

Latest market development:

Cash rice market is expected to trade steady to slightly firm on expectation of higher demand for PR varieties. Prices of non-basmati grade rice improved slightly on improved demand from bulk users during the week under review. Traders/exporters expect that domestic demand may increase in upcoming days. Uptrend in PR is likely as trade enquires for PR varieties remain intact. Despite delay monsoon advancement has eased pressure to some extent and may restrict one sided uptrend in the weeks ahead.

All-India progressive procurement of Rice for the marketing season 2011-12 as on 08.06.2012 was 334.43 lakh tonnes which is higher than the procurement of 292.25 lakh tonnes upto the corresponding period of last year. We expect procurement to touch the set target of 35 million tones at the end of procurement season (Sep) 2011-12 .Total production of rice was estimated at 103.41 million tonne in 2011-12 and target for current kharif season(2012-13) has been set at 104.0 million T.

The MSP for common grade variety of paddy has been increased to Rs1,250 per quintal from Rs1,080 in the previous year. Similarly, the support price for 'A' grade variety of paddy has been raised to Rs 1,280 per quintal from Rs 1,110. The increase in the support price of paddy is in line with the recommendations made by the Commission for Agriculture Costs and Prices, which recommends the government on farm pricing policy.

Assuming favourable monsoon (10 percent minus from long term normal), milled rice production from the 2012-13 kharif crop with higher MSP will easily cross 88 million tonnes. rice production has been on the rise during last 5-6 years despite lower than average rainfall. Rice production in eastern India is set to rise as we expect normal rainfall in these regions backed by higher MSP.

The delay in monsoon of a week has been sufficient enough to worry agriculture officials in the Indian states of Karnataka and Maharashtra, but the central agriculture minister says that he will indicate whether he is worried or not only at the end of this month. Following reports that the country would have only two months of normal rainfall this year, officials in the state of Karnataka have initiated plans to ask rice farmers to grow short-term crops or other alternative crops that require less water.

India's Food Minister has said that the record rice stockpile of over 32 million tons in the central pool is safe from rains and pests. Rice and wheat stocks together have reached an unprecedented 82.4 million tons, as of June 1, much higher than the 63 million tons storage capacity. The minister said that the government is taking steps to store food grains safely.

Though FCI's 2011-12 economic cost is Rs 24,000 per tonne or \$430, 25 per cent white rice in Kakinada is available at Rs 18,500 per tonne or \$330 per tonne and is being shipped at \$365-370 FOB per T. Vietnam and Pakistan quotes are \$380/390 FOB per T. Thais are not able to trade their rice at \$510/520 FOB. The same price band of domestic and international pricing is likely to continue with higher stock in India in short and medium term.

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.

Domestic Market Fundamentals:

Cash rice market is expected to rule steady to slightly firm in the weeks ahead. Exporters and bulk users are hoping higher demand for PR varieties. Even aromatic varieties remained maintained its previous level. However, the fear over lower rainfall and slow advancement of monsoon eased this week with good news of better pace of monsoon. We expect 88 million T kharif rice production in normal condition with increasing contribution from the eastern states on the back of increased MSP.

With higher MSP (Rs 1080 to Rs 1250 per qt. for common grade and Rs 1110 to Rs 1280 for A grade paddy) production of rice is set to increase. Even the fear of higher price in domestic market in next season is not gaining support at this point of time, especially in south-eastern India, from where most of the 25 per cent broken rice is sourced and exported. Ample stock, normal production and higher supply through PDS will continue to cap the market sentiments. Though FCI's 2011-12 economic cost is Rs 24,000 per tonne or \$430, 25 per cent white rice in Kakinada is available at Rs 18,500 per tonne or \$330 per tonne and shipped at \$365 FoB. Vietnam and Pakistan quotes are \$380/390 FoB. Thais are not able to trade their rice at \$510/520 FoB. The same price band of domestic and international pricing is likely to continue.

Why would exportable varieties from the south and east be cheaper?

It is because Punjab/Haryana's farmers will be tempted to sell most of their parmal (PR) variety produce to FCI and State agencies, due to the 16 per cent increase in MSP. Official procurement from Andhra Pradesh, Chhattisgarh, West Bengal and Bihar will be lax and poor due to more than adequate stocking in the North, though these States will clamour for a greater share in the central pool. Logistically, it might be difficult to accede to their pressure. Therefore, surplus availability of this cereal in India's south-eastern region will drive further market prices below MSP.

