

Latest market development:

Cash rice market improved in second week after a dip under excess supply, lower exporter's demand in the first week of July. Higher demand for export, delayed monsoon and lower area coverage collectively underpinned rice market once again. However, we expect rice market to stay steady as availability is higher and the govt. also intends to enhance supply through PDS during lean season. Monsoon rains may restrict further gains.

The near 35% deficit rainfall so far has delayed rice planting in several areas of India, with rice planting declining to just 5.54 million hectares till the end of June. The Ministry of Agriculture said today that sowing of paddy is lagging behind. The Agriculture Minister has said that the deficit monsoon is not a cause of worry as surplus rainfall in July is expected to help planting in most parts of the country.

The India government has removed the \$700 per ton minimum export price for basmati rice to boost exports of the aromatic rice variety and make it more competitive in the international rice market. Basmati rice can be exported without any Minimum Export Price (MEP) now. Earlier this year, the government had lowered the Minimum Export Price (MEP) from \$900 to \$700, closer the prevailing international market price of basmati.

The sowing of Kharif crops such as Rice, Coarse Cereals, Oilseeds and Cotton has commenced. However, the area covered under these crops is well below normal, mainly due to delay in progress of the monsoon. Area coverage is lagging behind by 10.8 lakh ha. under Rice to 55.4 lakh ha.

All-India progressive procurement of Rice for the marketing season 2011-12 as on 29.06.2012 was 342.47 lakh tonnes which is higher than the procurement of 306.41 lakh tonnes upto the corresponding period of last year.

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.

Export demand has slowed down as Vietnam is selling rice more actively at competitive price. Unstable Indian currency is disturbing smooth Indian sales. However, international market is likely to improve from current level as market has adjusted all bearish news.

Monsoon is progressing well and kharif planting has gained momentum now. However, overall area in comparison to normal is likely to be affected marginally. Yield and final crop size will depend on rains in August and Sep.

Domestic Market Fundamentals:

Rice market is likely to trade steady in the month of July despite lower export demand, appreciating currency and cheaper availability in Vietnam and Pakistan. Delayed monsoon has affected rice planting and farmers may switch towards more lucrative crops as cotton, pulses, spices, castor and coarse cereals if rains continue to play truant till 15th of July. However, production of Basmati, sona masuri and PR variety is likely to increase as farmers have fetched attractive prices for these varieties. There is a general view in the market that this year rice production will decrease below 100 million T. However, it is not going to impact domestic availability as stock is at higher side. New crop will hit market in Sep end and there is no fear of short supply. Govt. will continue to pump rice through PDS at subsidized rates and it will ensure stability in the market.

Rice export will continue from India and we expect over 9.5 million tones export in current season. As of now 54 lakh T non basmati and 25 lakh T basmati rice has been exported. Three months to go now for new season and we expect 1.5 million T more export in ongoing marketing season. However, strong INR and competitive Vietnamese rice may pose greater challenge for Indian non basmati exporters. Even MEP for basmati has been removed and it will give basmati exporters more edge to compete with Pakistan and Thailand.

We expect domestic rice market to trade range bound at current level. Aromatic varieties demand may improve as better opportunity lies ahead with Chinese market for basmati. Farmers too will grow more aromatic rice for better return. Overall situation for exporters are likely to remain favourable throughout the season.

Domestic News:**Rice Area Lags Behind:**

The near 35% deficit rainfall so far has delayed rice planting in several areas of India, with rice planting declining to just 5.54 million hectares till the end of June. The Ministry of Agriculture said that sowing of paddy is lagging behind. Planting of most other crops, including oilseeds and corn, is also delayed. The Agriculture Minister has said that the deficit monsoon is not a cause of worry as surplus rainfall in July is expected to help planting in most parts of the country. Various weather agencies have predicted deficit rainfall in India in the months of June and September. Source: Uni varta

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.

