

## VEGOIL

July 31-August 5, 2006

### MAJOR WEEKLY HIGHLIGHTS

- Revision of Tariff Value
- USDA Weekly Export Sales Highlights
- Major Importing Countries of Malaysia's Palm Oil
- SGS estimates: July Malaysian Palm Oil Exports Up 8.36%
- Weekly Weather Report
- Port Wise: Weekly Import of Vegoil

### DOMESTIC & INTERNATIONAL NEWS

**USDA Weekly Export Sales Highlights for Soybean:** This summary is based on reports from exporters for the period July 21-27, 2006. Soybeans: Net sales of 177,300 MT were 11 percent below the previous week and 27 percent under the prior 4-week average. Major increases were reported for Mexico (81,200 MT), Taiwan (43,900 MT), Japan (19,200 MT), and Israel (14,000 MT, including 20,000 MT switched from unknown destinations and decreases of

6,000 MT). Sales of 93,000 MT for delivery in 2006/07 were for China (56,000 MT) and Taiwan (37,000 MT). Exports of 237,000 MT were 20 percent below the week earlier and 7 percent under the prior 4-week average. The primary destinations were Japan (86,300 MT), Mexico (84,900 MT), South Korea (25,000 MT), Taiwan (15,000 MT), and Israel (14,000 MT). Source: USDA

**USDA Weekly Export Sales Highlights for Soy meal :** This summary is based on reports from exporters for the period July 21-27, 2006. Soybean Cake and Meal: Net sales of 89,000 MT were 39 percent below the previous week and 20 percent under the prior 4-week average. The primary buyers were the Philippines (28,700 MT, including 24,000 switched from unknown destinations), the Dominican Republic (25,600 MT), Canada (16,500 MT), and Egypt (15,600 MT). Sales of 21,200 MT for delivery in 2006/07

were mainly for Mexico (14,100 MT) and Canada (6,600 MT). Exports of 170,500 MT were 32 percent above the week earlier and 43 percent over the prior 4-week average. The primary destinations were Mexico (41,000 MT), Australia (28,100 MT), the Philippines (25,500 MT), Canada (22,400 MT), Japan (20,000 MT), and the Dominican Republic (16,100 MT). Source: USDA

**USDA Weekly Export Sales Highlights for Soy Oil:** This summary is based on reports from exporters for the period July 21-27, 2006. Soybean Oil: Net sales of 100 MT were mainly for Trinidad. Exports of 800 MT were primarily for

Mexico (400 MT), Canada (200 MT), and Trinidad (100 MT). Source: USDA

#### Private Participation for Palm Plantation in Gujarat

Godrej Agrovet Ltd is planning to grow oil palms in Gujarat in vast area. The southern Gujarat is found to be suitable for growing oil palm plantations. The Godrej group is planning to plant oil palm in 10000 hectare land combined with setting of palm processing mills in the region. The major growing areas identified in Valsad, Navsari and Surat, where there is vast land having potential for the plantations. The company has a good experience in Andhra Pradesh and Karnataka and planning to start in Gujarat and Mizoram. The prospect of cultivating oil palm is also bright in the state as company is also in the process of setting up

oil palm processing mill in the state and plans to invest close to Rs 10 crore. With a long term objective the company will invest Rs 80 to 100 crore over the next ten years. This will result into curtail the huge import of palm oil from Malaysia and Indonesia and would be able to save valuable foreign exchange. Approximately import accounts to 5 to 6 million tonne palm oil ever year from Far East, while the domestic demand for edible oil is 12 to 13 million tonne. While growing oil palm in the identified region and boosting other oilseeds we would be able to narrow the gap between demand and supply.

#### GOI: Hikes Tariff Value on Edible Oils

Government of India increased base import prices on edible oil on Monday i.e. July 31. Base import prices on Crude Palm Oil increased to \$ 447/ton (+\$15/ton) from \$ 432/ton,

RDB Palm Oil at \$ 476/ton (+17) from \$ 459/ton, Crude Palm Olein at \$ 481/ton (+21) from \$ 460/ton, RBD Palmolein at 484 (+21) from \$463 per ton, Other palm oil

prices \$462/ton (+16) from \$446/ton and other Palmolein \$ 483 /ton (+21) from \$462/ton. Tariff for Crude Soybean Oil increased to \$ 570/ton (+\$4/ton) from \$ 566/ton, with effect from July 31,2006. Base import prices are used by the

government of India to calculate import duties regardless of the actual market prices of the commodities. Revised tariff values of various edible oils as shown in the table A below.

