

## VEGOIL

12<sup>th</sup> July 2005

### MAJOR ACTIVITY HIGHLIGHTS

- CBOT Soy futures Improved Marginally on Expected Bullish Monthly Crop Progress Report
- South American Soybean Futures Recovered Marginally on Uncertain Crop Weather in US
- BMD CPO Continued Improving Amidst Uncertain Prospects and Declining Volumes
- USDA estimates of Oilseed Supply and Demand
- Soybean Oil prices Unsteady Amidst Increases Delivery Pressure

### TECHNICAL ANALYSIS

#### COMMODITY: SOY OIL

Perspective: Very Short Term

#### NCDEX JULY Contract

The July contract closed at 375.60, which is marginally higher than yesterday's close. Market opened steady but recovered marginally towards the end of the day amidst increased buying. The retail market still did not supported by the futures market adequately.

The 7-day MA today continued further lower after making a bearish cross over of the 14-Day MA hinting to the declining strength in the market prices in the market along with the 14-day MA which also continued down indicating the weakness in the current price trends.

Currently the MACD is bearish since it is trading below its signal line. The MACD crossed below its signal line 2 period(s) ago. Since the MACD crossed its moving average, Soy oil July's price has increased 0.41% and has ranged from a high of 376.20 to a low of 372.35.

The 9-days Price ROC improved marginally in the positive region to the level of 0.7646, indicating growing grip in the market prices. The 9-day RSI also moved up marginally in the

neutral region to a level of 48.71 confirming the steadiness in the prices.

The % K-line turned up in the neutral region indicating the improving sentiments in the prices. On the other hand, the % D-Line continued lower in the neutral region supporting the weakness in the market prices.

The candlestick is indicating at the steady opening for Wednesday.

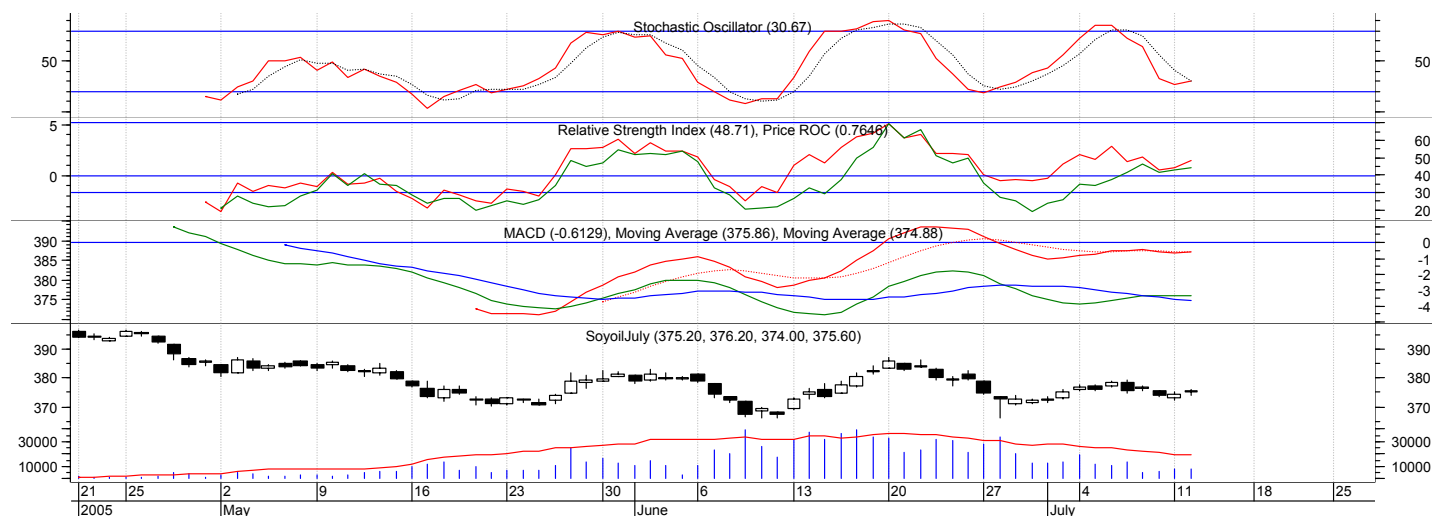
#### Market advice:

Market is expected to open steady but trade range bound on the lower side on Wednesday amidst pressure of the approaching cut at the Indore Exchange.

