

### **Market Highlights:**

- *Ministerial panel, allowed private traders to export one million metric tons of rice. Exports have been allowed at a minimum \$400 a ton.*
- *In a recent development on the same, The Delhi High Court has stayed the allotment of export quotas to individual firms against the recent Directorate -General of Foreign Trade (DGFT) notification detailing the norms for shipping out 10 lakh tones (lt) of non -basmati rice, as per media sources.*
- *Sowing Progress: Rice has been sown in 209.93 lakh hectare as on 29 July. It represents an increase of 10.11 lakh hectare over last year's acreage on this date. Higher area coverage has been reported from Madhya Pradesh, Uttar Pradesh, Tamil Nadu, Bihar and Chhatishgarh.*
- *All-India progressive procurement of Rice for the marketing season 2010-11 as on 22.07.2011 was 323.01 lakh tones which is higher than the procurement of 300.18 lakh tones upto the corresponding period of last year.*
- *India is likely to procure 33 million tones of rice in 2010/11 marketing year as put by Food Minister K.V. Thomas.*
- *Price direction: Prices are unlikely to soar due to huge stocks with government. India's rice inventory was 26.86 million tonnes as on July 1<sup>st</sup>, while allowed exports of Non Basmati remain restricted in terms of quantity. Progressive monsoon until this time of the year has boosted paddy sowing, however likely deficiency in the rains as per forecast ahead for the monsoon season may bear an impact, but in the least.*

### **Domestic Market Rice Supply and Demand Scenario :**

<b>Values in MMT</b>	<b>2009-10</b>	<b>2010-11</b>	<b>% Change over last year</b>
<b>Production</b>	89.09	95.32	6.99
<b>Total Availability</b>	110.73	122.29	10.44
<b>Consumption</b>	81.6	82.85	1.53
<b>Exports</b>	2.16	3.3	52.78
<b>Total Usage</b>	83.76	86.15	2.85
<b>Carry Over Stocks</b>	26.97	36.14	34.00

- As evident from the above S&D total availability for the country during 2010-11 increased by almost 11 per cent to 122.29 MMT. Carry-over stocks are also expected to increase by 34 per cent to 36.14 MMT despite expecting 2.85 per cent increase in usage in 2010-11.

- India's rice output next year may rise to 98 million tons from 95.3 million tons this year on the back of favorable rainfall conditions, area expansion and higher yields as put by the International Grains Council. In its first forecast for the marketing year starting Oct. 1, IGC attributed likely higher output in India as a key factor behind higher global production, stocks and consumption.

#### Government Production Estimate:

	Rice Production	(Figures in Million tons)	
	2009-10	2010-11	
	Final Estimate	Third Advance estimate	Fourth Advance Estimates
<b>Production</b>	89.09	94.11	95.32

(Source: Ministry of Agriculture)

#### Rice Domestic Fundamentals and Crop situation:

In Karnal, The rice market witnessed a steady trend despite sluggish trading. Prices of aromatic and non-basmati rice ruled firm. Rice prices ruled firm as trade enquiries supported the market as put by traders. Demand for broken rice in domestic market is rising and market may witness an uptrend soon. While on the acreage front, area in Andhra Pradesh lags behind the last year's levels, the same in Bihar remain way ahead from a year ago.

**Weather Scenario:** In the Monsoon season, cumulative rainfall received for the country as a whole during the period 1st June to 20th July, 2011 was 343.8 mm which is 1% less than the L.P.A. Rainfall received (% departure from normal) in the four broad divisions of the country during the above period is (11%) in North -West India, (3%) in Central India, (-1%) in South Peninsula and (-14%) in East & North-East India.

India's monsoon rains slacken in the week ended July 27. Monsoon rains in August will be crucial for India, one of the world's biggest producers and consumers of rice, after rain fall was 23 percent below normal in the week to July 27 in a sharp reversal from the previous week. The weather office had forecast rains 7 percent below the average for July, but the latest data put the shortfall in the monsoon so far this month at 14 per cent. The below-average rainfall could continue in early August. The monsoon rains were 5 percent below average from June 1 to July 28, mainly due to poor rains over rice-growing areas of eastern India and cotton-growing areas of south India.

