

Rice

24-29 Sept, 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 Up on Good Monsoon

As per data compiled by Agriculture Ministry as on September 28, The total coverage of kharif rice has gone up to 365.92 lakh ha as compared to 364.22 lakh hectare last year, the weekly Crop Weather Watch Group meeting of the Ministry of Agriculture was informed here today. Transplanting is at ending stage in almost all the states except Andhra Pradesh, Karnataka, Kerala, Orissa and Tamil Nadu where transplanting is at peak. However, although the rice has been increased, but due to drought and flood in different parts of the country may reduce the rice output. The first estimate of 2007-08 has pegged rice production at last year's level of 80 million tonnes. The government added that there is no plan to ban rice exports. The government will monitor the size of the autumn rice harvest and its recently started rice procurement programme. Normally, kharif sowing starts from June 1 and continues till July end. But this year it has been extended to September last as climate is favouring for the plantation. Kharif crops are harvested in September-October. Rice output may reach 10 million metric tonnes in next four years with area specific planning, use of improved seeds and technology.

China's Early Paddy Prices May Fall On Increased Supply: National Grain and Oil Trade Centre

According to the National Grain and Oil Trade Centre, China's autumn grain harvest will likely push the price of early paddy lower. Paddy prices have eased a bit in September due to increased supply of late paddy after surging since June on good demand and limited supply. China's grain traders may face risks those having large amounts of paddy stocks on hand as China may not launch a minimum purchase price programme for paddy for the ongoing year. However, the prices may not fall sharply because of the possibility of lower production due to a drought in major grain producing regions of the country.

Rice Production May Be Lower than Expected

Rice output in India's key northern and eastern provinces is expected to fall due to insufficient rains and floods. In a conference on Agriculture Tuesday, the presentations made by provincial governments said that rice cultivation in states such as Punjab, Haryana, Uttar Pradesh, Madhya

Pradesh and West Bengal has been affected by unfavorable weather conditions. The presentation was against the Ministry's report that India this year received sufficient and well-distributed rainfall. In West Bengal, crop condition isn't normal in the southern part of the province because of near-flood like situation during the entire month of July where as north Bengal districts received deficient or scanty rainfall.

West Bengal is one of India's largest rice producing province by volume and its output in the crop year that ended in June 2007 is estimated at 14.63 million tonnes. Uttar Pradesh, another major rice producing state in northern India, has shown a decline in rice acreage due to a deficient monsoon. Area under rice is estimated at 5.7 million hectares, down from 5.9 million hectares a year-earlier. Last year, UP produced 11 million tonnes of rice and expecting 13.5 million tonnes this year, which is unlikely to be achieved.

Monsoon Deficient In Madhya Pradesh, Haryana In central province of Madhya Pradesh, 28 of the 48 districts have witnessed deficient or scanty rains in the current monsoon season. Area under summer-sown rice has declined by 250,000 hectares and the province expects output at 1.55 million tonnes against the targeted 1.87 million tonnes. In Haryana, rainfall was 60% below average in July and 49% below average in August. Northern province of Punjab has seen a shift in cultivation towards cotton and corn from rice. Area under rice in the province has fallen to 2.57 million hectares from 2.62 million hectares while cotton acreage has increased to 648,000 hectares from 607,000 hectares.

FMC May Pressure Govt. to Lift Ban on Rice Futures Trading

Seven months after the ban on rice futures along with wheat, market regulator Forward Markets Commission (FMC) is planning to push the government to resume futures trading in these commodities. The government had banned futures contracts on rice on February 28 to control inflation. The government move was prompted by complaints that futures trading in rice along with wheat and pulses were fuelling prices. Following this, many studies have been conducted and found that the rise in prices was a result of supply-demand mismatches rather than futures trading. This has made the FMC to review its decision.

According to the FMC, they are waiting for Sen Committee report to be submitted soon. Sen Committee is widely expected to endorse the view that prices are determined by factors such as demand and supply. The FMC, meanwhile, had appointed IIM-Bangalore to study the impact of futures on prices.

