

Market Highlights:

- *Paddy and rice prices remain under pressure on sluggish domestic demand throughout major Indian markets. Downward pressure likely to continue even in Dec.*
- *Export demand for Indian non-basmati rice continues. India quotes for 5% white rice are at \$440-445 Per T, 25% white rice low quality at \$ 390 Per T, 5% parboiled (long grain) at \$425-435 per T.*
- *Over 44.85 lakh tonnes of paddy has so far arrived in the mandis of Haryana as compared to over 40.27 lakh tonnes .*
- *All-India progressive procurement of Rice for the marketing season 2011-12 as on 25.11.2011 was 110.17 lakh tonnes which is higher than the procurement of 108.06 lakh tonnes upto the corresponding period of last year.*
- *Rice stocks at government warehouses stood at 26.08 million tonnes as on Nov. 1, 2011.*
- *Paddy and rice prices remain under pressure on rising arrivals and lower demand. Pressure on rice and paddy prices are likely to continue despite better export demand.*

Domestic Market Rice Supply and Demand Scenario:

Rice stock is likely to increase with higher procurement in Haryana, Bihar, Uttar Pradesh, Andhra Pradesh, Tamil Nadu and some other non major producing states. Lower procurement in Punjab will not be a concern as lower procurement in Punjab is expected to be easily compensated by higher procurement in other states. Higher production will expand stock further as demand during Dec, Jan, Feb. generally remains at lower side due to incoming crop.

Following table shows current demand-supply status:

Values in MMT	2009-10	2010-11	% Change over last year
Production	89.09	95.32	6.99
Total Availability	110.73	122.29	10.44
Consumption	81.6	82.85	1.53
Exports	2.16	3.3	52.78
Total Usage	83.76	86.15	2.85
Carry Over Stocks	26.97	36.14	34.00

Progressive procurement of Rice as on 25.11.2011 (lakh tonnes):

State/ Quantity in lakh T	Total procurement in marketing season 2010-2011 (Oct-Sept)	Progressive Procurement of Rice as of Nov. 25th, 2011		% Change Over Last Year
		In Marketing season 2011-12	In Marketing season 2010-11	
Andhra Pradesh	96.1	3.14	1.87	68%
Chhattisgarh	37.39	4.01	1.86	116%
Haryana	16.87	19.5	16.24	20%
Kerala	2.63	0.91	0.54	69%
Maharashtra	3.08	0.1	0.03	233%
Orissa	24.76	-	-	-
Punjab	86.35	76.38	85.39	-11%
Tamil Nadu	15.83	2.59	0.83	212%
Uttar Pradesh	24.66	2.87	0.8	259%
Uttaranchal	4.22	0.22	0.23	-4%
West Bengal	13.1	0.15	0	-
All India	340.94	110.17	108.06	2%

Procurement is well in progress in all major producing states and procurement target is likely to be achieved easily as higher contribution is expected from Haryana, Tamil Nadu, Andhra Pradesh, Uttar Pradesh and Bihar. Above table shows higher percentage of contribution this year. Punjab and Uttaranchal contribution to the central pool has decreased. However higher percentage of contribution by other states will compensate it easily in months ahead.

Government Production Estimate:

Govt.'s production estimate has been continuously revised upwardly as weather remained almost favourable for better crop prospects throughout the season. Private trades estimates even higher production despite crop loss in Orissa by flooding. Area under paddy in Bihar increased and bumper production, almost 70 lakh tonnes is expected this year. Yield in Andhra Pradesh is expected to increase, followed by Tamil Nadu, Uttar Pradesh and to some extent Haryana too. So problem of plenty seems very much in sight next year despite green signal to non-basmati export with quantity restriction.

