

VEGOIL

25<sup>th</sup> July - 30<sup>th</sup> July 2005

## MAJOR WEEKLY HIGHLIGHTS

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- Environmental Council to Maintain Ban on GMO Strains in EU
- Ongoing Drought Like Condition to Resist Soybean Rust in Midwest
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## NATIONAL & INTERNATIONAL NEWS

### U.S. Sunflower Crops Improving Gradually With 8 % Bloom

Sunflower crops are in fair to good condition, with most producing states reporting another week of hot and dry weather. Scattered showers last week were welcomed in several areas across South Dakota during the past week, although most crops are still suffering from heat stress. Sunflower blooming are at 8%, equal to the five-year average. Soil moisture levels continue to decline with the hot, dry weather and the lack of substantial rainfall. Topsoil levels are now at 46% adequate to surplus, compared to the previous week's 52%. Subsoil levels have also dropped from 72% adequate to surplus to 61% adequate to surplus. Kansas experienced a week of dry and hot conditions. Topsoil moisture was rated 12% very short, 48% short, and 40% adequate. So far, 12% of the sunflowers have bloomed, 1 point ahead of last year but 12 points behind the 5-year average.

### June NOPA Crush Lowered Significantly Amidst High Trade Expectation

The NOPA crush for June was 3.41 million tonnes, which was significantly below market expectations. The crush for the previous 4 months was larger than expected as the soybean meal export program proved to be surprisingly robust perhaps because of the drought-reduced Brazilian crop or the reluctance of Brazilian farmers to market that

crop. Despite the lower crush, NOPA soybean oil stocks as of the end of June were only slightly below the previous month versus some expectations for them to decline by about 45,400 tonnes. Soybean oil domestic usage from October through June was 1.7% above the previous year. Analysts expect that 2004-05 soybean oil domestic usage will increase by roughly 2%, which seems reasonable since last year's July/September implied usage may have been constrained by tight supplies.

### Environmental Council to Maintain Ban on GMO Strains in EU

The gap between the Commission's pro-GMO policy and the attitude of many EU member states was highlighted earlier this month when environment ministers voted at the Environmental Council to maintain a ban on GMO strains in five EU countries. The European Commission, in line with its legal obligation to enforce existing rules relating to genetically modified organisms, had proposed that the bans currently imposed by Austria, France, Germany, Greece and Luxembourg on various strains of rapeseed be lifted. The Commission said there was no scientific justification for these bans on either health or environmental grounds. However, the UK was the only member state to vote in favor of lifting all eight GMO bans, while Finland and Sweden abstained. Moreover, Spain, a prolific grower of GM crops, was the only country to vote against the lifting of the ban in all eight cases. Some member states wanted more independence to decide which GMOs should enter

their country, rather than a blanket decision being made by the EU. The Commission is particularly worried that negative votes on GM crops and seeds could further damage relations with pro-biotech third countries, particularly the U.S., Canada and Argentina, who claim that the EU's policy on GMOs is based not on science, but on a desire to block trade and are currently challenging the EU's biotech policy in the World Trade Organization.

#### **Ongoing Drought Like Condition to Resist Soybean Rust in Midwest**

Slow spread of Asian Rust in the South, and drought in the Midwest likely will limit the impact of the plant disease, according to an outlook compiled by a coalition of plant pathologists at the Plant Health Initiative of the North Central Soybean Research Program run by Iowa State University. An analysis of monthly precipitation data and current environmental factors suggests that while conditions have been favorable for rust development along the Gulf coast, such has not been the case in more northern areas of the soybean belt, due to an ongoing drought in many sections of the Midwest. For most of the North Central region (which includes the prime U.S. soybean-growing areas of the Midwest and central/northern Plains), considering the present scenario, it is unlikely we will find soybean rust in our fields before mid-August.

