

Market Highlights

Cash rice market started firming up in the month of December and continued its upward journey till end. The main reason is attributed mainly to declining arrivals, lower kharif crop (85 millionT) and slower pace of rabi sowing. Higher paddy prices have increased the processing cost of rice and millers are unable to offer lower quotes to buyers. Prices are ruling higher despite sluggish demand for Indian aromatic and non basmati rice. We expect prices to move up further with fresh overseas demand expected in the beginning of Feb.

Supply side will remain ample as govt.'s stock is at higher level and with ongoing procurement stock is bound to increase up to March 2013. Domestic demand too will improve with whole sellers, retailers fresh buying interest again. Stockists are holding on PR-13, PR-14 and 1121 paddy stock in anticipation of higher prices in the months ahead. However, bearish international outlook may go against their sentiments and market may continue to stay steady.

Thailand and Vietnam may release more stock for international market on competitive price and Indian export volume might decrease due to higher prices in the domestic market. Buyers are turning to Pakistan and Vietnam for non basmati rice and it will directly impact the export volume from India. During last three months export from India has come down considerably. If prices continue to move up it will impact export further.

India's rice stocks in the central pool as of Jan 1st, 2013 have increased to 32.22 million T. Stock registered at 30.67 million tonnes in the beginning of Dec, according to data from the Food Corporation of India (FCI). It will continue to increase as procurement season began just two months earlier. Total food grains stock registered at 66.72 million T on 1st Jan-2013. Out of this wheat contribution was 34.38 million Tonnes.

All-India progressive procurement of Rice for the marketing season 2012-13 as on 04.01.2013 was 177.68 lakh tonnes against the procurement of 174.65 lakh tonnes up to the corresponding period of last year. Despite lower kharif crop pace of procurement is higher. Last year total procurement had touched 350.25 lakh T. This year too we expect higher quantity this year too as eastern states will contribute more to the central pool kitty on the back of higher MSP.

Lower than expected production in kharif season and now lower area coverage in Rabi too are indicative of considerable decline in total rice production. Kharif production is pegged at 85 million T and going by rabi coverage trend production may be restricted to 13 MMT, thus total production might be 98 MT, almost 6.4 million T lower than previous year. However, higher carryout stock will continue to ensure supply in the domestic market. Almost 4.45 lakh ha. has been covered under rabi rice so far against 5.99 lakh ha. last year till date. Normal area under rabi rice is 44.99 lakh ha.

India will continue to allow unrestricted export of rice due to sufficient supply in the domestic market. Due to higher production, the government has allowed export of rice, wheat and cotton. The commerce ministry has said that a stable export policy for exports of rice will help fetch better returns for rice farmers. India currently has over 30 million tons of rice in its central pool, about four times the buffer and strategic norms of around 7 million tons. While rice production in 2012-13 is expected to drop below last year's record 104.3 million tons due to deficient rains during the planting season, it is still expected to be around 98 million tons, the second highest on record.

Rice market fundamental:

Rice cash market is likely to trade steady to slightly firm this week as paddy arrivals have slowed down to a negligible level and we expect demand at lower level from domestic market. Millers processing cost has

increased due to higher paddy prices and other expenses and so they will not be able to offer lower prices to whole sellers and retailers. However higher carryout stock in central pool will ensure ample supply in the domestic market.

Lower rabi area coverage will remain supportive in the months to come as total production may come down to 98 MMT including rabi. Lower availability of almost 6 million T and higher prices in domestic market will remain restrictive to downward trend. Higher MSP, increased processing cost and other expenses may encourage prices from current level. Despite higher prices supply side will be sufficient to take care of existing demand.

Rabi planting progress:

Rabi Rice Planting progress Status as on 04.01.2013,RICE							
State	Normal Area	Average Area	Area sown reported			Absolute	% Change
			This Year	% of Nor,	Last Year	Change	
Andhra Pradesh	15.07	4.05	2.99	19.8	4.52	-1.53	-33.8
Assam	3.51	0.33	0.48	13.7	0.26	0.22	84.6
Bihar	1.02			0.0		0.00	0.0
Karnataka	3.75	0.33	0.36	9.6	0.33	0.03	9.1
Kerala		0.21	0.11		0.19	-0.08	-42.1
Orissa	3.07	0.10	0.12	3.9	0.20	-0.08	-40.0
Tamil Nadu	1.61	0.53	0.38	23.7	0.48	-0.10	-20.8
West Bengal	14.54	0.21		0.0		0.00	0.0
Others	1.47	0.03	0.01		0.01	0.00	0.0
All-India	44.99	5.79	4.45	9.9	5.99	-1.54	-25.7