#### Following table reflects the state wise % departure of monsoon rains as on week ended July 27

State	% Departure	Status
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<b>Andhra Pradesh</b>	-9%	<b>Normal</b>
<b>Assam</b>	-30%	<b>Deficient</b>
<b>Bihar</b>	-64%	<b>Scanty</b>
<b>Karnataka</b>	-25%	<b>Deficient</b>
<b>Kerala</b>	-21%	<b>Deficient</b>
<b>Orissa</b>	-37%	<b>Deficient</b>
<b>Tamil Nadu</b>	3%	<b>Normal</b>
<b>Uttar Pradesh</b>	-40%	<b>Deficient</b>
<b>West Bengal</b>	-19%	<b>Normal</b>

### State wise Sowing Progress:

	(Paddy Area in thousand/ Lakh hectares)	
State	Area Sown until July 2011	Area sown until July 2010
<b>Andhra Pradesh (as on 27 July)</b>	5.03	5.68
<b>Bihar (as on 29 July)</b>	16.30	11.07
<b>Uttar Pradesh( as on 29 July)</b>	44.61	45.88

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

So, rainfall during the month of August 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 results into lower sown area and consequently the output.

### Domestic Rice Price Trend and Outlook :

Market	Month Ending Prices of Sharbati Sella Rice (Rs. /quintal )					Per cent Change over previous
	Mar-11	Apr-11	May-11	Jun-11	Jul-11	

						<b>month</b>
<b>Delhi</b>	2850	2900	3100	2930	2950	<b>0.7</b>
<b>Rudrapur (Uttarakhand)</b>	2850	2900	2900	2900	3200	<b>10.3</b>
<b>Karnal (Haryana)</b>	2900	3000	3100	2900	3000	<b>3.4</b>
<b>Amritsar (Punjab)</b>	3000	3000	3100	2950	3100	<b>5.1</b>

### Sharbati Sella, Karnal: Price Outlook



- Rice price remain positively skewed in July 2011 as green signal to exports infused optimism although allotment of quota remain an issue. Likely trade with Oman and Bangladesh furthered the same.
- Comfortable supply amid huge stocks with government, although remains a medium term driver that is likely to cap the gains. Domestic rice prices are expected to remain steady to weak in medium term on comfortable supplies in the market. Meanwhile, deficient rains may impact the state of the sowing in the month ahead, thereby being a cause of lift in the prices. Selected Arrivals that has started to hit few markets is likely to again offset the prior sentiment.

### Procurement of Rice/Paddy in India:

Crop Year	Procurement Status (in MMT)
2009-10	32.03
2010-11	33.00

\* Govt. target (including both Kharif and Rabi)

- During the current marketing season, govt. organizations are expected to procure a quantity of 33 million tones which is up by 3.02 percent compared to previous year's procured quantity of 32.03 million tones. All-India progressive procurement of Rice for the marketing season 2010 -11 as on 22.07.2011 was 32.30 million tones which is higher than the procurement of 30.01 million tones upto the corresponding period of last year.

### 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
<b>2010</b>	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
<b>2011</b>	25.58	27.80	28.70	28.82	27.76	27.64	26.86					

- Rice stocks in Central Pool as on 1st July, 2011 is 26.86 MMT which is 10.72 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 July 1 were estimated to be 64 million tones, of which wheat comprised 37.14 million tones and rice 26.86 million tones.

### 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		% change Y- O-Y
		as on 22.07.2011		
		In Marketing	In Marketing	
		season 2010- 11	season 2009-10	
Andhra Pradesh	75.55	87.24	63.36	37.7
Chhattisgarh	33.57	36.3	31.35	15.8
Haryana	18.19	16.87	18.16	-7.1
Kerala	2.61	2.61	2.61	0.0
Maharashtra	2.29	2.65	2.1	26.2
Orissa	24.96	24.26	24.58	-1.3
Punjab	92.75	86.35	92.91	-7.1
Tamil Nadu	12.41	14.27	11.33	25.9

<b>Uttar Pradesh</b>	29.01	24.01	26.91	-10.8
<b>Uttaranchal</b>	3.75	4.17	3.74	11.5
<b>West Bengal</b>	12.4	10.03	11.58	-13.4
<b>All India</b>	<b>320.34</b>	<b>323.01</b>	<b>300.18</b>	<b>7.6</b>

- As on July 22<sup>nd</sup>, government (FCI) has procured 32.3 million tones of rice since October last year, nearly 7.6% higher than same period last year. A.P. Chhattishgarh and Punjab 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. Total consumption is likely to surge by 1.65%. While projected decline of 1.96% in world rice imports is likely to offset the supplies, surge of 2.50% in beginning stocks offset the impact. World ending stocks are projected to inflate marginally by 0.06%.

