

MAIZE

24-29 September, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Initially, Maize spot prices mostly remain unchanged at previous week's level on a routine demand-supply situation. However, by mid-week, prices firmed up on good export orders from Sri Lanka, Bangladesh, Vietnam, Myanmar and Malaysia coupled with growing domestic demand from poultry, livestock and starch industries. Incessant rainfall over UP, AP, Karnataka, Tamil Nadu, Maharashtra and Bihar tightened the supply as well as delayed the harvesting which further added to the firmness. But by weekend, prices dipped as few major trading centers started receiving bountiful fresh arrivals against normal trading activity. Further, the estimated higher kharif production of 13.07 million tonnes, a rise of 14.3% from last year's imparted bearish tone.

In Delhi mandis, red maize (Bihar) traded in the range of Rs.780-800 on a steady arrival of 3-4 motors. At Ahmedabad, poultry feed mills grade traded in the range of Rs.800-850/mt from last week's Rs.800-840. Maize (new) in Naizamabad and Davangere (Bilty) traded at Rs.680-700 and Rs.700-725/mt from previous level of Rs.700-710 and Rs.685-700/mt and daily arrivals stood around 10000 and 9000 mt respectively. At Naugachia (Bihar) loose basis and Kolkata (mill delivery) traded steady on normal trading activity. However, Pune starch quality ruled firm on good export demand while Sangli truck bilty traded down on lower offtake against daily arrivals of 10000 mt from last week's 13000. In Delhi mandis, hybrid (UP) maize traded steady to up on a good offtake against daily arrival of 13-15 motors while Bajra ruled lower Rs.610-620/mt. World consumption is forecast at 765 million tonnes, 3 million more than in August as rising wheat and barley prices encourage animal feeders to use more maize. In coming days, fresh crop arrivals along with bumper production may pressurize the maize prices to rule at lower side.

NCDEX FUTURES MARKET:

After initially trading firm, Maize futures declined on increased selling pressure at higher level with some sideways trade towards the weekend. NCDEX October contract traded in the range of Rs.714.00-737.50 during the period with decreased volume and open interest. On September 27, stocks in NCDEX warehouses increased from the previous level of 686 MT to 4516 MT.

PRICE DRIVERS:

- Maize kharif production at 13.07 million tonnes, up of 14.3 per cent from last year's level.
- Forecast world production is a record 766 million tonnes, 10% more than last year.
- World consumption is forecast at 765 million tonnes, 3 million more than in August as rising wheat and barley prices encourage animal feeders to use more maize.
- Total closing stocks are projected at 103 million tonnes, 7 Million higher than August forecast
- US exports are projected at a 18-year high of 57 million tonnes
- Projected imports by the EU are increased to 7.5 million tonnes
- Healthy Arrival of Fresh crops by next week
- Mild overseas demand from south and Southeast Asian countries.

GLOBAL MARKET:

CBOT Corn Futures Settled Down

CBOT corn futures settled down Friday. December Corn finished down 13.75 cents at \$37.00 per bushel; this was 12.5 off the high and 3 up from the low. March Corn closed down 13 cents at \$389.00 per bushel. This was 3 up from the low and 11.25 off the high. CBOT Friday's corn closed sharply lower after reaching highs in this week since June 22nd. Futures settled lower as a larger-than expected quarterly corn stocks report pressured prices, with end-of-month and end of- quarter position squaring also pushing futures lower. The stocks report was larger than what the market expected and corn saw some consolidation from recent sharp gains and ahead of month end. Although wheat futures made another new all-time high, price volatility spilled over into corn as sharp gains in wheat helped trim corn losses after mid-session though late weakness in wheat helped pressure corn near the close. Speculative selling also pressurized the prices. USDA pegged September 1st stocks at 1.304 billion bushels as

compared with the average pre-report trade estimate at 1.146 billion bushels compared with 1.967 billion last year. South Korea cancelled the tender of 220,000 tonnes of corn due to high prices. A different feed company from South Korea bought 46,000 tonnes of US corn. Japan bought 140,208 tonnes of US corn.

