

MAIZE

10th -17th, FEBRUARY, 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 majority of spot markets on lower arrivals and steady demand. Red maize prices at Delhi market increased by Rs. 20 at Rs.875-880/mtl and arrivals declined at 2-3 motors against 5-6 motors last week. The arrivals are mainly reported from U.P. and Rajasthan. However, the prices of maize in Andhra Pradesh mandis eased on the back of starting fresh rabi crops arrivals reportedly around 1,000 bags/day. Nizamabad mandis witnessed some soft sentiments and the prices quoted around 780-790/mtl on bilty basis. Maize prices quoted steady in Bihar at Rs. 850-855/mtl bilty basis on meager arrivals. Bihar produces a major portion of total rabi maize crops in the country. 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. Area under maize has increased to 11.134 lakh ha as on 9th February, 2007 from 9.948 lakh ha corresponding period of last year. The recent rainfall helped in crop growth. The bearish sentiments of bajra likely to add the weak tone in maize as the poultry industry, which consumes more than 50 per cent of the maize produce in the country shifting towards cheap rice bran, poor quality wheat and bajra. 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. 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. The total world usage is also likely to jump by 3 MMT in 2007 as the USDA report.

NCDEX FUTURES MARKET:

NCDEX maize futures traded rangebound with weak biasness during the week as against last week. The futures

pressurised on long liquidation and fresh selling at higher levels. The most active March contract traded lower around Rs.803/mtl and hovered between Rs.790.5-810 during the week with lower open interest and more or less steady volumes. The stock Position of maize at NCDEX accredited Warehouses decreased to 13640 MT as on 15.02.07 against the last week's stocks of 13854 MT.

PRICE DRIVERS:

- Meager arrivals amidst steady demand in majority spot markets
- The fresh rabi crops arrivals started in Andhra Pradesh
- Maize acreage has increased to 11.134 lakh ha so far as on 09th 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
- Lower prices of bajra

GLOBAL MARKET:

CBOT Corn futures finished up Friday. March contract lifted its highest levels. March corn settled 9.5 cents higher at \$4.17 per bushel and May also gained 9.5 cents to \$4.25 per bushel. That was 0.5 off the high and 11 up from the low. A bullish long-term weather forecast from a private that the El Nino pattern is fading quickly and that a La Nina pattern into the spring and summer could cause hot and dry weather for key growing areas on the Midwest helped in lifted market sharply higher on the day with new crop corn posting new contract highs. Technical and fund buying added underlying bullish tone. Weekly US export sales for corn came in at 1.389 million metric tonnes as compared to trade expectations between 700,000-900,000. Cumulative

sales have already reached 64.8% of the USDA forecast for the entire season as compared to 53.9% on average over the last five years. Sales of 686,000 metric tonnes per week are needed to reach the USDA estimate. A firm tone to China futures overnight and ideas that other usage categories (feed and ethanol) are also progressing on or above the pace shown in the USDA supply/demand report helped to provide support.

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	10.02.07	17.02.07
Delhi (Red Maize)	860-870	880-885
Delhi (Gajar Maize)	850-860	970-975
Sangli truck Bilty (New)	770-775	775-780
Pune Starch (New)	820-825	820-825
Ahmedabad Poultry feed	860-870	870-875
Ahmedabad Starch	865-875	865-875
Kolkata mill delivery	930-935	920-925
Nizamabad (New Maize)	785-790	780-785
Davengere (New Maize)	820-825	800-805
Bihar Bilty Price	850-855	850-855

DOMESTIC AND INTERNATIONAL NEWS ANALYSIS:

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.

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.

USDA Corn Export Sales Up This Week

Corn: Net sales of 1,386,400 MT were 51 percent above the previous week and 34 percent over the prior 4-week average. Increases reported for Japan (684,400 MT), Guatemala (185,700 MT), Mexico (185,600 MT, including 14,900 MT switched from unknown destinations), Colombia (145,700 MT), Egypt (63,700 MT, including 60,000 MT switched from unknown destinations), and Taiwan (61,600 MT), were partially offset by decreases for unknown destinations (183,900 MT). Exports of 996,600 MT were 3 percent below the previous week and 7 percent under the prior 4-week average. The major destinations were Japan (161,000 MT), Israel (114,200 MT), Saudi Arabia (101,100 MT), Mexico (88,600 MT), Colombia (88,100 MT), Morocco (85,000 MT), and Taiwan (75,000 MT).

This summary is based on reports from exporters for the period February 2-8, 2007.

