

Price Drivers of Rice

- ✓ Continuation of Ban on Non-Basmati Rice by India.
- ✓ Myanmar Halted Rice Exports to Keep Local Prices in Check but FAO Says That Myanmar Will Probably Resume Rice Exports.
- ✓ Rising Global Food Prices and Inflation at various countries.
- ✓ Increasing Demand for the Rice Grains from Importers.
- ✓ USDA's Fresh monthly Global Supply and Demand data.

RICE MARKET FUNDAMENTALS:

Domestic:

Rice prices continued to rule steady to weak during last fortnight period on reduced offtake by the stockiest amid adequate stock levels to meet the current demand. Though market is ruling on lower levels, buyers are still keeping themselves out of the market and waiting for more declines in prices. Peak arrival of paddy may start from June onwards.

- India has refused to sell rice to outside countries other than their high-priced Basmati and is unlikely to lift ban on export of wheat and non-basmati rice in the wake of high food inflation and food security concerns.
- The All India Ration Dealers' Association has mentioned that, the State government is yet to release sufficient stocks of rice and sanction necessary funds for providing rice at Rs.2 a kg. And the association general secretary mentioned that the government had not taken any step beyond distribution of application forms, through ration shops. The implementation of the programme would necessitate an additional monthly expenditure of Rs.40 crore, and the supply of rice stocks to dealers should be ensured before launching the scheme.
- The Election Commission banned implementation of Kerala government's decision to extend the rice-at-Rs. 2 per kg scheme to cover 40 lakh families in view of the model code of conduct which went into force with announcement of assembly elections in the state. The state is going to polls on April 13.
- India's Food Corporation of India (FCI) rice procurement has crossed last year's level for the first time since purchases started on Oct. 1, as supplies improved with a pick-up in harvesting. And the company bought 23.41 million metric tons of rice until Mar. 6 since the marketing year started on Oct.1, compared with 23.39 million tons a year before.
- As per the second advance estimate released by the ministry, the production estimates for rice crop for 2010-11 stood at 94.01 million tonnes as against 89.13 million tonnes in the previous year on the back of good monsoon last year. Total foodgrains production likely to be 232.07 million tonnes during 2010-11 compared to 218.11 million tonnes last year.
- USDA pegged India's rice crop production at 94.5 million tons, down 500,000 tons from last month due to an expected decrease in average yield and ending stocks are raised by 3.6 million tons to 21.6 million based on information regarding government-held stocks.
- The Government of India has imposed port restrictions and some mandatory conditions on the exports of Sona Masuri, Ponni Samba and Matta, premium non-basmati rice varieties. Exports of these three varieties were permitted last month with quantity ceilings.
Out of the total 1, 00,000 tonnes of Sona Masuri allowed for export, 50,000 tonnes each would have to be from Chennai and Vishakhapatnam. Besides, the entire 25,000 tonnes of Ponni Samba exports would have to be from Tuticorin, while a similar quantity of 'Matta' has been permitted through the Cochin port. And also mentioned the packing and grading standards to be maintained while export.

DOMESTIC MARKET PRICE OUTLOOK:

Domestic prices of rice are expected to remain steady this year on sufficient domestic supplies and expected continuation of the export ban.

Steady to weak sentiment may be found in cash rice markets in medium term on country is heading for a bumper crop amid stock levels in the markets. India unlikely to lift ban on export of non-basmati rice in the wake of high food inflation and food security concerns. Prices of aromatic rice may rule with steady to firm sentiment.

Domestic prices of rice are expected to remain steady to weak for short term on sufficient domestic supplies with reduced demand factors prevailing in the market.

