

### **Market Highlights**

**Cash rice market traded steady to weak on sluggish demand from exporters and retailers during the month under review. Prices are likely to stay steady in the month of June on the back of higher stock with govt. and millers. Forecast of normal monsoon and higher MSP for paddy will ensure higher production in kharif season once again. Overseas buyers have slowed down their purchases as they are well aware of surplus stocks in major exporting nations. The short and medium term outlook remains bearish for non-basmati rice.**

**The country is estimated to have harvested a record 103.41 million tonnes of rice in the 2011-12 crop year against 95.98 million tonnes in the previous year. The government has increased the rice production target slightly from 2011-12's actual production of 103.41 million tonnes to the targeted 104 million tonnes in 2012-13. However, monsoon season rains will play a crucial role on overall size of kharif production.**

**Rabi rice production has been pegged at 12.57 million T against the set target of 15 million tonnes. Farmers shifted from rice to other lucrative crops in south India due to lower price for kharif rice. However, lower production is not going to impact price and availability.**

**The Union Government is aiming to increase the area under hybrid rice cultivation to 25 per cent of all rice cultivated area by 2015. As against the 400 million tonnes of foodgrains produced in China from 100 million hectares, India produced only 250 million tonnes from 140 million hectares.**

**We expect over 7 million T rice export this year including basmati rice. India has exported nearly 4.5 million tonnes of non-basmati rice since September last year when the government lifted ban on overseas shipments of the grain. Basmati rice export may touch 2.5 million tonnes this year up to Sept. The government is closely monitoring the trend of exports.**

**As on May 1<sup>st</sup> 2012, the government had 302.04 lakh tonnes of wheat and 329.23 lakh tonnes of rice in its godowns. The figure may cross 80 million tonnes at the end of this month if we add total foodgrains stock including coarse cereals.**

**All-India progressive procurement of Rice for the marketing season 2011-12 as on 18.05.2012 was 322.52 lakh tonnes which is higher than the procurement of 278.70 lakh tonnes upto the corresponding period of last year. India is heading well towards achieving the set target of 35 million T by the end of Sept. 2012.**

**India has planned to increase food grains allotments under various subsidy schemes by about 10 million tons to about 65 million tons for the year beginning April 1, 2012. The move has been planned primarily make space for new arrivals of rice and wheat. Shortage of storage space has increased the concern for next crop storage, hardly four months away from now with wheat and rice procurement continues.**

**The International Grains Council (IGC) has raised its forecast for rice production in 2012 to about 462 million tons, up about 15 million tons from last year's production of 447 million tons. In January, the IGC had estimated 2012 rice production to reach 459 million tons. The IGC said that production is likely to increase to 462 million tons this year as Asian countries have reported higher output.**

**Global paddy production in 2012 is expected to increase 1.7 percent to 732.3 million tons, equivalent to 488.2 million tons of milled rice, exceeding consumption at 477 million tons and boosting inventories, the Rome-based Food & Agriculture Organization said May 4 in its first forecast for 2012-2013.**

**Domestic Market Rice Supply and Demand Scenario:**

		<b>Basmati Exports</b>	<b>Including Non Basmati Exports</b>
<i>Value in MMT</i>	<b>2010-11</b>	<b>2011-12</b>	<b>2011-12</b>
<b>Beginning Stocks</b>	18	30	30
<b>Production</b>	95	103.4	103.4
<b>Total Availability</b>	<b>113</b>	<b>133.4</b>	<b>133.4</b>
<b>Domestic consumption</b>	48	50	50
<b>Govt. Procurement</b>	33	35	35
<b>Exports</b>	2	2.5	7.0
<b>Total Usage</b>	<b>83</b>	<b>87.5</b>	<b>92</b>
<b>Ending Stocks</b>	30	45.9	41.4
<b>Av Monthly Consumption</b>	4.0	4.2	4.2
<b>Stock to Month Use</b>	7.5	11.0	9.9
<b>Stock to Consumption Ratio</b>	0.6	0.9	0.8

**BALANCE SHEET HIGHLIGHTS**

- Beginning stock is likely to decrease from 45.9 to 41.4 million T in 2011-12 due to better export. Production pegged at 103.4 million T.
- Total export may touch 7.0 million T and total usage may go up from 87.5 to 92 million T.
- Total availability may remain steady to 133.4 million T.
- Domestic consumption is pegged at 50 million T.
- Av monthly consumption is likely to stay at previous level at 4.2 million T.
- Stock to use month use may decrease from 11 to 9.9 million tones.
- Stock to consumption ratio is likely to decrease from 0.9 to 0.8 million T.

