

Rice

December 24-29, 2007

MAJOR ACTIVITY HIGHLIGHTS

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- Domestic Market Commentary
- Domestic and International Rice Prices
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DOMESTIC AND INTERNATIONAL NEWS

Winter Rice sowing in 4.01 Lakh hectares Against Last Year's 2.58 Lakh Hectares

As per data compiled by Agriculture Ministry as on December 28, sowing is progressing well in the present rabi season. Winter rice sowing has started in some southern States. So far, 4.01 lakh ha area has come under rice plantation as against 2.58 lakh ha last year. Kharif rice crop harvesting has been completed in most of the states. 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. Rice output may reach 100 million tonnes in next four years with area specific planning, use of improved seeds and technology. But compared to last year's rice procurement, this year's rice procurement was down by 1.5 lakh tonnes. The Food Corporation of India (FCI) and State agencies have procured 119.27 lakh tonnes of rice during the current marketing season as on December 26 compared to last year's 120.78 lakh tonnes. As of December 1, rice buffer stock stood at 10.05 million tonnes. Country's consumption of rice rose to 88.25 million tonnes in 2006-07 from 87.01 million tonnes last year where as the overall rice production declined to 92.76 million tonnes in 2006-07 from 93.34 million tonnes in 2001-02.

Rice Procurement By Govt. Agencies Is Narrowing Down

The Food Corporation of India (FCI) and State agencies have procured 119.27 lakh tonnes of rice during the current marketing season as on December 26 compared to last year's 120.78 lakh tonnes, a down of 1.5 lakh tonnes compared to around down of 7 lakh tonnes a month ago. As the progressive procurement is narrowing down, there is possibility that govt. may be able to purchase 250.75 lakh tonnes during the current marketing season. In 2005-06, govt. agencies procured a record of 276.56 lakh tonnes of rice. As on November 1, rice stocks in the Central pool amounted to 106.51 lakh tonnes compared to last year's 125.11 lakh tonnes during the same period. Rice procurement is more compared to last year till December 26, by states like Punjab, AP, UP and Chhatisgarh while in TN, govt. has not procured a tonne compared to last year's 2.16 lakh tonnes by this time.

Iran Emerged As a Major Buyer Of Indian Pusa Basmati

With the emergence of Iran as a major basmati rice buyer of India, Indian basmati rice industry's dynamics has been boomed. In the 2005-06 marketing year, Iran imported from India around 60,000 tonnes, which soared to 2.25 lakh tonnes last year. In the current marketing year, the quantity of rice (contracted) to be shipped to Iran is 1.25-1.50 lakh tonnes and the total quantity may cross three lakh tonnes. The exports to Iran consist entirely of 'Pusa-1121', an evolved (hybrid) aromatic rice yet to be officially notified as 'basmati'. The new variety has been simply lapped up in Iran, with prices (cost & freight, Dubai) rising from \$850 last November to \$1,200 towards the season-end and now quoting at \$1,150 a tonne.

India may face a supply shortfall of up to 5 million tonnes of rice

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 least 3 million tonnes, 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.

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.

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 52,000 MT were 20 percent over the previous week, but 38 percent under the prior 4-week average. Increases reported for Haiti (34,800 MT), Mexico (15,700 MT), Jamaica (4,100 MT), were partially offset by decreases for Honduras (8,400 MT). Exports of 62,500 MT were 11 percent below the previous week and 3 percent under the prior 4-week average. The primary destinations were Nicaragua (22,400 MT), Japan (13,500 MT), Saudi Arabia (9,500 MT), Mexico (6,600 MT), Canada (3,500 MT), and Taiwan (2,000 MT). From December 14-20. Source: USDA

DOMESTIC MARKET COMMENTARY

During the week, both basmati and non-basmati rice varieties quoted steady at last week's level good offtake by the traders and exporters amidst steady supply. The continuous good demand from Iran for India's basmati 1121 boosted the domestic prices and basmati quoted steady at Rs.5900-6200/mtl in Delhi, Karnal and Amritsar mandis. Non-basmati rice varieties quoted steady to better on growing domestic demand amidst sustained supply. As per govt.'s estimate, there is an annual hike in consumption about 1-1.5 million tonnes. Govt. is expecting rice procurement will be 2 million tonnes lower than the targeted 27.6 million tonnes in this marketing year. Till December 24, govt. procured 11.5 million tonnes compared to last year's 11.9 million tonnes. Govt.'s procurement was down due to aggressive buying by the private traders in the key rice grown areas like Punjab Andhra Pradesh. Due to aggressive buying by traders, non-basmati varieties prices shot up by an average of Rs.1-5 from last week's level.

