

Market Highlights

Cash rice market improved in second half after a dip under excess supply, lower exporter's demand in the first half of June. During first half of June INR touched its record low and export volume increased due to improved parity and margin. Higher demand for export, delayed monsoon and lower area coverage collectively underpinned rice market once again. However, we expect rice market to stay steady as availability is higher and the govt. also intends to enhance supply through PDS during lean season.

Rice has been sown in 3.96 million hectares, down 190,000 hectares from last year due to the delay in monsoon. However, planting status is likely to improve this month as rains are expected to be normal in July. We expect higher rainfall in the weeks ahead. However, in case of deficient rains, government is ready to tackle a possible drought and is monitoring the situation closely. Despite 33 percent lower rainfall than average, water in major reservoirs in the country is 103% of the normal storage.

The Directorate General of Foreign Trade (DGFT) has notified that basmati rice can be exported without any MEP. With the unique aroma and high quality of India's basmati rice is fetching an average price of \$950 a ton in the overseas market for the exporters. Earlier, India government had lowered the MEP of the premium rice from \$900 a ton to \$700 a ton to make the rice more competitive in the global market.

India is expected to produce around 7.5 million tons of basmati rice and has exported around 4.5 million tons. India is the major producer of basmati rice and accounts for almost 70% of the world produce and nearly two-third of the country's produce is exported. Major consumers of Indian basmati rice are Saudi Arabia, UAE, Iran, Kuwait.

Andhra Pradesh will pay Rs 220 per qtl more to paddy farmers over and above MSP (Rs 1280 per Qtl.) fixed by central govt. for paddy grade A for 2012-13. The state govt. will not provide any incentive over MSP for common grade. The farmers in Andhra Pradesh growing Sona Masuri and other high quality paddy rice this year will receive Rs 1,500, about Rs220 or 17% more than what farmers in other states will get.

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, farmers in central, west and north India may switch to other lucrative crops if the region does not receive rain before 15th of July.

Agriculture officials in J&K have initiated cultivation of organic basmati rice in 200 hectares of basmati land to increase returns to the farmers. There is a growing demand for basmati rice from Jammu, and organic rice will fetch them greater returns and make rice farming a sustainable vocation in the region. By introducing organic farming on commercial, scientific and organized lines the farmers can harvest rich dividends here and farming can become sustainable.

All-India progressive procurement of Rice for the marketing season 2011-12 as on 15.06.2012 was 337.93 lakh tonnes which is higher than the procurement of 299.46 lakh tonnes upto the corresponding period of last year. Higher export volume has eased pressure from procurement agencies in Tamil Nadu and A.P. The season is expected to end with 34 million T procurement against the set target of 35 million T.

As per latest IGC report rice production in 2012/13 is projected to rise further, to nearly 467m. tons from the all-time high of 462m. estimated for 2011/12. This is underpinned by a slight increase in the area planted to paddy and a marginal improvement in average yields. At 1%, the expected annual growth rate is significantly smaller than in the previous year and the five-year average, and underlines expectations for only modest increases in output in Asian countries.

Preliminary rice supply- demand estimate (Agriwatch) for 2012-13

Domestic Market Rice Supply and Demand Scenario:

<i>Value in MMT</i>		Excluding Non Basmati Exports	Total (Basmati + Non - Basmati)	Total (Basmati + Non - Basmati)
	2010-11	2011-12	2011-12	2012-13
Beginning Stocks	18.00	30.00	30.00	37.85
Production	95.00	102.00	103.40	98.5
Total Availability	113.00	132.00	133.40	136.35
Domestic consumption	48.00	51.00	51.00	52.30
Govt. Procurement	33.00	35.00	35.00	32.50
Exports	2.00	2.75	9.55	7.50
Total Usage	83.00	88.75	95.55	92.30
Ending Stocks	30.00	43.25	37.85	44.05
Av Monthly Consumption	4.00	4.25	4.25	4.36
Stock to Month Use	7.50	10.18	8.91	10.11
Stock to Consumption Ratio	0.63	0.85	0.74	0.84

