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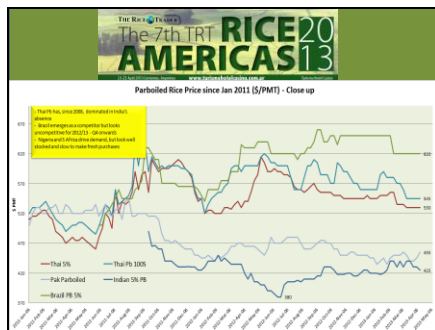


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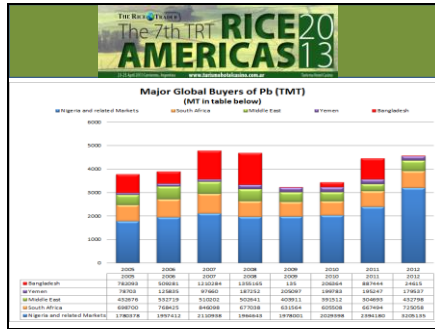


Sales from the major parboiled rice export origins summed 5.45 MMT compared to the total of 5.71 MMT in 2011. Basically, we feel that the first wave of parboiled rice buying, which started when India returned to non-basmati rice exports, was stronger due to the sudden arrival of an Indian option, and one that offered a significant discount in price (as seen in the chart below).

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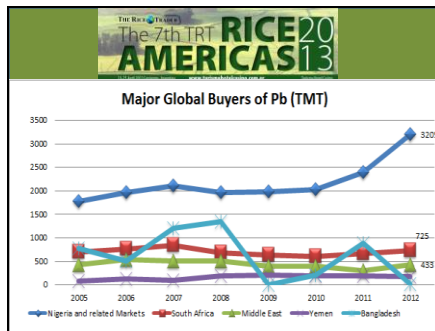


Notably, 2012 was about India's continued availability and dominance in parboiled rice markets, mostly at the expense of Thailand. Nigeria's import tax, which rose in Jul 2012 from 10% to 50% and then revised up again in Jan 2013 to 110% (this time, it includes brown rice imports), was the single largest driver in the global parboiled rice markets last year. Considering the inventories built and the press reports of an 8% drop in Nigerian rice production, Nigeria's future, as a buyer, looks uncertain. While most analysts predict lower imports for Nigeria, much of Nigerian buying will be determined by imports that come via the neighboring countries such as Benin, Cameroon, and even Niger, which have seen unusually large consignments of parboiled rice shipped to this destination in recent months. South Africa also added some weight to 2012 markets. The rising corn and corn meal prices in the country made rice and rice imports an attractive proposition, which then resulted in higher South African imports in 2012 (725 TMT). There are questions that lie ahead, i.e. the shape of Nigeria's buying and South Africa's consumption that continues to depend on the relative price of rice compared to corn meal.. Furthermore, we have seen Bangladesh almost disappear as an importer, while Yemen has been importing at a slower rate, possibly due to political uncertainties that make it difficult to predict rice import demand. The Middle East also emerged as a bigger buyer in 2012, with its imports up from 305 TMT in 2011 to 433 TMT in 2012. South Africa's imports rose from 667 TMT in 2011 to 725 TMT in 2012. Nigeria particularly

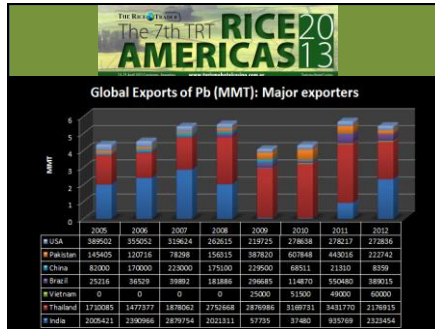
dominated rice imports with 3.21 MMT in 2012 compared to 2.39 MMT in 2011.

The 5-MMT level of parboiled rice imports from the top destination markets did not materialize, as imports from these regions slowed in Q4 2012. The major regional buyers of parboiled rice bought a total 4.57 MMT in 2012, compared to 4.45 MMT in 2011. As for the future, without any significant return expected from Bangladesh, much will depend on Nigerian and South African demand. Nigerian demand looks set to be shaped by local supply concerns, some worries about massive inventories, and any government decision concerning duty-free imports or any tweaking of the import tariffs and levy (which currently add up to 110%) in the future. Movements from Benin, Cameroon, and Niger can also be difficult to track, and this will add a larger “gray” element to Nigerian markets.

