

VEGOIL

June 19-24, 2006

MAJOR WEEKLY HIGHLIGHTS

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DOMESTIC & INTERNATIONAL NEWS

USDA Weekly Export sales figure is based on reports from exporters for the period June 9-15, 2006.

Soybeans: Net sales of 200,100 MT were 48 percent below the week earlier and 30 percent under the prior 4-week average. Major increases were reported for Mexico (52,800 MT), Taiwan (37,900 MT), Japan (37,700 MT), unknown destinations (34,000 MT), and Syria (16,400 MT). Sales of 69,000 MT for delivery in 2006/07 were for unknown destinations. Exports of 208,300 MT were 3

percent below the week earlier and 17 percent under the prior 4-week average. The primary destinations were Japan (107,800 MT), Mexico (60,100 MT), and Syria (16,400 MT). Note: Accumulated exports were adjusted down by 44,900 MT for Japan and up for China by 44,900 MT.

Soybean Cake and Meal: Net sales of 87,400 MT were 52 percent below the previous week and 27 percent under the prior 4-week average. Major increases for Guatemala (17,500 MT), Colombia (15,900 MT), Mexico (13,100 MT), the Dominican Republic (10,400 MT), and Peru (10,000 MT) were partially offset by decreases for Egypt (8,000 MT)

and El Salvador (3,500 MT). Sales of 8,000 MT for delivery in 2006/07 were for Guatemala. Exports of 116,800 MT were 32 percent below the week earlier and 11 percent under the prior 4-week average. The primary destinations were Mexico (41,000 MT), Canada (18,500 MT), Guatemala (13,900 MT), and Morocco (10,400 MT).

Soybean Oil: Net sales of 19,000 MT were primarily for the Dominican Republic (8,000 MT), Mexico (5,800 MT), and Honduras (3,300 MT). Exports of 4,700 MT were mainly for

Honduras (3,300 MT), Mexico (800 MT), and Canada (400 MT). Source: USDA

Cargill Inc Opened New Soybean Crushing Plant in China

Cargill Inc the US agribusiness giant opened its new soybean crushing plant in most populous country in the world, on the banks of China's Yangtze River to access the country's vast central region via water routes. The plant in Nantong, in the eastern coastal province of Jiangsu, can process up to 5,000 tonnes of soybeans per day into soy oil and soymeal, used mostly in animal feed. China being the most important country with respect to consumption and production as there is high demands of poultry feed in the country. Cargill is setting its second-largest crushing plant, after a 7,000 tonne-per-day plant in Argentina and mainly

focusing those countries having high poultry consumption. The plant is located at the geo-strategic position as the conveyance would be much easy with cheap transport facilities. Cargill would be able to ship its soy oil and meal products inland to central and southwest China along the Yangtze and its tributaries. Cargill Nantong is now being competent against the best low-cost producers of the world, Aspell after this set up. US investment accounts for \$56.24 million for the first stage of the Nantong crusher plant employing 250 people.

MP Growers Ready for Kharif Sowing

Farmers in MP are preparing their land for sowing kharif crop in anticipation of onset of monsoon and it is expected that this year, 104 lakh hectare areas would be covered for sowing of various crops under the kharif season. It includes 2.07 lakh hectare under kharif crops. Some area is expected to be diversified to the other crops such as maize, pulses and oilseeds during the season. The arrangements as per the requirement of the farmers for providing over 4.47 lakh metric tonnes of various fertilizers have been made during the kharif season from April to September as per government source. For oilseed crops of the kharif season, 300 quintal seed of til, 400 quintals of Ramtil, 900

quintals of groundnut, 120 quintals of sunflower, 200 quintals of castor, 5.59500 lakh quintals soybean and 10,000 quintal seeds of other crops of the same type would be provided to the farmers of the state. A total of 51.25 lakh hectare area of oilseeds crops to be covered under the Kharif season include 46 lakh hectare of soybean followed by 2.40 lakh hectare of groundnut, 1.5 lakh hectare of till and Ram till and 1.35 lakh hectare of other crops. Besides, the cotton would be sown on six lakh hectares. Good crop of soybean is expected if there would be equitable amount of rainfall in the region.

