

VEGOIL

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MAJOR WEEKLY HIGHLIGHTS

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NATIONAL & INTERNATIONAL NEWS

U.S. Soybean Planted Area Down 3 Percent From 2004

U.S. soybean planted area for 2005 could reach 29.7 million hectares, down 3 percent from last year's record high acreage, according to USDA. Area for harvest, forecast to be 29.3 million hectares, is down 2 percent from 2004. Area planted was decreased or unchanged from last year in most of the 31 major soybean producing States. However, in 8 States planted area increased, including Kansas, Missouri, and record-high soybean acreage in Nebraska. Growers in North Dakota and Minnesota showed the largest decrease in soybean acreage, each 202,000 hectares less than 2004. USDA also reported last week that soybeans stored in all positions on June 1, 2005 totaled 19.1 million tonnes, up 70 percent from June 1, 2004. On-farm stocks totaled 9.69 million tonnes, up 224 percent from a year ago.

Brazil Currently Expects 50.2 Million Tonne of Soybean Crop

Brazil's Agriculture Ministry held its estimate for the 2004-05 soybean crop (October-September) at a record 50.2 million tonnes in its July forecast. The production estimate is marginally higher than last year's record 49.8 million tonnes. However, output could have been 10 million tonnes higher, were it not for a sustained drought in the south of the country, said the Ministry. The Ministry reduced its total grain, oilseeds and cereals crop forecast to 112.4 million

tonnes from the 113.7 million tonnes expected in May. The reduction mainly is due to losses to the corn crop.

Argentina to Fight Against Monsanto's Claim of Breach Of Trust

Monsanto filed a patent infringement suit in Denmark against traders in Argentine soybeans produced from its genetically modified Roundup Ready (RR) seeds. By filing in Denmark, the company said it aimed to clarify its intellectual property rights since some parties (in Argentina) have expressed doubts about those rights. Any hopes that the threat of legal action would lead the Argentine federal government to take a more conciliatory approach was dashed last week. The Argentine government reacted angrily, calling the move "extortion" and saying it would confront Monsanto in every court where it took its case. Agriculture Secretary Miguel Campos said Monsanto has patent rights in Europe on its seed, but not on grains and their byproducts that are sold by Argentine producers.

China Expects Smaller Rapeseed Crop on Declining Weather

China is expected to produce around 11 million tonnes of rapeseed this year, 15% less than 2004, according to the China National Grains and Oils Information Centre (CNGOIC). Rapeseed production has been hit by cold spring weather in central China and this year's harvest is estimated at 11.2 million tonnes. Canada has increased its canola area this year and had hoped to fill some of the supply gap created by lower Chinese rapeseed production.

Iowa to investigate Disease Mechanism of Asian Soybean Rust

Iowa State University is beginning a study of the molecular interaction between a soybean plant and the Asian rust fungus, one of the first studies to look at the molecular changes that occur in soybeans infected by the pathogen. Researchers affiliated with Iowa State's Plant Sciences Institute hope the investigation can someday lead to the development of a soybean variety resistant to the deadly pathogen.

Soy Complex Lower On Hurricane Dennis Forecast

The soy complex closed mostly lower on July 7 reflecting improved prospects for rain into the central Corn Belt for this week if Hurricane Dennis tracks as expected. Most weather models assume a westerly track and that the hurricane's moisture would reach west of Illinois. But, if the storm tracks only slightly more easterly it would increase the odds that the moisture could head straight for Illinois. Also, the terrorist activity in London contributed to active fund selling in a wide range of commodity markets.

Sunflower Seeding Near Completion in US With Good Progress

A seeding of this year's sunflower crop has wrapped in most of the growing area and crop appears to be in good condition. Warm and humid conditions were a big concern for disease in field crops in North Dakota. South Dakota experienced hot, dry weather last week, which aided row crop development significantly. Seeding of this year's sunflower crop is nearly complete, with 98% in the ground, compared with 92% last year and the same as the 5-year average. Roughly 92% of the sunflowers have emerged, 10 points ahead of last year but 1 point behind the 5-year average. In Texas, seeding of this year's sunflower crop is now 90% complete, down from 100% complete by this time last year.

