

MAIZE

31st DECEMBER, 2006 - 06th JANUARY, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Maize prices continued tight during the week in the delivered centers and the producing region due to steady export amidst meager arrivals. Stockists hoarding made supply constraints in markets yards. However, domestic demand is poor in higher price levels. Government projected the maize production of India for the year 2006-07 is 12.41 MMT as against the demand of 14 MMT. Thus the deficit will be near 1.6 MMT. The continuous export from India will increase the deficit. The arrivals of rabi crops might be increased some supply but rabi crop provides about 15-17% of the total maize production of India. The area under rabi maize crops has increased to 10.167 lakh ha as on 5th January, 2007 as against 7.076 lakh ha corresponding period of last year. The rabi crop likely to hit the markets in Feb-March 2007 mainly in the markets of Bihar, Andhra Pradesh and Maharsashtra. In Bihar, major rabi maize belts the second phase of sowing is expected during January last to February. The late sowing might cause some reduction in output along with small size of grain. The peak arrivals of rabi crops might be pressurized the sentiments for short time. However, traders are expected the firm sentiments of maize on increased global demand. Higher demand of ethanol has added the bullish tone at global market. The growing number of ethanol plants in US is demanding more supply. The poultry industry in India has been facing a severe supply constraint. Therefore, Govt. is considering on the duty free import of maize. Maize prices at Nizamabad remained firm between Rs 710-715 per quintal. In Delhi, maize prices continued steady at some higher levels despite the arrivals of 2500 bags maize from Maharashtra. Red maize offered steady at Rs.820-825/qrtl and gajar maize quoted higher between Rs.810-812/qrtl in this state. The bullish note of Jowar and Bajra prices are also underpinning the market tone. Maize prices quoted up in Bihar at between Rs. 770-775 on meager arrivals. Maize prices in Maharashtra quoted higher on increased demand from poultry industry as well as starch industries. Export to Bangladesh is temporarily on a halt due to forthcoming election in the country. However, the maize price will be go up further with tandem in export continuation to Bangladesh around the month of February.

NCDEX FUTURES MARKET:

NCDEX maize futures traded mostly rangebound with some bearish undertone during the week. However, the futures remained at some higher levels. Increased speculative buying at lower levels supporting the futures from major dips. Continuous export from India amidst decreasing stocks has increased the buying speculation. The most active February contract traded at Rs.750 over last week's closing off 765.5 and hovered between Rs.732.5-770 during the week with higher open interest and good volumes. The stochastic is in normal region and moving upwards following a bullish crossover. MACD in negative territory and moving slightly upwards. The stock Position of maize at NCDEX accredited Warehouses increased to 13513 MT as on 04-Jan-07. It did not trade in MCX during the week.

PRICE DRIVERS:

- Steady export of maize from India
- Sharply decreasing arrivals in the scenario of stockists hoarding along with lower production outlook
- GOI considering duty free import of maize to control the price
- Poor domestic demand at higher price levels
- Anticipation of increase demand from domestic as well as export sectors in coming future.
- Higher demand from growing number of starch industries
- Higher price of Jowar and Bajra
- Lower stocks of poultry industries

GLOBAL MARKET:

CBOT corn futures settled green Friday on short covering interest. March corn settled 6 cents higher at \$3.683 per bushel that was 0.5 off the high and 9.25 up from the low. May corn also settled higher at 3.778. This was 8.75 up from the low and 0.5 off the high. . A private forecaster pegged corn production for 2006 at 10.71 billion bushels,

down 35 million from the previous USDA forecast. Weekly US export sales for corn, however, came in at just 538,100 metric tonnes as compared to trade expectations between 750,000-950,000. The market managed to close with solid gains and near the highs of the day in spite of weakness in other markets, a sharp rally in the US dollar and a sharp sell-off in gold.

