

## VEGOIL

17<sup>th</sup> October - 22<sup>nd</sup> October 2005

### MAJOR WEEKLY HIGHLIGHTS

- Brazil Soybean Production Expected to Increase by 17 %,
- SOPA Soybean Kharif Crop Third Survey Report Highlights
- Temporary Ban on Poultry Import in Ukraine
- Malaysia Switches to Biofuel

### DOMESTIC & INTERNATIONAL NEWS

#### Brazil Soybean Production Expected to Increase by 17 %, Seeded Area to Decline By 7 %

Soybean production in Brazil is expected to increase in the crop year 2005-06, despite the reduction of seeded area in Brazil. The seed area is expected to decline to around 7 per

cent from 23.273 million hectares to 21.723 million hectares in 2005-06, while the production of soybean is estimated to increase by 17 per cent from 50.852 million tonnes to 59.512 million tonnes in 2005-06.

#### Brazilian Soybean Production Summary (State-wise) For the Year 2005- 06\*

(Unit: '000' hectares, '000' metric tons)

States	Area to Plant	Area to Reap	Production	Yield
SOUTH	8345	8345	22100	2648
Parana	4010	4010	11629	2900
Rio Grande do Sul	4000	4000	9600	2400
Santa Catarina	335	335	871	2600
MIDWEST	9555	9555	27284	2855
Mato Grosso	5300	5300	15370	2900
Goiás	2300	2300	6440	2800
Mato Grosso do Sul	1900	1900	5320	2800
Federal District	55	55	154	2800
SOUTHEAST	1800	1800	4860	2700
Minas Gerais	1080	1080	2916	2700
São Paulo	720	720	1944	2700
NORTHEAST	1485	1485	3861	2600
Bahia	890	890	2314	2600
Maranhão	390	390	1014	2600
Piauí	205	205	533	2600
NORTH	538	538	1407	2614
Tocantins	360	360	918	2550
Rondônia	80	80	224	2800
Roraima	21	21	57	2700
Pará	65	65	176	2700
Amazonas	12	12	32	2700
BRAZIL	21723	21723	59512	2740

For the Year 2004-05\*\*

States	Area Planted	Area to Reaped	Production	Yield
SOUTH	8670	8225	12550	1526
Parana	4145	4125	9500	2303
Rio Grande do Sul	4170	3750	2450	1653
Santa Catarina	355	350	600	1714
MIDWEST	10749	10709	28086	2623
Mato Grosso	6000	5985	17200	2874
Goiás	2660	2650	6900	2604
Mato Grosso do Sul	2030	2015	3800	1886
Federal District	59	59	186	3153
SOUTHEAST	1900	1895	4700	2480
Minas Gerais	1120	1120	3000	2679
São Paulo	780	775	1700	2194
NORTHEAST	1440	1440	4110	2854
Bahia	870	870	2550	2931
Maranhão	375	375	1000	2667
Piauí	195	195	560	2872
NORTH	515	515	1406	2730
Tocantins	350	350	910	2600
Rondônia	75	75	230	3067
Roraima	20	20	56	2800
Pará	60	60	180	3000
Amazonas	10	10	30	3000
BRAZIL	23274	22784	50852	2232

Note: \*Projection, SAFRAS, \*\* Forecast, SAFRAS, Subject to review.

#### SOPA Soybean Kharif Crop Third Survey Report Highlights

The Soyabean Processors Association (SOPA) of Indore recently released its Third Survey report for Kharif crop.

