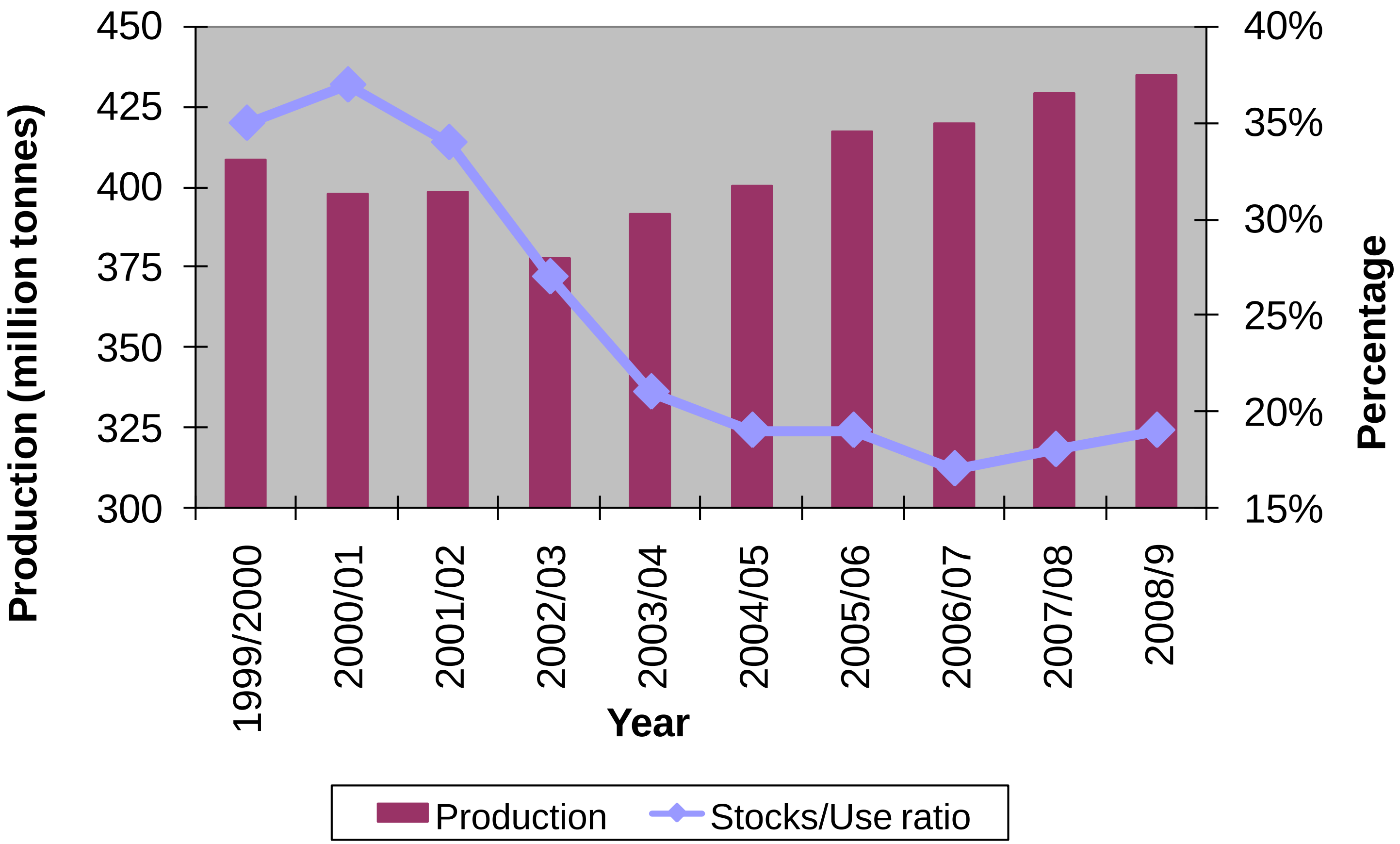
Rice Market Situation
16 December 2008

World supply & demand remains tight despite better crops

- Global rice prices remain high on a historic basis
- Sterling decline since July boosting import prices
- World stocks remain at relatively low level.
- Political uncertainty remains a factor – unrest in Thailand; export restrictions retained in India and Egypt - all important suppliers to EU market.
- Basmati crop much reduced due to disease, especially in India. Consequently market remains far above 2007 levels. Strong demand from Middle East.

