

MAIZE

03rd -10th, MARCH, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Maize sentiments remained steady to weak in majority of domestic markets. According to the notification of DGFT exports of maize would be permitted only through the State Trading Corporation, MMTC Ltd., PEC Ltd. and NAFED. That would no doubt cool down the domestic prices of maize, as earlier, private traders could also export. Government can now regulate exports and release the quantities after looking at the demand and supply situation consciously. The export restriction will be in force for six months. India annually exports about one million tonnes of corn mainly to Bangladesh, Sri Lanka and Far East countries. It had already allowed duty-free maize import till December 31 this year to ensure adequate supplies. Starch manufacturers and the poultry industry continuously pressurising the Govt. to prohibit the futures trading. However, Agriculture Minister rules out such step. In Delhi, the red maize quoted flat between Rs.895-900/qlt on the back of lower arrivals 3-4 motors. 20-25 boxes of maize already arrived in Delhi mandis from Maharastra and further 15-20 boxes of arrivals re likely to come in the coming week. Some demand from Haryana and Punjab is supporting the sentiments. U.P gajar maize too quoted flat between Rs.870-875/qlt. Steady sentiments in jowar and bajra are also underpinning the sentiments. Nizamabad mandi witnessed some decline in old maize prices and quoted between Rs.730-735/qlt bilty basis. However, the prices of fresh rabi crop quoted higher between Rs.730-780/qlt on the back of fresh arrivals about 20,000-25,000 bags on daily basis. The seed companies from Delhi and Punjab are purchasing good quality of fresh crops from the mandis at Rs.780/qlt. Prices decline to 800/qlt bilty basis in Bihar on spill over trading activities. The fresh arrivals in Bihar are likely to come in two phase. The arrivals from first phase will start on March last and the arrivals from second phase will hit the market during August. According to some traders the major portion of fresh arrivals likely to come during second phase. The production of white maize perfectly suitable for starch industries is reportedly lower this time in Bihar. Govt. holds a surplus stock of 5.0 lakh Metric Tonnes maize. 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 of West Bengal for distribution to poultry farmers for use in poultry feed. Traders are looking for further release in other states also in the coming days. 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.

NCDEX FUTURES MARKET:

NCDEX maize futures tumbled down during the first half of the week and the most active April contract tested fresh contract months' low at Rs.739.5/qlt. However, increased buying support at the lower recovered the futures. The April contract traded around Rs.759.5/qlt as against the previous week's closing of around Rs. 781/qlt and hovered between Rs.739.5-783.5 during the week with lower open interest and increasing volumes. The stock Position of maize at NCDEX accredited Warehouses decreased to 12278 MT as on 08.03.07 as against the previous week's stock of 13319MT

PRICE DRIVERS:

- ✓ Meager arrivals amidst steady demand in majority of spot markets
- ✓ GOI will allow exports of maize through state-run agencies
- ✓ Steady tone of jowar and bajra prices
- ✓ The fresh rabi crops arrivals are increasing in Andhra Pradesh
- ✓ Govt. releases 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 fresh arrivals of rabi maize in Bihar market during first phase around March-April likely to be lower.
- ✓ 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 settled down Friday on technical selling in the absence of fresh supportive inputs. May Corn finished down 4 cents at 4.175 per bushel, that was 6 off the high and 1.25 up from the low. July Corn closed down 3.25 cents at 4.275 per bushel. This was 1.25 up from the low and 5 off the high. The USDA pegged ending stocks at 752 million bushels, which was unchanged from last month and compares with the average trade estimate of 765 million bushels (range 748-802). World ending stocks for 2006/2007 were pegged at 87.8 million tonnes from 87.9 posted last month but down from 124.4 million last year. Argentina corn production was revised higher to 21.5 million tonnes from 21 million last month, and Brazil's production was boosted to 48 million tonnes from 46 million last month and 42 million two months ago. However, total world usage saw a jump of near 1 million tonnes to 729.75 million tonnes as compared with production at 693.15 million tonnes. Ethanol prices have jumped to near \$2.40/gallon from \$2.10 recently. If plants get 2.8 gallons per bushel, corn is effectively selling at \$6.72 per bushel into the energy market less the cost of processing. Weather is favorable for South America and traders are already talking of the importance of the March 30th planted acreage report and the spring weather set-up for plantings.

