

## Rice

December 23<sup>rd</sup> - December 30<sup>th</sup>, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Domestic and International News
- Domestic Market Commentary
- Domestic and International Rice Prices
- Rice Procurement and Acreages

### DOMESTIC AND INTERNATIONAL NEWS

#### Global Rice Price Seen Unchanged

Although arrival of freshly harvested rice in many northern hemisphere countries, export prices have continued to gain strength in many origins since September and it will likely to continue until February-March next year when the next crop hit in the market. FAO said in its latest Rice Market Monitor a weakening dollar might further extend the tendency for international prices to rise. World rice trade in 2007 is forecast at 28.9 million MT, nearly unchanged from the current year's 28.6 million MT. 2005 saw record global rice trade at 29.8 million MT. According to FAO, in 2007, Bangladesh, Iran, South Korea and the Philippines may import less. For 2007, FAO has forecast shipment of 9.0 million MT.

#### Vietnam Rice Prices Remain Steady

Vietnamese export rice prices were mostly remained flat in the week to Tuesday. The local markets remain quiet due to a continued government ban on rice exports. Viet 5% broken rice is quoted at \$280-\$285 PMT and 25% broken grade at \$255 PMT, both unchanged from last week. Vietnam is estimated to have exported 150,000 MT of rice valued at \$43 million this month, which unchanged on year in terms of volume but losing 8.5% in terms of value.

#### Rice Price Surge May Affect Basmati Exports

Basmati rice exports are likely to plunge by 10 to 15% in the year to March 2007 as prices of the other aromatic grain have go up, industry officials said on Wednesday. Anil Adlakha, executive director of the All India Rice Exporters Association, said exports of non-basmati rice were also likely to fall to 3 million tonnes in the current fiscal, from 3.9 million tonnes last year. For 25% broken rice, the Indian price was \$233 on a free-on-board basis, while the Pakistani price was \$223.

#### Vietnam's Rice Export Ban Results in Sluggish Trade

The rice trade in Vietnam, the world's second largest rice exporter after Thailand, remained sluggish in recent weeks due to government export ban. There were no ships at the key rice-loading Saigon Port in the past week. Traders are waiting for the government to open up exports, which is expected in January.

Vietnam will export a total of 4 million tonnes of rice in 2007, down nearly 1 million tonnes compared to 2006's figure, announced the Ministry of Trade on December 27.

#### Vietnam to Likely Export 4 mt of Rice in 2007

Vietnam will export a total of 4 million tonnes of rice in 2007, down nearly 1 million tonnes as compared to 2006, the Ministry of Trade declared on December 27. The main cause of decrease in rice export quantity in 2007 is that rice production in the Mekong river delta has been affected due to diseases. In 2006, Vietnam exported 4.7 million tonnes of rice to different countries, earning a total export turnover of US \$1.3 billion.

#### USDA Rice Export Sales Highlights

Rice: Net sales of 161,700 MT were 43 percent above the previous week and 50 percent over the prior 4-week average. The major buyers were South Korea (54,500 MT), Mexico (32,400 MT), Taiwan (23,100 MT), Japan (18,700 MT), Nicaragua (12,000 MT), and Saudi Arabia (10,100 MT). Exports of 29,400 MT fell 81 percent from the previous week's marketing-year high and 61 percent below the prior 4-week average. The primary destination was Honduras (17,800 MT), with smaller quantities to Mexico (4,000 MT), Canada (2,400 MT), Japan (1,800 MT), and South Korea (1,300 MT).

Source: USDA

#### USDA: Latest WASDE Report on Rice

According to the USDA's latest World Agriculture Supply Demand Estimates (WASDE) report, there is no change in rice on the 2006/07 supply sides from a month ago. However, on the use side, 2006/07 exports are raised 5 million cwt to 102 million cwt. Despite a reduction in exports to some markets due to biotech rice (LLRICE601), exports to other markets are doing well, particularly to markets in the Western Hemisphere (including Mexico and Central America) and Iraq. Rough rice exports are increased 3 million cwt to 38 million cwt, while exports of combined milled and brown rice are increased 2 million cwt to 64 million cwt (on a rough basis). Long-grain exports are increased 4 million cwt and combined medium- and short-grain exports are increased 1 million cwt. As a result,

ending stocks are lowered 5 million cwt to 29.5 million cwt. The season- average farm price range is raised 55 cents per cwt on the low end and increased 45 cents on the high end to \$9.55 to \$9.95 per cwt compared to \$7.62 per cwt in 2005/06.