World rice supply up, but stocks still relatively low

(source USDA)



Export supplies still restricted due to food security and political concerns

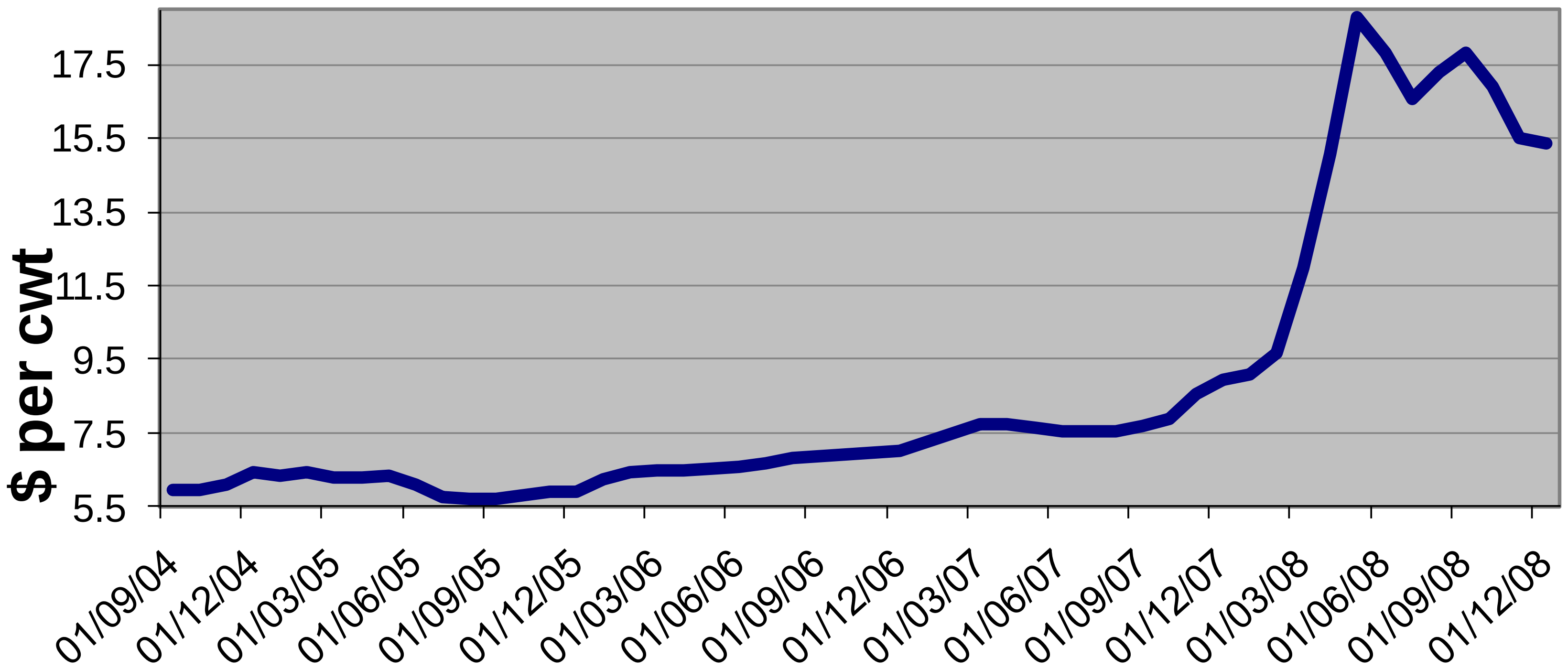
- India's restrictions on exports of non-basmati are set to remain until May 2009. Minimum export price of $1000 set for basmati, also subject to an export tax of $175 per tonne.
- Export restrictions also remain in place for Egypt; USA shipments to EU still much reduced due to concern about GM rice.

Prices remain close to 30 year high

- World rough rice index (compiled by USDA) remains 100% higher than at the end of 2007
- Thai rice quotations (delivered EU) have fallen from peak levels but are still nearly double historic levels.
- Price of EU produced rice (Spain and Italy) also remains very high at 50% above autumn 2007 levels.
- Chicago rice futures still up 80% year on year, despite retreat from peak level