Govt. has pegged kharif rice output in 2007 only at 80.15 million tonnes against last year's 80.11. In West Bengal, rice varieties traded at last week's higher price level on good demand from Bangladesh, Chhattishgarh, Bihar despite harvesting pressure. As per traders, farmers are reluctant to sell at current price level in anticipation of price rise in future. In Amritsar, Delhi and Karnal mandis, sarbati sella and sarbati raw traded steady to better at Rs.2900-3100 and Rs.2700-3000 respectively against last week's Rs.2700-3050 and Rs.2650-2850/mtl parmal sella and parmal raw quoted up at Rs.1400-1450 and Rs.1350-1500/mtl respectively. In Delhi and Amritsar, basmati quoted steady 5800-6200/mtl and basmati top quality exported at \$1650 from last week's \$1600-1650 per MT FOB and Pusa basmati quoted steady at \$1500. Kharif rice harvesting is nearing for completion while winter rice plantation is progressing well in southern states.

DELHI MARKET:

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

| Delhi | 22.12.07 | 29.12.07 |
|----------------|-----------|----------|
| Basmati Common | 6000-6200 | 6200 |
| Sharbati raw | 3000 | 3000 |
| Sharbati sella | 3000 | 3000 |
| Parma raw | 1450 | 1450 |
| Parma sella | 1550 | 1550 |
| DB Rice | 4800-5000 | 5000 |

RUDRAPUR MARKET:

Market Price For Different Varieties Of Rice In Rudrapur Mandis

| RUDRAPUR | 22.12.07 | 29.12.07 |
|----------------|-----------|-----------|
| Parma paddy | 825-850 | 850 |
| Parma raw rice | 1300 | 1300 |
| Basmati paddy | - | - |
| Basmati rice | - | - |
| Sharbati sella | 2800 | 2800-2900 |
| DB sella | 4500-4800 | 4800-4900 |

KARNAL MARKET:

Market Price For Different Varieties of Rice In Karnal Mandis

| KARNAL | 22.12.07 | 29.12.07 |
|------------------|-----------|-----------|
| Basmati rice raw | 6000 | 6000 |
| Sharbati steam | 2850 | 2850-2900 |
| Sharbati sella | 2800 | 2800-2850 |
| Parma raw rice | 1500 | 1500 |
| Parma sella | 1500 | 1500 |
| DB Rice Sella | 4600-4800 | 4800-4900 |

| | | |
|-----|------|------|
| IR8 | 1400 | 1400 |
|-----|------|------|

WEST BENGAL MARKET:

Market Price For Different Varieties Of Rice In West Bengal

| WEST BENGAL (Burdwan) | 22.12.07 | 29.12.07 |
|-----------------------|-----------|-----------|
| IR 36 (super) | 1700-1850 | 1800-1850 |
| Minikit Shankar | 2000 | 1900-2000 |
| Doodh Kalma | 2200 | 2000-2200 |
| Swarna (New) | 1600 | 1600 |
| Pankaj | 1600 | 1600 |
| Swarna parboiled | 1800 | 1700-1800 |
| Govindobhog | 3200 | 3200 |
| Chawl Moni | 2500 | 2500 |

AMRITSAR MARKET:

Market Price For Different Varieties Of Rice In Amritsar

| AMRITSAR | 22.12.07 | 29.12.07 |
|----------------------|-----------|-----------|
| Sharbati sella rice | 3050 | 3100 |
| Sharbati raw rice | 2800 | 3000 |
| Sharbati steam | 3000 | 3100-3200 |
| Basmati rice raw | 5700-6000 | 6000 |
| Basmati Paddy | 2900-3000 | 3000 |
| Parmal Govt. Quality | 1300 | 1325 |
| Parmal Wand (New) | 1400 | 1450 |

CONCLUSION

In coming week, basmati prices may rule mostly steady to better on growing export demand while non-basmati varieties may trade range bound on healthy supply against growing demand.

CROP- WEATHER ANALYSIS

Nursery sowing of Boro rice in West Bengal and Assam and Puncta rice in Kerala has started. Harvesting of Kharif crop has been completed in most part of the country. Samba Rice in TN is in vegetative stage and Mundakan Rice is at harvesting stage in Kerala. Most part of the country will remain dry. Fog conditions in morning hours are likely over some parts of Indo-Gangetic plains. Fall in night temperatures are likely over northwest India during second half of the week. Due to dry weather, irrigation is needed for Boro, Puncta and Samba rice, while dry weather will be helpful for harvesting of Mundakan rice in Kerala.

