

**Domestic Market Recap:**

***Decision to Lift export ban on non-basmati rice still under consideration even as the farm minister Sharad Pawar strongly favors export rice. as the country has surplus stock, is likely heading to another year of a bumper output on prevailing normal monsoon and has serious shortage of storage facilities.***

***Agriculture ministry expecting a record rice production of 102 million tonnes in the 2011-12 crop year on better initial progress of the monsoon.***

***Paddy (Dhan) prices remained steady to firm in major domestic markets and at currently prices are above MSP. Higher arrivals amid monsoon showers forced farmers to selloff their produce in market.***

***Weak sentiment witnessed in domestic retail and wholesale market. Retail prices down by 0.60 per cent to Rs. 20.02/kg and wholesale prices were down by 0.54 per cent to Rs. 1783.60 per quintal, as government releasing rice stocks in PDS system to ease the concern of storage.***

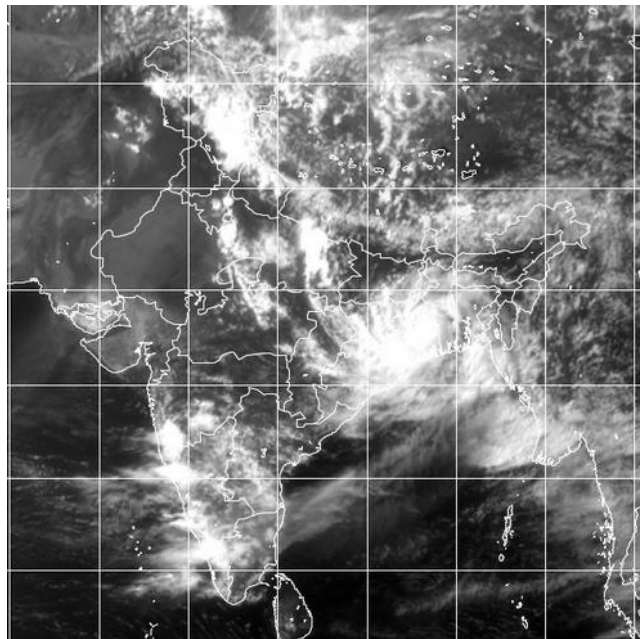
***The government agencies have procured 28.392 million tonnes of rice since October 2010 to June 3rd, 2011 up by 1.2% from same period last year.***

**Paddy Crop Progress and Weather:**

Southwest monsoon has further advanced over some more parts of Maharashtra, most parts of Telangana and Orissa, remaining parts of coastal Andhra Pradesh, Bay of Bengal, West Bengal and some parts of Chhattisgarh, Jharkhand and Bihar.

Widespread rainfall has occurred over west coast, Vidarbha, Assam, Nagaland, Manipur, Mizoram & Tripura and Andaman & Nicobar islands; fairly widespread over West Bengal & Sikkim, Madhya Pradesh, Himachal Pradesh, West Uttar Pradesh, Orissa and Lakshadweep; scattered over east Rajasthan, interior Karnataka, Telangana, north coastal Andhra Pradesh and east Uttar Pradesh and isolated over Jammu & Kashmir, Uttarakhand, Haryana, Gujarat, Rayalaseema, Tamil Nadu and Chhattisgarh.

Rice field activities like Kharif dry direct seeded paddy, irrigation in rice seedlings are in progress, harvesting of summer rice, nursery rising of rice are in progress on favorable weather conditions.

**Weather Outlook:**

Conditions are favorable for further advance of southwest monsoon over some more parts of Maharashtra, rest parts of Telangana, Bihar, Jharkhand, Orissa and Chhattisgarh and some parts of east Madhya Pradesh during next 2-3 days.

**2011-12 Season Paddy Sowing Scenario:**

The sowing of Kharif paddy commences from the current month and is expected gather pace with rains in the coming weeks.

### Impact of Minimum Support Price (MSP) on Prices of Rice/Paddy

We have taken into consideration of Karnal (Haryana) and Rudrapur (Uttarkhand) (major centers of rice trading) to identify the relationship between rice prices and MSP and details mentioned below;

Yearly Average Prices of Rice at selected locations (Rice Prices and MSP in Rs. /quintal)

Year	Delhi	Karnal	Rudrapur	MSP
2007	2526	2547	1227	745
2008	3084	3077	1725	900
2009	2482	2703	1641	1000
2010	2673	3095	1814	1000
2011	2965	3249	1780	1080

