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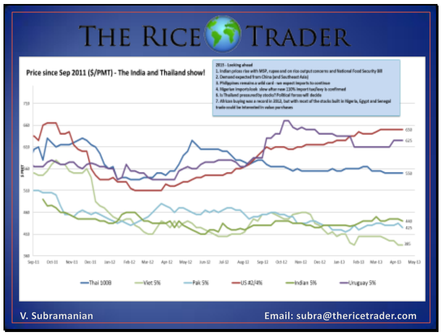


Looking at prices, it is clear that India, Pakistan, and Vietnam form the lower range of prices, and the competition is mainly felt in the lower-grade markets. Indian prices have risen lately due to supply concerns and a stronger Indian rupee; hence, from a competitive position, Vietnam holds the edge—at least when we compare WR 5% prices among the three origins mentioned. It is important to note that India does not have access to Chinese demand. However, although Indian prices look more uncompetitive even for Africa sales, India is expected to continue to figure in Africa-related markets that have quickly welcomed back India's return to non-basmati rice exports (there is more competition possible with Pakistan as Indian prices look higher). Perhaps, the big concern will come in Aug when India is expected to debate the food security bill, which, together with the monsoon's performance, will drive the sales in the second half of the year.

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## THE RICE TRADER

INDIA

- Monsoon – currently expected to be normal, some press suggests 110 MMT crop (milled for 2013/14) – we feel it is too early, watch starts in May
- Indian rupee is a major concern and almost the sole price driver for mush of 2011 and 2012
- MSP up to 1250 per 100Kg (16% higher). Higher minimum support price = higher prices (or does it?)
- Food Security Bill remains a key focus – nearly 70 MMT to be bought by government and sold at subsidized rates – big question is on efficiency and leakages that could end up allowing India to offer exports at below local MSP based levels. Local market price developments are expected to see a strong political influence on market/export decision
- Food security bill is a factor for 2014, not 2013 – but with Food Corporation of India buying 40 MMT of rice in 2012/13 – leakages could still prove vital to India's competitiveness in global markets.
- **Current competitive advantage – Parboiled rice (PB 5% $425 PMT) & Brokens (from $315 PMT)**

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## THE RICE TRADER

THAILAND

- Rice Pledging scheme since Oct 2011; 15000 Baht PMT for white paddy and 20000 Baht PMT for jasmine paddy
- 14-16 MMT of milled rice stocks and expected to grow to 18-20 paddy if we base on current agreement to buy 7 MMT more in current scheme
- Huge need for G2G sales or a weather shock at a key destination market
- Could government be forced? Real issues, but so far government seems resilient
- Exporter stocks held by Thailand could also be a ceiling for markets if prices rise
- Dependent so far on Nigeria sales (2012), while 2013 sees focus on Iraq, Japan and Korea tenders and some old crop sales to high value markets like Cameroon, Mozambique and Angola
- Border trades involving Cambodia (limited in 2013) and Vietnam (brokens are bought to meet milling ratio of scheme).
- **Much depends on stock releases – supposed to be 500 TMT in April, but no news so far, and up to 2 MMT for 2013 – which is still a pale comparison to 18-20 MMT potentially held at the end of 2013 in stocks.**

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## THE RICE TRADER

VIETNAM

- High inventory of nearly 1.8 MMT, limited G2G (no Indonesia, less Philippines, no Bangladesh, but new – Haiti, and better Cuban sales)
- Cross Border trades with Cambodia-Thailand and China can impact local prices
- Competition for African and now even Asian markets (Indonesia, Bangladesh, Malaysia and China in particular) from India and Pakistan
- Weak Vietnamese economy implies high cost of carry and a push to sell stocks – less power to hold and can also limit government's ability to protect farmers
- Promise of VND 5000 per Kg for paddy, can be a political motivator
- **POTENTIAL: Huge Gains seen in Jasmine, Glutinous, Fragrant brokens have all exceeded in performance**
- **Prices are weak – 3.8 MMT exportable surplus from W-S crop, plus 800 TMT or exportable ending stocks, and June harvests pressure price as commercial buying (Africa) is slow**
- **Sentiment driven, especially at the Very sensitive to news from Indonesia and Philippines (and now China)**

