

Market Highlights:

- *India allowed unrestricted exports of two million tonnes common rice, It has also issued formal orders to allow exports of wheat and common grades of rice as put by the government.*
- *The government allowed exports of 2 million tonnes each of wheat and non-basmati rice. The formal orders did not mention any quantity earmarked for exports.*
- *On the Sowing front, as per data received from States, rice has been sown in 369.63 lakh hectare as on 9th September. It represents an increase of 32.55 lakh hectare over last year's acreage on this date. Higher area coverage has been reported from West Bengal, Bihar, Jharkhand, Uttar Pradesh, Madhya Pradesh and Tamil Nadu.*
- *All-India progressive procurement of Rice for the marketing season 2010-11 as on 02.09.2011 was 332.97 lakh tonnes which is higher than the procurement of 307.17 lakh tonnes upto the corresponding period of last year.*
- *Rice stocks at government warehouses stood at 22.7 million tonnes as on September. 1 as against 20.48 million tonnes.*

Domestic Market Rice Supply and Demand Scenario:

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

Government Production Estimate:

	Rice Production	(Figures in Million tons)	
	2009-10	2010-11	
	Final Estimate	Third Advance estimate	Fourth Advance Estimates

Production	89.09	94.11	95.32
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(Source: Ministry of Agriculture)

Rice Domestic Fundamentals/Current Developments:

Buying pushes up prices of non-basmati rice varieties however trade remained affected last week as rains interrupted, while the same improved as the weather turned favorable. Low availability has pushed up prices of broken, and further increase is also a possibility as preference for old rice facilitate good demand, even as arrivals of new rice is likely to start within a month. In view of the Onam season, the Central Government has allotted 54,000 tonnes of rice at the rate of Rs 11.85 to Kerala to be distributed through PDS.

Weather Scenario and Derived Impact on Paddy Crop:

Monsoon rains in India until Sept. 7 were 3% above average, as put by the India Meteorological Department. The country received 782.2 millimeters of rainfall so far this season, compared with the 50-year average of 761.7 millimeters.

During the week ended 7th September, the country as a whole received above normal rainfall on all the days. During this monsoon season so far, country as a whole has received highest weekly rainfall (39% above LPA) during this week. The seasonal rainfall for country as a whole has now become 103% as against 100% of the LPA till previous week

Following table reflects the state wise % departure of monsoon rains as on week ended 7th September

State	% Departure	Status
Andhra Pradesh	-10%	Normal
Assam	-42%	Deficient
Bihar	-84%	Scanty
Karnataka	132%	Excess
Kerala	272%	Excess
Orissa	98%	Excess
Tamil Nadu	-11%	Normal
Uttar Pradesh	-62%	Scanty
West Bengal	-23%	Deficient

State wise Sowing Progress:

	(Paddy Area in thousand/ Lakh hectares)	
State	Area Sown until 2011	Area sown until 2010
Andhra Pradesh (7th Sep)	22.64	23.33
Bihar	73.79	73.28
Uttar Pradesh(7th Sep)	59.53	57.09
Karnataka(5th Sep)	10.3	9.43

As evident from the above table, rains in Karnataka, Kerala, and Orissa occur in excess in the week ended September 07, while the rains in Bihar and Uttar Pradesh gets scanty. Rains in Andhra and Tamil Nadu remain normal although. Paddy crop that remain better sown as compared to last year's level in Bihar, U.P and Karnataka with a n exception of Andhra Pradesh, where the sowing lagged behind the last year's level, may face difficulties as excess and below normal rains in the above mentioned regions are likely to cause a damage to the same. Sowing remain almost complete in the above mentioned regions.

Export Scenario:
Impact of announcement of the opening of exports in Rice:

	Rice
Quantity Allowed	20 lakh Tonnes freely exportable under the open general licence. An MEP of \$ 400 maybe introduced later.
Destinations	
Most favored	
Others	Middle East, Yemen and other African nations for Non Basmati
Impact of India entering the global market	Domestic Prices will go up by Rs. 500-650 per Tonne in the next two weeks, in AP and TN (which would negate any losses that would have happened with arrivals starting in early October as per normal price seasonality) There is sufficient supply as well as demand in the global markets and India's entry may not make a

