

Latest market development:-

Cash rice market traded steady to slightly lower on the back of improved area coverage from last week. Better rainfall in the eastern part of the countries and other major rice producing states except Chhattisgarh have eased pressure on cash rice market. Fear of lower production vanished to some extent. However, area shift in particular states like Chhattisgarh, Gujarat, Rajasthan and some other minor rice producing states may impact the final size of kharif rice.

After lagging behind in comparison in the middle of the trans-planting season area under rice in India has increased to 30.76 million hectares, up 6% from the normal planting area at this time of the year of about 29.06 million hectares. The increase in rice planting is about 16.4% higher than last week's about 26.4 million hectares. The rainfall deficit shrank to 15% as of August 15, from 17% a week ago, according to the India Meteorological Department. However, India's rice planting area is still down about 4.5% compared to 32.219 million hectares planted as of August 19, 2011.

Under improved rainfall and area coverage the country's food grain production is unlikely to dip as much as feared. It may be lower than last year bumper production but higher than 2009-10. The reason behind it is that the eastern states have received normal rainfall and rice production in these states is likely to increase following the trend set last year. Following efforts by the government to increase rice production in the eastern states, rice production in the region increased 30% to 100% in 2011-12.

Agriculture experts are of the opinion that India may increase its rice prices following tighter supplies in 2012, which may cause buyers to look to other origins for rice supplies; for now India remains one of the cheapest origins. Both the USDA and FAO have forecast reduced rice production in India by about 6-10% to 98-94 million tons in 2012. However, it will not impact the availability in domestic market as stock from last year's crop is at higher level.

The Indian government has approved a plan to create additional storage capacity of over 18 million tons of food grains for storage in 19 states spread across the country with the help of private companies and government agencies. The Minister for Consumer Affairs Food and Public Distribution System said that so far tenders for about 50% or about 9.7 million tons of the proposed storage have been finalized. The government agencies have constructed storage capacity for 2.9 million tons, while construction of 2.5 million tons capacity is underway.

The Madhya Pradesh government has decided to provide Rs 100 per quintal as bonus on support price for paddy cultivated during the kharif marketing season 2012-13. In order to make farmers aware of the decision, directives have been issued to all collectors and officials of the department concerned. Paddy will be procured between November 1 and January 31.

The Indian government has urged rice farmers in the northern states of Punjab and Haryana to diversify from rice and wheat to less water-intensive but profitable crops such as oilseeds, vegetables and floriculture. The Agriculture Minister promised financial and marketing assistance to farmers in the region to diversify into other crops than rice and wheat, the two main crops in the region.

Rice planting received a boost last week due to heavy rainfall in several rice producing states of the country. The rainfall deficit shrank to 15% as of August 15, from 17% a week ago, according to the India Meteorological Department

Domestic market dynamics:

Rice cash market traded lower on improved area coverage and rainfall status throughout the country. Demand from domestic and global market too remained subdued as prices were ruling higher due to seasonality factors and fear of lower production till week ending 08th Aug. However, situation improved considerably and fear of considerable loss in production vanished away. Rice production in the eastern states are likely to improve this year too as there is no deficient rainfall in these areas. The only fear is area shift in Chhattisgarh, Gujarat and Rajasthan from paddy to other lucrative crops that requires less water than rice.

We expect rice prices to dip further from current level as demand from exporters and domestic users has decreased in last two weeks. Exporters would like to wait for new crop expected in October last this year and till then picture will be clear over production size. Demand for aromatic rice too has come down due to higher prices. Pakistan is selling rice comparatively at lower price. However, any steep decline is unlikely as new season is still one and a half month away from now.

It would be early to say about the actual production size as rains in September will play an important role at yield front. As of now situation has improved and we hope better rain fall in the weeks ahead. We will carry out preliminary production estimate of kharif rice in our August monthly report based on actual rainfall in growing areas and expected yield.

On export front volume has come down due to unstable prices. No new deal has been finalized during last two weeks. Exporters are fulfilling only previous export obligation and so we expect export volume to decrease in the weeks ahead. Till 10th August 59 lakh T non basmati and more than 26 lakh t basmati rice has been shipped out in this season.

