

Latest market development:

Cash rice market continued to rule steady despite decreased demand from bulk users and retailers. Exporters are not buying rice for stock purpose as prices are ruling high. Generally, demand declines at this time of year due to seasonality factors. Fresh demand at bulk level is expected Sep onward when new crop starts hitting the market. Supply side remains ample amid bearish outlook in the weeks ahead.

Increasing congestion at India's Kandla and Mundhra ports in the western coast has blocked the exports of about 45,000 tonnes of rice. Indian rice traders are rushing exports to take advantage of increased demand for Indian rice due to a record low rupee, which has been hovering around INR 57 against the dollar for a few weeks now. However, several traders fear that they will either suffer losses or have to re-negotiate terms in case the rupee improves before the shipments take place.

A record high food grain production of about 252 million tons this year has resulted in a severe storage crisis in India. The Food Minister said that the storage capacity of the state food grain procurement agency, the Food Corporation of India (FCI), has increased 40% in the last five years, from 23.9 million tons in March, 2008 to 33.6 million tons in March 2012. The average utilization of FCI warehouses have also increased from 77% in April, 2011 to 98% in May, 2012.

The Food Ministry has asked FCI to increase the stack size to 162 tons in case of rice and 181 tons in case of wheat to attain higher level of capacity utilization, to make space for about a million tons of additional food grains. The government has allocated about 66 million tons of rice and wheat under various public distribution schemes. Separately, the government has said that rice has been sown in 1.87 million hectares for the Kharif crop (July to October), after a short delay

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 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 UN's Food and Agriculture Organization (FAO) has revised its forecast of rice output in 2012 by about 2.2 million tons to 490.5 million tons, mainly due to improved estimates in China, Argentina, Brazil and the U.S. The FAO says in its latest Food Outlook that global rice production is estimated to increase by 15.7 million tons this year, up about 2.2% compared to 2011. Rice acreage is expected to increase 1.8% to 165.4 million hectares, while average yields are expected to rise by 0.4% to 4.45 tons per hectare.

Domestic Market Fundamentals:

Rice cash market is expected to decline as demand from bulk consumers is lower than expectation. Exporters /whole sellers are not buying to stock at higher level. Bearish outlook in the global rice market, lower export demand and govt's intention to augment supply through ration shops and OMSS weigh on market fundamental. We expect rice market to decrease from current level in the weeks ahead. Fresh demand is expected in Sept when new crop starts entering in the market. Kharif planting has started after two weeks delay. However, no major impact of delayed planting in the south India is likely as monsoon is progressing well. We expect bumper rice production once again as rice production in the eastern India is likely to increase on back of higher MSP and continuous increase in yield. We expect 88 million T kharif rice production in normal condition.

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. 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 and India is expected to remain the major rice export player in 2012-13 too.

Record Production prospect in 2012-13:

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 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.

Export Status and Likely Scenario:

Rice and wheat export under OGL: As on 21.06.12

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	1.6	1.25
12-May	5.3	1.6	1.7
12-June	4.3	1.4	1.5
Total	49.08	10.4 (Official)	23.3
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:

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 to Previous Week)	% Change(Over Previous Year)
A.P.	2465.92	2014.59	2457	2044.83	22.4	0.36	20.59
Assam	2195.19	2269.77	2172.94	2862.49	-3.29	1.02	-23.31
Gujarat	2186.14	2134.89	2141.22	2042.46	2.4	2.1	7.03
J& K	4775	4775	3677.94		0	29.83	—
Jharkhand	2249.66	2224.58	2231.61	2057.77	1.13	0.81	9.33
Karnataka	2393.56	2406.76	2447.27	1992.59	-0.55	-2.19	20.12
Kerala	2506.92	2441.86	2376.57	3692.97	2.66	5.48	-32.12
Madhya Pradesh	1419.24	1420.2	1424.34		-0.07	-0.36	—
Maharashtra	4259.09	4174.64	4128.66	4317.66	2.02	3.16	-1.36
Manipur				2500	—	—	—
Meghalaya	3100	2639.47	3048.78	2496.97	17.45	1.68	24.15
Delhi	1500	1600		1500	-6.25	—	0
Orissa	2139.05	1912.54	2046.92	1948.53	11.84	4.5	9.78
Rajasthan	2528.33			3300	—	—	-23.38
Tripura	1750	1763.64	1750	2023.13	-0.77	0	-13.5
Uttar Pradesh	1625.66	1604.51	1581.93	1525.98	1.32	2.76	6.53
Uttarakhand				1900	—	—	—
West Bengal	1859.3	1831.87	1840.57	1929.11	1.5	1.02	-3.62
Average	2434.57	2347.62	2380.41	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. However, average prices have increased despite lower demand. We expect rice prices to stay steady in short term while in medium term it is bound to decrease from current level. Buyers including exporters are buying only to fulfill their immediate needs. The overall sentiments remain weak in short term.

