

## VEGOIL

13<sup>th</sup> July 2005

### MAJOR ACTIVITY HIGHLIGHTS

- CBOT Soy futures Up Amidst Reports of Declining Production and Uncertain Weather
- South American Soybean Futures Improved Marginally on Support From Exports
- BMD CPO Continued Improving Amidst Uncertain Prospects and Declining Volumes
- USDA estimates of Oilseed Supply and Demand
- Soybean Oil Prices Remained Range Bound Amidst Declining Buyer's Demand

### TECHNICAL ANALYSIS

#### COMMODITY: SOY OIL

Perspective: Very Short Term

#### NCDEX JULY Contract

The July contract closed at 375.50, which is slightly higher than yesterday's close. Market opened steady but traded higher for most of the day before declining towards the end of the trading session amidst increased uncertainty in the market. The retail market is not yet supporting 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. The 14-day MA turned upward indicating the steadiness 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 3 period(s) ago. Since the MACD crossed its moving average, Soy oil July's price has increased 0.39% and has ranged from a high of 376.20 to a low of 372.35.

The 9-days Price ROC improved marginally down in the positive region to the level of 0.0933, indicating uncertainty in the market prices. The 9-day RSI also moved down marginally

in the neutral region to a level of 48.35 confirming the unsteadiness in the prices.

The % K-line turned up in the neutral region indicating the improving sentiments in the prices along with the % D-Line.

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

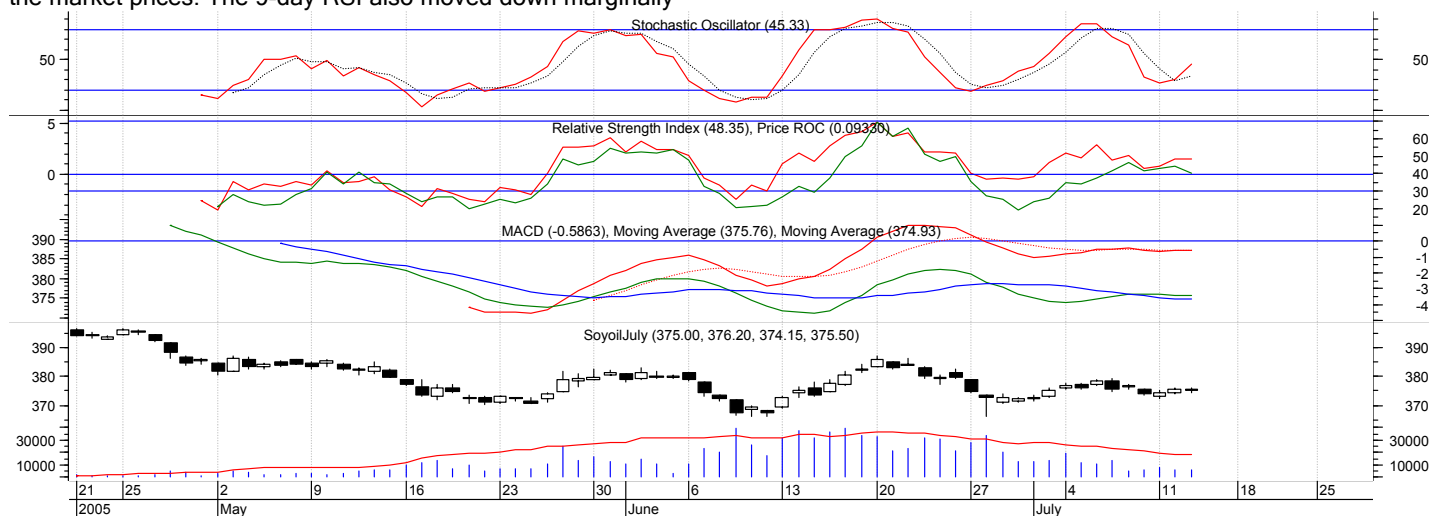
#### Market advice:

Market is expected to open range bound but trade range bound on the lower side on Thursday amidst pressure uncertain international markets and declining buyers' support.

Do not make new entry.

