

Bottom Line:

With over 8.81 million more hectares, planted in 2010-11 crop season, India has an output of 19.26 MMT to meet the growing demand in domestic market from starch as well as the animal feed industry and around 2 MMT of stock is exported in order to benefit from prevailing higher prices in international market where demand is strong.

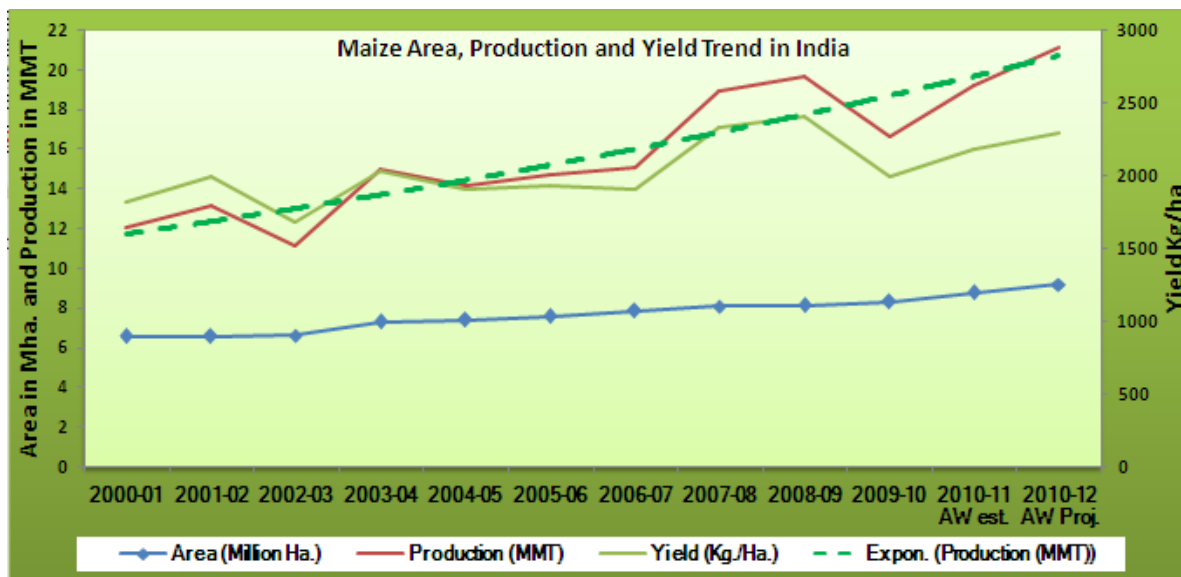
Increased planting in the US and above-trend yields in 2011-12 may result in record global maize production of 848 MMT against last year's 812MMT. A very large US crop will be required to meet projected demand and to maintain supplies but, following this month's downgraded production forecast (by IGC), even a record output of 340MMT (316MMT last year) may not be sufficient to build 2011-12 ending stocks.

Concerns about unfavorable weather for some key 2011-12 crops largely set the bullish tone for world grains market during May, but price direction was also heavily influenced by external sectors, especially weaker crude oil.

Domestic Market Maize Supply and Demand Scenario:

On the back of favorable monsoon in 2010-11 crop season, India's agriculture crop production was excellent. Compared to last year's production, India achieved record level production in most of the cereal crops in 2010-11.

During the year 2010-11 total (Kharif & Rabi) area under maize in India is reported at around 8.81 million hectares up by 6.02 percent compared to the last year's area of 8.31 million hectares. Increase in sown area under maize mainly reported in Madhya Pradesh, Rajasthan and other traditional states in southern part of the country.



2010-11 Maize area in Madhya Pradesh and Rajasthan increased by 10.69 and 4.8 per cent to 0.92 million ha. and 1.22 million ha. respectively on higher return to growers last year and announcement of higher MSP (minimum support price) by government of India during 2010-11 season coupled with normal to better monsoon over NW, Central and Southern part of the country.