EI 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 30.06.12

Rice Export Under OGL			
Units are in lakh tons	Non Basmati	Basmati	Total
Sept.11	1.85	2.60	4.45
Oct-12	4.50	3.40	7.90
Nov-12	5.50	4.00	9.50
Dec-12	5.90	2.50	8.40
Jan-12	5.45	2.75	8.20
Feb-12	5.75	1.70	7.45
Mar-12	5.60	2.25	7.85
Apr-12	5.80	1.35	7.15
May-12	5.30	1.90	7.20
Jun-12	5.50	1.51	7.01
Total	51.15	23.96	75.11
Expectation up to Sept end, 2012	15.00	4.00	19.00

We expect rice export to cross 9.4 million tonnes at the end of Sep..Non-basmati rice export may touch 6.6 lakh tonnes while basmati export is expected to touch 2.8 million tonnes. At the end of August total rice export may touch 9 million T. Pace of basmati export may increase due to abolition of MEP. Even next crop is expected higher than last year and it will augment supply for the exporters. India can enhance its market share in the global market on back of bumper crop and govt.'s policy to encourage export.

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 29.06.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 29.06.12)	MY 2010-11 (As on 29.06.11)
Andhra Pradesh	96.1	73.16	82.18
Chhattisgarh	37.39	41.14	30.22
Haryana	16.87	19.81	16.59
Kerala	2.63	3.72	2.60
Maharashtra	3.08	1.58	2.05
Orissa	24.76	26.96	21.56
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.96	13.55
Uttar Pradesh	24.66	33.45	23.52
Uttaranchal	4.22	3.65	3.96
West Bengal	13.1	17.19	9.89
All-India	340.94	342.47	306.41

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.

Weekly Rice price trend in domestic market:

State	Prices 01-08 Jul 2012	Prices 24- 30 Jun 2012	Prices 16- 23 Jun 2012	Prices 01- 08 Jul 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Ov er Previous Year)
Andhra Pradesh	1755.44	2070.14	2229.1	2069.23	-15.2	-21.25	-15.16
Assam	2540.78	2546.5	2175.2	2194.61	-0.22	16.81	15.77
Gujarat	2311.06	2246.22	2181.39	1975.15	2.89	5.94	17.01
Jammu and Kashmir	3250		4775		—	-31.94	—
Jharkhand	2224.56	2258.59	2233.35	2102.96	-1.51	-0.39	5.78
Karnataka	2413.8	2398.14	2389.24	2071.06	0.65	1.03	16.55
Kerala	2549.32	2550.04	2509.13	3610.01	-0.03	1.6	-29.38
Madhya Pradesh		1426.58	1420.37		—	—	—
Maharashtra	3939.26	3854.34	4248.17	4416.6	2.2	-7.27	-10.81
Manipur				2500	—	—	—
Meghalaya	2757.14	3100	3100	2800	-11.06	-11.06	-1.53
Delhi	1600	1552	1500	1700	3.09	6.67	-5.88
Orissa	1881.19	1849.88	1915.77	2047.14	1.69	-1.81	-8.11
Rajasthan	2930		2528.33		—	15.89	—
Tripura	1866.67	1834.52	1800	2044.74	1.75	3.7	-8.71
Uttar Pradesh	1622.54	1592.79	1596.19	1526.64	1.87	1.65	6.28
Uttrakhand			1301	1350	—	—	—
West Bengal	1915.96	1882.65	1864.88	1931.86	1.77	2.74	-0.82
Average	2370.51	2225.88	2339.24	2289.33			

Average rice prices in domestic markets have increased in comparison to last week and we expect prices to stay steady in the weeks ahead. Lower planting progress, continued export and local demand support rice markets. Rice prices increased by Rs 100 per qtl. in major markets. However it has decreased in A.P, Assam, Jharkhand, Meghalaya and Andhra Pradesh.

Price Projection for July 2nd week in domestic market:

Duration	Trend	Average Price Range
Short Term(5 days)	Steady(Positive)	2350-2400
July(3rd week)	Steady (Positive)	2375-2400

Availability of Wheat and Rice stock in central pool as on 1st July:- Fig:in lakh T

