

MAIZE

7th JULY -14th JULY, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Maize sentiments continued to be flat with price quoted between Rs.750-760/mtl ex-godown basis in Delhi on steady demand supply scenario. Arrivals remained around 3 motors daily from Bihar. Rake arrivals from Bihar are expected in the coming week. The bajra prices are quoted lower than maize by 12-13%, thus making it a substitute commodity of poultry feed against maize. Poultry farmers in North India are replacing maize partly in the rations. The demand from poultry industries of Ahmedabad remained good and maize was quoted between Rs. 845-855/mtl. Four rakes have arrived in Ahmedabad this week from Bihar. However the Bihar crops quoted lower by Rs.15-20/mtl. According to trade sources, 50% of total rakes arrivals are finding their way into the godowns.. Karnataka and Andhra Pradesh mandis are also witnessing steady tone on flat demand. The stock position is satisfactory. According to trade sources, maize stocks in Karnataka mandis stood around 30 lakh bags whereas, in Andhra Pradesh it remains around 10-15 lakh bags. Stocks in exchange warehouses declined to 694 MT. Of the total amount, Devengere warehouse carry 49 MT and Karimnagar warehouse 645 MT as on 12.07.07. However, some accumulation of stocks is possible in exchange warehouses, due to lower prices at production centres of Bihar. Area under kharif maize is still lagging behind this year by 30.2% at 8.76 lakh hectares so far as on 29.06.07 as compared to 12.55 lakh hectares during corresponding period of last year. The normal area under maize in the country is around 62.16 lakh hectares. Near about 14.1% of normal area has covered so far. The erratic weather mainly flood in Karnataka, A.P., Maharastra is hindering the sowing progress. However, there is still time for sowing. A higher acreage under kharif crop this year cannot be ruled out as the prices have been very good. However, competing oilseeds and pulses leave limited scope for any significant increases in maize acreage.

NCDEX FUTURES MARKET:

Maize futures traded range bound with firm inclination during the week. The most active NCDEX August contract traded mostly higher on increased buying support during the week. However, some selling pressure at higher levels has capped some of the early gains of the futures in later half of the week and traded marginally up near Rs.782/quintal compared to last week's closing at Rs

777/quintal and remained in the range of 775-789.5 during the week. The open interest as well as volumes has improved during the week. On July 12, stocks in NCDEX warehouses declined sharply at 645 MT as against last week's stock of 695 MT.

PRICE DRIVERS:

- Fresh arrivals remained lower in Bihar due to lower rakes demand on higher moisture content of the fresh crops.
- Farmers unwillingness to release their stocks at lower price.
- Lower stock position of exchange warehouses
- Good demand from poultry industries of Tamilnadu on lower stock position amidst rising demand of eggs
- Good demand from starch industries of Ahmedabad on higher prices of tapioca starch
- Kharif maize acreage lagging behind this year by 30.2% at 8.76 lakh hectares so far as on 29.06.07 as compared to 12.55 lakh hectares during year ago period.
- Global industrial consumption of maize to increase on higher ethanol as well as bio-fuel demand
- Govt. has increased the MSP of maize by Rs 80 to Rs 620/mtl
- Bearish tone of bajra on higher arrivals from U.P.
- Higher production outlook in U.S. and Argentina

GLOBAL MARKET:

CBOT Corn Futures Settled Up

CBOT December Corn finished up 3.25 cents at \$3.685, 2.5 cents off the high and 8 cents up from the low. September Corn closed up 3.25 cents at \$3.548. This was 7.8 cents up from the low and 2 cents off the high. Ideas that the Monday morning forecast models may not be as threatening to the western Corn Belt as this weeks maps sparked some long liquidation selling and lower price action early in the session. Long liquidation selling from speculators was noted. Ideas that this week's weather was beneficial to crop conditions and talk of the bearish news from the USDA report yesterday added to the bearish tone early. South Korea bought 110,000 tonnes of optional origin corn overnight. Deliveries totaled 399 contracts this morning. Mid-day weather models showed a hot and dry trend for the western Corn Belt for the next two weeks

which sparked new buying and a move to the highest level since June 27th for December corn.

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	07.07.07	14.07.07
Delhi (Red Maize)	755-760	750-760
Delhi (Gajar Maize)	-	-
Sangli truck Bilty (New)	825	810
Pune Starch (New)	850	845
Ahmedabad Poultry feed	850-855	850
Ahmedabad Starch	830	815
Kolkata mill delivery	700	710
Nizamabad (New Maize)	765	740-745
Davengere (New Maize)	770	740
Bihar Loose Price	560	570

DOMESTIC AND INTERNATIONAL

NEWS ANALYSIS:

Kharif Maize Acreage is Still Down

Area under kharif maize is still lagging behind this year by 30.2% at 8.76 lakh hectares so far as on 29.06.07 as compared to 12.55 lakh hectares during corresponding period of last year. The normal area under maize in the country is around 62.16 lakh hectares. Near about 14.1% of normal area has covered so far. The erratic weather mainly flood in Karnataka, A.P., Maharastra is hindering the sowing progress. Moreover, shifting of acreage towards other crops due to higher cost of cultivation involved in maize cultivation in Andhra Pradesh is also a prominent factor. However, there is still time for sowing.