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

MARKETS	30.12.06	06.01.07
Delhi (Red Maize)	820-825	820-825
Delhi (Gajar Maize)	805-810	810-812
Sangli truck Bilty (New)	725-730	770-775
Pune Starch (New)	790-800	825-830
Ahmedabad Poultry feed	840-860	840-850
Ahmedabad Starch	830-850	830-840
Kolkata mill delivery	860	860-870
Nizamabad (New Maize)	705-710	710-715
Davengere (New Maize)	710-715	730
Bihar Bilty Price	750-755	770-775

DOMESTIC AND INTERNATIONAL

NEWS ANALYSIS:

Growing Ethanol Industry Looking for Huge Corn Supply

According to an Earth Policy Institute study, the growing number of ethanol industry will require more than twice as much corn in 2008 as previously expected. Ethanol producers are likely to build more than 279 plants over the next several years. The new diversion of uses of corn will no doubt affect the prices. The high corn prices will also increase the prices of products made using corn, such as milk, eggs, cheese, butter, pork, and ice cream. However, National Corn Growers Association are optimistic about meeting the rising demand for fuel without diverting corn from human food and animal feed markets.

The Acreage of Maize Increased to 10.167 Lakh ha

Government projected the maize production of India for the year 2006-07 is 12.41 MMT as against the demand of 14 MMT. Thus the deficit will be near 1.6 MMT. The continuous export from India will increase the deficit. The arrivals of rabi crops might be increased some supply but rabi crop provides about 15-17% of the total maize production of India. The area under rabi maize crops has increased to 10.167 lakh ha as on 5th January, 2007 as against 7.076 lakh ha corresponding period of last year. The rabi crop likely to hit the markets in Feb-March 2007 mainly in the markets of Bihar, Andhra Pradesh and Maharsashtra. In Bihar, major rabi maize belts the second phase of sowing is expected during January last to February. The late sowing might cause some reduction in output along with small size of grain. The peak arrivals of rabi crops might be pressurized the sentiments for short

time. However, traders are expected the firm sentiments of maize on increased global demand. Higher demand of ethanol has added the bullish tone at global market. The growing number of ethanol plants in US is demanding more supply.

NECC Urged PM to Ban Maize Future Trading & Export

The National Egg Coordination Committee (NECC) is considering the severe crisis of maize stock in the poultry industry. The stock levels in poultry industry are reportedly low in recent time due to the higher price of the same commodity. The maize future in the NCDEX traded up. GOI is taking into consideration about permitting duty-free import of corn that would help meet the demand from the India poultry sector along with continuation of maize export. NECC reportedly urged Prime Minister Manmohan Singh to ban forward trading and export of maize. Maize along accounted to 80 per cent of the total cost of production of eggs and broilers.

USDA Corn Export Sales Highlights

Corn: Net sales of 573,500 MT--a marketing-year low--were 50 percent below the previous week and the prior 4-week average. Increases reported for Egypt (186,000 MT), Japan (152,100 MT), Mexico (132,200 MT), Taiwan (78,600 MT), South Korea (55,000 MT), unknown destinations (26,000 MT), and Turkey (25,000 MT), were partially offset by decreases for Colombia (38,200 MT), El Salvador (19,000 MT), Honduras (15,000 MT), the Dominican Republic (14,200 MT), and Nicaragua (13,800 MT). Net sales reductions of 35,400 MT for delivery in 2007/08 resulted as increases for El Salvador (13,000 MT), were more than offset by decreases for Honduras (48,000 MT). Exports of 960,500 MT were 14 percent below the previous week and 17 percent under the prior 4-week average. The major destinations were Mexico (355,000 MT), Japan (340,400 MT), Colombia (101,500 MT), Egypt (65,500 MT), Morocco (30,900 MT), and Taiwan (28,700 MT).

