

## OILMEAL

August 19<sup>th</sup>-26<sup>th</sup>, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- A Thin Trading Prevailed In Spot on Lower Demand

### NEWS ANALYSIS

#### USDA Export Sales Highlights

Soybean Cake and Meal: Net sales of 69,800 MT were 48 percent below the previous week and 41 percent under the prior 4-week average. Major increases were reported for Mexico (28,700 MT), the Dominican Republic (10,500 MT), Jamaica (7,100 MT), Colombia (7,000 MT), and Canada (6,400 MT). Sales of 130,200 MT for delivery in 2006/07 were mainly for unknown destinations (80,000 MT), Canada (28,200 MT), and Mexico (11,000 MT). Exports of 133,200

MT were 40 percent above the week earlier, but 3 percent under the prior 4-week average. The primary destinations were the Dominican Republic (26,500 MT), Mexico (24,400 MT), and Canada (21,600 MT).

Source: FAS, USDA

Export of Oil meal (Extractions) from April 06 to July'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   |
| July 2006       | 119,450   | 49,500   | ---     | 11,000   | ---      | ---      | 179,950   |
|                 | 135.550   | 45.750   | 17.700  | 16.500   | ---      | 11.525   | 227.025   |
| Total           | 685,425   | 260,225  | 43,100  | 32,400   | ---      | 34,000   | 1,055,150 |
|                 | 506.650   | 260.275  | 42.575  | 36.050   | ....     | 99.750   | 945.300   |
| 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

November Soybeans settled down 8 cent at \$5.57/bushel, 8 cent off the high and 2.5 cent up from the low. January Soybeans settled down 8.25 cent at \$5.6975/bushel, which was 2 cent up from the low and 7.25 cent off the high. December Soybean meal settled down \$2.8 at \$162.0/ton that was \$0.1 up from the low and \$2.7 off the high. December Soybean Oil closed down 0.04 cent at 25.55 cent/pound, 0.26 cent off the high and 0.17 cent up from the low. Good weather forecast for the next week resulting easing out the

CBOT futures on high production forecast. High stock position of the oil also pressurized the market down. Higher soybean yield and higher crushing leads to speculation of higher meal stocks and thereby pushing down its sentiments.

#### CBOT Soy Meal Futures as on Aug 17<sup>th</sup>.

| Month  | Open  | High  | Low   | Close | Chg  |
|--------|-------|-------|-------|-------|------|
| Sep 06 | 160.3 | 161.3 | 159.7 | 160.5 | +1.3 |
| Oct 06 | 161.4 | 162.0 | 160.6 | 161.6 | +1.5 |

CBOT Remains Close on Saturday and Sunday

### DOMESTIC MARKETS

#### Soy meal

A soft sentiment is witnessed in majority of markets. The area under soybean cultivation has gone up from 76.10 LH to all time high of 79.53 LH. Higher soybean cultivation is reported in Gujarat, Madhya Pradesh and Maharashtra. It is expected to improve as cultivation is still continuing in Madhya Pradesh. There is a report of some damage of soybean crop in Maharashtra as well as in Madhya Pradesh. According to some traders the total output of soybean is expected to decline in the range of 3 to 5 per cent. The rainy season pressurised the market activities. The export demand reportedly improved somewhat. Exporters are reportedly covered for their immediate demand and this led to stagnation in export demand. On the other hand, more competitive South American soy meal pressurised our soy meal export market.

Recent outbreaks of bird flu in Thailand and Laos also lowered the export demand. A lower soybean production is estimated in the global level. The global oilseeds production estimates are also likely to down at 383.2 million tons, which are about 6.5 million less from the last year. This led to increase some export demand in near futures. The crushing will be at its peak during November. Our country will be able to offer Soybean meal at competitive prices in the coming future. According to Solvent Extractors' Association of India (SEA), export of soy meal in July totaled at 119,450 ton down from 135,550 MT during the corresponding period last year. Traders perceived that the market sentiments remained weak in the coming days on good stock as against lower demand. No significant trading at NCDEX in Soybean meal futures was witnessed.

#### DOC Rates at Different Centres

| Places         | Ex-factory rates (Rs/ton) |           |
|----------------|---------------------------|-----------|
|                | 18.08.06                  | 25.08.06  |
| Indore (MP)    | 7900-8100                 | 7900-8100 |
| Datia (MP)     | 8200                      | 8200      |
| Shivpuri (MP)  | 8000                      | 8000      |
| Nanded/Latur   | 8500                      | 8500      |
| Dhulia/Jalna   | 8300                      | 8300      |
| Nagpur (42/46) | 8200-8400                 | 8200-8400 |
| Sangli         | 9000                      | 9000      |
| Solapur        | 8900                      | 8900      |
| Kota           | 8200                      | 8200      |

## Soy Meal Vessel Report (25.08.06)

### Current vessel positions in different ports

'Marine Blue' is expected at Kandla Port to load 16,000 MT of SBM to Vietnam. Shantilal agents will be handling the vessel. The port is expecting 'Young Xiang 9' to load 10,300

MT of SBM to Vietnam. The vessel will be handled by Seaworld agents.

