

## VEGOIL

9<sup>th</sup> June 2005

### MAJOR ACTIVITY HIGHLIGHTS

- CBOT Soy Complex Continued Lower on Ameliorating Weather and Uncertain Exports
- Bullishness Expected in South American Soybean on Declining End stocks
- BMD CPO Future Plummeted on Expected Bearish Demand-Supply Figures
- Soybean Oil Continued Sharply Lower on Weakening International Markets

\* Latest Weather Report (09.06.05)

### MARKET HIGHLIGHTS & ANALYSIS

#### International:

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

Some rain in the forecast for the eastern cornbelt for Thursday and Friday and ideas hat the market is overbought going into the Supply/demand report for Friday helped trigger follow-through selling from the weak technical action of the previous two days.

The chance for rain in dry areas of the eastern Midwest, with a storm system holding together as it moves eastward across Iowa and Missouri, was enough to entice speculative longs into liquidating some market length.

Weather remains the leading driver in the market, and with heavy speculative longs in the market after adding risk premium amid dryness across the eastern belt, futures remain sensitive to improved crop conditions.

A Reuters poll of traders came in with an average trade estimate for the 2004/2005 ending stocks at 330 million bushels (range 303-345), down 25 million bushels from last months forecast of 355 million bushels.

News from the USDA that conditions are ripe for Asia rust to spread into Alabama and South Carolina helped provide some underlying support.

For the weekly export sales report, released before the opening, traders are looking for soybean sales near 225,000-350,000 tonnes as compared with 208,500 tonnes last week.

Meal sales are thought to be near 50,000-100,000 tonnes with oil sales expected near 2,000-7,000 tonnes.

In soybean trades, Bunge Chicago bought 300 July, ABN Amro bought 500 July, Citigroup and Man Financial each bought 400 July, Rand Financial bought 500 July, Refco bought 200 July and 500 November, and DT Trading bought 300 July. On the sell side, ABN Amro sold 300 July, Calyon Financial sold 700 July, Cargill Investor Services sold 400 July, Man Financial sold 500 July, and Refco sold 200 July and 300 November.

The market is expected to continue on the lower side amidst expectation of continuing good and favourable crop weather.

#### CBOT Soy oil futures as 08 June 2005 (Cents/pound)

Months	Previous Settle	Open	High	Low	Change	Close
Jul '05	23.06	23.12	23.18	22.98	-0.08	22.98
Aug '05	23.19	23.07	23.25	23.07	-0.11	23.08
Sep '05	23.28	23.20	23.35	23.19	-0.09	23.19

CBOT remains closed on Saturday and Sunday.

#### South American Soybean Market:

With the market in a technically overbought condition and some rains in the forecast for later this week for the eastern Corn Belt, a corrective break looks possible, but with plenty of heat in the forecast and uncertainty for the weather ahead, the market is unlikely to see a major break unless there is evidence of a shift in the precipitation trend for the eastern that region.

For the Supply/Demand report on Friday morning, traders are looking for ending stocks for the 2004/2005 season to be revised lower by about 25 million bushels from 330 million last month and for a slight revision lower for the new crop season from 290 million bushels posted last month.

A tighter beginning stocks due to better than expected demand for old crop soybeans should help provide some support. Fund traders will see speculative limits expand as of June 10th, with the limit expected to increase to 7750 contracts from 5500 contracts currently.

Friday's report is not a surveyed production report, so the USDA is likely to keep yield estimates at a trend line yield of 39.9 bushels/acre, which would leave ending stocks near 290 million bushels from 355 million this year.

Increased producer selling from the recent moves in soybeans and the currency is keeping basis weak. There is talk of lower offers for Asian buyers in an attempt to stimulate demand. The USDA indicated yesterday that conditions are favorable for the Asia rust disease to spread to Alabama and South Carolina by mid-June.

