

OILMEAL

July24-29, 06

## MAJOR ACTIVITY HIGHLIGHTS

- Export Demand Stands Good for Rape DOC
- Weather Remains Friendly for Soy Crop

## NEWS ANALYSIS

### India and US could gain from liberalizing oilseed trade

India has emerged as one of the world's largest importers of vegetable oils. Imports have grown partly because of sharply reduced vegetable oil tariffs, coupled with rapid economic growth and an expanding middle class. But growth in oil imports is also the result of India's restrictive trade policies on imports of oilseeds (soybeans, peanuts, rapeseed, and sunflower seed), the critical raw materials from which food processors extract vegetable oils and feed proteins. India's oilseed production is insufficient to meet demand from domestic oil producers, who are forced to operate at low rates of capacity utilization (30-40 percent). Without a significant increase in the availability of oilseeds, either through greater domestic production or reduced import barriers, India will likely experience a growing deficit in vegetable oils and an eventual deficit in feed protein. Stakeholders in the Indian market stand to gain if India follows the example of other developing countries - most notably China - and reduces barriers to oilseed imports. Lower tariff and nontariff barriers on oilseeds would stimulate large-scale soybean imports, particularly if oil tariffs are not altered from their current levels. Processors in India could use imported oilseeds to more fully utilize capacity, resulting in lower processing costs and higher net revenues and employment. Moreover, lower processing costs would allow oil producers to better cope with

competition from the influx of cheap palm oil imports. The US could also benefit if India liberalizes its oilseed trade, while keeping in place its tariffs on oils. US exports of soybean oil to India have been limited because Latin American soybean oil and Asian palm oil are cheaper. The US is a competitive soybean supplier, but its soybean exports have been blocked by India's tariff and no-tariff barriers. Although US suppliers of soybeans and products would still face considerable competition from Latin American suppliers, US trade prospects would likely improve if India liberalizes trade and substitutes soybean imports for oil imports.

Source-USDA

### Cargill Launches its Biggest Crushing Plant in China

Cargill has launched its biggest soybean crushing plant in China. This is the second largest plant in the world. Cargill ventured to expand its investment in the country as demand for soy products has scaled high in recent years. Company has launched 5000-MT-a-day soybean plant in Nantong city in Jiangsu province. This \$60 million plant is situated on northern bank of Yangtze year. Cargill has its biggest plant of capacity 7000-MT-a-day in Argentina. Cargill's annual trade with China exceeds \$3 billion. Apart from Cargill, other biggies are ADM, Bunge and Louis Dreyfus. All these companies account for 80% of soybean import in China.

### Export of Oil meal (Extractions) from April 06 to June '06 with comparative period of previous year (Qty. in MT)

Month	S.B.EXT	R.S.EXT.	G.N.EXT	R.B.EXT.	S.F.EXT.	CST.EXT.	TOTAL
April 2006	316,925	53,425	12,400	5,650	---	10,825	399,225
	99,250	90,900	12,950	---	----	17,800	220,900
May 2006	140,075	77,400	18,525	4,750	---	15,575	256,325
	156,100	69,650	3,025	6,875	----	50,200	285,850
June 2006	108,975	79,900	12,175	11,000	----	7,600	219,650
	115,750	53,975	8,900	12,675	-	20,225	211,525
<b>Total</b>	<b>565,975</b>	<b>210,725</b>	<b>43,100</b>	<b>21,400</b>	<b>....</b>	<b>34,000</b>	<b>875,200</b>
	371,100	214,525	24,875	19,550	....	88,225	718,275
2005-0006(F.Y.)	3,424,600	533,275	137,925	125,325	750	201,150	4,423,025
2004-2005(F.Y.)	1,861,325	588,805	121,475	43,056	4,790	70,750	2,690,201
2003-2004(F.Y.)	2,683,675	447,050	126,750	---	---	65,550	3,323,025

