

MAIZE

17th -24th, FEBRUARY, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Mix sentiments prevailed in maize markets during the week. Red maize prices at Delhi market increased further by Rs. 20 at Rs.895-900/qtl and arrivals declined to around 2 motors. The arrivals are mainly reported from U.P. and Maharastra. Fresh arrivals are increasing in Andhra Pradesh mandis. The Davengere markets witnessed 2-3 thousand bags of daily arrivals and the price decline to Rs.775-780/qtl on bilty basis. The maize prices in Nizamabad mandis remained weak around 765-770/qtl on bilty basis. Maize prices decline slightly by Rs.5/qtl to 845-850/qtl in Bihar on spill over trading. Bihar and A.P. produces more than 75% of total rabi maize crops in the country. Area under maize during this rabi season has increased to 11.134 lakh hectares so far as on 19.02.07 from 9.948 lakh hectares in the last year, and the crop is observed to be in the fittest of condition. The traders are looking for fresh arrivals from Bihar that will start during march-April. According to the second advance estimate of Govt. the production of rabi maize crops in the country is likely to be 2.46 Mln. Tonnes as against the 2.55 Mln. Tonnes last year. Poultry industry that consumes more than 50 per cent of the maize produce in the country are holding lower stocks due to higher prices of maize. However, The Cabinet Committee on Economic Affairs has approved for releasing of 21,200 MT of maize at a price of Rs.450/- per quintal by the state in the month of February for distribution to poultry farmers for use in poultry feed. This will enable poultry farmers of the State of West Bengal to access poultry feed at a reasonable price and help them to fulfill their stocks. West Bengal holds a surplus stock of 5.0 lakh MTs maize. Despite the Govt. decision to slashing import duty to zero last week no import is witnessed so far as the landed price of imported corn is ruling higher. The global consumption of corn is attracting Indian exports. In US, there a spurt in consumption due to its use in production of ethanol, approximately 81.28 million tones is estimated to be used in production of ethanol. International prices might come down only when production went up. The U.S. corn is likely to harvest in the months of May-June. USDA estimated world ending stocks for 2006/2007 were pegged at 87.9 MMT, up from 86.4 MMT estimated last month but down from 124.5 MMT last year. Argentina corn production was revised higher to 21 MMT from 19 million last month, an increase of 2 MMT, and Brazil's production was boosted to 46 MMT from 42 MMT last month. South Africa's corn

production is projected down by 0.5 MMT this month to 9.5 MMT on less than normal rainfalls. However, the overall growth of production might be helped in keeping a check on world maize prices.

NCDEX FUTURES MARKET:

NCDEX maize futures traded down towards months' low during the week. The futures pressurised on long liquidation and fresh selling at higher levels. The most active March contract traded lower around Rs.780/qtl as against the previous week's closing of around Rs.800/qtl and hovered between Rs.771.5-809.0 during the week with lower open interest and more or less steady volumes. The stock Position of maize at NCDEX accredited Warehouses decreased to 13319 MT as on 22.02.07 against the last week's stocks of 13640 MT.

PRICE DRIVERS:

- Meagre arrivals amidst steady demand in majority spot markets
- The fresh rabi crops arrivals are increasing in Andhra Pradesh
- Govt. to release maize to the poultry industry in WB
- Maize acreage has increased to 11.134 lakh ha so far as on 19th February, 2007 compared to 9.948 lakh ha in the corresponding period last year
- USDA estimated this month world ending stocks for 2006/2007 were higher as against the estimation of last month
- Despite duty waiver, imports may not be feasible because of strong overseas prices.
- The rabi crops is likely to hit the Bihar market during March-April
- U.S. corn is likely to harvest in the months of May-June
- Higher demand from growing number of starch industries

GLOBAL MARKET:

CBOT Corn futures finished lower Friday. March corn ended 4.25 cents lower at \$4.30 per bushel, May corn settled 5 cents lower at \$4.425 per bushel, and December finished 7 cents lower at \$4.207 per bushel. The market fell

sharply led by the new crop contracts with a growing concern that the market may be attracting too many extra acres for the coming growing season. Absence of aggressive fund buying was also an important factor of the bearish tone. Weekly US export sales for corn came in at 929,900 metric tonnes as compared to trade expectations between 850,000-1,500,000. Cumulative sales have reached 66.3% of the USDA forecast for the entire 2006/2007 season as compared to 55.8% on average over the last five years. Sales of 680,500 metric tonnes per week are needed to reach the USDA estimate. The data suggests that the USDA may need to revise their export forecast higher in future supply/demand updates if the strong pace continues. However, a much larger crop out of Argentina has traders expecting a significant slowdown in US corn sales once the South American crops are harvested.

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	17.02.07	24.02.07
Delhi (Red Maize)	880-885	895-900
Delhi (Gajar Maize)	970-975	880-885
Sangli truck Bilty (New)	775-780	775-780
Pune Starch (New)	820-825	815-820
Ahmedabad Poultry feed	870-875	850-855
Ahmedabad Starch	865-875	855-860
Kolkata mill delivery	920-925	925-930
Nizamabad (New Maize)	780-785	765-770
Davengere (New Maize)	800-805	775-780
Bihar Bilty Price	850-855	850

DOMESTIC AND INTERNATIONAL

NEWS ANALYSIS:

Govt. Decided to Release Maize to West Bengal

The Cabinet Committee on Economic Affairs gave its approval for releasing of 21,200 MT of maize during February, 2007 at a price of Rs.450/- per quintal from within the 5.0 lakh MTs of surplus stock held by the Government to the State of West Bengal for distribution to poultry farmers for use in poultry feed.

Source: PIB

USDA Long-term Projections on Corn

Domestic corn use grows throughout the projection period, primarily reflecting increases in corn used in the production of ethanol. Global economic growth underlies increases in U.S. corn

- Large increases are projected in corn used for ethanol production over the next several years. Relatively high prices for oil contribute to favorable returns for ethanol production, which combine with government programs to

provide economic incentives for the large ongoing expansion in ethanol production capacity.

- Feed and residual use of corn declines in the initial years and then rises only moderately as increased feeding of distillers grains, a co product of dry mill ethanol production, helps meet livestock feed demand.

- Gains in food and industrial uses of corn (other than for ethanol production) are projected to be smaller than increases in population. Consumer dietary concerns and other changes in tastes and preferences limit increases in the combined use of corn for high fructose corn syrup, glucose, and dextrose to about half the rate of population gain.

- U.S. corn exports fall over the next several years as more corn is used domestically in the production of ethanol. After growth in ethanol production in the United States slows, U.S. corn exports rise in response to stronger global demand for feed grains to support growth in meat production.

- Additionally, U.S. corn exports to Mexico are boosted because of the elimination of tariffs on corn imports from the United States. This shifts some U.S. exports to corn from sorghum, which already has tariff-free status.

Source: USDA

USDA Long-Term Projections: Global Coarse Grains Exports

The United States dominates world trade in coarse grains, particularly corn. However, increasing use of corn for U.S. ethanol production and rising world prices are assumed to limit U.S. export growth. During the next half decade, some countries respond to higher world prices by increasing corn production and exports—most notably Argentina, some countries in Eastern Europe, the Republic of South Africa, Ukraine, and Brazil. Still, U.S. corn exports are projected to grow after the ramp up in domestic ethanol production slows in 2009. The U.S. share of world corn trade stays close to 60 percent as few countries have the capability to respond to rising international

- Argentina, with a small domestic market, remains the world's second largest corn exporter. Argentina's corn planted area gradually increases in response to higher prices. Corn exports rise steadily by more than 60 percent to 21 million tons. Argentina and other South American countries increase corn exports to Chile to support its expanding pork exports to South Korea.

