

Latest Market Development:-

Cash rice market continued to trade lower in comparison to last week on back of improved production prospects and better rainfall in major rice growing states. The arrival from new crop is likely to increase at the end of this month. New arrivals have started in Haryana, Punjab and Uttar Pradesh in limited quantity. Demand and supply side has been balanced and bulk buyers are waiting for higher arrivals and prices to decrease on new crop pressure.

At export front, no fresh trade has been reported this week and exporters are fulfilling previous obligation only. Old stock at port based states has depleted and availability is coming down. So exporters have increased prices for all grades by \$5 per T. New deals for rice export are expected from November. This year (season) total export figure has been quite healthy (over 9 million T).

Due to latest hike in fuel price production cost of rice is bound to increase. Total fuel cost on rice production is likely to go up from 10 percent to almost 15 percent. Higher production cost may influence prices especially in Rabi season and farmers may opt for other cash crop. Rabi area may shrink.

Good rainfall last week helped rice planting in India to expand to 35.6 million hectares, up about 3% from the normal area of 34.5 million hectares during this time of the year and about 2% more than last week. Planting area for most of the Kharif (wet) season crops also reached or crossed normal area during this time of the year. However, rice planting area is down about 1.3 million hectares or 3% from 36.9 million hectares planted area on September 9, 2011.

India's rice stocks as of September 1, 2012 stand at 25.5 million tons, down about 23% from the peak of 33.3 million tons on April 1, 2012, but still about 11.3 million tons higher than the buffer norms of about 14.2 million tons. Rice stocks are about 12% higher than 22.7 million tons last year on September 1. India's total food grain stocks comprised mostly rice and wheat stand at about 71.8 million tons as of September 1, up about 27% from 56.4 million tons last year, mainly due to high wheat stocks which stand at about 46.1 million tons, up about 37% from 33.6 million tons last year.

The UN's Food and Agriculture Organization (FAO) has revised downwards its forecast for global rice production in 2012 by 6 million tons mainly due to deterioration in crop prospects in Asian countries. The FAO said that rice production forecast for this year now stands at 483.3 million tons (basis milled), down about 6 million tons or 1% from the 489.1 million tons forecast in July, but still higher than the 482.3 million tons produced in 2011.

India's milled rice production is expected to decline 6 per cent to 98.5 million tonnes in the current kharif (summer sowing) season due to late onset of monsoon rains leading to deficit in key northern and southern growing areas, United Nation's body FAO. The delay and fall in sowing in the current season was on account of insufficient rains and shortages in irrigation facilities. FAO tentatively forecast the 2012 aggregate rice production in India at 98.5 million tonnes (milled basis), which is 6 per cent lower than the good level of the previous year.

Global consumption of rice in 2012-13 stands at around 474 million tons, while rice inventories at the end of the 2013 marketing year are likely to reach 165 million tons, down about 2.5 million tons from the previous forecast, but enough to lift the global stock-to-use ratio from 32.9% in 2012 to 34.4% in 2013, said the FAO. Meanwhile, the FAO Food Price Index in August averaged 213 points, unchanged from July 2012 when it had increased 6% from June.

Domestic market dynamics:

Rice cash market traded under pressure and we expect new crop to hit market at the end of this month. However, pressure may be felt in November as planting got delayed by two to three weeks in this Kharif season. As rains continue in main rice growing belts, fear of yield loss has minimized now. We expect good crop this year too. Production of parmal in Punjab and Haryana may dip this year along with other common varieties as basmati area has increased considerably. Prices of Basmati rice stays steady as demand continues from local buyers. Exporters are not buying right now and they will wait for new crop before starting fresh deals.

Export of non-basmati and basmati rice will continue without any quantitative restriction. However, total export in new crop season may dip as Vietnam and Thailand have ample stock to offer for the world market. Pakistan too will pose challenge to Indian exporters. Overall view on cash rice market seems bearish ahead of new crop.

