

Latest market development:-

Cash rice market continued to trade steady to slightly firm on fear of lower production in Kharif season 2012-13 and better export demand for non-basmati and basmati rice. Average prices of rice have firmed up during the week under review. However, more upward move is unlikely as planting area have improved with better rain fall in major rice growing states. Expectation of better rainfall in the weeks ahead is likely to compensate the lower coverage.

Indian rice farmers have so far this season planted about 23.38 million hectares of rice, that's down about 3% from 24.09 million hectares normally planted by this time of year. Planting progress improved about 22% from 19.10 million hectares last week on July 27, and is down about 27% compared to August 19 of last year.

Rice farmers in two states in India, Punjab and Haryana, are spending an additional Rs 2000 per hectare to irrigate their fields for sowing rice as rains falls short of normal expectation. Both these states account for over 35% of India's total rice production. While most of the rice fields in India are rain-fed, those in Punjab and Haryana are mostly irrigated. However, farmers have to resort to using oil to run their motor pumps due to a severe shortage of power.

The Indian government approved Rs 1,900 crore as a relief package for states that are facing drought-like conditions besides a 50% subsidy in diesel for farmers in the affected areas. In Haryana, the state government has announced that rice cultivation will be covered under the crop insurance scheme for 2012-13. And in Punjab, the demand is growing to announce a bonus of INR 600 per quintal over the purchase price fixed by the government of about Rs 1,250 per quintal.

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 Indian government has postponed its decision on placing restrictions on rice exports until the Agriculture Minister surveys the drought-affected areas personally. India is facing one of the worst droughts in nearly a decade, with about 20% deficit rainfall as of July. Though, the government has repeatedly said that sufficient stocks and a recovery in rainfall in several parts of the country would ensure that rice and other food grain exports continue, the Agriculture Minister had convened a meeting of a group of ministers today to discuss the drought situation.

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 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:

Cash rice market is likely to trade steady at current level as pace of export has come down due to congestion on ports and buyers sluggish interest. Most regular buyers have covered its immediate requirements and they are waiting for a correction in the market. Millers too have not much rice left from previous season as season is about to come to an end. Besides, Vietnam is offering lower rates and it has slowed down Indian non-basmati rice demand. However, basmati demand continues as old stocks are still left. Market too is aware of the fact that basmati production this year will increase as area under basmati in Haryana, Punjab and U.P. has increased.

Domestic demand for non-basmati is likely to stay steady and supply through PDS is expected to increase due to price containment policy through govt's end. Stocks in central pool are ample and higher supply is likely to restrict market to gain further. However, weather will play a crucial role in deciding price trend. If it improves in the weeks ahead, market sentiments would turn bearish, otherwise market will continue to move steady to slightly firm.

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.

Insurance scheme for Paddy Farmers in Haryana:

As per the notification issued by the Agriculture Department, Paddy crop will be covered during Kharif 2012-13 and the unit area for the purpose of crop insurance will be village or village Panchayat. The scheme will be implemented in all villages or village Panchayats in districts of Karnal, Kaithal, Jind and Rohtak. For crops and areas where Modified National Agricultural Insurance Scheme is being implemented, the National Agricultural Insurance Scheme or Weather Based Crop Insurance Scheme will not be available on the same crop. The implementing agencies will be Agriculture Insurance Company of India Ltd in Karnal, Kaithal and Jind districts and IFFCO-TOKIO General Insurance Company Ltd in Rohtak district. All farmers including share-croppers and tenant farmers growing the Paddy crop in the defined areas are eligible for coverage under the scheme. (UNI)



Export Status and Likely Scenario:

Rice and wheat export under OGL: As on 30.07.2012

Rice Export Under OGL as on 30th 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

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 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 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 August, 2012	Prices July, 2012	Prices August, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	2538.33	1875.6	2017.86	35.33	25.79
Assam	2437.52	2377.99	2508.24	2.5	-2.82
Gujarat	2555.51	2348.54	2028.34	8.81	25.99
J & K	2900	3176.57		-8.71	—
Jharkhand	2263.43	2248.98	2168.54	0.64	4.38
Karnataka	2843.43	2484.8	2086.04	14.43	36.31
Kerala	2659.37	2635.6	3049.37	0.9	-12.79
Maharashtra	4140.57	4019.22	4665.75	3.02	-11.26
Meghalaya	3100	2918.71	2242.76	6.21	38.22
Orissa	1971.36	1890.28	2237.93	4.29	-11.91
U.P	1650.46	1618.06	1540.62	2	7.13
W.B	1949.2	1922.28	1930.69	1.4	0.96
Average	2584.1	2295.07	2187.23		
*Report Generation: 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 obstructive to the non basmati rice

market fundamentals. However, major dip is doubtful due to lower production prospects. 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 2nd week in domestic market:

Duration	Trend	Average Price Range
Short Term(5 days)	Steady(Positive)	2400-2450
August(2 nd week)	Steady	2450-2500

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

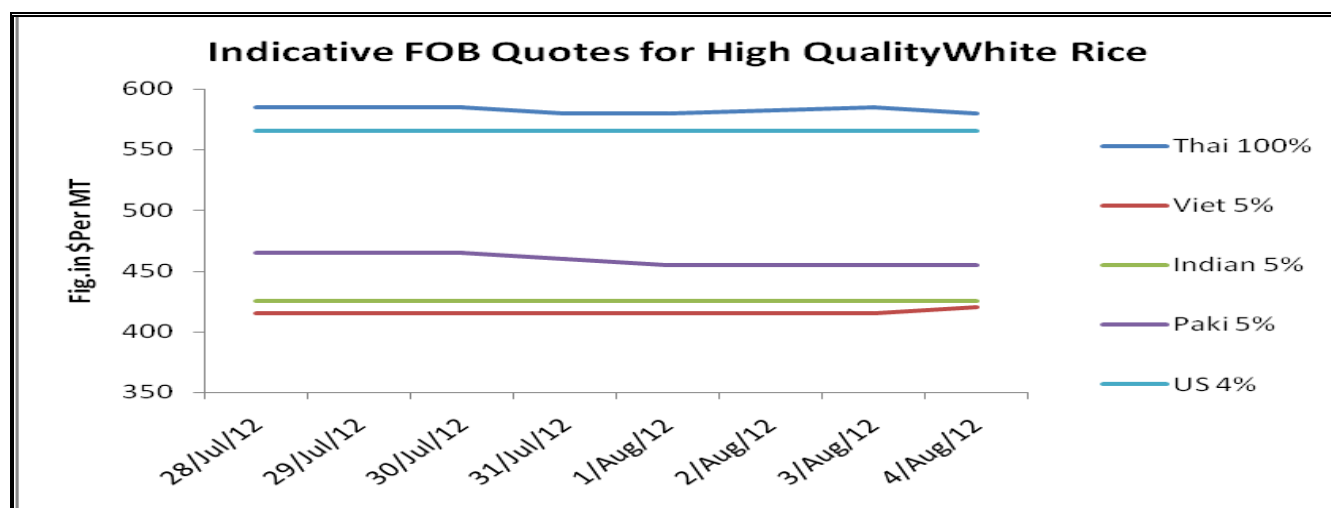
Month-wise Rice Stock in Central Pool (As on 1st day of the month) Values in MMT