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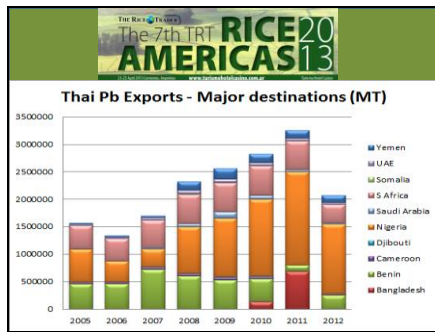
the loss of Bangladesh imports and the rise of Nigerian and South African demand in 2012. For 2013, the trend suggests a slow start, with these three markets seeing lower levels of imports, while the future will depend on Nigeria’s policy environment (and gray markets, as we see from Benin, Cameroon, and even Niger), and the relative price of rice compared to corn prices—in the case of South Africa



Looking at the performance of the parboiled rice export origins, it is not surprising to see India in the lead with a total 2.32 MMT of parboiled rice exports. Thailand is now relegated to the second place with 2.18 MMT (which remains impressive considering the massive price premium compared to India), while Brazil looked relatively weak with 389 TMT of parboiled rice exports in 2012 compared to 550 TMT in 2011. We expect Brazil, armed with a stronger crop in 2013, to compete more aggressively (against Thailand in 2013), while India will likely continue to dominate markets, especially since it still offers the best values and volumes. India's main concern at the moment is the smaller rabi crop that largely resulted from reduced plantings in Andhra Pradesh, the leading state in parboiled rice exports. Notably, the smaller rabi crop and the stronger Indian rupee (against the U.S. dollar) recently have sent Indian prices higher. Nonetheless, India remains competitive compared to price-sensitive markets such as Thailand and Brazil, where small pockets of demand can instantly tighten markets and push prices higher (as seen in every wave of Nigerian buying). The significant premium for Brazil PB could however swing the premium markets towards Thailand – though much depends on the price developments in S America in the next month or so for a better idea of this competitive environment in the more expensive PB rice category.

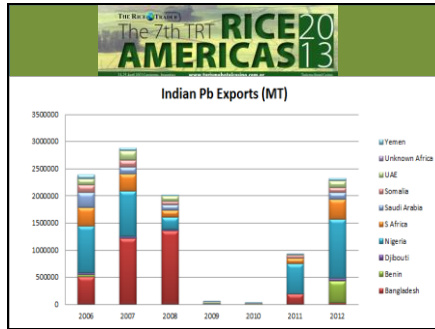
**India and Thailand expected to dominate parboiled rice exports in 2013.** India and Thailand are expected

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to continue to dominate parboiled rice exports, while Brazil is expected to compete more aggressively in 2013. In terms of sheer size, there is no origin that can match India and Thailand. However, Brazil, armed with its Premium for Product Outflow (*Premio para Escoamento do Produto* or PEP) program, can potentially give Thailand more competition in premium markets, especially in Nigeria.

Thailand  
With 2.18 MMT of exports in 2012, Thailand's export performance can actually be described as successful, especially in a market that saw Thailand compete with a very strong and competitively priced Indian option. Most of this success came from exports to Nigeria, which continued to look steady (at 1.55 MMT, including Benin and Cameroon in 2012, compared to 1.81 MMT in 2011). In 2012, there were more shipments to Cameroon and Benin (252 TMT and 28 TMT, respectively) compared to 2011 (114 TMT to Benin). Thailand, however, lost some sales in South Africa to India, with its exports to this destination seen down to 334 TMT in 2012 compared to 519 TMT in 2011. A similar trend had been observed in Saudi Arabia (43 TMT in 2011 versus 20 TMT in 2012) and Yemen (143 TMT in 2011 versus 129 TMT in 2012).



India's parboiled rice exports remain the success we have detailed in reports since Q4 2011, when non-basmati rice sales rose on the back of India's decision to lift the 3-year-old ban on non-basmati rice exports. Notably, 2012 was a very strong year for India in terms of parboiled rice sales. Total exports last year reached 2.32 MMT, higher than the exports seen from 2008 to 2011, but lower than the exports seen in 2006 and 2007. India's ability to offer an attractive price has been a key reason for its very rapid return to the top spot of parboiled rice exports. Moreover, the availability of more Indian varieties on offer today, including higher grade PR106 (at \$500 PMT), also helped India compete in the premium grades markets, while the cheaper IR varieties of parboiled rice (at \$440 PMT) targeted the "common" markets, which are more price-sensitive. India's key markets include Nigeria, which is the largest buyer. South Africa, Somalia, Djibouti, and a number of markets have also readily welcomed India's return to parboiled rice exports. India's competitiveness comes with price and quality options that can cater to a wide variety of market needs.

