

Latest market development:

Rice cash market is expected to trade lower during the week under review as demand for export has come down due to congestion at port like Kakinada, Kandla, Vizag, Rajkot. Delayed shipments at least by 15 days have slowed down fresh purchasing. However, major downward correction is unlikely due to lower than expected rains in north and central India. Production of rice in kharif season is feared to dip at least by 10 million T.

The sowing of rice in India has improved 50% to 14.4 million hectares from 9.6 million hectares last week, according to the Agriculture Ministry. The rice sowing area as of July 20, 2012 is now about 6% less than the normal figures of 15.3 million hectares for this time of the year. Year-on-year, rice sowing is catching up but still lags behind by about 1.7 million hectares or 10.5% from the 16.1 million hectares sown at this time last year.

Rice farmers in India's Punjab region are planting more basmati rice as the fragrant variety requires almost 50% less water to grow than common rice varieties. This year, planting of India's main rice crop has been hampered due to deficit rainfall. In northern India, where most of the country's basmati is grown, the deficit in rainfall until July 15 is 65% which has forced several farmers to plant basmati instead of non-basmati rice.

The recovery in rainfall encouraged farmers to sow rice in most parts of the country in the past two weeks. Last week, rice sowing had jumped about 74% from the previous week to 9.6 million hectares, but was about 16% behind last year's sowing progress. Most of the rice sowing takes place in the last few weeks of July to August, and normal rainfall is crucial for rice cultivation in the coming weeks. The Indian Meteorological Department has forecast improvement in rainfall in the coming week.

India's Agriculture Secretary has said that India should continue exports of rice to prove that it is a stable player in the international market and also because there is sufficient stock of rice in the country. The deficit in rainfall of about 23% so far this year has raised concerns over rice output and speculations that the government may restrict rice exports. However, there is no need to restrict non basmati rice export as we have hefty stock to take care of demands despite lower crop production estimate.

India produced a record rice production of 104.32 million tons last year, and the country's stockpile of rice is at around 30 million tons, much above the buffer norms of about 14 million tons. If production falls short by 10 to 15 million tons, it will not impact the overall availability. However, it is too early to estimate the final crop size. Higher rains in July and August may normalize the fear of short fall.

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 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 Prime Minister of India has said that poor rainfall in July has made the threat of a drought real. He's asked various departments to be on alert and coordinate with state governments to prepare for any rainfall anomalies. The Indian Meteorological Department (IMD) had forecast in June that the whole monsoon season would be normal at 96% of Long Period Average with 4% margin error. However, in its latest estimate, the IMD has revised the forecast downwards to lower end of the range or around 92%. According to the IMD, rainfall until July 15 shows a 22% deficit in rainfall.

Domestic market dynamics:

Cash rice market is likely to trade weak on lower demand from exporters as congestion on ports have delayed shipments by two –three weeks. However, major downward correction is unlikely as paddy planting lags behind 16 percent in comparison to last year. Fragrant rice is likely to trade higher as demand continues even at higher quotes. Lower production prospects, normal domestic demand and lean season are likely to restrict market in the weeks ahead. Bearish global rice outlook and competitive prices in Vietnam and Pakistan would not allow India to sell at higher quotes unlike wheat. Delayed monsoon will impact non-basmati rice production as it requires ample water.

However, basmati production in Punjab and Haryana is likely to increase considerably as farmers are opting basmati planting in Punjab and Haryana. It requires less water than common rice. Besides, farmers have realized higher prices for basmati this year. According to the Punjab State Farmers Commission, basmati rice acreage could reach an unprecedented high of 750,000-800,000 hectares, over 10% more than 680,000 hectares last year. Basmati rice acreage is also likely to reach up to 65% of total rice acreage or 720,000 hectares in Haryana this year due to water shortage. Taking into account the rise in basmati rice acreage in Uttar Pradesh as well, total basmati rice acreage is set to surpass last year's 1.55 million hectares comfortably.

