

MAIZE

05th-12th MAY, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Maize spot market prices are in pressure of fresh arrivals amidst lower buying support. Moreover, bird flu alert has been sounded in some districts of West Bengal where poultry disease has been reported recently. This is also decline the demand from poultry sector of the region. Generally, during the summer demand from the poultry sector takes a setback because of the consumption of the poultry products remains down. Fresh arrivals in key markets of Bihar, Andhra Pradesh are continuing. However, arrivals are seen decreasing as against last week at major markets of Bihar and A.P. Bihar mandis saw declining arrivals around 20,000 bags daily as against 35,000-40,000 bags during the last week and the price improved at naugachia mandi by Rs.15/qrtl between Rs.570-575/qrtl on loose basis on the back of arrivals around 2000 bags daily. Around 10,000 bags of arrivals are reported from different markets of A.P.. Total stocks in NCDEX accredited warehouses in all the three major centres Davengere, Karimnagar and Nizamabad are around are around 9,194 Metric tonne. The red maize arrivals at Delhi mandi remained down around 15 motors from Bihar as against 25 motors during last week. However, prices decline to Rs.750/qrtl on lower demand from Punjab and Haryana poultry feed industries. The traders are expecting further fall in prices in the coming days because of rake arrivals likely in the next couple of days. However, price may recover as soon as rabi crops harvesting is over as the total maize production for 2006-07 is estimated lower at 13.85 million tonnes as against 14.71 Mln Tonnes last year despite the higher rabi crops. In contrast, the demand is expected to be around 14 million tonnes. The next maize crops are likely to hit the market around September-October this year. According to IGC, World maize production is set to rise to by 52 Mln Tonnes to a record 746 Mln Tonnes but demand is forecast to increase to 755 million tonnes, meaning that stocks will fall by 9 Mln Tonnes, the lowest for 30 years.

NCDEX FUTURES MARKET:

NCDEX maize futures traded with bearish bias during the week. The most active June contract tested fresh low at Rs.720/qrtl on selling pressure. However, some buying support at lower levels recovered the futures from some of the early losses and traded around at Rs.740/qrtl as against the previous week's closing of around Rs. 744/qrtl and hovered between Rs.720-745/qrtl during the week with

higher open interest as well as volumes. The stock Position of maize at NCDEX accredited Warehouses remains lower about 9194 MT as on 09.05.07 as against 9629 MT during last week.

PRICE DRIVERS:

- ✓ Fresh arrivals are continuing at major markets of A.P. and Bihar
- ✓ Despite the higher production of rabi maize crops around 2.85 Mln. Tonnes as against the 2.55 Mln. Tonnes last year the total maize production for 2006-07 is estimated lower at 13.85 million tonnes as against 14.71 Mln Tonnes last year.
- ✓ The demand is expected to be around 14 million tonnes
- ✓ Poor demand from starch industries of Ahmedabad
- ✓ Lower demand from poultry feed companies of Punjab and Haryana.
- ✓ GOI will allow exports of maize through state-run agencies
- ✓ 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
- ✓ IGC projected record maize crop around 746 Mln Tonnes, in 2007-08 i.e., 52 Mln Tonnes higher from last year.
- ✓ Despite the record crop, world maize stocks are forecast to decline 9 million tonnes for the third successive year.
- ✓ IGC projected total consumption in 2007/08 is 29 Mln Tonnes higher than this season, at 755 Mln Tonnes.
- ✓ Higher production outlook in South Africa and U.S.
- ✓ Imports likely to be feasible in case of rupee appreciation continues with weakening corn prices overseas.

GLOBAL MARKET:

CBOT Corn futures settled up Friday. July Corn finished up 14.8 cents at 3.693 per bushel, that was 0.75 off the high and 11.25 up from the low. December Corn closed up 18 cents at 3.74 5 per bushel. Corn rallied sharply off of bullish

USDA data today and closed at its strongest level since gapping lower on Tuesday in the wake of Monday night's Crop Progress report. The USDA pegged US ending stocks at 947 million bushels for 2007/08, which was below the average trade estimate near 1.023 billion bushels (the range was 0.742 to 1.302). Ending stocks for 2006/07 were revised to 937 million bushels, up from 877 last month. Total usage for 2007/08 was pegged at 12.465 billion bushels versus 11.575 billion for 2006/07, and US corn usage for ethanol is now expected to reach 3.4 billion bushels in 2007/08, versus 2.15 billion for 2006/07. Even though US ending stocks are projected to be above last year, the stocks to use ratio is projected to be lower, down to 7.6% from 8.1% for 2006/07. This would be lowest ratio since 1995-96 (5.0%) and the 2nd lowest since at least 1960-61. World ending stocks for 2007/08 were pegged at 90.25 million tonnes versus 93.20 million for 2006/07. Chinese production was raised, but exports from China were lowered, making that development a possible fresh benefit to prices. Planting weather is still a dominant feature to the market, with the approach of the close of the "ideal" planting window coming around May 15th with dry and warmer weather this past week no doubt helping progress. Also supportive were reports of 550,000 tonnes of US corn being sold to South Korea, the 2nd large sale reported in 2 days, as well as reports increased egg placements indicating a rebound in the poultry industry.

