

## OILMEAL

1<sup>st</sup> - 6<sup>th</sup> August, 2005

### MAJOR ACTIVITY HIGHLIGHTS

- **USDA's Export Sales Highlights (July 22-28, 2005)**
- **Argentine Soybean Production To Be 40 Million Tonnes In 2005-06**
- **Latest Oilseeds Sowing Progress**
- **Maharashtra Poultry Industry in Danger amid Rains & Flood**
- **China: Soymeal Stable; Torrential Downpour; Mortality on the Rise**
- **CBOT Soymeal Ended the Week Lower On Spec Selling, Weather**
- **Soymeal Domestic Market Showing a Weak Undertone**

### NEWS ANALYSIS

#### USDA's Export Sales Highlights (July 22-28, 2005)

Soybean Cake and Meal: Net sales of 72,700 MT were 18 percent under the previous week, but 16 percent above the prior 4-week average. The primary buyers were Venezuela (25,000 MT), Japan (24,900 MT), Canada (10,100 MT), and Mexico (6,200 MT). Sales of 2,700 MT for delivery in 2005/06 were for Canada. Exports of 77,700 MT were 15 percent below the previous week and 28 percent under the prior 4-week average. The primary destinations were Mexico (28,700 MT) and Canada (24,800 MT)..

#### Argentine Soybean Production To Be 40 Million Tonnes In 2005-06

Argentine farmers are expected to produce a record 40 million tonnes of soybeans in 2005-06, the Agriculture Secretariat said last week. The forecast is based on the assumption that planted areas will increase to 15 million hectares from 14.4 million now. The Secretariat expects the average yield to fall slightly to 2.68 tonnes/hectare from 2.7 tonnes/hectare in 2004-05, when good weather helped lift the output of almost all local crops. If his forecast holds, it would put soybean production up 1.7 million tonnes from the previous year, when output totaled 38.3 million tonnes, according to the Secretariat. USDA forecasts Argentine soybean output for 2005-06 to be 39 million tonnes.

The Secretariat also forecast the 2005-06 Argentine crush to be 31.5 million tonnes, up from 28.5 million tonnes a year earlier. Because of increased crushing, the Secretariat expects soybean exports to decline to 7 million tonnes from 8.3 million tonnes in 2004-05.

#### Latest Oilseeds Sowing Progress

Kharif sowing (as on August 1, 2005) is down merely 2.45 per cent at 137.56 lakh hectares compared with 141.02 lakh hectares last year. This shortfall is largely due to delayed monsoon. The data says soybean sowing has

gone up this year compared to last two years. This higher coverage is due to a better spread in Andhra Pradesh, Maharashtra and Rajasthan. The acreage in Madhya Pradesh is less on year, due to delayed onset and advancement of monsoon. However, experts are still hopeful of improvement in area acreage. Sowing in other states has been completed. Soybean acreage is now up 1.3 per cent at 70.40 lakh hectares compared with 69.52 lakh hectares last year.

A significant improvement in groundnut acreage has been seen within the last week. However, the coverage still is down 8.63 per cent on year at 45.40 lakh hectares. This is largely due to a lower acreage in Gujarat due to delayed onset of monsoons and heavy rains later. Other states that have seen lower acreage are Karnataka, Maharashtra and Tamil Nadu. While the sowing in Gujarat is over, it is still on in Karnataka and Andhra Pradesh. Sunflower sowing is down 30 per cent at 4.39 lakh hectares, sesamum is down 1.5 per cent at 11.70 lakh hectares and niger seed down sowing is down 7 per cent at 66,000 hectares. On the other hand, castor seed acreage is up 69 per cent at 5.02 lakh hectares following a rise in acreage in Andhra Pradesh, Gujarat and Rajasthan.

