

Rice

22-27 October, 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 October 19, the total coverage of kharif rice has gone up to 372.75 lakh ha as compared to 371.02 lakh hectare last year, the weekly Crop Weather Watch Group meeting of the Ministry of Agriculture was informed. Transplanting ended in almost all the states except Andhra Pradesh, Karnataka, Kerala, Orissa and Tamil Nadu where it is continuing. However, although the rice has been increased, but due to drought and flood in different parts of the country may reduce the rice output. However, new crop harvesting has been started in north-western India. The first estimate of 2007-08 has pegged rice production at last year's level of 80 million tonnes. The government partially lifted the ban on non-basmati rice export. Normally, kharif sowing starts from June 1 and continues till July end. But this year it has been extended to September last as climate was 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.

To Remove the Difference Between Wheat and Rice MSP: LK Advani

In a letter to the Prime Minister, Leader of Opposition party, Mr LK Advani asked the government to remove the difference between the Minimum Support Prices of wheat and paddy crop which otherwise is leading to discontent among South Indian farmers as there has no relation to the cost of cultivation. While the government has fixed MSP of Rs 1,000 per quintal for wheat in the coming season, paddy growers would get Rs 645 per quintal for the common variety.

Government Procured 5.32 MMT Rice From Farmers

Government of India has purchased 5.32 million metric tons of rice from the new harvest as of Monday, down 9.21% on year, despite MSP hike, according to the latest government data showed. Local rice procured by the government from farmers was estimated at 5.86 million tonnes in the year earlier, from Sept. 26 to Oct. 22. The government uses locally purchased foodgrains to run subsidized sale programmes. It has been increasingly using rice in these programs to minimize imports of wheat. In the year ended

Sept. 30, the government procured 25.2 million tons of rice from farmers, down from 27.6 million tons a year earlier. This year (that started from Oct. 1) government wants to buy 27 million tonnes of rice from farmers.

Punjab Procured 83 Lakh Tonnes of Paddy

Paddy procurement is in full pace in Punjab as the government agencies and private millers bought over 83 lakh tons of paddy in the state till Sunday. According to an official, out of the total procurement of 82,83,197 tonnes of paddy in the state, government agencies have procured 65,88,320 tonnes whereas millers have bought 16,94,908 tonnes. Among the government agencies procurement, PUNGRAIN got 16,28,338 tonnes, MARKFED procured 15,51,266 tonnes, PUNSUP procured 16,98,296 tonnes, PSWC procured 9,06,209 tonnes and PAIC was able to procure 7,32,400 tonnes of paddy. The central government agency FCI had been able to procure 71,811 tonnes. According to the govt. official, the district Ferozepur with 11,06,383 tonne of procurement was leading in procurement operations whereas Ludhiana with 9,93,591 tonne of procurement was at number two. The govt. of Punjab has got a cash credit limit of Rs.7,439 crore from Reserve Bank of India for the month of October.

China To Boost Rice Output to 190 MMT by 2010: Agriculture Ministry

Government of China is planning to increase its total annual rice output around 190 million metric tons by 2010 to alleviate its grain security problem, official of Ministry of Agriculture reported. By 2010, Rice acreage will be expanded to 30 million hectares with the per hectare yield of 6.4 tonnes. China produced 182.57 million tonnes of rice on 29.3 million hectares of land last year. The ministry also said that with the use of improved seeds and technologies and subsidies provided to farmers, country may able to achieve the target of 190 million tonnes of paddy by 2010.

A Flood-Resistant Rice Variety Will Be Available For Commercial Planting In Asia Next Year

A flood-resistant rice variety, called Swarna Sub-1, will be available for commercial cultivation in Asia by the middle of next year, the Philippine-based International Rice Research Institute, or IRRI, said Tuesday. This variety is adaptable to countries mostly in South Asia, particularly in Bangladesh

and East India. Two other flood resistant rice varieties, the IR64 Sub-1 and BR11 Sub-1, will also be commercially available in the next two years in the Philippines and Bangladesh, respectively. Swarna Sub-1 was developed in 2004 by IRRI researchers who implanted a submergence-resistant gene in a high-yielding Indian rice variety through conventional breeding. This rice variety can be protected from heavy rainfalls and flood. In every year, about 10 million hectares of rice crops in Asia are lost. This will also enhance productivity of Asian rice farmers.

