Slide 1

Slide 2

Slide 3

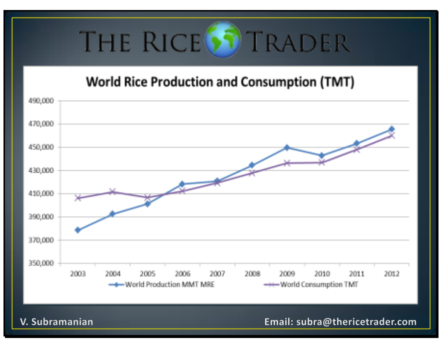
This is some history, from an old slide show, just to show the 2008 peak in rice prices, and the recent past years (this picture was taken in end of 2011 – when we presented a conference in Vietnam (HCM City) – it also shows the G2G markets, weather impact and some of the concerns of the past. Notably, we can say that there has never been 2 similar years in rice – each one is different, always some surprises.

Slide 4

This is what we will look at, broadly, swiftly, and with focus on key points and issues that must be understood for predictions to materialize

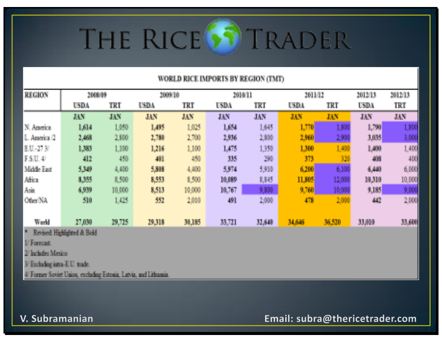
Slide 5

Slide 6



The post 2008 Era has seen both consumption and production rise, with some of the production gains actually looking impressive relative to the 2008-2010 period when output actually slumped. And one can also say the 2008 peak was the result of the pre 2006 period where consumption was higher the production and global stocks also at lower levels each year. The 2008 peak probably heralded a very strong reaction from governments, research and even philanthropists like the Bill and Melinda Gates Foundation to open their eyes to the delicate balance seen in food demand and supply and the needs to feed the more than 7 billion population that resides on planet earth

Slide 7



THE RICE TRADER

WORLD RICE IMPORTS BY REGION (TMT)

REGION	2008/09 USDA JAN	2008/09 TRT JAN	2009/10 USDA JAN	2009/10 TRT JAN	2010/11 USDA JAN	2010/11 TRT JAN	2011/12 USDA JAN	2011/12 TRT JAN	2012/13 USDA JAN	2012/13 TRT JAN
N. America	1,614	1,050	1,495	1,025	1,654	1,645	1,770	1,800	1,790	1,800
L. America /2	2,468	2,800	2,780	2,700	2,936	2,800	2,960	2,900	3,035	3,000
E.U.-27 3/	1,383	1,100	1,216	1,100	1,475	1,350	1,300	1,400	1,400	1,400
F.S.U. 4/	412	450	401	450	335	290	373	320	408	400
Middle East	5,349	4,400	5,808	4,400	5,974	5,910	6,200	6,100	6,440	6,000
Africa	8,355	8,500	8,553	8,500	10,089	8,845	11,805	12,000	10,310	10,000
Asia	6,939	10,000	8,513	10,000	10,767	9,800	9,760	10,000	9,185	9,000
Other/NA	510	1,425	552	2,010	491	2,000	478	2,000	442	2,000
World	27,030	29,725	29,318	30,185	33,721	32,640	34,646	36,520	33,010	33,600

* Revised: Highlighted & Bold
1/ Forecast.
2/ Includes Mexico
3/ Excluding intra-E.U. trade.
4/ Former Soviet Union, excluding Estonia, Latvia, and Lithuania.

