

MAIZE

28th JULY -04th AUGUST, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Maize prices declined in major domestic markets on lower buying interest. Stock position is reportedly lower in Delhi, Ahmedabad, U.P. mandis. According to trade sources, stock position in Ahmedabad is around 1 lakh bags while in Delhi it is around 40,000 bags. The outbreak of bird flu parts of northeast India has limited the overseas as well as domestic demand. Sri Lanka as well as Bhutan has halted poultry imports from India. The demand from Bangladesh has also declined at present. The import ban imposed by Bhutan will no doubt hamper the poultry trade of West Bengal and consequently affect maize demand in short-term. Nearly 1,500 tonnes of poultry from India enters Bhutan annually. The maize demand from North Bengal and Bihar has declined sharply that supplies the major portion of the poultry feed to the northeastern farms, Bhutan and Bangladesh. The export demand for eggs has also reportedly declined. India is a major exporter of eggs to Middle East. The India-Middle East egg trading, which was suspended for some time, was only opened a few months ago and is now facing uncertainty again, resulting in lower demand of maize from poultry sector. Bihar maize traded at Rs.825/ql in Delhi mandis as arrivals stood at 2 motors. Hybrid maize arrivals, though in small amount, have started from UP mandis. Bajra prices quoted lower around 680-685/ql on higher arrivals of around 6 motors from UP. Bihar mandis remained mostly quiet on widespread rainfall and flood situation. Area under kharif maize has increased by 6.8% to 64.55 lakh hectares so far as on 27.07.07. The total area under maize this time has surpassed the normal area to 103.9%. The higher acreage has been witnessed from Karnataka, A.P., Maharashtra, Rajasthan and Chattisgarh. Kharif maize production at Davangere is likely to be higher at around 10 lakh tonnes this year as against around 4 lakh tonnes produced last year due to higher acreage. Many farmers of the region have diversified from their traditional kharif paddy crop to maize. Maize sentiments are likely to pick up in the coming days after the country will recover from bird flu infestation.

NCDEX FUTURES MARKET:

Maize futures traded lower during the week. The most active NCDEX August contract traded mostly bearish during the first half of the week and slid down to Rs.768 as low of the week. However, some buying interest at lower level has supported the contract and traded marginally up

during rest of the days and traded near Rs.768.5/quintal compared to last week's closing at Rs 779/quintal. The contract remained in the range of 768-780 during the week. The volumes as well as open interest have declined sharply during the week. On August 02, stocks in NCDEX warehouses remain unchanged to 694 MT.

PRICE DRIVERS:

- Outbreak of bird flu in North Eastern India has reduced the maize demand
- Bhutan, Sri Lanka has halted the poultry imports from India.
- Egg export towards Middle East countries has declined sharply.
- Maize supply towards North eastern states and Bangladesh from West Bengal and Bihar has reduced significantly
- Fresh arrivals declining in Bihar due to widespread of rainfalls and flood situation.
- Lower rakes arrivals from Bihar to South as well as North India due to uncompetitive rates.
- Kharif maize sowing has increased by 6.8% to 64.55 lakh hectares so far as on 27.07.07. Total area so far has surpassed the normal area.
- Total kharif maize production is likely to be higher this year if everything goes well
- 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.
- 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/ql
- Lower prices of bajra on continuous arrivals from U.P.
- Higher production outlook in S. Africa and U.S.

GLOBAL MARKET:

CBOT Corn Futures Settled Up

CBOT corn futures settled up Friday. December Corn finished up 1.75 cents at \$3.43 per bushel; this was 3 off the high and 4.5 up from the low. September Corn closed up 2.5 at \$3.265 per bushel. This was 4.25 up from the low and 3.50 off the high. Ideas that feed demand should remain strong out of Europe due to crop problems in southeast Europe and uncertain weather into mid-August in the US helped support. The market followed soybeans higher early in the session with talk of stressful weather for some of the Corn Belt ahead helping to support. However, reports of high yield potential due to excellent pollination weather and ideas that the USDA will raise their forecast for the August 10th production report helped spark choppy and two-sided trade into the mid-session.

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	28.07.07	04.08.07
Delhi (Red Maize)	815-820	825
Delhi (U.P. Hybrid Maize)	-	810
Sangli truck Bilty (New)	855	800
Pune Starch (New)	865	820
Ahmedabad Poultry feed	860-880	820-830
Ahmedabad Starch	870	820
Kolkata mill delivery	800	790
Nizamabad (Bilty)	750-760	730-735
Davengere (Bilty)	750	720-725
Bihar Loose Price	700	690-695

DOMESTIC AND INTERNATIONAL

NEWS ANALYSIS:

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.

Outbreak of Bird flu in India has Reduced the Maize Demand

The Indian poultry industry is facing some snags because of the outbreak of bird flu in some parts of north eastern India such as Manipur and Nagaland. Sri Lanka has halted the poultry imports from India. The export demand for eggs have also reportedly declined that resulting into lower demand of maize from poultry industries of India. Poultry industries consume near about half of the maize produce in the country and the total consumption of maize as poultry feed varies to 6-7 million tonnes each 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

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 Up by 95%

Net sales of 806,000 MT were 95 percent above the previous week and 2 percent over the prior 4-week average. Increases reported for Japan (330,200 MT), South Korea (158,200 MT), Syria (136,500 MT), Mexico (62,400 MT, including 14,800 MT switched from unknown destinations), Taiwan (40,500 MT), and Egypt (37,200 MT), were partially offset by decreases for Cuba (24,900 MT) and Guatemala (18,400 MT). Optional origin sales of 105,000 MT for South Korea were declared U.S. origin. Net sales of 970,200 MT for delivery in 2007/08 were primarily for Japan (320,800 MT), unknown destinations (266,400 MT), Mexico (145,700 MT), and Israel (96,000 MT). Exports of 1,076,000 MT were 18 percent above the previous week and 14 percent over the prior 4-week average. The primary destinations were Japan (147,900 MT), Syria (136,500 MT), Venezuela (130,700 MT), Mexico (119,900 MT), Colombia (118,100 MT), and South Korea (103,900 MT).

