

MAIZE

26th MAY-02nd JUNE, 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 Maize prices decline further on continuous arrivals of fresh crops from Bihar amidst lower buying support. According to trade sources, about 60% of fresh crops are still in Bihar. Maize trades down at Rs.540/qlt at Naugachia mandi on the back of higher arrivals of around 4000-5000 bags. Total arrivals are reported around 25,000 bags from all over Bihar. Around 20 rakes already moved out from the state. Further rake loading is continuing at origin. However, the deals were finalised before. No fresh deals for purchases are being concluded now. The demand from starch industries is also seen declining, as most of the big units are reportedly covered for at least the next two months. Demands from poultry industries are lower because of seasonal factors. In summer the consumption of egg generally declined. The talk of bird flu in West Bengal has reportedly reappeared, that limited some of the market activities. Maize prices decline in Maharastra and Ahmedabad mandis on subdued demand amidst steady arrivals. Ahmedabad mandis are witnessing continuous arrivals from Maharastra. Delhi and its surrounding markets are also witnessed bearish tone and maize prices declined further at Rs.760/qlt. Stock position is good, as three fresh rakes have arrived in the mandis during the week along with 4-5 motors by road daily. Bearish tone of bajra has added further weakness. Poultry industries of Haryana and Gurgaon are preferring bajra that quoted down around Rs.675-680/qlt. on increase arrivals from U.P. Bajra price too is likely to decline further on higher arrivals in the coming days. Unless the fresh demand surfaces from poultry and starch industries, the prices are not likely recover much in the short term.

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 in blue at Rs 732.5/quintal. The contract traded in the range of Rs.728.5-735.5. Both open interest and volumes have declined. On May 31, stocks in NCDEX warehouses were down at 4202 MT as against last week's stocks of 5145 MT.

PRICE DRIVERS:

- ✓ Fresh arrivals continuing in Bihar; Around 60% fresh crops are still in the state.
- ✓ 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 finished down Friday. July Corn finished down 3.5 cent at \$3.868 per bushel, That was 6.75 off the high and 0.75 up from the low. December Corn closed down 1.75 cent at \$3.83 per bushel. This was 3.5 up from the low and 3.5 off the high. Overnight weather model data shifted to a better chance for eastern Corn Belt rains for June 8th and 9th to trigger a sell-off. However, trade remained choppy for much of the session as traders see a crop conditions as near ideal; especially if there are good rains in the Eastern Corn Belt for the middle of next week. Weekly US export sales for corn came in at 1.365 million metric tonnes as compared to trade expectations between 850,000-1.1 million. Cumulative sales have reached 88.5% of the USDA forecast as compared to 81.1% on average over the last five years. Sales of just 448,200 metric tonnes per week are needed to reach the USDA estimate. Strong basis levels, signs of good demand and a lack of producer selling remain as supportive factors for corn.

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	26.05.07	02.06.07
Delhi (Red Maize)	775	750-755
Delhi (Gajar Maize)	-	-
Sangli truck Bilty (New)	750	740
Pune Starch (New)	785	740
Ahmedabad Poultry feed	780	735
Ahmedabad Starch	780	730
Kolkata mill delivery	690-700	650
Nizamabad (New Maize)	740	705
Davengere (New Maize)	740	705-710
Bihar Loose Price	570-575	540

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 Weekly Export Sales Highlight

Corn: Net sales of 676,100 MT were 3 percent above the previous week, but 17 percent under the prior 4-week average. Increases reported for Japan (254,700 MT), Taiwan (86,100 MT), Colombia (77,500 MT), Egypt (60,000 MT), Mexico (52,900 MT), and Cuba (50,000 MT), were partially offset by decreases mainly for Jamaica (10,000 MT) and Nicaragua (2,500 MT). Net sales of 689,500 MT for delivery in 2007/08 were primarily for unknown destinations (327,400 MT), Guatemala (190,000 MT), and Japan (152,100 MT). Exports of 1,090,000 MT were 34 percent above the previous week and 12 percent over the prior 4-week average. The major destinations were Japan (349,600 MT), Mexico (256,300 MT), Taiwan (139,900 MT), and South Korea (110,900 MT).

This summary is based on reports from exporters for the period May 18-24, 2007.

