

MAIZE

14-20 October, 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 traded steady on a steady demand-supply situation but firmed up by midweek on good overseas orders as well as demand from the starch manufactures and poultry industries amid ample fresh crop arrival. Compared to last year during the same period, the prices are 7.8 per cent higher this year. Market also found support with the news of government agencies' starting of maize procurement at the MSP of Rs.620/ql, market sources reported. During the week, in the main producing centre at Davangere (Karnataka) maize (bilty) was traded at Rs.670 with good demand both from domestic and export markets. At the moment, Koppal quality maize is preferred for exports due to lower moisture and is traded at Rs.630 per qtl loose and Rs.750-755 for delivery at Chennai port. Ahmedabad starch quality traded steady at Rs.750-760/ql on good buying support and poultry grade also featured steady demand. In Kolkata poultry grade maize from Bihar was traded at Rs.840 - 850 per qtl (factory delivery).

However, rumors of likely export ban of maize seem to be unfounded, as the availability is good and prices too seem to be viable at the moment. With lower production estimated in China, India's chances for continued exports this year are bright. During the week, in Delhi mandis, red maize (atta quality) traded at Rs.790-800 on a steady arrival of 4-6 motors and Hybrid maize (UP) Rs.740 against the daily arrival of 13-16 motors. China National Grain and Oils Information Center kept its corn output forecast for the year unchanged at 149 million tonnes. Lower production estimate and ban on corn export in China may prop up India's maize prices as importing countries may eye for Indian maize.

NCDEX FUTURES MARKET:

Initially Maize futures traded weak on increased selling pressure at higher level while recovered towards the weekend on news of some good export orders along with growing demand from the starch manufacturers and Poultry industries. NCDEX November contract traded in the range of Rs.682.00-704.00 during the period with decreased volume and open interest. On October 18, stocks in NCDEX warehouses increased from the previous level of 150 MT to 300 MT.

PRICE DRIVERS:

- Government Agencies are all set to procure maize at MSP of Rs.620/ql.
- Speculation about large maize exports due to higher production
- USDA Report on Oct 12, 2007 predicts a production of 338.27 MMT, which is 26.42% higher than 2006/07 production of 267.57 MMT.
- Good overseas demand and Arrival of fresh crops
- Good Demand from the Starch Manufacturers and Poultry Industries
- Due to lower supply of grain in the world USDA has projected the exports higher at 59.69 MMT.
- The ending stocks of US for the 2007-08 are projected to be high at 50.72 MMT.

GLOBAL MARKET:

CBOT Corn Futures Settled Higher

CBOT corn futures settled higher Friday. December Corn finished up 3 cents at \$370.25 per bushel; this was .75 off the high and 6.25 up from the low. March Corn closed up 2.5 cents at \$386.00 per bushel. This was 5.5 up from the low and 1 off the high. Although the US corn futures gained early in the session but traded down on long selling pressure by the mid session. Since then markets gained on the USDA presented projections to the houses of the decreased of corn acreage in 2008-09 at 87 million acres from 93.6 million acres this year. Informa Economics pegged planted area at 71.7 million acres for next year. This news added to the positive tone early but the sharp break in the stock market and ideas that the market is overbought after a 36.75 cent jump off of the October 8th lows helped spark profit-taking selling. A limit-up advance in December wheat contributed to the firm close. The USDA reported a daily sale of 138,176 tonnes of US corn to Japan. Ideas that next week's weather looks wetter than normal for the western Corn belt helped support the strong close as well with December corn closing 18.75cents higher on the week.

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	13.10.07	20.10.07
Delhi (Red Maize)	790-800	800-805
Delhi (U.P. Hybrid Maize)	740	740-742
Sangli truck Bilty (New)	620-630	625
Pune Starch (New)	680-715	680
Ahmedabad Poultry feed	780-800	750-755
Ahmedabad Starch	750	740-750
Kolkata mill delivery	870-875	870
Nizamabad (Bilty)	675	640-645
Davengere (Bilty)	670	660
Bihar Loose Price	720-730	710-715

DOMESTIC AND INTERNATIONAL

NEWS ANALYSIS:

Kharif Corn Acreage UP

Kharif maize acreage has increased to 74.55 lakh hectares so far as on October 5 as against 68.44 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 October 5, the total acreage under bajra kharif crop stood around 86.99 lakh hectare against last year's 92.86 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.

Source: IGC

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.

Higher US Corn Production: USDA Prediction

New report from USDA released on Oct 12, 2007 predicts a yet another increase in corn crop. New estimates indicate a production of 338.27 MMT, which is 26.42% higher than 2006/07 production of 267.57 MMT. The ending stocks for the 2007/08 are projected to be high at 50.72 MMT. One of the major reasons for the increase in ending stocks in higher supplies and lower end use (as compared to last report) specially by the ethanol sector, down from 83.82 MMT to 81.28 MMT. The use in Food, Seed and Industrial sector is down from 119.126 MMT to 116.58 MMT as per the latest report. The Domestic Feed and Residual use is down from 148.59 MMT to 144.78 MMT. Due to lower supply of grain in the world USDA has projected the exports higher at 59.69 MMT. Source: U S Grains Market Reports - India

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.