Eastern part of the country mainly Bihar featured decline in Kharif sown area due to poor monsoon over eastern India due to which maize area was shifted to other crops which require less water like pulses. However, Rabi maize area in Bihar remains stable at last year's level of 0.33 million ha as winter rains supported maize cultivation.

Overall maize crop output (Kharif and Rabi) is expected to be on higher side at around 19.26 million tonnes against last year's 16.72 million tonnes. The overall yield of maize during 2010-11 has also increased to 2185 Kg/Ha against last year's yield of 2002 Kg/Ha on back of favorable weather condition.

Year	Area (in Million Ha.)	Production (in MMT)	Yield (in Kg/ha)
2009-10	8.31	16.72	2002
2010-11*	8.81	19.26	2185
2011-12*	9.2	21.16	2300

*Agriwatch estimates.

As per the initial estimate, we expect that 2011-12, maize production will reach to a record level of 21.16 MMT with expected sowing area of 9.4 million ha. and yield levels are expected to be improve on normal monsoon prediction as well as government's effort to (special program on maize- ISOPALM) improve maize crop prospects.

India's June-September monsoon rains are a key factor for global commodities markets as they influence output of various crops in India. Since IMD's long range forecast for the 2011 south-west monsoon season (June to September) is that the rainfall for the country as a whole is most likely to be Normal (96-104% of Long Period Average (LPA)). We can expect increase in acreage under maize crop in Rajasthan, Tamil Nadu and Karnataka given the higher returns during 2010-11. Maize may compete with cotton in acquiring acreage which also given better returns last year. So we can expect better maize output this year.

Domestic Supply and Demand:

<i>Values in MMT</i>	2009-10	2010-11*	2011-12**	% Change over last year
Production	16.72	19.26	21.16	10
Total Availability	18.75	19.61	21.47	9
Consumption (inclusive of exports)	15.90	19.30	21	9
Carryover Stocks	0.35	0.31	0.47	52

* Agriwatch Estimates, ** Agriwatch Projections

As evident from the above table, India's total availability increased by 5% to 19.61 million tonnes (including carry-in of 0.35 MMT and production of 19.26) on estimated higher production in 2010-11, which outpaced India's total domestic requirement of 19.30 (including expected export of 2.40 MMT). However, carry-out stocks are expected to decline by 11% to 0.31 MMT on expected higher exports this season.

As per the trade estimates, total maize exports so far from India during 2010-11 is pegged at 2 MMT and the total exports are expected to hover near 2.4 MMT. However, Govt. might watch for any price rise and is likely to maintain domestic stock levels to meet growing requirement of domestic industries (animal feed and starch) which may restricts maize exports up to 2 MMT this year.

In 2011-12, maize production is estimated to reach a record level of 21.16 MMT and total availability is estimated to remain higher at 21.47MMT (including carry-in of 0.31 MMT and production of 21.16MMT), This means that country is expected to have a exportable surplus of 3.5 MMT with a comfortable carry-out stock of 0.47 MMT compared to 0.31 in 2010-11.

Maize Domestic Fundamentals and Crop situation:

90-95 per cent Rabi maize crop is harvested in all the major growing areas and peak arrivals started in mid of March. Recent rains hindered harvesting of the standing crop and also affected the trading activities in Bihar and Andhra Pradesh. As per the sources around 50 per cent of the produce has been traded in mandis so far in both

the states. Due to rains as well as cloudy weather kept moisture content in maize at higher level of 15-17 per cent against normal moisture of 12-14 per cent.

