

VEGOIL

18<sup>th</sup> July - 23<sup>rd</sup> July 2005

## MAJOR WEEKLY HIGHLIGHTS

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- China's Soybean Imports on the Rise Amidst Declining Production
- Sino-US Tie Expected Soon on Approvals of Biotech Crops
- Indian Oilmeal-Based Feed Demand Set To Surge
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## NATIONAL & INTERNATIONAL NEWS

### 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.

### Sino-US Tie Expected Soon on Approvals of Biotech Crops

Agriculture Secretary Mike Johanns last week announced progress with China on several key market access fronts, following meetings here with Chinese officials. In his first

visit to China as Secretary of Agriculture, Johanns took part in the meeting of the U.S.-China Joint Commission on Commerce and Trade, a bilateral forum for resolving trade issues, which was also attended by U.S. Trade Representative Rob Portman and Commerce Secretary Carlos Gutierrez. Johanns commended the China's efforts to increase approvals of biotech crops and noted the willingness of the U.S. to work with China to promote a regulatory system based on sound science to expedite future approvals.

### 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 from the present 42 million tonnes, according to D.P. Khandelia, President of the Solvent Extractors' Association (SEA) of India. Speaking at an industry seminar in last week, Khandelia said 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, Khandelia believes 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.

### Indian Oilseeds sowing Progressing Smoothly

Kharif sowing is down 16.3 per cent at 84.30 lakh hectares 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.

#### **North America Heading towards edible oil deficiency in 2005-06**

North America is becoming a vegetable oil deficient market. Carl Hausmann, president and CEO of Bunge North America commented that while oil production and demand vary from country to country, the North American vegetable oil market as a whole is headed towards a deficit situation. In the next five years, total vegetable oil production in Canada, the US and Mexico was forecast to increase by 1.20%, while consumption will seen rising by 2.13%, said Hausmann using data compiled by Bunge. As a result, the continent should see a vegetable oil deficit of 1.4 million metric tons by 2009/10. The largest demand will come from Mexico, with expectations for a 3.59% increase in vegetable oil consumption and only a 1.45% rise in production. In the US, estimated vegetable oil production increases of 0.95%, will be surpassed by a 1.41% increase in consumption, he added. The balance will be met by increases of palm oil imports to Mexico based on price and vegetable oil imports to the US based on trans fat mitigation. In Canada, production will still beat demand. Total oilseed production in the country should rise by 2.46% by 2009/10, largely due to increases in canola. Meanwhile, Canadian vegetable oil consumption was only forecast to increase by 1.95%. Therefore, the country will need to find more export markets for its canola oil. South American soybeans and palm oil were becoming the principle international traded oils.

#### **Thai Palm Oil Production Severely Affected by Prolonged Drought**

The lingering drought has had a major effect on Thailand's fruit production and crude palm oil yields, according to the country's largest exporter of crude palm oil, Thai Univanich Palm Oil Pcl. The dry season, which lasted five months, was the worst since the last El Nino episode in 1997-98. Despite environmental challenges, Univanich was able to increase crude palm oil (CPO) production by 16.1 per cent on-year in the first half due to the commissioning of a new crushing mill in late 2004. However, the increase was not enough to meet its budget expectation, which had aimed at a CPO production increase of 35.6 per cent in the period. However, the drought had led to record competition for purchased fruit in the palm oil crushing industry. As a result, CPO prices tumbled 20 per cent in the first half of 2005 compared to a year ago. Palm oil stocks in Thailand totalled 151,122 tonnes at the beginning of this year, up from 114,931 tonnes at the beginning of 2004. However, domestic palm oil stocks have since declined, totalling 125,000 tonnes in May, due to the drop in production and the continued growth in consumption.

#### **Delayed Rains to Bring Down Edible Oil Output by 12.8%**

Delayed monsoon is likely to take its toll on edible oil production, with the leading think tank Centre for Monitoring of Indian Economy (CMIE), forecasting a 12.8 per cent fall in its output during 2004-05 oil year. The delayed monsoon has forced farmers, to shift from groundnut to other crops,

official figures indicated that the area sown under groundnut as on June 20th stood at 1.9 lakh hectares as against 4.8 lakh hectares during the same period last year. Production of other variants of edible oils barring safflower, niger and coconut is also expected to fall during Nov-Oct, 2005-06. Soybean oil production is likely to fall by 7.8 per cent the report said, adding, as on June 20th this year, area sown under soybean was a minuscule 17,000 hectares as against 1.37 lakh hectares during the comparable period last year.