Source: USDA

WEATHER WATCH

Last week's western disturbance as an upper air system moved away eastwards on 8th. A fresh western disturbance as a low pressure area lay over central Pakistan on 9th. Moving slowly in an east-northeasterly direction, it lay over central Pakistan and adjoining Rajasthan and Punjab on 10th. It persisted there on 11th and 12th. Moving further east-northeastwards slowly it weakened and lay as an upper air system over Haryana and neighbourhood extending upto mid-tropospheric level on 13th. It lay over East Uttar Pradesh and adjoining Bihar extending upto 3.1 km a.s.l. on 14th with a trough from this system extending upto south coastal Orissa. An upper air cyclonic circulation extending upto 1.5 km a.s.l. lay over Jharkhand and neighbourhood with a trough running upto south Chhattisgarh on 13th and became less marked on 14th. A trough in easterly at lower levels lay over southwest Bay of Bengal off Tamil Nadu coast on 9th and off south Tamil Nadu on 10th. It ran from Commorin area to south Tamil Nadu on 11th and from Commorin area to Kerala on 12th. It moved away westwards on 13th.

Rainfall:

Isolated rain/snowfall occurred over Jammu & Kashmir, Himachal Pradesh, Uttaranchal, Punjab and West Uttar Pradesh on 8th. Rain/thundershower occurred at a few places over Orissa, west Bengal, Jharkhand, Bihar, East Uttar Pradesh and northeastern States on 8th, and over the above regions outside East Uttar Pradesh and Bihar on 9th. A fresh active wet spell started on 10th with rain/thundershower at many places over Rajasthan at a few places over Gujarat and isolated precipitation over Jammu & Kashmir, Himachal Pradesh, Uttaranchal, Punjab and West Uttar Pradesh. The activity increased thereafter causing rain/snow at many places over these sub-divisions outside Rajasthan during 11-13th and at a few places on 14th. The activity continued over Rajasthan and Gujarat upto 11th. Isolated rainfall also occurred over Konkan & Goa during this period. Isolated heavy rainfall was realized over Rajasthan on 11th and over Haryana on 11th and 12th. The active wet spell extended to central and east India on 11th causing rain/thundershowers at many places over East Uttar Pradesh, north Madhya Pradesh, north Chhattisgarh on 11th, north Madhya Pradesh, north Chhattisgarh, East Uttar Pradesh, Bihar, Sub-Himalayan west Bengal & Sikkim on 12th, north Madhya Pradesh, north Chhattisgarh, interior Orissa on 13th, East Madhya Pradesh, Chhattisgarh and all the sub-divisions of east

India on 14th. Scattered to isolated rain/thundershowers also occurred over remaining parts of central and east India during this period. The enhanced rainfall belt extended to northeastern States causing fairly widespread rainfall on 14th. Isolated rain/thundershower occurred over Tamil Nadu during 10-12th and on 14th, over Kerala during 12-13th and over north Andhra Pradesh on 14th. Mainly dry weather prevailed over the remaining parts of the country during the week. Morning fog conditions prevailed over many parts of Indo-Gangetic plains during 8-9th and at some places over northwest India on 14th.

Outlook for the week ending on 14th February 2007

Scattered precipitation activity is likely over Western Himalayan region and adjoining northern plains for 2-3 days commencing from 17th. Night temperatures are likely

Source: IMD

TECHNICAL ANALYSIS

Commodity: Maize

Contract: March 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

NCDEX maize futures traded rangebound with weak biasness during the week as against last week. The futures pressurised on long liquidation and fresh selling at higher levels. The most active March contract traded lower around Rs.803/qtl and hovered between Rs.790.5-810 during the week with lower open interest and more or less steady volumes. The stock Position of maize at NCDEX accredited Warehouses decreased to 13640 MT as on 15.02.07 against the last week's stocks of 13854 MT.

Technical: Candlesticks formation hints weak market for the following trading day with lower 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 above 9-day and 18-day EMA, The open interest has declined whereas volume of trade remained more or less steady during the week.

Outlook: Rangebound with weak undertone on some fresh arrivals started at A.P. mandis.

Recommendation: Sell on High towards resistance levels

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
March	817	822	785	778

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to exhibit no significant change over Indo-Gangetic plains till 18th and slight fall thereafter.

FOREX RATES (As on 19th FEBRUARY, 2007)

Country	Currency	Value in Rupees
USA	Dollar	44.09
European Union	Euro	57.92
Japan	100 Yen	36.71
Great Britain	Pound Sterling	86.59

