

## MAJOR ACTIVITY HIGHLIGHTS

- Domestic Spot Market Prices Improved Further
- February Soymeal at NCDEX Witnessed Some Gains

## COMMENTARY DOMESTIC MARKET

### Soy meal

Soymeal prices improved smartly today for the second consecutive day on good demand of soymeal from the neighbouring markets. The soymeal market is improving with steady and slightly improving demand from the neighbouring countries despite the bird flu fears. Though the bird flu is making its presence felt by frequent outbreaks the disease is not very wide spread and poultry production (largest in China) has still not declined notably. Its major impact has been on the stocks that importers maintain with them. They are now maintaining lower stocks with them on bird flu fears and preferring buying in small chunks. India being nearer as compared to its western counterparts, purchasing from India in smaller lots is economical for the neighbors. Also lower prices and good quality of Indian soymeal are the other reasons for the improved demand. Thus, the prices recovered smartly on the back of some good demand from the countries like Indonesia, Malaysia, Vietnam, Pakistan and Bangladesh. Also, there were some demand from Korea and China. However, Most of the demand up to March has been fulfilled and it is now expected to remain steady from here on. The soymeal export from India for this year is expected to reach near 2.3 to 2.5 million tonnes, according to some trade sources. Other side of the story is that, the bird flu outbreak is increasing its score with each coming day. In the same sequence, Quang Tri, one of nine localities of Vietnam, where bird flu outbreaks almost ended, has once again seen poultry die of bird flu, a report showed Tuesday. Since Oct. 1, a total of 21 cities and provinces of Vietnam have been hit by bird flu, causing death of number of birds and forced culling of over 3.6 million fowls. This frequent outbreak of bird flu may pose a potential threat for the soymeal market. However, the same is not so wide spread at the moment and the affected countries are taking due majors to control it. Other negative side is large stocks with other producing nations. But looking at the comparative advantage the Indian market is having, as mentioned above, is nullifying the negative impact of the large stocks. So we can expect stable to improving soymeal prices in times to come.

Soymeal prices at Kandla port improved again on Monday to Rs 8900-8950 per MT levels as compared to Rs8800 on Monday. At Mumbai port also the prices remained on comparatively higher side at Rs 8900 as compared to Rs 8800 per MT on the previous trading day. The futures market witnessed no trading activity in January contract of soymeal at NCDEX, however, the February soymeal jumped to Rs 8500 per MT levels as compared to Rs 8490

on the previous trading day. FAS prices were at \$196-200 per MT.

Soymeal exports in November increased 52.43% to 266,675 MT from 174,950 MT in the previous year. Total soymeal exports during this year till November rose 16.91% to 1148825 MT from 982575 MT during the corresponding period of last year. The main importers were Vietnam 85675 MT, Japan 41475 MT, Thailand 46125 MT and China 26750 MT.

### Soy Meal Vessel Report (20<sup>th</sup> December'05)

Kandla Port is loading 18,000 MT of SBM on the vessel 'Fultami' to Japan. The vessel is being handled by Taurus agents. Loading of 13,200 MT of SBM is expected at the port on the vessel to 'Fu Shang' to Japan. Shantilal agents is handling the vessel. Mumbai Port is loading 7,250 MT of SBM on the vessel 'Karaaran Star'. Time Shipping agents is handling the vessel. Loading of 12,000 MT of SBM is continuing at Jamnagar Port on the vessel 'African Sun' to Japan. Nilhat agents is handling the vessel. The port is loading 13,000 MT of SBM to Vietnam on the vessel 'Zara III'. Interocean agents is handling the vessel.