#### **Stress Detection Glasses to Help Unmask Soybean Rust**

With technology developed by NASA scientists, these glasses let you spot stressed plants from a distance. The glasses block the green color reflected from chlorophyll found in normal, healthy vegetation causing it to look black or gray. Ideal for consultants and growers, who can easily spot harmful or damaged conditions such as drought, pest damage and disease that may not be immediately apparent to the unaided eye. Stressed plants appear yellowish brown or pink (coral) through the lenses. Glasses work best on bright, sunny days. Hard case included. The Stress Detection Glasses will detect soybean rust (*phakopsora pachyrhizi*) and will magnify rust spots. You will see orange or coral spots with these glasses. The No.2750 and 2755, Plant Stress Detection Glasses, will help detect soybean rust at an early stage while leaves that are still close to the ground.

#### **Malaysia, Indonesia to Sign Commodity Cooperation Pact**

Malaysia and Indonesia will soon sign a pact on commodity cooperation primarily to work together, ensure price stability and eliminate under-cutting between the two countries. Plantation Industries and Commodities Minister Datuk Peter Chin Fah Kui opined that the pact would be signed once all legal matters are cleared by the Attorney-General chambers of the two countries. A memorandum of understanding (MOU) will be signed soon on bilateral commodity cooperation covering all commodities, especially palm oil, rubber, cocoa, timber and others. He was met after launching the Malaysian International Cocoa Conference 2005. Malaysia and Indonesia are the world's top two oil palm growers. It is expected that the alliance will ensure a stable price for all commodities because farmers of both countries are always on the receiving end when prices drop.

#### **Illinois to be Declared Drought Stricken Amidst Extended Dry Spell**

Four months of a near-record dry spell in Illinois has corn crops in bad shape. On Monday, the federal government was asked to step in and declare all 102 counties in the state a natural disaster and help drought-stricken farmers with low-interest emergency loans. If the state is declared a crop disaster by the federal government, affected farmers could qualify for up to \$500,000 in low-interest loans to help recover from crop losses. The National Weather Service has classified the drought condition in north central Illinois as extreme, its second-highest designation. Between March and June, Illinois fields saw only 8.5 inches of rain, half of the normal rainfall and making that period the third driest growing season since 1895. Assessments by the Farm Service Agency indicate damage to crops across the state is severe. More than 117,000 farmers statewide reported production losses, including 74,000 who estimate the drought will destroy more than 30 percent of their crops. It could take two to three weeks for the U.S. Department of Agriculture to determine whether the state warrants a crop disaster declaration. Federal disaster declarations are common, according to the Farm Service Agency. In Illinois, the last federal disaster declaration was in 2004 and included 42 counties in Southern Illinois that sustained losses to soybean crops because of drought.

#### **Nigerian Palm Oil Production Surges Ahead With Assistance of UK**

Nigeria may be on her way to re-entering the world market with a traditional produce on Thursday after a British company agreed to begin an integrated large-scale production of palm oil in the country. Globe Commodities of United Kingdom concluded the deal in Abuja with Akwa Ibom, Cross River and Edo states with an immediate investment of \$150 million, which would be rolled over to \$1.5 billion in the next ten years. The press release cited the executive secretary of the commission, Engr. Mustafa Bello, that Nigeria was now retracing her steps and returning to agricultural renaissance, which had once been the backbone of the nation's economy. The project "portends very high possibilities for agricultural development, and resultant employment generation, technology transfer and food security in Nigeria," the release said.

#### **Brazil to Overtake US as Largest Soybean Exporter**

Blairo Maggi could be called the soybean king if he didn't already have another title: governor of Mato Grosso. Maggi runs a 350,000-acre soybean domain one-third the size of Rhode Island, considered the world's largest. He also leads a state that is the linchpin in Brazil's drive to become the breadbasket of the world. Brazil is almost poised to overtake the United States as the largest soybean exporter. The advent of Brazil as an agri-superpower challenges the supremacy of the United States in feeding the world and has led to numerous U.S.-Brazil tangles over trade. Deforestation is on the way to make way for crops and cattle has accelerated. More than 10,000 square miles of Amazon trees were felled in the past year, according to Brazilian government figures. About half the deforestation was in Mato Grosso, where the land dedicated to soybean production has expanded by 400 percent in the last 10 years, reported the Forests Working Group.