Bunge to Purchase Soybean Processing Plant in China

Bunge Limited has agreed to buy a controlling interest in an integrated soybean crushing and refining plant in the port city of Rizhao, Shandong Province, China, from Sanwei Group Ltd. Sanwei will retain a minority interest in the newly created joint venture company. In announcing the purchase, Bunge reported soybean meal use has risen 11% a year since 1998. The USDA estimates that the nation will consume around 22 million metric tons (MT) of meal this year or about 16% of global consumption. It is located adjacent to soybean discharge facilities in the port of Rizhao. Bunge will supply the plant from its soybean origination network in North and South America.

Palm Kernel Crushing Plant in Malaysia by Golden Hope

Golden Hope Plantations Bhd will construct a RM16.7 million palm kernel crushing plant in Bintulu, Sarawak, to capitalise on the recent high price of the commodity. The plant will be owned by Golden Hope's wholly-owned subsidiary Austral Edible Oils Sdn Bhd and it will have a capacity to produce 400 tonnes of palm kernel a day. Crude palm oil (CPO), on the converse, is now selling at RM 1400 a tonne and the parity between palm kernel and CPO is narrowing. It is expected that the plant will also provide a steady stream of crude palm kernel oil supply to Golden Hope's Unimills, a vegetable oils refinery in the Netherlands.

Good to excellent progress in Soybean & Canola Crops in Ontario

Favorable weather conditions have allowed rapid development of the soybean crop in Ontario, according to

the update from the provincial government for the period ended June 29. Many of the soybean fields in Ontario have reached full canopy and are flowering. The crop, overall, was rated as generally good to excellent. However, there were regions of the province where extremely dry conditions have stressed the soybean crop. The heat stress was expected to cause some minor yield reductions in those isolated areas. Soybean aphids were evident in some locations. Early planted canola fields in Ontario were nearing the end of the flowering stage of development while later seeded canola fields were entering the budding to flowering development stage.

Oilseeds Sowing Improving Slowly and Steadily in India

Kharif sowing was down 42.2 per cent at 4.3 million hectares compared with 7.5 million hectares last year. This on-year shortfall was largely due to delayed monsoon and intermittent rains in some regions like the Malwa belt. Groundnut sowing is down 44 per cent to 1.6 million hectares compared to 2.9 million hectares. Late rains led to delayed sowing. Currently, sowing has resumed in some regions in groundnut growing regions in Gujarat. Resowing is likely to be done in few regions due to an earlier heavy-rain situation. Soybean sowing is down 36 at 2.2 million hectares compared with 3.4 million hectares last year. The situation has improved drastically since last week when sowing was down 87 per cent on year. This was largely due to good rains in central India, especially Malwa-Nimar belt, which includes Indore, Dewas, Ujjain, Dhar, and Kargone, Khandwa, Jhabua, Badhwani and Burhanpur districts. Sunflower sowing is down 60 per cent at 180,000 hectares, sesamum is down 56 per cent at 296,000 hectares, niger seed down 77 per cent at 6,000 hectares and castor seed down 23.5 per cent at 75,000 hectares.

Taiwan and Japanese Importers Expecting Lower Freight Rates

Japanese companies have not yet started buying soybeans for September shipment, and some of them are still looking for requirements for August. The pace of buying was slow as the freight market continued to decline and buyers are expecting if they wait longer, soybean premiums will fall further. Cost and freight (C&F) premiums for U.S. soybeans have been under downward pressure as shipping rates for grain vessels have plunged to a one-year low due to a lack of demand from China, the world's largest importer of iron ore and soybeans. Taiwan buyers were also eyeing freight prices in deciding the timing of their next tender. But the lower domestic demand in Taiwan is also a concern for the buyers as it drops off during the hot summer months. C&F for Brazilian soybeans, which vary depending on export terminals, are mostly cheaper than the U.S. soy, but Japanese are mostly interested in US soy which in some states will start to flow in the market as early as August. The latest government's data show Japanese soybean crushing in the first five months of this year amounted to 1,294,844 tonnes, down 12.6 percent from the same period last year.

Bunge Alimentos buys Perdigao's soybean crushing and oil refining in Brazil

Bunge Alimentos has bought Perdigao's soybean crushing and oil refining unit in Marau, in the Brazilian state of Rio Grande do Sul and entered agreements to license the Perdigao's brands for seven years as well as supply the company with soybean meal for the next seven years. The soybean crushing plant has a 1,000 MT daily capacity. Perdigao will continue to operate the plant's silos, which have a storage capacity of 40,000 tons. Bunge will license

the Perdigao and Borela soybean oil brands for a seven-year period. Since oil refining is not part of Perdigao's core business, the Company has taken the decision to license the brands, transferring the activity to Bunge. In light of Perdigao's decision to discontinue crushing activities in Marau, Bunge has contracted to supply soybean meal to Perdigao's animal feed plants in Catanduvas (SC), Marau and Gaurama (RS), also for a seven-year period.