#### **Three human deaths by bird flu could hamper global soybean trade**

Indonesia Health Minister Siti Fadilah Supari was cited as confirming the country's first human deaths from bird flu Wednesday, a man and his two daughters, bringing Asia's toll from the disease to 57 people. Supari was cited as telling reporters lab tests from Hong Kong showed the 38-year-old man and his two children, aged nine and one, had the deadly H5N1 strain of bird flu. All three family members lived in a suburb of Jakarta and died earlier this month. The above news is expected to impart bearishness in the soybean market.

#### **Argentine Drought Pushes Country's Wheat Growers to Switch to Soybean**

The amount of farmland planted with wheat in Argentina could fall by 10 percent, compared to the previous growing season, due to drought. Land sown with wheat probably will be reduced to 5.5 million hectares (13.58 million acres), the lowest level in the past five years. Assuming a yield of 4,500 kilos (4.96 tons) per hectare, Argentina will lose some \$225 million during this growing season, according to a report released Tuesday by the Buenos Aires Grain Exchange. As of July 14, the amount of land planted with wheat was at 56.7 percent of the area projected, or 20.6 percent below the level at the same time in the previous growing season. The Buenos Aires Grain Exchange report said Argentina's 2004-2005 soy harvest was a record 38.8 million tons, or 22 percent more than during the previous season.

#### **South African Oilseed Crop to Decline Marginally in 2005-06**

Summer oilseed production estimates were lowered in the latest crop report released by the South African Grain Information Service (SAGIS). The latest sunflower seed production forecast is 664,010 metric tons (MT), which is 0.8% less than the previous forecast. The area planted to sunflower seed is 497,100 hectares, while the expected yield is 1.34 MT per hectare. The expected groundnut crop was decreased by 2.5% to 74,388 MT. The area estimate remained unchanged at 42,800 hectares, while the expected yield is 1.74 MT per hectare. The estimated area of groundnuts under irrigation is 22.0% or 9,416 hectares. The production forecast as well as the area estimate for soybeans remained unchanged at 277,370 MT and 152,640 hectares, respectively. The expected yield is 1.82 MT per hectare. SAGIS'S preliminary area estimate for 2005-06 winter sown canola is 41,200 hectares. Average yields would see production advance from 34,250 to 41,900 MT.

#### **Weekly Export Sale of US**

**Soybeans:** Net sales of 65,700 MT--a marketing-year low--were 45 percent below the previous week and 56 percent under the prior 4-week average. The major buyers were Mexico (36,500 MT) and Japan (17,200 MT). Exports of 95,600 MT were 39 percent below the previous week and

51 percent under the prior 4-week average. The primary destinations were Japan (45,400 MT) and Mexico (41,300 MT).

**Soybean Oil:** Sales of 7,100 MT were primarily for Mexico (6,200 MT), Canada (500 MT), and Japan (300 MT). Exports of 2,200 MT were mainly for Mexico (1,500 MT) and Japan (300 MT).

#### Canadian Oilseeds Crush Continues Decline

The Canadian Oilseed Processors Association (COPA) reports weekly crush in that country totalled 53,214 metric tons (MT) of canola and 18,967 MT of soybeans during the week ending July 20. The numbers, as reported to the association by member firms, dropped 10.2% from last week's crush level for canola, for its second weekly decrease. Soybean crush jumped 27.4%, ending two weeks of declining activity. So far this marketing year, 2,911,935 MT of canola has been crushed, down around 292,000 MT from the 3,203,326 MT crushed during the same period last season. Soybean crush since the August 1 start of the 2004-05 marketing year totals 1,525,086 MT, around 16,000 MT above the 1,508,818 MT processed last season. Crush capacity utilization during the week fell 7.6 points to 67.6% for canola and rose 9.1 points to 42.3% for soybean. So far during the 2004-05 marketing year, canola crush capacity utilization has averaged 81.2% compared to 74.8% for soybean crush capacity utilization.

## GLOBAL DYNAMICS

#### Total Oilseed Area and Production

World and Selected Countries (Date Created: 7/13/2005)

Country/Region	Area			Production		
	Million hectares			Million metric tons		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
United States	36.04	36.81	36.67	76.60	96.44	89.14
India	31.79	33.95	34.05	29.60	29.70	29.60
China	27.87	28.89	28.44	50.85	58.71	55.78
Brazil	22.78	24.19	24.38	53.08	53.72	64.93
Argentina	16.25	16.87	17.54	36.84	43.43	43.70
Canada	5.85	6.18	6.66	9.18	10.81	10.65
Russia	5.45	5.26	5.38	5.44	5.32	5.47
Ukraine	4.05	3.76	4.01	4.54	3.56	4.65
Pakistan	3.58	3.76	3.73	3.76	5.36	4.74
Paraguay	2.06	2.25	2.28	4.14	3.96	4.99
Uzbekistan	1.43	1.46	1.45	1.80	2.25	2.10
Total Foreign	160.16	167.06	162.24	257.69	282.80	289.52
<b>World</b>	<b>196.20</b>	<b>203.87</b>	<b>198.91</b>	<b>334.29</b>	<b>379.24</b>	<b>378.66</b>

