

MAIZE

01-06 October, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

During the week, Maize spot prices mostly traded steady on good export orders along with good domestic demand from the starch and poultry industries amidst slightly increased arrivals. Domestic prices also found support on the news of good overseas orders from south and south East Asian countries as China has banned corn export. Exporters also reported that India is expecting to export around 6 lakh tonnes compared to last year's 3 lakh tonnes. Although USA is a major competitor, but India has an edge with competitive freight rates. Major markets where India exports include Middle East, Sri Lanka, Bangladesh, and Nepal where America also exports. With a good MSP of Rs.620/qlt against the previous year, the government is expected to procure over 15 lakh tonnes against previous year's 9.55 lakh tonnes. AP govt. is geared up for maize procurement this year in a big way and AP Markfed has opened 365 procurement centres in 10 maize growing districts. By mid-week, prices dipped in major markets on lower domestic offtake as well as subdued export orders against healthy new crops arrival with high moisture content.

However, weekend saw prices recovered the midweek losses on good export orders against slightly lowered arrivals. During the week, in Delhi mandis, red maize (Bihar) traded at of Rs.800-805 on a steady arrival of 2-4 motors. Maize (new) in Nizamabad and Davangare (Bilty) above 14% moisture ruled at Rs.620-635 and Rs.615-635/qlt from previous level of Rs.630-640 and Rs.630-635/qlt and daily arrivals stood around 15000 and 5000 qtl respectively. On good demand, Naugachia (Bihar) loose and Kolkata (Mill Delivery) traded steady to firm against tight supply. Pune starch quality and Sangli truck bilty traded at Rs.800-830 and Rs.690-730/qlt on lower offtake against daily arrival of 20000qtl from last week's 12000.

NCDEX FUTURES MARKET:

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.

PRICE DRIVERS:

- Although USA is a major competitor, but India has an edge with competitive freight rates.
- With a good MSP of Rs.620/qlt against the previous year, the government is expected to procure over 15 lakh tonnes against previous year's 9.55 lakh tonnes.
- India is expecting to export around 6 lakh tonnes compared to last year's 3 lakh tonnes.
- AP Markfed has opened 365 procurement centres in 10 maize growing districts
- The Agricultural ministry in Brazil expects the 2007-08 corn crop near 51.8 to 52.8 million tonnes as compared with last year's production of 51.1 million tonnes.
- Crop damaged in Mizoram and Punjab by rats and wild animals
- China banned corn export to check inflation.
- South Africa maize prices dip after rand weakens.

GLOBAL MARKET:

CBOT Corn Futures Settled Down

CBOT corn futures settled flat Friday. December Corn finished unchanged at \$342.25 per bushel; this was 1.5 off the high and 2.5 up from the low. March Corn closed unchanged at \$359.00 per bushel. This was 2.75 up from the low and 1 off the high. Despite the weakness in other commodities, CBOT Friday's corn future traded flat. The estimation of lower production in China and some export orders for US corn have held up the prices. Expectations of higher production in US and the ongoing harvesting pressurised the prices in early sessions and reached to a 17-session low early in the day. However, the ideas of market is oversold have helped a short covering by mid-day. Although the weaknesses in other commodities pressurised the prices but inched higher by close. Informa pegged the US corn crop at 13.506 billion bushels, up 198 million bushels from last months report. Yield was pegged

at 158.1 bushels per acres as compared with 155.8 from the USDA last month.

Source: CBOT

DOMESTIC WHOLESale MARKET PRICE (Rs. Per Quintal)

	29.09.07	06.10.07
Delhi (Red Maize)	800	790
Delhi (U.P. Hybrid Maize)	740-745	730
Sangli truck Bilty (New)	730	670-685
Pune Starch (New)	810	760-770
Ahmedabad Poultry feed	800	850
Ahmedabad Starch	800-810	810-820
Kolkata mill delivery	850-880	875
Nizamabad (Bilty)	630	635-640
Davengere (Bilty)	635	575-625
Bihar Loose Price	700-725	720-725

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.

