

MAIZE

11th - 18th AUGUST, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Maize sentiments remained mostly flat in major domestic markets on steady to lower demand. Outlook of higher Kharif maize production is also underpinning the tone. Acreage under kharif maize crops increased at 7.14 million hectares so far as on 17.08.07 as against 6.77 million hectares year ago period. However, stock position in exchange warehouses is reportedly lower. The activity in the different markets of Bihar continued to be subdued on the prevailing flood situation. The daily arrivals declined to 150 bags at Naugachia mandi of Bihar and price quoted between Rs.700-710/qlt for superior quality. However, poor quality traded lower between Rs.660-680/ qtl. Lower demand from West Bengal is also pressurising the market. The Bihar maize traded flat at Rs.815/qlt in Delhi mandis amidst lower arrivals of 3 motors from Bihar. Hybrid maize arrivals around 4-5 motors are reported from U.P. However, lower demand because of lower quality has surpassed the market. Hybrid maize quoted around Rs.790/qlt. Poultry industry is growing rapidly in India. According to industry estimate, the poultry industry from 2007/08 onwards is likely to grow by 7% as against a 4% growth until last year 2006/07. One of the main reasons of this growth is the stable egg prices and higher demand of eggs in the country. There is a good export demand of eggs from Middle East and East African countries.

NCDEX FUTURES MARKET:

Maize futures declined further during the week. The most active NCDEX September contract fell down on fresh selling interest and tested fresh contract month's low at Rs.731/quintals and traded near Rs.732.5/quintal compared to last week's closing at Rs 744/quintal. The contract remained in the range of 731-744 during the week. The volumes have declined whereas open interest have increased during the week. On August 16, stocks in NCDEX warehouses remained steady at 685 MT.

PRICE DRIVERS:

- Kharif maize sowing has increased to 7.14 million hectares as on 17.08.07 versus 6.77 million hectares during same time last year.
- 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.
- The poultry industry is likely to grow by 7% during 2007/08 onwards as against 4% growth until last year 2006/07.
- Steady to lower arrivals amidst poor buying support
- 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
- Lower stock in exchange warehouses
- Fresh arrivals declining in Bihar due to widespread of rainfalls and flood situation.
- 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/qlt
- 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 6.75 cents at \$3.458 per bushel; this was 0.25 off the high and 9.5 up from the low. September Corn closed up 7 cents at \$3.285 per bushel. This was 8.75 up from the low and 0.5 off the high. The weekend weather as

bearish as the northern half of the Corn Belt looks to receive 1-3 inches of rain to help the crop fill. Argentina officials projected 2007/2008 planted area for corn at 3.9 million hectares, up 10% from last year. Uncertainty on the extent of rain for the southern Midwest helped provide some underlying support into the mid-session and late in the day short-covering and solid gains in soybeans sparked the strong close.

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	11.08.07	18.08.07
Delhi (Red Maize)	815	820
Delhi (U.P. Hybrid Maize)	800	790-800
Sangli truck Bilty (New)	770	760
Pune Starch (New)	790	800
Ahmedabad Poultry feed	805	810
Ahmedabad Starch	800	810
Kolkata mill delivery	800-820	800-820
Nizamabad (Bilty)	730	725
Davengere (Bilty)	725	725
Bihar Loose Price	680	710

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. 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 Down

Net sales decreases of 212,000 MT--a marketing-year low--resulted as increases for South Korea (177,700 MT), Saudi

Arabia (63,400 MT, including 60,000 MT switched from Egypt), Colombia (54,500 MT), Lebanon (47,000 MT), Syria (43,400 MT, switched from Egypt), Taiwan (43,400 MT), and Cuba (25,000 MT), were more than offset by decreases for Japan (520,700 MT, switched to 2008/09), Egypt (109,300 MT), and unknown destinations (71,500 MT). Optional origin sales of 110,000 MT for South Korea were declared U.S. origin. Net sales of 1,702,000 MT for delivery in 2007/08 (which begins September 1) were primarily for Japan (893,200 MT), Mexico (318,300 MT), Egypt (240,000 MT), unknown destinations (162,800 MT), and Colombia (61,000 MT). Exports of 1,143,400 MT were up 55 percent from the previous week and 17 percent from the prior 4-week average. The primary destinations were South Korea (287,700 MT), Japan (198,700 MT), Colombia (162,900 MT), Egypt (105,600 MT), Taiwan (102,200 MT), Saudi Arabia (63,400 MT), and the Dominican Republic (54,400 MT). Note: Accumulated exports for Syria were adjusted down 25,000 MT and up for Lebanon 25,000 MT.

