

MAIZE

December 17-22, 2007

MAJOR ACTIVITY HIGHLIGHTS

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

TRADE ANALYSIS

Initially trading at last week's level, maize spot prices firmed up midweek onwards on good domestic as well as export demand amidst steady to slightly restricted supply from the major producing centres. Recent incessant rainfall over T Nadu, Karnataka and coastal belt of AP further boosted the maize price as harvesting as well as arrival was delayed. The rainfall over T Nadu damaged the standing maize crops and as per traders estimate, state's total production may go down by 3-4%. The growing demand for the Indian poultry in overseas as well as domestic market coupled with higher soy meal prices, feed industries looking for maize for soy meal substitute. News of vessels sailing from Tuticorin, Mumbai and Kakinada port for maize export to the unknown destinations further supported the positive sentiment. As per the IGC report, the increase in consumption from bio fuel sector, with the amount of corn/maize used to produce ethanol set to reach 100 million tonnes, an increase of 44% from the last year. Procurement by the govt. agencies in AP, Maharashtra and Karnataka was slowed down as private companies and exporters buying at higher prices than the MSP of Rs.620/mt. In major producing centres like Nizamabad and Davangere, wagon bilty prices traded steady to better from last week's level of Rs.730-735 and Rs.710-715/mt to Rs.730-750 and Rs.715-720/mt respectively against the corresponding daily arrival of 12 00 and 30 000mts. Good demand from Punjab and Haryana poultry and starch industries boosted the Delhi red maize and hybrid (UP) prices Rs.805-825 and Rs.780-790/mt from the previous level of Rs.800-805 and Rs.780 and average daily arrival stood around 7 motors. However, Kolkata mill quality and Naugachia (Bihar) loose basis dipped on lower offtake against healthy arrival. In Delhi, Bajra quoted Rs.625-635 from its previous level of Rs.615-620/mt.

NCDEX FUTURES MARKET:

Maize futures continued last week's losses and traded mostly sideline for rest of the week with recovery towards weekend on good buying strength. NCDEX January contract traded in the range of Rs.744.00-763.00 during the period with increased volume and open interest. On December 21, stocks in NCDEX warehouses increased from the previous level of 2039 MT to 3182 MT.

PRICE DRIVERS:

- Crop damage in T Nadu around 3-4% due to rainfall, traders estimate
- Harvesting was delayed in T Nadu for a week due to recent rainfall
- Rainfall over Karnataka and coastal AP further delayed the arrival
- Arrivals down from last week's 40 000 to 30 000 qtls in Karnataka
- Good Demand from Sri Lanka, Vietnam, Philippines feed industries
- Growing demand from the domestic poultry feed industries due to higher soy meal prices along with growing overseas demand for Indian poultry
- The amount of corn/maize used to produce ethanol set to reach 100 million tonnes, an increase of 44% from the last year, IGC
- Increased buying by the Kargil and Ambuja
- Higher Rabi maize acreage
- Stockists opt not to buy at current high price level

GLOBAL MARKET:

CBOT Corn Futures Settled Higher

CBOT corn futures settled moderately higher on Friday. March Corn finished up 6 cents at \$443.50 per bushel; this was 4.5 cent off to the high and 5 cent up from the low. December Corn closed up 8 cents at \$462.50 per bushel. This was 7.5 cent up from the low and 4 off to the high. CBOT corn futures settled higher on aggressive buying. Fund buying and short covering for pushing up the market to new highs. Strong export demand further supported the market sentiment. Recently corn markets witnessed the entry of money. South Korea is about to buy a total of 900,000 tonnes of corn from various market during the week. Despite the high price, selling by farmers is light. Meanwhile, Florida proposed changes in state regulations that would allow greater blending of ethanol into gas supplies in the nation's third largest gasoline market. Firm crude oil prices add to growing base of ethanol demand, which further added the powerful package of long-term bullish demand factors in the corn market.

