

Latest market development:-

Cash rice market continued to trade higher on fear of lower production prospects, delay in harvesting due to delayed trans-planting and better export demand for basmati and non-basmati. However, weather condition improved during the week under review and we expect better rainfall in the coming weeks. Rice prices in domestic markets are likely stay steady in this week too despite better rainfall and transplanting progress.

Rice planting in India has improved considerably to about 26.43 million hectares, down about 3% from 27.25 million hectares normally planted by this time of year, according to the data released by the Ministry of Agriculture. Planting last week improved about 13% from 23.368 million hectares as of August 3, 2012. However, the rice planting area is still down about 18% compared to 32.21 million hectares planted as of August 19, 2011.

India's rice stocks as of August 1, 2012 stand at 28.5 million tons, up about 13% from 25.3 million tons the same time last year. If production decreases by 5 to 6 percent it will not affect the availability in the market. Depending on India's rice production this autumn, rice stocks could rise for the fifth straight year this spring to reach all-time record highs. Total food grain stocks— mostly rice and wheat - as of August 1 have increased to 76.1 million tons, up about 24% from 61.3 million tons last year.

Better results are expected on export front as demand for basmati and non-basmati rice continues and there is no plan to restrict export as India has ample stock backup. By the end of this season ending Sep total export is likely to cross 8.5 million T including basmati. New crop is expected to hit the market in Oct and availability will increase once again just after two months.

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.

With adequate stocks of rice in the central pool and the possibility of low production due to uneven rains, the Centre is unlikely to substantially increase its annual rice procurement target for the 2012-13 crop marketing season starting October. In 2011-12, the government had targeted procurement of about 35.31 million tonnes (mt) of rice for the central pool, of which about 34.47 mt was purchased till mid-July. The target for 2011-12 was 7.8 per cent more than the 32.75 mt in the previous season.

Lower than normal rainfall is not going to impact basmati cultivation and production. The price of basmati is \$1,000-1,500 a tonne for different varieties. Last year, it was close to \$800-900 a tonne. Iran is coming up as a big importer and exporters are now scouting new markets in the African continent. In the past few years, the awareness about basmati rice has grown tremendously and so has the demand. The acceptance of Pusa 1121 as basmati has widened the scope for exporters. Even African countries are now demanding basmati rice.

Domestic market dynamics:

Cash rice market continued to rule firm on fear of lower production and delay in harvesting this year due to late trans-plantings. However, with better rainfall in major North and West Indian states planting status has improved considerably. We expect improvement to continue with better rainfall in the weeks ahead. Demand for basmati and non-basmati rice is likely continue and it will support market till the end of the season. Stock in private hand is depleting now and prices are unlikely to decrease in short term. However, if rains continue with better pace, it will ensure better production prospects and restrict market to move up further.

It would be early to say that rice production in India will decrease considerably this year. The clear picture will emerge at the end of August. However, rainfall during these days will be driving force for the domestic rice market. Even in the lower than normal rainfall, basmati production is not going to be impacted as it requires less rain. Besides, the eastern states have better rainfall this year so far and production in these states has been continuously rising. The only fear is of lower area coverage and farmers shifting towards other lucrative crops. As of now no major shifting has been reported from major states except some parts of Gujarat, Rajasthan and Tamil Nadu. However, final figure is still awaited.

Export is likely to continue with normal pace as India remains the cheapest source of rice globally. Bulk deals for basmati and non-basmati are expected Oct. onward when new crop starts hitting the market. Total rice export in this season ending Sep is likely to cross 8.5 million T(basmati and non-basmati).

Domestic News:**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)

Progressive Kharif Rice Planting Area Coverage as on 08/08/2012:-

State wise Area Coverage status Kharif Rice as on 08/08/2012				
State	Normal Area (DES)	Normal Area Of Corresponding Week	Area Covered (SDA)	
			2012	2011
Haryana	11.55	11	10.54	12.3
H.P	0.78	0.73	0.73	0.75
J&K	2.59	0.72	1.01	1.13
Punjab	27.2	26.86	27.55	27.9
Rajasthan	1.3	0.76	0.78	0.75
U.P	56.87	51.14	50.93	55.98
Uttrakhand	2.76	2.56	2.51	2.78
Chhattisgarh	37.17	32	32.19	31.86
Gujarat	7.05	4.91	4.52	5.23
M.P	15.9	11.21	12.17	12.35
Maharashtra	14.92	10.63	10.13	10.66
Orissa	40.82	25.83	22.23	24.55
Andhra Pradesh	26.01	9.09	8.11	9.87
Karnataka	10.96	5.02	3.13	3.59
Kerala	1.88	0.86	0.83	0.92
T.N	17.2	2.25	1.48	2.65
Assam	20.62	16.28	17.13	18.35
Bihar	31.92	20.83	21.67	18.57
Jharkhand	13.24	6.92	7.91	10.5
W.B	41.3	27.59	23.34	31.57
Others	8.97	5.39	5.5	5.59
All India	391.01	272.58	264.39	287.85

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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.