Canadian Soybean Prepares Itself to Fight New Menace Of Aphids

Lots of winged adults have flown in from the U.S. on the Canada Day weekend, to find newer breeding grounds. Most fields (4 out of 5) from Windsor to Ottawa have some aphids in them and a few fields have reached thresholds this week. The pleasant (25-27°C) temperature that was experienced last week allowed populations to build in some fields. 3-4 fields in Stratford, 1 field near St. Paul's and 1 field near Durham had over 250 aphids per plant on 90% of the plants, with the Durham field reaching 1000's per plant on nearly 90% of the plants. Data coming in from scouting efforts, including input from OMAFRA scouts, industry agronomists, scouting groups and keen agricultural representatives are compiled to update the map on a weekly basis (every Friday) until the threat is over. Spraying too early, before reaching the "250 aphids per plant with increasing populations on 90% of the plants in the field" can cause more problems as it could kill off the beneficial insects like minute pirate bugs, which have been faithfully helping to keep aphid numbers down so far. The aphids need to be controlled below the threshold level to stop significant losses in crop yields.

General Decline in Canadian Edible Oil Crush

The Canadian Oilseed Processors Association (COPA) reports weekly crush in that country totalled 59,258 metric tons (MT) of canola and 14,891 MT of soybeans during the week ending July 13. Soybean crush sank 31.3%, for its second week over week decline. So far this marketing year, 2,858,721 MT of canola has been crushed, down around 266,000 MT from the 3,124,850 MT crushed during the same period last season. Soybean crush since the August 1 start of the 2004-05 marketing year totals 1,506,119 MT, around 27,000 MT above the 1,479,618 MT processed last season. Crush capacity utilization during the week slipped 2.0 points to 75.2% for canola and dropped 15.2 points to 33.2% for soybean. So far during the 2004-05 marketing year, canola crush capacity utilization has averaged 81.3% compared to 75.3% 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
World	196.20	203.87	198.91	334.29	379.24	378.66

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	106,417	122,023	119,479	128,836	141,052
US	78,672	75,010	66,778	85,484	78,653
World Total	185,089	197,033	186,257	214,320	219,705

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	24,448	32,754	31,721	32,223	35,729
US	28,948	28,423	23,946	30,209	30,890
World Total	53,396	61,177	55,667	62,432	66,619

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 Maharastra 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 Maharastra Madhya Pradesh Maharastra	(-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 Maharastra 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 uncertain 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. Cargo surveyor Intertek Agri Services and SGS (Malaysia) Bhd released bearish exports figures. They reported a decline of 22 per cent and 27 per cent decline in the export, respectively. The end stock position also improved marginally hinting to the growing bearishness in the Malaysian markets. 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.

Over the world, the uncertain climatic condition has seriously taken over all the other factors affecting the price movement. The declining weather in US is expected to continue giving bullish support to the market.

The Malaysian market increased significantly to stay above the psychological level of MYR 1400 per tonne, finding significant support from the US soybean market screen trade.

So far India has imported about 1.31 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 positive side in the coming week as the market is expected to receive support from the Malaysian KLCE market.

Weekly prices for RBD Palmolein (Rs/ 10 kg)						
Centers	11.07.05	12.07.05	13.07.05	14.07.05	15.07.05	16.07.05
Kandla	356	356	355	356	360	360
Mumbai	368	369	369	369	367	369
Chennai	367	366	367	368	368	365
Kakinada	365	365	367	367	368	367

Weekly prices for CPO (Rs/ 10 kg)						
Centers	11.07.05	12.07.05	13.07.05	14.07.05	15.07.05	16.07.05
Kandla	329	329	328	331	330	330

Soy oil

The domestic market improved significantly over the week amidst the increased buying 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 higher side, following the improving strength in the US CBOT soy oil trade amidst uncertain weather conditions and prediction of dry weather for the next 10 days in the major soybean growing areas.

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

The USDA pegged ending stocks for the 2005/2006 season at 210 million bushels as compared with the average trade estimate of 195 million bushels (range 142-255) and 255 million from last month's report. Old crop ending stocks were revised to 290 million bushels from 320 last month and total usage was revised higher for the coming season to 2.973 billion bushels, up 9 million from last months forecast. World ending stocks for the 2004/2005 season were revised lower to 45.08 million tonnes from 47.16 million tonnes last month and ending stocks for the 2005/2006 season are pegged at 50.7 million from 51.99 million last month. The above projection of the UADS is going to give sufficient support to the soyoil prices in the domestic market.