WTO Chief Meets U.S. Farm Groups, Bush Wants Movement On Doha Round

WTO chief Pascal Lamy last week met U.S. commodity groups to hear their concerns about global trade talks where the United States faces pressure to make deeper cuts to its farm subsidies. Earlier in June U.S. farm groups, including the American Soybean Association, wrote a letter to President Bush urging him not to give in to demands in world trade talks for further cuts in U.S. farm subsidies. "Director General Lamy is here to assess the (U.S.) agriculture industry's concerns about where the negotiations are and our desires for what constitutes a successful outcome," said Bob Stallman, president of the American Farm Bureau Federation. Asked whether American agriculture would accept deeper cuts to its subsidies if it meant U.S. negotiators were able to deliver the market access it needs, Stallman replied: "We will have to have an economically positive benefit for U.S. agriculture (in the trade talks)...That means the additional market access we get for our products has to offset, or more than offset, the cuts that we take in our domestic supports." In related news, President George Bush on June 15 said that there are some tough decisions that lie ahead for the Doha Round of WTO talks and he was planning on using sessions with European leaders next week to push forward the trade round's agenda. "Countries in Europe have to make a tough decision on farming, and the G20 countries have to make a tough decision on manufacturing. And the U.S. is prepared to make a tough decision along with them," Bush told the summit of the Initiative for Global

Development in Washington. But he acknowledged that the talks faced "tough sledding right now." Bush called for completion of the Doha Round of world trade negotiations: "We're ready to eliminate all tariffs and subsidies and other barriers to free flow of goods and services, and we expect other nations to do the same. That's what I said to get the Doha round moving. See, we're ready to make the move - on agriculture and services and manufacturing, but we expect other nations to do the same thing. We expect other nations to give us market access. I want to be able to go to people here in the United States, producers, and say, 'we got you market access so you can compete fairly.' And that's why we're going to get rid of the subsidies that now exist on the books." Bush said the Doha negotiations "are at a critical moment," adding, "It is, in my view - countries in Europe have to make a tough decision on farming. And the G20 countries have to make a tough decision on manufacturing. And the U.S. is prepared to make a tough decision along with them. That's my message to the world." EU Trade Commissioner Peter Mandelson last week warned WTO members they would be playing with fire if they missed an end-of-June goal for a free trade deal in farm and industrial goods. Reuters reports that Mandelson told an Italian newspaper that leaving everything until the end of the year (widely seen as the final deadline for a full free trade treaty), including services and other trade issues, would be "very dangerous."

Biodiesel Rail Tariff Increases On Union Pacific Railroad

Last week, the Union Pacific Railroad (UP) announced it would increase its biodiesel rates. The average per car increase for biodiesel will be greater than 11% with some rates exceeding 20%. However, UP changed the car size groupings for biodiesel. The UP currently prices biodiesel cars as 24,000 gallons and less or greater than 24,000 gallons. Starting October 1, the UP will price cars in three categories: 24,500 and less, 24,501 to 27,500, and 27,501 to 31,500. To move biodiesel, the most efficient car size is perhaps a 25,500-gallon intercoil, insulated car. A larger car would max out before cubing out leaving too much sloshing. The 25,500 meets the 286,000 pound maximum

track limit. A smaller tank car also used is the 23,500 but is limited to 236,000 pounds. So, if the 25,500-gallon tank car were used for biodiesel, it would be priced into the UP 24,501 to 27,500 pricing group. On a per gallon basis, rates would increase an average of one-tenth of one percent, ranging from about a 9% drop to an increase of more than 25% depending on the origin group and destination. UP will also increase its mileage scale for biodiesel \$250 per car effective July 1.

