

**Domestic Market Recap:**

*Trade sources feel that domestic rice output is unlikely to fall even if there is a below normal monsoon this year. The India Meteorological Department, recently changed their prediction from normal to below normal monsoon and that has put the Indian government in a dilemma on whether or not to allow export of non-basmati rice.*

*The major rice producing states like West Bengal and Andhra Pradesh have so far received lower than normal rains in the current season. Farmers in these areas have been delaying paddy transplantation operations which were already under progress. If rains fail to pick up in the next two weeks in these areas, it could slash the country's rice production.*

*Earlier, Agriculture ministry expected a record rice production of 102 million tonnes in the 2011-12 crop years on better initial progress of the monsoon. The government increased the support price of paddy by Rs. 80/quintal to Rs. 1080/quintal for the Kharif 2011 to encourage farmers for planting rice which in turn will increase the production.*

*Traders expect prices to not really surge as the government is holding massive stocks. India's rice inventory was 27.64 million tonnes on June 1 against a target of 17.1 million tonnes.*

*Paddy (Dhan) prices remained weak in major domestic markets and at current prices are above MSP. Weak sentiment continued in rice market as basmati and non basmati rice prices were down during the week. Rice retail and wholesale prices were also showing weakness in prices. Retail prices were down by 2 per cent to Rs. 19.53/kg and wholesale prices were down by nearly 1 per cent to Rs. 1756.35 per quintal, as government releasing additional rice stocks in PDS system to ease the concern of storage.*

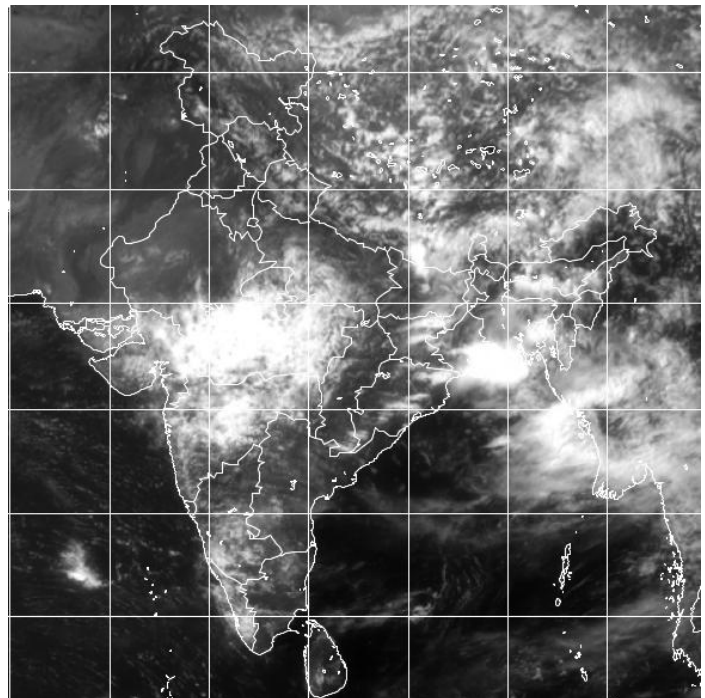
*The government agencies have procured 30.87 million tonnes of rice since October 2010 to June 20th, 2011 up by 6.73% from same period last year.*

**Paddy Crop Progress and Weather:**

As per the latest IMD's long range forecast for the 2011 south-west monsoon (June to September) precipitation is likely to stay in the normal range of 96-104% of Long Period Average (LPA). Apart from normal prediction IMD also stated that there is very low probability for season rainfall to be deficient (below 90% of LPA) or excess above 110% of LPA. Monsoon season rainfall is likely to be 98% of the LPA with a model error of  $\pm 5\%$ . The LPA of the season rainfall over the country as a whole for the period 1951-2000 is 89 cm.

Widespread Southwest monsoon has advanced further into some more parts of Arabian Sea, Gujarat State, East Rajasthan and Uttarakhand, most parts of Himachal Pradesh and entire Jammu & Kashmir.