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. The Hazir market also continued to improve amidst of support from the unsteady planting progress.

So far India has imported about 1.56 lakh tonnes of soybean oil till 16th of this month.

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

Prices for Soy (ref) during the week (Rs/ 10 kg)						
Centers	11.07.05	12.07.05	13.07.05	14.07.05	15.07.05	16.07.05
Mumbai	362	362	362	362	364	364
Indore	370	372	373	374	375	375
Kota	374	377	378	379	380	383

Rape oil

The rape oil market found some support from the buyers at major exchanges. The irregularity in the progress of the current monsoon was the main cause of the slow and steady increase in the prices in the most of the domestic markets as well as major mustard exchanges.

The policy of the NAFED regarding the mustard seed sale is not yet clear. The next meeting between NAFED officials and the traders is scheduled for coming Wednesday, till then the market is expected to continue with its bullish trend.

The increased buying strengthened the sentiments is expected to continue in the market. For the week the new crop arrival reached 0.20-0.30 lakh bags in Rajasthan and about 0.10-0.12 lakh bags in Madhya Pradesh and the trend of arrival is weakening 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 higher side in the coming week as the news decline in the oilseeds crop arrives coupled with slow sowing progress of other edible oil crops.

Prices for Rape Expeller Oil (Rs/ 10 kg)						
Centers	11.07.05	12.07.05	13.07.05	14.07.05	15.07.05	16.07.05
Mumbai	392	392	394	395	395	398
Kota	382	383	381	390	391	390
Delhi	400	398	395	398	416	418

Groundnut oil

Groundnut oil continued to be on firm trend for the whole of the week at major centres. The price surged ahead significantly all through the week seeing the low 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 coming monsoon in the long run.

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

Centers	11.07.05	12.07.05	13.07.05	14.07.05	15.07.05	16.07.05
Mumbai	500	505	508	510	485	485
Rajkot	530	535	538	535	533	526
Andhra Pradesh	498	500	520	525	505	520
Chennai	500	502	515	520	508	518

Sunflower Oil

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

The weak port report of palm oil and the soy oil and consistent rise in the retail demand are the main cause of the increase of price in the sunflower market.

The continuing high level of demand at the retail end and the expected decline in the import of other competitive oils in this as well as in the coming month are expected to keep the prices on the rise.

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

Prices at Indian Centers (Rs/10 Kg)

Centers	11.07.05	12.07.05	13.07.05	14.07.05	15.07.05	16.07.05
Sunflower Refined oil						
Mumbai	435	435	437	435	435	435
Chennai	442	440	445	445	446	448
Hydrabad	438	440	443	445	448	445
Sunflower Expeller oil						
Mumbai	463	465	473	462	465	465
Chennai	458	460	460	465	465	468
Hydrabad	460	460	465	463	468	365

INTERNATIONAL MARKET WEEKLY HIGHLIGHTS

Palm oil Market Malaysia

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.

The consolidation of the palm oil market continues. Traders expressed that the market players have been reluctant to

aggressively take positions as supply and demand indicators so far have been mixed, fueling uncertainty over the longer-term price direction.

Earlier in the week, the Malaysian Palm Oil Board reported a steeper-than-expected decline in palm oil stocks to 1.18 million tons at the end of June. The bullish influence from the figures, however, was offset by concerns about weak exports in July after cargo surveyors reported a sharp drop in palm oil shipments in the first 10 days of the month.

Cargo surveyor Intertek Agri Services is due to release July 1-15 export estimates Friday morning. Another surveyor, SGS (Malaysia) Bhd, which is more influential, is due to issue its figures around midday. Earlier Thursday, market speculation was for exports of between 500,000 to 550,000 tons in the first half of July. In the June 1-15 period, exports were estimated around 640,000 to 670,000 tons. By mid-afternoon, however, expectations turned even more pessimistic, with talk surfacing that July 1-15 exports may only reach 485,000 tons.

The sentiment in the market now is very uncertain purely because of the U.S. weather. As the U.S. soybean crop is currently in a crucial growing period, the amount of rainfall would have a significant impact on the outcome of production, which in turn is key to the direction of global oilseeds and edible oil prices in the longer term.