Source USDA

Soybean Crop Off To A Good Start

The U.S. soybean crop is off to a good start. The crop was planted in an expeditious fashion and the crop's initial condition ratings are among the best on record. As of June 4, USDA reported that 89% of the crop was planted and 70% of the crop had emerged. Planting was 8% ahead of the 5-year average and emergence was 12% ahead of the 5-year average. USDA also reported that 70% of the crop

was rated either good or excellent, matching the best early June ratings of 1998 and 1999. This year's crop conditions well exceed those of the past 6 years and are just shy of those in 1998 and 1999. Intuitively, one would be more optimistic about production prospects when the condition of the crop starts at a high level. However, a high initial crop condition rating does not guarantee a good yield nor does a

low crop condition rating doom a crop to poor yield. The high condition ratings of 1998 and 1999 resulted in yields almost 2 bushels per acre above trend in 1998 and yields nearly 1 bushel below trend in 1999. The lowest early June condition rating (since 1998) in 2001 had a final yield that exceeded trend by 1 bushel per acre. While the planting

and emergence hurdles have been largely surmounted, there are additional important factors for the crop, the most critical being August weather. If the crop is not in terrible shape going into August, extremely good yields can be achieved on favorable weather.

Malaysia: June Palm Oil Exports Down 0.65%

A cargo surveyor SGS (Malaysia) Bhd. released its export sales estimates on Tuesday i.e. June 20, 2006. Malaysia's palm oil exports in June 1-20, 2006 totaled 658072 metric tonnes, down 0.65% from 662404 metric tonnes in May 1-20, 2006.

Details of major items, which is estimated by SGS are as follows: Table 1 shows that Export of RBD Palm Olein and Stearin increased by 10.04% and 5.03% respectively in June 1-20 as against of May 1-20, 2006. However, RBD Palm Oil and Crude Palm Oil is declined by 6.28% and 14.29% respectively during the same period.

Table1: Shows the details of the major items in SGS estimate

(Unit: MT)

Items	June 1-20, 2006	May 1-20, 2006	Change %
RBD Palm Olein	303894	276171	+10.04
RBD Palm Oil	57357	61203	-6.28
RBD Palm Stearin	57357	54608	+5.03
Crude Palm Oil	111106	129627	-14.29

Source: SGS (Malaysia) Bhd.

Major Importers of Malaysia's Palm Oil

Estimates of exports sale figure issued by Cargo Surveyor SGS on Tuesday i.e. June 20, for the period of June 1-20, 06. The major importers of Malaysian palm oil were as follows:1. European Union 2. China 3. USA 4. India and 5.Pakistan .Country wise brief highlights of imports are as follows: Table 2 shows that import of Malaysia's palm oil

from EU, China and USA declined by 22.75, 91.72 and 49.91 per cent respectively during June 1-20 respectively as compared to May 1-20, 2006. However, Malaysia's palm oil import increased by 132.59 and 106.74 per cent respectively from India and Pakistan during the same period.

Table 2: Shows the major import destination of Malaysian palm oil:

(Unit: MT)

Countries/Continents	June 1-20, 2006	May 1-20, 2006	Change %
European Union	133150	172368	-22.75
China	14652	176875	-91.72
United States	37865	75591	-49.91
India	37865	16280	+132.59
Pakistan	51500	24911	+106.74

Source: SGS (Malaysia) Bhd.

DOMESTIC MARKET ANALYSIS

Palm Oil

Palm oil prices on domestic spot market moved range bound with mixed sentiments during the week. A cargo surveyor SGS (Malaysia) Bhd. released its export sales estimates on Tuesday i.e. June 20, 2006. Malaysia's palm oil exports in June 1-20, 2006 totaled 658072 metric tonnes, down 0.65% from 662404 metric tonnes in May 1-20, 2006. According to SGS surveyor, the export of RBD Palm Olein and Stearin increased by 10.04% and 5.03% respectively in June 1-20 as against of May 1-20, 2006. However, RBD Palm Oil and Crude Palm Oil is declined by

6.28% and 14.29% respectively during the same period. The major importers of Malaysia's palm oil were as follows:1. European Union 2. China 3. USA 4. India and 5.Pakistan . The import of Malaysia's palm oil from EU, China and USA declined by 22.75, 91.72 and 49.91 per cent respectively during June 1-20 respectively as compared to May 1-20, 2006. However, Malaysia's palm oil import increased by 132.59 and 106.74 per cent respectively from India and Pakistan during the same period.