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

| | 03.03.07 | 10.03.07 |
|--------------------------|----------|----------|
| Delhi (Red Maize) | Closed | 895-900 |
| Delhi (Gajar Maize) | Closed | 885 |
| Sangli truck Bilty (New) | 780 | 780 |
| Pune Starch (New) | 810 | 820 |
| Ahmedabad Poultry feed | 850-860 | 860 |
| Ahmedabad Starch | 860-860 | 840-850 |
| Kolkata mill delivery | 915-920 | 950-960 |
| Nizamabad (New Maize) | 730-735 | 730-735 |
| Davengere (New Maize) | Closed | 780 |
| Bihar Bilty Price | 850-860 | 800 |

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 Coarse Grain Production 0.5 MT Down this Month

Global 2006/07 coarse grain production is lowered 0.5 million tons this month as higher corn production in South America is more than offset by lower coarse grains production in South Africa and Australia. Argentina corn production is raised 0.5 million tons to 21.5 million, and Brazil corn production is raised 2.0 million tons to 48.0 million. Production is expected to be a record in both countries as excellent growing season weather is reflected in higher yields. Corn area for Brazil's winter crop is also expected to be higher as producers respond to high corn prices with increased planting. South Africa corn output is lowered to 7.0 million tons, down 2.5 million from last month as drought and heat during February sharply reduced production prospects. Australia sorghum, oats, and corn production are all lowered as drought affected these spring planted crops. Coarse grain production in India is lowered as a reduction in millet is only partly offset by an increase in corn. The Philippines corn production is raised this month.

Source: WASDE

World Coarse Grain Consumption Up This Month

World coarse grain consumption is raised slightly this month. An increase in corn consumption is nearly offset by lower millet, sorghum, and oats consumption. Corn consumption is raised for EU-25, Mexico, India, and the Philippines as larger supplies support increases in feeding. Reduced coarse grain production lowers consumption in other countries. With lower output, millet consumption is lowered for India. Sorghum, oats, and corn consumption are lowered for Australia, reflecting drought-reduced supplies. Corn consumption in South Africa is also lowered with production.

Global coarse grain exports are raised 1.8 million tons this month with the biggest increases for Brazil, EU-25, and Ukraine. Brazil corn exports are raised 1.5 million tons as the projected record crop boosts available supplies. EU-25 and Ukraine barley exports are raised 0.5 million tons and

0.3 million tons, respectively. Australia barley exports are lowered 0.3 million tons. Corn imports for Mexico and the EU-25 are each raised 0.5 million tons reflecting continued strong demand for corn. South Africa corn imports are raised 1.0 million tons as production falls short of projected consumption. Global coarse grain ending stocks are lowered 0.6 million tons with a reduction in barley accounting for most of the change.

Source: WASDE

USDA Corn Export Sales Up

Corn: Net sales of 1,188,300 MT were three and three-quarters above the previous week's marketing-year low and 39 percent over the prior 4-week average. Increases reported for Mexico (631,000 MT), Japan (258,700 MT), Egypt (188,800 MT, including 60,000 MT switched from unknown destinations), Syria (89,200 MT, including 88,500 MT switched from unknown destinations), and Colombia (70,900 MT), were partially offset by decreases for unknown destinations (108,400 MT). Sales of 70,400 MT for delivery in 2007/08 were mainly for Japan (31,000 MT) and Ecuador (30,000 MT). Exports of 1,541,200 MT--a marketing-year high--were 73 percent above the previous week and 49 percent over the prior 4-week average. The major destinations were Japan (537,000 MT), Mexico (252,700 MT), Egypt (156,600 MT), Syria (144,200 MT), Colombia (110,600 MT), and Taiwan (72,400 MT).

This summary is based on reports from exporters for the period February 23, 2007 - March 1, 2007