**Table A: GOI: Revised Base Import Prices**

Commodities	Unit (US \$/Ton)		
	Current Tariff Rate (w.e.f. 14/07/06)	Previous Tariff Rate (30/06/06)	Change (US \$/Ton)
Crude Palm Oil	432	447	+15
RBD Palm Oil	459	476	+17
Others - Palm Oil	446	462	+16
Crude Palmolein	460	481	+21
RBD Palmolein	463	484	+21
Others - Palmolein	462	483	+21
Crude Soybean Oil	566	570	+4

Source: CBEC, Dept of Revenue, GOI.

#### Malaysia: July Palm Oil Exports Up 8.36%

A cargo surveyor SGS (Malaysia) Bhd. released its export sales estimates on Tuesday i.e. July 20, 2006. Malaysia's palm oil exports in July, 2006 totalled 713114 metric tonnes, up 8.36% from 658072 metric ton in June1-20 2006.

Details of major items, which is estimated by SGS are as follows: Table 1 shows that export of RBD Palm Olein, Oil and Stearin increased by 6.55 %, 10.97% and 13.44% respectively in July 1-20 as against June 1-20, 2006. However, Crude Palm Oil declined by 2.06% during the same period.

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

Items	(Unit: MT)		
	July 1-20, 2006	June 1-20, 2006	Change %
RBD Palm Olein	323814	303894	+6.55
RBD Palm Oil	63650	57357	+10.97
RBD Palm Stearin	60467	53303	+13.44
Crude Palm Oil	108816	111106	-2.06

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. July 20, for the period of July 1-20, 2006. The major importers of Malaysian palm oil were as follows: 1. European Union 2. China 3. India 4. Pakistan and 5. USA. Country wise brief highlights of imports are as follows: Table 2 shows that import of Malaysia's palm oil

from EU, India and Pakistan declined by 5.86, 22.79 and 23.69 per cent respectively during July 1-20 respectively as compared to June1-20, 2006. However, Malaysia's palm oil import increased by 81.94 and 68.02 per cent respectively from China and USA during the same period.

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

Countries/Continents	(Unit: MT)		
	July 1-20 , 2006	June 1-20 , 2006	Change %
European Union	125353	133150	-5.86
China	264992	145652	+81.94
India	18300	23703	-22.79
Pakistan	39300	51500	-23.69
United States	263621	37865	+68.02

Source: SGS (Malaysia) Bhd.

## DOMESTIC MARKET ANALYSIS

#### Palm Oil

Palm oil prices gained significantly during the week started from July 31 and the after effect of hike in tariff value could be clearly seen in the spot market prices. Government of India increased base import prices on edible oil on Monday i.e. July 31. Base import prices on Crude Palm Oil

increased to \$ 447/ton (+\$15/ton) from \$ 432/ton, RDB Palm Oil at \$ 476/ton (+17) from \$ 459/ton, Crude Palm Olein at \$ 481/ton (+21) from \$ 460/ton, RBD Palmolein at 484 (+21) from \$463 per ton, Other palm oil prices \$462/ton (+16) from \$446/ton and other Palmolein \$ 483

/ton (+21) from \$462/ton. Crude palm oil prices increased in Kandla while RBD Palmolein increased significantly during the week in Kandla, Mumbai, Chennai, Hyderabad and Delhi. The hike in tariff rate on the palm complex results into hike in the landing there by increase in its prices in the spot market. Crude palm oil futures on the BMD settled mixed with bearish note on Thursday after a choppy trading session. Traders are bit anxious to know the rally will continue or the trend is likely to change from this juncture after touching a record high level of past 27 months. The most active October CPO contract settled at MYR1, 641 per metric ton, down MYR2 from previous day. The contract oscillates between positive and negative territory throughout the day, touching a low of MYR1, 637/ton and a high of MYR1, 667/ton. The traders seem to stick in a web of overbought region and further continuation of the rally on the back of strong fundamental support. The palm oil futures closely follow the crude oil prices and expected to go high, as the prices of crude oil will rise. The price of