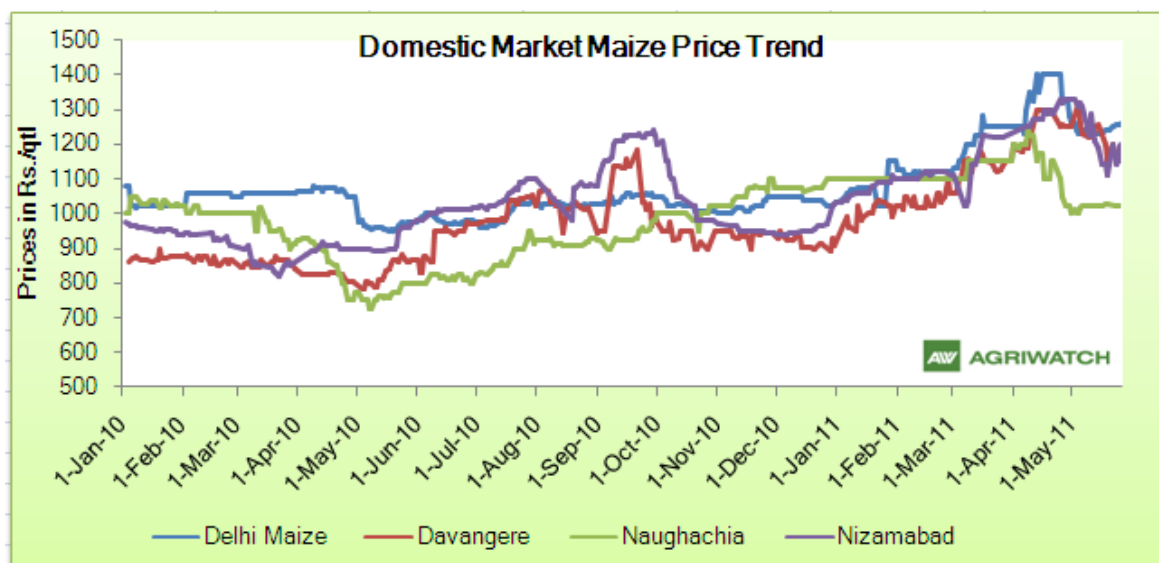
Domestic Maize Price Trend

Domestic maize prices started its bull rally from January 2011 onwards on higher demand from the starch and poultry feed industries. Prices were up by 30.77% to Rs. 1175 in Davangere (Karnataka), 23.71% to Rs. 1200 in Nizamabad (Andhra Pradesh), 23.53% to Rs. 1260 in Delhi but the prices at Naughachia (Bihar) were down by 6.82% to Rs. 1025 over the period of 5 months. Arrival of Rabi maize to markets started in mid-March, and prices are skyrocketing despite good Rabi production due to strong domestic and overseas demand. Maize Prices at domestic markets in May are considerably down in Davangere, Nizamabad compared to prices in April while remained mostly flat in Delhi.

Market	Month Ending Prices of Maize (Rs. /quintal)			
	March 2011	April 2011	May 2011	Per cent Change over previous month
Naughachia (Bihar)	1150-1200	1000-1010	1025-1030	+1.98
Delhi	1250	1260	1260	Unchanged
Davangere (Karnataka)	1160	1290	1175-1200	-6.98
Nizamabad (Andhra Pradesh)	1250	1330	1200	-9.77

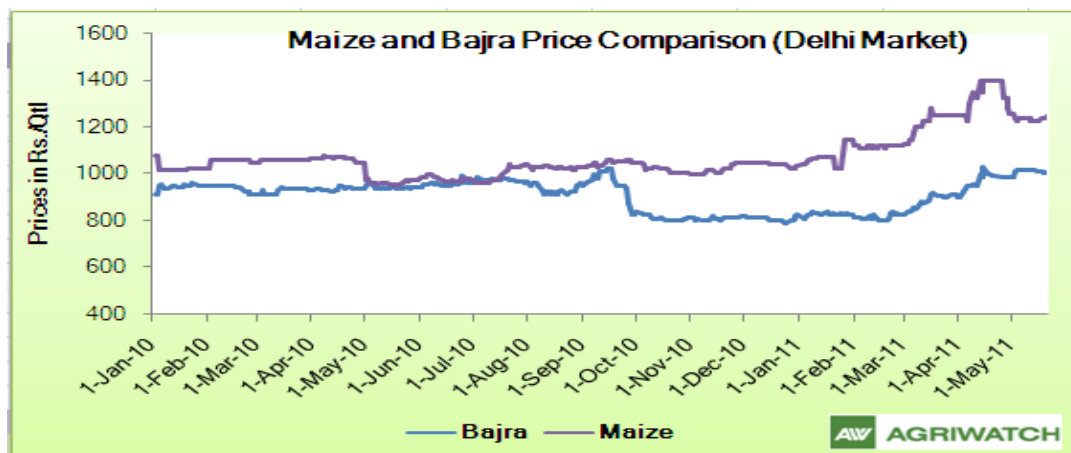
Maize prices in current marketing season were sturdily up by 28.75 per cent to Rs. 1025 Naugachia (Bihar), 29.23 per cent to 1260/qlt in Delhi, 38.73 per cent Rs. 1175/qlt in Davangere (Karnataka) and 22.45 per cent Rs. 1200/qlt in Nizamabad (Andhra Pradesh) as compared to corresponding period last year. Maize prices may remain on higher side despite pressure from Rabi crop arrivals due to reportedly good demand.

