

VEGOIL

26th September - 01st October 2005

MAJOR WEEKLY HIGHLIGHTS

- **US sunflower harvest progresses well**
- **Asians expecting decline in Soybean prices**
- **Taiwan Starts Trial Biodiesel Program**
- **Disappointing Fertilizer Sales Signal Tough Times Ahead For Brazilian Farmers**

NATIONAL & INTERNATIONAL NEWS

US sunflower harvest progresses well

Harvest of sunflower has started in all the six major producing states of the United State. Condition of crop is good in all the regions. Though there were scattered showers in South Dakota last week, but had not much impact on harvest progress. So far, 43% of crop is in mature stage, while 8% of sown crop has been harvested. Harvest in South Dakota is running ahead of last year pace. Only 4% of sunflower crop was harvested by this time, last year. Weather situation is ideal in North Dakota. Harvesting has just started in this regions and 2% of crop has been harvested. Crop in Colorado is stated in good condition last week. Harvesting is completed by 10% in this state. Harvest in Kansas, Texas and Minnesota is completed 15%, 48% and 6% of the respective sown areas. India's Oilseed Plantings Lag Due to Irregular Rains.

Asians expecting decline in Soybean prices

Asian buyers are expecting American soybean prices to extend downward slid next week. Soybean prices soared recently as a consequence of hurricane Katrina. With the recovery of river barge traffic and grains elevators, soybean from US gulf is shedding premiums it gained immediate after the torrent. Freight rate from US gulf might appreciate in coming days, but corresponding fall in soybean prices will likely to offset freight factor. Freight rate from the US gulf to Japan this week was quoted at \$45-46 per ton. Japanese seem to have covered more than 70% of their requirement during October-December.

Taiwan Starts Trial Biodiesel Program

Concept of bio-diesel is no more in introductory phase in Taiwan. Concept was introduced in the country two years ago. At present Taiwan has become the world's biggest biodiesel producer. Due to rising crude oil prices, Taiwan is planning to set up few more bio diesel plants to assure supply of energy as an alternative to the petroleum based gasoline and diesel. The other countries are also planning to switch to biofuel. Germany has recently passed a law requiring the mixture of 5 percent of biodiesel into the country's total regular diesel output. Taipei County's

Environmental Protection Bureau (EPB) launched a project last week allowing public buses, regular trucks, and the county's garbage trucks to run on biodiesel, which is made of vegetable oil or animal fat, on a trial basis. The fuel, which will run the buses and trucks in the Taipei County project, will be a mixture of 20 percent biodiesel and 80 percent petroleum based gasoline. The U.S. and European countries are already experimenting the same. The advantage of using biofuel than petroleum-based fuel is that it causes less air pollution. According to statistics compiled by the U.S. Environmental Protection Agency, biodiesel can cut down carbon monoxide emissions by 11%, nitrogen oxide emissions by 21 %, and atmospheric aerosols by 10 % in comparison to regular diesel fuel.

FDA bans use of brain and Spinal cord in cattle feed

The U.S. Food and Drug Administration (FDA) banned the use of brain and spinal cord from old cattle in all animal feed for the prevention of the bovine spongiform encephalopathy (BSE). Disease was spread widely from cow in European countries. After research, the scientists come at this conclusion that the disease comes through cattle feed (from brain and spinal cord of older cattle). The National Grain and Feed Association (NGFA) and the Pet Food Institute (PFI) welcomed this ban. They are of the view that this is the single most effective and science-based way to further reduce the risk of BSE in North America. Traders feel that there is possibility to increase in demand of soymeal in future, as it would be next best alternative for cattle feed.

Disappointing Fertilizer Sales Signal Tough Times Ahead For Brazilian Farmers

Brazil's National Fertilizer Distributors Association (ANDA) said last week that Brazilian fertilizer sales in the first eight months of 2005 are 21% lower than last year. ANDA said this is a sign of a tough year ahead for Brazil's soy producers because it shows a lack of financing for producers. According to ASDA, a main factor behind the reduction in demand is that major companies, such as Bunge and Cargill, aren't offering many forward soy sales deals in which the company delivers crop inputs to farmers before the harvest and then pays on delivery of the product.

