

**Latest market development:**

*Cash rice market continues to trade steady despite improved demand for export due to weak INR. Demand for non-basmati rice has been on the rise and we expect higher export in the weeks ahead. Higher export will not impact domestic rice price as supply is expected to overtake current demand. Higher stock in the govt.'s granary, better kharif production prospects are likely to restrict any unexpected gains.*

*We expect over 7 million T rice export this year including basmati rice. India has exported nearly 4.3 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.*

*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. This year we expect even higher production as rice production in the eastern states are continuously increasing on better yield and agri practices, given normal rainfall in kharif season.*

*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.*

*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.*

*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.*

*All-India progressive procurement of Rice for the marketing season 2011-12 as on 04.05.201 was 312.21 lakh tonnes which is higher than the procurement of 269.71 lakh tonnes upto the corresponding period of last year.*

*Monsoon rainfall in India and south Asia will be normal for a third year this season, potentially increasing plantings of rice, soybeans and sugar cane, boosting food supplies and exportable surplus. El Nino weather conditions, which can dry parts of Asia, may emerge only in the later part of the June-September monsoon season and most forecasts indicate neutral conditions and normal rains. Farmers in South Asia may plant more of rice, corn, sugar cane and cotton on normal showers, helping India sustain exports and ease global food prices that the United Nations estimates advanced for a third month in March.*

**Domestic Market Fundamental:**

Demand from Iran, China and Afghanistan for basmati rice is causing its price to climb steeply in Pakistan and India. Rice prices have increased significantly in the last few weeks in major basmati

rice producing countries like India and Pakistan. However, the recent weakness in INR has restricted further gains. Even non –basmati rice rules steady despite ample supply amid strong export demand.

India's rice acreage and output in north India might be affected if the government accepts a proposal to hike the minimum support price (MSP) by up to INR 1,000 per quintal (about \$190 per ton) for pulses and oilseeds, as against an INR 170 per quintal (around \$32 per ton) hike to about INR 1,250 per quintal (around \$235 per ton) for rice for this year's kharif (wet) season. However, likely production loss is expected to be compensated by the eastern states as rice production in these states has been on the rise.

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. Rice is expected to rule at current level even in the weeks ahead and India will remain the cheapest source of rice for the whole world.

#### **Record Production:**

The harvest in India may climb 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, said the Food Corp. of India. 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.

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

<b>Crops</b>	<b>MSP 2011-12</b>	<b>Average mkt price in the week under review</b>	<b>MSP 2012-13</b>	<b>% rise</b>
<b>Paddy</b>	1,080	1,500-1,700	1,250	15.7
<b>Jowar</b>	980	1,670	1,500	53
<b>Bajra</b>	980	1,175	1,175	20
<b>Maize</b>	980	1,090	1,175	20
<b>Ragi</b>	1,050	1,100	1,500	43

**Export status: Rice and wheat export under OGL: As on 10.05.12**

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	0.4	1.25
12-May	2.3	0.2	1
<b>Total</b>	<b>43.05</b>	<b>6.2 (Official)</b>	<b>21.3</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 04.05.2012 (lakh tonnes)**

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 04.05.12)	MY 2010-11(As on 04.05.12)
Andhra Pradesh	96.1	55.57	49.41
Chhattisgarh	37.39	41.13	35.20
Haryana	16.87	19.81	16.59
Kerala	2.63	3.30	2.10
Maharashtra	3.08	1.51	2.03
Orissa	24.76	21.15	18.34
Punjab	86.35	77.31	86.34
Tamil Nadu	15.83	15.48	12.24
Uttar Pradesh	24.66	32.76	23.23
Uttaranchal	4.22	3.32	3.57
West Bengal	13.1	13.56	8.35
<b>All-India</b>	<b>340.94</b>	<b>312.21</b>	<b>269.71</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 mandies and paddy procurement may get slower in the weeks ahead.

