

VEGOIL

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MAJOR WEEKLY HIGHLIGHTS

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***Latest Procurement details of NAFED (13.06.05)**

NATIONAL & INTERNATIONAL NEWS

Indonesian Palm Oil Sector Waiting for Large Scale Chinese Investment

A group of Chinese investors have committed to investing up to US\$8.6 billion in Indonesia's palm oil sector over the next five years. Separately, Kadin chairman Mohamad S. Hidayat said the pledge came at a time when Indonesia desperately needs to expand its stagnant agricultural industry, including the palm oil sector. The government has asked Kadin to organize local industry players in following up on the commitment, as such investment would need about two million hectares of land. Kadin would organize between 40 and 50 industry players to be involved in the projects, to be located outside Java with Sumatra, Sulawesi and Kalimantan the main options. Earlier, the government revealed that the country needed a total investment of Rp 20.52 trillion (about \$2.16 billion) for the plantation sector to grow by an average 6.27 percent per annum. The investment would enable palm oil output to expand by an

average 6.21 percent to reach 16.74 million tons in 2009, from the estimated 13.15 million tons in 2005.

Indonesia Records World's Fastest Growth in CPO Production

Indonesia recorded the fastest growth in the production of crude palm oil (CPO) in the world in the past decade, as per Mihd Basri Wahid of the Malaysia Palm Oil Board (MPOB). Indonesia's CPO production rose from 4.2 million tons in 1995 to 11.4 million tons in 2004, Wahid said here on Wednesday. Malaysia, however, still leads with CPO production reaching 13.9 million tons, up from 7.8 million tons in 1995. Indonesia remains the second largest producer of palm oil. Both countries accounted for almost 85 per cent of the world's CPO production in 2004. In the past decade the world's production rose by 97 per cent. Indonesia also recorded the fastest growth in exports, growing from 1.856 million tons in 1995 to 10.194 million tons in 2004, but Malaysia still maintains the lead.

China Expects Soybean Imports To Increase 45%

China is expected to import a record 24.5 million tonnes of soybeans in the 2004-05, 45% higher from the 16.9 million tonnes imported in 2003-04, according to the China

National Grain and Oils Information Center (CNOGIC). China is expected to import around 12 million tonnes of soybeans from the U.S. as per a senior analyst at CNOGIC. Domestic edible oil demand, expected around 18 million tonnes in the 2004-05 marketing year, is estimated to outstrip local supply by around 4 million to 5 million tonnes, which will be largely filled by crushing imported soybeans, CNOGIC. Domestic soymeal demand, including feed and other usage, is expected to total 21.68 million tonnes in 2004-05, compared with an estimated total production of 24.36 million tonnes during the same period, according to CNOGIC.

Paranagua Ban On GM Beans Increasingly Problematic For Traders

Traders to avoid Brazil's Paranagua port because of its ban on genetically modified soybeans. Two out of every ten loads are being rejected, because they are contaminated. Other locations such as the port of Sao Francisco do Sul are options, but it is already operating at close to capacity and exporters are then still forced to export from Paranagua. Likewise, exporters are even more concerned about what will happen in 2006, when even more producers are expected to begin planting GMOs, since the government legalized their production earlier this year. The port continues to ban GMO soy, despite a ruling by Brazil's Supreme Court issued in April declaring the ban unconstitutional.

Low April Results in Low Margins and Lack of Farmer Selling Crush in Brazil

Brazil's soybean crush reached 2.61 million tonnes in April, down from 2.80 million tonnes from the April 2004 level, Brazil's Vegetable Oils Industry Association (Abiove), said last week. Low crush margins and the reluctance of farmers to sell beans at low post-harvest prices limited processing in what is usually a primary month for crushing in Brazil. On the business side, a number of major soy firms, including Archer-Daniels-Midland, Cargill Inc. and Louis Dreyfus, recently closed crushing plants in Brazil due low crush margins. The April crush produced 2.01 million tonnes of soymeal and 499,000 tonnes of soyoil. Abiove estimates that the 2005-06 crush will reach 29.2 million tonnes, up from 28.9 million tonnes in 2004-05. Total soybean production for 2004-05 is expected to be 50.8 million tonnes, up slightly from the 50.1 million tonnes produced last year, according to Abiove. Exports could reach 19.1 million tonnes in 2005-06 from 18.95 million tonnes last year.

Manitoba Farmers Do Not Receive Soybean Planting Extension

The Manitoba Crop Insurance Corporation (MCIC) decided recently not to extend deadlines for soybean seeding. The likely result will be less area planted than in years past. The Manitoba Pulse Growers Association (MPGA) in a statement said they are disappointed with the MCIC decision, and that excessive rains over the last few weeks should lead to an extension similar to the one given last year. Manitoba producers previously expected to plant 85,000 hectares of soybeans in 2005. However, MPGA now believes that this level will be lower, but they will not release a new estimate until after the deadline for planting passes.