Price Projection for July 1st week in domestic market:



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

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

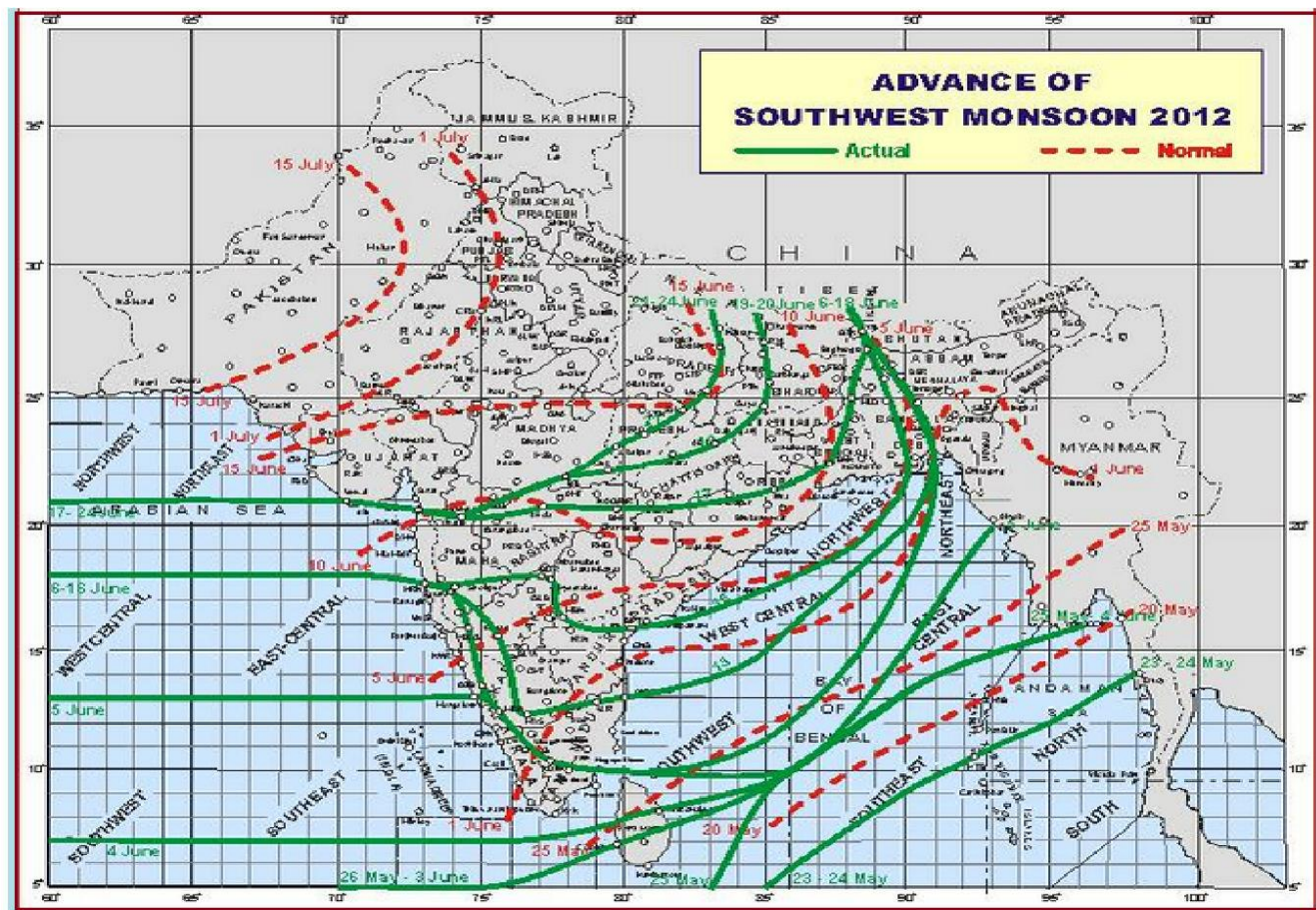
Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2010	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
2011	25.58	27.80	28.70	28.82	27.76	27.64	26.86	25.27	22.7	20.5	26.83	27.63
2012	29.71	31.8	33.17	33.35	32.92	32.14	30.50					

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:



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.