#### KLCE (Malaysian Palm Oil):

Crude palm oil futures on the Bursa Malaysia Derivatives ended at a near 3 1/2-month low Thursday as market sentiment was hit by keen selling interest in the cash market, declines in soyoil futures and talk of bearish supply and demand data due Friday.

Traders expressed that the downward pressure on CPO futures mounted in the afternoon after a major Indonesian-linked trading company started to aggressively sell palm oil products in the Malaysian cash market.

The selling pressure came amid talk of some palm oil importers in China canceling earlier orders. China's domestic RBD palmolein selling prices have been in a downtrend recently as demand has been disappointing. At the same time, heavy arrivals of cargoes have caused stocks to swell at major Chinese ports to record levels of over 300,000 tons.

Besides weakness in the Malaysian cash market, expectations that supply and demand data due Friday may be bearish also weighed on CPO futures.

The Malaysian Palm Oil Association, a producer lobby group, estimated Thursday that CPO production in Malaysia rose 5% on month. There was also some speculation in the market that output may have raised as much as 8%-to-10%. In April, CPO production was at 1.25 million tons, while end-April stocks were at 1.48 million tons.

Traders said based on the production growth rate speculated in the market, stocks would have only fallen to, at best, around 1.35 million tons at end-May. That would be considered disappointing as earlier expectations were for stocks to drop to 1.30 million tons.

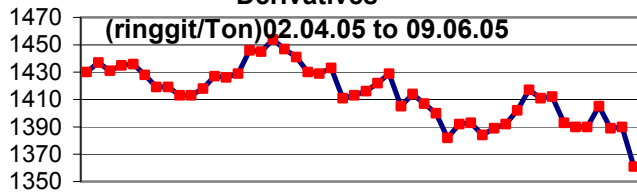
Market expectations are for exports of 350,000 to 380,000 tons, down from an unusually strong 430,000-450,000 tons reported in the May 1-10 period. A slowdown in exports could be bearish for palm oil prices in the medium term as production is widely expected to continue rising in June.

The market is expected to continue on the lower side amidst the pressure of increasing palm oil production.

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

Months	Previous	Open	High	Low	Change	Close	Volume (*lots)
Jun '05	1388	1385	1385	1366	-22	1366	362
Jul '05	1388	1385	1385	1362	-26	1362	1190
Aug '05	1389	1384	1386	1361	-28	1361	5785

#### CPO futures at Bursa Malaysia Derivatives



### Domestic:

#### Palm oil

The domestic palm oil continued with the downtrend amidst declining support from the international market and lack of demand at the retail end.

The indecisive support from the international markets is responsible for unsteady prices in the domestic markets.

The Malaysian market today declined sharply to stay below the psychological level of MYR 1400 per tonne, making its way to 1350 finding no significant support from the US soybean market screen trade.

The import quantum has grown marginally. In the month of June (till 06.06.05) 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 Friday, as the market is not expected to receive much support from the Malaysian KLCE market.

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

Centres	09.06.05	08.05.05	Change
Kandla CPO (5 % FFA)	324	324	0
Mumbai CPO (5% FFA)	326	327	-1
Kandla RBD Palmolein	348	350	-2
Mumbai RBD Palmolein	358	359	-1
Chennai RBD Palmolein	355	356	-1
Kakinada RBD Palmolein	354	354	0

### Soy oil

The domestic market continued sharply in the lower regions following the increased selling in the market amidst falling retail demand and growing unsteadiness in the international markets.

The US market is expected to continue trading unsteady in the lower regions, following the growing weakness in the US CBOT soy oil trade amidst uncertain weather conditions and declining the export demand from the global market.

The US market is also expecting the fall in the end stock of the soybean complex in the US markets. The traders are also of the view that since the USDA had not gone for the proper survey for the production estimates or for the planting details, as reported by the South American market sources, the estimate is expected to be calculated at the prior average yield of 39.9 bushels per acre. Which is expected to present a dubious picture of the overall estimates of the US soybeans. Thus the market is not expected to respond sharply to the estimated of the USDA to be released tomorrow evening.