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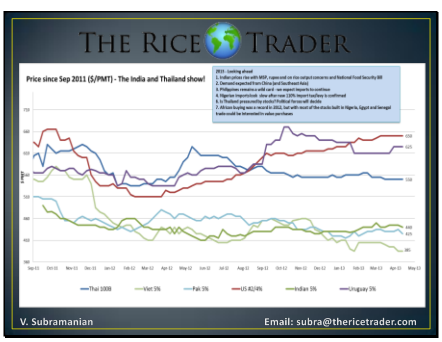
We wanted to focus on imports, an important element in the world trade, which we calculate at 36.5 MMT in 2012 and expected to be a reduced 33.6 MMT in 2013. The focus – Asia, Africa and to some degree some of the key Middle East Markets for rice, like Iran, Iraq, Saudi Arabia and the important transshipment point in UAE

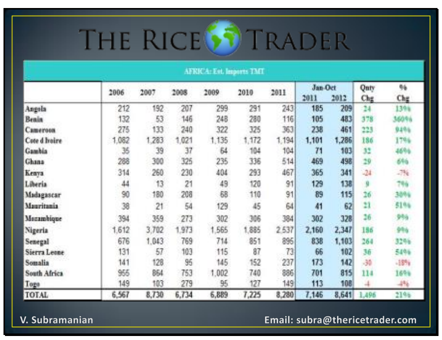
Slide 8



Indian price rises in 2013 – higher Minimum Support Price (MSP) and Stronger Rupee (but Rupee is also volatile and price volatility comes mainly from exchange rate moves)
China demand is a vital force since 2012 – 2.66 MMT long grain and 2.66 MMT medium/short grain allocations and rising local price (MSP raised each year to promote rice production)
Philippines is a wild card – so far 2013 – 187 TMT NFA imports allowed, pls 163 TMT of tariff quota – 98 TMT Thai, 25 TMT Aust, 25 TMT India, 25 TMT China
Nigerian imports expected to slow after record 2012 imports, mostly due to

import tariff rises in July (50%) and Jan 2013 (110 TMT), but we also see more cargo moved to Benin and Cameroon
Thailand pressure from stocks – space, funds and rising cost of bonds if the scheme loses finance market confidence, 500 TMT release in April planned, up to 2 MMT expected, but will this solve the problem? Probably not.
African buying was a record in 2012 – so 2013 sees Africa start with high inventory, lower price at destination markets and less pressure to replace stocks or import more – this is being felt by markets today
Asian buying – Bangladesh (not much now w India back), Indonesia (maybe – 2014 elections year, but so far, no pressure to buy), Philippines (wild card as mentioned), and China – the big buyer and hope for markets

Slide 9

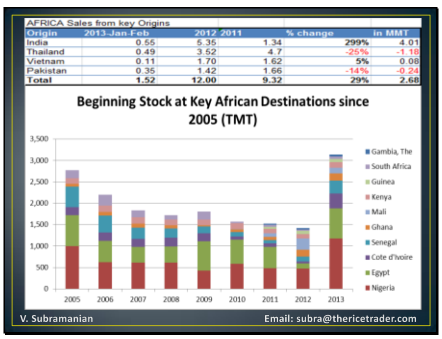


AFRICA: Est. Imports TMT

	2006	2007	2008	2009	2010	2011	Jan-Oct 2011	Jan-Oct 2012	Qnty Chg	% Chg
Angola	212	192	207	299	291	243	185	209	24	13%
Benin	132	53	146	248	280	116	105	483	378	360%
Cameroon	275	133	240	322	325	363	238	461	223	94%
Cote d Ivoire	1,082	1,283	1,021	1,135	1,172	1,194	1,101	1,286	186	17%
Gambia	35	39	37	64	104	104	71	103	32	46%
Ghana	288	300	325	235	336	514	469	498	29	6%
Kenya	314	260	230	404	293	467	365	341	-24	-7%
Liberia	44	13	21	49	120	91	129	138	9	7%
Madagascar	90	180	208	68	110	91	89	115	26	30%
Mauritania	38	21	54	129	45	64	41	62	21	51%
Mozambique	394	359	273	302	306	384	302	328	26	9%
Nigeria	1,612	3,702	1,973	1,565	1,885	2,537	2,160	2,347	186	9%
Senegal	676	1,043	769	714	851	896	838	1,103	264	32%
Sierra Leone	131	57	103	115	87	73	66	102	36	54%
Somalia	141	128	95	145	152	237	173	142	-30	-18%
South Africa	955	864	753	1,002	740	886	701	815	114	16%
Togo	149	103	279	95	127	149	113	108	-4	-4%
TOTAL	6,567	8,730	6,734	6,889	7,225	8,280	7,146	8,641	1,496	21%

