

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.

Indian white rice prices are firmer again this week, as the Rupee has continued to strengthen against the U.S. Dollar. India is now around three weeks away from when the first arrivals of the Indian new crop harvest are expected. Harvesting has been slightly delayed as the late monsoon is still active across the country and will take a while to ease off.

While the harvesting of the IR white rice variety and Basmati rice is then likely to begin towards the beginning of November. Some notes during the early part of July were very quick to raise concerns about India having a poor monsoon this year, but much as we expected, the monsoon has developed similarly to last year. Rainfall during August in Amritsar, in the key rice producing region of Punjab, was recorded at 85.3mm which is actually higher than the 79.1mm of rainfall which was recorded in August 2011. T

Although the improved monsoon has been beneficial for the growth of the rice crop, the rains have created harsh logistical problems across India. There is a large row of vessels waiting to be loaded in Kakinada port, predominantly destined for West Africa, with some taking up to a month to complete their loading. The port could also become even more crowded once the monsoon subsides, as exporters and traders have delayed placing vessels, hoping that an improvement in the weather would lead to quicker loading and shorter waiting times.

Good rainfall last week helped rice planting in India to India's rice planting area as of September 21, 2012 stands at almost 36.4 million hectares, up slightly from about 35.8 million hectares on average, but down around 4% from 38.1 million hectares this time last year.

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.

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 Government to Sell 10 Million Tons Food Grains in Open Market**

The Indian government will release 10 million tons of food grains (mostly wheat and rice) in the open market to control spiraling food prices. The annual Consumer Price Inflation (CPI) in August was recorded at a high of 10.03%, mainly due to high food prices. To make matters worse, the government recently increased diesel prices by about 14% last week by reducing the subsidy, leading to widespread protests across the nation, as diesel prices are closely linked with food prices. However, food grain stocks remain at high levels. As of September 1, 2012, India's rice stocks stood at 25.5 million tons, about five times the buffer norms and about 12% higher than last year. Total food grains stocks were at 71.8 million tons, about, more than four times the buffer norms. Under pressure to roll-back the diesel price hike, the government hopes that releasing food grains through the Food Corporation of India (FCI) will help ease inflation. Under the plan, about 2.5 million tons of food grains will be released in the next four months at no profit, which means that rice may be available at about Rs. 25 per kilogram (equivalent to about \$400 per ton), which is about 30% less than the average market price of good quality rice in the open market.

India Rice Area Down 4% from Last Year, Production Down 6%

India's rice planting area as of September 21, 2012 stands at almost 36.4 million hectares, up slightly from about 35.8 million hectares on average, but down around 4% from 38.1 million hectares this time last year. India's main rice crop is now estimated at about 85.9 million tons, down about 6% from last year. Most parts of India received good rainfall for the fourth consecutive week which narrowed the rainfall deficit to about 5% below normal. The Indian Meteorological Department (IMD) says that the monsoon will retreat about 3 weeks later than normal this year. India's Agriculture Minister had said that this year's Kharif (main crop) rice production may drop below last year's 91.53 million tons due to deficient rainfall in the beginning of the planting season. However, the minister added that rice production will definitely be higher than the national average rice production mark of 81 million tons.

India State Reduces Tax on Basmati Rice Exports

India's key basmati rice producing state Punjab has slipped the 3% "infrastructure development" tax on basmati exports; situating the total tax on rice exports on parity with its neighbor Haryana. Punjab rice exporters have been demanding the removal of the tax to help improve basmati rice exports. Total taxes, including the development fee, used to be around 12% in Punjab, while rice exporters in Haryana had to pay just 9%. Besides eliminate the infrastructure development tax, Punjab's chief minister also announced that the state government will promote growing more basmati rice instead of non-basmati rice to help improve the profits of exporters.

Rice export through OGL as on 04.09.12

Rice Export Under OGL as on 04 th 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 14/09/2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 14.09.12)	MY 2010-11(As on 14.09.11)
Andhra Pradesh	96.1	75.40	95.06
Chhattisgarh	37.39	41.15	37.07
Haryana	16.87	20.07	16.87
Kerala	2.63	3.72	2.6
Maharashtra	3.08	1.78	2.08
Orissa	24.76	28.38	24.64
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.96	14.60
Uttar Pradesh	24.66	33.5	24.46
Uttaranchal	4.22	3.78	3.99
West Bengal	13.1	18.93	11.52
All-India	340.94	348.70	334.89