Global 2006/07 rice supply and use are changed slightly from last month. Production and ending stocks are lowered marginally while imports and exports are increased slightly. The decline in global rice production is due to smaller crop projections for Australia, Brazil, and Uruguay, which are partially offset by increases for Argentina, the Philippines, and South Korea. Brazil's imports are increased from a month ago. Global exports are raised slightly from a month ago with an increase for the United States, which is partially offset by reductions for Australia and Uruguay. World rice ending stocks for 2006/07 are projected at 78.6 million tons, down slightly from last month, but 1.8 million tons below 2005/06. Stocks are lowered for the United States, Australia, Brazil, Indonesia, and Uruguay and increased for Argentina, Vietnam, and South Korea.

Source: USDA

### DOMESTIC MARKET COMMENTARY

Rice domestic markets are witnessing mixed sentiments on increasing arrivals and good demand. The fresh arrivals from major producing regions (Punjab, West Bengal) amidst good demand mainly bring up slightly the rice prices in domestic market. The Centre projecting a lower rice production of 76 million tonnes (mt) during the kharif season against 78.04 mt million tonnes last year. Pakistan is still quoting \$10-12 a tonne lower for white rice in the export market. Pakistan is expected to have stocks until February and until that Indian exporters will have to wait and watch. Pakistan could export between one to two million tonnes. For 25% broken rice, the Indian price was \$233 on a free-on-board basis, while the Pakistani price was \$223. In India, Rabi rice has been sown in 7.61 lakh ha so far as against 6.31 lakh ha during the corresponding period of 2005-06. The sharply decreasing acreage in the major basmati rice production belts in the current year has also increased the speculative buying among stockists. The arrivals (3000 bags in Amritsar) of basmati paddy increased slowly in the spot markets in conjunction with good demand. This led to slightly increases the basmati rice prices. In Delhi mandis rice basmati common is quoted at Rs 3500-3600 per quintal. The other rice varieties are quoted steady to slightly higher like; Rice basmati (lal quila) 4400, Shri Lal Mahal 4600, Parmal raw new 1050-1100, old 980-1000, parmal wand 1225-1250, sela 1240-1300 and rice IR-8 975-990 per qtl. Asian rice prices were offered higher at the weekend, Thailand rice prices unchanged at higher level from last weeks' trade. The strong sentiment of Thailand rice is due to strong Thai currency.

### DELHI MARKET:

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

DELHI	30.12.06	23.12.06
Basmati Common	3500-3600	3400-3600
Sharbati raw	1650	1600-1650
Sharbati sella	1675-1700	1650-1675
Parmal raw new	1050-1100	1050-1090

Wand	1250-1300	1220-1280
Parmal sella	1250-1300	1220-1330
DB Rice	2700-2750	2650-2750

### RUDRAPUR MARKET:

**Market Price For Different Varieties Of Rice In Rudrapur Mandis**

RUDRAPUR	30.12.06	23.12.06
Parmal paddy	-	-
Parmal raw rice	1000	1000-1025
Wand	1100	1025-1050
Basmati paddy	-	-
Basmati rice	2900-3000	2850-3000
Sharbati sella	1575-1625	1550-1625
DB sella	2275-2300	2250-2300

### KARNAL MARKET:

**Market Price For Different Varieties of Rice In Karnal Mandis**

KARNAL	30.12.06	23.12.06
Basmati rice raw	3100-3250	3100-3250
Sharbati esteem	1625-1690	1625-1690
Sharbati sella	1600-1650	1600-1650
Parmal raw rice	1000-1050	1000-1050
Parmal sella	1150-1200	1150-1200
DB rice sella	2200-2375	2200-2375
IR8	960-980	960-980

### DEHRADUN MARKET:

**Market Price For Different Varieties Of Rice In Dehradun Mandis**

DEHRADUN	30.12.06	23.12.06
Basmati Raw	2550-2675	2500-2650
Sharbati New	1550-1575	1525-1550
Parmal Raw	1050-1150	1050-1150
IR 8	950-1000	950-1000

### WEST BENGAL MARKET:

**Market Price For Different Varieties Of Rice In West Bengal**

WEST BENGAL (Burdwan)	30.12.06	23.12.06
IR 36 (super)	1100-1150	1100-1150
Minikit Shankar	1550	1500
Minikit (M- Shankar)	1550-1600	1550
Doodh Kalma	1200-1225	1200-1225
Swarna (New)	1150	1125
Pankaj	1125-1150	1125-1150

Swarna parboiled	1100	1100
Govindobhog	2400	2400
Chawl Moni	1750	1750

#### AMRITSAR MARKET:

#### Market Price For Different Varieties Of Rice In Amritsar

AMRITSAR	30.12.06	23.12.06
Sharbati sella rice	1750-1800	1800
Sharbati raw rice	1675-1700	1700
Sharbati steam	1800-1850	1825
Basmati rice raw	3500-3600	3500
Basmati Paddy	1800	1800
Parmal Govt. Quality	1050	1000-1020
Parmal Wand (New)	1150	1150

#### Price Drivers:

- Fresh arrivals in Punjab And West Bengal
- Govt. announcement of higher MSP for rice
- Lower acreage of basmati rice so far
- Steady Procurement
- Good domestic demand
- Increasing Rabi rice acreage so far
- Increased Global demand amidst lower stocks
- Pakistan is dominating white rice export market

#### Outlook:

- ✍ **Short Term (1 week):** Slightly firm amidst healthy demand.
- ✍ **Medium Term (1 Month):** Slightly weak 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 good export.