Domestic News:

India Allows 14% Hike in Fuel Prices, Raising Rice Production Costs:

In response to the projected \$34 billion annual cost in fuel subsidies, India will allow diesel prices at the pump to rise about 14% to Rs47 (about \$0.85) per liter. Fuel costs for rice cultivation in India generally account for less than 10% of total input costs. The former head of All India Rice Exporters Association said that the hike shouldn't affect rice paddy prices much, but it may affect the profit margins of millers by about Rs0.50 per kilogram (about \$9 per ton). India is trying to trim its budget deficit which now stands at the equivalent of about 6% of GDP while the nation's fuel costs have skyrocketed because most fuel is imported and the Indian rupee has been declining in value in recent months, making high fuel costs even more painful. The policy change has already received strong backlash from some domestic officials and opposition leaders who say it will exacerbate the financial woes of citizens who are already suffering from high inflation. India's annual inflation rate is about 7.5%.

Rice production will match last year's level-Food Minister:

India's Food Minister has said that the recovery of rainfall in August and September will help rice production this year match last year's record harvest of around 104 million tons.

The minister said that the country has adequate supplies of food grains and exports of rice will continue due to improved prospects of a good rice crop next year. He said, "Rice production will be as good as the previous year and we have no problem in sugar as of now...wheat stocks are also adequate." India has exported around 5.7 million tons of non-basmati rice from September 2011 to July 2012.

Following a delay in monsoon rains in India this year, the FAO and USDA have both revised down India's rice production to less than 99 million tons, triggering concerns that India may resume the ban on rice exports. However, monsoon has recovered in the last few weeks helping narrow down the rainfall deficit from over 35% in June to 12% as of now, boosting rice planting across the country.

The economic think-tank Centre for Monitoring Indian Economy (CMIE) projects the late monsoon will reduce India's rice production by nearly 2%, suggesting roughly a 2 million ton decline from 104.3 million tons last year.

Higher profit for basmati attracts farmers:

The rising share of basmati mainly to better profitability attracts farmer. A farmer growing Pusa-1121 basmati typically harvests 18-20 quintals of paddy an acre, compared with 26-27 quintals for the normal „Parmal' varieties. But this is more than compensated through higher realizations. Last year, farmers received Rs 2,200-2,300 a quintal for Pusa-1121, against the minimum support price (MSP) of Rs 1,030 for Grade „A' non-basmati paddy. For the ensuing marketing season, the MSP for the latter has been raised to Rs 1,110 a quintal.

Rice export through OGL as on 04.09.12

Rice Export Under OGL as on 04th September, 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	1.76	7.51
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	1.75	7.25
12-Jul	5.25	2.25	7.5
12-Aug	3.75	1.71	5.46
12-Sept	1.35	0.62	1.97
Total	60.50	28.84	90.34
Expectation up to Sept end, 2012	2.0	1.00	3.0

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 07/09/2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 07.09.12)	MY 2010-11(As on 07.09.11)
Andhra Pradesh	96.1	75.27	94.08
Chhattisgarh	37.39	41.15	36.99
Haryana	16.87	20.07	16.87
Kerala	2.63	3.72	2.6
Maharashtra	3.08	1.78	2.08
Orissa	24.76	28.36	24.63
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.96	14.45
Uttar Pradesh	24.66	33.5	24.34
Uttaranchal	4.22	3.78	3.99
West Bengal	13.1	18.92	11.29
All-India	340.94	348.53	333.31

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.

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	25.59			

Rice stocks in Central Pool as on 1st Sep, 2012 stood at 25.59 MMT which is higher by around three times from an actual requirement for buffer norm (7.2 MMT) as on 1st Oct 2012. We expect stock to come down to 23.50 on 1st Oct