According to it the all India state wise area coverage and yield estimate of soybean during kharif 2005-06 is as follows:

(Area in Lakh Ha. , Yield in Kg per Ha., Production in lakh metric tonnes)

Name of State	2003 Kharif			2004 Kharif			2005 Kharif		
	Area sown	Yield in Kg per ha.	Total Production	Area sown	Yield in Kg per ha.	Total Production	Area sown	Yield in Kg per ha.	Total Production
Madhya Pradesh	40.908	1019	41.685	44.439	780	34.662	41.922	796	33.351
Maharashtra	15.598	1253	19.540	18.717	914	17.107	23.890	822	19.635
Rajasthan	5.629	1057	5.950	5.562	752	4.183	6.981	704	4.913
Andhra Pradesh	0.820	940	0.771	0.690	800	0.552	1.359	965	1.311
Karnataka	0.600	900	0.540	1.775	790	1.402	1.418	850	1.205

Chhattisgarh	0.500	846	0.423	0.400	690	0.276	0.650	750	0.488
Rest of India	0.500	830	0.415	0.500	655	0.328	0.500	725	0.363
<b>Total (All India)</b>	<b>64.555</b>	<b>1074</b>	<b>69.324</b>	<b>72.083</b>	<b>812</b>	<b>58.510</b>	<b>76.720</b>	<b>799</b>	<b>61.266</b>

Source: Sopa .org

### Temporary Ban on Poultry Import in Ukraine

The highly dangerous bird flu virus spread in Turkey and Rumania. These countries are adjacent to Ukraine. As protective measures against this infection are supposed to

be inefficient, therefore the Government of Ukraine has proposed to declare a ban on poultry and poultry product imports for the next six month. The Government of Ukraine will expand and improve the domestic poultry Industry.

### Malaysia Switches to Biofuel

Malaysia is looking forward to switch to bio fuels in the near future. Malaysian processed palm oil when blended with petroleum diesel may prove to be a good substitute of fossil fuel. Shifting to bio fuel would provide multiple benefits to Malaysia, as bio fuels are available cheap and produce less carbon monoxide hence are less polluting. Also the country may save currency on petrol and diesel subsidies allowed

by it. Malaysia is the Worlds largest producer of Crude palm oil thus bio fuel can help support crude palm oil prices in the country. If National biofuel policy of Malaysia goes according to plan then it can be made available at petrol kiosks by the year 2007. This will enable the country to save diesel imports worth 5,00,000 tonnes.

### USDA Weekly Export Sales Data for Soybean

USDA disclosed its weekly export sales data of Soybean belonging to 7th - 13th October 2005. According to USDA the Net sales of Soybean were of 888,700 MT, which were 30 percent up from the previous week. The major buyers were China (477,500 MT, including 225,000 MT switched from unknown destinations) and South Korea (105,000 MT) , with smaller quantities to Japan (91,100 MT), Mexico (76,500 MT), and Singapore (56,000 MT). Decreases were reported for unknown destinations (36,000 MT). Exports of

997,400 MT--the largest since the marketing year began on Sept. 1--were two and one-half times the week earlier and more than four times the prior 4-week average. The major destination was China (594,500 MT), followed by Mexico (80,000 MT), Japan (73,700 MT), Indonesia (67,600 MT), the Netherlands (54,200 MT), and Egypt (47,900 MT). (73,700 MT), Indonesia (67,600 MT), the Netherlands (54,200 MT), and Egypt (47,900 MT).

### Government to Restrict Soyoil Import to Improve Soybean Usage

Soybean oil imports have increased by more than 100% when compared with previous oil year. Imports of soyoil spurt to 18.2 lakh tonnes during November 04 to September 05 from 7.2 lakh tonnes as compared to same period during the previous oil year. The estimates are the imports may touch a record of 20 lakh tonnes by October end this year. Imports have increased, as they are considered more profitable when compared to import of other oils.

Importers are importing more as they earn higher profits from it, which comes at around Rs2000 to Rs. 3000 per tonne. Also refineries are to remain operational as per Government norms therefore more oil is imported in the country. However demand for restricting Soybean oil imports has begun from the industry as well as Government. This is in view to protect our domestic Soybean and Oil market. Imposing restriction on import of soybean oil produced from genetically modified soyabean could be possible solution to control expanding Soyoil imports in the country.