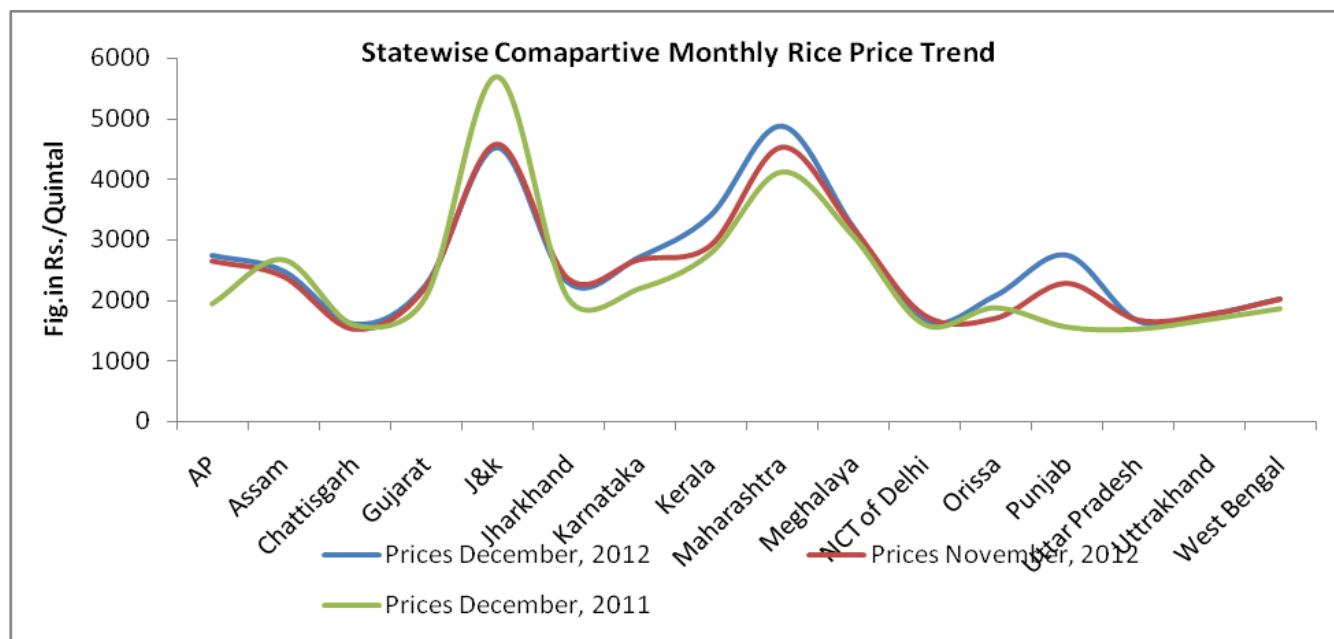
Rabi rice area is lagging behind in comparison to last year's level till date. Transplanting is yet to start in Bihar, West Bengal, Chhattisgarh, Goa, Tamil Nadu and north east states. Total area coverage under rabi rice is expected to remain lower from normal and production target of 15 million Tonne is unlikely to materialized this year. Total area coverage is lagging behind by 1.54 lakh ha so far. However, transplanting may improve in the eastern states in the weeks ahead. Total production may dip to 13 million T against the target of 15 million T.

Farmers may shift to other lucrative crops in rabi season as prices of spices, cotton and castor are ruling higher in the domestic market. Lower availability of water too will encourage farmers to look towards other alternative crops. Total production including rabi and kharif is pegged at 98 million tones this year.

Domestic Supply And Demand:

Value in MMT		Excluding Non Basmati Exports	Total (Basmati + Non - Basmati)	Total (Basmati + Non - Basmati)
	2010-11	2011-12	2011-12	2012-13
Beginning Stocks	18.00	30.00	30.00	37.85
Production	95.00	102.00	103.40	98
Total Availability	113.00	132.00	133.40	135.85
Domestic consumption	48.00	51.00	51.00	52.30
Govt. Procurement	33.00	35.00	35.00	32.50
Exports	2.00	2.75	9.55	7.50
Total Usage	83.00	88.75	95.55	92.30
Ending Stocks	30.00	43.25	37.85	43.55
Av Monthly Consumption	4.00	4.25	4.25	4.36
Stock to Month Use	7.50	10.18	8.91	9.99
Stock to Consumption Ratio	0.63	0.85	0.74	0.83

Despite lower production in kharif season(around 85 to 85.5 million T),higher export and increased domestic consumption rice carryout stock is set to rise from 37.85 to 43.55 million T in 2012-13 including private stock. However export may decrease to 7.5 million T as higher price will continue to restrict overseas demand. Buyers may turn to other cheaper source like Pakistan and Burma for two-three months. Supply throughout the season will be ample to take care of local demand.

