

Latest market development:-

Cash rice market continued to rule firm on lower area coverage and continuous demand from bulk users and domestic consumers during the week under review. Despite improved acreage backed by better rainfalls throughout the major producing regions kharif rice production is likely to dip slightly this year due to late planting. Yield is expected to dip by 2 to 3 percent this year in case of rice. However in the eastern states production is likely to remain stable at previous level.

Rice planting in India has surpassed the normal acreage for this time of the year by about 3.5% to reach 32.9 million hectares. Normal area covered by rice planting for this week is 31.8 million hectares, according to the Ministry of Agriculture. Rice planting as of August 24, 2012 is about 7% higher than 30.7 million hectares achieved last week. Acreage is down about 11% from 37 million hectares planted this time last year.

Researchers have discovered a gene from wild Indian rice plants that can help in significantly raising the yield of common varieties in soils that are poor in nutrients. Scientists from the International Rice Research Institute (Irri) identified a gene that helps uptake of phosphorus, nitrogen and potassium, and transferred it into commercial strains. They found that their yield was about 60 percent above normal in phosphorus-poor soils.

India's Food Minister said the nation has no immediate plans to ban exports of rice, wheat and sugar as improvements in monsoon rain levels will relieve production concerns. "We can't abruptly stop free export policies although domestic supply will continue to be a priority said minister. The Food Minister added that next week officials will review the crop output situation.

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.

According to the India Meteorological Department, the deficit in rainfall has narrowed to 14% below normal from over 20% below normal earlier in the month. In the northwestern states, heavy rainfall last week helped narrow the rainfall deficit to 20% from 30% a week ago.

Domestic market dynamics:

Cash rice markets continue to trade firm during the week under review despite improved kharif acreage. Higher export demand, fear of lower production amid seasonal factors support rice cash market. However, uptrend is unlikely to continue as demand from overseas market has come down considerably due to higher prices in the domestic market. Exporters are fulfilling only previous export obligations. They may prefer to wait for new crop hardly two months away from now. Prices of non-basmati rice may rule steady in the weeks ahead. However, aromatic rice is expected dip as area under basmati rice has increased considerably this year and record production seems to be on card now.

Export competition among Pakistan, India and Vietnam may continue as these countries are the cheapest source of rice currently. Rice export from India is likely to pickup once again October onward with the harvesting of new crop. Favourable weather and improved rainfall has encouraged the govt to continue with non basmati rice export. However, it would be too early to say the final size of the crop. 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.

Domestic News:**Cost of Paddy Production Rises:**

The Indian government has said that the rise in fertilizer prices in recent years is due to external factors such as international prices and the depreciation of the Indian rupee against the dollar. Official data shows the cost of imported urea has risen nearly three-fold from \$1.2 billion in 2009-10 to \$3.2 billion in 2011-12. India is major producer of agricultural goods, but imports about 65% of the total domestic demand for fertilizers. The country used to subsidize fertilizer costs in the past and then deregulated the fertilizer sector in 2010, allowing the fertilizer importing and manufacturing companies to set prices. Since then, farmers have been worried about rising costs and say that crop production costs has risen about 60% to 100% in the last two years mainly due to high fertilizer costs. The Commission for Agriculture Costs and Prices (CACP) estimates that the cost of production of paddy will increase by 53% in 2012-13 crop year (July-June), in part due to high fertilizer costs.

While some farmers have urged the government to increase the procurement price of paddy rice by about \$50 per ton to help them earn profits, some state governments have asked for resumption of subsidies on fertilizer costs. However, the government says that it has no control over rising prices of fertilizers. The Minister of State for Chemicals and Fertilizers told the parliament today that the maximum retail price of urea - the only fertilizer that remains under government control – remains unchanged from the 2010 price fixed by the government at Rs. 5,310 (about \$100) per ton. He added that the price rise in other fertilizers is due to volatile international markets and weakening of the Indian rupee. He said, "During the year 2012-13, the prices of P&K [Phosphorus and Potassium] fertilizers have increased mainly due to depreciation of Indian Rupee from around Rs. 50 per US\$ in March 2012 to more than Rs. 56 per US\$ in June 2012." That's equivalent to about a 12% decline in the value of the rupee against the U.S. dollar.

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.