Do not make new entry.

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

Contract	Contract	Support		Resistance	
		1st	2nd	1st	2nd
NBOT	July '05	369.20	368.10	371.60	372.80
NCDEX	July '05	373.40	371.60	376.50	377.50



## MARKET HIGHLIGHTS & FUNDAMENTAL ANALYSIS

### International:

#### CBOT (US Soybean Oil):

Soybean futures at the Chicago Board of Trade finished higher Monday; bouncing back from earlier declines as forecasts reducing the chances of showers from Hurricane Dennis remnants reaching central and northern Illinois attracted speculative buying.

Ideas that most of the rains for the next 2-3 days for the eastern cornbelt could fall in the southern half of the belt helped support the move to the highs of the day after the market seemed to lack follow-through selling on the early break and on the collapse in the overnight session.

On top of some doubts as to the extent of the rainfall this week, the market seems to be finding support from USDA reports this week. The weekly crop progress report for release after the close is expected to show crop conditions down 2-4% in the good to excellent category. In addition, the USDA Supply/demand report for Tuesday morning is expected to show declining ending stock estimates.

Traders are expecting ending stocks to come in near 195 million bushels as compared with 255 million from last month's report.

Weekly export inspections came in at 6.06 million bushels from trade expectations at 4-8 million. Cumulative shipments have reached 92.9% of the USDA forecast for the year as compared with 93.1% on average for this time of the year.

In early trades, ADM Investor Services bought 500 November, ABN Amro bought 300 August, Goldenberg Hehmeyer bought 1,500 November, Refco bought 1,000 November, and O'Connor and Calyon Financial each bought 300 November. On the sell side, ADM Investor Services sold 500 November, ABN Amro, Citigroup and Man Financial each sold 300 November, UBS Securities sold 400 November, and Refco sold 800 November. Commodity funds were estimated buyers of 3,000 contracts.

The US soybean is expected to continue marginally range bound on the positive side amidst expected support from the monthly crop progress report to be released today evening.

#### Continuation chart of CBOT (Soybean Oil)



#### CBOT Soy oil futures as 11 July 2005 (Cents/pound)

Months	Previous Settle	Open	High	Low	Change	Close
Jul'05	24.55	24.50	24.96	24.28	0.22	24.77
Aug'05	24.63	24.62	34.38	24.35	0.21	24.84
Sep'05	24.76	24.78	25.10	24.48	0.20	24.96

CBOT remains closed on Saturday and Sunday.

#### South American Soybean Market

Ideas that Brazil export activity could pick up as international buyers seek coverage just in case the weather turns sour in the US helped the demand tone for South America soybeans last week, but the outlook for Midwest rains this week could cause end users to step back and wait for future developments. This, combined with increased cases of bird flu reported in Thailand, the Philippines and Japan in the past week might help ease demand.

While crop conditions likely deteriorated over the past week, the outlook for improving crops for the coming week and more normal weather into late July leaves futures vulnerable to long liquidation selling from fund traders unless the USDA reports on Tuesday morning offer some bullish surprises.

Thailand reported bird flu problems over the weekend. Japan also noted a new case on a chicken farm, but it was of the weaker strain, which does not kill humans. Slower palm oil production in June resulted in end of June palm oil stocks at 1.183 million tonnes, down 8.64% from the previous month.

China imported 12 million tonnes for the first half of 2005, which was up 33.6% from last year, so traders believe that demand numbers should remain strong for the report. Thailand reported bird flu problems over the weekend. Japan also noted a new case on a chicken farm, but it was of the weaker strain, which does not kill humans.

Slower palm oil production in June resulted in end of June palm oil stocks at 1.183 million tonnes, down 8.64% from the previous month.

The Latin American soybean market is expected to trade range bound on the higher side amidst continuing concerns over the declining crop weather in US.