Domestic News:**Jharkhand might face hefty decline in rice production:**

Jharkhand might face a 40 per cent shortfall of rice yield this year following delayed monsoon, an agriculture scientist said. Transplantation of paddy picked up only in the last fortnight in Jharkhand following good rains. The delay in monsoon by 20 to 25 days had caused harm to paddy yield in the state," Mukund Varar Principal Scientist of the Central Rainfed Upland Rice Research Institute of the ICAR said. He said rice production would not cross two million tonne in Jharkhand this year. "Even this month, rainfall was not proportionate across the state because of being plateau region," he said adding deficient rains in June and July prevented farmers to grow nurseries, leaving transplantation in only about 40 per cent to 50 per cent of the total rice-cultivated land. He, however, said many farmers had used short duration seeds like 'Sahbhagi Dhan' which would not only help reduce the impact of poor monsoon but also help them in raising a second crop in the Rabi season following residual moisture. He advised farmers to cultivate pulses and oilseeds early in the Rabi season and grow vegetables and wheat with supplemental irrigation, depending upon the water availability.

Rice production unlikely to dip

India's Minister of State for Agriculture has said that the country's food grain production will not dip as much as feared, stating that this year food grain production is likely to exceed that of drought-hit 2009-10. The minister also said that the eastern states have received normal rainfall and rice production in these states is likely to increase following the trend set last year. Following efforts by the government

to increase rice production in the eastern states, rice production in the region increased 30% to 100% in 2011-12. India faced the worst drought in nearly four decades in 2009-10, but still produced about 218.1 million tons of food grains, compared to the record 252 million tons produced in 2011-12. This year, deficient rainfall has caused concern over a possible drop in rice and other food grain production. Experts say that India may increase its rice prices following tighter supplies in 2012, which may cause buyers to look to other origins for rice supplies; for now India remains one of the cheapest origins. Both the USDA and FAO have forecast reduced rice production in India by about 6-10% to 98-94 million tons in 2012.

Bonus for paddy farmers in M.P.

The Madhya Pradesh government has decided to provide Rs 100 per quintal as bonus on support price for paddy cultivated during the kharif marketing season 2012-13. In order to make farmers aware of the decision, directives were issued today to all collectors and officials of the department concerned. Registration of peasants -- for purchase of paddy and coarse grain -- commenced yesterday and is scheduled to conclude on September 16, an official release said. Makka, jowar and bajra will be procured from October 1 to January 31 while paddy will be procured between November 1 and January 31.

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

After lagging behind so far this year due to deficient rainfall, rice planting in India has increased to 30.76 million hectares, up 6% from the normal planting area at this time of the year of about 29.06 million hectares. The increase in rice planting is about 16.4% higher than last week's about 26.4 million hectares. Rice planting received a boost last week due to heavy rainfall in several rice producing states of the country. The rainfall deficit shrank to 15% as of August 15, from 17% a week ago, according to the India Meteorological Department (IMD).

Rice export through OGL as on 10.08.12

| Rice Export Under OGL as on 10th August, 2012 | | Fig:in lakh Tonne | |
|------------------------------------------------------|--------------------|--------------------------|--------------|
| 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 |
| 12-Aug | 2.15 | 0.71 | 2.86 |
| Total | 58.3 | 26.92 | 85.22 |
| Expectation up to Sept end, 2012 | 4 | 1.25 | 5.25 |

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 09.08.2012 (lakh tonnes)

| States | MY 2010-11 (During Oct-Sept.) | MY 2011-12 (As on 09.08.12) | MY 2010-11(As on 09.08.11) |
|----------------|-------------------------------|-----------------------------|----------------------------|
| Andhra Pradesh | 96.1 | 74.69 | 90.36 |
| Chhattisgarh | 37.39 | 41.15 | 36.54 |
| Haryana | 16.87 | 19.85 | 16.87 |
| Kerala | 2.63 | 3.72 | 2.6 |
| Maharashtra | 3.08 | 1.77 | 2.08 |
| Orissa | 24.76 | 28.29 | 24.57 |
| Punjab | 86.35 | 77.31 | 86.35 |
| Tamil Nadu | 15.83 | 15.96 | 14.17 |
| Uttar Pradesh | 24.66 | 33.5 | 24.10 |
| Uttaranchal | 4.22 | 3.78 | 3.99 |
| West Bengal | 13.1 | 18.70 | 10.61 |
| All-India | 340.94 | 347.44 | 327.18 |

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.

