

Domestic Market Recap:

Rice commodity aspects remains a bit hazy, as no clear cut lifting of the export ban on non-Basmati rice has taken place, although the government has allowed paddy to move from state to state in the interest of attempting to alleviate storage issues. Reportedly, even educational institutions are being used to store paddy, as government godowns are overrun with intervention stocks in Andhra Pradesh. Government held buffer rice stocks are at a record 28 MMT, in addition to 38 MMT of wheat.

After some initial hiccups, the much awaited southwest monsoon raced ahead and set in over Kerala on 29th May, three days before the normal date of June 1. The system set in over most parts of Kerala and covered most of the south of the Arabian Sea and some parts of Tamil Nadu, the south of the Bay of Bengal and the south of the Andaman Sea- the Indian Meteorological Department (IMD).

The Cabinet Committee on Economic Affairs approved the MSP of Paddy (Common) for 2011-12 season Kharif Crop to Rs.1080 per quintal and of Paddy (Grade A) at Rs. 1110 per quintal, which represents an increase of Rs.80 per quintal over the last year's MSPs.

Paddy (Dhan) prices remained steady to firm in major domestic markets and at present paddy prices are at above MSP level in response state and central government efforts to make minimum price realization to the farmers.

Firm sentiment witnessed in domestic retail and wholesale market. Retail prices rose by 0.75 per cent to Rs. 20.11/kg and wholesale prices rose by 1.63 per cent to Rs. 1790.88 per quintal.

Among the foodgrains, inflation for Rice has decreased to 2.51% from the previous week's level to 2.63% and was 8.15% same day last year. In short, for now the government will maintain the ban, and await the outcome of the new legislation under the food security bill.

Total stocks of grains (wheat and rice) in the central pool as on June 1, was found to be 65.47 million tonnes, of which wheat comprised 37.83 million tonnes and rice 27.64 million tonnes.

Paddy Crop Progress and Weather:

The southwest monsoon has set in over Kerala on 29th May 2011, 3 days in advance to the normal onset on 1st June. The monsoon further advanced over most parts of south Arabian Sea and some parts of Tamil Nadu, south Bay of Bengal and Andaman Sea on 30th May during the week. Southwest monsoon was active over Kerala and Andaman Sea during one or two days of the week.

Widespread rainfall occurred over Himachal Pradesh and Kerala during last couple of days. Nagaland, Manipur, Mizoram & Tripura, Uttarakhand, Lakshadweep, Andaman & Nicobar Islands, Arunachal Pradesh, Orissa and Interior Karnataka also featured rainfall during last few days.

State	Crop Progress	Weather
Andhra Pradesh	Maturity to harvesting stage	Rainy: unfavorable for harvesting.
Assam	Maturity to harvesting stage	Cloudy and scattered rain: Unfavorable for harvesting
Karnataka	Maturity to harvesting stage	Rainy: unfavorable for harvesting.
Orissa	Maturity to harvesting stage	Cloudy and scattered rain: Unfavorable for harvesting
Tamil Nadu	Maturity to harvesting stage	Rainy: unfavorable for harvesting.
West Bengal	Maturity to harvesting stage	Cloudy and scattered rain: Unfavorable for harvesting

Weather Outlook: Conditions are favorable for further advance of southwest monsoon over remaining parts of Bay of Bengal and northeastern States and some parts of Orissa and West Bengal & Sikkim during next 2-3 days.

Fairly widespread rain/thundershowers would occur over northeastern states, along the west coast, Lakshadweep, Andaman & Nicobar Islands and scattered rain/thundershowers would occur over northwest, central and peninsular India during the coming week.

Paddy Arrival Scenario:

The table below shows the state wise percentage harvesting progress up to June 10th, 2011 and expected harvest for the coming week (June 10th -June 17th , 2011) –

State	Harvest Progress as on June 3 rd 2011	Expected harvest progress in coming week
Andhra Pradesh	98%	100%
Assam	95%	98%
Karnataka	99%	100%
Orissa	95%	98-100%
Tamil Nadu	97%	100%

In coming week, harvesting of rice may keep sturdy phase in south India and may slow progress in north eastern parts as monsoon is progressing.

2011-12 Season Paddy Sowing:

Monsoon showers at various rice growing areas last week has continued to slow down the harvesting. India's monsoon rains were 16 per cent above normal for the week ending June 8 and are progressing well, which supports planting.