State wise rice price trend with table:


Rice price rules higher in comparison to last year in even in Dec. and we expect it to trade steady to slightly firm further as we expect arrival to decline continuously. However, lower demand for Indian rice oh higher local price will continue to restrict market to get continuously firmer.

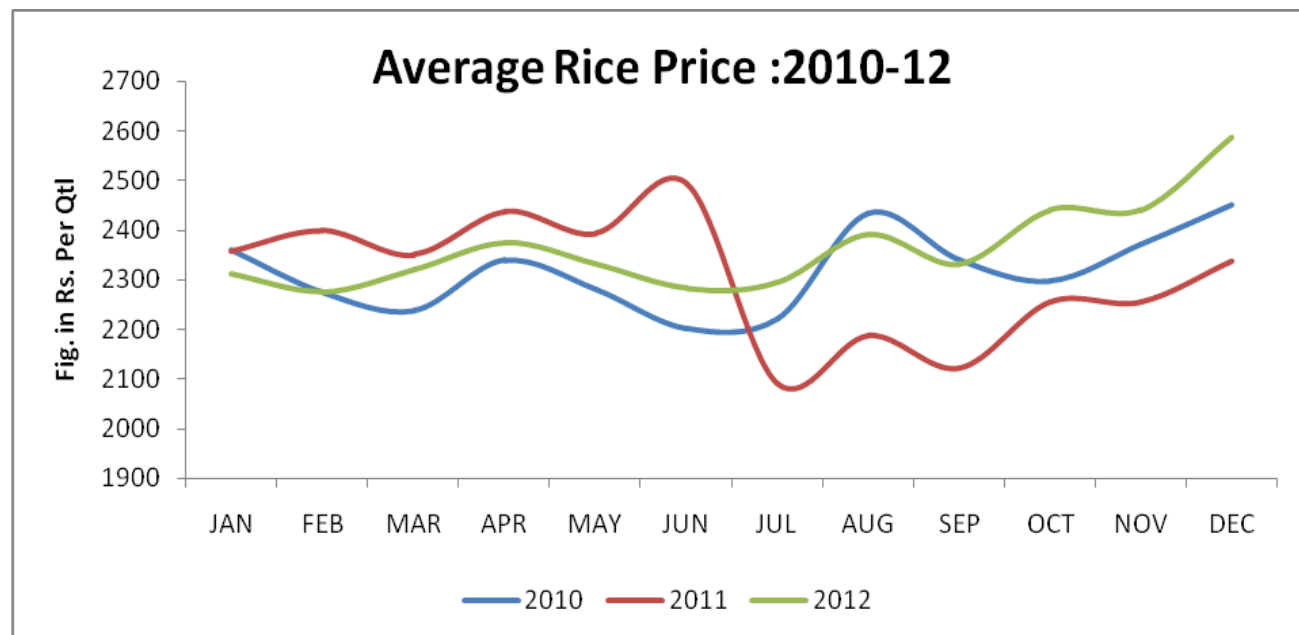
Comparative price trend in various states: Rs /per qtl.

State	Prices December, 2012	Prices November, 2012	Prices December, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
AP	2734.97	2649.47	1934.22	3.23	41.4
Assam	2478.45	2394.06	2665.11	3.52	-7
Chattisgarh	1600	1525	1580	4.92	—
Gujarat	2245.21	2217.37	2043.77	1.26	9.86
J&k	4517.31	4575	5700	-1.26	-20.75
Jharkhand	2285.65	2358.02	2025.95	-3.07	12.82
Karnataka	2705.3	2672.04	2186.16	1.24	23.75
Kerala	3394.59	2904.45	2768.97	16.88	22.59
Maharashtra	4873.52	4524.7	4120.47	7.71	18.28
Meghalaya	3213.11	3193.33	3064.1	0.62	4.86
Delhi	1654.9	1759.7	1596	-5.96	3.69
Orissa	2066.27	1702.41	1870.76	21.37	10.45
Punjab	2740.14	2281.53	1550.91	20.1	76.68
Uttar Pradesh	1654.63	1678.13	1516.09	-1.4	9.14
Uttrakhand	1751.6	1766.12	1675	-0.82	4.57
West Bengal	2015.77	2019.62	1853.31	-0.19	8.77
Average	2620.71	2513.28	2384.42		
*Report Generation: As per the data reported by APMCs					

Prices of rice have increased in majority of states except J.K, Jharkhand,U.P.,Uttrakhand and west Bengal. Prices of rice are unlikely to come down at November level as millers are unwilling to offload at lower rates due to increased overall processing cost.We expect prices to move up in the month of January and February too from current level.

