

## VEGOIL

10<sup>th</sup> June 2005

### MAJOR ACTIVITY HIGHLIGHTS

- CBOT Soy Complex Improved Marginally on Potential Threat of Asian Soybean Rust
- South American Soybean Market Waits for the USDA Figures
- USDA Projections based on Monthly crop Progress report (10.06.05)
- BMD CPO Future Surged Marginally on Bullish MPOB Figures
- Soybean Oil Showed Partial Technical Correction Amidst International Support

### \* Latest Weather Report (10.06.05)

### MARKET HIGHLIGHTS & ANALYSIS

#### International:

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

Futures staged a solid recovery from initial losses, benefiting from speculative buying amid the inability of the market to uncover follow-through selling pressure, and ideas the effects of Tropical Storm Arlene could increase the chances of Asian rust spreading from the southeastern U.S. into the Midwest.

The outlook for better rains for early next week due to the tropical storm from the Gulf of Mexico helped to trigger the early weakness.

The Meteorology weather forecast for the U.S. Midwest said rains over the western Midwest will continue to cause problems for any late planting or fieldwork for at least another five to seven days. Thundershowers over the eastern Midwest will begin to improve conditions for developing crops during the next few days. This is especially likely for Illinois.

Concerns for slower demand from China and long liquidation selling due to the weaker technical action added to the bearish tone.

Weekly export sales this morning came in at 236,100 tonnes, which was towards the low end of expectations. Cumulative exports have reached 97.9% of the USDA forecast for the season as compared with 98.1% on average for this time of the year.

Old crop sales hit a marketing year low at just 85,900 tonnes as compared with 48,000 necessary each week to reach the USDA projection.

In soybean pit trades, Cargill bought 200 July, Cargill Investor Services bought 600 July and 400 November, Fimat bought 400 July, Tenco each bought 500 July, Refco bought 500 July and 500 November. On the sell side, Man Financial sold 1,000 July and Refco sold 400 July and 300 November. Commodity funds were estimated buyers of 3,000 contracts. Tenco spread 1,500 July/November, RJ O'Brien spread 500 November/July, FCStone spread 1,000 November/July and Rand Financial spread 1,000 November/August.

The market is expected to trade marginally lower as the market traders are looking for concrete moves from the USDA monthly crop progress reports.

#### CBOT Soy oil futures as 09 June 2005 (Cents/pound)

Months	Previous Settle	Open	High	Low	Change	Close
Jul '05	22.98	22.89	23.23	22.76	+0.15	23.13
Aug '05	23.08	22.97	23.32	22.84	+0.16	23.24
Sep '05	23.19	23.06	23.40	22.96	+0.16	23.35

CBOT remains closed on Saturday and Sunday.

#### South American Soybean Market:

China demand looks weak over the short term, as weak prices for both oil and meal within China have hurt crush margins and have caused some importers to shift or delay soybean cargoes from Brazil from May to June and from June to July.

China officials are also fighting the spread of the deadly (to humans) bird flu strain, which has been discovered in the province of Xinjiang. If the not controlled, the further spread of the disease could slow meal demand.

The India monsoon activity has stagnated already and traders will watch this development closely, as world oil prices would likely firm on a threat to India oilseed production.

For the Supply/Demand report on Friday morning, traders are looking for a drop of 20-30 million bushels from last months forecast of 355 million bushels. Ending stocks have already been cut by 80 million bushels since the January Supply/demand report due to better than expected demand.

Demand from China looks weak and producer selling is active on rallies but should slow on this week's pullback.

The Latin American market is also waiting for the important figures to be released by USDA today evening.

#### 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):

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.

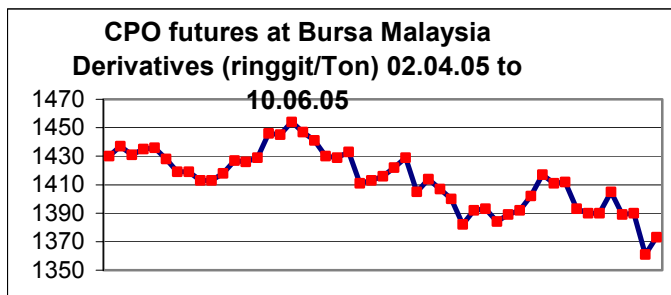
Market expectations are for exports of 350,000 to 380,000 tons, down from an unusually strong 430,000-450,000 tons reported in the May 1-10 period. A slowdown in exports could be bearish for palm oil prices in the medium term as production is widely expected to continue rising in June.