Source: USDA

USDA: Global 2006/07 Coarse Grain Production Raised to 969 MT

Global 2006/07 coarse grain production is raised to 969 million tons, up 4.5 million tons from last month. Much of this increase results from higher corn production in Argentina and Brazil where area is raised in both countries due to recently favorable weather and the sharp rise in world corn prices. Corn production for Argentina and Brazil is raised 1.5 million tons and 1 million tons, respectively. Corn production is also raised 0.5 million tons in Canada, Russia, South Africa, and Ukraine. Partially offsetting these increases is a 0.6 million ton reduction in Croatia's corn output. The projected increase in South Africa reflects higher prices and adequate early season moisture that is expected to boost plantings. Corn production for Canada is raised based on recent estimates from Statistics Canada, which also lowered oat production 0.2 million tons. Changes for Croatia, Russia, and Ukraine are based on

updated harvest results. World coarse grain consumption and trade are raised this month. The largest increases in consumption are for Argentina and EU-25 corn. The increase for Argentina is driven by higher expected feed use. The rise in EU-25 consumption is consistent with higher imports and lower exports. High EU-25 grain prices are allowing intervention stocks to move into consumption. The largest export increases are projected for Argentina and Brazil where higher corn production will increase exportable supplies. Global coarse grain ending stocks are raised 2.5 million tons as corn stocks expand, especially in South Africa, Brazil, and EU-25.

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

WEATHER WATCH

A cyclonic circulation extending upto lower tropospheric levels lay over Assam & Meghalaya and neighbourhood during 28th December 2006 to 2nd January 2007. It moved eastwards and lay over Nagaland, Manipur, Mizoram & Tripura and neighbourhood on 3rd. A western disturbance as an upper air system lay over north Pakistan and neighbourhood on 30th; over north Kashmir and neighbourhood on 31st and it moved away eastwards thereafter. However, dense fog occurred over plains of northwest India in the rear of this disturbance. A weak easterly wave affected Nicobar Islands on 28th.December.

Rainfall:

Isolated rain/thundershower occurred over Sub-Himalayan West Bengal & Sikkim, Assam & Meghalaya and Arunachal Pradesh during many days of the week. Scattered rain/thundershower occurred over Nicobar Islands on 29th.December. Mainly dry weather prevailed over the remaining parts of the country during the week.

Fog conditions prevailed over many parts of Indo-Gangetic plains during the week. However dense fog occurred over the western parts of the region during 31st December and 1st January and over eastern parts of the region during 2nd and 3rd January.

Outlook for the week ending on 10th January 2007

Isolated rain/thundershower is likely over Sub-Himalayan West Bengal & Sikkim and northeastern States during 8-9th.

Fog conditions and fall in night temperatures are likely over plains of northwest India during 7-9th.

A fresh western disturbance is likely to affect western Himalayan region from 10th..

Source: IMD

FOREX RATES (As on 08th JANUARY, 2007)

Country	Currency	Value in Rupees
USA	Dollar	44.30
European Union	Euro	57.92
Japan	100 Yen	37.42
Great Britain	Pound Sterling	85.83

TECHNICAL ANALYSIS

Commodity: Maize

Contract: February 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

NCDEX maize futures traded mostly rangebound with some bearish undertone during the week. However, the futures remained at some higher levels. Increased speculative buying at lower levels supporting the futures from major dips. Continuous export from India amidst decreasing stocks has increased the buying speculation. The most active February contract traded at Rs.750 over last week's closing off 765.5 and hovered between Rs.732.5-770 during the week with higher open interest and good volumes. The stochastic is in normal region and moving upwards following a bullish crossover. MACD in negative territory and moving slightly upwards. The stock Position of maize at NCDEX accredited Warehouses increased to 13513 MT as on 04-Jan-07. It did not trade in MCX during the week. It did not trade in MCX during the week.

Technical: Candlesticks formation hints firm market for the following trading day with firm opening. The %K- line moving up after a bullish crossover at normal region, indicating firm market. MACD remains in the negative territory and moving slightly upwards. Prices closed below 9-day and 18-day EMA, The open interest was higher but volume of trade has fluctuated during the week.

Outlook: Expected to remain firm on steady export amidst poor arrivals. Bullish tone of jowar and bajra is also supporting firm outlook.

Recommendation: Buy on dips towards support levels

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>
© 2005 Indian Agribusiness Systems Pvt Ltd.

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
February	723	714	782	797

