

Bottom Line:

With over 40.31 million more hectares, planted in 2010-11 crop season, India has an output of 94.11 MMT of rice (Ministry of Agriculture estimate) to meet the growing demand in domestic market.

Domestic prices are quite low, the government wants to avoid fueling inflation by totally freeing up exports and driving up local prices.

Finally, the food minister of India has ruled out lifting the export ban on rice and wheat from government stocks, despite ample supplies as the country is working to soon introduce a food security bill that would guarantee cheap grains to almost 70% of the population. And ministry said that, the government would tread cautiously even for private exports and a decision is unlikely for at least a month.

The Agriculture Ministry has proposed Cabinet Committee on Economic Affairs (CCEA) raising the MSP of common paddy from Rs 1,000 to Rs 1,160 a quintal for the crop to be marketed in the 2011-12 season from October.

With the South-West monsoon setting in Kerala, rice sowing activity is expected to gather pace in the weeks ahead.

Domestic Market Rice Supply and Demand Scenario:

During the year 2010-11 total (Kharif & Rabi) area under rice in India was reported at around 44.51 million hectares marginally up by 0.47 per cent compared to the last year's area of 44.30 million hectares. Given the good seasonal (Jun-Sept) and winter rains mainly over southern, NW and North India the yield of rice also improved to some extent (the overall yield during 2010-11 improved by 0.34% to 2.21 tons/ha. compared to 2009-10). Eastern part of the country featured lower yields due to poor monsoon and winter rains, which lowered the overall yield of the commodity.

Domestic Supply and Demand:

Values in MMT	2009-10	2010-11*	% change over last year
Production	89.09	90.16	+1.20
Total Availability	110.73	117.13	+5.80
Consumption (including exports of basmati and non-basmati)	83.76	86.15	+2.85
Carryover Stocks	26.97	30.98	+14.87

* Agriwatch estimates

As evident from the above table, India's total availability increased by 5.8% to 117.13 million tonnes (including carry-in of 26.97 MMT and production of 90.16 MMT) on estimated higher production in 2010-11, which was well above the Indian total domestic requirement of 86.15 (including expected export of 3.30 MMT). Therefore, carry-out stocks are expected to increase by 14.87% to 30.98 MMT.

As per trade sources, India's rice production will be excess of 100 million MT in the season if the India Meteorological Department prediction a normal monsoon carries through.

Rice Domestic Fundamentals and crop situation:

Rain showers at various rice growing areas (especially in North-Eastern India) last month has slowed harvesting progress while the dry weather prevailed in southern states of Andhra Pradesh and Tamil Nadu during the month helped the harvesting of rice crop.

India's June-September monsoon rains are a key factor for global commodities markets as they influence output of various crops in India. And IMD's long range forecast for the 2011 south-west monsoon season (June to September) is that the rainfall for the country as a whole is most likely to be Normal (96-104% of Long Period Average (LPA)). So we can expect better rice crop output this year also. But the area under paddy is likely to dip during the Kharif sowing season 2011-12 as farmers may divert land from paddy to cotton, which fetched record returns and delayed procurement issue last season also impact considerably on rice acreage decision by farmers.

As per Central Rice Research Institute (CRRI), the recent widespread pre-monsoon rain across many parts of the country is expected to help the forthcoming Kharif rice sowing. The government is targeting a record rice production in excess of 100 million MT in 2011-12. Last year, due to widespread rainfall, the area under rice cultivation had increased to more than 31 million hectares from around 29.3 million hectares in the previous year. Due to a normal monsoon last year, the country's rice production went up to 94.11 million MT during 2010-11 against 89.09 million MT in the previous year.

As per the sources in the ministry, the area under paddy is likely to remain stagnant (42-43 million hectare), but the total output may improve as it expects a consistent monsoon. The diversification of land to crops such as maize and cotton in north-west India and Jharkhand will slightly impact area under paddy, offset by the intensive agriculture carried out in eastern states.

As per state agriculture departments, Punjab has projected an area of 27.50 lakh hectares under paddy crop in the coming Kharif season (2011-12), which is lower than 28.31 lakh hectares of area under paddy last year. Similarly, the neighboring state of Haryana is also anticipating reduction in area under paddy this year and has projected an area of 12 lakh hectares under paddy crop against 12.45 lakh hectares of area last year.