Widespread rainfall has occurred over east Rajasthan, Madhya Pradesh, Sub-Himalayan West Bengal & Sikkim, Assam and West coast; fairly widespread over Himachal Pradesh; scattered over Uttarakhand, East Uttar Pradesh, Bihar and interior Karnataka and isolated over remaining parts of the country.



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 also in progress on favorable weather conditions. Any delay/variation in rainfall progress may impact rice production activities.

**Weather Outlook (25<sup>th</sup> June-July 1<sup>st</sup>):**

Decrease in rainfall activity may occur over east and central India. However, fairly widespread rain/thundershowers are likely along west coast and northeast India. Subdued rainfall activity may prevail over south interior peninsula.

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

The sowing of Kharif paddy commences from this month and is expected to gather pace with rains in the coming weeks. While, the change in forecast from normal to below normal monsoon rains created some doubt among people, All India Rice Exporters Association officials feel that even in case of 5 per cent deficiency in monsoon rains, output of rice crop is unlikely to fall.

As per the sources, the area under paddy is slightly higher so far in the ongoing Kharif season compared to last year. Rice has been sown in 10.35 lakh hectare till date as compared to 10.32 lakh hectare of the last year's acreage.

**Current Market Dynamics and Outlook**

As government granaries are overflowing with stocks (65.60 MMT), the Centre allocated an extra 5 million tonnes of rice and wheat under ad hoc additional allocation scheme to benefit 11.50 crore APL families at subsidized rates till March, 2012. This decision is mainly taken to make available food grains to APL families who may not be getting their full quota of 15 kg at subsidized rate of Rs 8.30 per kg (rice) and Rs 6.10 per kg (wheat) in a month. Meanwhile the country is facing a problem of plenty as granaries are overflowing with stocks after a bumper crop last year.

Based on the recommendation of the Commission for Agricultural Costs and Prices (CACP) the ministry of agriculture has recommended allowing export of 3-5 million tonnes of rice, following a bumper crop this year.

In Tamil Nadu, political parties have been supporting the demand by farmers to fix a price of Rs.1, 500 per quintal to keep pace with the increase in input costs which has increased the cultivation expenditure. Besides good procurement price, credit and inputs like seeds and fertilizers should be made available to the farmers in time to increase production.

Food Corporation of India (FCI) has asked Punjab government to give details about freshly harvested wheat crop, stored in poor conditions, to move it on priority basis to prevent wastage due to exposure to rains. Maintaining the condition of food grains is now a serious storage problem in Punjab. Delay in paddy sowing noticed in some regions of Punjab as a result shortage of labour and fertilizer price hike (The price of DAP has increased by about 120-140 per cent in the last one year to Rs 600 a kg at present).

**Spot Market Rice Prices**

(Price in Rs. /qtl)

**Delhi Market:**

Variety	23.06.2011	16.06.2011
Basmati Common	5000	5000
Sharbati raw	2900	2800
Sharbati sella	2950	2800
Parmal raw	2200	2200
Parmal sella	1900	1800
DB Rice (white raw)	3900	3700
1121 Sella	4200	4000-4100

**Rudrapur (Uttarakhand) Market:**

Variety	23.06.2011	16.06.2011
Parmal paddy	1000	925
Parmal raw rice	1850	1750
Sharbati Steam	3100	3100
DB steam	4200	4200

**Burdwan (West Bengal) Market:**

Variety	23.06.2011	16.06.2011
IR 36 (super)	3400-3500	3400-3500
Minikit Shankar	3800-3900	3800-3900
DoodhKalma	3900-4000	3900-4000
Swarna (New)	1800-1850	1800-1850

**Amritsar (Punjab) Market:**

Variety	23.06.2011	16.06.2011
Sharbati Sella rice	2900-3000	2900-2950
Sharbati raw rice	2800-2900	2800-2850
Sharbati steam	3000-3100	3000-3050
Basmati rice raw	4200-4500	4000-4450
Basmati Paddy	2000	2000-2200
Parmal Govt. Quality	1750	1700
Parmal Wand (New)	2000	2000-2100
1121 Steam	4800-5000	4800-5000