Govt. is Considering MSP Hike in Rice

Government has advanced the domestic rice-purchase programme by a few days. The government is also considering to increase the minimum support price paid to the farmers to boost procurement. In 2005-06, government had procured an all-time high of 27.6 million MT but it has fallen to 25.2 million MT in 2006-07. This year government is planning to procure 27 million MT. In India, the government is the single largest buyer of wheat and rice from farmers by volume and uses its stocks for subsidized sales to consumers.

Iraq To Buy 30,000 Tonnes Rice

Iraq has further floated a tender to buy 30,000 tonnes of rice, the Grain Board of Iraq reported. Concerned companies are to submit their offers by September 15. The board usually buys much more than the amount announced in its tenders. In a similar tender announced in July this year, the board bought some 200,000 metric tonnes from Thailand at \$420/tinne on a cost and freight basis. Trade Ministry statistics said the country will buy some 1 million tonnes of rice a year.

Rice: USDA Weekly Export Sales Highlights

Net sales of 75,800 MT were 16 percent below the previous week and 18 percent under the prior 4-week average. The major buyers were Mexico (36,200 MT), El Salvador (12,700 MT), Jordan (7,900 MT), Saudi Arabia (7,500 MT), Guatemala (5,500 MT), and Jamaica (3,600 MT). Exports 40,700 MT were 41 percent above the previous week, but 2 percent under the prior 4-week average. The primary destinations were Mexico (12,600 MT), Ghana (7,400 MT), Haiti (6,400 MT), Honduras (4,600 MT), Jordan (3,800 MT), and Canada (3,000 MT). (This summary is based on reports from exporters for the period 14-20 September 2007).

Source: FAS, USDA.

DOMESTIC MARKET COMMENTARY

Week starting September 24, both basmati and non-basmati rice traded steady to firm on good export demand amidst tight supply. Incessant rainfall over various rice growing regions further added the positive tone as rains created logistic problems. Rice sentiments were further firmed up on govt.'s estimate of around 80 million tonnes, same as last year against a growing demand. However, with the rumors of govt. is planning to ban rice export pressurized the prices, but surged with the govt.'s declaration of no plan to ban rice export. By weekend, domestic market found support with Forward Markets Commission (FMC) planning to request govt. to lift ban on rice futures along with wheat. Meanwhile, some studies suggested that rise in prices was a result of mismatches in demand-supply rather than futures trading.

In Delhi and Karnal markets, basmati varieties mostly traded steady at Rs.4600-4800/mtl while at Amritsar, it ruled

firm at Rs.5000 on a tight supply against good demand. Good overseas demand firmed up basmati export prices at \$1220 per MT FOB against last week's \$1200. Pusa Basmati export prices traded higher at \$1150 and sarbati rice firmed up at \$740-760 per MT FOB. Parboiled and 25% broken exported steady at \$310 and \$300 per MT FOB respectively. Strong demand from Bangladesh and Bihar boosted up the rice sentiments in West Bengal. In West Bengal, Swarna (new), Doodh Kalma and Govindbhog traded up at Rs.1600, Rs.2000-2100 and Rs.2600/mtl respectively from last week's Rs. 1300, Rs.1800-1900 and Rs.2500. In Delhi, Karnal, Rudrapur and Amritsar markets, sarbati raw and sarbati sella traded steady at Rs.2500-2600 and Rs.2600-2750/mtl respectively. New rice prices will be determined in domestic markets once new crops starts arriving, traders reported. Govt. plans to procure 's 27 million MT rice in 2007-08 compared to last year's 25.2 million MT.