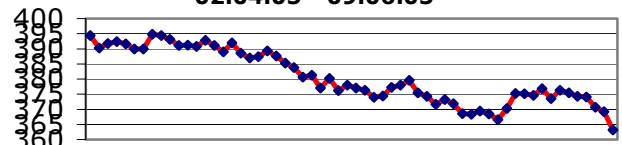
The domestic future market trading started on a lower note and continued on further on the lower side for the day amidst declining support from the retail demand. The NBOT exchange moved down sharply to closed at a lower level of 363.20 (Down by Rs. 5.90).

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 335 per 10 kg. Soy refine at Kandla/ Mundra was quoted at Rs 371 per 10 kg. CNF prices for soy degum (June Shipment) at Kandla were quoted at \$ 505 per tonne.

Overall the market is expected to continue range bound on the lower side for Friday amidst continuous declining support from the retail market.

#### NBOT Soy oil futures (Rs/10 kg) 02.04.05 - 09.06.05



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

Centres	09.06.05	08.05.05	Change
Mumbai (Soy ref)	356	357	-1
Indore (Soy Ref oil)	368	370	-2
Indore (Soy Solvent Ex. oil)	346	348	-2
Kota (Soy Ref. Oil)	364	365	-1
Jaipur (Soy Ref. Oil)	363	365	-2

**NBOT Soy oil futures as on 09.06.2005 (Rs/10 kg)**

Months	Previous Closing	Open	High	Low	Change	Close	Volume
Jun'05	370.70	368.50	369.60	368.20	-1.50	369.20	11680
Jul'05	373.00	371.00	372.30	370.30	-1.80	371.20	22300
Aug'05	0.00	N.A	N.A	N.A	0.00	N.A	N.A

**NCDEX Soy oil futures as on 08.06.2005 (Rs/10 kg)**

Months	Previous Closing	Open Price	High Price	Low Price	Close Price	Volume	Open Interest
Jun '05	372.20	371.15	371.15	369.50	370.40	12410	27000
Jul '05	374.45	373.35	373.35	371.40	372.30	20100	32660
Aug '05	377.20	376.00	376.40	374.50	375.15	4660	7610

**Rape oil**

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

Today, the rape oil found no 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 0.80 lakh bags in Rajasthan and about 0.20 lakh bags in Madhya Pradesh.

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

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

Centres	09.06.05	08.05.05	Change
Mumbai (Rape Expeller Oil)	378	378	0
Kota (Rape Expeller Oil)	353	356	-3
Jaipur (Rape Expeller Oil)	354	355	-1
Neewai (* Kacchi Ghani Rape Oil)	370	370	0
Delhi (Rape Expeller Oil)	380	382	-2

**Groundnut oil**

Groundnut oil continued with the price decline in the major centres.

The continuing the monsoon in the Kerala region 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 continuously growing uncertainty in the demand of the other edible oils is also causing decline in the groundnut oil prices.

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

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

Centres	09.06.05	08.05.05	Change
Mumbai	454	456	-2
Rajkot	441	443	-2
Andhra Region	478	480	-2
Chennai	482	484	-2

**LATEST WEATHER WATCH (09.06.2005)**

**Medium range weather prediction over the country for the period 9-14 June 2005**

**A. Weather Systems:****South-West Monsoon**

The southwest monsoon has further advanced over some more parts of east central Arabian sea, union territory of Goa, remaining parts of Coastal Karnataka, most parts of South Interior Karnataka, remaining parts of Tamil Nadu, parts of Rayalaseema and southern parts of Coastal Andhra Pradesh, remaining parts of southwest Bay and some more parts of central Bay.

The trough at sea level now runs from Punjab to Assam across central Uttar Pradesh and south Bihar.