crude palm oil (CPO) is expected remain firm to steady in coming next few months' months. With the private participations in the palm oil cultivation, the sector is expected to grow fast in Indian soil Godrej Agrovet Ltd is planning to grow oil palms in Gujarat in vast area. The southern Gujarat is found to be suitable for growing oil palm plantations. Approximately import accounts to 5 to 6 million tonne palm oil ever year from Far East, while the domestic demand for edible oil is 12 to 13 million tonne. While growing oil palm in the identified region and boosting other oilseeds we would be able to narrow the gap between demand and supply. RBD Palmolein prices (Rs/10 kg + VAT) on domestic spot market varied from Rs 432-445 with an approx gain of 50% compared to the previous week in Mumbai, Rs 430-437 in Kandla, Rs 452-457 in Chennai, Rs 447-460 in Hyderabad and Rs 430-440 in Kakinada market. Prices are expected to remain firm until the government of India further revised the tariff value.

#### Weekly prices for CPO

(Rs/ 10 kg)

Center	31.07.06	1.08.06	2.08.06	3.08.06	4.08.06	5.08.06
Kandla	405	412	417	421	421	423

#### Weekly prices for RBD Palmolein

(Rs/ 10 kg)

Center	31.07.06	1.08.06	2.08.06	3.08.06	4.08.06	5.08.06
Kandla +VAT	405	412	417	421	421	423
Mumbai +VAT	430	432	434	437	436	440
Chennai +VAT	432	435	445	445	448	450
Kakinada +VAT	452	457	458	457	457	458
Hyderabad +VAT	430	440	435	440	440	440
Delhi	447	452	460	460	460	462

#### Weekly prices for FOB (Kandla)

(US \$ / MT)

Center	31.07.06	1.08.06	2.08.06	3.08.06	4.08.06	5.08.06
CPO	*	442	450	447	450	447
RBD Palmolein	*	470	475	475	475	472

#### Refined Soy Oil

Refined soy oil prices witnessed significant gain during the week under review after government of India raised the tariff value on crude soy oil. Tariff for Crude Soybean Oil increased to \$ 570/ton (+\$4/ton) from \$ 566/ton, with effect from July 31. The prices at major spot market improved as the landing cost of the soy oil increased substantially. With continuous rally for the past few days at CBOT the Indian market followed it closely and maintained its firm position. The soy refined market got underlying support from the BMD, which touched its peak of past 27 months. Strength in crude oil this week results into greater demand of soy oil for conversion into the bio-diesel and there by supporting the soy oil market up. Refined soy oil prices (Rs/10 kg + VAT) on domestic spot markets varied from Rs 416-425 in Mumbai, Rs 404-412 in Indore, Rs 405-410 in Kota, Rs,

437-463, Rs. 403-410 in Rajkot, Rs. 408-412 in Jaipur and Rs. 440-449 in Chennai market. Though there is not much demand in the physical market the prices still maintain its firm note, closely following the international markets. The prices at this juncture cannot be sustained at higher levels for long as there is no major physical demand in near terms and the festival demand is likely to come after a week or two. Soy degum prices improved further and remain at Rs 400-420 per 10 kg +VAT at Mumbai/Kandla port. CIF (Cost, Insurance and Freight) charges for soy oil (August Shipment) at Kandla port during the same period varied from \$560-580/ton with significant gains. Arrivals continue to hit the local market and daily arrivals of soybeans maintain the previous week levels at 55,000-60,000 bags (bags=85 kg) in major markets during the period.