A surge in international prices is also encouraging rice farmers to plant basmati rice. According to the former chief of India's Rice Exporters Association, basmati rice prices have surged over 60% over the last year due to increase in demand in Iran and West Asia, and fresh demand from China. The removal of the Minimum Export Price (MEP) on basmati rice exports is also likely to propel basmati rice exports, say local rice traders.

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:**Basmati area to increase this season:**

Rice farmers in India's Punjab region are planting more basmati rice as the fragrant variety requires almost 50% less water to grow than common rice varieties. This year, planting of India's main rice crop has been hampered due to deficit rainfall. In northern India, where most of the country's basmati is grown, the deficit in rainfall until July 15 is 65% which has forced several farmers to plant basmati instead of non-basmati rice. According to the Punjab State Farmers Commission, basmati rice acreage could reach an unprecedented high of 750,000-800,000 hectares, over 10% more than 680,000 hectares last year. Basmati rice acreage is also likely to reach up to 65% of total rice acreage or 720,000 hectares in Haryana this year due to water shortage. Taking into account the rise in basmati rice acreage in Uttar Pradesh as well, total basmati rice acreage is set to surpass last year's 1.55 million hectares comfortably. A surge in international prices is also encouraging rice farmers to plant basmati rice. According to the former chief of India's Rice Exporters Association, basmati rice prices have surged over 60% over the last year due to increase in demand in Iran and West Asia, and fresh demand from China. The removal of the Minimum Export Price (MEP) on basmati rice exports is also likely to propel basmati rice exports.

Rice and wheat progressive procurement as on 13.07.2012

All-India progressive procurement of Rice for the marketing season 2011-12 as on 13.07.2012 was 344.68 lakh tonnes which is higher than the procurement of 313.84 lakh tonnes upto the corresponding period of last year. All-India progressive procurement of Wheat for the marketing season 2012-13 as on 13.07.2012 was 380.30 lakh tonnes which is higher than the procurement of 280.25 lakh tonnes upto the corresponding period of last year.

Rice production estimate revised up:

India has revised its forecast upwards for the rice output for the crop year 2011-12 (July to June) to over 104.3 million tons. This is around 0.8% or 900,000 tons higher than the forecast of 103.41 million tons in the third estimate, and about 8.7% or 8.4 million tons more than the 2010-11 rice output of 95.98 million tons. Rice output in 2010-11 has increased due to an increase in rice production in the eastern states and favorable weather.

The estimated increase in rice output has pushed the estimate for food grains output as well, which is now expected to reach 257.4 million tons in 2011-12, up about 2% or 5 million tons from an earlier estimate of around 252.6 million tons, and about 5% higher than around 244.8 million tons food grains output in 2010-11.

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 18.07.2012**



Rice Export Under OGL as on 18th July 2012			
Units are in lakh tons	Non Basmati	Basmati	Total
Sept.11	1.85	2.6	4.45
12-Oct	4.5	3.4	7.9
12-Nov	5.5	4	9.5
12-Dec	5.9	2.5	8.4
12-Jan	5.45	2.75	8.2
12-Feb	5.75	1.7	7.45
12-Mar	5.6	2.25	7.85
12-Apr	5.8	1.35	7.15
12-May	5.3	1.9	7.2
12-Jun	5.5	1.51	7.01
12-Jul	3.1	1.95	5.05
Total	54.25	25.91	80.16
Expectation up to Sept end, 2012	10	2	12

We expect rice export to cross 9.2 million tonnes at the end of Sep..Non-basmati rice export may touch 6.6 lakh tonnes while basmati export is expected to touch 2.7 million tonnes. At the end of August total rice export may cross over 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. India may enter in new market like China.