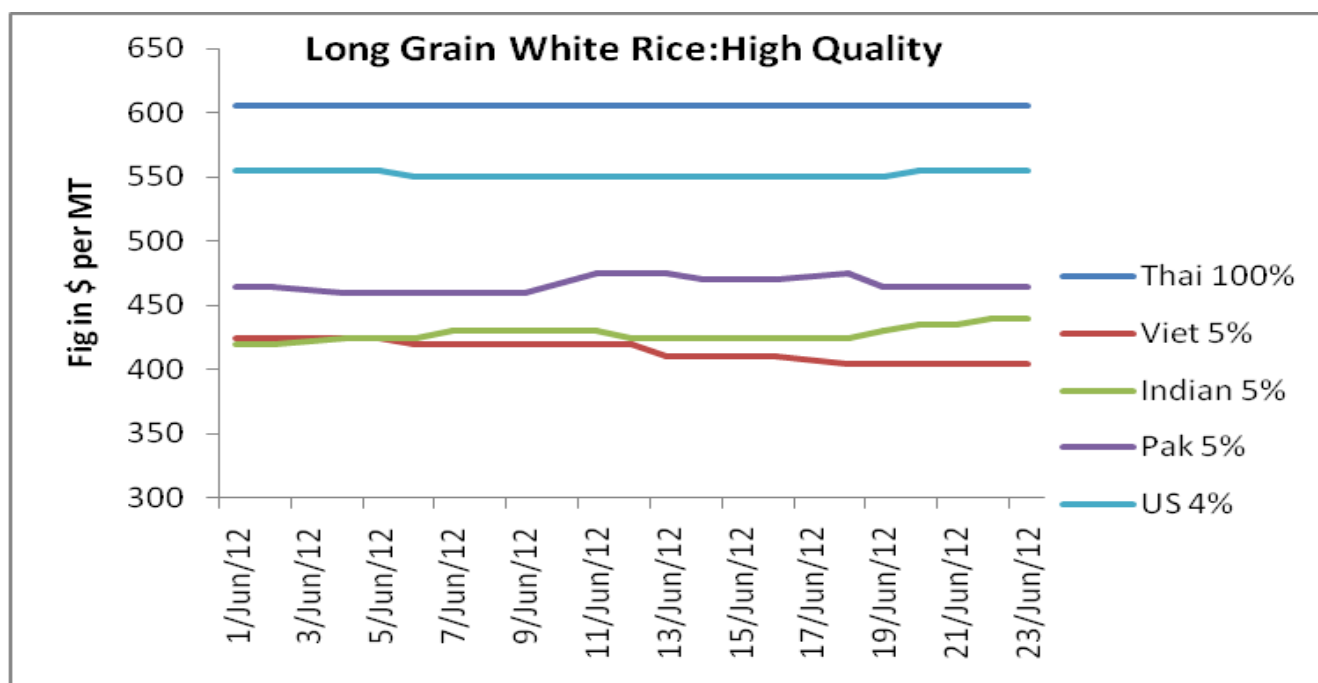
Kharif transplanting is started in Tamil Nadu, Andhra Pradesh and Karnataka and scattered sowing could be seen in selected pockets of Haryana, Punjab, Rajasthan, West Bengal and Orissa where irrigation is not a problem.

Sowing in Tamil Nadu is just started and complete by 10% 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.