### **Crop Progress and Marketing Prospects of US Sunflower**

The sunflower crop is approaching the bloom period and USDA's weekly crop reports indicate that all states have a small acreage in bloom and adequate moisture is critical now for maximum yield. Seed weevil, banded moth and sunflower moth will need to be monitored as the majority of the crop is approaching the late bud and early bloom stage. Above average temperatures have aided in accelerated plant development and the crop has made good progress. The USDA crop rating system shows a slight improvement compared to last week's rating for those states reporting. It is also an improvement over last year's rating at this time, which was plagued by cool temperatures. The CBOT futures markets are in a classic weather market with lots of volatility depending on rain forecasts. This is likely to continue for the next 15 to 20 days unless there are some major rain events in the predominant corn and soybean states. All sectors of the market are reported to be generally quiet with buyers waiting for new crop to arrive. Crop conditions continue to be positive with favorable warm weather.

### **Latest Sowing Progress of Kharif Oilseed Crops in India**

Oilseeds Kharif sowing is down merely 3.6 per cent at 119.54 lakh hectares compared with 123.98 lakh hectares last year. This on-year shortfall is largely due to delayed monsoon and intermittent rains in regions like Indore division.

Following improvement in rains situation in central India, especially Malwa-Nimar belt, soybean sowing is now up 7 per cent at 62.84 lakh hectares compared with 58.73 lakh hectares last year. The situation has improved drastically since last week

Groundnut sowing is down 15.4 per cent to 38.41 lakh hectare compared to 45.40 lakh hectare. Late rains followed by heavy rains had delayed sowing of the crop in Gujarat. Currently, sowing is said to be in full swing in groundnut-regions in Gujarat.

Sunflower sowing is down 39 per cent at 3.42 lakh hectares, sesamum down 8 per cent at 9.98 lakh hectares and niger seed down 38 per cent at 37,000 hectares. On the other hand, castor seed acreage is up 63.5 per cent at 4.53 lakh hectares.

### **Brazil Soybean Seed Producers Reject Monsanto Royalty Claims**

Soy seed producers in southern Brazil were cited as rejecting Monsanto's proposal to charge 0.88 real per kilo royalty for its genetically modified seeds, in the first season that GMO soy sales will be legal in the country. As per the dispute details, earlier this month, Monsanto struck a deal with Brazil's national Association of Seed Producers (Abrasem) on royalty payments for using its GMO Roundup Ready soy seeds, but Narciso Barison Neto, the president of the Seed Producers Association of Rio Grande do Sul State (Apassul), was quoted as saying, "Monsanto's proposal is unrealistic. It promotes illegal behavior by the producers and hurts legitimate seed producers." Monsanto has struck a deal with cooperatives to extract a 2 percent royalty on RR soy at the point of sale by the producer for this year's harvest, which finished in May. Until this year GMO seed sales were illegal and it was impossible to charge the royalty on the front end.

### **Soybean Market Ended Highly Volatile for the Week in US**

July is closed with considerable market variability as long anticipated rains occurred over some major soybean producing areas in the American mid-west, reports Mike Bakker, Policy Analyst with the Ontario Soybean Growers. Overall prices were down at the start of the week with prices recovering and gaining ground. Cash prices for Chatham, London and Hensall for July 28 were: 7.75, 7.72 and 7.74 per bu. up consistently by 34 cents from the previous week. Large rainfalls across much of the Midwest on the weekend of July 23rd brought soybean prices to the low end of the recent 2-month trading range at the start of the week. Rains were much better than anticipated, with most parts of Iowa, Illinois and northern Indiana receiving more than 1 inch of steady rainfall. Long term forecast for the Midwest is hot dry weather minimizing the effect of the rains earlier this week. Anticipation for drier weather for the month of August kept trade volatile during the last week in July and subsequently caused an upswing in price. Given the large focus on weather there has been minimal focus on export or monthly crush data incorporated in the value of the market.

