

## VEGOIL

14<sup>th</sup> June 2005

### MAJOR ACTIVITY HIGHLIGHTS

- CBOT Soy Complex Futures Improved on Fears of Tropical Storm Spreading Asian Rust Spores
- South American Soybean Improved On Growing Uncertainty Crop Progress
- USDA Projections based on Monthly crop Progress report (10.06.05)
- BMD CPO Future Traded Range Bound Amidst Continuing Weakness in Cash Market
- Soybean Oil Continued on the Rise Amidst Increased Buying Support

### \* Latest Weather Report (14.06.05)

### MARKET HIGHLIGHTS & ANALYSIS

#### International:

#### CBOT (US Soybean Oil):

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.

The market established its trading range for the day within the first thirty minutes of trading, with futures quickly spiking to one-week highs. Speculative buying was a featured attraction, as the market remains sensitive to any news of potential crop losses, particularly after the U.S. Department of Agriculture tightened the domestic and world soybean balance sheets Friday.

Concerns over the spread of the yield-robbing Asian rust fungus continues to add support to prices, as participants can't rule out the fungus spreading from remnants of Tropical Storm Arlene, which traveled as far north as Indiana, Ohio and Michigan.

Talk of a dry weather trend for the next week or two in Illinois added to the bullish tone with the idea that the crops could quickly be back into a stressful condition due to dry subsoil conditions.

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.

For the weekly export inspections, soybean inspections came in at 7.65 million bushels as compared with trade expectations at 4-9 million bushels. Cumulative shipments have reached 90.5% of the USDA forecast for the season as compared with 89.7% on average for this time of the year.

In soybean pit trades, ABN Amro bought 1,000 July, Cargill Investor Services bought 1,000 July, Fimat bought 800 November, Rand Financial and Refco each bought 400 July and 500 November, and Citigroup bought 500 November. On the sell side, ADM Investor Services sold 400 July and 300 November, Cargill sold 300 July, Term

Commodities sold 300 August and 300 November, Citigroup sold 300 July, and RJ O'Brien sold 600 July. Commodity funds were estimated buyers of 5,000 contracts.

The market is expected to trade on the lower side amidst declining support from the export demand and uncertain weather progress.

#### CBOT Soy oil futures as 13 June 2005

(Cents/pound)

Months	Previous Settle	Open	High	Low	Change	Close
Jul '05	22.74	22.91	23.27	22.91	+0.27	23.01
Aug '05	22.83	22.98	23.37	22.97	+0.27	23.10
Sep '05	22.94	23.09	23.50	23.05	+0.27	23.21

CBOT remains closed on Saturday and Sunday.

#### USDA Projections based on Monthly crop Progress report (10.06.05)

U.S. oilseed production for 2005/06 is projected at 89.2 million tons, unchanged from last month. Soybean production is forecast at 2,895 million bushels, or 78.8 million tons. 2005/06 U.S. soybean exports are increased 10 million bushels to 1,135 million bushels. U.S. soybean ending stocks are projected at 255 million bushels, down 25 million bushels from last month. Global oilseed production for 2005/06 is projected at 377.0 million tons, down 4.1 million tons (1 percent) from 2004/05. Foreign oilseed production is projected at 287.8 million tons, up 3.2 million tons from 2004/05. Global soybean production is projected to increase 3.4 million tons to a record 219.7 million tons. The Brazilian soybean crop is projected at a record 62 million tons, up 17 percent from the drought-reduced 2004/05 crops. Global production of high-oil content seed is down 5 percent as lower rapeseed production is only partly offset by increased sunflower seed production. Rapeseed production is projected lower for China, the EU-25, Canada, and India. Sunflower seed production is higher for Ukraine as producers expand plantings from 2004/05. World soybean trade increases 7 percent to 65.6 million tons, nearly all of which is due to higher imports for China to a record 27.0 million tons. Global vegetable oil consumption is projected to increase 5 percent for 2005/06 led by gains for China, India, and the EU-25. Global oilseed crush is projected to increase 3 percent, and

oilseed stocks are projected to increase 3.5 million tons to a record 58.2 million tons.

### South American Soybean Market

Talk that Asian spores could have moved into 8 new states due to the tropical storm last week helped to bring about increased uncertainty.

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.

China imported more than 2 million tonnes of soybeans in May to bring cumulative imports to 9.35 million tonnes, up 25% from last year's pace.

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.

