

Latest market development:

Cash rice markets continued to trade steady despite lower export demand and delayed planting. However, widespread rains throughout the country have encouraged planting in major paddy growing belts. Prices are likely to stand steady in the weeks ahead as demand from whole sellers is expected from next week. However, in south Indian markets prices have declined slightly as it was ruling at higher level amid lower export demand.

India's rice planting remains about 16% behind that of last year, but is up about 74% from a week ago as Monsoon rains continue in wide spread area. The Indian Agriculture Ministry reports that as of July 13, 2012 9.68 hectares have been planted in rice, up about 74% compared to 5.54 million hectares a week ago and down from about 11.5 million hectares this same week last year. The ministry also revealed that the rice planting area is about 13% or 1.48 million hectares less than the normal coverage of 11.16 million hectares at this time of the year.

Indian government officials estimate there would be huge shortfall of jute bags available for packing the new rice harvest due in few months. This year, there is an estimated shortfall of about 350,000 bales or about 175 million jute bags for packing of rice and wheat. The jute industry has blamed the government for the shortfall citing poor planning. Jute industry experts recently said that about 1.25 billion jute bags would be produced this year.

India's Agriculture Minister has announced that rice exports will continue despite deficit rainfall as the country has sufficient rice stockpile. Deficit rainfall of about 23% in June has delayed the planting of rice crops in the main Kharif season this year. As of June 30, rice planting was limited to 5.54 million hectares, over 25% less than last year. The delay in rainfall has triggered fears of a drop in rice production this year, but the government hopes that planting will improve this month as rainfall is expected to be normal in the weeks ahead.

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.

All-India progressive procurement of Rice for the marketing season 2011-12 as on 06.07.2012 was 343.93 lakh tonnes which is higher than the procurement of 311.17 lakh tonnes upto the corresponding period of last year. All-India progressive procurement of Wheat for the marketing season 2012-13 as on 06.07.2012 was 379.63 lakh tonnes which is higher than the procurement of 279.84 lakh tonnes upto the corresponding period of last year.

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.

The UN's Food and Agriculture Organization (FAO) estimates 2012 world rice production at around 489.1 million tons, up 1.6% from 2011, but down from a previous forecast of about 490.5 million tons due to "deterioration of prospects in a few major producing countries, especially India. For 2012, FAO expects global production to exceed consumption by about 13.4 million tons, contributing to total global rice stocks of about 167.5 million tons, pushing the stock-to-use ratio to a record high of about 35%.

Domestic market dynamics:

Physical rice market continues to stay steady on back of lower kharif output estimation and more than 76 lakh T basmati and non-basmati export as of now. Millers are holding back stock in anticipation of higher realization due to continued export. We expect rice market to trade at current level with firm bias as lower monsoon rains in major growing areas hint production to squeeze this year. The slow progress of the monsoon, which is so far 22 percent below average, has raised concerns about paddy and other kharif crops.

The monsoon rains have been below average since the start of the season in June, but they improved in the past week for the first time in the current season. Rice accounts for about 70 percent of total grain output in the summer season. Pawar said it was too early to say whether the government would scrap unrestricted exports of rice, wheat, sugar and cotton, a policy it had adopted last year. We expect situation to improve as rains have picks up

The government has huge stockpiles of grains and was ready with contingency plans to meet in any eventuality. By July 1, government rice stocks were 30.7 million tonnes, much higher than the 9.8 million tonnes targeted for the quarter to end-September. Wheat stocks were 49.8 million tonnes against the quarterly target of 17.1 million tonnes. So there is no fear of any short supply. If production short falls below set target of 940 lakh tonnes, it will not impact total domestic supply and price.

Domestic News:**Tripura to provide rice to poor at Rs 2 per kg**

Tripura government has announced that it will provide rice at Rs 2 per kg to about three lakh families living below the poverty line (BPL) under the public distribution system (PDS) from next month. Chief minister Manik Sarkar on Friday said that the state cabinet has decided to ensure 35 kg rice per month at Rs 2 to both BPL and Antoday cardholders, besides increasing the quota of rice from 18 to 20 kg for above poverty line cardholders.