WASDE Projected Higher Global Coares Grain Production

The global outlook for 2007/08 coarse grains this month is being driven largely by increased corn output in the United States. Global coarse grain production is raised 9.3 million tons. Higher U.S. corn, sorghum, and barley production more than offset reduced corn and barley prospects in the FSU-12 countries and lower corn production for EU-27 and Canada. EU-27 barley production is raised, but reductions in oats and rye leave EU-27 coarse grain production down 0.6 million tons this month. China corn production is raised 2 million tons to 148 million as higher area and improved yield prospects are expected to boost output. Barley production for Australia is also raised 0.7 million tons based on improved rainfall during June. A decrease in Ukraine corn exports is partly offset by higher projected corn exports from the United States. Lower Ukraine barley exports are offset by increases for Australia and EU-27. With higher world production and lower consumption, global coarse grain ending stocks are projected sharply higher mainly reflecting an 18 percent increase in corn stocks.

Source: WASDE

Global Maize Production Forecast Down by 1 Mln Tonnes

The production forecast of maize is reduced by 1m. tons to 750m. (696m. last year). After rains in the eastern corn belt, the US remains on course to harvest a bumper 315m. ton crop, but unfavourable weather will reduce yields in China. In the southern hemisphere, plantings for the next crop are set to rise in Argentina. Total consumption is forecast at 762m. tons, 1m. up from last month because of higher feed use in the EU and Mexico. The forecast of total endseason stocks is 86m. tons - a 30-year low - with 24.5m. tons in the US. Robust feed demand increases the world trade projection forecast by 1m. tons to 85m., just below 2006/07. Despite increased competition from Argentina and Brazil, the US is expected to account for almost 60% of maize exports in 2007/08.

SOURCE: IGC

Global Industrial Consumption of Maize to Increase

World industrial use of grains is forecast to increase by 23% to 229m. tons in 2007/08. In the past, starch was the main industrial product, but in 2007/08 more - almost 107m. tons - will be used to make ethanol. This is 50% above last year's figure. The US, where maize is the key feedstock, became the largest ethanol producer in 2006, overtaking Brazil, where sugar cane is the feedstock. Plants under construction in the US will double ethanol production capacity to some 50bn. litres (12.6 bn. gallons), with maize use in 2007/08 set to climb to around 86m. tons. China is expected to use over 9m. tons of maize to make ethanol in 2007/08, but the government has announced that in future most will be made from nongrain products. Ethanol production in the EU, which uses a wider range of raw materials, is smaller (1.6bn. litres in 2006) but growing rapidly. Tightening world grain supplies and high prices are stimulating research into alternative feedstocks, including cellulose derived

from various plants and crop residues, but their use is not expected to become generally viable for at least 5- 10 years. (See Market Focus Section)

Source: IGC

Kharif Maize Acreage is Down so far

As per the reports available from government sources the kharif maize sowing is lagging behind at 4.78 lakh ha so far as on 22.06.07 as against the acreage of 5.59 lakh ha during corresponding period of last year, but there is still time for sowing. The last year acreage was higher because of early arrivals of monsoon. The normal area under kharif maize is around 62.16 lakh ha. The area covered so far is 7.6% of normal area. It is very likely that higher prices of maize this year as compared to last year on increasing global as well as domestic demand translate to higher sowing in the year 2007/08.

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

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

CROP- WEATHER ANALYSIS

Summer maize is at tasseling/silking/cob formation stages in Chhattisgarh, Bihar, Assam and at grain formation/cob maturity/harvesting stage in northeastern hilly tracts, UP and Tamil Nadu. Land preparation and sowing of Kharif Maize is in progress in Karnataka, AP, MP, HP, Gujarat, Jharkhand, Rajasthan and TN. Kharif crop at vegetative stage in Chhattisgarh and J&K. Expected rains in eastern and central India may affect the harvesting process. But rains in other parts of the country will be beneficial for the crop. Since maize crop is highly susceptible to water logging, provision for surface drainage should be made in the field in most of the country.

MONSOON WATCH

Southwest monsoon further advanced into the remaining parts of Madhya Pradesh & Uttar Pradesh, most parts of East Rajasthan, some parts of West Rajasthan and some more parts of Haryana including Delhi and Punjab on 28th June. It advanced into the remaining parts of East Rajasthan and some more parts of West Rajasthan on 30th June. Southwest monsoon further advanced into the remaining parts of Rajasthan, Haryana & Punjab and thus covered the entire country on 4th July (Map enclosed).