BALANCE SHEET HIGHLIGHTS

- Beginning stock is likely to increase in the crop year 2012-13 from 30 million T to 37.85 million T due to record rice production (103.4 million T) despite lower estimate of kharif rice production.
- Due to bumper production ending stock of rice too will increase from 37.85 to 44.05 million T. Even total rice export may decrease from 9.55 million T to 7.5 million tonnes in 2012-13 due to higher availability worldwide.
- Domestic consumption is likely to increase from 51.00 to 52.30 million T. However total usage in 2012-13 is likely to come down from 95.55 to 92.30 million T due to lower export estimation.
- Due to higher availability Av. monthly consumption will increase from 4.25 to 4.36 million T. Even stock to month use ratio and stock to consumption ratio are likely to increase from 8.91 to 10.11 MMT and 0.74 to 0.84 respectively.
- Rice balance sheet shows ample availability of rice stock and export will continue even if production in ongoing kharif season decreases below 100 million T.

Rice Domestic Fundamentals/Current Developments:

Rice market is likely to trade steady in the month of July despite lower export demand, appreciating currency and cheaper availability in Vietnam and Pakistan. Delayed monsoon has affected rice planting and farmers may switch towards more lucrative crops as cotton, pulses, spices, castor and

coarse cereals if rains continues to play truant till 15th of July. However, production of Basmati, sona masuri and PR variety is likely to increase as farmers have fetched attractive prices for these varieties. There is a general view in the market that this year rice production will decrease below 100 million T. However, it is not going to impact domestic availability as stock is at higher side. New crop will hit market in Sep end and there is no fear of short supply. Govt . will continue to pump rice through PDS at subsidized rates and it will ensure stability in the market.

Rice export will continue from India and we expect over 9.5 million tones export in current season. As of now 54 lakh T non basmati and 25 lakh T basmati rice has been exported. Three months to go now for new season and we expect 1,5 million T more export in ongoing marketing season. However, strong INR and competitive Vietnami rice may pose greater challenge for Indian non basmati exporters. Even MEP for basmati has been removed and it will give basmati exporters more edge to compete with Pakistan and Thailand.

We expect domestic rice market to trade range bound at current level. Aromatic varieties demand may improve as better opportunity lies ahead with Chinese market for basmati. farmers too will grow more aromatic rice for better return. Over all situation for exporters are likely to remain favourable throughout the season.

Export Status and Likely Scenario:

Rice and wheat export under OGL: As on 30.06.12

Rice Export Under OGL			
Units are in lakh tons	Non Basmati	Basmati	Total
Sept.11	1.85	2.60	4.45
Oct-12	4.50	3.40	7.90
Nov-12	5.50	4.00	9.50
Dec-12	5.90	2.50	8.40
Jan-12	5.45	2.75	8.20
Feb-12	5.75	1.70	7.45
Mar-12	5.60	2.25	7.85
Apr-12	5.80	1.35	7.15
May-12	5.30	1.90	7.20
Jun-12	5.50	1.51	7.01
Total	51.15	23.96	75.11
Expectation up to Sept end, 2012	15.00	4.00	19.00

We expect rice export to cross 9.4 million tonnes at the end of Sep..Non-basmati rice export may touch 6.6 lakh tonnes while basmati export is expected to touch 2.8 million tonnes. At the end of August total rice export may touch 9 million T. Pace of basmati export may increase due to abolition of MEP. Even next crop is expected higher than last year and it will augment supply for the exporters. India can enhance its market share in the global market on back of bumper crop and govt.'s policy to encourage export.

State wise rice area coverage till date and planting target for 2012-13 kharif season:

State	Fig. in lakh ha.	Fig in lakh ha.	As on 30.06.12	As on 30.06.11	% ch over previous year till date
	Normal area(DES)	target area2012(SDA)	2012	2011	
Andhra pradesh	26.01	26.01	0.33	0.67	-103.03
Assam	20.62	21.8	3.88	4.22	-8.76
Bihar	31.92	34.75	0.12	0.07	41.67
Chattisgarh	37.17	35.6	1.74	3.69	-112.07
Gujrat	7.05	7.42	0.0004	0.009	-2150.00
Haryana	11.55	12	0	0	
Himachal pradesh	0.78	0.75	0.08	0.08	0.00
J&K	2.59	2.56	0.14	0.21	-50.00
Jharkhand	13.24	16.92	0	0	
Karnataka	10.96	10.74	0.4	0.72	-80.00
Kerala	1.88	2.34	0.53	0.64	-20.75
Madhya pradesh	15.9	15.2	0	0	
Maharashtra	14.92	15	0.75	0.93	-24.00
Odisha	40.82	40	3.22	4.56	-41.61
Punjab	27.2	27.5	14.12	17.09	-21.03
Rajasthan	1.3	1.3	0.001	0	100.00
Tamil nadu	17.2	17.47	0.6	1.1	-83.33
Uttar pradesh	56.87	59.47	0.54	1.83	-238.89
Uttrakhand	2.76	2.7	1.41	2.14	-51.77
West bengal	41.3	42.9	0.45	0.85	-88.89
Others	8.97	9.21	2.4	2.7	-12.50
Total	391.01	401.64	30.72	41.51	-35.12