**Source:** Foreign Agricultural Service, Official USDA Estimates for July 2005

#### Soybean: World Supply and Distribution Selected Countries Current Marketing Year (Date Created: 7/13/2005)

##### Production

Countries	2001-02	2002-03	2003-04	2004-05 (p)	2005-06 (f)
Brazil	43,500	52,000	50,500	51,000	62,000
Argentina	30,000	35,500	33,000	39,000	39,000
China	15,410	16,510	15,394	18,000	17,000
India	5,400	4,000	6,800	5,500	6,500
Paraguay	3,547	4,500	3,911	3,800	4,800
Canada	1,635	2,336	2,263	3,050	3,000
Bolivia	1,240	1,650	1,850	2,030	2,000
EU-25	1,309	888	633	793	852
Indonesia	870	780	820	825	835
Russia	350	423	393	450	550
Others	3,156	3,436	3,915	4,388	4,515
Total Foreign	<b>106,417</b>	<b>122,023</b>	<b>119,479</b>	<b>128,836</b>	<b>141,052</b>
US	<b>78,672</b>	<b>75,010</b>	<b>66,778</b>	<b>85,484</b>	<b>78,653</b>
World Total	<b>185,089</b>	<b>197,033</b>	<b>186,257</b>	<b>214,320</b>	<b>219,705</b>

##### Exports

Countries	2001-02	2002-03	2003-04	2004-05 (p)	2005-06 (f)
Brazil	15,000	19,734	19,816	19,539	22,000
Argentina	6,005	8,713	6,710	8,165	8,400
Paraguay	2,285	2,806	2,776	2,100	3,000
Canada	495	700	914	1,000	965
Uruguay	48	155	278	390	426
China	300	265	319	350	330
Bolivia	150	179	330	350	250
Ukraine	1	7	61	75	95
Serbia & Montenegro	10	10	60	60	60
South Africa	5	4	65	50	45
Others	149	181	392	144	158
Total Foreign	<b>24,448</b>	<b>32,754</b>	<b>31,721</b>	<b>32,223</b>	<b>35,729</b>
US	<b>28,948</b>	<b>28,423</b>	<b>23,946</b>	<b>30,209</b>	<b>30,890</b>
World Total	<b>53,396</b>	<b>61,177</b>	<b>55,667</b>	<b>62,432</b>	<b>66,619</b>

## Imports

Countries	2001-02	2002-03	2003-04	2004-05 (p)	2005-06 (f)
China	10,385	21,417	16,933	23,200	27,000
EU-25	18,539	16,872	14,638	14,959	15,200
Japan	5,023	5,087	4,688	4,400	4,500
Mexico	4,510	4,230	3,797	3,800	4,000
Taiwan	2,578	2,351	2,218	2,300	2,210
Indonesia	1,414	1,235	1,316	1,375	1,450
Korea	1,434	1,516	1,368	1,250	1,300
Thailand	1,560	1,708	1,407	1,400	1,200
Iran	400	533	883	900	950
Turkey	558	756	612	785	800
Israel	735	500	494	575	600
Others	7,307	6,660	5,674	6,513	6,471
Total Foreign	54,443	62,865	54,028	61,457	65,681
World Total	54,443	62,865	54,028	61,457	65,681

## Crush

Countries	2001-02	2002-03	2003-04	2004-05 (p)	2005-06 (f)
China	20,250	26,540	25,439	29,400	33,120
Brazil	24,693	27,168	29,331	29,392	31,600
Argentina	20,859	23,527	25,039	25,525	26,632
EU-25	17,636	16,290	14,129	14,289	14,500
India	4,629	3,420	5,534	4,710	5,515
Mexico	4,610	4,336	3,892	3,890	4,090
Japan	3,885	4,217	3,536	3,199	3,300
Taiwan	2,187	2,135	2,046	2,010	1,990
Canada	1,694	1,796	1,500	1,770	1,825
Bolivia	1,014	1,440	1,395	1,650	1,660
Others	10,623	10,910	10,182	11,763	12,215
Total Foreign	112,080	121,779	122,023	127,598	136,447
US	46,259	43,948	41,631	45,994	45,994
World Total	158,339	165,727	163,654	173,592	182,441