This summary is based on reports from exporters for the period July 20-26, 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/vegetative/flowering stage in HP and Kashmir division. It is at cob formation/maturity stages in Chhattisgarh, Bihar and at harvesting stage in Assam, northeastern hilly tracts, UP. Incidences of stem borer have been reported in maize in AP. Expected rains in central, western, northwestern part of the country will be helpful for the crop, provided with good drainage facilities. Decrease in rain fall activities in northeastern India will be helpful for the harvesting process.

WEATHER WATCH

The axis of the monsoon trough ran close to the foothills of the Himalayas on 26th. It ran north of its normal position across Punjab, Haryana, Uttar Pradesh, Bihar and Assam during remaining days of the week. Last week's upper air cyclonic circulation in the lower tropospheric levels lay over Assam & adjoining Arunachal Pradesh persisted on 26th and moved away eastwards on 27th. The other cyclonic circulation over Tamil Nadu & neighbourhood became less marked on 26th. An off-shore trough extended from south Maharashtra coast to Kerala coast during 26-29th and from south Gujarat coast to Kerala from 30th July to 1st August. An upper air cyclonic circulation extending upto mid-tropospheric level lay over southwest Bay of Bengal and adjoining coastal areas of north Tamil Nadu and south Andhra Pradesh during 30th July to 31st July. It lay over south Coastal Andhra Pradesh & neighbourhood between 1.5 to 5.8 a.s.l. on 1st August. Last week's trough in westerlies extending from Jammu & Kashmir to northeast Arabian Sea across Pakistan persisted in lower tropospheric levels during 26 - 29th and became less marked thereafter. An embedded cyclonic circulation lay over north Pakistan and adjoining Punjab during 27 to 29th. Another trough in westerlies ran from north Pakistan to northwest Arabian Sea on 30th & 31st in lower troposphere levels. It ran from Jammu & Kashmir to northeast Arabian Sea on 1st August with embedded upper air cyclonic circulation over north Pakistan and adjoining Punjab.

Rainfall:

Under the influence of the above systems:

The central, west and adjoining northwest and peninsular India continued to experience subdued rainfall activity with isolated to scattered rainfall during many days of the week. Widespread to fairly widespread rainfall continued to occur over northeast India, West Bengal & Sikkim, Bihar, Jharkhand and East Uttar Pradesh during the week. Southwest Monsoon was active/vigorous over Arunachal Pradesh, Assam & Meghalaya, Sub-Himalayan West Bengal & Sikkim on many days and over Nagaland, Manipur, Mizoram & Tripura, Bihar, Jharkhand and East Uttar Pradesh on a few days. Widespread to fairly widespread rainfall occurred along the west coast during many days of the week. Tamil Nadu & Puducherry and Rayalaseema experienced vigorous monsoon condition on last day of the week.

Outlook for the week ending on 08th August 2007

The current meteorological conditions and interpretation of various numerical weather prediction models suggest the revival in monsoon activity over central & adjoining peninsular India, as a low pressure area is likely to form

TECHNICAL ANALYSIS

Commodity: Maize

Contract: August 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Maize futures traded lower during the week. The most active NCDEX August contract traded mostly bearish during the first half of the week and slid down to Rs.768 as low of the week. However, some buying interest at lower level has supported the contract and traded marginally up during rest of the days and traded near Rs.768.5/quintal compared to last week's closing at Rs 779/quintal. The contract remained in the range of 768-780 during the week. The volumes as well as open interest have declined sharply during the week. On August 02, stocks in NCDEX warehouses remain unchanged to 694 MT.

Technical: A long bodied bearish candle has formed, indicating sellers domination in the market. Prices closed below the EMAs, showing medium term weakness and MACD fell into negative zone, favouring bears. Stochastic is turning down towards oversold region following a bearish crossover and RSI remained weak in oversold region, which is bearish indication for the short-term. Maize futures are likely to trade bearish after a steady to weak opening.

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
August	781	786	760	753

over northwest Bay of Bengal on 4th August along with a southward shift in monsoon trough. The low pressure area is likely to become more marked and move slowly in a west-northwesterly direction. Under this scenario, the enhanced rainfall with isolated heavy to very heavy falls are likely over Orissa, north Andhra Pradesh and Chhattisgarh during 4th to 7th August. Subsequently, the enhanced rainfall belt is likely to shift to Madhya Pradesh, Maharashtra, Gujarat and south Rajasthan during 8th -11th. Gujarat, Konkan & Goa and Madhya Maharashtra are also likely to receive extremely heavy rainfall (>25cm) particularly on 10th & 11th. Fairly widespread rainfall with isolated heavy to very heavy fall is likely along the west coast. Decrease in rainfall activity over Bihar, Sub-Himalayan West Bengal & Sikkim and northeastern states during the week. Source: IMD

FOREX RATES (As on 6th August, 2007)

Country	Currency	Value in Rupees
USA	Dollar	40.36
European Union	Euro	55.31
Japan	100 Yen	33.87
Great Britain	Pound Sterling	82.18

Outlook: Range bound with weak undertone on lower buying interest from domestic as well as global sectors following the bird flu outbreak in north eastern states.

Recommendation: Sell on high towards resistance level



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