2002-2003(F.Y.)	1,333,318	455,533	15,225	---	---	92,445	1,896,521
2001-2002(F.Y.)	2,509,207	313,012	101,001	---	---	97,557	3,020,777

## FUNDAMENTAL ANALYSIS

### INTERNATIONAL MARKETS

December Soy meal settled down \$2.4 at \$170.7/short ton that was \$0.9 up from the low and \$3.5 off the high. December Soybean Oil closed down 0.05 cents at 26.77, 0.23 off the high and 0.19 up from the low. The sentiments eased in CBOT on good rains in Iowa and Illinois followed by further forecast calling for pleasing weather condition for the soybean crop for next Wednesday/Thursday across the western corn belts. Hefty previous stocks also weighed on values Weekly US export sales for soybeans remained at

248,300 metric tonnes as compared to trade expectations between 200,000-400,000. Meal sales came near 166,400 metric tonnes as compared to trade expectations between 75,000-150,000. Oil sales remain low at 500 metric tonnes as compared to trade expectations between 0-6,000. The Census crush report for June reveals soybeans crushing at 137.44 million bushels which is very close to trade expectations at 137.5-138.0 million bushels.

### CBOT Soy meal Futures as on 28<sup>th</sup> July '06

Months	Previous Settle	Open	High	Low	Change	Close
<b>Aug 06</b>	162.4	166.0	166.3	163.5	-1.4	163.8
<b>Sept 06</b>	164.9	168.0	168.0	165.6	-1.0	165.9

CBOT Remains Close on Saturday and Sunday

## DOMESTIC MARKETS

### Soy meal

Pace of soy meal export has slowed this week. Trading also remained subdued as rains affected normal trading in MP and Maharashtra. Rains have affected the arrivals of soybean in major markets. Most plants have stopped functioning for the annual maintenance. Demand for soy meal remained weak from the feed industry, which traders blame to seasonality. People also are concerned about its perspectives ahead, as crushing has been regularly hit by increasing availability of imported oil. Crushing is not in parity due to depressed prices of soy oil. According to latest update by Solvent Extractors' Association of India (SEA), import of soy oil during June totaled at 182,614 MT, up

against 108,285 MT a year ago. Import of soy oil has started rising drastically from 2004-05 only, when its import first time ever crossed to 20 lakh ton. Now, the burden of crushing is shifting to soy meal. This eventually will be challenging competitiveness of our produce (soy meal) in the international markets ahead. Only supportive factor is raised MSP by the government. Government has increased Minimum Support Price of soybean (Yellow) marginally to Rs 1020 per qtl. Traders sought government intervention/efforts however elsewhere to protect interest of domestic industry.

### DOC Rates at Different Centres

Places	Ex-factory rates (Rs/ton)	
	21.07.06	29.07.06
Indore	8300-8500	8350-8400
Nanded/Latur	8500	8800
Dhulia/Jalna	8850-8900	8900
Kota	8600	8500
Kandla	9050 (S)- 9100 (B)	8800
Mumbai	9300 (S)- 9300 (B)	9100
Nagpur (42/46)	8200/8500	8500-8800
Sangli	9300	9300

## Soy Meal Vessel Report (29.07.06)

### Current vessel positions in different ports

‘Thash Son’ has berthed at Kandla Port and continues to load 5,500 MT of SBM. Shantilal agents is handling the vessel. Loading of 9,000 MT of SBM is expected at Kandla Port on the vessel ‘Asian Rose’ to Japan. The vessel will be handled by Taurus agents.

Mumbai Port is expecting ‘Badulu Valley’ to load 3,500 MT of SBM. Sai Freight agents will be handling the vessel.