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

| Contract | Contract | Support |        | Resistance |        |
|----------|----------|---------|--------|------------|--------|
|          |          | 1st     | 2nd    | 1st        | 2nd    |
| NBOT     | Aug' '05 | 379.90  | 378.20 | 382.60     | 383.90 |
| NCDEX    | July '05 | 374.00  | 372.40 | 376.20     | 377.50 |



## MARKET HIGHLIGHTS & FUNDAMENTAL ANALYSIS

### International:

#### CBOT (US Soybean Oil):

Chicago Board of Trade soybean futures ended firmly Tuesday, closing at session highs as weather uncertainties and supportive underlying fundamental outlooks bolstered bullish enthusiasm.

The USDA data was mostly neutral against trade expectations and the market focus quickly shifted to the weather. The DTN Meteorlogix weather forecast calls for widespread thunderstorms during the next 24 hours in the eastern Midwest. Southern and eastern Illinois east to Ohio is seen experiencing the heaviest rains, while the remainder of the region will have rains of less than an inch. After Thursday, rainfall Probability is expected to decline dramatically for this area.

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.

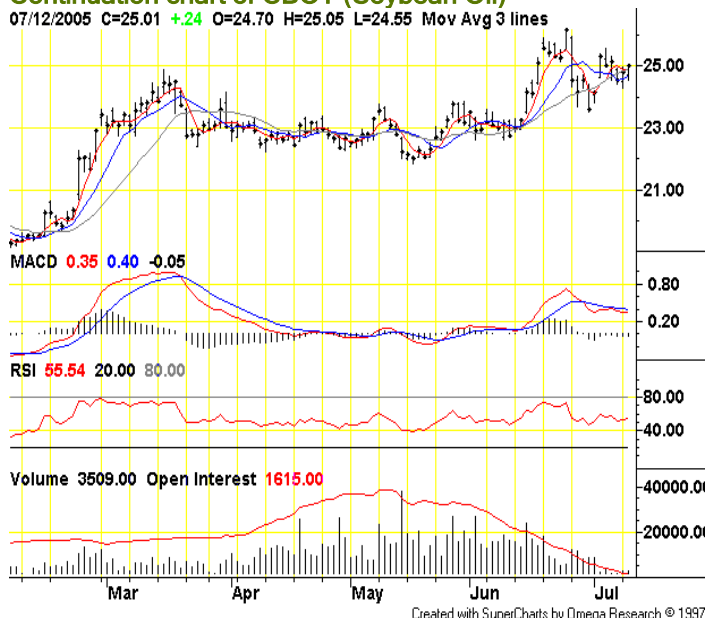
The USDA pegged ending stocks for the 2005/2006 season at 210 million bushels as compared with the average trade estimate of 195 million bushels (range 142-255) and 255 million from last month's report. Ideas that yield may eventually be revised lower for the surveyed reports in the future helped to trigger the higher opening call.

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 US soybean is expected to continue marginally range bound on the positive side amidst expected support from uncertain weather predictions.

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



#### CBOT Soy oil futures as 12 July 2005

(Cents/pound)

| Months | Previous Settle | Open  | High  | Low   | Change | Close |
|--------|-----------------|-------|-------|-------|--------|-------|
| Jul'05 | 24.77           | 24.71 | 25.05 | 24.55 | +0.24  | 25.01 |
| Aug'05 | 24.84           | 24.80 | 25.10 | 24.55 | +0.20  | 25.04 |
| Sep'05 | 24.96           | 24.85 | 25.20 | 24.64 | +0.15  | 25.11 |

CBOT remains closed on Saturday and Sunday.

#### South American Soybean Market

The USDA news this morning should set the tone for the market today, but overnight rains into central Illinois could be enough to ease crop stress at least for a short while.

The northern third of the state, which is the driest, may receive less than 1/2 inch of rain from the hurricane, so producers are hoping for scattered thunderstorms on Wednesday or more rain next week to help alleviate a significant shortfall of moisture to the region.

The weekly crop progress report showed the US crop with 54% in good to excellent condition, down 4% from last week as compared with 61% as the 15-year average for this time of the year. Crops in poor to very poor condition reached 16% from 12% last week and 9% as the 15-year average. That is the highest reading in the past 15 years and matches 1993. Illinois crops were rated 16% good to excellent and 41% poor to very poor.

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

While the southern half of Illinois may receive 1-4 inches of rain from the hurricane, the northern half looks to receive 1/4 to 1 inch. The region dries out by late Thursday and heats up into the weekend with a high of 96 in the forecast for Chicago on Sunday.