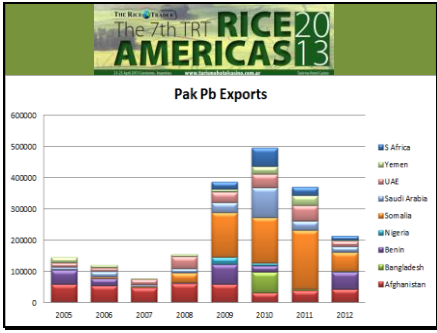
In terms of India's biggest destinations, Nigeria leads with 1.09 MMT, followed by Benin (most of the exports to this destination are bound for Nigeria) with 404 TMT and South Africa with 373 TMT. The smaller destination markets include Saudi Arabia (126 TMT), the United Arab Emirates or UAE (118 TMT), and Yemen (43 TMT). In the low-grade markets, India reflected sales of 88 TMT to Somalia—a gain for India but

a loss for Pakistan.

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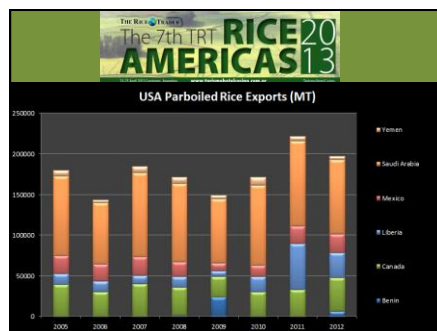
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Pakistan remains a mystery—and much of the mystery has to do with sales to Afghanistan. The fact is, Pakistan’s overall share in the export market, including the parboiled rice market, has contracted after India’s return. Sales to Somalia have especially been affected; while sales to Afghanistan have risen (the total volume of exports could be higher). Noticeably, almost all the other markets have seen Pakistan’s market share shrink. Benin (like Nigeria for other origins), however, stood out, as exports to this destination rose to 55 TMT in 2012 from zero in 2011.

Among the key markets of Pak parboiled rice are Somalia (62 TMT), Benin (55 TMT), and Afghanistan (44 TMT). These are followed by smaller markets, namely, Saudi Arabia (19 TMT in 2012 compared to 29 TMT in 2011), UAE (17 TMT in 2012 compared to 49 TMT in 2011), and South Africa (13 TMT in 2012 compared to 26 TMT in 2011). The fact is, Benin (55 TMT in 2012 versus 0 in 2011), Nigeria (2 TMT in 2012 versus 0 in 2011), and Afghanistan (44 TMT in 2012 versus 40 TMT) were the main markets where saw Pak sales grew in 2012. Meanwhile, Pakistan lost its share in almost all the other markets, primarily to India.

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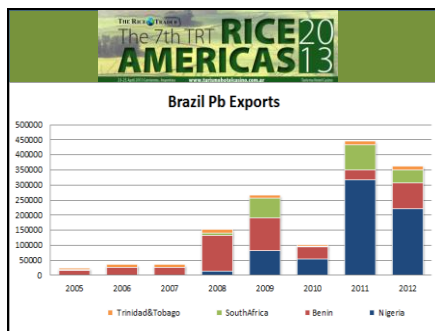


U.S. markets continue to be remarkably resilient in the face of tightening domestic supply and rising global competition. Its total exports did fall in 2012 compared to 2011, but the level of exports remained relatively impressive, with minimal loss in market share seen. Free trade agreements remain an important element in sustaining U.S. exports, as well as the sales to Yemen, Saudi Arabia, Mexico, Canada, Liberia (mostly parboiled rice rejects), and Benin, which has emerged in place of Nigeria.