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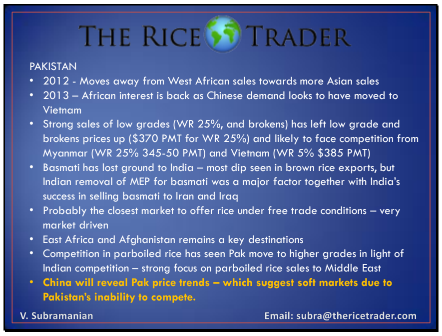


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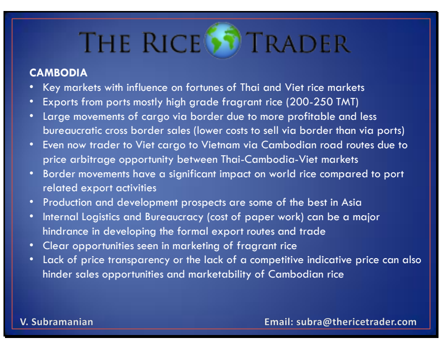

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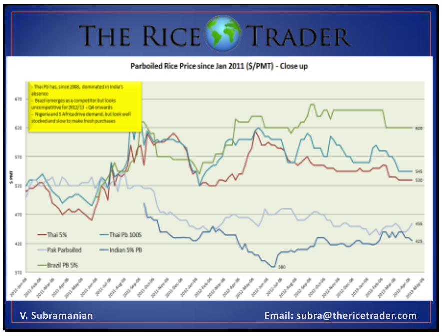


Parboiled rice price trends have been influenced mainly by Nigeria's 110% tax on milled and brown rice imports. Since the government imposed the higher tax, minimal purchases have been seen, although we also noticed that more exports of parboiled rice are seen moving to Benin and Cameroon.

We do expect a depressed parboiled rice price for the next two quarters and, with Brazil expected to enter the fray soon, much will depend on Brazil's PEP scheme and the sales volumes that can be achieved. India remains the main exporter, as it offers the best prices (even though values have risen in the last week or so).

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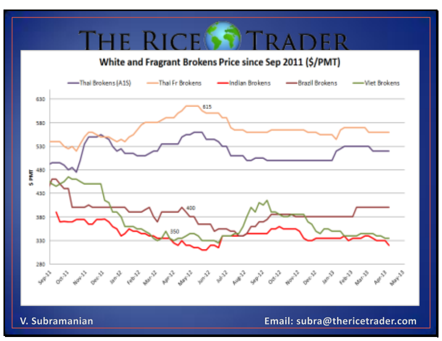


Looking at brokens, we can see India, Pakistan, and even Vietnam compete in terms of price. While Brazil sits relatively high at a largely indicative price of $400 PMT, we expect that this Brazilian or South American offer will improve as the South American harvests progress. As South America reveals more arrivals and more availability, one can expect a potentially competitive price that will take into account Asian competition, as well as South America's freight advantage when it comes to shipping to Africa. Thai brokens reveal a lack of availability caused by the outdated milling yield calculation applied by the Thai government when it comes to the percentage of brokens that will come from milling (17% compared to the current 11-13%). This has literally prevented Thailand from competing in the brokens markets. Also, Thai brokens' massive price premiums compared with Viet, India, Pak, and South American brokens prices make Thai white brokens (A1S) uncompetitive. India, Pakistan and Vietnam are the current flavour, with price advantages, but with markets saturated with stocks, there is limited demand in 2013 compared to 2014, though a few companies continue to take more cargoes to destinations like Senegal, Sierra Leone, Mauritania and the Gambia.