The Latin American soybean market is expected to trading range bound 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 lower Wednesday after another range-bound, uneventful session as participants remained in a cautious mood amid a lack of catalysts.

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.

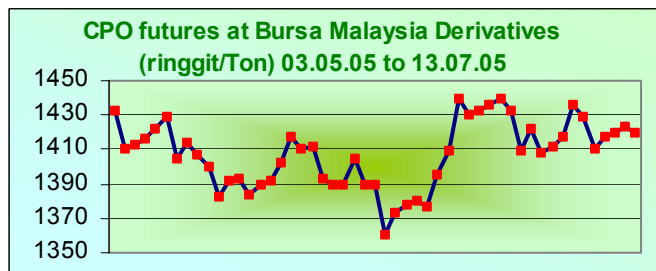
The U.S. Department of Agriculture issued its monthly crop report Tuesday, but the figures had little impact on edible oil prices. The USDA report was quite mixed because the soybean stocks projection was revised downwards, but for soyoil, the figures were increased.

Volatile soy complex prices are also adding to the uncertainty in the palm oil market. Soy complex futures on the CBOT have yet to show any clear trend over the past few weeks as the price direction has been changing in reaction to weather conditions.

The Malaysian market is expected to continue range bound on the higher side on Thursday if it gets adequate support from the US Soybean market.

#### KLCE CPO Futures (13.07.05) (In Ringgit /T)

| Months | Previous | Open | High | Low  | Change | Close | Volume (*lots) |
|--------|----------|------|------|------|--------|-------|----------------|
| Jul'05 | 1417     | 1405 | 1410 | 1402 | -10    | 1407  | 160            |
| Aug'05 | 1423     | 1418 | 1420 | 1414 | -4     | 1419  | 1522           |
| Sep'05 | 1423     | 1419 | 1420 | 1413 | -3     | 1420  | 1224           |



### Domestic:

#### Palm oil

The domestic palm oil market today continued range bound amidst indecisive and weak international markets and uncertain retail market demand.

The Malaysian markets traded lower 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 rumour of change in the tariff of the palm oil import by India triggered mild recovery in the trade towards the end session.

The import quantum remained almost steady. In the month of July (till 13.07.05) the country has imported about 0.90 lakh tonnes of palm oil.

CNF prices of CPO (July) were quoted at \$ 372.50 per tonnes and RBD Palmolein at \$ 405.00 per tonne.

The price for palm oil in the market is expected to continue range bound on Thursday 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                | 13.07.05 | 12.07.05 | Change |
|------------------------|----------|----------|--------|
| Kandla CPO (5 % FFA)   | 328      | 329      | -1     |
| Mumbai CPO (5% FFA)    | 329      | 330      | -1     |
| Kandla RBD Palmolein   | 355      | 356      | -1     |
| Mumbai RBD Palmolein   | 369      | 369      | 0      |
| Chennai RBD Palmolein  | 367      | 366      | +1     |
| Kakinada RBD Palmolein | 367      | 365      | +2     |

#### Soy oil

The domestic market opened range bound continued further higher side for the first few hours but witnessed mild decline towards the end of the day amidst increasing uncertainty. The lack of retail demand is not helping the buyers support to come up in a large way at the futures.

The international market improved marginally at the CBOT amidst wide spread uncertainty in the weather caused by the Dennis Hurricane and the following Emily Storm, which is reported to have caused wide spread damage in the soybean growing areas. The situation of the international market is expected continue unsteady amidst increasing uncertainty in the weather. The long term prospects in the US market is still expected to be bullish as the warm weather is predicted in the weekend as well as the starting days of the next week. At the time of closure the NBOT July Contract was at Rs. 372.70 (UP by Rs. 2.60) and the August contract ended at Rs. 381.20 (UP by Rs. 0.10). The July Contract witnessed its first cut today at Rs. 372.70 and the last cut on 15.07.05 is expected to cross Rs. 375.00.

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 \$ 513 per tonne.

The market is expected to open steady for Thursday but trade unsteady as the day progresses.