## DOMESTIC MARKET ANALYSIS

### Palm oil

The spot market prices of palm oil remained range bound during the week. The CPO prices declined mildly at the end of the week. The price of palmoil is expected to decline in the coming week at the international as well as domestic market. The harvesting of groundnut and Soybean started in major producing states of India. The prices of crude palm

oil declined because the concept of biofuel could not revive. According to traders, the market sentiments of palm oil were not satisfactory after releasing the export sales of first 20 day of October on Thursday in Malaysia. There was no fresh factor to increase the buyer support.

### Weekly prices for CPO

(Rs/ 10 kg)

Center	17.10.05	18.10.05	19.10.05	20.10.05	21.10.05	22.10.05
Kandla	340	341	341	341	340	339

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

Center	17.10.05	18.10.05	19.10.05	20.10.05	21.10.05	22.10.05
Kandla	363	363	370	369	368	370
Mumbai	375	376	376	375	375	375
Chennai	378	385	384	383	380	380
Kakinada	378	381	381	380	379	377

**Soy oil**

Soyoil at domestic spot market noticed appreciation in prices at the beginning of the week and slightly declined at the end of the week. The decline in Soyoil prices at the end of the week was witnessed due to harvesting of soybean and groundnut in major producing states of India. Arrivals of

soybean and groundnuts are gradually picking up in major producing states. The crushing of Soybean and groundnut has also started. More supply may bring in negative impact on the prices. Bearish market sentiments are expected in nextweek.

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

Center	17.10.05	18.10.05	19.10.05	20.10.05	21.10.05	22.10.05
Mumbai	366	368	369	369	368	365
Indore	364	364	361	361	358	357
Kota	368	372	367	368	367	364
Jaipur	371	373	373	372	372	368
Nagpur	364	366	365	364	362	361

**Rape oil**

The market sentiments of rape/mustard oil remained range bound during the week. A slight decline of mustard oil prices in major domestic market was observed due to harvesting and crushing of soybean and groundnut in major producing states. Another factor responsible for less demand for mustard oil is the availability of other edible oils at a cheaper rate in the market. The availability of other

edible oil and huge stock of mustard seeds with NAFED and Private stockist is yet another cause of slight price decline in the mustard oil during end of the week. The more supply of groundnut and soybean oil would bring down the mustard oil prices. It is expected that market sentiments of mustard oil may be bearish in the next week .

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

Center	17.10.05	18.10.05	19.10.05	20.10.05	21.10.05	22.10.05
Mumbai	376	380	380	379	378	378
Kota	375	375	372	375	373	368
Jaipur	386	383	383	383	382	381
Delhi	405	405	405	403	400	400

**Groundnut oil**

There was a slight improvement in the beginning of the week in groundnut oil prices at the domestic spot market s. it remained range bound throughout the week however declined slightly at the end. The harvesting of groundnut has started in Gujarat , total arrival of groundnut seeds was approximately 1.00 lakhs bags ( 1 Bag=35 Kg). The arrival

is expecting more in the next week. The more supply of groundnut seeds will bring negative impact on the groundnout oil prices. It is expected that prices of groundnut oil may go down in next week due to more arrival of groundnut. The market sentiment of groundnut oil is expected to be bearish.

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

Center	17.10.05	18.10.05	19.10.05	20.10.05	21.10.05	22.10.05
Mumbai	518	525	525	522	522	520
Rajkot	520	525	525	525	515	505
Andhra Region	520	527	525	530	525	525
Chennai	485	490	495	500	490	490

## INTERNATIONAL MARKET WEEKLY HIGHLIGHTS

### Palm oil Market Malaysia

The USDA Weekly Export Sales Report disclosed the reduction in U.S. soyoil export sales of 1,300 metric tonnes. The prices of crude palm oil are declined because the concept of biofuel could not revive again. According to traders, the market sentiments of palm oil were not satisfactory after resealing the export sales of first 20 day of October month. Trading volume totalled 5,596 lots

compared with 5,872 lots (1 lot = 25 metric ton) on October 20,2005. Open interest totaled 26,060 lots compared with 26,430 lots. Weaker oil prices were due to less attractive the concept of bio fuel. However, the earlier rally had been sparked by talk about increased demand for palm oil in the bio-fuels sector.