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 Of Selected Countries of the World.

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
Oilseeds					
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
2005/06 (Proj.)					
July	378.66	431.17	77.41	306.63	57.86
August	377.33	430.91	77.86	307.69	56.07
Vegetable Oils					
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
2005/06 (Proj.)					
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

Palm oil markets featured lackluster trading through the week. Gains in palm oil prices in International markets were made mainly on speculative factors. Statement of Malaysian Prime-minister later in the week helped reviving hopes of likely increase in consumption of palm oil in biofuel. However, things so far are merely on paper and might take substantial time to happen in real terms. Prime minister said that policy on bio-fuel would be drafted by the year-end. Malaysia has planned to set up three big plants for conversion of palm oil in to bio-fuel. As of now, supply is comfortable. Demand however, is not picking up from the Asian nations as was expected for the festival season ahead.

Weekly prices for CPO

(Rs/ 10 kg)

Center	26.09.05	27.09.05	28.09.05	29.09.05	30.09.05	01.10.05
Kandla	321	323	324	324	324	326

Weekly prices for RBD Palmolein

(Rs/ 10 kg)

Centers	26.09.05	27.09.05	28.09.05	29.09.05	30.09.05	01.10.05
Kandla	351	352	354	354	354	357

Mumbai	358	362	362	362	362	364
Chennai	352	354	354	356	358	364
Kakinada	353	353	354	355	356	361

Soy oil

Soyoil prices appreciated through the week on bullish trickles from the overseas markets. US traders speculated that firming of energy prices would eventually result in increased consumption of soy as biofuel. Mainly soy and rapeseed is used as bio-diesel. However, demand for the same has been low from the major importing Asian nations. Harvest of soybean has started in India. Arrivals are gradually picking up in some parts of Maharashtra. However, whole of fresh produce coming in the market is not fit for crushing as it contains high moisture content. Demand for the soyoil is expected to improve for festival season ahead. India is expected to harvest 5.75 million ton soybean this year. In the international arena, main factors to look upon are weather in Brazil, Chinese demand and energy prices in United State. Chinese markets will remain closed next week for the national holidays.

Prices for Soy (ref) during the week

(Rs/ 10 kg)

Centers	26.09.05	27.09.05	28.09.05	29.09.05	30.09.05	01.10.05
Mumbai	342	346	345	344	344	346
Indore	357	360	360	360	360	364
Kota	364	363	356	358	362	366
Jaipur	365	364	365	368	368	369

Rape oil

Rape oil markets featured dull trend during the week. There is good stock of mustard in the hands of stockists. According to trade sources, around 18 lakh ton of rapeseed is in the possession of private stockists, while Nafed does have 20 lakh ton of rapeseed in its stocks. Although government has raised its Minimum Support price to Rs 1715 per qtl, farmers seem less convinced with this effort of government towards promotion in its acreage. Nafed was selling mustard seed in some parts of Rajasthan even at Rs 1655 per qtl. Distressed prices of mustard might affect farmers' inclination towards this crop. Also, there were reports of DAP shortage in some parts, which could alter the sowing pace. Traders are expecting festival demand to help checking fall in its prices in coming weeks.

Prices for Rape Expeller Oil

(Rs/ 10 kg)

Centers	26.09.05	27.09.05	28.09.05	29.09.05	30.09.05	01.10.05
Mumbai	395	393	393	393	393	393
Kota	374	375	375	375	376	375
Jaipur	370	372	397	396	384	382
Delhi	395	397	382	382	396	398

Groundnut oil

Harvest of groundnut has started in Gujarat and some parts of Karnataka. Harvest pressure was clearly reflected from the ease in its prices. Traders are expecting groundnut crop

in Gujarat to reach at 22 lakh ton. Demand for the same has been good from the local consumption centres. Groundnut oil is consumed mainly in producing areas and commands less palatability across the nation. Increased supply is being offset by the festival demand. However, majority of new produce is having high moisture content.

