

Rice

02<sup>nd</sup> -07<sup>th</sup> July, 2007

## MAJOR ACTIVITY HIGHLIGHTS

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

## DOMESTIC AND INTERNATIONAL NEWS

### Kharif Rice Sowing is Lagging

As per the release of crop weather watch report on Friday, India's planting of rice is stood at 46.02 lakh hectares compared to 47.72 lakh hectares a year earlier. The plantation is lagging behind mainly in the states of Uttar Pradesh, Punjab and Chhatisgarh. In states like Punjab, rice area has been diverted to cotton plantation. The sowing of has been progressing well and monsoon rain supports this. Normally, kharif sowing starts from June 1 and continues till July end. Kharif crops are harvested in September-October. Under the Food Security Mission (FSM), government has earmarked 130 districts from 10 states for rice production. As per the official sources, funding for the rice cultivation will be 1,000 crore for four years which aims at producing an additional 10 million tonnes under the FSM. The Tamil Nadu Agricultural University in India has released 10 new rice varieties including a medium fine white rice variety with 9,625 kg per hectare yield.

### World Rice Trade May Hit 30.2 Million Tonnes

India, one of the large rice exporters may not be benefited from the world rice trade expansion which is likely hit a new record in 2007. The host of reasons including tightening supplies and firming currency are working against India's rice trade. As per the FAO report, international rice prices have remained on an upward trend since March, but are expected to remain steady until October when the new crop will hit the market. Rice prices globally will be influenced by the pattern of monsoon, exchange rate movements and transportation logistics. FAO also said that forecast of global rice trade in 2007 is raised to 30.2 million tonnes, almost one million tonnes or 3 per cent above 2006.

Import demand from Bangladesh, Indonesia, Cuba, Brazil, the EU and the Russian Federation is expected to expand. The report also said that India is forecast to harvest 138 million tonnes of paddy, barely one per cent more than in 2006, but much depends upon trend of monsoon.

### World Rice price May Rise: FAO

As per the FAO's (Food and Agriculture Organisation) latest release, global rice prices are likely to rise in the short term mainly due to increased dependency on imports by producers such as China and Indonesia. Organization for

Economic Cooperation and Development and FAO predicted that rice prices will rise to \$360.3 PMT in 2008-09, but then start to decline in subsequent years to hit \$326 PMT by 2016-17. USDA predicted global rice production in 2007/08 is projected at 421 million tonnes, up fractionally, with larger crops forecasted for Pakistan, China, Bangladesh and Thailand. Global consumption continues to outpace production and is expected to grow 5.5 million tonnes to 424 million. India's exports are likely to be down as a result of tighter supplies and high domestic food grain prices.

### Myanmar To Increase Rice Output By 2.9%: Xinhua

Xinhua news agency reported on Friday that the Government of Myanmar is planning to increase country's rice output by 2.9% by raising the acreage planted to rice and crop yield in the current financial year that began April 1. The agency also reported that the country is targeting to increase its paddy output to 31.5 million metric tonnes and planted area to 8.2 million hectares in 2007-08 compared to 2006-07 fiscal year, the production stood at 30.6 million tonnes of paddy from 8.14 million hectares.

### Pakistan's Rice Export Target May Be Down

Pakistan's rice export target is likely to go down for the outgoing fiscal due to low production and non-availability of surplus quantity for exports. The first 11 months seen the export of rice went down by 15.6 per cent. Last year, Pakistan had exported more than 3.5 million tones of rice with a foreign exchange of \$1.158 billion. Seeing the rising demand in the international market, the government planned to increase rice exports by 6.85 per cent to \$1.275 billion for financial year 2006-07. However, during the July-May 2006-07 periods, rice exporters could hardly dispatch 2.932 million tonnes and fetched \$1.042 billion in foreign exchange. Federal Bureau's latest statistics shows the overall growth of 3.85 per cent but it is 3 per cent below than the actual growth target of 6.85 per cent fixed by the government for fiscal 2006-07.