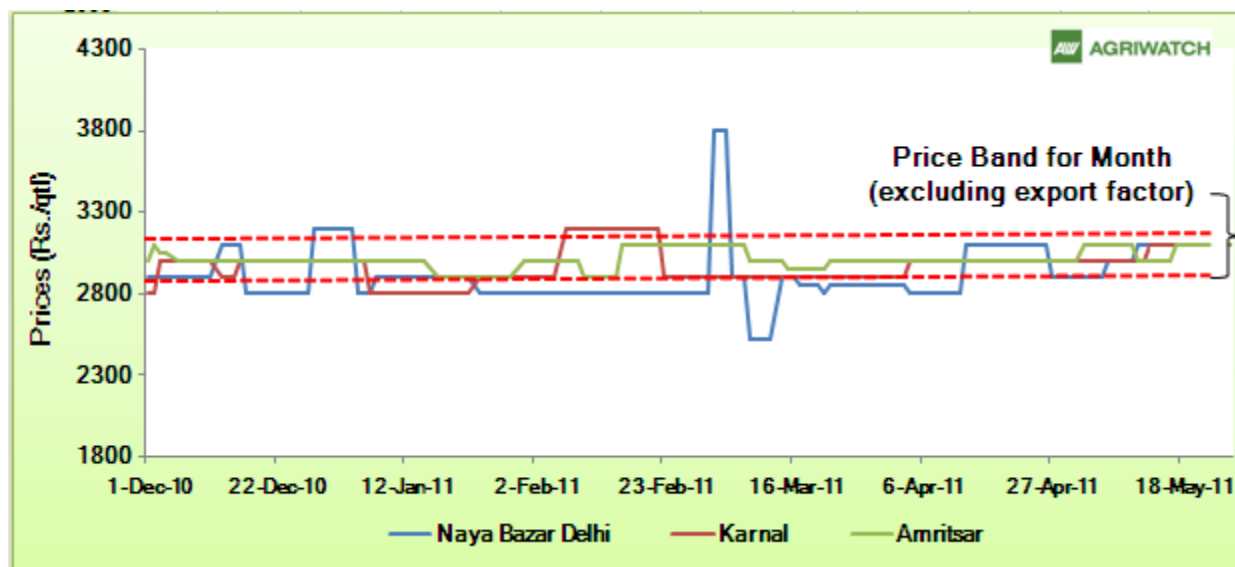
As per director of CRRI, Minimum support price (MSP) encourages farmers to grow more rice as they are assured of higher returns. While MSP has been on the rise during recent years, it is still below the expectations of growers. However, high production will be achieved through higher productivity. There's no any large scale increase in area under rice cultivation, there could be marginal increase in area in anticipation of good monsoon.

Domestic Rice Price Trend

The agriculture ministry has proposed Rs. 160 hike in the minimum support price (MSP) for paddy (common variety) to Rs. 1,160 per quintal for the 2011-12 crop year (July-June), against Rs. 1,000 a quintal in 2010-11.

Ban on exports coupled with delay in fixing support price and setting up of purchase centres has left paddy farmers with no choice but to think of other options. Paddy prices which had hovered between Rs 600 and 700 till then shot up to Rs 1,300, tempting many dealers to stock their produce.

Market	Month Ending Prices of Sharbati Sella Rice (Rs. /quintal)			
	March 2011	April 2011	May 2011	Per cent Change over previous month
Delhi	2800-2850	2800-2900	3100	+6.90
Rudrapur (Uttarakhand)	2850	2900	2900	Unchanged
Karnal (Haryana)	2900	3000	3100	+3.33
Amritsar (Punjab)	2900-3000	2900-3000	3000-3100	+3.33



Domestic market rice prices remained steady to firm in the month compared to previous month. Domestic prices of rice are expected to remain steady to weak in the short term on abundant supplies in the market (prices at north India may remain firm and south India prices will be steady to weak). Prices of aromatic rice may remain firm on higher overseas demand.

Domestic prices of rice are expected to remain steady to firm in coming month as government may think about the decision regarding export of rice.