Weekly prices for CPO

(Rs/ 10 kg)

Center	19.06.06	20.06.06	21.06.06	22.06.06	23.06.06	24.06.06
Kandla	370.00	369.00	372.00	374.00	373.00	372.00

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

Center	19.06.06	20.06.06	21.06.06	22.06.06	23.06.06	24.06.06
Kandla +VAT	390.00	390.00	392.00	390.00	390.00	390.00
Mumbai +VAT	395.00	393.00	397.00	397.00	399.00	399.00
Chennai +VAT	403.00	402.00	402.00	402.00	401.00	401.00
Kakinada +VAT	384.00	383.00	383.00	384.00	385.00	385.00
Hyderabad +VAT	400.00	402.00	405.00	406.00	406.00	405.00
Delhi	428.00	428.00	428.00	430.00	430.00	430.00

Weekly prices for FOB (Kandla)**(US \$ / MT)**

Center	19.06.06	20.06.06	21.06.06	22.06.06	23.06.06	24.06.06
CPO	387.50	387.50	387.50	392.50	390.00	Closed
RBD Palmolein	415.00	415.00	415.00	417.50	420.00	Closed

Refined Soy Oil

Most of the days refined soy oil prices on physical market moved steady to weak sentiments during the week. Burdensome stock and selling pressure of mustard seeds at lower rate by NAFED brought negative impact on its prices. Lower demands of soybeans from millers added bearish impact on soy oil prices. Weak futures market at

NCDEX and NBOT also added bearish tone in the market. Good weather for soybean crop in Brazil, Argentina and USA were another factor to marginally weak sentiments in the market. Soy oil prices are expected to improve in next week owing to delayed monsoon and lower import of edible oil in this marketing year as compared to last years.

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

Center	19.06.06	20.06.06	21.06.06	22.06.06	23.06.06	24.06.06
Mumbai +VAT	392.00	391.00	390.00	391.00	390.00	391.00
Indore +VAT	386.00	385.00	384.00	385.00	384.00	383.00
Kota +VAT	385.00	384.00	382.00	383.00	382.00	382.00
Jaipur +VAT	389.00	388.00	385.00	386.00	385.00	385.00
Hyderabad +VAT	400.00	400.00	400.00	400.00	400.00	400.00
Chennai +VAT	396.00	395.00	395.00	396.00	395.00	394.00
Rajkot +VAT	395.00	394.00	396.00	397.00	396.00	395.00

Prices for Soy Degum (High Sea) during the week**(Rs/ 10 kg)**

Center	19.06.06	20.06.06	21.06.06	22.06.06	23.06.06	24.06.06
Mumbai	372.00	371.00	373.00	373.00	373.00	370.00

Prices for CIF Soya during the week**(US \$ / MT)**

Center	19.06.06	20.06.06	21.06.06	22.06.06	23.06.06	24.06.06
Kandla & Mumbai	N.A	N.A	513.00	515.00	514.00	516.00

Rape/Mustard Oil

Mustard oil prices on spot market has displayed lacklustre in most of the markets amid weak market sentiments and lower demands at retail ends. Gigantic stock and selling pressure of mustard seeds at lower prices by NAFED provided support to bearish market sentiments. Weakness in other commodity market also added bearish impact on its

prices. Mustard oil prices are expected to move range bound with weak sentiments in next week due to burdensome stock with NAFED and lower demands of mustard seeds from miller's side.