Pakistan Likely To Miss Set Target Of 5.72 Million Tonnes of Rice This Year

In Pakistan, rice, a forex-earning crop, would miss the set target of 5.72 million tonnes by nearly 10 per cent because of floods and rain damages and pest attack. The crop is now estimated to be around 5.4 million tonnes, sources said. Last year, rice production was recorded at 5.42 million tonnes and for 2007-08, rice production target has been fixed 5.72 million tonnes from an area of 2.6 million hectares.

Centre Allowed Rice Above \$425/tonne for Export

The centre on Tuesday decided to exempt from export ban of all non-basmati varieties which have a minimum export price of \$425/tonne. Stocks of all varieties lying in port godowns up to October 10 have also been exempted from the export ban. Super variety rice having an export price of above \$425 will be treated like basmati. The centre had imposed a ban on exports of non-basmati rice on October 9 to build buffer stock in the country and improve domestic suppliers.

India Lifted The Ban On Export Of Non-Basmati Rice

Government of India has lifted the blanket ban on exports of non-basmati rice Thursday and allowed the shipments of some premium varieties rice. After a cabinet meeting, Minister for Commerce, Kamal Nath, said that grades of non-basmati rice that are priced above \$425/tonne, on a free-on-board basis, can now be exported.

Kakinada Port Officials Did Not Allow Rice Export Stored In Private Godowns

Centre's lifting ban on premium non-basmati rice (\$425/tonne) exports has not brought much joy to the non-basmati exporters of Andhra Pradesh, those who export from the Kakinada Ports. Kakinada port lacks warehouses which can store rice for a longer time. Except for a few varieties such as Swarna Masuri, the relief offered by the Union Government does not cover much of the rice exported from Kakinada, which goes to the African countries. As per the local politician, as the new kharif crop is coming into the market, central govt. can consider in allowing other varieties of rice. The Kakinada port godowns can only accommodate 50,000 tonnes or so and at present only 7,000 tonnes is stored in the port warehouses. The rest is stored in private godowns in and around the port town. The port officials did not allow the rice stored in private godowns to be exported. According to an estimation, rice worth Rs.350 crore is stored in and around the port town, the bulk of it in private godowns, Hindu Business Line

India May Consider For A Second Rice Bonus

According to an independent estimate, India may face a supply shortfall of up to 5 million tonnes of rice, which may compel India to import rice. With population growth, consumption is increasing by 1.15 million tonnes each year. In 2006-07, rice production stood at 92.7 million tonnes compared with a consumption of 91.8 million tonnes. This year rice consumption will be more as there is a tight wheat supply and the kharif rice production is estimated at last year's level of 81.15 million tonnes. This year also sees a lower acreage and lower production in Punjab, Haryana, W Bengal and MP. Usually India produces about 10.5-11 million tonnes rice in rabi season. All total, the rice production is around 92 million tonnes where as average projected consumption is around 94 million tonnes. Keeping in mind the wheat tight supply and more rice consumption, By January 1, the PDS shortfall is projected at at least 3 million tonne, in addition to another 2 million tonnes shortage on the buffer levels. So there is intense pressure on the Centre to announce, perhaps for the first time ever, a second bonus for paddy so soon after a belated bonus was announced just recently. Despite the bonus, rice procurement registered a 22% drop in the first week of the marketing season compared to last year. By last week, however, after a fortnight of the blanket non Basmati export ban in place, arrivals have increased to 5 lakh tonnes/day and procurement difference in the same period last year and this has come down to 9%. Daily arrivals now increased from 2 lakh tonnes to 5 lakh tonnes after govt. announced the bonus price.