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, monsoon will remain the crucial price driving factor in domestic market. We need to have a close look over it in the months ahead.

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 on back of higher MSP and higher rains in the eastern states as usual. If rice production decreases in north India due to rough weather, it is likely to be compensated by the eastern states given the rising production trend from last three years.

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 014.06.12

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	3.3	0.4	0.5
Total	48.08	7.4 (Official)	22.3
Expectation up to August end, 2012	18 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 shipped out 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 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

Progressive Procurement of Rice as on 08.06.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 08.06.12)	MY 2010-11 (As on 08.06.12)
Andhra Pradesh	96.1	69.88	72.79
Chhattisgarh	37.39	41.14	29.71
Haryana	16.87	19.81	16.59
Kerala	2.63	3.61	2.59
Maharashtra	3.08	1.52	2.05
Orissa	24.76	23.55	18.70
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.93	12.93
Uttar Pradesh	24.66	33.44	23.51
Uttaranchal	4.22	3.38	3.88
West Bengal	13.1	16.33	9.66
All-India	340.94	334.43	292.25

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 Third week June, 2012 Prices in Rs/Quintal

State	Prices 16-23 Jun 2012	Prices 09-15 Jun 2012	Prices 01-08 Jun 2012	Prices 16-23 Jun 2011	% Change(Over Previous Week)	% Change(Over Previous Week)	% Change(Over Previous Year)
Andhra Pradesh		2316.56	2452.72	2044.83	—	—	—
Assam	2279.8	2275.38	2172.94	2862.49	0.19	4.92	-20.36
Gujarat		2135.12	2141.22	2042.46	—	—	—
J& K		4775	3677.94		—	—	—
Jharkhand		2267.86	2233.21	2057.77	—	—	—
Karnataka		2419.9	2447.27	1992.59	—	—	—
Kerala	2214.51	2364.47	2376.57	3692.97	-6.34	-6.82	-40.03
Madhya Pradesh			1425.23		—	—	—
Maharashtra		4201.63	4128.66	4317.66	—	—	—
Manipur				2500	—	—	—
Meghalaya		3100	3048.78	2496.97	—	—	—
Delhi		1600		1500	—	—	—
Orissa		1910.43	2046.92	1948.53	—	—	—
Rajasthan				3300	—	—	—
Tripura				2023.13	—	—	—
Uttar Pradesh	1615.77	1581.6	1581.31	1525.98	2.16	2.18	5.88
Uttrakhand				1900	—	—	—
West Bengal	1900	1856.36	1849.55	1929.11	2.35	2.73	-1.51
Average	2002.52	2523.41	2429.41	2383.41			
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. However, we expect prices to be stabilized at current level. Fear of delayed monsoon has come to an end with monsoon hitting Maharashtra, Karnataka and West Bengal. Buyers including exporters are buying only to fulfill their immediate needs. The overall sentiments remain weak in short term.

Price Projection for June 4th week in domestic market:

Duration	Trend	Average Price Range
Short Term(5 days)	Steady to weak	2000-2200
June (2 nd week of June)	Steady (Negative)	2150-2250

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.