**Karnal (Haryana) Market:**

Variety	23.06.2011	16.06.2011
Basmati rice raw	6000	6000
Sharbati steam	3200	3200
Sharbati sella	3000	3000
Parmal raw rice	1900	1900
Parmal sella	1750	1750
DB Rice Sella	3500	3500
IR8	1650	1650
1121 Sella	3900	3900

**Progressive Procurement of Rice (as on 20/06/2011)**

(Unit: Lakh Tonnes)

State	Total Procurement in Marketing Season 2009-10 (Oct. - Sept.)	Progressive Procurement as on 20.06.2011		% change Y-O-Y
		In Marketing season 2010-11	In Marketing season 2009-10	
Andhra Pradesh	75.55	79.34	58.31	36.07
Chhattisgarh	33.57	35.88	31.15	15.18
Haryana	18.19	16.87	18.16	-7.10
Kerala	2.61	2.58	2.59	-0.39
Maharashtra	2.29	2.21	2.01	9.95
Orissa	24.96	21.32	21.39	-0.33
Punjab	92.75	86.35	92.90	-7.05
Tamil Nadu	12.41	13.48	10.70	25.98
Uttar Pradesh	29.01	23.51	26.61	-11.65
Uttaranchal	3.75	3.89	3.69	5.42
West Bengal	12.40	9.83	10.96	-10.31
All India	320.34	308.77	289.31	6.73

The government has procured 30.87 million tonnes of rice since October 2010 to June 20<sup>th</sup>, 2011 up by 6.73% from same period last year. Andhra Pradesh state seen higher procurement and other states like Tamil Nadu, Maharashtra, Uttaranchal and Chhattisgarh also seen increased procurement in current marketing period.

### Domestic Price Outlook

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

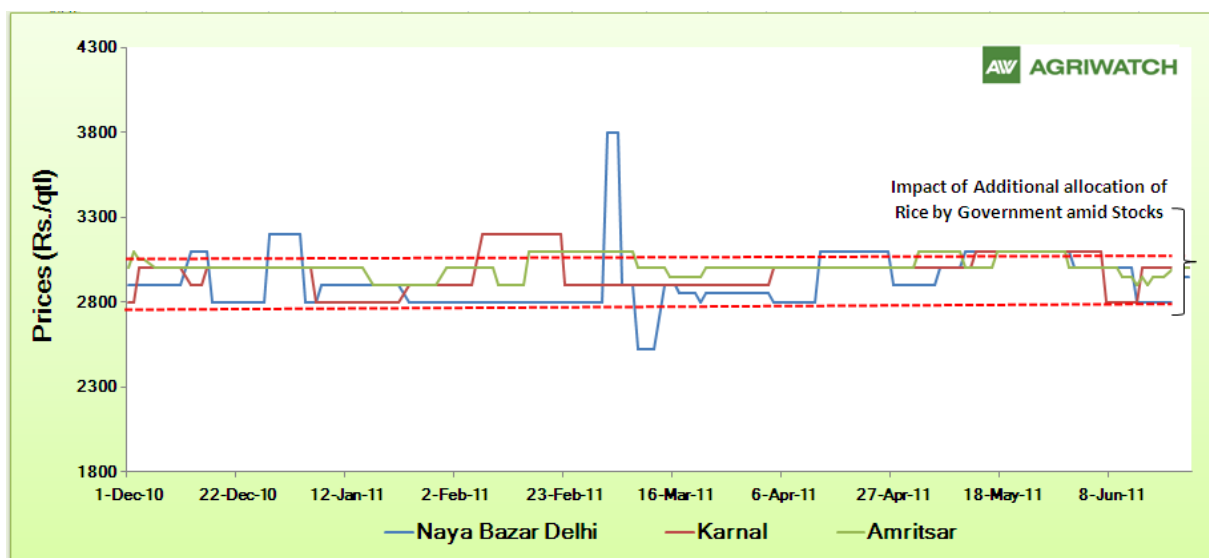
(Prices in Rs. /quintal)

