

MAIZE

21st JULY -28th JULY, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Maize prices climbed up in major domestic markets on good demand amidst lower arrivals. Area under kharif maize still lags by 3.6% at 54.74 lakh ha versus year-ago acreage of 56.76 lakh hectares. Around 88.1% of normal area has been covered as on 20.07.07. Competing oilseeds and pulses leave limited scope for any significant increases in maize acreage this year. Meanwhile, increasing demand from Bangladesh and good domestic demand from poultry as well as starch industries are supporting prices. Maize price continued to be bullish by Rs.50/qrtl at Rs.810/qrtl ex-godown basis for the Bihar maize in Delhi on very poor arrivals around 2 motor from Bihar. Good demand from Haryana poultry industries are supported the tone. Bajra prices quoted firm too at Rs.690-700/qrtl. on lower arrivals around 5 motors from U.P.. Bihar mandis continued to be firm with prices at Rs.710-715/qrtl on good demand and lower arrivals of around 200 bags in Naugachia mandis. Widespread rainfall has restricted arrivals. Moreover, rising sentiments motivated the farmers to holding their stocks. However, around 20-25 motors of maize arrived in Dalkhola mandi of West Bengal from Bihar and are to be exported to Bangladesh. Maize price also rose to Rs.800-820/qrtl in Kolkata mandis on lower arrivals & good demand. As per trade sources, the stock position in Karnataka is nearly 45 lakh bags and in A.P it is reportedly at 15 lakh bags. While good demand has improved the sentiments in A.P., it is subdued in Karnataka on comfortable stocks. Maize prices are strengthening steadily and the new crop prospects too are not very encouraging due to lower acreage and weak phase of monsoon at the moment.

NCDEX FUTURES MARKET:

Maize futures traded bearish during the week. The most active NCDEX August contract traded mostly lower and slid down to Rs.777 as low of the week on fresh selling pressure and traded near Rs.779/quintal compared to last week's closing at Rs 787/quintal. The contract remained in the range of 777-789 during the week. The volumes as well as open interest have declined during the week. On July 26, stocks in NCDEX warehouses remain unchanged to 694 MT.

PRICE DRIVERS:

- Fresh arrivals declining in Bihar due to unwillingness of farmers and stockists to release the stock at lower prices.
- Rising export demand from Bangladesh.
- Good demand from poultry industries of Tamilnadu and starch industries of Ahmedabad.
- Lower rakes arrivals from Bihar in South India due to uncompetitive rates.
- kharif maize sowing is lagging behind by 3.6% at 54.74 lakh ha so far as on 20.07.07 as against 56.76 lakh ha during year ago period.
- Any significant increase in acreage is not expecting this year
- As 4th advance estimate, total maize production for 2006-07 estimated up around 14.98 million tonnes as compared to last year production of 14.71 million tonnes.
- Global industrial consumption of maize to increase on higher ethanol as well as bio-fuel demand
- Rising export of egg may support maize prices
- Govt. has increased the MSP of maize by Rs 80 to Rs 620/qrtl
- Lower prices of bajra on continuous arrivals from U.P.
- Higher production outlook in S. Africa and U.S.

GLOBAL MARKET:

CBOT Corn Futures Finished Up

CBOT corn futures finished up Thursday. December Corn finished up 5.75 cents at \$3.33 per bushel; this was 7.5 off the high and 4 up from the low. September Corn closed up 6 cents at 3.175 per bushel. This was 3.75 up from the low and 8.5 off the high. The grain markets found strength from a somewhat threatening weather outlook for next week and shook-off the early sharp break in the stock market. However, fund selling slowed later in the session as the stock market continued to collapse and futures gave back 7 1/2 cents of the gains into the close. Ideas that parts of the western Corn Belt are too dry and may miss out on the rains for the next few days ahead of a drier and warmer

trend into next week helped spark renewed buying and short-covering early in the session today.