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

| Centres                      | 13.07.05 | 12.07.05 | Change |
|------------------------------|----------|----------|--------|
| Mumbai (Soy ref)             | 362      | 362      | 0      |
| Indore (Soy Ref oil)         | 373      | 372      | +1     |
| Indore (Soy Solvent Ex. oil) | 348      | 349      | -1     |
| Kota (Soy Ref. Oil)          | 378      | 377      | +1     |
| Jaipur (Soy Ref. Oil)        | 378      | 378      | 0      |

**NBOT Soy oil futures as on 13.07.2005 (Rs/10 kg)**

| Months | Previous Closing | Open Price | High Price | Low Price | Change | Close Price | Volume |
|--------|------------------|------------|------------|-----------|--------|-------------|--------|
| Jul'05 | 370.10           | N.A        | 372.70     | N.A       | 2.60   | 372.70      | N.A    |
| Aug'05 | 381.10           | 380.80     | 382.30     | 380.50    | 0.10   | 381.20      | 24470  |
| Sep'05 | 0.00             | N.A        | N.A        | N.A       | 0.00   | N.A         | N.A    |

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

| Months | Previous Closing | Open Price | High Price | Low Price | Close Price | Volume | Open Interest |
|--------|------------------|------------|------------|-----------|-------------|--------|---------------|
| Jul'05 | 374.50           | 374.30     | 376.20     | 374.00    | 375.55      | 5850   | 18740         |
| Aug'05 | 381.80           | 381.90     | 383.20     | 381.00    | 382.50      | 14960  | 34290         |
| Sep'05 | 386.15           | 385.90     | 387.40     | 385.50    | 386.30      | 6470   | 22920         |

**Rape oil**

The rape oil market today found increased support at the futures in the start of the trade amidst increased buying and profit coverings but declined marginally towards the end of the day amidst increased uncertainty in the edible oil markets.

The traders are still expressing their concern over the declining demand in the retail market. It is assessed 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 become more uncertain. As per the latest developments on this front, the traders are willing to offer prices between Rs. 1550 to 1600 per quintal. The meeting between the traders and NAFED is still continuing and the decision is expected to come up late in the evening or tomorrow morning.

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

Today the new crop arrival reached 0.25-0.30 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 Thursday as the buyers' support is expected to be on the rise further.

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

| Centres                          | 13.07.05 | 12.07.05 | Change |
|----------------------------------|----------|----------|--------|
| Mumbai (Rape Expeller Oil)       | 394      | 392      | +2     |
| Kota (Rape Expeller Oil)         | 381      | 383      | -2     |
| Jaipur (Rape Expeller Oil)       | 382      | 385      | -3     |
| Neewai (* Kacchi Ghani Rape Oil) | 495      | 400      | -5     |
| Delhi (Rape Expeller Oil)        | 395      | 398      | -3     |

**Groundnut oil**

Groundnut oil today improved significantly at various centres including Gujarat owing increasing uncertainty in the other edible oil markets and increasing retail demand. The Gujarat market is still maintaining the high price amidst concerns of the adversity of

flood, which has hampered effective supply line to different markets.

The progress of the current monsoon is the main cause of the increase in the prices.

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

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

| Centres       | 13.07.05 | 12.07.05 | Change |
|---------------|----------|----------|--------|
| Mumbai        | 508      | 505      | +8     |
| Rajkot        | 538      | 535      | +3     |
| Andhra Region | 520      | 500      | +20    |
| Chennai       | 515      | 502      | +13    |

**LATEST WEATHER WATCH (13.07.2005)****Progress of Monsoon**

Southwest monsoon has been vigorous over West Uttar Pradesh, Haryana, Chandigarh, Delhi, Punjab and East Rajasthan and active over Gangetic West Bengal, Orissa, Jharkhand, Bihar, Chhattisgarh, Arunachal Pradesh, East Uttar Pradesh, Uttaranchal, Himachal Pradesh, South Konkan & Goa, Vidarbha and Coastal Karnataka.

The rainfall occurred at many places in Arunachal Pradesh, Assam & Meghalaya, Sub-Himalayan West Bengal, Bihar, east Uttar Pradesh, west Uttar Pradesh, Haryana, Chandigarh, Delhi, Uttaranchal, Himachal Pradesh, east Rajasthan, Konkan & Goa, Chhattisgarh, coastal Karnataka and Kerala and at few places in Jharkhand, west Madhya Pradesh, Orissa, Vidarbha, Telangana and south interior Karnataka.