Asian Rust Not Spreading As Expected

Asian soybean rust is spreading at a much lower rate than initially expected. USDA's Asian rust website said last week

that aside from four counties in Florida where the fungus was found on common ditch weeds, Seminole County in Georgia remains the only county (in the U.S.) with rust on soybean - and it was found on volunteer soybean plants in two locations. However, USDA said new computer models indicate that plant pathologists in the Southeast should continue to monitor their area for the fungus, which can quickly defoliate soybean plants and produce yield losses of 80%-90%. "Potentially by mid-June, some new infection may be expected to be observed on non-soybean plants in Florida, Georgia, Alabama and South Carolina," said USDA.

US Expects Lower Soybean Crop in Coming Year Amidst Shrinking Seeding

Soybean markets are starting to build in the ideas of smaller U.S. harvest in 2005. Ending stocks projections by the USDA are well above the 4.08 to 4.90 million tonnes considered tight by markets, but recent usage estimates suggest the USDA will end up revising its number from 8.71 million to 8.16 million tonnes or less. For the current U.S. marketing year, the USDA now projects the domestic soybean crush at 45.59 million tonnes, 25 million larger than the May projection and only 10 million less than the record crush of 2001-02. The larger crush is expected to lead to a significant increase in the level of year ending soybean oil inventories. Those stocks are projected at 0.69 million tonnes, 0.20 million tonnes larger than stocks at the beginning of the year and 0.13 million tonnes larger than projected last month.

Increased Meal Demand Leads to Increased Crush in US

The larger domestic crush is being driven by soybean meal consumption. Domestic use of meal is projected at 33.9 million tonnes, 450,000 above the May projection. Meal exports are expected to reach 6.1 million tonnes, 100,000 above the May projection. Exports of U.S. soybeans during the current marketing year are now projected at 30.21 million tonnes, 10 million larger than the May projection and 2.99 million tonnes larger than projected in September 2004. Year ending stocks are projected at 8.71 million tonnes. Stocks at that level would be the largest in 6 years, but would be 3.81 million tonnes less than projected in December 2004. If the 2004 crop was a bit smaller than the current USDA estimate of 85.48 million tonnes, as suggested by the December and March Grain Stocks report, year ending stocks may be near 8.16 million tonnes. While year ending stocks of U.S. soybeans will be ample, well above the 4.08 to 4.90 million tonnes generally considered as 'tight', the smaller projection results in increased importance on the size of the 2005 crop.

South American Soybean Crop Expanding Slowly

For the year ahead, soybean area in South America is expected to increase only 1.4% well below the 5.3% increase experienced this year. Area in Brazil is expected to increase by about 1%. Average soybean yields were low in Brazil and Paraguay in 2004 and 2005 and in Argentina in 2004. For the 2006 harvest, the USDA projects an average South American yield of 1.07 tonne per acre, compared to 0.94 tonne per acre in 2004 and 0.98 tonne per acre in 2005. Still, that projection is well below the record average yield of 42 bushels in 2003. The 2006 South American crop is projected at 108.59 million tonnes, 10.07 million tonnes larger than the 2004 crop. Production at that level would likely lead to a significant increase in South American inventories, keeping world stocks at a record level.

USDA Boosted Soybean Price Forecast

The USDA's projection of average farm price of soybeans during the 2005-06 marketing year is in a range of \$4.95 to \$5.95, \$.25 higher than last month's projection. At the level of trading early on June 13, the futures market reflected a 2005-06 marketing year average farm price near \$6.65, more than \$1.00 above the mid point of the USDA projection. The average price projected from the historic relationship between year ending stocks and price (using the USDA's projection of use and stocks) varies significantly depending on which historic period is assumed to represent the current period. Based on the generally low price period of 1998-99 through 2002-03, the average price during the year ahead would be expected to be near \$5.00. Based on the higher price period of 1989-90 through 1997-98, the average would project to about \$6.35. Even at the higher projected level, it appears that the market is building in a much smaller crop than currently projected by the USDA. Current strength may be more related to concerns about soybean rust than adverse weather conditions. The concern about the spread of soybean rust increased with the recent tropical storm, although spore production in Florida and Georgia appear to be at very low levels.

