

Rice

December 02nd - December 11th, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Domestic and International News
- Domestic Market Commentary
- Domestic and International Rice Prices
- Rice Production Estimates

DOMESTIC AND INTERNATIONAL NEWS

FAO: World Rice Production Pegged at 426 MMt in 2006

The ongoing 2006 paddy season is already well advanced in countries located south of or along the equator, as some had already harvested their main paddy crop by May. Among northern hemisphere countries, the main 2006 crops are still at the development stage in parts of Asia and Africa, Europe and North America, but are barely at the planting stage in major producing countries in Asia where the development of the season largely depends on the pattern of the monsoon. This represents a major element of uncertainty in the 2006 production outlook that will persist at least until August, when the timing and distribution of the monsoon rains will be clearer. Although still tentative, the FAO current forecast for global rice production in 2006 stands at about 426 million tonnes (milled terms). This would be a new record level, but at just 1 percent up from 2005, would represent a significant slow-down in the growth in production compared to that of the past three years, reflecting concerns over rising production costs and expectations of a return to normal growing conditions after the previous year's particularly favourable season. For those southern hemisphere countries where the 2006 season is fairly advanced, production is estimated to increase in Argentina, Australia, Indonesia and Madagascar. However, most of the expected growth in global production is likely to originate in the major producing countries north of the Equator, especially Bangladesh and China.

Source: FAO

Rice Stocks Up, Procurement Down

Rice procurement in the marketing year of 2006/07 is likely to be somewhat lower as compared to the record procurement of 28 million tons in the marketing year of 2005-2006. Subsequently, the rice stock of Govt. is increased to 12.5 million tons on November 1, 2006 compared with 10.3 million tons a year ago. The higher procurement in the last year has increased the stock position. Domestic rice procurement in the marketing year of 2006/07 (Oct-Sep) through November 27, 2006 was 9.3 million tons, as against 10 million tons of corresponding period of last year. The procurement mostly comes from the northern rice surplus states of Punjab and Haryana. The heavy rainfall in early November in the major southern rice

production state of Andhra Pradesh could adversely affect production and procurement in this state.

2.4 MT Rice Exported from India during Jan to Jul 2006

The total rice export from India during January to July 2006 was around 2.4 million tons. Out of the total amount basmati rice was about 650,000 tons. Rice export is steady business in India as the country has a structural surplus of about 5 million tonnes rice annually.

Temporary Ban on Import of Rice Will Have Negligible Impact on India

The temporary ban on import of rice by Russia from Asian countries and US will have insignificant impact on India. Satnam Arora the Joint Managing Director of Satnam Overseas, told that the rice exports to Russia from India is negligible and it will not have much impact. Satnam Overseas is one of the foremost basmati rice exporting companies, exports 20 tonnes per month to Russia, a small quantity. According to official estimates, rice exports to Russia stood at Rs 28.77 crore during 2005-06 and Rs 9.68 crore during the first quarter of the current fiscal.

Pakistan Wish to Grab 25% Rice Market Share in Saudi Arabia

Pakistani rice exporters are positive in brings back 25 per cent market share in Saudi Arabia by the end of this fiscal 2006-07. A decade ago, Pakistan was share 50 per cent rice market of Saudi Arabia, which now has shrunk to only 11 per cent. The changing taste of Saudi consumers in rice was the main reason behind the huge decline in Pakistan rice exports to Saudi Arabia, as majority of Saudis preferred to eat parboiled rice, which is easy to cook compared to regular basmati rice. Now local rice traders have installed new parboiled units including local as well as imported machinery from India..

Air Pollution Can Diminish Yield of Rice

A latest research from University of California has reported that growing air pollution seems to have a direct connection with falling agricultural production in India and reduction of human-generated air-pollution could lead to significant benefit in rice harvest in the country. The study also stated that atmospheric brown clouds and green house gases like carbon dioxide have led to the decline in rice harvest.

Sri Lanka suspends exporting paddy to India

Sri Lanka has decided to suspend a deal to export rice to India at a cheaper price because the rice prices in the domestic market have shown a rising trend. Sri Lanka earlier was supposed to export 300 metric tonnes of rice to India at 12 rupees a kilogram. The stocks had been bought from farmers at 17 rupees a kilogram. Sri Lanka generally produces an average of 2.7 million tonnes of rice per annum, which is 95 percent of the domestic rice requirement. In Sri Lanka the Agrarian Marketing Authority has stocks of 38,000 metric tonnes of paddy in their stores. The government intends to issue them to the market to control the prices in the domestic market.

Indonesia Won't Reduce Rice Prices Through Imports

Indonesia won't shrink the price of rice through greater imports, the Financial Times reported. The government would maintain to import only an enough amount to make up for any deficit in domestic production and would focus on long-term remedies. The World Bank said Thursday that the high retail cost of rice was the main cause of Indonesia's poverty.

