

Latest market development:

Cash rice market is ruling under steady due to smooth continued export scenario and better demand of Indian rice due to very attractive price in the global market. Rice price is continue firmness despite ample stock and ample availability due to delayed planting progress as actual monsoon scenario is less than normal rain.

The commerce ministry of India has been in favour of doing away with minimum export price for basmati to encourage its export .Now it has proposed abolishing the MEP for basmati. If proposal is accepted it will make Indian basmati more competitive in the international market.

The Indian government permitted export of non-basmati rice from September-2011, since then, over 5 million tonnes of non-basmati rice has been shipped. In 2011-12, India's basmati rice exports grow to 2.6 million tons, which is about 18% from previous year export quantity of 2.2 million tonnes. After reducing the MEP for basmati rice the export will likely to hike in the coming three months.

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

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 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 favorable monsoon (23 percent less from long term normal average), monsoon on current stage has weaken so far, however southwest monsoon is likely to reactivate once again in the latter half of next week as most parts of the country, excepting the flood-hit northeast states , faced deficient rains. As the first month of the monsoon season drew to an end, 74 per cent of the country had received deficient or scarce rains since the onset on June 5, raising concerns in the Kharif farming community.

Domestic Market Fundamentals:

Rice cash market is expected to trade steady in the weeks ahead despite ample availability stock in private and government stock in hand. Continuous export scenario as well as fresh rice demand from global market due to better parity of Indian rice. Monsoon is also playing a major role for price driving factor, as on current stage monsoon is 23% less than actual, which is directly affecting the delayed of Kharif rice planting. The possibilities of yielding of rice will hammer due to hindrance of Kharif sowing in major rice belt areas. We expect trade situation will remain in steady to firmness in short term.

Commerce Ministry Proposes Abolishing MEP for Basmati Rice

The commerce ministry of India has been in favour of doing away with minimum export price for basmati to encourage its export. Now it has proposed abolishing the MEP for basmati. If proposal is accepted it will make Indian basmati more competitive in the international market. In 2011-12, India's basmati rice exports increased to 2.6 million tons, up about 18% from the 2.2 million tons in 2010-11. Earlier this year, the government had lowered the MEP for basmati from \$900 per ton to \$700 per ton, almost at par with the domestic prices at the time. Market participants say that now there is no need to continue with MEP as supply side is ample and export is not going to escalate prices in the domestic market.

Fear of lower production is looming large in domestic production due to delayed progress of monsoon and uneven distribution of rains in major rice growing belts as of now the monsoon condition is 23% less than the normal. Farmers are waiting for monsoon rains as Kharif sowing in major rice growing regions are suffering from deficit of rains.

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. on-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 15.06.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 15.06.12)	MY 2010-11(As on 15.06.12)
Andhra Pradesh	96.1	71.31	76.97
Chhattisgarh	37.39	41.14	29.93
Haryana	16.87	19.81	16.59
Kerala	2.63	3.71	2.57
Maharashtra	3.08	1.58	2.05
Orissa	24.76	25.40	21.11
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.94	13.09
Uttar Pradesh	24.66	33.44	23.51
Uttaranchal	4.22	3.45	3.89
West Bengal	13.1	16.37	9.67
All-India	340.94	337.93	299.46

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 Monthly Analysis for Rice June, 2012:

State	Prices June, 2012	Prices May, 2012	Prices June, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	2037.59	2202.64	1920.73	-7.49	6.08
Assam	2284.66	2268.46	2799.18	0.71	-18.38
Gujarat	2169.94	2164.43	2020.83	0.25	7.38
Himachal Pradesh			1575	—	—
Jammu and Kashmir	4305.89	4878.22	5700	-11.73	-24.46
Jharkhand	2250.18	2165.05	2073.37	3.93	8.53
Karnataka	2411.01	2358.36	2027.87	2.23	18.89
Kerala	2467.68	2614.82	3624.6	-5.63	-31.92
Madhya Pradesh	1423.44	1696.87		-16.11	—
Maharashtra	4082.95	4220.49	4389.29	-3.26	-6.98
Manipur			2467.74	—	—
Meghalaya	2897.27	3061.43	2661.11	-5.36	8.87
Nagaland			2600	—	—
NCT of Delhi	1572.97	1647.03	1468.18	-4.5	7.14
Orissa	1951.61	1974.81	1943.63	-1.17	0.41
Rajasthan	2528.33	1521.74	3300	66.15	-23.38
Tripura	1792.98	1868.19	2052.35	-4.03	-12.64
Uttar Pradesh	1577.28	1516.25	1526.11	4.03	3.35
Uttarakhand	1301	1583.6	1305.67	-17.85	-0.36
West Bengal	1860.83	1868.84	1922.28	-0.43	-3.2
Average	2289.15	2330.07			

