

### MAJOR WEEKLY HIGHLIGHTS

- Revision of Tariff Value
- Import Duty Cut on Palm Oil
- USDA Weekly Export Sales Highlights
- Major Importing Countries of Malaysia's Palm Oil
- SGS estimates: July Malaysian Palm Oil Exports Up 32%
- Weekly Weather Report
- Port Wise: Weekly Import of Vegoil

### DOMESTIC & INTERNATIONAL NEWS

#### USDA Weekly Export Sales Highlights for Soybean:

Soybeans: Net sales of 257,600 MT were 6 percent under the previous week, but 16 percent above the prior 4-week average. Major increases were reported for Mexico (82,900 MT), China (60,000 MT), Taiwan (59,000 MT), and Morocco (25,400 MT, including 25,000 MT switched from unknown destinations). Net sales of 454,800 MT for

delivery in 2006/07 (which begins Sept. 1) were mainly for China (226,000 MT) and unknown destinations (162,000 MT). Exports of 187,200 MT were 59 percent below the week earlier and 44 percent under the prior 4-week average. The primary destinations were Taiwan (64,400 MT), Mexico (52,800 MT), Morocco (25,400 MT), and Costa Rica (14,400 MT).

#### USDA Weekly Export Sales Highlights for Soy meal:

Soybean Cake and Meal: Net sales of 132,800 MT were 22 percent above the previous week and 7 percent over the prior 4-week average. Major increases for Mexico (43,000 MT), Chile (26,200 MT), Colombia (18,000 MT), Saudi Arabia (17,000 MT), and Israel (15,000 MT) were partially offset by decreases for unknown destinations (24,000 MT).

Sales of 125,400 MT for delivery in 2006/07 were mainly for unknown destinations (48,000 MT), Canada (30,800 MT), and Mexico (20,700 MT). Exports of 95,400 MT were 38 percent below the week earlier and 34 percent under the prior 4-week average. The primary destinations were Chile (26,200 MT), Mexico (25,800 MT), and Canada (17,800 MT).

#### USDA Weekly Export Sales Highlights for Soy Oil:

This summary is based on reports from exporters for the period August 4-10, 2006. Soybean Oil: Net sales of 1,000 MT resulted as major increases for Australia (1,000 MT)

and Canada (300 MT) were partially offset by decreases for Mexico (300 MT). Exports of 1,100 MT were primarily for Canada (500 MT) and Mexico (400 MT).

#### Import of edible oils on the decline

Data released by the Solvent Extractors Association of India (SEAI) show that import of edible oils during July 2006 fell 4.63 lakh tons from 5.14 lakh tons during July 2005. Import during third quarter is down by 8% while overall for 9 months down by 15% to 30.5 lakh tons from 35.8 lakh tons of last years. The share of import of refined oil in total edible oils has fallen from 11 percent to 3 percent while import of crude edible oil increased to 97 percent from 89 percent during November 2005 to July 2006 over same period of last year. Refined oil ratio which was 6 percent in first quarter reduced to 4 percent in 2nd quarter and further to 1 percent in 3rd quarter, thanks to duty difference

between crude & refined oil that encouraged import of crude oil over refined oil, that helped better capacity utilization of domestic industry, value addition & employment within the country. Import of palm oil products during November 2005 to July 2006 reached 16.4 lakh tons (54%). Soft Oil import was 14.1 lakh tons (46%), consisting mainly of soybean oil (12.9 lakh tons). Palm oil to soft oil import ratio in the first nine months of current oil year stood at 54:46 compared to last year's 63:37. Sunflower oil import totalled at 86,844 tons (under tariff rate quota) during the period under review compared to last year's 2,018 tons.

#### Roll Back of Hike in Tariff on Palm Group

The government of India further amended the revised tariff value to its previous level within the few hours of its hike in the tariff value. The tariff value reduction on the palm oil group brought to the 31st August level while the tariff on soy oil remain unchanged at \$572 compared to \$570 as on 31st August. The hike in

tariff value was decided on the international prices and changed fortnightly by the Custom Department, Ministry of Finance. The central government decided to roll back the increase in tariff value with a view to curb inflation soon after its increase. The Central Board of Excise & Customs has, in Notification No.

88/2006-Customs (N.T.), dated 14th August 2006, notified a minimum tariff value of palm oil products for the fortnight ending 14th August 2006. This is based on the average of landed prices prevailing during the previous fortnight and is in accordance with the procedure as adopted by the Board. It has however come to notice that the tariff values indicate a substantial increase, based on a significant rise in the

international prices. On crude palm oil the rise has been up to 7.6%, as compared to the last fortnight. The Board has therefore decided to retain tariff values of palm oil products at the prevailing rates notified in Notification No. 85/2006-Customs (N.T.) dated 31st July 2006, so as to keep the domestic prices under check. The corrected notification is enclosed.

### Indian Offer to Cut Import Duty on Palm Oil

As the negotiation is going for the Free Trade Agreement with ASEAN countries India on Friday offered new tariff concessions for the importing sensitive items from Malaysia and Indonesia. The two countries want India to prune the items from its negative list and also raised concerns on the increased custom duty on palm oil and its derivatives. The negotiation is very important, as India wants to sprawl into the Far East market taking the advantage of its geopolitical situation. India proposed to cut the import duty on refined

palm oil from 90 per cent to 60 per cent, Crude palm oil from 80 per cent to 50 per cent, black tea from 100 percent to 50 per cent and pepper from 70 per cent to 50 per cent. As per the trade sources India revised offer provided preferential market access of 95 per cent to 100 per cent for seven ASEAN members and of 85 per cent or more for the other three members. Any further details yet to come from the ASEAN members.

### GOI: Revise 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 (31.07.06)	Change (US \$/Ton)
Crude Palm Oil	481	447	+34
RBD Palm Oil	506	476	+30
Others - Palm Oil	494	462	+32
Crude Palmolein	509	481	+28
RBD Palmolein	512	484	+28
Others - Palmolein	511	483	+28
Crude Soybean Oil	572	570	+2

Source: CBEC, Dept of Revenue, GOI.

### Malaysia: July Palm Oil Exports Up 32%

A cargo surveyor SGS (Malaysia) Bhd. released its export sales estimates on Thursday i.e. Aug 10, for the period of Aug 1-10, 2006. 2006 totalled 469,977 metric tonnes, up 32% from 356,093 tons in July 1-10. Details of major items, which is estimated by SGS are as follows: Table 1 shows

that export of RBD Palm Olein, RBD Palm Stearin and CPO increased by 10.60 %, 24.80% and 86.16% respectively in Aug 1-10 as against July 1-10, 2006. However, RBD Palm Oil declined by 8.84% during the same period.

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

Items	(Unit: MT)		
	Aug 1-10, 2006	July 1-10, 2006	Change %
RBD Palm Olein	217,654	196,793	+10.60
RBD Palm Oil	27,933	30,642	-8.84
RBD Palm Stearin	29,530	23,660	+24.80
Crude Palm Oil	65,790	35,339	+86.16

Source: SGS (Malaysia) Bhd.

### Major Importers of Malaysia's Palm Oil

Estimates of exports sale figure issued by Cargo Surveyor SGS on Thursday i.e. Aug 10, for the period of Aug 1-10,

2006. The major importers of Malaysian palm oil were as follows: 1. EU 2. India 3. China and 4. USA. Country wise

brief highlights of imports are as follows: Table 2 shows that import of Malaysia's palm oil from EU were increased significantly with a gain of 427.67% on high demand compared to last month import. India and China remain in tandem with the EU and noticed improvements in their

imports. Per cent decline in import from the United States during the period could be seen owing to hefty stock position of their soy oil during Aug 1-10 respectively as compared to July1-10, 2006.

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

**(Unit: MT)**

Countries/Continents	July 1-20 , 2006	June 1-20 , 2006	Change %
European Union	124130	23524	+427.67
China	166820	166402	+0.25
United States	11210	46131	-75.70
India	3500	1900	+84.21

**Source:** SGS (Malaysia) Bhd.

## DOMESTIC MARKET ANALYSIS

### Palm Oil

Palm oil prices in the spot market plunged this week starting from Aug 14. Steep decline could be witnessed in almost all the centers. The government of India further amended the revised tariff value to its previous level within the few hours of its hike in the tariff value. The tariff value reduction on the palm oil group brought to the 31st August level. The hike in tariff value was decided on the international prices and changed fortnightly by the Custom Department, Ministry of Finance. The Central Board of Excise & Customs has, in Notification No. 88/2006-Customs (N.T.), dated 14th August 2006, notified a minimum tariff value of palm oil products for the fortnight ending 14th August 2006. This is based on the average of landed prices prevailing during the previous fortnight and is in accordance with the procedure as adopted by the Board. It has however come to notice that the tariff values indicate a substantial increase, based on a significant rise in the international prices. On crude palm oil the rise has been up to 7.6%, as compared to the last fortnight. The Board has therefore decided to retain tariff values of palm oil products at the prevailing rates notified in Notification No. 85/2006-Customs (N.T.) dated 31st July 2006, so as to keep the domestic prices under check. Crude palm oil futures on the BMD settled with sharp decline on Wednesday on concerns on the low demand of bio-diesel on declining prices of the crude oil. The most active November contract settled at

MYR1, 627 per metric ton, down MYR26 from Tuesday. Sharp rally in the CPO futures about 10%-15% between mid-June and early August on the basis of growing demand of bio-diesel concern closely tracking crude oil. Weakening crude oil prices results into weak bio-diesel demand, which results into a plunge into the BMD futures market. Any fresh buying results into stopping the bull run as it was unable to break the key resistance. Crude oil futures decline at around \$73 a barrel compared to the recent highs of \$77-\$78/bbl. Speculative selling in the futures market results into further weakness into the market. The oil palm production is expected to increase from August to October as the production is expected to remain higher during the said period. Recent decline in the global prices for palm oil results booking large volumes by Indian importers from Malaysia and Indonesia. This is expected to increase the imports above 2 lakh tonnes in August against 1.6 lakh ton imports in July as per COOIT estimates. The import of edible oil decline in the last month owing to steep rise in the oil prices in the overseas market. RBD Palmolein prices (Rs/10 kg + VAT) on domestic spot market range between Rs 442-450 in Mumbai, Rs 430-440 in Kandla, Rs 460-472 in Chennai, Rs 460-470 in Hyderabad and Rs 438-451 in Kakinada market. Prices are expected to trade with firm note.

### Weekly prices for CPO

**(Rs/ 10 kg)**

Center	14.08.06	15.08.06	16.08.06	17.08.06	18.08.06	19.08.06
Kandla	405	MC	404	404	404	404

### Weekly prices for RBD Palmolein

**(Rs/ 10 kg)**

Center	14.08.06	15.08.06	16.08.06	17.08.06	18.08.06	19.08.06
Kandla +VAT	440	MC	430	430	430	427
Mumbai +VAT	450	MC	442	442	442	438
Chennai +VAT	472	MC	460	460	460	460
Kakinada +VAT	451	MC	442	438	435	435
Hyderabad +VAT	470	MC	460	460	460	460
Delhi	460	MC	MC	475	470	470

**MC: Market Closed**

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

Center	14.08.06	15.08.06	16.08.06	17.08.06	18.08.06	19.08.06
CPO	460	MC	457	447	447	442
RBD Palmolein	485	MC	482	475	475	470

**MC: Market Closed****Refined Soy Oil**

Refined soy oil prices witnessed decline during the week under review on low landing cost of the imported oils and decline in the international prices of the soy oil. The rolling back of tariff value on palm oil group results into cheap edible oil import and there by soften the prices of soy oil as well. The tariff on soy oil remain unchanged at \$572 compared to \$570 as on 31st August which is not expected to increase the soy oil prices in the spot market. The spot market prices of the soy refine oil continue to maintain its down rally in the major market with weak sentiments. Moderate to good yield is expected for soybean as per the trade sources that had a bearish impact on the market. Bearish sentiments in the overseas market further stumble the prices in the spot market as BMD and eCBOT decline sharply on low demand and favourable weather condition in the corn belt in USA. Low landing cost further propelled its prices down. CIF soy oil (15Aug-15 Sep. Shipment) during

the week decline sharply from \$577/ton to \$568/ton. The price in the spot market is expected to decline further closely following its futures. Refined soy oil prices (Rs/10 kg + VAT) on domestic spot markets remain in the range of Rs 434 in Mumbai, Rs 419-420 in Indore, Rs 412-416 in Kota, Rs, 455-476 in Hyderabad, Rs. 419 in Rajkot, Rs. 415-418 in Jaipur and Rs. 460-465 in Chennai market. The soybean oil is expected to follow the international developments. As long as the weather looks favourable in the mid western region and corn belt of US the sentiments will decline in CBOT which will have a bearish impact on the domestic spot and futures market. Soy degum prices witnessed sharp decline and remain in the range between Rs 411-417 per 10 kg +VAT at Mumbai/Kandla port. Arrivals decline during the week on heavy rainfalls in various regions and remain at 40,000-45,000 bags (bags=85 kg) in major markets during the period.

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

Center	14.08.06	15.08.06	16.08.06	17.08.06	18.08.06	19.08.06
Mumbai +VAT	434	MC	434	434	434	432
Indore +VAT	420	MC	420	419	419	419
Kota +VAT	416	MC	MC	412	412	410
Jaipur +VAT	418	MC	MC	415	415	414
Hyderabad +VAT	476	MC	461	455	450	450
Chennai +VAT	465	MC	460	460	458	458
Rajkot +VAT	419	MC	MC	MC	420	419

**MC: Market Closed****Prices for Soy Degum (Mumbai) during the week****(Rs/ 10 kg)**

Center	14.08.06	15.08.06	16.08.06	17.08.06	18.08.06	19.08.06
Mumbai	417	MC	415	411	411	407

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

Center	14.08.06	15.08.06	16.08.06	17.08.06	18.08.06	19.08.06
Kandla & Mumbai	577	MC	577	568	568	564

**Rape/Mustard Oil**

Mustard oil prices during the week under review starting on August 14 witnessed sharp decline in almost all the market owing to stumbling other oils. Huge stocks of seeds with the NAFED and low liquidity of the stocks results into weak sentiments into the market. NAFED so far been able to sell 560,000 ton mustard till Aug 14 through daily quotes. As per the industry sources NAFED was not yet started supplying mustard oil to the vanaspati industry for blending 20% mustard oil with vanaspati. Lack of proper crushing facilities with the NAFED results into restricted crushing of

the huge stock and thereby undue delay of supplying mustard oil to the industry. If the crushing of seeds going with smooth pace then adequate supply could be restored and thereby high demand of the mustard oil from NAFED. Reduction of the selling prices by NAFED at Rs 1560-1565 further added to its bearish note. Mustard oil (expeller) prices varied between Rs 426-428 in Mumbai (Rs/10 kg + VAT), Rs 394-402 in Kota, Rs 397-404 in Jaipur, Rs 422-423 in Delhi and Rs. 394-421 in Neewai market. Daily arrivals of mustard seeds ranged between 40,000 -45,000

bags in Rajasthan (bags= 85 kg). Mustard oil prices

expected to decline in near term.

#### Prices for Rape Expeller Oil

(Rs/ 10 kg)

Center	14.08.06	15.08.06	16.08.06	17.08.06	18.08.06	19.08.06
Mumbai + VAT	428	MC	428	426	426	424
Kota +VAT	402	MC	MC	394	394	394
Jaipur +VAT	404	MC	MC	397	397	397
Delhi	423	MC	MC	422	420	420
Neewai +VAT	401	MC	MC	394	393	393

#### Groundnut oil

Groundnut oil prices on physical market remain steady to weak during the week under review on low stock position and decline prices of other oils. Decline could be witnessed in Mumbai and Andhra markets while the major trading centre remain closed for most of the time this week. The prices remain stable in Delhi and Chennai on good demand. The expected lower productions of groundnut

seed in this Kharif season hold the prices in its current position and prevent any further fall. During the week prices remain in the range of Rs 525 in Rajkot, Rs 540-545 in Mumbai, Rs 550-565 in Hyderabad and Rs 520 in Chennai market (Prices quoted Rs/10 kg excluding VAT). Groundnut oil prices are expected to remain range bound.

#### Prices for groundnut oil during the week

(Rs/10 kg)

Center	14.08.06	15.08.06	16.08.06	17.08.06	18.08.06	19.08.06
Mumbai +VAT	545	MC	545	540	540	530
Rajkot +VAT	525	MC	MC	MC	535	540
Andhra Region	565	MC	550	550	550	550
Chennai +VAT	520	MC	520	520	520	525
Delhi	460	MC	MC	560	560	560

#### Sunflower Oil

Domestic spot market prices of sunflower oil decline at end towards end of the week on slackness in other oils. CIF for sunflowers were range between of \$ 640/metric ton to \$

650/ metric ton during this week. Sunflower oil prices are expected to move range bound with slight decline in near terms on reduction of import duty on palm oil.

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

(Rs/10Kg)

Center	14.08.06	15.08.06	16.08.06	17.08.06	18.08.06	19.08.06
Chennai +VAT	510	MC	510	515	515	505
Mumbai +VAT	525	MC	520	520	510	510
Hyderabad +VAT	525	MC	515	505	500	500

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

(US \$/ MT)

Center	14.08.06	15.08.06	16.08.06	17.08.06	18.08.06	19.08.06
Kandla & Mumbai	460	MC	460	465	465	460

#### Prices for CIF Sunflower during the week

(US \$/ MT)

Center	14.08.06	15.08.06	16.08.06	17.08.06	18.08.06	19.08.06
Kandla & Mumbai	650	MC	649	649	649	640

#### Cotton Refine Oil

Cotton oil prices on spot decline closely following other oils into the market. Rolling back of hike in the tariff value

followed by apprehensions of further pruning down the import duty on palm oil pressurized the market down.

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

Markets	14.08.06	15.08.06	16.08.06	17.08.06	18.08.06	19.08.06
Mumbai +VAT	465	MC	463	465	465	460
Hyderabad +VAT	465	MC	455	450	450	450



Rajkot +VAT	450	MC	MC	MC	451	453
Delhi	440	MC	MC	438	435	435

## INTERNATIONAL MARKET WEEKLY HIGHLIGHTS

### BMD Futures Witnessed Choppy Trade

Crude palm oil futures on the BMD settled marginally higher on Friday on short covering on the back of steep fall in last few days back. The most active November contract settled at MYR1,592 per metric ton, up MYR6 from previous day levels. Choppy trade was witnessed on Friday, touching a low of MYR1,574 and a high of MYR1,608/ton. Sharp decline could be noticed in the

initial hours followed by strong short covering. The market responded positively on the news about possible hike in the interest rate by China. The market was not able to break the key resistance at MYR1,600 resistance level and therefore the market sentiments remain weak. The BMD futures is expected to closely follow the prices of crude oil in near terms.

### CBOT Soy Futures Remain Mixed

November Soybeans settled down 4 cent at \$5.605/bushel, 5.25 cent off the high and 1 cent up from the low. January Soybeans settled down 4.50 cent at \$5.7275, which was 0.75 cent up from the low and 5 cent off the high. December Soy meal settled down \$1.6 at \$162.1/ton that was \$0.4 up from the low and \$1.9 off the high. December Soybean Oil closed up 0.01 cent at 25.45 cent/pound, 0.1

cent off the high and 0.15 cent up from the low. The weather seems to be perfectly good for the soybean crop growth on cool weather this week. September soybean fetches its lowest value since November 2005. Noted sellers dominated the session with 2400 contracts into the mid-session.

## WEEKLY WEATHER WATCH

### MONSOON WATCH & WEATHER OUTLOOK

Yesterday's depression over Chhattisgarh moved west-northwestwards and now lies over southwest Madhya Pradesh at 0830 hours IST of today with its centre near lat. 23.00 N and long. 78.00 E about 100 km southeast of Bhopal. The system is likely to move in a west-northwesterly direction and weaken gradually. Under its influence, widespread rainfall with heavy to very heavy falls at a few places are likely over southwest Madhya Pradesh, southeast Rajasthan and Gujarat Region during next 24-36 hours and reduce thereafter. Chief amounts of rainfall (cm) during past 24 hours are: Hoshangabad-18, Karwar-14, Bhopal-11, Jabalpur-9, Mahabaleshwar-8, Pendra-5, Honavar, Mangalore and Ranchi-4 each. Heavy to very heavy falls likely at a few places over southwest Madhya Pradesh, southeast Rajasthan and Gujarat Region during next 24 hours. Isolated heavy falls also likely over Kerala and Coastal Karnataka. Monsoon is likely to remain active over Central and Peninsular India during next 2 days. Thereafter activity is likely to reduce. Model predictions suggest that a western disturbance is likely to approach J&K on 20th August and affect J&K and adjoining region during 21-23 Aug06. Models also indicate for possibility of formation of a cyclonic circulation over Bay of Bengal around 22 August.

**NORTH & NORTH-WEST INDIA:** The region is likely to experience isolated rains during next 24-48 Hrs. and scattered during 21-23 Aug.

**EAST AND NE INDIA:** Scattered rainfall is likely over Orissa, Gangetic West Bengal and Jharkhand during next 24Hrs. Bihar is likely to experience isolated to scattered rainfall. Rainfall activities over East UP are likely to increase during next 24 HRs.

**CENTRAL INDIA:** Fairly widespread to widespread rainfall with isolated very heavy rains are likely over Chhattisgarh during next 24 Hrs. subsequently over M.P., Vidarbha during next 24-36 Hrs. and decrease thereafter.

**SOUTH INDIA:** Scattered to fairly widespread rainfall is likely over Coastal Karnataka and scattered over Coastal Andhra Pradesh, Telangana and north interior Karnataka during next 24 Hrs. then rainfall activities over the region may decrease. Ongoing rainfall activities over Kerala are likely to continue during next 24-48 Hrs. Isolated to scattered rainfall is likely over Rayalseema and Tamilnadu during next 24-48 Hrs.

**WEST INDIA:** Fairly widespread to widespread with isolated heavy rainfall over Gujarat, southeast Rajasthan, Konkan & Goa, Marathwada and Madhya Maharashtra and during next 48 Hrs. West Rajasthan may experience isolated to scattered rains during next 2-3 days.

## PORT WATCH

### Port updates of edible oils in India (Aug 14-19, 2006)

(Unit: Metric Tonnes)

Particulars	Expected	Arrived	Total
SBO	49700	44200	93900
Palm oil	68860	20760	89620
CPO	48500	53497	101997
Total	167060	118457	285517

Source: ANAS

### Forex Rates:

(August 19, 2006)

Country/ Continent	Currency	Value in Rs
USA	Dollar	46.39
European Union	Euro	59.43
Japan	100 Yen	40.05
United Kingdom	Pound Sterling	87.25

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