***Bottom Line:***

***Agriculture ministry projecting a record rice production of 102 million tonnes in the 2011-12 crop year on forecast of normal monsoon and initial good progress.***
***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. But, the uneven distrinution of rainfall keeping government targets in doubtful condition and also it kept government in dilemma to decide on export of Rice.***
***Prices are unlikely to surge due to huge stocks with government. India's rice inventory was 27.64 million tonnes on June 1st against a target of 17.1 million tonnes.***

## Domestic Market Rice Supply and Demand Scenario:

**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 for the crop year*

As evident from the above S&D total availability for the country during 2010-11 increased by almost 6 per cent to117.1 MMT. Carry-out stocks are also expected to increase by 15 per cent to 30.98 MMT despite expecting 2.8 per cent increase in consumption in 2010-11.

## Rice Domestic Fundamentals and crop situation:

SW monsoon key for countries agriculture were up by 11 per cent from the LPA during the period June 1st to June 22nd. However, the distribution of rains over the key growing regions particularly in Southern and Nothewest part of the country is not satisfactory due to which the pace of sowing is dull while eastern and part of the country received good rains and reportedly the sowing activity is picking up.

Following table reflects the state wise % departure of monsoon rains upto June 22nd –

| State | % Departure | Status |
|---|---|---|
| **Andhra Pradesh** | -76% | Scanty |
| **Assam** | -60% | Scanty |
| **Bihar** | +117% | Excess |
| **Karnataka** | -34% | Deficient |
| **Kerala** | -9% | Normal |
| **Orissa** | +59% | Excess |
| **Tamil Nadu** | -65% | Scanty |
| **Uttar Pradesh** | +169% | Excess |
| **West Bengal** | +163% | Excess |

As evident from the above table rainfall in good over West Bengal, Uttar Pradesh, Bihar and Orissa which helped in smooth sowing activity in the regions whereas the rainfall is deficit to scanty in other states like Assam, A.P., Tamil Nadu etc which affected the sowing activity.

So, rainfall during the month of July will remain the key for determining the sown area for rice in the country this Kharif 2011. Any deviation or uneven distribution of rains may affect the sowing activity which in turn result into lower sown area and consequently the output.

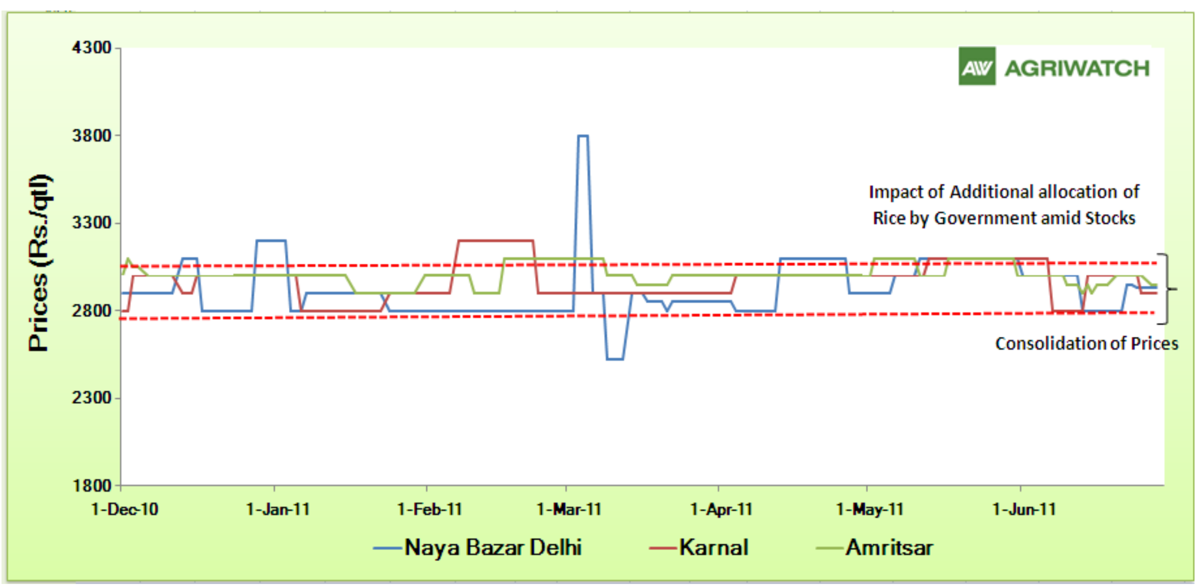
Meanwhile, paddy/rice procurement by government agencies (FCI) as on date stood at 31.6 MMT (in terms of rice). As on June 1, grain stocks in government warehouses were at a record 65.6 million tonnes (rice, wheat) against a target of 16.2 million tonnes with a strategic reserve of 5 million tonnes.