WEATHER WATCH

Last week's low pressure area over central parts of Rajasthan became less marked on 5th July. However the associated upper air cyclonic circulation lay over East Rajasthan & neighbourhood extending upto mid-tropospheric level. It lay over same area extending upto 4.5 km a.s.l on 6th and became less marked on 7th. Last week's depression over Bangladesh coast moved northwestwards and lay centred at 0830 hrs. IST of 5th over Gangetic West Bengal about 50 km north of Kolkata. It remained practically stationary and intensified into a deep depression in the same evening. It then moved westwards and lay centred at 0830 hrs. IST of 6th over Gangetic West Bengal near Bankura. The system further moved west-northwestwards, weakened into a depression and lay centred at 0830 hrs. IST of 7th July over north Chhattisgarh and neighbourhood close to Ambikapur. It lay centred at 0830 hrs. IST of 8th July over east Madhya Pradesh about 50 km southeast of Sagar. It then moved northwestwards and lay centred over northwest Madhya Pradesh close to Shivpuri on 9th morning. It weakened into a well marked low pressure area and lay over northwest Madhya Pradesh and adjoining East Rajasthan on 10th morning and became less marked on 11th morning. However, the associated upper air cyclonic circulation lay over central Rajasthan and neighbourhood extending upto mid-tropospheric level on 11th. An off-shore trough extended from south Konkan coast to Kerala coast during many days of the week. An upper air cyclonic circulation lay over north Pakistan and adjoining Jammu & Kashmir at lower levels during 7th -9th and became less marked on 10th.

Rainfall:

Under the influence of the above systems:

Ü Southwest Monsoon was vigorous/active over East Rajasthan and Gujarat region during many days and over West Rajasthan, Konkan & Goa and Madhya Maharashtra on a few days of the week. Widespread / fairly widespread rainfall occurred over these regions during remaining days of the week. Scattered heavy to very falls with isolated extremely heavy falls also occurred over Gujarat region and Rajasthan on a few days. Southwest monsoon was vigorous/active over Gangetic West Bengal, Jharkhand & Orissa during 5th to 7th, Chhattisgarh on 7th, East Madhya Pradesh on 7th & 8th and West Madhya Pradesh on 9th. Fairly widespread /widespread rainfall also occurred over West Madhya Pradesh during many days and East Madhya Pradesh & Chhattisgarh on a few days of the remaining period of the week. Scattered heavy to very heavy rainfall with isolated extremely heavy falls occurred over Gangetic West Bengal & Orissa during 5th-7th and over West Madhya Pradesh during 8th & 9th. It was active/vigorous over Kerala, Karnataka and Vidarbha during a few days of the week. Rain/thundershowers occurred at many places over these sub-divisions during remaining days of the week. Southwest monsoon was active over Western

Himalayan region on 6th, 8th and 9th when fairly widespread rain/thundershower with isolated heavy falls occurred over this region.

Ü Fairly widespread /widespread rainfall occurred over Andaman & Nicobar Islands and Nagaland, Manipur, Mizoram & Tripura during many days and Assam & Meghalaya, Arunachal Pradesh, Sub-Himalayan West Bengal & Sikkim and Bihar on a few days of the week. Isolated to scattered rainfall occurred over remaining parts of the country during many days of the week. .

Outlook for the week ending on 18th July 2007

A low pressure area is likely to form over north Bay of Bengal around 13th. Under its influence, increase in rainfall activity likely over east & adjoining central India during

TECHNICAL ANALYSIS

Commodity: Maize

Contract: July 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Maize futures traded range bound during the week. The most active NCDEX July contract traded mostly lower on increased selling pressure during the first half of the week. However, some buying interest at lower levels has supported the futures in later half of the week and traded up near Rs.783/quintal compared to last week's closing at Rs 778.5/quintal and remained in the range of 771-784 during the week. The open interest as well as volumes has declined during the week. On July 05, stocks in NCDEX warehouses declined sharply at 695 MT as against last week's stock of 2064 MT.

Technical: A doji like candle has formed, showing indecisive market. However, prices closed above the EMA's, indicating medium term strength is likely to continue in the market. The RSI is flat in normal zone, whereas stochastic is dipping. Maize is likely to trade slight down initially following a steady to firm opening with possibility of late upwards movement.

Outlook: Rangebound with firm bias on decreasing arrivals from Bihar amidst steady demand from starch as well as

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
July	795	800	775	770

13th-15th. Increase in rainfall activity over plains of northwest India.

Source: IMD

FOREX RATES (As on 16th JULY, 2007)

Country	Currency	Value in Rupees
USA	Dollar	40.37
European Union	Euro	55.67
Japan	100 Yen	33.13
Great Britain	Pound Sterling	82.18

poultry industries. Bullish tone in global corn market is also underpinning the tone..

Recommendation: Buy on dips towards support level



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