### Current Vessel Position

Ports	Vessels	Vol. (MT)	Status	Commodity	Destination
Kandla	Thash Son	5500	Berthed	SBM	-
	Asian Rose	9000	Expected	SBM	Japan
Mumbai	Badulu Valley	3500	Loading	SBM	-

### Rape/ Mustard meal

Demand also slowed for Rape meal markets. According to sources, exporters seemingly are covered against their immediate requirement. Also, exporters are in no hurry, as there is no consignment due before August. Demand for the rape oil has been good from eastern markets. Consumption of

kachi ghani increases during rainy season in eastern states, where it's relished most. Selling by NAFED also had mild bearish impact. NAFED still has burdensome stock of 3.4 million ton. In fact, increasing import of edible oil has affected the domestic dynamics of oilseed market.

### Groundnut meal

Groundnut DOC also featured lackluster trend. Demand for the same remained subdued both on domestic and export front. However, prices for the same hovered high due to its low availability in off-season. Sowing of groundnut is done in its major producing areas. Major groundnut seed growing areas are Rajkot, Junagadh, Jamnagar, Amreli, Bhavnagar and Surendranagar districts in Gujarat. Although situation has been

little concerning in Andhra Pradesh, where insufficient rains have affected almost all the crop in the state. Sowing of groundnut has been done in more than 15,000 hectares in the state. According to government officials, rains had been low in 12 out of total 23 districts, where precipitation has been down 40% from the average normal figures.

## Weekly

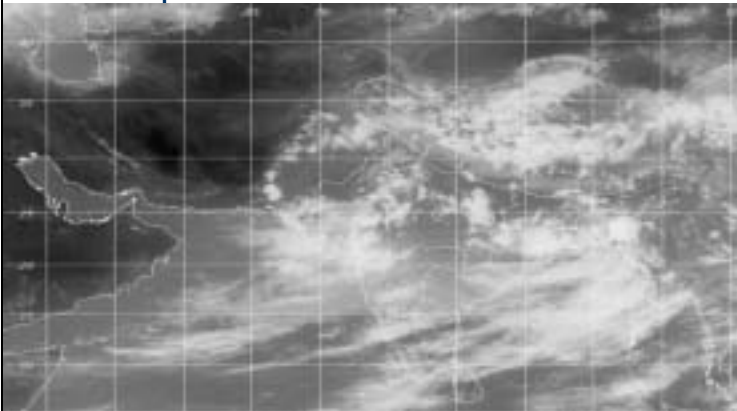
### WEATHER WATCH

#### Chief Features

Morning's well marked low pressure area over northwest Bay of Bengal and adjoining coastal areas of Orissa & West Bengal has moved slightly west-northwestwards and now lies over coastal areas of West Bengal & Orissa and adjoining northwest Bay of Bengal. The system is likely to move further in a west-northwesterly direction and cause fairly widespread rainfall with isolated heavy to very heavy falls over Gangetic West Bengal, Orissa, Chhattisgarh, Jharkhand, East Madhya Pradesh and Vidarbha. A low-pressure area has developed over West Madhya Pradesh and adjoining southeast Rajasthan. Under its influence, ongoing widespread rainfall with very heavy falls (13-25 cms) at a few places is likely to continue over Konkan & Goa (including Mumbai), Madhya Maharashtra and Gujarat during next 2-3 days.

Source- IMD

### Weather Map

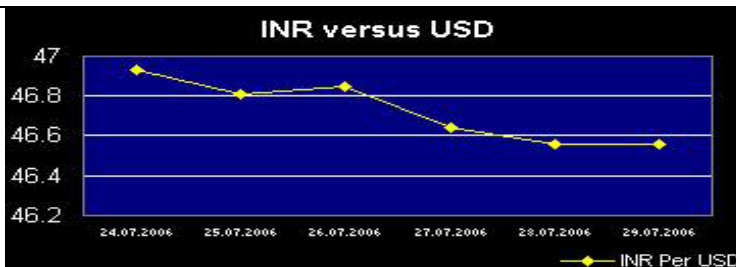


Source- IMD

## Forex

### Forex rate as on 29.07.06

Country/ Continent	Currency	Value In Rupees
USA	Dollar	46.560
European Union	Euro	59.406
Japan	100 Yen	40.609
United Kingdom	GBP	86.820



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