Ending stock is likely decrease due to high volume of non basmati rice export despite expected steady consumption. Lower production ( by 2.5 million T to 12.5 million T) in ongoing rabi season to helped stock to decrease. However, it will be much higher than actual requirement of 11.8 million T under buffer and strategic reserve requirements as on 1<sup>st</sup> July, 2012. Export is likely to continue even in the next season on the back of higher stock and likely bumper crop in kharif season once again. Higher MSP for paddy may encourage farmers to plant more paddy in the eastern states. Besides, increasing application of hybrid seeds with govt.'s back up may ensure higher than expected production this year in kharif season. However, monsoon rains, likely to be normal, may decide the final size of khariff rice production.

**Record Production prospect in 2012-13:**

The harvest in India has climbed 7.7 percent to 103.4 million tons from 96 million tons a year earlier, according to the farm ministry. State reserves of rice and wheat jumped to 71.17 million tonnes as of May 1. The minimum purchase price of the common variety of raw rice was increased to an all-time high of 1,080 rupees per 100 kilograms in June from 1,000 rupees. Now the CACP recommendation of higher MSP (Rs1250 per qtl. against Rs 1080 per qtl. last year) will encourage farmers to go for higher rice planting if accepted like last year. It is almost 15.7 percent higher than last year.

India has revised rice production target slightly up from 103.4 million tonnes to 104 million tonnes for 2012-13 and all possible measures including higher use of hybrid rice are being used to enhance rice production. We expect higher production than the set target as production in the eastern states is continuously rising and this season these states may contribute even higher production given the normal weather condition.

**Rice Domestic Fundamentals/Current Developments:**

Cash rice markets continued to stay steady on balanced supply-demand side and better production prospects in kharif 2012-13. Pressure is increasing on cash market as govt. is planning to augment supply through PDS. It is considered to be a price limiting factor. Even export demand has decreased as production in many Asian nations has increased and supply side seems to be ample. Importers are not placing orders as they expect prices to fall further. Even demands for aromatic rice have slowed down and buyers are waiting for prices to cool down from current level.

Availability of rice in the domestic market is ample and we expect bumper kharif crop once again in the eastern states despite likely higher fertilizers prices. Rice production in Punjab, Haryana and in north India may remain stable or decrease slightly. However, overall production is not going to decrease as the farmers of the eastern states have started receiving MSP for their produce. Besides, yield has been continuously on the rise and it will encourage farmers in these areas to apply advance agricultural practices. So the overall impact on rice production will be negligible even in the ongoing kharif season. Recommendation for higher MSP from Rs 1100 to Rs1250 per qtl., if accepted, may attract farmers to grow more rice. Likely increase in percentage application of hybrid seed might encourage overall rice production.

Besides, for improving 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 at an interest rate of 4% per year. Without any waiver, farmers would have to pay about 7% interest. It will boost rice production in the eastern states. The government is also providing Kisan Credit Cards (KCC) to facilitate fund transfer to farmers. The cards are offered by public sector banks and the credit offered varies with agriculture income.

In normal weather conditions and rising production trend in the eastern states we expect bumper rice production once again in kharif season and pressure on govt. to offload rice from reserve stock will continue to pose greater challenge in the months ahead. Export is likely to continue as exportable surplus is ample.