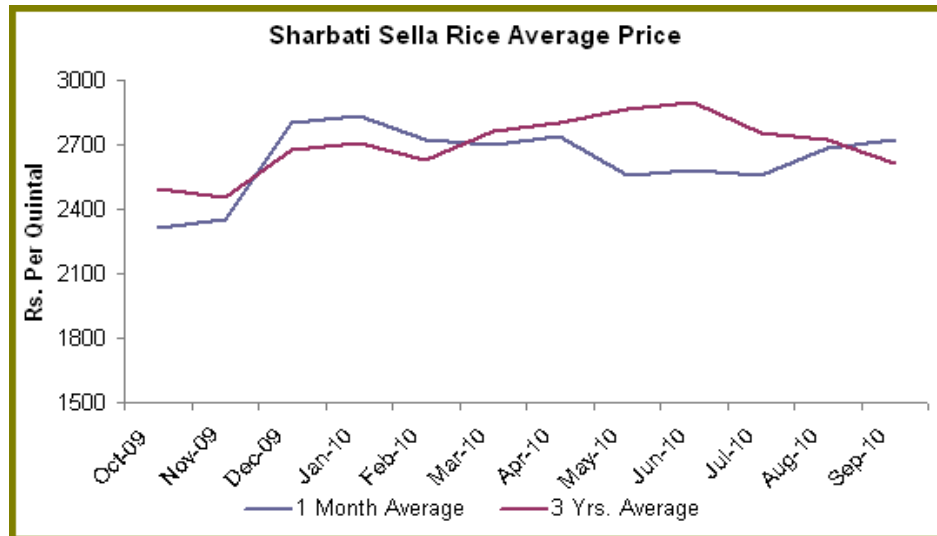
	substantial difference to the prices. Thai and Vietnam were already under pressure and may look more at their domestic markets. Myanmar and Pakistan will now come under pressure.
Other impacts	<p>With domestic prices rising, quicker disposal through OMSS is possible</p> <p>No new stocks are being purchased, maybe waiting for the notification</p> <p>Some players may wait for the Court decision on allotments for previous notification.</p>

Domestic Rice Price Trend and Outlook:

Market	Month Ending Prices of Sharbati Sella Rice (Rs. /quintal)				
	May-11	Jun-11	Jul-11	Aug-11	Sep-11
Delhi	3034.78	2918.46	2913.6	2933.33	-
Rudrapur (Uttarakhand)	2862.5	2896.15	2984.61	3037.5	-
Karnal (Haryana)	3062.5	2953.84	2976.92	-	-
Amritsar (Punjab)	3070.83	2976.92	3115.38	3100	3100

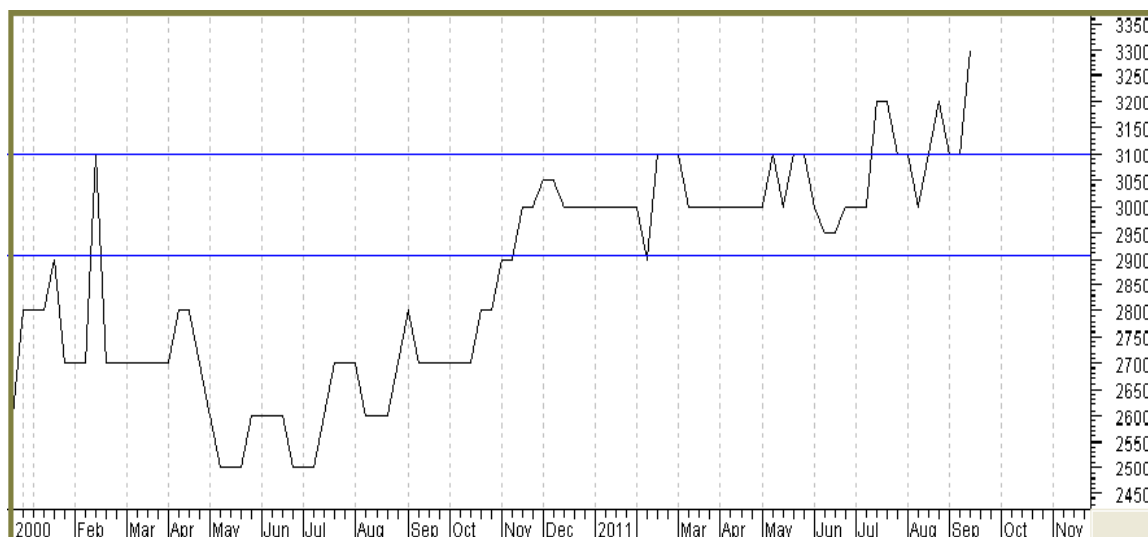
Price cycle for Rice in India and overseas by month and our price projections until next crop arrival.