International Market Highlights

- Rice prices have risen sharply in many local markets, with retail prices of rice reaching record high levels in January in China and Indonesia. And rice prices may go down in medium period on abundance of supply prospects.
- The price of Thai rice, the benchmark for Asia, may climb 13% this year as demand from Indonesia and the Philippines boosts exports and tightens global supply. As per the source, the price of Thai rice could rise as high as US\$600 a tonne on the world market by the end of this year. The FOB export price of Thai rice is now around US\$533 a tonne. But it could increase to US\$600 on the back of strong global demand for rice.
- The Philippines planned to import around 800,000 tons rice this year even if a government council allowed purchases of up to 1.3 million tons. The government wants to cut its rice imports in 2012 by half, or about 400,000 tons, against this year before it achieves its goal of rice self-sufficiency by 2013.
- The Thailand received buying offers from Iran, Iraq, Libya, Indonesia, Bangladesh and the Philippines during the last fortnight period which will add up to government-to-government rice deals of more than 700,000 tonnes. Thai rice would benefit from falling rice supplies in many major producing countries, especially China, due to drought, while India has banned the export of non-basmati rice.
- Major rice importers, such as Indonesia and Bangladesh, have an increasing demand for the rice grains. In addition, the Philippines is planning to call bids for at least 1.5 million tonnes of rice in the second and third quarters of the year.
- Burma's Trade Policy Council has temporarily suspended rice exports following an increase in the price of rice inside Burma. After the rice export freeze by the Trade Policy Council (which oversees all exports, imports and investment in the country) the price of low quality rice, which Burma exports to some countries in Africa, dropped a small amount.
- Vietnamese rice companies have begun stockpiling paddy from the country's largest rice crop, the winter-spring crop, pushing up prices by around 5 percent on domestic markets.
- In contrast to concerns over rising international grain prices Korea's rice stocks surpassed 1.5 million tons last year. The agriculture ministry of Korea, the Korea stored 1.5-1 million tons of rice during November 2009 to October 2010 period as a result of increase in the nation's rice production and imports.
- Japan, China, South Korea, and the Association of Southeast Asian Nations have agreed in principle to create a rice reserve system to help one another in the event of emergencies such as droughts and floods. The countries agreed to establish rice reserves of around 787,000 tonnes, to help stabilize costs after global food prices surged to a record in January. As per the agreement signed, China to provide 300,000 tonnes; Japan, 250,000 tonnes; and South Korea 150,000 tonnes.

- Indonesia sees rice output rising 1.4 percent which is 4.29 million-tonne surplus this year and leading surplus will reduce the likelihood of imports by Southeast Asia's biggest economy, easing fears over escalating prices of the food staple. Means Indonesia is unlikely become a major rice importer this year.
- Myanmar halted rice exports to keep local prices in check, as the country grapples with a bruising new round of inflation. But FAO says that, Myanmar will probably resume rice exports after the new harvest starts in April.
- According to the United Nations Food and Agriculture Organization, world food prices in February were up 2.2% from January, the eighth monthly rise in a row—to the highest level in real and nominal terms since the agency started monitoring prices in 1990. Global cereal supplies are also expected to tighten sharply this year due to low stock levels.
- No changes are made on the supply side of the U.S. 2010/11 rice supply and use balance sheet in the World Agricultural Supply and Demand Estimates (WASDE) report released by USDA on 10th March.
- As per WASDE report, Global 2010/11 projections of rice production, consumption, and exports are lowered from a month ago, and ending stocks are raised. The decrease in the global production forecast, still a record at 451.5 million tons, is due entirely to a decrease in the rice crop in India, which is partially offset by increases for Argentina and Brazil.
- Global consumption is lowered 5.3 million tons to 447.0 million, still a record, primarily due to reductions in India (-4.0 million) and China (-0.5 million).
- Global ending stocks are raised 4.9 million tons to 98.8 million attributed mostly to increases for India, China, Bangladesh, and Burma.
- CBOT rice futures fall down by 5.82 percent from \$13.58 per hundredweight to \$12.79 per hundredweight in the previous fortnight period on varied reasons. Bearish Factors are as follows:
 - US rice futures extend losses on concerns that large global supplies will increase competition for export business. Vietnam, the world's second-largest rice exporter, is likely to ship 3.6M metric tons in 1Q while 1H total last year was 3.5M.
 - Spillover support from rallies in neighboring grain markets.
 - Harvest pressure from Vietnam.
 - Global supplies are considered ample due to large crops in Vietnam and Thailand, major exporters of the grain.
 - Fresh global supply and demand data in a monthly USDA report boosted the global supply outlook by 5%.

