

## VEGOIL

20<sup>th</sup> July 2005

### MAJOR ACTIVITY HIGHLIGHTS

- CBOT Soy Futures Traded Sharply Lower Amidst Rains in Major Growing Areas
- South American Soybean Futures Traded Range Bound on Uncertain US Weather
- BMD CPO Futures Continued Range Bound Amidst 23 - 26 % Decline in Exports
- Soybean Oil Prices Plummeted Sharply Lower on Sharp Decline in US Market

### TECHNICAL ANALYSIS

#### COMMODITY: SOY OIL

#### Perspective: Very Short Term

#### NCDEX August Contract

The August contract closed at 381.50, which is significantly lower than yesterday's close. Market opened range weak and declined further for the day amidst sharp fall in the US soybean complex futures and increased panic selling at the domestic exchanges. The closure of the July contract at the NCDEX also applied pressure on the price of today.

The 7-day MA continued higher hinting to the existing in market prices. The 14-day MA also continued upward indicating the continuing strength 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 0 period(s) ago. Since the MACD crossed its moving average, August soybean oil's price has been unchanged, and has ranged from a high of 384.05 to a low of 381.40.

The 9-days Price ROC declined further entering the negative region to the level of 0.2738 pointing downward, indicating rising strength in the market prices. The 9-day RSI also moved further lower in the neutral region to a level of 54.40 confirming the declining strength in the prices.

The % K-line dipped further lower in the neutral region along with the % D-Line indicating weakening trends in the prices.

The candlestick is indicating at the weak opening and range bound trade for Thursday.

#### Market advice:

Market is expected to open marginally weak, trade range bound for the first few hour's of the day but improve marginally towards the end of the day on Thursday.

Sell with short-term outlook.

Long-term sentiments continue to be bullish.

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

Contract	Contract	Support		Resistance	
		1st	2nd	1st	2nd
NBOT	Aug' '05	379.90	378.00	382.10	383.50
NCDEX	Aug' '05	380.00	379.00	383.20	384.80

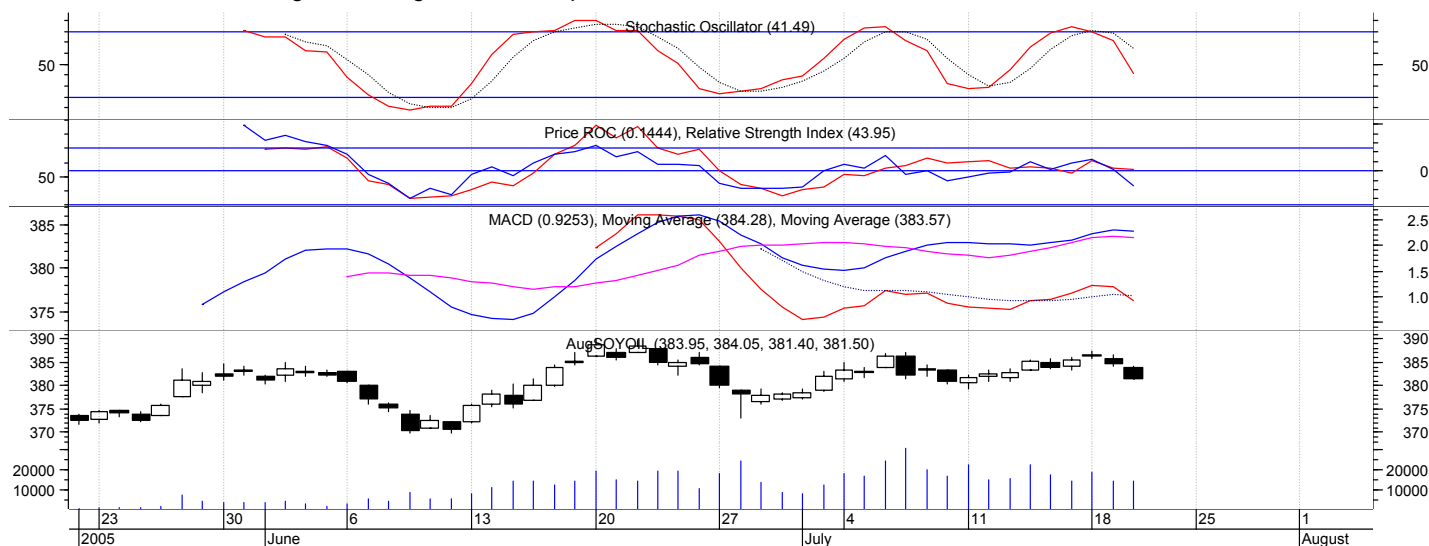
#### Abbreviations:

ROC - Rate of Change      MA - Moving Average

MACD - Moving Average Convergence Divergence

RSI - Relative Strength Index

% K-Line & % D-Line - Faster & slower Lines of Stochastic Oscillators



## MARKET HIGHLIGHTS & FUNDAMENTAL ANALYSIS

### International:

#### CBOT (US Soybean Oil):

Heavy speculative selling pressured soybean futures at the Chicago Board of Trade on Tuesday, as the market plunged amid talk of less-threatening long-term weather forecasts and technical weakness.

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.

Export news is slow with end user focus on South American soybeans at this time of the year. South Korea is tendering for India or South American meal.

In trades, Calyon Financial bought 500 November and Refco bought 200 November. On the sell side, ADM Investor Services sold 500 November, Cargill Investor Services sold 1,500 November, Man Financial and Goldenberg Hehmeyer each sold 1,000 November, Refco sold 2,500 November, Fimat sold 700 November and RJ O'Brien sold 800 November. Commodity funds were estimated sellers of 13,000 to 14,000 contracts.

The US soybean is expected to continue unsteady with bullish undertone on expectation of continuing uncertainty in the weather forecasts.

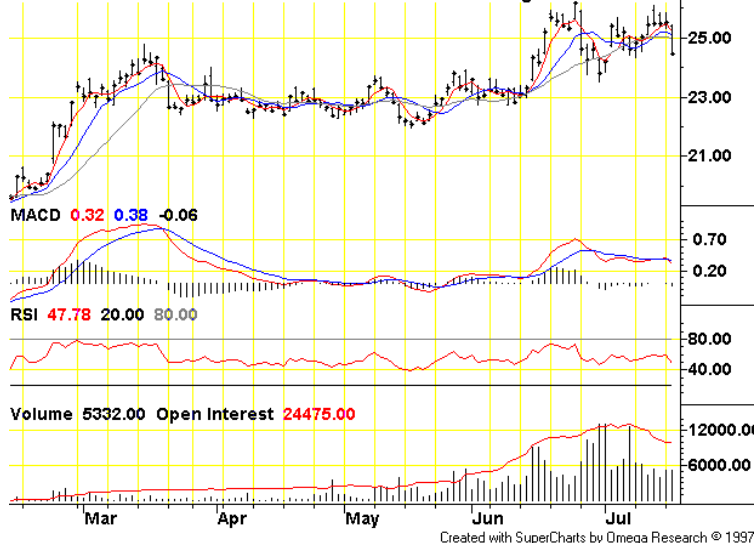
#### CBOT Soy oil futures as 19 July 2005 (Cents/pound)

Months	Previous Settle	Open	High	Low	Change	Close
Jul'05	25.54	25.40	25.40	24.45	-1.08	24.46
Aug'05	25.63	25.50	25.50	24.48	-1.02	24.61
Sep'05	25.72	25.55	25.55	24.58	-1.06	24.66

CBOT remains closed on Saturday and Sunday.

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

07/19/2005 C=24.46 -1.08 O=25.40 H=25.43 L=24.40 Mov Avg 3 lines



#### South American Soybean Market

The focus of attention is still on threatening weather in the US with some traders believing that Monday and Wednesday scattered rains across the Midwest will protect the crop against heat and dryness into next week.

A slower Chinese demand tone is coming at a time when their demand is usually focused on Brazilian soybeans. This, along with producer selling in Brazil helped pressure the basis and keep a lid on the rally.

Crop condition news overnight did not vary much from expectations, with crops deteriorating slowly over the past week. However, the deterioration process could accelerate this coming week with hot and dry weather for the Midwest and the delta.

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.

More important to the soybeans is the longer-term forecast, which shifted to a bit warmer and drier from normal for the early August time frame.

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 Latin American soybean market is expected to continue range bound on the higher side amidst the uncertain weather in US.

#### KLCE (Malaysian Palm Oil):

Crude palm oil futures on the Bursa Malaysia Derivatives ended with mild fluctuation today, as the market was unmoved by steep overnight declines in soyoil futures and weak export data.

CPO futures have been trapped in narrow ranges amid slow trading for several days as uncertainty over longer-term price direction kept most participants on the sidelines. Wednesday was no exception as the market stayed well within recent ranges.