Rice export through OGL as on 20.08.12

Rice Export Under OGL as on 20th 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	3.15	0.91	2.86
Total	59.3	27.08	86.42
Expectation up to Sept end, 2012	3	1.05	4.05

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 20.08.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 20.08.12)	MY 2010-11(As on 20.08.11)
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: Fig in Rs per quintal	Prices 24-31 Aug 2012	Prices 16-23 Aug 2012	Prices 09-15 Aug 2012	Prices 24-31 Aug 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
A P	1792.9	1852.43	1904.56	2002.65	-3.21	-5.86	-10.47
Assam	2223.71	2377.41	2340.12	2534.84	-6.47	-4.97	-12.27
Gujarat	3037.55	2399.87	2446.61	1910.75	26.57	24.15	58.97
Haryana	1728.24	1643.56			5.15	—	—
J& K	4725	4725	4562.74		0	3.56	—
Jharkhand	2215.35	2333.53	2346.16	2109.68	-5.06	-5.58	5.01



Karnataka	2804.23	2750.37	2796.37	2081.01	1.96	0.28	34.75
Kerala	2766.89	2687.91	2601.24	2931.22	2.94	6.37	-5.61
M P				1080	—	—	—
Maharashtra	4168.84	4236.42	4183.7	4642.78	-1.6	-0.36	-10.21
Meghalaya	3100	3100	3022.22	2463.33	0	2.57	25.85
Delhi	1600	1811.54		1680.77	-11.68	—	-4.81
Orissa	1783.08	1908	1836.14	2235.49	-6.55	-2.89	-20.24
Rajasthan		2225			—	—	—
Tripura				2057.15	—	—	—
Uttar Pradesh	1686.4	1668.09	1667.28	1544.72	1.1	1.15	9.17
Uttrakhand	1609.07	1665.76	2024.15	1538.34	-3.4	-20.51	4.6
West Bengal	1969.71	1962.04	1945.08	1937.18	0.39	1.27	1.68
Average	2480.73	2459.18	2590.49	2183.33			
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)	2400-2450
August(4 th week)	Steady (positive)	2425-2475

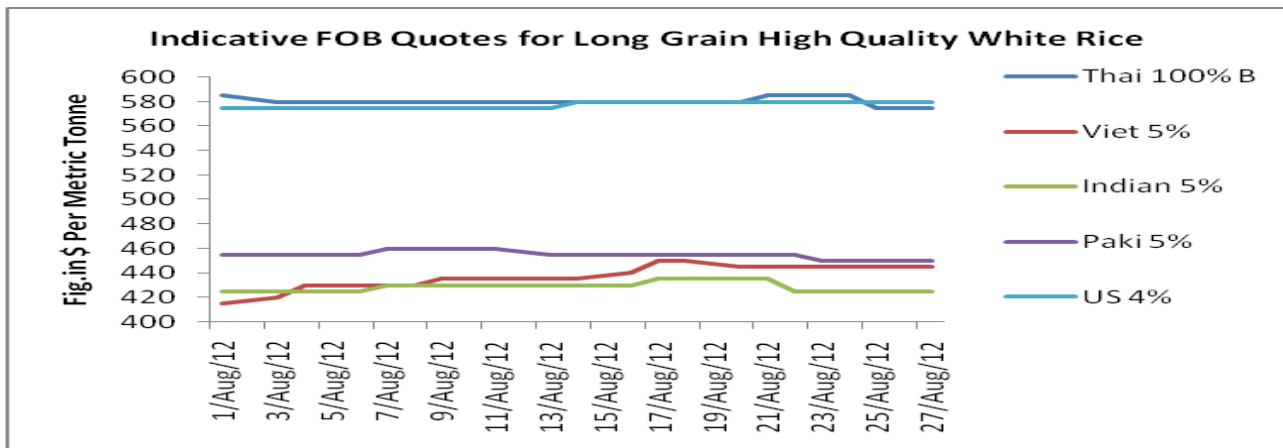
Month-wise Rice Stock in Central Pool (As on 1st day of the month) Values in MMT