### Soybean Market United States

The soyoil prices are declining due to lower crude oil prices. There is direct relationship between soy oil and crude oil, if energy prices decline then demand for biodiesel moves downwards and vice versa. The demand of soybean from China has declined due to weak energy market. Another reason for decline of soy oil prices was a fall in palm oil prices in International markets. The energy market is the

price driver of soybean. If China imports Soymeal from India and Argentina at a cheaper rate then China's crusher would be bound to sell their soymeal at a lower rate. This will bring negative impact on soybean import.

### South American Soybean Market:

A recent reports is that China is going to import of soymeal from India is about 3 lakh tonnes and it is expected that more than 3 lakh tonnes from Argentina. This will bring negative impact on the crusher to buy soybean. Cheaper priced meal from India and Argentina could slow the China crushing pace, which would also slow the soybean import

pace. The significant drop in poultry consumption due to widely spread of bird flue in Asia and Europe, it is bearish signal for meal prices. The beef, goat and pork processor could get benefit from the sharp declining the consumption of poultry meat. China booked Brazil soybean for April delivery.

## VAYDA BAZAAR

### Weekly settlement prices for soy oil at NBOT

Contracts	17.10.05	18.10.05	19.10.05	20.10.05	21.10.05	22.10.05
Oct '05	367.30	365.40	366.40	365.60	363.10	361.50
Nov '05	369.40	367.90	370.70	369.30	366.20	364.40

### Weekly settlement prices for soy oil at NCDEX

Contracts	17.10.05	18.10.05	19.10.05	20.10.05	21.10.05	22.10.05
Nov '05	364.20	362.10	362.00	361.30	363.40	362.40
Dec '05	367.55	365.30	366.70	365.80	N.A.	N.A.

## WEEKLY WEATHER WATCH

### ALL INDIA WEATHER FORECAST VALID FOR NEXT 5 DAYS

#### Meteorological Analysis

Last week's low pressure area over southwest Bay of Bengal and adjoining areas of Coastal Tamil Nadu persisted and became well marked on 13<sup>th</sup>. The associated upper air cyclonic circulation extended upto mid-tropospheric levels. It lay over southern parts of Rayalaseema and adjoining Karnataka & Tamil Nadu on 14<sup>th</sup> morning and weakened into a low pressure area tn the

same evening. It was seen over North Interior Karnataka and adjoining south Madhya Maharashtra and Konkan & Goa on 15<sup>th</sup> and became less marked on 16<sup>th</sup>. However the associated upper air cyclonic circulation extending upto mid-tropospheric levels lay over eastcentral Arabian Sea and adjoining Konkan coast. It lay over East Madhya Pradesh & adjoining Vidarbha extending upto 3.1 km a.s.l.

on 17<sup>th</sup>. It was seen over East Madhya Pradesh extending upto 0.9 km a.s.l. on 18<sup>th</sup> morning and over East Uttar Pradesh and neighbourhood between 3.1 and 4.5 km a.s.l. in the evening. The system became less marked on 19<sup>th</sup>.

The other low pressure area persisted over southeast Arabian Sea and neighbourhood on 13<sup>th</sup> & 14<sup>th</sup>. It lay over western parts of southeast Arabian Sea on 15<sup>th</sup> and became well marked on 16<sup>th</sup>. It lay over eastcentral Arabian Sea on 17<sup>th</sup>. It weakened into a low pressure area on 18<sup>th</sup> morning and became unimportant thereafter.