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

Center	19.06.06	20.06.06	21.06.06	22.06.06	23.06.06	24.06.06
Mumbai + VAT	404.00	403.00	405.00	405.00	399.00	398.00
Kota +VAT	365.00	365.00	365.00	366.00	363.00	362.00
Jaipur +VAT	370.00	370.00	370.00	370.00	368.00	366.00
Delhi	390.00	392.00	392.00	392.00	392.00	390.00
Neewai +VAT	368.00	366.00	366.00	366.00	364.00	364.00

Groundnut oil

Groundnut oil prices on domestic spot markets surged in most of the market during the week on account of early sown crop damage in Gujarat especially in un-irrigated areas. Prices improved in Andhra region and Chennai markets due to off-season. Depleting stock of groundnut

seeds and increasing local demands for premium oil added positive tone in the market. Groundnut oil prices are expected to move steady to positive sentiments in next week.

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

Center	19.06.06	20.06.06	21.06.06	22.06.06	23.06.06	24.06.06
Mumbai +VAT	485.00	485.00	485.00	485.00	480.00	480.00
Rajkot +VAT	482.00	479.00	480.00	488.00	485.00	483.00
Andhra Region	485.00	486.00	490.00	492.00	492.00	490.00
Chennai +VAT	480.00	480.00	480.00	482.00	485.00	480.00
Delhi	500.00	500.00	500.00	500.00	500.00	500.00

Sunflower Oil

Domestic spot market prices of sunflower oil were range bound with mixed sentiments in most of the markets. CIF on sunflowers were in range of \$ 619/metric ton to \$ 634/

metric ton during this week. Harvesting is over in major producing states. Sunflower oil prices are expected to move range bound with positive sentiments in near term.

Prices for Refined Sunflower Oil during this week**(Rs/10Kg)**

Center	19.06.06	20.06.06	21.06.06	22.06.06	23.06.06	24.06.06
Chennai +VAT	450.00	452.00	457.00	458.00	458.00	455.00
Mumbai +VAT	440.00	440.00	440.00	440.00	445.00	450.00
Hyderabad +VAT	450.00	455.00	460.00	460.00	455.00	455.00

Prices for Crude Sunflower Oil during the week**(US \$/ MT)**

Center	19.06.06	20.06.06	21.06.06	22.06.06	23.06.06	24.06.06
Kandla & Mumbai	400.00	400.00	403.00	403.00	405.00	410.00

Prices for CIF Sunflower during the week**(US \$/ MT)**

Center	19.06.06	20.06.06	21.06.06	22.06.06	23.06.06	24.06.06
Kandla & Mumbai	N.A	N.A	634.00	634.00	619.00	622.00

Cotton Refine Oil

Cotton oil prices on spot market showed lacklustre during the week in most markets amid weak sentiments. Cotton oil prices dampened with soy oil prices. Prices declined

slightly at the end of this week due to favourable weather for crop. Cotton oil prices are expected to move range bound with weak sentiments in near term.

Prices for Refined Cotton Oil during this week

Markets	19.06.06	20.06.06	21.06.06	22.06.06	23.06.06	24.06.06
Mumbai +VAT	406.00	406.00	405.00	405.00	405.00	405.00
Hyderabad +VAT	400.00	402.00	402.00	402.00	402.00	401.00
Rajkot +VAT	403.00	403.00	407.00	410.00	410.00	409.00
Delhi	394.00	394.00	395.00	398.00	398.00	397.00

INTERNATIONAL MARKET WEEKLY HIGHLIGHTS

Palm oil Market Malaysia

Crude palm oil futures at Bursa Malaysia Derivatives settled slightly up on Friday in choppy trading. The benchmark September CPO contract settled at MYR1,468 a metric ton, up MYR5 from Thursday. The contract fluctuated between positive and negative territory, touching a low of MYR1,458 and high of MYR1,472/ton. Today, there was two-sided trading day (Seller and buyers) taking their turns to adjust their positions. There was nothing fresh