Source: CBOT

DOMESTIC WHOLESALE MARKET PRICE (Rs. Per Quintal)

| | 15.12.07 | 22.12.07 |
|---------------------------|----------|----------|
| Delhi (Red Maize) | 800-805 | 815-820 |
| Delhi (U.P. Hybrid Maize) | 780 | 795 |
| Nizamabad (Bilty) | 735-745 | 745-747 |
| Davengere (Bilty) | 715-720 | 720 |
| Bihar Loose Price | 720-725 | 700 |
| Kolkata mill delivery | 830-835 | 825 |
| Ahmedabad Poultry feed | 785-790 | 790-800 |
| Ahmedabad Starch | 780-790 | 790-800 |
| Pune Starch (New) | 740 | 730-735 |
| Sangli truck Bilty (New) | 660 | 660-675 |

DOMESTIC AND INTERNATIONAL

NEWS ANALYSIS:

Kharif Corn Harvest is Progressing Well

Kharif maize harvest process has been completed in AP and progressing well in other states like Maharashtra and Karnataka. But maize harvesting was delayed in Tamil Nadu due to recent heavy rainfalls. As per the traders, the recent rainfall could damage around 3-4 per cent of the total product. The rainfall was harmful for the standing crops. Although the govt. procurement agencies have started procuring maize from the farmers but it has been slowed down due to lower price at Rs.620/qrtl compared to higher prices in open market. Meanwhile, companies like Kargil and the starch and poultry industries procuring maize in a price level around Rs.670/qrtl. Government of India has estimated the total maize production for 2007 at 16.07 million tonnes against 14.98 mt for 2006. Global maize production forecast for 2007-08 is at 767 million tonnes, up of 1 million tonnes from last month and global consumption is up 2 million tonnes around 762 million tonnes. 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. Due to higher acreage in rabi crops, traders also estimate higher rabi maize production this time. Adequately favourable soil, climatic conditions and growing poultry feed industries have encouraged the Bihar farmers in farming maize in more lands to earn more profits through farming the cash crop.

Corn/Maize Used To Produce Ethanol Set To Reach 100 Million Tonnes

As per the International Grain Council report, the increase in consumption from bio fuel sector, with the amount of corn/maize used to produce ethanol set to reach 100 million tonnes, an increase of 44% from the last year. A huge rise in maize output in the US, more than offsetting the expected increase in ethanol use, prevented maize prices from rising as sharply as those of wheat.

Maize Output Around 767 Million Tonnes: IGC

Production in 2007-08 is forecast at 767 million tonnes, 1 million tonnes more than last month as increases for the EU, Ukraine, India and Brazil more than offset declines in the US, where yields are falling short of earlier forecasts, and Nigeria. Planting is well advanced in South America with big crops expected both in Argentina and Brazil. South Africa's crop is expected to be larger than the past year's. Forecast world maize consumption is up 2 million tonnes at a record 762 million tonnes. World meat production continues to expand and maize feed use is projected at 475 million tonnes, 8 million tonnes more than last season. Forecast industrial use (mostly for ethanol) is unchanged at 173 million tonnes, 25% more than in 2006-07. The world closing stocks forecast is down 1 million tonnes at 111 million tonnes reflecting the smaller US crop estimate. World trade is now projected at a record 95 million tonnes, 2 million tonnes up from October, after accelerated purchases by Near East Asia, particularly Saudi Arabia, and a strong pace of EU imports from Brazil. Forecast US exports are unchanged at 60 million tonnes, but Brazil's are now put at a record 9.5 million tonnes. Source: IGC, 21.11.07

AP Markfed Procured 60,000 Tonnes Of Maize So Far Against Target Of 6 Lakh Tonnes

Andhra Pradesh State Cooperative Marketing Federation Limited (Markfed) procured only 60,000 tonnes till date against the target of 6 lakh tonnes, valued at Rs. 52 crore, through 400 procurement centres in the state. Despite the bumper production and higher MSP, farmers are selling in the open market instead to govt. agencies due to higher open market price. The Centre had announced Rs. 620 MSP for maize, while the going rate in the market is Rs. 670 and above. At present, maize procurement is going on in Nizamabad, Karimnagar, Adilabad, Warangal, Mahabubnagar, Medak, Ranga Reddy, Anantapur, Kurnool and Khammam. Markfed targeted to buy 1.50-lakh tonnes of maize in Karimnagar but had only procured 11,282 tonnes. In Nizamabad, it targeted for 1 lakh tonnes but purchased only 14,617 tonnes till last Tuesday. In Mahabubnagar, 18,264 tonnes had been procured. As per the Markfed chairman, Markfed started procurement from October 1 in 400 centres in the 10 districts. But, the rates suddenly went up after Deepavali resulting in poor arrivals in the Markfed centres. He also said that Poultry sector in the State directly approached the farmers with promise of higher prices. Multinational companies by setting village procurement centres are buying maize from the farmers at higher price.

