

## VEGOIL

11<sup>th</sup> August 2005

### MAJOR ACTIVITY HIGHLIGHTS

- CBOT Soy Futures Traded Range Bound Amidst Growing Uncertainty in Crop Weather
- South American Soybean Continued Lower Amidst Forecast of Improving Crop Weather in US
- BMD CPO Futures Continued Up Amidst Fear of Disruption in Supplies by Thick Haze
- Soybean Oil Prices Surged Marginally Amidst Improving Buyer's Support

### TECHNICAL ANALYSIS

#### COMMODITY: SOY OIL

Perspective: Very Short Term

#### NCDEX August Contract

The August contract closed at 369.90, which was marginally higher than yesterday's close. Market opened steady, traded lower for the day but recovered marginally towards the end session amidst approach of the first cut at the Indore NBOT exchange market.

The 7-day MA moved further in the downward direction hinting to the continuing weakness in market prices along with the 14-day MA.

Currently the MACD is bearish since it is trading below its signal line. The MACD crossed below its signal line 18 period(s) ago. Since the MACD crossed its moving average, Aug soy oil's price has decreased 3.09% and has ranged from a high of 384.05 to a low of 367.10.

The 9-days Price ROC moved lower marginally to the level of -1.792 (pointing downward) indicating the weakness in the market prices. The 9-day RSI dipped lower in the oversold region to a level of 28.71 indicating the increasing weakness in the prices.

The % K-line continued up entering the neutral region indicating the steadiness in the price along with the % D-Line, which also curved up in the oversold region.

The candlestick is hinting at the steady to firm trade for Friday.

#### Market advice:

Market is expected to open steady and continue trading in the positive direction

Avoid new entry with medium and long-term outlook

Short-term buying could yield profit

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

Contract	Contract	Support		Resistance	
		1st	2nd	1st	2nd
NBOT	Aug' '05	366.60	365.90	368.40	369.20
NCDEX	Aug' '05	369.10	368.20	372.30	373.40

