

Latest market development:

Cash rice markets continued to trade flat on sluggish demand from exporters, retailers and whole sellers. Especially, non aromatic varieties remained under pressure during the week under review. However, basmati gets support from improved inquiry from overseas buyers. We expect rice market to trade steady on fear of deficit rainfall during kharif season. The progress of monsoon will remain the key price driving factors in the weeks ahead.

Govt targets 250 million tonnes farm production for 2012-13. Total food grains production in 2011-12 had crossed over 252 million tonnes. Last year, the government had set a production target of 245 million tonnes. But on the back of good monsoon, it exceeded the target by over 7 million tonnes with record production of wheat and rice. This year, the govt. targeted to produce 104 million tonnes of rice as against the expected actual production of 103.41 million tonnes in 2011-12.

A prolonged dry spell in most parts of India is hurting the sowing schedule for paddy, a major kharif crop, raising the country's anxiety about monsoon rains, as parched fields urgently need moisture to plant crops. The weather office has forecast normal rainfall in the June-September monsoon, but showers in the months before the rainy season are vital for soil moisture required to raise paddy nurseries and subsequently to sow the crop in fields.

The Ministry of Agriculture has sanctioned Rs 217 crore to Orissa under the second green revolution programme to bridge the yield gap in the production of paddy compared to the national average. Being the major crop of the State, productivity of rice is still less than in other states. The average productivity of rice in the State is about 1,900 kg per hectare as against the national average of 3,000 kg.

All-India progressive procurement of Rice for the marketing season 2011-12 as on 25.05.2012 was 326.13 lakh tonnes which is higher than the procurement of 284.33 lakh tonnes upto the corresponding period of last year.

Indian economists and food storage experts are urging the Indian government to open up futures trading in rice. They say that the increased use of wheat futures contracts and a lifting of the ban on rice futures contracts would allow the Food Corporation of India (FCI) to sell its ample wheat stocks – alleviating pressure on overflowing wheat and rice stocks, while covering or hedging its needs for the months ahead by purchasing futures contracts.

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 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.

The rice production is projected to exceed 100 million tonnes in 2012-13, while wheat production is pegged at 87.3 million tonnes. The production of coarse grains is projected to rise by 0.7 per cent to 42.3 million tonnes in 2012-13. However, a fall in acreage of pulses had taken a toll on production in 2011-12. Pulses production is estimated to have decreased by 3.7 per cent to 17.5 million tonnes, mainly due to fall in acreage of gram and other pulses-CMIE

Domestic Market Fundamentals:

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.

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 tones 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.

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
Total	46.05	7.0 (Official)	22.3
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.

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	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

Progressive Procurement of Rice as on 25.05.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 25.05.12)	MY 2010-11 (As on 25.05.12)
Andhra Pradesh	96.1	66.28	62.17
Chhattisgarh	37.39	41.13	35.33
Haryana	16.87	19.81	16.59
Kerala	2.63	3.46	2.40
Maharashtra	3.08	1.52	2.03
Orissa	24.76	21.43	18.38
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.84	12.52
Uttar Pradesh	24.66	33.01	23.41
Uttaranchal	4.22	3.36	3.68
West Bengal	13.1	14.61	8.71
All-India	340.94	326.13	284.13

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 Weekly Analysis for Rice First week June, 2012
Prices in Rs/Quintal:

State	Prices 01-08 Jun 2012	Prices 24-31 May 2012	Prices 16-23 May 2012	Prices 01-08 Jun 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
AP	2464.8	1962.84	2020.67	1993.68	25.55	21.95	23.61
Assam	2275.49	2240.98	2264.06	2794.63	1.54	0.5	-18.58
Gujarat	2425	2117.17	2158.16	2024.61	14.54	12.36	19.78
J K	4547.9	4758.45	4495.14	5700	-4.42	1.17	-20.21
Jharkhand	2308.26	2283.77	2190.48	2105.91	1.07	5.38	9.61
Karnataka	2480.77	2397.25	2334.07	2063.1	3.48	6.29	20.24
Kerala	2640.99	2468.02	2673.61	3593.74	7.01	-1.22	-26.51
Maharashtra	2900	4288.26	4194.24	4532.07	-32.37	-30.86	-36.01
Meghalaya	3100	3100	3036.84	2800	0	2.08	10.71
Delhi	1800	1600			—	—	—
Orissa	1635.19	1241.61	2109.21	1884.51	31.7	-22.47	-13.23
Uttar Pradesh	1612.12	1547.86	1545.21	1531.03	4.15	4.33	5.3
West Bengal	1826.43	1843.68	1854.81	1910.59	-0.94	-1.53	-4.4
Average	2462	2449.15	2573.23	2532.4			
As per the data reported by APMCs							

Prices of rice have decreased in Maharashtra, J&K and West Bengal. 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 remain weak in short term.

Price Projection for June 2nd week in domestic market:

Duration	Trend	Average Price Range
Short Term(5 days)	Steady to weak	2500-2550
June (2 nd week of June)	Steady (Negative)	2525-2550

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.