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			

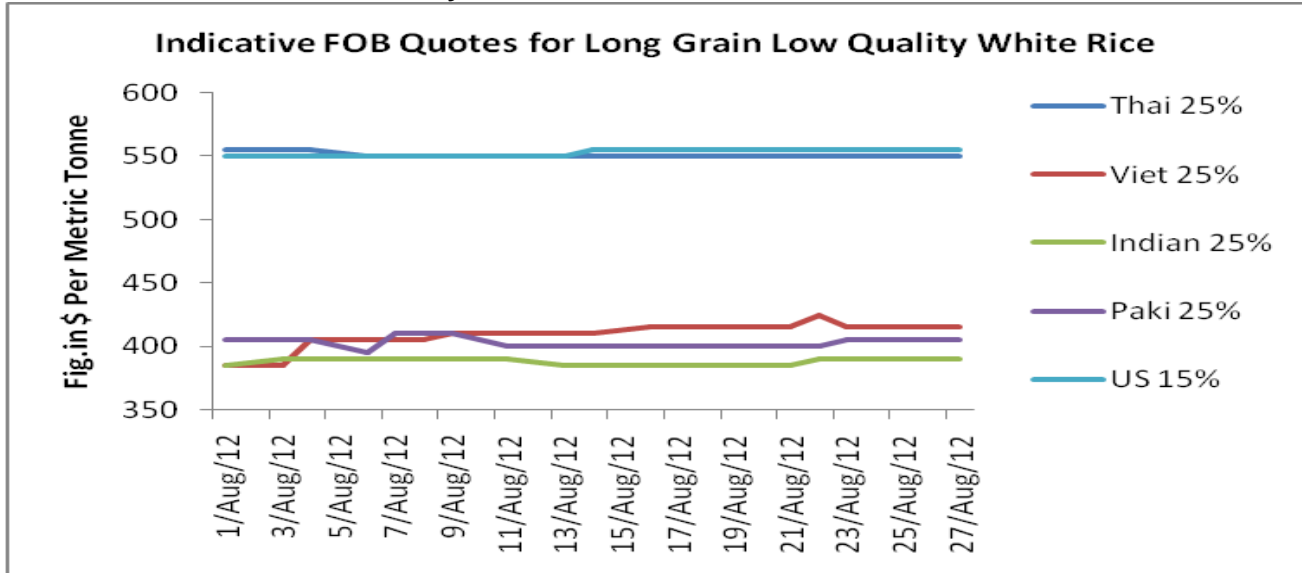
Rice stocks in Central Pool as on 1st August, 2012 stood at 28.50 MMT which is higher by around three times from an actual requirement for buffer norm (7.2 MMT) as on 1st Oct 2012. Higher off take is likely now as demand from govt. stock will increase. We expect stock to come down to 26.30 on 1st September 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 30 August,2012

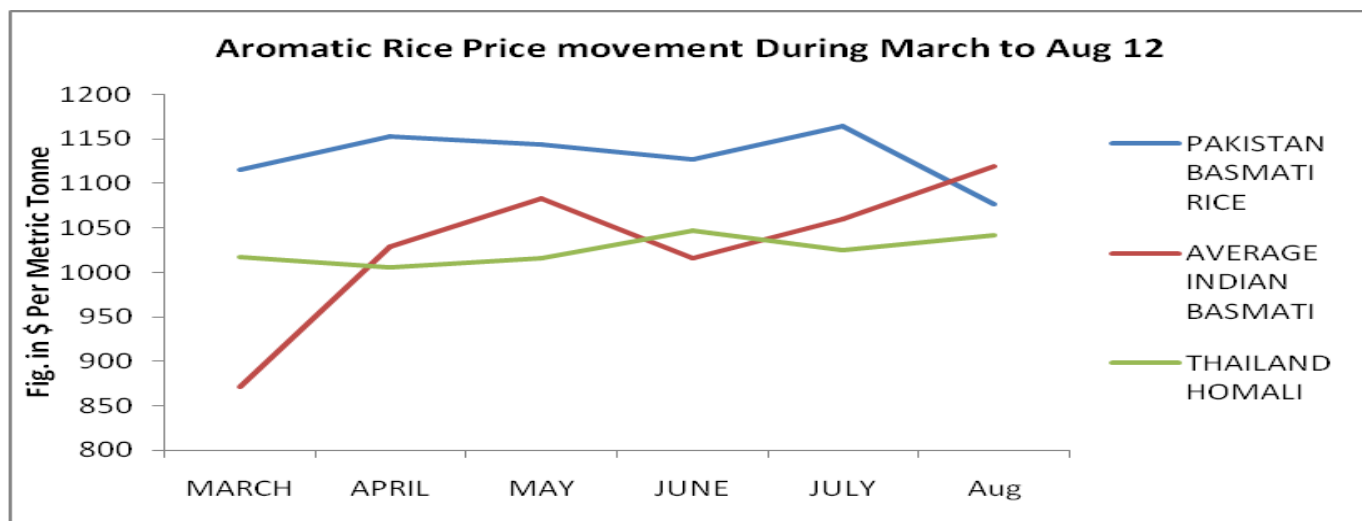
- ⊕ Rain/thundershowers would occur at many places over Jammu & Kashmir, Himachal Pradesh, Uttrakhand, Punjab, Haryana and west Uttar Pradesh.
- ⊕ Rain/thundershowers would occur at many places over east Rajasthan, Madhya Pradesh ,west coast and northeastern states, Andaman & Nicobar Islands and decrease over Madhya Pradesh after 48 hours.
- ⊕ Rain/thundershowers would occur at many places over Chhattisgarh, Vidarbha, Telangana, Marathawada 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 were slightly changed due to demand and supply mismatch. Vietnam and India where prices remained competitive due to better export demand. Indian quotes improved slightly due to fear of lower production. However, more upward move is unlikely as demand has decreased due to uneven perices in domestic and overseas market.