Conditions are favourable for further progress of South-west monsoon over some more parts of Interior Karnataka, Rayalaseema, parts of South Coastal Andhra Pradesh and southern parts of North-eastern states during next 3-4 days.

Monsoonal activity may enhance over Bay of Bengal and southeast parts of North-Eastern states during 11-13 June 2005.

**Western Disturbance**

A western disturbance is likely to approach north Pakistan and adjoining J&K area by 11 June 2005. It is expected to cause isolated to scattered snowfall/rainfall during 11-12 June 2005 over hilly regions of NW India and isolated thundershowers over adjoining plains of NW India (Punjab, Haryana, Delhi and west U.P.) during the period.

**B. Rainfall:**

Fairly widespread rainfall is likely over Kerala, Coastal & South Interior Karnataka, Lakshdeep, Andman & Nicobar and NE States during next 3-4 days.

Isolated to Scattered rainfall/snowfall is likely over J&K, H.P. and Uttranchal during 11-12 June 2005.

Isolated to Scattered rainfall is likely over Konkan and Goa, West Bengal, Orissa, Coastal A.P., Tamilnadu, North Interior Karnataka during next 4-5 days and isolated thundershowers may occur over plains of NW India (North Rajasthan, Haryana, Punjab, West U.P.) during 10-12 June 2005.

### C. Temperature

Parts of plains of northwest and central India are likely to experience rise in day temperature by about 1-2 degree during next 2 days.

#### Daily Forecast

Heat wave conditions prevailed over parts of Vidarbha, Chhattisgarh and Orissa. The trough at sea level off south Konkan-Kerala coast persists. the cyclonic circulation over north interior Karnataka has become less marked. the trough in the lower levels running from Punjab to Assam across central Uttar Pradesh and south Bihar has become less marked. The embedded cyclonic circulation over north Pakistan and adjoining Punjab extending upto 2.1 km above sea level has also become less marked. the other cyclonic circulation over Jharkhand has moved north-eastwards and now lies over Bangladesh and adjoining northeastern states in the lower levels.

#### Forecast For Next 24 Hours

**North:** Rain/thundershowers likely at a few places over Uttaranchal, Himachal Pradesh and Jammu & kaShmir. Duststorm/thunderstorm is likely at isolated places in Uttar Pradesh, Punjab and Haryana including Delhi.

**West:** Isolated rain/thundershowers likely over south Konkan & Goa. Mainly dry weather in the rest region.

#### Outlook for subsequent two days

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

#### Warning

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 **365.10**, which is marginally below the yesterday's close, indicating the increasing weakness in the prices. Market opened partially weak and continued sharply lower amidst increased uncertainty in the retail demand and growing weakness in the international markets.

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

The **9-days Price ROC** continued downward in the negative region to the level of **-1.630**, indicating increasing weakness in the prices. The **9-day RSI** also moved sharply lower in the oversold region to a level of **25.15** indicating the weak sentiments in the markets.

The **% K-line** continued down entering 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 Friday.