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	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 mixed amidst indecisive support from the international market and lack of demand at the retail end.

The uncertain support from the international received partial support from the release of the export and production figures by various agencies in Malaysia.

The Malaysian market today improved marginally making its way to 1370 region finding support from the US soybean production and export figures.

The import quantum has grown marginally. In the month of June (till 10.06.05) 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 Saturday, 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	10.06.05	09.06.05	Change
Kandla CPO (5 % FFA)	322	324	-2
Mumbai CPO (5% FFA)	325	326	-1
Kandla RBD Palmolein	350	348	-2
Mumbai RBD Palmolein	357	358	-1
Chennai RBD Palmolein	356	355	+1
Kakinada RBD Palmolein	356	354	+2

##### Soy oil

The domestic market improved marginally amidst increased speculative buying.

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 364.40 (Up by Rs. 0.90).

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 334 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 Saturday amidst continuous declining support from the retail market and bearish sentiments prevailing in the international US markets.

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

Centres	10.06.05	09.06.05	Change
Mumbai (Soy ref)	355	356	-1
Indore (Soy Ref oil)	364	368	-4
Indore (Soy Solvent Ex. oil)	343	346	-3
Kota (Soy Ref. Oil)	365	364	+1
Jaipur (Soy Ref. Oil)	365	363	+2

#### NBOT Soy oil futures as on 10.06.2005 (Rs/10 kg)

Months	Previous Closing	Open	High	Low	Change	Close	Volume
Jun'05	363.30	364.00	364.60	362.80	0.90	364.20	4600
Jul'05	365.70	367.20	368.40	365.70	2.50	368.20	35000
Aug'05	0.00	N.A	N.A	N.A	0.00	N.A	N.A

#### NCDEX Soy oil futures as on 09.06.2005 (Rs/10 kg)

Months	Previous Closing	Open Price	High Price	Low Price	Close Price	Volume	Open Interest
Jun '05	370.40	369.50	369.50	364.55	365.00	16820	27530
Jul '05	372.30	371.80	371.80	366.50	367.30	39590	33830
Aug '05	375.15	374.00	374.60	369.80	370.45	8950	9410

#### 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 1.00 lakh bags in Rajasthan and about 0.30 lakh bags in Madhya Pradesh.

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

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

Centres	10.06.05	09.06.05	Change
Mumbai (Rape Expeller Oil)	376	378	-2
Kota (Rape Expeller Oil)	352	353	-1
Jaipur (Rape Expeller Oil)	352	354	-2
Neewai (* Kacchi Ghani Rape Oil)	370	370	0
Delhi (Rape Expeller Oil)	379	380	-1

#### Groundnut oil

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

The continuously growing uncertainty in the demand of the other edible oils is 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 Saturday in absence of fresh buying support.

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

Centres	10.06.05	09.06.05	Change
Mumbai	452	454	-2
Rajkot	442	441	++1
Andhra Region	477	478	-1
Chennai	480	482	-2

#### 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.

**COMMODITY: SOY OIL**

The June contract closed at **366.45**, which is higher than yesterday's close. Market opened steady and continued range bound amidst support from the international markets.

The 9-days Price ROC moved marginally up in the negative region to the level of -2.618, indicating increasing weakness in the prices. The 9-day RSI also moved sharply lower in the oversold region to a level of 30.78 indicating the weak sentiments in the markets.

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

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

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

Contract		Support		Resistance	
		1st	2nd	1st	2nd
NBOT*	June '05	363.30	362.80	364.80	365.90
NCDEX	June '05	365.10	363.40	367.90	369.50



'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 10.06.2005)**

Country/ Continent	Currency	Value in Rupees
<b>USA</b>	<b>Dollar</b>	43.55
<b>Malaysia</b>	<b>Ringgit</b>	11.45
European Union	Euro	53.21
United Kingdom	GBP	79.26
Japan	100 Yen	40.53

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