China expects Domestic Rice Price Rise

China's state-owned National Grain & Oil Trade Center has expected that Chinese rice prices are likely to remain high for the remaining 2007 season due to inflation expectations and higher production costs despite expected increased production of 147.25 million metric tons, up of 1.9 million tonnes from last year's level. The price of average quality rice is now CNY1,600-CNY1,800 PMT.

Govt. may Hike Paddy MSP To Bridge Gap Between Wheat & Paddy

Govt. of India may hike the paddy minimum support price for the second time this year which may enable the govt. to purchase its estimated paddy procurement. The move will also bridge the gap between the intervention price of paddy and wheat.

Global Rice imports are projected to rise by about 1% to 29.7 million tonnes

In a first assessment of prospects for trade in rice in 2008, still largely dependent on the outcome of 2007-08 crops, global imports are projected to rise by about 1% to 29.7 million tonnes, despite a likely cut in Indonesia's needs. While supplies are expected to remain tight in a number of key exporters, particularly in South Asia, ample state reserves should again allow Thailand to meet increased demand.

Thailand's Rice Exports May Be Around 9 MMT in 2008

According to the president of Thailand's Rice Exporters Association, in year 2008, country's rice exports may rise to around 9 million metric tons. According to him, country's rice export may grow by almost 500,000 tonnes due to good demand from the major trading partners. This year's estimated rice export is at 8.5 million tonnes. But the expected export may go down, as there is a shortage of vessels for transporting rice. Thailand's shipments to Africa

next year could rise by 17.3% to 3.69 million tonnes and to Asia by 13.4% to 2.70 million tonnes, he said.

AP Has Fixed Rice Levy Target 8.94 lakh tonnes For 2007-08 Kharif Season

Government of Andhra Pradesh has fixed rice levy target for 2007-08 Kharif season as 8.94 lakh tonnes. Out of the levy target fixed, 7.80 lakh tonnes was raw rice, 1.20 lakh tonnes of boiled rice. Govt. official also reported that the Government had announced the minimum support price including the Rs. 50 bonus, for quintal of common variety of paddy Rs.695 and for A grade variety paddy Rs.725. If any miller purchases paddy below the minimum support price from farmers, stern action would be initiated against them under 1984 AP rice procurement order. As per the govt. orders, millers have to give 75 percent of rice towards levy and remaining 25 percent only in the market. Government also ordered the millers to ensure that the rice bags should bear the printed label 'free levy rice' for selling in the open market. In AP, 68 paddy purchase centres were being opened. However, president of the State Rice Millers Association, said the levy targets could be achieved if permission is accorded for export of the existing rice stocks in godowns. On this regard, Kakinada district administration has written to the govt. of India to allow the stocks stored in private godowns for export.

Rice: USDA Weekly Export Sales Highlights

Net sales of 88,100 MT were down 36 percent from the previous week and 38 percent from the prior 4-week average. Increases were reported for Japan (39,100 MT), Mexico (25,100 MT), Nicaragua (13,000 MT), Haiti (6,000 MT), and Canada (1,700 MT). Exports of 97,100 MT were 28 percent above the previous week and nearly double the prior 4-week average. The primary destinations were Costa Rica (37,000 MT), Iraq (33,000 MT), Saudi Arabia (10,600 MT), Mexico (3,500 MT), and Canada (3,400 MT). (This summary is based on reports from exporters for the period, October 12-18, 2007). Source: FAS, USDA.

DOMESTIC MARKET COMMENTARY

Initially, non-basmati varieties traded lower as government of India banned the export of all non-basmati varieties amid sustained new crop arrivals while basmati traded up on good demand from the exporters. Due to non-availability of Indian grade non-basmati rice, global customers have been switched over to Thai white rice and Thai parboiled rice. Government of India has lifted the blanket ban on exports of non-basmati rice Thursday and allowed the shipments of some premium varieties rice. After a cabinet meeting, Minister for Commerce, Kamal Nath, said that grades of non-basmati rice that are priced above \$425/tonne, on a free-on-board basis, can now be exported. This decision has created a rift within the All India Rice Exporters Association citing the reason that this is just going to push honest exporters into dishonest business. Meanwhile, AP govt. is considering to increase the Paddy MSP of Rs.1000 for this year's procurement. During the week, basmati rice exported at \$1225 per MT FOB, remained unchanged from the last week's level. 1121Sella offered at \$1200 and 1121Steamed at \$1250 per MT FOB while Traditional Basmati & Pusa export prices will be decided by Mid Nov 2007. Sella Sharbati being offered at \$750 per MT FOB. In the domestic markets, basmati rice traded in the range of Rs.5000-5200, DB Sella rice at Rs.4000-4200, Sharbati raw

