

OILMEAL

July 18 - 23, 2005

MAJOR ACTIVITY HIGHLIGHTS

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- **CBOT Soymeal Traded Weak on Beneficial Rains and Light Selling Pressures**
- **Soymeal Domestic Market Showed Weak Trading; Improvement Expected**

NEWS ANALYSIS

USDA's Export Sales Highlights (July 8-15, 2005)

Soybean Cake and Meal: Net sales of 44,300 MT were 44 percent below the previous week and 56 percent under the prior 4-week average. The primary buyers were Canada (9,600 MT), El Salvador (9,000 MT), Australia (6,500 MT), and Mexico (6,000 MT). Reductions were reported for Guatemala (8,200 MT). Exports of 107,800 MT were 11 percent above the previous week, but 8 percent under the prior 4-week average. The primary destinations were Japan (29,000 MT), Mexico (27,200 MT), Canada (18,700 MT), and El Salvador (10,200 MT).

US Soybean Crop Projected Lower at 78.7 MT for 2005-06

U.S. Soybean production is projected to be 78.7 million tonnes, reflecting the decreased planted and harvested area in the June acreage projections, according to the latest report from USDA. U.S. soybean stocks for 2005-06 could reach 5.72 million tonnes reflecting reduced supplies and higher projected use. U.S. soybean crush for 2004-05 could reach 46 million tonnes, reflecting stronger-than-expected growth in domestic soybean meal use through the third quarter of the marketing year, USDA said. Supply estimates and reported use through May coupled with the June 1 stocks estimate indicate a higher residual for 2004-05. Ending stocks for 2004-05 are projected to be 7.89 million tonnes.

China's Soybean Imports on the Rise Amidst Declining Production

China imported 12.01 million tonnes of soybeans in the first half of 2005, up 33.6% on year, China's customs department said last week. However, the Customs General

Administration did not provide import data for the month of June. But, earlier data from the customs department shows the country imported 9.35 million tonnes of soybeans in the January to May period, indicating that imports in June totaled 2.66 million tonnes, up sharply from 1.46 million tonnes in June 2004.

Oilseeds Sowing Progress

Kharif sowing is down 16.3 per cent at 84.3-lakh hectare compared with 100.73 lakh hectares last year. This on-year shortfall is largely owing to delayed monsoon and intermittent rains in regions like Indore division.

Groundnut sowing is down 23 per cent to 27.8 lakh hectares compared with 36.3 lakh hectares. Late rains followed by heavy rains delayed sowing of the crop in Gujarat.

Currently, sowing has resumed in some regions in groundnut growing regions in Gujarat. Soybean sowing is now down merely 9 per cent at 43.99 lakh hectares compared with 48.5 lakh hectares last year. The situation has improved drastically since last week. This is largely due to improvement in rains situation in central India, especially Malwa-Nimar belt.

Indian Oilmeal-Based Feed Demand Set To Surge

Rapid growth in India's meat and dairy sectors should push up demand for animal feeds to 68 million tonnes by 2010 from the present 42 million tonnes, according to D.P. Khandelia, President of the Solvent Extractors' Association (SEA) of India. The use of high-quality grade oilmeal in compound feeds would help India meet growing demand for animal protein both at home and abroad. The country has a large population of cattle, but output per

animal is currently well below international standards. As a result India should adopt a national agriculture policy to boost India's livestock and aquaculture sectors, India's agriculture sector contributed 24.2% of India's total GDP last year, of which 5.9% was contributed by the livestock sector. Dairy alone accounts for about 2% of total GDP, a figure that should surpass 5% by 2010.