As government granaries are overflowing with stocks, 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.

However, huge stocks are also creating concern for government due to the storage problem as the stuff stored in the open could be damaged due to the monsoon rains. So, government may take a call on exporting some quantities after assessing the Kharif 2011 rice crop prospects.

## Domestic Rice Price Trend and Outlook

| Market | Month Ending Prices of Sharbati Sella Rice (Rs. /quintal) | | | | |
|---|---|---|---|---|---|
| | March 2011 | April 2011 | May 2011 | June 2011 | Per cent Change over previous month |
| **Delhi** | 2800-2850 | 2800-2900 | 3100 | 2930 | **+6.90** |
| **Rudrapur (Uttarakhand)** | 2850 | 2900 | 2900 | 2900 | **Unchanged** |
| **Karnal (Haryana)** | 2900 | 3000 | 3100 | 2900 | **+3.33** |
| **Amritsar (Punjab)** | 2900-3000 | 2900-3000 | 3000-3100 | 2900-2950 | **+3.33** |



***Rice prices mostly remained weak in June 2011 as compared to previous month on comfortable supply amid huge stocks with government. Domestic rice prices are expected to remain steady to weak in medium term on comfortable supplies in the market. Meanwhile, sluggish overseas demand keeping aromatic rice prices on softer side.***

## Procurement of Rice/Paddy in India:

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

* Govt. target (including both Kharif and Rabi)

During the current marketing season, govt. organizations are expected 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. And as on date 31.6 MMT of rice has been already procured by FCI.

## 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 | 27.64 | | | | | | |

Rice stocks in Central Pool as on 1st June, 2011 is 27.64 MMT which is 9.42 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 June 1 was estimated to be 65.69 million tonnes, of which wheat comprised 37.83 million tonnes and rice 27.64 million tonnes

## State wise 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 |

As on June 22nd, government (FCI) has procured 30.87 million tonnes of rice since October last year, nearly 6.73% higher than same period last year. A.P., Chhattishgarh and Tamil Nadu remains in the top by contributing significant quantities. Also the effort of government and state agencies (opening of new procurement centers to overcome the distress sell from farmers) helped in increased procurement in the states.

## International Market Rice Supply and Demand Scenario:

As per the USDA's, global rice production in 2010-11 is estimated at a record 456 MMT, 1.4% higher than last year. U.S. 2011-12 rice production is projected at 199.5 million cwt, down 11.5 million from last month projections amid decrease in planted area. Area in China also decreased due to the impact of prolonged drier-than-normal weather affecting mostly early rice. Meanwhile, production projections are raised for Egypt and Guyana.

**World Rice Supply and Demand Table:**

| Attribute | 2008-09 | 2009-10 | 2010-11 | 2011-12 | %change Y-O-Y |
|---|---|---|---|---|---|
| Area Harvested (1000 HA) | 157872 | 156019 | 158317 | 159940 | 1.01 |
| Beginning Stocks (1000 MT) | 79966 | 91528 | 93872 | 96484 | 2.71 |
| Milled Production (1000 MT) | 447498 | 440061 | 450009 | 456385 | 1.4 |
| MY Imports (1000 MT) | 27177 | 28078 | 29583 | 28924 | -2.28 |
| MY Exports (1000 MT) | 28925 | 31065 | 31491 | 32342 | 2.63 |
| Consumption (1000 MT) | 434188 | 434730 | 445489 | 454551 | 1.99 |
| Ending Stocks (1000 MT) | 91528 | 93872 | 96484 | 94900 | -1.67 |
| Yield (Rough) (MT/HA) | 4.24 | 4.22 | 4.26 | 4.27 | 0.23 |
| | | | | | Source: USDA |

## Rice International Fundamentals and crop situation:

By 12th 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.

**Philippines**, palay (paddy/unhusked rice) production in the second quarter of the year grew 14.2% with preliminary production figures of 3.573 million metric tons compared to the second quarter 2010 production of 3.129 million MT.