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

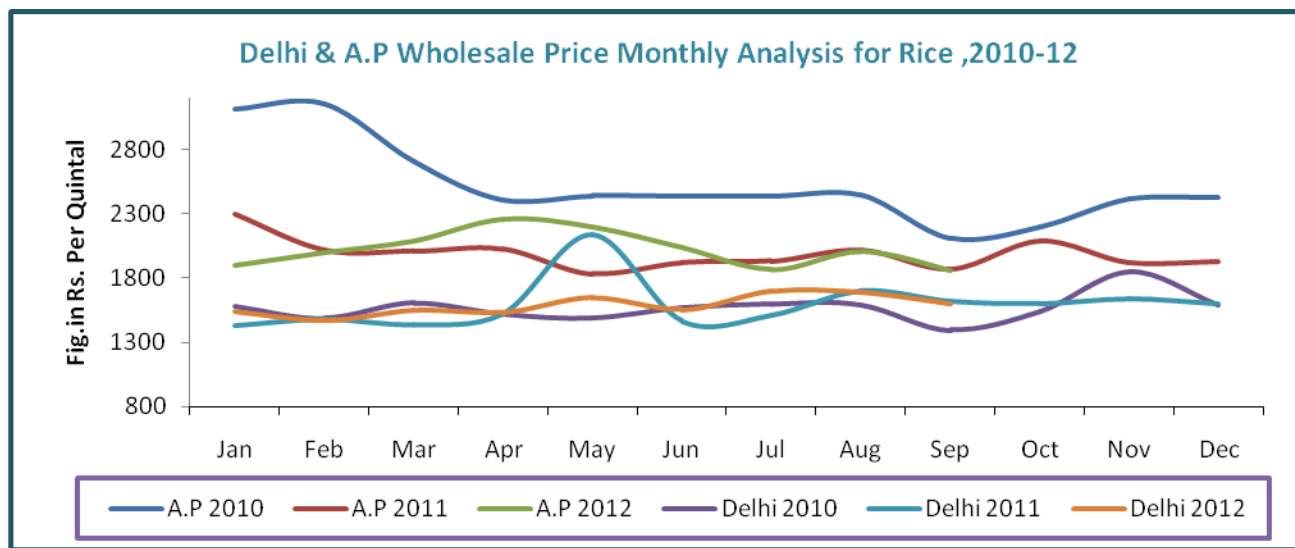
State wise Wholesale Prices Weekly Analysis for Rice September, 2012

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)
AP	2061.12	1879.45	2010.81	2049.77	9.67	2.5	0.55
Assam	2290.24	2318.61	2218.56	2629.11	-1.22	3.23	-12.89
Gujarat	2386.11	2469.59	2185.11	2158.05	-3.38	9.2	10.57
Jharkhand	2121.75	2317.37	2287.05	2112.98	-8.44	-7.23	0.42
Karnataka	2754.8	2817.89	2788.24	2156.56	-2.24	-1.2	27.74
Kerala	2797.51	2857.79	2712.47	3291.75	-2.11	3.14	-15.01
Maharashtra	3532.12	3429.92	3713.72	4090.44	2.98	-4.89	-13.65
Meghalaya	3145.45	3154.9	2984.62	3000	-0.3	5.39	4.85
NCT of Delhi	1700	1600		1620	6.25	—	4.94
Orissa	1575.5	1576.49	1430.01	1977.09	-0.06	10.17	-20.31
Uttar Pradesh	1728.21	1739.4	1698.73	1550.65	-0.64	1.74	11.45
Uttarakhand	1762.5	1725.62	1715.36	1848.28	2.14	2.75	-4.64
West Bengal	2041.02	2001.02	2007.81	1937.55	2	1.65	5.34
Average	2299.72	2472.36	2354.63	2330.06			

Price Projection for August 4th week in domestic market:

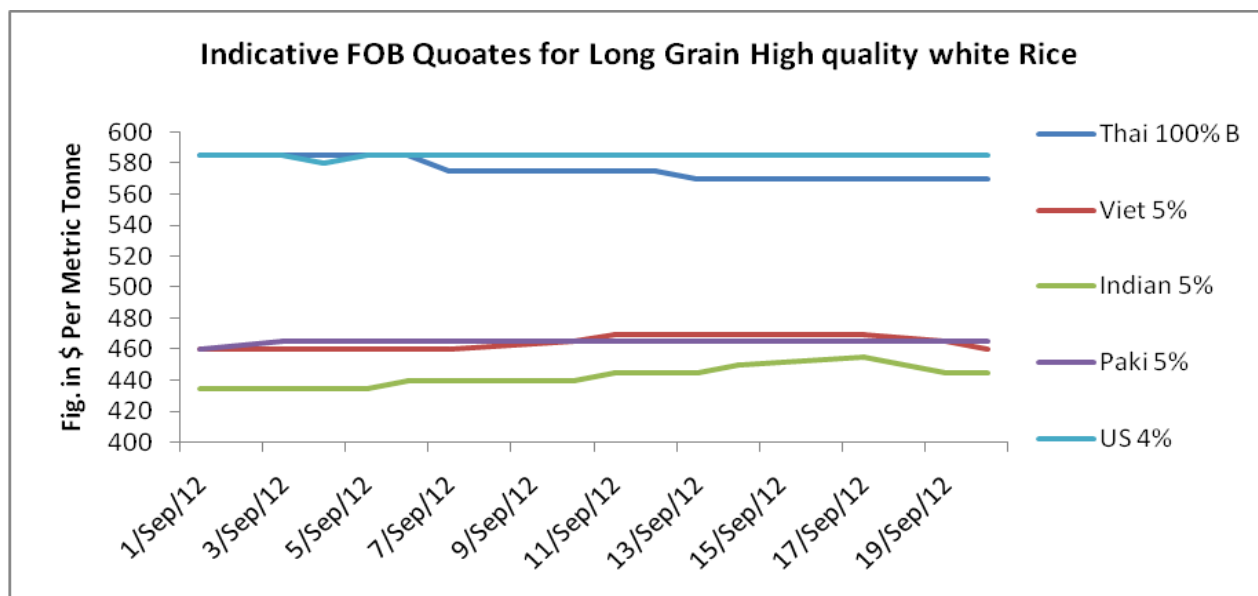
Duration	Trend	Average Price Range
Short Term(5 days)	Steady(positive)	2200-2250
September(3 rd week)	Steady (positive)	2325-2400