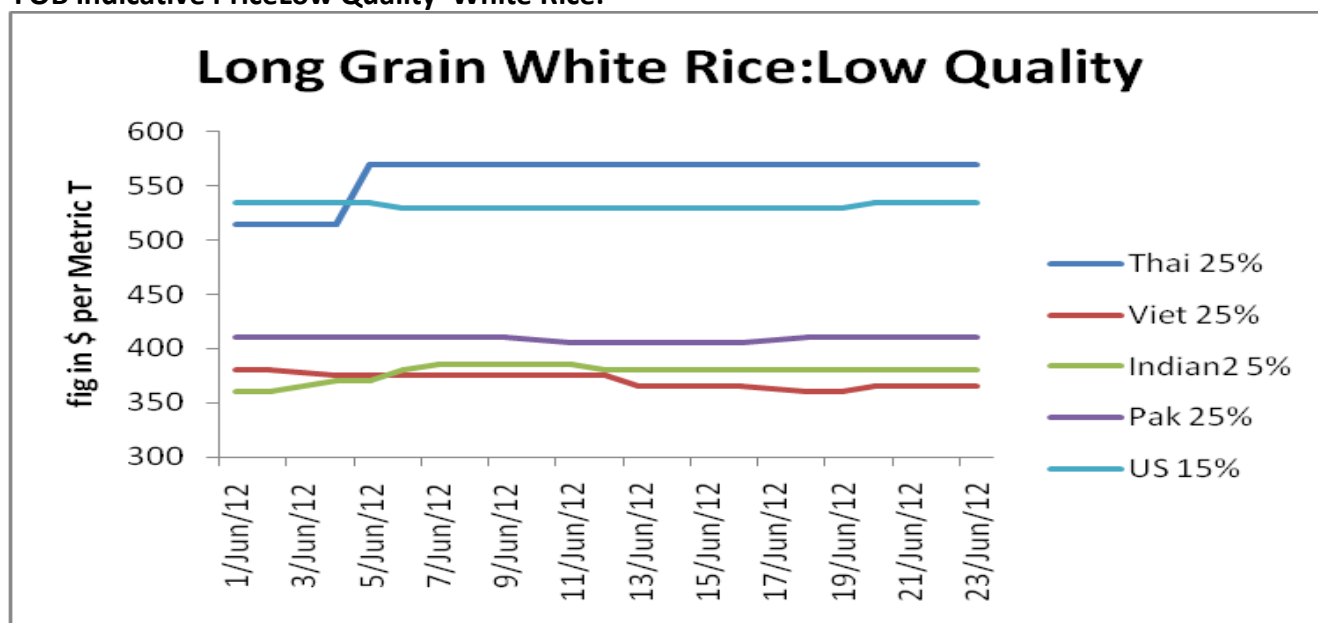
In A.P. Godavari delta has just started and will gain momentum with the progress of monsoon. We expect transplanting to gain momentum during July 1-2nd with active precipitation.

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:

- Thailand's Commerce Ministry has issued tenders to sell 250,535 tons of rice from the government stockpile to rice exporters. Allocations will be decided next week after receiving quantity and price proposals from exporters, said officials.
- The Thai government is sitting on a huge stockpile of about 15 million tons of paddy or about 9 million tons milled rice. The government wants to sell 229,803 tons of 100% fragrant rice and 20,732 tons of 5% broken. However, while the government will allow both exports and domestic sales for the premium fragrant rice, 5% broken have been earmarked for exports only.
- Asian rice sellers kept their quotes unchanged Friday. Thai 5% rice is quoted about \$590 - \$600 per ton, about a \$190 per ton premium over Viet 5% rice quoted around \$400 - \$410 per ton. Indian 5% rice is indicated around \$430 - \$440 per ton, about a \$30 per ton discount to Pak 5% rice shown around \$460 - \$470 per ton.
- Thai 25% rice is quoted around \$570 - \$580 per ton, about a \$210 per ton premium over Viet 25% rice indicated around \$360 - \$370 per ton. Indian 25% rice is indicated around \$375 - \$385 per ton, about a \$30 per ton discount to Pak 25% rice shown around \$405 - \$415 per ton. Thai parboiled rice is quoted about \$600 - \$610 per ton. Indian parboiled rice is indicated around \$390 - \$400 per ton, about an \$85 per ton discount to Pak parboiled rice quoted around \$475 - \$485 per ton.
- The UN's Food and Agriculture Organization (FAO) has revised its forecast of rice output in 2012 by about 2.2 million tons to 490.5 million tons, mainly due to improved estimates in China, Argentina, Brazil and the U.S.
- The FAO says in its latest Food Outlook that global rice production is estimated to increase by 15.7 million tons this year, up about 2.2% compared to 2011. Rice acreage is expected to increase 1.8% to 165.4 million hectares, while average yields are expected to rise by 0.4% to 4.45 tons per hectare
- 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.
- 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.

World Rice production to increase:

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 14.00 and resistance at 14.80 and market is likely to trade under given range. 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 (positive)	14.00-14.60
1 st week of July, 2012	Steady negative	14.20-14.40

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