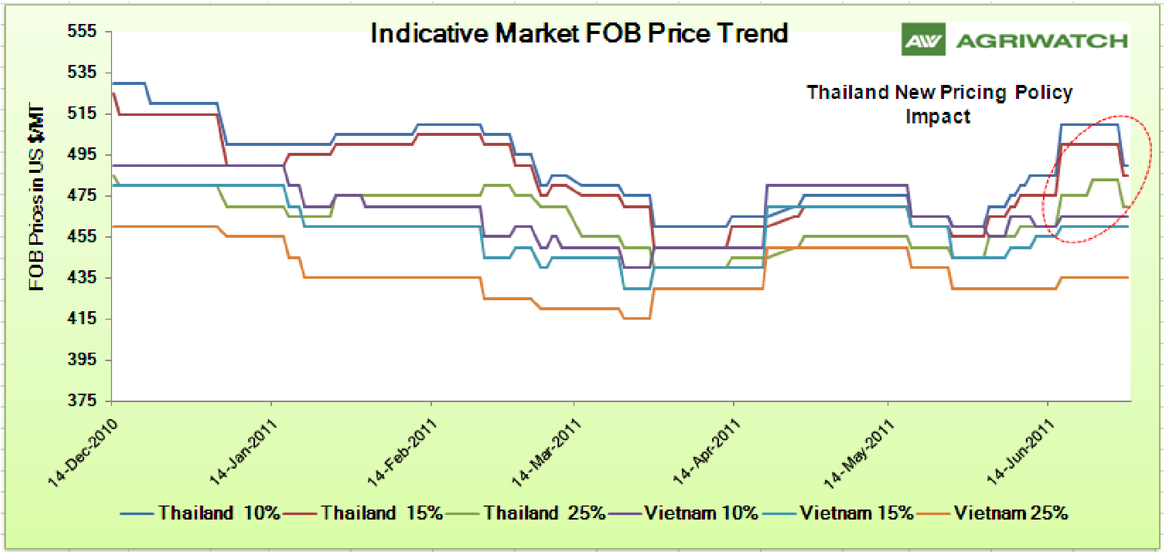
**Thailand**: As per the agriculture ministry of Thailand, they plan to increase annual production by 15 percent to 35 million tonnes of paddy by 2015 to meet rising global demand amid lower supply situation in many countries. Thai rice export quotes fall by US$ 15-30 per metric tonnes (FOB) compared export quotes during previous week on uncertainty over Thai government new pricing policy. Traders expecting that, prices may rise and shipments could fall by as much as 50% on government new pricing policy which has the intention to buy the rice at above market rates.

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.

Thailand's rice exporters are in dilemma and making fewer export offers. Meanwhile, rise in prices may hinder the buyers to opt for Thai rice and demand may shift towards Vietnam rice which is available at lower price of 30-45 per metric tonnes in comparison to Thai rice.

As per the general statistics of **Vietnam,** it may ship 650,000 metric tons in June month. The nation exported 644,000 tons in May, down 1 percent from a previous assessment of 650,000 tons and exports in the first half of 2011 were estimated at 4 million tons, up 16 percent from a year earlier. Demand from African countries supporting Vietnamese rice prices in the month even though supply from its new crop is about to peak.

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 will likely to rise on Thailand new pricing policy amid slowing supply from Pakistan and upcoming demand from Sri Lanka. 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.***

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

Prices are down sharply since June 10 as a result of ample world rice supplies. Traders awaiting Thursday's USDA acreage and quarterly stocks report.
The market is anticipating a bearish inventory report from government forecasters this week and without fresh export demand, buyers were content to sit on the sidelines.

**CBOT Rough Rice Futures Trend (July 11 Contract)**

| Month Ending Prices (USc /hundredweight) | April 2011 | May 2011 | June 2011 | Per cent change over previous month |
|---|---|---|---|---|
| **July 11 Contract** | 14.93 | 15.06 | 13.32 | **-13.06** |

CBOT rough rice futures prices hovered in the range of USc 15.00/hundredweight to USc 13.40/ hundredweight during the month and the trend took support at 13.20 on June 30th. Currently prices are in bullish trend.


CBOT rough rice (**September** 2011 contract) futures prices remained with bearish trend and we expect price likely to take support at 14.35 level for the sideways to bullish movement in coming month with range of USD 14.40/hundredweight to USD 15.20/hundredweight in the coming month period. If price breach the immediate support lvel, then price expected to fall up to 14.20.