	Rice Production	(Figures in Million tons)	
	2009-10	2010-11	
	Final Estimate	Third Advance estimate	Fourth Advance Estimates
Production	89.09	94.11	95.32

(Source: Ministry of Agriculture)

Rice Domestic Fundamentals/Current Developments:

An increase in arrivals pulled full grain and broken aromatic rice prices down by Rs 75-150 a quintal while non-basmati rice prices managed to maintain previous level during last three weeks. Arrival of new stocks at a time of sluggish domestic demand dragged aromatic rice prices. Domestic demand for

rice falls during this time of the year. Full grain rice prices may continue to rule around current levels for the next few weeks while that of broken rice may decrease further in north zone.

Prices of rice and paddy in south India including Gujarat are likely to rule under pressure and may dip Rs 50 per qtl. further on lower demand. Prices of Paddy are ruling below MSP in eastern U.P., Bihar, Assam and West Bengal, Gujarat and Tamil Nadu. Private millers are not willing to buy paddy at MSP while state agencies procurement is rather slow than arrivals. Pace of export is not enough to restrict loss at this particular point of time.

No major spike is expected in short term considering ample stock, higher supply from newly harvested crop even if export quantity is enhanced up to 1.0 to 1.5 million tonnes further. It will help to restrict price falling further.

Exporters are active in Gujarat, Andhra Pradesh, Tamil Nadu to source rice locally for taking advantage of freight benefit as these states are located near seashore having port facility to ship out rice easily.. Market sources say that almost 15.3 lakh tonnes basmati and 1.1 lakh tonnes non rice basmati have been shipped out so far from various ports. Another 1.0 million tonne deal has been reported to be finalized for various destinations. However, demand from Nigeria has come down for non basmati.

News in flash:

Higher production of paddy in Haryana: The arrival of paddy in the procurement season in Haryana has been higher this year so far compared to last year. Over 44.85 lakh tonnes of paddy has so far arrived in the mandis of Haryana as compared to over 40.27 lakh tonnes that arrived during the corresponding period last year," Haryana's Food and Supplies Minister Mahender Partap Singh said Monday. He said that last year, a total of 46.12 lakh tonnes of paddy had arrived in the grain markets across Haryana. The state's food and supplies department has set a target of 48 lakh tonnes of paddy arrival this year. The procurement season started Oct 1 and will officially end Dec 31. The minister said the government procuring agencies have so far purchased over 29.16 lakh tonnes of paddy. Karnal district is leading in paddy procurement followed by Kurukshetra and Kaithal districts.

6.6% growth in agriculture sector:

As per the revised estimates of Central Statistics Office, Ministry of Statistics and Programme Implementation, the growth rate of agriculture and allied sectors reached the level of 6.6 percent for 2010-11 which is the highest achieved growth rate during the last six years. The production of foodgrains has increased from 234.47 million tonnes in 2008-09 to 241.56 million tonnes in 2010-11. The production of foodgrains in 2009-10 was at 218.11 million tonnes due to severe drought in most parts of the country during 2009-10. The Central government has launched several schemes in consultation with states to increase growth of agriculture sector.

Current paddy arrival and price status in Karnal: As on 06.12.11

Around 45,000 bags of different paddy varieties arrived at the Karnal Grain Market Terminal. The PR variety stocks, of around 20,000 bags, sold at Rs 980-1,050. About 3,000 bags of Sharbati variety arrived and was quoted at Rs 1,300-1,380; DB turn out was at 5,000 bags and was priced at Rs 1,320-

1,510. Around 10,000 bags of Pusa 1121 arrived and quoted at Rs 1,500-1,740 a quintal while around 7,000 bags of pure basmati arrived and sold at Rs 1,780-1,870 a quintal.

Domestic Rice Price Trend and Outlook:

Market	Month Ending Prices of Sharbati Sella Rice (Rs. /quintal)				
	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
Delhi	2913.6	2933.33	2750	2600	2550-2575
Rudrapur (Uttarakhand)	2984.61	3037.5	2900	2800	2700-2750
Karnal (Haryana)	2976.92	3000	2950	2750	2650-2675
Amritsar (Punjab)	3115.38	3100	3100	2850	2675-2750

Price cycle for Rice in India and overseas by month and our price projections Dec.

