

VEGOIL

29<sup>th</sup> August - 03<sup>rd</sup> September 2005

## MAJOR WEEKLY HIGHLIGHTS

- **Sunflowers Condition Improves in United States**
- **India's Oilseed Plantings Lag Due to Irregular Rains**
- **Weakened Monsoon in August to Jeopardize Standing Crops in India**
- **Palm Oil Imports to Increase by 35% During Sept-Dec in Pakistan**

## NATIONAL & INTERNATIONAL NEWS

### Sunflowers Condition Improves in United States

Sunflower crops remain in largely good condition in the main producing states in the United States. Row crop conditions improved last week, with mild weather and precipitation aiding crop development in several areas of the state. Sunflowers are rated at 34% with ray flowers dry and 17% with bracts yellow, both ahead of last year's progress, yet behind the five-year average. Development of North Dakota's fall harvested crops made significant progress last week, however, in some cases development was still behind the five-year (2000-2004) average. Heavy rain fell over parts of the state on Thursday, halting harvest activities in those areas. Reporters continued to indicate varying degrees of disease pressure across the state. The sunflower ray flowers dried/dropped was 54% compared with 30% the previous week. Roughly 93% of the sunflowers have bloomed, compared to 83% last year and 94% for the 5-year average. About 39% of the sunflowers are in the ray flowers dry stage, 7 points ahead of last year but 11 points behind the 5-year average.

### India's Oilseed Plantings Lag Due to Irregular Rains

Sowing of oilseeds in India has been slow during 2005 owing to irregular rains during the monsoon months of Jun-Aug 2005. Oilseed sowing was completed in an area of 16.08 million hectares as of 20 Aug 2005 compared to 16.64 million hectares as of 20 Aug 2004. Sowing of sunflower and groundnut had been completed in the main growing states of Gujarat and Maharashtra but was still continuing in some other regions. Of the total area, 5.35 million hectares were under groundnut cultivation (5.64 million hectares in 2004) and 7.60 million hectares were covered by soybean (7.86 million hectares). The area under sunflower was 7,00,000 hectares (7,76,000 hectares). Area under groundnut crop was lower mainly due to lesser coverage in Andhra Pradesh, Gujarat, Maharashtra, Tamil Nadu and Uttar Pradesh. Sowing was however still continuing in Andhra Pradesh, Karnataka and Tamil Nadu following widespread rains in the first fortnight of Aug 2005. Decline in area under soybean coverage was mainly on account of lesser coverage in Madhya Pradesh and Karnataka, where rainfalls were delayed.

### Weakened Monsoon in August to Jeopardize Standing Crops in India

India's monsoon weakened through August 24, with rains mostly confined to northeastern states and a few places in

central and south India, which were earlier experiencing below normal rainfall. Rains during the past three to four weeks were significantly below normal in Saurashtra in Gujarat (peanut), West Madhya Pradesh (soybeans), Rajasthan (millet and soybeans), and West Uttar Pradesh, Coastal Andhra Pradesh, and Tamil Nadu (rice). Rains are badly needed in these regions for normal crop development. An early withdrawal of the monsoon from north and central India could not only jeopardize the standing crops. Cumulative rainfall from June 1 to August 24 was normal or above normal in 28 of the 36 weather subdivisions, compared with 29 a week ago. Latest planting reports indicate that progressive oilseeds planting is marginally lagging behind last year's levels.

### Palm Oil Imports to Increase by 35% During Sept-Dec in Pakistan

Palm oil import is expected to increase by 30 percent to 40 percent amid high domestic demand and a bearish world oil price outlook. Overall 20 percent rise in the consumption of oil is expected during this fiscal year in the wake of high prices of soybean oil. The local market is up and would remain bullish so we are importing more quantity of palm oil from Malaysia and Indonesia to cash on the situation. Pakistan has already imported a higher quantity in early August because of an increase in consumption and it is likely to be up in Ramadan. The importers and manufacturers of ghee have enhanced their activities.