Good Export Demand May Prop Up The Maize Domestic Prices

Good export demand of maize at competitive rates and expected good procurement by the government at a high minimum support price (MSP) are very likely to keep prices range bound to slightly firm despite good production estimates for the kharif season, Economic Times reported. India has gained at the expense of China as later imposed a ban on exports of maize. As per the government sources, govt. is likely to produce 13.71 million tonnes of maize this kharif season, a rise of 20% more compared to 11.45 million tonnes last kharif. The industry expects the production to fall between 14mt-15mt with good yield. In Andhra pradesh, farmers have used improved seeds, which is producing 30-40 bags against 25-30 bags last year, traders reported.

According to an exporter, who wanted not to be identified, said that India is competitive in the global markets at current price levels of \$220 per tonne FOB. Exports look promising with the industry set to top the 6-lakh tonne mark against last year's exports of three lakh tonnes. Although USA is a major competitor, but India has a edge with competitive freight rates. The major markets where India exports include Middle East, Sri Lanka, Bangladesh, and Nepal where America also exports. With a good MSP of Rs 620 per quintal against the previous year, the government is expected to procure over 15 lakh tonnes against previous year's 9.55 lakh tonnes, Economic Times reported.

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.

AP Markfed Has Opened 365 Procurement Centres In The 10 Maize Growing Districts

Govt. of Andhra Pradesh has been geared up for maize procurement this year in a big way. The AP Markfed has opened 365 procurement centres in the 10 maize growing districts, including eight in Telangana region. According to chairman of Markfed, maize was sown in 5.60 lakh hectares this year against 5.03 lakh hectares last year. The federation has also asked the state and Central warehousing corporations to reserve space to house the procured maize. Last year, the federation had procured 5.63 lakh tonnes. The federation also advised the farmers to dry and clean the produce following the standards set by the government.

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

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.

China's Corn Output May Be Around 149 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. State-backed CNGOIC kept its corn output forecast for the year unchanged at 149 million tons in its October report.

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 1,150,700 MT were 32 percent below the previous week. Increases reported for Japan (535,700 MT), Canada (204,600 MT), Israel (136,200 MT), Syria (114,900 MT, including 40,000 MT switched from unknown destinations), Taiwan (104,900 MT), and South Korea (62,700 MT, including 55,000 MT switched from unknown destinations), were partially offset by decreases for unknown destinations (87,500 MT), Guatemala (63,900 MT), Singapore (54,000 MT), Egypt (36,400 MT), and the Dominican Republic (25,800 MT). Exports of 1,224,700 MT were 2 percent above the previous week and 13 percent over the prior 4-week average. The primary destinations were Japan (249,200 MT), Mexico (237,300 MT), South Korea (177,300 MT), Egypt (143,600 MT), Algeria (52,600 MT), Jordan (47,000 MT), and Syria (40,900 MT). September 21-27, 2007.

Source: USDA

CROP- WEATHER ANALYSIS

Kharif crop at vegetative/flowering stage in Chhattisgarh, and TN whereas it is in milking/grain formation stage in Gujarat, MP, Jharkhand and Karnataka. Sowing of maize is going on in TN. It is at end harvesting stage in Assam, Arunachal Pradesh AP and Sikkim and at maturity/harvesting stages in Rajasthan, HP, Bihar and J&K. 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 maturity and harvesting in other parts of the country.