#### Maharashtra Poultry Industry in Danger amid Rains & Flood

The poultry industry in Raigad, Thane and Ratnagiri districts of Maharashtra witnessed a worst affected due to the heavy rains and floods. It was noticed that around half a million ready-to-market broiler birds have perished in the floods, leading to losses of over Rs 2.5 crore for the poultry farmers. The poultry feed, which worth lakhs of rupees has been destroyed, in addition to poultry sheds. Due to the breakdown in transportation, poultry feed and raw material for the feed could not reach the farms, leading to starvation of birds. For the State's poultry industry, the recent years have proved to be lucky with the monsoons bringing down the prices of maize, which is the main ingredient of poultry feed. But if the current crisis continues for long, the farmers

will find themselves in the same situation they were in a couple of years ago when the industry was on a slide due to drought and fear of bird flu.

### MSP Increased for Kharif Oilseeds

The Cabinet Committee on Economic Affairs (CCEA) today approved the Minimum Support Prices (MSPs) for Kharif Oilseeds Crops for the year 2005-06 season announced by the Govt. These rates will be effective from coming Kharif season. The MSPs of various commodities will be at the rates given below:

Crops	2003-04 (Rs)	2004-05(Rs)	Change (Rs)
Groundnut-in-Shell	1520	1500	20
Soybean (Black)	900	900	Nil
Soybean (Yellow)	1010	1000	10
Sunflower	1500	1340	160
Sesameseed	1550	1500	50
Nigerseed	1200	1180	20

### Ocean Freight Rates Decline

While the summer months are typically a slow period for ocean freight and rates, the number of new vessels entering service is not slowing and is adding further pressure on rates. Between now and the end of the year, a new dry bulk vessel will enter service daily pushing this year's fleet up nearly 350 vessels or about 7 percent to 5,078 dry bulk vessels of all sizes.

Over the next two months, freight rates are anticipated to continue the freefall until about mid- September or early October as fall movement patterns ramp up in the Northern Hemisphere. But, even then, rates will find it hard to gain much traction given the large order book of vessels not just for 2005, but also for the new vessels to be delivered the next three years.

The prospects for next year point to continued rate weakness as supply and demand fall more into equilibrium. The key linchpin in this will be China demand. According to some trade statistics, China's dry bulk demand is steady, although, current inventories of iron ore for example are rather plentiful, unlike the demand for pig iron that is still steady to growing. If China clears up its inventory and increases its steel output to yet another level, then the freight market will have some traction. But at present, China's steel market is in surplus, so much so that it equals all of Germany's annual output.

## FUNDAMENTAL ANALYSIS

### INTERNATIONAL MARKETS

#### CBOT: Soymeal Future Analysis

Soybean futures at the Chicago Board of Trade ended lower on Friday, but well above earlier lows as during the end-of-the-day positions were squared to trim the market's early downfall. Soymeal followed similar trend and ended lower due to technical selling pressure. The market was

under intense pressure for most of the week from technical selling and speculative liquidation, and also due to wetter climatic forecasts hovering over the Midwest region.

Most-active December soymeal settled \$3.50 lower at \$208.80 a short ton, and December soyoil ended 50 points lower at 23.92 cent a pound. The market showed some choppy trade on Monday but later on showed a steady downfall for most of the week and closed the week on a low note as traders squared off their positions and also due to favourable weather conditions.

Private forecasters pointing to improved changes of cooler temperatures and more consistent precipitation to move into the Midwest by late next week into the middle of August provided the fundamental support for the early losses in the market.

In soymeal trades, Cargill, Cargill Investor Services, Fimat, Goldenberg Hehmeyer, Prudential Financial and UBS Securities were each light buyers. Cargill Investor Services sold 200 September and 300 December, Man Financial sold 500 December, Refco sold 1,500 December and Kottke sold 500 December.

(One million metric tons of soybeans or wheat equals 36.74 million bushels.)

#### CBOT Soymeal Futures as on 5<sup>th</sup> August 2005 (Cents/pound)

Months	Previous Settle	Open	High	Low	Change	Close
Aug'05	212.6	214.1	214.1	205.0	-1.7	210.9
Oct'05	211.1	211.1	211.1	203.5	-2.3	208.8

CBOT remained closed on Saturday and Sunday

#### China: Soymeal Stable; Torrential Downpour; Mortality on the Rise

Chinese soymeal is stable except a rebound seen during the mid week. The other meals remained stable but the imported fishmeal witnessed a slid in the last two days of this week.

