

MAIZE

20th -27th, JANUARY, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Maize prices increased further this week in the major spot markets on steady arrivals at lower side amidst continued export demand. However, domestic demand is lower at the higher price levels. The firm sentiments of jowar, bajra are also underpinning the tone. Another factor for the increase in maize prices is the worldwide shortage of maize. World wide maize shortfall is reported to be 6 to 7% compared to last year. Maize output in the US, largest producer accounting for about 40 per cent of total maize production in the world, is estimated to reduce by about 10 million tonnes to 272 million tonnes for 2006-07. At the same time, the demand is expected to go up by about 12 million tonnes. The bullish tone of maize at CBOT this week has added firmness. The growing demand from ethanol industry has added underlying bullish sentiments. The domestic demand is about 14 Mln tonne. The expected production is about 12.4 Mln Tonne including rabi crop. Further, the continuous export of maize from India will down the stock position. Govt of India has removed customs duty on Maize imports till December 31, 2007 in yet another measures to curb rising inflation. Arrivals remained steady at lower side in major markets. Red maize prices at Delhi market has increased by Rs.20-25 at Rs.870-872 and arrivals remained steady at 4-6 motors in Delhi mandis from UP. Maize prices quoted up by Rs.10-20 in Bihar at Rs. 810. Rabi maize is likely to hit the market during March-April. Maize acreage has increased to 10.67 lakh ha so far as on 19th January, 2007 compared to 7.403 lakh ha in the corresponding period last year, representing an increase of over 3.267 lakh hectare. The acreage under maize in U.S. is also increased by 7.3 million acre to 85.6 million acres. Annual US maize plantings is 80 million acres.

NCDEX FUTURES MARKET:

NCDEX maize futures traded rangebound with weak biasness during the week. Increased selling pressure at the higher side pressurized the futures. Lower demand at higher price levels is underpinning the sentiments. Govt's decision to remove customs duty on Maize imports till December 31, 2007 should curb some of the rising inflation in coming days. The most active February contract traded at Rs.768 over last week's closing off 774.5 and hovered between Rs.764-788 during the week with lower open interest and volumes. The stochastic is in normal region

and moving downwards. MACD is in positive territory and moving downwards, indicating weakness at medium term. The stock Position of maize at NCDEX accredited Warehouses increased to 13710 MT as on 24-Jan-07. It did not trade in MCX during the week.

PRICE DRIVERS:

- Continued export of maize from India amidst big gap between demand and supply
- Maize acreage has increased to 10.67 lakh ha so far as on 19th January, 2007 compared to 7.403 lakh ha in the corresponding period last year
- The acreage under maize in U.S. is also increased by 7.3 million acre
- GOI allowed duty free import of maize till December 31, 2007
- Poor domestic demand at higher price levels amidst supply need
- Higher demand from growing number of starch industries
- Higher price of Jowar and Bajra
- Firm sentiments at Global market

GLOBAL MARKET:

CBOT corn futures settled down Friday on lack of fundamental support. March corn ended 1.5 cent lower at \$4.055 per bushel that was 2.5 off the high and 3.5 up from the low. December finished 0.75 cent lower at \$3.985 per bushel. A survey from Farm Futures magazine indicated that US producers will increase corn planted area by 10.1 million acres for the coming year and this news added to the bearish tone early in the session. Slowdown in export news from South Korea and ideas that the market was overdone after Thursday's rally added underlying bearish note.

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

| MARKETS | 20.01.07 | 27.01.07 |
|--------------------------|----------|----------|
| Delhi (Red Maize) | 865 | 870-872 |
| Delhi (Gajar Maize) | 835-840 | 850-855 |
| Sangli truck Bilty (New) | 755-760 | 760-765 |
| Pune Starch (New) | 785-790 | 790-795 |
| Ahmedabad Poultry feed | 860-865 | 850-865 |
| Ahmedabad Starch | 840-860 | 845-870 |
| Kolkata mill delivery | 890-895 | 895-900 |
| Nizamabad (New Maize) | 750-755 | 785 |
| Davengere (New Maize) | 735-738 | 755-757 |
| Bihar Bilty Price | 795-800 | 810 |

DOMESTIC AND INTERNATIONAL NEWS ANALYSIS:

Govt Announces Duty Free Imports of Maize

Govt of India has removed customs duty on Maize imports till December 31, 2007 in yet another measures to curb rising inflation. Maize imports are currently governed by Tariff Rate Quota (TRQ), under which up to 5 lakh tonnes will attract 15 pct customs duty and thereafter 50 pct on all additional imports. India is exporting maize to neighbouring countries including Indonesia as the global prices are attractive and Indian exporters find parity at UD\$ 190 pmt FOB levels for exports. While the domestic prices are ruling around Rs 8000 per tonne as against Rs 5500-6000 per tonne last year, the international maize prices are currently ruling at around Rs 10,000 per tonne

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.

Maize Acreage is Up in India

Maize has been sown in 10.67 lakh ha so far as on 19th January, 2007 compared to 7.403 lakh ha in the corresponding period last year, representing an increase of over 3.267 lakh hectare.