#### Abbreviations:

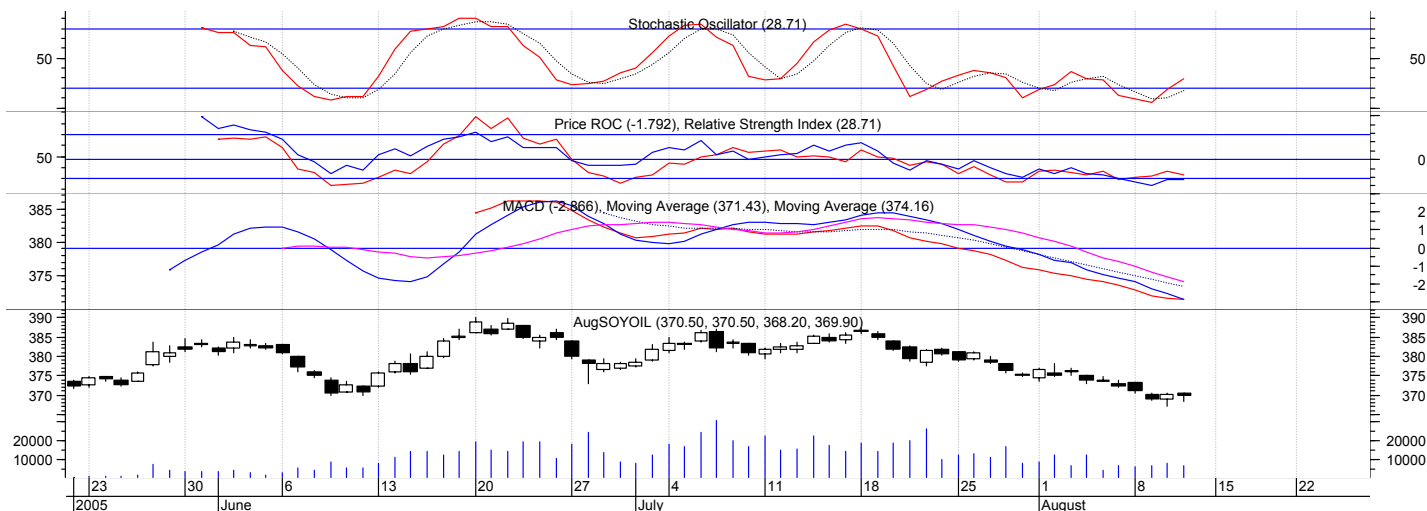
ROC - Rate of Change

MA - Moving Average

MACD - Moving Average Convergence Divergence

RSI - Relative Strength Index

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



## MARKET HIGHLIGHTS & FUNDAMENTAL ANALYSIS

### International:

#### CBOT (US Soybean Oil):

Soybean futures on the Chicago Board of Trade ended near unchanged on Wednesday after a choppy two-sided session, as the market consolidated from Tuesday's speculative selloff.

The outlook for rains across the northern cornbelt for late this week and into the weekend helped pressure the market as rains in the drier areas of northern Illinois and southern Iowa are expected to boost crop prospects. As a result, large and small speculators continue to liquidate long positions ahead of the USDA Crop Production and Supply/demand report for release Friday morning.

Traders are looking for ending stocks for the 2005/2006 season to be adjusted lower to near 172 million bushels for Friday morning's release (range 115-210) as compared with last month's estimate at 210 million bushels and 290 million bushels for the 2004/2005 season.

For the weekly export sales report, released before the opening, traders are looking for soybean sales near 100,000-250,000 tonnes as compared with 250,600 tonnes last week. Meal sales are expected near 50,000-110,000 tonnes with oil sales near 1,000-5,000 tonnes.

The bearish influence of weather forecasts projecting cooler and wetter conditions for soybean crops in the Midwest was seen keeping a defensive theme in the market. However, without an aggressive speculative presence, uncertainty surrounding yield and production potential as well as ideas that recent declines were a bit overdone provided underlying support.

In trades, Fimat bought 1,000 November, Refco bought 900 November and RJ O'Brien bought 500 November. On the sell side, Cargill Investor Services sold 300 November, UBS Securities sold 1,000 November, and Refco sold 500 November.

The US soybean is expected to trade range bound on Wednesday evening amidst increasing expectation of good crop weather in the coming days.

#### CBOT Soy oil futures as 10.08.2005 (Cents/pound)

Months	Previous Settle	Open	High	Low	Change	Close
5-Aug	22.80	22.75	22.87	22.65	-0.08	22.72
5-Sep	22.89	22.83	22.96	22.73	-0.12	22.77
5-Oct	22.98	22.85	23.88	22.83	-0.11	22.87
5-Dec	23.14	23.07	23.25	22.95	-0.16	22.98

CBOT remains closed on Saturday and Sunday.

#### South American Soybean Market

November CBOT soybeans traded lower on the session today, as forecasts for rains in the driest areas of the US Corn Belt have kept the market in a long liquidation mode over the past several trading sessions.

The increased focus on South American short-term export news could keep commercial traders interested. With the US market vulnerable to more long liquidation selling ahead of the USDA report, the spread may continue to firm.

The USDA Supply/Demand and Crop Production reports on Friday morning should carry a bullish tilt, but the primary focus of the market is on the weather outlook and ideas that the crop will

quickly recover from poor conditions if the forecast for hefty rain totals in the central Midwest are verified in the next few weeks.

This dry weather could hurt yield, the outlook for several inches of rain in the next two weeks led by active thunderstorm activity for the northern half of the Corn Belt this coming weekend helped pressure futures.

If the average trade estimate for soybean production is correct (76.42 million tonnes) and there are no changes made to the demand outlook (80.91 million tonnes), ending stocks for the 2005/2006 season could come in near 3.29 million tonnes, which would be the second lowest in the past 29 years. This would equate to a stocks/usage ratio of 4.1%, which would be the lowest in over 30 years.

Funds were noted sellers of nearly 7,000 soybeans, 5,000 oil and 2,000 meal contracts yesterday, with futures in a long liquidation mode into the report. South Korea is tendering to buy 50,000 tonnes of US soybeans. Rust was reported in a fourth county in Alabama, and a suspected spore was found in Missouri yesterday.

While the trade assumes improving crop conditions for the US soybean crop for the second half of August, India monsoons appear to be relatively weak for soybean and oilseed areas, which could begin to provide some underlying support. The higher Brazil real combined with declining world values helped trigger a slowdown in producer selling and talk that some Brazil producers pulled offers for cash trades.