As evident from this table prices of sharbati sella remained in the range of Rs 2742 to 3100 as shown in the monthly average while three yearly average remained in the range of Rs 2498 to 2869 per qt. depending on seasonality and better demand for export is expected to support prices in short and medium term. Prices in retail market may rule at Rs 2500 at lower side while at Rs 2750 upper side. However, if export quantity is enhanced price will slightly increase in the range of Rs 50 to Rs 75 per qtl. more in domestic market in medium term. Internationally also prices remain on lower side during October to February period due to new crop arrivals from the US, Pakistan, Thailand and Vietnam. The following chart shows seasonality of prices during October to September period.

Sharbati Sella Rice prices (Rs. Per Quintal)	Monthly Average	3 Yrs. Average	Spread 3 yrs monthly Average-monthly average price)	% Change
10-Oct	2742	2498	-244	9.8
10-Nov	2935	2458	-477	19.4
11-Dec	3013	2675	-338	12.6
11-Jan	2900	2711	-189	7
11-Feb	3025	2632	-393	14.9
11-Mar	3037	2767	-270	9.8
11-Apr	3000	2805	-195	7
11-May	3071	2869	-202	7
11-Jun	2977	2897	-80	2.8
11-Jul	3115	2755	-360	13.1
11-Aug	3100	2723	-377	13.8
11-Sep	3150	2617	-483	18.5

11-Oct	3000	2615	-372	17.3
11-Nov	2950	2611	-378	17.9

	Trend	Price Range
Short Term (10-15 days)	Range bound/Positive	2600-2700
Nov-Dec 2011	Weak	2700-2800

Total Rice Stocks Position with State/Central Pool

Month-wise Rice Stock in Central Pool (As on 1st day of the month) Values in MMT

Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2010	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
2011	25.58	27.80	28.70	28.82	27.76	27.64	26.86	25.27	22.7	20.5	26.08	-

Rice stocks in Central Pool as on 1st Nov, 2011 registered at 26.08 MMT which is higher by almost 2.91 million T compared to the stocks in same period last year.

International Market

US rice futures ended slightly lower amid lackluster demand. Poor demand sent the market down sharply all autumn, but prices have rebounded recently, building ideas that a market bottom is in place. World supplies are considered ample. Jan. CBOT rice ends down 7c to \$14.38 1/2 per hundredweight, down 3% since Wednesday.

Vietnam today lowered its quotes in an effort to spur sales while the euro zone says it will reach a deal for greater fiscal oversight, hopefully staving off a credit rating downgrade that threatens to seep into the core nations – Germany and France. For the First time Since India Returned to the Export Market Viet Rice Quotes are Closer to Indian Indications Not Thai Indications.

Qatar's state purchasing agency is tendering to buy 24,000 tons of basmati rice, double-polished rice of optional origin. The bidding deadline is December 26. Qatar's previous tender was for 24,000 tons of rice in January 2011.

Indian 25% was offered today around \$392 per ton, more than \$110 per ton cheaper than Viet 25% and \$185 per ton cheaper than Thai 25%. Buyers can do the math and it explains the long line of vessels waiting at the Indian ports and the containers being stuffed around India heading to Africa.

Total rice use is also forecast to expand by 2%, with a further small increase projected in the global carryover, to 100m. tons (98m.). Within the total, inventories in the five major exporters are forecast to

increase by 8%, to an all-time peak of 32m. tonnes. IGC. World trade in calendar 2012 is forecast to contract by 0.8m. tons, to 32.5m., on reduced imports by Far East Asia, especially by Bangladesh and Indonesia.