This summary is based on reports from exporters for the period August 3-9, 2007.

Source: USDA

CROP- WEATHER ANALYSIS

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

WEATHER WATCH

Last week's well marked low pressure area over West Madhya Pradesh and neighbourhood lay as a low pressure area over Kutch and adjoining south Rajasthan on 9th. It moved away westwards on 10th. A fresh low pressure area formed over northwest Bay of Bengal off Orissa-West Bengal coast on 10th. It persisted over the same area and became well marked on 12th. It lay over Gangetic West Bengal and neighbourhood on 13th. It lay as a low pressure area over Bihar and neighbourhood on 14th and became less marked on 15th. However, the associated upper air cyclonic circulation lay over Bihar and neighbourhood extending upto 3.6 km above mean sea level with an upper air trough extending from the centre of cyclonic circulation to north Bay of Bengal. An off shore trough ran from Gujarat coast to Kerala coast during first half of the week and from Gujarat coast to Karnataka coast during second half of the week. The axis of the monsoon trough lay to the south of its normal position in the beginning of the week. The western end of the monsoon trough gradually shifted northward and lay north of its normal position or close to the foothills of the Himalayas from 11th onwards. With the movement of the low pressure area over northwest Bay of Bengal to Bihar, the eastern end of the monsoon trough also shifted northward and lay close to the foothills of the Himalayas during 14-15th August. A trough in westerlies at lower and mid tropospheric levels embedded with cyclonic circulation moved over western Himalayan Region during second half of the week.

Rainfall:

Under the influence of the above systems:

Widespread/fairly widespread rainfall occurred over Orissa during 11-13th and over Gangetic West Bengal during 12-14th. Widespread/fairly widespread rainfall occurred over northeastern states, Sub-Himalayan West Bengal & Sikkim, Bihar, Jharkhand and East Uttar Pradesh during second half of the week. Widespread/fairly widespread rainfall occurred over Gujarat Region, Konkan & Goa and Coastal Karnataka during many days of the week and over Saurashtra & Kutch, Madhya Maharashtra, South Interior Karnataka and Kerala during first half of the week. Widespread/fairly widespread rainfall occurred over Uttarakhand, Himachal Pradesh during second half of the week and over Jammu & Kashmir during last two days of the week. The rainfall was subdued over remaining parts of

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

Outlook for the week ending on 22nd August 2007

Widespread rainfall with isolated heavy to very heavy falls are likely over northeastern States during first half of the week and decrease thereafter. A low pressure area is likely to form over north Bay of Bengal and adjoining north Orissa-West Bengal coast around 18th August. Under its influence, rainfall activity is likely to increase over Orissa, Chhattisgarh and north Andhra Pradesh during 18th-20th August. Subdued rainfall activity is likely over northwest India and remaining parts of Peninsular India. Source: IMD

FOREX RATES (As on 20th August, 2007)

Country	Currency	Value in Rupees
USA	Dollar	41.57
European Union	Euro	55.74
Japan	100 Yen	36.92
Great Britain	Pound Sterling	82.14

TECHNICAL ANALYSIS

Commodity: Maize

Contract: September 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Maize futures declined further during the week. The most active NCDEX September contract fell down on fresh selling interest and tested fresh contract month's low at Rs.731/quintals and traded near Rs.732.5/quintal compared to last week's closing at Rs 744/quintal. The contract remained in the range of 731-744 during the week. The volumes have declined whereas open interest have increased during the week. On August 16, stocks in NCDEX warehouses remained steady at 685 MT.

Technical: A dark candle with long upper shadow has formed on the chart. The Volumes as well as Open Interests have increased in downtrend. All the indicators are showing weak sentiments. The EMAs & MACD remain medium-term bearish. The RSI and Stochastic remain oversold, and not showing any recovery indication. The market is likely to trade weaker following a steady to weak opening

Outlook: Range bound with weak undertone on lower buying support. Outlook of higher kharif maize production on increased acreage is also supporting the bears.

Recommendation: Sell on high towards resistance level

Resistance and Support level:



Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
September	747	755	720	710

Disclaimer

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