

Market Highlights:

Domestic rice markets continued to rule firm on brisk pace of basmati, non-basmati rice export and local demand during the month under review. Improved demands for aromatic and non-basmati rices have lent underlying support to market's inner tone and prices are likely to rule firm even in the month of May despite slack international demand in the last week of April and higher stock in govt.'s granary and in private hands.

The prices of basmati rice have increased sharply by about 30 to 35% in India as well after the country streamlined payment mechanisms with Iran last month and increasing popularity of Indian basmati in Iraq. According to local sources, basmati rice prices have increased from about Rs 35 per kilogram (about \$660 per ton) to Rs 50 per kilogram (about \$940 per ton) in April.

Rice production in 2011-12 has been pegged at 103.41 million tonnes in the Third Adv. Estimates against the set target of 102 million tonnes. It is almost 1.4 million tonnes higher than the production target for 2011-12. Rabi and Kharif production has been pegged at 12.65 and 90.75 million tonnes respectively. Higher production has been pegged despite lower production estimate in rabi season (12.65 against 15.00 million tonnes).

India's rice acreage and output could be adversely affected if the government accepts a proposal to hike the minimum support price (MSP) by up to Rs 1,000 per quintal (about \$190 per ton) for pulses and oilseeds, as against Rs 170 per quintal (around \$32 per ton) hike to about Rs 1,250 per quintal (around \$235 per ton) for rice for this year's kharif (wet) season.

To improve credit flow into the agriculture sector, the Indian government has increased the loan interest rate waiver from an earlier 2% to 3% in 2011-12. Now, eligible rice farmers can avail crop loans up to INR 300,000 (about \$5,600) at an interest rate of 4% per year. Without any waiver, farmers would have to pay about 7% interest.

We expect that the good harvest in 2011-12, inventories well in excess of buffer norms and forecast of a normal monsoon this year should allow unhindered rice exports in the next two years, at least. We expect rice export to continue. However, it is the right time to sort out the infrastructure bottlenecks, particularly relating to cargo handling at ports that rice exporters have experienced?

All-India progressive procurement of Rice for the marketing season 2011-12 as on 27.04.2012 was 308.13 lakh tonnes which is higher than the procurement of 264.71 lakh tonnes upto the corresponding period of last year. It is higher by almost 17 percent in the corresponding period last year.

The Indian Meteorological Department has forecast a normal monsoon tempering concerns that India might be in for a drought. IMD will update the monsoon forecast towards the end of June. However, the probabilities of a normal monsoon are exceptionally high, India might see a slight El Nino effect towards the end of August to September monsoon.

Current Market Dynamics:

Demands for aromatic basmati rice from Iraq, Iran and China and improved buying interests from Indonesia, Nigeria and other African countries for non-basmati rice have dragged domestic rice market up and uptrend is likely to continue due to higher procurement and processing cost despite higher availability of stock and likely bumper production once again on expectation of normal monsoon forecast. However, it would be difficult to maintain export status in the current financial year. India has so far exported almost 7 million tonnes rice including basmati. This year it may be limited to 5 to 5.5 million tonnes as Vietnam and Thailand will leave no stone unturned to grab its lost market share despite higher rice price. Even for India, logistics and higher quotes will pose greater challenge and to retain market will be difficult.