#### USDA estimates of Oilseed Supply and Demand

U.S. oilseed ending stocks for 2005/06 are projected at 7.0 million tons, down 1.1 million tons from last month. U.S. oilseed production is projected at 89.1 million tons, down 0.1 million tons. Reduced soybean, cottonseed, and sunflower seed production are only partly offset by higher peanut and canola production. Soybean production is projected at 2,890 million bushels (78.7 million tons), down 5 million bushels from last month because planted and harvested area in the Acreage report are below the June projections. U.S. soybean stocks are reduced to 210 million bushels reflecting reduced supplies and higher projected use. Supplies are reduced due to lower beginning stocks and slightly reduced production. Soybean crush is raised due to improved prospects for soybean meal use. Soybean oil production, exports, and stocks are all increased due to higher soybean crush. Global oilseed production for 2005/06 is increased 1.7 million tons to 378.7 million tons. Foreign production is projected up 1.8 million tons, more than offsetting a small reduction for the United States. Rapeseed production is increased for Canada based on higher harvested area. Other changes include reduced sunflower seed production for the EU-25 and increased cottonseed production for China, India, and Pakistan. Global oilseed production for 2004/05 is reduced this month mainly reflecting a 2 million ton reduction in the Brazil soybean crop. The crop is estimated at 51 million tons based on survey results

recently released by the Brazilian Government. U.S. soybean crush for 2004/05 is projected at 1,690 million bushels, up 15 million bushels from last month. The increase reflects stronger-than-expected growth in domestic soybean meal use through the third quarter of the marketing year. Residual use is raised 15 million bushels this month. 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 at 290 million bushels, down 30 million bushels.

#### KLCE (Malaysian Palm Oil):

Crude palm oil futures on the Bursa Malaysia Derivatives ended marginally higher Monday after a choppy session, with a series of supply and demand data failing to provide any fresh leads. CPO futures drifted lower in the morning session, under pressure from declines in soyoil futures on the Chicago Board of Trade Friday and weaker-than-expected export figures.

Traders expressed that July 1-10 palm oil export estimates from cargo surveyors and the MPOB's crop report had opposing influences on the market, leaving participants confused about the longer-term price direction.

The MPOB reported June palm oil exports at 1.17 million tons, down 12% from May. It also reported a 7.1% on-month decline in production to 1.21 million tons in June while stocks fell 8.6% to 1.18 million tons. The declines in production and stocks were steeper than expected.

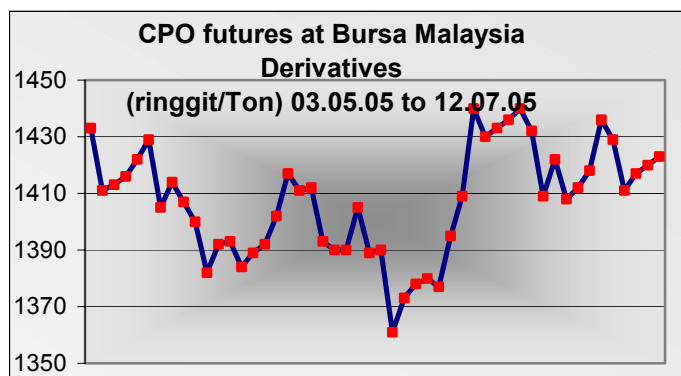
Cargo surveyor Intertek Agri Services estimated Malaysian palm oil exports in the first 10 days of July at 333992 tons, down 27% on month. Another surveyor SGS (Malaysia) Bhd. pegged July 1-10 exports at 330050 tons, also down 27% on month. The estimates were considered disappointing, as speculation had been for exports of around 350000-to-380000 tons.

With palm oil production expected to recover in July, weaker exports would mean stocks could build up again by the end of the month. Traders said with the release of the supply and demand figures having come and gone with little impact on the market, participants will be turning their attention to the soybean market for leads in the coming days.

The Malaysian market is expected to continue range bound on the higher side on Tuesday amidst continuing uncertainty in the US soybean market.

