

MAIZE

19th-26th MAY, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Maize spot prices remained mostly steady to lower in major domestic markets on continued fresh arrivals of rabi crops in Bihar. In Delhi, spot prices remained steady to marginally up around Rs 760-775/quintal, with the arrivals of 5-6 motors daily. However, stock position is good in the mandis due to continuous rake arrivals from Bihar. Around 7 rakes of maize already arrived at Delhi mandis. Moreover, further rake arrivals are likely in the coming days. Firm sentiments of bajra added some bullishness in maize sentiments. Some buying is reported from poultry units of Haryana. However, poultry industries of U.P. are preferring bajra. Maize traded flat at Rs.560-570/qlt at Naugachia mandi on the back of arrivals of around 2000-4000 bags. Total arrivals are reported around 15,000-20,000 bags from all over Bihar. Rainfalls this week has limited arrivals and has increased moisture content of fresh crops. The demand from poultry sector is subdued because of higher moisture percentage of the fresh crops as well as on seasonal factors coming into play. However, starch factories are purchasing new crop. Around 17-19 rakes of maize already moved out from Bihar, out of which about 3 rakes have moved out towards Ahmedabad for the starch units. Big units of Gujarat and Karnataka are continued to have piled up stocks for the coming months. No major change is expecting in maize prices in the coming days because of continuous arrivals, though some recovery is likely as rabi harvesting ends, as the total production for 2006-07 is estimated down at 13.85 million tonnes and demand at 14 million tonnes. Govt. has increased the MSP of maize by Rs 80 to Rs 620/qlt to increase the stock position so that it can intervene in the market in the time of price rise.

NCDEX FUTURES MARKET:

Maize futures traded range bound with a bearish inclination on increased selling pressure at higher levels. The most active NCDEX June contract ended lower at Rs 732.5/quintal compared to last week's closing of Rs 736.50. Both open interest and volumes were down. On May 24, stocks in NCDEX warehouses were down at 5145 MT as against last week's stocks of 5,244 MT.

PRICE DRIVERS:

- ✓ Fresh arrivals continuing in Bihar; falling sharply in A.P. and Karnataka.
- ✓ Govt. has increased the MSP of maize by Rs 80 to Rs 620/qlt
- ✓ Steady starch industry demand; lower poultry industry demand
- ✓ Lower production this year despite higher rabi crop
- ✓ GOI will allow exports of maize through state-run agencies
- ✓ The IGC raised its estimate of world maize output to 751 million tonnes in 2007/08 however, it remains lower against the global consumption of 761 million tonnes
- ✓ Higher production outlook in S. Africa and U.S.
- ✓ Increasing global use of corn for producing ethanol for bio-fuel

GLOBAL MARKET:

CBOT corn futures finished mix Friday. July corn finished down 0.5 cent to \$3.76 per bushel, September finished up 0.5 cent to \$3.773 per bushel, and December gained 2.25 cents to \$3.75 per bushel. Fears of the potential for dry weather maps on Tuesday morning and a surge in wheat and soybean prices overnight helped support solid gains early in the session Friday but generable favorable growing conditions across the US helped spark long liquidation selling and lower prices into the mid-session. Ideas that just a little rain will revive top soil conditions and support early growth helped pressure the market. Weather models for next week are in disagreement that could spark significant volatility on Tuesday in either direction. Taiwan bought 60,000 tonnes of US corn overnight. A lack of producer selling is supporting improved country basis bids. Traders believe the weekly crop progress report will show crops in good to excellent condition near 75-77% as compared with 78% this week..

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	19.05.07	26.05.07
Delhi (Red Maize)	755-760	775
Delhi (Gajar Maize)	-	-
Sangli truck Bilty (New)	760	750
Pune Starch (New)	800	785
Ahmedabad Poultry feed	825	780
Ahmedabad Starch	820-825	780
Kolkata mill delivery	685-690	690-700
Nizamabad (New Maize)	710	740
Davengere (New Maize)	715	740
Bihar Loose Price	560-565	570-575

DOMESTIC AND INTERNATIONAL

NEWS ANALYSIS:

IGC Expands Global Maize Out Put Forecast

Production in 2007 is forecast to reach a record 751m. tons. The projection is 5m. up from last month as plantings in South America are expected to respond to strong prices relative to soyabeans. The largest increase will be in the US where the area is expected to be up 15% and weather conditions, while mixed, have recently improved. Taking account of increased supplies, the world consumption forecast for 2007/08 is 6m. tons higher than a month ago at 761m. Most of the increase is in industrial uses, especially in the US where demand for maize to make ethanol is soaring because of strong energy prices and official policies promoting biofuels. At 86m. tons, it will for the first time exceed the amount exported. The forecast of global closing stocks remains unchanged from last month at 85m. tons, including only 23m. in the US. World maize trade is forecast at 84m. tons, the same as last month, and also similar to the 2006/07 estimate. Strong feed demand will continue to support imports by Mexico, Malaysia and some other countries, but high prices will trim purchases by Japan and South Korea. Increased competition from Argentina and Brazil is likely to reduce US exports.