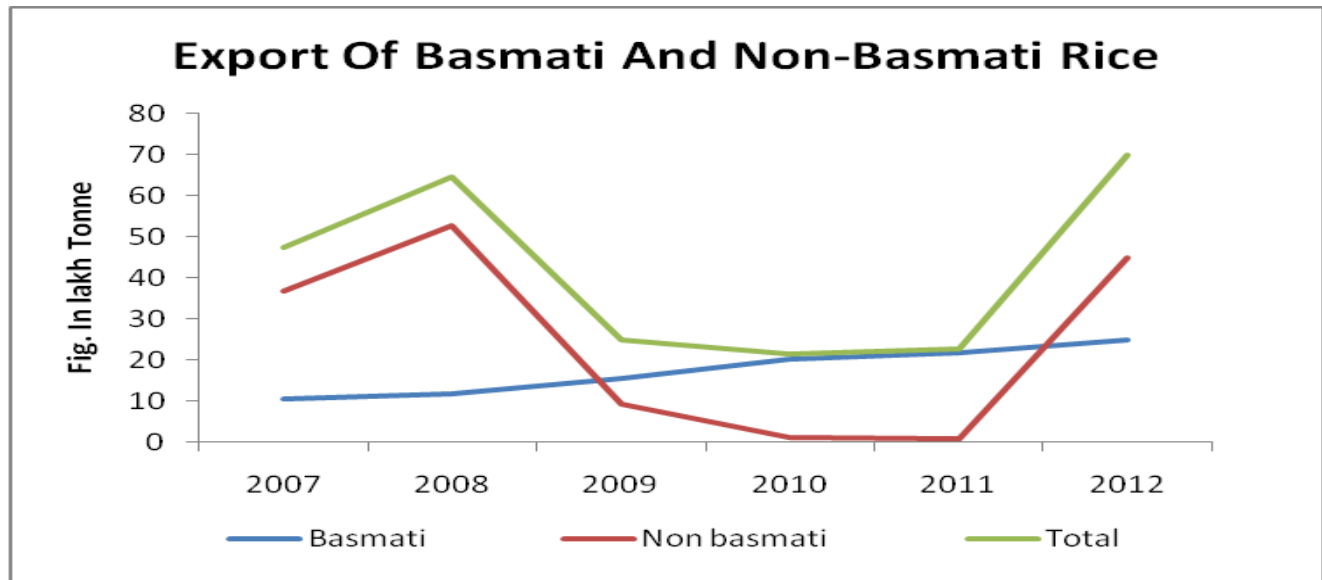
However, we think Indian rice will be available at competitive price in comparison to Thailand and Vietnam. Weather will be very crucial for rice market direction in India and if it remains normal prices are likely to hover near current level. There is a growing fear in the market that rice production may dip this year if the recommendations of CACP for Kharif season MSP for various crops are accepted. Farmers may shift to pulses and other lucrative crops including oilseeds due to higher recommended MSP in comparison to paddy.

State wise Wholesale Prices Monthly Analysis for Rice April, 2012 Prices in Rs/Quintal:

State	Prices April, 2012	Prices March, 2012	Prices April, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	2255.02	2088.07	2027.23	8	11.24
Assam	2260.86	2239.8	2616.09	0.94	-13.58
Gujarat	2159.68	2126.5	1933.09	1.56	11.72
J& K	5559.54	5550	5640.23	0.17	-1.43
Jharkhand	2154.45	2150.28	2134.05	0.19	0.96
Karnataka	2328.45	2260.58	2100.41	3	10.86
Kerala	2577.84	2626.31	3481.09	-1.85	-25.95
M.P.	1421.92	1333.53		6.63	—
Maharashtra	4149.09	4161.4	4420.77	-0.3	-6.15
Manipur		2053.85	2400	—	—
Meghalaya	3050.42	2887.38	2467.86	5.65	23.61
Delhi	1533.33	1548.57	1523.98	-0.98	0.61
Orissa	2147.92	2051.75	1919.31	4.69	11.91
Punjab	1668.19	1607.43		3.78	—
Rajasthan	2504.4	2387.93	1410.25	4.88	77.59
Tripura	1908.33	1876.05	2033.37	1.72	-6.15
Uttar Pradesh	1503.01	1456.38	1493.94	3.2	0.61
Uttrakhand	1517.87	1700	1891.01	-10.71	-19.73
West Bengal	1890.82	1929.11	1935.49	-1.98	-2.31
Average	2366.17	2317.63	2436.95		

Prices of rice have firmed up from last month. However, it is ruling below from April 2011 as the above given chart shows. Prices have decreased in West Bengal, Uttarakhand, Kerala due to ample supply and lower local demand. We expect average price of rice to hover in the range of Rs 2360 to Rs 2375 per qtl. in the month of May.

Export of basmati and non-basmati:



Source: Trade estimates

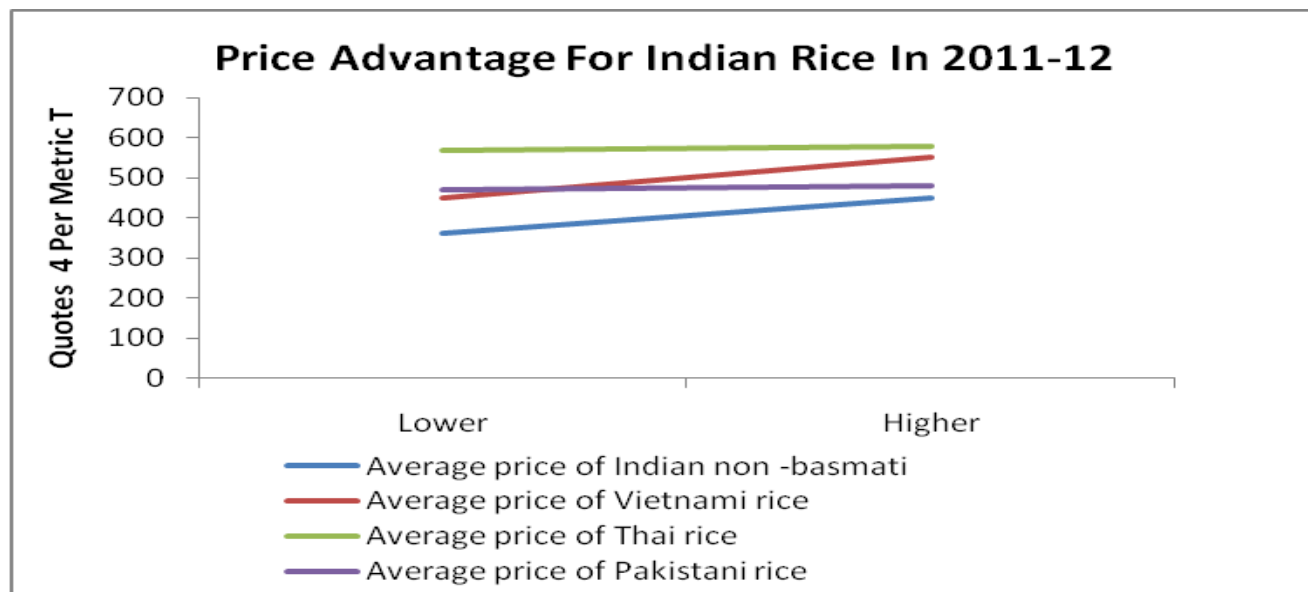
Rice export started ballooning up in 2011 after a gap of three years on back of bumper production and opening up non basmati export. So far almost 7 million tonnes rice has been exported as per trade source. Even basmati export has been on the rise despite firmed up prices due to increased demand from Iran, Iraq and China. However, export pace in the months ahead is expected to come down due to Vietnam and Pakistan's increasing activities in world rice market. Even Thailand is trying to regain its lost market on price disparity ground. Rice export from Thailand and Vietnam are set to rise in the months ahead. However, India may finish third with likely export of 5 million tonnes in 2013 in normal weather condition.

Price advantage for Indian rice in 2011-12:

Due to better price advantage over its rivals like Vietnam, Thailand and Pakistan India could be able to export higher rice quantity much faster than the expectation. As the below given chart shows, price advantage for India has been more than \$ 100 per tonnes and attractive prices forced the buyers to turn to India. India still remains the cheapest source for rice.

However, we expect pace of rice export may slowdown due to lower demand in the world markets amid Vietnam and Thailand's strategy to regain its market share once again even by offering incentives to local exporters. Recently Indian exporters have raised their quotes and it may reduced the opportunity just brought out by weak Indian currency.

Vietnam exported some 2.1 mt during October 2011 to April 2012, while India recorded 4.2 mt during the period. Between April 2011 and January 2012, India's rice exports were worth \$3.78 billion, against \$1.96 billion during the same period the year before. However, amount may go up considerably if we include Feb, March and April fig.



