

Price Drivers of Rice

- ✓ Tough Challenge for Govt. to store Rice with other foodgrains as a result of expected higher rice production.
- ✓ Global Rice Trade May Fall Slightly To 30.3 Mln Tons In 2011 - IGC
- ✓ Thailand Plans to Establish a Global Benchmark Price
- ✓ Bangladesh may sign a deal to import 200,000 tonnes of rice from Vietnam

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. Paddy (Dhan) prices were down by Rs. 10-20/qtl in domestic major markets. Paddy prices may continue to ease in short to medium term on start of new crop arrival.

As per traders, comfortable stocks following hopes of record output this year create the pressure on the rice prices. Peak arrival of paddy may begin from June onwards. The Govt. continued the ban on export of non-basmati rice in the wake of high food inflation and food security concerns.

- India's area under Kharif rice reported at 358.64 lakh ha and Rabi area stands at 41.61 lakh ha. Total rice accounts 400.25 lakh ha. which is up by 6.15 percent compared to previous years area of 377.07 lakh ha.
- As per the second advance estimate by ministry of agriculture, total rice production is expected to 94.01 million tonnes (Kharif rice accounts 80.16 MMT and Rabi rice accounts 13.85 MMT) which is up by 5.52 percent compared to previous year's production of 89.09 million tonnes.
- As per official figures on March, rice stocks in the country stood at 572 lakh tonnes against the buffer norm of 118 lakh tonnes for July 1. With an estimated 135 lakh tonnes of rice coming from the Rabi season, the country faces a tough challenge of storing the produce along with other foodgrains.
- The Commission for Agricultural Costs and Prices (CACP), the government's main advisory body on pricing policy for farm produce, has favoured a subsidy mechanism to encourage use of hybrid rice varieties. The step is taken to improve the yield prospects of rice to meet the growing population consumption need as well as to make the rice production aspect competitive in the international market.
- As per the news source, the farmers arguing that there is a huge demand for BPT 5204 (or Sona Masuri) variety abroad. The Indian Diaspora in the US and the Gulf region are willing to pay Rs 120 a kg against sub-Rs 25/kg in the domestic market.
- 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.

DOMESTIC MARKET PRICE OUTLOOK:

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.

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 this year on sufficient domestic supplies and expected continuation of the export ban.

International Market Highlights

- As per International Grains Council, Global rice trade is likely to fall marginally to 30.3 million metric tons due to slowing demand from the Philippines. The volume of the trade was 30.5 million tons last year, it estimated. Rice imports by the Philippines are likely to fall by more than 1.0 million tons to 1.4 million tons.
- Indonesia's rice imports may rise by a third to a four-year high of 1.2 million tons, while Bangladesh's imports are forecast to rise 29% to 900,000 tons.
- As per the Vietnam official's estimations, Vietnam's rice exports between January and March will rise 17 percent from the same period last year to an estimated 1.69 million tonnes. Vietnam has sufficient rice stocks to export between 6 million and 6.5 million tonnes this year and about 8 percent higher than earlier estimates, but still below a record 6.83 million tonnes exported in 2010.
- The Vietnam Food Association reduced the Minimum Export Price (MEP) from \$500 to \$480 per ton for 5 percent broken rice and from \$480 to \$460 for 25 percent broken rice. Only four days later, on March 21, 2011, VFA adjusted the MEPs from \$480 to \$490 per ton for 5 percent broken rice and from \$460 to \$470 for 25 percent broken rice on an FOB basis.
- As per the National Food Authority Administrator of Philippines, the Philippines may ask for another extension of the rice import quota to at least up to 2015.
- The Philippines on Wednesday agreed to import 200,000 tons of rice from Vietnam, a deal expected to push up prices in the world's second-largest exporter of the grain, but still below rival Thailand.
- As per traders, Indonesia's decision to slash a planned purchase of Thai rice to 200,000 metric tons from a planned 820,000 tons has created an additional surplus in the international market. This could negate the upward pressure on prices driven by the Philippines, although Indonesia offset part of the planned Thai purchase by buying 400,000 tons of cheaper rice.
- South Korea, which is 99 percent self-sufficient in rice planning to release 150,000 metric tons of the staple from state reserves to help ease a sharp gain in local prices. The government will initially sell 50,000 tons to the domestic market on March 31 and the rest of the amount later, depending on price trends.
- Thailand, the world's largest rice supplier, plans to establish a global benchmark price by allowing buyers and sellers to bid for shipments through a privately run centralized auction. The market will provide an opportunity for buyers to meet sellers and to set a price that reflects demand and supply for rice.
- As per the news, Bangladesh may sign a deal this week to import 200,000 tonnes of rice from Vietnam in a government deal, on the heels of another agreement concluded with Thailand, as the South Asian country seeks to ensure supplies of the staple. And the price for 100,000 tonnes parboiled rice from Vietnam will be \$575/T including CIF and for 100,000 tonnes white rice \$530 a tonne CIF.
- As per the U.S. Department of Agriculture's Foreign Agriculture Service (FAS) reports, the recent earthquake and tsunami in Japan inundated 1.5 percent of the country's total rice area. There was no immediate impact on production as rice was harvested last fall.