Russia Possible to Lift Rice Import Ban Till Dec 25

Russia's federal veterinary and phytosanitary watchdog Rosselkhoznadzor declared Friday that the ban on the import of rice imposed Dec. 4 was very likely to be lifted Dec. 25. Rosselkhoznadzor said it required 20 days to decide which border would be allowed to process imported rice so that proper quality control could be carried out. Rosselkhoznadzor suspended as of Dec. 4 until advance notice the issue of import quarantine permits for rice from all countries of origin because of poor quality and dangerous substances found in rice imported from Pakistan, India, Thailand, Egypt, China, Vietnam, Spain and Uruguay.

DOMESTIC MARKET COMMENTARY

Rice prices quoted somewhat higher prices in domestic markets. Increased demand from retailers as well as stockists has supported the sentiments. Rice procurement in the marketing year of 2006/07 is likely to be somewhat lower as compared to the record procurement of 28 million tons in the marketing year of 2005-2006. The heavy rainfall in early November in the major southern rice production state of Andhra Pradesh could adversely affect production and procurement. However, previous year's higher procurement has improved the Govt. stock position to 12.5 million tons on November 1, 2006 compared with 10.3 million tons of corresponding period of last year. The arrival is seen lower on the speculation of higher prices in near future. The upcoming marriage season is also bolstering the sentiments at some higher side. Asian rice prices were offered higher at the weekend, with Thai offers boosted by a strong currency even with most buyers out from the market. The prices are till now going up because of the exchange rate so the market is very quiet. The total rice export from India during January to July 2006 was around 2.4 million tons. The rabi rice sowing acreage is increased to 424,000 hectares so far as against 366,000 hectares in the year-earlier period. However, basmati rice acreage has declined significantly this year. The arrival of basmati rice decreasing sharply in the spot markets due to the anticipation of higher prices in the coming future. This led to sharply increase the basmati rice price. In Delhi mandis rice basmati common is quoted higher at Rs 3300-3550 per quintal on increased demand. The other rice varieties are

also quoted firm like; Rice basmati (lal quila) 4400, Shri Lal Mahal 4600, Parmal raw new 1100-1140, old 900-950, parmal wand 1250-1340, sela 1250-1400 and rice IR-8 1025-1050 per qtl..

DELHI MARKET:

Market Price For Different Varieties Of Rice In Delhi Mandis (Rs. per Qtl.)

DELHI	11.12.06	02..02.06
Basmati Common	3300-3550	3300-3550
Sharbati raw	1600-1650	1600-1650
Sharbati sella	1650-1675	1620-1650
Parmal raw new	1100-1150	1100-1140
Wand	1250-1340	1250-1340
Parmal sella	1250-1450	1250-1400
DB Rice	2250-2450	2200-2400

RUDRAPUR MARKET:

Market Price For Different Varieties Of Rice In Rudrapur Mandis

RUDRAPUR	11.12.06	02.12.06
Parmal paddy	-	-
Parmal raw rice	1000	980
Wand	1050-1075	1060-1080
Basmati paddy	-	-
Basmati rice	2850-3000	2800-3000
Sharbati sella	1560-1620	1560-1620
DB sella	2275	2270

KARNAL MARKET:

Market Price For Different Varieties of Rice In Karnal Mandis

KARNAL	11.12.06	02.12.06
Basmati rice raw	3100-3250	3100-3250
Sharbati esteem	1650-1690	1650-1690
Sharbati sella	1600-1625'	1600-1625'
Parmal raw rice	1020-1050	1020-1050
Parmal sella	1140-1190	1140-1190
DB rice sella	2200-2350	2200-2350
IR8	920-970	920-970

DEHRADUN MARKET:

Market Price For Different Varieties Of Rice In Dehradun Mandis

DEHRADUN	11.12.06	02..12..06
Basmati Raw	2500-2650	2500-2600
Sharbati New	1525-1550	1525-1575
Parmal Raw	1100-1200	1100-1200
IR 8	975-1000	985-1000

WEST BENGAL MARKET:

Market Price For Different Varieties Of Rice In West Bengal

WEST BENGAL (Burdwan)	11.12.06	02.12.06
IR 36 (super)	1200	1200
Minikit Shankar	1550	1500
Minikit (M- Shankar)	1600	1600
Doodh Kalma	1250-1300	1250-1300
Swarna (New)	1150	1100
Pankaj	1150	1100
Swarna parboiled	1150	1150
Govindobhog	2500	2500
Chawl Moni	1850	1850

AMRITSAR MARKET:

Market Price For Different Varieties Of Rice In Amritsar

AMRITSAR	11.12.06	02..12.06
Sharbati sella rice	1700-1750	1680-1700
Sharbati raw rice	1650-1775	1660-1770
Sharbati steam	1750-1800	1750-1800
Basmati rice raw	3450-3550	3450-3550
Basmati Paddy	-	-
Parmal Govt. Quality	975-1010	980-1010
Parmal Wand (New)	1150-1175	1150-1160

Price Drivers:

- Decreasing arrivals amidst good demand
- Govt. announced higher MSP for rice
- Lower acreage of basmati rice so far
- Increasing Rabi rice acreage so far
- Steady Procurement
- Good domestic demand
- Increased Global demand amidst lower stocks.
- Pakistan is dominating white rice export market

Outlook:

- ✍ **Short Term (1 week):** Firm on lower arrivals amidst improved demand.
- ✍ **Medium Term (1 Month):** Eased on increased arrivals from Punjab, Haryana and West Bengal of summer crop. However, high global demand will act as support at some lower levels.
- ✍ **Long Term (3 Month):** Firm on the expectation of global demand.