CPO futures have barely moved all week. The benchmark contract's closing level Friday was up a mere MYR1 from the previous Friday. Trading activity in the cash palm oil market has also been lacklustre throughout the week because of the uncertain outlook for prices.

Sellers have been reluctant to reduce offer prices, optimistic that the U.S. weather would be dry, hurting soybean production, which would be bullish for prices in the longer term. At the same time buyers have been reluctant to purchase at current levels, as they expect soybean weather conditions to be favourable, eventually dragging down edible oil prices.

The Malaysian market is expected to continue range bound on the higher side in the coming week amidst declining crop prospects of the US soybeans.

Soybean Market United States

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.

Reports that the northern 1/3rd of Illinois is not receiving much relief from the drought and ideas that the hurricane rains may also contain Asia rust spores supported the sharply higher close and close near the highs of the day. Much of eastern and southern Illinois is expected to receive at least 1 inch of rain from the hurricane remnants and areas of northern and western Illinois look to receive at least 1/4 to 3/4 inches.

The USDA pegged ending stocks for the 2005/2006 season at 210 million bushels as compared with the average trade estimate of 195 million bushels (range 142-255) and 255 million from last month's report.

Old crop ending stocks were revised to 290 million bushels from 320 last month and total usage was revised higher for

the coming season to 2.973 billion bushels, up 9 million from last months forecast.

World ending stocks for the 2004/2005 season were revised lower to 45.08 million tonnes from 47.16 million tonnes last month and ending stocks for the 2005/2006 season are pegged at 50.7 million from 51.99 million last month.

Taiwan bought 58,000 tonnes of soybeans from Brazil in their tender for US or Brazil soybeans, which was seen as a slightly negative demand factor.

Weekly US export sales for soybeans came in at 175,100 tonnes as compared to trade expectations of 60,000-125,000. Cumulative sales have reached 99.7% of the USDA forecast for the season as compared to 101.7% on average over the last five years. Sales of 13,400 tonnes per week are needed to reach the USDA estimate.

Meal sales came in at 79,500 tonnes from trade expectations at 45,000-95,000. Cumulative sales have reached 85.2% of the USDA forecast as compared to 88.9% on average over the last five years. Oil sales hit 21,800 tonnes, slightly below expectations.

The NOPA pegged June soybean crush at 125.257 million bushels, which was 3-6 million bushels below expectations. This was seen as a bearish demand indicator but oil stocks came in below expectations at 1.564 billion pounds from 1.571 billion in May.

DTN Meteorlogix said a drier- and hotter-than-normal weather pattern is on tap for the western Midwest. There will be some chances for thundershowers Sunday into Monday, but it will be hot until then and will likely get hot again after that period. A similar pattern is on tap for moisture- starved areas of central and northwest Illinois with no significant rains forecasts for the next 10 days.

Demand concerns are also surfacing from China with talk of poor crush margins and some crush plants even shutting down in the short-term which might slow demand for imports which typically come from Brazil at this time of the year.

The US soybean is expected to remain bullish in the coming week on expectation of continuing dry and warm weather.

South American Soybean Market:

It is expected 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.

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. Continued

signs of strong demand from China along with the strong Brazilian currency which might be discouraging producer sales in Brazil have helped support the South American strength relative to the US market in the past two weeks.

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. Taiwan is tendering for 40,000-60,000 tonnes of US or Brazilian soybeans.

The USDA left their projection for Brazil production for the 2005/2006 season unchanged from last month at 62 million tonnes, up from 51 million tonnes this year and 50.5 million tonnes last year.

The Latin American soybean market is expected to continue on the high amidst chances of some scattered rains for early next week, the weather models for the Midwest point mostly to above normal temperatures and below normal precipitation.

Talks that the new hurricane, Emily, could bring rains to the Midwest helped trigger aggressive long liquidation selling from funds and speculators late in the session yesterday.

Demand news appears weak and could be limiting the impact of the threatening weather, but the commercial buying interest on the break yesterday was impressive. A commercial field in Alabama has reportedly been found with the Asia rust fungus, which would be the first this year, according to the USDA.

The central and western regions of the US Corn Belt look to see much above normal temperatures (mid to upper 90's) and below normal precipitation in the next 10 days, with 0.25 to 0.75 inches of scattered rains with a cold front called for early next week before the heat returns later in the week.

The Latin American soybean market is expected to continue on the high in the coming amidst the weather models for the Midwest predictions of dry and warm cropping weather.