China is still on pig disease alert to prevent further spreading of the virus and pork is low on menu, as fears stay high. The mortality is on the rise in China. 2 more cases of pig borne disease in Sichuan. The vaccines for swine virus have been sent to Sichuan. New measures are being taken to control the epidemic. The bird flu has also spread to Russia's Tyumen region. It is expected that 2-3 typhoons might hit China in August for which the Government has stepped up precautionary measure. China soaked in torrential downpour and rains set to pour across the country in the coming month.

It is expected that the growth will slow down by 9%. The consumer price rise is to be kept under 2.5 % by the Chinese Government. The Ministry announced that Yuan hit 4<sup>th</sup> straight high today. The Ministry has announced that revaluation of Yuan will have little impact on agriculture in the country.

## DOMESTIC MARKETS

### Soy meal

The soymeal market did show huge volatility during the week and ended the week at a new low at the spot market. The cash market showed bearish sentiments all the daylong. At NCDEX, the August soymeal future contract opened firm and remained stagnant at that level. The September soymeal future contract did show some weakness but later on did show some improvement during the last few hours of trading. The soymeal futures at CBOT on Friday dropped down further due to technical selling as there was a favourable weather condition prevailing in the Midwest.

Both the Spot and Future market showed a weak trading and the prices rolled down the week. The trading was poor for the most of the week but on Wednesday the market did show some gains but then after remained bearish and showed a steady downfall.

Plant delivery quotes of Soy seeds remained in the range of Rs 1320- 1305 per qtl in Indore while soymeal in physical market has been offered between Rs 9000-9500 per MT and Rs 8900-9300 for most of the week. FOR quotes opened at Rs. 9850-9950 per MT and rolled down to Rs. 9650-9750 per MT in Kandla in jute bags, while FAS has been put at \$228-230 on Monday and it lowered to \$ 226-230 per MT.

India's soymeal exports totaled **115,750** tons in June 2005 compared with 94,500 tons in June 2004.

### NCDEX Soy meal Futures price (6<sup>th</sup> August)

	Prev Close Price	High Price	Low Price	Close Price	Change
Aug	8999.00	9020.00	9020.00	9020.00	+21.00
Sep	9000.00	9150.00	8910.00	9150.00	+150.0

### Average ex-factory prices of SBM at Indore/ Sangli (July, 2005)

	01.8	02.8	03.8	04.8	05.8	06.8
Indore	8800 - 9000	8800 - 9000	9000 - 9200	9100 - 9200	9300	9100
Dhulia	NA	NA	NA	NA	NA	NA

### Soy meal vessel report

Loading of 6,000 MT of SBM is continuing at Mumbai Port on the vessel 'Lisa L' to Sharja. SDS agents is handling the vessel. The port is loading 3,000 MT of SBM on the vessel 'Zale'. The vessel is being handled by Seagull agents.

### Rape/ Mustard meal

The rapeseed market is at a constant level and maintained the last few days tone. The demand in the market is yet to pick up. The floods and rains hit the trading and the

rapemeal market is following the weakness of other oilmeals. The chance of a significant decline is not likely at presently.

In Shivpuri/ Morena, rates remained between Rs 4500 -per MT; Kota & Barah between Rs. 4400 and 4450 per MT. The market is expected to remain range bound for the week.

Central Organisation For Oil Industry And Trade (COOIT), 1st Advance estimates for the year 2004-2005 has put the Rapeseed/Mustard crop production along with Kharif Toria (1.8 lakh tonnes) to 72.0 lakh tonnes in 2005.

India exported **53,975** tons of rapemeal in June 2005 as compared to 45,575 in June 2004.

### Groundnut meal

Groundnut meal market rotated around a flat rate for the week. The arrivals were low and this has put the market in a tight demand and supply situation. In the coming days the prices may remain within the range and later on will be better off. The rains in the western parts of India affected the sowing and yield of groundnut and other oilseeds.