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.

Weekly Rice price trend in domestic market:

| State | Prices 16-23 Aug 2012 | Prices 09-15 Aug 2012 | Prices 01-08 Aug 2012 | Prices 16-23 Aug 2011 | % Change(O ver Previous Week) | % Change(Over Previous Week) to | % Change(Over Previous Year) |
|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------------------|------------------------------------------|---------------------------------------|
| Andhra Pradesh | 1783.49 | 1898.81 | 1987.22 | 2058.47 | -6.07 | -10.25 | -13.36 |
| Assam | 2342.36 | 2340.12 | 2339.95 | 2553.28 | 0.1 | 0.1 | -8.26 |
| Gujarat | 2547.31 | 2446.63 | 2485.97 | 1912.21 | 4.12 | 2.47 | 33.21 |
| Jharkhand | 2315.76 | 2339.55 | 2182.81 | 2132.65 | -1.02 | 6.09 | 8.59 |
| Karnataka | 2861.56 | 2796.37 | 2835.81 | 2069.68 | 2.33 | 0.91 | 38.26 |
| Kerala | 2673.32 | 2660.64 | 2699.12 | 3208.14 | 0.48 | -0.96 | -16.67 |
| Maharashtra | 4056.81 | 4183.71 | 4093.49 | 4669.85 | -3.03 | -0.9 | -13.13 |
| Meghalaya | 3100 | 3022.22 | 3035.19 | 2232.28 | 2.57 | 2.14 | 38.87 |
| Delhi | 2100 | | 1600 | 1741.18 | — | 31.25 | 20.61 |
| Orissa | 1941.39 | 1919.97 | 1877.3 | 2197 | 1.12 | 3.41 | -11.63 |
| U.P | 1708.53 | 1683.24 | 1656.78 | 1541.61 | 1.5 | 3.12 | 10.83 |
| Uttrakhand | 1600 | 2024.15 | 1678.46 | 1471.17 | -20.95 | -4.67 | 8.76 |
| W.B | 2087.42 | 1960.65 | 1927.14 | 1934.97 | 6.47 | 8.32 | 7.88 |
| Average | 2393.69 | 2602.98 | 2475.92 | 2239.48 | | | |
| As per the data reported by APMCs | | | | | | | |

Mixed trend in rice average price has been witnessed during the week under review. Overall average prices have declined in comparison to week ending at 8th August. We expect prices to decrease a little bit more as improved area coverage and rainfall have eased pressure on market fundamentals. However, any steep fall is unlikely due seasonal factors. New crop is still away one and a half month. Besides, demand from local market is expected at lower level.

Price Projection for August 4th week in domestic market:

| Duration | Trend | Average Price Range |
|-------------------------------|-------------------|---------------------|
| Short Term(5 days) | Steady(negative) | 2375-2425 |
| August(4 th week) | Steady (negative) | 2400-2450 |

