

## VEGOIL

11<sup>th</sup> June 2005

### MAJOR ACTIVITY HIGHLIGHTS

- **CBOT Soy Complex Futures Down on Bearish Monthly Crop Progress Report**
- **South American Weakened on Bearish Weather Outlook**
- **USDA Projections based on Monthly crop Progress report (10.06.05)**
- **Soybean Oil Declined Significantly Amidst Lack of Retail Demand Support**

### \* Latest Weather Report (10.06.05)

### MARKET HIGHLIGHTS & ANALYSIS

#### International:

##### CBOT (US Soybean Oil):

Speculative selling was a featured attraction, with traders looking to sell the initial strength in the market amid ideas supportive usage data from the U.S. Department of Agriculture's supply and demand report was previously factored into prices.

Cooler temperatures and less rain in the forecast for the western cornbelt into next week along with expectations for good moisture over the weekend in drier areas of the eastern cornbelt and heavy rains for Indiana and Ohio early next week (tropical storm rains) helped to trigger a sell-off into the mid-session.

The USDA pegged US ending stocks for the 2004/2005 season at 320 million bushels as compared with trade expectations near 330 million (range 303-345) as export and crush demand was revised higher.

For the 2005/2006 season, the USDA pegged ending stocks at 255 million bushels as compared with the average trade estimate at 285 million bushels (range 260-344).

World ending stocks for the 2004/2005 season were 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 soyoil 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.

Fears that the tropical storm in the gulf will drive Asia rust spores into the southern Midwest added to the positive tone early.

In soybean pit trades, Bunge Chicago bought 200 July, FCStone bought 200 November, Fimat bought 500 July, Refco bought 500 November and UBS Securities bought

500 July. On the sell side, ADM Investor Services sold 500 November, Cargill Investor Services sold 1,500 July and 500 November, RJ O'Brien sold 500 July, Refco sold 400 July, RJ O'Brien sold 500 July, Rand Financial sold 1,000 July and 300 November. Commodity funds were estimated sellers of 7,000 contracts.

The market is expected to trade lower as the market traders are looking for concrete moves from the importing countries.

#### CBOT Soy oil futures as 10 June 2005 (Cents/pound)

Months	Previous Settle	Open	High	Low	Change	Close
Jul '05	23.13	23.15	23.20	22.74	-0.39	22.74
Aug '05	23.24	23.25	23.25	22.83	-0.41	22.83
Sep '05	23.35	23.35	23.35	22.93	-0.41	22.94

CBOT remains closed on Saturday and Sunday.

#### South American Soybean Market:

While the tropical storm may bring more rain to the Midwest, the USDA indicated yesterday that the storm could also blow Asia rust spores into Alabama and neighboring states by early next week.

The strong recovery from the lows yesterday is an indication to the market that it may be too early in the growing season for negative short-term weather developments to turn the trend down.

On top of the USDA report news, today will be the first day for funds to expand their speculative limits. In other words, individual funds can hold a larger size position, so the selling or buying from fund traders could have an even bigger influence on prices in the weeks ahead.

Funds were noted buyers of near 4,000 contracts for soybeans. The bullish news for soybeans from the USDA could support higher trade to start today, but the focus of attention will quickly shift to weather.

World ending stocks for the 2004/2005 season were 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.

While the currency fell yesterday, the real opened a lot stronger this morning, which could entice Brazil producer selling.

The overall situation in the Latin American soybean market is quite bearish amidst declining support from improving weather conditions in the major soybean growing areas.