Mostly in north Indian states like Haryana, UP and Punjab, agricultural operations like nursery raising of paddy and direct sowing of deep water rice found active.

Current Market Dynamics and Outlook

The government increased the support price of paddy by Rs. 80/quintal to Rs. 1080/quintal for the Kharif 2011 to encourage farmers for planting rice which in turn will increase the production.

The transplantation of paddy saplings is all set to begin in northern India and states governments are facilitating the same through infrastructure to the farmers to enhance the planting progress. Ministry of agriculture expecting 90 MMT of rice production in Kharif 2011 on the back of expected normal monsoon.

Meanwhile, Food Ministry has proposed that the government provide an additional 5 million tonnes of wheat and rice to above poverty line (APL) families at subsidised rates through ration shops. The additional allocation, which would be over-and-above the normal quota under the Public Distribution System (PDS), would provide relief to the common man and also help the government in clearing godowns for storage of new crops. The proposal would be placed before the Empowered Group of Ministers on Food for final approval for the current fiscal. Therefore, total additional allocation would reach 15 million tonnes this fiscal, including five million tonnes for below poverty line (BPL) families and the Supreme Court's order to allocate 5 million tonnes to the poor.

Reportedly, the commerce ministry may consider revising lower the minimum export price (MEP) of non-basmati rice as exports failed to pick up. The government had allowed limited exports of non-basmati (bold grains) rice after a bumper crop in 2010-11 with MEP of \$850 per tonne.

Spot Market Rice Prices

(Price in Rs. /qtl)

Delhi Market:

Variety	09.06.2011	02.06.2011
Basmati Common	7000	7000
Sharbati raw	3100	3100
Sharbati sella	3000	3000
Parmal raw	1900	1900
Parmal sella	2000	2000
DB Rice (white raw)	4200	4200
1121 Sella	4300	4300

Amritsar (Punjab) Market:

Variety	09.06.2011	02.06.2011
SharbatiSella rice	2900-3000	2900-3000
Sharbati raw rice	2800-2900	2800-2900
Sharbati steam	3000-3100	3000-3100
Basmati rice raw	4000-4500	4200-4500
Basmati Paddy	2000-2200	2000-2200
Parmal Govt. Quality	1700	1700
Parmal Wand (New)	2000	1900-2000
1121 Steam	4800-5000	5100-5200

Rudrapur (Uttarakhand) Market:

Variety	09.06.2011	02.06.2011
Parmal paddy	1200	1200
Parmal raw rice	1750	1850
Sharbati Steam	3100	2900
DB steam	4200	4200

Karnal (Haryana) Market:

Variety	09.06.2011	02.06.2011
Basmati rice raw	6000-8000	5000-8000
Sharbati steam	3200	3000
Sharbati sella	2800	3100
Parmal raw rice	1800	2000-2500
Parmal sella	1400	2100
DB Rice Sella	3200	3800
IR8	1600	2100
1121 Sella	4000	4000

Burdwan (West Bengal) Market:

Variety	09.06.2011	02.06.2011
IR 36 (super)	3700-3800	3400-3500
Minikit Shankar	4000-4100	3600-3700
DoodhKalma	3900-4000	3800-3900
Swarna (New)	1800-1900	1800-1900

Progressive Procurement of Rice (as on 03/06/2011)

(Unit: Lakh Tonnes)

State	Total Procurement in Marketing Season 2009-10 (Oct. - Sept.)	Progressive Procurement as on 03.06.2011		% change Y-O-Y
		In Marketing season 2010-11	In Marketing season 2009-10	
Andhra Pradesh	75.55	58.89	52.04	13.16
Chhattisgarh	33.57	35.42	30.92	14.55
Haryana	18.19	16.87	18.16	-7.10
Kerala	2.61	2.50	2.59	-3.47
Maharashtra	2.29	2.14	1.91	12.04
Orissa	24.96	18.58	20.47	-9.23
Punjab	92.75	86.35	92.90	-7.05
Tamil Nadu	12.41	13.08	10.43	25.41
Uttar Pradesh	29.01	23.43	26.41	-11.28
Uttaranchal	3.75	3.82	3.56	7.30
West Bengal	12.40	9.62	10.59	-9.16
All India	320.34	283.92	280.55	1.20

The government has procured 28.392 million tonnes of rice since October 2010 to June 3rd, 2011 up by 1.2% from same period last year. The states like Tamil Nadu, Andhra Pradesh, Maharashtra, Uttaranchal have seen increased procurement in current marketing period.