DELHI MARKET:

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

Delhi	22.09.07	29.09.07
Basmati Common	4800	4800
Sharbati raw	2600	2600
Sharbati sella	2700	2650
Parmal raw	1400	1300
Parmal sella	1400	1300
DB Rice	4000	4200

RUDRAPUR MARKET:

Market Price For Different Varieties Of Rice In Rudrapur Mandis

RUDRAPUR	22.09.07	29.09.07
Parmal paddy	750	750-800
Parmal raw rice	1300	1200-1300
Basmati paddy	-	-
Basmati rice	-	-
Sharbati sella	2500	2600
DB sella	3450-3600	3500-3600

KARNAL MARKET:

Market Price For Different Varieties of Rice In Karnal Mandis

KARNAL	22.09.07	29.09.07
Basmati rice raw	4700-4800	4700-4800
Sharbati esteem	2800	2750
Sharbati sella	2800	2500-2600
Parmal raw rice	1275-1300	1300-1350
Parmal sella	1345-1350	1350-1400

DB Rice Sella	3800-3900	3600-3700
IR8	1150	1200

WEST BENGAL MARKET:

Market Price For Different Varieties Of Rice In West Bengal

WEST BENGAL (Burdwan)	22.09.07	29.09.07
IR 36 (super)	1700	1700-1800
Minikit Shankar	1850	1900-2000
Doodh Kalma	1800-1900	2000-2100
Swarna (New)	1300	1600
Pankaj	1350	1600
Swarna parboiled	1600-1700	1800
Govindobhog	2500-2550	2600
Chawl Moni	2100-2200	2200-2300

AMRITSAR MARKET:

Market Price For Different Varieties Of Rice In Amritsar

AMRITSAR	22.09.07	29.09.07
Sharbati sella rice	2600	2600
Sharbati raw rice	2500-2550	2500
Sharbati esteem	2650-2700	2650
Basmati rice raw	4700-4800	5000
Basmati Paddy	2600	2650
Parmal Govt. Quality	1100	1100
Parmal Wand (New)	1200-1250	1200

CONCLUSION

In coming week, prices may rule mostly steady to slightly up on growing domestic and export demand for both basmati and non-basmati varieties against unchanged production estimate.

PORT WATCH (As on 29th September, 2007)

From the Kandla Port, AMINA by ASSHIRVAD group is handling the export of 2203 tonnes of rice and sailed on 29.09.2007.

Monsoon Outlook (26.09.07)

- Last week's well marked low pressure area over West-Central Bay of Bengal and adjoining Coastal Andhra Pradesh lay over West-Central Bay of Bengal and adjoining north coastal Andhra Pradesh & south coastal Orissa on 20th. It lay over West-Central and adjoining North-West Bay of Bengal off south Orissa - north Andhra Pradesh coasts in the morning of 21st and concentrated into a depression and lay centred at 1730 hours IST of 21st September 2007 over the same area near Lat. 18.0 °N and Long 86.5 °E, about 230 km southeast of Puri. The system moved north-northwestward and lay centred at 0830 hours IST of 22nd September 2007 over North-West and

adjoining West-Central Bay of Bengal near Lat. 19.0 °N and Long 86.0 °E, about 100 km southeast of Puri. It then moved northward and crossed Orissa coast near Puri around 1830 hours IST of 22nd September. It then moved northwestward and lay centred at 0830 hours IST of 23rd September over Interior Orissa near Angul. It further moved north north westward and lay centred at 0830 hours IST of 24th September over north Chhattisgarh, close to Ambikapur. The system weakened into a well-marked low-pressure area and lay over north Chhattisgarh and adjoining East Madhya Pradesh at 1730 hours IST of 24th September. The well-marked low-pressure area lay over East Uttar Pradesh and neighbourhood in the morning of 25th. It lay as a low-pressure area over the same region in the evening of 25th and became less marked on 26th. However, the associated upper air cyclonic circulation lay over West Uttar Pradesh and neighbourhood extending upto mid-tropospheric level on 26th.

- An upper air cyclonic circulation lay over North-East Arabian Sea off Gujarat and north Maharashtra coasts on 22nd September 2007. Under its influence, a low-pressure area formed over the same region on 23rd September. It persisted over North-East Arabian Sea off Saurashtra coast and became well marked on 24th. It lay as a low-pressure area over North-East Arabian Sea and adjoining areas of Gujarat and Konkan on 25th and over north Gujarat region and adjoining southwest Madhya Pradesh on 26th.
- An offshore trough extended from Konkan coast to Kerala coast on 20th and from south Gujarat coast to Kerala coast thereafter.
- A trough in lower tropospheric levels ran from north Pakistan to north Arabian Sea during first two days of the week and became less marked thereafter. However, a trough in mid-tropospheric levels ran from north Pakistan to north Arabian Sea during 23rd to 26th.
- A cyclonic circulation lay over north Pakistan and adjoining Jammu & Kashmir in lower tropospheric levels on 24th and over Jammu & Kashmir & neighbourhood on 25th. It moved away eastwards thereafter.
- The axis of the monsoon trough ran to the south of its normal position during many days of the week.