Bangladesh Flood Hit Farmers May Bring More Land Under Maize Cultivation

As per an official, maize cultivation is going on in large scale in northern region of Bangladesh as sowing of maize seeds gets full momentum where a record cultivation target has been fixed for this season. No seed crisis was reported as huge quantities of the seed were distributed among the farmers under the post-flood agriculture rehabilitation programme and the farmers are expected to bring more land under maize cultivation. The Department of Agriculture Extension (DAE) has fixed a target of producing 7,86,602 tonnes maize from 1,35,155 hectares of land in the region this year which is 67.65 percent of the national target. Adequately favourable soil, climatic and topographic conditions and growing poultry feed industries have encouraged the farmers in farming maize in more lands to earn more profits through farming the cash crop. The farmers are expected to bring a record land area under

maize farming this year to recoup the colossal losses caused by the recent floods and an all-time record production of the crop may be achieved this time in the region, official reported.

Good Domestic Maize Price Saw Higher Maize Rabi Acreage

As per the release of data by the Ministry of Agriculture on December 14, maize rabi sowing acreage during the same period compared to last year. The maize rabi acreage stood around 7.77 lakh hectares compared to last year's 6.96 lakh hectares. However, the area under jowar so far this year, at 44.51 lakh hectares, is below the 46.81 lakh hectares of the corresponding period of 2006. Barely planting was up at 6.43 lakh hectares compared to last year's 6.25 lakh hectares.

Informa Pegs US 2008 Corn Plantation Around 87.4 Million Acres

As per the Private analytical firm Informac Economics prediction on December 14, US farmers may plant around 87.4 million acres of corn in 2008. The firm's corn acreage estimate is down from the 93.6 million acres seeded by U.S. farmers in 2007-08, as per the U.S.D.A report. In November, Informa estimated 2008-09 corn acres at 88.9 million acres.

Rainfall In Argentina Boosted Dry Corn Crop

Showers over Argentina's corn field helped the young plants to grow further as moisture content had been to started to decline. The rainfall will allow farmers to plant fields they had put off seeding due to the dry weather. As of December 14, farmers had planted 86.5% of the 2007-08 corn crop, 1.7 percentage points ahead of the pace a year earlier. Source: CBOT

USDA Corn Weekly Export Sales Up

Net sales of 1,168,500 MT were 1 percent above the previous week, but 21 percent under the prior 4-week average. Increases reported for Japan (307,000 MT), Mexico (153,500 MT), Taiwan (114,300 MT, including 58,000 MT switched from unknown destinations), South Korea (108,900 MT), unknown destinations (84,500 MT), and Algeria (73,200 MT, including 70,000 MT switched from unknown destinations), were partially offset by decreases for Colombia (31,500 MT) and Guatemala (26,900 MT). Exports of 1,230,100 MT were 17 percent above the previous week, but 9 percent under the prior 4-week average. The primary destinations were Taiwan (207,900 MT), Mexico (153,600 MT), Japan (150,300 MT), South Korea (143,500 MT), Algeria (73,200 MT), Egypt (61,400 MT), and Iran (60,000 MT). Note: Accumulated exports were adjusted down for Libya (8,200 MT) and Mexico (12,000 MT), and up for Tunisia (8,200 MT). December 07-13, 2007.

Source: USDA

CROP- WEATHER ANALYSIS

Kharif crop is in grain development/maturity/harvesting stage in Gujarat, MP, Bihar, Jharkhand, Chhattisgarh, Rajasthan, TN, HP, J&K and Karnataka. Fodder maize is in vegetative stage in Bihar, while Rabi Maize is in vegetative/flowering stage in Maharashtra, 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 maturity of crop in most of the tract. Expected rainfalls will be helpful for the crop in TN.