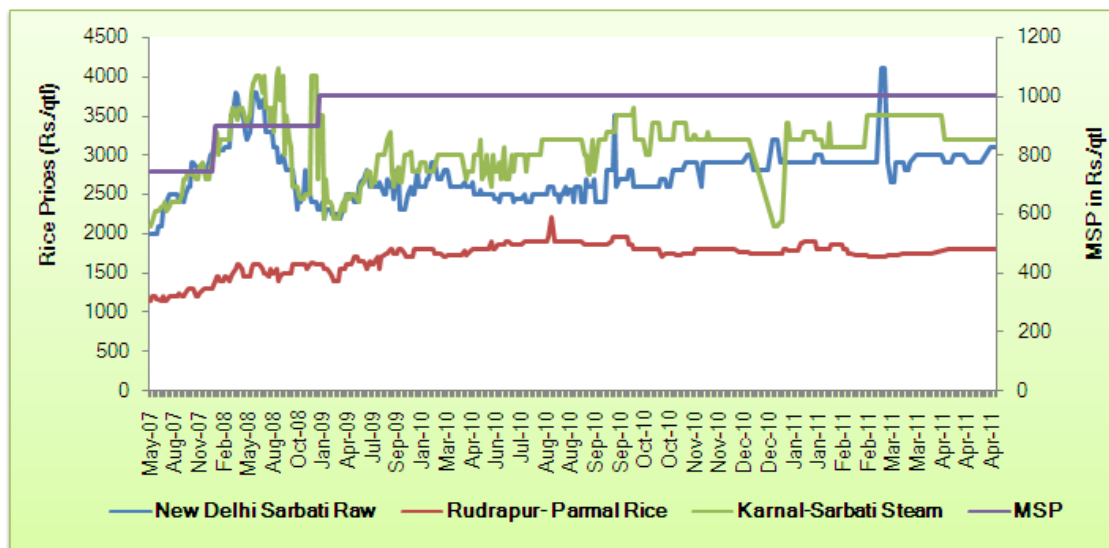
### Correlation Calculation

Correlation	Karnal Rice Prices Vs. MSP	Rudrapur (Uttarkhand) Rice Prices Vs. MSP
	0.60	0.90

The correlation between Minimum Support Price (MSP) and rice prices indicates the effectiveness of Minimum Support Prices to be associated with market prices. It serves as an indicator of MSP leading the trends in the market prices of the commodities.

We found that the correlation between rice prices and the Minimum Support Prices are positive in the selected locations like Karnal (Haryana) and Rudrapur (Uttarkhand) to the extent of 0.60 and 0.90 respectively. MSP fixed will directly impact the rice prices in the market.

Graph Showing trend in MSP Vs. rice prices at various markets:



Therefore, we can say that, increase in the MSP by Rs. 80/quintal to Rs. 1080/quintal may lead further price rise and there will be positive impact on the prices of rice.

### Current Market Dynamics and Outlook

The Karnataka state government begins procuring paddy in four districts (Bellary, Raichur, Koppal and Davangere) during the week at a minimum support price (MSP) higher than that fixed by the Centre and this MSP will be valid till August 31. The Union Government has fixed the support price for Grade One paddy grown

in Karnataka at Rs. 1,030 a quintal and for Grade Two varieties at Rs. 1,000 a quintal. The State Government will add Rs. 100 per quintal to this price in view of the fact that a large number of paddy growers are in distress.

Based on the recommendation of the Commission for Agricultural Costs and Prices (CACP) in its report on minimum support price (MSP) for kharif crops, the Ministry Of Agriculture has recommended allowing export of 3-5 MMT of rice, following a bumper crop this year.

If we consider the cob web phenomenon effect, farmers may go for shifting their crop in other lucrative crops this year (2011-12 season). Farmers went for distress sell in this marketing period which may de-motivate them to go for rice cultivation.

#### Spot Market Rice Prices

(Price in Rs. /qtl)

##### Delhi Market:

Variety	16.06.2011	09.06.2011
Basmati Common	5000	7000
Sharbati raw	2800	3100
Sharbati sella	2800	3000
Parmal raw	2200	1900
Parmal sella	1800	2000
DB Rice (white raw)	3700	4200
1121 Sella	4000-4100	4300

##### Rudrapur (Uttarakhand) Market:

Variety	16.06.2011	09.06.2011
Parmal paddy	925	1200
Parmal raw rice	1750	1750
Sharbati Steam	3100	3100
DB steam	4200	4200

##### Burdwan (West Bengal) Market:

Variety	16.06.2011	09.06.2011
IR 36 (super)	3400-3500	3700-3800
Minikit Shankar	3800-3900	4000-4100
DoodhKalma	3900-4000	3900-4000
Swarna (New)	1800-1850	1800-1900