The strong market is likely continue 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	14.03.2011	28.03.2011
Basmati Common	5500	5400
Sharbati raw	2900	3000
Sharbati sella	2900	2800-2850
Parmal raw	2100	2000
Parmal sella	2100	1850
DB Rice (white raw)	4200	4200
1121 Sella	4100	4200

Amritsar Market:

Variety	14.03.2011	28.03.2011
SharbatiShella rice	2900-3000	-
Sharbati raw rice	2800-2900	-
Sharbati steam	3000-3100	-
Basmati rice raw	5000	4700-4800
Basmati Paddy	2200-2300	2300-2400
Parmal Govt. Quality	1700	1700
Parmal Wand (New)	1850	1850
1121 Steam	5100	5200

Rudrapur Market:

Variety	14.03.2011	28.03.2011
Parmal paddy	1050	1150
Parmal raw rice	1750	1750
Sharbati Steam	2900	2900
DB steam	4000	4000

Karnal Market:

Variety	14.03.11	28.03.2011
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	14.03.2011	28.03.2011
IR 36 (super)	3600-3700	3600-3700
Minikit Shankar	3800-3900	3800-3900
DoodhKalma	3900	3900
Swarna (New)	2000-2200	2000-2200

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

Zone	Centre	28/03/2011		14/03/2011	
		Retail Price	Wholesale Price	Retail Price	Wholesale Price
North Zone	Delhi	2300	1950	2300	1950
	Karnal	1900	1800	1900	1780
	Lucknow	1600	1800	1600	1460
West Zone	Ahmedabad	1700	NA	1500	1300
	Bhopal	1800	1600	1800	1600
	Mumbai	1900	1850	2000	1850
	Jaipur	2000	1600	2100	1700
East Zone	Patna	2200	2000	2100	2000
	Cuttack	1800	1650	1800	1650
	Kolkatta	2100	NA	2000	1900
	Guwahati	1700	1500	1600	1400
	Agartala	1850	1675	1850	1675
South Zone	Hyderabad	2000	1767	2000	1767
	Bangalore	2200	2000	2200	2000
	Ernakulam	2917	2858	2842	2683
	Chennai	2200	1900	2200	1900
All India Average		1992	1774.55	1965	1790.17

Rice prices (All India average) at domestic retail market were up by 1.37 and wholesale market prices were seen a dip of 0.87 percent compared to the previous fortnight ending prices.

International Market Prices:
CBOT Futures Market Rough Rice Prices:

Contract	Current (29/03/2011)	Week ago (22/03/2011)	Month ago (28/02/2011)	Year ago (29/03/2010)
May	13.89	13.86	14.21	12.38
July	14.19	14.16	14.52	12.68
September	14.83	14.81	14.81	12.51
November	15.12	15.09	15.05	12.68

CBOT rice futures got support and sustaining at slightly higher level compared to prices of week back. And prices were up by 0.22 percent from \$13.86 to \$13.89 per hundredweight to in the last week period on varied reasons. Bearish factors are as follows:

- ✓ Expectations that Japan will increase imports following field damage and crop losses from the earthquake and tsunami.
- ✓ The USDA on Thursday reported weekly US rice-export sales of 111,800 tons, up 81% from the prior four-week average and Japan was the biggest buyer for the week, securing 37,100 tons.
- ✓ Fresh global supply and demand data in a monthly USDA report boosted the global supply outlook by 5%.

Rice FOB Prices - America and Asia as on 28.03.2011

FOB prices continued to decrease by US\$ 5-15/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%	525	875	525	525
10%	515	-	515	515
15%	505	-	-	-
Brown	n/a	800	-	-
4% cont./CY	540	850	-	-
Paddy	290	560	-	-

Asia
USD/MT)

Grade/Variety	Thailand	Vietnam	India	Pakistan
100%B - 5%DWP	500	-	-	-
5%	480	450	310	470
10%	475	440	313	460
15%	470	430	318	450
25%	450	415	325	415
Parboiled	505	-	-	525

* 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.I

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