**Export Status and Likely Scenario:****Rice and wheat export under OGL: As on 28.05.12**

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	2.6
11-Oct	4.5	1.3	3.4
11-Nov	4.9	1.8	4
11-Dec	5.9	1.2	2.5
12-Jan	5.45	0.2	2.75
12-Feb	5.75	0.6	1.7
12-Mar	5.6	0.5	2.1
12-Apr	6.8	0.6	1.25
12-May	5.3	0.6	1.7
<b>Total</b>	<b>46.05</b>	<b>7.0 (Official)</b>	<b>22.3</b>
<b>Expectation up to August end, 2012</b>	20 lakh T	5 lakh T	4 lakh t

We expect rice export to touch 7 million tonnes at the end of this season ending August. Non-basmati rice export may touch 6.5 lakh tonnes while basmati export is expected to touch 2.5 million tonnes. However, wheat export will depend totally on govt.'s policy, subsidy and demand in the international markets. We assume govt. would provide wheat at MSP to the exporters and they can shipout 5 lakh tonnes in next three four months. We have not included here GTG deals likely to be finalized with Iran, Afghanistan and Nepal.

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. Now is the time to sort out the infrastructure bottlenecks, particularly relating to cargo handling at ports that rice exporters have experienced this year.

#### **Progressive Procurement of Rice as on 18.05.2012 (lakh tonnes)**

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 18.05.12)	MY 2010-11 (As on 18.05.12)
Andhra Pradesh	96.1	63.07	57.26
Chhattisgarh	37.39	41.13	35.33
Haryana	16.87	19.81	16.59
Kerala	2.63	3.41	2.31
Maharashtra	3.08	1.52	2.03
Orissa	24.76	21.36	18.37
Punjab	86.35	77.31	86.34
Tamil Nadu	15.83	15.77	12.52
Uttar Pradesh	24.66	32.95	23.34
Uttaranchal	4.22	3.36	3.65
West Bengal	13.1	14.51	8.44
<b>All-India</b>	<b>340.94</b>	<b>322.52</b>	<b>278.70</b>

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. However, arrivals have come down in mandis and paddy procurement may get slower in the weeks ahead.

**State Wise Wholesale Prices for Rice In May, 2012**
**Prices in Rs/Quintal:**

State	Prices 24-31 May 2012	Prices 16-23 May 2012	Prices 09-15 May 2012	Prices 24-31 May 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
A.P.	2461.43	2094.73	2167.96	1674.92	17.51	13.54	46.96
Assam	2281.24	2264.06	2273.95	2804.22	0.76	0.32	-18.65
Gujarat	2153.66	2158.16	2161.33	2026.3	-0.21	-0.35	6.29
J & K	4741.67	4495.14	4721.39	5700	5.48	0.43	-16.81
Jharkhand	2052.36	2185.92	2151.43	2135.36	-6.11	-4.6	-3.89
Karnataka	2401.08	2334.07	2341.98	2046.96	2.87	2.52	17.3
Kerala	2727.34	2673.61	2654.55	3862.38	2.01	2.74	-29.39
M.P.		1425	1742.03		—	—	—
Maharashtra	4178.45	4205.96	4215.66	4395.58	-0.65	-0.88	-4.94
Manipur				2500	—	—	—
Meghalaya	3100	3036.84	3011.76	2800	2.08	2.93	10.71
Delhi			1600	1500	—	—	—
Orissa	1941.44	2091.43	2102.4	1848.41	-7.17	-7.66	5.03
Uttar Pradesh	1559.26	1545.8	1521.96	1508.76	0.87	2.45	3.35
West Bengal	1880.15	1859.71	1877.94	1944.01	1.1	0.12	-3.28
Average	2623.17	2490.03	2467.25	2624.23			

Prices of rice have decreased in Maharashtra, Orissa, Gujarat and Jharkhand. However, average prices of rice have increased in comparison to last week. Prices of rice were ruling at same level in May 2011. Average prices of rice increased due to higher prices for aromatic rice. We expect prices to come down from current level as demand has subdued in recent weeks. Buyers including exporters are buying only to fulfill their immediate needs. The overall sentiments remains weak in short term.

**Availability of Wheat and Rice stock in central pool as on 1<sup>st</sup> May:**

Wheat and rice stock touched 711.17 lakh tonnes as on 1st May, 2012. The below given table shows the foodgrains status in central pool as on 1st May, 2012. Rice stock was registered at 329.23 lakh tonnes in the beginning of current month against the actual requirement of 118 lakh tonnes in 1st July under buffer norm. The govt.'s granary continues to overflow and situation may be even more grave in July when total wheat and rice stock may touch near 84 million T mark in normal condition. Storage space will continue to pose greater challenge for the procurement agencies despite enhanced capacity in recent months.