There were rumors that some cargoes for China from Argentina may be delayed. South American values continue to loose to the US market, as slow export demand to China at this time of the year and rumors that a few cargoes of Argentina soybeans to China have been delayed.

While the currency situation seems favorable 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.

The Latin American soybean market is expected to trade range bound on the higher side amidst growing support from the Chinese demand.

### KLCE (Malaysian Palm Oil):

Crude palm oil futures on the Bursa Malaysia Derivatives ended little changed after a sluggish, range-bound trading day Tuesday as a dearth of fresh leads sapped interest.

Market players stayed on the sidelines, as they could find little reason to aggressively take positions, traders said. Overnight gains in soybean futures on the Chicago Board of Trade had no impact on the palm oil market, as the rise was expected.

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.

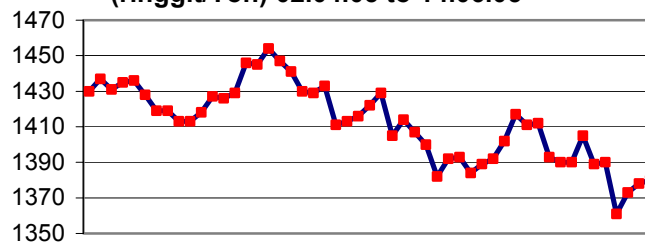
Oils and oilseeds market players are therefore monitoring the weather, as any extreme conditions would affect the size of the crop. Updates on the spread of Asian soybean rust are also being closely watched. With the outcome of next season's soybean crop still uncertain, palm oil may be choppy, but still within a range, in the medium term.

The market is expected to trade on the lower side amidst declining support from the export demand and uncertain weather progress.

### KLCE CPO Futures (14.06.05) (In Ringgit / T)

Months	Previous	Open	High	Low	Change	Close	Volume (*lots)
Jun '05	1380	1378	1385	1378	+3	1383	38
Jul '05	1380	1380	1385	1376	+2	1382	173
Aug '05	1380	1380	1384	1374	0	1380	1786

### CPO futures at Bursa Malaysia Derivatives (ringgit/Ton) 02.04.05 to 14.06.05



## Domestic:

### Palm oil

The domestic palm oil traded range bound on the positive side amidst indecisive support from the international market and lack of significant demand at the retail end.

The Malaysian market today traded range bound amidst indecisive sentiments prevailing in the US soybean markets.

The import quantum has increased marginally. In the month of June (till 14.06.05) the country has imported about 0.86 lakh tonnes of palm oil.

CNF prices of CPO (June) were quoted at \$ 362.50 per tonnes and RBD Palmolein at \$ 392.50 per tonne.

The price for palm oil in the market is expected to continue on the positive side for Wednesday, as the market is expected to receive partial support from the Malaysian KLCE market.

### Palm oil - Spot Market Price (Rs. per 10 kg)

Centres	14.06.05	13.06.05	Change
Kandla CPO (5 % FFA)	323	321	+2
Mumbai CPO (5% FFA)	325	324	+1
Kandla RBD Palmolein	346	350	-4
Mumbai RBD Palmolein	357	357	0
Chennai RBD Palmolein	355	356	-1
Kakinada RBD Palmolein	357	356	+1

### Soy oil

The domestic market continued to improve significantly after the day of mild technical correction on Saturday amidst increased buying support and increasing uncertainty in the monsoon.

As mentioned above the uncertainty with the time and amount of rainfall during the current monsoon is causing anxiety in the traders and on these reasons the market is expected to go bullish in the coming days.

The domestic future market trading started on a firm note and continued on further on the higher side for the day amidst increasing buyers' support. The NBOT (July Contract) exchange moved higher to closed at a level of 374.40 (Up by Rs. 3.10).

The Hazir market today continued range bound amidst lack of support from the consistently declining retail demand.

Prices for soy degum (High-Seas) at Kandla were quoted at Rs 337 per 10 kg. CNF prices for soy degum (June Shipment) at Kandla were quoted at \$ 506 per tonne.

Overall the market is expected to continue on the positive side for Wednesday amidst expected increased support from the international markets.