### Rice: USDA Weekly Export Sales Highlights

Net sales of 146,000 MT were primarily to Mexico (37,400 MT), Costa Rica (30,000 MT), Haiti (22,600 MT), Nicaragua (20,200 MT), and Saudi Arabia (12,600 MT). Exports of 79,700 MT were two and one-fifth times the previous week

and 62 percent above the prior 4-week average. The major destinations were Mexico (45,100 MT), Japan (10,700 MT), the United Kingdom (4,200 MT), Canada (3,800 MT), Honduras (3,700 MT), Jamaica (3,500 MT), and Taiwan (3,400 MT). (This summary is based on reports from exporters for the period June 22-28, 2007).  
Source: FAS, USDA.

### DOMESTIC MARKET COMMENTARY

The export of non-Basmati rice continues to be steady to better whereas the prices of basmati varieties in domestic markets declined. In domestic markets, rice sentiments slightly strengthened on some varieties amidst normal demand against restricted supply. DB rice in Delhi and Parmal raw rice in Haryana was up at Rs. 3200-3400/mtl and Rs.1575-1600/mtl compared to last week's Rs. 2800-2900/mtl and 1300/mtl respectively. In West Bengal, the IR36 (super) was traded in the range of Rs. 1500, up of Rs. 200 from last week amidst normal demand against lower arrivals, while the price of minikit sankar dropped from Rs. 1800 to 1600 against lower demand. Prices for the lower grades remain strong. Little price variation was marked in other grades of rice in the domestic markets. Strong demand both from domestic and export markets have supported prices. Till Thursday, monsoon rain covered all the rice growing regions and the rice plantation is in full progress. Up to 22nd June, this year's rice plantation stood at 23.14 lakh hectares compared to last year's 23.39 lakh hectares during the same period, which reflects a drop of 1.1 per cent.

#### DELHI MARKET:

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

| Delhi          | 30.06.07  |           |
|----------------|-----------|-----------|
| Basmati Common | 3800-4000 | 4000      |
| Sharbati raw   | 1900-2300 | 2100-2300 |
| Sharbati sella | 2000-2200 | 2100-2200 |
| Parmal raw     | 1200-1250 | 1225-1250 |
| Parmal sella   | 1250-1300 | 1250-1300 |
| DB Rice        | 2800-2900 | 3200-3400 |

#### RUDRAPUR MARKET:

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

| RUDRAPUR        | 30.06.07  |         |
|-----------------|-----------|---------|
| Parmal paddy    | 700       | 550-600 |
| Parmal raw rice | 1200      | 1150    |
| Basmati paddy   | -         | -       |
| Basmati rice    | -         | -       |
| Sharbati sella  | 2250      | 2200    |
| DB sella        | 3100-3300 | 3000    |

#### KARNAL MARKET:

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

| KARNAL           | 30.06.07  |           |
|------------------|-----------|-----------|
| Basmati rice raw | 4100-4300 | 4000-4150 |
| Sharbati esteem  | 2350      | 2350-2400 |
| Sharbati sella   | 2350      | 2400      |
| Parmal raw rice  | 1300      | 1575-1600 |
| Parmal sella     | 1250      | 1250      |
| DB Rice Sella    | -         | 1325      |
| IR8              | 1150      | 1200      |

#### WEST BENGAL MARKET:

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

| WEST BENGAL (Burdwan) 30.06.07 |           |           |
|--------------------------------|-----------|-----------|
| IR 36 (super)                  | 1300      | 1500      |
| Minikit Shankar                | 1800      | 1600      |
| Doodh Kalma                    | 1600-1700 | 1600-1700 |
| Swarna (New)                   | 1300      | 1200      |
| Pankaj                         | 1300      | 1300      |
| Swarna parboiled               | 1500      | 1400      |
| Govindobhog                    | 2400      | 2400      |
| Chawl Moni                     | 1800-1900 | 1800-1900 |

#### AMRITSAR MARKET:

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

| AMRITSAR             | 30.06.07 |           |
|----------------------|----------|-----------|
| Sharbati sella rice  | 2100     | 2100-2150 |
| Sharbati raw rice    | 2050     | 2050      |
| Sharbati esteem      | 2200     | 2300      |
| Basmati rice raw     | 3800     | 3800-3900 |
| Basmati Paddy        | 1950     | 2000      |
| Parmal Govt. Quality | 1100     | 1100      |
| Parmal Wand (New)    | 1250     | 1250      |

### CONCLUSION

In the domestic markets, rice sentiments remained strong as a good demand offsets normal arrivals. In the short term, the rice prices are likely to be range bound.