The Latin American soybean market is expected to trade range bound on the lower side amidst improving weather in the US.

#### KLCE (Malaysian Palm Oil):

Crude palm oil futures on the Bursa Malaysia Derivatives ended higher Thursday amid concerns of supply disruptions as haze in the country worsened, forcing the government to declare a state of emergency in a key port town.

Malaysia has been blanketed for days in thick smog blamed on forest fires in neighboring Indonesia. The coastal areas of Kuala Selangor and Port Klang, one of the country's main ports, were placed under an emergency by the government after the Air Pollution Index soared to above 500 points, beyond hazardous levels.

Traders expressed that CPO futures rose on concerns the port's closure would disrupt the supply and availability of palm oil to consuming markets, however, while a disruption in shipments may appear bullish for palm oil prices in the near term, the longer-term impact may be negative. That's because shipping problems could result in a further buildup of palm oil stocks within the country.

Malaysian palm oil stocks stood at 1.27 million tons at end-July. The worsening of the haze also triggered buying interest amid concerns palm oil production may be affected. If this situation continues for weeks, then it will have an impact on production because the oil palm trees need sunshine.

Late Wednesday, Malaysian Palm Oil Board Director General Yusof Basiron was quoted by Bernama news agency as saying that the average monthly CPO output could fall 6% to 10% if the smog is prolonged. He said a lack of sunshine could hurt the yields of oil palm trees. For now, the average monthly palm oil output is about 1.29 million metric tons. If the haze condition continues, it can jeopardize palm oil output, and at the same time lift market prices.

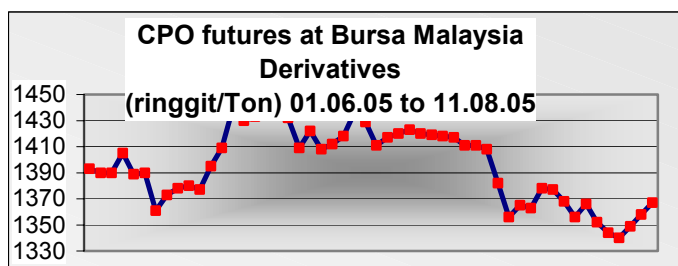
Remarks by Malaysian Prime Minister Abdullah Ahmad Badawi late Wednesday on the government's plan to promote the use of palm oil-based biodiesel in the country had little impact on prices.

Abdullah said the government was formulating a national biofuels policy, which includes using palm oil to blend with petroleum diesel at a 5%: 95% ratio to produce biodiesel.

Participants are waiting for the U.S. Department of Agriculture to issue 2005 soybean production forecasts Friday. Prices in the Malaysian cash palm oil market were mostly higher, following the gains in CPO futures. The market is expected to continue range bound on the higher side amidst support from the US soybean market.

#### KLCE CPO Futures (10.08.05) (In Ringgit /T)

Months	Previous	Open	High	Low	Change	Close	Volume (*lots)
Aug '05	1333	1340	1340	1340	+7	1340	20
Sep '05	1352	1352	1364	1350	+10	1362	924
Oct '05	1357	1357	1370	1354	+10	1367	2321



## Domestic:

### Palm oil

The domestic palm oil market traded range bound amidst growing unsteadiness in the international markets and declining retail demand.

The Malaysian market continued marginally on the higher side witnessing mild correction ahead of the release of the significant figures by the various Malaysian agencies. As per the figures released, the Monthly exports increased by 9 to 11 per cent over the last month. The rising trend in the prices was also owing to the intense haze arising owing to the intense fire in the Indonesian rain forest, which has closed major port in the Malaysia causing shortage in supply.

The import quantum has increased almost gradually. In the month of August, till 11.08.05 the country has imported about 1.42 lakh tonnes of palm oil. The import quantum is increasing day-by-day applying intense pressure on the domestic prices.

CNF prices of CPO (July) were quoted at \$ 357.50 per tonne and RBD Palmolein at \$ 390.00 per tonne.

The price for palm oil in the market is expected to continue range bound on the positive side amidst increasing uncertainty in the domestic as well as the global palm oil.