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

- Southwest monsoon withdrew from most parts of West Rajasthan and some parts of Punjab, Haryana, East Rajasthan and north Arabian Sea on 30th September 2007. It further withdrew from entire Jammu & Kashmir, Himachal Pradesh, Uttarakhand, remaining parts of Punjab, Haryana, Rajasthan, most parts of West Uttar Pradesh & Gujarat, some parts of East Uttar Pradesh & West Madhya Pradesh on 2nd October.
- Withdrawal line passed through Kheri, Kanpur, Lalitpur, Ujjain, Baroda, Porbander, Lat. 22.0°N/ Long. 65.0°E and Lat. 22.0°N/ Long. 60.0°E on 2nd October.
- An upper air cyclonic circulation extending upto mid-tropospheric levels lay over Gangetic West Bengal and neighbourhood on 27th, over Jharkhand and neighbourhood on 28th, over Bihar and neighbourhood on 29th & 30th, over Bihar and adjoining Sub-Himalayan West Bengal on 1st & 2nd October and over northeastern states on 3rd October.
- An upper air cyclonic circulation extending upto mid-tropospheric levels lay over coastal Andhra Pradesh & neighbourhood on 30th September, over West-Central Bay of Bengal off Coastal Andhra Pradesh during 1st-3rd October.
- An upper air cyclonic circulation in the lower levels lay over North-East Arabian Sea and adjoining Coastal areas of Gujarat and Maharashtra coasts on 27th, over Madhya Maharashtra & neighbourhood on 28th, over Marthawada & neighbourhood on 29th and became less marked on 30th.
- An off-shore trough at mean sea level extended from South Gujarat coast to Karnataka coast on 27th and from Konkan coast to Karnataka coast on 28th & 29th September.

TECHNICAL ANALYSIS

Commodity: Maize

Contract: October 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.

- Last week's upper air cyclonic circulation over West Uttar Pradesh and neighbourhood extending upto mid-tropospheric level persisted over the same region in the lower levels during 27th - 29th and became less marked on 30th.
- Last week's low-pressure area over north Gujarat and adjoining southwest Madhya Pradesh became less marked on 27th. However, the associated upper air cyclonic circulation in the lower levels lay over the same region on 27th and became less marked on 28th.

Rainfall:

Under the influence of the above systems:

- Fairly widespread/ scattered rainfall occurred over Andaman & Nicobar Islands, Konkan & Goa, Coastal Karnataka and Kerala during many days of the week. Isolated/ scattered rainfall occurred over remaining parts of peninsula & Maharashtra and over Gujarat region during many days of the week.
- Fairly widespread/scattered rainfall occurred over Bihar & Jharkhand during many days of the week.
- Fairly widespread/scattered rainfall occurred over Madhya Pradesh, East Uttar Pradesh and Uttarakhand during first half of the week.
- Fairly widespread/ scattered rainfall occurred over Chhattisgarh, Orissa, West Bengal & Sikkim during first half of the week and isolated /scattered during 2nd half of the week.
- Isolated/ scattered rainfall occurred over northeastern states during many days of the week.
- Isolated rainfall occurred over different subdivisions of Northwest India, Rajasthan, Saurashtra & Kutch during first half of the week and weather was mainly dry thereafter.

Outlook for the week ending on 3rd October 2007

- ✓ Southwest monsoon is likely to further withdraw from remaining parts of West Uttar Pradesh & Gujarat, some more parts of Madhya Pradesh and some parts of Maharashtra.
- ✓ Increase in rainfall activity is likely over Coastal Andhra Pradesh, Orissa, West Bengal & Sikkim and northeastern states.

Technical: Candlestick chart pattern indicates weaknesses in prices. Prices closed well below the 9 and 18-days EMA indicating medium term weakness in market. MACD is dipping in the negative region. Stochastic is entering into the oversold region while RSI is about to enter into the oversold region. Maize is likely to trade range bound with weak bias with possibility of some late upward movement.

Outlook: Range bound with weak bias on healthy fresh crop arrivals with high moisture content.

Recommendation: Sell on rallies towards resistance level.

FOREX RATES (As on 8th October 2007)

Foreign Currency	Rs. per unit
1 US \$	39.43
1 Euro	55.66
100 Yen	33.66
1 British £	80.44



Resistance and Support level:

Contract Month	Resistance 1	Resistance 2	Support 1	Support 2
September	735	741	681	675

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