### **CBOT Estimated a Drop of 71 Million Bushels in US Soybean End Stock**

CBOT analysts sense the feeling on the floor is there is a reduced yield potential of this year's crop from 39.9 bu/ac to 39-38 bu/ac range on the latest weather news. If yields drop's from the estimated 39 bu/ac and usage remains unchanged, ending stocks forecasted for the 2005-06 season would drop to approximately 144 million bushels. If yields drop to an average of 38 bu/ac with usage staying consistent it is estimated that ending stock forecast will drop to 71 million bushels. The above carry over estimates are capable of driving prices higher, with a 38 bu/ac average equating to a price in the \$8-10 region estimated by CBOT.

### **Canadian Crush Improved Marginally Over The Week**

The Canadian Oilseed Processors Association (COPA) reports weekly crush in that country totalled 56,633 metric tons (MT) of canola and 34,791 MT of soybeans during the week ending July 27. The numbers, as reported to the association by member firms, rose 6.4% from last week's crush level for canola, ending two weeks of decreasing activity. Soybean crush soared 83.4%, for its second week over week increase. So far this marketing year, 2,968,568 MT of canola has been crushed, down around 312,000 MT from the 3,280,331 MT crushed during the same period last season. Soybean crush since the August 1 start of the 2004-05 marketing year totals 1,559,877 MT, around 25,000 MT above the 1,534,720 MT processed last season. Crush capacity utilization during the week rose 4.3 points to 71.9% for canola and rose 35.4 points to 77.7% for soybean. So far during the 2004-05 marketing year, canola crush capacity utilization has averaged 81.2% compared to 75.0% for soybean crush capacity utilization.

## GLOBAL DYNAMICS

### Total Oilseed Area and Production

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

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

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

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

#### Production

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

### Exports

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

### Imports

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

### 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
<b>World Total</b>	<b>158,339</b>	<b>165,727</b>	<b>163,654</b>	<b>173,592</b>	<b>182,441</b>

## 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 MARKET ANALYSIS

### Palm oil

The domestic palm oil declined marginally in the last week on weakening international support and wide spread uncertainty in the retail demand.

The unsteady movement in the prices was attributed to the floating value of the Malaysian currency, which has made the palm oil exports costlier for the importing nations. The approach of the colder weather in major importing nations, also took toll on the demand of the palm oil in the global market.

At present the Malaysian market is pressured by the rising end stock position and decline of the exports. The July month export of the Malaysian palm oil was reported to be 1.23 million tonnes, which is about 11.50 per cent lower than the last month (As reported by Cargo Surveyor SGS (Malaysia) Bhd.). Another surveyor, Intertek Agri Services earlier estimated slightly lower figures for the export totalling 1.06 million tonnes, down by 37.99 per cent.

On the production side, market talk so far has been for a rise in Malaysian CPO. In the absence of the bullish support from the Malaysian cash as well as futures market, most of the domestic traders lacked clear directions maintaining a bearish trend in the ongoing domestic prices of palm oil.

In the month of July, India has imported about 2.39 lakh tonnes of palm oil, which is about 19.25 per cent higher than last month.

Overall, the price for palm oil in the market is expected to continue range bound on the lower side in the coming week as the market is expected to receive on major support from Malaysian market.

### Weekly prices for CPO

(Rs/ 10 kg)

Centers	25.07.05	26.07.05	27.07.05	28.07.05	29.07.05	30.07.05
Kandla	328	329	328	326	326	324

### Weekly prices for RBD Palmolein

(Rs/ 10 kg)

Centers	25.07.05	26.07.05	27.07.05	28.07.05	29.07.05	30.07.05
Kandla	360	360	359	359	357	358
Mumbai	369	366	365	364	365	364
Chennai	365	365	362	360	358	357
Kakinada	366	364	360	360	359	356

### Soy oil

The domestic market continued declining for the whole week amidst the increased selling activities and incidence of heavy rains in Mumbai.

The US market is expected to continue trading range bound amidst increased pressure of oil and seed deliveries as the crop weather improved in major growing areas.

Amidst the prevailing bearishness in the prices in the US market the domestic traders also followed the suit amidst lack of domestic demand and heavy rains.

The kharif oilseeds sowing has been overall down by 16.06 per cent (25.07.05), but the sowing of soybean has been on the increasing side. At present the crop weather is favourable for the crops, which is applying increased pressure on the market and the traders are thus indulged in increased selling pulling down the prices.