## GLOBAL DYNAMICS

### Short Summary of US Soybean Usage

(Million Tonnes)

Year	Production	Exports	Imports	Crush	Ending Stocks
2000-01	75,055	27,103	97	44,625	6,743
2001-02	78,672	28,948	63	46,259	5,663
2002-03	75,010	28,423	127	43,948	4,853
2003-04	66,778	24,128	151	41,631	3,059
2004-05	85,484	29,937	136	45,994	8,158
2005-06	75,962	29,801	82	45,450	4,899

## Total Oilseed Area and Production

World and Selected Countries (Date Created: 8/15/2005)

Country	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	36.5	76.6	96.44	87.41
Argentina	16.25	16.87	17.52	36.84	43.42	43.68
Brazil	22.78	24.19	24.28	53.08	53.72	64.67
Canada	5.85	6.18	6.63	9.18	10.81	10.97
China	27.87	28.49	28.04	50.85	58.71	55.08
India	31.79	33.95	34.05	29.6	29.7	29.7
Indonesia	4.39	4.57	1.4	6.37	6.59	7.06
Mexico	0.19	0.25	0.29	0.54	0.65	0.74
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
Philippines	0.03	0.03	0.03	2.35	2.3	2.25
Romania	1.23	1.15	1.18	1.61	1.83	1.61
Russia	5.45	5.26	5.78	5.44	5.32	5.77
Turkey	1.26	1.22	1.18	2.06	2.15	1.95
Turkmenistan	0.48	0.55	0.6	0.37	0.38	0.4
Ukraine	4.05	3.76	4.1	4.54	3.56	4.75
Uzbekistan	1.43	1.46	1.45	1.8	2.25	2.1
World	196.2	203.5	198.64	334.29	379.24	377.33

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

## Canada – Canola Crush Summary

(Metric tons)

Months	2000-01	2001-02	2002-03	2003-04	2004-05
August	237985	197758	190994	209845	255121
September	281672	220964	216504	298462	220777
October	294098	213770	192778	286120	278740
November	290402	235814	171564	283484	264977
December	280515	203357	144840	289053	274583
January	290238	212233	145732	300216	246560
February	244686	182328	185914	267181	247343
March	278975	184346	192041	325247	274913
April	221861	166053	188322	307567	249970
May	168194	161418	181151	280722	221362
June	216606	164046	197774	234607	201577
July	207859	151075	221133	306664	295005
Annual	3013091	293162	2228747	3389168	3030928

**BASED on Statistics Canada data**

## Canada – Canola Oil Production

(Metric tons)

Months	2000-01	2001-02	2002-03	2003-04	2004-05
August	99849	84177	80752	88220	106562
September	118179	92134	91584	122916	92320
October	123392	89390	80318	114154	119778
November	121842	98719	70034	113478	112568
December	117693	91513	60568	120061	115971
January	121773	90117	60520	123292	104143
February	102661	77157	76629	111113	101367
March	117823	77170	80268	132518	113559
April	91801	69616	77840	127105	101641
May	69662	67919	75807	115596	92258
June	91289	68997	81121	146835	81755
July	88214	64107	92014	126218	106970
Annual	1264179	971016	927455	1441506	1248892
Oil Yield (%)	42.00	42.30	41.60	42.50	41.20

**BASED on Statistics Canada Data**

## U.S. Selected Items of Crude Vegetable Oil Production

[Million Pound]

Months	Seasoned		Non Seasoned	
	Soybean	Cottonseed	Soybean	Cottonseed
2004				
January	1520.90	64.60	1618.90	82.40
February	1508.80	69.20	1462.40	75.70
March	1405.00	75.70	1461.40	87.20
April	1329.60	63.60	1260.30	67.00
May	1375.50	75.00	1314.60	73.80
June	1364.70	74.30	1236.00	66.70
July	1360.20	78.80	1304.00	59.70
August	1286.70	81.80	1185.90	68.60
September	1499.70	78.70	1390.90	58.10
October	1655.10	72.60	1764.00	77.10
November	1582.30	70.60	1688.00	82.20
December	1577.00	71.30	1682.30	81.40
Total	9864.70	501.20	9657.60	512.50
2005				
January	1581.80	74.90	1680.20	88.70
February	1601.40	76.50	1564.10	83.40
March	1602.90	75.90	1686.40	84.30
April	1652.20	85.20	1579.60	90.70
May	1682.10	72.40	1620.10	71.30
June	1650.70	87.90	1497.30	81.60
July	1693.40	91.00	1593.80	69.50
Total	11464.50	563.80	11221.50	569.50

**U.S. Census Bureau**

## World Supply and Use for Oilseeds

(Million Metric Tons)

