

Domestic Market Highlights and Week Ahead:

- **After falling to their lowest levels of the season** earlier in the week, the aromatic varieties managed to maintain their previous levels, while the non-basmati varieties continued to rule flat.
- **Bulk buyers are keeping themselves out** of the market because of a continuous fall in common grade paddy prices.
- **Market sentiment is low as traders and farmers** have huge stocks with them, with hardly any buyers in the market for rice and paddy.
- **The arrival of paddy in the mandis of Haryana** has increased by about 17,675 tonnes during this year (46.46 lakh tonnes) so far as compared to the total arrival of last year which was over 46.12 lakh tonnes.
- **Karnal district was leading in paddy arrival** where over 8.52 lakh tonnes of paddy had so far arrived in the mandis followed by Kurukshetra district where 7.90 lakh tonnes of paddy had arrived in the mandis.
- **All-India progressive procurement of Rice for the marketing season 2011-12 as on 09.12.2011** was 123.53 lakh tonnes which is higher than the procurement of 119.77 lakh tonnes upto the corresponding period of last year.
- **Rabi paddy transplanting is lagging behind this year** by 35,000 ha. so far. Transplanting has been completed in 1.45 lakh ha. against 1.80 lakh ha. last year as on 9th Dec.
- **Strong demand for non-basmati rice** continues and by the end of Feb. India is expected to execute worth the entire allocated quota of 2 million tonnes non-basmati rice given the current pace of exports.
- **To avoid further fall in domestic market** more export (of upto 2 million Tonnes) of non basmati rice should be allowed.

Market Fundamentals:

Rice market continued to reel under pressure of various factors like higher production, lower demand and continuously increasing arrivals in south Indian states like Tamil Nadu and Andhra Pradesh with higher realized yield this season. Rice market is expected to remain under pressure as private buyers are shying away from the market on a bearish outlook ahead amid uncertainty over next allocation for export. Indecision over next non-basmati allocation for export is discouraging private millers and they are hesitant to buy more at this point of time despite strong international demand, better profit margin and ample availability of fine grade paddy throughout the country.

Paddy arrivals in Punjab, Haryana, Uttar Pradesh and Bihar have come down due to lower prices. Farmers are holding back stock and waiting for prices to move up. However, further loss in prices is unlikely as fresh demand for old stock may revive from stockists and retailers. Besides, market expects more allocation for export as storage space still remains a problem. Also the appreciating dollar may encourage govt. to allow more export of non basmati rice .It will also help to support weakening Indian currency. In brief, the direction and price trend of rice market will depend on govt's export strategy for non-basmati and basmati rice.

The challenge before Indian non-basmati exporters is expected to increase with Vietnam's new rice quotes. Vietnam has slashed down its prices by \$ 75 per tonne within last two weeks and further slash in the range of \$15 to 20 per T is expected soon as Vietnam is going to harvest a bumper crop in Feb. next year. The difference of prices is now only \$30 per T for the same variety. So exporters may face tough challenge ahead from Vietnam.

Progressive procurement of Rice as on 09.12.2011 :

States	MY2010-11(Oct to Sept.)Fig in lakh T	MY2011-12 (As on 09.12.11) Fig in lakh T	MY2010-11(As on 09.12.11) Fig in lakh T
Andhra Pradesh	96.10	6.94	5.03
Chhatisgarh	37.39	7.94	6.05
Haryana	16.87	19.55	16.45
Kerala	2.63	0.97	0.60
Maharashtra	3.08	0.24	0.14
Orissa	24.76	0.17	--
Punjab	86.35	76.46	86.34
Tamil Nadu	15.83	2.71	0.88
Uttar Pradesh	24.66	6.64	2.54
Uttaranchal	4.22	0.55	0.70
West Bengal	13.10	13.10	0.50
All-India	340.94	123.70	119.77

Rice procurement is running smooth and has been satisfactory so far. Paddy procurement in Chhatisgarh, Haryana, Kerala, Maharashtra, Tamil Nadu, U.P and West Bengal has increased. However, contribution to the central pool from Orissa, Punjab, Uttranchal has been lower. Going by the current procurement trend, set target of 35 million tonnes is easily achievable. Andhra Pradesh, U.P., Haryana, Tamil Nadu, West Bengal and Bihar will contribute more this year with bumper paddy crop. Procurement activities in Orissa are yet to pick up.