Global Trade Scenario in Oil & Oilseeds

South Korea's Major Feedmill Group paid Peter Cremer U.S. \$258.50 MT C+F Kunsan and Ulsan for 50,000 MT soybean meal for shipment from South American between August 10 and 30. South Korea's Agricultural and Fisheries Marketing Corp. paid Bunge \$360.87 MT C+F Incheon for 25,000 MT of U.S. No. 1 grade yellow soybeans for arrival by October 5. Indonesia's PT Perkebunan Nusantara sold 2,500 MT of crude palm oil at a government auction. PT Pacific Palmindo Industri paid IDR3,687/kg FOB Belawan for 1,000 MT. PT Inti Benua Perkasatama paid IDR3,687/kg FOB Dumai for 500 MT and paid IDR3,626/kg ex-factory for 500 MT. PT Musim Mas paid IDR3,626/kg FOB Teluk Bayur for 500 MT. Indonesia's PT Astra Agro Lestari sold 8,250 MT of crude palm oil at auction. PT Sari Dumai Sejati paid IDR3,605/kg delivered Riau for 1,000 MT. PT Mega Surya Mas paid IDR3,533/kg FOB Tanjung Bakau for 2,000 MT. PT SMART paid IDR3,545/kg FOB Bumi Harjo for 1,250 MT; paid IDR3,570/kg FOB Pangkalan Dewa for 2,000 MT; and paid IDR3,535/kg FOB Buluminung for 2,000 MT. Also at the auction, PT Permata Hijau Sawit paid IDR3,985/kg for 1,000 MT of RBD palm olein; and Ecogreen Oleochemicals paid U.S. \$563 MT FOB Bumi Harjo for 1,000 MT of palm kernel oil.

Indian Kharif Oilseed Output to Decline if Monsoon is Delayed Further

The delay in onset and advancement of monsoon has begun to impact sowing of kharif crops with area under oilseeds, rice, coarse cereals and jute showing a lag. Sowing of oilseeds, as on June 10, has covered only 199,000 hectare, down 51.7% from the year-ago level of 412,000 hectare. According to the ministry, irrigation is unsatisfactory in Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Rajasthan. The India Meteorological Department expressed that the southwest monsoon has been static since Jun. 8 after hitting India's mainland on June 5. There is little chance of progress of the rain-laden winds before Thursday. The agriculture ministry, however, feels, these are early days and both the performance of the monsoon as well as sowing of crops is likely to recover in the coming weeks. It has also prepared a contingency plan to meet any eventuality arising out of deficient or late

monsoons. The area under groundnut farming was 81000 hectare as on June 10 against 119000 hectares on the same day last year. Acreage of soybean has come down to 2000 hectare from 54000 hectare a year ago, while sunflower acreage has come down to 50000 hectare from 94000. Sesamum sowing has declined to 61000 hectare from 135000 hectare. Niger seed sowing is yet to begin and only 5000 hectares have been brought under castor seed against 1000 and 10000 hectare, respectively, a year ago.

Vanaspati Traders Makes a Formal Appeal to Government to Impose Import Duty

The vanaspati industry has urged the government to disallow duty-free import of vanaspati from Sri Lanka under the free trade agreement, as the product does not fulfill the condition of 35 per cent value addition. In a memorandum to the concerned ministries, the North-India Confederation of Edible Oil and Vanaspati Manufacturers has pointed out that vanaspati production from crude palm oil hardly involves 10 to 15 per cent value addition. It expressed that the duty-free import of this vanaspati is killing the local industry, which have to pay a hefty 80 per cent duty on crude palm oil. The vanaspati manufacturers in Sri Lanka do not pay any duty on imported crude oil used for its production. The federation claims nearly half of country's vanaspati manufacturing plants have already closed down and the rest may face the same fate in next five to six months. It has suggested that the customs authorities should thoroughly investigate the extent of value addition before allowing any imported material to enter the country. The federation has also suggested that the duty on crude palm oil imported for vanaspati manufacture be slashed to 10 per cent to enable it to compete with exotic product.

Canola Pulls Canadian Crush Lower Than Expectation

The Canadian Oilseed Processors Association (COPA) reports weekly crush in that country totalled 36,643 metric tons (MT) of canola and 34,894 MT of soybeans during the week ending June 15. The numbers, as reported to the association by member firms, sank 13.5% from last week's crush level for canola, for a third week of decreased activity. Soybean crush jumped 7.2%, offsetting the previous week's losses. So far this marketing year, 2,640,638 MT of canola has been crushed, down around 245,000 MT from the 2,885,900 MT crushed during the same period last season. Soybean crush since the August 1 start of the 2004-05 marketing year totals 1,424,876 MT, around 6,000 MT above the 1,418,880 MT processed last season. Crush capacity utilization during the week fell 7.3 points to 46.5% for canola and rose 5.3 points to 77.9% for soybean. So far during the 2004-05 marketing year, canola crush capacity utilization has averaged 81.6% compared to 77.4% for soybean crush capacity utilization.

Canada's Canola Weekly Exports Total 104900 MT

Export clearances of canola shipped from Canada total 104900 MT. The CGC pegged total exports during the week at 387,900 MT. Oilseed exports now total Export shipments so far this season total 1,174,300 MT peas up 177,500 from 996,800 MT last year and 2,861,900 MT canola down 424,200 from 3,286,100 MT last year. In addition, Statistics Canada indicated that the canola exports to the United States totaled 67 100 (200) MT (Year ago figures are shown in brackets). Shipments of oilseeds to domestic customers totalled 42700 MT canola. This lifted season to date totals to 2861900 MT down 424200 from 3286100 MT last year.

