

MAIZE

22-27 October, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

On steady to lower buying from stockists, starch manufacturers, poultry industries and exporters, initially maize spot prices mostly traded range bound at lower side. Poultry and starch industries request to the Ministry of Commerce to ban corn export further added the negative tone in the market sentiment. However, since then maize recovered the initial losses and traded at higher side on good export demand coupled with growing domestic demand from the starch manufacturers and poultry industries amid sustained dry crop supply from the major producing centres. Nizamabad and Davangare bilty traded in the range of Rs.640-685 and Rs.625-665/mtl against the arrival of 10000-50000 and 5000-45000 respectively during the week. On good offtake from the Haryana and Punjab starch and poultry industries, both Delhi red maize and hybrid (UP) maize quoted up Rs.800-815 and Rs.750 from previous week's level of Rs.800-805 and Rs.740-742 respectively. Due to Durga Puja along with subdued demand against ample supply, both Kolkata (Mill delivery) and Naugachia (Bihar) loose basis traded at lower side. Both Pune starch quality and Sangli truck bilty mostly traded steady despite ample supply.

Meanwhile, in Karnataka, govt. agencies failed to buy from farmers as they are not willing to sell in the present price level of Rs.620 but AP MARKFED able to procure more than 10 000 tonnes maize against the target of 500,000 tonnes. Reacting to the higher wheat MSP of Rs.1000/mtl for the current rabi season, both Karnataka and AP Farmers Association have demanded an additional bonus of Rs.40/mtl above maize MSP as cost of production for wheat and maize is very minimal. Keeping in mind of good export orders as China banned corn export along with India's edge over USA coupled with good MSP, maize may trade range bound with firm bias.

NCDEX FUTURES MARKET:

Maize futures initially traded side based while shot up towards the weekend on increased buying interest at lower level along with the news of some good export orders and growing demand from the starch manufacturers and Poultry industries. NCDEX November contract traded in the range of Rs.687.00-712.00 during the period with increased volume and decreased open interest. On October 26,

stocks in NCDEX warehouses increased from the previous level of 300 MT to 400 MT.

PRICE DRIVERS:

- AP MARKFED Procured 10 000 tonnes of Maize at MSP of Rs.620
- AP and Karnataka Farmers Association Appealed to the concern govt. for additional bonus of Rs.40 above MSP
- Trade estimates 6 lakh tonnes of maize export this year
- Growing domestic demand from the starch manufactures and Poultry Industries
- New dried crop fetching higher price
- Taipei removed ban on feed maize imports from China for 6-mth period
- USDA 2007/08 forecasts USA maize use lowered by 6.3 million tonnes, to 261.4 million, with ethanol down 2.5m to 81.3m t (53.7m).

GLOBAL MARKET:

CBOT Corn Futures Settled Higher

CBOT corn futures settled up Friday. December Corn finished up 5.75 cents at \$372.00 per bushel; this was 2.5 off the high and 2.5 up from the low. March Corn closed up 5.75 cents at \$388.75 per bushel. This was 2.25 up from the low and 2.25 off the high. Despite the sell off in wheat and weaknesses in soybean, corn futures settled higher on lack of aggressive selling. The market also found good buying support. Weaknesses in the US dollar paved the way for speculative buying. Outside market forces continue to have a positive impact on the corn market as record high energy prices, a new low in the US dollar and a surge in most other commodity markets and grain markets helped support solid gains early in the session. Solid demand despite the rise in prices into harvest and a lack of aggressive selling pressures into the tail end of harvest has added to the bullish tone. Dry weather in the forecast for the western Corn Belt should help boost harvest progress. News of disruption in the flow of fertilizer on the world market added to the bullish longer-term psychology of the market, as traders fear a sharp drop in planted area for corn for 2008.