MSP Increased for Kharif Oilseeds

The Cabinet Committee on Economic Affairs (CCEA) today approved the Minimum Support Prices (MSPs) for Kharif Oilseeds Crops for the year 2005-06 season announced by the Govt. These rates will be effective from coming Kharif season. The MSPs of various commodities will be at the rates given below:

Crops	2003-04 (Rs)	2004-05(Rs)	Change (Rs)
Groundnut-in-Shell	1520	1500	20
Soybean (Black)	900	900	Nil
Soybean (Yellow)	1010	1000	10
Sunflower	1500	1340	160
Sesameseed	1550	1500	50
Nigerseed	1200	1180	20

FUNDAMENTAL ANALYSIS

INTERNATIONAL MARKETS

CBOT: Soymeal Future Analysis

Soy complex futures at the Chicago Board of Trade ended mixed Friday, due to weak trading, as light speculative selling that started in late midday pressured soybeans during the close. Soymeal followed the mixed trend of soymeal and ended unchanged on Friday. During the early and midday trade, soybeans were firmer, supported by speculative fund buying and little selling. Forecasts for extremely hot temperatures in the Midwest did put pressure on the trade and also traders adjusted their positions before the weekend. But light speculative selling did hit soybeans in late midday trade, which pushed back the soybeans towards the weaker side. After a week of sharp losses, some gains were seen during the early hours of the day.

Most-active August soymeal ended flat at \$212.60 a short ton and August soyoil rose 20 points to 24.51 cents a pound. The week showed a weak trend in the market due to beneficial rains and technical selling. The CBOT opened on a sound note on Monday but lost ground then after rolled down for most of the week except on Wednesday which saw a recovery of \$ 3 due to weather uncertainties.

Soymeal buyers included CIS buying 400 August; Cargill buying 200 August and 100 December; and Goldenberg Heymeyer buying 200 December. Sellers include ADM selling 300 August; Calyon selling 600 December; ABN Amro and Man Financial selling 400 December; and Prudential selling 100 August.

The perception that beneficial rains moving through the Midwest and the potential for cooler and wetter conditions next week would aid crop development. The rains might

help in average yields if it comes down timely and continue through the critical August pod filling stage. The export remained low and the news of China revaluing its currency is creating concerns.

(One million metric tons of soybeans or wheat equals 36.74 million bushels.)

CBOT Soymeal Futures as on 22nd July 2005 (Cents/pound)

Months	Previous Settle	Open	High	Low	Change	Close
Jul '05	212.6	214.5	215.5	211.8	0	212.6
Aug'05	211.7	214.5	214.5	-	-0.5	211.2

CBOT remained closed on Saturday and Sunday

China: Soymeal Prices Ended Weaker; Revaluation of RMB; Bird Flu Spreading

The Chinese soymeal market showed steadiness but ended the week on a weak note in most of the markets. The procurement prices for local produced soybean and the distribution of prices for imported soybean at major ports remained stable. The rapeseed and the rape meal markets also followed similar trend and ended the week on a firm note. The typhoon Haitang is moving towards the mainland and is yet to affect the crop fields.

The Chinese government have declared zero tariffs on all Hongkong produced imports. The Producer's Price Index increased by 5.6% in China in June. The Consumer Price Index increased by 2.3% in the first half in China and the urban residents income also rose by 9.5 %. The Chinese GDP grew by 9.5 % in the first half and the figures show that economic measures have paid off. The government is expecting that the trade surplus is likely to continue. There has been a Public announcement of the People's Bank of China on reforming the RMB exchange rate regime. China have adjusted the Yuan rate and abolishes dollar pegs and is untroubled by in or deflation. The Yuan's floating range has been limited to 0.3%.

Indonesia confirmed the first human death linked to bird flu and Indonesia took steps to slaughter all chickens, pigs in bird flu affected areas and this might affect the poultry industry and which inturn might pressurize the soymeal prices. Russia also confirmed 1st case of Birdflu. Birdflu in frozen duck meat shipped from China to Japan, WHO says the virus is wide spreading. This might affect the poultry industry and which inturn might pressurize the soymeal prices.

DOMESTIC MARKETS

Soy meal

The market opened on a strong note on Monday but then after rolled down. The soymeal market after a weak long weakness did show some recovery as traders squared their positions before the weekend. The domestic cash market did show some moderate gains. Moreover, at NCDEX till now there has been poor trading in the August contract, though it reversed and was able to recover moderately. The trading is showing some sort of steadiness at present. The soymeal futures are expected to remain range bound with some firmness.