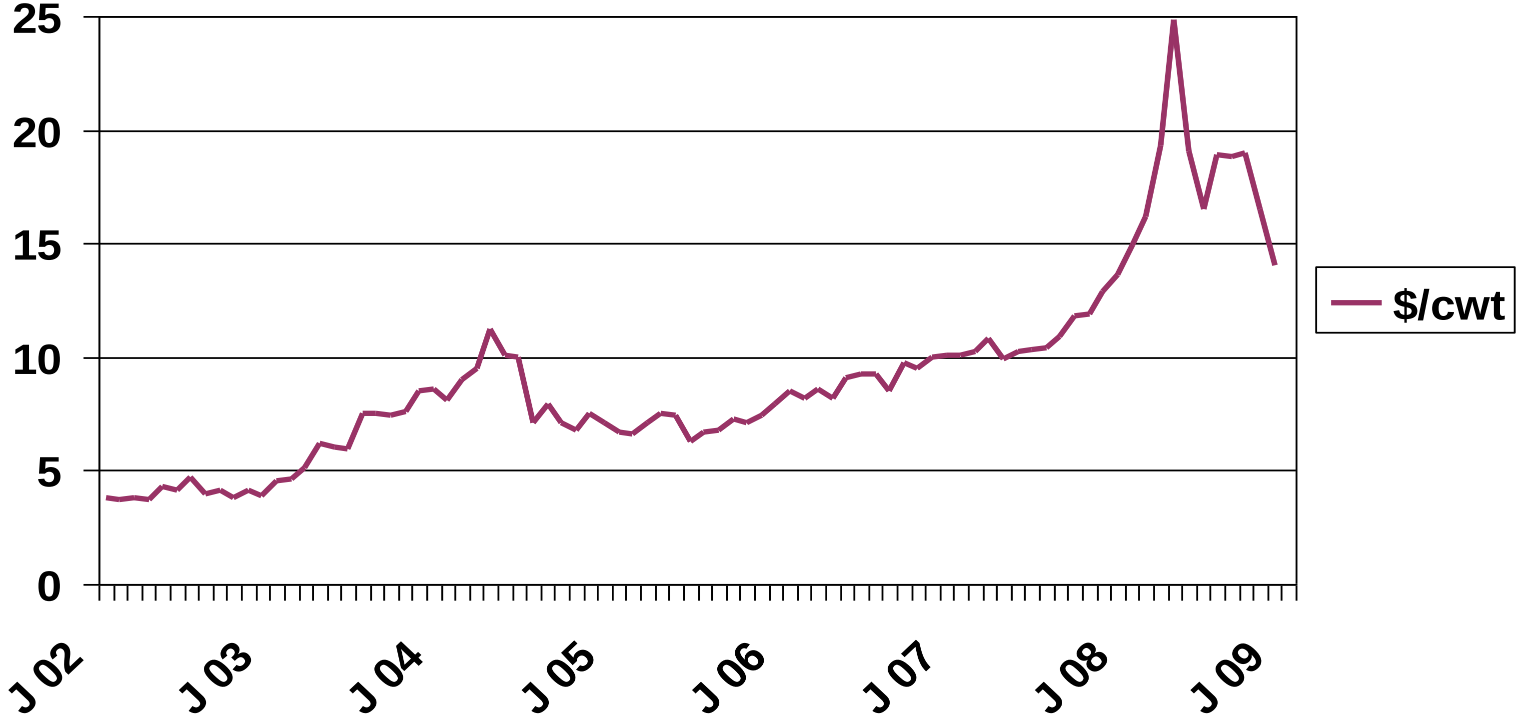
Global rough rice index soars

(source USDA)