Food Grains Wastage Has Declined, Skeptics Disagree-says food minister

India's Food Minister has claimed that the state food grains buying agency, the Food Corporation of India (FCI) has reduced wastage of food grains from 2.5% five years ago to 0.006% this year despite the over 150% growth in food grains stocks over the past five years. The minister has called the reduction in wastage a major achievement of the FCI. However, with supplies under management having more than doubled in the last 6 years, many local sources say its more likely that waste has gone up not down. In 2006-07, India's food grains stocks, comprising mostly wheat and rice, stood at around 30 million tons, against over 80 million tons food grains stock in July this year – including about 50 million tons of wheat and about 30 million tons of rice. The minister said that the FCI has reduced food grain wastage due to several initiatives taken by the government.

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 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 06.07.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 06.07.12)	MY 2010-11(As on 06.07.11)
Andhra Pradesh	96.1	73.75	84.10
Chhattisgarh	37.39	41.15	30.25
Haryana	16.87	19.81	16.59
Kerala	2.63	3.72	2.60
Maharashtra	3.08	1.58	2.05
Orissa	24.76	27.76	23.72
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.96	13.70
Uttar Pradesh	24.66	33.45	23.52
Uttaranchal	4.22	3.69	4.17
West Bengal	13.1	17.20	9.97
All-India	340.94	343.93	311.17

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 09-15 Jul 2012	Prices 01-08 Jul 2012	Prices 24-30 Jun 2012	Prices 09-15 Jul 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
A P	1851.41	1756.61	2070.14	1974.44	5.4	-10.57	-6.23
Assam	2330.15	2540.78	2546.5	2159.88	-8.29	-8.5	7.88
Chattisgarh				900	—	—	—
Gujarat	2301.27	2311.06	2246.22	1946.38	-0.42	2.45	18.23
J & K	3250	3250			0	—	—
Jharkhand	2251.73	2253.29	2258.59	2130.89	-0.07	-0.3	5.67
Karnataka	2367.08	2413.8	2398.18	2087.35	-1.94	-1.3	13.4
Kerala	2548.62	2551.84	2550.04	2918.17	-0.13	-0.06	-12.66
MP	1411.77		1426.58		—	-1.04	—
Maharashtra	4076.74	3934.37	3854.34	4533.2	3.62	5.77	-10.07
Manipur				2500	—	—	—
Meghalaya	3100	2757.14	3100	2800	12.44	0	10.71
Delhi	1600	1600	1552	1650	0	3.09	-3.03
Orissa	1989.78	1881.97	1849.75	2223.36	5.73	7.57	-10.51
Rajasthan		2930		1587.5	—	—	—
Tripura		1866.67	1834.52	2023.16	—	—	—
U P	1632.92	1625.73	1592.77	1532.72	0.44	2.52	6.54
West Bengal	1882.95	1896.54	1888.8	1906.35	-0.72	-0.31	-1.23
Average	2328.17	2371.32	2226.32	2179.59			
As per the data reported by APMCs							

Average rice prices in domestic markets have decreased in comparison to last week and we expect prices to stay steady in the weeks ahead. Lower export demand is unsupportive to the rice market fundamentals. However, major dip is unlikely due to lower production estimates

Price Projection for July 3rd week in domestic market:

Duration	Trend	Average Price Range
Short Term(5 days)	Steady(Positive)	2320-2350
July(4 th week)	Steady (Positive)	2350-2375