### DOC rates at different centers

Places	Ex-factory rates (Rs/ton)	
	20.12.05	19.12.05
Indore	8200	8000
Nanded/Latur	76-78	7600-7750
Dhulia/Jalna	8100	7900-8000
Kota	7900	7750
Nagpur	7400(40%) -7800	7300(40%) -7700
Kandla	8900-8950	8800
Mumbai	8900	8800
Vizag(approx)	...	....
Sangli/Solapur	8300	8300
Morena/shivpuri	8200/7900	8200/7700

### NCDEX Soy meal Futures price (20<sup>th</sup> December'05)

Contract	Prev Close Price	High Price	Low Price	Close Price	Change
Jan'06	7720.00	00.00	00.00	00.00	00.00
Feb'06	8490.00	8500.00	7700.00	850.00	+60.00

### Rape/ Mustard meal

Rapeseed/mustard meal prices are dancing on a small floor for quite some time, and remaining on the higher levels. The mustard meal prices remained stable at Morena at higher levels of Rs 5300 per MT. The current improvement in the mustard prices is supporting the improvement in the meal prices. The cattle feed demand of mustard meal is steady which is also supporting the high prices. The supply is on lower side, as the crushing activity in mustard is very small in Rajasthan and Gujarat amid lower demand of Mustard oil. However, according to some unconfirmed sources, NAFED is planning to higher around 40 mills to crush its high stocks of Mustard. The same may increase the supply if the plan materialise, which further in turn would put pressure on prices. Until then there is no strong chance of downfall in prices as it is the period of declining stocks. India exported 37250 MT of rape meal in Rapeseed meal exports in November declined 24.7% to 21,725 MT from 28,850 MT in the previous year. Total export till November was 394,100 MT down 8.1% as compared to 428,425 MT during corresponding period of the previous year.

### Groundnut meal

Harvesting in groundnut crop is in progress in south India and arrivals are also improving. The harvesting in Gujarat is over and arrivals are dropping. As the oil prices are on lower side due to lower demand, crushing activity is subdued, because the plants are finding it difficult to maintain a reasonable crush margin. As a result the supply of GN meal is still lower. Further, there is good demand from the export front for GN meal supporting the higher prices. Production this year is expected to be higher as compared to previous year. With improvement in arrivals and crushing activity prices might come down slightly, however, any drastic downward movement in the prices is not expected. The Saurashtra Groundnut (40%) soymeal prices remained stable on higher levels of Rs 6100 per Mt as compared to Rs 6000 per MT levels recently. India exported around 8825 India exported 2,200 tons of groundnut meal during November; there was no export of GN meal in November last year. Total groundnut export till November was 77,200 down 26.75% as compared to 105,525 MT during corresponding period of last year.

## INTERNATIONAL MARKET

### CBOT Soymeal Futures Settle Higher

Soy futures at Chicago Board of Trade settled higher on dry weather concern in Argentina. March soybean future settled up 18 cents at \$6.205 and May soybean up 17.75 cents at \$6.2825 per bushel. March soymeal closed \$7.5 higher at \$199.2 per short ton and March soybean oil up 35 points at 21.91 cents per pound. Concern over bird flu is fading across China with decline in frequency of fresh outbreak. Weather forecasts calling for less rain through the week in Argentina attracted fund buying in the early session. Export inspection report for US soybean appeared slightly higher than set weekly target of 17.8 million bushels required reaching the USDA projection. The US Department of Agriculture put the export inspection report of US soybean at 20.4 million bushels.

Weekly exports sales report is released by US Department of Agriculture on December 15, 2005. Weekly exports sales for soybeans came at 504100 as against trade expectations between 350000-650000, it is within range of trade expectations by traders, but cumulative sales were 46.5 % of USDA forecast as compared to 65.7% on average over the last five years. Soy meal sales came at 120900 metric

tonnes as compared to trader's expectations range 100000-150000. Export sales of Soy oil were only 300 metric tonnes as compared to trade expectations between 0-10,000. The Brazil Geographic and Statistics Institute revealed that the Brazil crop production for the 2005/2006 season is pegged at 58.4 million tonnes, down from 58.7 million projected last month but up from 51.1 million tonnes last year. South American planted area for soybean crop is declined by 6.4%. News that China reported another human bird flu case, which is also brought negative impact on soy meal exports. There were bearish sentiments in Soybean and meal only due to slow export pace and continuous spread of bird flu in China.