Currently, FOB prices of maize for Brazil, Argentina and India is almost equal and around USD 310 to 320 per MT. FOB prices in mid of May were down but higher demand in international market amid concern of delay in corn planting in the US supported the sentiment.



Analysis for Downstream Industries for Demand

Higher demand from the starch industry and poultry and cattle feed manufacturers was seen in the month of May with their active buying in the major markets. Mostly industrial buyers were stocking the maize till Kharif 2011 crop arrival starts. However, due to higher maize prices domestically, reportedly some demand of poultry and cattle feed manufacturers are shifted towards bajra which is cheaper thereby weighing on maize prices while supporting the bajra prices. But start of Rabi crop arrival exerted pressure on maize prices which again attracted feed manufacturers to buy maize.



NCDEX Futures Market Analysis

As reflected in the chart, NCDEX maize futures prices are in bullish trend from the month Jan. 2010 and 26.36 per cent dip seen to settle at current trading price of Rs.1265/ctl.

NCDEX maize futures prices has seen a dip in initial days of May month as traders found market bearish for short period on higher arrivals of Rabi maize at spot market. And in mid of May month prices again started its bullish movement as a result of bullish trend in US market as well as higher demand for India's maize in the international market.

Indicators continue to show neutral tendencies with RSI in the neutral zone and MACD above the zero line indicating bullishness.

NCDEX maize futures (June contract) getting the support at 1267.50 level and resistance at 1291.50. If prices breach the immediate resistance level at 1291.5, then prices will touch a price level of 1350. Till expiry of June month contract, prices will sustain in the range of 1235.5 to 1328. Market participants can go for selling on rallies.



Domestic Maize Outlook

Domestic maize prices may remain range bound with slight firmness in the coming month till Kharif crop intention is clear. Stockists are holding back stocks in anticipation of higher prices while the industrial users have already purchased enough stocks (mainly poultry users) to fulfill the requirement till Kharif crop arrivals.

NCDEX maize futures will be in bullish trend in tandem with international market (CBOT futures) on supportive bullish factors prevailing in the market. Maize futures prices will be steady to firm in coming month and range will be Rs. 1235-1328/ctl.

International Market Maize Supply and Demand Scenario:

As per International Food Policy Research Institute, global demand for major grains, such as maize, rice, and wheat, is projected to increase by nearly 48 percent from 2000-2025.

As per recent forecast by IGC for 2011-12, world production of maize is at 848 million tons, 1 million down from April forecast and consumption will be around 853 million tons which is also reduced by 1 million ton from April forecast.

<i>Values in MMT</i>	2008-09	2009-10	2010-11	2011-12 forecast
Production	799	815	812	848
Trade	84	86	94	93
Consumption	781	817	843	853
Carryover Stocks	155	152	121	116
Year/Year Change	+18	-3	-31	-5

Maize International Fundamentals and crop situation:

US Corn plantings made good progress in the key states of Iowa and Illinois and were completed on 98% and 90%, respectively, of the intended area until May 22, which is ahead of the 5-year average progress of 94% and 85%.

