

Latest market development:

Rice cash market remained under pressure on subdued demand in the domestic and overseas front on bearish outlook in short and medium term during the week under review. The weak sentiment in the domestic rice market continued with prices of Pusa-1121 varieties falling further and all other aromatic and non basmati rice remaining range-bound.

The easy availability of stocks amidst sluggish domestic demand resulted in prices of Pusa-1121 rice dropping. Traders expect that rice prices may decrease further as domestic demand is not picking up. The market has been volatile over the last few weeks and the bulk buyers and retailers are not placing orders and are waiting for the market to stabilize.

Indian rice farmers would have to pay significantly high prices for urea for this year's kharif (main season) crop, if the Fertilizer Ministry's proposal to hike urea prices is accepted by the government. India is aiming to cut subsidies from the present 2.5% of GDP to below 2% in 2012-13 and 1.75% by 2015. The government will reduce fertilizer subsidies from about \$12.3 billion in 2011-12 to about \$11.1 billion in 2012-13, down about 9% or about \$1.1 billion. It is expected that the urea prices could rise by as much as 10% or 40%.

All-India progressive procurement of Rice for the marketing season 2011-12 as on 11.05.2012 was 316.82 lakh tonnes which is higher than the procurement of 273.32 lakh tonnes upto the corresponding period of last year. Arrivals in the mandis have come down due to lower than expected rabi crop this year.

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 1st 2012, the government had 302.04 lakh tonnes of wheat and 329.23 lakh tonnes of rice in its godowns. The overall stock figure may cross 80 million tonnes at the end of this month including coarse cereals.

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.

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.

The United Nations is expecting the world to harvest more rice in twenty twelve than was produced last year. The UN's Food and Agriculture Organization says the world rice harvest should rise almost two percent, mainly because of increased production in Asia. Large gains are expected for Bangladesh, Burma, China, India, Pakistan, the Philippines and Thailand.

Domestic Market Fundamental:

Rice cash market remained under pressure on subdued demand in the domestic and overseas front on bearish outlook in short and medium term during the week under review. The weak sentiment in the domestic rice market continued with prices of Pusa-1121 varieties falling further and all other aromatic and non basmati rice remaining range-bound. The easy availability of stocks amidst sluggish domestic demand resulted in prices of Pusa-1121 rice dropping. We expect that rice prices may decrease further as domestic demand is not picking up. The market has been volatile over the last few weeks and the bulk buyers and retailers are not placing orders and are waiting for the market to stabilize.

Higher availability of rice worldwide and bearish outlook in medium term has slowed down demand from overseas buyers and bulk buyers may wait for better bargain. However, basmati and non-basmati export from India is likely to continue due to weak INR and competitive domestic market price in comparison to overseas prices prevailing in markets like Thailand, Vietnam and Pakistan. We expect fresh demand from mid June , till then monsoon outlook would be more clear.

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. So overall impact of rice production will be negligible even in the ongoing kharif season.

Further, 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.

We expect rice price to dip a little bit in current week and market should stabilize at current level in short term. Export demand will not be able to support prices due to higher stock and ample availability. However ,weather may play a crucial role for future direction in the rice market.

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. Rice production in Punjab and Haryana may stand steady as farmers may prefer other lucrative cash crops for better realization. However, weather role in overall production will remain important as usual.as most farmers in India rely on monsoon rains.

MSP for Coarse cereal in2011-12 and The CACP recommendation for 2012-13:

Crops	MSP 2011-12	Average mkt price in the week under review	MSP 2012-13	% rise
Paddy	1,080	1,500-1,700	1,250	15.7
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

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
Total	43.05	6.2 (Official)	21.3
Expectation up to August end, 2012	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 11.05.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 11.05.12)	MY 2010-11(As on 11.05.12)
Andhra Pradesh	96.1	58.77	52.42
Chhattisgarh	37.39	41.13	35.20
Haryana	16.87	19.81	16.59