Slow Monsoon Progress to seriously hamper Oilseed production in coming year

Although the southwest monsoon arrived at the southern tip of India on June 5, 2005, and has subsequently advanced into parts of southern India, its further progress has been stalled by adverse climatic factors, reports the U.S. agricultural attache for the country. Area-weighted rainfall from June 1 to June 8, 2005, was 51% below normal at 13.7 mm. Rainfall was below normal in 27 of the 36 weather subdivisions. To make matters worse, severe heat-wave conditions prevailed over most parts of the country, with day temperatures running five to six degrees Celsius above normal. The water level in 76 major reservoirs fell by more than 8% to 15.75 billion cubic meters (bcm) over the previous week, which although better than last year, is only 88% of the average over the past ten years. Planting of most kharif fall and early winter-harvested) crops, which mostly include rice, coarse grains, pulses, peanut, soybean, cotton, and sugarcane, begins with the onset of the monsoon. Initial planting reports available with the Ministry of Agriculture show a reduction in the planting of coarse grains, rice, and oilseeds, but an increase in cotton planting (mostly in Punjab where much of it is irrigated). The delay in the progress of the monsoon is causing concern among farmers and the government. Several northern states are facing acute shortages of electricity and drinking water, with increasing deaths due to heat wave conditions.

GLOBAL DYNAMICS

Demand and Supply of Soybean and Soybean Oil

World (Million metric tonnes)				
Year	2002-03	2003/04 (Est.)	2004/05 (Proj-May)	2004/05 (Proj-June)
Soybean				
Beginning stock	33.26	40.75	37.41	37.41
Output	197.04	188.55	219.23	216.88
Import	62.75	53.95	61.87	61.60
Total consumption	190.73	190.53	203.47	202.57
Exports	61.57	55.30	62.45	62.24
Ending Stock	40.75	37.41	52.59	51.08
Soybean Oil				
Beginning stock	2.62	1.87	1.53	1.53
Output	30.35	30.03	32.09	31.90
Import	8.53	8.36	9.29	9.28
Total consumption	30.20	29.73	31.83	31.64
Exports	9.42	8.99	9.47	9.49
Ending Stock	1.87	1.53	1.61	1.59

USA (Million metric tonnes)				
Year	2002-03	2003/04 (Est.)	2004/05 (Proj-May)	2004/05 (Proj-June)
Soybean				
Beginning stock	5.66	4.85	3.06	3.06
Output	75.01	66.78	85.48	85.48
Import	0.13	0.15	0.14	0.14
Total consumption	47.52	44.78	49.08	49.08
Exports	28.42	23.95	29.39	29.94
Ending Stock	4.85	3.06	10.21	9.67
Soybean Oil				
Beginning stock	1.07	0.68	0.49	0.49
Output	8.36	7.75	8.51	8.51
Import	0.02	0.14	0.05	0.05
Total consumption	7.75	7.65	7.85	7.85
Exports	1.03	0.42	0.61	0.64
Ending Stock	0.68	0.49	0.59	0.56

Brazil (Million metric tonnes)				
Year	2002-03	2003/04 (Est.)	2004/05 (Proj-May)	2004/05 (Proj-June)
Soybean				
Beginning stock	10.16	12.47	12.68	12.68
Output	35.50	33.00	39.00	39.00
Import	0.38	0.54	0.45	0.45
Total consumption	24.86	26.62	26.97	26.97
Exports	8.71	6.71	7.67	7.57
Ending Stock	12.47	12.68	17.49	17.59
Soybean Oil				
Beginning stock	0.13	0.05	0.04	0.04
Output	4.38	4.51	4.71	4.71
Import	0.00	0.00	0.00	0.00
Total consumption	0.12	0.11	0.12	0.12
Exports	4.34	4.41	4.59	4.59
Ending Stock	0.05	0.04	0.04	0.04

Argentina

Million metric tonnes)

Year	2002-03	2003/04 (Est.)	2004/05 (Proj- May)	2004/05 (Proj- June)
Soybean				
Beginning stock	12.11	15.93	16.80	16.80
Output	52.00	52.60	54.00	53.00
Import	1.32	0.33	0.28	0.28
Total consumption	29.76	32.24	32.76	32.76
Exports	19.73	19.82	20.25	20.25
Ending Stock	15.93	16.80	18.08	17.08
Soybean Oil				
Beginning stock	0.18	0.10	0.10	0.10
Output	5.11	5.64	5.65	5.65
Import	0.07	0.03	0.05	0.05
Total consumption	2.99	2.95	3.01	3.01
Exports	2.27	2.72	2.68	2.68
Ending Stock	0.10	0.10	0.10	0.10

