

### **Domestic Market Highlights and Week ahead :**

Agriculture ministry projecting a record rice production of 102 million tonnes in the 2011 -12 crop year on forecast of normal monsoon and the current 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 remain supportive of a better outlook for production. But, the uneven distribution 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 1<sup>st</sup> against a target of 17.1 million tonnes.

The government is likely to allow exports of one million tonnes of non-basmati rice from its own godowns which is expected to ease storage problem. This will end more than four years of ban on exports of food grain. They have suggested export of three million tonnes of wheat and rice. They want to export non-basmati rice through FCI godowns.

A decision on lifting the four-year ban on export of rice and wheat remain likely in a week as put by commerce secretary Rahul Khullar. While India Farm Minister Sharad Pawar said he isn't pushing for grain exports, reversing his previous stand with food inflation remaining high and as the government will require more supplies of rice and wheat for its welfare programs.

India's food-grain stocks are at an all-time high of 65.47 million metric tons, about two-and-a-half times the annual requirement for state welfare programs. Still, the government is cautious on exports due to inflation fears and its plan to enact a law that seeks to expand the supply of subsidized grains.

Rice retail and wholesale prices traded mixed in the spot market in the week ending 06 July. Going forward, Rice price sentiment is expected to remain steady to firm as lean season in India limits supply while sowing also lags on deficient rains, which create skepticism for the achievement of the higher production of rice in 2011-12. Paddy area in Andhra Pradesh is likely to fall due to distress sell. Area is expected to decline about 3.70% in 2011-12. The also remains a supportive driver.

### **Paddy Crop Progress and Weather:**

India's key monsoon rains were 25% below normal in the week to 6 July, a sharp reversal from the 10% above average rains in the previous week as put by the weather office, reflecting a predicted lull in the monsoon's progress. Also the distribution of rainfall is not satisfactory over the key growing areas in southern part of the country and as per the latest forecast of IMD, subdued rainfall activity would prevail over southeastern parts of peninsular India mainly over Andhra Pradesh, interior Karnataka and Tamil Nadu which may further affect the sowing activity.

**Following table reflects the state wise % departure of monsoon rains (June 22<sup>nd</sup> vs. June 29)**

State	% Departure upto June 22	% Departure upto June 29
Andhra Pradesh	-76%	-65%
Assam	-60%	-10%

<b>Bihar</b>	117%	26%
<b>Karnataka</b>	-34%	22%
<b>Kerala</b>	-9%	-29%
<b>Orissa</b>	59%	-54%
<b>Tamil Nadu</b>	-65%	-44%
<b>Uttar Pradesh</b>	169%	95%
<b>West Bengal</b>	163%	65%

The table below shows the state-wise area coverage as on July

(Area in Lakh hectares)			
State	Area Sown until July 2011	Area sown until July 2010	Y.O.Y Change
<b>Andhra Pradesh</b>	0.88	1.27	-30.71
<b>Assam</b>	2.52	4.4	-42.73
<b>Bihar</b>	2.3	1.66	38.55
<b>Karnataka</b>	1.48	1.85	-20.00
<b>Uttar Pradesh</b>	7.76	5.05	53.66

(Source: State Agricultural Dept)

Rainfall remains below normal in Andhra Pradesh and Assam as recorded until June 29 affected the sowing activity. Rains in Karnataka catch up on Week on Week basis which supported the sowing activity to some extent. However, overall the sown area under paddy remains below the last year's level due to uneven distribution of rainfall during mid June onwards. On other hand, sowing of the commodity surpass last year's level in Bihar and UP amid ample rains in these regions.

### **Current Market Dynamics and Outlook**

The empowered group of ministers (EGoM) in the first week of July is likely to take a decision on exports of 1 million tonnes of non-basmati rice amid huge stocks with government. However, the decision is confronted with skepticism as so far the Kharif 2011 crop prospect is not good due to deficit to scanty rains in key rice growing areas.

All-India progressive procurement of Rice for the marketing season 2010 -11 as on 01.07.2011 was 316.07 lakh tonnes as compared to 294.47 lakh tonnes upto the corresponding period of last year.