Commodity	Output	Total Supply	Trade	Total Use	Ending Stocks
<b>Oilseeds</b>					
2003/04	334.29	379.15	67.03	278.39	40.02
2004/05 (Est.)	379.24	419.26	72.53	298.63	53.58
<b>2005/06 (Proj.)</b>					
July	378.66	431.17	77.41	306.63	57.86
August	377.33	430.91	77.86	307.69	56.07
<b>Vegetable Oils</b>					
2003/04	100.61	107.53	38.41	98.74	7.00
2004/05 (Est.)	107.79	114.79	40.39	106.20	7.27
<b>2005/06 (Proj.)</b>					
July	111.02	118.40	42.31	110.42	7.05
August	111.26	118.54	42.57	110.71	6.93

USDA World Agricultural Outlook Board's Latest Forecasts

## DOMESTIC MARKET ANALYSIS

### Palm oil

The domestic palm oil improved marginally towards the end of the week amidst unsteady international markets and improving retail demand.

Palm oil producers and exporters are doing all they expected rise in demand of palm oil owing to arriving festive seasons in India and China.

The Malaysian market speculated August exports to be around 1.15 million tons but the exports would not be enough to prevent stocks from rising. Production in August is likely to be higher than July's 1.29 million tons.

The domestic market is improving amidst uncertainty in the other edible oil markets and growing retail demand.

For the month of August, India has imported about 3.67 lakh tonnes of palm oil, which is on the higher side.

Overall, the price for palm oil in the market is expected to trade marginally firm in the coming week as the market is expected to receive upsurge in the demand owing to the coming festival season.

### Weekly prices for CPO (Rs/ 10 kg)

Centers	29.08.05	30.08.05	31.08.05	01.09.05	02.09.05	03.09.05
Kandla	320	320	324	323	327	328

### Weekly prices for RBD Palmolein (Rs/ 10 kg)

Centers	29.08.05	30.08.05	31.08.05	01.09.05	02.09.05	03.09.05
Kandla	355	356	358	358	362	362
Mumbai	362	362	364	364	367	367
Chennai	354	355	358	357	358	358
Kakinada	354	356	359	359	360	358

### Soy oil

The domestic market continued on the upper side for most of the week but declined sharply towards the end of the week amidst the increased panic selling activities and lower retail demand.

Informa Economics pegged soybean production at 77.29 billion tonnes with a yield of 1.06 tonnes per acre. Thursday afternoon, FC Stone pegged the crop at 77.15 million tonnes with a yield of 1.06 tonne an acre. This bearish crop estimate is likely to lower the market prices further in the US markets.

The domestic market is pressured by uncertain retail support and increased pressure of imports. For the month of August, India has imported about 2.67 lakh tonnes of soybean oil. The Hazir market improved marginally amidst expected surge in the retail demand.

As per the latest *Agriwatch* estimates (03.09.05), the production of the soybean crop is estimated to be between 48-52 lakh tonnes.

Overall the market is expected to improve in the coming week's trading amidst expected increase in the retail demand owing to upcoming festivals.

### Prices for Soy (ref) during the week (Rs/ 10 kg)

Centers	29.08.05	30.08.05	31.08.05	01.09.05	02.09.05	03.09.05
Mumbai	349	348	352	352	354	351
Indore	363	364	364	364	369	370
Kota	365	366	368	367	372	375

### Rape oil

The rape oil market witnessed overall range bound trade amidst low in the retail market demand in the spot markets as well as at major mustard exchanges and reactivation of selling of mustard seeds in four center of Rajasthan by NAFED.

The increased selling towards the end of the week weakened the sentiments in the market. For the week the new crop arrival reached 0.10-0.22 lakh bags in Rajasthan and about 0.05 - 0.09 lakh bags in Madhya Pradesh and the trend of arrivals continue to decline day by day.

With the arrival of the festival season the market is expected to improve amidst support from the increased retail demand.

Overall, it is expected that the rape oil will continue trading on the higher side in the coming week amidst approach of the festival season.

### Prices for Rape Expeller Oil (Rs/ 10 kg)

Centers	29.08.05	30.08.05	31.08.05	01.09.05	02.09.05	03.09.05
Mumbai	390	372	398	390	372	398
Kota	393	375	398	393	375	398
Delhi	392	380	398	392	380	398

### Groundnut oil

Groundnut oil improves significantly towards the end of the week in the western part of the country as it witness surge in the demand for it owing to the approach of the Ganesh Chaturthi. The southern markets remained range bound, as there were no significantly hike in the retail demand.