Delayed monsoon has directly impacted the planting progress of rice in various states except some eastern states. There is a growing possibility that farmers in Punjab, Haryana, Gujarat and Chattisgarh will opt other lucrative crops if dry weather continues till 15th of July. There is also fear in the market that rice production this year will fall below 100 million T. However, progressive monsoon status is positive and the clear picture would emerge at the end of July. Govt. too is ready with contingency plan for the region that receives lower than expected rainfall in the weeks ahead.

Progressive Procurement of Rice as on 15.06.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 15.06.12)	MY 2010-11(As on 15.06.12)
Andhra Pradesh	96.1	71.31	76.97
Chhattisgarh	37.39	41.14	29.93
Haryana	16.87	19.81	16.59
Kerala	2.63	3.71	2.57
Maharashtra	3.08	1.58	2.05
Orissa	24.76	25.40	21.11
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.94	13.09
Uttar Pradesh	24.66	33.44	23.51
Uttaranchal	4.22	3.45	3.89
West Bengal	13.1	16.37	9.67
All-India	340.94	337.93	299.46

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.

MSP for Coarse cereal in 2011-12 and The CACP recommendation for 2012-13:

Crops	MSP 2011-12	Average mkt price in the week under review	MSP 2012-13	% rise
Paddy common	1,080	1,500-1,700	1,250	15.7
Paddy A Grade	1110	1900-2000	1280	16.0
Jowar	980	1,670	1,500	53
Bajra	980	1,175	1,175	20
Maize	980	1,090	1,175	20
Ragi	1,050	1,100	1,500	43

Availability of Wheat and Rice stock in central pool as on 1st June:-

Quantity in lakh tonne	IN STORAGE	IN TRANSIT	TOTAL
RICE	318.21	3.27	321.48
WHEAT	488.43	1.27	489.70
Wheat lying in mandies	11.99	0.00	11.99
TOTAL	818.63	4.54	823.17
COARSE GRAINS	0.94	0.00	0.94
SUGAR	0.20	0.08	0.28
GRAND TOTAL	819.77	4.62	824.39

State wise Wholesale Prices Monthly Analysis for Rice June, 2012:

State	Prices June, 2012	Prices May, 2012	Prices June, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	2037.59	2202.64	1920.73	-7.49	6.08
Assam	2284.66	2268.46	2799.18	0.71	-18.38
Gujarat	2169.94	2164.43	2020.83	0.25	7.38
Himachal Pradesh			1575	—	—
Jammu and Kashmir	4305.89	4878.22	5700	-11.73	-24.46
Jharkhand	2250.18	2165.05	2073.37	3.93	8.53
Karnataka	2411.01	2358.36	2027.87	2.23	18.89
Kerala	2467.68	2614.82	3624.6	-5.63	-31.92
Madhya Pradesh	1423.44	1696.87		-16.11	—
Maharashtra	4082.95	4220.49	4389.29	-3.26	-6.98
Manipur			2467.74	—	—
Meghalaya	2897.27	3061.43	2661.11	-5.36	8.87
Nagaland			2600	—	—
NCT of Delhi	1572.97	1647.03	1468.18	-4.5	7.14
Orissa	1951.61	1974.81	1943.63	-1.17	0.41
Rajasthan	2528.33	1521.74	3300	66.15	-23.38
Tripura	1792.98	1868.19	2052.35	-4.03	-12.64
Uttar Pradesh	1577.28	1516.25	1526.11	4.03	3.35
Uttarakhand	1301	1583.6	1305.67	-17.85	-0.36
West Bengal	1860.83	1868.84	1922.28	-0.43	-3.2
Average	2289.15	2330.07	2493.58		

Average Prices of rice have been decline continually on supply pressure and lower demand from overseas market during the month under review. However lower rainfall and lagged trans planting may support market in medium term, we expect fresh demand at lower level.

