

MAIZE

9th -16th 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 with firm biasness during the week in the delivered centers and the producing region due to good export demand. However, comparatively lower demand from poultry and starch sector is reported from domestic market. 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. Owing to higher moisture content, no one is stocking maize. In Delhi, maize prices remained mostly steady due to flat demand from Punjab and Haryana. Arrivals are reported to be slightly decreased around at 11-14 motors from U.P. including bajra. Red maize offered steady at Rs.820-825/qrtl and gajar maize quoted at Rs.805-810/qrtl in this state. However, weak tone of bajra is still pressurizing the maize prices. Maize price at Bihar is quoted slightly lower on thin demand from Kolkata and Siliguri. However, export support from Bangladesh is reported from Bihar as well as Karnataka mandis. Stocks at the market yards are gradually depleting on good export. However, traders' activities are somewhat limited on confusion over export ban in coming future. Maize traded steady at Rs.645-650/qrtl loose basis in Davangere. In Nizamabad, prices were quoted higher at Rs.700-705/qrtl bilty. 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. The prices are expected to stabilise at current levels and would go up in near future once the demand for dry maize goes up.

NCDEX FUTURES MARKET:

NCDEX maize futures continued to remain in pressure despite the government has not banned maize exports so far. Increased selling pressure at higher levels is 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 most active January contract traded at Rs.765.5 over last week's closing off 768.50 and prevailed between Rs.760-789.5 during the week with good open interest but fluctuating volume. It did not trade in MCX during the week..

PRICE DIVERSE:

- Contradiction about ban on maize export
- Reduced stockists demand due to higher moisture percentage of fresh crop
- Reduced demand from poultry sector as well as starch sector
- Rabi maize sowing increasing
- Increasing arrival and stockists selling
- FMC tightened trading norms on maize futures

GLOBAL MARKET:

Chicago Board of Trade (CBOT) corn futures settled lower Friday on spillover trading. Weak sentiments of soy complex was also added negative tone. March corn finished 2.75 cents lower at \$3.69, 3 off the high and 2.5 up from the low. and May corn fell 2.5 cents to 3.77. China exported only 260,000 tonnes of corn during November as compared with trade expectations for near 400,000 tonnes.

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

MARKETS	9.12.06	16.12.06
Delhi (Red Maize)	830-835	820-825
Delhi (Gajar Maize)	810-815	805-810
Sangli truck Bilty (New)	680-690	700-705
Pune Starch (New)	750-760	760-765
Ahmedabad Poultry feed	795-800	810-815
Ahmedabad Starch	770-780	780-800
Kolkata mill delivery	830-835	870-875
Nizamabad (New Maize)	690-695	700-705
Davangere (New Maize)	650-660	685-690
Bihar Bilty Price	775-785	760-765

NEWS ANALYSIS:

DOMESTIC AND INTERNATIONAL

Orissa: NAFED to Procure Maize at MSP of Rs540/qtl

The Orissa State Government has decided to procure maize through NAFED for the first time this season. The Food Policy for the 2006-07-procurement year was decided at the Cabinet meeting on Friday. The target for corn procurement has been fixed at 2.82 lakh tonne. The minimum support price (MSP) has been fixed at Rs 540 per quintal for maize.

USDA: U.S. Corn Production Pegged Down at 10.7 Mil Bushels

According to the USDA's latest World Agriculture Supply Demand Estimates (WASDE) report, U.S. corn production for 2006 is forecast at 10.7 billion bushels, down 160 million bushels from last month. The national average yield is lowered 2.3 bushels per acre this month largely reflecting declines in Illinois, Indiana, Iowa, and Nebraska. Feed and residual use is lowered 50 million bushels reflecting sharply higher cash prices and the reduced crop. Exports are also lowered 50 million bushels as prices are expected to slow the pace of sales and shipments later in the year as supplies tighten. Ending stocks are projected 60 million bushels lower at 935 million. The 2006/07 marketing year average price is raised 40 cents on both ends of the range to \$2.80 to \$3.20 per bushel. Despite the strength of current cash prices, farm prices are expected to lag current cash levels as a result of farmer forward pricing during this past spring and summer.

USDA: Global Coarse Grain Production Estimated Down at 964.4 MMT

Global 2006/07 coarse grain production is lowered 0.3 million tons to 964.5 million tons. Production is decreased for Australia barley, EU-25 barley and oats, and Romania corn. These reductions, combined with the U.S. corn reduction, more than offset increases in China and Brazil corn and FSU-12 barley and oats. Australia barley production is lowered 0.3 million tons this month to 4.2 million based on October's continuation of drought and heat. China corn production is raised to 143 million tons, up 2 million from last month based on indications of higher than expected yields in the major growing areas. World coarse grain consumption and exports are both lowered this month. Global coarse grain ending stocks are raised 1.0 million tons as higher corn stocks in China and higher barley stocks in Ukraine, more than offset the reduction in U.S. corn ending stocks.

Source: USDA

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.

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.

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.

WEATHER WATCH

The regular market arrival is not expected to get affected due to rainfall. Sowing of wheat has completed around 80% of normal area in Haryana, Gujarat, Karnataka, M.P., Punjab, Uttaranchal and Maharashtra etc. Current weather is friendly for the development of the crop. Sowing should be completed by mid of December, and any delay would result in a yield loss.

Rainfall:

Fairly widespread rain/snowfall occurred over Jammu & Kashmir on 7th & 11th and over Himachal Pradesh and Uttaranchal on 11th. Isolated/scattered rain/snowfall also occurred over Jammu & Kashmir, Himachal Pradesh and Uttaranchal on 8th, 10th & 12th.

Isolated rain/thundershower occurred over Punjab and Western Uttar Pradesh on one or two days of the week.

Light rainfall occurred at a few places over Sub-Himalayan West Bengal & Sikkim on 12th. Light rainfall also occurred at isolated places over East Uttar Pradesh and Bihar during 11-12th.

TECHNICAL ANALYSIS

Commodity: Maize

Contract: JANUARY 2006

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

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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: Expected to remain rangebound with firm undertone on steady export amidst depleting stocks. 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:

Disclaimer

Light to moderate rain/thundershower occurred at a few places over northeastern States during 12-13th.

Fairly widespread/scattered rain/thundershower occurred over Tamil Nadu & Pondicherry during 10-13th. Scattered/isolated rainfall also occurred over south Coastal Andhra Pradesh, Rayalaseema and South Interior Karnataka during 11-12th. Scattered/isolated rain/thundershower occurred over Andaman & Nicobar Islands during many days of the week.

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

Outlook for the week ending on 20th December 2006

Subdued rainfall activity over south peninsula.

A fresh western disturbance is likely to affect Western Himalayan region during the week.

No significant change in minimum temperature over plains of northwest India and Gangetic plains.

Source: IMD

FOREX RATES (As on 16th DECEMBER, 2006)

Country	Currency	Value in Rupees
USA	Dollar	44.66
European Union	Euro	58.70
Japan	100 Yen	37.88
Great Britain	Pound Sterling	87.56

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
January	810	820	760	745



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