Fragrant brokens are more of a reflection of Thai Hom Mali and Pathumthani prices that have narrowed, with Hom Mali prices sitting at $1,150 PMT, while Pathumthani prices are just under $1,000 PMT. This has led to higher fragrant broken prices.

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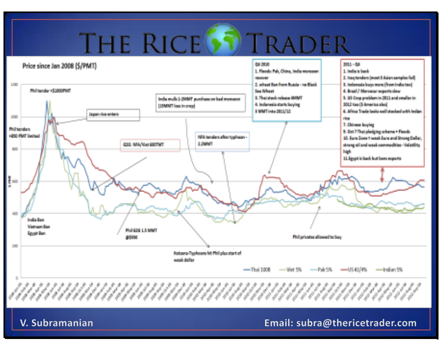


This is an old chart that looks at the 2008 situation up to Sep 2012, so we still have in the picture a view of India's re-entry to exports and how this has left an impact on the markets – in terms of competitive advantage.

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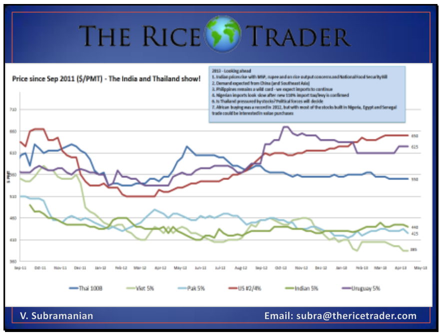


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On the top-end or premium markets, we see Thailand's 100B look relatively cheap at $565 PMT—this probably explains Thailand's success in the Japanese tenders. The lower prices from Uruguay and South America, in general, however, do not bode well for Thailand, especially after Iraq awarded South America with a total of 60 TMT of sales last week despite the fact that the offers were about $140 PMT higher than Thailand's offer of $553 PMT. Thailand's lack of old crop availability could also allow South American competition to creep into some markets in Africa. The reality of these premium markets seem highly dependent on South America's ability to compete in Africa and the Americas, while all eyes remain focused on Thailand for some stock releases, which Thai exporters must surely need to revive Thailand's flagging rice exports.

The Food and Agriculture Organization estimates Thai rice stocks at 18.2 MMT, while the Thai local market estimates the stocks at 17 MMT. Both of these numbers suggest record levels of stocks, as well as some concerns as to just where these stocks will be stored. Considering the millers' concerns and efforts to possibly hold stocks near the airport and at military areas, the pressure looks certain. The problem is, most of this talk of stock releases seem to come from external sources and not from any Thai government sources. The wait goes on; but any stock release will be crucial in the price discovery process in the months ahead.

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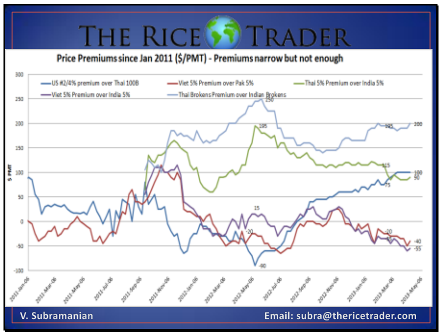


Premiums are more difficult to measure, as little has changed since the end of the year. The U.S. #2/4% premium over the Thai 100B sits at $100 (up from 75 PMT in Dec), while the Thai premium over Indian WR 5% has narrowed to $100 from $115 PMT. Thai brokens premium over Indian brokens is up at $200 PMT compared to $195 PMT at the end of the year. Indian brokens remain the most competitive in the market despite Viet, Pak, and South American competition, and continues to dominate the sales volumes, though many buyers have also favoured Pak, Vie or S American brokens for quality and consistency reasons. Thailand has, in fact, become a border trade buyer of Viet brokens to partly make up for the shortfall when it comes to meeting the Thai government's milling yield calculations under the pledging scheme (17% brokens compared to a reality of 11-13% brokens). Vietnam is the most competitive in high-grade white rice (WR 5%) with a $40 PMT and $55 PMT discount when compared to Pak and Indian offers, respectively.

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