Crop	May 22, 2011	Last Week	Last Year	5 Year Average
Corn	79%	63%	92%	87%

However, there is considerable concern in the eastern Midwest, parts of the US Delta and the northern Plains where corn as well as soybean and spring wheat plantings are severely lagging.

Conditions are apparently the worst in Ohio, reflected in severe planting delays. As of May 22 only 11% of the intended corn area could be done (against 87% at the same time last year and 80% average) and only 4% of the intended soybean area (vs. 48% and 54%). Considerable delays are also reported in Indiana, Michigan, Minnesota and North Dakota for corn, soybeans and spring wheat.

Nationwide, plantings of corn could be completed on 79% of the intended area as of May 22 (against 92% last year and 87% average), of soybeans 41% (vs. 51 and 51), of cotton 57% (vs. 59 and 61), groundnuts 60% (vs. 60 and 56), sunflowers only 3% (vs. 13 and 20) and spring wheat only 54% (vs. 89 and 89).

Weather conditions across **Argentina** and **Brazil** have been favorable for harvest. Argentina's corn harvest was last reported as 76 percent complete, which is slightly ahead of average. Argentina estimates its corn crop is about 21 million metric ton, down 8 percent from the prior season.

Ukraine's grain harvest to reach 43-47 million tonnes in 2011 which is likely to get a boost by favourable weather and the ex-Soviet state could export 21-22 million tonnes taking advantage of smaller crops in western Europe. As per agriculture officials, the total volume of the harvest would depend on maize and officials mentioned that the maize sowing area is increased by 15 per cent this year and production to reach 12.7 million tonnes to 13.2

million tonnes this year which produced 11.9 million tonnes of maize in 2010. Ukraine's exports in the drought-hit 2010-11 season, which is currently drawing to a close, are likely to fall to around 11-12 from 21.5 million tonnes in 2009-10, due to its smaller crop and trade restrictions, including export quotas. The country has a chance to return to its usual export levels taking advantage of the potentially good harvest in 2011 and a possible gap left by poor crops abroad (Europe).

Global Trade Update:

The **U.S.** government confirmed that exporters struck deals to sell corn to China, fueling expectations that the Asian nation will be a repeat customer when prices weaken (USD 6.70 to 6.80/bushel). The USDA, in an export-sales report for the week ended May 19, says **China** bought 116,800 metric tonnes of corn for delivery before Aug. 31. Traders had suspected the nation made a purchase after prices recently dropped to a six-week low as part of a broader sell-off of commodities. Traders also expecting that china will be in market to buy the corn if prices get back to earlier level. Traders are paying close attention to China's purchases because its need for grain is seen as an unknown in a corn market on edge about tight inventories. Grain users are nervous about the potential for China to make large purchases because U.S. corn inventories already are projected to reach a 15-year low before the next harvest this fall. Last year, China surprised traders by making its first major corn purchases in nearly 15 years to cover rising domestic demand. Farmers in China are struggling with the weather too due to a drought in the Yellow River Valley.

China is likely to buy more corn from the world market if its weather conditions remain unfavorable and prices pull back. Also, China is limiting corn use by the biochemical and sweetener industry to ensure sufficient supplies for livestock feed. On the other hand, processors are barred from buying more corn than they consumed in 2009 since most of the large processors anticipated government policies and bought supplies quite early the industrial use of corn is not expected to drop significantly. As per National Grain and Oil Information Center of China, total domestic corn consumption in China has been growing at 2.4 percent annually surpassing the 1.7 percent annual growth in production trends that have sharply affected its stocks of corn.