Average Prices of rice have been decline continually on supply pressure and lower demand from overseas market during the month under review. However lower rainfall and lagged trans planting may support market in medium term, we expect fresh demand at lower level.

Price Projection for July 2nd week in domestic market:

Duration	Trend	Average Price Range
Short Term(5 days)	Weak(Negative)	2300-2350
June (1st week of July)	Steady (Positive)	2350-2400

Availability of Wheat and Rice stock in central pool as on 1st June:-

	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

Quantity in lakh tonne

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

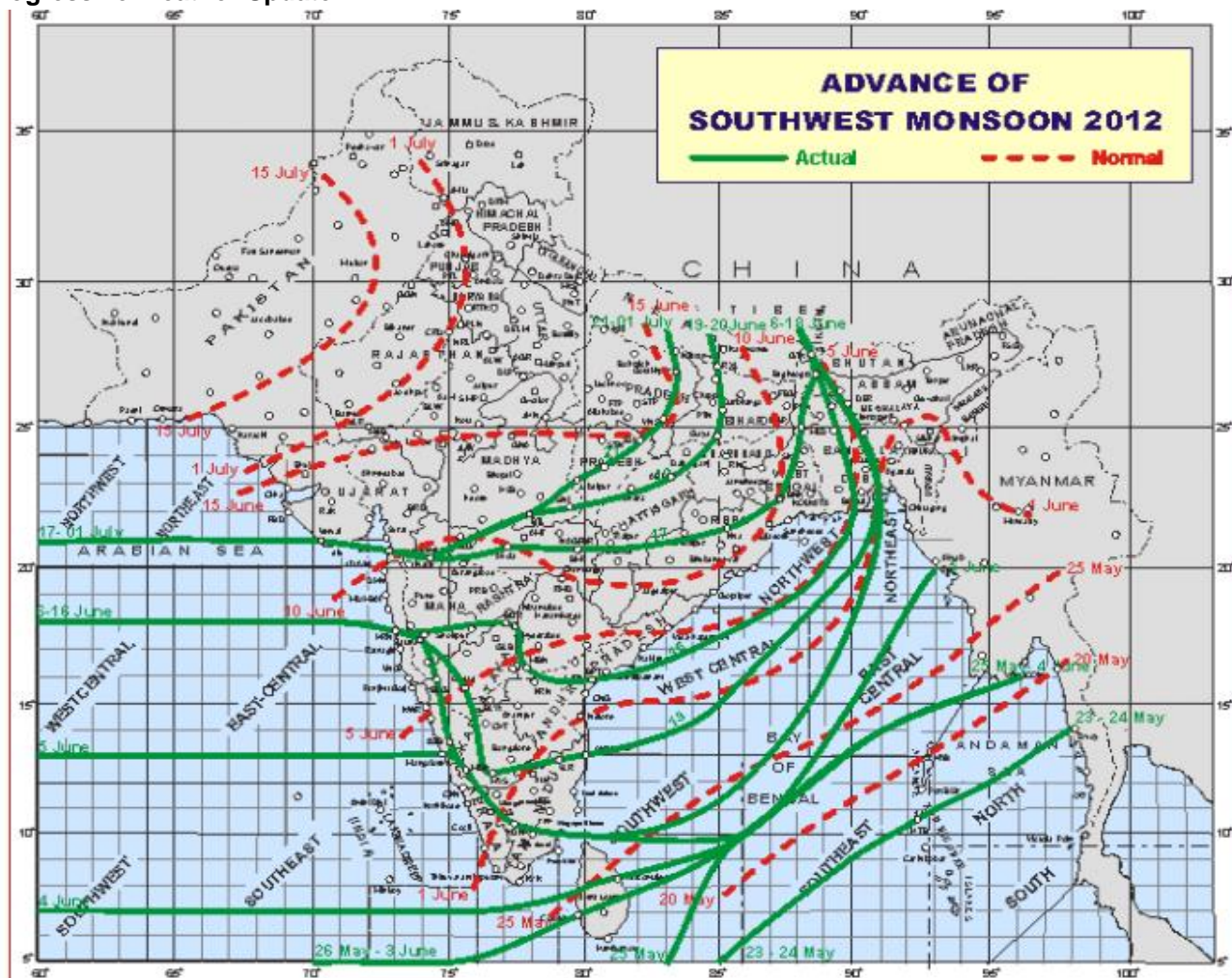
Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2010	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
2011	25.58	27.80	28.70	28.82	27.76	27.64	26.86	25.27	22.7	20.5	26.83	27.63
2012	29.71	31.8	33.17	33.35	32.92	32.14	30.50					