MSP for Coarse cereal in2011-12 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 13.07.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 13.07.12)	MY 2010-11(As on 13.07.11)
Andhra Pradesh	96.1	73.97	85.36
Chhattisgarh	37.39	41.15	30.30
Haryana	16.87	19.85	16.87
Kerala	2.63	3.72	2.60
Maharashtra	3.08	1.58	2.05
Orissa	24.76	27.78	24.25
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.96	13.85
Uttar Pradesh	24.66	33.45	23.95
Uttaranchal	4.22	3.78	3.99
West Bengal	13.1	17.50	9.97
All-India	340.94	344.68	313.84

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 16-23 Jul 2012	Prices 09-15 Jul 2012	Prices 01-08 Jul 2012	Prices 16-23 Jul 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
Andhra Pradesh	1910.06	1903.11	1768.05	1921.42	0.37	8.03	-0.59
Assam	2376.8	2330.15	2540.78	2613.98	2	-6.45	-9.07
Gujarat	2349.88	2299.92	2384.59	2020.82	2.17	-1.46	16.28
J&K	3250	3250	3250		0	0	—
Jharkhand	2277.78	2223.96	2258.95	2123.95	2.42	0.83	7.24
Karnataka	2414.77	2367.08	2413.8	2011.9	2.01	0.04	20.02
Kerala	2667.75	2586.6	2562.72	2693.66	3.14	4.1	-0.96
Madhya Pradesh	1410	1411.77			-0.13	—	—
Maharashtra	4040.62	4033.95	3934.37	4658.77	0.17	2.7	-13.27
Manipur				2500	—	—	—
Meghalaya	2980	3100	2757.14	2800	-3.87	8.08	6.43
NCT of Delhi	3000	1600	1600	1500	87.5	87.5	100
Orissa	1854.16	1930.23	1888.38	2182.14	-3.94	-1.81	-15.03
Tripura			1866.67	2034.7	—	—	—
Uttar Pradesh	1633.99	1612.61	1592.29	1522.83	1.33	2.62	7.3
West Bengal	1930.1	1917.99	1907.36	1889.63	0.63	1.19	2.14
Average	2435.42	2326.24	2328.44	2140.88			

As per the data reported by APMCs

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 export demand is unsupportive to the non basmati rice market fundamentals. However, major dip is unlikely due to lower production estimates. However, overseas and domestic demand pushed up prices of aromatic varieties rice further in the market during the week under review. But prices of non-basmati varieties remained almost unchanged on account of steady demand-supply situation.

Buying interest pushed aromatic varieties further up. Demand for aromatic rice has improved in domestic and overseas market over the last few days. Traders expect these varieties may rule steady as the market sentiment is still positive. The area under aromatic varieties has increased this year. Following lower rainfall and expectations of better returns, the area has increased. Basmati varieties fetch better returns, requires less water and can be sown late – these are the factors that led to rise in the area. The area under basmati varieties in Punjab may rise to 7,50,000 hectares this crop year, while in Haryana it may rise to 8,00,000 hectares, up 2.5 per cent. Even area in U.P. is expected to increase this year.

Price Projection for July 4th week in domestic market:

Duration	Trend	Average Price Range
Short Term(5 days)	Steady(Positive)	2400-2450
August(1 st week)	Steady (Positive)	2450 2475

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:

Rain/ thundershowers would occur at most places over Uttar Pradesh.