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 | | | |

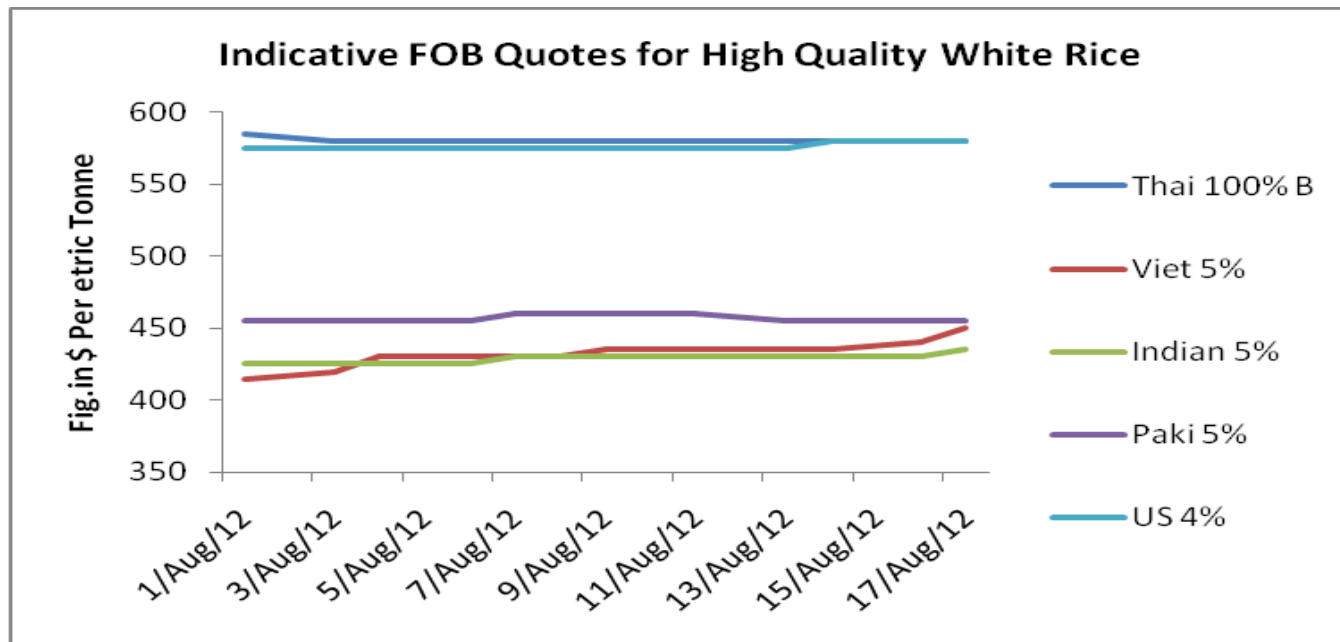
Rice stocks in Central Pool as on 1st August, 2012 stood at 28.50 MMT which is higher by around three times from an actual requirement for buffer norm (7.2 MMT) as on 1st Oct 2012. Higher off take

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:- Up to 23 August,2012

- ⊕ Rain/thundershowers would occur at many places over Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Punjab, Haryana and west Uttar Pradesh.
- ⊕ Rain/thundershowers would occur at many places over east Rajasthan, Madhya Pradesh, west coast and northeastern states, Andaman & Nicobar Islands and decrease over Madhya Pradesh after 48 hours.
- ⊕ Rain/thundershowers would occur at many places over Chhattisgarh, Vidarbha, Telangana, Marathwada and Madhya Maharashtra during next 24 hours and decrease thereafter.
- ⊕ Rain/thundershowers would occur at a few places over east Uttar Pradesh and east India during next 24 hours and increase thereafter.
- ⊕ Rain/thundershowers would occur at a few places over Gujarat region and Lakshadweep and at one or two places over rest parts of the country.