- The Republic of South Africa boosts corn exports slightly to nearly 3 million tons. Some exports go to East Asian markets and some shipments of white corn are exported to neighboring countries for food use. Uncertainties associated with the land reform program in the Republic of South Africa are assumed to limit increases in production.

- Corn exports from non-EU-25 Eastern European countries, primarily Romania and Bulgaria, rise to more than 3 million tons by 2016. Favorable resource endowments, increasing economic openness, greater investment in their agricultural sectors, and duty-free access to the EU-25 for Romania and Bulgaria are behind the projected gains in production and trade.

- Brazil's corn exports increase rapidly in the early years of the projections in response to higher corn prices relative to soybean prices. Brazil targets niche market demand for nongenetically modified grain. However, strong growth in domestic demand from its livestock sector and the profitability of growing soybeans limits corn exports.

- China's corn exports decline in the projections, reflecting strengthening domestic demand driven by its expanding livestock and industrial sectors. It is assumed that Chinese policy will tend to favor importing soybeans rather than corn.

Source: USDA

Global 2006/07 Corn Production Projected Higher this Month

Global 2006/07 coarse grain production is raised 4.8 million tons this month on improved prospects for corn crops in South America. Corn production for Argentina is raised 2 million tons to 21 million. Brazil corn production is raised 4 million tons to 46 million. Both increases are based on good growing season weather as reflected in recent area and yield indications. Supportive weather and higher prices also favor increased area for second-crop corn in Brazil. Partly offsetting these increases is a 0.5-million-ton decrease for South Africa corn production. South Africa corn output is projected at 9.5 million tons on lower reported area and declining yield prospects as heat and dryness have stressed crops in the western Maize Triangle. Other coarse grain production changes include reductions for Australia sorghum; Ukraine barley, oats, and corn; and Turkey corn. Other production increases include Kazakhstan barley and India corn.

Source: WASDE

Global Coarse Grain Consumption Up 3 Mln tonnes

World coarse grain consumption is raised 3 million tons this month as improving supply prospects support stronger global use. Corn feed use for Brazil is revised higher for 2005/06 and projected higher for 2006/07 based on indications of stronger poultry and hog feeding demand. Global coarse grain exports are raised 2.8 million tons with the biggest increases for Argentina and Brazil corn. Corn imports for Mexico are raised 0.7 million tons this month based on the strong pace of shipments and sales from the United States. Canada corn imports, however, are lowered 0.3 million tons reflecting sharply higher wheat feeding. Global coarse grain ending stocks are raised 1.3 million tons with a 1.5-million-ton increase in corn stocks offset by slightly lower barley and sorghum stocks.

Source: WASDE

Higher Global Prices Restricted Maize Import in India

The firm prices of Indian maize are losing its ground in the Southeast Asian market. On the other hand, despite the Govt. decision to slashing import duty to zero last week no significant import is observed so far as the landed price of imported corn is ruling higher. The maize mills are buying the local crop much higher rates around Rs.8.25-8.60 per kg. The import cost will be further higher which, they can't afford practically. The higher global prices restricted Indian starch industry, one of the main consumers of maize from import. Starch companies are reportedly shifting to tapioca starch because that is much cheaper than maize starch.

The poultry industry is also reportedly switch to cheap rice bran, poor quality wheat and Soya meal. If the global prices not come down the import won't be viable in coming months. However, U.S. corn is likely to harvest in the months of May-June. The higher arrivals in U.S. might be dropped the price levels there at that time.

