

Latest market development:

Rice cash market traded steady during the week under review despite lower demand from bulk users like exporters, whole sellers. We expect rice prices to rule at current level in the weeks ahead in spite of news of delayed monsoon. Higher stock in domestic market and in major exporting countries weighs on market fundamentals. Rice trend in short term is likely to be guided by monsoon rains. However, there is a growing fear in the market that rice area may dip this year in kharif season.

All-India progressive procurement of Rice for the marketing season 2011-12 as on 01.06.2012 was 328.31 lakh tonnes which is higher than the procurement of 285.94 lakh tonnes upto the corresponding period of last year. Foodgrains production has touched an all time high of 252.56 million tonne during 2011-12 as against 244.78 million tonnes in the previous year. It is higher by 7.78 million tonnes as compared to earlier record foodgrains production of 244.78 million tonnes achieved during 2010-11. Total production of rice estimated at 103.41 million tonne and wheat at 90.23 million tonne are new records

High production costs, plunging water levels and lower returns are some of the reasons causing some Indian rice farmers in several parts of the country to reduce rice plantation this year. In India's fertile River Yamuna belt in the northern state of Haryana, farmers say that the crops like cotton and sugarcane require less inputs and yield better returns than rice. It may reduce rice area if this state receives lower rainfall.

Malaysia has started exploring the options of wheat and rice imports from India against export of palm oil under a barter deal. Malaysia imports 30 per cent of its annual rice consumption of 2.5 million tonnes from various countries. India's contribution to Malaysia's total wheat and rice supplies remains negligible, despite a glut in stocks of the two major staple foodgrains in India. If this barter deal, as proposed by the Malaysian minister comes through, it would certainly take care of India's storage problems.

The Agriculture Ministry objected to a proposal by the Food Ministry to hike the MSP of paddy from the current INR 1,080 per quintal to INR 1,250 per quintal as per the recommendations by the Commission for Agriculture Costs and Prices (CACP). , there is a growing clamor against the proposed increase of the MSP of paddy for the crop year 2012-13. Analysts say that the case to raise MSP of paddy is weak as the central pool is overflowing with rice, while India's imports of pulses and oilseeds have risen significantly in the recent years.

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 inventory figures moved up due to a higher rice production. Higher rice output was not only a boon for the country, but, it also helped push up world rice output as well. According to the food and agriculture organisation (FAO), an arm of United Nations, statistics, world output of the key staple rose by 2.6 per cent to all-time high of 480.1 million tonnes (mt), helped mostly by record rice production in India. Global rice production had stood at 468.1 mt at the end of 2010.

Domestic Market Fundamentals:

Cash rice markets continued to trade steady despite higher stock in domestic market, lower demand from bulk buyers and delayed monsoon rains. However, overall sentiments in rice markets remain weak. Higher stock in global market and better production prospect are likely to restrict any unexpected gains in short and medium term. India is likely to remain the cheapest source of rice and continue to pose a challenge to Vietnamese exporters.

Helped by higher stock amid govt.'s intention to augment supply through PDS and various welfare schemes rice market is likely to trade at current level with weak bias likely to continue in near and medium term. 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. Basmati area is likely to increase as growers have received attractive prices.

India's total food grains stocks increased to about 82.41 million tons, up about 16% m/m from 71.21 million tons on May 1, 2012, and up about 26% y/y from 65.6 million tons as of June 1, 2011. Wheat accounts for a bulk of the stocks at about 50.16 million tons, compared to last month's stocks of about 38.2 million tons. Rice stocks fell about 2% to 32.14 million tons from May stocks of about 33 million tons. Higher stock in central pool and in domestic market will ensure price stability and continuation of non-basmati export.

However, fear of lower rainfall in June and July if materialized may curtail the production target of 1040 lakh tones in 2012-13 kharif season.

Record Production prospect in 2012-13:

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.

CIC Has Asked to Reveal Details of 2007 Rice Export Scam :

The Central Information Commission (CIC) has asked India's Commerce Ministry to reveal the action taken against the companies and individuals involved in the INR 2500 crore (about \$450 million) rice export scam that took place in 2007. The CIC rejected the government's explanation that revealing details may hinder the probe on the scam, and directed the chief public information officer and the Ministry of Commerce and Industry to disclose the details of the probe.

