

Latest market development:-

Rice cash market continues to trade steady to slightly firm on lower area coverage report, slower planting progress and uneven distribution of rainfall in major growing states of U.P, Tamil Nadu, Chhattisgarh, and Odessa. we expect prices to stand steady in the weeks ahead as demand for basmati and non basmati rice from exporters, whole sellers and retailers continue, however higher rainfall is expected to change the inner market tone.

Rice planting in India has reached 19.1 million Hectare, up about 32% from last week of 14.4 million Hectare, however sowing is still below the normal area for this time of the year, rice sowing area as of July 27 2102 is almost 9% less than 20.9 million hectare at the corresponding date last year. However it is down about 4% from the historical norm of 19.9 million hectare.

Rainfall has been about 22-23% below normal so far and assuming the same lower rainfall overall paddy production may dip by 10 million tonnes from last year production of 104 million tonnes. Indian Metrological Department (IMD) hopes higher rainfall in the month of august and planting coverage area that is lagging behind right now is expected to be covered by 15th of august.

Export demand for non basmati and basmati continue with better pace as demand from Indian sella is stronger right now. Vietnam is selling white rice. Availability of parboiled rice in Pakistan is not enough to take care of current demand so we hope higher export volume to continue from India due to higher availability and ready to be delivered stock of sella rice at ports.

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.

Domestic market dynamics:

Rice market continues to trade steady to slightly lower despite lower area coverage in major growing rice belt. However, major downfall is unlikely as rice production is set to decline by 2 to three percent depending on rainfall conditions. Preliminary estimate shows that rice production in ongoing kharif season may dip by 10 million T. Despite production shortfall availability will remain ample as carry out stock is quite higher.

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.

Monsoon is 22% Lower than Normal So Far.

India's Food Minister has said that the deficit in rainfall seen this year is unlikely to hit rice output. Rainfall has been about 22% below normal so far across India, which has led to estimates that India's 2012-13 rice production will drop to about 100 million tons, down about 4% from the record output in 2011-12 of about 104 million tons.

However, the Food Minister said that rainfall has recovered in most parts of the country and is unlikely to impact rice output. He also said that unrestricted exports of non-basmati rice will continue. He had said recently that the

government will review its rice export policy in mid-August. Meanwhile, the Agriculture Minister has revealed that a group of ministers will meet next week to discuss the drought situation in the country. Rice export to continue; India's Food Minister said that policy should be formed that will help decide when and how to import or export food grains in a transparent manner.

Rice and wheat progressive procurement as on 20.07.2012

All-India progressive procurement of Rice for the marketing season 2011-12 as on 20.07.2012 was 345.48 lakh tonnes which is higher than the procurement of 315.73 lakh tonnes up to the corresponding period of last year. All-India progressive procurement of Wheat for the marketing season 2012-13 as on 20.07.2012 was 380.83 lakh tonnes which is higher than the procurement of 280.53 lakh tonnes up to the corresponding period of last year.

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 30.07.2012

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	5	2.25	7.25
Total	56.15	26.21	82.36

Expectation up to Sept end, 2012	6	2	8
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Source: Traders association

We expect rice export to cross 9.0 million tonnes at the end of Sep. Non-basmati rice export may touch 6.2/6.3 million tonnes while basmati export is expected to touch 2.8 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 September onward. 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 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 20.07.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 20.07.12)	MY 2010-11 (As on 20.07.11)
Andhra Pradesh	96.1	74.19	86.79
Chhattisgarh	37.39	41.15	30.39
Haryana	16.87	19.85	16.87
Kerala	2.63	3.72	2.60
Maharashtra	3.08	1.58	2.05
Orissa	24.76	28.86	24.26
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.96	13.95
Uttar Pradesh	24.66	33.45	23.95
Uttaranchal	4.22	3.78	3.99
West Bengal	13.1	17.63	10.02
All-India	340.94	345.48	315.73

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 24-31 Jul 2012	Prices 16-23 Jul 2012	Prices 09-15 Jul 2012	Prices 24-31 Jul 2011	% Change(Over Previous Week)	% Change(Over Previous Week)	% Change(Over Previous Year)
Andhra Pradesh	1835.98	1917.11	1903.11	1848.2	-4.23	-3.53	-0.66
Assam	2297.2	2369.74	2330.15	2553.66	-3.06	-1.41	-10.04
Gujarat	2329.73	2349.88	2299.92	1960.33	-0.86	1.3	18.84
J & K	2900	3250	3250		-10.77	-10.77	—
Jharkhand	2172.58	2244.01	2225.77	2144.02	-3.18	-2.39	1.33
Karnataka	2687.36	2410.37	2367.08	2023.67	11.49	13.53	32.8
Kerala	2647.75	2672.71	2608.66	3036.2	-0.93	1.5	-12.79
M.P	1427.73	1419.32	1411.77		0.59	1.13	—
Maharashtra	4025.74	4025.48	4033.95	4285.06	0.01	-0.2	-6.05
Meghalaya	3009.68	2980	3100	2800	1	-2.91	7.49
Delhi	1600	3000	1600	1200	-46.67	0	33.33
Orissa	1878.28	1843.58	1922.36	2063.69	1.88	-2.29	-8.98
U.P	1645.33	1630.47	1607.65	1539.01	0.91	2.34	6.91
W.B	1900.08	1908.66	1913.28	1884.33	-0.45	-0.69	0.84
Average	2311.25	2430.1	2326.69	2175.48			
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, require 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 August 1st week in domestic market:

Duration	Trend	Average Price Range
Short Term(5 days)	Steady(Positive)	2325-2350
August(2 nd week)	Steady (Positive)	2350-2375

We expect prices to trade firm in the week's ahead as lower rainfall and area coverage for rice planting amid likely extended period for harvesting will continue to support rice cash market at present level, however if weather improves and higher rainfall occurs in major growing areas, prices of rice will come down slightly. As of now over all 22 % lower than normal rainfall has been reported and it may cut the final paddy size for Kharif 2012-13 to 90 million tonnes. Non Basmati production in major growing states of Punjab and Haryana, this year as farmers have opted to go for aromatic variety of rice.

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

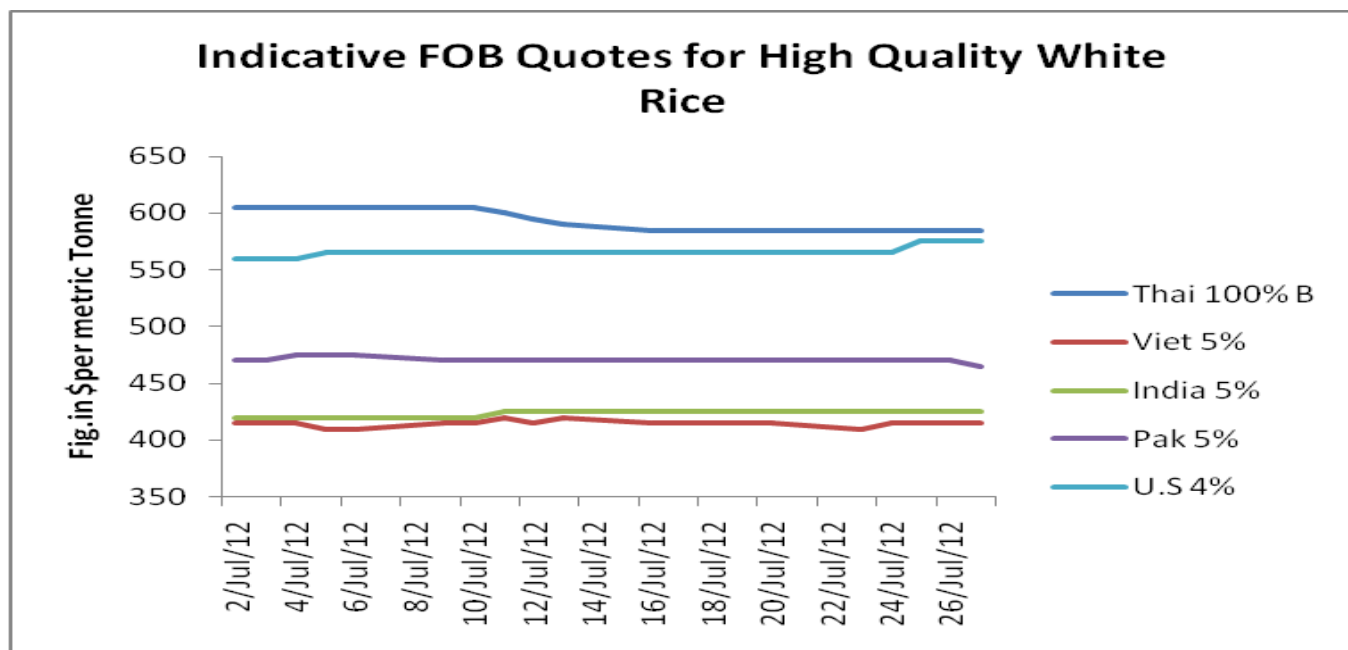
Month-wise Rice Stock in Central Pool (As on 1st day of the month) Values in MMT