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

	20.10.07	27.10.07
Delhi (Red Maize)	800-805	810
Delhi (U.P. Hybrid Maize)	740-742	750-752
Sangli truck Bilty (New)	625	625
Pune Starch (New)	680	680
Ahmedabad Poultry feed	750-755	740-750
Ahmedabad Starch	740-750	735
Kolkata mill delivery	870	800
Nizamabad (Bilty)	640-645	665
Davengere (Bilty)	660	665
Bihar Loose Price	710-715	700

DOMESTIC AND INTERNATIONAL

NEWS ANALYSIS:

Kharif Corn Harvest is in Full Swing in AP

Kharif maize harvest has is in full sowing in the state of AP and Karnataka. Govt. procurement agencies have started procuring maize by various procurement centres in various producing areas of the states. Kharif maize acreage has increased to 74.55 lakh hectares so far as on October 19 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

The production forecast is unchanged at 766 million tonnes, 70 million tonnes more than in 2007. Harvesting in the US is progressing quickly: the crop is forecast at a record 338 million tonnes. In Argentina, good rains assisted plantings and wet weather also improved prospects in South Africa. A 5 million tonnes reduction in forecast consumption, to 760 million tonnes is mostly attributable to the US, where high prices are leading feed users to substitute other products, and ethanol production is not growing as fast as previously expected. World maize stocks are forecast at 112 million tonnes, 9 million tonnes more than last month. Nearly all the change is in the US, whose carryover is now expected to reach 50 million tonnes, 17 million tonnes more than at the end of 2006-07 and a level only twice surpassed in the last 20 years. Buoyant feed demand is expected to boost maize trade to a record 93 million tonnes, 6 million tonnes more than last season. Changes from last month's import forecasts include increases for the EU, whose feed supplies are tight, Brazil and Canada. US exports are proceeding at

a strong pace and are now forecast at 60 million tonnes (marketing year from 1 September).Source: *IGC*, 25.10.07

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

AP and Karnataka Farmers demanding bonus of Rs.40 Above MSP of Rs.620/qlt

In AP and Karnataka, rumours that farmers association demanding an incentive of Rs.40/qlt above the govt. fixed MSP of Rs.620. Farmers association raised this issue after government fixed the MSP of wheat Rs.1000 where the cost of two crops production is very minimal, source reported. Karnataka Farmers stopped selling to government agencies in await of state government's for the increased bonus of Rs.40 while in Andhra Pradesh, AP MARFED has already procured 10,000 tonnes of maize in the price level of Rs.620 out of the set target of 500,000 tonnes, government agencies reported.

South Africa imported 46,640 tonnes Argentine yellow maize

Last week, South Africa imported 46,640 tonnes Argentine yellow maize. According to the South African Grain Information Service report, since May, South Africa imported 688,235 tonnes of yellow maize. A total of 1,564 tonnes of white maize was imported during the week, bringing the total to 7,101 tonnes. The shipment is from Tanzania (1,174 tonnes) and Malawi (390 tonnes).

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 feedstock, 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

Philippine May Import 70,000 tonnes Corn

A feed miller industry reported that Philippine feed millers and raisers of poultry and livestock tendering for 70,000 metric tons of corn. The supply of 70,000 tonnes corn was rejected due to high prices. The lowest offer was provided by Toepfer International Asia at \$304.50/tonne on a cost-and-freight basis for Thai corn.

France is likely to ban Monsanto GMO maize: Ministry

Agriculture ministry of France is seriously planning to ban the use of the genetically modified crop grown in the European Union, a maize produced by U.S. biotech giant Monsanto (MON.N). But the uncertainty prevails over whether govt. will ban or not GMO crops to continue to be grown for commercial use in France. Only one GMO crop is grown and sold in the European Union, the so-called MON-810 maize. However, Monsanto has to renew its license in early 2008. However, this move of France may go against the rules of EU. Minister also said farmers may grow GMO seeds on a voluntary basis. Austria is one of the 27-nation bloc's more skeptical countries when it comes to GMO foods and may soon face a third attempt by EU regulators to force it to lift bans on two GMO maize types.

Zimbabwe to import maize seed to boost food production: Reserve Bank

According to the Zimbabwe Reserve Bank, Zimbabwe has issued seed firms with permits to import maize seed for the 2007-2008 agricultural season. In the forthcoming agriculture season, seed houses would start importing from Zambia and Botswana. Zimbabwe needs an estimated 50 000 metric tonnes of maize seed for the agricultural season. So far at least 36 000 metric tonnes are available but seed houses are holding on to stocks unwilling to sell at state-fixed prices because of cheaper price. Seed houses are expected to import 12 400 metric tonnes of maize seed from neighbouring countries. Country also secured a line of credit from a Western European country to buy raw materials for the manufacture of packaging for agricultural produce next marketing season.