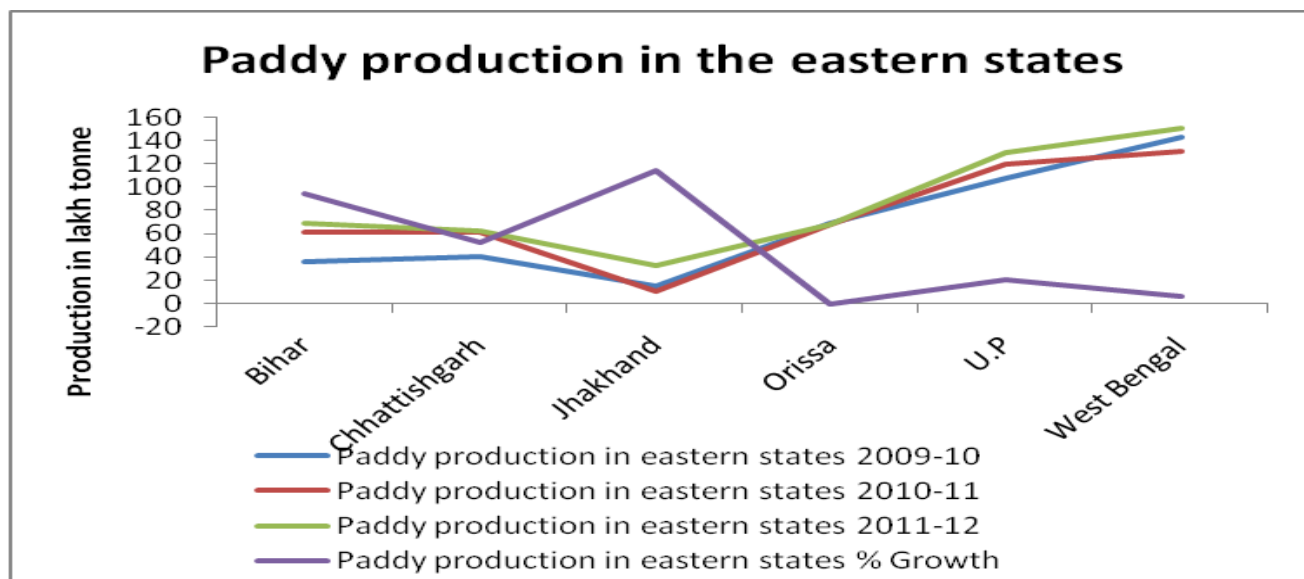
Progressive procurement of Rice as on 27.04.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 27.04.12)	MY 2010-11(As on 27.04.12)
Andhra Pradesh	96.1	53.43	46.21
Chhattisgarh	37.39	41.13	35.16
Haryana	16.87	19.81	16.59
Kerala	2.63	3.23	1.98
Maharashtra	3.08	1.49	1.61
Orissa	24.76	20.56	18.21
Punjab	86.35	77.31	86.34
Tamil Nadu	15.83	15.31	12.03
Uttar Pradesh	24.66	32.61	23.01
Uttaranchal	4.22	3.32	3.57
West Bengal	13.1	12.66	8.25
All-India	340.94	308.13	264.71

Rice procurement is smooth and we expect the procurement target of 35 million T very much within reach despite lower rabi crop this season. Punjab remains the highest contributor followed by A.P., Chhattisgarh and Uttar Pradesh.

Paddy production growth in the eastern states:

During last three years paddy production in the eastern states has been on the rise and the current allocation for agri sector in budget may boost growth further. Paddy production in Bihar has gone up by over 90 percent in last three years. The growth in Chhattisgarh, Jharkhand, U.P. and West Bengal has been over 51, 114, 20 and 4 percent respectively as the above given chart shows. The brisk pace of growth may continue with govt.'s recent weightage to these regions.



Wheat and rice stock details:

Total wheat and rice stocks on 1st of April, 2012 in govt.'s granary were registered at 533.02 lakh tonnes (rice-333.50, wheat-199.52 lakh tonnes). Foodgrains stock is likely to increase in the months ahead with ongoing procurement activities for rice and wheat.

Rice demand -supply and projection for 2011-12:

Agriwatch expects 102 million tonnes rice production in 2011-12 and will be able to export total 6.6 million tonnes by the end of this crop year. Domestic consumption may touch 51 million tonnes from 48 million tonnes in 2010-11 due to higher availability. Higher crop size, increased MSP and likely bonus for south Indian states will ensure maximum procurement to the tune of 35 million tonnes. As the demand –supply table shows total usage will go up from 83 million tonnes to 88.3 million tonnes excluding non basmati export. If we include non basmati export it will cross 90 million tonnes in 2011-12. Despite higher usage and export ending stock is expected to cross 41.7 million tonnes, quite higher than 14.2 million tonnes required on 1st of April 2012. It will create storage crunch as wheat procurement starts in April and higher wheat procurement is expected in the range of 30 million tonnes in MY 2012-13.