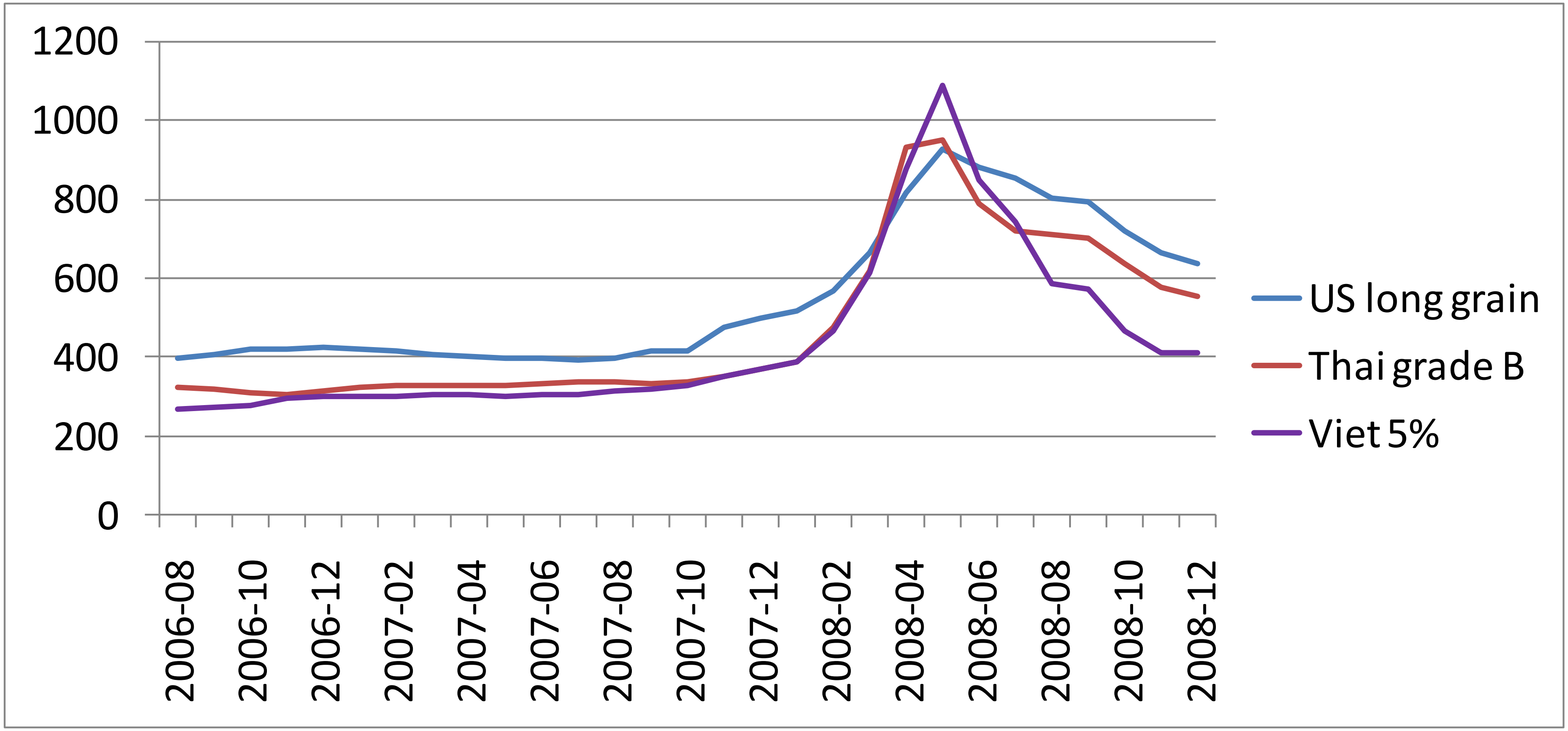
Chicago rice futures retreat, but remain at historically high level