**State wise Wholesale Prices Weekly Analysis for Rice Second week May, 2012 Prices in Rs/Quintal:**

State	Prices 09-15 May 2012	Prices 01-08 May 2012	Prices 24-30 Apr 2012	Prices 09-15 May 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
A.P.	2160.58	2030.47	2167.42	1809.75	6.41	-0.32	19.39
Assam	2306.34	2289.97	2226.43	2473.38	0.71	3.59	-6.75
Gujarat	2172.66	2193.24	2205.69	2052.56	-0.94	-1.5	5.85
J&K	5900	5900	5900	5700	0	0	3.51
Jharkhand	2125.59	2152.32	2170.22	2139.6	-1.24	-2.06	-0.65
Karnataka	2331.64	2347.06	2340.66	2054.37	-0.66	-0.39	13.5
Kerala	2622.92	2611.39	2517.29	3594.99	0.44	4.2	-27.04
Maharashtra	4199.79	4191.84	4172.11	4360.7	0.19	0.66	-3.69
Meghalaya	3100	3100	3100	2800	0	0	10.71
Delhi		2180	1500	1400	—	—	—
Orissa	2143.7	2062.87	2000.48	1890.37	3.92	7.16	13.4
Rajasthan	1523.64	1520			0.24	—	—
Tripura		2076.67	2030	2007.81	—	—	—
Uttar Pradesh	1555.69	1533.56	1521.95	1504.39	1.44	2.22	3.41
Uttrakhand	1600	1558.61	1718.64	1676.58	2.66	-6.9	-4.57
West Bengal	1912.65	2005.7	1962.12	1953.61	-4.64	-2.52	-2.1
Average	2546.8	2484.61	2502.15	2494.63			

Prices of non-basmati and basmati are likely to stay stable in short and medium term due to higher supply and bumper production estimate. Prices of rice have decreased slightly in Gujarat, Jharkhand, Karnataka and West Bengal due to lower local demand. Even in other markets prices have increased at negligible level. The overall rice price trend is expected to stay steady at current level. However, weather, govt. policy and kharif prospect will remain driving force for domestic rice market direction.

**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
Rice	326.81	2.42	329.23
Wheat	299.67	2.37	<b>302.04</b>
Wheat lying in mandies	79.90	00	79.90
<b>Total</b>	<b>706.38</b>	<b>4.79</b>	<b>711.17</b>
Coarse cereals	0.94	00	0.94
Sugar	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 1st 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 1st April, 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 1st 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>

**Price Projection for the 3<sup>rd</sup> week of May in domestic market:**

Duration	Trend	Average Price Range
Short Term( 5 to 10 days)	Range bound/Steady	2525 to 2550
May ( 3 <sup>rd</sup> week of May)	Firm (Positive)	2525-2575

**International Market updates:**

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.

Last year's total was also revised slightly downward in the Rice Market Monitor. Asia, where rice is the staple food, will be chiefly responsible for the advances in production. Large absolute gains in output are forecast for Bangladesh, China, India, Myanmar, Pakistan, the Philippines and, especially, Thailand, which is recovering from last year's disastrous floods. The outlook is also positive in Indonesia, Malaysia and Sri Lanka, which have already harvested their main 2012 crops.

An increase in plantings by farmers will drive higher output, although more neutral climatic conditions associated with the end of La Nina will be required to support more bountiful harvests. Worldwide, farmers are expected to up areas under planting for paddy by 1.6 percent to a total of 165.1 million hectares. Beyond Asia, harvests should rebound in Africa (led by Mali, Senegal and Nigeria), but fall in the European Union, the United States, and in Latin America and the Caribbean.

Strong output in Asia, however, also means that the region that consumes the most rice will require fewer imports, and so FAO is forecasting that the global rice trade in 2012 will fall by 900 000 tonnes to 34.3 million tonnes, a decline of 2 percent over the record set in 2011. The decline takes into account an upward revision of 1.5 million tonnes over its initial prediction in January.

Imports are expected to rise, however, in China, Africa, the European Union, North America and Latin America. Robust production coupled with weaker demand has created downward pressure on international prices, especially after India lifted its ban on regular rice exports. With prices of competitors far lower, Thailand, is expected to see its sales falling sharply, even though the country is still forecast to retain its position as the leading rice exporter.

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)

**Rice FOB Prices (as on 13.05.2012)**

(USD/MT)

Grade/Variety	Thailand	Vietnam	India	Pakistan
<b>100%B - 5%DWP</b>	575-580	435-440	430-440	475-485
<b>10%</b>	550-560	510-515	-	-
<b>15%</b>	585	560	-	-
<b>25%</b>	515-525	380-390	375-385	415-420
<b>Parboiled</b>	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 .

### IGC projects higher rice output:

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. tons, on reduced Asian imports.

### IGC Balance Sheet: Updated on 26.04.2012

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
<b>Rice</b>						
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 output is forecast to rise by 3% in 2011/12, to a record 462m. tons, due to increases in Asia's key producers. Along with expanded world use, to 459m. tons (448m.), the world 2011/12 carryover will increase, with inventories in major exporters, notably in India and Thailand, moving



higher. World trade in 2012 is forecast to fall by 7%, to 32.8m. tons, on smaller deliveries to Far East Asia.

### CBOT Rough Rice Chart:



### Price Projection (International-CBOT)

	Trend	Price Range
Short Term (5-10 days)	Range bound to positive	15.20-15.40
Up to 3 <sup>rd</sup> week of May 2012	Range bound Positive	15.40-15.60

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