Rainfall:

Under influence of the above systems:

- Widespread/ fairly widespread rainfall with scattered/isolated heavy to very heavy falls occurred over Coastal Andhra Pradesh and Telangana during 20th to 23rd, over Orissa during 20-24th, over Gangetic West Bengal during 22nd to 25th, over Jharkhand on 24th & 25th, over Bihar & East Uttar Pradesh on 25th and 26th and over West Uttar Pradesh and Uttarakhand on 26th.
- Widespread/ fairly widespread rainfall occurred over Gujarat State, Konkan & Goa, Coastal

Karnataka, Kerala and Lakshadweep during many days of the week.

- Fairly widespread/ scattered rainfall occurred over Madhya Pradesh and Chhattisgarh during many days of the week.
- Fairly widespread/ scattered rainfall also occurred over Andaman & Nicobar Islands and remaining parts of Maharashtra and south peninsula outside Tamil Nadu and Rayalaseema during many days of the week. Isolated/ scattered rainfall occurred over Northwest India, Rajasthan Tamil Nadu and Rayalaseema during many days of the week.
- Weather was mainly dry or isolated rainfall occurred over northeastern states and adjoining Sub-Himalayan West Bengal & Sikkim during many days of the week.

Outlook For The Week Ending On 3rd October 2007

- ✓ Scattered to fairly widespread rainfall activity is likely over east and adjoining central India during first half of the week and decrease thereafter.

- ✓ Withdrawal of southwest monsoon is likely to commence from parts of Rajasthan and northwest India during first half of the week.

Source: GOI (IMD).

FOREX (As on 1st October, 2007):

Foreign Currency	Rs. per unit
1 US \$	39.74
1 Euro	56.30
100 Yen	34.48
1 British £	80.34

SUMMARY PROGRESS OF KHARIF RICE

(Area Coverage) (Area in lakh hectares)

Normal Area	Area Coverage (As reported on 28.09.07)		
	This Year	Last Year	Difference
381.89	365.92	364.22	+1.70

Source: Ministry of Agriculture, GOI

PROGRESSIVE PROCUREMENT OF RICE AS ON 21.09.07

(Lakh Tonnes)

State	Total procurement in marketing season 2005-06 (Oct.- Sept.)	Progressive Procurement as on 21.09.07	
		In Marketing season 2006-07	In Marketing season 2005-06
Andhra Pradesh	49.72	53.25	49.03
Chattisgarh	32.65	28.47	32.36
Haryana	20.54	17.73	20.45
Kerala	0.94	1.51	0.94
Maharashtra	1.94	0.96	1.91
Orissa	17.85	19.91	17.56
Punjab	88.55	78.28	88.52
Tamil Nadu	9.26	10.78	9.18
Uttar Pradesh	31.51	25.49	31.20
Uttaranchal	3.36	1.76	3.36
West Bengal	12.75	6.44	12.68
All-India	276.56	250.58	274.63

Source: Ministry of Agriculture, GOI

International Asian Rice Prices Per MT FOB (Current, 27.09.07)

THAILAND	\$/Mt	VIETNAM	\$/Mt
----------	-------	---------	-------

100%B	\$332	5% DP	\$320
5%	\$323	5%	-
10%	\$320	10%	\$315
15%	\$315	15%	\$310
25%	\$305	25%	\$300
35%	-		-
Parboiled	\$332		-
PAKISTAN	\$/Mt	INDIA	\$/Mt
15%	-	15%	-
25%	\$300	25%	\$300
Parboiled	-	Parboiled	\$310

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.