

Domestic Market Recap:

At present, stocks from central warehouses overflowing on bumper harvests and onset of monsoon has raised concerns that stocks for the government due to storage problem as the stuff stored in open could be damaged due to the monsoon rains. To overcome the situation, government is trying to liquidate as much stocks by making additional allocation for BPL/APL families in succession.

The Centre allocated an extra 5 million tonnes of rice and wheat under ad hoc additional allocation scheme to benefit 11.50 crore APL families at subsidized rates till March, 2012.

Uneven distribution of monsoon rains so far over the southern part of the country affected the sowing activity. Progress and distribution of monsoon in the month of July will remain the key in determining the sown area.

Paddy (Dhan) prices remained steady in major domestic markets. Rice retail and wholesale prices were also remained on the softer note. Retail prices were down by 0.05 per cent to Rs. 19.91/kg and wholesale prices were down by nearly 0.58 per cent to Rs. 1781.24 per quintal, as ample stocks keeping prices in check.

As on date government agencies have procured 31.6 million tonnes of rice.

Paddy Crop Progress and Weather:

SW monsoon key for countries agriculture were up by 11 per cent from the LPA during the period June 1st to June 22nd. However, the distribution of rains over the key growing regions particularly in Southern and Northwest part of the country is not satisfactory due to which the pace of sowing is dull while eastern part of the country received good rains and reportedly the sowing activity is picking up.

Following table reflects the state wise % departure of monsoon rains upto June 22nd –

State	% Departure	Status
Andhra Pradesh	-76%	Scanty
Assam	-60%	Scanty
Bihar	+117%	Excess
Karnataka	-34%	Deficient
Kerala	-9%	Normal
Orissa	+59%	Excess
Tamil Nadu	-65%	Scanty
Uttar Pradesh	+169%	Excess
West Bengal	+163%	Excess

As evident from the above table rainfall in good over West Bengal, Uttar Pradesh, Bihar and Orissa which helped in smooth sowing activity in the regions whereas the rainfall is deficit to scanty in other states like Assam, A.P., Tamil Nadu etc which affected the sowing activity.

So, rainfall during the month of July will remain the key for determining the sown area for rice in the country this Kharif 2011. Any deviation or uneven distribution of rains may affect the sowing activities which in turn result into lower sown area and consequently the output.

Current Market Dynamics and Outlook

The empowered group of ministers (EGoM) in the first week of July is likely to take a decision on exports of 1 million tonnes non-basmati rice amid huge stocks with government. However, the decision is unlikely as so far the Kharif 2011 crop prospect is not good due to deficit to scanty rains in key rice growing areas.

Meanwhile, as on date government agencies have procured 31.6 million tonnes of rice with reportedly higher contribution for Andhra Pradesh, Chhattisgarh and Tamil Nadu and total rice procurement is likely to cross last year's 32.03 million tonnes.

Domestic Prices & Outlook

Spot Market Prices for Rice:

(Price in Rs. /qtl)

Delhi Market:

Variety	30.06.2011	23.06.2011
Basmati Common	5000	5000
Sharbati raw	2900	2900
Sharbati sella	2930	2950
Parmal raw	2200	2200
Parmal sella	1890	1900
DB Rice (white raw)	3840	3900
1121 Sella	4100	4200

Rudrapur (Uttarakhand) Market:

Variety	30.06.2011	23.06.2011
Parmal paddy	1000	1000
Parmal raw rice	1900	1850
Sharbati Steam	2900	3100
DB steam	4100	4200

Burdwan (West Bengal) Market:

Variety	30.06.2011	23.06.2011
IR 36 (super)	3400-3500	3400-3500
Minikit Shankar	3800-3900	3800-3900
DoodhKalma	3900-4000	3900-4000
Swarna (New)	1800-1850	1800-1850

Amritsar (Punjab) Market:

Variety	30.06.2011	23.06.2011
Sharbati Sella rice	2900-2950	2900-3000
Sharbati raw rice	2900-2950	2800-2900
Sharbati steam	3000-3100	3000-3100
Basmati rice raw	4200-4500	4200-4500
Basmati Paddy	2000	2000
Parmal Govt. Quality	1800	1750
Parmal Wand (New)	2000	2000
1121 Steam	4800-5000	4800-5000

Karnal (Haryana) Market:

Variety	30.06.2011	23.06.2011
Basmati rice raw	6200	6000
Sharbati steam	3300	3200
Sharbati sella	2900	3000
Parmal raw rice	1850	1900
Parmal sella	1850	1750
DB Rice Sella	3200	3500
IR8	1650	1650
1121 Sella	3900	3900

Paddy Price in various markets during the Week

(Prices in Rs. /quintal)

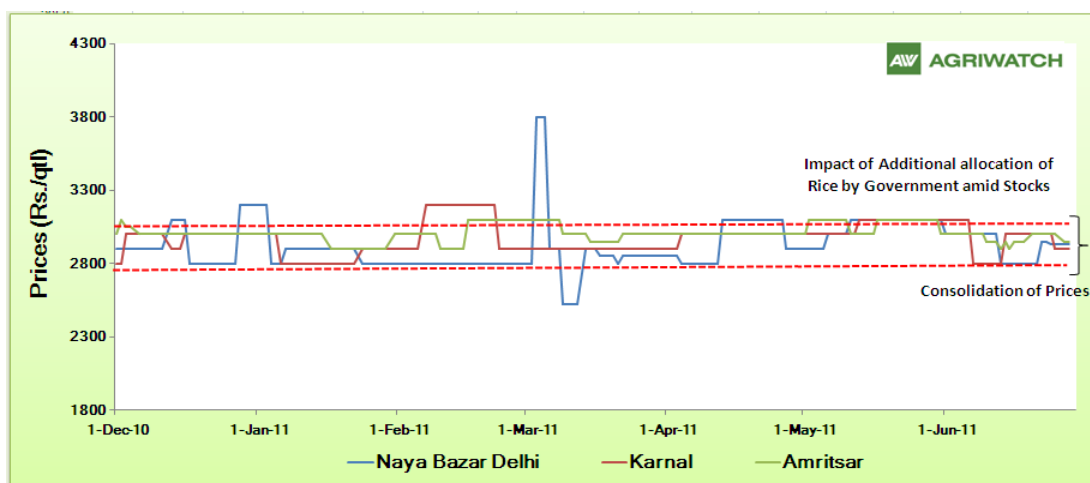
Market	Variety	24/06/2011	25/06/2011	26/06/2011	27/06/2011	28/06/2011	29/06/2011
Bodhan (AP)	MTU 1010	1020	1030	1030	1010	1020	1020
Nizamabad (AP)	MTU-1010	910	900	1100	910	910	900
Badepalli (AP)	Hansa	969	970	975	980	1000	1037
Neora (Chattishgarh)	Paddy	850	855	850	850	800	750
Balod (Chattishgarh)	IR 64	835	815	825	820	825	820
Gangavathi (Karnataka)	IR 64	907	920	920	920	-	933

Raichur (Karnataka)	Sona Mahsuri	1150	1026	1026	1090	1020	1089
Tumkur (Karnataka)	Sona	1250	1250	1250	1150	1200	1150
Cheyar (Tamil Nadu)	Super Ponni	915	897	900	897	880	880
Kalavai (Tamil Nadu)	Super Ponni	-	-	-	-	-	-
Vandavasi (Tamil Nadu)	Super Ponni	920	925	925	924	926	926

Outlook:

We expect that both paddy and rice prices are likely to remain range bound at current price levels. Any positive decision regarding lifting ban on non-basmati rice exports may support prices in the market. Progress of monsoon will also decide the price movement of both paddy and rice in coming days. Lull in monsoon may further support the prices to move up. However, huge stocks of rice may limit the gains to some extent.

Sharbati Sella Rice Price Expectation



Domestic market rice prices remained weak during the last week on sluggish demand in the domestic market amid ample stocks with stockists, traders, millers and in central pool. Government's additional allocation for APL families amid ample stock levels also weighed on prices.

Sharbati sella rice prices likely to remain in the price range of Rs. 2750-3100/quintal. Aromatic rice prices are expected to remain steady to weak on subdued export demand and the prices are expected to remain in the range of Rs. 5000-6500/qtl.

International Market Highlights:

USDA pegged its rice plantings at 2.676 million acres, down from its March estimate of 3M. Cut fuels supply concerns as growing areas have struggled with poor weather this spring. Flooding from the Mississippi River submerged some acres, and the South has recently been too hot and dry.

As per the source, **Vietnam** exported more than 3.7 million tons of rice in the first six months of this year, up about 5 per cent from the first half of 2010. International demand was increasing, creating good opportunities for Vietnam's rice exporters amid raising export quotes of rice from Thailand which is introducing new pricing policy for rice.