#### KLCE CPO Futures (12.07.05) (In Ringgit /T)

Months	Previous	Open	High	Low	Change	Close	Volume (*lots)
Jul'05	1415	1420	1421	1417	+2	1417	141
Aug'05	1419	1424	1426	1422	+4	1423	592
Sep'05	1420	1423	1427	1421	+3	1423	1406



## Domestic:

### Palm oil

The domestic palm oil market today traded range bound amidst indecisive international markets and indecisive retail market.

The Malaysian markets traded range bound amidst lack of clear directions. The new export figure to be released by the two agencies (Cargo surveyor Intertek Agri Services and SGS (Malaysia) Bhd.) on Friday is awaited eagerly amidst absence of fresh trading cues from the present trading sessions. The US soybean market also was not able to provide sufficient boot to the sentiments as it is waiting for the release of the USDA figures for the Monthly crop Progress report.

The import quantum remained almost steady. In the month of July (till 11.07.05) the country has imported about 0.70 lakh tonnes of palm oil.

CNF prices of CPO (July) were quoted at \$ 372.50 per tonnes and RBD Palmolein at \$ 402.50 per tonne.

The price for palm oil in the market is expected to continue range bound on Wednesday with marginal improvement as the market is expected to receive mild support from the Malaysian markets.

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

Centres	12.07.05	11.07.05	Change
Kandla CPO (5 % FFA)	329	329	0
Mumbai CPO (5% FFA)	330	330	0
Kandla RBD Palmolein	356	356	0
Mumbai RBD Palmolein	369	368	+1
Chennai RBD Palmolein	366	367	-1
Kakinada RBD Palmolein	365	365	0

### Soy oil

The domestic market opened mixed continued further lower for the first few hours but witnessed mild recovery towards the end of the day amidst short coverings. The lack of retail demand is not helping the buyers support to come up in a large way at the futures.

Today the delivery of 1350 tonnes at Indore was confirmed. Another lot of 1000 tonnes was expected today, which has not yet been confirmed. If this delivery does not take place, then it is expected to cause bullishness in the market prices.

The international market improved marginally at the CBOT amidst wide spread uncertainty in the weather caused by the Dennis Hurricane. The situation of the international market is expected to be clear by today evening after the release of the Monthly crop progress report by USDA. Till then the market sentiment is expected to continue uncertain. At the time of closure the NBOT July Contract was at Rs. 370.40 (UP by Rs. 0.10) and the August contract ended at Rs. 381.10 (UP by Rs. 1.40).

The Hazir market traded range bound in the positive region amidst uncertain sentiments at the futures and the pressure of deliveries at Indore.

Prices for soy degum (High-Seas) at Kandla were quoted at Rs 338 per 10 kg. CNF prices for soy degum (June Shipment) at Kandla were quoted at \$ 511 per tonne.

The market is expected to open steady for Wednesday but trade higher as the day progresses.

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

Centres	12.07.05	11.07.05	Change
Mumbai (Soy ref)	362	362	0
Indore (Soy Ref oil)	372	370	+2
Indore (Soy Solvent Ex. oil)	349	348	+1
Kota (Soy Ref. Oil)	377	374	+3
Jaipur (Soy Ref. Oil)	378	375	+3

**NBOT Soy oil futures as on 12.07.2005 (Rs/10 kg)**

Months	Previous Closing	Open Price	High Price	Low Price	Change	Close Price	Volume
Jul'05	370.30	369.50	370.50	368.60	+0.10	370.40	15200
Aug'05	379.70	380.00	381.60	379.60	+1.40	381.10	29200
Sep'05	0.00	N.A	N.A	N.A	0.00	N.A	N.A

**NCDEX Soy oil futures as on 11.07.2005 (Rs/10 kg)**

Months	Previous Closing	Open Price	High Price	Low Price	Close Price	Volume	Open Interest
Jul'05	374.05	373.05	375.20	372.35	374.50	8420	19800
Aug'05	380.95	380.50	382.20	379.30	381.80	22390	34440
Sep'05	385.20	383.55	386.65	383.50	386.15	9260	21420

**Rape oil**

The rape oil market today found renewed support at the futures amidst increased buying and profit coverings in the soybean oil market in spite of the declining support from the retail market.

The traders are still expressing their concern over the declining demand in the retail market. It is accessed that they have enough stock for the coming couple of week and till they are not interested in entering the market is a big way.