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	05.05.07	12.05.07
Delhi (Red Maize)	800	750
Delhi (Gajar Maize)	-	-
Sangli truck Bilty (New)	770-775	760
Pune Starch (New)	810-815	780
Ahmedabad Poultry feed	800-810	810
Ahmedabad Starch	800-810	820
Kolkata mill delivery	685-690	680
Nizamabad (New Maize)	710	700
Davengere (New Maize)	710-715	700
Bihar Bilty Price	560-570	570-575

DOMESTIC AND INTERNATIONAL

NEWS ANALYSIS:

US Corn Output Projected 18% Up

The 2007/08 US corn crop is projected at 12.5 billion bushels, up 18 percent from 2006/07. Planted area is based on producer intentions reported in Prospective Plantings. Harvested area is based on derived demand for silage and historical abandonment. The yield is projected at 150.3 bushels per acre reflecting the slower-than-average planting pace reported in Crop Progress. Despite a 1-billion-bushel decline in carry in stocks from 2006/07,

total corn supplies are projected at a record 13.4 billion, up 7 percent from the current year.

Source: WASDE

Global Corn Production Likely to be Higher

Global 2007/08 coarse grain production is projected at a record 1.1 billion tons, up 8 percent from 2006/07. Rising corn production in the United States accounts for much of this increase; however, corn production is also expected at record levels again in 2007/08 in Argentina and Brazil. Increases in corn production are also expected for Canada, China, FSU-12, India, Mexico, and several other countries. Barley production is expected to increase in Australia. Despite higher world coarse grain output, lower carryin and rising consumption leave world ending stocks down 3 percent from this year's projection.

Source: WASDE

Maize Production in South Africa to Decrease

The maize production in South Africa likely to be lowers this year. The production is expected to around 6.9 Mln Tonnes, a deficit over one million tonnes, not counting stocks carried over from last year. It look as there won't is any exportable surplus in South Africa this year and the country may need to import white maize for the first time in several years.

IGC: Maize Supply Demand Projection for 2007-08

MAIZE: New area estimates for major producers result in a 13m. tons increase in forecast world maize production, now put at a record 746m. Tons, 52m. up from last season. At end-March, US plantings were projected to increase by 15%, which could result in a crop of around 315m. Tons, but wet weather has delayed fieldwork. Total consumption in 2007/08 is forecast 29m. Tons higher than this season, at 755m. Tons. All the increase is due to larger industrial use, principally for transformation into ethanol, most of that in the US. Feed use of maize may be slightly down from 2006/07 because of higher prices and greater availability of alternative feeds, including distillers' dried grains. Despite the record crop, world maize stocks are forecast to decline for the third successive year. They could fall to only 85m. Tons, 9m. less than at the end of 2006/07 and the lowest since 1977/78. Total maize trade is forecast at 84m. Tons, 1m. less than this season's record. Strong demand for animal feed will underpin imports, especially by Mexico and Vietnam, but high prices will lead some countries including South Korea to substitute other grains and products.

USDA Estimates Higher-than-Anticipated U.S. Corn Planting

U.S. Department of Agriculture estimated a higher-than-anticipated U.S. planting intentions this year. The USDA indicated that producers intend to plant 90.454 million acres of corn this season as compared with the average trade estimate of 87.98 million acres (range 86.3-90.76) and 78.327 million acres planted last year. For the quarterly grain stocks report, March 1st corn stocks were pegged at 6.07 billion bushels as compared with the average trade estimate of 5.994 billion bushels (5.906-6.080) and compared with 6.987 billion last year.

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

USDA Corn Export Sales Decline by 15%

Corn: Net sales of 524,000 MT were 15 percent below the previous week and 46 percent under the prior 4-week average. Increases reported for Japan (287,400 MT), Mexico (104,000 MT), Taiwan (74,600 MT), El Salvador (31,600 MT), Colombia (23,500 MT, including 31,000 MT switched from unknown destinations), and Tunisia (20,000 MT, all switched from unknown destinations), were partially offset by decreases for unknown destinations (73,800 MT). Net sales of 19,300 MT for delivery in 2007/08 were for Japan. Exports of 935,900 MT were 14 percent below the previous week, but 3 percent over the prior 4-week average. The major destinations were Japan (203,600 MT), Taiwan (162,000 MT), Mexico (141,100 MT), South Korea (115,400 MT), Colombia (66,600 MT), Egypt (64,400 MT), and Algeria (56,000 MT).