Starch industry Against The Export of Maize

Despite the estimated higher production, domestic starch manufacturers and the poultry industry have showed their concerns over the exports of maize in the fear of price rise. If country exports, it will bring an artificial jump in the maize prices. The starch industry is growing with a rate of 12-14 per cent. Industry representatives in a letter to the Department of Commerce have requested the government to intervene in the matter and to ensure maize availability in the domestic market. There is rising demand in the domestic markets. Industry representatives believe that if we export maize at a price of Rs 7,500- Rs 8,000 a tonne, we will be importing the same at Rs 10,000 to Rs 12,000 a tonne in the coming years. China has stopped maize exports. Under such circumstances, industry sources questioned the rationale of maize exports. In India, top starch players including Riddhi Siddhi Gluco Biols, Gujarat Ambuja Exports, Sahyadri Starch and Bharat Starch Industries are adding up to 6 lakh tonnes of maize crushing

capacities. Rising demand for starch has made the industry to go for expansion. Demand from poultry industry on a year-on-year basis is rising by 17 per cent but the production is not keeping the pace. Starch industries demand for maize, which stood at 1.45 million tonnes last year, is set to reach 2.4 million tonnes this season. Overall maize crushing capacity is to rise to 3.8 million tonnes from 2.2 million tonnes. If maize is exported, it can put at risk the project viability of the new plants.

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

Maize prices remain volatile

Maize prices were down by about 3.4% over last week reaching Rs.6400 - 6500 per MT level at the market yard, with lowest prices in Karnataka and there is speculation that GOI agencies will intervene to start the procurement of Maize in Karnataka. The Minimum Support Price (MSP) has been fixed at Rs.6200 per MT. The prices though on an average are higher than last year by 7.8%. There are reports that farmers have grown large quantities of white maize in Gujarat, Maharashtra and also some parts of Karnataka and will be used for human consumption.

Pearl Millet (Bajra) prices were down by 10.8% on large quantity of arrivals in the market yard. The prices are down to Rs.6100 per MT. As against last year the prices are lower by 1%. Against maize the prices are lower by 4.8%.

Sorghum (Jowar) prices have shot up by 8% over last week, reaching Rs.9400 per MT at the market yard at a time crop crop is being harvested. Last year during the same time (2nd week of October) the prices had slumped. As against last year the prices are higher by 37% and against maize prices are higher by 43%. In India there is lot of speculation about large maize exports due to higher production, but due to the appreciated Rupee, it just may not be feasible to export maize or barley on a long-term basis and India will be able to fill the gap on a short-term basis. Source: U S Grains Market Reports - India

Maize Likely to be Included under India-EU FTA

The free trade agreement (FTA) component of the India-European Union comprehensive economic cooperation agreement (CECA) is likely to exclude nearly 150 farm products including maize to shield Indian farmers from increased competition posed by subsidised goods. The commerce & industry ministry has circulated the draft list to

other government departments and the final list would be compiled after consultations, the sources said.

Kenyan scientists have produced a new variety of pest-resistant maize

Kenyan scientists have produced a new variety of pest-resistant maize, which could produce higher yield and also could reduce the country's dependence on imported maize. According to a research officer at the Kenya Agricultural Research Institute (KARI), the result of collaboration between KARI and the International Maize and Wheat Improvement Center (CIMMYT) - is resistant to the larger grain borer, a beetle native to Central America that eats and destroys stored maize throughout Africa. The beetle is believed to have arrived in East Africa in food aid shipments during the droughts of the late 1970s and early 1980s, and is responsible for destroying 30 per cent of maize each year in Kenya. KARI maize breeders plan to nominate the variety for national field trials, to be conducted by Kenya's Plant Health Inspectorate Services. Source: USDA

USDA Corn Weekly Export Sales Up

Net sales of 1,851,400 MT were 20 percent below the previous week, but 3 percent over the prior 4-week average. Increases were reported for Japan (509,800 MT), Mexico (284,400 MT), South Korea (249,700 MT), Colombia (110,600 MT), unknown destinations (108,800 MT), Syria (71,500 MT), and Egypt (64,700 MT), including 60,000 MT switched from unknown destinations). Exports of 1,161,200 MT were 3 percent below the previous week, but 3 percent over the prior 4-week average. The primary destinations were Japan (253,900 MT), Mexico (167,700 MT), South Korea (150,500 MT), Israel (76,900 MT), Colombia (68,600 MT), Egypt (64,700 MT), and Algeria (63,500 MT) October 5-11, 2007.

