

MAIZE

24th FEBRUARY - 03rd MARCH, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Red maize prices at Delhi market remained firm at Rs.900/qrtl on the back of arrivals around 8 motors including bajra from U.P. Around 20 boxes of red maize containing about 605qtl/box has also arrived at delhi mandis from Maharashtra. Some demand from Haryana and Punjab mandis has witnessed from Delhi. Fresh arrivals are increasing in Andhra Pradesh mandis. The Davengere markets observed 2-3 thousand bags of daily arrivals and the price decline to Rs.770-775/qrtl on bilty basis. Maize prices improved to 850-860/qrtl in Bihar on very poor arrivals due to lower stocks as well as unseasonal rains. 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. 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. Ease sentiments in jowar, bajra and rice bran is pressurising the maize market. Poultry industry that consumes more than 50 per cent of the maize produce in the country are diverting towards relatively chief substitute such as ricebran, jowar and bajra 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. Govt. holds a surplus stock of 5.0 lakh MTs maize. Poultry sector comes with a proposal of providing capital grant/concessional finance for integrated development scheme for doubling the certified seeds in maize with some other commodities. The rapid increase in the availability of quality/certified seed will facilitate meeting the maize demand in India by increasing the production. The higher productivity as well as production of maize is a challenging factor for India to catch the global market after meeting the domestic demand. There is wide scope of getting foreign money through maize export because of sharply rising ethanol demand worldwide. The bullish tone of CBOT corn market is also underpinning the maize sentiments in India.

NCDEX FUTURES MARKET:

NCDEX maize futures traded range bound with weak undertone during the week. Increased selling pressure at higher levels has pressurized the sentiments. The most active March contract traded lower around Rs.770/qrtl as against the previous week's closing of around Rs. 773/qrtl and hovered between Rs.771.5-788 during the week with lower open interest and decreasing volumes. The stock Position of maize at NCDEX accredited Warehouses remained flat to 13319 MT as on 28.02.07.

PRICE DRIVERS:

- Meager arrivals amidst steady demand in majority of spot markets
- Bearish tone of jowar and bajra prices
- 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
- 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 down Friday on speculative fund selling. March corn ended 6.25 cents lower at \$4.11 per bushel, May corn settled 7 cents lower at \$4.21 per bushel, and December finished 6.5 cents lower at \$4.068 per bushel. South Korea purchased 275,000 tonnes of US corn overnight which also helped ease export concerns which were prevalent after the weak showing in the weekly sales numbers yesterday. At the annual Outlook Conference, the USDA pegged corn ending stocks for the 2007/2008 season at just 637 million bushels as compared with 752 million bushels for this season. Deliveries were light at 352 contracts.

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	24.02.07	03.03.07
Delhi (Red Maize)	895-900	Closed
Delhi (Gajar Maize)	880-885	Closed
Sangli truck Bilty (New)	775-780	780
Pune Starch (New)	815-820	810
Ahmedabad Poultry feed	850-855	850-860
Ahmedabad Starch	855-860	860-860
Kolkata mill delivery	925-930	915-920
Nizamabad (New Maize)	765-770	775
Davengere (New Maize)	775-780	Closed
Bihar Bilty Price	850	850-860

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 Decline by 61%

Corn: Net sales of 318,000 MT--a marketing-year low--were 61 percent below the previous week and 68 percent under the prior 4-week average. Increases reported for Egypt (228,300 MT, including 52,600 MT switched from unknown destinations), Japan (104,200 MT, including 40,000 MT switched from unknown destinations), Mexico (57,000 MT, including 14,500 MT switched from unknown destinations), and Lebanon (18,800 MT), were partially offset by decreases for unknown destinations (44,100 MT), the Dominican Republic (23,800 MT), Taiwan (21,500 MT), and Israel (21,200 MT). Exports of 891,600 MT were 28

percent below the previous week and 20 percent under the prior 4-week average. The major destinations were Japan (298,500 MT), Mexico (163,300 MT), Egypt (120,300 MT), Taiwan (64,400 MT), and Israel (60,200 MT). Note: Accumulated exports were adjusted down 49,500 MT for Egypt and up 30,700 MT for Syria.

This summary is based on reports from exporters for the period February 16-22, 2007.

Source: USDA 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

During the week, two western disturbances affected the Indian region from 23rd to 25th and from 27th onwards. Under the influence of 2nd western disturbance, an induced low pressure area formed over central Pakistan and adjoining West Rajasthan on 27th and persisted on 28th. An upper air cyclonic circulation extending upto 1.5 km a.s.l. developed over East Uttar Pradesh on 28th. A north-south trough extending from Sub-Himalayan West Bengal & Sikkim to north Bay of Bengal was observed from 22nd to 23rd and from northeastern States to Head Bay on 25th. An easterly wave also affected the extreme south peninsular region during 24th to 26th.

Rainfall:

Light to moderate widespread rain/snow occurred over Western Himalayan region on 22nd, 27th & 28th with isolated heavy falls on 28th. Light to moderate rain/thundershowers occurred over Plains of northwest India and Rajasthan on 26-28th. Rain/thundershowers occurred at a few places over West Madhya Pradesh on 25th and isolated on 24th & 26th. Light rain/thundershowers also occurred over East Uttar Pradesh on 25th & 26th; over Bihar and Jharkhand on 26th and over West Bengal & Sikkim & northeastern States on 26th & 27th. Isolated rain/thundershowers occurred over Tamil Nadu & Kerala on 27th. Mainly dry weather prevailed over the remaining parts of the country during the week.

Outlook for the week ending on 07th March 2007

Fairly widespread precipitation over Western Himalayan region, Indo-Gangetic plains and adjoining central India during 1st two days of the week and over northeastern States and adjoining east India during 1st three days of the week. Light rain/thundershowers also likely over extreme south peninsula during 1st two days of the week. Fall in night temperature and rise in day temperature by 4-6 °C over plains of northwest India during the week. 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 range bound with weak undertone during the week. Increased selling pressure at higher levels has pressurized the sentiments. The most active March contract traded lower around Rs.770/qrtl as against the previous week's closing of around Rs. 773/qrtl and hovered between Rs.771.5-788 during the week with lower open interest and decreasing volumes. The stock Position of maize at NCDEX accredited Warehouses remained flat to 13319 MT as on 28.02.07.

Technical: Candlesticks showing weak market sentiments. The prices closed below both 9-day and 18-day EMA. Stochastic is in oversold region and moving downwards. MACD is in negative region and running down. Maize is likely to trade bearish following a steady to weak opening.

Outlook: Rangebound with weak undertone on fresh arrivals to increase in A.P. Govt. decision to release of 21,200 MT of maize by the West Bengal state added the underlying bearish tone. Bearish sentiments of jowar and bajra are also underpinning the market sentiments.

Recommendation: Sell on High towards resistance levels

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
March	777	782	755	750

FOREX RATES (As on 05th MARCH, 2007)

Country	Currency	Value in Rupees
USA	Dollar	44.28
European Union	Euro	58.32
Japan	100 Yen	36.64
Great Britain	Pound Sterling	86.62



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.