U.S. rice supplies in 2011/12 are lowered 6 percent to 256.6 million cwt as beginning stocks and production are reduced 6.0 million and 12.5 million, respectively. These reductions are partially offset by a 1.0 million cwt increase in imports to 19.0 million.

### **World Rice Supply and Demand Table:**

Attribute	2009-10	2010-11	2011-12	%change
				Y-O-Y
Area Harvested (1000 HA)	156022	158345	159941	1.01
Beginning Stocks (1000 MT)	91533	93874	96219	2.50
Milled Production (1000 MT)	440058	450200	456323	1.36
MY Imports (1000 MT)	28078	29533	28955	-1.96
MY Exports (1000 MT)	31065	31666	32139	1.49
Consumption (1000 MT)	434730	445722	453083	1.65
Ending Stocks (1000 MT)	93874	96219	96275	0.06
Yield (Rough) (MT/HA)	4.22	4.26	4.27	0.23
Source: USDA				



US Rice production in 2011/12 is lowered 6 percent to 187.0 million cwt due entirely to a reduction in acreage. Harvested area for 2011/12 is lowered 185,000 acres to 2.65 million. The average all rice yield is raised slightly to 7,059 pounds per acre.

Total use for 2011/12 is lowered 5.0 million cwt to 227.0 million as exports are lowered 6.0 million (all in long-grain rice) to 100.0 million, partially offset by a 1.0 million increase in domestic and residual use. Rough rice and combined milled and brown rice exports (rough-equivalent basis) are each reduced 3.0 million cwt to 36.0 million and 64 million, respectively. Tighter supplies in 2011/12 along with plentiful supplies among the major exporters will likely limit U.S. exports. Ending stocks for 2011/12 are projected at 29.6 million cwt, down 12.5 million, or 30 percent from a month ago, and 21.0 million, or 42 percent below 2010/11.

### **Rice International Fundamentals:**

According to USDA state that, farmers growing rice along with other grains, report at least 90 percent of their crops are in fair to excellent shape. Less than 10 percent of the acreage is listed in either poor or very poor condition. Rice fields are 5 percent in poor condition.

**Thailand: The Thai state may release some of its rice stocks into the domestic market if it sees a ny shortage as put by government official after speculators were reported to be hoarding grain, expecting prices to rise under an incoming government.** They have around 2 million tones of milled rice in stocks, ready to be sold at any time if there is any tightness in the domestic market. Further it could ship more than 10 million tones in 2011, the highest ever as put by the Thai Rice Exporters Association. In the first half Thailand shipped 6.3 million tones of rice, up 57 percent from the 4.0 million tones in the same period last year.

**Indonesia's: purchases of 500,000 tonnes of Vietnamese rice will start arriving from August, and the country is in talks with top exporter Thailand over further imports as put by the head of state procurement agency Bulog.** The unexpected rice imports come as Indonesia is looking to boost its stockpiles and calm food prices during Ramadan in August, when spending rises and inflation usually picks up. July in flation data is due on Aug 1. Vietnamese rice export prices have risen as much as 3 percent in a week after Vietnam struck the deal to sell 500,000 tonnes to Indonesia.

**European Union rice production is forecast to climb 0.7 percent this year as higher temperatures boosted plant growth in Italy, the region's largest grower of the grain.** The harvest may advance to 3.09 million metric tons from 3.07 million tons in 2010 as put by the EU's Monitoring Agricultural Resources unit. The EU will import 1.07 million tons of rice in the 2011 -12 season, the U.S. Department of Agriculture estimates, less than the 1.15 million tons bought the previous season.

**CBOT Rice: Front Month Future: Daily Chart**


- CBOT Rice price, corrects from highs, trend is likely to be range bound, while lower supports may act.
- 15.90/hundredweight is the immediate support for the price, while below the same, ongoing correction will extend, until it remain un breached, price has a fair chance of recouping back.
- On the higher side 17.30 level is the significant resistance juncture.
- Strategy: While buying remains a suitable option at dips, first indication of the same should be awaited as correction remain in progress. High risk takers may although take the same chance with a strict stop loss below 15.80 for the target of 17/17.30. However, selling below 15.80 can be made as a alternate strategy.

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