Scenario of Procurement of Rice/Paddy in India:

Crop Year	Procurement Status (in MMT)
2009-10	32.03
2010-11	32.75*

* Expected (including both Kharif and Rabi)

During the current marketing season, govt. organizations are expecting to procure a quantity of 32.75 million tonnes which is up by 2.24 percent compared to previous year's procured quantity of 32.03 million tonnes. With an estimated 13.39 million tonnes of rice coming in from the Rabi season, the country facing a tough challenge to store the produce along with other foodgrains.

Total Rice Stocks Position with State/Central Pool

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

Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2010	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
2011	25.58	27.80	28.70	28.82	27.76							

Rice stocks in Central Pool as on 1st May, 2011 is 27.76 MMT which is 19.35 per cent higher compared to the stocks in same period last year. Total stocks of grains (wheat and rice) in the central pool as on May 1 was estimated to be 59.13 million tonnes, of which wheat comprised 31.37 million tonnes and rice 27.76 million tonnes. Given higher stocks in central pool of the govt. progressive Rabi harvest procurement will be a challenge for the govt. to store the procured quantity as it already facing the problem of overflow of grain stocks.

Current Paddy/Rice Procurement Status (As on 26/05/2011) (Values in MMT)

Crop Year	Levy	Paddy	Total in terms of Rice
2010-11 KMS	7.90	30.24	28.17
2009-10 KMS	8.24	29.47	27.98
KMS – Kharif Marketing Season Remark: Conversion of paddy in to rice at 67%.			

Rice procurement in the Kharif Marketing Season (KMS-Oct 2010-Sept 2011) by government agencies as on May 26th, 2011 is 28.17 MMT higher 0.68 per cent from last year's 27.98 MMT. Even though Andhra Pradesh paddy growing farmers facing distress sale of their commodity, FCI procurement is slow compared to previous year procurement down by 2.23 per cent. During last week of month, FCI procured nearly 9.98 lakh tonnes of rice (total in terms of rice). Tamil Nadu, Chhattisgarh, and Uttaranchal states were seen higher procurement by FCI during marketing season 2010-11.

FCI Progressive procurement status: 2010-11 (as on 26/05/2011) (Values in MMT)

Progressive procurement of Paddy in 2010-11			Procurement in 2009-10		
Arrival	Procured	Total in terms of Rice	Arrival	Procured	Total in terms of Rice
44.22	30.24	28.17	45.27	29.47	27.98

On back of delayed sowing for Rabi 2010-11 amid pre-monsoon showers hindered the arrivals to market in the month of May.

Progressive Procurement of Rice (as on 25/05/2011)

(Unit: Lakh Tonnes)

State	Total Procurement in Marketing Season 2009-10 (Oct. - Sept.)	Progressive Procurement as on 25.05.2011	
		In Marketing season 2010-11	In Marketing season 2009-10
Andhra Pradesh	75.55	50.88	52.04
Chhattisgarh	33.57	35.35	30.84
Haryana	18.19	16.87	18.16
Kerala	2.61	2.38	2.57
Maharashtra	2.29	2.13	1.90
Orissa	24.96	18.37	20.43
Punjab	92.75	86.34	92.90
Tamil Nadu	12.41	12.88	10.26
Uttar Pradesh	29.01	23.41	26.36
Uttaranchal	3.75	3.68	3.52
West Bengal	12.40	8.76	10.33
All India	320.34	281.44	279.81

The government (FCI) has procured 28.144 million tonnes of rice since October last year, nearly 0.58% higher than the year-ago in the same period. Even though Andhra Pradesh paddy growing farmers face distress sale of their commodity, FCI procurement is in slow phase compared to previous year procurement which is down this year by 2.23 per cent. Tamil Nadu, Chhattisgarh, and Uttaranchal states were seen higher procurement by FCI during marketing season 2010-11.

The delay in procurement of paddy and the prospects of an early monsoon has frightened farmers in the state who are worried about their produce getting damaged due to vagaries of nature. Heaps of paddy are seen at most of the paddy purchasing centers (PPC) due to lack of storage space.

Andhra Pradesh state government has procured nearly 53 lakh tonnes of paddy so far in the state. As per the state civil supplies commissioner, nearly 90 lakh tonnes of paddy was produced during rabi season in the state. Out of it, state have procured 53 lakh tonnes so far, against the procurement of 39 lakh tonnes of paddy the last year, showing an increase of 14 lakh tonne this season. In order to overcome the shortage of storage space in godowns for paddy, the state government was sending 25 per cent of levy rice to other parts in the state, and to other states. Nearly six lakh tonnes of rice were exported to Tamil Nadu, Karnataka, Kerala, West Bengal, and Jharkhand.

