

MAIZE

20th - 25th AUGUST, 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 trade steady to slightly firm in major domestic markets on normal demand. Towards mid of the week, prices surged on tight supply against the good physical demands in north Indian markets whereas prices slightly dipped in the south markets on increased arrivals. Acreage under kharif maize crops increased at 71.49 lakh hectares so far as on 17.08.07 as against 67.76 lakh hectares during the same period a year ago. The trade estimates also shows that this year production is likely to be higher and may touch 12.5 million tonnes. Due to favourable monsoon rains over the southern region, maize output is likely to be higher and Tamil Nadu alone is expected to produce 500,000 tonnes. Due to floods that created logistic problems in Bihar, neighbouring countries started importing from the south Indian markets.

Marketing activities in Bihar continued to be subdued on the prevailing flood situation. The daily arrivals declined from last week's 150 to 100 bags at Naugachia mandi of Bihar and price quoted between Rs.710-730/mt for superior quality. Good demand against a restricted supply from Bihar pushed up the prices at Kolkota and Delhi and quoted at Rs.825-850/mt and Rs.830-850/mt respectively and the arrivals in Delhi stood at 2-3 motors. Hybrid maize arrivals around 4-6 motors are reported from U.P and quoted around Rs.780-800/mt. Poultry industry is growing rapidly in India. Maize prices at Nizamabad and Davengere ruled firm at Rs.700/mt each.

NCDEX FUTURES MARKET:

Maize futures September contract extended the previous week's losses initially and made the contract low at Rs.725/mt. However, futures recovered thereafter on renewed buying interest erasing all the early losses and made the contract high at Rs.745/mt, while declined thereafter on profit booking at higher level and ended the week in weaker note. In September contract, volume increased while open interest declined towards end of the week. On August 23, stocks in NCDEX warehouses remained steady at 685 MT.

PRICE DRIVERS:

- Kharif maize sowing has increased to 71.49 million hectares as on 17.08.07 versus 67.76 million hectares during same time last year.
- Total kharif maize production is likely to be higher and may touch 12.5 million tonnes
- The poultry industry is likely to grow by 7% during 2007/08 onwards as against 4% growth until last year 2006/07.
- Steady to increased arrivals against normal demand
- Bhutan, Sri Lanka has halted the poultry imports from India.
- Egg export towards Middle East countries has declined.
- Maize supply towards North eastern states and Bangladesh from West Bengal and Bihar has reduced significantly
- Bangladesh is looking into the south Indian markets for the maize import.
- Fresh arrivals declining in Bihar due to flood situation that created logistic problems.
- Lower rates arrivals from Bihar to South as well as North India due to uncompetitive rates.
- IGC forecasts global maize production to increase at 752 million tonnes whereas global consumption forecast at a record high of 763 million tonnes.
- 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/mt
- Bajra prices continued to be firm on continuous arrivals from U.P.
- Higher production outlook in South Africa and U.S.

GLOBAL MARKET:

CBOT Corn Futures Settled Up

CBOT corn futures settled down Friday. December Corn finished down 3.25 cents at \$358.75 per bushel; this was

3.75 off the high and .75 up from the low. September Corn closed down 3.75 cents at \$341 per bushel. This was .5 up from the low and 4 off the high. Due to late strength in soybeans, the stock market, the crude oil futures and other commodity markets could not provide support for the corn future and the market touched new lows into the close. The bearish trend of the market was also further supported by the ideas that good corn yield potential has increased due to rains for much of the northern half of the Corn Belt outpacing the news of flood that damaged the cornfield. Further, the light harvest pressure from early cutting in the southern corn belt added weakness in the most active December future. Professional Farmers of America on Friday estimated the 2007-08 U.S. corn crop at 13.109 billion bushels compared to USDA's estimation of 13.054 billion bushels.