Source: USDA

CROP- WEATHER ANALYSIS

Kharif crop at vegetative/flowering stage in TN whereas it is in grain development/maturity/harvesting stage in Gujarat, MP, Jharkhand, Chhattisgarh, Rajasthan, HP, Bihar, J&K and Karnataka. Sowing of Rabi maize is going on in TN and Karnataka. It is at end harvesting stage in Assam, Arunachal Pradesh AP and Sikkim. Incidences of stem borer have been reported in maize in AP. Dry weather condition will be beneficial for the crop in most of the tract. Expected rainfalls will be helpful for the crop in TN.

WEATHER WATCH (WEEK ENDING ON 17th October, 2007)

- Southwest monsoon further withdrew from more parts of Bihar, Jharkhand, Chhattisgarh, Maharashtra and some parts of Gangetic West Bengal and Orissa on 12th October. It further withdrew from some more parts of Chhattisgarh, most parts of Maharashtra and some parts of Telangana and north Interior Karnataka on 15th October.
- The withdrawal line passed through Forbesganj, Bankura, Angul, Jagdalpur, Ramagundam, Nizamabad, Gulbarga, Bijapur, Vengurla, Lat. 16.0°N/ Long. 70.0°E, Lat. 16.0°N/ Long. 65.0°E and Lat. 16.0°N/Long. 60.0°E on 15th October.

- Last week's upper air cyclonic circulation extending upto 3.1 km above mean sea level over Bangladesh & neighbourhood lay over Gangetic West Bengal & neighbourhood on 11th, over Gangetic West Bengal and adjoining Jharkhand extending upto 4.5 km a.s.l. on 12th, over Jharkhand and neighbourhood between 2.1 and 4.5 km a.s.l. on 13th and became less marked on 14th October.
- Last week's upper air cyclonic circulation extending upto 3.1 km a.s.l. over South-West Bay of Bengal off Tamil Nadu coast lay over Tamil Nadu & neighbourhood extending upto 0.9 km above mean sea level on 11th and became less marked on 12th.
- An upper air cyclonic circulation extending upto 1.5 km a.s.l. lay over North-West Bay of Bengal off north Orissa and West Bengal coasts on 13th & 14th. Under its influence, a low pressure area formed over north Bay of Bengal off Bangladesh-West Bengal coast on 15th. It lay over north Bay of Bengal & neighbourhood on 16th morning and became less marked on the same day evening. However, the associated upper air cyclonic circulation extending upto 3.6 km a.s.l. lay over the same area on 16th and became less marked on 17th October.
- An upper air cyclonic circulation extending upto 2.1 km a.s.l. lay over north-eastern states on 11th and moved away eastwards on 12th October.
- An upper air cyclonic circulation extending upto 4.5 km a.s.l. lay over west central Bay of Bengal on 14th, over southwest Bay of Bengal off Tamil Nadu coast on 15th and became less marked on 16th October.

TECHNICAL ANALYSIS

Commodity: Maize

Contract: November 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Opening firm on strong buying interest, maize futures declined on strong selling pressure at higher levels. NCDEX October contract traded in the range of Rs.691.00-729.00 during the period with decreased volume and open interest. On October 6, stocks in NCDEX warehouses decreased from the previous level of 4516 MT to 50 MT.

Technical: Candlestick chart pattern shows weakness in prices. Prices closed below the 9 and 18-days EMA indicating bearish trend. MACD is moving up in the negative territory. Stochastic is moving flat in the oversold region while RSI is dipping up in the neutral region. Maize is likely to trade range bound with firm bias with some late downward movement.

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

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
September	724	731	672	666

Rainfall:

Under the influence of the above systems:

- Fairly widespread rainfall occurred on many days of the week over northeastern States and on a few days of the week over Andaman & Nicobar Islands.
- Scattered to fairly widespread rainfall occurred over Kerala and Tamil Nadu on many days of the week. Isolated rain/thundershowers occurred over remaining parts of peninsula on few days of the week.
- Scattered rainfall occurred over West Bengal & Sikkim on many days of the week. Isolated rainfall occurred over Orissa, Jharkhand, Bihar, East Uttar Pradesh on a few days of the week and over Western Himalayan region during second half of the week.
- Weather was mainly dry over the remaining parts of the country during the week

Outlook for the week ending on 24th October 2007

- ✓ Southwest monsoon is likely to withdraw from northeastern States and the remaining parts of East & Central India and Maharashtra during middle of the week.
- ✓ Northeast Monsoon rain is likely to commence over Tamil Nadu and adjoining states during second half of the week.

Recommendation: Sell on rallies towards resistance level.



**FOREX RATES (As
on 22nd October 2007)**

Foreign Currency	Rs. per unit
1 US \$	39.79
1 Euro	56.87
100 Yen	34.60
1 British £	81.41

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