Both the spot and Future market showed a firm opening on Monday but later on slowed down. The trading was poor for the most of the week but during the last day showed some movement in price levels and the market is expected to move ahead in the coming week.

Plant delivery quotes of Soy seeds remained in the range of Rs 1325- 1315 per qtl in Indore while soymeal in physical market has been offered between Rs 9300-9700 per MT and Rs 9000-9500 for most of the week. FOR quotes opened at Rs. 10000-10100 per MT and rolled down to Rs. 9850-9950 per MT in Kandla in jute bags, while FAS has been put at \$232--235 on Monday and it lowered to \$ 228-230 per MT.

India's soymeal exports totaled **115,750** tons in June 2005 compared with 94,500 tons in June 2004.

NCDEX Soy meal Futures price (23rd July)

	Prev Close Price	High Price	Low Price	Close Price	Change
July	9299.00	9379.00	9300.00	9300.00	+1.00
Aug	9350.00	0.00	0.00	9350.00	0.00

Average ex-factory prices of SBM at Indore/ Sangli (July, 2005)

	18.7	19.7	20.7	21.7	22.7	23.7
Indore	9300 -	9200 -	9000 -	9000 -	9000 -	9200 -
	9700	9600	9400	9400	9500	9500
Dhulia	9300	9400	9150	9150	9200	9200

Soy meal vessel report

Jamnagar Port is loading 8,000 MT of SBM to Bangkok on the vessel 'Thor Sky'. JM Baxi agents is handling the vessel.

Loading of 2,300 MT of SBM is expected at Mumbai Port on the vessel 'Indruwa Valley'. Sai Freight agents will be handling the vessel.

Rape/ Mustard meal

The rapemeal cash market maintained a steady market momentum for most of the week and is expected to stay at the level for the coming week. However, the Kota market did show some movement and rolled down during the week. The arrivals in the major markets were normal for the week. The pressure is on the market due to demand from the millers. The arrivals are being affected by the monsoon. The farmers are facing storage problem and this may put pressure on the market.

In Shivpuri/ Morena, rates remained between Rs 4600 -per MT; Kota & Barah between Rs. 4500 and 4350 per MT. The market is expected to remain range bound for the week.

The unsteady progress of sowing of other oilseed crops and continuing dry spell in major growing areas is providing an underlying support to the prices.

Central Organisation For Oil Industry And Trade (COOIT), 1st Advance estimates for the year 2004-2005 has put the Rapeseed/Mustard crop production along with Kharif Toria (1.8 lakh tonnes) to 72.0 lakh tonnes in 2005.

India exported **53,975** tons of rapemeal in June 2005 as compared to 45,575 in June 2004.

Groundnut meal

Following the market sentiments of rapemeal the market remained almost firm for most of the week. The market demand is at a low level and so are the arrivals. The sowing has been hampered in some parts of Gujarat and late sowing variety is also being re-sown in some places.

GN extraction in Junagarh, Rajkot has been quoted between Rs 6600 and Rs.6200 for 40 percent protein during the week, the market showed a volatility as the trend remained mixed but ended the week on a firm note. At Dhulia market it was quoted at Rs. 8100 - 8200 for 42 per cent protein.

Central Organisation for Oil Industry and Trade (COOIT), 1st Advance Rabi Estimates for the 2004-2005 has put the Rabi GN crop at 17 lakh tonnes, same as last year.

India exported around **8,900 MT** groundnutmeal in June 2005 as compared to 30,475 MT in June 2004.

WEATHER WATCH:

Weather during the week ending on 20th July 2005

Meteorological Analysis

Last week's upper air cyclonic circulation extending in the lower tropospheric levels over West Uttar Pradesh and neighbourhood persisted upto 18th and became less marked on 19th. The other upper air cyclonic circulation over northwest Rajasthan & adjoining Punjab and central Pakistan persisted upto 19th and became less marked on 20th.