This summary is based on reports from exporters for the period April 27-May 3, 2007.

Source: USDA

WEATHER WATCH

Last week's low pressure area over south Andaman Sea became well marked on 3rd and concentrated into a depression in the same evening over north Andaman Sea and adjoining east central Bay of Bengal, about 200 km north of Port Blair. Moving in a northerly direction, it lay centred at 0830 hours IST of 4th over east-central Bay of Bengal and adjoining north Andaman Sea, about 300 km north of Port Blair. Further moving north-northeastwards, it crossed Arakan coast during the morning hours of 5th. A cyclonic circulation at lower levels lay over northwest Rajasthan and neighbourhood on 3rd and 4th, over central Rajasthan on 5th, over northwest Uttar Pradesh and adjoining Uttrakhand on 6th and moved away eastwards on 7th. A fresh cyclonic circulation at lower levels lay over north Rajasthan on 7th, over north east Rajasthan & adjoining Haryana on 8th and over West Uttar Pradesh and neighbourhood on 9th. A cyclonic circulation at lower levels lay over West Madhya Pradesh on 3rd, central Madhya Pradesh on 4th, over East Madhya Pradesh and adjoining Chhattisgarh & East Uttar Pradesh on 5th, over north Chhattisgarh & adjoining Jharkhand on 6th, over Jharkhand & neighbourhood on 7th and over north Orissa and neighbourhood on 8th & 9th. A north south oriented trough in lower level at times embedded with cyclonic circulations lay over south Peninsula throughout the week

LONG RANGE FORECAST FOR 2007 SOUTH-WEST MONSOON SEASON RAINFALL

Based upon the newly- adopted statistical forecast system, IMD's long range forecast for the 2007 south-west monsoon season (June to September) is that the rainfall for the country as a whole is likely to be 95 % of the long period average with a model error of $\pm 5\%$.

Rainfall:

Isolated to scattered rain/thundershowers occurred over western Himalayan region during the week. Isolated to scattered duststorm/thunderstorm occasionally accompanied with squall occurred over plains of northwest India and Rajasthan during the week. Isolated rain/thundershowers occurred over Orissa, West Bengal & Sikkim during the first half and the activity was scattered with isolated thundersquall during second half of the week. Isolated rain/thundershowers occurred over remaining parts of east India and northeastern States throughout the week. Rain/thundershowers occurred at many places over Andaman & Nicobar Islands and at a few places over south Peninsula & Lakshadweep during many days of the week. Isolated heavy rain also occurred over these regions on a few days. Isolated rain/thundershowers occurred over north Peninsula and central India during many days of the week.

TECHNICAL ANALYSIS

Commodity: Maize

Contract: June 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

NCDEX maize futures traded with bearish bias during the week. Increased selling pressure at higher levels pressurized the futures and tested fresh contract month's low. The near month May contract traded lower around at Rs.705/mtl as against the previous week's closing of around Rs. 723.5/mtl and hovered between Rs.702-735/mtl during the week with lower open interest as well as volumes. The stock Position of maize at NCDEX accredited Warehouses remains lower about 9629 MT as on 03.05.07 as against 9896 MT during last week.

Technical: Candlestick pattern shows bullish candle with hesitation at higher levels. Price could not sustain above the 9-day EMA. The MACD is moving up in negative territory. The RSI and Stochastic are rising in neutral region, which indicates possible strength in the short term. Maize futures are expected to trade bullish bias.

Outlook: Range bound with weak bias on continuous arrivals of rabi crops in Bihar, A.P. amidst poor demand from poultry as well as starch industry.

Recommendation: Sell on high towards resistance levels

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
May	753	760	718	710

Outlook for the week ending on 09th May 2007

Conditions are favourable for onset of southwest monsoon over south Andaman Sea and adjoining southeast Bay of Bengal during next 72 hours. A low pressure area is likely to form over east central Bay of Bengal and adjoining north Andaman Sea around 12th. Fairly widespread rainfall with isolated heavy falls are likely over Andaman & Nicobar Islands and northeastern States during the week. Rise in day temperature over south India during first half of the week and fall thereafter. Rise in day temperature over central and east India and fall over northeastern States during the week.

Source: IMD

FOREX RATES (As on 14th MAY, 2007)

Country	Currency	Value in Rupees
USA	Dollar	40.93
European Union	Euro	55.42
Japan	100 Yen	34.03
Great Britain	Pound Sterling	81.20



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