight export news was mixed and the market traded both sides of unchanged early in the session. Taiwan passed on a tender to buy 40,000-60,000 tonnes of US corn but exporters reported the sale of 110,000 tonnes of US corn to South Korea for 2006/2007 delivery (second day in a row of identical sale). Fears of a long liquidation trend from fund traders into the end of the year is clashing with talk that corn exports picked-up dramatically this week on the 28 cent break off of the contract highs.

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

MARKETS	2.12.06	9.12.06
Delhi (Red Maize)	825-830	830-835
Delhi (Gajar Maize)	815-820	810-815
Sangli truck Bilty (New)	665-670	680-690
Pune Starch (New)	740-760	750-760
Ahmedabad Poultry feed	810-820	795-800
Ahmedabad Starch	790-800	770-780
Kolkata mill delivery	880-890	830-835
Nizamabad (New Maize)	710-715	690-695
Davangere (New Maize)	655-660	650-660
Bihar Bilty Price	770-780	775-785

NEWS ANALYSIS:

DOMESTIC AND INTERNATIONAL

Maize Sowing Increase to 648,000 ha, Up by 1 lakh ha

Sowing progress of rabi maize is progressing well. Acreage has increased by 1-lakh hectares to 648,000 hectares as of November 30, up from 548,800 hectares. Rabi maize crop is mainly confined to Bihar. But rabi accounts for just about 10% of total maize production.

USDA: Corn Outlook in India

Initial government estimates place the 2006 kharif (fall harvested) corn production at 11.4 million tons, 1 million tons below the 2005 kharif production. Rabi (winter season) corn production is normally around 2.5 million tons. However, higher corn prices this year could prompt increased planting in south India, marginally offsetting the decline in kharif season. Corn prices have skyrocketed in recent months with the current mill delivery price at over Rs. 8,200 (\$182) per ton, 15 percent higher than last year. Higher corn prices have prompted end-users to demand a ban on corn exports and access to duty-free imports. India typically exports 200,000 to 250,000 tons of corn, mostly to neighbouring Bangladesh and Sri Lanka. However, this year because of the higher world prices, Indian corn is finding its way to South East Asian countries such as Malaysia and Indonesia. Although the Commerce Minister had stated that he would consider a ban on corn exports, no decision has been taken yet.

Source: FAS, USDA

US Ethanol Production Remained at 9.992 mil barrels in September

US ethanol daily production for September stood at 333,000 barrels per day, up 1.2% from August 2006 and up 27.5% from September 2005. Total ethanol production for September stood at 9.992 million barrels vs. 7.841 million barrels in September 2005. Total ethanol stocks in September stood at 9.727 million barrels, up 6.18% from August and up from 5.324 million barrels in September 2005.

China: Corn Prices Rises Due to Higher Ethanol Demand

For the first time in China's history, foodgrains prices are increasing not due to a poor harvest or rising demand but because of soaring international oil prices. According to the Chinese Academy of Agricultural Sciences, rise in corn prices is a strong factor popping up the prices of other food products, as increasing role of corn as a crude-oil substitute. Analysts say that while industrial use only accounts for about a sixth of overall corn consumption, it is expanding at 15% a year, fuelled by high crude oil prices. Official estimates are that annual corn consumption by processing industries would rise to 20 million metric tons (MMt) from 16 MMt last year; and reach 40 MMt by 2010, in China. Total consumption is expected to be 125 MMt this year. Ethanol is the main biofuel produced in China with output hitting 1.02 MMt in 2005 and corn accounted for 76 per cent of the raw material. The others are mainly wheat and sorghum. The country plans to produce about 6 MMt of ethanol by 2010 and 15 MMt by 2020 in addition to 5 MMt of biodiesel.