This is a snapshot of African imports. What should you remember – inventories are up, but it is also important to note that inventory growth came mostly in Egypt (higher production) and Nigeria (tax, import tariff rises, from 50% in July to 110 % in Jan 2013).
But we also have issues faced in Ivory Coast, Senegal and even some challenges in high value Africa markets like Cameroon and Guinea.
The positive – Africa is buying more high grades and growing in sophistication – Vietnam has sold an unprecedented level of fragrant rice, frag brokens and even succeeded in some markets with parboiled rice.

Slide 10



AFRICA Sales from key Origins					
Origin	2013-Jan-Feb	2012	2011	% change	in MMT
India	0.55	5.35	1.34	299%	4.01
Thailand	0.49	3.52	4.7	-25%	-1.18
Vietnam	0.11	1.70	1.62	5%	0.08
Pakistan	0.35	1.42	1.66	-14%	-0.24
Total	1.52	12.00	9.32	29%	2.68

To emphasis the point on high inventories in African countries – has led to cautious buying

Slide 11

Some facts to help us understand the current situation:
Import allocation for long grain is at 2.66 MMT and another 2.66 MMT has been allocated for short or medium grain. Allocations, however, do not mean a commitment to import. They are mere "allocations." In the past years, these allocations meant almost nothing. But, last year, China emerged as an important buyer (world's second-largest rice importer after Nigeria)
Minimum support prices (MSP) increased. The MSP for rice in China rose, and it is currently at Chinese yuan (CNY) 2.64/kg, up from CNY 2.50/kg or

approximately $424 PMT. Late indica is priced at CNY 2.70/kg ($434 PMT), while japonica varieties are at CNY 3/kg ($482 PMT) for harvests in 2013. This is the sixth consecutive annual increase made on the MSP—and this supports the view that food security is at the top of China's agenda. These prices are not too far from Thailand's support price, but there is one difference: China consumes all the rice it produces (in 2013, it is expected to produce 143 MMT of milled rice and consume 144 MMT), while Thailand essentially grows twice its consumption (and this is a fraction compared to China, which is the world's largest rice producer and consumer). Hence, Thailand relies on exports, while China is perennially concerned about food security.

Chinese local rice prices, as of Mar 15, stood at an average of:

CNY 2,728 PMT for indica paddy ($438 PMT)

CNY 3,790 PMT for early milled long grain rice ($609 PMT)

CNY 3,944 PMT for late milled long grain rice ($634 PMT)

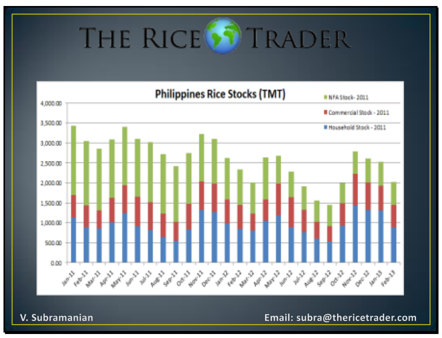
CNY 4,275 PMT for milled medium to short grain rice ($687 PMT)

Attractiveness of imported rice: Viet WR 5% is at $405 PMT and Pak WR 5% is at $440 PMT

Wheat, corn, and soybean prices have softened in 2013. This could result in less rice imports from China—but we feel that it is unlikely for softer wheat, corn, and soybean prices to affect rice imports. Domestic issues and political decisions, however, could affect Chinese buying, especially if imports threaten to reduce the local farmers' incomes. For the moment, there are some complaints; but, given the higher

