

MAIZE

02nd - 09th JUNE, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Maize prices remain in pressure of continuous fresh arrivals from Bihar. Good availability of the crop from the Rabi season amidst lower demand from big units as most of the end users have covered their stocks for the coming two months are underpinning the tone. Maize sentiments remain bearish in Delhi mandis on the pressure of increased rake arrivals. Stock position is good as around 8 rakes already arrived in the mandis with more rakes expected to follow. The traders are reportedly availing 15% discount on railway freight on the purchase of maize from rural areas (as this sop is extended by the Railways), which has supported more dispatches from Bihar. However, demand from poultry sector remains dull. Maize traded at Rs. 730/qlt in Delhi ex-godown, while the rate is Rs.720/qlt for railhead delivery. The weak tone of bajra due to increasing arrivals from U.P. has also added to sluggishness in the market. The bajra prices are currently traded at Rs.670-675/ qtl. lower than last year. Arrivals are seen declining to around 30.000 bags from all over Bihar. Naugachia mandi witnessed lower arrivals of around 3000 bags and prices quoted higher at Rs.550/qlt. It is learnt that some exports, though in very small quantities, are taking place from Mumbai to Colombo through STC, MMTC and PEC. Exports to Bangladesh from Kolkata are also reported. Maize prices improves marginally in Ahmedabad and Maharashtra mandis on some local demand amidst steady arrivals. Ahmedabad mandis are witnessing continuous arrivals from Maharashtra. The maize prices likely to remain soft until the arrival of Rabi crops in the market. However, around 70-75 per cent of the maize produced in the country is grown during Kharif season, which will be sown with the arrival of monsoon.

NCDEX FUTURES MARKET:

Maize futures rebound on increased buying support. The most active NCDEX July contract tested contract month's high at Rs 782/quintal. However some selling interest at higher levels cut back some of the early advances but traded higher around Rs.767.5/ quintal compared to last week's Rs 747.50/ quintal. Both open interest and volumes have increased. On June 07, stocks in NCDEX warehouses were down at 3558 MT as against last week's stocks of 4202 MT.

PRICE DRIVERS:

- ✓ Fresh arrivals continuing in Bihar
- ✓ Rakes arrivals are increasing in Delhi, Punjab and Haryana mandis
- ✓ Traders are availing 15% discount on railway freight
- ✓ Some exports, though in very small quantities, are taking place towards Colombo and Bangladesh through STC, MMTC and PEC.
- ✓ Govt. has increased the MSP of maize by Rs 80 to Rs 620/qlt
- ✓ Subdued demand from starch industry and poultry industry
- ✓ Bearish tone of bajra on higher arrivals from U.P.
- ✓ Lower production expectation 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 settled down Friday. July corn settled 2.75 cents lower to \$3.82 per bushel, September fell 3.25 cents to \$3.903per bushel, and December slipped 1.25 cents to \$3.923 per bushel. Ideas that there could be a decent rain event in the 6-10 day outlook for the eastern Corn Belt along with a collapse in soyoil prices helped spark a long liquidation trend early in the session and sharply lower pricing in the morning. Weakness in the energy market and metal markets along with a sharp run-up in the US dollar added to the bearish tone. Traders are looking for an increase of near 22 million bushels for the new crop ending stocks outlook for Monday morning's

USDA Supply/Demand report. World stocks are already tight and there are some concerns that drought problems in eastern Europe/Ukraine could trigger a slight revision lower in world production. For the US supply/demand report, while the export sales pace is a bit ahead of the pace to reach the USDA forecast for the year, ideas that demand was front-loaded has traders looking for a slight revision lower in exports and higher in ending stocks.

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	02.06.07	09.06.07
Delhi (Red Maize)	750-755	725-730
Delhi (Gajar Maize)	-	-
Sangli truck Bilty (New)	740	750
Pune Starch (New)	740	750
Ahmedabad Poultry feed	735	755-760
Ahmedabad Starch	730	755-760
Kolkata mill delivery	650	650
Nizamabad (New Maize)	705	725
Davengere (New Maize)	705-710	725
Bihar Loose Price	540	550

DOMESTIC AND INTERNATIONAL NEWS ANALYSIS:

Record coarse grains production in 2007

FAO's latest forecast for world production of coarse grains in 2007 is 1 073 million tonnes, up 9 percent from last year and a record high. The bulk of the increase is expected in maize, which accounts for about 70 percent of total coarse grain production with output set to reach a record 770 million tonnes in 2007. In the southern hemisphere, the main 2007 harvests are underway or already complete. In South America, a record main maize crop is being gathered in Argentina, Brazil and Chile, following increased plantings, in response to strong demand for ethanol production, and favourable growing conditions, which led to bumper yields. The secondary crop in Brazil also looks set to increase. In Southern Africa, however, prospects are less favourable and aggregate output is forecast slightly lower than last year's below-average crop. In the northern hemisphere, the bulk of the maize crops has now been sown, with all the main producing countries expected to harvest larger crops. However, by far the most noteworthy development this season is the approaching completion in the United States of the highest level of maize planting since 1944, mostly in response to exceptionally strong domestic demand for maize-based ethanol production.