Soybean - Global Dynamics

Production (M. Mt)	1998	1999	2000	2001	2002	2003	2004
U S A	74.60	72.22	75.06	78.67	74.82	66.78	85.74
Brazil	31.31	30.99	32.73	37.88	42.12	51.48	49.21
Argentina	18.73	20.00	20.20	26.86	30.18	34.80	32.00
China	15.15	14.25	15.41	15.41	16.51	15.66	17.75
India	7.14	7.08	5.28	5.96	4.56	6.80	7.00
Paraguay	2.86	3.05	2.98	3.51	3.30	4.21	3.80
Canada	2.74	2.78	2.70	1.64	2.34	2.26	2.92
Bolivia	1.07	0.97	1.23	0.83	1.30	1.55	1.55
Indonesia	1.31	1.38	1.02	0.83	0.67	0.67	0.71
Nigeria	0.41	0.41	0.43	0.44	0.44	0.48	0.48
Others	4.79	4.66	4.37	4.73	4.67	4.52	5.25
Total	160.10	157.80	161.41	176.76	180.91	189.21	206.41

World Supply and demand dynamics of Oilseed (million metric tones)

Year	2002-03	2003/04 (Est.)	2004/05 (Proj- May)	2004/05 (Proj- June)
Oilseeds				
Output	329.67	336.37	380.26	378.00
Supply	368.27	381.60	422.52	435.58
Trade	70.44	66.40	72.62	-
Use	267.66	278.98	298.10	-
Ending stock	45.14	42.25	57.58	-
Oilmeals				
Output	184.56	190.72	202.92	-
Supply	190.35	195.87	208.22	-
Trade	53.96	57.20	57.90	-
Use	184.38	189.95	202.63	-
Ending stock	4.84	5.30	4.71	-
Vegoils				
Output	94.74	100.53	107.19	-
Supply	103.03	107.17	113.95	-
Trade	36.18	38.34	40.02	-
Use	95.36	98.31	105.54	-
Ending stock	6.68	6.76	6.99	-

Groundnut seeds (Shelled) - Global Dynamics

Production (M. Mt)	1998	1999	2000	2001	2002	2003	2004
U S A	11.95	12.71	14.52	14.47	14.90	13.49	14.08
Brazil	8.98	5.26	6.48	7.03	4.36	7.70	7.50
Argentina	2.53	2.89	2.90	2.68	2.70	2.70	2.70
China	1.80	1.74	1.48	1.94	1.51	1.88	1.91
India	1.22	1.16	1.29	1.25	1.27	1.38	1.45
Paraguay	0.78	1.05	0.95	0.99	1.27	1.20	1.20
Canada	0.54	0.56	0.63	0.73	0.76	0.71	0.72
Bolivia	0.47	0.37	0.36	0.45	0.45	0.45	0.45
Indonesia	0.21	0.19	0.21	0.26	0.52	0.44	0.44
Nigeria	0.39	0.32	0.36	0.36	0.40	0.40	0.42
Others	5.27	5.83	5.79	5.91	5.13	4.97	5.19
Total	34.14	32.07	34.96	36.07	33.26	35.32	36.05

Crop Condition Of Rabi Oilseeds (Area In Lakh Hectares)

Crop	Normal area	Area Coverage (As reported on 13.06.05)			Important States	Area Difference in absolute percentage over last estimate
		This Year	Last Year	Difference		
Groundnut	56	0.81	1.19	-0.38	Andhra Pradesh Karnataka	(-0.2, -78.3) (-0.3, -66.7)
Soybean	63	0.02	0.53	-0.51	Karnataka	(-0.5, -96.2)
Sunflower	5	0.50	0.94	-0.44	Andhra Pradesh Karnataka	(+0.01, +133.3) (-0.6, -67.1)
Sesamum	16	0.61	1.35	-0.74	Andhra Pradesh	(-0.7, -92.2)
Niger	5	0.00	0.01	-0.01	Karnataka	(0.01, -100.0)
Castor	8	0.05	0.10	-0.05	Karnataka	(-0.03, -37.5)
Total Kharif Oilseeds	152	1.99	4.12	-2.10	Andhra Pradesh Karnataka	(-0.8, -71.2) (-1.5, -64.7)

DOMESTIC MARKET ANALYSIS

Palm oil

The domestic palm oil market improved this week amidst declining and uncertain support from the uncertain monsoon.

The bullish support to the market was provided by the increased and positive support from the export as well as the production figures. The surprisingly high figures of trade for the US soybean complex also gave boost to the rising sentiments.

Over the world, the uncertain monsoon condition has seriously taken over all the other factors affecting the price movement. The declining weather in US is giving increased support to the market.

The indecisive support from the international markets is responsible for unsteady prices in the domestic markets. The Malaysian market increased significantly to stay above the psychological level of MYR 1400 per tonne, finding significant support from the US soybean market screen trade.

The rising support from the international markets is responsible for the increase prices in the domestic markets.

The Malaysian market today improved significantly making its way to over 1400 region finding support from the continuing dry weather in US.