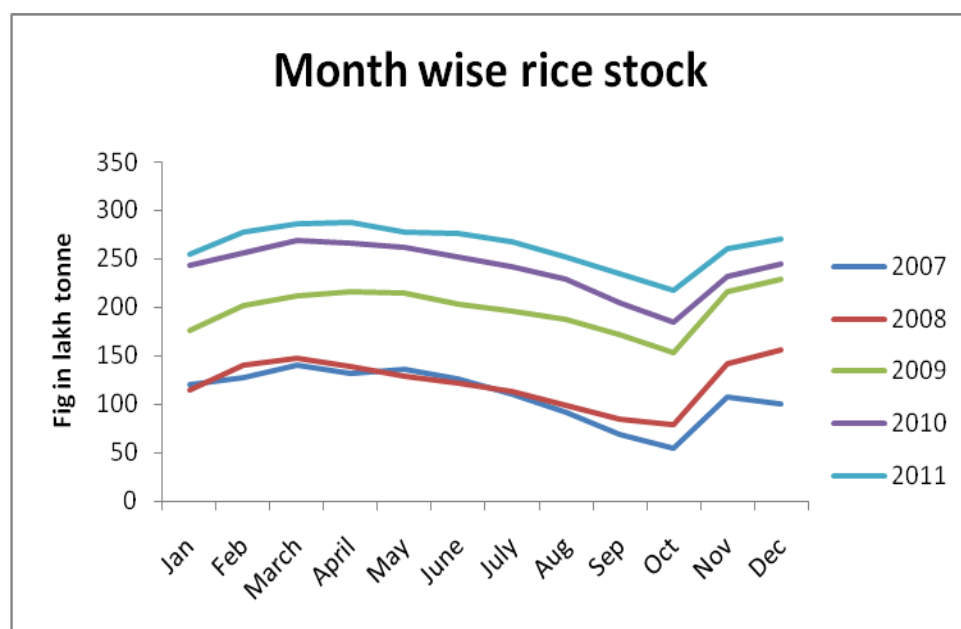
Rice Stock position: As on 01.12.2011

Fig in Lakh T	Stock with FCI	Stock with state agencies	Total central pool stock as on 01.12.2011
East Zone Total	6.26	7.53	13.79
NE Zone Total	1.68	0.0	1.68
North Zone Total	67.96	103.97	171.93
South Zone Total	47.75	9.85	57.60
West Zone Total	10.10	13.42	23.52
Stock in Transit	2.10	--	2.10
All India Total	133.76	134.77	270.63

Rice stock position in India is quite comfortable. It is more than two times higher than required quantity for buffer norm as on 1st January as depicts the below given table. Against requirement of 118 plus 20 lakh tonnes current rice stock is over 270 lakh tonnes. When we consider zonal wise stock it is on lower side only in NE zone. Rice stock will continue to increase from Dec to April and touch 300 lakh tonnes given the record production and increasing stock trend during these months.

Buffer Norms And Strategic Reserve:

As on	Buffer Norms			Strategic Reserve		Grand Total
	Rice	Wheat	Total	Rice	Wheat	
1st April	122	40	162	20	30	212
1st July	98	171	269	20	30	319
1st October	52	110	162	20	30	212
1st January	118	82	200	20	30	250