USDA Corn Export sales Highlights

Corn: Net sales of 839,400 MT were 39 percent below the previous week and 18 percent under the prior 4-week average. Increases reported for Mexico (387,000 MT, including 14,800 MT switched from unknown destinations), Taiwan (157,000 MT, including 58,000 MT switched from unknown destinations), Malaysia (142,100 MT, including 130,800 MT switched from unknown destinations), Egypt (127,400 MT, including 34,400 MT switched from unknown destinations), the Dominican Republic (108,700 MT), and South Korea (57,500 MT), were partially offset by decreases for unknown destinations (338,800 MT) and Indonesia (50,000 MT). Net sales of 90,500 MT for delivery in 2007/08 were mainly for Japan (85,700 MT). Exports of 1,258,900 MT were 26 percent above the previous week and 18 percent over the prior 4-week average. The major destinations were Japan (233,800 MT), Egypt (172,500 MT), Malaysia (142,700 MT), Taiwan (119,000 MT), Colombia (116,000 MT), South Korea (115,600 MT), and Mexico (77,800 MT). Note: Accumulated exports were adjusted down 9,600 MT for Japan.

This summary is based on reports from exporters for the period February 9-15, 2007.

Source:USDA

WEATHER WATCH

Last week's western disturbance as an upper air system over East Uttar Pradesh and adjoining Bihar lay over Assam & Meghalaya on 15th, over east Arunachal Pradesh and adjoining Assam on 16th and moved away eastwards on 17th. However, another upper air cyclonic circulation lay over Bangladesh and neighbourhood at lower levels on 17th and 18th. A fresh western disturbance affected Western Himalayan region during 16-18th. Another western disturbance affected the region from afternoon of 20th. An easterly wave affected south peninsula and Lakshadweep islands during 17-21st.

Rainfall:

Isolated to scattered rain/snow occurred over Jammu & Kashmir and Himachal Pradesh during many days of the week. Isolated rain/thundershower occurred over Punjab on 15th & 19th and over Rajasthan on 16th and 18th. Rain/thundershower occurred at isolated places over West Bengal & Sikkim during first half of the week and over Orissa and Jharkhand on 17th and 18th. Scattered/fairly widespread rain/thundershower occurred over northeastern States during 15-18th. Isolated/scattered rain/thundershower occurred over Coastal Andhra Pradesh on 18th, over Tamil Nadu during 18-20th, over Kerala during 19-21st and over Lakshadweep Islands on 20th and 21st. Mainly dry weather prevailed over the remaining parts of the country during the week.

Outlook for the week ending on 28th February 2007

Due to a western disturbance, isolated to scattered rain/thundershower is likely over northwest & Central India on 25th, over east India on 25th & 26th and over northeast India on 26th. Another western disturbance is likely to affect Western Himalayan region and adjoining plains towards the

end of the week. Isolated to scattered rain/thundershowers likely over extreme south peninsula during 2nd half of the week.

Source: IMD

TECHNICAL ANALYSIS

Commodity: Maize

Contract: March 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

NCDEX maize futures traded down towards months' low during the week. The futures pressurised on long liquidation and fresh selling at higher levels. The most active March contract traded lower around Rs.780/qrtl as against the previous week's closing of around Rs.800/qrtl and hovered between Rs.771.5-809.0 during the week with lower open interest and more or less steady volumes. The stock Position of maize at NCDEX accredited Warehouses decreased to 13319 MT as on 22.02.07 against the last week's stocks of 13640 MT.

Technical: Candlesticks formation hints firm market for the following trading day with lower opening. The stochastic is in oversold region and moving upwards. MACD is in negative territory and moving downwards. Prices closed below 9-day and 18-day EMA, The open interest has declined whereas volume of trade remained more or less steady during the week.

Outlook: Range bound with weak undertone on fresh arrivals to increase in A.P. Govt. decision to release of 21,200 MT of maize at a price of Rs.450/- per quintal by the West Bengal state might curb the bullishness.

Recommendation: Sell on High towards resistance levels

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
March	800	805	765	758

FOREX RATES (As on 26th FEBRUARY, 2007)

Country	Currency	Value in Rupees
USA	Dollar	44.28
European Union	Euro	58.10
Japan	100 Yen	36.46
Great Britain	Pound Sterling	86.64



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