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

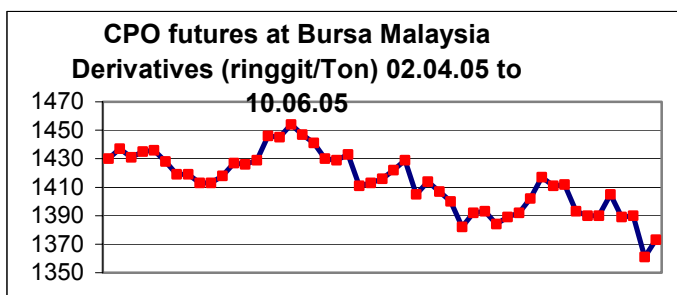
U.S. oilseed production for 2005/06 is projected at 89.2 million tons, unchanged from last month. Soybean production is forecast at 2,895 million bushels, or 78.8 million tons. 2005/06 U.S. soybean exports are increased 10 million bushels to 1,135 million bushels. U.S. soybean ending stocks are projected 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.

#### KLCE (Malaysian Palm Oil):

KLCE market remained closed on regular weekend holiday. It will reopen on Monday (13.06.05).

#### KLCE CPO Futures (09 06.05) (In Ringgit /T)

Months	Previous	Open	High	Low	Change	Close	Volume (*lots)
Jun '05	1365	1371	1381	1371	16	1381	69
Jul '05	1362	1375	1381	1370	17	1379	296
Aug '05	1362	1367	1385	1367	11	1373	4021



#### Domestic:

##### Palm oil

The domestic palm oil traded marginally amidst absence of support from the international market and lack of demand at the retail end.

The Malaysian market today remained closed on its regular weekend holiday providing no trading sentiments.

The import quantum has remained almost steady. In the month of June (till 11.06.05) the country has imported about 0.63 lakh tonnes of palm oil.

CNF prices of CPO (June) were quoted at \$ 360.00 per tonnes and RBD Palmolein at \$ 392.50 per tonne.

The price for palm oil in the market is expected to continue on the lower side for Monday, as the market is not expected to receive much positive support from the Malaysian KLCE market.

Palm oil - Spot Market Price		(Rs. per 10 kg]	
Centres	11.06.05	10.06.05	Change
Kandla CPO (5 % FFA)	322	322	0
Mumbai CPO (5% FFA)	324	325	-1
Kandla RBD Palmolein	350	350	0
Mumbai RBD Palmolein	357	357	0
Chennai RBD Palmolein	355	356	-1
Kakinada RBD Palmolein	354	356	-2

#### Soy oil

The domestic market declined significantly after the day of mild technical correction amidst growing uncertainty in the international markets and the bearish USDA monthly crop progress report.

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 by the mid of the coming week.

The domestic future market trading started on a lower note and continued on further on the lower side for the day amidst declining support from the retail demand. The NBOT exchange moved marginally higher to closed at a higher level of 361.40 (Down by Rs. 2.60).

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

Prices for soy degum (High-Seas) at Kandla were quoted at Rs 334 per 10 kg. CNF prices for soy degum (June Shipment) at Kandla were quoted at \$ 501 per tonne.

Overall the market is expected to continue range bound on the lower side for Monday amidst continuous declining support from the retail market and bearish sentiments prevailing in the international markets.

Soybean oil - Spot Market Price		(Rs. per 10 kg)	
Centres	11.06.05	10.06.05	Change
Mumbai (Soy ref)	355	355	0
Indore (Soy Ref oil)	363	364	-1
Indore (Soy Solvent Ex. oil)	438	343	-5
Kota (Soy Ref. Oil)	362	365	-3
Jaipur (Soy Ref. Oil)	364	365	-1

**NBOT Soy oil futures as on 11.06.2005 (Rs/10 kg)**

Months	Previous Closing	Open	High	Low	Change	Close	Volume
Jun '05	364.00	362.00	362.10	361.30	-2.60	361.40	8250
Jul '05	368.00	365.30	366.40	364.80	-1.60	366.40	22560
Aug '05	0.00	N.A	N.A	N.A	0.00	N.A	N.A

**NCDEX Soy oil futures as on 10.06.2005 (Rs/10 kg)**

Months	Previous Closing	Open Price	High Price	Low Price	Close Price	Volume	Open Interest
Jun '05	365.00	364.05	367.10	364.05	366.50	10600	26040
Jul '05	367.30	368.50	370.00	366.20	369.50	26440	32010
Aug '05	370.45	370.80	373.50	370.80	372.60	5370	9520

**Rape oil**

A weak trend of the market continued amidst growing uncertainty in the edible oil market.