Rice Monthly Average Price Trend in Delhi & A.P Market from 2010 to Sept.2012


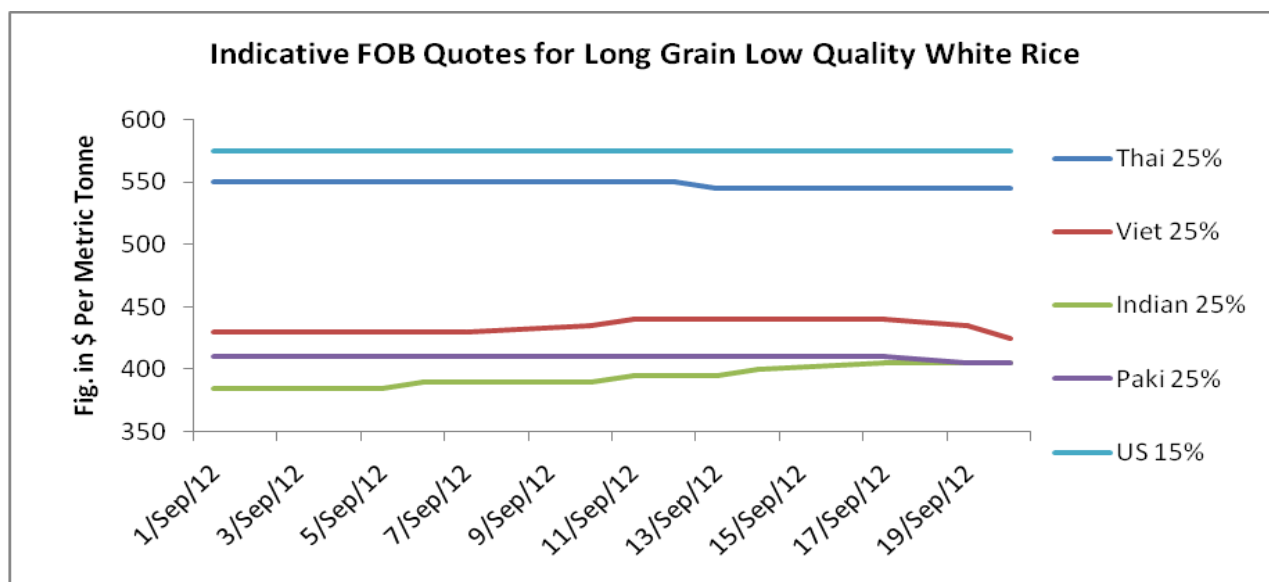
- As per above given chart Delhi average prices of rice rules lower than last year average prices. The price gap is to a great extent higher in April, May & June.
- As new crop is nearing to be harvested, we expect prices to dip further in October.

Weather Outlook:-
Major Feature of Weather Forecast up to 27th September 2012:-

- Rain/thundershowers would occur at many places over northeastern States and Andaman & Nicobar Islands and decrease over northeastern states after 24 hours.
- Rain/thundershowers would occur at a few places over Sub-Himalayan, West Bengal & Sikkim, Odisha south Chhattisgarh, Vidarbha, Marathwada and north Andhra Pradesh.
- Rain/thundershowers would occur at one or two places over Jammu & Kashmir, Gujarat region, Madhya Pradesh, rest peninsular India and Lakshadweep.
- Weather would be mainly dry over rest of the country.



Rice FOB quotes: Low Quality White Rice:



International Market Update:

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.

Harvesting of the Pakistani new crop is now unlikely to commence before the last week of September. Farmers have been delayed following continued rains in Punjab, as the late monsoon has not quite petered out. Availability is therefore still very thin and white rice prices are subsequently firmer, with IRRI-6 5% broken white rice now priced at US \$460 PMT FOB.

The Thai government has lowered the estimate for rice production from the country's main crop this year by 3 million tons or 11% to 23 million tons. The Commerce Ministry lowered the estimate because of increased supplies due to higher than expected production from the secondary crop as farmers had grown more rice to compensate for losses due to floods last year. The Commerce Minister said that the government has purchased about 16.6 million tons of paddy from the second crop, about 3.3 million tons higher than expected.

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.

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 15.20(support) to 15.60 (resistant).

Price Projection (International-CBOT):-

	Trend	Price Range
Short Term (5-10 days)	Range bound (Positive)	1490-1510
3rd week of Sept, 2012	Steady (Positive)	1510-1520

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