#### Market advice:

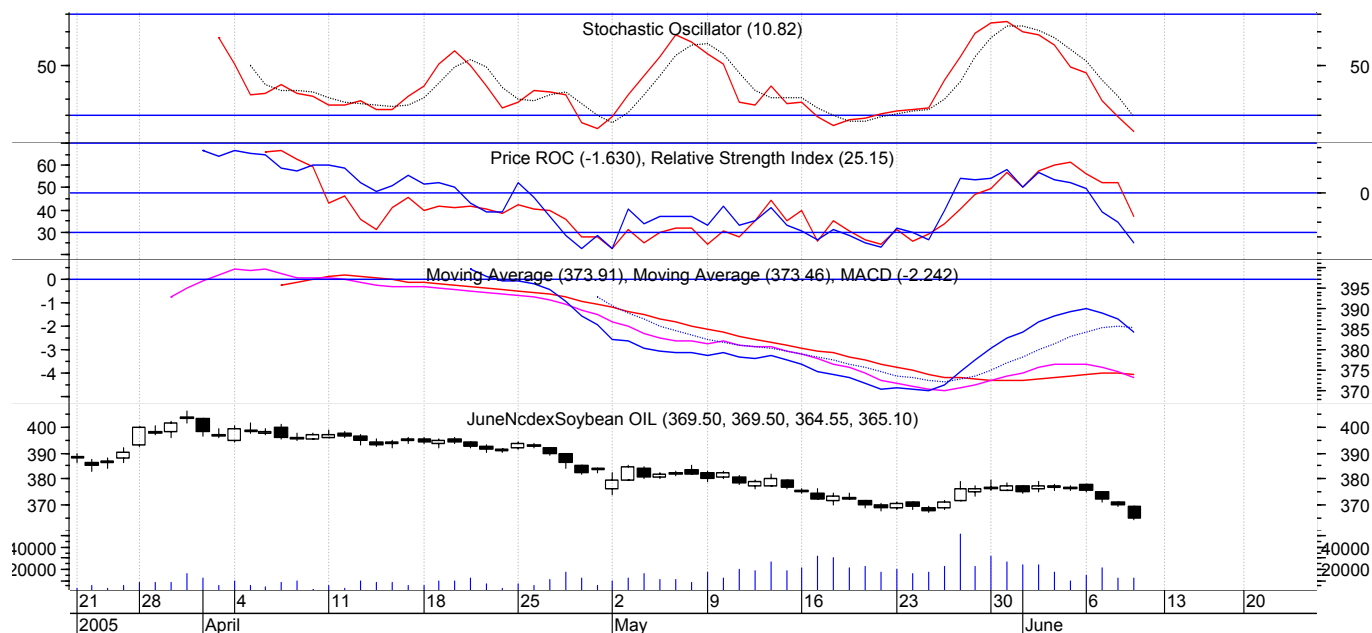
Market is expected to open steady but trade lower side for Friday.

Short-term profits could be booked by selling.

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

Contract	Contract	Support		Resistance	
		1st	2nd	1st	2nd
NBOT*	June '05	362.20	361.50	364.20	365.30
NCDEX	June '05	364.00	363.40	365.70	366.30

\* Calculated From Graphical Extension



## PORT-WATCH (Latest)

Kandla Port is receiving 6,252 MT of CPO from the vessel 'Pacific Sound'. The cargo was loaded from Indonesia. Interocean agents is handling the vessel. The port is expecting 'Acushnat' to deliver 27,500 MT of SBO. The cargo was loaded from from Brazil. Another vessel, 'Ace 7' from Belawan is expected at the port to discharge 11,500 MT of CPO. These vessels will be handled by Interocean agents.

Delivery of 10,000 MT of CPO is continuing at JN Port from the vessel 'Mount Blanc'. A Baewil agent is handling the vessel.

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

Kolkata Port is receiving 4,000 MT of CPO from the vessel 'Ocean Sky'. Seaport agents is handling the vessel. 'Global Trader' is expected at Kolkata Port to deliver 6,000 MT of CPO.

Ports	Vessels	Volume (Ton)	Carrying	Status
Kolkata	Ocean Sky	4000	CPO	Arrived
	Global Trader	6000	CPO	Expected
Kandla	Achusnat	27500	SBO	Expected
	Pacific Sound	6252	CPO	Arrived
	Ace 7	11500	CPO	Expected
JN	Mount Blanc	10000	CPO	Arrived
Kakinada	Vernal Grace	3000	CPO	Expected

## Forex Rates

(As on 09.06.2005)

Country/ Continent	Currency	Value in Rupees
USA	Dollar	43.55
Malaysia	Ringgit	11.45
European Union	Euro	53.22
United Kingdom	GBP	79.49
Japan	100 Yen	40.59

## Current vessels Positions:

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