As evident Sharbati Sella rice price hovered in the range of Rs.2300 per quintal to Rs.2900 per quintal during 2009-10, while the same also remains the range for the 3 year Average prices. Also the major decline in rice prices in the country is seen during October-November period (new crop arrivals). Internationally also prices remain on lower side during October to February period due to new crop arrivals from the US, Pakistan, Thailand and Vietnam. The following chart shows seasonality of prices during October to September period.



Sharbati Sella Rice prices (Rs. Per Quintal)	Monthly Average	3 Yrs. Average	Spread 3 yrs monthly Average-monthly average price)	% Change
Oct-10	2742	2498	-244	9.8
Nov-10	2935	2458	-477	19.4
Dec-11	3013	2675	-338	12.6
Jan-11	2900	2711	-189	7.0
Feb-11	3025	2632	-393	14.9
Mar-11	3037	2767	-270	9.8
Apr-11	3000	2805	-195	7.0
May-11	3071	2869	-202	7.0
Jun-11	2977	2897	-80	2.8
Jul-11	3115	2755	-360	13.1
Aug-11	3100	2723	-377	13.8
Sep-11	3150	2617	-483	18.5

In the current context(in 2010-11), rice prices (Sharbati Sella) hover at a higher level at Rs 3150 per quintal in September as compared to the same month last year and it remain as well, higher from the 3 years monthly average price of Rs 2617 per quintal. The same implicate the prices do have a potential to adjust itself towards the average and a correction might be in store.

Sharbati Sella: Price Projection (Domestic)-


	Trend	Price Range
Short Term (10-15 days)	Range bound/Positive	3100-3400
Oct-Nov 2011	Weak	2950-3100

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	26.86	25.27	22.7			

- Rice stocks in Central Pool as on 1st September, 2011 is 22.7 MMT which is 10.83 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 September 1 were estimated to be 56.33 million tones, of which wheat comprised 33.62 million tones and rice 26.86 million tones.

State wise Progressive Procurement of Rice (as on 02/09/2011)

(Unit: Lakh Tonnes)

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State	Total Procurement in Marketing Season 2009-10 (Oct. - Sept.)	Progressive Procurement		% change Y-O-Y
		as on 02.09.2011		
		In Marketing	In Marketing	
		season 2010-11	season 2009-10	
Andhra Pradesh	75.55	93.25	68.2	36.73
Chhattisgarh	33.57	36.81	31.61	16.45
Haryana	18.19	16.87	18.16	-7.10
Kerala	2.61	2.63	2.13	23.47
Maharashtra	2.29	2.96	2.1	40.95
Orissa	24.96	24.62	24.84	-0.89
Punjab	92.75	86.35	92.75	-6.90
Tamil Nadu	12.41	14.71	11.75	25.19
Uttar Pradesh	29.01	24.27	27.11	-10.48
Uttaranchal	3.75	4.17	3.74	11.50
West Bengal	12.4	11.29	12.12	-6.85
All India	320.34	332.97	307.17	8.40

- As on September 02, government (FCI) has procured 33.29 million tones of rice since October last year, nearly 8.3% higher than same period last year. Procurement remains higher in Andhra Pradesh, Tamil Nadu and Maharashtra in the season ending 2010-11 as compared to same time last year as lower prices, compelled by distress sell, early this year, induce higher procurement.

International Market Rice Supply and Demand Scenario:

As per the IGC, global rice production in 2011-12 is forecast at a high of 457 MMT, 1.33% higher than last year. Total consumption is likely to surge by 2.2%. While trade is likely to remain steady, consumption is anticipated higher, despite which ending stocks are likely to grow by about a percent in 2011-12 vis-vis a year ago.