Stock Position of Food grains with Food Corporation of India (As On 01.06.2011)

Region-wise Total	Rice	Paddy	Total in Terms of Rice
East Zone	8.20	0.15	8.30
NE Zone	2.11	0.00	2.11
North Zone	92.01	0.10	92.08
South Zone	57.26	1.73	58.42
West Zone	18.34	4.17	21.13
Stocks in Transit	0.00	0.00	2.99
Country Total	177.92	6.15	185.03

(Source: FCI)

Domestic Price Outlook

Paddy Price in various markets during the Week

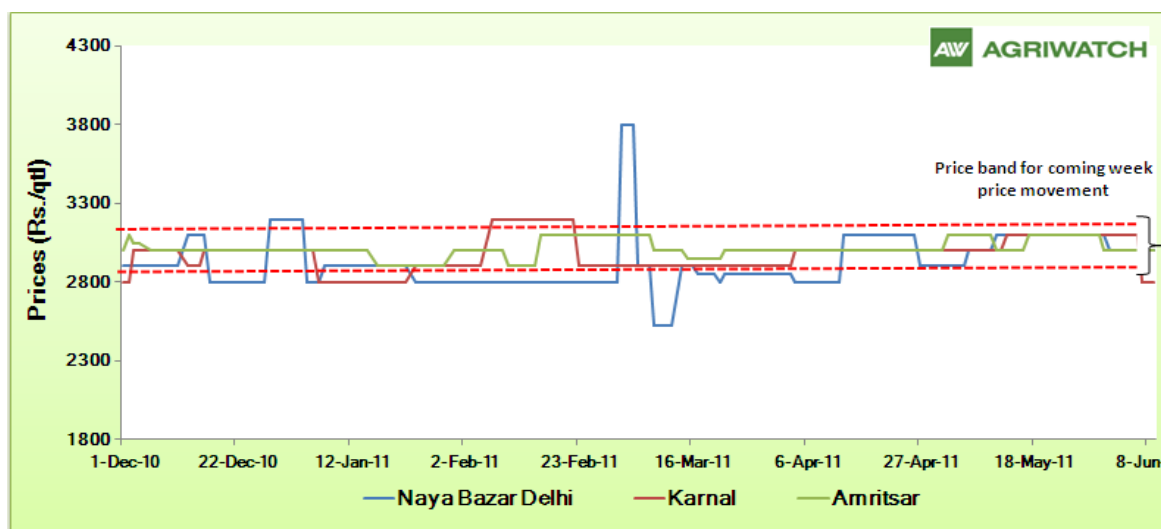
(Prices in Rs. /quintal)

Market	Variety	04/05/2011	05/05/2011	06/05/2011	07/05/2011	08/05/2011	09/06/2011
Bodhan (AP)	MTU 1010	1030	1030	1030	1030	1030	1030
Nizamabad (AP)	MTU-1010	840	830	820	825	825	825
Hansa (AP)	Hansa	917	917	925	916	902	902
Neora (Chattishgarh)	Paddy	1010	1010	920	1015	1015	1015
Balod (Chattishgarh)	IR 64	840	840	820	820	820	820
Gangavathi (Karnataka)	IR 64	893	893	893	853	800	853
Raichur (Karnataka)	Sona Mahsuri	802	802	839	805	893	893
Mangalore (Karnataka)	Paddy Jyoti	1360	1360	1360	1360	1360	1360
Rajapalyam (Tamil Nadu)	Super Ponni	1000	1000	1000	1025	1025	1145
Kalavai (Tamil Nadu)	Super Ponni	899	899	899	899	899	899
Salem (Tamil Nadu)	Ponni	1140	1140	1140	1140	1140	1140

Paddy prices in major markets remained steady to firm during the period in response to state and central government efforts to ensure the minimum price realization for farmers and recently announced the higher MSP. To avail the benefit of increased MSP, farmers may hold the old stocks to sell in new season by mixing it with new crop.

We expect that paddy prices will continue to remain steady to firm in coming week period and prices may rise by Rs. 10-25/ql.