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

Centres	11.08.05	10.08.05	Change
Kandla CPO (5 % FFA)	322	323	-1
Mumbai CPO (5% FFA)	324	324	0
Kandla RBD Palmolein	355	354	+1
Mumbai RBD Palmolein	360	361	-1
Chennai RBD Palmolein	355	355	0
Kakinada RBD Palmolein	356	354	+2

### Soy oil

The domestic market opened weak but progressed marginally on the positive side for the day amidst increased buying support and partial improvement of demand in the retail market.

The US soybean market is expected to open on a weak note but trade positive as the trading progresses. The lower trade could be attributed to the expectation of good rains in the major growing areas. Following the international unsteadiness, the domestic market continued trading range bound. At the time of closure the NBOT August Contract closed unchanged at Rs. 367.10 and the September contract ended at Rs.371.50 (Up by Rs.1.00).

The trade at the domestic exchanges is greatly volatile on the following pressure of expected bumper soybean crop owing to good rains and the approach of the second cut for the August contract at Indore's NBOT exchange.

In the month of August, India has imported about 1.34 lakh tonnes of soybean oil till 11.08.05. The Hazir markets continued range bound amidst increased uncertainty at the futures and declining retail demand.

Prices for soy degum (High-Seas) at Kandla were quoted at Rs 332 per 10 kg. CNF prices for soy degum (July Shipment) at Kandla were quoted at \$ 504 per tonne.

The market is expected to open steady for Friday and continue range bound in the positive direction amidst partially increased from the buyers.

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

Centres	11.08.05	10.08.05	Change
Mumbai (Soy ref)	356	354	+2
Indore (Soy Ref oil)	366	364	+2
Indore (Soy Solvent Ex. oil)	346	345	+1
Kota (Soy Ref. Oil)	372	371	+1
Jaipur (Soy Ref. Oil)	372	372	0

#### NBOT Soy oil futures as on 11.08.2005 (Rs/10 kg)

Months	Previous Closing	Open Price	High Price	Low Price	Change	Close Price	Volume
Aug'05	367.10	366.80	367.10	365.90	0.00	367.10	3220
Sep'05	370.50	370.20	371.70	368.60	1.00	371.50	22700
Oct '05	0.00	N.A	N.A	N.A	0.00	N.A	N.A

#### NCDEX Soy oil futures as on 10.08.2005 (Rs/10 kg)

Months	Previous Closing	Open Price	High Price	Low Price	Close Price	Volume	Open Interest
Aug'05	369.05	368.95	370.35	367.10	370.05	7830	19820
Sep'05	372.05	371.80	373.20	370.20	373.00	18830	38810
Oct '05	374.15	373.05	375.00	372.40	374.90	7130	17670

### Rape oil

The rape oil market today traded range bound in the domestic markets and the futures amidst declining buying support and continuing deadlock between the traders and the NAFED regarding the sale of mustard in the market.

The declining retail demand is pressuring the domestic prices. Still no break through has been achieved in the decision for the selling of the mustard seed by NAFED.

Today the mustard arrival was 0.15 lakh bags in Rajasthan.

The rape oil market is expected to continue range bound with marginal improvement on Friday, as the buyers' support is almost stagnant.

<b>Rape oil - Spot Market Price</b>		<b>(Rs. per 10 kg)</b>	
<b>Centres</b>	<b>11.08.05</b>	<b>10.08.05</b>	<b>Change</b>
Mumbai (Rape Expeller Oil)	398	397	+1
Kota (Rape Expeller Oil)	378	380	-2
Jaipur (Rape Expeller Oil)	380	382	-2
Neewai (Kacchi Ghani Rape Oil)	398	400	-2
Delhi (Rape Expeller Oil)	400	405	-5

#### Groundnut oil

Groundnut oil today declined marginally amidst continuing uncertainty regarding the supply in the market and lower retail demand.

The prospect of declining production is expected to impart bullishness in the market in the coming days. The latest sowing progress of the groundnut seed shows that the crop acreage is still down by 5.43 per cent over the last year. The current acreage is 50.24 lakh hectares against the last year coverage of 53.45 lakh hectares.

The heavy import of the other edible oil in the domestic market has also pressured the market. Till now the country has imported 2.90 lakh tonnes of edible oil (includes palm oil & soybean oil).