GN extraction in Junagarh, Rajkot has been quoted between Rs 6500 and Rs.6450 for 40 percent protein during the week. At Dhulia market there was no trading for the week.

Central Organisation for Oil Industry and Trade (COOIT), 1st Advance Rabi Estimates for the 2004-2005 has put the Rabi GN crop at 17 lakh tonnes, same as last year.

India exported around **8,900 MT** groundnutmeal in June 2005 as compared to 30,475 MT in June 2004.

### WEATHER WATCH:

#### Weather during the week ending on 7<sup>th</sup> August, 2005

**All India medium range weather forecast valid for next 5 days.**

### Monsoon Outlook

Yesterday's low-pressure area over Jharkhand has weakened and now lies as an upper air cyclonic circulation over Bangladesh and adjoining NE states. The monsoon trough has moved to the north of its normal position temporarily and hence rainfall is likely to continue over Uttaranchal, Himachal Pradesh and J & K for next 1-2 days. The trough in mid-latitude westerlies that lies around 80°E longitude is likely to move north-north-eastwards. Hence, rainfall activity is expected to recede from plains of Punjab, Haryana and west Uttar Pradesh. Scattered to fairly widespread rainfall is likely over West Bengal, Sikkim, Orissa, Chhattisgarh, East Madhya Pradesh and parts of Jharkhand and Vidarbha during next 2-3 days. Subsequently, the upper air cyclonic circulation is getting organized in to a well-marked low-pressure area around 10th August 2005. Under its influence, the rainfall activity over Orissa, Chhattisgarh, East Madhya Pradesh and parts of Jharkhand and Vidarbha is expected to enhance beginning from 10th August 2005 onwards. The off-shore trough now runs from south Konkan to north Kerala coast and is likely to cause moderate rainfall with isolated heavy

falls over Konkan & Goa and coastal Karnataka during next 4-5 days.

#### **NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]**

Scattered rainfall is likely over the region during next 24 hours. Subsequently, rainfall activity is likely to recede from the plains of north and northwest India. However, fairly widespread activity is expected over J & K, Himachal Pradesh and Uttaranchal for next 48 hours.

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

Orissa, parts of Jharkhand and NE states are likely to receive fairly widespread to widespread rains with isolated heavy falls during next 2-3 days. Subsequently, activity over NE states is likely to reduce. Isolated to scattered rainfall activity is likely over rest of the regions during this period.

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

Chattisgarh, Madhya Pradesh and Vidarbha are likely to receive scattered to fairly widespread rains during next 4-5 days.

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

Karnataka, north Kerala, are likely to receive fairly widespread rainfall activity during next 2-3 days with isolated heavy falls in Coastal regions of Karnataka and Kerala. Rest areas of the region are likely to receive isolated to scattered rains during this period.

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

Konkan & Goa and parts of north Maharashtra may receive fairly widespread rains with isolated heavy falls in Konkan & Goa during this period. Rest areas of the region are likely to receive isolated to scattered rains during this period.

#### **Forex Rates**

Country/ Continent	Currency	Value in Rupees
USA	Dollar	43.49
European Union	Euro	53.79

### **Indian Export of Oilmeal**

#### **COMMODITY WISE**

India's oil meal exports of April - June '05 (compared to comparative period of previous year 2004-05)

Quantity in metric tonnes

Month	S.B. EXT	R.S. EXT	G.N. EXT	R.B. EXT	CST EXT	TOTAL
April 2005	99,250 (366,625)	90,900 (96,000)	12,950 (14,800)	— (---)	17,800 (---)	220,900 (477,425)
May 2005	156,100 (278,300)	69,650 (100,875)	3,025 (44,750)	6,875 (---)	50,200 (---)	285,850 (423,925)
June 2005	115,750 (94,500)	53,975 (45,575)	8,900 (30,475)	12,675 (5,800)	20,225 (6,200)	211,525 (182,550)
TOTAL	371,100 (739,425)	214,525 (242,450)	24,875 (90,025)	19,550 (5,800)	88,225 (6,200)	718,275 (1,083,900)
2004-05	1,861,325	588,805	121,475	43,056	70,750	2,685,411
2003-04	2,683,675	447,050	126,750	---	65,550	3,323,025
2002-03	1,333,318	455,533	15,225	---	92,445	1,896,521
2001-02	2,509,207	313,012	101,001	---	97,557	3,020,777
2000-01	2,182,142	62,968	18,609	---	10,992	2,336,638
1999-00(F.Y)	2,249,505	79,874	1,808	---	93,365	2,428,470