(Source CBOT)



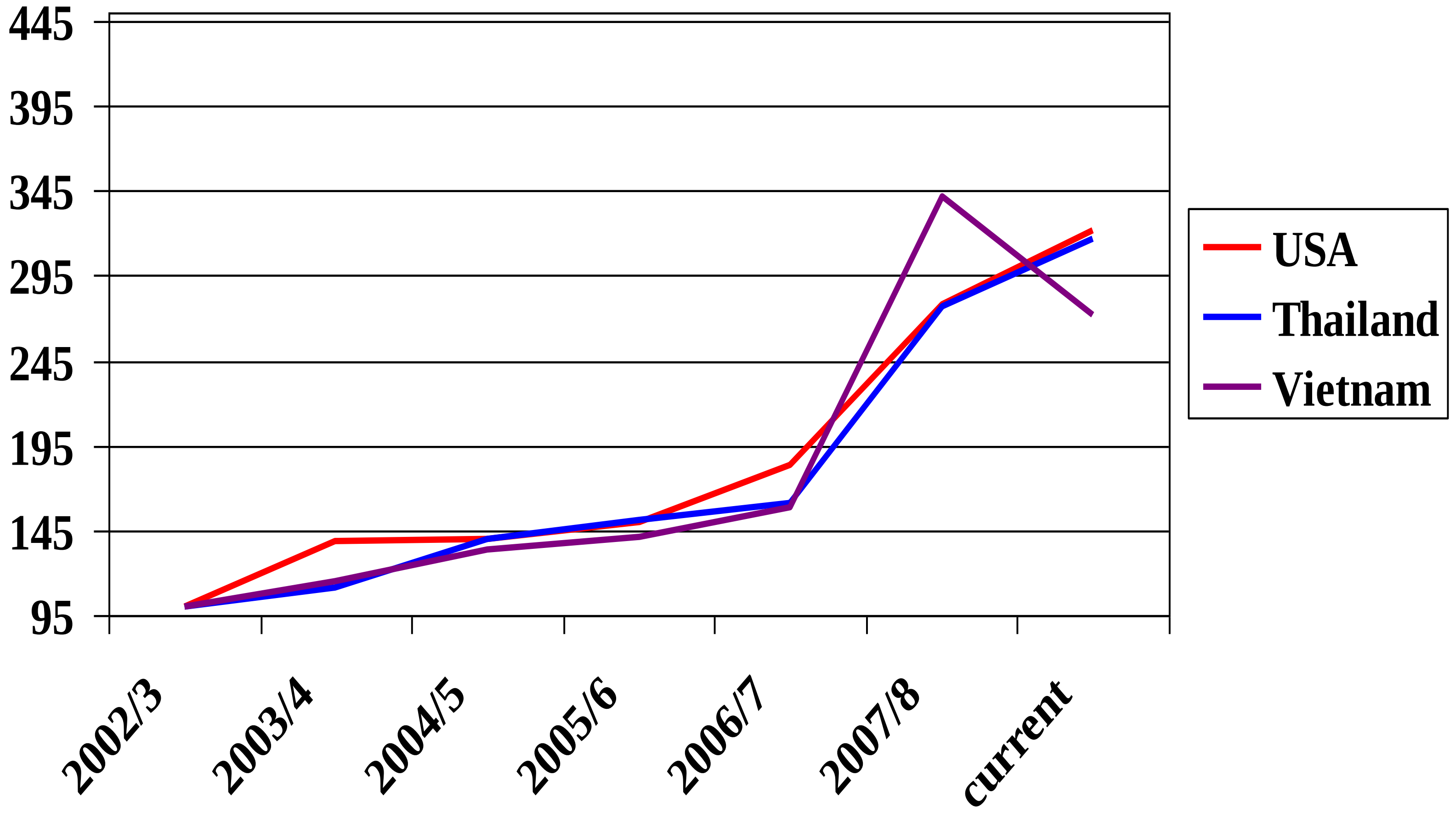
FOB rice quotations have retreated from peak levels...