Soybean Market United States

CBOT Soy Futures Revealed Mixed on Friday. Sentiments November Soybeans ends down 2.25 cents at 6.065 per bushels, 3 cents off the high and 1.5 up from the low. August Soybeans closed down 3 cents at 5.865 a bushel, 1 up from the low and 3.75 off the high. December Soybean meal settled down \$1 at 180.4 a metric ton. This was \$0.8 up from the low and \$0.6 off the high. December Soybean Oil settled up 0.11 cents at 25.73 cents/pounds, 0.03 cents off the high and 0.18 cents up from the low. There were speculative selling pressure and traders are willing to sell

news related to fundamentals. Cargo surveyors SGS (Malaysia) Bhd and Intertek Agri Services are due to issue Monday estimates for Malaysian palm oil exports in the June 1-25 period. Market speculation was for exports of around 830,000 to 850,000 tons. On the supply side, market expectations are mostly for moderately higher output in June, probably up around 2%-5% on month. In May, Malaysia's CPO production totaled 1.39 million tons.

old stock of soybeans owing to favourable weather for coming crop and expected to good yield. In addition, the old crop supply of soybeans under loan remains hefty at 284.4 million bushels with 65.8 million bushels coming due in July and 81.1 million bushels coming due in August. Taiwan is tendering to buy 10,000 tonnes of US soybeans. Oil is being supported by rise in the energy markets and meal is under pressure from growing supply fears. If processors increase the crush to supply growing demand for bio-diesel, world meal supplies could ratchet higher.

WEEKLY WEATHER WATCH

PROGRESS OF SOUTHWEST MONSOON

During this week, there was no further advancement of monsoon. However, southwest monsoon revived on 20th with increase in the rainfall activity over south peninsula.

METEOROLOGICAL ANALYSIS

Two western disturbances as upper air systems affected Western Himalayan region and northwestern parts of the country during this week.

An upper air cyclonic circulation persisted over Assam and neighbourhood throughout the week.

Towards the end of the week, a fresh upper air cyclonic circulation formed over westcentral and adjoining southwest Bay of Bengal accompanied with east-west shear zone from southwest Bay to southeast Arabian Sea in the middle troposphere level.

Rainfall

Northeastern States experienced fairly widespread rainfall with isolated heavy falls on many days during the week.

- Scattered rains continued over south Peninsula till 19th which increased subsequently with isolated heavy falls over Kerala and Karnataka.
- Scattered rainfall activity also occurred over south Konkan & Goa, Madhya Maharashtra, West Bengal & Sikkim and Orissa on many days of the week.

- Scattered to fairly widespread rains occurred over Western Himalayas. Scattered duststorm/ thunderstorm accompanied with squall also occurred over Plains of northwest India.
- Rainfall activity remained subdued over remaining parts of the country.

Outlook for the week ending on 28th June, 2006

1. Conditions are favourable for further advance of the southwest monsoon into remaining parts of Maharashtra and adjoining areas during 1st half of the week.
2. Prediction from numerical models suggest formation of a low pressure area over westcentral & adjoining northwest Bay of Bengal towards end of the week leading to increase in rainfall activity over eastern parts of the country.
3. Enhanced rainfall activity with scattered heavy to very heavy falls is likely along the west coast and over northeastern states.
4. Scattered to fairly widespread rainfall activity likely over interior Peninsula and east India and adjoining central India.
5. Isolated rain/thunderstorms accompanied with squall also likely over northwest India.

Source: IMD, GOI.

PORT WATCH

Port updates of edible oils in India (June 19-24, 2006)

(Unit: Metric Tonnes)

Particulars	Expected	Arrived	Total
SBO	21980	16189	38169
Palm oil	27850	13500	41350
CPO	26535	121107	147642
Total	76365	150796	227161

Source: ANAS

Forex Rates:

(June 23, 2006)

Country/ Continent	Currency	Value in Rs
USA	Dollar	46.20
European Union	Euro	58.12
Japan	100 Yen	39.86
United Kingdom	Pound Sterling	84.57

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