The price for palm oil in the market is expected to continue range bound on the higher side in the coming week as the market is expected to receive increased positive support from the Malaysian KLCE market.

Weekly prices for RBD Palmolein (Rs/ 10 kg)

Centers	13.06.05	14.06.05	15.06.05	16.06.05	17.06.05	18.06.05
Kandla	350	346	347	347	351	355
Mumbai	357	357	357	358	360	364
Chennai	356	355	356	357	359	367
Kakinada	356	357	358	358	360	368

Weekly prices for CPO (Rs/ 10 kg)

Centers	13.06.05	14.06.05	15.06.05	16.06.05	17.06.05	18.06.05
Kandla	321	323	323	324	324	329

Soy oil

The domestic market improved sharply in the lower regions following the increased buying in the market amidst support from the uncertain monsoon conditions prevailing in the country.

The US market is expected to continue trading unsteady in the higher regions, following the growing strength in the US CBOT soy oil trade amidst uncertain weather conditions and prediction of extended dry weather in the major soybean growing areas of Iowa, Mississippi and Minnesota.

The US market is also expecting the fall in the end stock of the soybean complex in the US markets. Thus the market is not expected to respond sharply to the estimated of the USDA to be released tomorrow evening.

The domestic future market trading started on a firm note and continued on further on the higher side for the week amidst increasing support from the declining monsoon conditions. The Hazir market continued to rise amidst of support from the consistently changing forecast of the monsoon, both in terms of amount and timings.

Overall the market is expected to continue range bound on the higher side for the first couple of days of the coming week, but is bound to come down as the monsoon progresses.

Prices for Soy (ref) during the week (Rs/ 10 kg)

Centers	13.06.05	14.06.05	15.06.05	16.06.05	17.06.05	18.06.05
Mumbai	355	356	356	358	360	362
Indore	363	365	367	369	372	375
Kota	364	366	367	368	371	373

Rape oil

The rape oil found increased support from the buyers at major exchanges. The increased buying strengthened the sentiments giving way to the continuing uncertainty in the market.

A weak trend of the market is still underlying for the week amidst the fear of increasing uncertainty in the market regarding the policy of NAFED.

The activity of NAFED is not yet clear. Earlier there was expectation that it may come up with the excess purchase in the market and sell it at the market rate of 1500-1550 per quintal, well below the purchasing rate of 1700 per quintal. But its indecisiveness is causing great anxiety in the domestic market, forcing the market to move range bound.

But, since the last three day NAFED has released a part of its procured mustard in the major markets of Rajasthan at the rate of Rs. 1600.00 per quintal, which is still below the procurement rate.

The increased buying strengthened the sentiments giving way to the continuing unsteadiness in the market. For the week the new crop arrival reached 0.75-1.00 lakh bags in Rajasthan and about 0.25-0.45 lakh bags in Madhya Pradesh., but the trend of arrival is weakening day by day.

Overall, it is expected that the rape oil will continue trading range bound on upper side towards the start of the week but gradually decline as the news of monsoon arrival creeps in as the market still suffers from the lack of retail demand.

Prices for Rape Expeller Oil (Rs/ 10 kg)

Centers	13.06.05	14.06.05	15.06.05	16.06.05	17.06.05	18.06.05
Mumbai	374	375	378	378	383	386
Kota	354	356	358	358	362	365
Delhi	380	382	384	385	388	392

Groundnut oil

Groundnut oil continued with the firm trend for the whole of the week at major centres. the price surged ahead significantly towards the end of the week seeing increased uncertainty in the monsoon which might lead to decline in the production of the ground nut crop in the coming cropping year.

The continuing the monsoon in the southern India with less than expected vigour has increased the uncertainty in demand for edible oils and this remains as one of the major factors, which is putting continuous pressure on the groundnut oil prices.

The declining demand of the other edible oils is causing uneven movement in the groundnut oil prices.

The increasing prices in groundnut oil prices in the domestic markets is likely to continue for the coming week amidst increased uncertainty in the coming monsoon.

Prices for groundnut oil during the week (Rs/10 kg)

Centers	13.06.05	14.06.05	15.06.05	16.06.05	17.06.05	18.06.05
Mumbai	454	456	460	362	461	470
Rajkot	449	460	463	365	468	488
Andhra Pradesh	484	490	492	364	496	496
Chennai	485	492	494	395	496	497

Sunflower Oil

The sunflower oil market this week surged ahead following the declining retail supply and increased demand owing to the uncertainty in the monsoon.

The strong port report of palm oil and the soy oil along with record domestic crop of mustard, encouraging stock of groundnut oil and consistent

decline in the retail demand are the main cause of the unsteadiness in the sunflower market.

The continuing high level of demand at the retail end and the expected decline in the import of other edible oils in this as well as in the coming month are expected to keep the prices on the rise.

The market is expected to behave firm in the coming week amidst increased demand from the retail end.