Monsoon Outlook (26.12.07)

- A deep trough of low pressure at mean sea level ran from southwest Bay of Bengal to west central Bay of Bengal off Tamil Nadu and Andhra Pradesh coast on 20th & 21st December. Another trough of low pressure at mean sea level extended from

southeast Arabian Sea to east central Arabian Sea on 20th and 21st and moved away slowly westwards thereafter.

- Last week's western disturbance as an upper air system over Jammu & Kashmir and neighbourhood persisted on 20th & 21st December and moved away eastward thereafter.
- An induced cyclonic circulation at lower tropospheric levels lay over south Pakistan & adjoining Rajasthan on 20th, West Rajasthan and adjoining Pakistan during 21st to 23rd and became less marked thereafter. A fresh western disturbance as an upper air system lay over north Pakistan and adjoining Jammu & Kashmir on 24th and over Jammu & Kashmir and neighbourhood on 25th and 26th.
- A cyclonic circulation at lower levels lay over Nagaland, Manipur, Mizoram & Tripura (NMMT) and neighbourhood during the week.

Rainfall:

Under influence of the above systems:

- Fairly widespread rain/thundershowers with isolated heavy to very heavy falls occurred over Tamil Nadu & Puducherry, south coastal Andhra Pradesh and Rayalaseema on 20th and 21st and over Lakshadweep on 21st and 22nd.
- Isolated to scattered rainfall also occurred over Lakshadweep on 20th, Kerala, south interior Karnataka and coastal Karnataka on 20th and 21st and Andaman & Nicobar Islands and Tamil Nadu & Puducherry on 22nd.
- Isolated rain/snow occurred over Jammu and Kashmir on 21st and 22nd and over Rajasthan on 24th.

Outlook For The Week Ending On 2nd January 2008

- ✓ Fog conditions in morning hours are likely over some parts of Indo-Gangetic plains.
- ✓ Fall in night temperatures are likely over northwest India during second half of the week.

Source: GOI (IMD).

FOREX (As on 31st December, 2007):

| Foreign Currency | Rs. per unit |
|------------------|--------------|
| 1 US \$ | 39.44 |
| 1 Euro | 57.69 |
| 100 Yen | 34.93 |
| 1 British £ | 78.73 |

SUMMARY PROGRESS OF KHARIF RICE

(Area Coverage) (Area in lakh hectares)

| Normal Area | Area Coverage under Rabi (As reported on 28.12.07) | | |
|-------------|---|-----------|------------|
| | This Year | Last Year | Difference |
| 37.32 | 4.01 | 2.58 | +1.57 |

Source: Ministry of Agriculture, GOI

PROGRESSIVE PROCUREMENT OF RICE AS ON 14.12.07

(Lakh Tonnes)

| State | Total procurement in marketing season 2006-07 (Oct.- Sept.) | Progressive Procurement as on 14.12.07 | |
|----------------|--|--|--------------------------------|
| | | In Marketing season 2007-08 | In Marketing season 2006-07 |
| Andhra Pradesh | 53.27 | 4.09 | 5.62 |
| Chattisgarh | 28.58 | 6.33 | 8.40 |
| Haryana | 17.73 | 14.73 | 16.37 |
| Kerala | 1.51 | 0.52 | 0.47 |
| Maharashtra | 0.96 | 0.32 | 0.32 |
| Orissa | 19.93 | 3.09 | 1.66 |
| Punjab | 78.28 | 70.61 | 71.50 |
| Tamil Nadu | 10.78 | 0.00 | 2.08 |
| Uttar Pradesh | 25.49 | 4.95 | 4.44 |
| Uttaranchal | 1.76 | 0.43 | 0.14 |
| West Bengal | 6.44 | 0.05 | - |
| All-India | 250.75 | 105.42 | 111.29 |

Source: Ministry of Agriculture, GOI

International Asian Rice Prices Per MT FOB (Current, 26.12.2007)

| THAILAND | \$/Mt | VIETNAM | \$/Mt |
|-----------|-------|-----------|-------|
| 100%B | \$380 | 5% DP | - |
| 5% | \$370 | 5% | - |
| 10% | \$365 | 10% | - |
| 15% | \$360 | 15% | - |
| 25% | \$355 | 25% | - |
| 35% | - | | - |
| Parboiled | \$390 | | - |
| PAKISTAN | \$/Mt | INDIA | \$/Mt |
| 15% | - | 15% | - |
| 25% | \$350 | 25% | - |
| Parboiled | - | Parboiled | - |

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