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 1500-1500 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.

Today, the rape oil found no major support from the buyers at major exchanges. The increased selling weakened the sentiments giving way to the continuing unsteadiness in the market.

Today the new crop arrival reached 0.75-0.80 lakh bags in Rajasthan and about 0.25 lakh bags in Madhya Pradesh.

Overall, it is expected that the rape oil will continue trading range bound on lower side for Monday due lack of retail demand.

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

Centres	11.06.05	10.06.05	Change
Mumbai (Rape Expeller Oil)	374	376	-2
Kota (Rape Expeller Oil)	352	352	0
Jaipur (Rape Expeller Oil)	352	352	0
Neewai (* Kacchi Ghani Rape Oil)	368	370	-2
Delhi (Rape Expeller Oil)	378	379	-2

**Groundnut oil**

Groundnut oil improved marginally at various centres amidst support from the growing uncertainty in the retail markets of southern and western India.

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

The range-bound lower trade in groundnut oil prices in the domestic markets is likely to continue range bound on Monday in absence of increased buying support.

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

Centres	11.06.05	10.06.05	Change
Mumbai	454	452	+2
Rajkot	448	442	+6
Andhra Region	482	477	+5
Chennai	484	480	+4

**LATEST WEATHER WATCH (10.06.2005)****Short range weather prediction over the country**

Heat wave conditions prevailed over parts of North-West Uttar Pradesh, Bihar, Chhattisgarh and Vidarbha, the trough at sea level off south Konkan-Kerala coast persists. The cyclonic circulation over Bangladesh and adjoining Northeastern states in the lower levels is becoming less marked. A North-South trough in westerlies running from Northeastern state to central Bay of Bengal lies between 2.1 and 5.8 km above sea level.

**Forecast for next 24 hours**

Isolated rain/thundershowers likely over Uttaranchal, Himachal Pradesh and Jammu & Kashmir. Duststorm/thunderstorm is likely at isolated places in Uttar Pradesh, Punjab and Haryana including Delhi.

Rain/thundershowers with isolated squall likely at many places in the Northeastern states, at a few places in Orissa and Gangetic West Bengal and isolated in the rest region.

Rain/thundershowers likely at many places over Andaman & Nicobar Islands, Lakshadweep, coastal Karnataka, Kerala and South interior Karnataka; at a few places in North interior Karnataka, Andhra Pradesh and Tamil Nadu and isolated in the rest region.

Isolated rain/thundershowers likely over south Maharashtra and Goa. Mainly dry weather in the rest region.

**Warning**

Outlook for subsequent two days: current rainfall activity over coastal Karnataka, Kerala, Lakshadweep and Andaman & Nicobar islands is likely to continue.

**TECHNICAL ANALYSIS****COMMODITY: SOY OIL****Perspective: Very Short Term NCDEX JUNE Contract**

The June contract closed at **364.00**, which is significantly below the yesterday's close. Market opened weak and continued further down amidst support from the international markets.

The **7-day MA** continued further lower indicating the weakness in the prices along with the **14-day MA**. The **9-Day MACD** also moved in the lower direction indicating the weakening sentiments in the market.

The **9-days Price ROC** moved further down in the negative region to the level of **-3.204**, indicating increasing weakness in the prices. The **9-day RSI** also continued lower in the oversold region to a level of **26.95** indicating the growing weakness in the markets.

The % K-line continued down in the oversold region indicating the declining strength of the prices. The % D-Line also moved lower in the oversold region indicating the continuing weakness in the prices.

The candlestick pattern is hinting at the weak opening and lower trade for Monday.

#### Market advice:

Market is expected to open steady but trade lower on Monday.

Avoid new entry in the market.