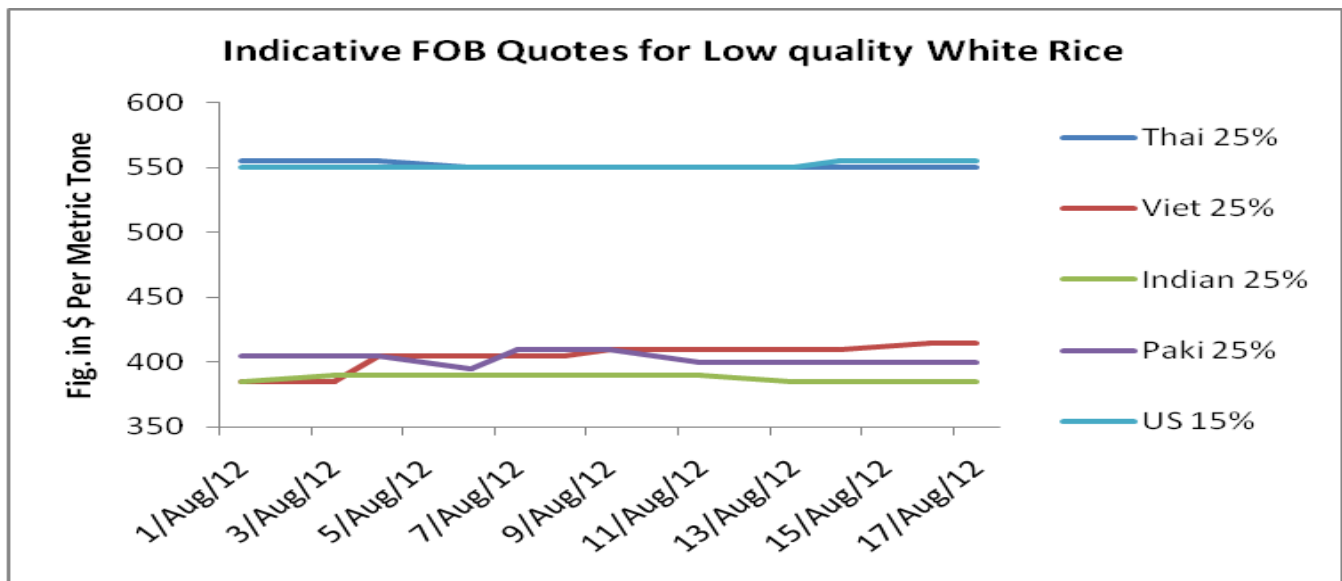
Indicative FOB Rice quotes trend:



During the week FOB quotes remained almost unchanged except Vietnam and India where prices increased due to better export demand. Indian quotes improved slightly due to fear of production short fall. However, more upward move is unlikely as demand has decreased due to uneven prices in domestic and overseas market.

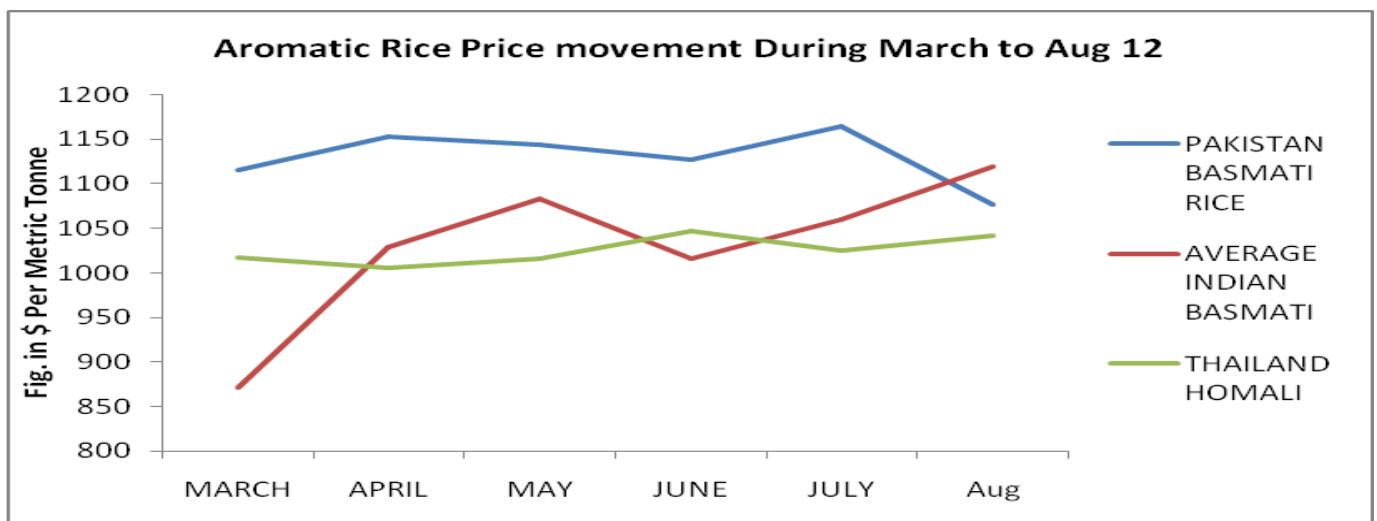


FOB Indicative Price Low Quality White Rice:-



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.