The U.S. revealed strength in exports to Mexico (23 TMT in 2012 compared to 22 TMT in 2011), Canada (42 TMT in 2012 compared to 33 TMT in 2011), Liberia (31 TMT in 2012 compared to 57 TMT in 2011), and Saudi Arabia (91 TMT in 2012 compared to 105 TMT in



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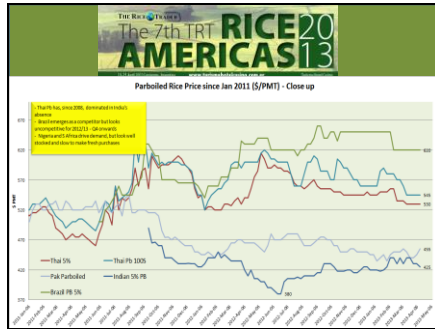


2011). These destinations are the key markets for U.S. parboiled rice. Together, they represent 187 TMT of the total 236 TMT (roughly 79% of the total U.S. parboiled rice exports).

Brazil's exports continue to decline, as a limited supply, rising paddy price, and increased competition from India and Thailand reduced the country's ability to export rice, especially parboiled rice. Brazil's exports, year-to-date, have reached 389 TMT, in line with our projection of nearly 400 TMT in 2012. In fact, we expected Brazil's exports to end at 420 TMT. Benin (a market related to Nigeria) was the only market that imported more from Brazil, with 85 TMT of purchases compared to 31 TMT in 2011. Nigeria's imports were down from 318 TMT in 2011 to 222 TMT in 2012. One might say that Nigeria's total purchases in 2012 reached 307 TMT compared to 348 TMT in 2011. Russia also increased its imports from 3 TMT in 2011 to 5 TMT in 2012. Meanwhile, almost all the other destination markets reduced their imports from Brazil, largely because of a cheaper and widely available Indian option, and some competition from Thailand.

Nigerian demand is expected to dominate Brazil's parboiled rice export trends in 2013, and, while most market watchers have left estimates at lower

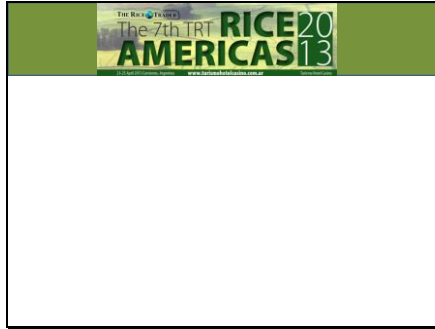
levels compared to 2012, the smaller crop in Nigeria could possibly result in higher imports. There may be more twists and turns ahead—be it changes and amendments to import tariffs, or allowances for duty-free imports. It is important to understand how much parboiled rice passes through Benin and Cameroon to Nigeria for a more complete picture of Nigerian demand. Additionally, given the high import taxes in Nigeria, the gray market channel will add more mystery to Nigerian demand. South Africa has grown to be a buyer of Indian parboiled rice, and the size of its imports will depend on the price of rice compared to corn meal (and this will be the main driver of South African imports). Political developments in India and the crop issues faced in Andhra Pradesh, as well as the food security bill, will be important in the shape of trends in the second half of the year, especially in Q4 2013. Demand, for now, looks subdued, mainly because of the wide availability of Indian offers, and the lack of a Nigerian demand—certainly compared to the Nigerian procurements seen from the end of 2011 till Q4 2012.



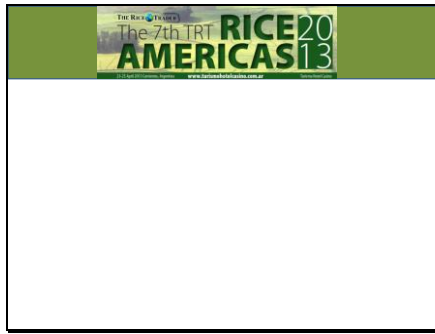
In conclusion:

- We expect India to continue its dominant role due to the significant price advantage
- We expect Thailand and Brazil to square off for Nigeria and S Africa – currently Thailand holds the advantage in price, but this could change quickly in the next few weeks
- Nigeria is an important market with 110% import tariff for brown and white rice, but we are hearing of talks to reduce the import tariff on account of higher food costs in Nigeria, and we feel also due to large shipments of PB now going to Cotonou – to move rice to Nigeria via Benin and Niger
- Price in Thailand could go lower if the government restricts paddy purchases to allow parboilers to access paddy and compete in global markets, but for the moment a high inventory in Nigeria, softer corn prices in S Africa are two key elements that have left demand in 2013 slow, and prices weak, Most of the 2013 export volumes come from India, Thailand and Pakistan.