The domestic future market traded on a weak note for the week amidst uncertain retail support and increased pressure of imports. In the month of July, India has imported about 2.56 lakh tonnes of soybean oil. The Hazir market also continued to decline gradually amidst lack of support from the retail demand.

Overall the market is expected to start the week's trading on the bearish tone but improve marginally as the week progresses owing of pressure of heavy rains in Mumbai and adjoining areas.

### Prices for Soy (ref) during the week

(Rs/ 10 kg)

Centers	25.07.05	26.07.05	27.07.05	28.07.05	29.07.05	30.07.05
Mumbai	361	360	358	358	359	359
Indore	375	374	374	372	371	371
Kota	376	378	375	374	372	372

### Rape oil

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

As per the latest development NAFED has already an open sale rate of Rs. 1700 for the markets of Rajasthan, Haryana and Punjab. But till now no trader have shown interest in taking the deliveries at such higher rates as the market prices is well below the quoted price. In the spot markets the price remained range bound on the lower side amidst lack of fresh trading initiatives from the retail traders.

The increased selling weakened the sentiments in the market. For the week the new crop arrival reached 0.10-0.25 lakh bags in Rajasthan and about 0.05 - 0.10 lakh bags in Madhya Pradesh and the trend of arrivals continue to decline day by day.



The oilseeds crop sowing is not progressing smoothly in Madhya Pradesh, Gujarat and adjoining areas of Mumbai amidst heavy rains, which has already disrupted the normal life.

Overall, it is expected that the rape oil will be trading range bound in the coming week till the sale of mustard by NAFED is clarified.

Prices for Rape Expeller Oil		(Rs/ 10 kg)				
Centers	25.07.05	26.07.05	27.07.05	28.07.05	29.07.05	30.07.05
Mumbai	398	396	395	395	395	395
Kota	390	390	392	390	385	383
Delhi	410	407	406	408	410	405

### Groundnut oil

Groundnut oil continued to be range bound at major centres. The price surged ahead significantly in the start of the week, but declined gradually towards the end of the week amidst incidence of heavy rains in Mumbai and adjoining areas.

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.

As per the latest report, the sowing of groundnut is still down by 15.49 per cent (25.07.05) and the late sowing done for groundnut is also bound to reduce the overall production prospects.

The range bound movement in groundnut oil prices in the domestic markets is likely to continue in the coming week amidst increased uncertainty in the ongoing crop weather.

Prices for groundnut oil during the week		(Rs/10 kg)				
Centers	25.07.05	26.07.05	27.07.05	28.07.05	29.07.05	30.07.05
Mumbai	480	478	476	379	482	482
Rajkot	530	520	523	520	510	510
Andhra Pradesh	530	520	525	528	525	520
Chennai	528	525	528	525	523	522

### Sunflower Oil

The sunflower oil market this week traded range bound following the declining retail supply and increased retail demand owing to the unsteady progress in the cropping weather of the oilseed crops.

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

The market is expected to continue firm in the coming week amidst growing retail demand.

Prices at Indian Centers		(Rs/10 Kg)				
Centers	25.07.05	26.07.05	27.07.05	28.07.05	29.07.05	30.07.05
Sunflower Refined oil						
Mumbai	435	435	435	433	432	430
Chennai	445	445	448	448	450	448
Hydrabad	450	448	448	445	445	448
Sunflower Expeller oil						
Mumbai	465	465	465	462	460	460
Chennai	472	470	470	468	468	465
Hydrabad	472	772	468	468	470	470

## INTERNATIONAL MARKET WEEKLY HIGHLIGHTS

### Palm oil Market Malaysia

The ringgit has since been strengthening. It was last traded around 3.75/dollar, with some analysts predicting further gains ahead in the coming weeks and months. A stronger exchange rate is negative for the palm oil industry because it reduces the value of CPO in ringgit terms.