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

Center	31.07.06	1.08.06	2.08.06	3.08.06	4.08.06	5.08.06
Mumbai +VAT	416	420	425	425	425	425
Indore +VAT	404	406	410	412	412	415
Kota +VAT	405	406	408	410	410	410
Jaipur +VAT	408	409	411	412	413	413
Hyderabad +VAT	437	450	460	463	460	468
Chennai +VAT	440	440	450	449	449	449
Rajkot +VAT	403	404	405	410	408	415

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

Center	31.07.06	1.08.06	2.08.06	3.08.06	4.08.06	5.08.06
Mumbai	400	403	403	420	410	411

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

Center	31.07.06	1.08.06	2.08.06	3.08.06	4.08.06	5.08.06
Kandla & Mumbai	562	572	574	580	577	577

**Rape/Mustard Oil**

Mustard oil prices on major market improved during the week under review as the NAFED hiked its selling prices in different centers of Rajasthan. Demand slightly increases in spot fetching high. During the week NAFED sold mustard seeds at Rs 1560-1565 increased by Rs. 5-10 compared to the last week. NAFED so far been able to sell 30000 ton/month of mustard seeds as against the target of selling 100000 per month. The increase in the mustard seed prices results into the improvement of mustard oil prices in the spot market. The fate of prices will be much dependent on the strategic decision of the NAFED for selling mustard

seeds combined with the canalisation of Vanaspati through NAFED. The prices of the mustard oil got underlying support on increase in the prices of other oils. Mustard oil (expeller) prices ranged from of Rs 411-416 in Mumbai (Rs/10 kg + VAT), Rs 387-395 in Kota, Rs 390-397 in Jaipur, Rs 412-418 in Delhi and Rs. 388-394 in Neewai market. Daily arrivals of mustard seeds ranged between 45,000 -50,000 bags in Rajasthan (bags= 85 kg). Mustard oil prices are expected to improve in the coming week closely following other oils.

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

Center	31.07.06	1.08.06	2.08.06	3.08.06	4.08.06	5.08.06
Mumbai + VAT	411	411	415	416	416	419
Kota +VAT	387	393	396	395	393	393
Jaipur +VAT	390	395	399	397	396	396
Delhi	412	415	418	418	420	425
Neewai +VAT	388	388	392	394	393	393

**Groundnut oil**

Groundnut oil prices on physical market increased during the week under review and remain in tandem with its competitive oils. Prices increased in almost all the centers amid hike in the tariff value on palm and soy combined with low availability of seeds for crushing. High demand in southern states hold the prices at the higher levels while

continuous rains for past few days in Gujarat results into increased demand in the region. Prices moved in a range of Rs 523-525 in Rajkot, Rs 525-535 in Mumbai, Rs 550-570 in Hyderabad and Rs 496-510 in Chennai market (Prices quoted Rs/10 kg excluding VAT). Groundnut oil prices are expected to maintain its firm position.

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

Center	31.07.06	1.08.06	2.08.06	3.08.06	4.08.06	5.08.06
Mumbai +VAT	525	530	535	530	530	535
Rajkot +VAT	523	520	525	525	525	525
Andhra Region	550	550	562	570	570	570
Chennai +VAT	496	510	510	500	505	505
Delhi	550	550	560	560	560	565

### Sunflower Oil

Domestic spot market prices of sunflower oil remain on the higher levels and the trend remain bullish. The prices of sunflower oil closely follow other oils on account of firm gain in Palm and soy oil in the domestic market. Demand from the Southern part of the India remains high, which helped

the prices to stay on the higher levels. CIF for sunflowers were in range of \$ 626/metric ton to \$ 632/ metric ton during this week. Sunflower oil prices are expected to move range bound with positive sentiments in near term on lower stock and local demands.

#### Prices for Refined Sunflower Oil during this week

(Rs/10Kg)

Center	31.07.06	1.08.06	2.08.06	3.08.06	4.08.06	5.08.06
Chennai +VAT	475	480	485	490	490	490
Mumbai +VAT	492	500	500	502	505	500
Hyderabad +VAT	500	510	505	505	505	510

#### Prices for Crude Sunflower Oil during the week

(US \$/ MT)

Center	31.07.06	1.08.06	2.08.06	3.08.06	4.08.06	5.08.06
Kandla & Mumbai	435	437	442	445	445	445

#### Prices for CIF Sunflower during the week

(US \$/ MT)

Center	31.07.06	1.08.06	2.08.06	3.08.06	4.08.06	5.08.06
Kandla & Mumbai	626	628	628	632	632	630

### Cotton Refine Oil

Cotton oil prices on spot witnessed range bound improvements in the spot market owing to improvements in other oils and increased demand for cottonseed oil. Cotton

oil prices followed other oil prices. Cotton oil prices are expected to move range bound with positive sentiments in near term.