WEATHER WATCH (WEEK ENDING ON 19th December, 2007)

- Last week's low pressure area over southwest Bay of Bengal off southeast coast of Sri Lanka became well marked over the same area on 13 December morning. The well marked low pressure area lay over southwest Bay of Bengal and adjoining coastal areas of south Tamil Nadu & north Sri Lanka, on 14th and became less marked on 15th. However, an associated cyclonic circulation extending upto mid tropospheric levels lay over Comorin area and adjoining south Tamil Nadu and Kerala and became less marked on 16th.
- Last week's upper air cyclonic circulation in lower tropospheric levels over West Madhya Pradesh and neighbourhood lay over West Uttar Pradesh and neighbourhood on 13th and became less marked on 14th.
- Easterly waves sometimes with embedded upper air cyclonic circulations at lower tropospheric levels passed through Andaman & Nicobar Islands, South Bay of Bengal, extreme south peninsula and southeast Arabian Sea.
- Cold wave conditions prevailed over some parts of Rajasthan, Haryana, Punjab, Jammu & Kashmir, East Uttar Pradesh, Bihar and Jharkhand during second half of the week.
- A western disturbance as an upper air system lay over Jammu & Kashmir and neighbourhood on 13th, over Himachal Pradesh and neighbourhood on 14th and moved away eastward thereafter.
- An another western disturbance as an upper air system lay over north Pakistan & adjoining Jammu & Kashmir on 18th, over Jammu & Kashmir and neighbourhood on 19th.

Rainfall:

Under the influence of the above systems:

- Fairly widespread to widespread rain/thundershowers with isolated to scattered heavy to very heavy falls occurred over extreme south peninsula on 14th, 15th, 18th & 19th. Isolated rain/thundershowers occurred on remaining days of the week.
- Isolated to scattered rain/snow occurred over Jammu & Kashmir and Uttarakhand on 13th and over Himachal Pradesh on 13th & 14th December.
- Isolated to scattered rain/thundershowers occurred over West Uttar Pradesh and West Madhya Pradesh on 13th & 14th.
- Isolated to scattered rain/thundershowers occurred over coastal Orissa and Coastal Andhra Pradesh on a few days of the week.

- Fairly widespread to widespread rain/thundershowers with isolated heavy to very heavy falls occurred over Andaman & Nicobar Islands on 16th. Isolated to scattered rain/thundershowers occurred on remaining days of the week.
- Mainly dry weather prevailed over remaining parts of the country during the week.

Outlook for the week ending on 26th December 2007

- ✓ Scattered to fairly widespread rain/thundershowers with isolated heavy falls is likely over extreme south peninsula during first half of the week.
- ✓ The minimum temperatures are likely to remain below normal by 2-4°C over plains of northwest & East India and adjoining central India.
- ✓ Isolated to scattered rain/snow is likely over some parts of Western Himalayan Region during second half of the week.

TECHNICAL ANALYSIS

Commodity: Maize

Contract: January 2007

Exchange: NCDEX

Perspective: Very Short Term (Weekly)

Maize futures continued last week's losses and traded mostly sideline for rest of the week with recovery towards weekend on good buying strength. NCDEX January contract traded in the range of Rs.744.00-763.00 during the period with increased volume and open interest. On December 21, stocks in NCDEX warehouses increased from the previous level of 2039 MT to 3182 MT.

Technical: The long upper shadow of the candlestick shows selling pressure at higher level. However, prices above the 9 and 18-days EMA indicate medium-term firmness in prices. MACD has made the bullish crossover in negative region. RSI is heading upward in the neutral region while Stochastic is flatter in the neutral region. Maize is likely to trade range bound with firm bias.

Outlook: Maize is likely to trade range bound with firm bias on good offtake by the private companies

Recommendation: Buy on dips towards support levels



Resistance and Support level:

| Contract Month | Resistance 1 | Resistance 2 | Support 1 | Support 2 |
|----------------|--------------|--------------|-----------|-----------|
| September | 774 | 785 | 735 | 728 |

FOREX RATES (As on 24th December 2007)

| Foreign Currency | Rs. per unit |
|------------------|--------------|
| 1 US \$ | 39.57 |
| 1 Euro | 56.85 |
| 100 Yen | 34.96 |
| 1 British £ | 78.93 |

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