Bearish supply and demand data further exacerbated the market's bearish mood. The export figures aren't helping. Cargo surveyor Intertek Agri Services issued estimates Monday showing July 1-25 exports at 814,266 tons, down 23% on month. Another surveyor, SGS (Malaysia) Bhd., estimated exports at 824,241 tons, down 24% on month.

Traders expressed that lower exports could lead to a rise in stocks at end-July because production is believed to be strong. Market talk has been for a 3% to 5% rise in production from the 1.21 million tons produced in June. End-June stocks were at 1.18 million tons.

The market's steep drop in the previous two days was in reaction to gains in the ringgit, which after being pegged at 3.8/dollar since September 1998, was floated by the Malaysian government July 21. The ringgit appreciated to 3.75, a rise of around 1.3% over two days. As a stronger exchange rate reduces the ringgit value of domestic commodities, Malaysian CPO prices came under heavy selling pressure since the currency was unpegged.

Besides a strengthening currency, concerns about rising inventories are also weighing on market sentiment. Cargo surveyors Intertek Agri Services and SGS (Malaysia) Bhd. Monday reported a drop of more than 20% on month in exports in the July 1-25 period.

The slowdown in exports in July is likely to result in higher stocks by month-end because production is widely believed to be on the rise. Market speculation has tipped production to increase about 3% to 5% on month. The excess supply situation suggests stocks, which totaled 1.18 million tons at end-June, could build to 1.3 million tons or more by the end of July.

The palm oil market is expected to be dull for the rest of the week since there are no important supply and demand indicators due anytime soon. Cargo surveyors Intertek Agri Services and SGS (Malaysia) Bhd. are scheduled to release Monday estimates for July palm oil exports. As earlier estimates for the July 1-10, July 1-15, July 1-20 and July 1-25 periods have consistently indicated an on month drop of about 20 to 25%, the full month figures are likely to show a similar trend. Production is expected to be higher in July and stay strong in subsequent months because of seasonal factors.

The market is expected to continue range bound amidst pressure increasing end stock and declining export prospects in the coming week.

### Soybean Market United States

The forecast for good rains across the Midwest in the next two days and for cooler weather helped trigger more speculative selling early in the session with funds noted sellers of near 2000 contracts into the mid-session. The uncertainty of weather as soybean crops march toward their critical pod-filling stage of development generated general uneasiness in the market, with traders unwilling to aggressively push prices in either direction.

The soybean crop developing faster than expected, with blooms and pod setting well above the average pace, placed a greater emphasis on near-term weather in early trade. Talk of disappointing rains totals from a weather system in the western belt and outlooks for warmer, drier conditions sparked speculative buying, until a band of showers in midday forecasts took some the edge off prices.

The weekly crop progress report, released Monday afternoon, showed that 54% of the crop was in good to excellent condition, up 1% from last week but still down from 60% as the 15-year average for this time of the year. Poor to very poor crops were unchanged at 16% from 10% as the 15-year average.

Talk on the floor is that many analysts have lowered their yield forecast to near 38 or 39 bushels per acre as compared with the initial estimate at 39.9 bushels per acre from the last report. If yield dips to 39 bushels per acre and usage estimates are left unchanged, the ending stocks forecast for the 05/06 season could drop to 144 million bushels. If yield dips to 38 bushels per acre and usage estimates are left unchanged, the ending stocks forecast could drop to 71 million bushels as compared with 290 million bushels this season.

The lack of rain in the 10 day forecast along with increased sensitivity to the potential for a lower than average yield helped support active speculative buying early in the session.

Crush came in at 131.72 million bushels from trade estimates near 131 million bushels. Oil stocks (1.84 billion pounds) and meal stocks (241,489 tonnes) came in as expected. Weekly export sales for soybeans came in at 2,800 metric tonnes as compared to trade expectations for 50,000-100,000. Old crop sales showed a cancellation of 62,800 tonnes. As a result, cumulative sales have reached 99.6% of the USDA forecast as compared to 102.7% on average over the last five years.

Meal sales came in at 110,400 metric tonnes as compared to trade expectations between 30,000-70,000 tonnes and oil sales were 1,000 metric tonnes as compared to trade expectations for 1,000-6,000.