As food stocks reach record levels, the food ministry has decided to move grains faster from producing to non-producing states make additional allocation under various social welfare schemes and create more storage space. To tide over the excess supplies, the central government has decided to ensure faster movement of grains from the producing states to the consuming states.

Off-take of Rice from Govt. Agencies (TPDS Schemes): (April Month allocations)

Figures in MT	Zone	East	NEF	North	South	West	Total
Allotment	AAY	144457.00	36990.00	108729.00	176535.00	63766.00	530477.00
	APL	22172.00	65223.00	38172.00	343177.00	20871.00	489615.00
	BPL	315997.00	59094.00	153025.00	277072.00	121831.00	927019.00
	BPL-Add	78679.00	17320.00	121881.00	94950.00	45280.00	358110.00
	APL-Add	10598.00	3061.00	27977.00	0.00	4141.00	45777.00
	Total	571903.00	181688.00	449784.00	891734.00	255889.00	2350998.00
Off take	AAY	88110.00	42845.00	98875.00	169918.00	54796.00	454544.00
	APL	14391.00	54791.00	37724.00	181455.00	19230.00	307591.00
	BPL	151501.00	64265.00	158377.00	259891.00	93920.00	727954.00
	BPL- Add	18364.00	4823.00	43583.00	116923.00	15635.00	199328.00
	APL- Add	1267.00	378.00	9013.00	0.00	12991.00	23649.00
	Total	273633.00	167102.00	347572.00	728187.00	196572.00	1713066.00
% Lifting	AAY	60.99	115.83	90.94	96.25	85.93	85.69
	APL	64.91	84.01	98.83	52.88	92.14	62.82
	BPL	47.94	108.75	103.50	93.80	77.09	78.53
	BPL- Add	23.34	27.85	35.76	123.14	34.53	55.66
	APL- Add	11.96	12.35	32.22	N/A	313.72	51.66
	Total	47.85	91.97	77.28	81.66	76.82	72.87

* AAY-Antodaya Anna Yojna, APL-Above Poverty Line, BPL-Below Poverty Line, Bpl-Add: BPL Additional (New Scheme), APL-Add- Apl Additional (New Scheme)

Basis April, 2011 Allocations

- APL (Above Poverty Line) – 4.89 MMT,
- AAY (Antodaya Anna Yojna – a government welfare scheme) -5.30 MMT and
- BPL (Below Poverty Line) -9.27 MMT.

Ministry of CAF&PD's has communicated its decision (on 16th may 2011) to make further Special adhoc/additional allocation of 3.42MT rice for BPL families under Targeted Public Distribution System (TPDS) at the BPL Central Issue Price(CIP) for distribution during the current financial year.

Quantity of 10 lakh tonnes has been allocated to state/UT governments under OMSS for distribution to retail consumers for a period of 6 months starting from January 2011.

The normal monthly allocation for TPDS in 2011-2012 has been pegged at 3.64 million tonnes, of which around 2.06 million tonnes is rice and the remaining is wheat. And food secretary of India informed that, in addition to this normal allocation under TPDS, we will allocate another 10 million tonnes of grains this year to create space and also to bring down prices. A group of ministers has already approved 5 million tonnes of extra allocation in 2011-2012.

The rates for sale of rice to state/ UT governments under Open market sale scheme (D)

OMSS (D) rate for Raw Rice Grade 'A'	Rs. 1585.84/ctl
OMSS (D) rate for Raw Rice Common	Rs. 1541.07/ctl
OMSS (D) rate for Parboiled Rice Grade 'A'	Rs. 1563.24/ctl
OMSS (D) rate for Parboiled Rice Common	Rs. 1519.12/ctl

Domestic Rice Outlook

India will not allow rice exports from government stocks, despite ample supplies as the country is gearing up to soon introduce a food security law that guarantees cheap grains to 70% of the population. Procurement of Rabi rice produce is under progress and state as well as central government is taking into consideration the movement of rice stocks from producing states to non producing states to ease pressure of storage and also government is allocating ad hoc rice supplies to the public under schemes like AAY, TPDS etc to keep the domestic market prices in check. Domestic prices of rice are expected to remain steady to weak in coming month. If, any positive decision related to lifting export ban may support rice prices significantly.