Sowing of groundnut had been completed in the main growing states of Gujarat and Maharashtra but was still continuing in some other regions. Of the total area, 5.35 million hectares were under groundnut cultivation (5.64 million hectares in 2004), which is still down by 5.14 percent from the last year. Area under groundnut crop was lower mainly due to lesser coverage in Andhra Pradesh,

Gujarat, Maharashtra, Tamil Nadu and Uttar Pradesh. Sowing was however still continuing in Andhra Pradesh, Karnataka and Tamil Nadu following widespread rains in the first fortnight of Aug 2005. Decline in area under soybean coverage was mainly on account of lesser coverage in Madhya Pradesh and Karnataka, where rainfalls were delayed.

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

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

Centers	29.08.05	30.08.05	31.08.05	01.09.05	02.09.05	03.09.05
Mumbai	483	481	482	485	520	518
Rajkot	505	410	520	520	535	535
Andhra Pradesh	520	522	525	515	522	520
Chennai	522	525	528	520	524	522

#### Sunflower Oil

The sunflower oil prices in the market continued declining this week following the declining retail demand and heavy imports of other edible oils.

The consistent decline in the retail demand and the increased imports of other edible oil are the main cause of the lowering of price in the sunflower market.

The market is expected to continue range bound on the lower side in the coming week amidst growing retail demand.

#### Prices at Indian Centers (Rs/10 Kg)

Centers	29.08.05	30.08.05	31.08.05	01.09.05	02.09.05	03.09.05
<b>Sunflower Refined oil</b>						
Mumbai	405	408	405	408	410	410
Chennai	408	405	403	405	408	405
Hydrabad	410	408	405	407	408	410
<b>Sunflower Expeller oil</b>						
Mumbai	435	435	435	438	440	440
Chennai	435	433	433	435	438	440
Hydrabad	435	435	438	440	440	444

## INTERNATIONAL MARKET WEEKLY HIGHLIGHTS

#### Palm oil Market Malaysia

Crude oil futures surged to more than \$70 a barrel for the first time Monday. A high crude oil price makes biodiesel more attractive, potentially boosting demand for edible oils. Despite the strong rise in soyoil prices, the upside for palm oil was limited by concerns about a potential rise in Malaysian palm oil stocks by end-August and the weakness in the Indonesian rupiah.

The dollar rose to IDR10,700, the highest since November 2001. A weak rupiah makes Indonesian CPO more competitive, potentially encouraging Indonesian producers to sell more. There was also some speculation in financial markets about the possibility of another upward revaluation of the Chinese yuan soon.

The market speculated August exports to be around 1.15 million tons but the exports would not be enough to prevent

stocks from rising. Production in August is likely to be higher than July's 1.29 million tons. Official supply and demand data for August are only due mid-September. Overall, Tuesday's marginal rise marks the third straight day the benchmark contract has moved a mere 0.1%.

Participants are in a cautious mood due to ongoing uncertainty about the longer-term outlook for edible oil prices. Markets is still waiting for clearer indications on the size of major oilseed crops such as U.S. soybeans, which are now in a key growing period.

The Malaysian Palm Oil Board is scheduled to issue official production, exports and stocks figures for August while the U.S. Department of Agriculture is due to release its latest soybean production estimates. The market players are waiting for official August supply and demand data from the Malaysian Palm Oil Board due mid-September for making new move.

#### Soybean Market United States

The Pro Farmer crop tour estimated the production to be at 75.74 million tonnes, down 0.19 million tonnes from the August USDA forecast. The lower estimate of the production in US is certainly going to add bullishness to the soybean complex market in the near future.

Hurricane Katrina could keep the port of New Orleans shut down for several days were seen having a bearish influence on Prices.

It is anticipated that crops rated in good-to-excellent condition to come in 1 to 2 percentage points higher than last week in the weekly crop progress reports to be released today evening.

Dryness in the Midwest supported the early bounce but the market could not shake the big deliveries and the fear that the ports will remain closed for an extended period of time, which will encourage end-users to shift to South America soybeans.

The market experienced choppy, two-sided trade earlier in the session as some hope that the export terminal elevators and river barge traffic could be seeing some activity next week clashed with continued concerns over when power would be restored.

Weekly US export sales for soybeans came in at 625,400 metric tonnes, which was towards the low end of trade expectations. Cumulative new crop sales have reached just 9.8% of the USDA forecast as compared to 19.6% on average over the last five years.

Informa Economics pegged soybean production at 77.29 billion tonnes with a yield of 1.06 tonnes per acre. Thursday afternoon, FC Stone pegged the crop at 77.15 million tonnes with a yield of 1.06 tonne an acre. This bearish crop estimate is likely to lower the market prices further.