#### Prices for Refined Cotton Oil during this week

Markets	31.07.06	1.08.06	2.08.06	3.08.06	4.08.06	5.08.06
Mumbai +VAT	442	442	446	450	455	455
Hyderabad +VAT	440	447	445	450	445	450
Rajkot +VAT	441	442	445	446	446	450
Delhi	428	435	445	440	445	440

## INTERNATIONAL MARKET WEEKLY HIGHLIGHTS

### Palm oil Market Malaysia

Crude palm oil futures on the BMD settled down on Friday amid on short covering and profit booking stage. The most active October contract settled at MYR1, 611 per metric ton, down MYR30 from Thursday. The steep decline might be due to the concern that prices in near terms moved abruptly to unrealistic high and traders are rushing to book there profits. Traders viewed that the market will maintain its up trend as the benchmark contract remains still above

the key MYR1, 600 psychological support level. With rising crude prices the market is expected to move forward on bio-diesel concern. The export data on coming data also expected to remain bullish for the palm oil futures. It is expected that the palm oil stock is expected to decline further.

## WEEKLY WEATHER WATCH

### MONSOON WATCH & WEATHER OUTLOOK

Yesterday's deep depression near Gopalpur moved westward and now lies near Jagdalpur. The system is likely to move in west-northwest direction and weaken. Under its influence, wide spread with heavy to very heavy falls at a few places and extremely heavy falls (more than 25 cm) likely over north Coastal Andhra Pradesh, Telangana, Chhattisgarh, east M.P. and Vidarbha during next 24 hours. with squally winds speed reaching 50 KMPH. The enhanced rainfall activity is likely to shift westwards subsequently across Madhya Pradesh, north interior

Karnataka and Maharashtra. Rainfall activities over West Coast of India, particularly Konkan & Goa is also likely to enhance during next 3-4 days. The axis of monsoon trough runs in near normal position. A western disturbance lies over J&K It is likely to move slowly in eastward direction across J&K, H.P. , parts of Punjab and Uttranchal during next 3 days causing scattered to fairly widespread rains over the regions.

### Heavy Rainfall Warning:

Heavy to very heavy rainfall at a few places with extremely heavy falls (more than 25 cm) is likely over north Coastal Andhra Pradesh, Telangana, Chhattisgarh, Konkan & Goa. Vidarbha, Marathawada and Coastal Karnataka

### Zone-wise weather forecast

Scattered to fairly widespread rainfall is expected over J&K, H.P., Punjab, Uttranchal, Haryana and west U.P. during next 3 days. Scattered rainfall is likely to continue over Gangetic West Bengal and NE States. Fairly widespread to widespread with isolated heavy to very heavy rainfall is likely over Orissa, Jharkhand during next 2-3 days. East UP and Bihar is likely to receive scattered rainfall. Fairly

widespread to widespread rainfall with isolated heavy rains is likely over Chhattisgarh, Vidharbha and Madhya Pradesh during next 3 days. Fairly widespread to wide spread rain with isolated heavy falls is likely over Karnataka, Telangana, Coastal Andhra Pradesh and Rayalseema. Ongoing rainfall activities over Kerala are likely to enhance. Isolated to scattered rainfall is likely over Tamilnadu during 3-4 days. Fairly wide spread to widespread with isolated heavy to very heavy falls is likely over Konkan & Goa and Gujarat region. Fairly widespread rainfall with isolated heavy falls is likely over East Rajasthan during next 24 Hrs and over Madhya Maharashtra and Marathawada during next 3-4 days.

## PORT WATCH

### Port updates of edible oils in India (July 31-August 5, 2006)

(Unit: Metric Tonnes)

Particulars	Expected	Arrived	Total
SBO	82100	95250	177350
Palm oil	35306	42050	77356
CPO	69000	137043	206043
Total	186406	274343	460749

Source: ANAS

### Forex Rates:

(August 5, 2006)

Country/ Continent	Currency	Value in Rs
USA	Dollar	46.54
European Union	Euro	59.55
Japan	100 Yen	40.43
United Kingdom	Pound Sterling	87.76

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