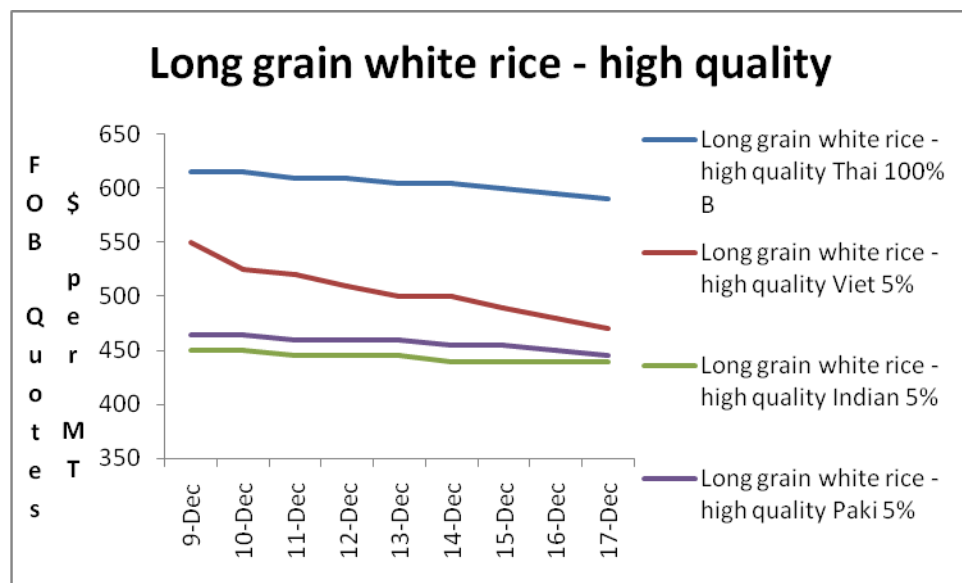


Rice stock chart line:

As the month wise stock chart line suggests, Stocks are highest between December and February when new arrivals take place and procurement is the highest.. It touches its low in Oct. as new season starts in this month. Bumper rice production this year supported by higher yield

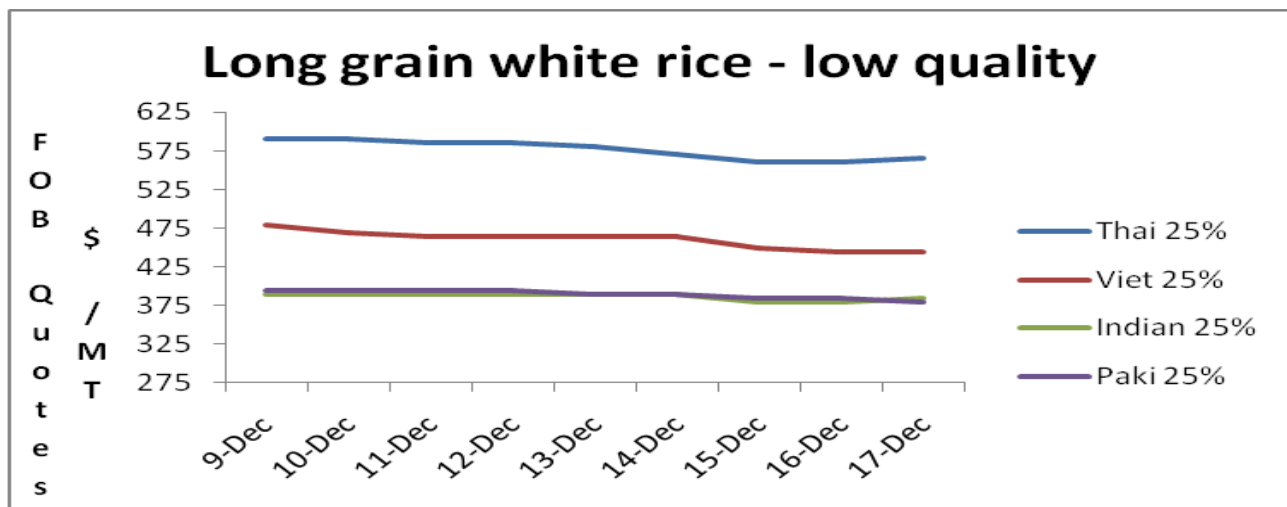
may drag stock over 30 million in Dec.2012 and higher stock throughout the year is expected to restrict any one way uptrend in months ahead. Even more allocation for export in the range of two million tonnes will not be able to encourage uptrend. It will help only domestic market to stand steady. Offtake from govt. stock will remain at lower side in months ahead as usual due to seasonality factor and higher availability of rice throughout the country.