Prices at Indian Centers (Rs/10 Kg)

Centers	13.06.05	14.06.05	15.06.05	16.06.05	17.06.05	18.06.05
Sunflower Refined oil						
Mumbai	388	390	390	390	395	400
Chennai	415	412	418	420	418	420
Hydrabad	415	416	420	422	425	420
Sunflower Expeller oil						
Mumbai	418	420	420	422	425	435
Chennai	430	428	430	432	435	438
Hydrabad	430	428	425	430	435	438

INTERNATIONAL MARKET WEEKLY HIGHLIGHTS

Palm oil Market Malaysia

The Malaysian Palm Oil Board reported a 12% on-month decline in stocks to 1.3 million tons at the end of May. Cargo surveyors Intertek Agri Services and SGS (Malaysia) Bhd reported June 1-10 palm oil exports of over 450,000 tons, far higher than market expectations.

The slack demand may be because of weak domestic selling prices amid ample supply in key markets like China and India.

The market sentiment is also weak due to expectations of rising palm oil production in the coming months. Palm oil output is typically at its strongest during the third quarter of every year. There are some concerns that production growth may outpace demand, resulting in a rapid buildup of stocks over the next few months.

Participants merely bided their time, awaiting June 1-15 export figures due to be released Wednesday by cargo surveyors Intertek Agri Services and SGS (Malaysia) Bhd. The speculated range represents a decline from levels of 740,000 to 760,000 tons estimated in the May 1-15 period.

CPO output in Malaysia has been very strong in the first five months of this year, up 24% on year. It is still too early to say how large production will be in June, but if the up trend persists, any weakness in exports would result in a buildup of stocks, which would be bearish for prices.

The TV weather personality in Chicago, Tom Skilling indicated that the latest guidance models show about 0.33 inches of rain for Chicago for the next 16 days as compared with 1.95 inches as normal.

If China senses problems with the US crop or their own crop, buyers could turn more active to support cash prices at Paranagua. However, the cash is unlikely to keep up with the speculative buying in US futures and South America is likely to loose ground compared with US futures if the US market continues higher.

Cargo surveyors Intertek Agri Services and SGS (Malaysia) Bhd. are due to issue Monday estimates for Malaysian palm oil exports in the June 1-20 period. Market speculation was for exports of around 800,000 to 830,000 tons. In the May 1-20 period, exports were estimated at record levels of nearly 1.0 million tons.

Palm oil stocks in Malaysia totalled about 1.3 million tons at end-May. In the Malaysian cash market, prices moved higher in tandem with gains in CPO futures. However, trading activity was subdued as buyers were largely on the sidelines, awaiting clearer market direction.

Soybean Market United States

A little drier than expected in parts of central and western Illinois over the weekend and fears that the tropical storm blew Asian rust spores up into the eastern cornbelt helped support active speculative and fund buying early in the session.

Traders look for crop conditions in tonight's weekly progress report to show soybeans near 60-61% in good to excellent condition from 62% last week.

The DTN weather forecast calls for generally dry weather during the next week across the Midwest. Temperatures will be in a normal to above normal range in the western Midwest (west of the Mississippi River) to normal to below normal values in the eastern Midwest.

Poor weather in China soybeans areas combined with solid technical action has also attracted new buying. On top of the weather situation in the US and China, oil traders are watching the monsoon development, or lack of development, in India.

Oil received an additional boost from President Bush indicating that alternative fuels such as bio-diesel should be used more actively in the US Energy Bill. The cool and dry forecast for the Midwest for the next 4 days is expected to be followed by warm (sometimes hot) temperatures and dry conditions for next week. A lack of rain for the next week is expected to help improve crop conditions in the western cornbelt but areas of Illinois will need rain in 5-7 days to avoid stressful growing conditions; especially if temperatures heat up.

For the weekly export sales report, released before the opening, traders are looking for soybean sales near 50,000-150,000 tonnes as compared with 236,100 tonnes last week. Meal sales are expected near 40,000-80,000 tonnes and oil sales are expected near 2,000-6,000 tonnes.

Weather forecasts showing only limited chances for light showers in key growing areas of the Midwest with warming temperatures over the next week, kick started the gains. On top of the weather, traders are concerned that Asia rust, soybean aphids and reduced planted acreage could lower the soybean production outlook.

Informa Economics pegged soybean planted acreage at 72.9 million acres as compared with the last USDA forecast at 73.9 million acres and this news added to the bullish weather emphasis to support.

South American Soybean Market:

The USDA news was supportive, as the smaller beginning stocks (due to better than expected demand for the old crop season) leaves the market in a position where a slight decline in yields of 1-3 bushels per acre will be enough to significantly tighten up the new crop ending stocks forecast.