**Quantity in lakh tonne: As on 1<sup>st</sup> May, 2012**

In storage	In transit	Total
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<b>Rice</b>	326.81	2.42	329.23
<b>Wheat</b>	299.67	2.37	<b>302.04</b>
<b>Wheat lying in mandies</b>	79.90	00	79.90
<b>Total</b>	<b>706.38</b>	<b>4.79</b>	<b>711.17</b>
<b>Coarse cereals</b>	0.94	00	0.94
<b>Sugar</b>	0.26	0.03	0.29
<b>Grand Total</b>	<b>707.58</b>	<b>4.82</b>	<b>712.4</b>

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

Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>2010</b>	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
<b>2011</b>	25.58	27.80	28.70	28.82	27.76	27.64	26.86	25.27	22.7	20.5	26.83	27.63
<b>2012</b>	29.71	31.8	33.17	33.35	32.92	<b>33.00</b>						

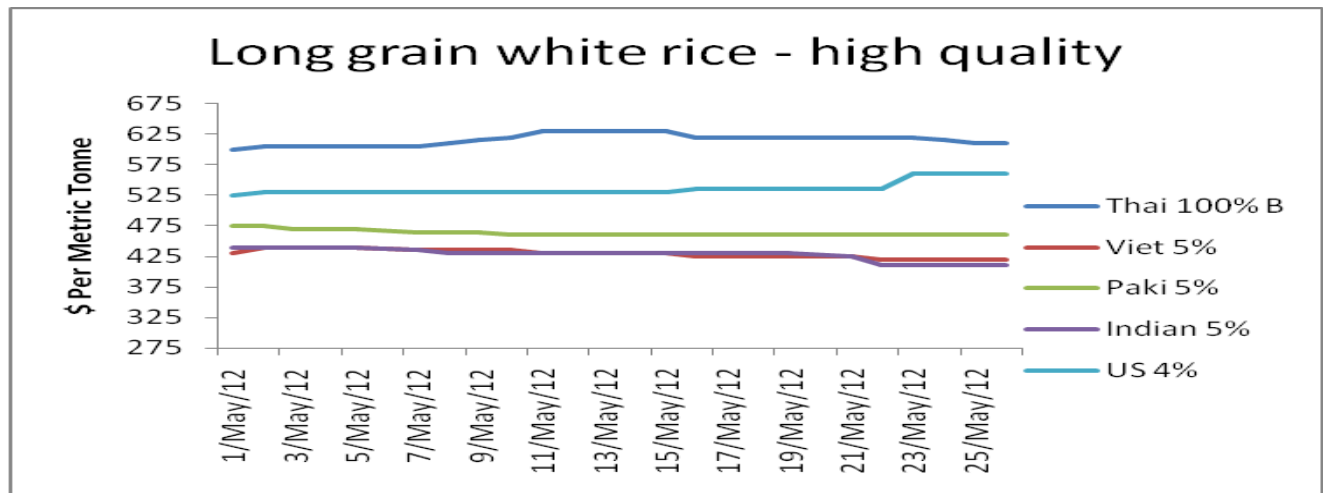
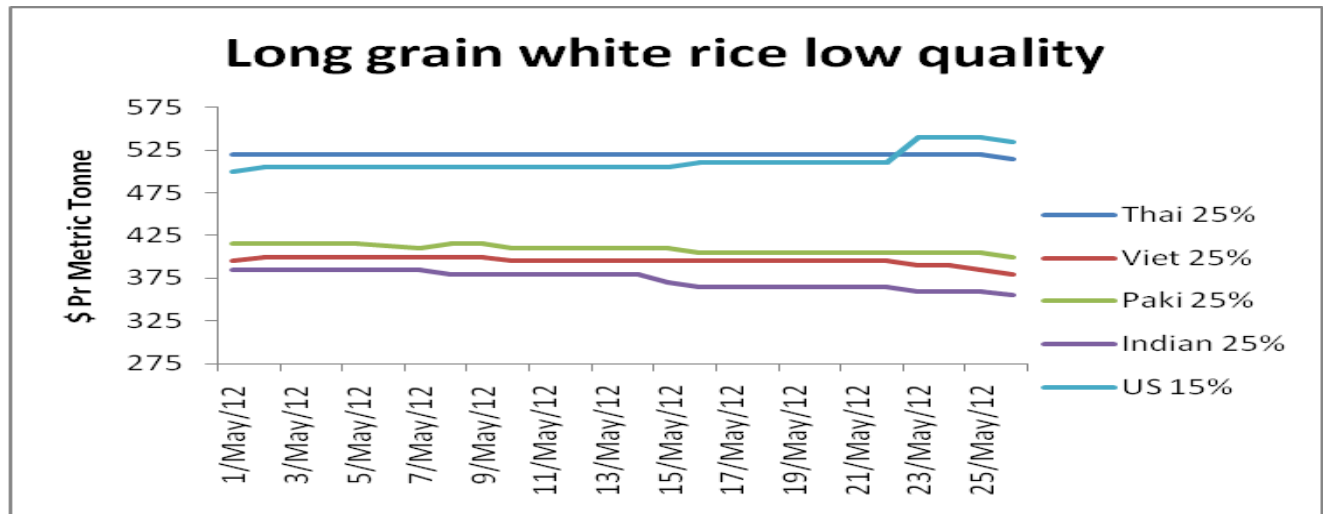
Rice stocks in Central Pool as on 1<sup>st</sup> May, 2012 stood at 32.92 MMT which is higher by around three times from an actual requirement for buffer norm (11.8 MMT) as on 1<sup>st</sup> May 2012. Rice stock is continuously increasing and is likely to touch the highest levels in June end with smooth procurement and bumper harvest. Going by present procurement trend set target of 35 million tonnes(paddy) is easily achievable. Rice stock in June may increase slightly from 32.92 MMT to 33.00 MMT as offtake is expected to remain at negligible level due to higher supply side as usual.