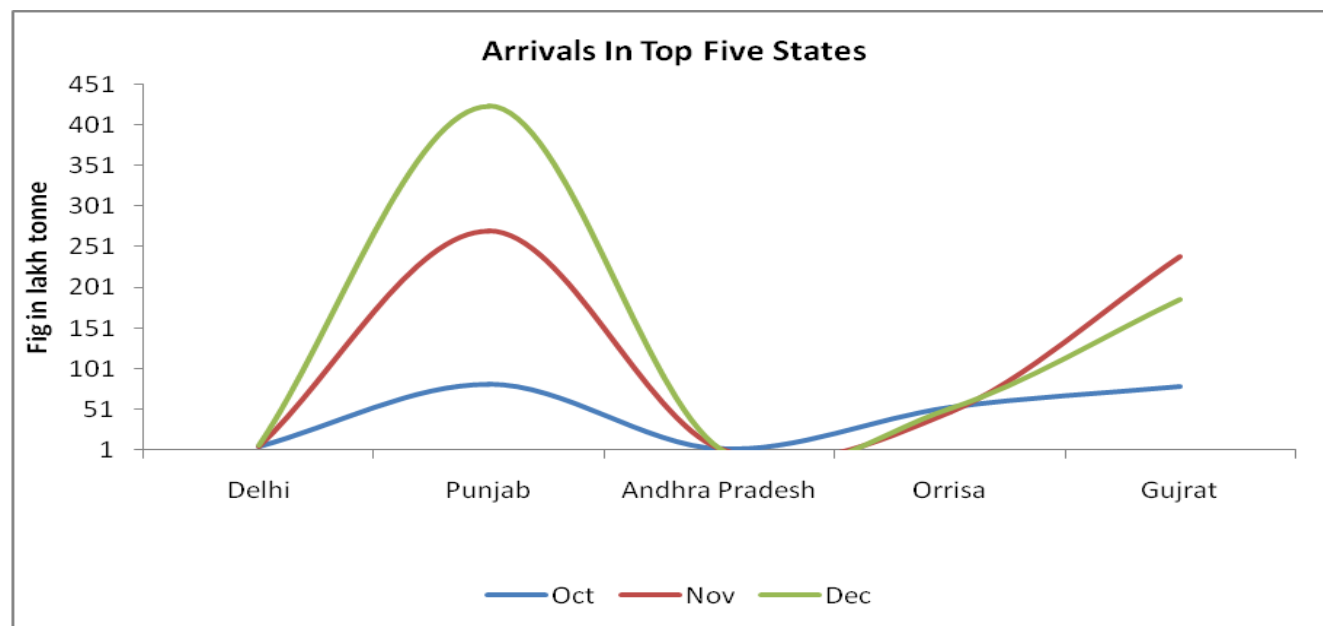
Average price have increased almost by Rs 100 per qtl in comparison to Nov.Arrivals have decreased continuously and stockists/ millers are holding back on stock in anticipation of higher prices in the weeks ahead. However,higher govt. stock and regular release from various channels will ensure ample supply in the domestic market and may work as cap on prevailing prices.

Average Rice Prices During Last Three Years:



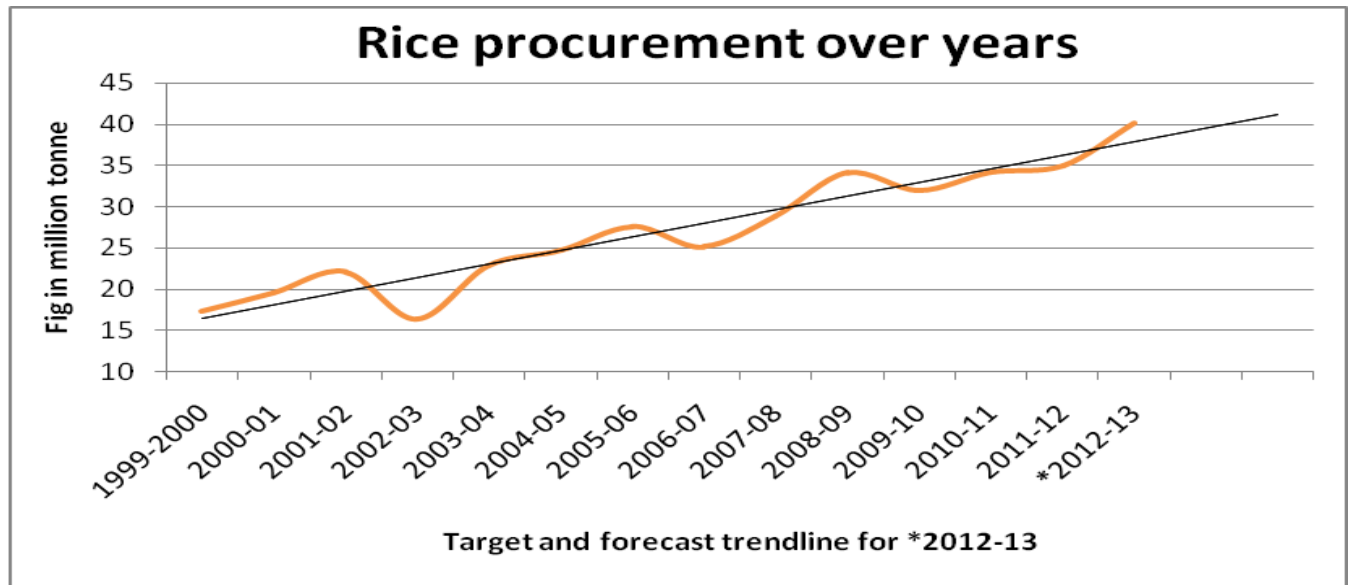
Average rice prices have been on the rise from Sept this year as shows the above given chart. Higher MSP, increased processing cost and lower production have encouraged prices to get firmer in spite of new crop coming into the market. Prices are likely to rule higher in the weeks ahead.

Comparative Arrival:



Arrivals in Punjab was recorded at highest level in Dec while in Gujarat is has been higher in Nov. as shows the above given chart..In Odisha similar arrival has been recorded so far.

Rice procurement target and previous trend:



All-India progressive procurement of Rice for the marketing season 2012-13 as on 30.11.2012 was 122.41 lakh tonnes against the procurement of 111.35 lakh tonnes up to the corresponding period of last year. Despite lower kharif crop pace of procurement is higher. Last year total procurement had touched 350.25 lakh T. This year too we expect almost same quantity as eastern states will contribute more to the central pool kitty on the back of higher MSP.

Rice export under OGL:

Rice Export Under OGL as on 30 th September, 2012					From Oct 2012(New Season)	
Units are in lakh tons	Non Basmati	Basmati	Total	Non Basmati	Basmati	Total
Sept.11	1.85	2.6	4.45			
12-Oct	4.5	3.4	7.9	1.20	0.8	2.00
12-Nov	5.5	4	9.5	2.2	0.5	2.7
12-Dec	5.9	2.5	8.4	3.25	0.55	3.80
12-Jan	5.45	2.75	8.2			
12-Feb	5.75	1.76	7.51			
12-Mar	5.6	2.25	7.85			
12-Apr	5.8	1.35	7.15			
12-May	5.3	1.9	7.2			
12-Jun	5.5	1.75	7.25			
12-Jul	5.25	2.25	7.5			
12-Aug	3.75	1.71	5.46			
12-Sep	2.25	1.25	3.5			
Total	62.4	29.47	91.87			
Note: - New season for paddy starts on Oct 2012.						

However the condition of export is not very favorable as per 1st Quarter figure, Export of Rice From Oct-Dec is lower than previous year in first quarter (Oct-Dec) Due to higher Prices, Delayed Harvesting, and lower demand from International market owing to Lower quotes in Pakistan and Vietnam. However we expect export volume to increase in 2nd and 3rd quarter as prices of Non basmati have started cooling down and we expect buyers to return in market for bulk buying in mid of January.

(Lakh tonnes)