Average FOB quotes for high and low quality white rice during the week:



FOB quotes in India and Pakistan remained almost stable during the week. However, Vietnam slashed its FOB quotes down considerably, almost by \$ 60 per T. Thailand quotes too have come down during the week, but marginally. Vietnam can match its quotes with India and Pakistan to compete with current market scenario and incoming bumper

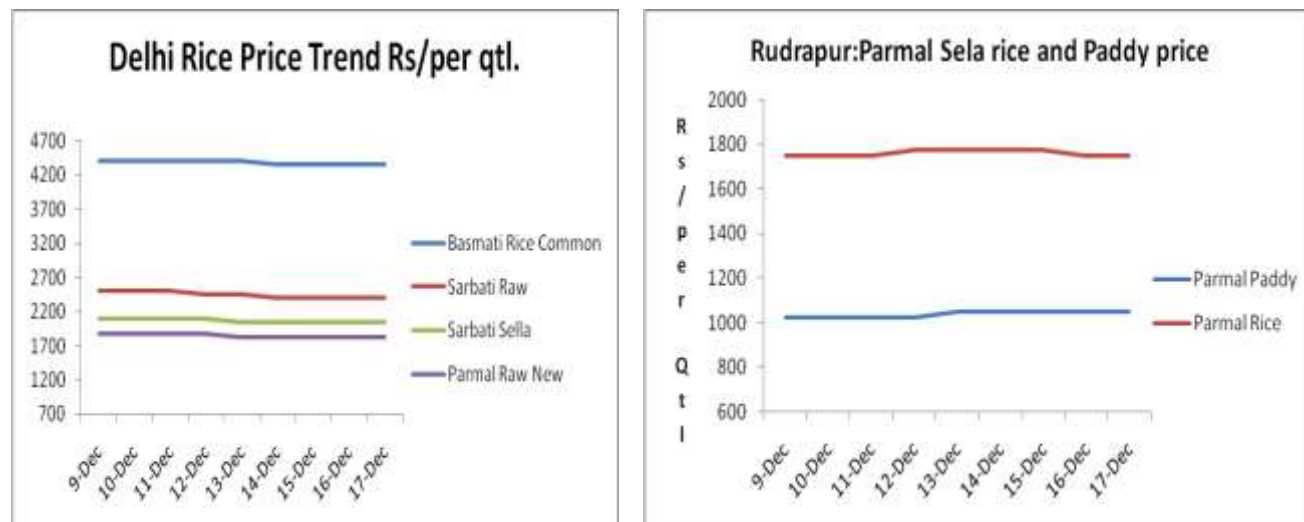
rice crop. Vietnam has ample old stock and further revise in FOB quotes is expected soon and it will not auger well for India and Pakistan, especially for non basmati rice export. Any discount at current quotes in India is unlikely as prices of rice are at their lowest from export point of view.



Long grain white rice - low quality:

Long grain white rice-low quality prices remain almost steady in all exporting nations and India/Pakistan still enjoy lower quotes advantage and this advantage is likely to continue till February end, especially for low quality rice.

Domestic market price trend during the week:



Paddy and Rice Prices Karnal:

	Basmati Rice		Sharbati Rice		Sharbati sella		Parmal Raw Rice	
Karnal	Low	High	Low	High	Low	High	Low	High
9/Dec/11	4100	4300	2500	2600	1500	1600	1550	1800
10/Dec/11	4100	4300	2500	2600	1500	1600	1550	1800
12/Dec/11	4100	4300	2500	2600	1500	1600	1550	1800
13/Dec/11	4100	4300	2500	2600	1500	1600	1550	1800
14/Dec/11	4100	4300	2500	2600	1500	1600	1550	1800
15/Dec/11	4100	4300	2500	2600	1500	1600	1550	1775
16/Dec/11	4100	4300	2500	2600	1500	1600	1550	1775
17/Dec/11	4100	4300	2500	2600	1500	1600	1550	1775

Rice Prices in West Bengal:

Rs /per Qtl	Minikit Shankar		Govind bhog	
West Bengal	Low	High	Low	High
9/Dec/11	2400	2700	3500	3800
10/Dec/11	2400	2700	3500	3800
12/Dec/11	2400	2800	3500	3800
13/Dec/11	2400	2800	3500	3800
14/Dec/11	2400	2800	3500	3800