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	18.08.07	25.08.07
Delhi (Red Maize)	820	850
Delhi (U.P. Hybrid Maize)	790-800	800
Sangli truck Bilty (New)	760	745
Pune Starch (New)	800	775-780
Ahmedabad Poultry feed	810	820-825
Ahmedabad Starch	810	790-800
Kolkata mill delivery	800-820	860
Nizamabad (Bilty)	725	700
Davengere (Bilty)	725	700-705
Bihar Loose Price	710	730

DOMESTIC AND INTERNATIONAL

NEWS ANALYSIS:

Kharif Maize acreage has Increased to 7.14 MH

Kharif maize acreage has increased to 7.14 million hectares so far as on August 17 as against 6.77 million hectares during previous year. Good rainfall and satisfactory progress of sowing has increased the outlook of a good production this year.

Kharif Maize Production Likely to be Higher in Andhra Pradesh

The kharif maize acreage is increased in Andhra Pradesh (over 5.11 lakh hectares so far). Sowing operations would continue this month also. The farmers of Andhra Pradesh are optimistic to achieve the government fixed production target for the state of 21.77 lakh tonnes for kharif maize. Good demand from the domestic poultry industry for maize and low output costs have motivated farmers to take up maize cultivation.

Bhutan Ban the Poultry Import from India

Bhutan has halted the import of poultry from India following the outbreak of bird flu in north eastern parts of India such as Manipur and Nagaland. The import ban from Bhutan will no doubt hamper the poultry trade of West Bengal. Nearly

1,500 tonnes of poultry from India enters Bhutan annually. The weak poultry trading activities of West Bengal is weakening the demand of maize.

Kharif Maize Production Likely to be Higher at Davanagere

Kharif maize production at Davanagere is likely to be higher this year due to higher acreage under the crop. Many farmers of the region have diversified from their traditional kharif paddy crops towards maize because of lower water availability this time. According to the trade sources, the release of Bhadra water had been stopped due to ongoing repairing works. Traders and farmers are expecting that the kharif maize sowing is about to cross two lakh hectares. Moreover, good showers at the beginning of the monsoon season have helped in sowing activities. The experts as well as traders are optimistic about that kharif maize production is likely to be around 10 lakh tonnes as against around 4 lakh tonnes produced in the last 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. tonnes. China is expected to use over 9m. tonnes of maize to make ethanol in 2007/08, but the government has announced that in future most will be made from non-grain 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

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

Net sales of 139,200 MT resulted as increases for Japan (230,100 MT), Syria (28,700 MT, including 9,600 MT switched from Egypt), Peru (26,500 MT), Taiwan (25,700 MT), Libya (25,000 MT), Canada (24,800 MT), and Panama (21,000 MT, including 19,300 MT switched from Guatemala), were partially offset by decreases for unknown destinations (74,300 MT), Mexico (61,600 MT), Guatemala (29,700 MT), and South Korea (28,500 MT). Net sales of 969,600 MT for delivery in 2007/08 (which begins September 1) were primarily for Japan (309,900 MT), Iran (240,000 MT), Mexico (126,900 MT), Israel (47,500 MT), and Saudi Arabia (42,000 MT). Exports of 950,400 MT were down 17 percent from the previous week and 1 percent from the prior 4-week average. The primary destinations were Japan (309,600 MT), Mexico (175,600 MT), Taiwan (160,200 MT), Egypt (74,400 MT), Canada (55,100 MT), Panama (31,300 MT), and Syria (28,700 MT).

This summary is based on reports from exporters for the period, August 9-16, 2007.

Source: USDA

CROP- WEATHER ANALYSIS

Kharif crop at vegetative stage in Chhattisgarh, Gujarat, Rajasthan, MP, TN, Jharkhand, J&K and AP, whereas it is in knee height/vegetative/flowering stage in HP, Karnataka and Kashmir division. Sowing of Kharif Maize continued in Rajasthan and TN. It is at maturity stages in Chhattisgarh, Bihar. Incidences of stem borer have been reported in maize in AP. Dry weather condition in northern, western and central part of the country demands irrigation for the crop. But, expected rainfalls in eastern part of the country may affect the crop in Bihar.