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	21.07.07	28.07.07
Delhi (Red Maize)	785-790	815-820
Delhi (Gajar Maize)	755-760	-
Sangli truck Bilty (New)	830	855
Pune Starch (New)	850	865
Ahmedabad Poultry feed	850	860-880
Ahmedabad Starch	840	870
Kolkata mill delivery	750-770	800
Nizamabad (Bilty)	755-760	750-760
Davengere (Bilty)	740	750
Bihar Loose Price	625-635	700

DOMESTIC AND INTERNATIONAL

NEWS ANALYSIS:

Kharif Maize Acreage is Still Down

Area under kharif maize is still lagging behind this year by 3.6% at 54.74 lakh hectares so far as on 20.07.07 as compared to 56.76 lakh hectares during corresponding period of last year. The normal area under maize in the country is around 62.16 lakh hectares. Near about 88.1% of normal area has covered so far. The erratic weather mainly flood in Karnataka, A.P., Maharastra is hindering the sowing progress. However, the area under maize in A.P. and Karnataka and Maharastra has increased so far whereas, in U.P., Rajasthan, Gujarat and M.P. it is down due to shifting of acreage towards other crops due to higher cost of cultivation involved in maize cultivation. Competing oilseeds and pulses leave limited scope for any significant increases in maize acreage this year.

4th Advance Estimate: Maize Production Up; Kharif Down, Rabi Up

According to the 4th advance estimate of GOI, total maize production for the year 2006-07 estimated up around 14.98 million tonnes as compared to last year production of 14.71 million tonnes. Higher rabi maize out put around 3.55 million tonnes as against 2.55 million tonnes last year is featuring the same. However, kharif maize out put estimated lower around 11.43 million tonnes as against 12.16 million tonnes last year.

IGC Forecasts Global Maize Production up to 752 MMT

Production is forecast at 752m. tons, 2m. up from June, and 55m. more than in 2006. Plantings in the US were even larger than expected and, with generally favourable conditions continuing, the crop forecast is raised by 5m. tons to 320m., 52m. more than last year. Hot and dry weather in south-east Europe results in major reductions in the forecasts for Bulgaria, Hungary, and Romania, but China's crop estimate is increased after good rains.

Plantings in Argentina are likely to expand and output in South Africa should recover. World consumption is forecast at a record 763m. tons, 1m. higher than previously and 42m. tons more than last year. Demand for maize for ethanol and other industrial purposes continues to expand very rapidly but feed use growth is constrained by the greater availability of oilseed meals and distillers dried grains. The increase in the US crop forecast is reflected in a rise in its projected end-year stocks to 33m. tons compared with 29m. at the end of 2006/07, but carryovers in the EU will be sharply lower. Global maize trade is forecast at 85m. tons, little changed from the previous season.

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

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

US Coarse Grain Production Projected Up

This month's outlook for 2007/08 U.S. feed grains is for sharply higher supplies as carryin and production both rise. Corn supplies for 2007/08 are projected at 14 billion bushels as a 2.5- million-acre increase in harvested area raises corn production 380 million bushels from last month and reductions in 2006/07 use raise beginning stocks 150 million bushels. The increase in 2007 corn production is

based on planted and harvested area estimated in the June 29 Acreage report. Exports for 2007/08 are raised 25 million bushels as larger domestic supplies, lower prices, and reduced foreign exports boost prospects for U.S. corn shipments. Ending stocks are raised to 1.5 billion bushels, up 505 million from last month. The season-average farm price is projected 30 cents lower on both ends of the range at \$2.80 to \$3.40 per bushel. Corn ending stocks for the 2006/07 marketing year are projected 150 million bushels higher at 1.1 billion. Feed and residual use is lowered 100 million bushels largely reflecting the corn disappearance indicated in the June 29 Grain Stocks report. Exports are lowered 50 million bushels reflecting the lagging pace of export shipments even as export sales and outstanding balances indicate strong demand for old-crop supplies.

Source: WASDE

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 Corn Weekly Export Sales Down by 38%

Net sales of 412,500 MT were down 38 percent from the previous week and 53 percent from the prior 4-week average. Increases reported for Japan (107,400 MT), Taiwan (76,300 MT), Canada (60,100 MT), Egypt (59,100 MT), Syria (51,400 MT, including 50,500 MT switched from unknown destinations), and Colombia (44,700 MT), were partially offset by decreases for unknown destinations (161,500 MT). Net sales of 380,900 MT for delivery in 2007/08 were primarily for Japan (74,200 MT), Mexico (70,900 MT), Egypt (60,000 MT), South Korea (55,900 MT),

and Colombia (48,700 MT). Exports of 913,500 MT were 24 percent under the previous week and 2 percent below the prior 4-week average. The primary destinations were Japan (332,900 MT), South Korea (162,700 MT), Colombia (60,700 MT), Venezuela (60,200 MT), and Egypt (59,100 MT).

This summary is based on reports from exporters for the period July 13-19, 2007.