A fresh upper air cyclonic circulation extending in the lower tropospheric levels formed over Bangladesh and neighbourhood on 14th. It persisted on 15th and became less marked on 16th.

Another upper air cyclonic circulation developed over southwest Bay of Bengal on 14th, which persisted next day also extending upto mid-tropospheric levels. It lay over southwest Bay of Bengal off north Tamil Nadu-south Andhra Pradesh coast tilting southwestwards with height on 16th. Subsequently, it moved inland and was seen over North Interior Karnataka and adjoining Telangana on 17th & 18th. It became less marked on 19th.

A fresh upper air cyclonic circulation lay over Marathwada & neighbourhood extending between 3.1 & 5.8 km a.s.l. on 20th.

The axis of monsoon trough at sea level was located at its near normal position during first half of the week. However, it was seen north of its normal position with its eastern end passing through the foothills of the Himalayas during the second half of the week.

Rainfall

Southwest monsoon was active to vigorous over Sub-Himalayan West Bengal & Sikkim, Bihar, East Uttar Pradesh, East Rajasthan and interior Karnataka on many days of the week and over Nagaland, Manipur, Mizoram & Tripura, Assam & Meghalaya, Arunachal Pradesh, Gangetic West Bengal, Orissa, Jharkhand, Uttaranchal, Himachal Pradesh, Haryana, West Madhya Pradesh, west Rajasthan, Coastal Karnataka, Rayalaseema and Coastal Andhra Pradesh on one or two days of the week.

During the week, enhanced rainfall with heavy to very heavy falls occurred over East Rajasthan, Uttar Pradesh and Western Himalayan Region. Moderate rainfall activity with isolated heavy falls continued over northeast India throughout the week. Moderate rainfall also occurred over Peninsular India including Maharashtra throughout the week with isolated heavy falls in the second half. Rainfall activity remained generally subdued over Gujarat, West Rajasthan and Punjab.

Rainfall during the week (for the week ending on 20th July, 2005)

Out of 36 meteorological sub-divisions, rainfall was excess/normal in 22, deficient/scanty in 14 meteorological

sub-divisions (Actual: 63.3 mm, Normal: 67.7 mm and Departure: -6%).

Cumulative seasonal rainfall (1st June To 20th July)

Out of 36 meteorological sub-divisions, rainfall was excess/normal in 29 and deficient/scanty in 7 meteorological sub-divisions (Actual: 349.5 mm, Normal: 349.6 mm and Departure: 0%)

The sub-division-wise weekly and seasonal rainfall distribution is presented in the enclosed map.

Outlook for the week ending on July 27, 2005

A low-pressure area is likely to form over northwest Bay of Bengal during the middle of the week and revive monsoon rainfall activity over the country in general.

Rainfall activity along the west coast is likely to enhance.

Ongoing rainfall activity along the foot hills of Himalayas is likely to decrease in the second half of the week.

Increase in rainfall activity is likely over eastcentral India and adjoining north peninsular India during the second half of the week.

Forex Rates

Country/ Continent	Currency	Value in Rupees
USA	Dollar	43.39
European Union	Euro	52.85

Indian Export of Oilmeal

COMMODITY WISE

India's oil meal exports of April - June '05 (compared to comparative period of previous year 2004-05)