The domestic market is expected to continue trading range bound on the positive side on Friday amidst growing uncertainty in edible oil markets.

<b>Groundnut oil - Spot Market Price</b>		<b>(Rs. per 10 kg)</b>	
<b>Centres</b>	<b>11.08.05</b>	<b>10.08.05</b>	<b>Change</b>
Mumbai (Excluding VAT)	498	498	0
Rajkot	510	512	-2
Andhra Region	522	525	-3
Chennai	526	528	-2

### LATEST WEATHER WATCH (11.08.2005)

#### Weather Forecast

Yesterday's upper air cyclonic circulation over northeastern States persists and extending upto 3.1 km above sea level. The upper air cyclonic circulation between 4.5 & 5.8 km above sea level over northwest Bay of Bengal off Orissa-West Bengal coast persists. The axis of the monsoon trough at sea level continues to lie close to the foothills of Himalayas.

Under this scenario, fairly widespread rainfall with isolated heavy falls likely over northeastern States, Sub-Himalayan West Bengal & Sikkim and Bihar during next 2-3 days. Rainfall activity is likely to remain subdued over most parts of the remaining country for next 48-hours.

#### Forecast Valid For Next 72 Hours

Rain/thundershowers are likely at many places over northeastern States, West Bengal & Sikkim and Bihar; at a few places over Andaman & Nicobar Islands, Orissa, Jharkhand, East Uttar Pradesh, Konkan & Goa, Madhya Maharashtra, Andhra Pradesh, Coastal Karnataka and Kerala. It may be isolated over rest regions of the country outside Haryana, Punjab and West Rajasthan where weather will be mainly dry.

**NORTH:** Rain/thundershowers likely at a few places in East Uttar Pradesh and isolated over Himachal Pradesh, Uttaranchal and

Jammu and Kashmir. Weather may be mainly dry in the rest region.

**EAST:** Rain/thundershowers likely at many places over northeastern States, Sub-Himalayan West Bengal & Sikkim and Bihar; at a few places over Gangetic West Bengal, Orissa and Jharkhand and isolated in the rest region.

**SOUTH:** Rain/thundershowers likely at many places over Andaman & Nicobar Islands; at a few places over Coastal Karnataka, Kerala and Andhra Pradesh and isolated in the rest region.

**WEST:** Rain/thundershowers likely at a few places in Konkan & Goa and Madhya Maharashtra and isolated in the rest region outside West Rajasthan where weather will be mainly dry.

#### Outlook For Subsequent Two Days

Increase in rainfall activity likely over Orissa, Andhra Pradesh and Chhattisgarh.

Subdued rainfall activity likely to continue over west-central and plains of northwest India.

#### Warning

Isolated heavy rainfall likely over Sub-Himalayan West Bengal & Sikkim, Bihar and north-eastern states.

#### Agricultural Activities

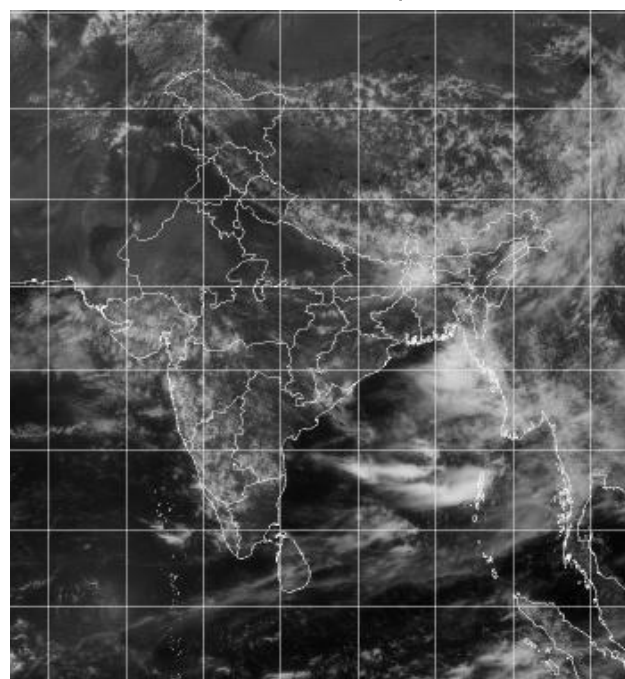
Scattered rainfall occurred in northern most parts of Haryana during the past few days. The maximum and minimum temperatures were above normal during the last week. The crops in the state are in good condition. Mild infestation of jassids and spotted bollworm on cotton and pyrilla on sugarcane was observed in Konkan region of the state.