### Current Vessel Position

| Ports  | Vessels       | Vol. (MT) | Status   | Commodity | Destination |
|--------|---------------|-----------|----------|-----------|-------------|
| Kandla | Marine Blue   | 16,000    | Expected | SBM       | Expected    |
| Kandla | Young Xiang 9 | 10,300    | Expected | SBM       | Expected    |

### Rape/ Mustard meal

The sentiment remained weak on sluggish demand. Export demand remained steady. Exporters are reportedly covered for their immediate demand and this led to decrease in export demand. Also, regular selling by Nafed has also regulating the market sentiments. Nafed is selling mustard in Rajasthan at Rs 1585 per qtl. Crushing is continuing as demand for Kachi ghani is good from eastern states. The DOC prices at Kandla and Mundra were quoted at Rs. 4650 and 4700 (in PP bags)

respectively. Prices for the same at Jamnagar were quoted higher also at Rs 4650 per ton. Jaipur market was offered the same at slightly higher of Rs.3900 per ton. Indore offered lower at Rs.4150 per ton and Kota quoted the same at Rs. 3900 per ton. Steady to weak tone likely to prevailed in the market. Spot prices are expected to remain steady or further declined slightly in the coming days.

### Groundnut meal

The groundnut market still remained weak on lower demand amidst good stock. Groundnut coverage has plunged down from 53.54 to 43.23 lakh hectares (LH) mainly on account of drought condition in Andhra Pradesh. Rayalaseema belt also experiencing dry spell virtually through out July. In Andhra Pradesh, the acreage under Groundnut is down from 14.58 LH to 8.49 LH, while Gujarat has seen fall in area from 18.08 to

16.55 LH, as farmers shifted from groundnut to cotton. Rainy season also weaken the market tone. The export demand is also reportedly steady at some lower side. The prices of groundnut meal (40%) were quoted steady at Rs. 6400 while 45% was offered also steady at 7000 per MT in Rajkot during Tuesday. The market sentiment is likely to remain flat in the coming days.

### Price Drivers-

- ✍ Lower export demand
- ✍ Steady to lower domestic demand
- ✍ Somewhat crop losses in MH and MP
- ✍ Increased availability and competitive quotation of South American soy meal
- ✍ Lackluster trading activities due to rainy season and festivals
- ✍ Low supply of Soybean/groundnut due to off-season

### Outlook-

#### Short term (one week)

- ✍ Steady to weak on good stocks amidst slower export as well as steady domestic demand

## Monsoon Outlook (26.08.06)

- ✍ Yesterday's low pressure area over Jharkhand and adjoining Gangetic West Bengal still persists. Under its influence, fairly widespread rainfall with isolated heavy falls are likely over Gangetic West Bengal, Orissa, Jharkhand, Chhattisgarh, East Madhya Pradesh, Bihar and East Uttar Pradesh during next 48 hours.
- ✍ Fairly widespread with isolated heavy falls also likely over Sub-Himalayan West Bengal & Sikkim and northeastern states during the same period.
- ✍ The western end of the monsoon trough continue to lie close to the foothills of Himalayas, however, the eastern end passes through Muzaffarnagar, centre of low, Sri Niketan and thence eastwards to Agartala.
- ✍ A fresh low pressure area is likely to form over northwest Bay of Bengal in a day or two which may subsequently increase rainfall activity over Orissa and Gangetic West Bengal.

## Heavy Rainfall Warning:

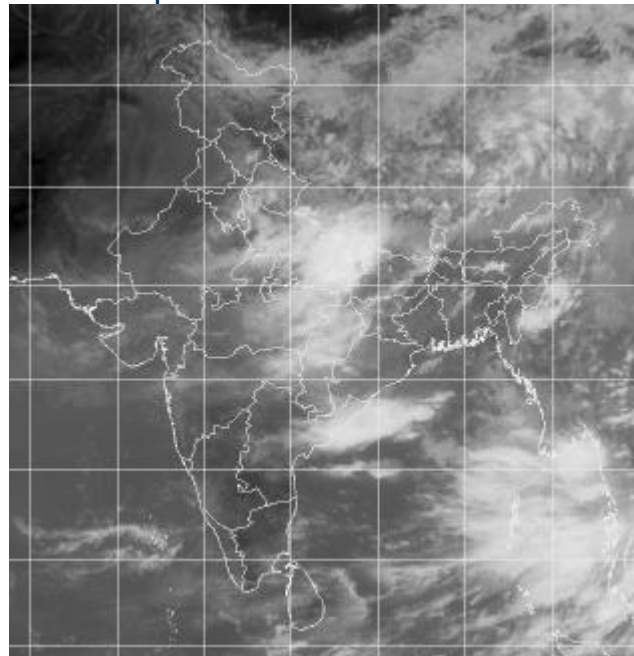
- ✍ Isolated heavy falls are likely over Gangetic West Bengal, Orissa, Jharkhand, Chhattisgarh, East Madhya Pradesh, Bihar and East Uttar Pradesh during next 48 hours.
- ✍ Isolated heavy falls also likely over Sub-Himalayan West Bengal & Sikkim and northeastern states.

## Outlook for subsequent two days (Based on numerical weather products):

- ✍ Moderate rainfall activity likely to continue over Indo-Gangetic plains.
- ✍ General decrease in rainfall over the remaining parts of the country.

Source: GOI (IMD)

## Weather Map



Source-IMD

## Forex

Forex rate as on 26.08.06

| Country/ Continent | Currency | Value in Rupees |
|--------------------|----------|-----------------|
| USA                | Dollar   | 46.61           |
| European Union     | Euro     | 59.44           |
| Japan              | 100 Yen  | 39.77           |
| United Kingdom     | GBP      | 87.79           |

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