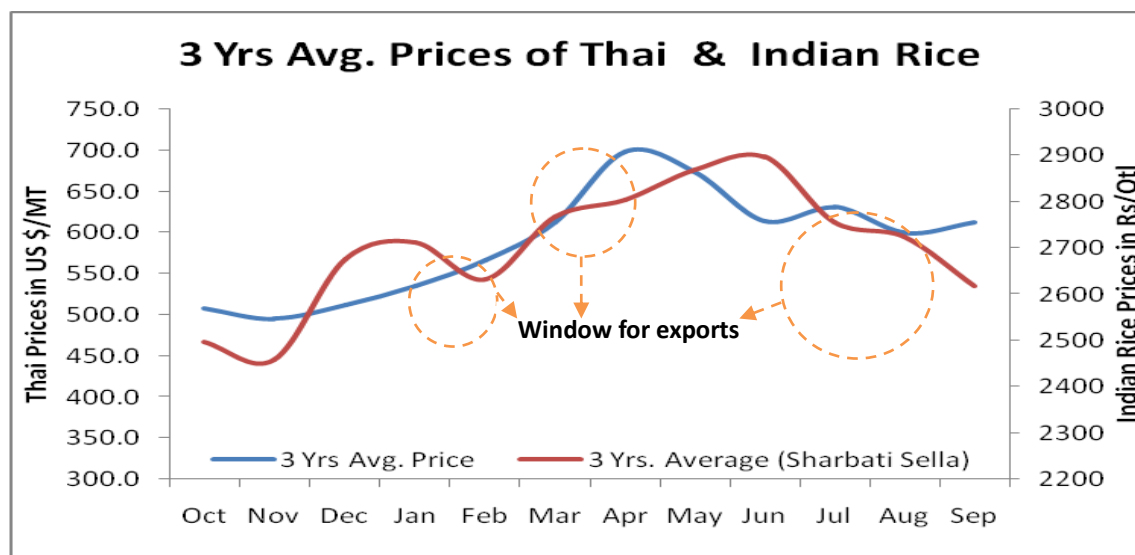
World Rice Supply and Demand Table:

	2009-10	2010-11	2011-2012(forecast)	% Change
Production	440	451	457	1.3
Trade	31	32	32	0.0
Consumption	437	447	457	2.2
Carry Over Stocks	94	98	99	1.0
YOY % Change	2	4	1	

(Figures in Million Tonnes)

U.S. rice production in 2011/12 is forecast at 190.9 million cwt, up 2.8 million from last month due entirely to an increase in yield. Harvested area is estimated at 2.62 million acres, down 20,000 acres. Exports for 2011/12 are projected at 93.0 million cwt, down 4.0 million cwt from last month, and down 18.6 million from the revised 2010/11 estimate. The decrease in the export projection is due mostly to a much tighter supply situation, but additionally to an expected increase in competition from South American exporters in Western Hemisphere long-grain markets.

Export of Indian Basmati and Non Basmati: Prices of India remain competitive as compared to other exporting nations but since new crop arrival is expected in September end both national and internationally, the export opportunity (particularly for non-basmati rice) only exists in February, April, August and September.



Currently, Exports that are taking place from India majorly comprise of 1121 (Basmati Rice variety) to destinations like Europe, Middle East Countries, Iran, Iraq, Oman. A large quantity also goes to Saudi Arabia but only of the best quality pure Basmati which is quoted around \$ 1645-1650.

In the Non Basmati Category, only the export of Sona Masuri takes place to African countries from Southern parts of India mainly Andhra Pradesh. Export of Sona Masori is happening from southern parts of India to destinations like Singapore and Dubai at a export price of \$550-\$600. The Likely destinations for Export of recently allowed Non Basmati are Philippines, Bangladesh etc. The other non Asian countries buying rice will be East Africa, South Africa and Ivory Coast, Ghana and Nigeria in West Africa.

Indonesia will sign extensions of government-to-government rice trade pacts with Thailand in October or November as put by a trade minister. Jakarta has sent an official proposal to the Thai and Vietnamese governments to extend rice import agreements, as it seeks to preempt Thailand's intervention plan slated for October that will spark a price surge. The current agreements, which will expire in 2011 with Thailand and 2012 with Vietnam, will be extended by two years.

India's rice exports can offset part of the reduction in exports from Thailand, where from next month the government will start procuring rice. Thailand's government plans to start buying paddy, or unmilled rice, from growers at a guaranteed price of THB15,000 (\$497.50) a ton starting Oct. 7. In the run-up to elections in July, paddy prices were around THB10,000/ton.

CBOT Rice: Front Month Future: Daily Chart

Price Projection (International-CBOT)-





	Trend	Price Range
Short Term (10-15 days)	Range bound to Positive	17-20
Oct-Nov 2011	Rangebound	15-20

Disclaimer

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