## Ending Stocks

Countries	2001-02	2002-03	2003-04	2004-05 (p)	2005-06 (f)
Brazil	12,108	15,932	14,704	14,094	19,462
Argentina	10,159	12,467	12,676	16,836	19,354
China	2,095	4,467	2,100	3,700	3,700
EU-25	1,064	930	740	792	894
Japan	670	310	299	280	320
Canada	165	225	215	280	265
Indonesia	113	100	105	110	115
Korea	118	118	118	100	100
Paraguay	88	88	88	88	88
Turkey	50	127	81	85	88
Others	969	780	810	826	638
Total Foreign	27,599	35,544	31,936	37,191	45,024
US	5,663	4,853	3,059	7,886	5,706
World Total	33,262	40,397	34,995	45,077	50,730

## DOMESTIC DYNAMICS

Crop	Normal area	Area Coverage (As reported on 04.07.05)			Important States	Area Difference in absolute percentage over last estimate
		This Year	Last Year	Difference		
Groundnut	56	8.38	23.04	-14.66	Andhra Pradesh Gujarat Karnataka Madhya Pradesh Maharashtra Rajasthan	(-0.9, -76.7) (-10.2, -67.5) (-1.1, -47.7) (-0.7, -98.5) (-1.3, -83.2) (-0.3, -17.2)
Soybean	63	2.45	18.45	-16.49	Karnataka Maharashtra Madhya Pradesh Maharashtra	(-0.5, -92.6) (-0.9, -59.3) (-9.7, -88.1) (-4.5, -90.7)
Sunflower	5	1.38	3.78	-2.40	Andhra Pradesh Karnataka Tamil Nadu	(-0.1, -26.3) (-2.0, -61.8) (-0.1, -70.0)
Sesamum	16	1.40	4.68	-3.28	Karnataka Gujarat Karnataka	(-0.9, -77.0) (-1.7, -88.3) (-0.3, -36.8)
Niger	5	0.03	0.16	-0.13	Karnataka	(-0.04, -57.1)
Castor	8	0.28	0.42	-0.14	Andhra Pradesh Karnataka Rajasthan	(0.03, -14.3) (-0.02, -18.2) (0.1, -100.0)
Total Kharif Oilseeds	152	13.91	51.02	-37.11	Andhra Pradesh Gujarat Karnataka Madhya Pradesh Maharashtra Rajasthan	(-2.4, -75.2) (-12.0, -69.9) (-4.2, -54.3) (-10.4, -88.8) (-6.5, -90.0) (-1.1, -47.6)

## DOMESTIC MARKET ANALYSIS

### Palm oil

The domestic palm oil prices traded range bound last week on weakening international support and uncertain progress of the current monsoon.

The increasing uncertainty in the international palm market was attributed to the declining exports, increasing production in Malaysia and improving soy oil futures in US. Data from cargo surveyors showing a sharp drop in palm oil exports in the first 20 days of July also had little impact on the market. Intertek Agri Services estimated July 1-20 exports at 651,738 tons, down 23% on month, while SGS (Malaysia) Bhd pegged exports at 642,032 tons, down 26%. Both sets of estimates were on the lower end of market expectations. Based on the pace in the first 20 days, exports for the full month are likely to be about 1.0

million tons. In June, exports were about 1.17 million tons. On the production side, market talk so far has been for a rise in Malaysian CPO output of about 3% to 5% from the 1.21 million tons produced in June. The excess supply is expected to lead to higher stocks by end-July. In the absence of the bullish support from the Malaysian cash as well as futures market, most of the traders are looking for the support from the US soybean market, which has turned highly dependent on the uncertain crop weather and is expected to continue on the high for this week.

The Malaysian declined sharply below the psychological level of MYR 1400 per tonne, amidst lack of support from the revaluation of the Malaysian currency.

So far India has imported about 1.89 lakh tonnes of palm oil for the first sixteen days of July.

The price for palm oil in the market is expected to continue range bound in the lower side in the coming week as the market is expected to receive on support from US soybean complex market.

Weekly prices for RBD Palmolein		(Rs/ 10 kg)				
Centers	18.07.05	19.07.05	20.07.05	21.07.05	22.07.05	23.07.05
Kandla	362	362	361	360	360	360
Mumbai	371	371	369	371	368	367
Chennai	368	367	368	367	368	365
Kakinada	368	368	368	366	367	365

Weekly prices for CPO		(Rs/ 10 kg)				
Centers	18.07.05	19.07.05	20.07.05	21.07.05	22.07.05	23.07.05
Kandla	331	330	329	329	329	329

### Soy oil

The domestic market declined marginally towards the end of the week after showing some strength in the start of the week amidst the increased selling activities and uncertain crop weather in most of the soybean growing areas of the country.