Market	Variety	18/06/2011	19/06/2011	20/06/2011	21/06/2011	22/06/2011	23/06/2011
Bodhan (AP)	MTU 1010	1030	1030	1030	1030	1020	1020
Nizamabad (AP)	MTU-1010	900	900	1100	900	905	910
Badepalli (AP)	Hansa	927	926	926	982	-	-
Neora (Chattishgarh)	Paddy	1010	1020	1030	850	800	825
Balod (Chattishgarh)	IR 64	805	800	805	820	830	-
Gangavathi (Karnataka)	IR 64	1000	950	800	960	997	853
Raichur (Karnataka)	Sona Mahsuri	1009	1006	1006	1122	1124	1013
Tumkur (Karnataka)	Sona	1200	1200	1200	1200	1150	1200
Cheyar (Tamil Nadu)	Super Ponni	980	980	980	892	889	915
Kalavai (Tamil Nadu)	Super Ponni	864	864	849	914	915	910
Vandavasi (Tamil Nadu)	Super Ponni	-	-	926	916	-	-

Paddy prices in major markets remained steady to weak during the period as a result of reduced off-take from the traders/ millers during ample stock condition amid continuation of export ban on non-basmati rice.

We expect that paddy prices may fall further by Rs. 10-15/quintal in coming week on increasing supply condition.

#### Sharbati Sella Rice Price Expectation



*Domestic market prices remained weak during the last week on sluggish demand in the domestic market amid ample stocks with stockists, traders, millers and in central pool. Government's additional allocation for APL families is also impacting the prices. Traders and millers are worried as government has continued the export ban inspite of high stock levels.*

*Sharbati sella rice prices likely to remain in the price range of Rs. 2800-3100/quintal. Aromatic rice prices are expected to remain steady to weak on lean export demand and the price range will be Rs. 5000-6500/qtl.*

*Concerns about rice production due to the variation in monsoon rainfall (below normal monsoon forecast by IMD) are likely to protract the government's delay in deciding whether to allow non-basmati rice exports.*

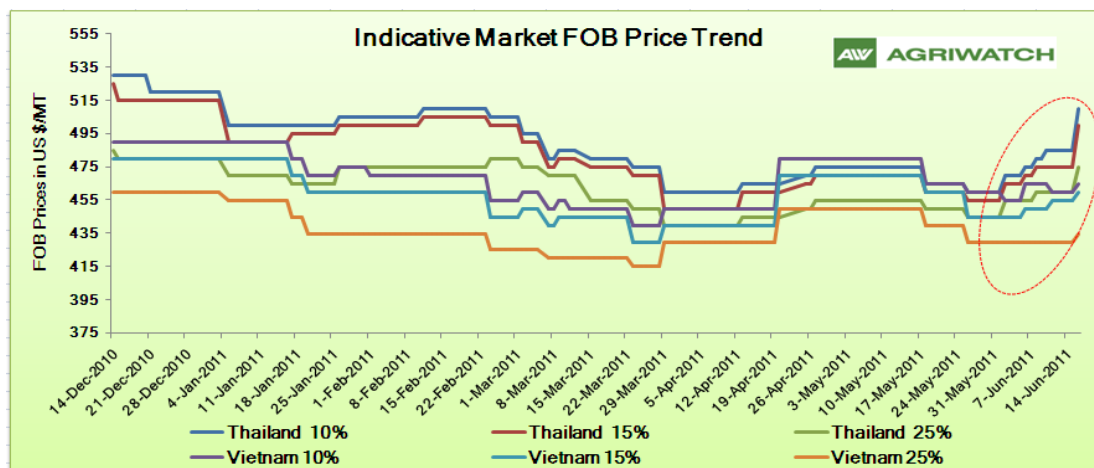
### International Market Highlights:

**Thailand:** As per the agriculture ministry of Thailand, they plan to increase annual production by 15 percent to 35 million tonnes of paddy by 2015 to meet rising global demand amid lower supply situation in many countries. Thailand rice FOB prices are sturdily up during the week as a result of local traders and millers are buying rice from farmers to keep it in stocks which created tight supply situation amid higher demand in the international market. The Thailand government projects total 2011 exports to reach 9.5-10 MMT as a result of major purchases from Bangladesh, Iraq and others. Meanwhile, Thailand exported 8.7 million tonnes of the staple grain in 2010. Currently, 100% B grade rice is quoting at \$530-540 per MT FOB Bangkok; 5% is \$510- 520, and parboil is on par with white rice. Broken, both fragrant and white remain quite firm at \$480 and \$425 respectively. Mostly the FOB prices of Rice were up by 5-6 per cent in the week period.