Stock in central pool As on 1st May, 2012:
Quantity in lakh tonne

	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

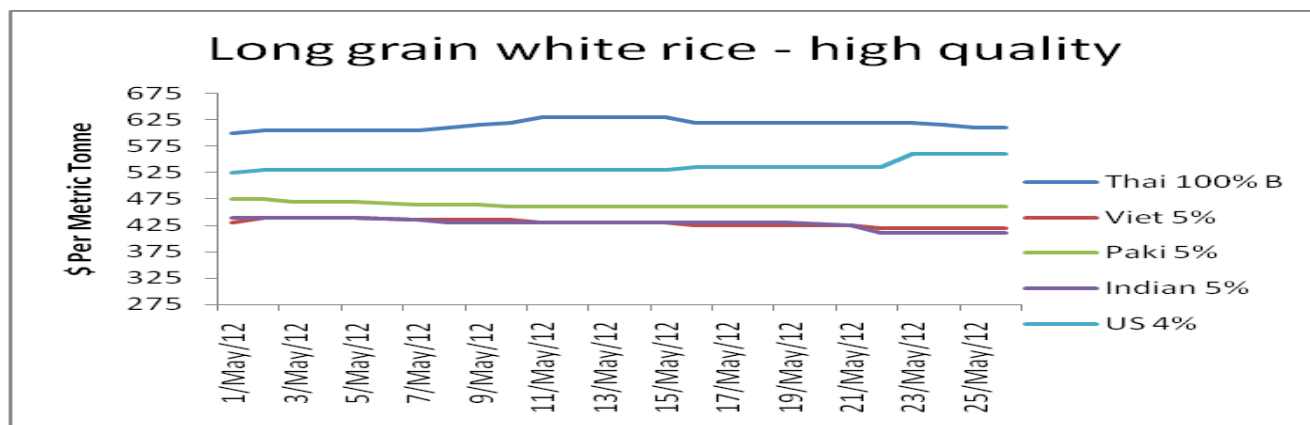
Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2010	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
2011	25.58	27.80	28.70	28.82	27.76	27.64	26.86	25.27	22.7	20.5	26.83	27.63
2012	29.71	31.8	33.17	33.35	32.92	33.00						

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 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 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.

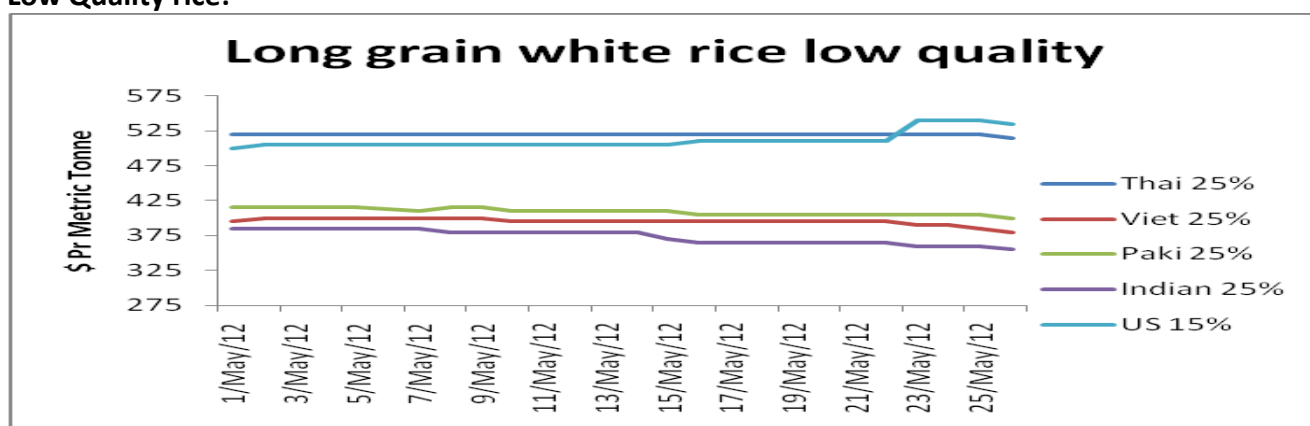
Buffer Norms And Strategic Reserve:

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

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 updates:

- **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
Rice						
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 nine year 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 02.06.2012) Fig: \$/MT

Grade/Variety	Thailand	Vietnam	India	Pakistan
100%B - 5%DWP	605-610	420-430	420-425	460-470
10%	555-560	510-515	-	-
15%	585	560	-	-
25%	510-515	375-385	350-360	405-415
Parboiled	600-610	-	375-385	475-485



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 Rough Rice Chart: July contract



CBOT rice closed lower and continued its southward journey on 4th consecutive days. We expect strong support at 14.40 and 14.20 and market may test 14.20 with higher production estimates world over. Ample supply will continue to weigh on market fundamentals. We expect weakness to continue even in the current week as the above given chart depicts. However, weather may play a crucial role in driving market in any direction in the months ahead.

Price Projection (International-CBOT)

	Trend	Price Range
Short Term (5-10 days)	Range bound to weak	14.20-14.40
1 st week of June, 2012	Steady negative	14.00-14.60

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