State wise Wholesale Prices Weekly Analysis for Rice September, 2012

Prices in Rs/Quintal

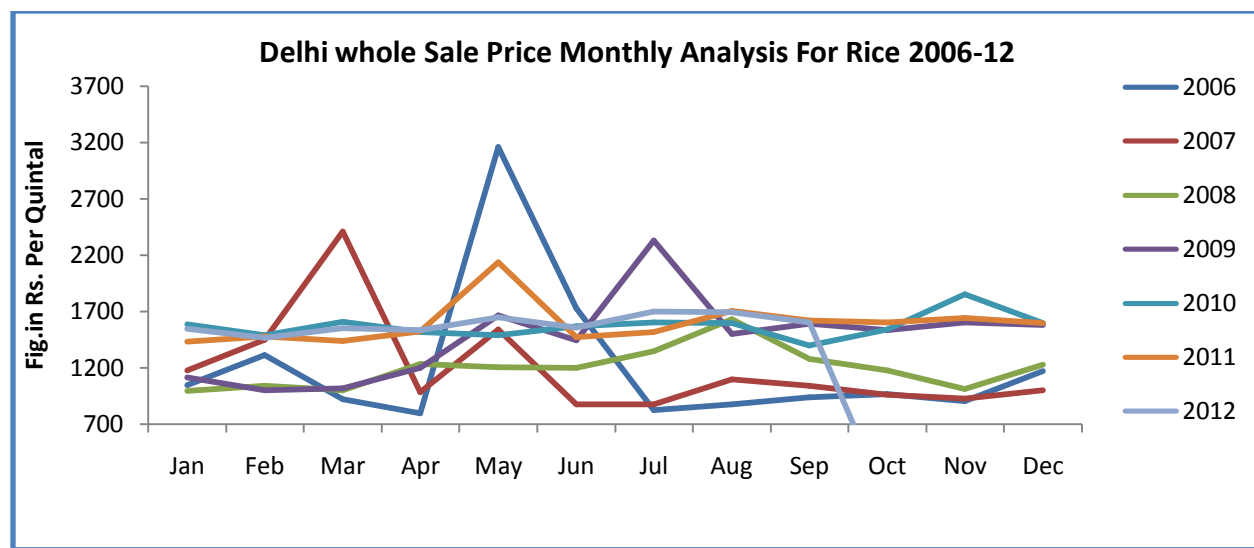
State	Prices 16-23 Sep 2012	Prices 09-15 Sep 2012	Prices 01-08 Sep 2012	Prices 16-23 Sep 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
Andhra Pradesh		1824.23	1956.39	2049.77	—	—	—
Assam	1934.38	2332.93	2218.56	2629.11	-17.08	-12.81	-26.42
Gujarat		2520.26	2165.65	2158.05	—	—	—
Haryana			1711.89		—	—	—
J& K		4725	4725		—	—	—
Jharkhand	3200	2330.16	2300.49	2112.98	37.33	39.1	51.44
Karnataka	2100	2817.88	2788.24	2156.56	-25.48	-24.68	-2.62
Kerala	2812.86	2857.79	2712.47	3291.75	-1.57	3.7	-14.55
M.P			1130		—	—	—
Maharashtra		3437.32	3713.72	4090.44	—	—	—
Manipur				2500	—	—	—
Meghalaya		3154.9	2984.62	3000	—	—	—
Delhi		1600		1620	—	—	—
Orissa	1836.62	1572.5	1416.55	1977.09	16.8	29.65	-7.1
Tripura				2028.65	—	—	—
Uttar Pradesh	1677.42	1742.46	1691.79	1550.65	-3.73	-0.85	8.18
Uttrakhand		1737.57	1715.36	1848.28	—	—	—
West Bengal		2030.49	2021.5	1937.55	—	—	—
Average	2260.21	2477.39	2350.15	2330.06			

As per the data reported by APMCs

Price Projection for August 4th week in domestic market:

Duration	Trend	Average Price Range
Short Term(5 days)	Steady(positive)	2000-2250
September(3 rd week)	Steady (positive)	2300-2350

Delhi, Wholesale Prices Monthly Analysis for Rice 2006-2012:

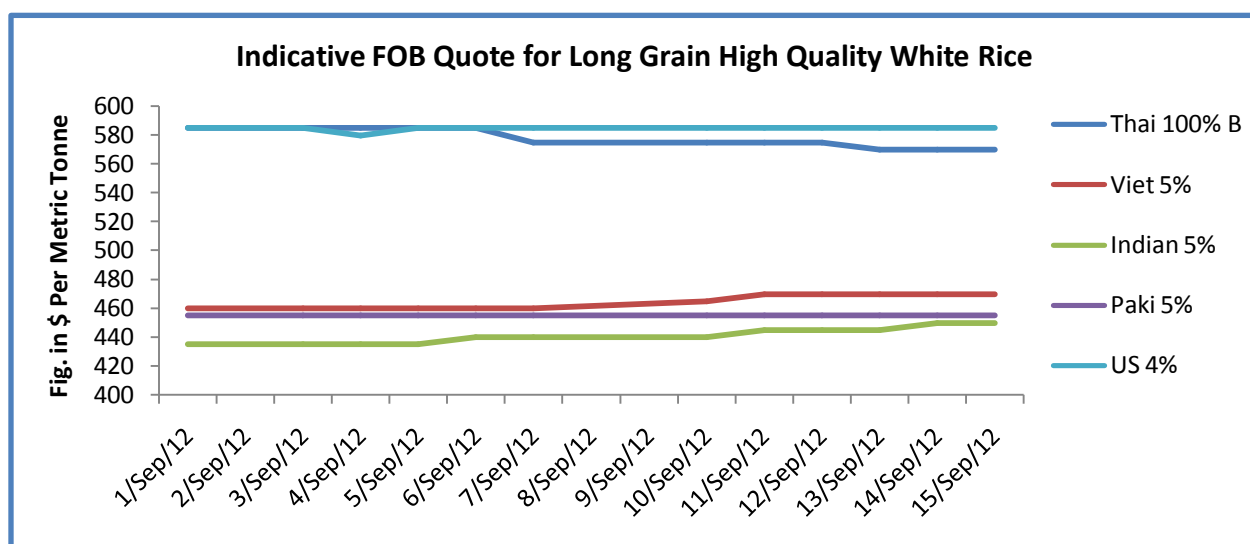


Weather Outlook:-

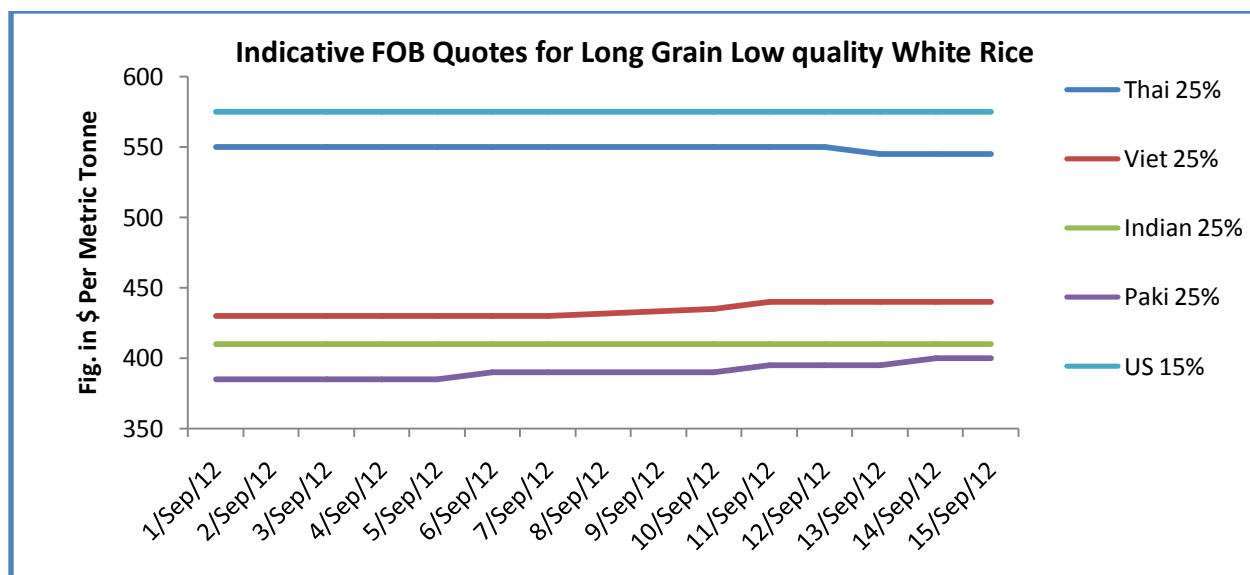
Major Feature of Weather Forecast up to 20th September 2012:-