World trade in current crop year 2012 is forecast to contract by 3%, to 32.3m. tonnes, on reduced imports by Far East Asia, despite expectations of a significant increase in buying by the Philippines and Indonesia-IGC

News In flash:

Viet Rice Quotes are Closer to Indian Indications:

The rice market was shaken awake today after Viet rice sellers today lowered their quotes by about \$20 to \$25 per ton. It was a war cry of sorts with Viet rice exports screaming a war cry after a long period of silence. They are hoping to shake up some business and draw some buyers from the sidelines to win sales. Today's rice price quote decline coincided with comments from an official at a state operated Vietnamese rice export company who said that Vietnam must lower its prices to make more contract sales. The VFA says only about 220,000 tons of rice has been contracted for 2012, a fraction of the one million tons that is usually contracted for the next year at this time.

Viet rice is now priced close to Indian rice than Thai rice for the first time since India returned to the market. Viet 5% rice is quoted around \$520 per ton, down about \$25 from last week and about a \$85 per ton discount to Thai 5% last week indicated around \$605 per ton. Viet rice is quoted at about a \$75 per ton premium over Indian 5% rice shown around \$445 per ton.

Tomorrow, Thai rice sellers should return from celebrating a national holiday and all eyes will be focused on whether or not they too lower their quotes along with the Vietnamese. The Thai rice scheme has not gone according to plan and prices still haven't risen to the levels projected considering the Thai government is buying rice paddy at about \$480 per ton. Thailand is still working off old crop, but even so, participation in the scheme has been very low. Trade Source

Weak Indian Rs helps lower rice prices:

Steady devaluation of Indian rupee has further helped lower the Indian prices. Indian rupee is down about 13% against the U.S. dollar since September, trading 52.73 against the dollar last week. That partly explains why Indian rice prices are \$150 per ton cheaper compared to cheapest Thai offers and the pressure continues. African buyers who have bought large tonnage of Indian rice, most of it parboiled, are now asking for even lower prices so that buyers can average down the cost of their inventories and older purchases which now don't look so good. Horror stories are coming out of South Africa and Nigeria where buyers are sitting on large inventories and the stuff keeps coming.

Everybody has heard the Indian story by now. After Indonesian state agency booked 250,000 tons of Indian rice, now the Philippines is also looking at India for 250,000 tons or so of Indian rice. India, along with most of the Asian rice belt, has enjoyed excellent weather this year, and the presence of La Nina weather phenomenon in the equatorial central Pacific Ocean will likely keep the rains coming from here to March. Unless there is an abrupt change in weather outlook, Indian government is likely to keep the rice exports pumping out as fast as the Indian ports can handle.

The Thai government is keenly monitoring what is going on in India and for now Thais show no sign of anxiety just yet with Thai Department of Foreign Trade today saying Thailand expects to export 9.5 to 10 million tons of rice next year. Thais can certainly manage that volume but the big question is at what price and the answer to a great degree will depend on when the Indians get done with rice exports. If Indians keep going at current pace and weather turns out to be favorable again, the Thai government might simply give up and start getting aggressive on pricing rice sitting in Thai government stocks. Tomorrow, the Thai Commerce Ministry will hold a tender for about 92,000 tons of old crop rice in storage – most of this rice is about 2 – 3 years old and the quality is described as “deteriorated rice of low-caliber” meaning the rice is likely going to be used for animal feed.

International Market Rice Supply and Demand Scenario:

As per the IGC, reflecting reduced prospects in some Asian producers, notably flood-affected Thailand, the forecast of global rice output in 2011/12 is cut. However, at 459m. tons (451m.), it would still be a record, primarily due to increases in China and India. While total rice use is forecast to expand by 2%, to 457m. tons, the increase in output will still enable a further rise in the global carryover, to around 99m. Within the total, inventories in the five leading suppliers are forecast at an all-time peak of 31.3m. tons (28.6m.), mainly because of increases in India and Thailand. World trade in calendar 2012 is forecast to contract by 3%, to 32.3m. tons, on reduced imports by Far East Asia, despite expectations of a significant increase in buying by the Philippines.