State wise Progressive Procurement of Rice (as on 01/07/2011)

(Unit: Lakh Tonnes)

State	Total Procurement in Marketing Season 2009-10 (Oct. - Sept.)	Progressive Procurement		% change Y-O-Y
		as on 01.07.2011		
		In Marketing	In Marketing	
		season 2010-11	season 2009- 10	
Andhra Pradesh	75.55	83.14	60.41	37.63
Chhattisgarh	33.57	36.1	31.19	15.74
Haryana	18.19	16.87	18.16	-7.10
Kerala	2.61	2.61	2.61	-
Maharashtra	2.29	2.37	2.07	14.49
Orissa	24.96	23.66	23.66	-
Punjab	92.75	86.35	86.35	-
Tamil Nadu	12.41	13.87	13.87	-
Uttar Pradesh	29.01	23.51	23.51	-
Uttaranchal	3.75	3.99	3.99	-
West Bengal	12.4	9.89	9.89	-
All India	320.34	316.07	316.07	-

Stocks Of Foodgrains & Sugar In Central Pool as on 01.07.2011

(Figs. in lakh MT)			
	IN STORAGE	IN TRANSIT	TOTAL
RICE	266.0	2.58	268.6
TOTAL	635.0	5.09	640.1

		STOCK WITH	TOTAL
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			CENTRAL POOL
	FCI	STATE AGENCIES	STOCK
	RICE	RICE	RICE
BIHAR	2.0	2.6	4.5
JHARKHAND	0.9	0.0	0.9
ORISSA	2.2	13.7	15.9
WEST BENGAL	1.7	2.4	4.1
EAST ZONE TOTAL	6.8	18.6	25.4
ASSAM	1.5	0.0	1.5
ARUNACHAL PRADESH	0.0	0.0	0.0
TRIPURA	0.3	0.0	0.3
MIZORAM	0.2	0.0	0.2
MEGHALAYA	0.2	0.0	0.2
MANIPUR	0.0	0.0	0.0
NAGALAND	0.2	0.0	0.2
NE ZONE TOTAL	2.4	0.0	2.4
DELHI	0.4	0.0	0.4
HARYANA	13.8	0.2	13.9
HIMACHAL PRADESH	0.0	0.0	0.0
JAMMU & KASHMIR	0.4	0.0	0.4
PUNJAB	65.3	27.5	92.8
RAJASTHAN	0.3	0.0	0.3
UTTAR PRADESH	10.5	1.1	11.6
UTTARAKHAND	1.5	0.5	2.0
NORTH ZONE TOTAL	92.1	29.2	121.3
ANDHRA PRADESH	46.3	12.9	59.2
KARNATAKA	4.5	0.2	4.7
KERALA	3.3	0.8	4.1
TAMILNADU	7.0	9.2	16.2
SOUTH ZONE TOTAL	61.0	23.2	84.2
GUJARAT	1.2	0.0	1.2
MAHARASHTRA	8.2	2.1	10.3

<b>MADHYA PRADESH</b>	0.7	1.2	2.0
<b>CHHATISGARH</b>	9.9	9.2	19.1
<b>WEST ZONE TOTAL</b>	20.0	12.6	32.6
<b>TOTAL</b>	182.4	83.6	266.0
<b>STOCKS IN TRANSIT</b>	2.6	0.0	2.6
<b>Wheat lying in Mandies</b>	0.0	0.0	0.0
<b>TOTAL (ALL INDIA)</b>	185.0	83.6	268.6

### Domestic Prices & Outlook

Spot Market Prices for Rice:

(Price in Rs. /qtl)

Delhi Market:

Variety	06.07.2011	30.06.2011
Basmati Common	5000	5000
Sharbati raw	3000	2900
Sharbati sella	2900	2930
Parmal raw	3000	2200
Parmal sella	1800	1890
DB Rice (white raw)	4000	3840
1121 Sella	4200	4100

Rudrapur (Uttarakhand) Market:

Variety	06.07.2011	30.06.2011
Parmal paddy	1000	1000
Parmal raw rice	1900	1900
Sharbati Steam	2900	2900
DB steam	4100	4100

(West Bengal) Market:

Variety	06.07.2011	30.06.2011
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	06.07.2011	30.06.2011
Sharbati Sella rice	2900-3000	2900-2950
Sharbati raw rice	2800-2900	2900-2950
Sharbati steam	3000-3100	3000-3100
Basmati rice raw	4000-4500	4200-4500
Basmati Paddy	1800-2000	2000
Parmal Govt. Quality	1800	1800
Parmal Wand (New)	2000-2050	2000
1121 Steam	4500-4800	4800-5000