USDA Corn Weekly Export Sales Up

Net sales of 1,545,500 MT were 17 percent below the previous week and 12 percent under the prior 4-week average. Increases reported for Japan (688,500 MT), Egypt (243,700 MT, including 50,000 MT switched from unknown destinations), South Korea (165,400 MT), Mexico (99,500 MT), Algeria (74,400 MT, including 24,100 MT switched from unknown destinations), and Taiwan (70,900 MT), were partially offset by decreases for unknown destinations (132,800 MT). Optional origin sales were

reported for South Korea (50,000 MT). Exports of 1,282,500 MT were 10 percent above the previous week and 8 percent over the prior 4-week average. The primary destinations were Japan (364,600 MT), Mexico (181,100 MT), Egypt (148,700 MT), Colombia (98,000 MT), Cuba (52,800 MT), Algeria (49,400 MT), and South Korea (48,700 MT). Note: Accumulated exports were adjusted down for Japan 34,500 MT and Egypt 42,600 MT, and up for the Dominican Republic 21,900 MT. October 12-18, 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 24th October, 2007)

- Southwest monsoon withdrew from the remaining parts of the country, Bay of Bengal and Arabian Sea on 22nd October 2007. Simultaneously, the northeast monsoon rains commenced over Tamil Nadu and adjoining states of south peninsula on 22nd October 2007.
- An upper air cyclonic circulation lay over extreme south peninsula in lower tropospheric levels during 18th to 20th October 2007 and became less marked thereafter.
- A trough of low at mean sea level extended from South-West Bay of Bengal to west-central Bay of Bengal off Tamil Nadu -south Andhra Pradesh coast during 21st to 23rd. A low pressure area formed over southwest Bay of Bengal off Tamil Nadu coast and adjoining Sri Lanka on 24th October with a trough extending from the low towards west-central Bay of Bengal off Andhra Pradesh coast.
- An active east-west shear zone passed through extreme south Peninsula extending upto mid-tropospheric level during 22nd to 24th October.
- Another trough of low pressure at mean sea level ran from southeast Arabian Sea to eastcentral Arabian Sea off Kerala and Karnataka coasts during 21st to 24th October 2007.
- An upper air cyclonic circulation in lower tropospheric levels lay over Assam & Meghalaya and neighbourhood on 18th, over east Assam and neighbourhood on 19th and moved away eastwards on 20th. However, an upper air trough in westerlies ran from Sub-Himalayan West Bengal & Sikkim to Gangetic West Bengal on 20th & 21st and became less marked on 22nd.

Rainfall:

Under the influence of the above systems:

- Fairly widespread rainfall occurred over Andaman & Nicobar Islands, south Coastal Andhra Pradesh, Tamil Nadu, Kerala and Lakshadweep during

many days of the week. Isolated heavy to very heavy rainfall occurred over these regions on a few days.

- Scattered to fairly widespread rainfall occurred over Rayalaseema, South Interior Karnataka and Coastal Karnataka during many days of the week.
- Scattered rainfall occurred over north Coastal Andhra Pradesh and North Interior Karnataka and isolated rainfall occurred over remaining parts of peninsula, south Konkan & Goa and south Madhya Maharashtra on a few days of the week.
- Isolated to scattered rainfall occurred over northeastern states and coastal areas of Orissa & West Bengal during first half of the week.
- Weather was mainly dry over the remaining parts of the country during the week.

Outlook for the week ending on 31st October 2007

- ✓ A low pressure area is likely to form over southeast Bay of Bengal around 27th and intensify further while moving westwards. Under its influence, enhanced rainfall with scattered heavy to very heavy rainfall is likely over Andaman & Nicobar Islands and extreme south peninsula during second half of the week.
- ✓ Under the influence of another low pressure area over southeast Arabian Sea which is likely to intensify further, widespread rainfall with isolated/scattered heavy to very heavy falls are likely over Lakshadweep during first half of the week.

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.

Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
September	728	737	678	687

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: A robust bullish candlestick has formed in the chart shows firmness in prices. Prices closed above the 9 and 18-days EMA indicates medium term firmness in market. MACD is moving up in the positive territory. Both Stochastic and RSI is moving up in the neutral region indicates bulls return into the market. Maize is likely to trade range bound with firm bias with some late downward movement.

Outlook: Steady to firm bias on growing domestic and export demand.

Recommendation: Buy on Dips towards support level



**FOREX RATES (As
on 29th October 2007)**

Foreign Currency	Rs. per unit
1 US \$	39.51
1 Euro	56.76
100 Yen	34.54
1 British £	81.16

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