**Buffer Norms And Strategic Reserve:**

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

**Domestic Rice Price Trend and Outlook::**

Duration	Trend	Average Price Range
Short Term( 5 to 15 days	Steady to weak	2550-2600
June ( June )	Steady (Positive)	2600-2650

**Indicative FOB Quotes for high quality white rice:**

**Low Quality rice:**


Rice prices in the global market continued to remain under pressure and market is expected to dip further with higher production estimates world over. India, Pakistan and Vietnam are major players in the world rice market at present and will continue to impact rice market in the months ahead. However, lower rains may change market direction. Export from India will continue and we hope better opportunity lies ahead for India on rice export front.



## International Market

### World Market Recap

- **The International Grains Council (IGC) has raised its forecast** for rice production in 2012 to about 462 million tons, up about 15 million tons from last year's production of 447 million tons. In January, the IGC had estimated 2012 rice production to reach 459 million tons. The IGC said that production is likely to increase to 462 million tons this year as Asian countries have reported higher output.

**Rice trade this year will be about 33.1 million tons, about 1.9 million tons** or 6% lower than the 35 million tons estimate for 2010-11 due to reduced demand by Far East Asian countries. However, this is an improvement on IGC's January forecast, which said that rice trade in 2012 will be about 31.5 million tons. Global rice consumption will increase to 458 million tons in 2012, while global rice inventories will increase to a nine-year high of 99.6 million tons-IGC

**The world rice harvest for 2012 is expected to surpass the strong** sowing of 2011 as the erratic climate conditions caused by the La Nina weather phenomenon dissipate and farmers increase their plantings, according to an initial forecast by the Food and Agriculture Organization of the United Nations (FAO) in its Rice Market Monitor released last week. FAO is predicting world paddy production of 732.3 million tonnes (488.2 million tonnes on a milled basis) for 2012, a 1.7 percent or 12.3 million tonne increase over its estimate for total production in 2011.

**Countries such as Australia, Cambodia, India, Pakistan and Viet Nam** should capture larger shares of the market as they offer more affordable rice prices. FAO revised its estimate of world paddy output in 2011 downward by 1.4 million tonnes to a total of 720 million tonnes (480.1 million tonnes of milled rice). Nonetheless, the new figures still represent a 2.5 percent, or 17.7 million tonne, increase over world output for 2010. (FAO).