Prices for groundnut oil during the week					(Rs/10 kg)	
Centers	26.09.05	27.09.05	28.09.05	29.09.05	30.09.05	01.10.05
Mumbai	500	498	498	498	498	499
Rajkot	520	520	522	522	520	510
Andhra Pradesh	500	500	500	505	510	510
Chennai	500	-	465	465	465	465

Sunflower Oil

Harvest of sunflower also has started in some parts of Karnataka. Production of Sunflower is good due to favorable weather though the crop season. Festival demand however has helped checking decline in its prices. Also, increasing volume of imported edible oil had negative impact on its prices.

Prices of sunflower oil in the Mumbai ranged Rs 405-410 per 10 kg during the week. Sunflower prices in Chennai ranged Rs 403-408 and in Hyderabad Rs 405-410 per 10 kg. Prices sunflower expeller oil in Mumbai hovered between Rs 435-438 and in Chennai between Rs 433-440 per 10 kg. Expeller oil prices in Hyderabad varied between Rs 435-440 per 10 kg.

INTERNATIONAL MARKET WEEKLY HIGHLIGHTS

Palm oil Market Malaysia

Trend at Malaysian exchange had been mostly indecisive. BMD futures had no clear direction to move. Recent rallies during last months were attributed to speculation over likely increase in its demand for bio-fuel. However, it might take substantial time to take things shape in real term. Bio-fuel theme is merely on papers, so far. Malaysian government has recent made it public that three plants would be installed for conversion of palm oil in to bio-fuel. Presently, supply is comfortable. Current demand situation would get clear after release of SGS export data due on October 10. Also, Malaysian Palm Oil Board will be releasing its production, export and Stock data on the same day..

Soybean Market United States

Soy futures at Chicago Board of Trade appreciated in tandem with increase in energy prices. Increase in energy prices triggered speculative buying in soybean at CBOT. However, concerns over SND helped limiting the gains. Yield this year is expected to remain good owing to favorable weather through the season in all the soy growing belts. Weather is perfect for crop harvest in United State. Lull on export front also had negative impact on the market. Chinese remained least aggressive buyer ahead of 5 days long national holidays. Statistics Canada raised their estimate for canola production to 8.447 million ton, up against 7.728 million ton last year. Traders are expecting

weekly export sale of US soybean for September 30 to October 6 to come in the range of 5-7 lakh ton against 675,900 ton last week. USDA will release its weekly export report on Thursday morning. Export sale of Soybean is expected between 75,000-115,000 ton and soybean to come between 5,000 -15,000 ton.

South American Soybean Market:

Concern over big size of US crop remained the major ruling factor. United State is going to harvest more than 77 million ton of soybean this year. Demand for the Brazilian soy is low. Crushing in Brazilian plants has gone down. Traders are expecting that the USDA will raise its estimates for Soybean production in United State in its forthcoming report on October 12th. Weather in Brazil will be the key price-deriving factor in the coming weeks. Planting of soybean is in the progress. Recent rains are believed to have replenished required moisture to the soil in Brazil. Supportive feature now only is hopes for likely increase in soybean demand for bio-fuel. As of now, soy prices are getting down in South America following the old adage, 'Buy the rumor and sell the fact'.

VAYDA BAZAAR

Weekly settlement prices for soy oil at NBOT

Contracts	26.09.05	27.09.05	28.09.05	29.09.05	30.09.05	01.10.05
Oct '05	363.4	364.8	363.7	362.7	363.10	366.90
Nov '05	364.1	365.9	363.8	360.7	361.00	366.50
Dec '05	N.A	N.A	N.A	N.A	N.A	N.A

Weekly settlement prices for soy oil at NCDEX

Contracts	26.09.05	27.09.05	28.09.05	29.09.05	30.09.05
Oct '05	364.20	365.15	365.65	363.75	362.90
Nov '05	362.65	365.05	365.95	363.60	360.70
Dec '05	363.05	366.15	365.60	365.00	361.65