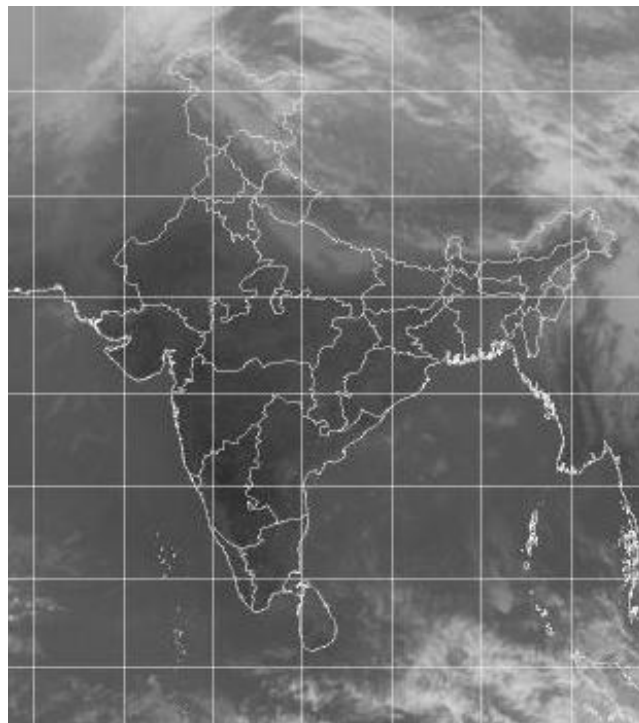
#### Monsoon Outlook (30.12.06)

- A fresh western disturbance is likely to affect Western Himalayan region from 31st December.
- Rise in night temperature over plains of northwest India for 2-3 days commencing from 30th December.

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

- Scattered snowfall activity over western Himalayan region.
- Night temperatures are likely to rise over the plains of northwest India

Source: GOI (IMD)



Source: IMD (30.12.06)

#### FOREX (As on 30<sup>th</sup> December, 2006):

Foreign Currency	Rs. per unit
1 US \$	44.23
1 Euro	58.26
1 British £	86.91
100 Yen	37.21

## SUMMARY PROGRESS OF RABI RICE

(Area Coverage) (Area in lakh hectares)

Normal Area	Area Coverage (As reported on 15.12.06)			Area Difference in Important States- This Year vs. Last Year (Absolute, %)
	This Year	Last Year	Difference	
48.7	6.30	5.65	+1.03	AP (+0.4, +34.9%), Ker (+0.1, +12.7), TN (+0.2, +5.4)

Source: Ministry of Agriculture, GOI

## PROGRESSIVE PROCUREMENT OF RICE AS ON 14.12.06

(Lakh tonnes)

State	Total procurement in marketing season 2005-06 (Oct. - Sept.)	Progressive Procurement as on 14.12.2006	
		In Marketing season 2006- 2007	In Marketing season 2005- 2006
Andhra Pradesh	49.72	5.62	3.10
Chhattisgarh	32.65	7.52	5.74
Haryana	20.54	16.37	18.64
Kerala	0.94	0.47	0.39
Maharashtra	1.94	0.26	0.20
Orissa	17.85	1.65	0.33
Punjab	88.55	71.56	80.45
Tamil Nadu	9.26	2.09	-
Uttar Pradesh	31.51	4.44	4.83
Uttaranchal	3.36	0.14	0.59
West Bengal	12.75	-	-
<b>All India</b>	<b>276.56</b>	<b>110.40</b>	<b>114.49</b>

Source: Ministry of Agriculture, GOI

## International Asian Rice Prices Per MT FOB (13.12.06)

THAILAND	\$/Mt	VIETNAM	\$/Mt
100%B	\$315	5% DP	\$295
5%	\$305	5%	\$293
10%	\$300	10%	\$290
15%	\$285	15%	\$285
25%	\$274	25%	\$280
PB 100% Sortexed	\$315		
PAKISTAN	\$/Mt	INDIA	\$/Mt
15%	-	Basmati (fine grade)	-
20%	-	PR 106 5%	-
25%	\$222	PR 106 25%	\$240
		Parboiled	\$265

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