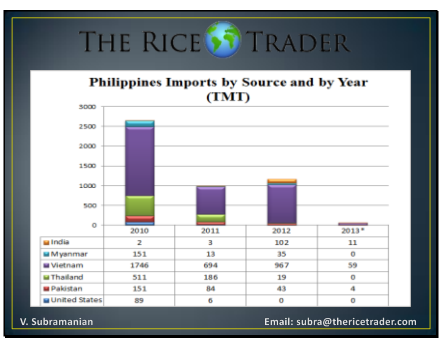
MSP, there have been fewer protests against imported rice.

Slide 12



The Philippines wild card – can we read from stock numbers – clear that NFA stocks are falling, while commercial and household stock look steady – it gives the impression that the Philippines, while focusing on growing local production, has also decided to maintain a lower stock level, unlike the recent past when the Philippines was seen as the largest buyer of rice in the world (in 2010)

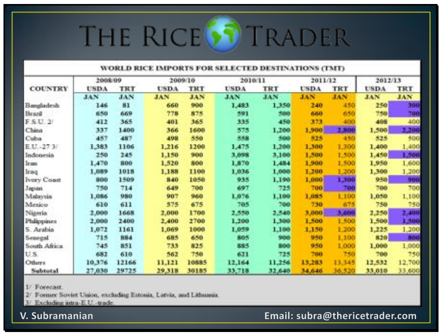
Slide 13



	2010	2011	2012	2013*
India	2	3	102	11
Myanmar	151	13	35	0
Vietnam	1746	694	967	59
Thailand	511	186	19	0
Pakistan	151	84	43	4
United States	89	6	0	0

This compared 2010 levels to today. But we are also concerned about grey market activities and some talk of undocumented imports, and there is a gap when we look at Viet export levels to China, at nearlt 1.9 MMT, and Chinese customs documents that suggest than only 1.3 MMT was imported from Vietnam – where did the 300 TMT go? Many suggest it is Philippines and Malaysia (even an occasional Indonesia is heard) – fact it, it is not clear, but we can see it on statistics.

Slide 14



WORLD RICE IMPORTS FOR SELECTED DESTINATIONS (TMT)

COUNTRY	2008/09 USDA JAN	2008/09 TRT JAN	2009/10 USDA JAN	2009/10 TRT JAN	2010/11 USDA JAN	2010/11 TRT JAN	2011/12 USDA JAN	2011/12 TRT JAN	2012/13 USDA JAN	2012/13 TRT JAN
Bangladesh	146	81	660	900	1,483	1,350	240	450	250	300
Brazil	650	669	778	875	591	500	660	650	750	700
F.S.U. 2/	412	365	401	365	335	450	373	400	408	400
China	337	1400	366	1600	575	1,200	1,900	2,800	1,500	2,200
Cuba	457	487	498	550	558	500	525	450	525	500
E.U.-27 3/	1,383	1106	1,216	1200	1,475	1,200	1,300	1,300	1,400	1,400
Indonesia	250	245	1,150	900	3,098	3,100	1,500	1,500	1,450	1,500
Iran	1,470	800	1,520	800	1,870	1,484	1,900	1,500	1,950	1,600
Iraq	1,089	1018	1,188	1100	1,036	1,000	1,200	1,200	1,300	1,200
Ivory Coast	800	1509	840	1050	935	1,190	1,000	1,300	950	900
Japan	750	714	649	700	697	725	700	700	700	700
Malaysia	1,086	980	907	960	1,076	1,100	1,085	1,100	1,050	1,100
Mexico	610	611	575	675	705	700	730	675	750	750
Nigeria	2,000	1668	2,000	1700	2,550	2,540	3,000	3,600	2,250	2,400
Philippines	2,000	2400	2,400	2700	1,200	1,300	1,500	1,500	1,500	1,500
S. Arabia	1,072	1161	1,069	1000	1,059	1,100	1,150	1,200	1,225	1,200
Senegal	715	884	685	650	805	900	950	1,100	820	800
South Africa	745	851	733	825	885	800	950	1,000	1,000	1,000
U.S.	682	610	562	750	621	725	700	750	700	750
Others	10,376	12166	11,121	10885	12,164	11,256	13,283	13,345	12,532	12,700
Subtotal	27,030	29725	29,318	30185	33,718	32,640	34,646	36,520	33,010	33,600

1/ Forecast.
2/ Former Soviet Union, excluding Estonia, Latvia, and Lithuania.
3/ Excluding intra-E.U.-trade.