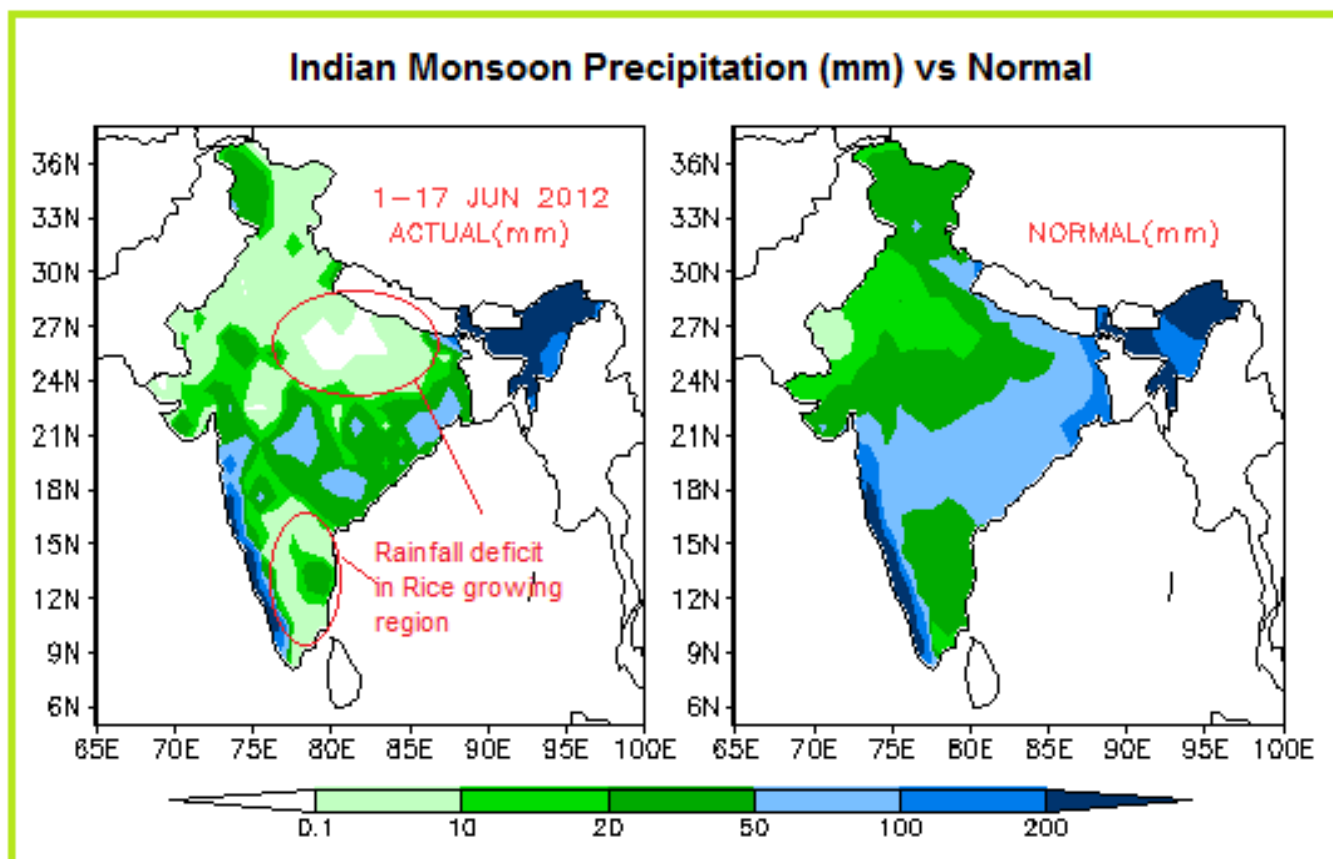
Buffer Norms And Strategic Reserve:

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:

Indian monsoon for the current season (2012) is almost delayed by a week with major rainfall in concentrated over western coast and NE states. Deficit rainfall in most of the central and peninsular region of India could lead to slow start of sowing Kharif crops specifically with respect to rice transplanting which is almost delayed by a week in T.N. and A.P.

Lee ward side of the Western Ghat of peninsular region of India with special reference to the Karnataka, Andhra Pradesh and TN seen major rainfall deficit during the period of 7th June 2012 to 13th June 2012. Rainfall is deficit 70% in T.N and 84% in the Rayalaseema region of AP week on week slowing down the rice transplanting. Similarly rainfall was seen deficit during the same period in Madhya Maharashtra, Marathwada, Vidarbha, region of Maharashtra. Deficit rainfall in the region leads to sluggish start of rice transplanting. The deficit rainfall compared to its normal is shown in the following chart:



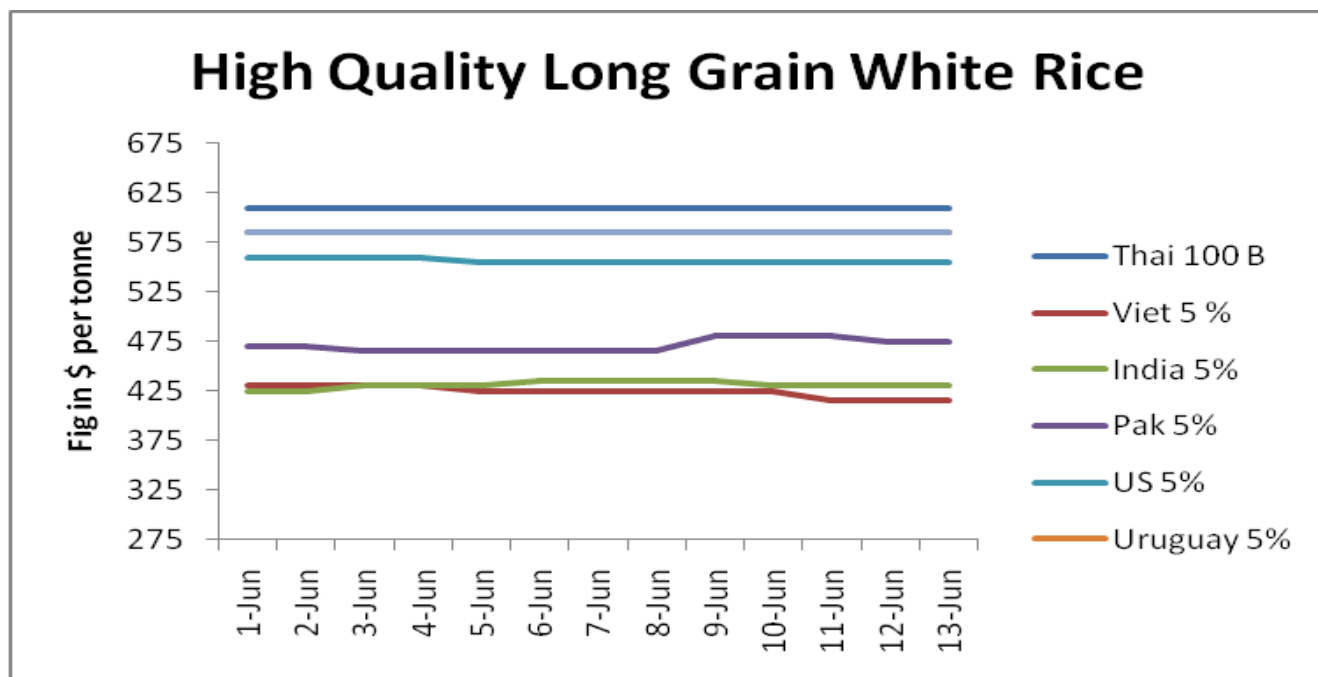
Kharif transplanting is started in Tamil Nadu, Andhra Pradesh and Karnataka and scattered sowing could be seen in selected pockets of Haryana, Punjab, Rajasthan, West Bengal and Orissa where irrigation is not a problem.

Sowing in Tamil Nadu is just started and complete by 2-3% which is lagging y-o-y due to deficit rainfall. Sowing is likely to advance in July which leads to delay in transplanting by almost 1-2 weeks.