- ◆ Rain/thundershowers would occur at most places over east Uttar Pradesh, Bihar, Sub-Himalayan West Bengal & Sikkim, northeastern states and Andaman & Nicobar Islands and decrease over east Uttar Pradesh and Bihar after 48 hours.
- ◆ Rain/thundershowers would occur at many places over Western Himalayan region and adjoining plains of northwest India east India, west coast and Lakshadweep and decrease over northwest India after 48 hours.
- ◆ Rain/thundershowers would occur at a few places over east Rajasthan, west Madhya Pradesh, and north coastal Andhra Pradesh.
- ◆ Rain/thundershowers would occur at one or two places over rest parts of the country.

FOB Quotes High quality white rice:



Rice FOB quotes: Low quality white rice:



International Market updates:-

The U.S. Department of Agriculture's attaché in India has raised the 2012-13 rice forecast to 98 million tons following a sharp recovery of rainfall in August. In the first week of August, the USDA Post had estimated that India's rice production will decline to 94 million tons, down almost 10% from the record production of 104.3 million tons in 2011-12, with the possibility of further downward revision if rains fail in August. However, India's monsoon rainfall revived sharply in

August bringing the overall deficit from over 35% in the beginning of the season down to 12% in the end of August.

The UN's Food and Agriculture Organization (FAO) has revised downwards its forecast for global rice production in 2012 by 6 million tons mainly due to deterioration in crop prospects in Asian countries. The FAO said that rice production forecast for this year now stands at 483.3 million tons (basis milled), down about 6 million tons or 1% from the 489.1 million tons forecast in July, but still higher than the 482.3 million tons produced in 2011.

Egypt will resume exports of rice in October, lifting a ban imposed since 2008 to protect the domestic market; as per by agriculture minister. Egypt, once a major medium-grain rice exporter, banned rice exports in March 2008 and renewed the policy repeatedly to head off local market shortages and cap prices. It last renewed the ban in October.

Since January 1 through August 24 Thailand has shipped about 4.34 million tons of rice, according to preliminary data from the Department of Foreign Trade, down almost 46% from over 8 million tons exported in the same period last year. During the first 8 months of this year, January to August, Thailand rice exports have only reached about 50% of the nation's target to ship 8 or 9 million tons by year-end.

Vietnam rice exports from January 1 to August 23 have reached 4.72 million tons, according to the Vietnam Food Association (VFA). That's down about 8% from 5.12 million tons shipped the first 8 months of last year, when total rice exports reached 7.1 million tons by year-end. The VFA said that about 543,376 tons of rice exported was August 1-23, compared to almost 700,000 tons exported in August 2011, and about 300,000 tons of rice exported in August 2010.

Thailand is seeking oil for rice barter trade with Iran. The Thai Foreign Minister said that bilateral trade between Thailand and Iran has stagnated over the recent months due to international sanctions that prohibit countries to deal with Iran using any U.S. entity including the dollar. The two countries are studying a proposal to exchange rice for oil and gas as Iran needs about 1 million tons of rice annually while Thailand is facing a shortage of oil and gas.

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 Balance Sheet: Updated on 23.08.2012
(Fig. In MMT)

IGC estimate on released 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: November contract:-


Market analysis:

Global rice market shows bullish trend in previous trading session, CBOT future price closed higher from previous level. We expect market will trade in the range of 15.00(support) to 15.60 (resistant).

Price Projection (International-CBOT):-

	Trend	Price Range
Short Term (5-10 days)	Range bound (Positive)	1470-1490
3rd week of Sept, 2012	Steady (Positive)	1490-1520

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.*