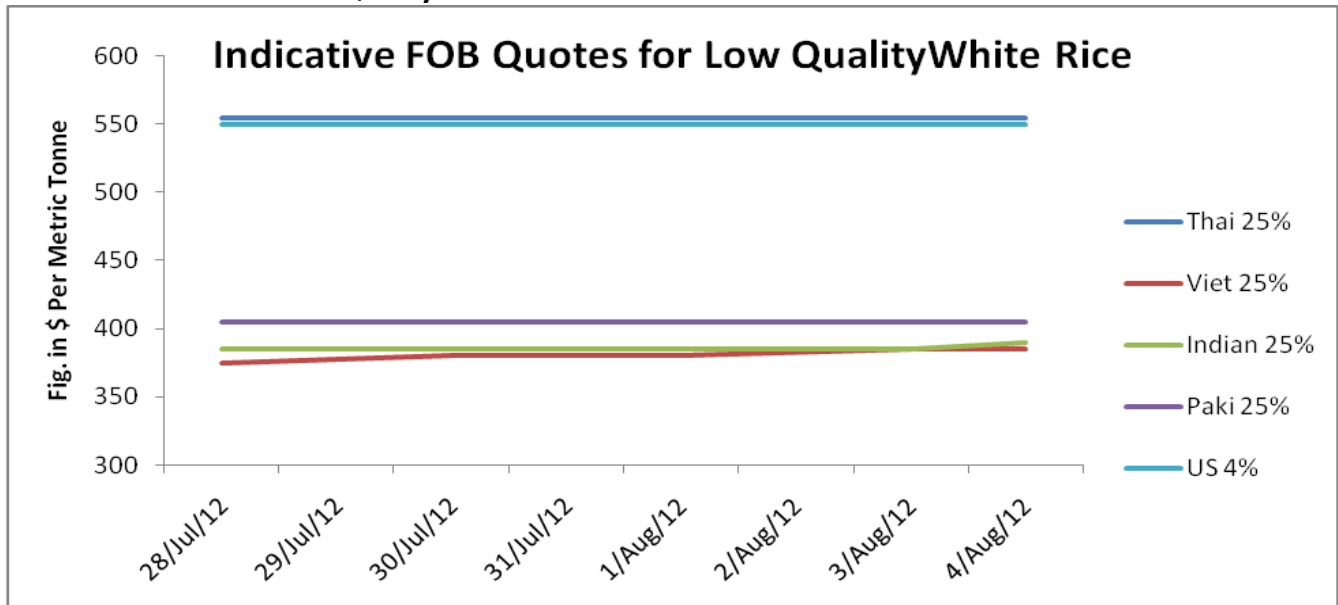
Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2010	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
2011	25.58	27.80	28.70	28.82	27.76	27.64	26.86	25.27	22.7	20.5	26.83	27.63
2012	29.71	31.8	33.17	33.35	32.92	32.14	30.70	28.90				

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 many places over Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Vidarbha and west coast.
- ⊕ Rain/thundershowers would occur at many places over northeastern states.
- ⊕ Rain/thundershowers would occur at a few places over rest parts of the country outside west Rajasthan, Saurashtra & Kutch and Tamilnadu where rainfall would be at one or two places.

Indicative FOB Rice Quotes:


FOB Indicative Price Low Quality White Rice:-


Previous week Rice prices in the global market continued to remain steady 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:

Thai media continues to bash the government's rice mortgage scheme calling it ineffective, corrupt, and a waste of public resources. Instead of exporting large shipments of rice, Thailand seems to be absorbing more rice as the state buys rice from farmers at elevated prices while exporters try to get cheaper rice smuggled in from neighboring countries to cover any sales.

With Thai and Indian rice sellers out on holiday Viet rice sellers today raised some of their quotes by about \$5 per ton. South American rice remains the most expensive origin at about \$580 per ton for 5% broken rice. Thai 5% rice is shown around \$570 per ton, on par with U.S. 4% rice. Indian 5% is indicated around \$420 per ton, Pakistani 5% at \$450 per ton, and Viet 5% at about \$410 per ton.

The USDA Ag Attaché projects Indonesia's rice imports for 2011-12 will decline to about 1.25 million tons as favorable weather boosted domestic yields and production, reducing the amount of rice Bulog needs to import. Bulog's imports of rice for 2012-13 are projected to rise to about 1.45 million tons.

In 2011-12 Bulog intends to buy about 4.5 million tons of rice – including 2.4 million tons from the domestic market, up from 1.3 million tons the year before. Bulog can only buy paddy from farmers if the market price is lower than the government's official price.

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.
- Export figure has been decreased from 34 million tonnes to 33 million tonnes lower by 1 million tonne from previous estimate,
- However global rice trade trend has been continuously rising has also depicts the latest IGC chart released on 02/07/2012.

CBOT Rough Rice Chart: September contract:-



CBOT Rough Rice Futures:

Daily Futures Price Listing (as on 03/08/2012)					(Values in \$/hundredweight)
Contract Month	Open	High	Low	Close	Change
Sep'12	15.83	16.02	15.81	15.98	+0.10
Nov-12	16.15	16.29	16.09	16.25	+0.10
Jan-13	16.55	16.55	16.42	16.52	+0.10
March-13	16.70	16.81	16.69	16.81	+0.12

Price Projection (International-CBOT)

	Trend	Price Range
Short Term (5-10 days)	Range bound (Positive)	15.50-16.00
2nd week of August, 2012	Steady positive	16.00-16.50

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.