MSI Ceres S.A.C.

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# MARKET REPORT – WEEK # 37 – SEPT 21, 2007

**1--SECTION ONE –**

**CATCH WEEK #37 Sept 10th/16th, 007**

| PAITA | CHIMBOTE | CENTER | PISCO | SOUTH | WEEK TOTAL |
|---|---|---|---|---|---|
| 0 Mt | 0 Mt | 0 Mt | 0 Mt | 250 Mt | 250 Mt |

Week Total **250 Mt**

Total Catch Jan 01, 2007/Sept 16th, 2007 = **3,851,311 MT** (Total 2006 – 5,789,526 Mt)

Total Catch Bio Year Nov 02/06 – Fwd = **5,971,923 MT**

**(BIOYEAR NOV 02/05 TO NOV 02/06 = 6,531,385 MT)**

**2--SECTION TWO –**

A negligible catch in the South with only 250 Mt landed. We all await later in September, the results of Imarpe's research study as this will be crucial to establish the condition of the biomass, and trigger the ban lifting date and cfm the quota for Nov/Dec.

**3--SECTION THREE -**

The market continues quiet as China and Europe seem to have enough fishmeal in stock, and en route –especially with a lower consumption due to the last phase of the aqua season approaching.

Concern focused in Chile where we understand the salmon industry is being hit by the ISA Virus –no figures yet on mortality index but rumours it could reach 25% of the affected areas.

CFOL reported week #37 usage at 14,050 Mt (week #36 was 15,900 Mt). Arrivals in week #37 totalled 6,100 Mt, and final stocks are calculated @ 187,220 Mt.

No doubt the September consumption will be lower than August's 83,000 Mt, and we estimate close to 65,000 Mt for September as relatively good. Meanwhile, in October 50,000 Mt is a good estimate. With abt 100,000 Mt en route and abt 40,000/50,000 Mt still to load LH Sept/October in Peru, we can estimate stocks in China end October could be 252,000 Mt. We are back to square one…

Let's see how the mkt develops.

Other Asian demand is very slow as we prepare to give our yearly MSICeres presentation @ the IFFO Conference in Australia which will unfortunately describe a grim scenario to all FEA destinations versus 2006.

We estimate trading spot odds/ends @ 5,000 Mt. The position calculation is as follows:

| | | |
|---|---|---|
| + | 112,750 | Mt net long previous |
| + | 65 | Mt production week #37 |
| ( | 1,000) | Mt local usage |
| ( | 5,000) | Mt new biz |
| + | 106,815 | Mt net long stocks unsold |
| ( | 30,000) | Mt crop short |
| + | 76,815 | Mt net long position |

New crop saw some biz to Japan for a tonnage of abt 7,000 Mt spread out December 2007/Apr 2008.

Some other small lots also for new crop traded quietly, and thus we est abt 10,000 Mt of movement for this position.

We add abt 30 K total new crop trades so far.

**4--SECTION FOUR -**

No breakbulk new entries.

We review again our updated Export stats Jan/Aug 2007 for a total of 839,650 Mt. Here the Top 20 destinations:

| | | | |
|---|---|---|---|
| 1) China | 368,016 Mt | 11) Indonesia | 12,055 Mt |
| 2) Germany | 118,039 Mt | 12) Australia | 11,378 Mt |
| 3) Japan | 107,612 Mt | 13) Greece | 10,848 Mt |
| 4) Turkey | 38,716 Mt | 14) France | 9,565 Mt |
| 5) Vietnam | 26,788 Mt | 15) Chile | 7,936 Mt |
| 6) Taiwan | 24,065 Mt | 16) Italy | 5,678 Mt |
| 7) Spain | 22,965 Mt | 17) Romania | 4,207 Mt |
| 8) Canada | 19,117 Mt | 18) S. Arabia | 3,055 Mt |
| 9) Norway | 14,649 Mt | 19) Israel | 2,232 Mt |
| 10) U.K. (incl Scotl) | 12,732 Mt | 20) India | 2,123 Mt |
| | | ***Others*** | ***17,874 Mt*** |
| | | ***Grand Total*** | ***839,650 Mt*** |

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**5--SECTION FIVE -**

We observe a surge in prices for grains and soybean meal.

Several producers believe that since the basket of commodities is showing an upward price movement, this will drag fishmeal prices along with it.

The theory is that fishmeal will be an attractive and "cheap" protein source in the context of higher commodity prices across the board...

This might very well be the case, but several factors are at play to counteract a bullish scenario. We all know the drill –higher stocks in China and Europe plus alternative sources of fishmeal from the traditional supply centers.

No one foresees a dramatic drop in fishmeal prices. However, a temporary correction downward could be coming which will inevitably reactivate stronger demand for our commodity...

One other factor, or should we say incognito, is what the price of raw fish will be in the new season??... This is a key factor in determining pricing.

Best regards,

James Frank/Charles Levy
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