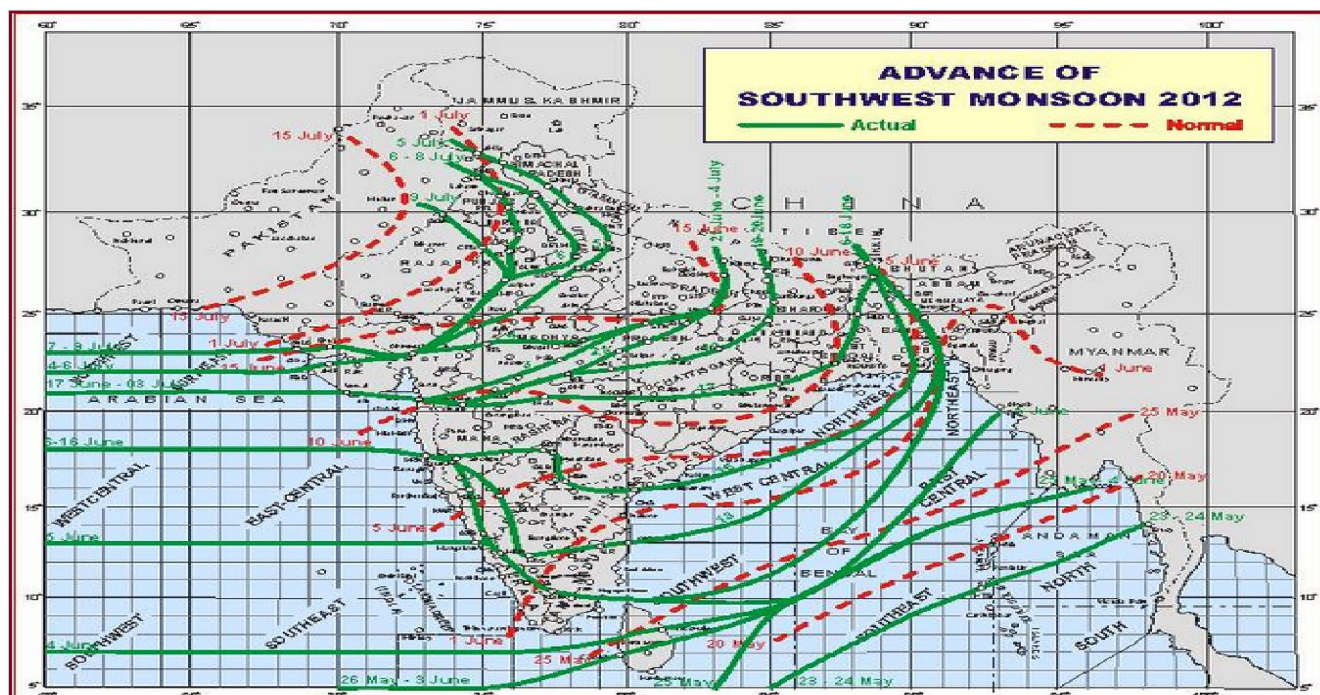
	IN STORAGE	IN TRANSIT	TOTAL
RICE	304.57	2.51	307.08
WHEAT	495.23	2.85	498.08
Wheat lying in mandies	0.00	0.00	0.00
TOTAL	799.80	5.36	805.16
COARSE GRAINS	0.53	0.00	0.53
SUGAR	0.20	0.10	0.30
GRAND TOTAL	800.52	5.46	805.98