Value in MMT			
		Excluding Non Basmati Exports	Including Non Basmati Exports
	2010-11	2011-12	2011-12
Beginning Stocks	18	30	30
Production	95	102	102
Total Availability	113	132	132
Domestic consumption	48	51	51

Govt. Procurement	33	35	35
Exports	2	2.3	4.3
Total Usage	83	88.3	90.3
Ending Stocks	30.0	43.7	41.7

Source: Agriwatch

Export status (non-basmati):Rice and wheat export under OGL:

Wheat and rice export under OGL	Non Basmati Rice (fig in lakh T)	Wheat (Fig in Lakh T)	Basmati Export in last ten months
Sept.11	1.85	0	2.40
11-Oct	4.5	1.3	3.20
11-Nov	4.9	1.8	3.00
11-Dec	5.9	1.2	2.30
12-Jan	5.2	0.5	2.75
12-Feb	5.25	0.5	1.70
12-March	5.6	0.5	2.1
12-April	5.7		1.7
Total	38.95	Official 5.8	18.95(in six months) 25.00

Export quantity has been calculated here with stock lying on port

Source: Private trade

Note: Unofficial figure is quite higher around 7 to 8 lakh tonnes, illegally sent through road route from West Bengal to B,desh. Rice export is on the rise continuously as the above table shows. Non – basmati export have crossed 39 million T mark at and we expect it to touch 4.4 million tonnes (non-basmati) by the beginning of May. Total rice export may cross 6.5 million tonnes going by present export trend.

2nd Advance Estimates of Production of kharif and Rabi rice for 2011-12:

									(Million Tonnes)
Crop	Season	2006-07	2007-08	2008-09	2009-10	2010-11		2011-12	
						2nd Advance Estimates	Final Estimates	Targets	2nd Advance Estimates
1	2	3	4	5	6	7	8	9	10
Rice	Kharif	80.17	82.66	84.91	75.92	80.16	80.65	87.00	90.18
	Rabi	13.18	14.03	14.27	13.18	13.85	15.33	15.00	12.57

Source: Ministry of Agriculture)

Third advance estimate:

Rice production in 2011-12 has been pegged at 103.41 million tonnes in the Third Adv. Estimates against the set target of 102 million tonnes. It is almost 1.4 million tonnes higher than the production target for 2011-12. Rabi and Kharif production has been pegged at 12.65 and 90.75 million tonnes respectively. Higher production has been pegged despite lower production estimate in rabi season (12.65 against 15.00 million tonnes).

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	26.83	27.63
2012	29.71	31.8	33.17	33.50	31.50							

Rice stocks in Central Pool as on 1st April, 2012 stood at 33.50 MMT which is higher by almost three times higher from the actual requirement of buffer norm (11.8 MMT) as on 1st July 2012. Rice stock is continuously increasing and likely to decrease in May due to higher offtake from Govt.'s granary. Going by present procurement trend set target of 35 million tonnes (paddy) is easily achievable. Stock in May may come down to 31.50 MMT

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

Price Projection for May in domestic market:

Duration	Trend	Average Price Range
Short Term 10 to 15 days	Range bound/steady	2350-2375
May end	Firm (positive)	2375-2400

Comparative FOB Quotes in Overseas rice market during April 2012:

Grade/Variety	Thailand	Vietnam	India	Pakistan
100%B - 5%DWP	570-575	430-440	430-440	470-480
10%	550-555	510-515	-	-
15%	580	560	-	-
25%	510-520	380-390	380-390	410-420
Parboiled	595-605	-	415-425	470-480

- ❖ All prices basis long grain per mt bagged FOB vessel.
- ❖ All prices basis per mt, bagged FOB vessel except Brown and Paddy -- Bulk FOB vessel
- ❖ California -Bagged 30 KG preslung FOB vessel
- ❖ CY-equates delivered port in conrt.

State wise,Variety wise Wholesale Prices Monthly Analysis for Rice in April, 2012 Prices in Rs/Quintal