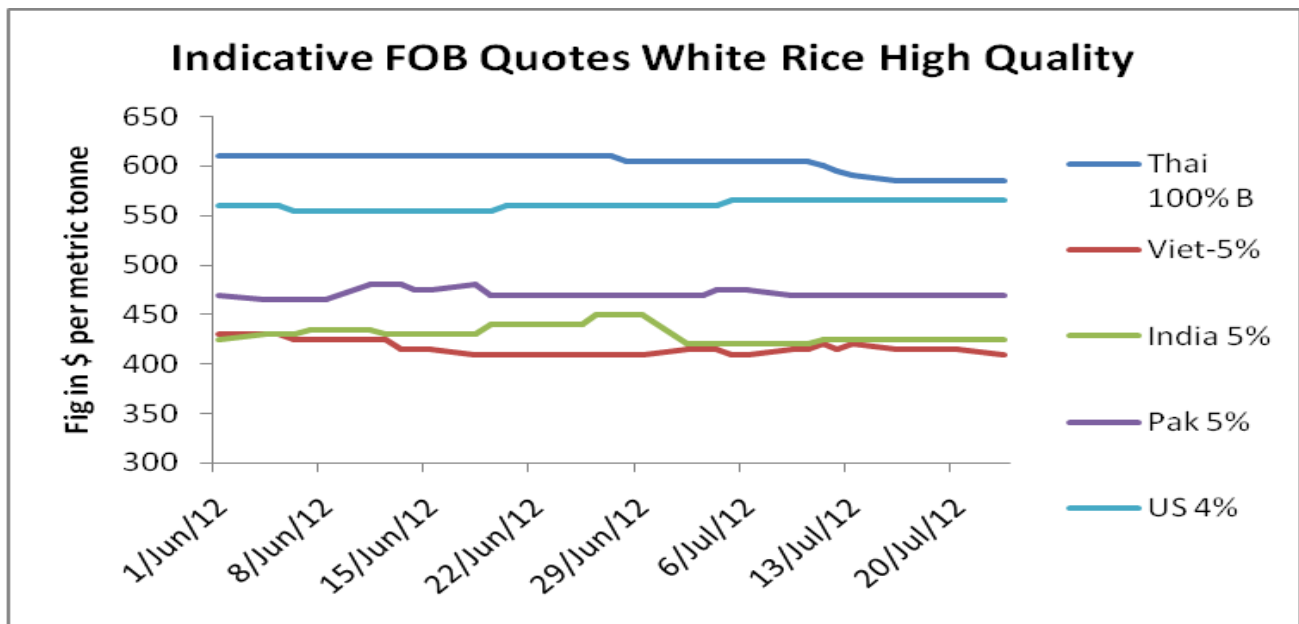
Rain/ thundershowers would occur at many places over Himachal Pradesh, Uttarakhand, Madhya Pradesh, Bihar, West Bengal & Sikkim, northeastern states, west coast and Andaman & Nicobar Islands.

Rain/ thundershowers would occur at a few places over Orissa, Vidarbha, Jharkhand and Chhattisgarh during next 48 hours and increase thereafter.

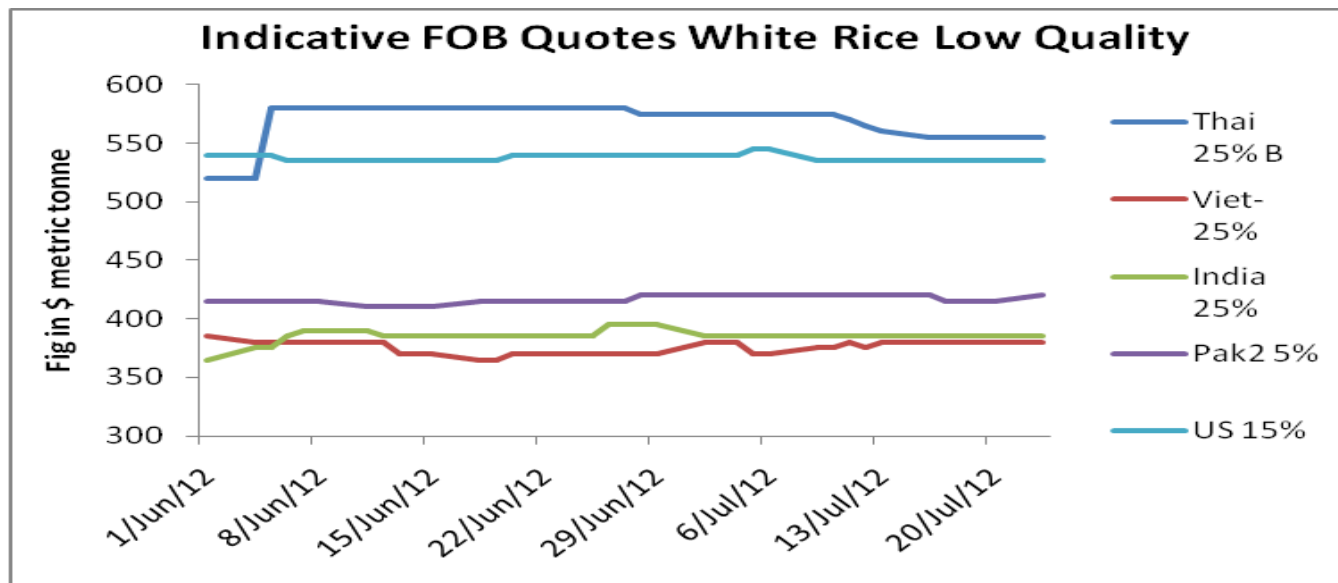
Rain/ thundershowers would occur at a few places over Punjab, Haryana, Delhi, Jammu & Kashmir, east Rajasthan and Gujarat region.