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	30.70	28.90				

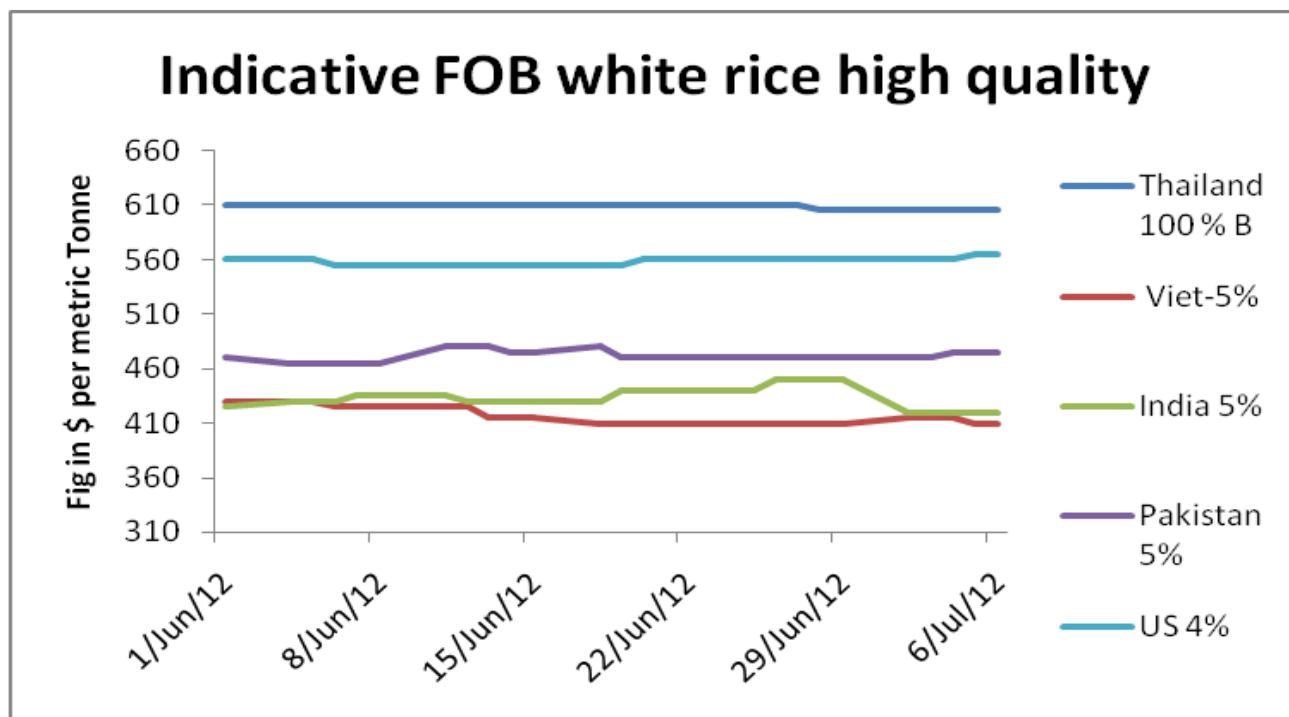
Rice stocks in Central Pool as on 1st July, 2012 stood at 30.70 MMT which is higher by around three times from an actual requirement for buffer norm (11.8 MMT) as on 1st July 2012. Higher offtake is likely now as demand will increase. Going by present procurement trend set target of 35 million tones (paddy) is easily achievable. We expect rice stock to come down to 28.90 million T in August.

Progressive Weather Update:

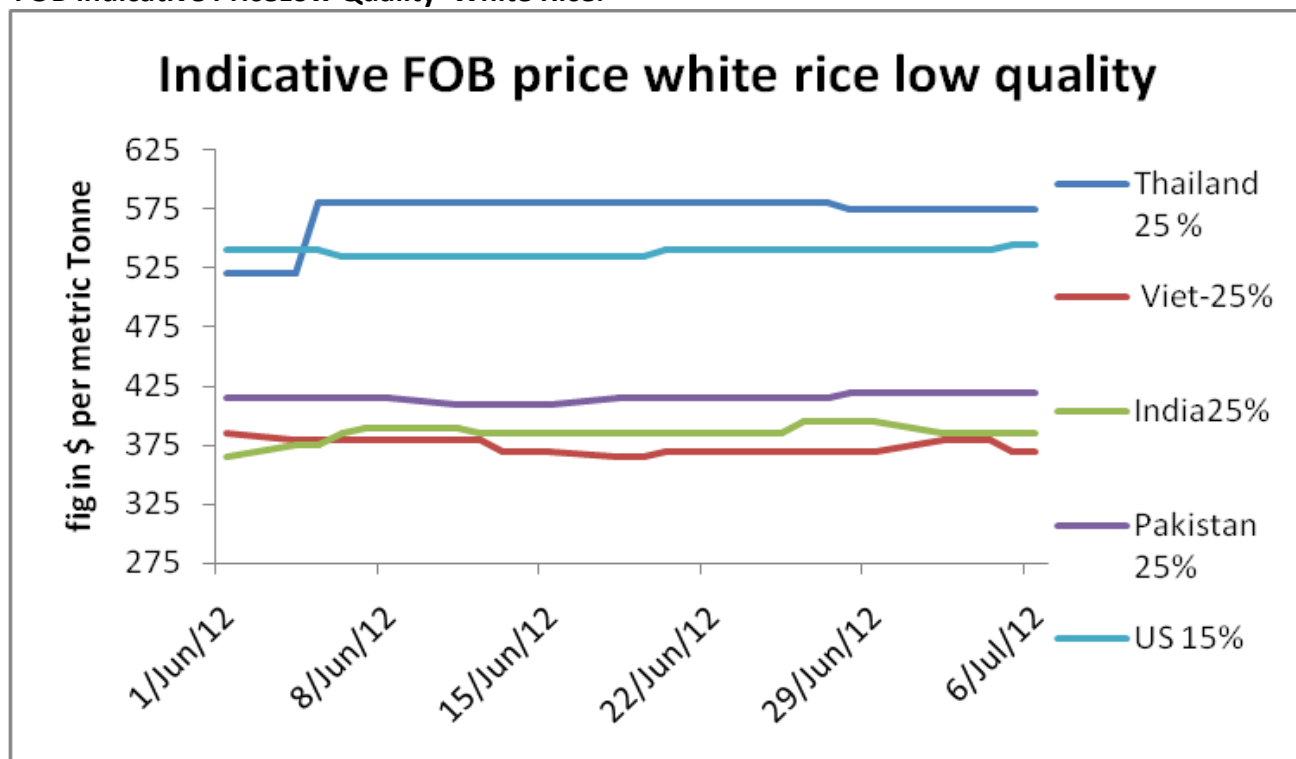




Indicative FOB Quotes for high quality white rice:-



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:

As per estimation by the statistics bureau based on meteorological predictions ,Paddy production in Indonesia expected to raise this year by 68.59 million tons (about 43.21 million tons, basis milled), up 4.3% from 65.76 million tons last year.

Paddy rice production in the Philippines is expected to reach a record high of to 7.875 million tons, up almost 5% from the paddy production of 7.5 million tons in the first six months of 2011. The estimated 5% growth will help the country achieve its production target of 18.46 million tons for 2012 if good weather conditions continue in the rest of the year. The Philippines paddy production has never reached 18 million tons and has reached 17 million tons only once in 2008-09.

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.

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 .

Vietnam has shipped 3.7 million tons of rice in the first six months of this year, which earned the country \$1.7 billion in foreign exchange, according to the Ministry of Agriculture and Rural Development (MARD). The rice production figure closer to about 3.4 million tons.

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

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. According to the IGC report, 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. The report says that 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

IGC Balance Sheet: Updated on 02.07.2012

(Fig. In MMT)

IGC estimate released on 02.07.12	2007-08	2008-09	2009-10	2010-11 est.	2011-12 forecast 24.05.12	2011-12 forecast 02.07.12
Rice						
Production	431	447	440	447	462	462
Trade	29	29	31	36	33	34
Consumption	427	435	437	447	458	458
Carry over St.	81	92	95	96	100	100
Year change	+5	+11	+3	+1	-	+4
Major exporters	19	27	28	29	34	34

Note: Major exporters are India, Pakistan, Thailand, Vietnam, United States

High Lights:

- According to latest IGC update, rice production in 2012/13 is projected to rise further, to nearly 467m. tons from the all-time high of 462m., estimated for 2011/12.
- This is underpinned by a slight increase in the area planted to paddy and a marginal improvement in average yields.
- At 1%, the expected annual growth rate is significantly smaller than in the previous year and the five-year average, and underlines expectations for only modest increases in output in Asian countries.

CBOT Rough Rice Chart: July contract





CBOT Rough Rice Futures

Daily Futures Price Listing (as on 06/07/2012)			(Values in \$/hundredweight)		
Contract Month	Open	High	Low	Close	Change
July'12	14.76	14.86	14.76	14.77	-0.09
Sep'12	15.05	15.15	14.91	15.06	-0.09
Nov-12	15.38	15.43	15.20	15.33	-0.10
Jan-13	15.52	15.70	15.52	15.61	-0.10

Price Projection (International-CBOT)

	Trend	Price Range
Short Term (5-10 days)	Range bound (negative)	14.50-14.75
3rd week of July, 2012	Steady positive	14.50-15.00

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>
© 2005 Indian Agribusiness Systems Pvt Ltd.