Progressive Procurement of Rice as on 03.08.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 03.08.12)	MY 2010-11(As on 03.08.11)
Andhra Pradesh	96.1	74.55	89.23
Chhattisgarh	37.39	41.15	36.44
Haryana	16.87	19.85	16.87
Kerala	2.63	3.72	2.6
Maharashtra	3.08	1.58	2.05
Orissa	24.76	28.28	24.5
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.96	14.12
Uttar Pradesh	24.66	33.5	23.95
Uttaranchal	4.22	3.78	3.99
West Bengal	13.1	18.56	10.6
All-India	340.94	346.96	325.54

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 Aug 2012	Prices 01-08 Aug 2012	Prices 24-31 Jul 2012	Prices 09-15 Aug 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
Andhra Pradesh	1792.66	1957.97	1925.46	1963.12	-8.44	-6.9	-8.68
Assam	2237.25	2339.95	2279.62	2609.99	-4.39	-1.86	-14.28
Gujarat	2987.5	2486.04	2389.39	1892.04	20.17	25.03	57.9
J&K	4400	4263.64	2900		3.2	51.72	—
Jharkhand	2418.19	2111.87	2296.49	2188.34	14.5	5.3	10.5
Karnataka	3030.76	2836.21	2728.28	2036.49	6.86	11.09	48.82
Kerala	2664.97	2700.09	2685.29	3216.78	-1.3	-0.76	-17.15
Maharashtra	1430	4098.39	4159.46	4702.48	-65.11	-65.62	-69.59
Meghalaya	3100	3035.19	3040.43	2800	2.14	1.96	10.71
U.P	1654.18	1656.74	1654.29	1548.26	-0.15	-0.01	6.84
Uttarakhand		1642.52	1569.89	1403.72	—	—	—
W.B	1979.59	1916.59	1914.5	1929.33	3.29	3.4	2.61
Average	2517.74	2467.51	2297.59	2367.15			
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 to positive 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. Global and domestic demand in the weeks ahead may continue to support prices of aromatic varieties rice. Continuous holidays and seasonal factors may force bulk buyers to wait at least for a couple of weeks. Congestion on port is also a big problem to ship out more grains.

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 3rd week in domestic market:

Duration	Trend	Average Price Range
Short Term(5 days)	Steady(Positive)	2450-2500
August(3 rd week)	Steady (positive)	2500-2550

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 August: - Fig: in lakh T

	STOCK WITH FCI			STOCK WITH STATE AGENCIES			TOTAL CENTRAL POOL STOCK		
	RICE	WHEAT	TOTAL	RICE	WHEAT	TOTAL	RICE	WHEAT	TOTAL
EAST ZONE TOTAL	8.94	7.58	16.52	32.29	6.65	38.94	41.23	14.23	55.46
NE ZONE TOTAL	3.48	0.20	3.68	0.00	0.00	0.00	3.48	0.20	3.68
NORTH ZONE TOTAL	97.03	117.05	214.08	25.74	243.75	269.49	122.77	360.80	483.57
SOUTH ZONE TOTAL	65.48	6.06	71.54	17.01	0.00	17.01	82.49	6.06	88.55
WEST ZONE TOTAL	16.47	24.44	40.91	16.45	66.50	82.95	32.92	90.94	123.86
TOTAL	191.40	155.33	346.73	91.49	316.90	408.39	282.89	472.23	755.12
STOCKS IN TRANSIT	2.14	3.03	5.17	0.00	0.00	0.00	2.14	3.03	5.17
TOTAL (ALL INDIA)	193.54	158.36	351.90	91.49	316.90	408.39	285.03	475.26	760.29