WEATHER WATCH

A cyclonic circulation lay over Gangetic West Bengal and adjoining Bangladesh extending upto mid-tropospheric level on 17th. Under its influence, a low-pressure area formed over North Bay of Bengal and adjoining West Bengal and Bangladesh on 18th morning. It became well marked over the same area on 18th evening. The well-marked low-pressure area lay over Gangetic West Bengal and neighbourhood on 19th. It lay as a low-pressure area over Jharkhand and adjoining areas of north Orissa and Gangetic West Bengal on 20th and over East Madhya Pradesh and neighbourhood on 21st. It became less marked on 22nd. However, the associated upper air cyclonic circulation lay over northwest Madhya Pradesh and adjoining East Rajasthan extending upto 4.5 km above sea level. The axis of the monsoon trough at mean sea level gradually shifted southwards from its last week's position along the foothills of the Himalayas. It lay to the south of its normal position towards the end of the week. Last week's off shore trough from Gujarat coast to Karnataka coast ran from Gujarat coast to Konkan coast during 16-19th, from Gujarat coast to Karnataka coast on 20th and from Gujarat coast to Kerala coast on 21st and 22nd. Last week's upper air trough running from Bihar to north Bay of Bengal with embedded cyclonic circulation at lower levels over Bihar persisted on 16th and became less

marked on 17th. A trough in westerlies at times embedded with cyclonic circulation extending upto lower/mid tropospheric levels affected western Himalayan region and adjoining plains during 16-20th.

Rainfall:

Under the influence of the above systems:

Widespread/fairly widespread rainfall with scattered/isolated heavy to very heavy falls occurred over Sub-Himalayan West Bengal & Sikkim during 16th-19th, Gangetic west Bengal and Jharkhand during 16-20th, Orissa during 19th-21st, Chhattisgarh and East Madhya Pradesh during 20-21st, West Madhya Pradesh on 21st, East Rajasthan on 21st-22nd and Gujarat Region on 22nd. Extremely heavy rainfall (>25 cm) was recorded over Bihar, Gangetic West Bengal and Orissa on 16th, 18th and 20th August respectively. Widespread/fairly widespread rainfall occurred over northeastern States during first two days of the week and decreased thereafter. Widespread/fairly widespread rainfall occurred over Himachal Pradesh, Uttar Pradesh, and Uttarakhand during 19-20th. Widespread/fairly widespread rainfall occurred over Konkan & Goa, Coastal Karnataka and Andaman & Nicobar islands during many days of the week. The rainfall was subdued over remaining parts of the country where

TECHNICAL ANALYSIS

Commodity: Maize

Contract: September 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Maize futures September contract extended the previous week's losses initially and made the contract low at Rs.725/ctl. However, futures recovered thereafter on renewed buying interest erasing all the early losses and made the contract high at Rs.745/ctl, while declined thereafter on profit booking at higher level and ended the week in weaker note. In September contract, volume increased while open interest declined towards end of the week. On August 23, stocks in NCDEX warehouses remained steady at 685 MT.

Technical: A long bearish candlestick has been formed reversing the entire gains of the previous session. The sharp two-way action has distorted the technical charts, making the indications less reliable. Prices have fallen below the EMAs, while other indicators are indecisive with slightly upward inclination. Maize is likely to trade downwards after slightly weak opening, with possibility of late recovery.

Outlook: Market is expected to trade range bound with firm bias on good buying support.

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
September	750	758	725	710

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isolated/scattered rain occurred during many days of the week.

Outlook for the week ending on 29th August 2007

Numerical Weather Prediction Models suggest gradual shifting of monsoon trough towards foothills of the Himalayas during next 2-3 days. Under this scenario, enhanced rainfall activity with fairly widespread rainfall with isolated heavy to very heavy falls is likely over northeastern states, Sub-Himalayan West Bengal & Sikkim, Bihar and Uttar Pradesh. Scattered rainfall activity is likely over peninsula India. Subdued rainfall activity is likely over remaining parts of the country.

Source: IMD

FOREX RATES (As on 25th August, 2007)

Country	Currency	Value in Rupees
USA	Dollar	41.18
European Union	Euro	55.85
Japan	100 Yen	35.53
Great Britain	Pound Sterling	82.41

Recommendation: Sell on rallies towards resistance level.