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	33.35	32.92	32.14	30.50					

Rice stocks in Central Pool as on 1st June, 2012 stood at 32.14 MMT which is higher by around three times from an actual requirement for buffer norm (11.8 MMT) as on 1st July 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 tones (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.

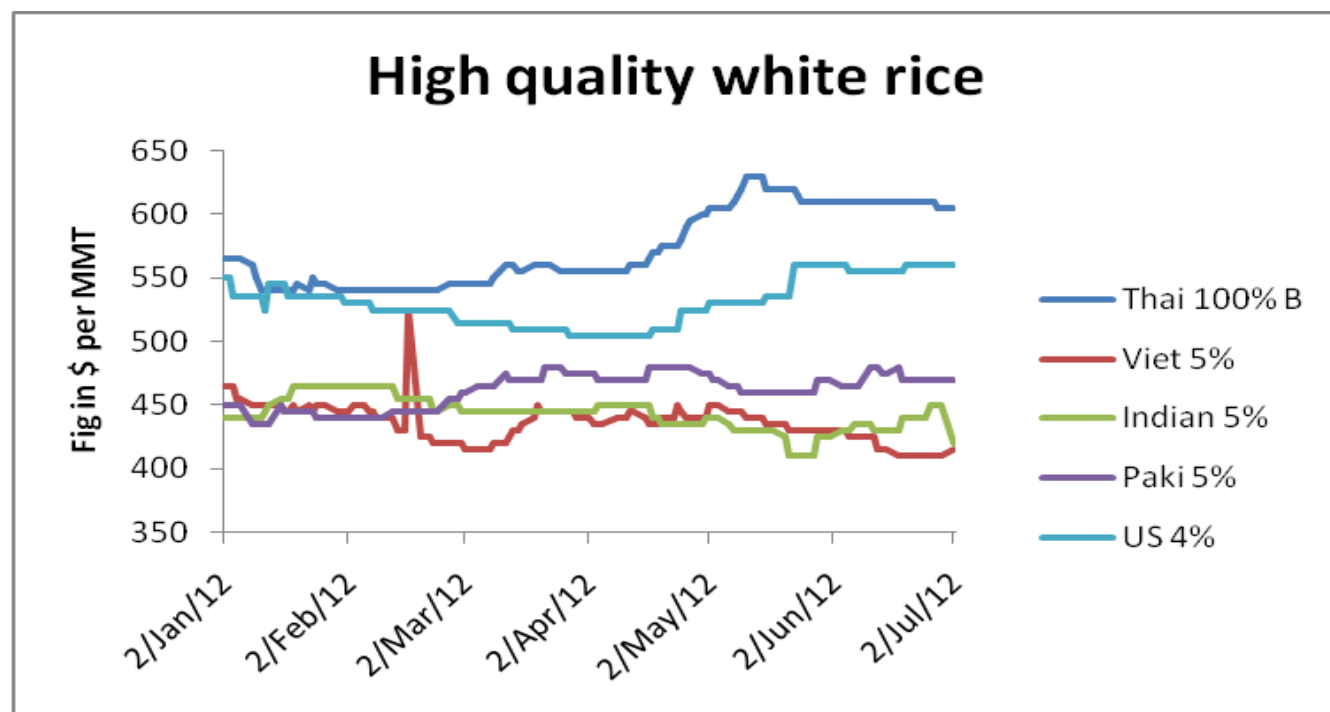
Buffer Norms And Strategic Reserve:

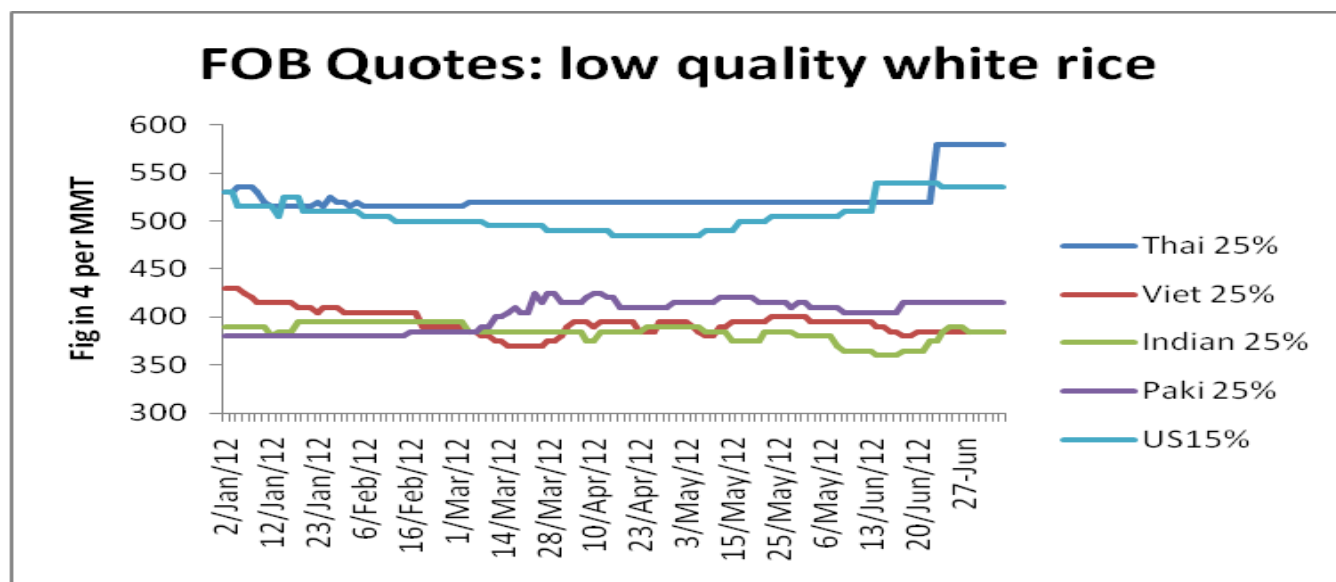
As on	Buffer Norms			Strategic Reserve		Grand Total
	Rice	Wheat	Total	Rice	Wheat	
1st April	122	40	162	20	30	212
1st July	98	171	269	20	30	319
1st October	52	110	162	20	30	212
1st January	118	82	200	20	30	250

Domestic Rice Price Trend and Outlook::

Duration	Trend	Average Price Range
Short Term(5 to 15 days	Steady to weak	2350-2375
July (June)	Steady (Positive)	2400-2450

Indicative FOB Trend of high quality rice:



Indicative FOB Quotes for low quality white rice:


Pressure on rice market continued on higher production estimate world over. India, Vietnam and Pakistan remain the main competitors in global rice market. Prices in Thailand and US are ruling high and export volume from these countries are likely to decrease in the months ahead. We expect rice prices to dip further as better crop prospects world over have been predicted by IGC. Ample stock and sluggish increase in demand will restrict gains even if weather remains unfavourable in major rice growing regions.