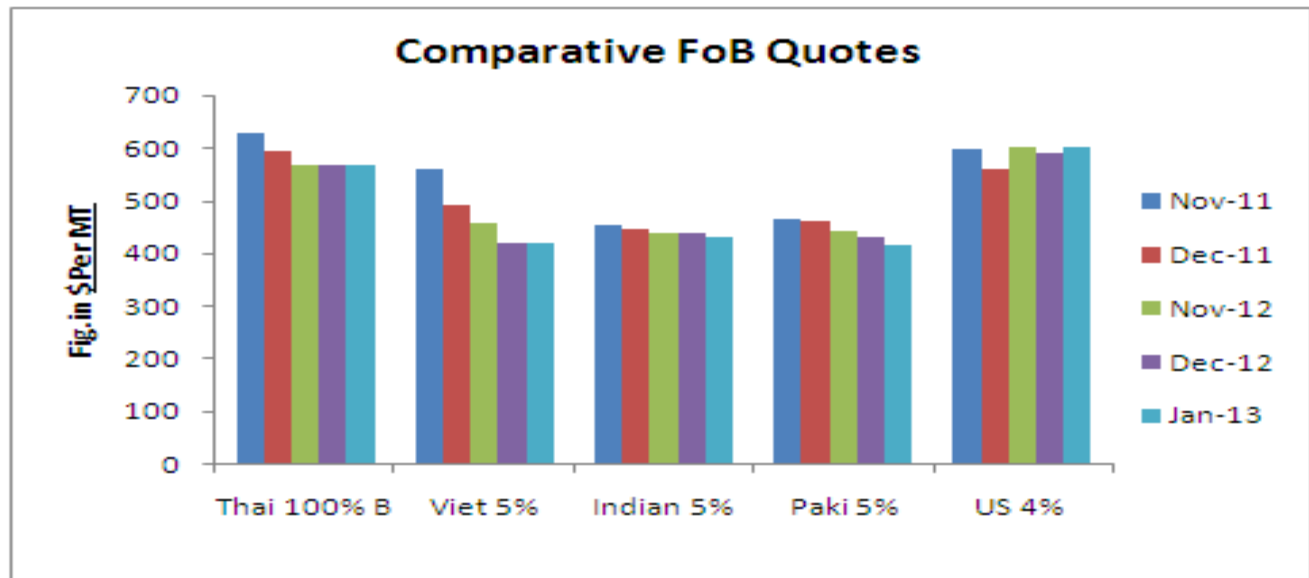
States	Total procurement in marketing season 2011-12 (Oct. – Sept.)	In Marketing season 2012- 2013	In Marketing season 2011-2012
Andhra Pradesh	75.38	13.95	14.64
Chhattisgarh	41.15	17.41	18.27
Haryana	20.07	25.74	19.60
Kerala	3.72	-	-
Madhya Pradesh	6.35	3.69	2.44
Maharashtra	1.78	0.14	0.05
Orissa	28.46	-	-
Punjab	77.31	85.44	76.61
Tamil Nadu	15.96	0.01	2.88
Uttar Pradesh	33.55	4.75	12.60
Uttaranchal	3.78	1.28	1.19
West Bengal	20.36	0.66	1.11
All-India	350.25	160.58	153.66

Month-wise Rice Stock in Central Pool (As on 1st day of the month) Values in MMT

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India's rice stock as of Jan-1, 2013 stood at around 32.22 million tonnes, much above the buffer and strategic requirements.

Comparative FOB quotes:



Buffer Norms And Strategic Reserve:

As on	Buffer Norms			Strategic Reserve		Grand Total
	Rice	Wheat	Total	Rice	Wheat	
1st April	122	40	162	20	30	212
1st July	98	171	269	20	30	319
1st October	52	110	162	20	30	212
1st January	118	82	200	20	30	250

MSP for Coarse cereal in 2011-12 and The CACP recommendation for 2012-13:

Crops	MSP 2011-12	Average mkt price in the week under review	MSP 2012-13	% rise
Paddy common	1,080	1,500-1,700	1,250	15.7
Paddy A Grade	1110	1900-2000	1280	16.0
Jowar	980	1,670	1,500	53
Bajra	980	1,175	1,175	20
Maize	980	1,090	1,175	20
Ragi	1,050	1,100	1,500	43