FOB Indicative Price Low Quality White Rice:-


Indicative FOB quotes for low grain white rice also have a vaguely change from previous week. 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:

Vietnam's total rice exports till August 15 2012 set at 4.52 million tons, with almost 348,000 tons exported between August 1 and 15. Average prices have dropped once more, reaching about \$420 per ton last week, down about \$23 per ton from average prices of \$443 per ton between August 1 and 9. Vietnam is targeting total exports of about 6 to 6.5 million tons of rice for the full year 2012, and is about 2 million tons short of the target. With about 4.5 months left, that suggests an average export pace of about 111,000 tons each week.

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.

Burma Floods have harmfully affected about 80% of Burma's rice cultivation this year, while debts and lack of rainfall in upper Burma has made matters worse. Local sources say that almost 80% of the rice cultivated areas in Ayeyarwady and Bago regions have been flooded due to excessive rains in the past two weeks. Meanwhile about 20% of the farmers in Thana pin could not plant rice because they could not get loans. The farmers say they were refused loans by the banks because they have not repaid their old debts.

Delayed rainfall has reduced Cambodia's rice area by about 18% this year. According to local sources, rice has been planted in only 1.93 million hectares, about 82% of its 2.36 million hectare target. Last year, rice was planted on a record 2.9 million hectares, and Cambodia produced 8.78 million tons of paddy with an average yield of 3.17 tons per hectare.

Rain and thundershowers are expected in most parts of India through Sunday. Monsoon rains continued across much of India, although dry conditions remained firmly entrenched in western states. Rice benefited from rain last week throughout much of the Gangetic Plain extending from Uttar Pradesh to Orissa. Despite the poor start to the monsoon in the aforementioned area, rainfall since July 1 has been sufficient for normal rice development in India.

Chicago rough rice futures for September delivery were trading 2.5 cents per cwt (about \$1 per ton) higher at \$15.900 per cwt (about \$351 per ton), trading up along with grains. The grain complex is finding support from positive macroeconomic conditions this morning as investors cheer an improved employment report released earlier this morning.

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.

IGC Raises rice production forecast:

IGC Raises Global Rice Production Forecast to 462 Million Tons: IGC downgraded 2012-13 global rice production forecast by 1 million tons to 466 million tons. However, IGC also decline the global rice consumption by 1 million tons that offset the impact of downgraded production Y-o-Y resulted in no change in carryover stocks W-o-W. Global ending stocks in 2012/13 are projected to be broadly unchanged on the previous year, with supplies in the major exporters, notably in Thailand and India, expected to remain comfortable.

IGC Balance Sheet: Updated on 23.08.2012

(Fig. In MMT)

IGC estimate released on 23.08.12	2007-08	2008-09	2009-10	2010-11	2011-12 estimated 26.07.12	2012-13 forecast 23.08.12(Milled basis)
Rice						
Production	431	448	441	449	467	466
Trade	29	29	31	36	35	35
Consumption	427	435	438	447	466	465
Carry over St.	81	92	96	97	102	102
Year change	+5	+11	+4	+1	+1	+1
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 466m. 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 27/08/2012)				(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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