WEEKLY WEATHER WATCH

ALL INDIA WEATHER FORECAST VALID FOR NEXT 5 DAYS

Withdrawal of southwest monsoon

Southwest monsoon has withdrawn from entire West Rajasthan, parts of Jammu & Kashmir, Himachal Pradesh, Punjab, Haryana, East Rajasthan, Gujarat Region and Saurashtra & Kutch on 28th. The withdrawal line passed through Srinagar, Dharamshala, Patiala, Jaipur, Udaipur, Ahmedabad and Dwarka.

Meteorological Analysis

Last week's depression close to Chandrapur in Vidarbha, has moved west-northwestwards and weakened into a well marked low pressure area over north Madhya Maharashtra and neighbourhood on 22nd. The associated upper air cyclonic circulation extended upto mid-tropospheric levels. It then moved north-northeastwards and further weakened into a low pressure area over southwest Madhya Pradesh and adjoining Gujarat Region on 23rd, over northeast Rajasthan and adjoining northwest Madhya Pradesh on 24th and over west Uttar Pradesh and Uttaranchal on 25th. The system became less marked on 26th.

A western disturbance as an upper air cyclonic circulation extending in the lower tropospheric levels moved across western Himalayan Region during 22nd to 25th. A westerly trough in the mid-tropospheric levels lay along long. 72.0°E and north of lat. 20.0° N on 24th and 25th.

An upper air cyclonic circulation extending in the lower tropospheric levels formed over north Bay of Bengal on 26th. It persisted on 27th and 28th.

A fresh upper air cyclonic circulation extending between 2.1 & 3.1 km a.s.l. lay over Saurashtra & Kutch and neighbourhood on 27th and 28th.

Rainfall

Under the influence of the above systems rain/thundershowers occurred at many places with heavy to very heavy falls over Coastal Andhra Pradesh, Telangana, Maharashtra & Goa, Coastal Karnataka, Gujarat, West Madhya Pradesh, East Rajasthan, Haryana, Delhi, Himachal Pradesh, Uttaranchal and West Uttar Pradesh during 1st half of the week. Fairly widespread rains with isolated heavy falls occurred over northeastern states and Sub-Himalayan West Bengal & Sikkim. Isolated to scattered rainfall also occurred over the remaining parts of the country on some days of the week. However, rainfall activity remained subdued over West Rajasthan and Jammu & Kashmir.

Rainfall During The Week (Week ending on 28th September, 2005)

Rainfall was excess/normal in 16 and deficient/scanty in 20 out of 36 meteorological sub-divisions (Actual: 35.7 mm, Normal: 35.9 mm and Departure: -1%).

Cumulative Seasonal Rainfall (1st June to 28th September, 2005)

Rainfall was excess/normal in 32 and deficient/scanty in 4 out of 36 meteorological sub-divisions. (Actual: 872.8 mm, Normal: 884.4 mm and Departure: -1%).

The sub-division-wise weekly and seasonal rainfall distribution is presented in the enclosed map.

A comparative data of cumulative seasonal rainfall during the corresponding period of last five years is given in *Table-*

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7. District-wise distribution of excess, normal, deficient and scanty rainfall is shown in *Table-2*.

Outlook For The Week Ending On October 5th, 2005

The southwest monsoon is likely to withdraw from remaining parts of the northwest India and some parts of central India.

Scattered to fairly widespread rainfall likely over northeastern States, south peninsula, Konkan & Goa, Madhya Maharashtra and along the east coast of India.

Mainly dry weather is likely to prevail over northwest and westcentral India

PORT WATCH

Port updates of Edible oils in India (26 Sep -01 Oct 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 03.10.2005)

Country/ Continent	Currency	Value in Rupees
USA	Dollar	44.12
Malaysia	Ringgit	11.70
European Union	Euro	52.61
United Kingdom	GBP	77.37
Japan	100 Yen	38.69