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	28.50	26.30			

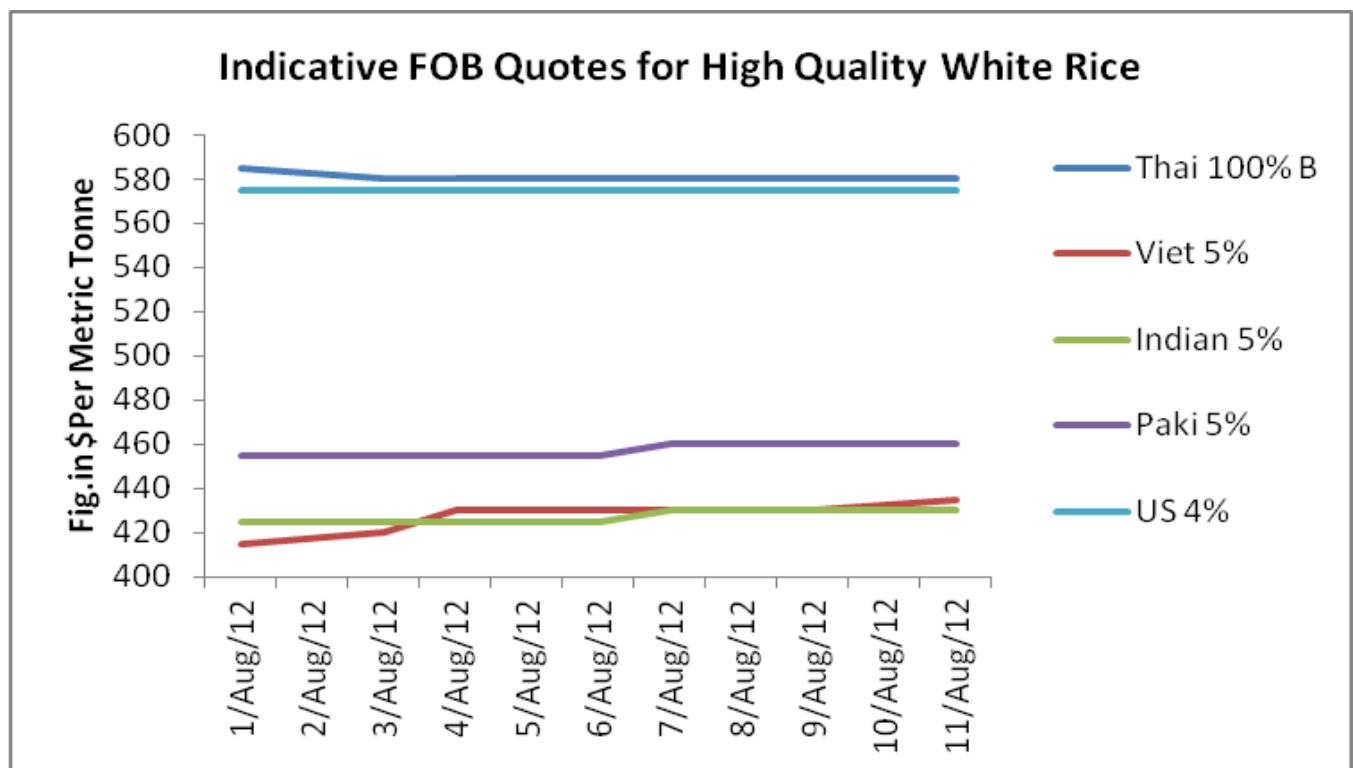
Rice stocks in Central Pool as on 1st August, 2012 stood at 28.50 MMT which is higher by around three times from an actual requirement for buffer norm (7.2 MMT) as on 1st Oct 2012. Higher off take is likely now as demand from govt. stock will increase. We expect stock to come down to 26.30 on 1st September 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:-