Available satellite picture indicates the possible occurrence of rain / thundershowers over Konkan & Goa, Madhya Pradesh, Orissa, Chhattisgarh, Gangetic West Bengal, Uttar Pradesh, Himachal Pradesh, Uttaranchal, Gujarat, Punjab, Haryana, Delhi, north interior Karnataka, coastal Karnataka, Kerala, east Rajasthan, Assam, Tripura, Meghalaya, Andaman & Nicobar Islands and Lakshadweep. Isolated rain / thundershowers are likely to occur over northern Jammu & Kashmir, Jharkhand, Bihar, Sub-Himalayan West Bengal, Sikkim, Mizoram, Manipur, Andhra Pradesh, south interior Karnataka and Tamil Nadu & Pondicherry.

**Forecast for next 24 hours**

**North:** Rain/thundershowers likely at many places over Uttaranchal, north Uttar Pradesh and Himachal Pradesh and at few places in the rest region. Further decrease in rainfall activity over Haryana, Punjab and south Uttar Pradesh after 14th.

**East:** Rain/thundershowers likely at many places over northeastern states, Bihar and West Bengal & Sikkim and at a few places in the rest region. Decrease in rainfall activity over gangetic West Bengal, east Madhya Pradesh and Chhattisgarh on 15th.

**South:** Rain/thundershowers likely at a few places over coastal Karnataka; Kerala and Lakshadweep and isolated in the rest region. Increase in rainfall activity over Tamil Nadu and south Andhra Pradesh after 14th.

**West:** Rain/thundershowers likely at many places over west Madhya Pradesh at a few places over east Rajasthan and Konkan & Goa and at isolated places in the rest region.



## Outlook for subsequent two days

Slight increase in rainfall activity over eastern parts of peninsular India. Current rainfall activity over northeastern states, sub-himalayan West Bengal & Sikkim, Bihar, north Uttar Pradesh and western himalayan region likely to continue. Further decrease in rainfall activity over central and plains of northwestern parts of India.

## Warning

Heavy to very heavy rainfall likely over northeastern states, West Bengal & Sikkim, west Uttar Pradesh, Uttaranchal, Himachal Pradesh and Jammu & Kashmir. Isolated heavy rainfall likely over east Uttar Pradesh.

## 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)

Delivery of 24,300 MT of SBO is continuing at Kandla Port from the vessel 'Laertis'. The cargo was loaded from Brazil. Shantilal agents is handling the vessel. The port is expecting 'EW Hasting' from Argentina to discharge 12,000 MT of SBO. Interocean will be handling the vessel. 'Zhong Hua 6' is expected at the port to discharge 5,850 MT of CPO. Atlantic agents will be handling the vessel.

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

'Takis' has berthed at Kakinada Port and continues to discharge 5,000 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.

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

Kolkata Port is receiving 10,100 MT of CPO from the vessel 'Chem Tank'. Seaport agents is handling the vessel. The port is expecting 'Kuldiga' to deliver SBO. The vessel will be handled by Seaport agents.

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

'Zhong Hua 6' is expected at Mumbai 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   |
|-----------|--------------|--------------|----------|----------|
| Kandla    | Laertis      | 24300        | SBO      | Arrived  |
|           | EW Hasting   | 12000        | SBO      | Expected |
|           | Zhong Hua 6  | 5850         | CPO      | Expected |
| Kolkata   | Chem Tank    | 10100        | CPO      | Arrived  |
| JN        | EW Hasting   | 18000        | SBO      | Arrived  |
| Tuticorin | Global Mars  | 6900         | Palm oil | Arrived  |
|           | 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   | Siam Bhawas  | 6000         | Palm oil | Expected |
| Mundra    | Red Point    | 27000        | SBO      | Expected |
| Kakinada  | Takis        | 5000         | CPO      | Arrived  |
|           | Ocean Ace    | 6000         | CPO      | Expected |
|           | Countess     | 4000         | CPO      | Expected |
|           | Mega Crown   | 2000         | CPO      | Expected |

## Forex Rates

(As on 13.07.2005)

| Country/ Continent | Currency | Value in Rupees |
|--------------------|----------|-----------------|
| USA                | Dollar   | 43.52           |
| Malaysia           | Ringgit  | 11.46           |
| European Union     | Euro     | 53.16           |
| United Kingdom     | GBP      | 77.22           |
| Japan              | 100 Yen  | 39.15           |

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