**Bangladesh** continues to be a major player on the demand side by buying 50,000 MT of Thai Parboil 15% at their most recent tender at \$507 CNF.

**Vietnam:** June 01-16, 2011 period rice exports from Vietnam amounted to 270,760 MT, worth FOB 124.022 million USD and rice exports from Jan 01 to June 16, 2011 totaled 3.541 MMT, worth 1.670 billion USD. Vietnam rice FOB prices were up by 1 per cent during the week and the Philippines and Indonesia remained major buyers.

Compared to Vietnam, Thailand rice quotes were higher by US\$ 40-50 per MT which may slow down demand for Thailand rice and shift buyers to Vietnam origin cheaper rice. Demand from African countries also supported Vietnamese rice prices this week even though supply from its new crop is about to peak.



The Bureau of Agricultural Statistics of **Philippines**, paddy rice production for April to June may have increased by 14.2 percent to 3.57 million metric tons. For January to June, paddy rice output is expected to have reached 7.61 million tons. For the whole of 2011, the government has targeted a production of 17.4 million tons. Agriculture officials expect farm production to have grown by as much as four percent in the second quarter of this year despite the onslaught of the recent typhoons. And also Department of Agriculture forecasting that the country's palay (rice) production would reach 19.2 million tons in 2012 and 21.12 million tons in 2013, which would be enough for domestic consumption.

By 12<sup>th</sup> June, 93 percent of **US** rice crop had emerged though is 2 percentage points behind both last year and the 5-year average. Warmer weather in California promoted increased emergence during the week. Overall, 58 percent of the rice crop was reported in good to excellent condition, down slightly from last week and 19 percentage points below the same time last year.

As per United Nations' Food & Agriculture Organization, global rice prices may decline as increased harvests in the biggest producers exceed demand and boost stockpiles. FAO expecting, global rice production to touch 476 MMT in 2011 on the back of improved weather conditions.

***Asian rice prices are expected to continue with firm trend for the coming week. Global rice demand was expected to remain strong in the coming years while supply in major rice producing countries was likely to be reduced by harsh weather conditions. Demand from major importing countries like Bangladesh, Indonesia, the Philippines will drive up export volume as well as prices for Thai rice likely to support but cheaper rice availability from Vietnam will keep competition with Thailand.***

#### CBOT Futures Quotes for Rough Rice

CBOT rough rice futures (July Contract) prices remained with bearish sentiment during the week and it continued to fall by 2.21 per cent on favorable weather conditions in US created hopes of improvement in crop growth. Spillover pressure from wheat futures also influenced rice as both grains are global food staples. Rice lacks strong demand news to support prices, as Iraq bought Thai and Uruguayan rice in a tender and none from the US. Weekly US rice export sales of 76,500 tons for the week ended June 16 were up 23% from the prior four-week average.

Contract	Current (23/06/2011)	Week ago (16/06/2011)	Month ago (23/05/2011)	Year ago (23/06/2010)	% Change over previous year
Jul	13.70	14.01	15.08	10.56	+29.73
Sep	14.73	15.02	15.93	10.54	+39.75
Nov	15.06	15.35	16.24	10.76	+39.96
Jan	15.38	15.66	16.55	11.05	+39.19

Note: (Closing Prices as on June 23, 2011)

(Prices in USD/hundredweight)

CBOT rough rice futures (July Contract) prices were continuing to fall, by 2.21 per cent to 14.01 compared to previous week prices as spillover effect from wheat, corn and soybeans amid forecasts for improving crop weather. Rough rice prices were down by 29.73 per cent to 13.70 in comparison to same period last year.



### 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 weak with range of USD 13.60/ hundredweight to USD 14.20/hundredweight in the coming week.

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