Variety	Prices April, 2012	Prices March, 2012	Prices April, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh					
Sona	2514.29	2542.5	2400	-1.11	4.76
Sona Fine	2422.5	2130.5	2114.29	13.71	14.58
Sona Medium		1900		—	—
Masuri	2000			—	—
B P T	2328.16	2145.89	2079.13	8.49	11.98
Non Basmati	1900			—	—
Assam					
Coarse	1521.82	1479.74	1745.58	2.84	-12.82
Medium	2380.4	1100	1706.56	116.4	39.49
Super Fine	3812.02	3648.32	4163.28	4.49	-8.44
Fine	2136.73	2086.65	2623.63	2.4	-18.56
Other	1580.91	1634.7	1718.05	-3.29	-7.98
Fine(Basmati)	2850	2850	2850	0	0
Gujarat					
Fine	2428.33	2420.73	1949.67	0.31	24.55
IR-8	2200	2200	1600	0	37.5
Other	2546.2	2500.84	1968.16	1.81	29.37
Masuri	1950	1950	2000	0	-2.5
Parmal	1821.51	1800	2100	1.19	-13.26
Jharkhand					
Suvarna M	2300	2200		4.55	—
Coarse	1718.87	1714.69	1709.89	0.24	0.53
Medium	2240.92	2236.63	2222.92	0.19	0.81
Fine	2676.59	2672.43	2615.87	0.16	2.32
Other	1886.61	1853.12	2002.48	1.81	-5.79
Boiled Rice	2135.29	2183.94	2182.12	-2.23	-2.15
Broken Rice			1077.57	—	—
Karnataka					

Sona	2826.52	2780.44	2382.95	1.66	18.61
Coarse	1688.42	1541.83	1456.97	9.51	15.89
Medium	2657.89	2488.92	2302.96	6.79	15.41
Fine	2963.78	2886.11	2723.34	2.69	8.83
IR-8	2079.03	1876.73	1788.5	10.78	16.24
Other	1992.65	2224.05	1989.96	-10.4	0.14
Coarse (I.R.20)	1876.66	1734.55	1721.91	8.19	8.99
CR 1009 Boiled	3173.97	3305.92	2898.44	-3.99	9.51
Dappa	1732.31	1784.15	1704.5	-2.91	1.63
Hamsa St.		1950	1614.76	—	—
Hansa	1845.26	1846.38	1506.06	-0.06	22.52
IR 20	1849.12	1774.28		4.22	—
IR 20 Fine Raw	1800		1850	—	-2.7
Jaya	2124.29	3011.6	2016.6	-29.46	5.34
Kachha Basmati	2900	3121.67	1710.42	-7.1	69.55
Kattasambar	2033.94	1973.27	1984.96	3.07	2.47
Masuri		2105.79		—	—
Sarbati Raw	1500	1550.68	1734.51	-3.27	-13.52
Broken Rice	1242.07	1248.47	1162.87	-0.51	6.81
EMR Boiled			1580	—	—
Pusa Basmati Raw	2449.7	2964.62	2197.91	-17.37	11.46
Pusa Basmati Sela (Old)	1895.8	2021.16		-6.2	—
Pusa Basmati Raw (Old)	2199.6	2451.7	1777.23	-10.28	23.77
Rajahamsa		2000	1563.16	—	—
Sadharan	1200			—	—
Kerala					
IR-8	1899.42	1966.56	1936.07	-3.41	-1.89
Other	2544.83	2593.63	2350.18	-1.88	8.28
Boiled Rice	1720.13	1888.89		-8.93	—
Jaya	2434.14	2247.25	3118.49	8.32	-21.94
AP Raw Rice 5293	1795.95	1819.05		-1.27	—
Basumathi	5123.1	5695.87	6540.18	-10.06	-21.67
Mataa Parboiled	2037.14	2083.29		-2.22	—
Ponni	2416.14	2022.94	2341.13	19.44	3.2
White Parboiled	2346.88	2454.84		-4.4	—
Basmati Charmi			5200	—	—

Basmati Super Kohinoor			10200	—	—
Ponni Fine Raw	1881.25	2000		-5.94	—
Basmati Trophy			6200	—	—