##### Amritsar (Punjab) Market:

Variety	16.06.2011	09.06.2011
Sharbati Sella rice	2900-2950	2900-3000
Sharbati raw rice	2800-2850	2800-2900
Sharbati steam	3000-3050	3000-3100
Basmati rice raw	4000-4450	4000-4500
Basmati Paddy	2000-2200	2000-2200
Parmal Govt. Quality	1700	1700
Parmal Wand (New)	2000-2100	2000
1121 Steam	4800-5000	4800-5000

##### Karnal (Haryana) Market:

Variety	16.06.2011	09.06.2011
Basmati rice raw	6000	6000-8000
Sharbati steam	3200	3200
Sharbati sella	3000	2800
Parmal raw rice	1900	1800
Parmal sella	1750	1400
DB Rice Sella	3500	3200
IR8	1650	1600
1121 Sella	3900	4000

#### Domestic Price Outlook

##### Paddy Price in various markets during the Week

(Prices in Rs. /quintal)

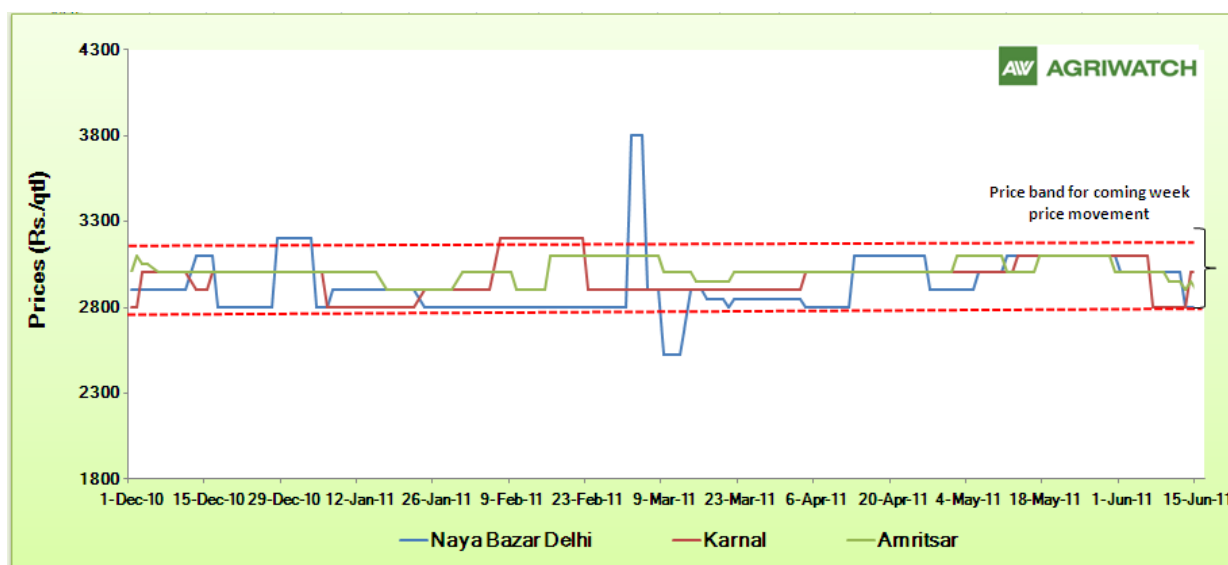
Market	Variety	11/05/2011	13/05/2011	14/05/2011	15/05/2011	16/06/2011	17/06/2011
Bodhan (AP)	MTU 1010	1030	1010	1030	1030	1030	1030
Nizamabad (AP)	MTU-1010	870	890	900	900	900	900
Badepalli (AP)	Hansa	917	926	925	930	924	925
Neora (Chattishgarh)	Paddy	1015	1020	1060	1055	1060	1065
Balod (Chattishgarh)	IR 64	805	800	818	820	822	825
Gangavathi (Karnataka)	IR 64	867	880	900	900	933	935

Raichur (Karnataka)	Sona Mahsuri	952	979	980	980	-	-
Tumkur (Karnataka)	Sona	1200	1200	1250	1250	1200	1200
Cheyar (Tamil Nadu)	Super Ponni	1000	1000	980	903	985	985
Kalavai (Tamil Nadu)	Super Ponni	864	864	860	897	902	-
Vandavasi (Tamil Nadu)	Super Ponni	852	849	853	855	-	-

As mentioned in previous report, paddy prices in major markets remained steady to firm during the period as a result of improved progress in procurement by the state as well as central government agencies.

We expect that paddy prices will continue to remain steady to firm in coming week period and prices may rise by Rs. 10-25/qlt.