IGC Balance Sheet:

IGC estimate released on 24.11.11	2007-08	2008-09	2009-10	2010-11 est.	2011-12 forecast 27.10	2011-12 forecast 24.11
Rice						
Production	432	447	440	451	459	459
Trade	29	29	31	33	32	32
Consumption	429	436	437	448	457	458
Carry over St.	80	92	95	98	99	100
Year change	+3	+12	+3	+3		+2
Major exporters	18	27	28	29	31	32

Note: Major exporters are India, Pakistan, Thailand, Vietnam, United States

IGC Balance Sheet High lights:

- **Flooding in parts of Asia has** negatively affected crop prospects in some key exporters. Nevertheless, bigger outturns in China and India are expected to lift global production by 2% in 2011/12, to a record 459m. tonnes.
- **Total rice use is also forecast to expand** by 2%, with a further small increase projected in the global carryover, to 100m. tonnes (98m.). Within the total, inventories in the five major exporters are forecast to increase by 8%, to an all-time peak of 32m. tonnes.

- **World trade in calendar 2012 is forecast** to contract by 0.8m.tonnes, to 32.5m., on reduced imports by Far East Asia, especially by Bangladesh and Indonesia.

World Rice Balance Sheet (2011-12): USDA

Country	Opening Stocks	Production estimates	Domestic Consumption	Imports	Exports	Ending Stocks	Production in 2010-11
Bangladesh	1300	33,000	34,200	600	0	700	32,900
China	42,572	139,000	137,000	475	600	44,447	137,000
Egypt	157	4,700	3,800	20	500	577	3,100
EU-27	987	1,899	2,830	1,170	350	876	1,867
India	21,800	97,000	93,000	0	3,500	22,300	95,300
Indonesia	6,837	37,600	39,550	1400	0	5,987	37,300
Iraq	106	110	1,315	1,200	0	101	111
Nigeria	469	2,700	4,650	1,950	0	469	2,670
Pakistan	400	6,800	2,800	0	3,900	500	4,700
Philippines	1,759	10,900	13,350	2,200	0	1,509	10,539
Thailand	6,062	20,750	10,900	100	8,000	8,012	20,262
USA	1,512	6,125	4,027	603	2,985	1,228	7,593
Vietnam	1,569	25,430	19,550	500	6,400	1,549	25,899
World	96,293	461.4	472,00	30,015	32,855	101.40	451,185
Source: USDA							
Quantity in "000" MT							

BALANCE SHEET HIGHLIGHTS

- Global production is projected at 461.4million tons, higher by 3 million tonnes from last month.
- Global consumption is raised 1.8 million mostly due to an increase in India.
- Global ending stocks for 2011/12 are projected at 101.4 million tons, higher by 2.45% from last year, primarily due to increase for China and the India which are partially offset by decrease for Indonesia, US and Vietnam.
- Global export of rice likely to stay at around 32.85 MMT in 2011-12 down by 3.28 per cent compared to 32.93 MMT exported in 2010-11.

Note: it is likely to be revised in the middle of the current month:

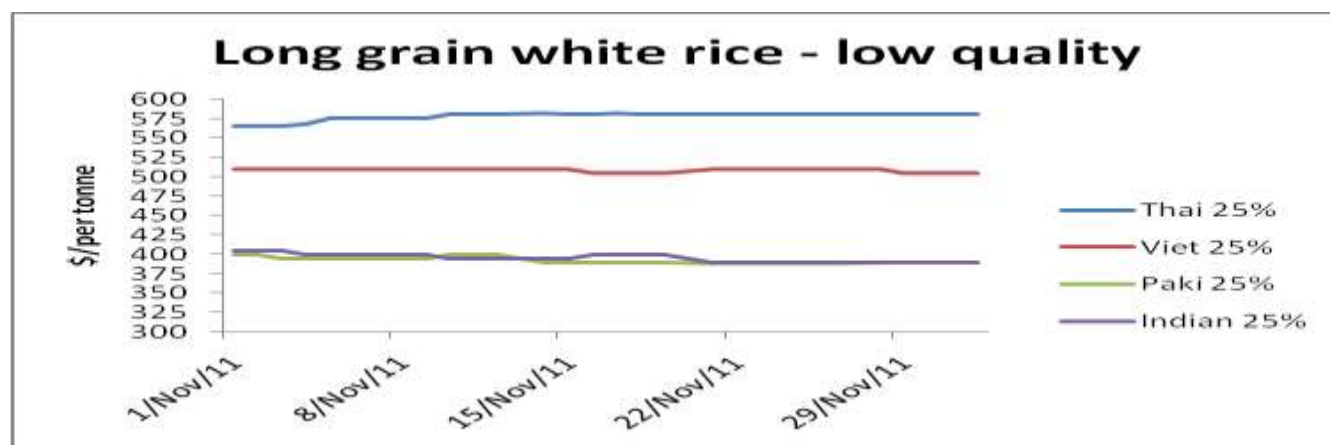
CBOT Rice: Front Month Future: Daily Chart