International Market Rice Supply and Demand Scenario:

Global rice production in 2010-11 is estimated at a record 450m. tons, 2% higher than last year following larger crops in China and India. With production estimated to exceed consumption for the sixth consecutive year, global rice carryovers are forecast to increase to an eight-year peak of 96.5m. tons (93.9m.). The total includes 29m. tons in the five leading exporters, although some 19m. of these will be located in India, where trade restrictions on non-basmati varieties continue. After last year's rise, world trade is forecast to decrease by 2%, to 30.3m. tons, due to a big fall in deliveries to the Philippines. (Source-IGC)

Values in MMT (milled basis)	2007-08	2008-09	2009-10	2012-11 forecast
Production	433	448	440	450
Trade	29	29	31	30
Consumption	430	437	437	448
Carryover Stocks	80	91	94	96
Year/Year Change	+3	+11	+3	+2
Major Exporters (India, Pakistan, Thailand, Vietnam, US)	18	27	28	29

Rice International Fundamentals and crop situation:

Slow global demand coupled with Myanmar's rice export resumption has dragged down the rice price in Vietnam which just enters the summer-autumn crop as the second largest one in the year.

Rice farmers **Uruguay** has harvested a record crop of rice this year totaling 1.65 million MT marking the second highest area planted with the cereal, 195.000 hectares compared to the 200.000 of eleven years ago with farmers hoping that the record crop would help the pricing which have been largely flat for the last three years Uruguay exports over 95% of its annual crop and main markets for rice are Iran, Peru, Iraq and the European Union.

The International Rice Research Institute (IRRI) has warned that the global rice market is a very delicately balanced one and a repeat of the 2008 rice crisis that led to riots in the developing world cannot be ruled out as the cost of other agricultural goods surge. And also IRRI expressed worries regarding farmers shifting to competing crops. And world rice prices should remain stable around current levels into 2012 on improved output due to sufficient rainfall and plentiful stocks to meet demand. Total 2011-12 global rice output was forecast to meet the projected demand of 460 million tonnes given favorable weather.

As per Agriculture Secretary of **Philippines**, it may reduce rice imports to 300,000 to 400,000 metric tons in 2011-12, if this year's harvest exceeds the target 17.4 million MT. The Philippines has originally planned to limit rice imports to 500,000 MT in 2012 based on the expected palay output of about 19.2 million MT. Wherein the country's 2011 imports of 860,000 MT rice is just a third of the total shipments in 2010.

According to a forecast by the United States Department of Agriculture (USDA), Vietnam is likely to export around 6.4 million MT of rice in 2011. The Vietnam Food Association (VFA) has revealed that it had exported 2.869 million MT of rice by May 19, earning US\$1.356 billion. The Vietnam Ministry of Industry and Trade expected to see around 3 million MT of rice exported by the end of May. Vietnam had signed new contracts for 3.9 million MT of rice to be shipped by the end of June. Currently, the VFA has around 1.7 million tonnes of rice in stock and businesses keep 300,000 tonnes, which could help stabilize domestic prices.

Myanmar's return to the export market after a pause of over two months is adding to global supply which may put the downward pressure on Asian rice export prices. US market rice prices may gain further on concern of reduced acreage under rice.

CBOT Market Rice Scenario (July 11 Contract):

Concerns about rains delaying US planting and hurting early crop development (A week ago, 69% of the crop was planted, below the 5-year average of 83% for that time of year) adding support along with farmers reduced rice plantings 17% from last year in favor of other crops supported the bullish movement of prices.

CBOT Rough Rice Futures Trend (June 11 Contract)

Month Ending Prices (USc /hundredweight)	March 2011	April 2011	May 2011	Per cent change over previous month
June 11 Contract	14.31	14.93	15.19	+1.74

CBOT rough rice futures prices hovered in the range of USc 13.80/hundredweight to USc 14.6/hundredweight in the last four months and the trend took breakout at 14.60 on May 16th. Currently prices are in bullish trend.



CBOT rough rice futures prices remained with bullish trend and we expect price will be in sideways to firm movement with range of USD 14.00/hundredweight to USD 15.80/hundredweight in the coming month period.

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