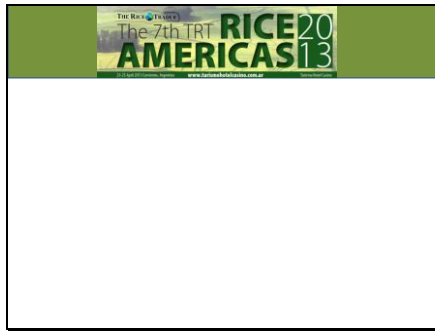
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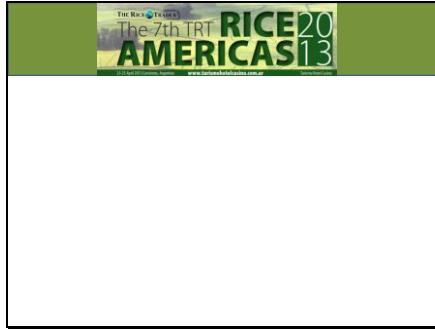
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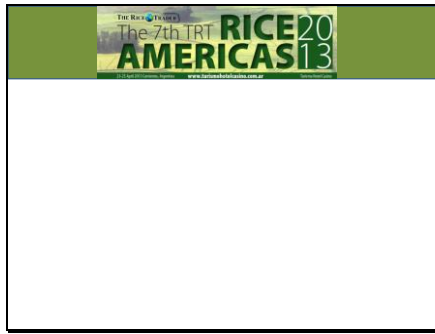
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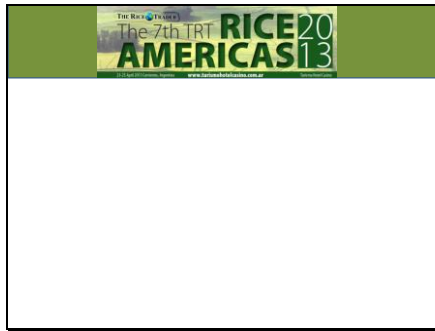
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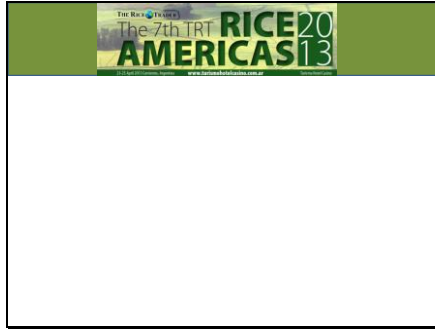
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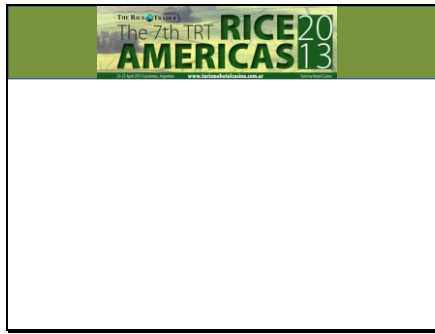
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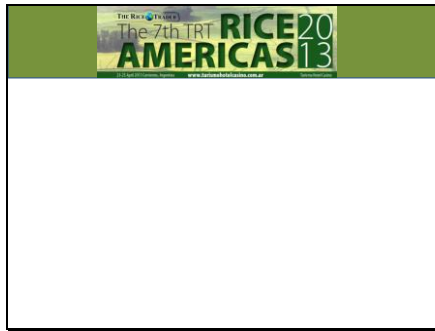
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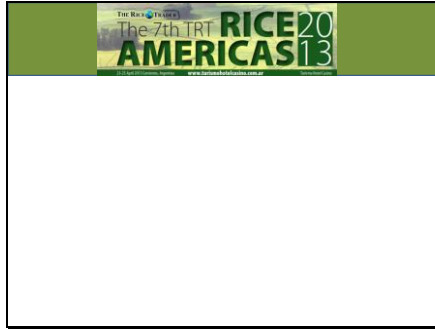
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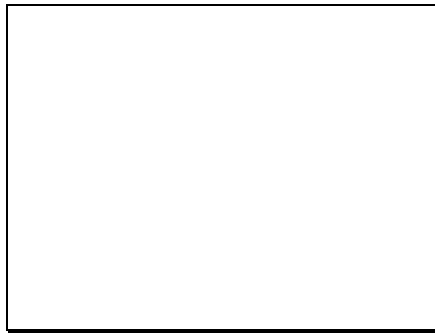
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