The US market is expected to continue trading on the lower side, following the declining strength in the US CBOT soy oil trade amidst improving weather conditions and prediction rains in major soybean growing areas.

Amidst the prevailing bearishness in the prices at the US CBOT market the traders are eagerly expecting increased support for the domestic market.

The fears of a shift in the weather pattern along with ideas that fund traders will exit a massive net long position helped pressure. The weekly crop progress report, released yesterday afternoon, contained no surprise showing that 53% of the crop is in good to excellent condition, down 1% from last week and down from 61% as the 15-year average for this time of the year. Weekly US export sales for soybeans came in at 66,600 metric tonnes, well below trade expectations. Cumulative sales have reached 99.9% of the USDA forecast as compared to 102.2% on average over the last five years. Meal sales were 45,000 metric tonnes; also below the range of trade estimates and Oil sales were 7,100 metric tonnes, which was slightly above trade expectations. The reduction in the export figures is expected to impart increased bearishness in the global market pulling down the overall prices.

The domestic future market traded on a firm note for the week amidst uncertain progress of the monsoon and less

than expected sowing progress in the major growing areas of Madhya Pradesh and Gujarat but declined as the week progressed. The Hazir market also continued to improve amidst of support from the unsteady planting progress.

So far India has imported about 2.26 lakh tonnes of soybean oil till 23<sup>rd</sup> of this month.

Overall the market is expected to continue range bound on the lower side for the coming week.

Prices for Soy (ref) during the week		(Rs/ 10 kg)				
Centers	18.07.05	19.07.05	20.07.05	21.07.05	22.07.05	23.07.05
Mumbai	366	368	366	365	362	362
Indore	378	377	375	377	374	375
Kota	384	382	380	379	377	377

### Rape oil

The rape oil market witnessed decline in the buyers support amidst growing uncertainty in the retail market demand. The irregularity in the progress of the current monsoon was the main cause of the slow and unsteady movement in the prices in the most of the domestic markets as well as at major mustard exchanges.

As per the latest development NAFED is expected to come in the market with the open sale pattern. As per the trade sources the NAFED as already an open sale rate of Rs. 1680 for the markets of Rajasthan, Haryana and Punjab. This information is not yet confirmed by the official sources, but if this is true it will significantly pull down the prices in the spot as well as the futures market.

The increased selling weakened the sentiments in the market. For the week the new crop arrival reached 0.15-0.25 lakh bags in Rajasthan and about 0.08 - 0.12 lakh bags in Madhya Pradesh and the trend of arrival is declining day by day.

The oilseeds crop sowing is not progressing smoothly in Madhya Pradesh amidst fear of flood in some places adjoining Gujarat and lack of rains in the areas bordering Andhra Pradesh and Karnataka.

Overall, it is expected that the rape oil will be trading on lower side in the coming week as the news of the sale of mustard by NAFED is clarified.

Prices for Rape Expeller Oil		(Rs/ 10 kg)				
Centers	18.07.05	19.07.05	20.07.05	21.07.05	22.07.05	23.07.05
Mumbai	400	400	400	400	398	395
Kota	392	392	393	391	390	391
Delhi	420	418	420	417	418	417

### Groundnut oil

Groundnut oil continued to be range bound on the higher side for the whole of the week at major centres. The price surged ahead significantly all through the week seeing the uncertain planting report which might lead to decline in the production of the ground nut crop in the coming cropping year.

The growing uncertainty in demand for edible oils remains as one of the major factors, which is putting continuous pressure on the groundnut oil prices.

The declining supply of the groundnut seeds is causing uneven and surging movement in the groundnut oil prices.



The increasing prices in groundnut oil prices in the domestic markets is likely to continue for the coming week amidst increased uncertainty in the ongoing monsoon and expected increase in retail demand.

#### Prices for groundnut oil during the week (Rs/10 kg)

Centers	18.07.05	19.07.05	20.07.05	21.07.05	22.07.05	23.07.05
Mumbai	485	485	485	485	480	478
Rajkot	525	525	520	523	518	523
Andhra Pradesh	525	522	530	528	530	525
Chennai	520	518	525	525	528	525

#### Sunflower Oil

The sunflower oil market this week continued to surge ahead following the declining retail supply and increased retail demand owing to the unsteady progress in the planting of the oilseed crops.

The consistent rise in the retail demand and the approach are the main cause of the increase of price in the sunflower market.