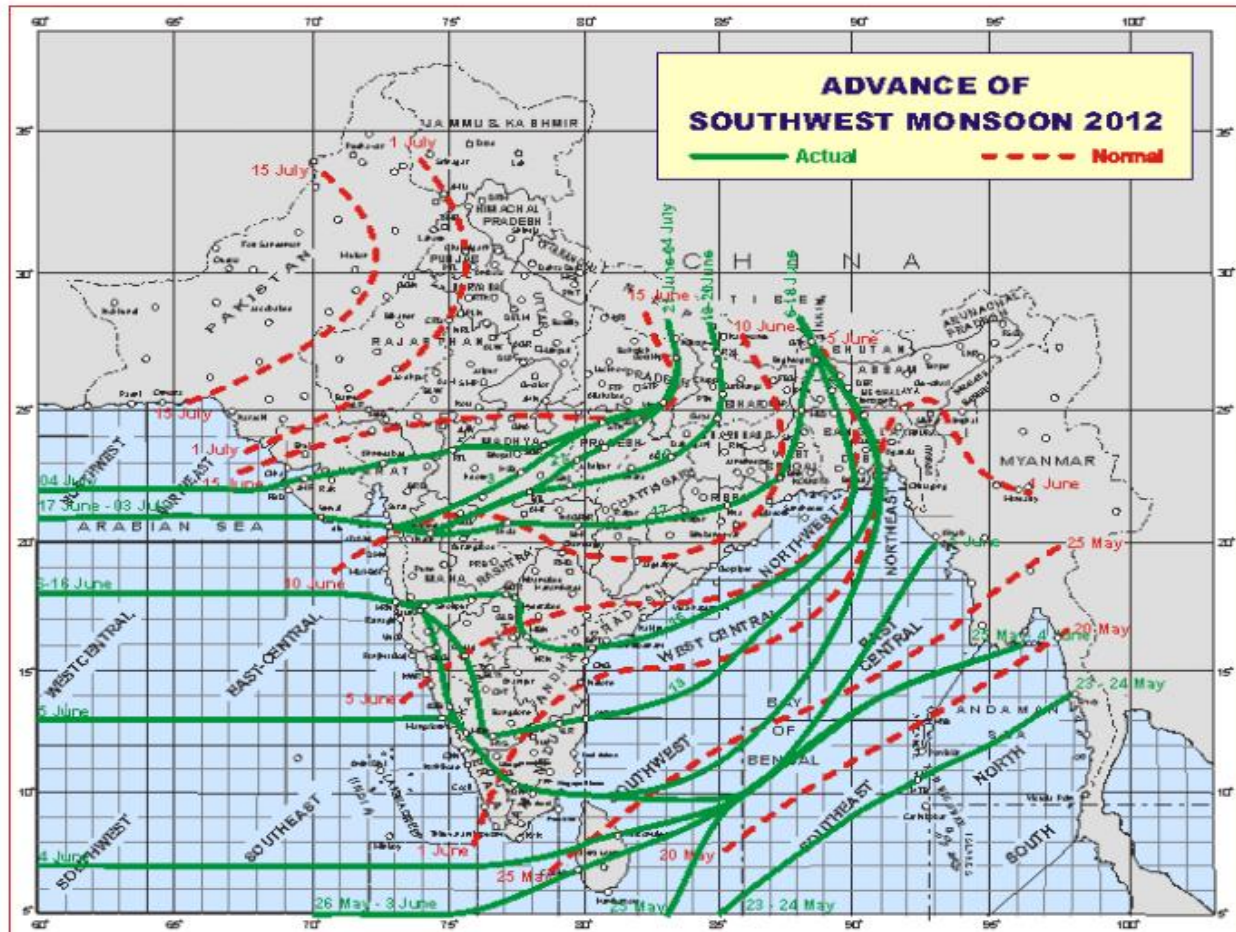
Weather Outlook in July: Main Observations:

As per latest update by IMD, India's crucial monsoon rains should pick up in July after a slow start over various parts of the country, which has threatened crops from rice to sugar, pulses to coarse cereals. Some 26 out of India's 36 weather zones received "deficient" or "scanty" rains in the past week from the monsoon which typically sweeps the subcontinent from June to September.

The monsoon rains are expected to pick up in the latter half of next week," Swati Basu, acting Director General of the India Meteorological Department (IMD), said. Basu forecast good rains in July which along with August are key months for planting and when India usually receives the maximum amount of rain. For the past week, monsoon rains were 18 percent below average while for June as a whole they have been 23 percent below average -- fanning fears about a repeat of a drought that devastated Indian farmers in 2009.

The rains have been abundant in India's northeast where raging floods have forced hundreds of thousands of people to flee homes but weak in the vital northwestern grain bowl and oil seed-growing central regions. Meteorological conditions indicate an increase in rainfall activity over east, central and also over northwest India in coming days. But still, authorities have told India's 29 states to draft plans to shift from thirsty crops such as rice and sugarcane to others such as beans and wheat which require less water if the monsoon does not become stronger by mid-July.

India this month said it would maintain its forecast for an average monsoon. But the meteorological department was spectacularly wrong in its forecast in 2009 when it predicted a normal monsoon and the country suffered its worst drought in 37 years.