Source: USDA

CROP- WEATHER ANALYSIS

Sowing of Kharif Maize is in progress in Rajasthan and TN. Kharif crop at vegetative stage in Chhattisgarh, Karnataka, Gujarat, MP, Jharkhand J&K and AP, whereas it is in knee height stage in HP. It is at flowering/cob formation stages in Chhattisgarh, Bihar and at cob maturity/harvesting stage in Assam, northeastern hilly tracts, UP. Expected heavy rains in northeastern India may affect the harvesting process. But rains in other parts of the country will be beneficial for the crop. Good drainage facilities are needed for the crop to avoid water logging in eastern and northeastern part of the country.

WEATHER WATCH

The axis of the monsoon trough at sea level ran close to the foothills of the Himalayas during many days of the week. Last week's low pressure area over East Uttar Pradesh and adjoining Bihar became less marked on 19th July. However, the associated upper air cyclonic circulation lay over Bihar & neighbourhood extending upto 3.1 km a.s.l. on 19th and became less marked on 20th. A north-south trough in lower tropospheric levels extended from Bihar to north coastal Andhra Pradesh on 20th and became less marked on 21st. An upper air cyclonic circulation in the lower tropospheric levels lay over Bangladesh & neighbourhood on 21st & 22nd and over Assam & neighbourhood on 23rd July. It moved away eastwards thereafter. Another upper air cyclonic circulation at lower tropospheric levels lay over Sub-Himalayan West Bengal & neighbourhood on 24th and east Assam & adjoining Arunachal Pradesh on 25th July. A cyclonic circulation lay over westcentral Bay of Bengal off south Coastal Andhra Pradesh extending upto 3.1 km a.s.l. on 23rd; over southwest Bay of Bengal off north Tamil Nadu coast on 24th and over Tamil Nadu & neighbourhood on 25th July. Last week's upper air cyclonic circulation over Jammu & Kashmir and neighbourhood moved away eastwards on 19th. A trough in westerlies extending upto mid-tropospheric level ran from north Pakistan to north Arabian Sea during 19-21st and from Jammu & Kashmir to north Arabian Sea across Pakistan during 22-25th July. An embedded cyclonic circulation lay over north Pakistan at lower tropospheric levels during 19-21st and over Jammu & Kashmir and neighbourhood during 22-25th.

Rainfall:

Under the influence of the above systems:

Rainfall activity was subdued over central, west & adjoining northwest & peninsular India with isolated to scattered rainfall during many days of the week. Widespread/fairly widespread rainfall occurred over northeastern states, West Bengal & Sikkim and Bihar throughout the week. Southwest monsoon was active/vigorous over the above regions during many days of the week. Widespread/fairly widespread rainfall also occurred over Jharkhand and East

Uttar Pradesh during many days of the week. Fairly widespread rainfall occurred over western Himalayan Region during 2nd half of the week. Widespread/ fairly widespread rainfall occurred along the west coast and Lakshadweep during many days of the week.

Outlook for the week ending on 01st August 2007

Numerical Weather Prediction models suggest that southwest monsoon is likely to remain in a weak phase during the week. Hence, rainfall activity over central and adjoining peninsular & northwest India will remain subdued during the same period. Enhanced rainfall activity with isolated heavy to very heavy fall is likely to continue over

TECHNICAL ANALYSIS

Commodity: Maize

Contract: August 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Maize futures traded bearish during the week. The most active NCDEX August contract traded mostly lower and slid down to Rs.777 as low of the week on fresh selling pressure and traded near Rs.779/quintal compared to last week's closing at Rs 787/quintal. The contract remained in the range of 777-789 during the week. The volumes as well as open interest have declined during the week. On July 26, stocks in NCDEX warehouses remain unchanged to 694 MT.

Technical: A bearish candle has formed with long lower shadow, indicating buying support at lower levels. However, Prices closed below the EMAs, indicating medium term weakness may prevail. MACD is indecisive. RSI and Stochastic are falling further. Maize futures are likely to trade higher initially after a steady to slightly firm opening. However, late weakness may be seen at higher levels.

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
August	795	800	769	760

northeastern states, Sub-Himalayan West Bengal & Sikkim and Bihar during the week. Increase in rainfall activity along the west coast towards 2nd half of the week.

Source: IMD

FOREX RATES (As on 30th JULY, 2007)

Country	Currency	Value in Rupees
USA	Dollar	40.54
European Union	Euro	55.31
Japan	100 Yen	34.17
Great Britain	Pound Sterling	82.02

Outlook: Bullish on decreasing arrivals from Bihar amidst rising export demand from Bangladesh as well as good domestic demand from starch and poultry industries.

Recommendation: Buy on dips towards support level



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