#### Soybean oil - Spot Market Price (Rs. per 10 kg)

Centres	14.06.05	13.06.05	Change
Mumbai (Soy ref)	356	355	+1
Indore (Soy Ref oil)	365	363	+2
Indore (Soy Solvent Ex. oil)	342	338	+4
Kota (Soy Ref. Oil)	366	364	+2
Jaipur (Soy Ref. Oil)	366	365	+1

#### NBOT Soy oil futures as on 14.06.2005 (Rs/10 kg)

Months	Previous Closing	Open	High	Low	Change	Close	Volume
Jun'05	364.50	N.A	N.A	N.A	0.00	N.A	N.A
Jul'05	371.30	373.00	375.00	371.10	3.10	374.40	53250
Aug'05	0.00	N.A	N.A	N.A	0.00	N.A	N.A

#### NCDEX Soy oil futures as on 13.06.2005 (Rs/10 kg)

Months	Previous Closing	Open Price	High Price	Low Price	Close Price	Volume	Open Interest
Jun '05	363.80	365.00	369.00	365.00	368.70	10980	22480
Jul '05	367.50	369.50	373.10	369.10	372.90	31730	31550
Aug '05	370.70	372.25	375.90	372.10	375.70	8030	10800

### Rape oil

A weak trend of the market continued on the recovery track amidst increased gains in the soyoil market and rising buying support from the retail traders.

The marketing strategy of NAFED is still not yet clear. Its indecisiveness regarding the sale of mustard seed in the Indian market is causing great anxiety in the domestic market, forcing the market to move range bound.

The retail demand is expected to go on the significant increase as the monsoon settles.

Today, the rape oil found partial support form the buyers at major exchanges.

Today the new crop arrival reached 0.80 lakh bags in Rajasthan and about 0.35 lakh bags in Madhya Pradesh.

Overall, it is expected that the rape oil will continue trading range bound on positive side for Wednesday amidst increased support from the soybean oil market.

#### Rape oil - Spot Market Price (Rs. per 10 kg)

Centres	14.06.05	13.06.05	Change
Mumbai (Rape Expeller Oil)	375	374	+1
Kota (Rape Expeller Oil)	356	354	+2
Jaipur (Rape Expeller Oil)	356	354	+2
Neewai (* Kacchi Ghani Rape Oil)	374	370	+4
Delhi (Rape Expeller Oil)	382	380	+2

### Groundnut oil

Groundnut oil continued improving significantly at various centres amidst support of the increasing local demand at various centres in southern markets.

The uncertainty in the demand of the other edible oils is causing range bound movement in the groundnut oil prices.

The market sentiment is changing in accordance with the monsoon progress, which has become greatly uncertain both in terms of timings and amount.

The range-bound positive trade in groundnut oil prices in the domestic markets is likely to continue Wednesday amidst of increased demand.

#### Groundnut oil - Spot Market Price (Rs. per 10 kg)

Centres	14.06.05	13.06.05	Change
Mumbai	456	454	+2
Rajkot	460	449	+11
Andhra Region	490	484	+6
Chennai	492	485	+7

### LATEST WEATHER WATCH (14.06.2[005])

#### Weekly weather forecast for the period during 13-19 June 2005

**Monsoon Outlook:** South-west Monsoon is in weak phase. Prediction suggests that monsoon may continue to be in weak phase for another 2-3 days. The rainfall activity over South peninsular India may revive by 16<sup>th</sup> June,2005. The NE States is likely to witness increased rainfall activity during next 2 days.

#### A. Weather Systems:

At present, a weak western disturbance lies over J&K and adjoining area. Under its influence, isolated rainfall/thundershowers are expected over hilly regions of NW India today. Isolated duststorm/ thunderstorm is also likely over some parts of plains of NW India during next 48 Hrs.

Mainly dry weather is likely to prevail over northwest and central India during next 3-4 days.

Prevailing heat wave condition over Orissa, Bihar, Jharkhand, East Uttar Pradesh, Chattisgarh, Madhya Pradesh and Vidarbha may continue for another 2 days and thereafter the situation may improve.

#### **B. Rainfall:**

**Fairly widespread to widespread rainfall** are likely over NE States and Sub-Himalayan West Bengal during next 4-5 days.

**Fairly widespread rainfall** is likely over Andaman & Nicobar Islands and Lakshadweep. Scattered rainfall is expected over Kerala, Coastal Karnataka, South Interior Karnataka, Coastal A.P. during next 2 days. Rainfall activity may enhance over Lakshadweep, Kerala and Coastal Karnataka from 16<sup>th</sup> June onwards.