Kerala	2.63	3.35	2.21
Maharashtra	3.08	1.51	2.03
Orissa	24.76	21.17	18.34
Punjab	86.35	77.31	86.34
Tamil Nadu	15.83	15.64	12.31
Uttar Pradesh	24.66	32.85	23.23
Uttaranchal	4.22	3.36	3.63
West Bengal	13.1	13.68	8.44
All-India	340.94	316.82	273.32

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 Third week May, 2012 Prices in Rs/Quintal

State	Prices 16-21 May 2012	Prices 09-15 May 2012	Prices 01-08 May 2012	Prices 16-23 May 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
AP	1970.3	2163.83	2034.4	2006.53	-8.94	-3.15	-1.81
Assam	2361.53	2276.23	2289.97	2627.49	3.75	3.12	-10.12
Gujarat	2164.18	2160.91	2193.24	2048.14	0.15	-1.32	5.67
J& K	4425	4721.39	5900	5700	-6.28	-25	-22.37
Jharkhand	2334	2080.43	2133.68	2082.75	12.19	9.39	12.06
Karnataka	2344.42	2342.28	2347.06	2088.03	0.09	-0.11	12.28
Kerala	2654.43	2640.43	2609.32	3432.73	0.53	1.73	-22.67
MP		1742.03			—	—	—
Maharashtra	4137.53	4218.6	4186.18	4449.82	-1.92	-1.16	-7.02
Manipur				2460	—	—	—
Meghalaya	3100	3011.76	3100	2800	2.93	0	10.71
Nagaland				2350	—	—	—
Delhi		1600	2180	1400	—	—	—
Orissa	2247.35	2101.58	2105.89	1230.37	6.94	6.72	82.66
Rajasthan		1523.64	1520		—	—	—
Tripura			2076.67	2053.22	—	—	—
Uttar Pradesh	1549.8	1558.52	1532.03	1507.27	-0.56	1.16	2.82
Uttrakhand		1600	1558.61	1948.44	—	—	—
West Bengal	1887.74	1880.1	1950.16	1932.9	0.41	-3.2	-2.34
Average	2598.02	2351.36	2482.33	2477.51			

Average price of rice have been continuously on rise on weekly basis despite decline in states like U.P., Maharashtra, AP and Jharkhand. Rice prices are likely to decline slightly from current level as

demand from domestic and overseas market has declined and we expect downward correction at this stage. Exporters may wait for market to stabilize. They have fulfilled their immediate requirements and are now in bargaining position. Fresh export demand is expected from mid June. Basmati and aromatic rice export at current price is expected to continue with China increasing interest in Indian basmati.

Availability of Wheat and Rice stock in central pool as on 1st 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 1st May,2012