The traders are also keeping their fingers crossed over the next move of NAFED whose domestic tender is to be released tomorrow. The traders are expecting the quoted rates for Mustard sale to be around Rs.1700 to 1750 per quintal. Any rate below the expected level would result in loss to NAFED and in that case the market is expected to come down significantly as NAFED would be selling about 4 to 5 lakh tonnes of rape seed.

Today, the rape oil found increased support from the buyers at major exchanges amidst the unsteady progress of monsoon. In the spot markets the prices moved range bound amidst increasing uncertainty.

Today the new crop arrival reached 0.20-0.25 lakh bags in Rajasthan and about 0.10 lakh bags in Madhya Pradesh.

The rape oil market is expected to trade on higher side for Tuesday as the buyers' support is expected to on the rise for few more days.

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

Centres	12.07.05	11.07.05	Change
Mumbai (Rape Expeller Oil)	392	392	0
Kota (Rape Expeller Oil)	383	382	+1
Jaipur (Rape Expeller Oil)	385	388	-3
Neewai (* Kacchi Ghani Rape Oil)	400	398	+2
Delhi (Rape Expeller Oil)	398	400	-2

**Groundnut oil**

Groundnut oil today continued improving marginally at various centres including Gujarat owing increasing uncertainty in the other edible oil markets and declining retail support. The Gujarat market is still maintaining the high price amidst concerns of the adversity of flood where effective supply line to different markets have been disrupted owing the disturbances in the road and rail transport.

The domestic demand is expected to trade range bound on the higher side in the coming days amidst growing uncertainty in the cultivation of the new crop.

The range-bound higher trade in groundnut oil prices is expected to continue for Wednesday amidst continuing uncertainty about the upcoming crop.

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

Centres	12.07.05	11.07.05	Change
Mumbai	505	500	+5
Rajkot	535	530	+5
Andhra Region	500	498	+2
Chennai	502	500	+2

**LATEST WEATHER WATCH (12.07.2005)****Progress of Monsoon**

Southwest monsoon has been active over Uttaranchal, Arunachal Pradesh, Sub-Himalayan West Bengal, Sikkim, West Uttar Pradesh, Himachal Pradesh and East Rajasthan.

The rainfall occurred at many places in Arunachal Pradesh, Assam & Meghalaya, Sub-Himalayan West Bengal, Orissa, Uttaranchal, Haryana, Chandigarh, Delhi, Himachal Pradesh, East Rajasthan, Konkan & Goa, Vidarbha, Chhattisgarh and Kerala and at few places in Bihar, east Uttar Pradesh, east Madhya Pradesh, Gangetic West Bengal, costal Karnataka and Tamil Nadu & Pondicherry.

Maximum and minimum temperatures are below normal or normal at most of the stations. Heavy rainfall (>50 mm) occurred at Agra, Baharich, Bhopal, Dehradun, Goa, Jabalpur, Jharsuguda, Mangalore, Delhi, Panambur and north Lakhimpur; moderate rainfall (20-50 mm) at Ambala, Bareilly, Bhagalpur, Gorakhpur, Lucknow, Mercara, Raipur, Ramagundam and Ratnagiri and light rainfall (< 10 mm) and no rain at remaining stations.

Available satellite picture indicates the possible occurrence of rain / thundershowers over south western Jammu & Kashmir, Himachal Pradesh, Maharashtra, Goa, Madhya Pradesh, Orissa, Chhattisgarh, West Bengal, Uttar Pradesh, Bihar, Gujarat, Telangana, Punjab, Haryana, Delhi, Rajasthan, Assam, Nagaland, Manipur, Mizoram, Meghalaya, Tripura, Andaman & Nicobar Islands and Lakshadweep. Isolated rain / thundershowers are likely to occur over Uttaranchal, rest of Andhra Pradesh, Sikkim, Arunachal Pradesh, Karnataka and Kerala.

**Forecast for next 24 hours**

**North:** Rain/thundershowers likely at most places over Uttaranchal, west Uttar Pradesh and Himachal Pradesh and at many places in the rest region.