Key import markets that drive the global trade. Asia and Africa are key, together with several ME markets

Slide 15

Exchange rates are a important feature these days….as an example…
After reporting about the “calm” markets in the previous section, we now take a look at yet another eurozone concern: this time, it comes from Cyprus. We can write paragraphs about Portugal, Ireland, Greece, and Spain for those who already forgot, and add Cyprus to the growing list of countries that seem unable to manage their budgets and government spending. The main point is, with each day’s news, currency markets have been moving, and just when analysts started to point at levels above 1.30 dollars to toe the euro (some even suggested a peak at 1.37), we see the euro collapse again, to a low of 1.28 on Mar 27. What does this mean? It really means that rice traders need to also brush up on currency markets and hedging to protect their purchases and sales. It also means that a number of African nations, whose currencies are fixed against the euro (e.g. West African Franc), suddenly face a higher procurement cost and, to some degree, a reduced purchasing power. This could also make stocks look relatively

attractive (depending on when the stocks were bought).

A price of $400 PMT for rice on Feb 3 was worth €292 PMT, while on Mar 27, the same price was worth €313 PMT. This reveals a significant difference of €20.5 PMT ($26 PMT).

Similarly the Indian rice prices are often determined by the volatility and rate of the rupee.

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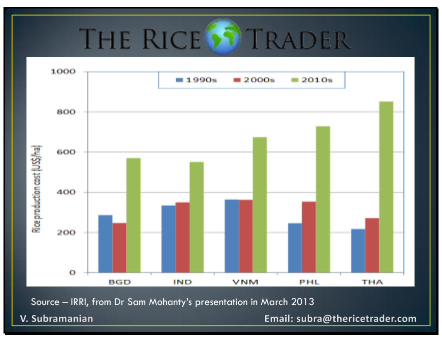
Slide 19



It is perhaps the biggest challenge for the industry when you look at production costs, and the income of farmers. Costs are rising each year with three major elements – land, labour and energy (which is also related to fertilizer costs)…and with prices relatively falling in the last two years since India returned, this is a challenge for governments (who promote food security). But the current "oversupply" in global markets can also be perceived to be good in making more food available at an affordable price….so how can we earn more, give more to farmers and the supply chain in support, while keeping food affordable – especially in a world where some 30-35% of the global population live below the poverty….on the flip side, demand will also change as we add millions of new households to the middle class. I don't have the answer, but each year, when prices fall…its too low, and when they rise it is too expensive….and it seems nobody actually knows what the correct price is – so should we just let market mechanism rule? I don't think too many governments can afford to do that – they may not rule for long.

Imagine if Indonesia and the Philippines…maybe even China adopted a free trade approach to rice? Just an idea, some food for thought.

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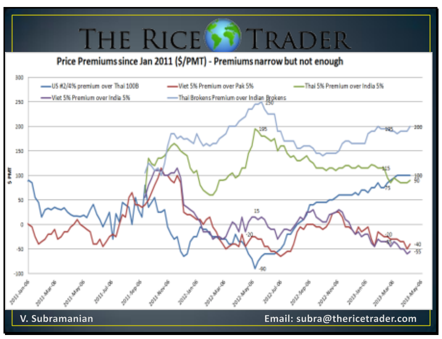

Today's price
Indian WR 5% - 445
Pak WR 5% - 435
Viet WR 5% - 390
Thai WR 5% - 525
USA #2/5% - 615
Brazil/S America – 615-20

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