Rain/thundershowers would occur at at one or two places over rest parts of the country. Weather Warning during next 3 days Heavy to very heavy rainfall would occur at one or two place over Uttar Pradesh and heavy rainfall would occur at one or two places over north Madhya Pradesh, Uttarakhand, Himachal Pradesh, Bihar, Sub-Himalayan West Bengal & Sikkim, Assam & Meghalaya and Arunachal Pradesh during next 48 hours.

Indicative FOB Rice Quotes:



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:

Thailand's Agriculture Ministry has said that paddy rice production in the 2012-13 main crop (July to October) is likely to reach 25.9 million tons, almost 2 million tons more than the previous estimate of 24 million tons. The main crop accounts for about 70% of the total rice production in Thailand. According to latest data from the Commerce Ministry, Thai rice exports from the beginning of this year to July 17 stand at around 3.6 million tons, down about 47% from 6.86 million tons exported in the same period last year.

Indonesia's rice buying agency, Bulog, projects the nation will have a supply surplus of about 5.5 million tons this year, as production is projected to rise about 4.3% to 38 million tons, the nation's Deputy Agriculture Minister today said the nation would still import some rice to assure the nation has a decent buffer. Production seasonally wanes from January to March and agricultural experts say the government usually issues import licenses around October and November and are likely to do so again this year, most likely buying rice from Thailand and/or Vietnam.

Vietnam's rice exports from the beginning of this year to July 17 have reached 3.66 million tons, with about 110,000 tons exported during July 12 to July 17, according to the Vietnam Food Association (VFA). Vietnam is targeting around 6.5 million tons of rice exports in 2012. According to VFA data, rice shipments during July 1 to July 17 were 252,849 tons, around 30% of the 866,792 tons exported in June, 2012, showing that exports have slowed down.

Philippines can expect about the extension of the QRs (quantitative restrictions) on rice imports is to aim for a three year extension to 2015, according to the National Food Authority (NFA) administrator.

The NFA administrator said that this is the third time that the Philippines is seeking an extension of the QRs on rice and that the country must be prepared for it to end. He said, "QR cannot be forever...assuming that we are able to get other countries on the World Trade Organization (WTO) not to object, I think 2015 or a three year extension is the best that the Philippines can get

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 23/07/2012)				(Values in \$/hundredweight)	
Contract Month	Open	High	Low	Close	Change
Sep'12	15.55	15.57	15.25	15.45	-0.09
Nov-12	15.78	15.83	15.51	15.72	-0.08
Jan-13	15.90	16.05	15.90	15.99	-0.08
March-13	16.35	16.35	16.23	16.24	-0.09

Price Projection (International-CBOT)

	Trend	Price Range
Short Term (5-10 days)	Range bound (negative)	15.20-15.50
1st week of August, 2012	Steady positive	15.50-15.70

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.