Quantity in metric tonnes

Month	S.B. EXT	R.S. EXT	G.N. EXT	R.B. EXT	CST EXT	TOTAL
April 2005	99,250 (366,625)	90,900 (96,000)	12,950 (14,800)	— (—)	17,800 (—)	220,900 (477,425)
May 2005	156,100 (278,300)	69,650 (100,875)	3,025 (44,750)	6,875 (—)	50,200 (—)	285,850 (423,925)
June 2005	115,750 (94,500)	53,975 (45,575)	8,900 (30,475)	12,675 (5,800)	20,225 (6,200)	211,525 (182,550)
TOTAL	371,100 (739,425)	214,525 (242,450)	24,875 (90,025)	19,550 (5,800)	88,225 (6,200)	718,275 (1,083,900)
2004-05	1,861,325	588,805	121,475	43,056	70,750	2,685,411
2003-04	2,683,675	447,050	126,750	---	65,550	3,323,025
2002-03	1,333,318	455,533	15,225	---	92,445	1,896,521
2001-02	2,509,207	313,012	101,001	---	97,557	3,020,777
2000-01	2,182,142	62,968	18,609	---	10,992	2,336,638
1999-00(F.Y)	2,249,505	79,874	1,808	---	93,365	2,428,470

S.B.- Soybean Extns., R.S.- Rapeseed Extns., G.N.- Groundnut Extns., CST - Castoseed Extns, R.B.- Ricebran Extns
Source: SEA Data Bank

PORTWISE

MONTH	BEDI	MUM- BAI	BHAV- NAGAR	KANDLA	VIZAG	KAKI- NADA	MAGD- ALLA	MUNDRA	TOTAL
April 2005	35,175 (61,525)	43,250 (102,175)	--- (34,700)	126,625 (235,500)	15,850 (24,125)	--- (7,500)	--- (---)	--- (11,900)	220,900 (477,425)
May 2005	10,500 (115,600)	48,325 (61,250)	--- (12,225)	188,975 (155,950)	30,425 (56,400)	6,875 (9,000)	750 (---)	--- (13,500)	285,850 (423,925)
June 2005	8,600 (39,300)	45,625 (70,925)	--- (---)	120,650 (59,475)	29,900 (---)	6,750 (12,850)	--- (---)	--- (---)	211,525 (182,550)
TOTAL	45,675 (177,125)	91,575 (163,425)	--- (46,925)	315,600 (391,450)	46,275 (80,525)	6,875 (16,500)	750 (---)	--- (25,400)	506,750 (901,350)

USDA Estimates

Soymeal Supply, Demand and Stock position (June 13)

	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005 (p)	2005/2006 (f)
Production						
China, Peoples Republic of	15,050	16,300	21,000	20,190	23,265	26,374
Brazil	17,863	19,407	21,353	22,781	22,850	24,600
Argentina	13,650	16,499	18,587	19,758	20,156	21,045
EU-25	13,073	13,885	12,825	11,100	11,227	11,398
India	3,614	3,700	2,730	4,422	3,765	4,410
Mexico	3,530	3,656	3,440	3,090	3,100	3,255
Japan	2,927	3,013	3,267	2,740	2,495	2,574
Taiwan	1,690	1,720	1,690	1,609	1,587	1,570
Canada	1,320	1,321	1,400	1,169	1,380	1,423
Bolivia	669	791	1,123	1,090	1,290	1,298
Others	7,331	8,434	8,457	7,874	8,976	9,366
Total Foreign	80,717	88,726	95,872	95,823	100,091	107,313
United States	35,730	36,552	34,649	32,953	36,536	36,501
World Total	116,447	125,278	130,521	128,776	136,627	143,814
Exports						
Argentina	13,600	16,239	18,040	18,946	19,265	19,995
Brazil	10,679	11,862	13,611	14,761	14,845	15,230
India	2,350	2,450	1,225	3,310	1,700	2,100
Bolivia	530	608	977	888	1,085	1,083
Paraguay	624	764	801	1,046	1,020	988
China, Peoples Republic of	155	1,123	848	667	820	800
EU-25	255	329	339	398	364	393
Norway	101	131	137	131	130	130
Syria	198	122	200	120	120	120
Canada	55	87	121	49	60	100
Others	208	513	611	372	243	238