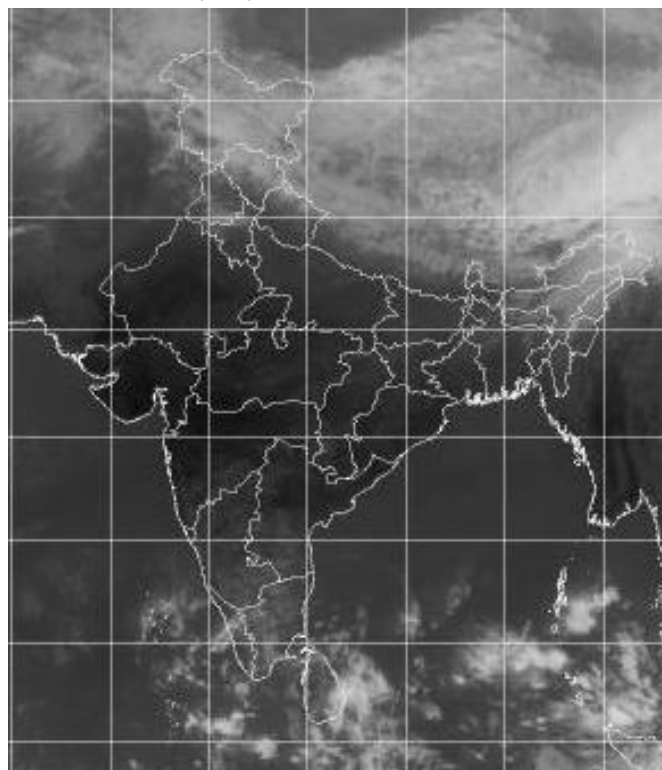
Monsoon Outlook (11.12.06)

- Under the influence of northerly/northwesterly winds prevailing at lower levels, night temperatures are likely to fall by 3-5 °C over plains of northwest India, Gangetic plains and adjoining central & east India during next 2-3 days. The cold wave conditions are likely over plains of northwest India and adjoining Gangetic plains during same period.
- Ground frost is also likely over some parts of Punjab, Haryana and north Rajasthan where night temperatures are likely to become 4°C or less during next 3 days.
- Lowest night temperature in the plains of the country was 2.6°C recorded at Adampur in Punjab.

Outlook for subsequent two days (Based on numerical weather products):

- A feeble western disturbance is likely to affect western Himalayan region.

Source: GOI (IMD)



Source: IMD (11.12.06)

FOREX (As on 02nd December, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.67
1 Euro	58.95
1 British £	87.32
100 Yen	38.36

SUMMARY PROGRESS OF RABI RICE

(Area Coverage) (Area in lakh hectares)

Normal Area	Area Coverage (As reported on 01.12.06)			Area Difference in Important States- This Year vs. Last Year (Absolute, %)
	This Year	Last Year	Difference	
48.7	4.25	3.66	+0.59	Ker (+0.1, +18.6), TN (+0.6, +28.8)

Source: Ministry of Agriculture, GOI

PROGRESSIVE PROCUREMENT OF RICE AS ON 30.11.06

(Lakh tonnes)

State	Total procurement in marketing season 2005-06 (Oct. - Sept.)	Progressive Procurement as on 30.11.2006	
		In Marketing season 2006- 2007	In Marketing season 2005- 2006
Andhra Pradesh	49.72	2.73	1.29
Chhattisgarh	32.65	4.47	2.46
Haryana	20.54	15.82	17.77
Maharashtra	1.94	0.14	0.08
Orissa	17.85	0.58	-
Kerala	0.94	0.45	-
Punjab	88.55	71.51	78.19
Tamil Nadu	9.26	2.01	-
Uttar Pradesh	31.51	1.67	1.88
Uttaranchal	3.36	0.04	0.27
West Bengal	12.75	-	-
All-India	276.56	99.56	102.01

Source: Ministry of Agriculture, GOI

International Asian Rice Prices Per MT FOB (07.12.06)

THAILAND	\$/Mt	VIETNAM	\$/Mt
100%B	\$310	5% DP	\$297
5%	\$300	5%	-
10%	\$295	10%	-
15%	\$285	15%	\$285
25%	\$270	25%	\$280
PB 100% Sortexed	\$315		
PAKISTAN	\$/Mt	INDIA	\$/Mt
15%	-	Basmati (fine grade)	-
20%	-	PR 106 PB 5%	-
25%	\$220	PR 106 5%	-
		PR 106 25%	\$240

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