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

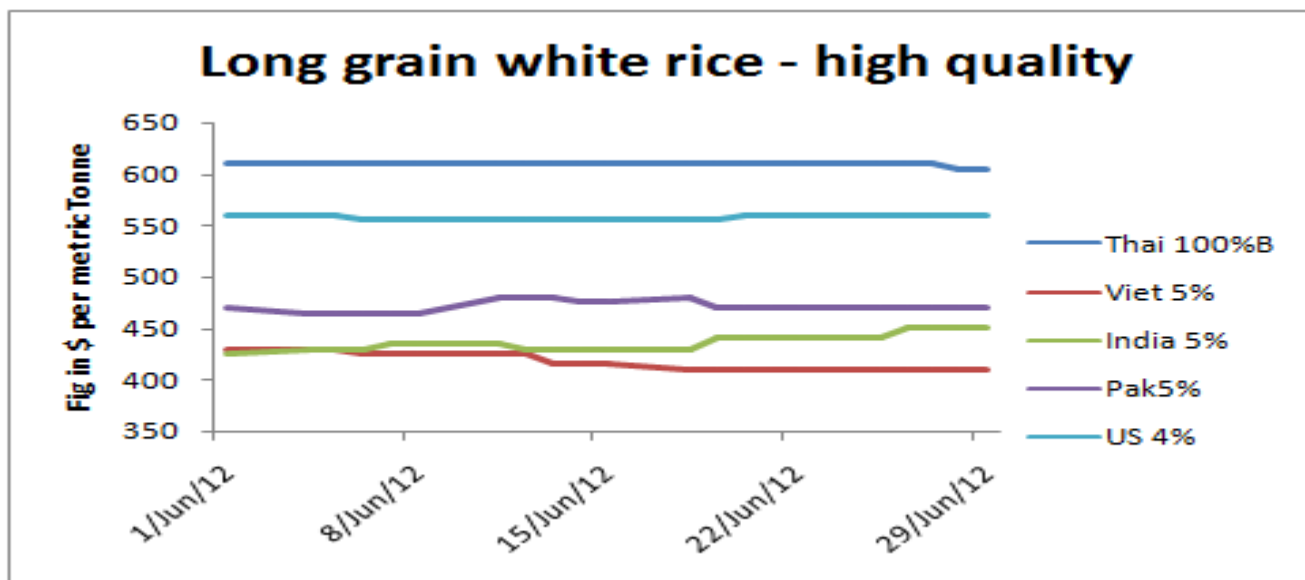
Progressive Weather Update:



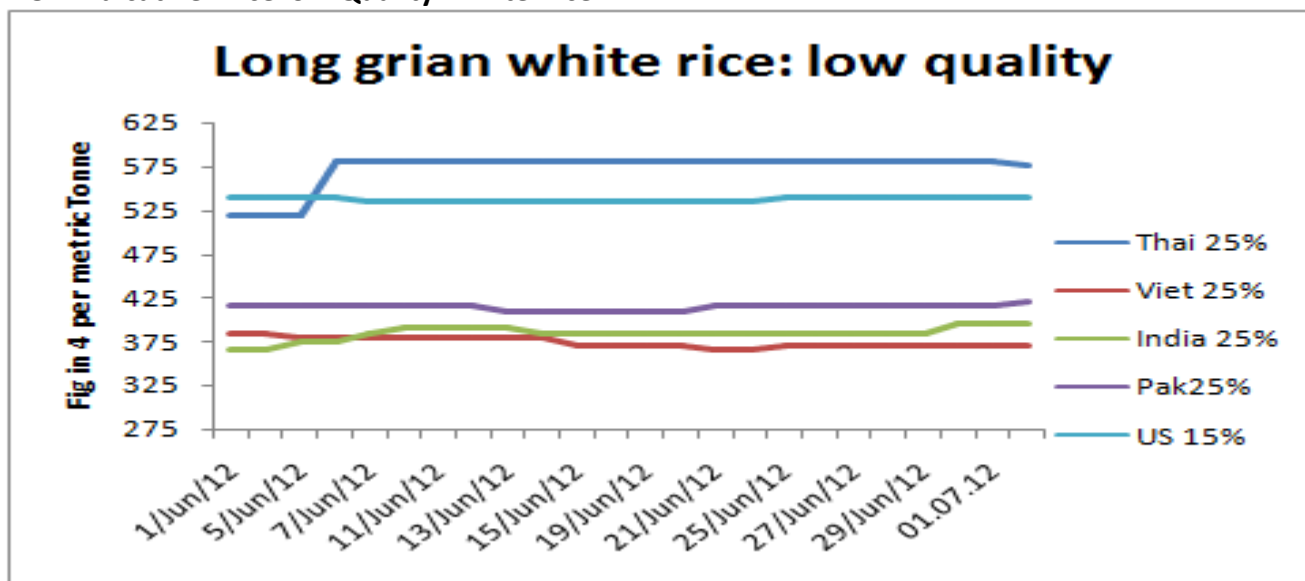
Major Feature of Weather Forecast up to 0830 hours IST of 05th July, 2012:-

- Rain/thundershowers would occur at many places over Maharashtra, Karnataka, Lakshadweep and Andaman & Nicobar Islands.
- Rain/thundershowers would occur at many places over Orissa, south Chhattisgarh and north Andhra Pradesh.
- Rain/thundershowers would occur at a few places over Gujarat region, south Madhya Pradesh, West Bengal & Sikkim and northeastern states.
- Rain/thundershowers would occur at one or two places over Bihar, Jharkhand, north Chhattisgarh, North Madhya Pradesh and east Uttar Pradesh during next 24 hours and increase thereafter.
- Rain/thundershowers would occur at one or two places over rest parts of the country.
- Maximum temperature would fall by 2-4°C over Uttar Pradesh, east Rajasthan, east and central India during next 2-3 days.

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, prevailing weather condition may change outlook for rice global market. Export from India will continue and we hope better opportunity lies ahead for India on rice export front.

International Market updates:

The Philippines' rice production target for 2013 received a boost with the Department of Agriculture (DA) estimation that the country's paddy rice output will grow to 7.95 million tons in the first six months of 2012, up about 5% from the 7.58 million tons in the same period last year. The first half of the year or the dry season contributes about 40% of the total annual rice output, which means that this year's paddy rice production is set to reach 19.8 million tons, comfortably higher than the official target of 19 million tons-Bloomberg

Thailand's Deputy Prime Minister and Finance Minister has revealed that Thai rice exports will surge in the second half of the year, as rivals India, Vietnam, Burma and Cambodia have shipped out their stock. The Deputy PM said that the time is ideal for Thailand to begin rice exports, and help boost rice prices. However, observers say that Thailand's rice exports will improve only if rice is subsidized for exports-Reuters

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-Oryza

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.

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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:

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CBOT Rough Rice Chart: July contract



CBOT rice futures market closed lower on bearish outlook, we expect price to get support at 14.00 breaching this level, and market may test 13.80. The nearest by resistant is 14.80 .however in short and medium term weather will be the main price driving factor.

Price Projection (International-CBOT)

	Trend	Price Range
Short Term (5-10 days)	Range bound (negative)	13.80-14.20
2nd week of July, 2012	Steady positive	14.20-14.60

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