S. Africa Likely to Produce Around 6.6 MMt of Maize

In South Africa, maize prices are remaining at mostly higher levels and prices have nearly doubled over the past 12 months. According to sources, South Africa's farmers are expected to produce just around 6.6 million tonnes of maize

in 2005/06 against the national demand of 8 million tonnes. But the country is likely to meet demand due to available carry-over stocks. One factor that should bring some relief to the local market is that exports have been slow over the past year, which should put less pressure on local stocks. White maize exports slipped to 7,686 tonnes in the week to December 1 from 10,906 tonnes the previous week, according to the South African Grain Information Service (SAGIS). Yellow maize exports were down at 1,359 tonnes from 2,063 tonnes. South Africa also imported 21,984 tonnes from Argentina from 12,542 tonnes the week before, SAGIS added.

USGC: Maize Prices Remained Up; Production Estimates Down

According to the Amit Scahdev, Representative of U.S. Grain Council, local maize prices in India moved up in India in the week (Nov 27 - Dec 2) to Rs.6700 - Rs.6900 per MT range at the market yard. The delivered prices were close to Rs.8500 - 8700 per MT range. The prices were higher by about 2% over last week, and about 13.6% higher over last year at market yard values.

The new estimate for maize production put out by Government of India for the year 2006-07 is 12.41 MMT, much lower than last year. The demand of maize for the year 2006-07 is estimated at 14 MMT, thus the deficit will be close to 1.6 MMT. If the exports of 0.7 MMT to Bangladesh, Sri Lanka and Nepal are accounted, the deficit will be close to 2.1 MMT. The prices will be much higher than they are now between March - Sept 2007 as during the time, no new corn will be coming in the market and the new crop will only arrive in the market in October 2007.

Pearl Millet (Bajra), prices have reached Rs.7500 - 7700 per MT at market yard, which are about 2.8% lower than last week., but the prices are still higher than maize by 11.5%.

Sorghum (Jowar) prices have also reached Rs.7500 per MT levels at market yard and are 1.8% lower over last week. The prices are higher than maize by 12.2%.

Barley prices, which were down in the last week, jumped to Rs.8900 per tons level at the market yard in this week, gaining almost 17% over last week. The delivered prices are close to Rs.11000 per MT level. The prices are higher than last year by almost 5%. The demand for Barley has increased considerably and the production is estimated to be down, which is leading to higher prices.

Source: USGC

Asia 06-07 Fuel Ethanol Demand Seen 2B Liters

Asia's demand for ethanol for fuel use is projected around 2 billion litres in the marketing year to September 2007, German consultancy F.O. Licht said Wednesday. The demand in Asia is mainly being driven by China and India...it is expected to rise annually at the rate of between 7% and 8%," F.O. Licht Deputy Director Christoph Berg said on the sidelines of a conference organized by the consultancy in New Delhi. Berg said the demand for fuel ethanol in India in 2006-07 is expected at 500 million liters, up from an estimated 300 million liters the previous year.

Ukraine Likely to Remove Restrictions for Grain Export

Ukraine will remove restrictions for grain export, which was introduced in October, according to the President of Ukraine. The meeting will be held in next week. According to the estimations there are 2 MMt of grain in Ukrainian

elevators, in particular, barley and wheat, waiting for being exported. Ukraine is the seventh largest supplier of wheat in the world. Ukrainian Government decided to introduce quotas for grain export on October 11, 2006 to stabilize the grain prices in the country. In particular, quotas for export till the end of the current year for wheat and meslin (rye and wheat mixture) totalled 400,000 tonnes, barley - 600,000 tonnes, maize - 600,000 tonnes and rye - 3,000 tonnes.

USDA: US Corn Weekly Export Sales Report

Net sales of 812,700 MT were 20 percent below the previous week and 40 percent under the prior 4-week average. Major increases for Japan (269,500 MT), South Korea (167,800 MT, including 56,800 MT switched from unknown destinations), Mexico (104,200 MT), Colombia (70,000 MT), Tunisia (59,700 MT, including 39,700 MT switched from unknown destinations), Algeria (55,300 MT, including 53,000 MT switched from unknown destinations), and the Dominican Republic (43,000 MT) were partially offset by decreases for unknown destinations (19,100 MT), Honduras (18,900 MT), Taiwan (12,900 MT) and Jamaica (11,500 MT).