Source: USDA

WEATHER WATCH

A western disturbance as an upper air system lay over north Pakistan and adjoining Jammu & Kashmir on 1st, over Jammu & Kashmir and neighbourhood on 2nd and moved away eastwards on 3rd. An induced cyclonic circulation extending upto 4.5 km a.s.l. lay over Punjab and neighbourhood on 1st and became less marked on 2nd. Another cyclonic circulation at lower levels lay over southwest Uttar Pradesh and neighbourhood extending upto 1.5 km a.s.l. on 1st. It lay over north Orissa and adjoining Gangetic West Bengal and Jharkhand on 2nd and became less marked on 3rd. Another western disturbance as an upper air system lay over north Pakistan and adjoining Jammu & Kashmir on 3rd, over Jammu & Kashmir and neighbourhood on 4th and moved away eastwards on 5th. Moderate to strong northwesterly winds prevailed at lower tropospheric levels over Indo-Gangetic plains during 5th-7th. A low level cyclonic circulation lay over extreme south peninsula on 1st and became less marked on 2nd. However, an upper air trough in lower levels ran from north Orissa to south Tamil Nadu across Andhra Pradesh on 2nd. A low level cyclonic circulation again developed over extreme south peninsula on 3rd and lay over Commorin area till end of the week.

Rainfall:

Fairly widespread precipitation occurred over northwest India with isolated heavy falls over Punjab and Haryana on 1st. The precipitation activity was scattered over northwest India on 2nd. Thereafter, mainly dry weather prevailed over the region outside Jammu & Kashmir where isolated rain/snow occurred on 4th and 5th. Scattered rain/thundershowers occurred over East Uttar Pradesh, Bihar, Sub-Himalayan West Bengal & Sikkim and Jharkhand on 1st and 2nd; over Gangetic West Bengal on 2nd and over Orissa on 2nd and 3rd. Isolated

rain/thundershowers also occurred over Sub-Himalayan West Bengal & Sikkim during 5-7th. Fairly widespread rain/thundershowers occurred over northeastern States on 2nd. It was scattered on 3rd and isolated during remaining days of the week. Scattered rain/thundershowers occurred over Rajasthan on 1st and isolated rain/thundershowers occurred over Madhya Pradesh and Chhattisgarh on 1st and 2nd. Isolated rain/thundershowers occurred over Kerala during 2nd-4th; over Tamil Nadu on 4th and over Coastal Andhra Pradesh on 4th and 5th. 27th. Mainly dry weather prevailed over the remaining parts of the country during the week.

Outlook for the week ending on 14th March 2007

Under the influence of two western disturbances in quick succession, one from 9th to 10th and another from 11th to 13th, scattered to fairly widespread rainfall/snowfall activity is likely from 9th to 13th over Western Himalayan region with possibility of isolated heavy falls on 12th & 13th.

FOREX RATES (As on 12th MARCH, 2007)

TECHNICAL ANALYSIS

Commodity: Maize

Contract: April 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

NCDEX maize futures tumbled down during the first half of the week and the most active April contract tested fresh contract months' low at Rs.739.5/ql. However, increased buying support at the lower recovered the futures. The April contract traded around Rs.759.5/ql as against the previous week's closing of around Rs. 781/ql and hovered between Rs.739.5-783.5 during the week with lower open interest and increasing volumes. The stock Position of maize at NCDEX accredited Warehouses decreased to 12278 MT as on 08.03.07 as against the previous week's stock of 13319MT

Technical Candlesticks showing weak sentiments. Sellers dominated the markets. Prices closed below 9-day and 18-day EMA. Stochastic are in normal region and moving upward, indicating firm tone in medium term. MACD is in negative territory and moving flat. Volume has decreased whereas Open Interest has increased.

Outlook: Range bound with weak undertone on fresh rabi crops arrivals in A.P. Export ban for private traders will add bearish tone. However, good demand will support the market at lower levels.

Recommendation: Sell on High towards resistance levels

| Contract Month | Resistance 1 | Resistance 2 | Support 1 | Support 2 |
|----------------|--------------|--------------|-----------|-----------|
| April | 780 | 795 | 740 | 730 |

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Isolated to scattered rain/thundershower is also likely over plains of northwest India on 9th & 10th. This activity is likely to increase on 11th and 12th with possibility of isolated hailstorm and squall. This activity may further extend into east India on 12th & 13th Increase in night temperature by 3-4 °C over northwest India from 9th onwards and over Gangetic plains & east India from 11th onwards. Day temperatures are likely to drop significantly particularly during 11th to 13th.

Source: IMD

FOREX RATES (As on 12th MARCH, 2007)

| Country | Currency | Value in Rupees |
|----------------|----------------|-----------------|
| USA | Dollar | 44.22 |
| European Union | Euro | 58.03 |
| Japan | 100 Yen | 37.40 |
| Great Britain | Pound Sterling | 85.51 |



Resistance and Support level: