Domestic Market Recap:

There seems to be conflict in the market in the week as to whether or not Non-Basmati parboiled milled rice is free of restrictions and eligible for export. Millers and exporters, as well as growers and many political leaders have made a strong push to get the ban lifted, at least in part. Paddy rice can now move from province to province, in the interest of relieving pressure on storage. Huge wheat and rice buffer stocks (42 MMT) have been major logistical issues for months. Whereas local prices are quite low, the government wants to avoid fueling inflation by totally freeing up exports and driving up local prices. Finally, the food minister of India has ruled out lifting the export ban on rice and wheat from government stocks, despite ample supplies as the country is working to soon introduce a food security bill that would guarantee cheap grains to almost 70% of the population. And ministry said that, the government would tread cautiously even for private exports and a decision is unlikely for at least a month.

Paddy (Dhan) prices continued to move down by Rs. 10-20/quintal in major domestic markets (mainly AP and Tamil Nadu) as a result of commencement of peak arrival of Rabi produce to the markets. In northern part of India (where Rabi rice crop is not major) paddy prices remained steady to firm.

Domestic rice wholesale and retail markets remained under pressure and retail prices moved downward by 0.91 per cent and but the wholesale market prices were up by 2.22 per cent.

Paddy price scenario in the southern part of India has seen a downward trend whereas the northern part of India saw rice prices remaining steady to firm. Prices of Aromatic rice (Basmati) and few other bold grains continued to remain steady to firm on increased domestic as well as overseas demand.

Farmers from Vijayawada (Andhra Pradesh) district agitated over the slow pace of paddy procurement and increasing damage to a portion of the paddy caused by the unseasonal rain on last week. The farmers dumped paddy on the main road and blocked the vehicular movement for nearly one hour on the busy road in the area and they demanded the authorities should initiate urgent steps to accelerate the pace of paddy procurement and ensure minimum support price to their paddy including the soaked paddy.

A quantity of 9.04 lakh tonnes of paddy has been procured from farmers by various State and Central Government agencies during the rabi season since May 1 to ensure minimum support price to the produce, according to the Commissioner of Civil Supplies. The AP State Government alone has procured 7.74 lakh tonnes of paddy through 1,080 purchase centres opened by the AP State Civil Supplies Corporation and Indira Kranti Patham (IKP) groups. Another 1.29 lakh tonnes was procured by the Food Corporation of India (FCI) through its 168 purchase centres.

Paddy Crop Progress and Weather:

Pre monsoon showers at various rice growing areas (especially in North-Eastern India) last week has slowed harvesting progress while the mostly dry weather prevailed in southern states of Andhra Pradesh and Tamil Nadu during the week helped in the harvesting of the remaining crop. Paddy is in maturity stage to harvesting stage and peak arrival is expected in June onwards from all major Rabi rice growing areas.

State	Crop Progress	Weather
Andhra Pradesh	Maturity to harvesting stage	Dry: Favors harvesting.
Assam	Maturity to harvesting stage	Boro rice Harvesting disturbed slightly by the showers of rain.
Karnataka	Maturity to harvesting stage	Dry: Favors harvesting
Orissa	Maturity to harvesting stage	Harvesting disturbed slightly by showers of rain.
Tamil Nadu	Maturity to harvesting stage	Dry: Favors harvesting.
West Bengal	Maturity to harvesting stage	Cloudy Weather with widespread rainfall has

		occurred which is not Favorable for harvesting.

Weather Outlook: Isolated thunder squalls would occur over Bihar, Jharkhand, Orissa, West Bengal & Sikkim, Assam & Meghalaya, Arunachal Pradesh, Nagaland, Manipur, Mizoram and Tripura in coming week which may disturb the harvesting of paddy crop.

Paddy Arrival Scenario:

The table below shows the state wise percentage harvesting progress up to May 18th, 2011 and expected harvest for the coming week (May 26th-June 3rd, 2011) –

State	Harvest Progress as on May 26th 2011	Expected harvest progress in coming week
Andhra Pradesh	85-90%	95-100%
Assam	80-85%	90%
Karnataka	98%	100%
Orissa	85%	95%
Tamil Nadu	85-90%	95-100%

2011-12 Season Paddy Sowing:

The area under paddy in Punjab and Haryana is likely to dip by up to 4 per cent during the Kharif sowing season 2011-12 as farmers may divert land from paddy to cotton, which fetched record returns last season.

Punjab has projected an area of 27.50 lakh hectares under paddy crop in the coming Kharif season, which is lower than 28.31 lakh hectares of area under paddy last year. The output is projected at 161.23 lakh tonnes; a tad lower than 161.75 lakh tonne produced last season.

Similarly, the neighboring state of Haryana is also anticipating reduction in area under paddy this year and has projected an area of 12 lakh hectares under paddy crop against 12.45 lakh hectares of area last year.

Current Market Dynamics and Outlook

Punjab government has instructed paddy growers not to sow controversial PAU 201 variety in coming Kharif sowing season which had high percentage of damage content and discoloration while converting into rice. Rice millers last year had refused to mill the PAU 201 variety for these reasons which even had led to huge stock of crop remaining unmilled. The state authorities have asked farmers to replace the PAU 201 variety with other hybrid varieties like PR 118, PR 116, PR114, PR 113, PR 115 and PR 111.

The Union finance minister assured a delegation led by chief minister N Kiran Kumar Reddy that he would convene a meeting soon to discuss their demand with regard to export of 15 lakh metric tonnes of boiled rice and 10 lakh MTs of raw rice from Andhra Pradesh to other countries through normal trade channels.

Spot Market Rice Prices

(Price in Rs. /qtl)

Delhi Market:

Variety	26.05.2011	18.05.2011
Basmati Common	5000	5000
Sharbati raw	3200	3200
Sharbati sella	3100	3100
Parmal raw	2200	2200
Parmal sella	2000	2000
DB Rice (white raw)	4100	4100
1121 Sella	4400	4400

Rudrapur (Uttrakhand) Market:

Variety	26.05.2011	18.05.2011
Parmal paddy	1150	1125
Parmal raw rice	1800	1800
Sharbati Steam	3100	2950
DB steam	4100	4100

Burdwan (West Bengal) Market:

Variety	26.05.2011	18.05.2011
IR 36 (super)	3400-3500	3400-3500
Minikit Shankar	3600-3700	3600-.3700
DoodhKalma	3800-3900	3800-3900
Swarna (New)	1800-1900	1800-1900

Amritsar (Punjab) Market:

Variety	26.05.2011	18.05.2011
SharbatiSella rice	3000-3100	3000-3100
Sharbati raw rice	3050-3200	3000-3050
Sharbati steam	3300-3400	3200-3300
Basmati rice raw	4400	4400
Basmati Paddy	2300	2300
Parmal Govt. Quality	1750	1750
Parmal Wand (New)	1900	2000
1121 Steam	4900-5000	5200-5300

Karnal (Haryana) Market:

Variety	26.05.2011	18.05.2011
Basmati rice raw	5000-8000	8500
Sharbati steam	3000	3100-3250
Sharbati sella	3100	3100
Parmal raw rice	2000-2500	1950-2000
Parmal sella	2100	2100
DB Rice Sella	3800	3800
IR8	2100	2100
1121 Sella	4000	4400

Progressive Procurement of Rice (as on 25/05/2011)

(Unit: Lakh Tonnes)

State	Total Procurement in Marketing Season 2009-10 (Oct. - Sept.)	Progressive Procurement as on 25.05.2011	
		In Marketing season 2010-11	In Marketing season 2009-10
Andhra Pradesh	75.55	50.88	52.04
Chhattisgarh	33.57	35.35	30.84
Haryana	18.19	16.87	18.16
Kerala	2.61	2.38	2.57
Maharashtra	2.29	2.13	1.90
Orissa	24.96	18.37	20.43
Punjab	92.75	86.34	92.90
Tamil Nadu	12.41	12.88	10.26
Uttar Pradesh	29.01	23.41	26.36
Uttaranchal	3.75	3.68	3.52
West Bengal	12.40	8.76	10.33
All India	**320.34**	**281.44**	**279.81**

The government has procured 28.144 million tonnes of rice since October last year, nearly 0.58% higher than the year-ago in the same period. Even though Andhra Pradesh paddy growing farmers face distress sale of their commodity, FCI procurement is in slow phase compared to previous year procurement which is down this year by 2.23 per cent. During this week, FCI procured nearly 9.98 lakh tonnes of rice (total in terms of rice). Tamil Nadu, Chhattisgarh, and Uttaranchal states were seen higher procurement by FCI during marketing season 2010-11.

Domestic Price Outlook

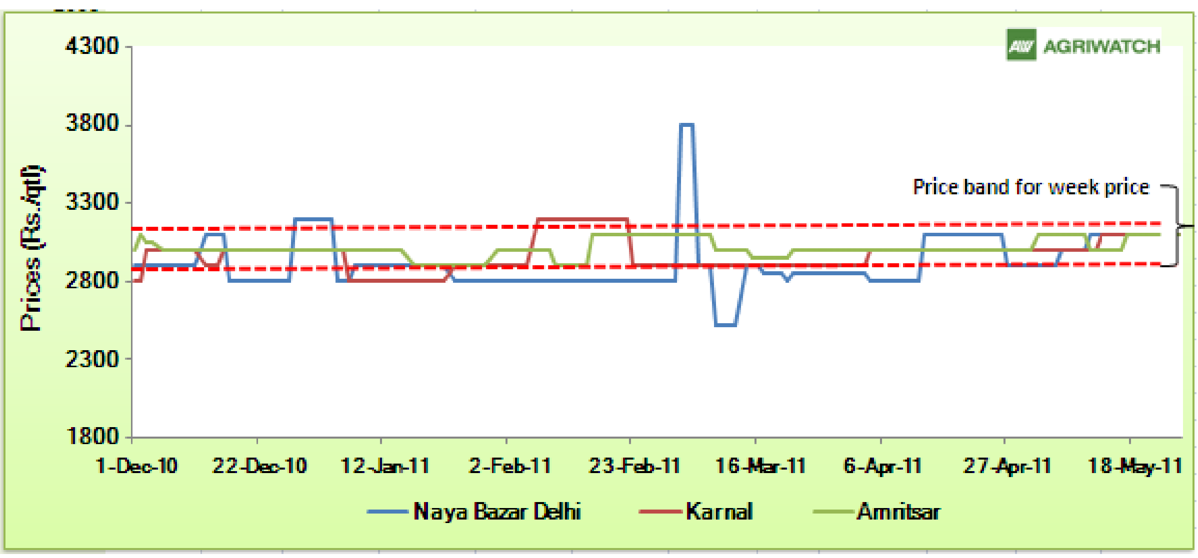
Paddy Price in various markets during the Week

(Prices in Rs. /quintal)

Market	Variety	21/05/2011	22/05/2011	23/05/2011	24/05/2011	25/05/2011	26/05/2011
Warangal (AP)	MTU 1001	950	1000	1000	970	970	970
Nizamabad (AP)	MTU-1010	910	1030	920	920	920	900
Sambalpur (Chattishgarh)	Other	1015	1015	1015	1015	1015	1015
Balod (Chattishgarh)	IR 64	840	820	820	825	830	830
Gangavathi (Karnataka)	IR 64	800	820	800	800	813	867
Raichur (Karnataka)	Sona Mahsuri	869	865	882	869	805	812
Kovilpatti (Tamil Nadu)	A. Ponni	900	900	900	900	900	900
Karamadai (Tamil Nadu)	Ponni	1150	1150	1150	1150	1150	1150

Currently, paddy prices at various markets have remained steady to weak in the last week compared to previous week prices. We expect that prices will be further pressured despite state/central government measures to maintain the prices above MSP level. If govt. of India eases the restriction of export, it may impact on prices in medium term.

Sharbati Sella Rice Price Expectation



Domestic market rice prices remained steady to firm in the last week. Domestic prices of rice are expected to remain steady to weak in the short term on abundant supplies in the market (prices at north India may remain firm and south India prices will be steady to weak). Prices of aromatic rice may remain firm on higher overseas demand.

Domestic prices of rice are expected to remain steady this year on sufficient domestic supplies and expected continuation of the export ban.

International Market Highlights:

- As per the General Statistics Office of Hanoi, Vietnam, the world's second-largest rice exporter, may ship 650,000 metric tons this month. As per revised figures, the nation exported 786,000 tons in April, 21 per cent higher than a previous estimate of 650,000 tons. Exports in the first five months were estimated at 3.36 million tons, 15 per cent more than a year earlier.
- Pakistan, the world's fourth largest rice supplier, will take part in a tender to sell 50, 000MT of the grain to Bangladesh. Bangladesh is seeking non-basmati parboiled rice and bidders have until June 6 to submit offers. The rice export of Pakistan has exceeded 2.5 billion dollars that is 88 percent more than the last year export in monetary terms while it is being estimated that the export figure may touch 3 billion dollars. (3.50 million tons rice has been exported so far in 2.28 million tonnes of non-basmati rice and 1.5 million tonnes of basmati rice).
- As per International Rice Research Institute (IRRI), Manila, world rice prices should remain stable around current levels into 2012 on improved output due to sufficient rainfall and plentiful stocks to meet demand. As per FAO forecast, world rice production to reach 480 million tonnes in 2011, up 3 percent from last year on improved weather conditions and total 2011-12 global rice output was forecast to meet the projected demand of 460 million tonnes.
- The benchmark Thai 100 percent B white rice fell by around 2 per cent to $485/MT from a week ago prices of $495/MT. Vietnam 5% broken rice also fell by 3 per cent from $480/MT from a week ago prices to $465/MT. Bumper production in major rice producing countries putting the pressure on rice prices at international market. Export prices of white rice from Thailand will likely bottom out by the end of June when large exporters should have disposed of the government stocks (large exporters are holding large supplies of 1-2 million MT of white rice from the government's stock release of 4.0 million MT last year that they must export within six month framework).
- Unofficial rice exports (excluding fragrant rice) from Thailand for May 9-15, 2011 totaled 194,850 MT, down 28,652 MT from the previous week. Exports of white rice and parboiled rice during January 1 – May 15, 2011 totaled 3,718,813 MT, up 67.8 % from 2,216,842 MT in the previous year. As per Department of Foreign trade of Thailand, total rice exports (including fragrant rice) during January 1 – May 9, 2011 amounted to 4,277,009 MT, up 47.9 % from 2,891,034 MT in the previous year.
- According to a forecast by the United States Department of Agriculture (USDA), Vietnam is likely to export around 6.4 million MT of rice in 2011. The Vietnam Food Association (VFA) has revealed that it had exported 2.869 million MT of rice by May 19, earning US$1.356 billion. The Vietnam Ministry of Industry and Trade expected to see around 3 million MT of rice exported by the end of May. Vietnam had signed new contracts for 3.9 million MT of rice to be shipped by the end of June. Currently, the VFA has around 1.7 million tonnes of rice in stock and businesses keep 300,000 tonnes, which could help stabilize domestic prices.
- As per Chinese Ministry of Agriculture, rice farmers in China are expected to plant 5.87 million hectares of rice in 2011, about 106,700 hectares more than in the previous year, to counter the severe drought conditions in Eastern China (mainly Hubei province).
- As per the government officials in the Phillipines, rice import in 2012 will not exceed 500,000 metric tons and also mentioned that the figure could even be lowered if there is better harvest for this wet season crop. According to the forecast released by Philippines Bureau of Agricultural Statistics (BAS), the country's third quarter's rice production is most likely to rise by almost 32 % on year to reach 3.49 million MT mark mainly due to increased cultivation acreage. The Philippines has imported 860,000 MT of rice this year which is one-third of total quantity imported last year. The