India's Commerce Ministry had allowed a few private traders to export non basmati rice to some African countries in 2007 after India had placed a ban on exports of non basmati rice to bring down domestic prices. However, a subsequent enquiry had found out that due processes were not followed for the exports, which allegedly brought huge profits to private companies instead of government agencies.

El Niño Could Hit Later This Year:

The U.S. Climate Prediction Center (CPC) has warned that there is a 50% chance that El Niño weather phenomenon may disrupt normal weather later this year. The news is particularly worrying for rice stakeholders in Southeast Asia and Australia where the weather pattern can cause droughts and in South America where it can result in devastating floods. However, the CPC says that the El Niño effect would be neutral between June and August, crucial months for rice cultivation in several parts in India and Southeast Asia.

India Food Grain Stocks Rocket to over 82 Million Tons

India's food grain stocks crossed the 75 million mark by a distance in June, reaching an unprecedented 82.41 million tons, mostly due to a 31% rise in new crop wheat stocks from May following harvest. According to official data, as of June 1, 2012, India's total food grains stocks increased to about 82.41 million tons, up about 16% m/m from 71.21 million tons on May 1, 2012, and up about 26% y/y from 65.6 million tons as of June 1, 2011. Wheat accounts for a bulk of the stocks at about 50.16 million tons, compared to last month's stocks of about 38.2 million tons. Rice stocks fell about 2% to 32.14 million tons from May stocks of about 33 million tons. India is already facing a severe shortage of space for food grains, and a record procurement is likely to make matters worse. Locals say some of the concern is the slow use drawdown.

Export Status and Likely Scenario:

Rice and wheat export under OGL: As on 06.06.12

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	5.8	0.6	1.25
12-May	5.3	0.6	1.7
12-June	1.3	0.4	0.5
Total	46.08	7.4 (Official)	22.3
Expectation up to August end, 2012	20 lakh T	5 lakh T	4 lakh t

We expect rice export to touch 8.5 million tonnes at the end of this season ending August. Non-basmati rice export may touch 60 lakh tonnes while basmati export is expected to touch 2.5 million tonnes. However, wheat export will rely 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 01.06.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 01.06.12)	MY 2010-11(As on 01.06.12)
Andhra Pradesh	96.1	68.11	67.47
Chhattisgarh	37.39	41.14	29.49
Haryana	16.87	19.81	16.59
Kerala	2.63	3.49	2.46
Maharashtra	3.08	1.52	2.03
Orissa	24.76	21.44	18.58
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.88	12.78
Uttar Pradesh	24.66	33.11	23.43
Uttaranchal	4.22	3.38	3.81
West Bengal	13.1	14.70	9.61
All-India	340.94	328.31	285.94

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 Second week June, 2012

Prices in Rs/Quintal

State	Prices 09-15 Jun 2012	Prices 01-08 Jun 2012	Prices 24-31 May 2012	Prices 09-15 Jun 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
A.P	2331.82	2452.75	2254.81	2019.79	-4.93	3.42	15.45
Assam	2325.34	2172.94	2240.98	2760.19	7.01	3.76	-15.75
Gujarat	2135.1	2141.22	2117.17	1975.15	-0.29	0.85	8.1
J& K		3764.85	4758.45	5700	—	—	—



Jharkhand	2240.46	2226.18	2196.01	2068.5	0.64	2.02	8.31
Karnataka	2425.32	2447.27	2397.25	2063.85	-0.9	1.17	17.51
Kerala	2313.62	2376.57	2468.02	3712.02	-2.65	-6.26	-37.67
Madhya Pradesh		1425.23	1425		—	—	—
Maharashtra	2736.44	4126.46	4294.55	4470.9	-33.69	-36.28	-38.79
Meghalaya	3100	3048.78	3100	2800	1.68	0	10.71
NCT of Delhi	1600		1600		—	0	—
Orissa	1920.05	2061.16	1273.39	2022.05	-6.85	50.78	-5.04
Tripura				2061.43	—	—	—
Uttar Pradesh	1609.08	1635.09	1547.25	1527.47	-1.59	4	5.34
Uttrakhand			1600	1955.02	—	—	—
West Bengal	1807.86	1834.16	1845.7	1925.13	-1.43	-2.05	-6.09
Average	2212.09	2439.44	2341.24	2647.25			