**Isolated rainfall/thundershowers** are expected over Konkan & Goa, Madhya Maharashtra, Marathwada Gangetic West Bengal, Orissa, Jharkhand, Bihar, Tamilnadu, Jammu & Kashmir and Himachal Pradesh during next 3 days.

#### **Daily Weather Report**

Severe heat wave conditions continued to prevail over Orissa, parts of Jharkhand, Chhattisgarh, Bihar and coastal Andhra Pradesh. Heat wave conditions also continued to prevail over remaining parts of Bihar, Jharkhand and parts of east Uttar Pradesh, south Madhya Pradesh, interior Andhra Pradesh & Vidarbha. These heat wave conditions are likely to continue for next 24 hours. The trough at sea level off Kerala coast persists. the north-south trough in westerlies running from northeastern states to central bay of Bengal between 2.1 and 4.5 km above sea level is becoming less marked. However, the trough in the lower levels from Assam & Meghalaya to Orissa coast through Gangetic West Bengal now runs from Sikkim to north Orissa and extends upto 2.1 km above sea level.

#### **Forecast for next 24 hours**

**North** : isolated rain/thundershowers likely over Jammu & Kashmir and Himachal Pradesh. Isolated duststorm/thunderstorm likely over Punjab and Haryana including Delhi. Mainly dry weather in the rest region.

**East** : rain/thundershowers with isolated squall likely at many places in the northeastern states and West Bengal & Sikkim and at isolated places over Orissa, Bihar and Chhattisgarh. Mainly dry weather is likely in the rest region.

**South** : rain/thundershowers likely at many places over Andaman & Nicobar Islands, Kerala; Lakshadweep, Karnataka and at a few places over interior Andhra Pradesh. Isolated in the rest region.

**West** : rain/thundershowers likely at a few places over Konkan & Goa and isolated in interior Maharashtra. Isolated duststorm/thunderstorm likely over Rajasthan and west Madhya Pradesh. Mainly dry weather in the rest region.

#### **Outlook for subsequent two days**

Rainfall activity is likely to continue over Andaman & Nicobar Islands, Kerala and coastal Karnataka.

#### **Warning**

Isolated heavy rainfall likely over Andaman & Nicobar Islands

## **TECHNICAL ANALYSIS**

### **COMMODITY: SOY OIL**

#### **Perspective: Very Short Term NCDEX JUNE Contract**

The June contract closed at **368.75**, which is significantly above the yesterday's close. Market opened firm and continued further up amidst increased support from the international markets and strong rumours of the imposition of duty on the import of Vanaspati from Sri Lanka.

The **7-day MA** continued further lower indicating the weakness in the prices along with the **14-day MA**. The **9-Day MACD** on the other hand turned upward indicating the rising strength in the market.

The **9-days Price ROC** moved up in the negative region to the level of **-1.827**, indicating increasing strength in the prices. The **9-day RSI** continued up in the neutral region to a level of **42.96** indicating the growing strength in the markets.

The **% K-line** continued up in the oversold region indicating the rising strength of the prices. The **% D-Line** also turned up entering the neutral region indicating the changing sentiments in the markets.

The **candlestick** pattern is hinting at the firm opening and higher trade for Wednesday.