Karnal (Haryana) Market:

Variety	06.07.2011	30.06.2011
Basmati rice raw	6200	6200
Sharbati steam	3300	3300
Sharbati sella	2900	2900
Parmal raw rice	1850	1850
Parmal sella	1850	1850
DB Rice Sella	3200	3200
IR8	1650	1650
1121 Sella	3900	3900

Paddy Price in various markets during the Week

(Prices in Rs. /quint al)

Market	Variety	2/7/2011	8/7/2011
Addanki (AP)	BPT	1280	1250
kakinada(AP)	MTU-1010	1040	1040
Badvel (AP)	Masuri	1150	1150

Gangavathi(Karnataka)	IR 64	933	-
Shimoga(Karnataka)	Paddu Coarse	875	-
Hassan(Karnataka)	Paddy	1100	-
Kolathur (Tamil Nadu)	Other	1150	1200
Madurai (Tamil Nadu)	ADT 36	850	850
Chinnamanur(Tamil Nadu)	IR 64	-	1000

### **Outlook:**

We expect that both paddy and rice prices are likely to remain range bound current price levels in coming week. Any positive decision regarding lifting ban on non-basmati rice exports may support prices in the market. Progress of monsoon will also decide the price movement of both paddy and rice in coming days. Lull in monsoon may further support the prices to move up. However, huge stocks of rice may limit the gains to some extent.

### **International Market Highlights:**

**Global rice production in 2010-11 is estimated at a record 448 million tons, some 8 million higher than the previous year due to bigger crops in Asia, most notably in India, cited Grain Market Report of International grains Council released on June 30.** With output set to exceed consumption for the sixth consecutive year, world rice ending stocks are forecast to increase to an eight -year peak of 95.9 million tons, including almost 30 million tons in the five leading exporters, the report added. After last year's rise, global trade in calendar 2011 is forecast to contract by around 1 per cent, to 30.4 million tons, as a marked reduction in deliveries to the Philippines outweighs increases to other markets in Asia and elsewhere.

**Thai rice prices rose this week on speculation over higher intervention prices under an incoming government, which forced some buyers to switch to Vietnamese grain, helping push prices higher there, too.** The benchmark 100 percent B grade Thai white rice was at \$545 per tonne on Wednesday as put by exporters, up 3.8 percent up from last week's \$525. Prices jumped higher because of political speculation. It's not because of real demand as the market is very quiet and no one dares to commit to deals -- they want more clarity on the direction after the election. The Puea Thai Party, which won an outright majority in Sunday's general election, has promised to reinstate a price intervention system and buy paddy rice direct from farmers at 15,000 baht (\$492) per tonne, more than double the current market price of 7,000 baht. The intervention price could push Thai export prices as high as \$850-\$870 per tonne, traders said. At that level buyers would probably switch to other origins, notably Vietnam, which already undercuts Thailand, albeit with lower -quality grain

**Indonesia sees higher un milled rice output in 2011 and a bigger surplus of the staple food as it expands production areas as put by the government.** Despite the improving outlook, market see Southeast Asia's

largest economy entering the rice import market again this year, as it may look to boost stockpiles to keep inflation at bay. Un milled rice production is seen at 68.06 million tonnes in 2011, 2.4 percent higher than last year and up slightly from a forecast earlier this year for 67.31 million in 2011, as put by the statistics bureau. The statistics bureau said there are more harvest areas this year, at 313,150 hectares or up 2.4 percent versus the previous year.

**Bangladesh has extended a ban on export of rice for one year, with effect from July 1, after the latest six - month embargo expired. On the other hand India, has offered to export 200,000 tonnes of parboiled rice to Bangladesh**

### **CBOT Market Rice Scenario (Front Month Contract):**



- CBOT price trend remain range bound, with pullback happening from support around USD 13/hundredweight.
- USD 16/hundredweight is the immediate resistance for the price, alternatively USD 16 - 14/hundredweight is the current applicable trading range, a drift in either directions is likely to take it further in the respective same.
- As a strategy, dips are likely to be useful to go long.

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