country is expected to be self-sufficient in rice by 2014 because of good harvests that lessened rice importation.

- South Korea plans to levy higher tariffs on rice imports starting next year, moving up the previously scheduled date from 2015. The country seeks to impose higher tariffs on imported rice instead of the current quota limits set under the minimum market access (MMA) regime, with rice stocks getting piled up and domestic rice consumption in steep decline. The S. Korea ministry of agriculture aims to encourage rice consumption at home and expand rice exports from the current 50,000 tons to 100,000 tons by 2015 as part of the five-year plan.
- According to the Egyptian State Information Service, a ministerial committee concerned with rice cultivation has decided to keep the size of area cultivated with rice unchanged to cover domestic needs while keeping into effect a ban on rice exports. The announcement made by Egypt's Water Resources and Irrigation Minister meanwhile said that measures were tightened to stop attempts to smuggle rice abroad with state bodies having agreed to stop expanding the cultivation of rice, a large water-consuming crop.
- Uganda is interested in allocating up to 60,000 hectares of land to Bangladeshi entrepreneurs for commercial farming in the east African country. Bangladesh faces a gradual fall of arable land due to its increased use for non-farm purposes including housing. The decline has created concerns about future food security for the nation which takes rice as staple and it requires additional 5 lakh tonnes of food grains every year for its increasing population.

Asian rice prices fell around $5-$10 a metric ton this week and are expected to be subdued for the rest of the month due to ample supply. Myanmar's return to the export market after a pause of over two months is adding to global supply which may put the downward pressure on Asian rice export prices. US market rice prices may gain further on concern of reduced acreage under rice.

CBOT Futures Quotes for Rough Rice

Contract	Current (25/05/2011)	Week ago (19/05/2011)	Month ago (25/04/2011)	Year ago (25/05/2010)	% Change over previous year
Jul 11	15.18	15.02	14.66	11.62	**+30.64**
Sep 11	16.10	15.85	15.39	11.75	**+37.02**
Nov 11	16.40	16.16	15.68	11.87	**+38.16**
Jan 11	16.72	-	-	12.15	**+37.61**

Note: (Closing Prices as on May 25, 2011) (Prices in USD/hundredweight)

CBOT rough rice futures (July Contract) prices were up by 1.07 per cent compared to previous week prices. Initially rough rice futures market felt borrowed strength from a nearly 7% surge in wheat and 4% surge in corn. The buying spilled over because rice and wheat are both global food staples. Amid stronger foreign demand for the crop supported prices significantly. According to USDA, export sales of 48,800 tons for delivery before July 31 were up 2% from the previous week and top buyers included Haiti, which booked 14,100 tons, and Mexico, which took 12,400 tons.

Concerns about rains delaying US planting and hurting early crop development (A week ago, 69% of the crop was planted, below the 5-year average of 83% for that time of year) also added support along with farmers reduced rice plantings 17% from last year in favor of other crops supported the bullish movement of prices.

CBOT Market Rice Scenario (July 11 Contract):

CBOT rough rice futures prices remained with bullish trend and we expect price will be in sideways to firm movement with range of USD 14.60/hundredweight to USD 15.40/hundredweight in the coming week period.