The market is expected to behave firm in the coming week amidst growing demand from the retail end.

#### Prices at Indian Centers (Rs/10 Kg)

Centers	18.07.05	19.07.05	20.07.05	21.07.05	22.07.05	23.07.05
<b>Sunflower Refined oil</b>						
Mumbai	435	438	435	400	435	435
Chennai	450	448	445	448	445	450
Hydrabad	452	448	450	448	445	450
<b>Sunflower Expeller oil</b>						
Mumbai	468	465	465	440	465	465
Chennai	470	465	468	468	470	472
Hydrabad	472	468	465	472	475	468

## INTERNATIONAL MARKET WEEKLY HIGHLIGHTS

### Palm oil Market Malaysia

Trading activity in the cash palm oil market was also muted amid the absence of some regional buyers. Markets in Japan were closed for a national holiday, and Taiwan was shut because of a typhoon. Most traders stayed on the sidelines and only a few are trading according to their estimates of what would happen to soyoil in Chicago overnight.

The participants remain reluctant to commit aggressively to fresh positions largely due to continued confusion over 2005/06 U.S. soybean productions. The soybean crop in the U.S., the world's biggest producer, is currently in its growing season. Production prospects, therefore, are closely tied to the amount of moisture the crop receives.

Trading activity in the Malaysian cash market was also sluggish as buyers stayed on the sidelines due to uncertain price direction. The Malaysian market is expected to continue range bound on the lower side on Tuesday amidst declining exports prospects and uncertain sentiments in the US soybean market.

Traders expressed that since palm oil prices didn't follow an earlier rally in soyoil futures, there was no reason for the market to react to the drop either. In addition, they said the overnight fall wasn't indicative of a longer-term downtrend, as it is still early in the soybean growing season and any

change in weather conditions, could swing the market in the opposite direction.

Data from cargo surveyors showing a sharp drop in palm oil exports in the first 20 days of July also had little impact on the market. Intertek Agri Services estimated July 1-20 exports at 651,738 tons, down 23% on month, while SGS (Malaysia) Bhd pegged exports at 642,032 tons, down 26%. Both sets of estimates were on the lower end of market expectations.

Based on the pace in the first 20 days, exports for the full month are likely to be about 1.0 million tons. In June, exports were about 1.17 million tons. On the production side, market talk so far has been for a rise in Malaysian CPO output of about 3% to 5% from the 1.21 million tons produced in June. The excess supply is expected to lead to higher stocks by end-July.

Volatile U.S. soy complex prices amid changing soybean crop weather conditions have also further fueled the uncertain mood in the palm oil market. Prices of palm oil products in the Malaysian cash market were little changed in slow trading.

Crude palm oil futures on the Bursa Malaysia Derivatives ended lower Friday amid heavy trading, with the benchmark contract touching a one-month low, as the market reacted adversely to the scrapping of Malaysia's 7-year-old currency peg. The market opened lower and stayed in negative territory throughout the day, following an announcement late Thursday that the country was abandoning its peg of MYR 3.8 to the U.S. dollar in favour of a managed float against a basket of currencies. The move by the Malaysian government came after China also said it would no longer peg the yuan to the dollar.

The bulk of the selling came in the morning, with volume during the session about twice the amount traded in the afternoon. Trading activity slowed down in the afternoon as after having taken positions to protect against currency fluctuations, players returned to the sidelines to wait for fresh leads.

Hot and dry weather would be bullish for prices while rains would be considered bearish. Meanwhile, cargo surveyors SGS (Malaysia) Bhd and Intertek Agri Services are due to issue July 1-25 palm oil export estimates Monday. Expectations are for exports of around 800,000 to 820,000 tons, down sharply from 1.05 to 1.1 million tons in the June 1-25 period.

The slowdown in exports isn't expected to have much influence on palm oil prices as it has already been factored into the market. The Malaysian cash market was little changed as palm oil products are dollar-denominated, hence, unaffected by changes in the ringgit. Malaysian market is expected to continue range bound amidst continuing uncertainty in the US soybean market.

### Soybean Market United States

On Expectations that Iowa, Indiana and Ohio received beneficial rains over the weekend to help cope with a hot and dry week helped pressure the market early. Northern Illinois received some scattered light rains this morning but not enough to slow the crop deterioration of the drought condition.

Expectation of Iowa, Indiana and Ohio received beneficial rains over the weekend to help cope with a hot and dry week ahead along with hopes for more scattered rains for tomorrow and Thursday helped pressure the market.

The fears of a shift in the weather pattern along with ideas that fund traders will exit a massive net long position helped pressure. The weekly crop progress report, released yesterday afternoon, contained no surprise showing that 53% of the crop is in good to excellent condition, down 1% from last week and down from 61% as the 15-year average for this time of the year.