Total Foreign	28,755	34,228	36,910	40,688	39,652	41,177
United States	7,335	7,271	5,728	4,617	6,532	6,124
World Total	36,090	41,499	42,638	45,305	46,184	47,301
Imports						
EU-25	18,327	19,680	20,349	21,864	22,750	23,300
Thailand	1,408	1,888	1,901	1,647	1,500	1,600
Indonesia	1,615	1,251	1,500	1,547	1,525	1,550
Korea, Republic of	1,420	1,523	1,528	1,307	1,500	1,510
Japan	611	1,081	1,075	1,195	1,300	1,270
Philippines	1,108	1,585	1,434	1,186	1,175	1,250
Mexico	256	395	633	750	950	1,100
Canada	933	1,130	1,065	1,057	1,100	1,052
Vietnam	432	747	997	999	900	900
Iran	408	437	466	851	400	800
Venezuela	652	482	512	700	750	800
Others	9,568	10,218	10,587	11,592	11,494	11,597
Total Foreign	36,738	40,417	42,047	44,695	45,344	46,729
World Total	36,738	40,417	42,047	44,695	45,344	46,729
Consumption						
EU-25	31,212	32,995	33,015	32,586	33,606	34,293
China, Peoples Republic of	14,995	15,204	20,152	19,542	22,520	25,624
Brazil	7,550	7,836	8,098	8,278	8,503	9,400
Mexico	3,791	4,063	4,104	3,823	4,048	4,364
Japan	3,559	4,066	4,331	4,175	3,813	3,857
Thailand	2,523	3,115	3,291	2,766	2,606	2,570
Canada	2,192	2,369	2,344	2,192	2,405	2,375
India	1,224	1,248	1,502	1,122	2,050	2,310
Korea, Republic of	2,290	2,435	2,493	2,342	2,265	2,307
Taiwan	1,720	1,683	1,699	1,713	1,682	1,652
Others	18,050	19,305	19,486	21,784	22,240	23,825
Total Foreign	89,106	94,319	100,515	100,323	105,738	112,577
United States	28,359	29,541	29,090	28,590	30,118	30,527
World Total	117,465	123,860	129,605	128,913	135,856	143,104
Ending Stocks						
EU-25	809	1,050	870	850	857	869
Argentina	100	130	347	539	675	725
Brazil	721	781	770	778	480	550
Korea, Republic of	362	365	365	200	220	230
Japan	439	467	478	238	220	207
Thailand	190	205	206	175	153	134
Mexico	137	125	93	109	110	100
Paraguay	40	98	423	18	38	95

Turkey	50	30	93	60	80	90
Malaysia	53	72	74	76	80	80
Others	526	570	517	455	480	451
Total Foreign	3,427	3,893	4,236	3,498	3,393	3,531
United States	348	218	200	191	227	227
World Total	3,775	4,111	4,436	3,689	3,620	3,758

Rapeseed

	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005 (p)	2005/2006 (f)
Production						
EU-25	6,170	6,002	6,183	6,050	7,583	7,657
China, Peoples Republic of	7,800	7,190	6,325	7,150	8,098	7,533
India	2,251	2,232	1,988	3,153	3,331	3,177
Canada	1,708	1,297	1,250	1,935	1,770	1,883
Japan	1,225	1,184	1,240	1,270	1,292	1,240
Mexico	476	465	432	570	476	528
Pakistan	325	335	371	372	374	383
Australia	210	225	230	237	245	240
Bangladesh	294	245	245	201	238	223
Russian Federation	53	56	53	65	60	61
Others	181	149	153	131	197	196
Total Foreign	20,693	19,380	18,470	21,134	23,664	23,121
United States	460	418	356	434	518	437
World Total	21,153	19,798	18,826	21,568	24,182	23,558
Exports						
Canada	1,135	799	830	1,570	1,300	1,315
India	50	421	449	620	650	525
China, Peoples Republic of	610	207	216	157	90	75
EU-25	21	38	49	27	58	68
Ukraine	5	3	12	3	16	16
Pakistan	0	0	0	2	3	3
Others	3	12	0	0	0	0
Total Foreign	1,824	1,480	1,556	2,379	2,117	2,002
United States	10	7	31	34	25	18
World Total	1,834	1,487	1,587	2,413	2,142	2,020

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