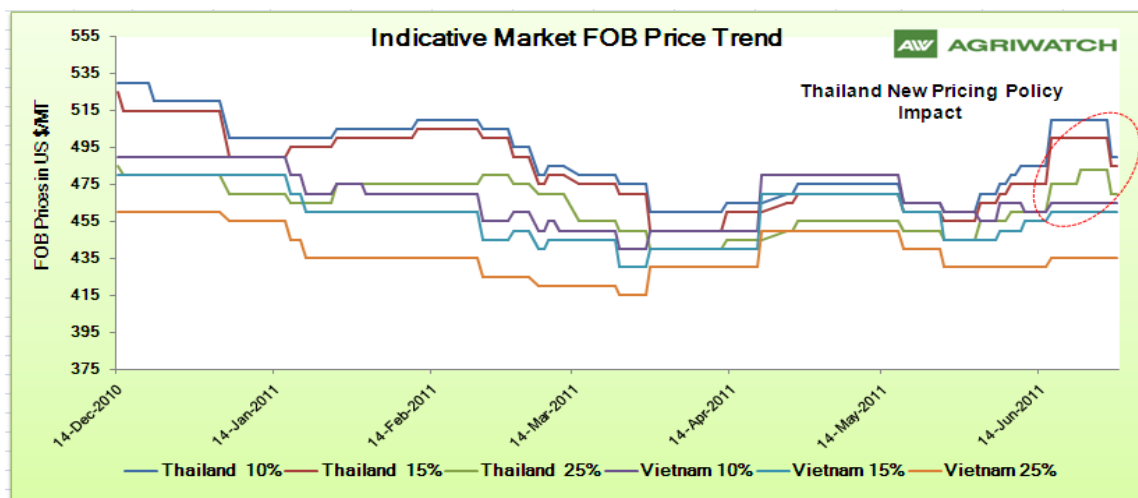
Vietnam's biggest rice customer, the Philippines, signed contracts for 600,000 tons from January to June, of which 200,000 tons had been shipped by the end of June. The Philippines has imported 1.5 million to 2 million tons of Vietnamese rice annually in recent years.

Thailand: As per the agriculture ministry of Thailand, they plan to increase annual production by 15 percent to 35 million tonnes of paddy by 2015 to meet rising global demand amid lower supply situation in many countries. Thai rice export quotes fall by US\$ 15-30 per metric tonnes (FOB) compared export quotes during previous week on uncertainty over Thai government new pricing policy. Traders expecting that, prices may rise and shipments could fall by as much as 50% on government new pricing policy which has the intention to buy the rice at above market rates.

The Thailand government projects total 2011 exports to reach 9.5-10 MMT as a result of major purchases from Bangladesh, Iraq and others. Meanwhile, Thailand exported 8.7 million tonnes of the staple grain in 2010.

Thailand's rice exporters are in dilemma and making fewer export offers. Meanwhile, rise in prices may hinder the buyers to opt for Thai rice and demand may shift towards Vietnam rice which is available at lower price of 30-45 per metric tonnes in comparison to Thai rice.

Rice supply in **China**, may decline after drought and floods damaged crops, potentially boosting inflation and increasing imports.



Asian rice prices will likely to rise on Thailand new pricing policy amid slowing supply from Pakistan and upcoming demand from Sri Lanka. Global rice demand was expected to remain strong in the coming years while supply in major rice producing countries was likely to be reduced by harsh weather conditions.

CBOT Futures Quotes for Rough Rice

CBOT rough rice futures (July Contract) prices remained with bearish sentiment during the week and it continued to fall by 3.24 per cent to 13.27 and at week ending day (30th July) price took support at 13.27 level on fundamental factor that USDA's cut its rice planting estimates.

Contract	Current (30/06/2011)	Week ago (23/06/2011)	Month ago (30/05/2011)	Year ago (31/06/2010)	% Change over previous year
Jul	13.89	13.70	15.19	11.64	+19.33
Sep	14.85	14.73	16.13	11.66	+27.36
Nov	15.17	15.06	16.43	11.77	+28.89
Jan	15.49	15.38	16.73	12.04	+28.65

Note: (Closing Prices as on June 30, 2011)

(Prices in USD/hundredweight)

CBOT Market Rice Scenario (July 11 Contract):



CBOT rough rice futures prices remained bearish in the last week on varied factors as discussed above and we expect price movement will be firm with range of USD 13.50/ hundredweight to USD 15.00/hundredweight in the coming week.

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