VAYDA BAZAAR

Soy oil futures at National Commodity & Derivatives Exchange Limited (NCDEX) and NBOT improved on increased buying support amidst uncertainty in the monsoon in the ongoing month and increased international support. Settlement prices for August soy oil future at National Commodity and Derivatives Exchange (NCDEX) was in between Rs 381.80-385.50 kg and at National Board of Trade (NBOT) was in the range of 379.90-384.70 per 10 kg.

Weekly settlement prices for soy oil at NBOT

Contracts	11.07.05	12.07.05	13.07.05	14.07.05	15.07.05	16.07.05
Jul'05	370.40	370.40	372.70	375.10	374.20	-
Aug'05	379.90	381.10	381.20	384.40	382.70	384.70
Sep'05	N.A	N.A	N.A	N.A	N.A	388.50

Weekly settlement prices for soy oil at NCDEX

Contracts	11.07.05	12.07.05	13.07.05	14.07.05	15.07.05	16.07.05
Jul'05	374.50	375.55	375.95	377.70	375.95	376.65
Aug'05	381.80	382.50	382.80	385.15	383.95	385.50
Sep'05	386.15	386.30	386.55	388.80	387.85	389.30

WEEKLY WEATHER WATCH

Forecast for the period upto 23 July, 2005

Weather Systems:

The active monsoon conditions prevailed over most parts of northwest India and central India due to the prevalent monsoon depression. During the week, monsoon rainfall activity has been quite extensive and in excess of normal over the Arunachal Pradesh,

West Uttar Pradesh, Haryana/Chandigarh/Delhi, Punjab, Himachal Pradesh, J&K, Marathwada, Vidarbha, Telangana, North Interior Karnataka and Lakshadweep that resulted in contributing about 3% above normal rainfall and 32% of the seasonal quantum of rainfall for the country. The All India rainfall scenario has transformed from deficit regime to the above normal rainfall regime during the week thus raising the total quantum of monsoon rain for the period 1 June-13 July to 1% above normal from 2% below normal during the previous week.

Forecast for next 5-6 days

The upper air cyclonic circulation over north-interior Karnataka and neighbourhood is likely to cause scattered to fairly widespread rains in South Peninsula viz. Kerala, Tamil Nadu, Andhra Pradesh and Karnataka during next 2-3 days.

The interaction between the upper air cyclonic circulation over west Uttar Pradesh and the Western disturbance in the form of an upper air cyclonic circulation over Punjab, is expected to cause scattered to fairly widespread rains over North West India during next 24-48 hours. The activity is expected to reduce thereafter.

NE and eastern parts of the country viz., NE States and, West Bengal, Bihar, Jharkhand and Orissa are likely to receive widespread rains during next 4-5 days.

Zone-Wise Rainfall Forecast for Next 5 Days

NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, WEST UP]: Scattered to Fairly widespread rainfall is likely over many parts of NW India viz., West Uttar Pradesh, Haryana, Punjab, Uttranchal, and Himachal Pradesh during next 24-48 hours and reduce thereafter.

EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]: Scattered to fairly widespread rainfall is expected over East Uttar Pradesh, Jharkhand and Orissa and fairly wide spread to wide

spread rainfall with isolated heavy rains over Bihar, West Bengal, and NE States during next 4 days.

CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]: Isolated to Scattered rainfall is expected over Chhattisgarh, Madhya Pradesh and Vidarbha during next 2 days.

SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]: Scattered to fairly widespread rains are also likely over entire south peninsular India viz., Kerala, Karnataka, Andhra Pradesh and Tamil Nadu. during next 2-3 days.

WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]: Fairly widespread rains are expected over Konkan & Goa during next 2-3 days. Madhya Maharashtra, Marathwada Gujarat and West Rajasthan may receive isolated to scattered rains during above period. East Rajasthan may receive scattered to fairly wide spread rains during next 48 hours.

PORT WATCH

Port updates of Edible oils in India (01 July - 16, July '05) (Amount in Tonnes)

Particulars	Expected	Arrived	Total
SBO	54500	156474	210974
Palm Oil	12400	38650	51050
CPO	31100	92600	123700
Total Palm	43500	131250	174750
Total Oil	98000	287724	385724

Source: ANAS

Forex Rates (As on 16.07.2005)

Country/ Continent	Currency	Value in Rupees
USA	Dollar	43.51
Malaysia	Ringgit	11.47
European Union	Euro	52.37
United Kingdom	GBP	76.27
Japan	100 Yen	38.79

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