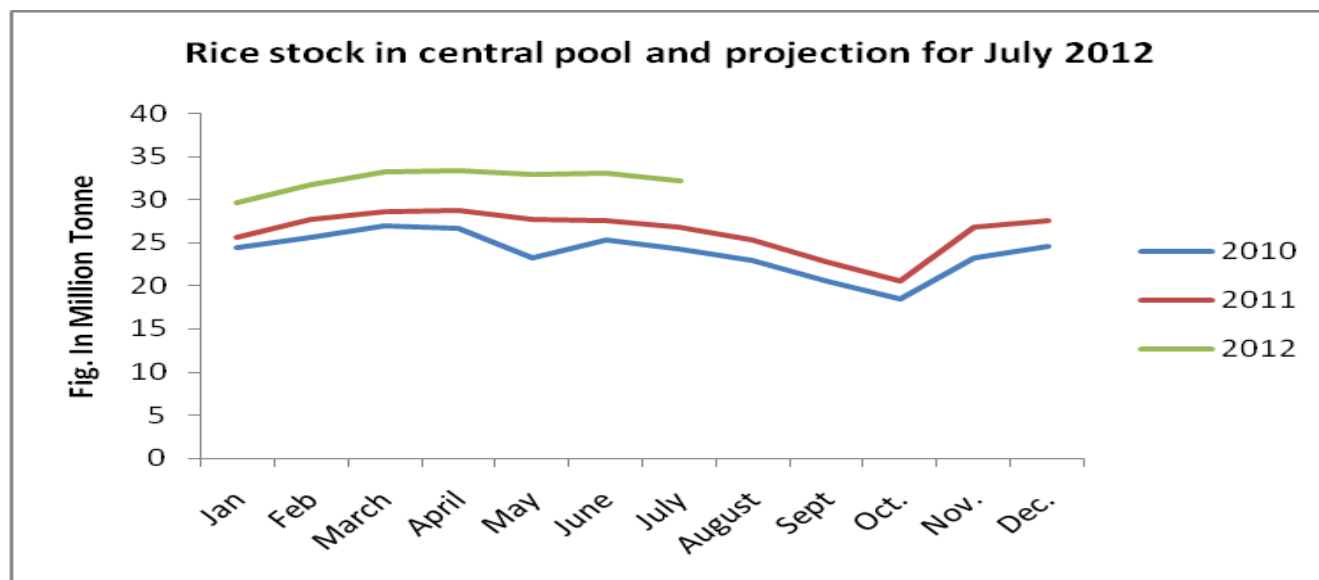
	In storage	In transit	Total
Rice	326.81	2.42	329.23
Wheat	299.67	2.37	302.04
Wheat lying in mandies	79.90	00	79.90
Total	706.38	4.79	711.17
Coarse cereals	0.94	00	0.94
Sugar	0.26	0.03	0.29
Grand Total	707.58	4.82	712.4

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	33.00						

Rice stocks in Central Pool as on 1st 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 July 1st 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 in the domestic market 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

Price Projection for the 4th week of May in domestic market:

Duration	Trend	Average Price Range
Short Term(5 days)	Range bound/Steady	2550-2600
May (4th week of May)	Weak (Negative)	2525-2575

International Market updates:

- This year, the Philippines has targeted 500,000 tons of rice imports, out of which private traders have been allotted 190,000 tons and farmer cooperatives allotted another 190,000 tons under the Private Sector Financed (PSF) mode. The remaining 120,000 tons of rice is

meant for government-to-government (G2G) imports by the state rice buying agency, the National Food Authority (NFA).

- **Cambodia's rice exports in 2012 may fall significantly** compared to last year, due to high fuel prices, soaring logistics costs and high prices. Cambodian rice shipments to Europe this month are at a \$200 markup per container over those from Thailand and Vietnam. They say that shipping costs to Europe has surged almost 50% in the last three months, while soaring fuel prices have pushed logistics costs higher, making Cambodian rice unattractive in the international market.
- **The Philippines is keen to grow and export basmati rice.** The controversy about basmati rice exports started last month when the Philippine Department of Agriculture (DA) confirmed it is looking to grow basmati rice for exports to the Middle East in 2013. The DA also announced field trials of three basmati rice varieties across the country - Basmati 370, 385 and CLS-1.
- **The United Nations is expecting the world to harvest more** rice in twenty twelve than was produced last year. The UN's Food and Agriculture Organization says the world rice harvest should rise almost two percent, mainly because of increased production in Asia. Large gains are expected for Bangladesh, Burma, China, India, Pakistan, the Philippines and Thailand.
- **Vietnam is trying to minimize low-quality rice varieties** such as the IR50404 to just 20% of the nation's production down from about 30% in the Mekong Delta - including one province where IR50404 was planted on over 50% of land. The nation is targeting 60-70% for high-quality rice varieties with the remaining 10-20% planted in fragrant rice
- **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.

Rice FOB Prices – America and Asia (as on 18.05.2012)

(USD/MT)

Grade/Variety	Thailand	Vietnam	India	Pakistan
100%B - 5%DWP	615	430-435	420-430	450-460
10%	555-560	--	-	-
15%	585	560	-	-
25%	515	385-395	355-365	395-405
Parboiled	610-620	-	390-400	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:

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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
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 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	15.40-15.60
Up to 4th week of May 2012	Range bound negative	15.20-15.40

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