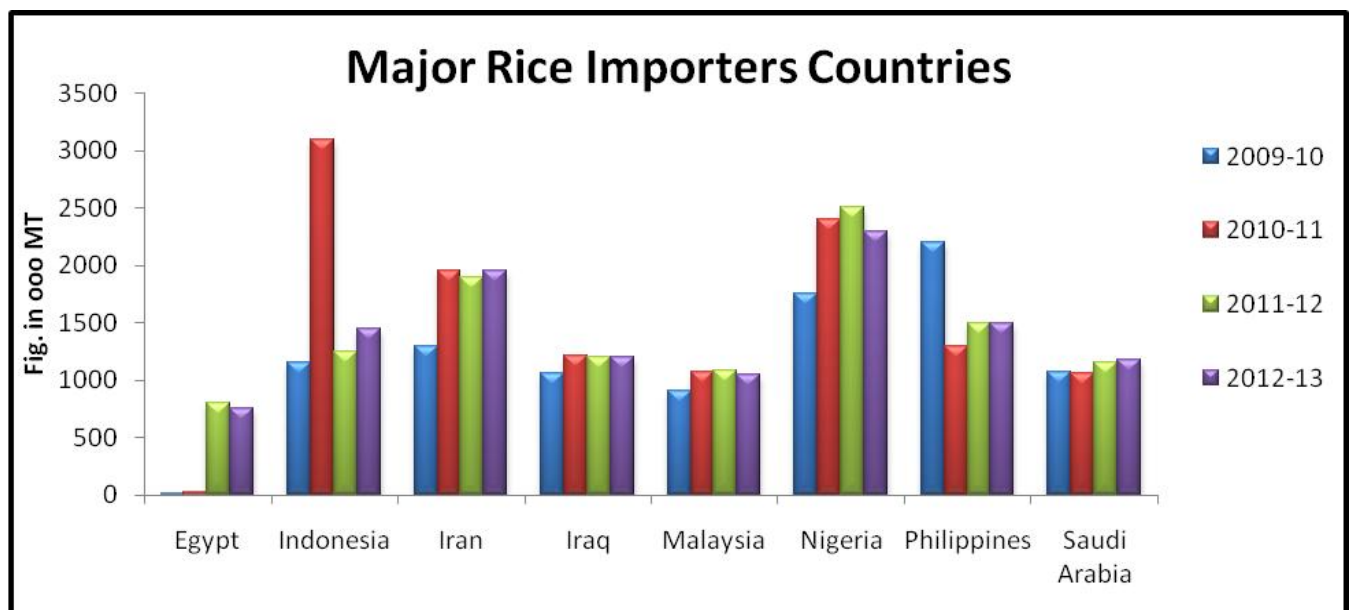
India's Rice Production in Global Context:-

Year	World Production in million ton	Indian Production in million ton*	India's share (In %)
2001-02	399	84.98	21.32
2002-03	380	93.08	24.52
2003-04	390	88.53	22.71

2004-05	405	83.13	20.51
2005-06	423	91.79	21.7
2006-07	427	93.35	21.84
2007-08	438	96.69	22.09
2008-09	459	99.18	21.59
2009-10	457	89.13	19.51
2010-11	449	95.98	21.38
2011-12	456	104.3	22.81
2012-13	463	98.5	20.88

Indian share in global rice production has been hovering in the range of 19.50 to 24.52 percent as shows the above given table.

Major Rice Importers:-



World Market Recap

Global rice trade is forecast to reach around 37.5 million tons in 2013, up slightly from the current 2012 estimate of around 37.3 million tons, according to the UN's Food and Agriculture Organization (FAO). The small increase in rice exports next year will be driven mainly by accumulated stocks in Thailand and a good harvest in India. However, the demand in China and the resumption of rice exports by Egypt are likely to change the equations of rice trade in 2013, says the FAO.

The Thailand government has purchased about 5.64 million tonnes rice worth about \$2.78 billion under the second year of the rice mortgage program that began on October 1, 2012. The Thailand Bank for Agriculture and Agricultural Cooperatives (BAAC) officer reports that about 778,000 farmers have so far participated in second term of scheme.

Thailand's total white rice exports in 2012 have reached over 5 million tons, down about 39.5% from around 8.3 million tons of white rice exports in 2011, according to the Thai Rice Exporters Association (TREA). Rice exports recovered in the last month of 2012, reaching about 350,658 tons, up about 15% from about 300,000 tons exported in December, 2011.

The Thai government plans to sell up to 7 million tons of rice under government-to-government (G2G) deals in 2013. This is in addition to the 7.33 million tons of rice exports under G2G deals announced by the Commerce Minister in September, 2012. However, the permanent secretary for commerce did not reveal details of the planned 7 million tons of rice exports, allowing local rice traders to speculate that the target is unachievable unless the government reduces export prices.

Vietnam's rice exports in 2012 have reached a record high of 8.05 million tons, up about 13% from last year's almost 7.1 million tons and the highest ever on record, Vietnam's General Statistics Office (GSO) said today. Both the USDA and the FAO have estimated that Vietnam will be this year's second largest rice exporters with exports of around 7.5 million tons, while the government estimated rice exports to cross 7.7 million tons.

Pakistan's basmati rice export declined by about 53% to 239,764 tons (valuing about \$233 million) during July 2012 to December 2012, from 509,904 tons (valuing about \$440 million) in the same period of last year, Rice Exporters Association of Pakistan (REAP) reported.