15/Dec/11	2400	2800	3500	3800
16/Dec/11	2400	2800	3500	3800
17/Dec/11	2400	2700	3500	3800

Rice Prices in Amritsar:

Rs /per qtl.	Sarbat Sella Rice		Sarbat Raw Rice		Sarbat Steam		Basmati Rice Raw		Basmati Paddy	
Amritsar	Low	High	Low	High	Low	High	Low	High	Low	High
9/Dec/11	2800	2900	2700	2800	2900	3000	3800	4000	1800	1900
10/Dec/11	2800	2900	2700	2800	2900	3000	3800	4000	1800	1900
12/Dec/11	2800	2900	2700	2800	2900	3000	3800	4000	1800	1900
13/Dec/11	2800	2900	2700	2800	2900	3000	3800	4000	1800	1900
14/Dec/11	2800	2900	2700	2800	2900	3000	3800	4000	1800	1900
15/Dec/11	2800	2900	2700	2800	2900	3000	3800	4000	1800	1900
16/Dec/11	2800	2900	2700	2800	2900	3000	3800	4000	1800	1900
17/Dec/11	2800	2900	2700	2800	2900	3000	3800	4000	1800	1900

Paddy and rice prices in various markets remain stable to weak during the period under review. Further loss in market is unlikely as market is already trading at lower level. However, strong gain on back of likely further export allocation is unlikely.

Basmati area in Punjab higher by 15 %

Increase in area under basmati varieties in Punjab will also cause less crop procurement for the central pool-experts say. Area under basmati crop including PUSA 1121 variety this year increased by 10-15 per cent to 6 lakh hectares in Punjab Even PR varieties area increased by 20-25 % in Punjab and Haryana. That is why arrivals of common grade paddy in Punjab and Haryana remains low leading to lower procurement.

International Market Highlights:

CBOT rice futures end mostly higher, posting small gains for the second day in a row as the market tries to establish a bottom after tumbling throughout the autumn. Market has been hit by poor export demand and ample world supplies. Even with modest gains, there is little positive to say regarding this market. Other grains and soybeans also climb amid short-covering. CBOT Jan rice ends up 2c to \$13.68 1/2 per bushel.

The biggest story of the week is the persistence of the Thai/Viet price spread – meaning the price difference between benchmarks of Thai 100% B prices and Viet 5% - which has now widened to an extraordinary \$120 per ton. Thai exporters were showing Thai 100% B today at around \$595 per ton fob vessel Bangkok while Viet exporters were asking \$475 per ton for Viet 5%.

The International Grains Council, or IGC, predicts Thailand will export about eight million metric tons of rice in 2012, a 24% drop from a year earlier. Rice-industry officials say exports may slump to

five million tons because in addition to the flooding, of higher prices and local govt.'s aggressive procurement policy.

Bangladesh has had a bumper crop and imports from India are depressing rice prices so low as to contribute to farmer suicides. Now rice imports are finally slowing down though wheat imports are picking up. Government food grains stocks almost doubled to about one and a half million tons at the end of October, twice that of last year. Indian traders are supplying rice to Bangladesh at cheaper prices.

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

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

CBOT Rough Rice Futures

Daily Futures Price Listing (as on 15/12/2011) (Values in \$/hundredweight)					
Contract Month	Open	High	Low	Close	Change
Jan'12	13.73	13.74	13.51	13.66	+0.02↑
Mar'12	14.00	14.00	13.78	13.94	+0.01↑

May' 12	14.28	14.28	14.12	14.23	unch
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Rice Price Trend @ CBOT (Jan 11 Rough Rice) (Prices in US\$/hundredweight)


US rice futures gain slightly, ending higher on a weaker dollar. The small gains came after the market set another fresh 5 1/2-month low. The January contract is down 27% since Sept. 12, as poor export demand and a lack of supply problems around the world weigh. A retreat in the dollar after sharp gains boosted some commodities. However, short and medium term outlook for rice remains weak on ample supply side.

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