(source USDA)

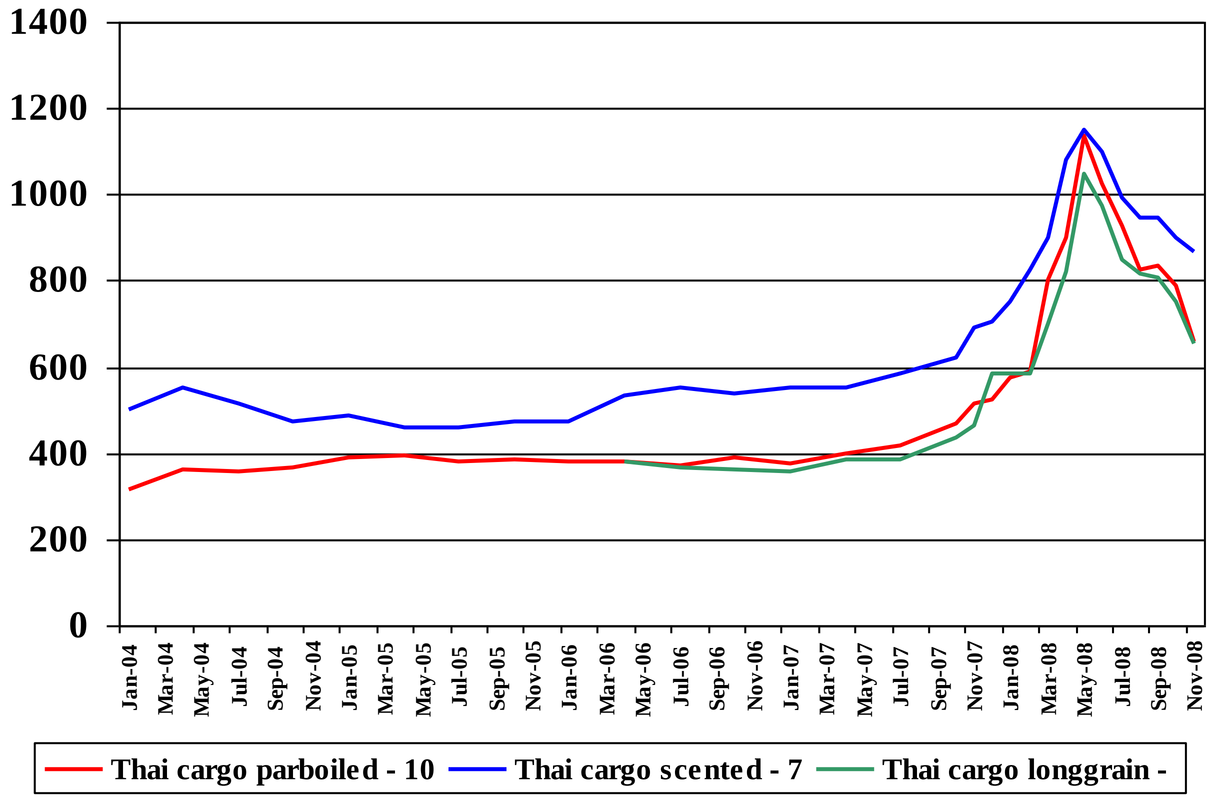


….Although annual average remains high

(Price index: 2001/2 = 100; source USDA)