The July 1-20 export figures were poor, but they are not a big deal because it's already been expected. The overnight sell off on CBOT also isn't something to get too excited about because looking at how volatile it has been, the direction could change very quickly.

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.

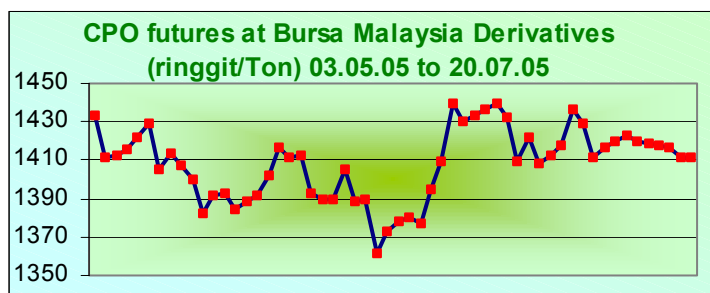
Based on the pace in the first 20 days, exports for the full month are likely to be about 1.0 million tons. In June, exports were about 1.17 million tons. On the production side, market talk so far has been for a rise in Malaysian CPO output of about 3% to 5% from

the 1.21 million tons produced in June. The excess supply is expected to lead to higher stocks by end-July.

Trading activity in the Malaysian cash market was subdued for most of the day, except for some scattered covering interest from refiners mid-afternoon. Consumer buying interest remained slow due to uncertain price direction. The Malaysian market is expected to continue range bound on the lower side on Thursday amidst declining exports and uncertain sentiments in the US soybean market.

#### KLCE CPO Futures (20.07.05) (In Ringgit /T)

Months	Previous	Open	High	Low	Change	Close	Volume (*lots)
Aug '05	1410	1400	1410	1400	-1	1409	739
Sep '05	1411	1401	1411	1385	-1	1410	782
Oct '05	1411	1403	1412	1398	0	1411	2426



## Domestic:

### Palm oil

The domestic palm oil market today continued range bound amidst lack of support from the international markets and low retail demand.

The Malaysian markets today continued range bound on the lower side in spite of the sharp decline in the US soybean complex last evening. The Malaysian market is at present weak amidst pressure of the rising end stock and about 23 to 26 per cent decline in the export figures (1-20 July) released by Intertek Agri Services and SGS (Malaysia) Bhd, respectively. In the absence of support from the export figures, which the Malaysian trade is not expected to support the domestic sentiments in a big way resulting the continuing range bound trade.

The import quantum has increased almost gradually. In the month of July (till 19.07.05) the country has imported about 1.62lakh tonnes of palm oil.

CNF prices of CPO (July) were quoted at \$ 367.50 per tonnes and RBD Palmolein at \$ 400.00 per tonne.

The price for palm oil in the market is expected to continue range bound on Thursday with marginal decline as the market is expected to get no support from the other edible oils.

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

Centres	20.07.05	19.07.05	Change
Kandla CPO (5 % FFA)	329	330	-1
Mumbai CPO (5% FFA)	330	330	0
Kandla RBD Palmolein	361	362	-1
Mumbai RBD Palmolein	369	371	-2
Chennai RBD Palmolein	368	367	+1
Kakinada RBD Palmolein	368	368	0

### Soy oil

The domestic market opened weak and continued sharply lower for the day amidst increased selling pressure and excessive decline in the US soybean complex market.

The international CBOT market closed sharply lower. The incidence of rains in Iowa, Indiana and Ohio weakened the sentiments and the fund traders observed increased panic selling. At the time of closure the NBOT august Contract was at Rs. 381.00(Down by Rs. 2.80) and the September contract ended at Rs. 385.00 (Down by Rs. 2.90).

The Hazir market traded range bound in the negative region amidst marginal strength in the futures market.

Prices for soy degum (High-Seas) at Kandla were quoted at Rs 340 per 10 kg. CNF prices for soy degum (July Shipment) at Kandla were quoted at \$ 512 per tonne.

The market is expected to open marginally weak for Thursday but is expected to improve in the afternoon session if it is adequately supported by CBOT Soybean futures.