and Sharbati sella Rs.2600-2700 and Rs.2700-2850/qtl. In West Bengal, rice varieties firmed up on good demand from Bihar, Chhatishgarh and Bangladesh amid tight supply. According to exporters, the estimated loss due to this ban is around Rs.500 crore, including \$1.5 million demurrages on account of the waiting vessels at ports. By October 23, Government of India has purchased 5.32 million metric tons of rice from the new harvest, down 9.21% on year, despite MSP hike, according to the latest government data showed.

DELHI MARKET:

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

Delhi	20.10.07	27.10.07
Basmati Common	5000-5400	5000-5500
Sharbati raw	2850	2800
Sharbati sella	2800	2740-2750
Parmal raw	1300	1250
Parmal sella	1300	1200
DB Rice	4100-4200	4200

RUDRAPUR MARKET:

Market Price For Different Varieties Of Rice In Rudrapur Mandis

RUDRAPUR	20.10.07	27.10.07
Parmal paddy	800	750
Parmal raw rice	1200	1250
Basmati paddy	-	-
Basmati rice	-	-
Sharbati sella	2600	2450
DB sella	3550	3600

KARNAL MARKET:

Market Price For Different Varieties of Rice In Karnal Mandis

KARNAL	20.10.07	27.10.07
Basmati rice raw	5000	5000-5100
Sharbati esteem	2700	2650
Sharbati sella	2400-2500	2400
Parmal raw rice	1250	1200
Parmal sella	1250	1175
DB Rice Sella	3450-3550	3600
IR8	1200	1150

WEST BENGAL MARKET:

Market Price For Different Varieties Of Rice In West Bengal

WEST BENGAL (Burdwan)	20.10.07	27.10.07
-----------------------	----------	----------

IR 36 (super)	1400-1450	1500-1600
Minikit Shankar	1750	1700
Doodh Kalma	1900	1700-1800
Swarna (New)	1550	1400
Pankaj	1450	1400
Swarna parboiled	1700	1600
Govindobhog	2400	2500
Chawl Moni	2175	1800-1900

AMRITSAR MARKET:

Market Price For Different Varieties Of Rice In Amritsar

AMRITSAR	20.10.07	27.10.07
Sharbati sella rice	2600	2700-2850
Sharbati raw rice	2500	2600-2700
Sharbati esteem	2550	2750-2850
Basmati rice raw	5000	5000-5200
Basmati Paddy	2300-2400	2400-2500
Parmal Govt. Quality	1100	1225
Parmal Wand (New)	1200	1300

CONCLUSION

In coming week, prices may rule mostly steady to better for some premium non-basmati and basmati varieties as govt. of India lifted ban on export while lower grades of non-basmati may trade at lower side.

PORT WATCH (As on 27th September, 2007)

M.V. MERCUS MAHARA (MRG-2) vessel handled by SAI SHG is carrying 13500 tonnes of rice for export to unknown destinations from Kakinada Port on 25.10.2007.

Monsoon Outlook (24.10.07)

Southwest monsoon withdrew from the remaining parts of the country, Bay of Bengal and Arabian Sea on 22nd October 2007. Simultaneously, the northeast monsoon rains commenced over Tamil Nadu and adjoining states of south peninsula on 22nd October 2007.

An upper air cyclonic circulation lay over extreme south peninsula in lower tropospheric levels during 18th to 20th October 2007 and became less marked thereafter.