**Chicago rough rice futures for July delivery were trading** 0.39 cents per cwt lower at \$14.51 per cwt in early session. Rice futures are coming under pressure from a slightly stronger dollar and concerns about the global economy while the grain complex is adding support to rice prices with July Wheat leading the way.

### IGC Balance Sheet: Updated on 24.05.2012

IGC estimate released on 24.05.12	2007-08	2008-09	2009-10	2010-11 est.	2011-12 forecast 26.04.12	2011-12 forecast 24.05.12
<b>Rice</b>						
Production	431	447	440	447	462	462
Trade	29	29	31	35	33	33
Consumption	427	435	437	447	459	458
Carry over St.	81	92	95	95	99	100
Year change	+3	+11	+4	-	-	+5
Major exporters	19	27	28	29	34	34

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



**IGC Balance Sheet High Lights:**

- World rice production in 2011/12 is forecast to expand by some 15m. tons, to an all-time high of 462m., underpinned by bigger outturns in Asia.
- Owing to larger availabilities, global use is also seen increasing to a record, of 458m. tons (447m.), while the world 2011/12 carryover will increase to a nineyear peak of 99.6m.
- World trade in 2012 is expected to decline by 6%, to 33.1m. tons, on smaller deliveries to Far East Asian markets.

**Rice FOB Prices – America and Asia (as on 25.05.2012)**

(USD/MT)

Grade/Variety	Thailand	Vietnam	India	Pakistan
100%B - 5%DWP	570-575	430-440	430-440	470-480
10%	555-560	510-515	-	-
15%	585	560	-	-
25%	520-525	380-390	380-390	410-420
Parboiled	600-610	-	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 .

**CBOT Rice: Front Month Future: Daily Chart(July Contract)**


**Price Projection (International-CBOT)-**

	<b>Trend</b>	<b>Price Range</b>
<b>Short Term (10-15 days)</b>	Range bound to negative	14.40-14.60
<b>June 2012</b>	Range bound Positive	14.20-15.00

**Landed Cost Estimates of Global Rice**

(as on 30/05/2012)

<b>Landed cost estimates of global Rice @ 0% import tariff (USD/MT)</b>							
<b>Cost Component</b>			<b>Thailand 100 %B #</b>	<b>Thailand 25% Broken #</b>	<b>Vietnam 5% Broken #</b>	<b>Vietnam 25% Broken #</b>	<b>US Gulf 15% Broken #</b>
<b>FOB Value</b>			605	515	525	380	535
<b>Freight</b>			25	25	25	25	55
<b>Export Tax</b>			0	0	0	0	0
<b>C &amp; F Value</b>			<b>630</b>	<b>540</b>	<b>550</b>	<b>405</b>	<b>590</b>
<b>Interest Charges for one month</b>	1%		6.3	5.4	5.5	4.05	5.9
<b>Risk premium (risk of rejection at Indian ports)- USD/MT</b>	10		10	10	10	10	10
<b>C&amp;F Value plus Risk premium and Interest Charges (USD/MT)</b>			<b>646.3</b>	<b>555.4</b>	<b>565.5</b>	<b>419.05</b>	<b>605.9</b>
<b>Landing Charges</b>	1%		6.46	5.55	5.66	4.19	6.06
<b>Landed Cost at Indian Ports (USD/MT)</b>			<b>652.76</b>	<b>560.95</b>	<b>571.16</b>	<b>423.24</b>	<b>611.96</b>
<b>Landed Cost at Indian Ports (INR/T)</b>		<b>56.38</b>	<b>36802.78</b>	<b>31626.59</b>	<b>32201.72</b>	<b>23862.30</b>	<b>34502.25</b>
<b>Port handling charges</b>			800	800	800	800	800
<b>Local transport</b>			105	105	105	105	105
<b>Warehousing charges (For one month)</b>			70	70	70	70	70
<b>Transit Insurance</b>			12	12	12	12	12
<b>Gunny bags</b>			500	500	500	500	500
<b>Transit loss (On landed Cost at</b>	0.050%		18.40	15.81	16.10	11.93	17.25