**East:** Rain/thundershowers likely at many places over northeastern states, Bihar, sub-himalayan West Bengal & Sikkim, east Madhya Pradesh and Chhattisgarh; and at a few places in the rest region.



**South:** Rain/thundershowers likely at many places over coastal Karnataka; at a few places in Rayalseema, south interior Karnataka, Kerala and Lakshadweep and isolated in the rest region.

**West:** Rain/thundershowers likely at many places over east Rajasthan, west Madhya Pradesh, Konkan & Goa and Vidarbha and at a few places in the rest region outside Gujarat state where it may be isolated. Decrease in rainfall activity over west Madhya Pradesh, Vidarbha, Haryana and Rajasthan after 13th July.

#### Outlook for subsequent two day

Subdued rainfall activity over interior peninsula likely to continue. Current rainfall activity over northeastern states, sub-himalayan West Bengal & Sikkim, Bihar, Uttar Pradesh and western himalayan region likely to continue.

Decrease in rainfall activity over central India.

#### Warning

Heavy to very heavy rainfall likely over northeastern states, sub-himalayan West Bengal & Sikkim, west Uttar Pradesh, Uttarakhand, Himachal Pradesh and Jammu region of Jammu & Kashmir. Isolated heavy rainfall likely over east Uttar Pradesh, Haryana, north Rajasthan, north Madhya Pradesh, coastal Karnataka and Lakshadweep till 14th July.

#### Agricultural Activities

Sowing of kharif oilseed crop is facing problems with major soybean growing areas receiving insufficient rains and some areas needing replanting after flood damaged the crop fields

#### PORT-WATCH (Latest)

Kolkata Port is receiving 10,100 MT of CPO from the vessel 'Chem Tank'. Seaport agents is handling the vessel.

'EW Hasting' has berthed at JN Port and continues to deliver 18,000 MT of SBO. Interocean agents is handling the vessel.

'Sichem Melaga' has berthed at Kakinada Port and continues to discharge 7,000 MT of CPO. The port is expecting 'Ocean Ace', 'Countess' and 'Mega Crown' to deliver 6,000 MT, 4,000 MT and 2,000 MT of CPO respectively.

Delivery of 3,000 MT of palm oil is continuing at Chennai Port from the vessel 'Hua Yun 4'. The vessel is being handled by Seaport agents.

New Mangalore Port is receiving 8,000 MT of CPO from the vessel 'Global Venus'.

Tuticorin Port is expecting 'Global Mars' and 'Spring Glory' to deliver 6,900 MT and 7,250 MT of palm oil respectively. St John agents will be handling the vessel.

'Zhong Hua 6' is expected at the port to discharge 5,000 MT of CPO. The port is expecting 'Thressa II' and 'Star Dream' to deliver 6,400 MT and 6,200 MT of palm oil respectively. Interocean agents will be handling the vessel.

Mundra Port is expecting 'Red Point' to deliver 27,000 MT of SBO. The vessel will be handled by Interocean agents.

#### Current Vessels Positions

Ports	Vessels	Volume (Ton)	Carrying	Status
Kolkata	Chem Tank	10100	CPO	Arrived
JN	EW Hasting	18000	SBO	Arrived
Tuticorin	Global Mars	6900	Palm oil	Expected
	Spring Glory	7250	Palm oil	Expected
Mumbai	Zhong Hua 6	5000	CPO	Expected
	Thressa II	6400	Palm oil	Expected
	Star Dream	6200	Palm oil	Expected
Chennai	Hua Yun 4	3000	Palm oil	Arrived
Mundra	Red Point	27000	SBO	Expected
Kakinada	Ocean Ace	6000	CPO	Expected
	Countess	4000	CPO	Expected
	Sichem Melaga	7000	CPO	Arrived
	Mega Crown	2000	CPO	Expected
New Mangalore	Global Venus	8000	CPO	Arrived

#### Forex Rates

(As on 12.07.2005)

Country/ Continent	Currency	Value in Rupees
USA	Dollar	43.62
Malaysia	Ringgit	11.48
European Union	Euro	52.64
United Kingdom	GBP	76.64
Japan	100 Yen	39.02

#### Disclaimer

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