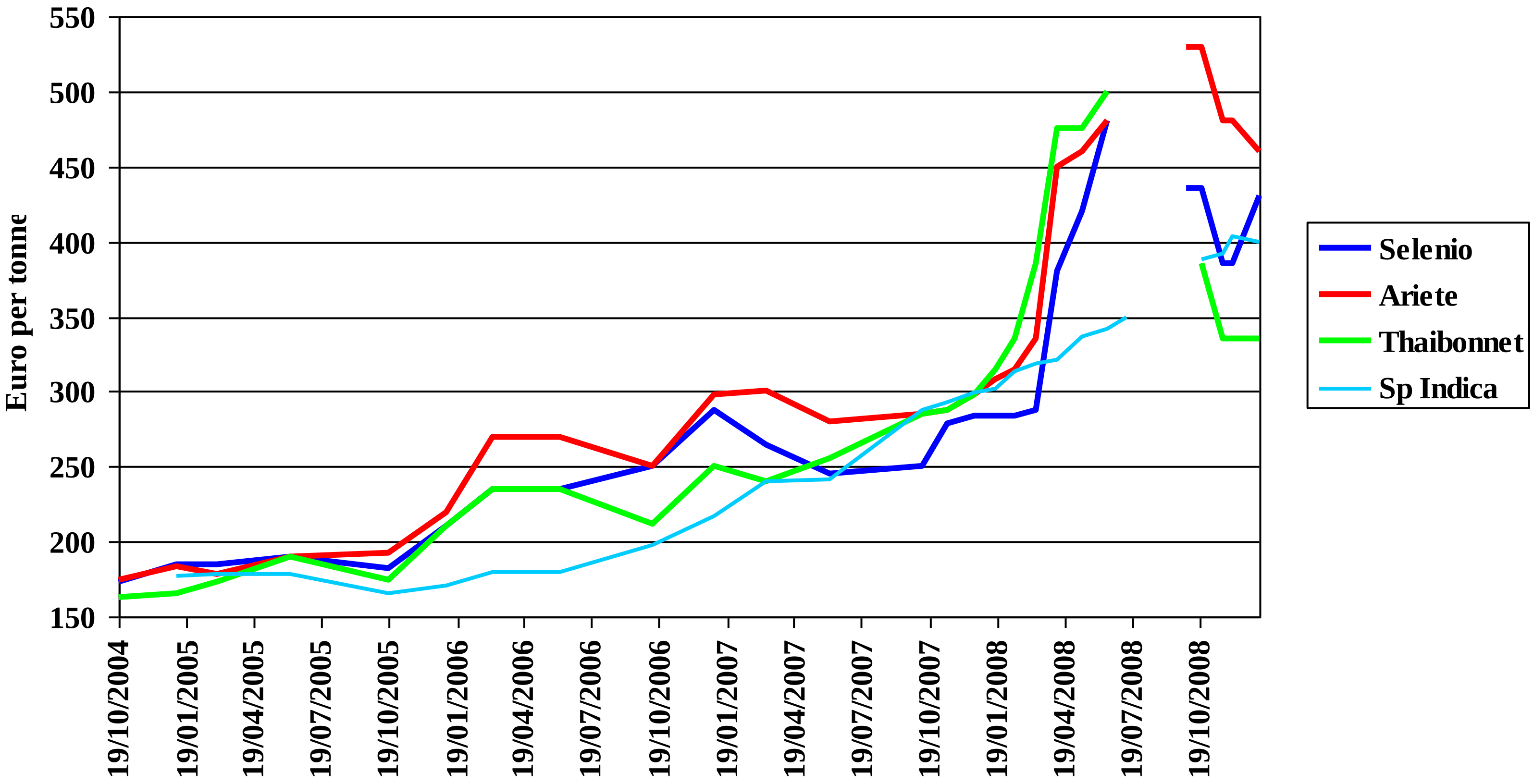


Thai rice prices delivered to EU remain well above long term base



Italian and Spanish paddy prices remain very firm

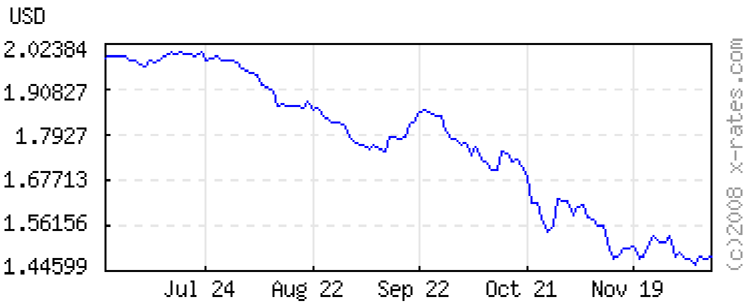
(source: EU Commission)

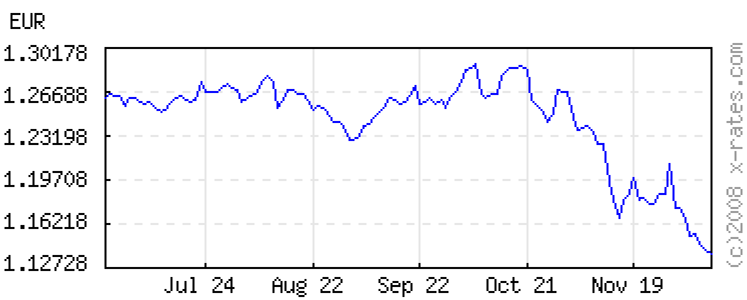


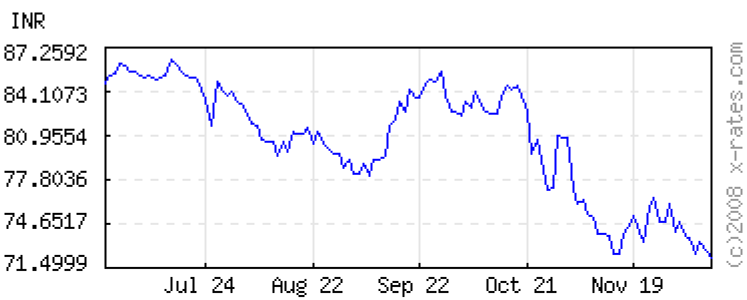
Other factors

- Dramatic fall in currency increases costs in sterling
- State buying agencies in Thailand, India and other rice producing countries looking to increase stocks to guard against future supply shocks; also to support prices.
- EU access to USA supplies remains restricted by concerns about possible low level GMO presence. Imports from US running at 15% of 2006 level
- Although prices quoted, grain not always available