As per the data reported by APMCs

Prices of rice have decreased during the week under review due to lower demand and higher supply. Even average prices too have decreased and pressure is likely to continue on cash rice markets. 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 3rd week in domestic market:

Duration	Trend	Average Price Range
Short Term(5 days)	Steady to weak	2350-2450
June (2 nd week of June)	Steady (Negative)	2300-2400

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

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

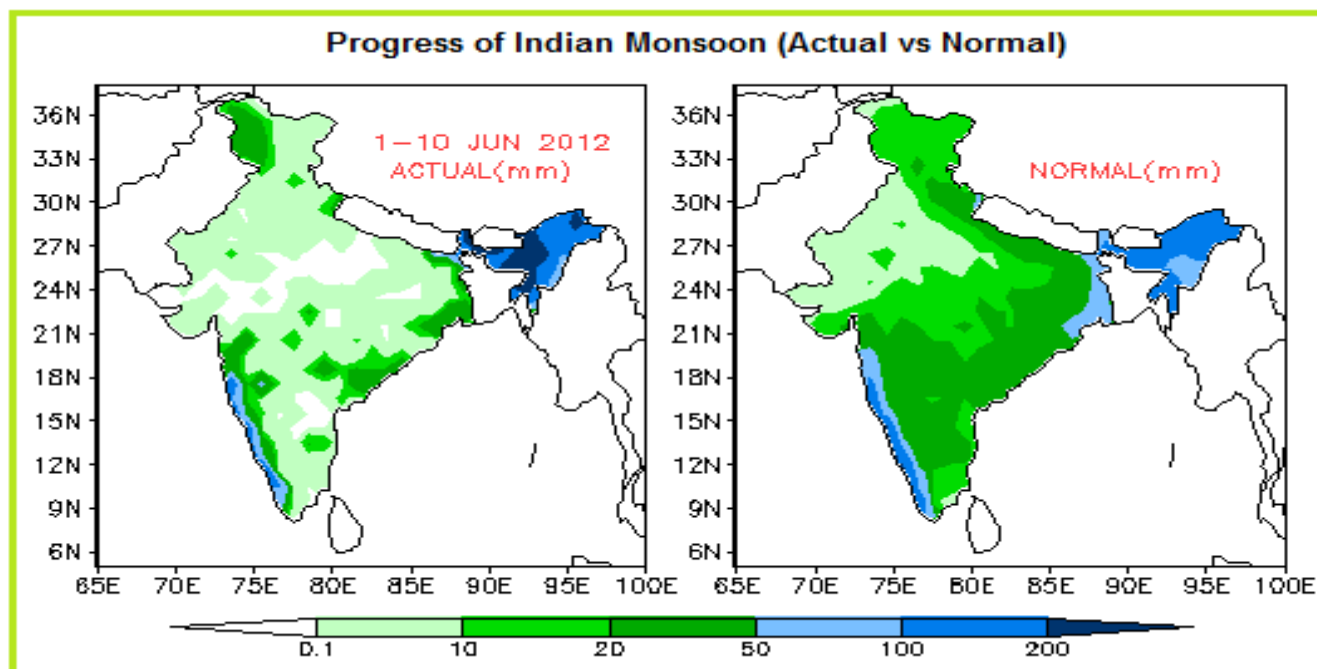
Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2010	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
2011	25.58	27.80	28.70	28.82	27.76	27.64	26.86	25.27	22.7	20.5	26.83	27.63
2012	29.71	31.8	33.17	33.35	32.92	32.14	30.50					

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:

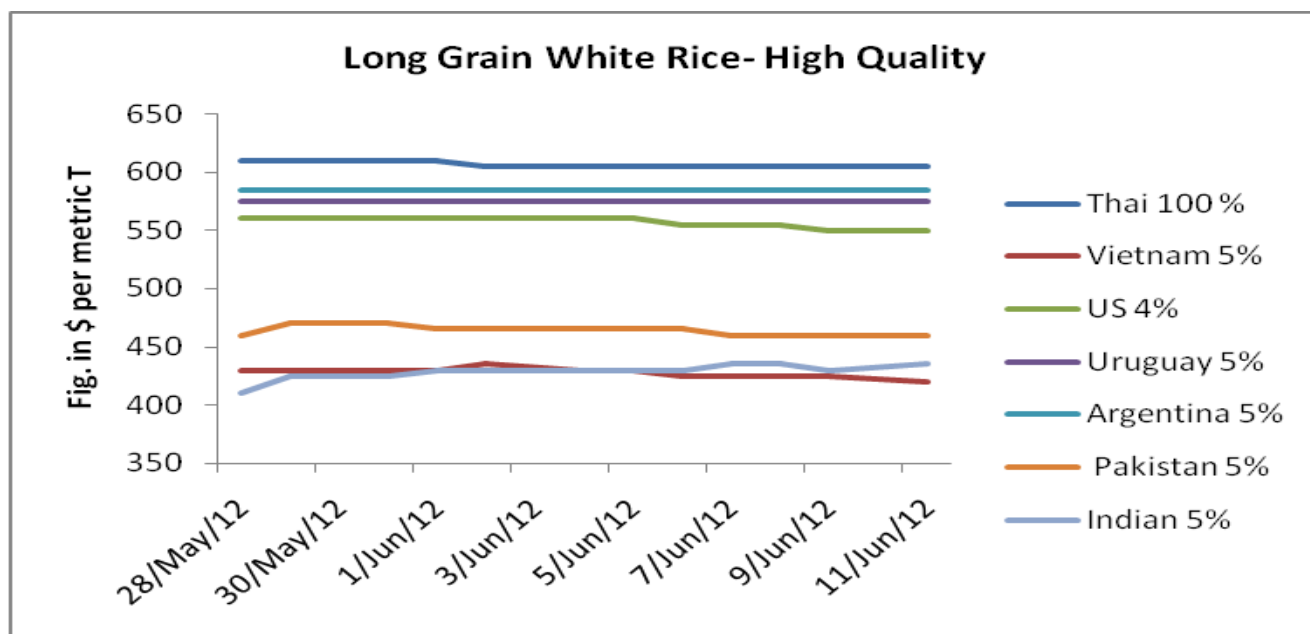
As on	Buffer Norms			Strategic Reserve		Grand Total
	Rice	Wheat	Total	Rice	Wheat	
1st April	122	40	162	20	30	212
1st July	98	171	269	20	30	319
1st October	52	110	162	20	30	212
1st January	118	82	200	20	30	250

Progressive Weather Update:

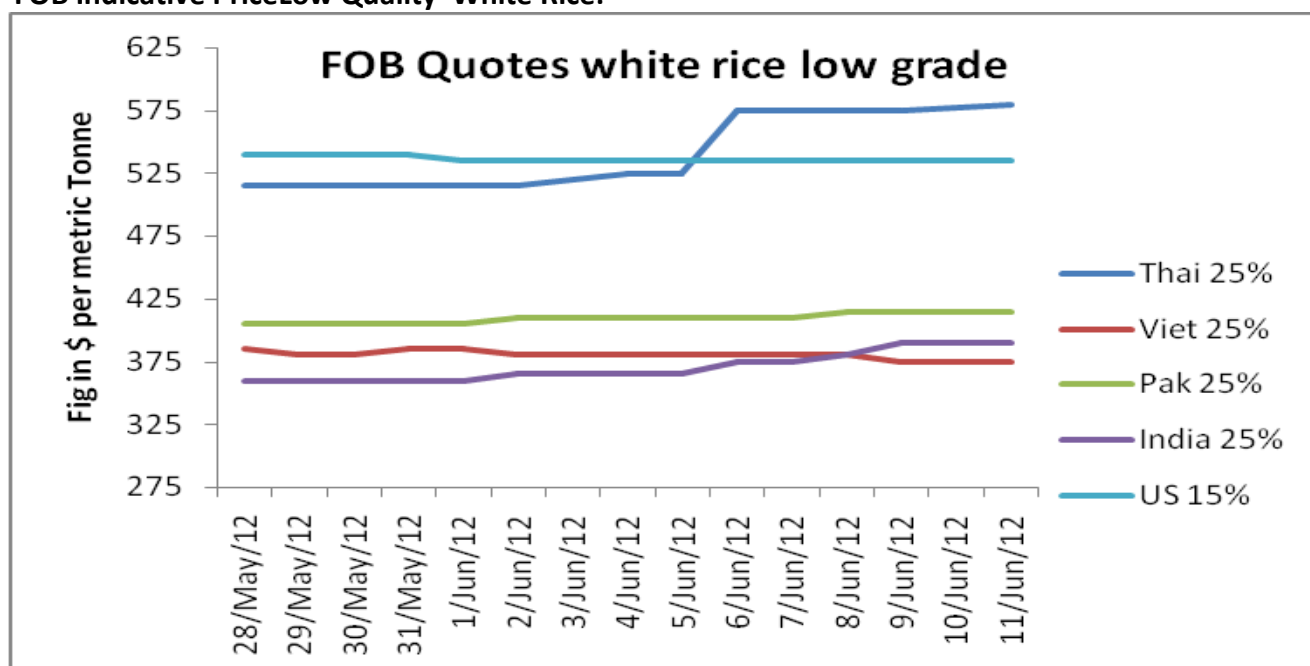


Monsoon progress in India has not been up to the mark and delay in kharif planting is looming large at this crucial time of kharif sowing. It is not a good sign for kharif rice planting. Above given map shows the rainfall status in India so far. The rainfall map stating progress of Indian monsoon (actual rainfall vs normal) as we were discussing possible short fall of rain during June. Sluggish progress shows that there are fair possibility of rain deficit during June and early July which might lead to delay planting of rice. It may affect the other kharif crop plantings.

Indicative FOB Quotes for high quality white rice:



FOB Indicative Price Low Quality White 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:

World rice quotes were mostly unchanged in recent weeks. Thai rice remains the most expensive origin at about \$595 per ton for Thai 5% rice, about a 42 % - or \$175 per ton - premium over Viet 5% rice quoted around \$420 per ton-CME

Just below Thai rice, South American 5% rice is shown around \$580 per ton, about a \$30 per ton premium over U.S. 4% rice indicated about \$550 per ton. Quoted about \$90 per ton cheaper than U.S. rice is Pakistani 5% rice at about \$460 per ton, then Indian 5% at around \$430 per ton, and last, Viet 5% at roughly \$420 per ton-CME

The Philippines' rice buying agency has allotted the 100,000 tons rice supply order to Vietnam at a price of \$400 per ton. Earlier this week, it was revealed that the agency had agreed to import 20,000 tons of rice from Vietnam at \$470 per ton. This means that the Philippines will be paying Vietnam a total of \$49.4 million for the 120,000 tons rice imports under the government-to-government deal-Reuters

The U.S. Climate Prediction Center (CPC) has warned that there is a 50% chance that El Niño weather phenomenon may disrupt normal weather later this year. The news is particularly worrying for rice stakeholders in Southeast Asia and Australia where the weather pattern can cause droughts and in South America where it can result in devastating floods-Bloomberg

Helped by record rice production in India, world output of the key staple rose by 2.6 per cent to all-time high of 480.1 million tonnes (MT) in 2011. Global rice production stood at 468.1 MT in 2010. With the rice season virtually completed, the latest estimate of 2011 world rice production has been lowered slightly to 480.1 MT, still pointing to a 2.6 per cent or 12 MT, increase from 2010 and to an all time high.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	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.

CBOT Rough Rice Chart: July contract



CBOT rice closed lower and continued its southward journey on 4th consecutive days. We expect strong support at 13.80 and 14.00 and market may test 13.80 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	14.00-14.20
3rd week of June, 2012	Steady negative	13.80-1400

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