South Africa, the biggest corn producer on the continent, increased its forecast for this season's total corn harvest by 1 percent- The government's Crop Estimates Committee. South African farmers will probably reap 10.99 million metric tons of the grain this season, up from an earlier forecast of 10.88 million tons. Forecasts ranged from 10.6 million tons to 10.9 million tons. The white corn forecast was raised 1.8 percent to 6.37 million tons and the yellow corn estimate was left unchanged at 4.62 million tons. Importers purchased South African corn because it was more competitive than U.S. grain in terms of price (Corn from South Africa was about \$5 to \$10 per ton cheaper than the U.S). Korea Feed's grain purchasers opined that they like to increase corn purchases from South Africa as long as price gaps remain around the \$5 to \$10 level as feed makers try to buy cheaper alternatives to expensive U.S. corn.

South Korea, the biggest corn importer in Asia after Japan, is buying more from South Africa after U.S. prices doubled in the past year. As per Korea International Trade Association, the country imported 401,070 metric tons of South African corn for livestock feed in the first four months. That compares with the 208,866 tons shipped in all of 2010.

As per customs statistics data, maize exports from **Ukraine** in April 2011, totaled 0.264 million tonnes which is decreased by 2.8 times compared to the indices of March 2011, an increase of 1% compared to the indices of April 2010. Iran and Spain were the main buyers of the grain from Ukraine. During 7 months of 2010/11 MY, Ukraine exported 3.2 million tonnes of maize. During the period of October-April of 210-11 marketing year the country imported 41.2 million tonnes of maize, meanwhile during the same period of the previous MY — 24 thsd tonnes.

Argentina had decided to allow an additional 2.5 million metric tonnes of corn to be exported in the current 2010-11 marketing year for a total of 11 MMT. USDA estimates that Argentina will export 14.5 MMT before this season is complete. Argentina's total corn production in 2010/11 was 22 MMT and USDA forecasts that current high global prices will encourage Argentina's farmers to plant 26 MMT next season. USDA forecasts that Brazilian corn production will remain at 55 MMT in 2011/12.

As per the Agriculture officials of **Mexico**, it produced 23.3 MMT of corn in 2010-11, down from last year because of the freezes and it is expected to reach 25 MMT in 2011-12 and continue increasing steadily in the long term. Out of the total estimated corn output for next year, 23 million tons will be white corn and 2 million tons will be yellow corn. Land cultivated with corn is expected to increase to 8 million hectares as high international prices motivate farmers to plant more.

International Market Price Scenario

The corn prices dropped early in the May month days on rapidly increased corn plantings in the USA and lack of fresh supportive fundamental news amid pressure of slowing export demand, a potential sign that high prices may be reducing demand for corn And weighing on prices. Corn prices started to move higher again in mid of May on expectations that more rain for the USA corn planting and possible further delays. Farmers were unable to plant corn on time will switch to soybeans instead because corn yields drop the later the crop is planted.

Contract Month	27/05/2011	27/04/2011	Per cent Change
Jun 11	758.50	759.25	-0.10
Sep 11	728.25	714.25	+1.96
Dec 11	684.00	667.25	+2.51
Mar 12	695.00	677.25	+2.62

CBOT Corn Futures (June 2011-Contract)



Despite heightened volatility, US maize values showed little overall change, as support from slow seeding was tempered by weakness in external commodity sectors and signs that high prices were crimping export demand. CBOT corn futures are expected remain with bullish trend and prices may take strong support at USD 7.40/bushel and resistance at price level of USD 7.7/bushel. If prices breach the support level of USD 7.40/bushel, then strong support will be at USD 7.2/bushel.

Experts are saying that there appears to be very little chance of falling corn prices in the short term as poor weather. The price trend is totally depending on the US planting progress.

Maize Outlook

Tight markets and record prices are set to continue in the coming month against the backdrop of low carry-in corn stocks, expectations of a large rebound in global exportable supplies now remain uncertain after delayed corn plantings in the United States, continued dryness in the EU, and wet conditions in Canada. World corn trade is expected to decline for the second consecutive year, although still in line with the long-term trend. Favorable production in China, Mexico, and Ukraine and in most major producing countries will either diminish import demand or spur export competition.

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