The USDA pegged Soybean oil stocks at a whopping 1.06 million tonnes from 0.86 million MT last month. World ending stocks for soybeans for the 2005/2006 season were pegged at a new all-time record high of 48.11 million tonnes from 46.75 million tonnes last month and from 42.09 million tonnes this past season. The higher world stocks numbers came mostly from weaker demand outlook as Argentina and Brazil production forecasts were left unchanged from last month at 40.5 and 58.5 million tonnes respectively. World soymeal stocks were pegged at 4.04 million tonnes from 4.150.86 million MT last month. The ending stocks for U.S. soybeans for the 2005/2006 were constant at 0.23 million MT.

(Cents/pound)

Months	Previous Settle	Open	High	Low	Change	Close
Jan'06	191.4	194.5	199.0	192.0	+7.2	198.6
Mar'06	191.7	195.5	199.5	193.2	+7.5	192.6

### WEATHER WATCH: (19.12.05)

#### Chief Features

Morning's deep depression over Southwest Bay of Bengal remained practically stationary and lay centered at 1430 IST of today near Lat. 11.0 deg N/ Long. 82.5 deg E about 250 Kms east of Nagapattinam. The system is likely to move in northwesterly direction and likely to cross north Tamil Nadu-south Andhra Pradesh coasts between Cuddalore and Nellore by tomorrow 20<sup>th</sup> December night. Under its influence, widespread rainfall with isolated heavy to very heavy falls is likely along north Tamil Nadu-south Andhra Pradesh coasts during next 48 hours. Strong winds with speed reaching 50-60 kmph also likely along and off above coasts during the same period. State of sea will be rough to very rough along and off north Tamil Nadu-south Andhra Pradesh coast. Fishermen are advised not to venture into the sea.

Cold wave conditions prevailed over Jammu & Kashmir and parts of Punjab, Haryana and Rajasthan. They are likely to abate during next 2 days. The lowest minimum temperature recorded in the plains of the country was 0.0° C at Churu (Rajasthan).

A western disturbance is likely to affect northern parts of the country from 20<sup>th</sup> to 22<sup>nd</sup> causing scattered rain/snow over western Himalayas and isolated to scattered rain/thundershowers over the adjoining plains of northwest India.

**Forecast valid 1430 hours IST of 22<sup>nd</sup> DECEMBER, 2005**

**NORTH :** Rain/snow likely at a few places over of Jammu & Kashmir, Himachal Pradesh and Uttaranchal from 20<sup>th</sup> . Isolated to scattered Rain/Thundershower are also likely over Punjab & Haryana on 21<sup>st</sup> & 22<sup>nd</sup> . Mainly dry weather over rest of the region.

**EAST :** Isolated rain/thundershowers likely at a few places over coastal Orissa and Isolated over coastal Gangetic West Bengal. Weather will be mainly dry over the region.

**SOUTH :** Rain/thundershowers likely at most places over north coastal Tamil Nadu & Pondicherry, south coastal Andhra Pradesh; at many places over north coastal Andhra Pradesh; at a few places over rest Tamil Nadu , Rayalaseema & Telangana: at Isolated places in the rest region outside Lakshadweep and coastal Karnataka where weather will be Mainly dry.

**WEST :** Isolated rain/thundershowers likely over North Rajasthan on 21<sup>st</sup> and 22<sup>nd</sup> . Mainly dry weather over the region.

#### **Warning**

Isolated heavy to very heavy falls is likely along north Tamil Nadu & Pondicherry and south coastal Andhra Pradesh and isolated heavy falls over north Coastal Andhra Pradesh during next 48 hours. Strong winds with speed reaching 50-60 kmph also likely along and off north Tamil Nadu-south Andhra Pradesh coasts during the same period. State of sea will be rough to very rough along and off Tamil Nadu coast. Fishermen are advised not to venture into the sea.

Outlook for subsequent two days based on NCMRWF and other numerical weather products:

Improvement in weather over Tamil Nadu and Andhra Pradesh.

**Source: GOI (IMD)**

#### **FOREX RATES (20.12.05)**

Country/ Continent	Currency	Value in Rupees
USA	Dollar	45.31
European Union	Euro	54.05

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