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	22.09.07	29.09.07
Delhi (Red Maize)	780-800	800
Delhi (U.P. Hybrid Maize)	715-725	740-745
Sangli truck Bilty (New)	720-735	730
Pune Starch (New)	810	810
Ahmedabad Poultry feed	840	800
Ahmedabad Starch	810-820	800-810
Kolkata mill delivery	860-870	850-880
Nizamabad (Bilty)	700-710	630
Davengere (Bilty)	685-700	635
Bihar Loose Price	710-720	700-725

DOMESTIC AND INTERNATIONAL

NEWS ANALYSIS:

Kharif Corn Acreage UP

Kharif maize acreage has increased to 76.78 lakh hectares so far as on September 28 as against 72.45 lakh hectares during previous year. Good rainfall and satisfactory progress of sowing has increased the outlook of a good production this year. According to government of India's 1st estimate, this year's kharif maize production is likely to be higher and may reach around 13 million tonnes. However, the acreage under bajra has declined by September 28, the total acreage under bajra kharif crop stood around 83.24 lakh hectare against last year's 91.82 lakh hectares.

Maize Output Around 766 Million Tonnes: IGC

Forecast production is a record 766 million tonnes, 10% more than last year. The increase of 11 million tonnes from the last forecast is mostly due to the very favourable outlook in the US, where the crop is now put at a massive 337 million tonnes, 69 million tonnes more than in 2006. World consumption is forecast at 765 million tonnes, 3 million tonnes more than in August, as steeply rising wheat and barley prices encourage animal feeders to use more maize. While much more maize is still expected to be used to make ethanol than in 2006/07, the estimate is 3 million tonnes lower than last month. Total closing stocks are projected at 103 million tonnes, 7 million tonnes higher than a month ago. Most of the increase is in the US, where the carryover could be 13 million tonnes more than in 2006/07, while stocks will fall in China and the EU. Trade in 2007/08 is now forecast at a record 91 million tonnes, 3 million

tonnes up from August. Projected imports by the EU are increased to 7.5 million tonnes (with Brazil its main supplier), while shipments to several countries in Near East Asia are also seen higher. US exports are projected at a 18-year high of 57 million tonnes, while Argentina and Brazil will also ship unusually large amounts.

Maize Production Estimated Around 13.07 Million Tonnes: 1st Advance Estimate

As per the government of India's 1st Advance Estimate of 2007-2008, Maize production at 13.07 million tonnes is expected to be a new record and 14.3 per cent higher than the 4th advance estimate of 2006-2007. Bajra production pegged at 7.97 million tonnes; lower from the fourth advance estimate of 8.63 million tonnes.

Turkey To Import 300,000 Tonnes Of Maize By May End

According to the Ihlas News Agency, the Turkish government has asked the state-owned grain board to import 300,000 tonnes maize by the end of May.

South Africa Likely To Plant 2.87 Million Ha: CEC

In South Africa, farmers are expected to plant more maize in the coming season due to higher local maize prices. An informal poll of eight trading houses showed a widespread expectation of higher plantings as farmers take advantage of higher prices. The crop estimates committee (CEC) is about to release data on the first intentions on planting for the coming season. Survey data also shows farmers are likely to plant 2.87-million hectares of maize this season compared with only 2,634-million hectares last season. Expectations of better weather conditions also played a major part in the traders' predictions of higher levels of planting next season. The traders were optimistic that weather conditions for the coming season would be favourable. Maize prices rallied to above R2000 a tonne earlier this year, spurred mainly by bullish crop forecasts. The CEC's July prediction of the harvest of 6.9-million tonnes – about 1-million tonnes lower than SA's annual demand of about 8-million tonnes.

US Corn Output May Exceed Pre-Harvest Estimation

Harvesting of corn crop is in full swing in the U.S. and the output may exceed pre-harvest estimation. In August crop production report, the U.S. Department of Agriculture estimated corn production for Illinois is at 2.314 billion bushels, with a yield of 178 bushels per acre. The corn producers had already picked about 2.63 million acres of corn - comprising 3% of the country's total expected harvest by this week. The U.S. corn harvest is pushing northward into southern Illinois, Missouri, Tennessee and southern Indiana, with yield reports being better than expected.