#### South American Soybean Market:

Stats Canada estimated the Canadian canola crop at 8.3 million tonnes on Friday, which is up by 7.7% from last year, pressuring the soybean oil market, as world oil supplies look plentiful this season.

South American exporters gained advantage in export market but hike in freight rates due to surging crude restrained aggressive buying.

With the New Orleans port down for at least several more days and the city still filling up with floodwaters, South American exporters seem to have an advantage for capturing any business for nearby shipment.

End users who were waiting for soybeans from the US for shipment this week may need to switch to South American origin if it looks like port delays will continue for an extended period. China seems to be getting more active, which might spark some increased business from Brazil.

The hurricane has destroyed nearly 5-10 million bushels of soybeans due to flooding and wind damage.

### VAYDA BAZAAR

Soy oil futures at National Commodity & Derivatives Exchange Limited (NCDEX) and NBOT declined on increased selling pressure amidst uncertainty in the international markets, increased imports and low retail demand. Settlement prices for September soy oil future at National Commodity and Derivatives Exchange (NCDEX) was in between Rs 366.10-372.65 kg and at National Board of Trade (NBOT) was in the range of 365.50-370.50 per 10 kg.

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

Contracts	29.08.05	30.08.05	31.08.05	01.09.05	02.09.05	03.09.05
Sep'05	366.70	368.40	372.40	371.00	370.90	367.40
Oct '05	369.60	372.60	377.50	377.20	376.50	373.10
Nov '05	N.A	N.A	N.A	N.A	N.A	N.A

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

Contracts	29.08.05	30.08.05	31.08.05	01.09.05	02.09.05
Sep'05	368.20	370.10	375.30	372.20	373.40
Oct '05	369.95	372.95	378.70	375.80	377.35
Nov '05	368.45	372.00	378.75	375.70	377.30

### WEEKLY WEATHER WATCH

#### ALL INDIA WEATHER FORECAST VALID FOR NEXT 5 DAYS (03.09.05)

##### Monsoon Outlook

During past 24 hours, rainfall activity has increased over peninsular and parts of east central India.

Yesterday's upper air cyclonic circulation over west central Bay of Bengal off Coastal Andhra Pradesh now lies over Coastal Andhra Pradesh and adjoining west central Bay of Bengal.

The anti-cyclonic circulation at 3.1 km above mean sea level over NW India continues to persist. Under its influence, the region may continue to witness mainly dry weather situation during next 3-4 days.

Under these scenarios, scattered moderate rainfall likely over south peninsula and Northeast India for next two days. Isolated to scattered light rainfall is also likely east Central India and Maharashtra. Rainfall over remaining parts of the country is likely to remain subdued.

NCMRWF Model predictions continue to indicate establishment of an east-west shear one across south-

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peninsular India at 3.1 km above mean sea level within next 24 hours leading fairly widespread rainfall activity over four southern states viz. Kerala, Karnataka, Tamil Nadu and Andhra Pradesh. The rainfall activity is likely to spread northward upto Maharashtra and eastern parts of central India during next 3-4 days.

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

Mainly dry weather is likely to prevail over most parts of the region during next 3-4 days.

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

Scattered to Fairly widespread rainfall activity is expected over the region during next 3 days.

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

Isolated rainfall activity is likely over the region for next 3 days except over West Madhya Pradesh where mainly dry weather is likely to prevail. The rainfall activity over Chattisgarh, East Madhya Pradesh and Vidarbha may increase slightly during next 48 hours.

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

Konkan & Goa, Madhya Maharashtra, Marathwada are likely to experience scattered to fairly widespread rains during next 2-3 days. Konkan & Goa and Coastal Karnataka are also likely to receive isolated heavy rainfall during this period. Remaining parts of the region are expected to experience mainly dry weather during this period.

### PORT WATCH

#### Port updates of Edible oils in India (01 Aug -31 Aug 2005) (Amount in Tonnes)

Particulars	Expected	Arrived	Total
SBO	38000	267796	305796
Palm oil	32000	128143	160143
CPO	71800	239421	311221
Total palm	103800	367564	471364
Total oil	141800	635360	777160

#### Source: ANAS

#### Forex Rates (As on 03.09.2005)

Country/ Continent	Currency	Value in Rupees
USA	Dollar	43.92
Malaysia	Ringgit	11.68
European Union	Euro	55.10
United Kingdom	GBP	81.00
Japan	100 Yen	40.00