### Sharbati Sella Rice Price Expectation



**Domestic market rice prices remained steady to weak during the last week on sluggish demand in the domestic market amid ample stocks with stockiests, traders and in central pool. Domestic prices of rice are expected to remain steady to weak in coming week also government is releasing additional stocks to supply through PDS system to reduce concern of storage facilities.**

**Sharbati sella rice prices likely to remain in the price range of Rs. 2800-3150/quintal. Aromatic rice prices are expected to remain steady to weak on lean export demand and the price range will be Rs. 5000-7500/qlt. Non-aromatic rice prices also expected to remain steady to weak in coming week.**

**The government is expected to review the export cap of rice after a month to a month-and-a-half, once a better picture of the new season's crop emerges.**

### International Market Highlights:

By May 1, rice producers in US had seeded 49% of the nation's crop, 28 percentage points behind last year and 17 points behind the 5-year average. By May 29, on favorable weather condition which allowed producers to seed 94% of the rice crop, 4 percentage points behind last year and slightly behind the 5-year average. Overall, 53% of the rice crop was reported in good to excellent condition on May 29, compared with 74% at the same time last year.

As per **Vietnam's** Ministry of Agriculture and Rural Development, the country's rice exports are likely to touch 7.1 to 7.4 million MT mark for the current year. So far, Vietnam has exported about 3.3 million MT of rice since the beginning of this year. In an attempt to support domestic prices amid harvests, Vietnamese rice exporters have decided to stockpile 1 million MT of milled summer-autumn rice for three months beginning July 15 (Vietnam stockpiled 2 million MT of rice in two phases last year).

Thailand aims to export 9-9.5 million tonnes this year (which is a drop of 5 million tonnes) and in-terms of price offerings received pushed Thailand to second place behind Vietnam as importers offered price of \$465 per tonnes for premium Grade 5 per cent white rice. Vietnam may ship 3.85 million tonnes in the first half and a total of 7-7.4 million tonnes in the whole year wherein it exported 6.75 MMT of rice last year. The Philippines slashing rice imports from 2.25 million tonnes in 2010 to 860,000 tonnes this year have diminished opportunities for Vietnam and Thailand.

As per International Rice Research Institute (IRRI), Manila, as a result of increased production, world rice prices have remained relatively stable, rising only 17 per cent since June last year against a 50-150 per cent hike seen in the prices of other crops. In 2010 Thailand, Vietnam, and the US exported 9 million tonnes, 6.8 million tonnes, and 5.5 million tonnes respectively and weather conditions being favourable, rice production in Cambodia, India, and Bangladesh is expected to increase this year.

Drought in china may act as bullish factor for rise in global rice prices this year and a possible increase in demand also support the global rice prices to raise considerably.

Asian rice market remained with firm sentiment where indicative markets like Thailand and Vietnam found export prices considerably up in this week. Rice FOB prices of Thailand were up US\$ 15-30/MT and Vietnam was up by US\$ 5-10/MT during the week period.

***Asian rice prices are expected to continue with firm trend for the coming week due to higher demand with continued export competition between major producing countries as ample supply is available during progressive harvesting season.***

### CBOT Futures Quotes for Rough Rice

CBOT rough rice futures (July Contract) prices remained with bearish sentiment and it fall hard on profit-taking with the neighboring wheat and corn markets. Wheat's slide of more than 2% added spillover pressure to rice as both grains are global food staples.

Contract	Current (16/06/2011)	Week ago (09/06/2011)	Month ago (16/05/2011)	Year ago (16/06/2010)	% Change over previous year
<b>Jul</b>	14.01	14.94	14.10	11.06	<b>+26.67</b>
<b>Sep</b>	15.02	16.00	14.94	10.99	<b>+36.67</b>
<b>Nov</b>	15.35	16.30	15.25	11.14	<b>+37.79</b>
<b>Jan</b>	15.66	16.58	-	11.42	<b>+37.13</b>

Note: (Closing Prices as on June 17, 2011)

(Prices in USD/hundredweight)

CBOT rough rice futures (July Contract) prices were down by 6.22 per cent to 14.01 compared to previous week prices as spillover effect from wheat, corn and soybeans amid forecasts for improving crop weather. Meanwhile, 93-94% of sowing progress in rice which just two percentage points behind the five-year average for that time of year added support to the rising rice prices.

As rice futures took cue from rallies in corn as well as wheat markets during the 23<sup>rd</sup> week and fall along the corn and wheat in the 24<sup>th</sup> week. A slide in crude oil and rally in the US dollar put heavy pressure corn and wheat which also considered rice prices being the staple grain. Meanwhile, weekly export sales of US rice for delivery before August dropped to 13,200 metric tons, a marketing-year low and an 81% tumble from the prior four-week average.

#### **CBOT Market Rice Scenario (July 11 Contract):**



CBOT rough rice futures prices remained bearish in the last week on varied factors as discussed above and we expect price movement will be steady to weak with range of USD 13.85/ hundredweight to USD 14.50/hundredweight in the coming week period.

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