The state extension service estimates that harvest of Louisiana's 750,000-acre corn crop is already 75% complete, and should be finished within 10 days. As per the unofficial report, although Louisiana yielded highest of 148 bushels an acre in 2001, this year some fields are cutting between 180-220 bushels per acre. The corn crop is expected to be above average in North Texas, with yields averaging in the 160-180 bushel per acre. Harvesting of

corn is done 39% in South Carolina, 37% in Georgia, and 19% finished in Alabama.

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

Argentina June Corn Exports Up 150%

As per the latest Agriculture Secretariat data, Argentina has exported 1,564,223 metric tonnes of corn in June, up almost 150% from the 629,463 tonnes exported in June 2006. The major buyers were Spain, Egypt and South Africa with the quantity of 219,387, 187,382 and 138,681 tonnes respectively.

China's Corn Output May Be Around 147 Million Tonnes

Due to drought in Jilin province, China's largest corn producing may see slight down in the corn output as increased acreage, higher yields and larger investment may offset the impact of drought. Jilin's corn output accounts for 15% of China's total corn output. China's corn output is likely to be around 147 million tonnes in 2007, down from the latest official forecast of 149 million tonnes.

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 1,697,700 MT were 17 percent below the previous week. Increases reported for Mexico (422,600 MT), Japan (181,500 MT), Taiwan (122,000 MT, including 60,000 MT switched from Japan), Syria (120,500 MT, including 50,000 MT switched from unknown destinations), Morocco (114,800 MT, including 65,200 MT switched from unknown destinations), unknown destinations (113,000 MT), and Colombia (78,900 MT, including 21,000 MT switched from unknown destinations), were partially offset by decreases for Guatemala (14,200 MT). Optional origin sales of 100,000 MT were reported for South Korea. Exports of 1,203,000 MT were 38 percent above the previous week and 10 percent over the prior 4-week average. The primary destinations were Mexico (242,000 MT), Egypt (230,300 MT), Japan (192,200 MT), Iran (69,000 MT), Colombia (67,900 MT), Israel (60,200 MT), and Canada (57,900 MT).

This summary is based on reports from exporters for the period, September 14-20, 2007.

Source: USDA

CROP- WEATHER ANALYSIS

Kharif crop at vegetative stage in Chhattisgarh, and TN whereas it is in milking/grain formation stage in Gujarat, Rajasthan, MP, Jharkhand, Karnataka and Jammu division. Sowing of maize is going on in TN. It is at end harvesting stage in Assam, Arunachal Pradesh AP and Sikkim and at maturity stages in Chhattisgarh, HP, Bihar and Kashmir division. Incidences of stem borer have been reported in maize in AP. Due to dry weather condition; irrigation is needed in northern, central and northwestern parts of the country. Expected rainfalls will be helpful for the crop in TN, while dry weather will help the harvesting operation in northeastern states.

WEATHER WATCH (WEEK ENDING ON 26th September, 2007)

- Last week's well marked low pressure area over West-Central Bay of Bengal and adjoining Coastal Andhra Pradesh lay over West-Central Bay of Bengal and adjoining north coastal Andhra Pradesh & south coastal Orissa on 20th. It lay over West-Central and adjoining North-West Bay of Bengal off south Orissa - north Andhra Pradesh coasts in the morning of 21st and concentrated into a depression and lay centred at 1730 hours IST of 21st September 2007 over the same area

near Lat. 18.0 °N and Long 86.5 °E, about 230 km southeast of Puri. The system moved north-northwestward and lay centred at 0830 hours IST of 22nd September 2007 over North-West and adjoining West-Central Bay of Bengal near Lat. 19.0 °N and Long 86.0 °E, about 100 km southeast of Puri. It then moved northward and crossed Orissa coast near Puri around 1830 hours IST of 22nd September. It then moved northwestward and lay centred at 0830 hours IST of 23rd September over Interior Orissa near Angul. It further moved north north westward and lay centred at 0830 hours IST of 24th September over north Chhattisgarh, close to Ambikapur. The system weakened into a well-marked low-pressure area and lay over north Chhattisgarh and adjoining East Madhya Pradesh at 1730 hours IST of 24th September. The well-marked low-pressure area lay over East Uttar Pradesh and neighbourhood in the morning of 25th. It lay as a low-pressure area over the same region in the evening of 25th and became less marked on 26th. However, the associated upper air cyclonic circulation lay over West Uttar Pradesh and neighbourhood extending upto mid-tropospheric level on 26th.