World ending stocks for the 2004/2005 season was revised lower to 47.16 million tonnes from 51.08 million tonnes last month. For the new crop season, world-ending stocks are pegged at 51.99 million tonnes, with Brazil production expected to recover to 62 million tonnes from 53 million tonnes this year. US soybean ending stocks were revised higher to 1.536 billion pounds as compared with 1.266 billion last month, as exports were revised lower and production higher, which helped pressure the oil market into the mid-session.

Planting delays and flooding potential continue for the western cornbelt. Slow progress for the India monsoons will be watched closely. Cash basis levels at the gulf of Paranagua were down 2-3 cents again on Friday, as the cash market weakened in spite of the drop in futures.

While the currency situation seems favourable for more business, China seems to have booked too many cargoes of US and Brazilian soybeans during the April/June period, and some backlog is now being absorbed.

Given the outlook for potentially stressful weather, a review of the last USDA estimates may be helpful. If a trend line yield of 39.9 bu/acre is achieved, the USDA has a crop production estimate of 2.897 billion bushels and ending stocks of 255 million bushels. If average yield comes in at 37.9 bu/acre (down 5%), and usage is left unchanged, ending stocks would come in near 111 million bushels and a stocks/usage ratio of 3.7%. This would be the lowest stock since 1976/77 at 103 million bushels and the stocks/usage ratio in 1976/77 was at 7.2%.

Ending stocks in 2003/2004 were at 112 million bushels with a stocks/usage ratio of 4.4% and the market moved to \$10.64 to ration supply. As a result, the market will remain very sensitive to any weather forecast, which might dent yield.

If China senses problems with the US crop or their own crop, buyers could turn more active to support cash prices at Paranagua. However, the cash is unlikely to keep up with the speculative buying in US futures and South America is likely to lose ground compared with US futures if the US market continues higher.

Argentina officials pegged the 2004/2005 crop at 38.3 million tonnes as compared with the recent USDA forecast of 39 million tonnes.

Weekly export sales for soybeans came in at 182,800 tonnes, which was above the upper end of trade expectations. Meal sales hit 53,700 tonnes, which was within the range of expectations, and oil sales showed cancellations of 100 tonnes, which was bearish against expectations.

On top of hot and dry weather in the central US, traders are also concerned that US crop production could be clipped by Asia rust or soybean aphids this season, and there is still talk that 500,000 acres in the far northwestern part of the Corn Belt did not get planted.

While exports remain on pace to reach the USDA projection, news in the weekly sales report that China cancelled 44,700 tonnes of US soybeans was seen as a negative development. Chinese and European demand is shifting to South America, as cash prices in Brazil are not keeping up with the futures rally. A rumor that cheap South American meal could trigger imports by the US was seen as a limiting factor to US bean prices as well.

VAYDA BAZAAR

Soy oil futures at National Commodity & Derivatives Exchange Limited (NCDEX) improved for the week on increased speculative selling amidst increasing uncertainty in the monsoon. Settlement prices for July soy oil future at National Commodity and Derivatives Exchange (NCDEX) was in between Rs 372.90 - 380.75 kg and at National Board of Trade (NBOT) was in the range of 368.70 - 381.40 per 10 kg.

Weekly settlement prices for soy oil at NBOT

Contracts	13.06.05	14.06.05	15.06.05	16.06.05	17.06.05	18.06.05
Jun '05	368.70	370.60	369.05	376.40	378.90	381.40
Jul '05	N.A	N.A	N.A	N.A	N.A	N.A
Aug '05				N.A	N.A	N.A

Weekly settlement prices for soy oil at NCDEX

Contracts	13.06.05	14.06.05	15.06.05	16.06.05	17.06.05
Jun '05	368.70	370.60	369.05	371.95	373.20
Jul '05	372.90	375.35	373.40	377.50	380.75
Aug '05	375.70	378.25	375.90	380.10	383.85

*Latest Procurement details of NAFED (13.06.05)

Commodity	State	Amount (mt)
Mustard/ Rapeseed	Rajasthan	1334715
	Uttar Pradesh	36280
	Gujarat	188255
	Madhya Pradesh	137509
	Chattisgarh	2159
	Punjab & Haryana	233540
	Delhi	8978
	Punjab	5338
	Total	1946774
Safflower	Maharashtra	19187
	Karnataka	4757
	Andhra Pradesh	4376
	Total	28320
Sunflower	Karnataka	28

PORT WATCH

Port updates of Edible oils in India (01 June - 18, June '05) (Amount in Tonnes)

Particulars	Expected	Arrived	Total
SBO	27500	54000	81500
Palm Oil	7750	26000	33750
CPO	41500	86556	128056
Total Palm	18500	112556	131056
Total Oil	46000	166556	212556

Source: ANAS

Forex Rates (As on 18.06.2005)

Country/ Continent	Currency	Value in Rupees
USA	Dollar	43.59
Malaysia	Ringgit	11.48
European Union	Euro	52.75
United Kingdom	GBP	79.36
Japan	100 Yen	39.99

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