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



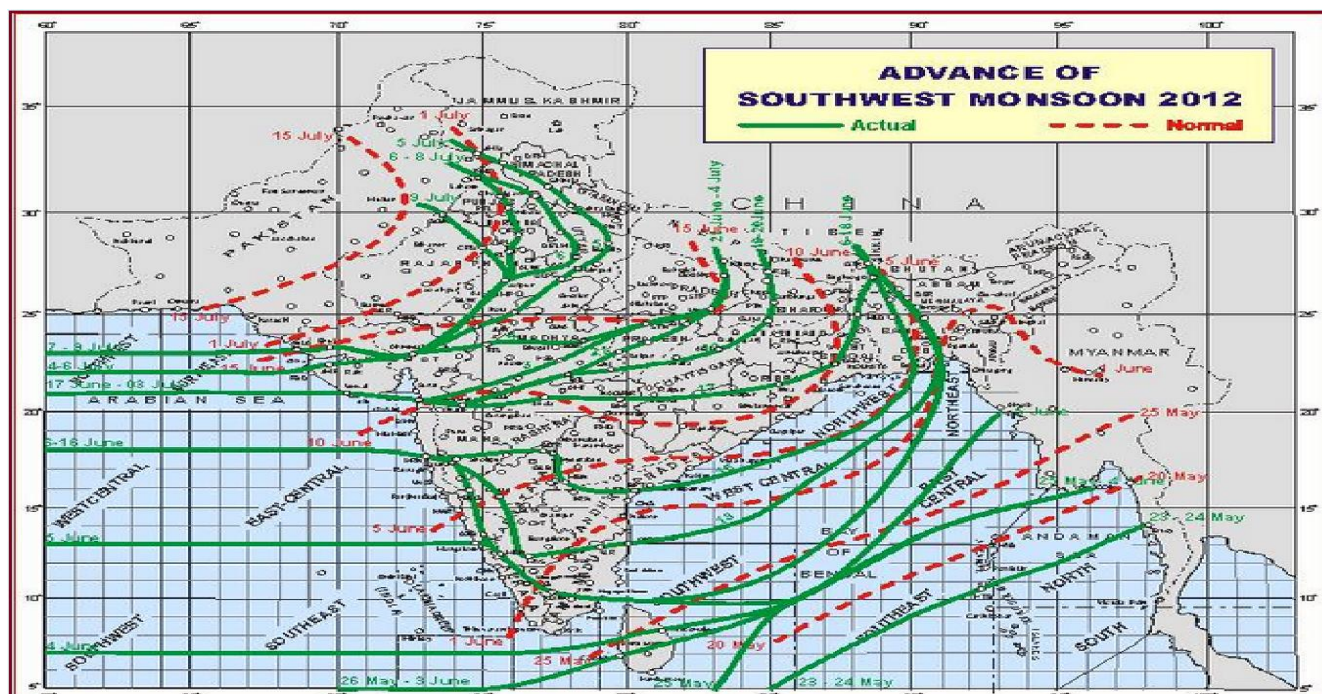
IN STORAGE		IN TRANSIT	TOTAL
RICE	304.57	2.51	307.08
WHEAT	495.23	2.85	498.08
Wheat lying in mandies	0.00	0.00	0.00
TOTAL	799.80	5.36	805.16
COARSE GRAINS	0.53	0.00	0.53
SUGAR	0.20	0.10	0.30
GRAND TOTAL	800.52	5.46	805.98

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

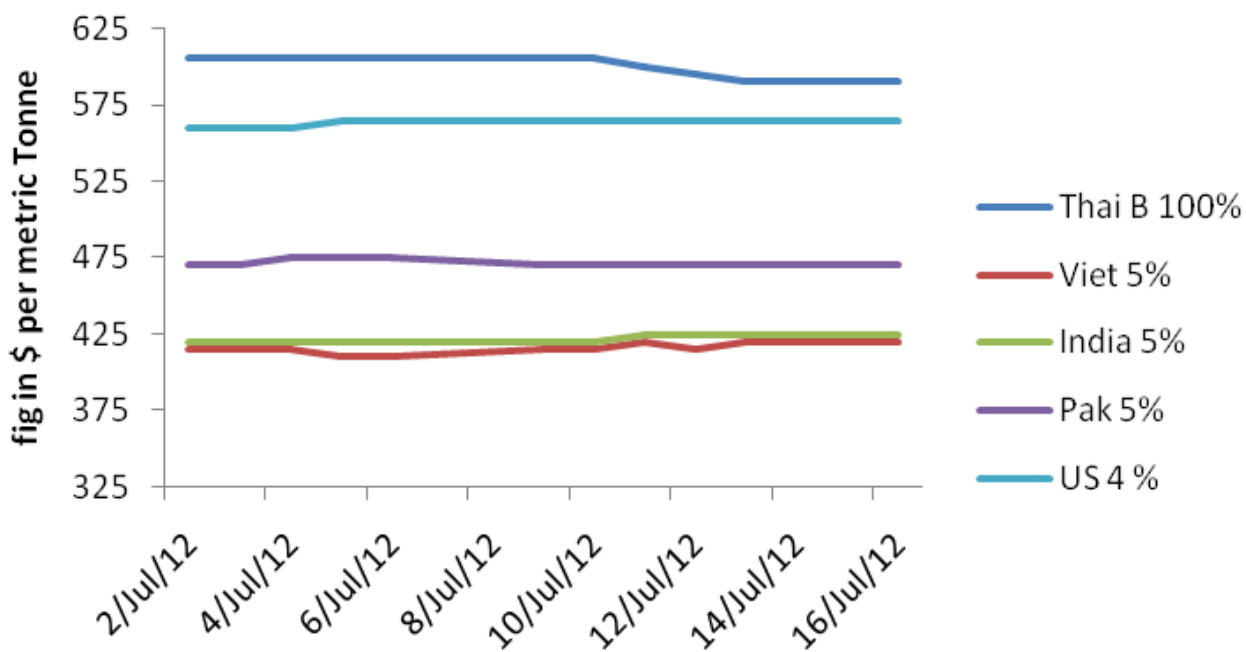
Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2010	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
2011	25.58	27.80	28.70	28.82	27.76	27.64	26.86	25.27	22.7	20.5	26.83	27.63
2012	29.71	31.8	33.17	33.35	32.92	32.14	30.70	28.90				