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

Centres	20.07.05	19.07.05	Change
Mumbai (Soy ref)	366	368	-2
Indore (Soy Ref oil)	375	377	-2
Indore (Soy Solvent Ex. oil)	354	355	-1
Kota (Soy Ref. Oil)	380	382	-2
Jaipur (Soy Ref. Oil)	383	385	-3

#### NBOT Soy oil futures as on 20.07.2005 (Rs/10 kg)

Months	Previous Closing	Open Price	High Price	Low Price	Change	Close Price	Volume
Aug'05	383.80	381.60	381.70	380.60	-2.80	381.00	27640
Sep'05	387.90	385.50	385.60	384.90	-2.90	385.00	650
Oct '05	0.00	N.A	N.A	N.A	0.00	N.A	N.A

#### NCDEX Soy oil futures as on 19.07.2005 (Rs/10 kg)

Months	Previous Closing	Open Price	High Price	Low Price	Close Price	Volume	Open Interest
Jul'05	377.90	378.05	378.05	375.90	376.05	5530	8170
Aug'05	386.30	385.75	386.50	384.20	384.75	14690	32450
Sep'05	390.25	389.55	390.45	388.00	388.65	6890	30710

### Rape oil

The rape oil market today continued declining at the futures amidst strong rumours of accepting domestic tender rate of NAFED by few traders.

The regular miller's demand is expected to keep the prices under tight check and would not allowing the prices to fall abruptly.

The policy of the NAFED regarding the mustard seed sale is not yet clear. The NAFED could not go through with the tender rate for the sale of mustard seed as the rates quoted is said to be much above the market rate.

The unsteady progress of sowing of other oilseed crops and declining weather in major growing areas is still helping the prices. In the spot markets the stayed range bound amidst steady demand.

Today the new crop arrival reached 0.20 lakh bags in Rajasthan.

The rape oil market is expected to continue trading range bound on the lower side as the buyers' uncertainty is expected to continue longer.

Rape oil - Spot Market Price		(Rs. per 10 kg)	
Centres	20.07.05	19.07.05	Change
Mumbai (Rape Expeller Oil)	400	400	0
Kota (Rape Expeller Oil)	393	392	+1
Jaipur (Rape Expeller Oil)	395	395	0
Neewai (* Kacchi Ghani Rape Oil)	409	408	+1
Delhi (Rape Expeller Oil)	420	418	+2

#### Groundnut oil

Groundnut oil today continued range bound in the positive side at various centres. In all the major markets the prices remained steady amidst sharp decline in the prices of other edible oils.

The Gujarat and Mumbai market traded range bound amidst continuing uncertainty in demand while the Hyderabad and Chennai market witnessed marginal upsurge as the retail demand improved marginally.

Apart from the uncertain and slow sowing progress, the import of the other competitive edible oil is also imparting increased pressure on the domestic groundnut prices.

The domestic market is expected to continue trading range bound on Thursday amidst continuing uncertainty and expectation of lower production in the ongoing crop season.

Groundnut oil - Spot Market Price		(Rs. per 10 kg)	
Centres	20.07.05	19.07.05	Change
Mumbai	485	485	0
Rajkot	520	525	-5
Andhra Region	530	522	+8
Chennai	525	518	+7

### LATEST WEATHER WATCH (20.07.2005)

#### Progress of Monsoon

An upper air cyclonic circulation lies over Marathwada and neighbourhood between 3.1 and 5.8 km above sea level. Yesterday's upper air cyclonic circulation over central Bay of Bengal has become less marked.

The upper air cyclonic circulation over central Pakistan and adjoining northwest Rajasthan has also become less marked.

The axis of the monsoon trough at sea level passes through Ferozpur, Patiala and thence along the foothills of Himalayas to Nagaland, Manipur, Mizoram & Tripura.

#### Forecast for next 24 hours

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

**East:** Rain/thundershowers likely **at many places** over Northeastern States, Bihar and Sub-Himalayan West Bengal & Sikkim, **at a few places** Gagetic West Bengal, East Madhya Pradesh and Chhattisgarh and **isolated** in the rest of the region.

**South:** Rain/thundershowers likely **at many places** in Lakshadweep, Karnataka and Kerala and **isolated** in the rest region.

**West:** Rain/thundershowers likely at many places over Konkan & Goa, Madhya Maharashtra, Marathwada and isolated in the rest region.

#### Outlook for subsequent two days

Ongoing rainfall activity over Northeastern States, Sub-Himalayan West Bengal & Sikkim and along West coast of India likely to continue.

Subdued rainfall activity over remaining parts of the country likely to continue.