Source: IGC

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 Down

Corn: Net sales of 658,200 MT were 57 percent below the previous week and 29 percent under the prior 4-week average. Increases reported for Japan (352,800 MT), unknown destinations (146,300 MT), Taiwan (111,600 MT), Egypt (70,900 MT), Venezuela (63,500 MT), and Canada (51,900 MT), were partially offset by decreases for Mexico (132,700 MT), Guatemala (61,800 MT), and the Dominican Republic (55,200 MT). Net sales of 413,100 MT for delivery in 2007/08 were primarily for Japan (142,200 MT), Mexico (136,900 MT), and the Dominican Republic (76,000 MT). Exports of 810,900 MT were 29 percent below the previous week and 19 percent under the prior 4-week average. The major destinations were Japan (248,000 MT), Mexico (170,600 MT, including 54,100 MT late reporting), South Korea (114,700 MT), and Colombia (67,700 MT).

This summary is based on reports from exporters for the period May 11-17, 2007.

Source: USDA

WEATHER WATCH

Two western disturbances affected Western Himalayan region during the week. Last week's trough at lower tropospheric level extending from northwest Rajasthan to Chhattisgarh persisted on 17th & 18th. It ran from northwest Rajasthan to East Uttar Pradesh on 19th, from Haryana to East Uttar Pradesh on 20th and became less marked on 21st. An embedded cyclonic circulation lay over northwest Rajasthan on 18th & 19th. Another embedded cyclonic circulation lay over East Uttar Pradesh and neighbourhood on 17th, over north Chhattisgarh and neighbourhood on 18th and over central Uttar Pradesh, neighbourhood on 19th & 20th and became less marked on 21st. A cyclonic circulation at lower levels lay over Bihar and neighbourhood on 21st, 22nd and 23rd. A trough from this system extended to north Bay of Bengal during these days. A cyclonic circulation lay over coastal areas of north Orissa and West Bengal extending upto mid-tropospheric level on 17th. It lay over north Bay of Bengal extending between 1.5 and 4.5 km a.s.l. on 18th and between 3.1 and 4.5 km on 19th. It became less marked on 20th. Strong northwesterly winds prevailed over northern parts of the Peninsula during many days of the week.

MONSOON WATCH

Southwest monsoon has further advanced into some more parts of Southeast Bay of Bengal, some parts of east-central Bay of Bengal and remaining parts of Andaman Sea on 21st May 2007. The northern limit of monsoon passed through Lat. 5.0° N /Long. 86.0° E, Lat. 11.0° N /Long. 89.0° E, Lat. 15.0° N /Long. 92.0° E and 17.0° N /Long. 95.0° E

Rainfall:

Isolated to scattered rain/thundershowers occurred over Western Himalayan region during many days of the week.

Isolated duststorm/thunderstorm occurred over plains of northwest India, Rajasthan, northwest Madhya Pradesh and West Uttar Pradesh during many days of the week. Scattered rain/thundershowers occurred over West Bengal & Sikkim and Orissa on many days of the week. Isolated rain/thundershowers occurred over remaining parts of east and central India on many days and over extreme south Peninsula, west coast and Coastal Andhra Pradesh on a few days of the week. Scattered to fairly widespread rain/thundershowers occurred over northeast India during many days of the week. The weather was mainly dry over remaining parts of the country during the week.

Outlook for the week ending on 30th May 2007

Under the influence of the western disturbance, isolated to scattered rain/thundershower activity likely over northwest India and Rajasthan.

TECHNICAL ANALYSIS

Commodity: Maize

Contract: June 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Maize futures traded range bound with a bearish inclination on increased selling pressure at higher levels. The most active NCDEX June contract ended lower at Rs 732.5/quintal compared to last week's closing of Rs 736.50. Both open interest and volumes were down. On May 24, stocks in NCDEX warehouses were down at 5145 MT as against last week's stocks of 5,244 MT.

Technical: Candlestick pattern indicates mild buying interest. Prices appear to be forming a bottom around the 720 levels, which might then be a base for a rally a few weeks from now. MACD is slightly improving. RSI is rising in neutral region while Stochastic is on the verge of a bullish crossover. Maize futures are expected to trade with bullish sentiments.

Outlook: Range bound with weak undertone on good arrivals in Bihar, steady demand.

Recommendation: Sell on rallies towards resistance levels

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
June	742	750	720	711

Scattered rain/thundershowers activity likely over northeast India and isolated over of east India. Increase in rain/thundershowers activity likely over south peninsula.

Source: IMD

FOREX RATES (As on 28th MAY, 2007)

Country	Currency	Value in Rupees
USA	Dollar	40.60
European Union	Euro	54.55
Japan	100 Yen	33.46
Great Britain	Pound Sterling	80.65



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