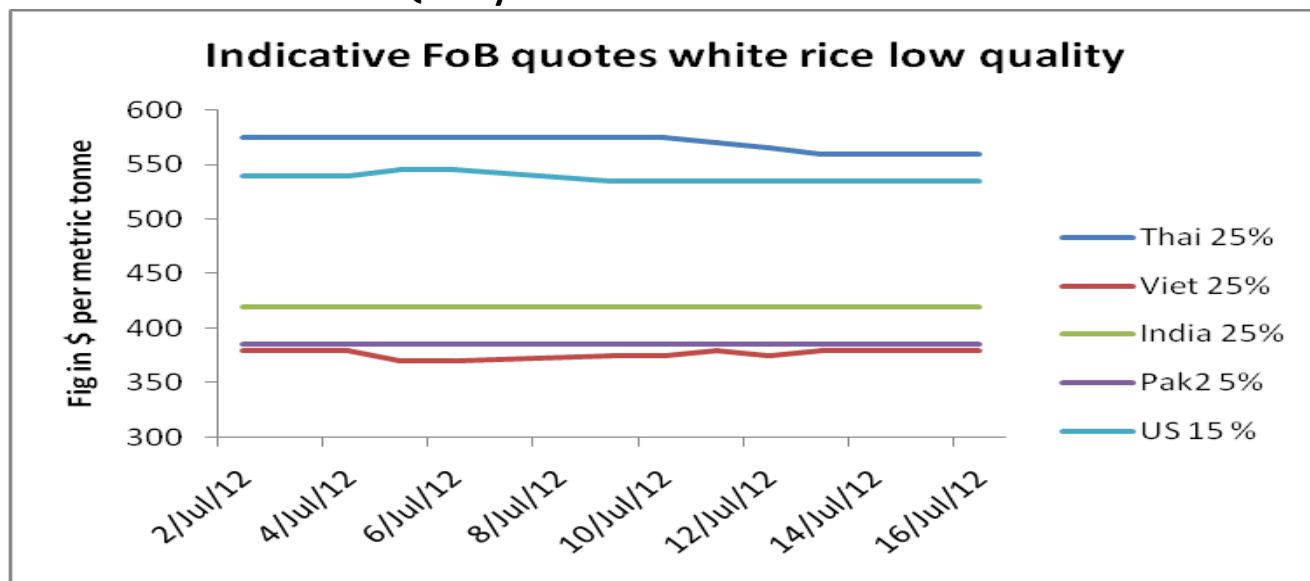
Rice stocks in Central Pool as on 1st July, 2012 stood at 30.70 MMT which is higher by around three times from an actual requirement for buffer norm (11.8 MMT) as on 1st July 2012. Higher offtake is likely now as demand will increase. Going by present procurement trend set target of 35 million tones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

Progressive Weather Update:



Indicative FOB quotes 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.

Malaysia to receive white rice by Nestle, via contract farming by September. Roughly 270 farmers produce white rice over 500 hectares for Nestle in Malaysia under contract farming and the number will rise to 500 farmers over 800 hectares.

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.

Paddy cultivation in about 18,000 hectares has been affected by water shortage in Java, with almost 5,000 hectares of paddy fields declared as total crop failure. Moreover, the drought has severely affected young paddy plants aged between 30 and 60 days and soon more hectares of paddy fields will add to the drought affected list in Indonesia. (Source: Oryza)

Egypt might lift ban on rice export; rice output likely to increase by 3.4%. A political stability may soon mark its impact on rice exports. Egyptian government is likely to lift ban on exports of rice paddy production.

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

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 13/07/2012)				(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
3 rd week of July, 2012	Steady positive	14.50-15.00

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