S.B.- Soybean Extns., R.S.- Rapeseed Extns., G.N.- Groundnut Extns., CST - Castorseed Extns, R.B.- Ricebran Extns  
Source: SEA Data Bank

## PORTWISE

MONTH	BEDI	MUM-BAI	BHAV-NAGAR	KANDLA	VIZAG	KAKI-NADA	MAGD-ALLA	MUNDRA	TOTAL
April 2005	35,175 (61,525)	43,250 (102,175)	--- (34,700)	126,625 (235,500)	15,850 (24,125)	--- (7,500)	--- (---)	--- (11,900)	220,900 (477,425)
May 2005	10,500 (115,600)	48,325 (61,250)	--- (12,225)	188,975 (155,950)	30,425 (56,400)	6,875 (9,000)	750 (---)	--- (13,500)	285,850 (423,925)
June 2005	8,600 (39,300)	45,625 (70,925)	--- (---)	120,650 (59,475)	29,900 (---)	6,750 (12,850)	--- (---)	--- (---)	211,525 (182,550)
TOTAL	45,675 (177,125)	91,575 (163,425)	--- (46,925)	315,600 (391,450)	46,275 (80,525)	6,875 (16,500)	750 (---)	--- (25,400)	506,750 (901,350)

## USDA Estimates

### Soymeal Supply, Demand and Stock position (June 13)

	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005 (p)	2005/2006 (f)
<b>Production</b>						
China, Peoples Republic of	15,050	16,300	21,000	20,190	23,265	26,374
Brazil	17,863	19,407	21,353	22,781	22,850	24,600
Argentina	13,650	16,499	18,587	19,758	20,156	21,045
EU-25	13,073	13,885	12,825	11,100	11,227	11,398
India	3,614	3,700	2,730	4,422	3,765	4,410
Mexico	3,530	3,656	3,440	3,090	3,100	3,255
Japan	2,927	3,013	3,267	2,740	2,495	2,574
Taiwan	1,690	1,720	1,690	1,609	1,587	1,570
Canada	1,320	1,321	1,400	1,169	1,380	1,423
Bolivia	669	791	1,123	1,090	1,290	1,298
Others	7,331	8,434	8,457	7,874	8,976	9,366
Total Foreign	80,717	88,726	95,872	95,823	100,091	107,313
United States	35,730	36,552	34,649	32,953	36,536	36,501
World Total	116,447	125,278	130,521	128,776	136,627	143,814
<b>Exports</b>						
Argentina	13,600	16,239	18,040	18,946	19,265	19,995
Brazil	10,679	11,862	13,611	14,761	14,845	15,230
India	2,350	2,450	1,225	3,310	1,700	2,100
Bolivia	530	608	977	888	1,085	1,083
Paraguay	624	764	801	1,046	1,020	988
China, Peoples Republic of	155	1,123	848	667	820	800
EU-25	255	329	339	398	364	393
Norway	101	131	137	131	130	130
Syria	198	122	200	120	120	120
Canada	55	87	121	49	60	100
Others	208	513	611	372	243	238