Weekly US export sales for soybeans came in at 66,600 metric tonnes, well below trade expectations. Cumulative sales have reached 99.9% of the USDA forecast as compared to 102.2% on average over the last five years. Meal sales were 45,000 metric tonnes; also below the range of trade estimates and Oil sales were 7,100 metric tonnes, which was slightly above trade expectations.

The news overnight that China revalued their currency should help improve the buying power of China importers while exports from China for Agricultural products may become less competitive. This should have a positive influence for the demand outlook for soybeans and a positive influence for the supply outlook for meal.

While there are some showers in the forecast for the middle of next week with the move to lower temperatures, a drier and warmer trend on the 6-10 day outlook helped provide underlying support. Forecasts for extremely hot temperatures in the Midwest underpinned trade, along with some positioning ahead of the weekend. After a week of sharp losses, short covering was a feature of early trade.

A sharp break in Malaysia palm futures overnight and slow demand for US soybeans and products helped limit the support. In addition, a stronger US dollar was also seen as a limiting factor.

Forecasts for extremely hot temperatures in the Midwest underpinned trade, along with some positioning ahead of the weekend. After a week of sharp losses, short covering was a feature of early trade. The US soybean is expected improve marginally amidst bullish undertone growing expectation of dry weather in US.

#### South American Soybean Market:

The focus of attention is still on threatening weather in the US, but news of weakening demand from China due to declining crush margins and hefty supplies of edible oils in China helped to pressure. A slower Chinese demand tone is coming at a time when their demand is usually focused on Brazilian soybeans.

China's short-term demand for soybeans (due to poor crush margins) and oil (due to hefty near term supply) looks weak and could keep demand slow for South American soybeans and products. While monsoon rains have improved recently for India, soybean areas look to receive less rain over the near term, which might trigger a jump in temperatures. Iran bought 35,000 tonnes of soyoil from Brazil overnight.

The USDA reported a low level of soybean rust in Mississippi and a spore trap in Tennessee caught a few rust spores but not enough to confirm the fungus. Afternoon showers and thunderstorms are possible for Wednesday/Thursday for the US Midwest before hot and dry weather hits for the weekend and early next week with 100 degree plus temperatures expected for parts of Iowa and Illinois.

The US weekly crop progress report showed that 53% of the crop is in good to excellent condition, down 1% from last week and down from 61% as the 15-year average for this time of the year. Poor to very poor condition crops hit 16% from 10% as the 15-year average.

The selling was triggered by: 1) rain on Monday in Iowa, which helped benefit conditions ahead of this weekend's heat blast, 2) ideas that northern and central Illinois will also receive a good rain ahead of the heat and 3) ideas that the weather trend will shift into early August with more normal rains and normal temperatures which would boost crop conditions going into the key reproduction period in August.

Demand factors remain weak with the high US dollar, a weak China short-term demand set up and cheaper prices in Brazil helping to keep the export tone weak.

The USDA indicated yesterday that cloudy, warm and humid weather in Arkansas, Missouri, Kentucky, Tennessee and parts of Ohio and Illinois are ideal conditions for the spread of Asia rust over the next several days. New cases have been found in Georgia, Florida and Mississippi in the past few days.

The market is likely to remain extremely sensitive to weather developments, as the crops go into the key growing season in August with general conditions somewhat below average. The market will need weather which can bring on average to above average yields in order to see further weakness ahead, as below normal yields this season could trigger a significant tightening of the ending stocks outlook.

The longer-term weather maps yesterday showed a shift to normal temperatures and normal precipitation into early August, and traders believe that soybean crop conditions would improve under this scenario. However, the overnight maps look a bit more threatening with some heat and potentially drier weather into early August, which should stem the fund selling over the near term and support a bounce today.

The Latin American soybean market is expected to continue range bound on the positive side amidst expected dry weather in the coming days and resurgence of Chinese demand.

#### VAYDA BAZAAR

Soy oil futures at National Commodity & Derivatives Exchange Limited (NCDEX) and NBOT declined marginally on increased selling pressure amidst uncertainty in the monsoon in the ongoing month and uncertain international support. Settlement prices for August soy oil future at National Commodity and Derivatives Exchange (NCDEX) was in between Rs 379.25-386.30 kg and at National Board of Trade (NBOT) was in the range of 379.20-385.40 per 10 kg.