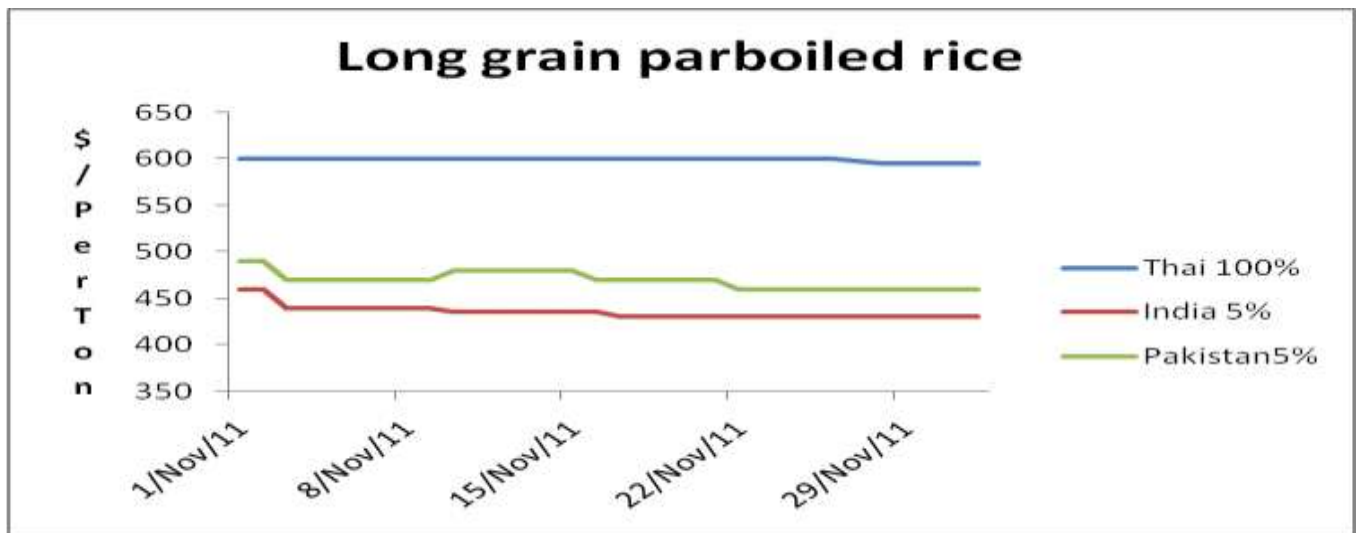
Price Projection (International-CBOT)-



	Trend	Price Range
Short Term (10-15 days)	Range bound to negative	14.00-15.00
Nov-Dec 2011	Range bound Positive	14.50-15.50

Rice FOB Prices:





Indian and Pakistani quotes are still very competitive and are expected to remain at lower level in Dec and Jan on back of bumper production and higher stock supported by fixed quantity of export. Vietnam has revised down its quotes in the first week of Dec however it is quite higher than Indian and Pakistani quotes. India and Pakistan will continue to attract buyers from the world market even in current month and Jan, 2012.

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