Last week's western disturbance as an upper air system over North Pakistan and adjoining Jammu & Kashmir lay over Jammu & Kashmir and neighbourhood on 13<sup>th</sup> and moved away northeastwards on 14<sup>th</sup>. However another western disturbance as an upper air system was seen over North Pakistan on the same day. It lay over north Pakistan

& adjoining Jammu & Kashmir upto 16<sup>th</sup> and over extreme northwest Jammu & Kashmir on 17<sup>th</sup>. It moved away northeastwards on 18<sup>th</sup>. An induced upper air cyclonic circulation formed over central Pakistan extending upto 3.1 km a.s.l. on 16<sup>th</sup> which persisted upto 17<sup>th</sup> and became less marked on 18<sup>th</sup>.

A trough in westerlies was seen with its axis at 500 hpa roughly along long. 68°E and north of lat. 25°N on 16<sup>th</sup> and along long 72°E and north of lat. 30°N on 17<sup>th</sup>. It also became less marked on 18<sup>th</sup>.

A fresh upper air cyclonic circulation extending upto mid-tropospheric levels was seen over central parts of south Bay of Bengal on 17<sup>th</sup>. Under its influence a feeble low pressure area formed over southwest and adjoining westcentral Bay of Bengal off south Andhra-North Tamil Nadu coasts in the evening of 18<sup>th</sup> which persisted on 19<sup>th</sup>.

### Rainfall

Under the influence of the above systems rain/thundershowers occurred at many places with isolated heavy to very falls over south Peninsula on many days of the week. Light to moderate rainfall occurred at a few places over Andaman & Nicobar Islands, Maharashtra, Chhattisgarh, Orissa and Lakshadweep on many days of the week. However, rainfall activity increased with heavy to very heavy falls over coastal areas of Orissa and West Bengal towards the end of the week. Isolated light to

**Rainfall During The Week (Week ending on 19<sup>th</sup> October, 2005)**  
Rainfall was excess/normal in 17, deficient/scanty in 11 and no rain in 8 out of 36 meteorological sub-divisions (Actual: 33.0mm, Normal: 15.2 mm and Departure: +118%).

### Cumulative Seasonal Rainfall (1<sup>st</sup> October to 19<sup>th</sup> October, 2005)

Rainfall was excess/normal in 16, deficient/scanty in 16 and no rain in 4 out of 36 meteorological sub-divisions. (Actual: 55.9 mm, Normal : 57.9 mm and Departure: -3%).

### Outlook For The Week Ending On October 26<sup>th</sup>, 2005

1). Enhanced rainfall activity is likely over West Bengal & Sikkim, Orissa and northeastern States during the first half of the week. Scattered rainfall also likely over East Uttar Pradesh, Bihar, Jharkhand and Chhattisgarh.

moderate rainfall also occurred over Bihar, Jharkhand, parts of northeastern States, East Madhya Pradesh, East Uttar Pradesh, rest West Bengal & Sikkim on 1-2 days of the week.

Light to moderate rainfall /snowfall occurred over Jammu & Kashmir on some days of the week. Weather was mainly dry over the rest regions of the country.

2). Moderate rainfall activity is likely over south Peninsula during the first half of the week which may increase during the 2<sup>nd</sup> half.

3). A western disturbance is likely to affect western Himalayan region during second half of the week and may cause light to moderate scattered rain/snow over Jammu & Kashmir.

## PORT WATCH

### Port updates of edible oils in India (17 - 22 Oct 2005)

(Amount in Tonnes)

Particulars	Expected	Arrived	Total
SBO	11000	-	11000
Palm oil	2850	43451	46301
CPO	43336	47049	90385
Total	57186	90500	147686

Source: ANAS

### Forex Rates

(As on 22.10.2005)

Country/ Continent	Currency	Value in Rupees
USA	Dollar	45.09

Malaysia	Ringgit	11.87
European Union	Euro	54.31
United Kingdom	Pound Sterling	80.08
Japan	100 Yen	39.09

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