The strong market is likely to prop up export prices in coming days as all countries started stockpiling of rice in precaution to avoid the burden during rising food prices.

Prices of Different Varieties of Rice in Various Markets: (Price in Rs. /qtl)
Delhi Market:

Variety	14.03.11	24.02.11
Basmati Common	5500	6200
Sharbati raw	2900	2900
Sharbati sella	2900	2800
Parmal raw	2100	2200
Parmal sella	2100	2000-2100
DB Rice (white raw)	4200	4300
1121 Sella	4100	4100

Amritsar Market:

Variety	14.03.11	24.02.11
SharbatiShella rice	2900-3000	3000-3100
Sharbati raw rice	2800-2900	2800-2900
Sharbati steam	3000-3100	3000-3100
Basmati rice raw	5000	4800-5000
Basmati Paddy	2200-2300	2300-2400
Parmal Govt. Quality	1700	1650-1700
Parmal Wand (New)	1850	1800-1900
1121 Steam	5100	4800-5000

Rudrapur Market:

Variety	14.03.11	24.02.11
Parmal paddy	1050	1050
Parmal raw rice	1750	1700
Sharbati Steam	2900	2800
DB steam	4000	4100

Karnal Market:

Variety	14.03.11	24.02.11
Basmati rice raw	6000	6000
Sharbati steam	3500	3500
Sharbati sella	2900	2900
Parmal raw rice	2000-2050	2000-2050
Parmal sella	2000	2000
DB Rice Sella	3800	3800
IR8	1850	1850
1121 Sella	4800	4800

West Bengal Market:

Variety	14.03.11	24.02.11
IR 36 (super)	3600-3700	3800-3900
Minikit Shankar	3800-3900	4100-4200
DoodhKalma	3900	4200-4300
Swarna (New)	2000-2200	2800-2900

Domestic Wholesale and Retail Prices of Rice: (Price in Rs. /qtl)

Zone	Centre	24/02/2011		14/03/2011	
		Retail Price	Wholesale Price	Retail Price	Wholesale Price
North Zone	Delhi	2300	1950	2300	1950
	Karnal	1900	1780	1900	1780
	Lucknow	1600	1450	1600	1460
West Zone	Ahmedabad	1500	1300	1500	1300
	Bhopal	1800	1700	1800	1600
	Mumbai	2000	1850	2000	1850
	Jaipur	2250	1800	2100	1700
East Zone	Patna	2200	2000	2100	2000
	Cuttack	1800	1650	1800	1650
	Kolkatta	2100	1900	2000	1900
	Guwahati	1600	1400	1600	1400
	Agartala	1850	1675	1850	1675
South Zone	Hyderabad	1900	1667	2000	1767
	Bangalore	2000	1800	2200	2000
	Ernakulam	2817	2700	2842	1683
	Chennai	2200	1900	2200	1900
All India Average		1974	1803.67	1965	1790.17

Rice prices (All India average) at domestic retail and wholesale market were seen a dip during the last fortnight period. Retail prices were down by 0.46 percent and wholesale prices were down by 0.75 percent compared to the last fortnight prices.

Rice FOB Prices - America and Asia as on 11.03.2011

FOB prices seen an average dip of US\$ 15-20/MT during the period of last fortnight on increased supply at the international market on harvesting seasons prevailing in the major producing countries.

Americas
(USD/MT)

Grade/Variety	USA South	USA California	Uruguay	Argentina
4% - 5%	530	875	540	540
10%	520	-	530	530
15%	510	-	-	-
Brown	n/a	800	-	-
4% cont./CY	540	850	-	-
Paddy	300	560	-	-

Asia
USD/MT)

Grade/Variety	Thailand	Vietnam	India	Pakistan
100%B - 5%DWP	510	-	-	-
5%	490	465	310	470
10%	485	450	313	460
15%	480	445	318	450
25%	470	420	325	420
Parboiled	510	-	-	490

* All prices basis long grain per mt bagged FOB vessel.

*All prices basis per mt, bagged FOB vessel except Brown and Paddy -- Bulk FOB vessel

*California -Bagged 30 KG preslung FOB vessel

*CY--equates delivered port in cont.l

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