#### **Market advice:**

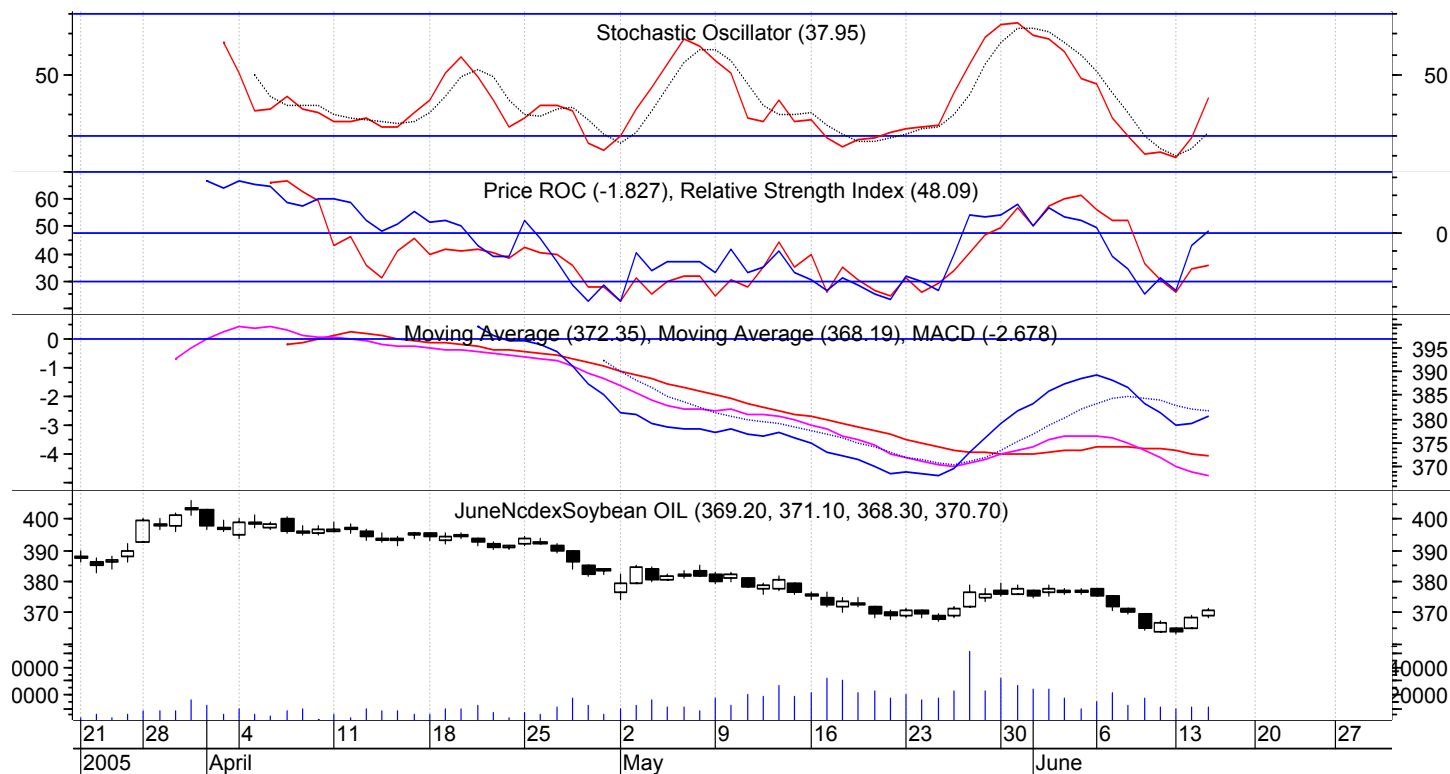
Market is expected to open steady and trade higher on Wednesday.

Short term & medium term buying would yield profit

The bullish sentiment is likely to continue for few more days.

#### **Resistance & Support Levels (Most Active Contract)**

Contract	Contract	Support		Resistance	
		1st	2nd	1st	2nd
NBOT	July '05	373.60	372.10	376.20	378.10
NCDEX	June '05	369.00	367.80	371.70	373.10



#### PORT-WATCH (Latest)

Kandla Port is receiving 17,000 MT of SBO from the vessel 'Mont Blanc'. The cargo was loaded from Brazil. Forbes Gokak agents is handling the vessel. Another vessel, 'Ace 7' from Belawan is expected at the port to discharge 11,500 MT of CPO. The port is expecting 'Dubulti' from Argentina to deliver 16,000 MT of SBO. These vessels will be handled by Interocean agents.

'Global Trader' has berthed at Kolkata Port and continues to deliver 5,014 MT of CPO. The vessel is being handled by Interocean agents. Kolkata Port is receiving 1,850 MT of CPO from the vessel 'Mega Crown No.1'. Seaport agents is handling the vessel. The port is expecting 'Global Saturn' to deliver 7,000 MT of CPO. Seaport agents will be handling the vessel.

#### Current vessels Positions:

Ports	Vessels	Volume (Ton)	Carrying	Status
Kolkata	Mega Crown No. 1	1850	CPO	Arrived
	Global Trader	5014	CPO	Arrived
	Global Saturn	7000	CPO	Expected
Kandla	Mont Blanc	17000	SBO	Arrived
	Ace 7	11500	CPO	Expected
	Dubulti	16000	SBO	Expected

#### Forex Rates

(As on 14.06.2005)

Country/Continent	Currency	Value in Rupees
USA	Dollar	43.65
Malaysia	Ringgit	11.47
European Union	Euro	52.90
United Kingdom	GBP	78.79
Japan	100 Yen	39.91

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