Total Foreign	28,755	34,228	36,910	40,688	39,652	41,177
United States	7,335	7,271	5,728	4,617	6,532	6,124
World Total	36,090	41,499	42,638	45,305	46,184	47,301
<b>Imports</b>						
EU-25	18,327	19,680	20,349	21,864	22,750	23,300
Thailand	1,408	1,888	1,901	1,647	1,500	1,600
Indonesia	1,615	1,251	1,500	1,547	1,525	1,550
Korea, Republic of	1,420	1,523	1,528	1,307	1,500	1,510
Japan	611	1,081	1,075	1,195	1,300	1,270
Philippines	1,108	1,585	1,434	1,186	1,175	1,250
Mexico	256	395	633	750	950	1,100
Canada	933	1,130	1,065	1,057	1,100	1,052
Vietnam	432	747	997	999	900	900
Iran	408	437	466	851	400	800
Venezuela	652	482	512	700	750	800
Others	9,568	10,218	10,587	11,592	11,494	11,597
Total Foreign	36,738	40,417	42,047	44,695	45,344	46,729
World Total	36,738	40,417	42,047	44,695	45,344	46,729
<b>Consumption</b>						
EU-25	31,212	32,995	33,015	32,586	33,606	34,293
China, Peoples Republic of	14,995	15,204	20,152	19,542	22,520	25,624
Brazil	7,550	7,836	8,098	8,278	8,503	9,400
Mexico	3,791	4,063	4,104	3,823	4,048	4,364
Japan	3,559	4,066	4,331	4,175	3,813	3,857
Thailand	2,523	3,115	3,291	2,766	2,606	2,570
Canada	2,192	2,369	2,344	2,192	2,405	2,375
India	1,224	1,248	1,502	1,122	2,050	2,310
Korea, Republic of	2,290	2,435	2,493	2,342	2,265	2,307
Taiwan	1,720	1,683	1,699	1,713	1,682	1,652
Others	18,050	19,305	19,486	21,784	22,240	23,825
Total Foreign	89,106	94,319	100,515	100,323	105,738	112,577
United States	28,359	29,541	29,090	28,590	30,118	30,527
World Total	117,465	123,860	129,605	128,913	135,856	143,104
<b>Ending Stocks</b>						
EU-25	809	1,050	870	850	857	869
Argentina	100	130	347	539	675	725
Brazil	721	781	770	778	480	550
Korea, Republic of	362	365	365	200	220	230
Japan	439	467	478	238	220	207
Thailand	190	205	206	175	153	134
Mexico	137	125	93	109	110	100
Paraguay	40	98	423	18	38	95

Turkey	50	30	93	60	80	90
Malaysia	53	72	74	76	80	80
Others	526	570	517	455	480	451
Total Foreign	3,427	3,893	4,236	3,498	3,393	3,531
United States	348	218	200	191	227	227
World Total	3,775	4,111	4,436	3,689	3,620	3,758

## Rapeseed

	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005 (p)	2005/2006 (f)
<b>Production</b>						
EU-25	6,170	6,002	6,183	6,050	7,583	7,657
China, Peoples Republic of	7,800	7,190	6,325	7,150	8,098	7,533
India	2,251	2,232	1,988	3,153	3,331	3,177
Canada	1,708	1,297	1,250	1,935	1,770	1,883
Japan	1,225	1,184	1,240	1,270	1,292	1,240
Mexico	476	465	432	570	476	528
Pakistan	325	335	371	372	374	383
Australia	210	225	230	237	245	240
Bangladesh	294	245	245	201	238	223
Russian Federation	53	56	53	65	60	61
Others	181	149	153	131	197	196
Total Foreign	20,693	19,380	18,470	21,134	23,664	23,121
United States	460	418	356	434	518	437
World Total	21,153	19,798	18,826	21,568	24,182	23,558
<b>Exports</b>						
Canada	1,135	799	830	1,570	1,300	1,315
India	50	421	449	620	650	525
China, Peoples Republic of	610	207	216	157	90	75
EU-25	21	38	49	27	58	68
Ukraine	5	3	12	3	16	16
Pakistan	0	0	0	2	3	3
Others	3	12	0	0	0	0
Total Foreign	1,824	1,480	1,556	2,379	2,117	2,002
United States	10	7	31	34	25	18
World Total	1,834	1,487	1,587	2,413	2,142	2,020

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