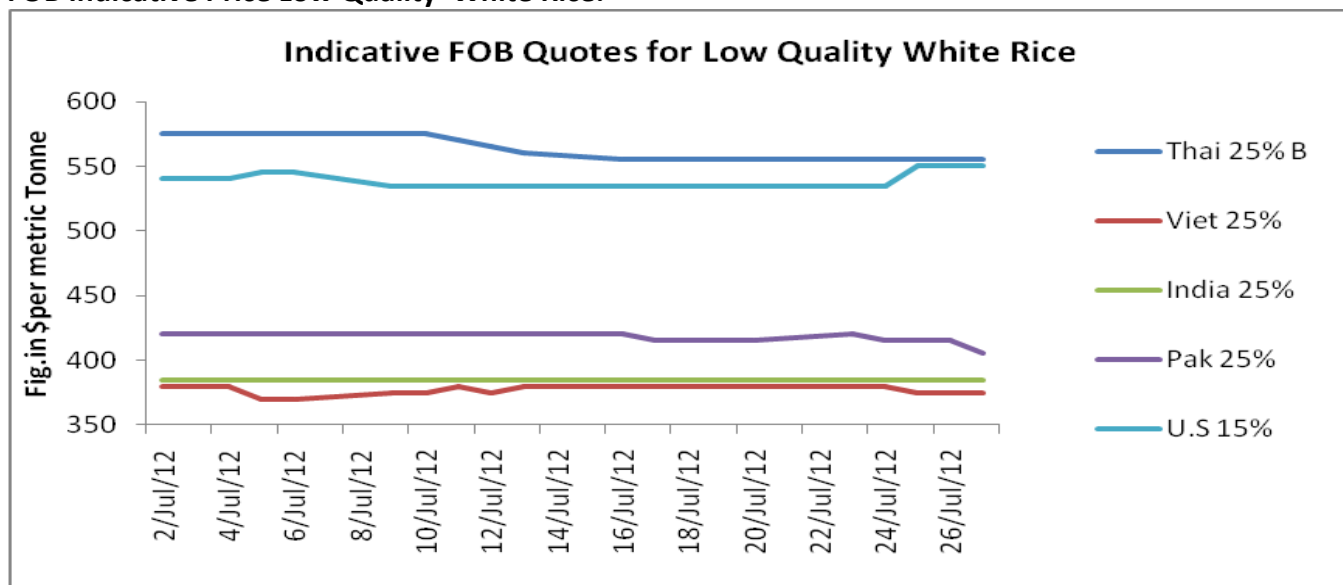
Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2010	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
2011	25.58	27.80	28.70	28.82	27.76	27.64	26.86	25.27	22.7	20.5	26.83	27.63
2012	29.71	31.8	33.17	33.35	32.92	32.14	30.70	28.90				

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 off take 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, Su 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 Prime Minister (PM) Yingluck Shinawatra has countered claims that the government had released any rice from its stockpile to private exporters at low prices. She said that the government has not dealt with local buyers directly over rice sales. Recently, local reports had accused the government of selling rice in "secret sales" to some players at a loss to the government. The PM revealed that the government is targeting rice exports of 8.5 million tons in 2012, down about 10% from the 9.5 million tons set earlier. She also defended the high prices of Thai rice, saying that consumers across the world know about the high quality of Thai rice.

Vietnamese white rice prices are slightly softer this week as the summer-autumn crop harvest continues to arrive, meaning that there is bounty of supply. This is in spite of the Government's on-going purchasing of up to 500,000 MTS of milled rice or 1 million MTS of paddy (until the 10th of August). Loading of the vessels for the shipment of the 130,000 MTS quantity that was sold to The Philippines last month has begun and is likely to last until the end of August.

The CBOT Rough Rice Futures were driven up by the rising prices of other commodities due to the current drought in the U.S. Although the drought is unlikely to directly affect the southern rice growing regions of the country, demand for rice could rise if the supply of wheat is significantly decreased. Recent rainfall in south Louisiana and Texas has restricted the amount of time that farmers have been able to spend harvesting in their fields.

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	2011-12 estimated 02.07.12	2012-13 forecast 26.07.12(Milled basis)
Rice						
Production	431	448	441	449	463	467
Trade	29	29	31	36	34	35
Consumption	427	435	438	447	460	466
Carry over St.	81	92	96	97	100	102
Year change	+5	+11	+4	+1	+3	+2
Major exporters	19	27	28	29	33	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 463m.,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 2%, 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: September contract:-



CBOT Rough Rice Futures:

Daily Futures Price Listing (as on 27/07/2012)					(Values in \$/hundredweight)
Contract Month	Open	High	Low	Close	Change
Sep'12	15.38	15.70	15.36	15.60	+0.22
Nov-12	15.63	15.91	15.63	15.87	+0.22
Jan-13	15.97	16.14	15.97	16.14	+0.22
March-13	16.42	16.42	16.33	16.40	+0.22

Price Projection (International-CBOT)

	Trend	Price Range
Short Term (5-10 days)	Range bound (Positive)	15.40-15.80
1st week of August, 2012	Steady positive	15.50-15.80

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