Mostly dry weather with increasing temperatures into the mid-90's is expected into late next week but some models bring in rains into next weekend. Hefty deliveries added to the bearish tone with 480 soybeans and 500 oil delivered on first notice day for August contracts.

Weak technical indicators with futures struggling to find buyers above psychological resistance levels and the subsequent slide below major moving averages added to the defensive theme in the market. However, there is a very strong indication that there will be a cool off in temperatures similar to the recent drop in temperatures in the Midwest late next week. The uncertainty involves moisture, but 70% of the Midwest should receive between three-10ths and eight-10ths of an inch late next week.

The US soybean is expected to continue to dwindle in a small range with no sharp movements in the coming week.

#### **South American Soybean Market:**

Brazil meal exports are growing rapidly and meat export revenues could exceed soybeans in the future. If Brazil exports continue to grow, meal domestic demand will also grow rapidly, leaving less for export. In addition, if Brazil planted area falls this season and yields do not recover from last year, the Brazil meat industry should help keep

crush margins strong and might limit the typical steep discounts of futures to cash into harvest.

Crops could recover quickly from heat over the weekend in areas, which receive 1 inch of rain with the thunderstorms, but some areas could receive 1/2 inch or less, which could allow some stress to build if the forecast stays dry into early August.

China imported 2.667 million tonnes of soybeans in June, which brought the cumulative total for the year to 12 million tonnes, up 33.6% from last year's pace. China imported 137,390 tonnes of soyoil in June, which brought the cumulative total for the year to 801,081 tonnes, down 41.9% from last year's pace.

Palm imports for the year have reached 1.279 million tonnes, up 21.8% from last year's pace. Soybean meal exports for the year have reached 358,999 tonnes, up 23.5% from last year.

Soybean rust was found in a third county in Georgia. Producers in northern Iowa, northern Illinois and northern Indiana are spraying for soybean aphids and spider mites after recent reports of higher populations.

Strong world demand from positive growth has provided underlying support to the market, but there are some demand concerns developing if there are significant changes ahead for poultry or pork industries in Asia. Bird flu problems across Asia along with recent reports in China of 24 human deaths from a pig disease need to be monitored closely, in case there is a trend towards reduced meat production or consumption that could have a significant impact on meal prices in China and an impact on soybean import demand down the road.

With South America pricing in better demand and the US market still correcting from the weather threat, South America has been gaining on Chicago soybeans, and the November/November spread has moved from near even money in early July to a 25 cent premium Brazil by July 25th.

Threat to supply in the US may also jump start a stronger demand period in Brazil as end users extend coverage just in case crop conditions deteriorate in August. Improving crop weather is necessary for the US to avoid below normal yields and a tight ending stocks situation.

Traders are also keeping an eye on bird flu developments and stories from China of 24 human deaths from a mysterious pig disease. China officials believe the disease is swine flu, but a 20% mortality rate and other factors have many scientists unsure of the source.

If yield dips to 38 bushels per acre and usage estimates are left unchanged, the ending stocks forecast could drop to 71 million bushels as compared with 290 million bushels this season. Both of these ending stocks estimates are capable of driving prices higher, and a 38 bushel per acre yield could equate to the \$8.00-\$10.00 region.

Weakness in the Brazilian real supported more active producer selling in the past week, but firm export demand supported higher basis levels in spite of the selling. End user demand is still evident in Brazil for soybeans and Argentina for the products, and the recent weather scare in the US has generated more interest.

Normal weather in August would likely boost crop conditions and improve the yield outlook, and with a large speculative net long position, a shift in the forecast to normal weather on Monday morning could leave the market

in a long liquidation mode, especially after good rains and improving crop conditions this week.

South Korea bought 50,000 tonnes of South American meal overnight. It's a weather market, and the weather outlook into next week looks threatening. However, Monday morning should prove to be another volatility event, as the extended forecast models will dictate the market's direction from Monday night.

The Latin American soybean market is expected to continue in the bullish region for the long and medium term for the coming week amidst growing uncertainty in crop weather of US and increasing export demand.