A trough of low at mean sea level extended from South-West Bay of Bengal to west-central Bay of Bengal off Tamil Nadu -south Andhra Pradesh coast during 21st to 23rd. A low pressure area formed over southwest Bay of Bengal off Tamil Nadu coast and adjoining Sri Lanka on 24th October with a trough extending from the low towards west-central Bay of Bengal off Andhra Pradesh coast.

An active east-west shear zone passed through extreme south Peninsula extending upto mid-tropospheric level during 22nd to 24th October.

Another trough of low pressure at mean sea level ran from southeast Arabian Sea to eastcentral Arabian Sea off

Kerala and Karnataka coasts during 21st to 24th October 2007.

An upper air cyclonic circulation in lower tropospheric levels lay over Assam & Meghalaya and neighbourhood on 18th, over east Assam and neighbourhood on 19th and moved away eastwards on 20th. However, an upper air trough in westerlies ran from Sub-Himalayan West Bengal & Sikkim to Gangetic West Bengal on 20th & 21st and became less marked on 22nd.

Rainfall:

Under influence of the above systems:

- Fairly widespread rainfall occurred over Andaman & Nicobar Islands, south Coastal Andhra Pradesh, Tamil Nadu, Kerala and Lakshadweep during many days of the week. Isolated heavy to very heavy rainfall occurred over these regions on a few days.
- Scattered to fairly widespread rainfall occurred over Rayalaseema, South Interior Karnataka and Coastal Karnataka during many days of the week.
- Scattered rainfall occurred over north Coastal Andhra Pradesh and North Interior Karnataka and isolated rainfall occurred over remaining parts of peninsula, south Konkan & Goa and south Madhya Maharashtra on a few days of the week.
- Isolated to scattered rainfall occurred over northeastern states and coastal areas of Orissa & West Bengal during first half of the week.
- Weather was mainly dry over the remaining parts of the country during the week.

Outlook For The Week Ending On 31st October 2007

- A low pressure area is likely to form over southeast Bay of Bengal around 27th and intensify further while moving westwards. Under its influence, enhanced rainfall with scattered heavy to very heavy rainfall is likely over Andaman & Nicobar Islands and extreme south peninsula during second half of the week.
- Under the influence of another low pressure area over southeast Arabian Sea which is likely to intensify further, widespread rainfall with isolated/scattered heavy to very heavy falls are likely over Lakshadweep during first half of the week.

Source: GOI (IMD).

FOREX (As on 29th October, 2007):

Foreign Currency	Rs. per unit
1 US \$	39.51
1 Euro	56.76
100 Yen	34.54
1 British £	81.16

SUMMARY PROGRESS OF KHARIF RICE

(Area Coverage) (Area in lakh hectares)

Normal Area	Area Coverage (As reported on 19.10.07)		
	This Year	Last Year	Difference
381.89	372.75	671.02	+0.5

Source: Ministry of Agriculture, GOI

PROGRESSIVE PROCUREMENT OF RICE AS ON 19.10.07

(Lakh Tonnes)

State	Total procurement in marketing season 2006-07 (Oct.- Sept.)	Progressive Procurement as on 19.10.07	
		In Marketing season 2007-08	In Marketing season 2006-07
Andhra Pradesh	53.27		
Chattisgarh	28.58		
Haryana	17.73	8.03	9.93
Kerala	1.51	0.11	0.12
Maharashtra	0.96		
Orissa	19.93		
Punjab	78.28	38.01	43.99
Tamil Nadu	10.78		
Uttar Pradesh	25.49		
Uttaranchal	1.76		
West Bengal	6.44		
All-India	250.75	46.18	54.11

Source: Ministry of Agriculture, GOI

International Asian Rice Prices Per MT FOB (Current, 25.10.2007)

THAILAND	\$/Mt	VIETNAM	\$/Mt
100%B	\$50	5% DP	-
5%	\$340	5%	-
10%	\$335	10%	-
15%	\$330	15%	-
25%	\$325	25%	-
35%	-		-
Parboiled	\$355		-
PAKISTAN	\$/Mt	INDIA	\$/Mt
15%	-	15%	-
25%	\$320	25%	-
Parboiled	-	Parboiled	-

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.