Indian ports (INR/T))							
Loading & Unloading			200	200	200	200	200
Market Price of Rice			38508.18	33329.40	33904.82	25561.23	36206.50
Profit Margin	2%		770.16	666.59	678.10	511.22	724.13
Total Cost (INR per tonne)			<b>39278.34</b>	<b>33995.99</b>	<b>34582.92</b>	<b>26072.46</b>	<b>36930.63</b>

#### News In Flash:

#### China Approves Rice Imports from Cambodia:

**China has approved rice imports from Cambodia after the countries sorted out objections from the Chinese side. In April this year,** Chinese authorities had rejected a small rice consignment of 48 tons sent by Cambodia for approval. Cambodian exporters had said that the rejection was due to Chinese paperwork and not because of quality problems. They also alleged that though Chinese companies have signed several agreements with Cambodian millers last year, the deals were political and not technical.

However, now some Cambodian sources say that the administrative bottleneck has been removed. Cambodia is looking to export rice to Asian countries after exports to the EU have slowed down due to escalating logistics costs. This week, Cambodia lost a chance to supply rice to the Philippines due to alleged delay in paperwork on the Cambodian side-Source:Bloomberg

#### Pakistan's Rice Output Surges 27.7% to Over 6 Million Tonnes:

**Pakistan's rice production is expected to reach 6.16 million tons this year, up about 27.7% than the 4.82 million tons rice output last year.**The Pakistan government has released the latest agriculture provisional figures for 2011-12 (July to March) in the new economic survey report. It says that despite last year's floods, rice production, acreage and yield have increased, earning profits for the agriculture sector. The report says that the agriculture sector grew 3.1% in 2011-12 compared to 2.4% last year and the set target of 3.4% for this year.

Pakistan's rice acreage has grown 8.7% in 2011-12 to 2.57 million hectares this year, compared to last year's 2.36 million hectares. Rice yield has increased 17.5% to almost 2.4 tons per hectare compared to last year's -14.6% last year at 2 tons per hectare, according to the Pakistan Bureau of Statistics.The report also revealed that agriculture continues to drive Pakistan's economy with the sector accounting for 21% of the gross domestic product (GDP), and rice contributes 1% of the GDP.

#### India, South East Asia to Have Deficit Rainfall in 2012

**Japanese weather scientists have warned again that rainfall this year would be below average in most parts of India and South East Asia,** and that a dry season awaits rice farmers in the region. After three years of good rainfall and bumper harvests, Indian rice farmers are worried this about their crop this year, as a prolonged dry spell has caused delay in commencing planting work in several places of India. India's meteorological department has said that monsoon will be normal this year, but so far indications haven't been encouraging. Rainfall between March and May in India this

year has been about 24% below average. The arrival of monsoon is expected to be delayed as well. Meanwhile, Japanese scientists monitoring the situation have maintained their February forecast that India will likely have a deficit monsoon this year. They also say that the whole of South East Asia will have below average rainfall this year.

During a negative Indian Ocean dipole, sea surface temperature remains warmer than normal in the eastern Indian Ocean off Sumatra-Java. This situation helps the oceanic rainfall band off Sumatra to remain active for most part of the monsoon season. When the oceanic rainfall band remains active, the situation does not favor water vapor transport to India and hence we expect a delay in monsoon onset (which is already happening), longer breaks and below normal monsoon rainfalls. Source Oryza

### **Indian Food Subsidy is Likely To Touch Record High:**

**India's Food Minister has said that expenditure on food subsidy is likely to reach a record high of INR 1 lakh crore (about \$17.65 billion) in 2011-12** due to higher procurement and storage costs of food grains, comprising mostly rice and wheat.

Government food grain stocks are expected to reach 74 million tons soon, about three times the buffer norms. The situation is worse with wheat. Last year, the government had purchased 28 million tons of wheat, while this year wheat procurement is expected to cross 35 million tons, according to local sources.

Rice stocks have swelled as well, climbing about 16% to 33.35 million tons in 2011-12 from 28.82 million tons in 2010-11, mainly due to higher production. The government is expected to buy about 35 million tons of rice this year.

Acute shortage of storage has forced the government to allocate food grains through its subsidized schemes, create new storage silos and lift food grains from various warehouses to make space for new arrivals. All these require huge funds and cause a loss to the exchequer as rice has to be subsidized for domestic sales.

#### **Disclaimer**

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