World Market Recap

The Philippines' rice production target for 2013 received a boost with the Department of Agriculture (DA) estimation that the country's paddy rice output will grow to 7.95 million tons in the first six months of 2012, up about 5% from the 7.58 million tons in the same period last year. The first half of the year or the dry season contributes about 40% of the total annual rice output, which means that this year's paddy rice production is set to reach 19.8 million tons, comfortably higher than the official target of 19 million tons-Bloomberg

Thailand's Deputy Prime Minister and Finance Minister has revealed that Thai rice exports will surge in the second half of the year, as rivals India, Vietnam, Burma and Cambodia have shipped out their stock. The Deputy PM said that the time is ideal for Thailand to begin rice exports, and help boost rice prices. However, observers say that Thailand's rice exports will improve only if rice is subsidized for exports- PFA

The UN's Food and Agriculture Organization (FAO) has revised its forecast of rice output in 2012 by about 2.2 million tons to 490.5 million tons, mainly due to improved estimates in China, Argentina, Brazil and the U.S. The FAO says in its latest Food Outlook that global rice production is estimated to increase by 15.7 million tons this year, up about 2.2% compared to 2011. Rice acreage is expected to increase 1.8% to 165.4 million hectares, while average yields are expected to rise by 0.4% to 4.45 tons per hectare=FAO

Vietnam's rice exports are estimated to reach 6.2 million tons in 2012, according to the Ministry of Agriculture and Rural Development (MARD). The latest estimates are about 1.1 million ton lower than last year's record exports of 7.1 million tons, and about 300,000 tons less than the official export target of 6.5 million tons for this year.VFA

World rice production in 2011/12 is forecast to expand by some 15m. tonnes, 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. tonnes (447m.), while the world 2011/12 carryover will increase to a nine year peak of 99.6m. World trade in 2012 is expected to decline by 6%, to 33.1m. tonnes, on smaller deliveries to Far East Asian markets-IGC

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
Rice						
Production	431	447	440	447	462	462
Trade	29	29	31	36	33	34
Consumption	427	435	437	447	458	458
Carry over St.	81	92	95	96	100	100
Year change	+5	+11	+3	+1	-	+4
Major exporters	19	27	28	29	34	34

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

Balance sheet highlight:

- According to latest IGC update, rice production in 2012/13 is projected to rise further, to nearly 467m. tons from the all-time high of 462m.,estimated for 2011/12.
- This is underpinned by a slight increase in the area planted to paddy and a marginal improvement in average yields.

- At 1%, the expected annual growth rate is significantly smaller than in the previous year and the five-year average, and underlines expectations for only modest increases in output in Asian countries.

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

Price Projection (International-CBOT)-

	Trend	Price Range
Short Term (10-15 days)	Range bound to negative	14.40-14.80
July 2012	Range bound Positive	14.20-15.00

Landed Cost Estimates of Global Rice

(as on 04.07.12)

Landed cost estimates of global Rice @ 0% import tariff (USD/MT)							
Cost Component			Thailand 100 % B	Thailand 25% Broken #	Vietnam 5% Broken #	Vietnam 25% Broken #	US Gulf 4% Broken #
FOB Value			605	575	415	380	560
Freight			25	25	25	25	55

Export Tax			0	0	0	0	0
C & F Value			630	600	440	405	615
Interest Charges for one month	1%		6.3	6	4.4	4.05	6.15
Risk premium (risk of rejection at Indian ports)- USD/MT	10		10	10	10	10	10
C&F Value plus Risk premium and Interest Charges (USD/MT)			646.3	616	454.4	419.05	631.15
Landing Charges	1%		6.46	6.16	4.54	4.19	6.31
Landed Cost at Indian Ports (USD/MT)			652.76	622.16	458.94	423.24	637.46
Landed Cost at Indian Ports (INR/T)		55.02	35915.02	34231.24	25251.10	23286.69	35073.13
Port handling charges			800	800	800	800	800
Local transport			105	105	105	105	105
Warehousing charges (For one month)			70	70	70	70	70
Transit Insurance			12	12	12	12	12
Gunny bags			500	500	500	500	500
Transit loss (On landed Cost at Indian ports (INR/T))	0.050%		17.96	17.12	12.63	11.64	17.54
Loading & Unloading			200	200	200	200	200
Market Price of Rice			37619.98	35935.36	26950.72	24985.34	36777.67
Profit Margin	2%		752.40	718.71	539.01	499.71	735.55
Total Cost (INR per tonne)			38372.38	36654.07	27489.74	25485.04	37513.22

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