Exports of 1,372,400 MT were 53 percent above the previous week and 28 percent over the prior 4-week average. The major destinations were Japan (386,900 MT, including 44,700 MT late reporting), Mexico (264,600 MT), Taiwan (178,700 MT, including 63,000 MT late reporting), South Korea (114,600 MT), Syria (55,600 MT), and Algeria (55,300 MT). Sales were at the low end of trade expectations of 800,000 to 1,000,000 MT.

(This summary is based on reports from exporters for the period November 24-30, 2006)

Source: FAS, USDA

Maize Sowing Rise to 6.85 lakh ha, Up by 1.14 lakh ha

Sowing progress of rabi maize is progressing well this year. Acreage has increased by 1.14 lakh hectares to 685,000 hectares as of December 8, up from 571,800 hectares. Rabi maize crop is mainly confined to Bihar. But rabi accounts for just about 10% of total maize production. However jowar acreage has declined to 454,200 hectares as compared to 463,500 hectares of last year this time.

Maize Futures Continue to Down on Selling Pressure

NCDEX maize futures continued to remain bearish although the government has not banned maize exports so far. Selling pressure continued added to bearish tone. The main reasons are higher moisture content of new maize crop and dearth of speculative buying, which had dictated the price movements until recently. The demand for maize from the stockists remained sluggish as higher moisture

content of 15-16% as compared to normal level of 12%, which kept pressure on prices at the spot market also. The prices are expected to stabilise at current levels and would go up in near future once the demand for dry maize goes up. In case ban is not imposed on maize exports, total exports is likely to reach one million tonne. Owing to higher moisture content, no one is stocking maize, which needs to be consumed as soon as it arrives.

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:

Light rainfall occurred at a few places over Punjab, Haryana and West Rajasthan during last 3 days of the week. It was isolated over East Rajasthan, West Uttar Pradesh, East Madhya Pradesh and Chhattisgarh on one or two days of the week. South Madhya Maharashtra and south Konkan & Goa also received isolated rainfall on 30th November.

Isolated rain/thundershowers also occurred over Tamil Nadu, Kerala, Lakshadweep and Andaman & Nicobar Islands on some days of the week.

Weather was mainly dry over remaining parts of the country during the entire week.

Outlook for the week ending on 13th December 2006

Western Himalayan region and plains of northwest India likely to experience scattered precipitation during 10th & 11th due to an approaching western disturbance.

Under the influence of an approaching easterly wave, scattered rainfall activity likely to commence over south peninsula from 10th onwards.

Fall in night temperature and fog conditions likely over north India during beginning and end of the week.

Source: IMD

FOREX RATES (As on 8th DECEMBER, 2006)

Country	Currency	Value in Rupees
USA	Dollar	44.69
European Union	Euro	59.37
Japan	100 Yen	38.77
Great Britain	Pound Sterling	87.68

TECHNICAL ANALYSIS

Commodity: Maize

Contract: JANUARY 2006

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

NCDEX maize futures continued to remain bearish although the government has not banned maize exports so far. Selling pressure continued added to bearish tone. The main reasons are higher moisture content of new maize crop and dearth of speculative buying, which had dictated the price movements until recently. Therefore maize futures traded bearish during the week. Most active January contract traded at Rs.764.50 over last week's closing off

Rs.804 and prevailed between Rs.762-805 during the week with good open interest but reduced volume. It did not trade in MCX during the week.

Technical: Candlesticks formation hints indecision market for the following trading day with weak opening. The %K-line moving up after a bullish crossover at oversold region, indicating bullish market. MACD remains in the negative

territory and hinting bearish market as medium term. Prices closed well below 9-day and 18-day EMA, indicating bearish market for medium term. The open interest was good but volume of trade was decreasing during the week.

Outlook: Maize prices are expected to trade rangebound with weak ahead of the coming week but may go up thereafter due to higher demand for dry maize. Buy at any lower level will be good strategy for profit making as medium term.

Recommendation: Go for long position at major rallies towards supports levels.

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
January	780	790	755	745



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