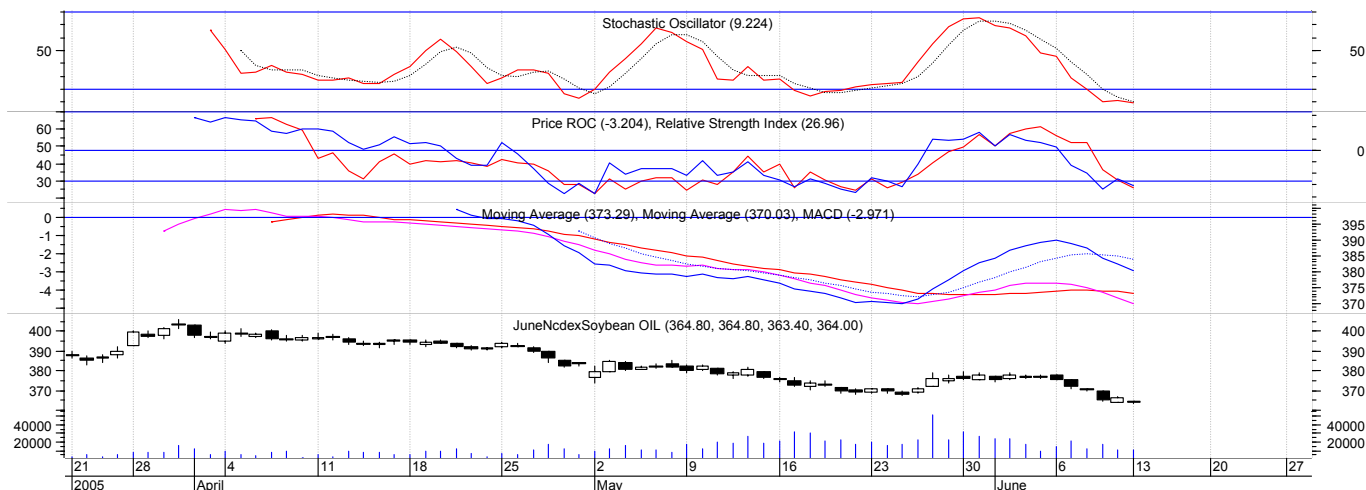
Short term selling would yield profit

The bearish sentiment is likely to change shortly amidst growing uncertainty in the amount and timings of monsoon rains.

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

Contract	Contract	Support		Resistance	
		1st	2nd	1st	2nd
NBOT*	June '05	360.80	359.60	362.80	363.70
NCDEX*	June '05	363.40	361.90	364.80	365.70

\* Both exchanges are trading on their lowest low



#### PORT-WATCH (Latest)

Kandla Port is receiving 27,500 MT of SBO from the vessel 'Acushnat'. The cargo was loaded from Argentina. Interocean will be handling the vessel. Another vessel, 'Ace 7' from Belawan is expected at the port to discharge 11,500 MT of CPO. The vessel will be handled by Interocean agents.

'Global Trader' is expected at Kolkata Port to deliver 5,014 MT of CPO. The vessel will be handled by Interocean agents. Kolkata Port is expecting the delivery of 1,850 MT of CPO from the vessel 'Mega Crown No.1'. Seaport agents will be handling the vessel.

Kakinada Port is expecting 'Vernal Grace' to deliver 3,000 MT of CPO.

#### Current vessels Positions:

Ports	Vessels	Volume (Ton)	Carrying	Status
Kolkata	Mega Crown No. 1	4000	CPO	Expected
	Global Trader	6000	CPO	Expected
Kandla	Achusnat	27500	SBO	Expected
	Ace 7	11500	CPO	Expected
Kakinada	Vernal Grace	3000	CPO	Expected

#### Forex Rates

(As on 11.06.2005)

Country/Continent	Currency	Value in Rupees
USA	Dollar	43.59
Malaysia	Ringgit	11.47
European Union	Euro	52.84
United Kingdom	GBP	79.00
Japan	100 Yen	40.15

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