Source: USDA

WEATHER WATCH

An off shore trough in sea level ran from Karnataka coast to Kerala coast during 26th to 30th. An embedded cyclonic circulation at lower levels lay over Southeast Arabian Sea off Kerala Coast on 26th. It lay over south-east Arabian Sea and adjoining east-central Arabian Sea off Karnataka coast during 27-30th. Two western disturbances as upper air systems affected Western Himalayan region during the week. An induced cyclonic circulation lay over Punjab and neighbourhood on 25th, Himachal Pradesh and neighbourhood on 26th, Uttarakhand & neighbourhood on 27th & 28th and became less marked thereafter. Another cyclonic circulation lay over south Pakistan on 25th, south west Rajasthan and neighbourhood on 26th, Haryana & neighbourhood on 27th- 29th and became less marked on 30th. An upper air trough ran from Sub-Himalayan West Bengal & Sikkim to north Orissa/ north Bay of Bengal in lower tropospheric level embedded with cyclonic circulation over Sub-Himalayan West Bengal & Sikkim on 24th and 25th. It became less marked on 26th. A cyclonic circulation at 0.9 km asl lay over East Uttar Pradesh on 25th, Jharkhand & neighbourhood on 26th, Jharkhand and adjoining Bihar and West Bengal on 27th and over Sub-Himalayan West Bengal & Sikkim and adjoining Assam & Meghalaya during 28th - 30th.

MONSOON WATCH

Southwest monsoon set in over Kerala on, the 28th May 2007. It covered south Arabian Sea, entire Kerala, extreme southern parts of Tamil Nadu and some more parts of south Bay of Bengal on 28th. It further advanced into some parts of central Arabian Sea, most parts of Coastal Karnataka, some parts of South Interior Karnataka and some more parts of Tamil Nadu and south Bay of Bengal on 29th. The northern limit of monsoon as on 29th May 2007, passed through Lat. 14° N / Long. 60° E, Lat. 14° N / Long. 70° E, Karwar, Chitradurg, Pamban, Lat. 10° N / Long. 85°, Lat. 13° N / Long. 90° E, Lat. 15° N / Long. 92° E, and Lat. 17° N / Long. 95° E.

Rainfall:

Fairly widespread/widespread rainfall with isolated heavy to very heavy falls occurred over Kerala and Lakshadweep during 27-30th and over Coastal Karnataka and Andaman & Nicobar Islands during 28-30th. Scattered rain/thundershowers occurred over these regions during

remaining days of the week and over remaining parts of the south India throughout the week. Fairly widespread/ widespread rainfall occurred over northeast India and Sub-Himalayan West Bengal & Sikkim during many days of the week. Isolated heavy to very heavy falls also occurred over these regions during a few days. Isolated rain/thundershower occurred over remaining parts of east India during many days of the week. Isolated to scattered rain/thundershower occurred over western Himalayan region during many days of the week. Isolated duststorm/thundershowers occurred over plains of northwest India and Rajasthan during 26-30th May. Isolated to scattered rain/thundershower occurred over Konkan & Goa during many days of the week. Isolated rain/thundershower occurred over central India and remaining parts of west India during second half of the week.

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 in blue at Rs 732.5/quintal. The contract traded in the range of Rs.728.5-735.5. Both open interest and volumes have declined. On May 31, stocks in NCDEX warehouses were down at 4202 MT as against last week's stocks of 5145 MT.

Technical: Candlestick pattern shows an indecisive market with a tendency to remain in the narrow range-bound trading between Rs 726-736 per quintal. Prices closed below the EMA's. RSI, Stochastic are in neutral region. MACD is in negative zone and moving upwards. If the price can break the resistant point of 736 it will go above. Otherwise the good strategy is to stay away from the market.

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

Recommendation: Remain short with caution; Buy only above 736

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
June	750	755	724	720

Outlook for the week ending on 6th June 2007

Scattered/ fairly widespread rainfall along the west coast and northeast India. Rise in day temperature over northwest & east India

Source: IMD

FOREX RATES (As on 4th JUNE, 2007)

Country	Currency	Value in Rupees
USA	Dollar	40.54
European Union	Euro	54.51
Japan	100 Yen	33.24
Great Britain	Pound Sterling	80.21



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