#### Warning

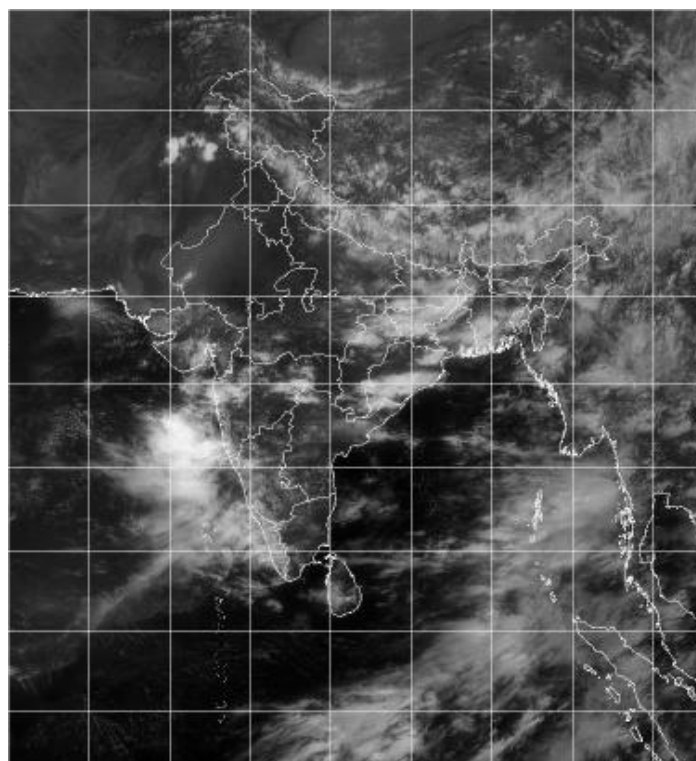
**Heavy to very heavy** rainfall likely **at isolated places** over Sub-Himalayan West Bengal & Sikkim, Northeastern States. **Isolated heavy** rainfall also likely over Konkan and Goa, Coastal Karnataka and Kerala.

#### Agricultural Activities

Widespread rainfall has received in North Karnataka during the last week. Preparations for sowing of kharif crops have just begun with the receipt of rainfall. South interior Karnataka received widespread rainfall. Sowing of Kharif crops is in progress. In Vidarbha region of Maharashtra, sporadic light rainfall has occurred during the last week. The sowing of cotton is in progress. Only 56 percent of the normal area (149.4 lh) under oilseeds could be sown as on 15th July.

#### Latest satellite Image of Monsoon Progress

(20.07.2005, 03.30 PM)





## PORT-WATCH (Latest)

Delivery of 3,500 MT of CPO is continuing at Kandla Port from the vessel 'Global Themis'. The cargo was loaded from Indonesia. Forbes Gokak agents is handling the vessel. 'Zhong Hua 6' from Indonesia has berthed at the port and continues to discharge 5,850 MT of CPO. Atlantic agents is handling the vessel. Kandla Port is receiving 12,000 MT of SBO from the vessel 'EW Hasting'. The cargo was loaded from Brazil. Delivery of 4,000 MT of CPO is continuing at the port from the vessel 'Star Dream'. The cargo was loaded from Dumai. Interocean agents is handling these vessels. 'Commuter' from Brazil is expected at the port to discharge 16,500 MT of SBO. Interocean agents will be handling the vessel.

Mundra Port is receiving 41,000 MT of SBO from the vessel 'Red Point'. The vessel is being handled by Interocean agents.

'Golden Dream' is expected at Kakinada Port to discharge 6,000 MT of CPO.

Delivery of 6,000 MT of palm oil is expected at Chennai Port from the vessel 'Ace I'. The vessel will be handled by Seaport agents.

Cochin Port is expecting 'Eastern Eminity' to discharge 3,000 MT of palm oil. The vessel will be handled by GAC agents.

## Current Vessels Positions

Ports	Vessels	Volume (Ton)	Carrying	Status
Kandla	EW Hasting	12000	SBO	Arrived
	Global Themis	3500	CPO	Arrived
	Star Dream	4000	CPO	Arrived
	Commuter	16500	SBO	Expected
	Zhing Hua 6	5850	CPO	Arrived
Cochin	Eastern Eminity	3000	Palm oil	Expected
Chennai	Ace I	6000	Palm oil	Expected
Mundra	Red Point	41000	SBO	Arrived
Kakinada	Golden Dream	6000	CPO	Arrived

## Forex Rates

(As on 20.07.2005)

Country/ Continent	Currency	Value in Rupees
USA	Dollar	43.54
Malaysia	Ringgit	11.47
European Union	Euro	52.53
United Kingdom	GBP	75.62
Japan	100 Yen	38.48

## Disclaimer

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