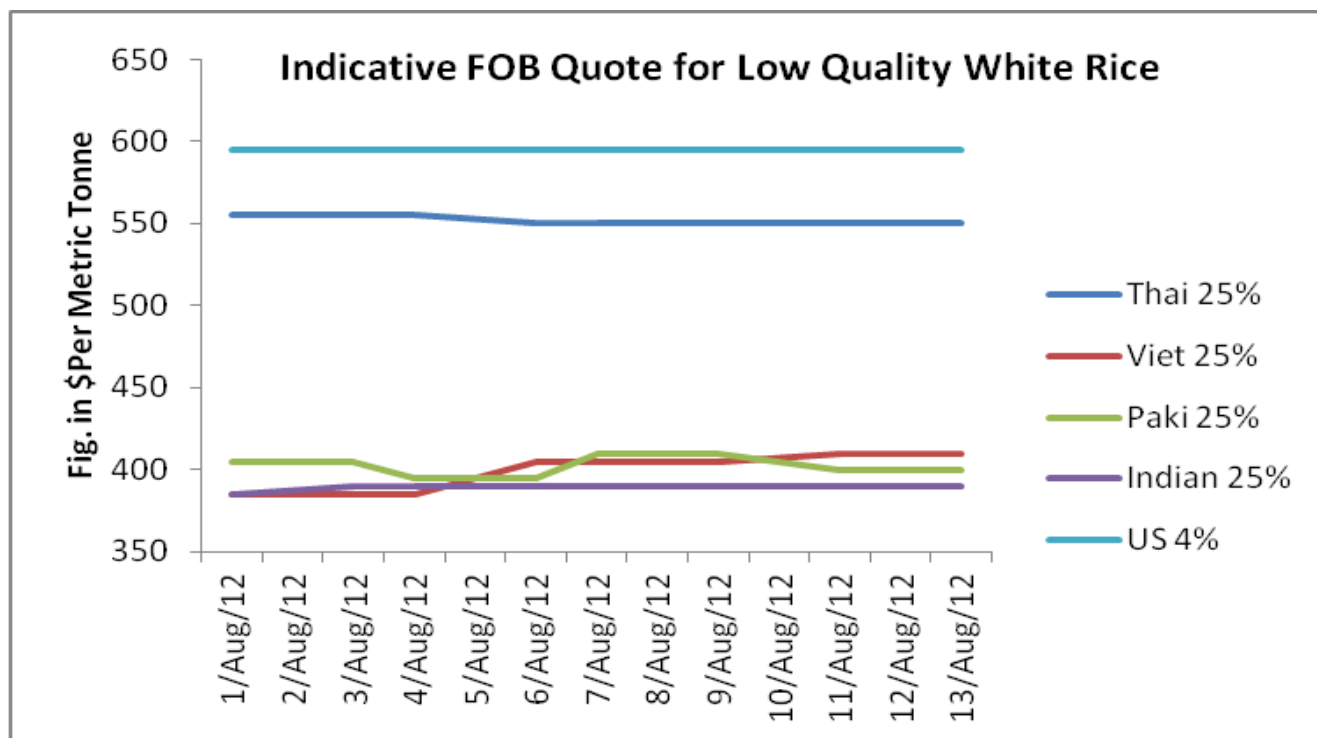
- ⊕ Rain/thundershowers would occur at many places over Gujarat state, Rajasthan, western Himalayan region, Madhya Pradesh, west coast, West Bengal & Sikkim and northeastern states.
- ⊕ Rain/thundershowers would occur at a few places over Chhattisgarh, Vidarbha, Odisha and Jharkhand.
- ⊕ Rain/thundershowers would occur at a few places over Punjab, Haryana, Uttar Pradesh, Bihar, Madhya Maharashtra, Marathwada and Interior Karnataka.
- ⊕ Rain/thundershowers would occur at one or two places over Andhra Pradesh and Tamilnadu..

Indicative FOB Rice Quotes:





FOB Indicative Price Low Quality White Rice:-



Indicative FOB quotes remained almost unchanged from previous year. However, latest FAO release indicates market to trade steady despite higher production estimates. Lower Indian crop may pressurize world stock and support price to rule steady.

International Market updates:

Thai white rice prices have softened this week, as there has been minimal trading activity. There have been more rumors regarding sales of Government stocks to of Africa and into the domestic market, in order to create storage space for further intervention purchases. Some reports have suggested that local tenders have been taking place for some of these stocks, although there has been no confirmation of any sales yet. Reports suggest that the Thai Government is expecting to negotiate an increase in its rice-export quota to The Philippines. This will be part of a compensation agreement for the Government of The Philippines maintaining its high import tariff. Thai officials are believed to currently be in Manila to negotiate the Minimum Market Access volumes (MMA) between the countries.

The Vietnamese market has been very volatile this week. White rice prices have firmed significantly, following a meeting last Friday of the Vietnamese Food Association (VFA), who claimed to have registered rice exports totalling 6.2 million MTS up to the 6th of August. 4.2 million MTS of this is believed to have been exported by the end of July, and exports during August are currently estimated at 800,000 MTS. This then leaves 1.2 million MTS currently unaccounted for.

The Pakistani market has remained quiet, as we approach the end of the observance of Ramadan. Prices have softened slightly as some exporters have sold their positions in order to concentrate on other commodities. Business could remain slow for a while longer, as the Eid ul-Fitr holiday which celebrates the end of Ramadan, falls in the same week as Pakistan's Independence Day (14th of August) this year. This could mean that some traders will be away from work for up to a week. However, when the market does eventually return to normal towards the end of August.

U.S. exporters will have been pleased to have completed some sales into West Africa this week, having struggled to compete for this market with India, Vietnam and South America this year. West African buyers, are likely to have been attracted by the lower prices that exporters are offering for the old crop, as they aim to create storage space for the new crop when it is finished harvesting. There has also been interest from Central America and the Middle East, in addition to the usual exports to Mexico. Exporters will also be encouraged by the on-going discussions between the U.S. Government and Colombia over a possible free trade agreement.

The Bangladeshi Government has extended its ban on the export of non-fragrant varieties until at least next June, going against the recent rumours that the country was set to remove the ban. The Commerce Secretary has indicated that the decision was taken in order to ensure that the domestic market remains well supplied and to keep prices at a stable level.

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 10/08/2012)				(Values in \$/hundredweight)	
Contract Month	Open	High	Low	Close	Change
Sep'12	15.89	16.04	15.86	15.94	+0.02
Nov-12	16.18	16.28	16.13	16.21	+0.02
Jan-13	16.44	16.55	16.44	16.49	+0.02
March-13	16.70	16.77	16.70	16.77	+0.04

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

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