### PORT WATCH (As on 7<sup>th</sup> July, 2007)

As of 7<sup>th</sup> July, In Kandla Port, the vessel is expected to start on July 9 to carry 13500 tonnes of rice for export. The vessel M.V.MERCS MAHARA will be handled by SAI SHG.

### Monsoon Outlook (04.07.07)

Southwest monsoon further advanced into the remaining parts of Madhya Pradesh & Uttar Pradesh, most parts of East Rajasthan, some parts of West Rajasthan and some more parts of Haryana including Delhi and Punjab on 28th June. It advanced into the remaining parts of East

Rajasthan and some more parts of West Rajasthan on 30th June. Southwest monsoon further advanced into the remaining parts of Rajasthan, Haryana & Punjab and thus covered the entire country on 4<sup>th</sup> July.

#### Outlook For The Week Ending On 4<sup>th</sup> July 2007

1. Enhanced rainfall activity is likely over east India during first half of the week and subsequently shift to central India & adjoining northern plains.
2. Widespread rainfall with heavy fall is likely over Gujarat, Konkan & Goa, Madhya Maharashtra from 8th July onwards.
3. Fairly widespread rainfall activity is likely over Rajasthan during first half of the week.

Source: GOI (IMD).

#### SUMMARY PROGRESS OF KHARIF RICE

(Area Coverage) (Area in lakh hectares)

| Normal Area | Area Coverage<br>(As reported on 22.06.07) |           |            |
|-------------|--|-----------|------------|
|             | This Year                                  | Last Year | Difference |
| 381.89      | 23.14                                      | 23.39     | -1.1       |

Source: Ministry of Agriculture, GOI

#### PROGRESSIVE PROCUREMENT OF RICE AS ON 22.06.07

(Lakh tonnes)

| State          | Total procurement in marketing season<br>2005-06 (Oct.- Sept.) | Progressive Procurement as on 21.06.07 |                                |
|----------------|--|--|--------------------------------|
|                |  | In Marketing season<br>2006-07         | In Marketing season<br>2005-06 |
| Andhra Pradesh | 49.72  | 52.54                                  | 41.98                          |
| Chattisgarh    | 32.65  | 25.20                                  | 27.87                          |
| Haryana        | 20.54  | 17.73                                  | 20.40                          |
| Kerala         | 0.94   | 1.51                                   | 0.94                           |
| Maharashtra    | 1.94   | 0.97                                   | 1.45                           |
| Orissa         | 17.85  | 18.47                                  | 14.30                          |
| Punjab         | 88.55  | 78.20                                  | 88.37                          |
| Tamil Nadu     | 9.26   | 10.71                                  | 7.97                           |
| Uttar Pradesh  | 31.51  | 21.01                                  | 25.62                          |
| Uttaranchal    | 3.36   | 1.76                                   | 3.28                           |
| West Bengal    | 12.75  | 5.72                                   | 12.43                          |
| All-India      | 276.56   | 239.88                                 | 251.69                         |

Source: Ministry of Agriculture, GOI

**International Asian Rice Prices Per MT FOB (Current, 05.07.07)**

| THAILAND  | \$/Mt | VIETNAM   | \$/Mt |
|-----------|-------|-----------|-------|
| 100%B     | \$335 | 5% DP     | \$303 |
| 5%        | \$325 | 5%        | -     |
| 10%       | \$320 | 10%       | \$295 |
| 15%       | \$312 | 15%       | \$290 |
| 25%       | \$295 | 25%       | \$285 |
| 35%       | -     |           | -     |
| Parboiled | \$330 |           | -     |
| PAKISTAN  | \$/Mt | INDIA     | \$/Mt |
| 15%       | -     | 15%       | -     |
| 25%       | \$285 | 25%       | \$280 |
| Parboiled | -     | Parboiled | \$280 |

**Disclaimer**

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>  
© 2005 Indian Agribusiness Systems Pvt Ltd.