The USDA says that increase in rice yield in the region coupled with scope to expand rice acreage in Burma and Cambodia will not only help satisfy the import needs of Indonesia, the Philippines, and Malaysia, but also serve large import markets outside the region in the coming decade. Growth in rice production in Southeast Asia is projected to slow down in the coming decade, growing by about 11.3 million tons (milled basis) or about 1% from 2011 to 2021, compared with an increase of 16.6 million tons or 1.6% during 2000-10

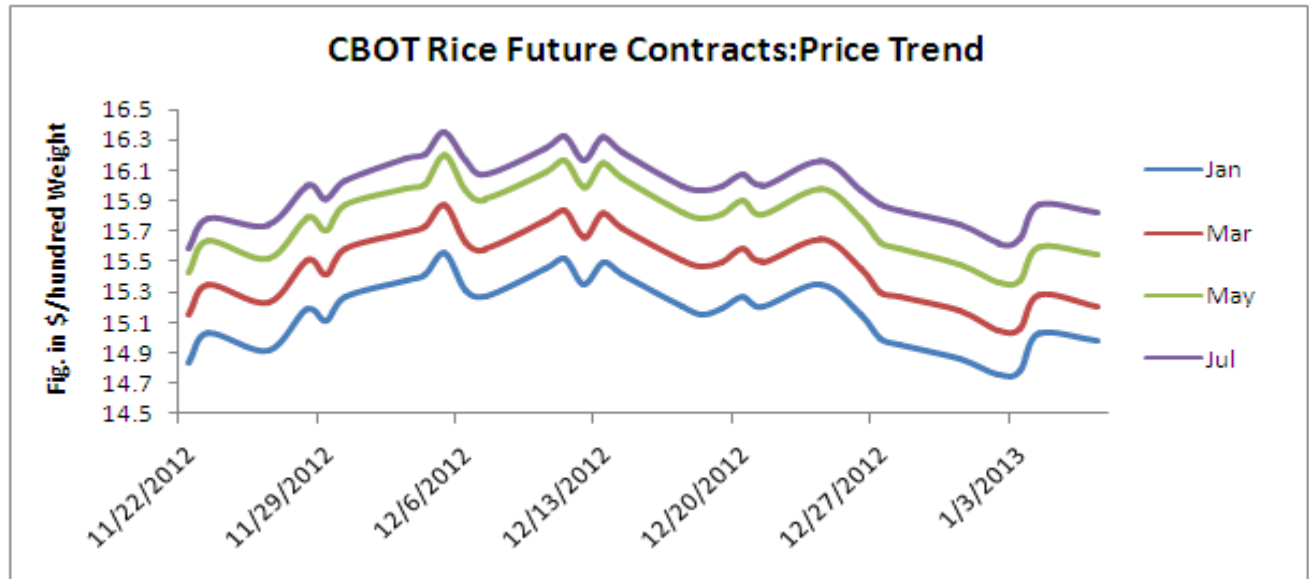
IGC balance sheet:

IGC estimate released on 29.11.12	2007-08	2008-09	2009-10	2010-11	2011-12 estimated	2012-13 forecast 25.10.12 (Milled basis)	29.11.12
Rice							
Production	431	448	441	449	463	465	464
Trade	29	29	31	36	36	36	36
Consumption	427	435	438	447	457	466	466
Carry over St.	81	92	96	97	103	102	104
Year change	+5	+11	+4	+1	+6	-	-1
Major exporters	19	27	28	29	35	36	37

High lights:

- **IGC has slashed down global rice production to 464 million T from last month's estimate of 465 million Tonne.**
- **Carry out stock has been increased by 2 million T from 102 to 104 million Tonne**
- **There has been no change in consumption and it has been estimated at 466 million tonne as previous month.**
- **There is no change in trade estimate.**

CBOT rice futures Contracts:



Rice futures market at CBOT has been showing declining trend and we expect market to stabilize at current level. Fresh demand at lower level may support buying at current level. Supply side remains ample and any unexpected rise in prices is unlikely in the month of Jan.

CBOT January Contract:



Price Projection (International-CBOT):-

	Trend	Price Range
Short Term (5-10 days)	Range bound (steady)	15.00-15.20
2nd and 3rd week of January	Steady (Positive)	14.80.15.00

World rice prices are likely to stay steady in the short and medium term. Export from Vietnam and Thailand is likely to increase due to aggressive selling strategy. World supply is expected to remain comfortable despite production loss in some major producing countries. We expect price to gain from current level in the rest weeks of this month. However, any spike in rice prices is unlikely at this point of time as Thailand and Vietnam may offload more stock in the world market as stocks are continuously accumulating in these countries.

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