Source: FAO

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

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 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 Weekly Export Sales Decline by 44%

Net sales of 375,800 MT were 44 percent below the previous week and 55 percent under the prior 4-week average. Increases reported for Japan (127,200 MT), Taiwan (113,200 MT), Cuba (75,000 MT), Canada (61,700 MT), and Syria (60,400 MT, including 60,000 MT switched from Egypt), were partially offset by decreases for unknown destinations (118,400 MT) and Egypt (54,900 MT). Net sales of 193,400 MT for delivery in 2007/08 were primarily for unknown destinations (58,000 MT) and South Korea (58,000 MT). Exports of 1,001,700 MT were 8 percent below the previous week, but 2 percent over the prior 4-week average. The major destinations were Japan (349,300 MT), Mexico (230,300 MT), Taiwan (89,900 MT), and Syria (60,400 MT).

This summary is based on reports from exporters for the period May 25-31, 2007.

Source: USDA

WEATHER WATCH

An upper air cyclonic circulation lay over east-central Arabian Sea on 31st May. Under its influence, a low pressure area formed over east-central Arabian Sea on 1st June. It became well marked over the same area at 1430 hrs IST and concentrated into a depression around mid-night of the same day and lay centered at 0830 hrs IST of 2nd June near Lat. 15° N / Long. 67.5°E, about 700 km south-west of Mumbai. It moved westwards and intensified into a cyclonic storm (GONU) and lay centered at 1430 hrs IST near Lat. 15.0° N / Long. 67.0°E, about 800 km south-west of Mumbai. Further moving northwestwards, it intensified into a severe cyclonic storm at 0530 hrs IST of 3rd June and lay centered at 0830 hrs IST over east-central Arabian Sea near Lat. 15.5° N / Long. 66.5°E. Continuing its northwestward movement, it intensified into a very severe cyclonic storm around mid-night of 3rd and lay centered at 0830 hrs. IST of 4th June over east-central and adjoining west-central Arabian Sea near Lat. 18.5° N / Long. 65.0° E about 600 kms southwest of Dwarka. Then it moved west-northwestwards and intensified into a super cyclonic storm and lay centered at 2030 hrs. IST of 4th over northwest Arabian Sea and adjoining central and northeast Arabian Sea near Lat. 20.0° N / Long. 64.0° E. Moving further northwestwards it weakened into a very severe cyclonic storm in the early morning of 5th and lay centered at 0830 hrs. IST of 5th June over northwest Arabian Sea &

adjoining central and northeast Arabian Sea near Lat. 21.0° N / Long. 62.0° E. Then the very severe cyclonic storm 'GONU' moved northwestward and crossed OMAN coast during morning hours of 6th. Later on, it emerged into Gulf of OMAN, weakened gradually and moved northwestwards. It crossed Makran coast between 0830 hrs. and 0930 hrs. IST of 7th as a cyclonic storm. An off shore trough extended from the above system to Southeast Arabian Sea during 31st May to 3rd June and moved away westwards thereafter. An upper air trough ran from Sub-Himalayan West Bengal & Sikkim to north Orissa, north Bay of Bengal at lower tropospheric levels at times embedded with cyclonic circulation over Sub-Himalayan West Bengal & Sikkim and neighbourhood during 31st May and 3rd June. It became less marked thereafter. However an upper air cyclonic circulation lay over Assam & neighbourhood during 4th and 6th June. A cyclonic circulation lay over west-central Bay of Bengal off south Orissa-north Andhra Pradesh coast extending upto 2.1 km a.s.l. on 5th June and became less marked on 6th June.

Rainfall:

Scattered to fairly widespread rainfall occurred over northeastern states and Sub-Himalayan West Bengal & Sikkim during many days of the week. Isolated to scattered rain/thundershower occurred over remaining parts of east India outside east Uttar Pradesh on a few days of the week. Isolated to scattered rain/thundershower occurred over western Himalayan region during many days of the week.

TECHNICAL ANALYSIS

Commodity: Maize

Contract: July 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Maize futures rebound on increased buying support. The most active NCDEX July contract tested contract month's high at Rs 782/quintal. However some selling interest at higher levels cut back some of the early advances but traded higher around Rs.767.5/ quintal compared to last week's Rs 747.50/ quintal. Both open interest and volumes have increased. On June 07, stocks in NCDEX warehouses were down at 3558 MT as against last week's stocks of 4202 MT.

Technical: A gravestone doji has formed, signaling bearish tone in the markets. Trend reversal is very likely if a bearish engulfing candle forms in very next day. However, EMA patterns and MACD remain firm. Stochastic is rising slowly in neutral region while RSI is falling from overbought zone. Maize is likely to trade range bound with weak inclination.

Outlook: Range bound with firm undertone on continuous arrivals in Bihar amidst some export demand.

Recommendation: Buy on dips towards support level

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
July	756	750	790	796

Isolated duststorm/thunderstorm occurred over plains of northwest India and Rajasthan on a few days. Rain/thundershower occurred at many places on 5th and activity was isolated to scattered during remaining days of the week over Saurashtra & Kutch. Isolated to scattered rain/thundershower also occurred along west coast and adjoining subdivisions of west and south India on many days and over eastern parts of south India & Vidarbha on a few days. The weather was mainly dry over the remaining parts of the country.

Outlook for the week ending on 13th June 2007

Conditions are favourable for onset of monsoon over northeastern states during first half of the week. Increase in rainfall activity over south peninsula. Rise in day temperature over northwest India and adjoining central India.

Source: IMD

FOREX RATES (As on 11th JUNE, 2007)

Country	Currency	Value in Rupees
USA	Dollar	40.91
European Union	Euro	54.60
Japan	100 Yen	33.64
Great Britain	Pound Sterling	80.46



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