International Market

World Market Recap

- Chicago rough rice futures for July delivery traded up 2 cents per cwt (about \$0.44 per ton) to \$15.205 per cwt (about \$335 per ton) after a late session recovery in soybeans and corn. CFTC data for the week ending May 1 shows that as rice futures fell throughout last week and early this week, speculators added to their shorts while non-reportables cut their longs-CME
- Thai rice supplies continue to be held back by the Thai rice mortgage scheme. The government now holds about 12 million tons of paddy and may hold about 17 or 18 million tons by mid-year. There hasn't been talk yet, but the scheme may be extended. Thai rice exports are down nearly 50% this year but so too are Viet rice exports despite Vietnam's competitive prices-VFA
- The latest food outlook by the UN's Food and Agriculture Organization (FAO) says that the world stock-to-use ratio for rice is set to reach a record high of 34.2% in 2012-13 due to low import demand, high production and increased stocks-FAO
- Bangladesh's Parliamentary body has asked the food ministry to buy a minimum of 1.2 million tons of rice in the Boro season, and ensure that farmers get reasonable profits for their produce. The apex body also urged the government to subsidize the price of rice for low income people by selling it at Taka 20 per kilogram (about \$240 per ton) instead of the current price of Taka 24 per kilogram (about \$290 per ton)-Daily Times
- The Myanmar Rice Industry Association (MRIA) has fixed a target for exports of one million tons of rice in 2012-13 financial year, up about 17.6% from last year's 850,000 tons of rice. The MRIA secretary said that last year's rice exports had earned the exchequer about \$324 million (about \$323 per ton), as 90% of the rice exported was low quality rice-MRIA
- The Thai government sold rice from its stockpiles below the guaranteed levels set by the government as per its ambitious rice mortgage scheme. The sale was revealed by the Finance Minister. He said, "Selling rice below the pledging scheme price isn't a big issue. The pledging scheme helps increase prices. If we have to sell with losses, the loss isn't significant-Bloomberg
- World rice output is forecast to rise by 3% in 2011/12, to 463m. tonnes, following increases in Asia. Despite a further expansion in world use, to 459m. tonnes (449m.), the global 2011/12 carryover, is expected to increase to 99m. (96m.).

- The projected rise is largely due to increases in key exporters, namely India and Thailand, as well as in China. World trade in 2012 is forecast to fall by 5%, to 32.7m.tonnes, on reduced Asian imports.

IGC Balance Sheet: Updated on 27.04.2012

IGC estimate released on 26.04.12	2007-08	2008-09	2009-10	2010-11 est.	2011-12 forecast 02.04.12	2011-12 forecast 26.04.12
Rice						
Production	432	448	441	448	463	462
Trade	29	29	31	35	33	33
Consumption	429	437	437	448	459	459
Carry over St.	80	91	95	95	99	99
Year change	+4	+11	+4	-	-	+4
Major exporters	19	27	28	29	33	34

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

World rice market is likely to head north:

World rice prices seem to have bottomed out and are slowly heading higher, especially Thai rice prices. While U.S. export prices have been unchanged over the last month amid tepid demand, U.S. rice futures are up about 12% over the last month. U.S. 4% rice is shown around \$510 per ton, unchanged from a month ago. Chicago rough rice futures for May delivery today traded up 16.5 cents per cwt (about \$4 per ton) to \$15.505 per cwt (about \$342 per ton). Rough rice futures are lifted by strength in soybeans futures. U.S. soybeans have rallied about 8% in the last month and about 32% in the last 4 months on ideas of higher Chinese demand.

So, while U.S. exports haven't caught ablaze, rice futures have rallied to compete with soybeans and other crops for spring acreage. Rice planting is ahead of schedule in the U.S. though there's a lot of disagreement in the industry – or between the producers and the USDA – about rice acreage. U.S. rice farmers argue that planting will be down this year, far more than the USDA estimates. Thai rice prices are up about 3% since mid-March. Thai 100% B grade rice quotes are up about \$15 per ton to around \$570 per ton.

Thai rice quotes rose about \$5 per ton today. Meanwhile, Viet rice quotes have fallen about 2% in the last month. Viet 5% broken rice indications have declined about \$10 per ton to about \$435 per ton. Cambodian 5% rice quotes are down about \$10 per ton or about 2% to around \$495 per ton. Indian 5% broken rice is shown around \$430 per ton, down about \$8 per ton or about 2% in the last month.

Pakistani 5% broken rice quotes are up about \$10 per ton or 2% compared to a month ago to around \$475 per ton. Argentinean 5% and Uruguayan 5% rice quotes rose about \$10 per ton or about 2% in the last month to around \$545 per ton. Source: Trade association, VIETNAM

CBOT Rough Rice Futures
Daily Futures Price Listing (as on 02/05/2012)
(Values in \$/hundredweight)

Contract Month	Open	High	Low	Close	Change
May' 12	14.60	14.76	14.60	14.60	-0.16↓
July'12	15.00	15.12	14.84	14.85	-0.17↓
Sep'12	15.25	15.25	15.08	15.08	-0.17↓
Nov-12	15.46	15.47	15.32	15.32	-0.16↓

CBOT Rough Rice May Chart:



Price Projection (International-CBOT)-

	Trend	Price Range
Short Term (10-15 days)	Range bound to positive	14.60-15.00
May end 2012	Range bound Positive	14.80-15.50

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