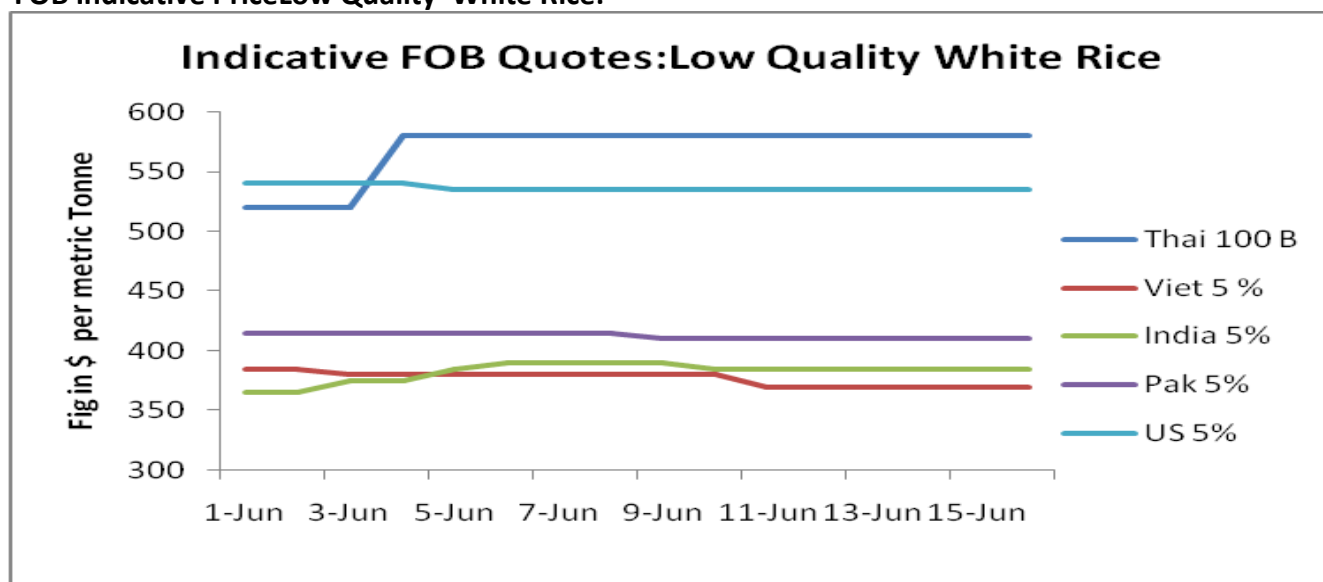
In A.P. Godavari delta has just started and will gain momentum with the progress of monsoon. We expect transplanting to gain momentum during July 1-2nd with active precipitation.

As per trade sources, sowing just started in central and Madhya Maharashtra which will kick off during coming couple of weeks. Any rainfall deficit during 1st to 2nd week of July as predicted by various meteorological departments of developed nations could have negative impact on the transplanting.

Indicative FOB Quotes for high quality white rice:



FOB Indicative PriceLow 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:



- Chicago rough rice futures for July delivery traded down 5.0 cents per cwt (about \$1 per ton) to \$13.920 per cwt (about \$307 per ton). Rice futures were dragged lower by softer grain prices today as the complex took on a bearish tone during the final trading session ahead of the markets close for the weekend-CME
- Sri Lanka's Agriculture Minister had revealed that the country is aiming at net exports of at least 20,000 tons of rice by 2015. The USDA says that Sri Lanka's rice production is expected to rise to about 3.3 million tons in 2011-12, up 32% from 2.5 million tons in 2010-11, with about 500,000 tons surplus stocks._ Daily Times
- Rice imports into Nigeria have increased in recent months despite a hike in import tariffs and efforts of the administration to boost use of locally produced rice. Data from the Nigeria Ports Authority (NPA) shows that rice imports into Nigeria have increased steadily from 237,000 tons in January to 241,000 tons in February, 253,000 tons in March and 257,000 tons in April.VFA
- According to the UN's Food and Agriculture Organization (FAO), Bangladesh's rice imports in 2012 are estimated to be around 600,000 tons, down 60% from 1.5 million tons in 2011. However, Bangladesh announced that it will have to resume exports of aromatic rice this year to make space for the record new crop.FAO
- The USDA has been released yesterday. The 2011-12 U.S. ending rice stocks were lowered by about 204,000 tons to around about 1.3 million tons thanks to slightly higher exports and slightly lower imports. Thus, 2012-13 supplies are estimated at around 11.5 million tons. The 2012-13 export and domestic use requirements were both lowered; the U.S. is forecast to export about 4.6 million tons), down about 10% from last year. The U.S. 2012-13 ending stocks are estimated at about 1.2 million tonnes.USDA
- The USDA estimates global rice production in 2012-13 will total 466.5 million tons, basis milled, up slightly from the USDA's May forecast. However, global disappearance was hiked to about 466.7 million tons so global ending stocks should decline by about 0.7% to 104.2 million tonnes.
- The Bureau of Agricultural Statistics (BAS) of the Philippines has revealed that the country's monthly rice stocks continue to be lower than last year's stocks. The BAS said that as of May 1, rice stocks stood at 2.67 million tons, down about 21% to about 2.7 million tons from about 3.4 million tons from last year. The BAS added that stocks are enough to last 79 days or until the third week of July.BAS
- 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	13.80-14.00
3rd week of June, 2012	Steady negative	13.80-1420

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