- An upper air cyclonic circulation lay over North-East Arabian Sea off Gujarat and north Maharashtra coasts on 22nd September 2007. Under its influence, a low-pressure area formed over the same region on 23rd September. It persisted over North-East Arabian Sea off Saurashtra coast and became well marked on 24th. It lay as a low-pressure area over North-East Arabian Sea and adjoining areas of Gujarat and Konkan on 25th and over north Gujarat region and adjoining southwest Madhya Pradesh on 26th.
- An offshore trough extended from Konkan coast to Kerala coast on 20th and from south Gujarat coast to Kerala coast thereafter.
- A trough in lower tropospheric levels ran from north Pakistan to north Arabian Sea during first two days of the week and became less marked thereafter. However, a trough in mid-tropospheric levels ran from north Pakistan to north Arabian Sea during 23rd to 26th.
- A cyclonic circulation lay over north Pakistan and adjoining Jammu & Kashmir in lower tropospheric levels on 24th and over Jammu & Kashmir &

neighbourhood on 25th. It moved away eastwards thereafter.

- The axis of the monsoon trough ran to the south of its normal position during many days of the week.

Rainfall:

Under the influence of the above systems:

- Widespread/ fairly widespread rainfall with scattered/isolated heavy to very heavy falls occurred over Coastal Andhra Pradesh and Telangana during 20th to 23rd, over Orissa during 20-24th, over Gangetic West Bengal during 22nd to 25th, over Jharkhand on 24th & 25th, over Bihar & East Uttar Pradesh on 25th and 26th and over West Uttar Pradesh and Uttarakhand on 26th.
- Widespread/ fairly widespread rainfall occurred over Gujarat State, Konkan & Goa, Coastal Karnataka, Kerala and Lakshadweep during many days of the week.
- Fairly widespread/ scattered rainfall occurred over Madhya Pradesh and Chhattisgarh during many days of the week.
- Fairly widespread/ scattered rainfall also occurred over Andaman & Nicobar Islands and remaining parts of Maharashtra and south peninsula outside Tamil Nadu and Rayalaseema during many days of the week. Isolated/ scattered rainfall occurred over Northwest India, Rajasthan Tamil Nadu and Rayalaseema during many days of the week.
- Weather was mainly dry or isolated rainfall occurred over northeastern states and adjoining Sub-Himalayan West Bengal & Sikkim during many days of the week.

Outlook for the week ending on 3rd October 2007

- ✓ Scattered to fairly widespread rainfall activity is likely over east and adjoining central India during first half of the week and decrease thereafter.
- ✓ Withdrawal of southwest monsoon is likely to commence from parts of Rajasthan and northwest India during first half of the week.

neutral region while RSI moving flat in neutral region. Maize is likely to trade range bound with weak bias following weak opening.

Outlook: Range bound with firm bias on good overseas and domestic demand.

Recommendation: Sell on rallies towards resistance level.

TECHNICAL ANALYSIS

Commodity: Maize

Contract: October 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

After initially trading firm, Maize futures declined on increased selling pressure at higher level with some sideways trade towards the weekend. NCDEX October contract traded in the range of Rs.714.00-737.50 during the period with decreased volume and open interest. On September 27, stocks in NCDEX warehouses increased from the previous level of 686 MT to 4516 MT.

Technical: A small body has formed on the chart. Close below 9-day EMA indicates short-term weakness. MACD is heading down in positive region. Stochastic is dipping in the

FOREX RATES (As on 1st October 2007)

Foreign Currency	Rs. per unit
1 US \$	39.74
1 Euro	56.30
100 Yen	34.48
1 British £	80.34



Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
September	743	754	697	705

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