Sterling declines steeply - boosting cost of imports and tariffs





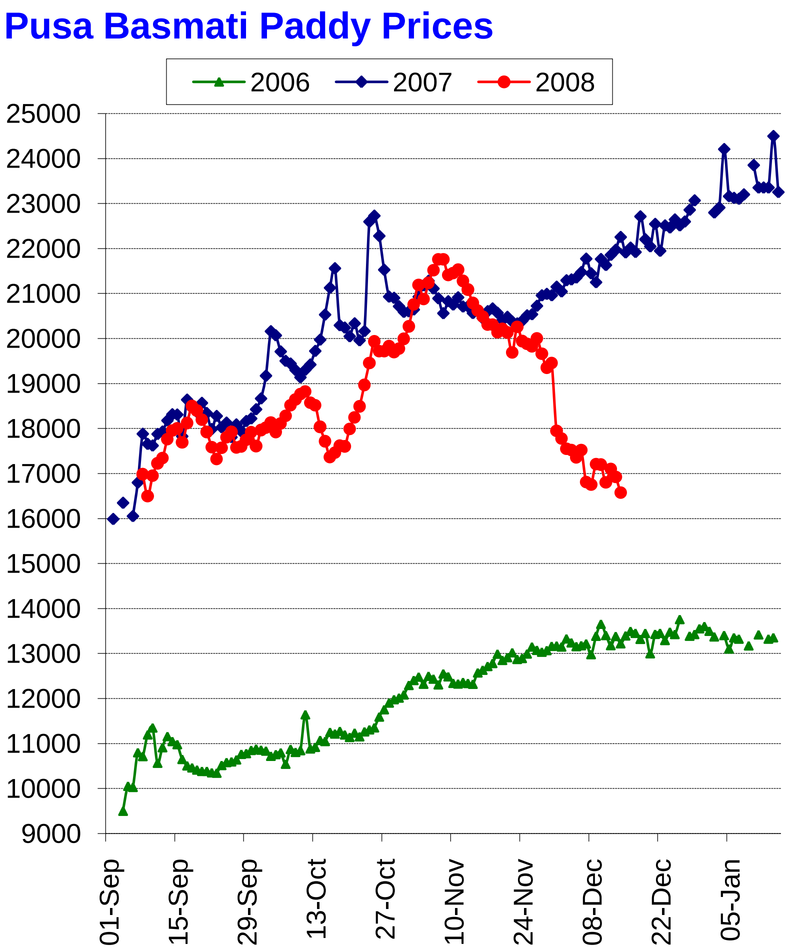


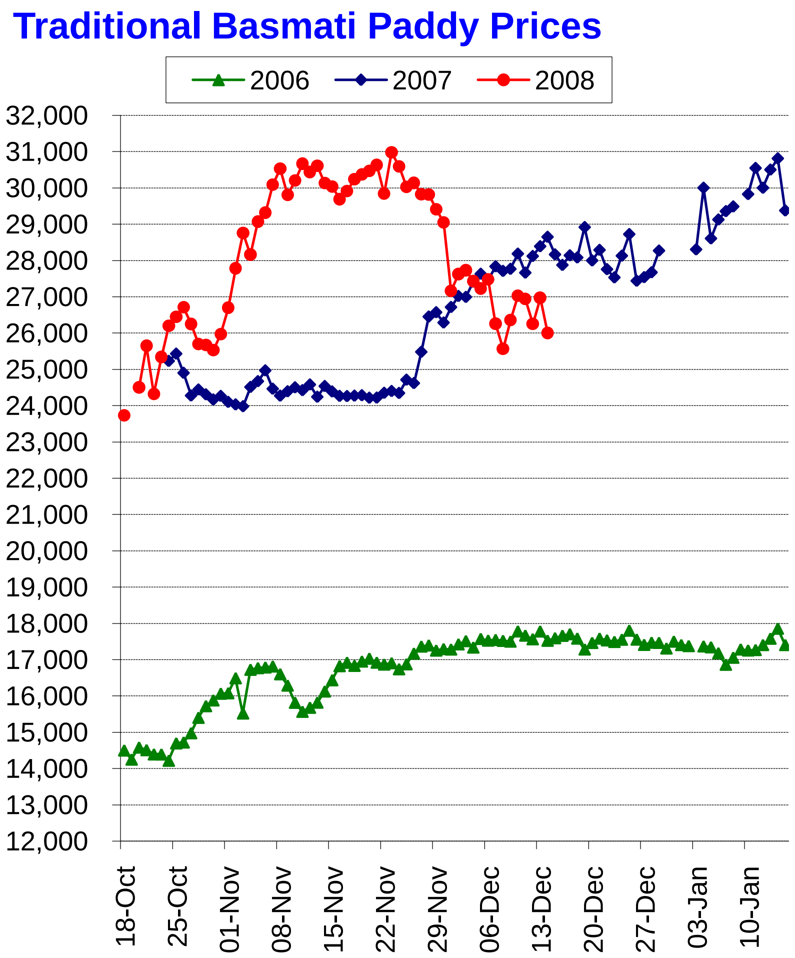
- Down 25% against US dollar
- Down 15% against euro
- Down 20% against Indian rupee

Basmati market follows similar trend

- New crop prices similar to 2007, and 50-80% higher than 2006 equivalent
- Strong demand from Middle East means firm prices likely to be maintained
- In EU, absence of USA rice due to exclusion from EU market in 2006/7 has increased demand for basmati
- Indian government has set a minimum export price of $1000 per tonne, and imposed an export tax of approx $175 per tonne since April 2008
- Intervention buying of up to 500,000 tonnes by Pakistani government is delaying sales and pushing up export prices

2008 Basmati auction prices open similar to 2007, well above 2006





Basmati market drivers

- Farmers require a higher price to compensate for lower yield of basmati rice – especially traditional varieties
- Crop problems further restrict supplies; neck blight has reduced 2008 yield by an estimated 30%.
- Growing demand within India as economic growth takes hold
- Long maturation period means purchases made up to a year before marketing
- Strong export demand from the Middle East and United States including for Pusa 1121 which is not classified as basmati in EU