### VAYDA BAZAAR

Soy oil futures at National Commodity & Derivatives Exchange Limited (NCDEX) and NBOT declined marginally on increased selling pressure amidst uncertainty in the monsoon in the ongoing month and uncertain international support. Settlement prices for August soy oil future at National Commodity and Derivatives Exchange (NCDEX) was in between Rs 375.00-379.00 kg and at National Board of Trade (NBOT) was in the range of 372.40-378.40 per 10 kg.

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

Contracts	25.07.05	26.07.05	27.07.05	28.07.05	29.07.05	30.07.05
Aug'05	377.50	378.40	378.40	375.80	373.80	372.40
Sep'05	381.40	382.70	382.70	380.40	379.00	377.20
Oct' 05	N.A	N.A	N.A	N.A	N.A	N.A

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

Contracts	25.07.05	26.07.05	27.07.05	29.07.05	30.07.05
Aug'05	379.00	380.85	378.60	376.20	375.00
Sep'05	382.55	384.10	382.35	380.25	378.95
Oct '05	385.05	386.10	384.25	382.15	381.05

### WEEKLY WEATHER WATCH

#### Forecast for the period upto 4<sup>th</sup> August, 2005

##### Weather Systems:

Yesterday's low pressure area over northwest Bay of Bengal has concentrated into a depression and now lies over northwest Bay of Bengal off Orissa coast today morning at 0830 hours with its center close to Balasore. The system is likely to move in west- northwesterly direction.

The other low-pressure area over northwest Madhya Pradesh and neighbourhood moved west-northwestwards and merged with seasonal low over Pakistan. Associated upper air Cyclonic circulation lies over North Gujarat & adjoining SW Rajasthan. This cyclonic circulation is expected to weaken within next 24 hours.

A mid-tropospheric circulation (MTC) is likely to form around 31<sup>st</sup> July over Gujarat & adjoining North-East Arabian Sea leading to enhancement of rainfall activity over many parts of West and Central India due to combined influence of the two systems.

Off-shore trough running from Konkan to north Kerala coast is likely to persist for next 5 days. After the formation of MTC over Gujarat & adjoining areas around 31<sup>st</sup> July, the rainfall activity over North Konkan & Goa is expected to increase.

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

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

Hilly region of NW India especially Uttranchal and Himachal Pradesh is expected to get scattered to fairly widespread rains during next 2-3 days. Isolated to scattered rainfall is likely over the plains of NW India during this period. With the west-north-westward movement of depression, the rainfall activity over NW India is expected to increase after 3 days.

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

Orissa, Jharkhand and Gangetic West Bengal are likely to receive fairly wide spread rainfall with isolated heavy rains during next 2-3 days. Scattered to fairly widespread rainfall activity is likely over East UP, Bihar, sub-Himalayan West Bengal and NE states during next 3-4 days.

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

With west-northwestward movement of depression, widespread rainfall with isolated heavy to very heavy showers are likely over Chattisgarh, East and West Madhya Pradesh, and fairly widespread to widespread rainfall over Vidarbha during next 3-4 days.

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

Scattered to Fairly widespread rainfall activity is likely to continue over Karnataka, Coastal A.P., and Kerala. Isolated to scattered rains are expected over rest areas of the region.

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

Wide spread rainfall activity with isolated heavy to very heavy showers are expected over Konkan & Goa, Gujarat and South East Rajasthan during next 3-4 days. Scattered to Fairly widespread rainfall is also likely over Madhya Maharastra and Marathawada, and remaining parts of Rajasthan during next 3-4 days.

### PORT WATCH

#### Port updates of Edible oils in India (01 July - 30 July '05) (Amount in Tonnes)

Particulars	Expected	Arrived	Total
SBO	33500	255774	289274
Palm Oil	17700	55050	72750
CPO	66800	184690	251490
Total Palm	84500	239740	324240
Total Oil	118000	495514	613514

Source: ANAS

#### Forex Rates

(As on 30.07.2005)

Country/ Continent	Currency	Value in Rupees
USA	Dollar	43.44
Malaysia	Ringgit	11.60
European Union	Euro	52.66
United Kingdom	GBP	76.36
Japan	100 Yen	38.62



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