Aromatic rice prices trend:



Indian basmati rice prices have increased considerably and the rising trend continued from June till now. However, we expect basmati to trade steady despite lower prices in Pakistan and Thai Hom Mali. As prices of Indian basmati is ruling high amid subdued demand on seasonal factors, prices are likely to remain under pressure in the weeks ahead. Higher production estimate for basmati rice will weigh on market fundamentals.

International Market updates:

The Thai government has extended its intervention scheme, paying farmers 15,000 baht (\$480) per tonne for paddy, to end-September and is expected to renew it again in October, when harvesting of the main crop is due to start. The scheme has pushed government rice stocks up to a record high of 17 million tonnes of paddy, or around 10 million tonnes of milled rice - what Thailand exports in normal years.

Demand from Thai exporters and hopes for possible orders from countries affected by recent adverse weather helped support Vietnamese prices. A drought affecting US corn, low monsoon rain in India and floods in China and the Philippines have pushed up the price of ingredients for feed production, dragging up rice prices. Vietnams rice price continues to move up.

Global rice production this year will be smaller than previously forecast, according to the UN's Food & Agriculture Organization. A lot of importing countries looking toward India for more competitive prices are likely to shift to Thailand or Vietnam. If rice output in India drops, it is not going to have a significant impact on global inventories. There may be slight moderation in exports for major exporters.

World reserves may touch 102 million tons by the end of the season, the most in at least five years, according to the London-based International Grains Council. Thailand is building the biggest stockpile in at least five decades after Prime Minister Yingluck Shinawatra began a policy in October of buying from farmers at above-market rates. Stockpiles may reach 12.1 million tons in 2012-2013.

Demand for low-quality white rice from African buyers has forced Thai exporters to purchase additional stocks from Cambodia and Vietnam to meet orders because domestic rice is in short supply due to a government buying scheme. The price of 25 percent broken grade Thai white rice jumped to \$545 per tonne on Wednesday, some way above the \$520-\$530 per tonne being offered recently, although the benchmark 100 percent B grade was steady at \$580.

Exporters and trading firms all have started buying, so prices have gone up quickly. The 5 percent broken rice rose to \$425-\$430 a tonne on Wednesday, free on board Saigon Port, from last week's \$415-\$420. The 25 percent broken rice jumped to \$395-\$405 a tonne from \$375-\$380.

Given the bad weather, India may consider limiting its grain exports and that talk has also fuelled the price gain," the Ho Chi Minh City trader said. Harvesting of the Mekong Delta's summer-autumn crop has peaked and will end later this month, meaning no fresh grain supply to weigh on prices in coming weeks.

IGC Raises rice production forecast:

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 17/08/2012) | | | | (Values in \$/hundredweight) | |
|------------------------------------------------|-------|-------|-------|------------------------------|--------|
| Contract Month | Open | High | Low | Close | Change |
| Sep'12 | 15.32 | 15.44 | 15.23 | 15.42 | +0.10 |
| Nov-12 | 15.60 | 15.71 | 15.52 | 15.70 | +0.10 |
| Jan-13 | 15.88 | 15.99 | 15.88 | 15.99 | +0.10 |
| March-13 | 16.11 | 16.25 | 16.11 | 16.25 | +0.11 |

Price Projection (International-CBOT)

| | Trend | Price Range |
|--------------------------------------------|------------------------|-------------|
| Short Term (5-10 days) | Range bound (Negative) | 15.20-15.80 |
| 4th week of August, 2012 | Steady (Negative) | 15.40-16.00 |

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