Sharbati Sella Rice Price Expectation



Domestic market rice prices remained steady to firm during the last week. Domestic prices of rice are expected to remain steady to firm in coming week also as government has approved higher MSP for paddy that should support the prices. Also farmers may hold their old stocks to sell in new season for higher prices.

Sharbati sella rice prices likely to remain in the price range of Rs. 2850-3250/quintal. Aromatic rice prices are expected to remain flat at price range of Rs. 6000-8000/qtl on lack of aggressive demand from the overseas market. But, aromatic rice prices may remain steady to firm in coming week as exporters are keen to explore other markets where aromatic rice demand is high.

Domestic prices of rice are expected to remain steady this year (MY 2010-11) on sufficient domestic supplies and ban on export of non-basmati rice.

International Market Highlights:

Asian rice market remained with firm sentiment where indicative markets like Thailand and Vietnam found export prices considerably up in this week. Price competition remained strong for Thai as well as Vietnamese and prices were up by USD 5-10/MT. Drought in parts of China, completion of the dry season harvest, and short coverage by exporters in the local markets of Vietnam and Thailand put some firm condition in rice market.

Thailand's 100% B grade rice is quoted at US\$500-505/MT (FOB Bangkok) up by US\$ 5/MT compared to the previous week prices and other grade rice export prices were up by US\$ 10/MT at par with 100% B grade rice. According to the Department of Foreign trade of Thailand, total rice exports (including fragrant rice) during January 1 – May 23, 2011 up by 50 per cent to 4,758,138 MT from 3,171,433 MT in the previous year. Meanwhile overseas shipments have exceeded targets each month this year from Thailand, expecting 10 MMT rice exports this year on high demand. **Vietnam** export quotes remained US\$ 25-30/MT down compared to Thailand quotes.

Reportedly, the heavy rains from June 4-6 have effectively alleviated the drought condition in central and southern parts of **China** but done little to relieve the dearth of water in the paddies, making it impossible to transplant the rice seedlings that have been prepared. The county planned to grow 60,000 hectares of rice, but it has so far transplanted only 13,333 hectares.

As per their Agriculture Minister, Indonesia is targeting a 5 per cent increase in unmilled rice output to 74.10 million tonnes in next year, which combined with a stock surplus in 2011, could cancel the need for imports in 2012.

Philippines has announced that it would receive 10,000 MT rice from neighboring Taiwan as part of a donation meant to be distributed to 70,000 poor families nationwide until 2013 which may support its intention of reducing exports in the medium term.

According to the International Rice Research Institute, the global rice harvest this year is expected to be just enough to meet demand. Output is estimated at 450-460 MMT in 2011-2012, while demand is forecast at 450 MMT. Asian rice prices expected to continue with firm trend for the coming week due to higher demand with export competition between major producing countries as ample supply is available.

CBOT Futures Quotes for Rough Rice

Contract	Current (09/06/2011)	Week ago (02/06/2011)	Month ago (09/05/2011)	Year ago (09/06/2010)	% Change over previous year
Jul 11	14.94	14.57	13.98	10.90	+37.06
Sep 11	16.00	15.64	14.17	10.86	+47.33
Nov 11	16.30	15.95	15.07	11.00	+48.18
Jan 11	16.58	16.27	15.39	11.27	+47.12

Note: (Closing Prices as on June 10, 2011)

(Prices in USD/hundredweight)

CBOT rough rice futures (July Contract) prices were up by 3.18 per cent to 14.94 compared to previous week prices as USDA cuts its view on ending stocks due to planting disruptions from flooding amid worries about the domestic crop support prices. The 2011-12 inventories forecast of rice drop by 13% from last month to 42.1M hundredweight. The outlook is down, as planted area was lowered 5.6% to 2.85M acres. Flooding in the Mississippi River Delta in the mid-South reduced plantings, with long-grain rice in Arkansas and Missouri accounting for most of the losses.

Rice futures also took cue from rallies in corn as well as wheat markets. Traders remained worried about the potential for declining grain inventories ahead of a monthly USDA supply-and-demand report.

CBOT Market Rice Scenario (July 11 Contract):



CBOT rough rice futures prices remained bullish in the last week on varied factors and we expect price will be firm to weak movement with range of USD 14.94/ hundredweight to USD 15.33/hundredweight in the coming week period.

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