#### Weekly settlement prices for soy oil at NBOT

Contracts	18.07.05	19.07.05	20.07.05	21.07.05	22.07.05	23.07.05
Aug'05	385.40	383.80	381.00	379.20	379.90	379.60
Sep'05	389.30	388.00	385.00	383.20	383.90	N.A
Oct' 05	N.A	N.A	N.A	N.A	N.A	N.A

#### Weekly settlement prices for soy oil at NCDEX

Contracts	18.07.05	19.07.05	20.07.05	21.07.05	22.07.05	23.07.05
Jul'05	377.90	376.05	373.90	-	-	-
Aug'05	386.30	384.75	381.70	379.25	381.45	380.60
Sep'05	390.25	388.65	385.60	383.05	385.10	384.35
Oct '05	-	-	-	385.05	387.20	386.60

## WEEKLY WEATHER WATCH

### Forecast for the period upto 30 July, 2005

#### Weather Systems:

A monsoonal low pressure area that has formed over North Bay of Bengal off Gangetic West Bengal and Orissa coast yesterday has further intensified in to a well marked low today thus bringing the monsoon trough to its normal position. This system is expected to intensify further in to a monsoon depression over the same region during next 24-48hours. Subsequently, it is expected to move slowly in west-northwesterly direction. Under the influence of these circulation features, most parts of central India and peninsular India are likely to experience enhanced rainfall activity in coming 4-5 days.

A mid-tropospheric cyclonic circulation (MTC) is likely to form over NE Arabian Sea and adjoining regions of Sourashtra and Kutch around 28 July, 2005. Subsequent to its formation rainfall activity may enhance over north Konkan and adjoining regions as well.

#### Monsoon Watch

Monsoon rainfall activity remained subdued over most parts of NW India, East and Central India during the week except over the West Himalayan region, Sub-Himalayan West Bengal & Sikkim, Bihar, East UP, East Rajasthan, Interior Karnataka where in its activity was found to be active to vigorous. While monsoon rainfall activity was found to be active for 1-2 days only during the week over parts of Gangetic West Bengal, Orissa, Jharkhand, Haryana and West Madhya Pradesh, West Rajasthan, Coastal Karnataka, Rayalseema and Coastal Andhra Pradesh, its activity was largely found to be moderate over most parts of NE India. Hence, All India weekly rainfall scenario was found to be below normal by 6% and cumulative seasonal rainfall till 20<sup>th</sup> July, 2005 was found to be near normal of the seasonal quantum of rainfall. The All India rainfall for the period 1June-20 July has come to 0% from 1% above normal during the previous week.

#### Zone-Wise Rainfall Forecast for Next 5 Days

##### NORTH & NORTH-WEST INDIA [J&K, HP, UTTANCHAL, PUNJAB, HARYANA, WEST UP]

The region is likely to receive scattered rainfall over Himachal Pradesh and Uttranchal during next 3-4 days. Over the remaining sectors of J&K, Punjab, Haryana, Delhi and West UP are likely to experience isolated showers.

##### EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]

Fairly wide spread rainfall with isolated heavy rain spells is expected over Orissa and Gangetic West Bengal during next 4-5 days. Scattered to fairly widespread rainfall activity is likely over Bihar, Jharkhand, sub-Himalayan West Bengal and NE states during next 3 days.

##### CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]

With the revival of monsoon, fairly wide spread rainfall is likely over the areas of Chattisgarh and East Madhya

Pradesh during next 4 days. Vidharbha and West Madhya Pradesh may experience scattered rainfall activity.

##### SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]

Widespread rainfall activity is likely over coastal Karnataka, south interior Karnataka and Telangana and fairly widespread over Kerala and North Interior Karnataka during next 3 days. Isolated to Scattered rainfall is likely over Tamil Nadu and Rayalseema for coming 5 days.

##### WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]

Scattered rainfall is likely over Konkan & Goa, Madhya Maharashtra, and Marathwada during next 2 days that is likely to get enhanced in to a fairly widespread rainfall activity starting from 28th July 2005. Isolated to scattered rainfall is likely over north Gujarat and Rajasthan during next 3days.

#### PORT WATCH

##### Port updates of Edible oils in India (01 July - 23 July '05) (Amount in Tonnes)

Particulars	Expected	Arrived	Total
SBO	27500	225974	253474
Palm Oil	9000	51050	60050
CPO	43100	135250	178350
Total Palm	52100	186300	238400
Total Oil	79600	412274	491874

##### Source: ANAS

##### Forex Rates (As on 23.07.2005)

Country/ Continent	Currency	Value in Rupees
USA	Dollar	43.50
Malaysia	Ringgit	11.51
European Union	Euro	52.48
United Kingdom	GBP	75.61
Japan	100 Yen	39.08

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