Light to moderate rainfall has occurred in Andhra Pradesh during the past few days. The condition of crops is satisfactory.

Due to break monsoon conditions dry spell prevailed in Uttar Pradesh. So far in this season, rainfall less than 10 percent of normal had occurred in the state. If the dry spell is prolonged, it may affect dry land crops.

#### Latest satellite Image of Monsoon Progress

(11.08.2005, 03.30 PM)





## PORT-WATCH (Latest)

Kandla Port is receiving 7,500 MT of CPO from the vessel 'Gemini'. The cargo was loaded from Dumai. Deep Sea agents is handling the vessel. 'Sunlight' from Brazil has berthed at Kandla Port and continues to discharge 31,250 MT of SBO. Delivery of 13,250 MT of SBO is continuing at Kandla Port from the vessel 'Biz'. The cargo was loaded from Brazil. Interocean agents is handling these vessel. 'Hartati' from Padang is expected at the port to discharge 8,000 MT of palm oil. The vessel will be handled by JM Baxi agents. The port is expecting 'Ace 7' from Belawan to deliver 8,524 MT of CPO. Delivery of 5,000 MT of CPO is expected at the port from the vessel 'Samho Cyenus'. Interocean agents will be handling these vessels.

Mumbai Port is receiving 6,747 MT of CPO from the vessel 'Pacific Sound'. The cargo was loaded from Padang. Interocean agents is handling the vessel. The port is expecting 'Global Themis' to deliver 10,500 MT of palm oil. Forbes Gokak agents is handling the vessel. Delivery of 5,998 MT of palm oil is expected at the port from the vessel 'Samho Cyenus'. The vessel will be handled by Interocean agents.

Delivery of 6,295 MT of palm oil is continuing at Cochin Port from the vessel 'Global Eos'.

Kakinada Port is receiving 6,000 MT of CPO from the vessel. 'Golden Crane'.

Delivery of 6,000 MT of CPO is continuing at Kolkata Port from the vessel 'Star Orion'. Seaport agents is handling the vessel.

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

Delivery of 10,000 MT of SBO is expected at JNPT from the vessel 'Montana Star'.

Tuticorin Port is expecting 'Mega Crown No.1' to discharge 1,850 MT of palm oil. 'Global Saturn' is expected at the port to discharge 6,900 MT of palm oil. St.John agents will be handling these vessels.

'Global Trader' is expected at Mundra Port to load 5,000 MT of SBO. Taurus agents will be handling the vessel.

## Current Vessels Positions

Ports	Vessels	Volume (Ton)	Carrying	Status
Kandla	Sun Light	31250	SBO	Arrived
	Gemini	7500	CPO	Arrived
	Biz	13250	SBO	Arrived
	Hartati	8000	Palm oil	Expected
	Ace I	8524	CPO	Expected
	Sam ho Cyenus	5000	CPO	Expected
Chennai	Ace I	6000	Palm oil	Expected
Kolkata	Star Orion	6000	CPO	Arrived
Mumbai	Pacific Sound	6747	CPO	Arrived
	Global Themis	10500	Palm oil	Expected
	Sam ho Cyenus	5998	Palm oil	Expected
Cochin	Global Eos	6295	Palm oil	Arrived
Kakinada	Golden Crane	6000	CPO	Arrived
Tuticorin	Mega Crown I	1850	Palm oil	Expected
	Global Saturn	6900	Palm oil	Expected
Mundra	Global Trader	5000	SBO	Expected
JN	Montana Star	10000	SBO	Arrived

## Forex Rates

(As on 11.08.2005)

Country/ Continent	Currency	Value in Rupees
USA	Dollar	43.58
Malaysia	Ringgit	11.64
European Union	Euro	53.91
United Kingdom	GBP	78.16
Japan	100 Yen	39.36

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