USDA Corn Export Sales Down

Corn: Net sales of 992,900 MT were 30 percent below the previous week and 8 percent under the prior 4-week average. Increases reported for Japan (513,700 MT), Mexico (210,300 MT), Egypt (186,800 MT, including 60,000 MT switched from unknown destinations), the Dominican Republic (45,700 MT), Libya (26,400 MT, including 26,700 MT switched from unknown destinations and decreases of 300 MT), and Cuba (25,000 MT), were partially offset by decreases for unknown destinations (95,700 MT), Saudi Arabia (30,000 MT), and Canada (23,500 MT). Exports of 1,034,400 MT were 3 percent above the previous week and 5 percent over the prior 4-week average. The major destinations were Japan (411,400 MT), Egypt (177,300 MT), Colombia (95,100 MT), Taiwan (80,800 MT), Israel (52,100 MT), Libya (51,400 MT), and Costa Rica (37,000 MT).

Source: USDA

US Corn Ending Stocks Projected 183 Mln Bushels Down

Projected U.S. 2006/07 corn ending stocks are projected at 752 million bushels, down 183 million bushels from last month as lower production is only partly offset by reduced feed and residual use. Corn production is estimated 210 million bushels lower reflecting lower planted and harvested area and a 2.1- bushel-per-acre reduction in the average yield. Feed and residual use is projected 75 million bushels lower based on the smaller crop and higher prices. Corn food and industrial use is lowered 5 million bushels reflecting lower use by the sweetener industry during the September- November quarter. Exports are raised 50 million bushels based on the continued strength of export demand as demonstrated by shipments and export sales. The projected price range is raised 10 cents on each end of the range to \$3.00 to \$3.40 per bushel.

Source: WASDE

Global Coarse Grain Production Lowered 6.6 Mln Tonnes

Global 2006/07 coarse grain production is lowered 6.6 million tons this month. The largest share of the reduction results from lower U.S. feed grain output. Also lower are EU-25 corn, barley, and mixed grains production and Russia corn, barley, and oats production. Partly offsetting are higher sorghum and barley production in Argentina and higher corn production in Bulgaria. World coarse grain consumption is down 1.2 million tons as the U.S. decline more than offsets a small increase in foreign use. Trade is raised this month. The largest export increases are for U.S. and Brazil corn. These increases are partly offset by lower corn and barley exports from Ukraine. Global coarse grain ending stocks are lowered 6.2 million tons with global corn stocks projected to fall to their lowest level since 1977/78.

Source: WASDE.

WEATHER WATCH

A western disturbance as an upper air system lay over Pakistan & adjoining Jammu & Kashmir on 18th, over Jammu & Kashmir and neighbourhood on 19th and moved away eastwards on 20th. An upper air cyclonic circulation extending upto lower tropospheric levels lay over Assam & neighbourhood on 21st and moved away eastwards thereafter. Last week's cyclonic circulation at lower levels over Gangetic West Bengal & neighbourhood became less marked on 18th.

Rainfall:

Isolated snowfall occurred over Jammu & Kashmir on 19th and 20th. Isolated rainfall occurred over north Coastal Andhra Pradesh on 19th and over Arunachal Pradesh and adjoining Assam on 22nd. Mainly dry weather prevailed over the remaining parts of the country during the week. Isolated fog conditions in the morning hours prevailed over Indo-Gangetic plains during 18-21st and on 24th. Morning fog conditions also prevailed at same places during 20-21st

TECHNICAL ANALYSIS

Commodity: Maize

Contract: February 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

NCDEX maize futures traded rangebound with weak biasness during the week. Increased selling pressure at the higher side pressurized the futures. Lower demand at higher price levels is underpinning the sentiments. Govt's decision to remove customs duty on Maize imports till December 31, 2007 should curb some of the rising inflation in coming days. The most active February contract traded at Rs.768 over last week's closing off 774.5 and hovered between Rs.764-788 during the week with lower open interest and volumes. The stock Position of maize at NCDEX accredited Warehouses increased to 13710 MT as on 24-Jan-07. It did not trade in MCX during the week.

Technical: Candlesticks formation hints firm market for the following trading day with firm opening. The stochastic is in normal region and moving downwards. MACD is in positive territory and moving downwards, indicating weakness at medium term. Prices closed below 9-day and 18-day EMA, The open interest as well as volume of trade has decreased during the week.

Outlook: Expected to remain ease on lower demand at higher price levels. Govt's decision to remove customs duty on Maize imports might be cut the inflation of maize prices.

Recommendation: Sell on High towards resistance levels

and at isolated places during 22-24th over the northeastern states and adjoining Sub-Himalayan West Bengal & Sikkim.

Outlook for the week ending on 31st January 2007

A fresh western disturbance as an upper air system is likely to affect Western Himalayan region during second half of the week.

Source: IMD

FOREX RATES (As on 29th JANUARY, 2007)

| Country | Currency | Value in Rupees |
|----------------|----------------|-----------------|
| USA | Dollar | 44.24 |
| European Union | Euro | 57.33 |
| Japan | 100 Yen | 36.77 |
| Great Britain | Pound Sterling | 86.95 |

Resistance and Support level:

| Contract Month | Resistance 1 | Resistance 2 | Support 1 | Support 2 |
|----------------|--------------|--------------|-----------|-----------|
| February | 780 | 789 | 738 | 725 |



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.