

Market Highlights:

- *India will supply 5 lakh tonnes rice to Indonesia .Long term trade deal seems to be on card. Rice is likely to be supplied from govt. stock.*
- *Indian rice exporters are in the process of exporting almost 6 lakh tonnes non basmati rice in African countries in the price range of \$415 to 480 per metric tonnes.*
- *Harvesting of paddy starts getting momentum in Andhra Pradesh and arrivals in markets are expected to pick up in the second week of Nov.*
- *Arrivals are continuously increasing in Punjab ,Haryana and Uttar Pradesh. Arrivals of basmati paddy yet to hit market.*
- *Paddy procurement touched 130 lakh tonnes and given the arrival pressure and smooth procurement govt. 's set target of 35 lakh tonnes for procurement seems easily achievable.*
- *Demand for non-basmati export from African countries has increased in last one month as India is the cheapest source of rice now.*
- *Rice stocks at government warehouses stood at 205.17 million tonnes as on Oct. 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

(Source: Ministry of Agriculture)

Rice Domestic Fundamentals/Current Developments:

Higher arrivals in various markets have pressurized market sentiments and restrict gain in rice market. However, smooth buying by govt. agencies are working as a balance maker and help market to stand steady despite strong export demand for non basmati rice. At the beginning of the season prices firmed up in major markets but could not sustain at higher level amid rising arrivals and expected bumper crop. Despite export demand prices of rice are likely to trade either at current level or slightly inch up amid positive sentiments. No major spike is expected in short term on ample stock, higher supply from newly harvested crop.

Exporters are active in Gujarat, Andhra Pradesh, Tamil Nadu to source rice locally for taking advantage of freight benefit as these states are located near seashore having port facility to ship out rice easily. Besides, they are active to source rice from eastern U.P., Bihar and to some extent from Orissa. Market sources say that almost 14.5 lakh tonnes basmati and 8.9 lakh tonnes non rice basmati have been shipped out so far from various ports. Another 5 lakh tonnes deals for export is likely to be finalized by the end of this month.

Major portion of non basmati rice for export purpose has been brought from Andhra Pradesh, Tamil Nadu, Gujarat and eastern U.P. Currently, exporters are buying rice from Gujarat @ Rs 1775 per qtl. This comes to FOR Kandla at Rs 1830 per qtl. the latest deals are said to be finalized at \$445 to 460 per T. Better profit margin attracts exporters and more deals is expected in months ahead.

Weather is very congenial to rice harvesting and no major concern seems to be in sight in next two weeks except some intermittent rains cloudy weather in south India.

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. Export from govt. stock likely to the tune of 5 lakh qtl.
Destinations	
Most favored	Indonesia, Bangladesh (non –basmati).
Others	Middle East, Yeman and other African nations for Non Basmati
Impact of India entering the global market	Prices are expected to remain steady to slightly firm in domestic market despite good demand for export in north India. Prices in south India is expected to move up Rs 100 per qtl. in next two weeks despite pressure from new arrivals.

	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. Myanmar and Pakistan will remain under pressure.
Other impacts	Storage crunch will encourage govt to release more stock in months ahead. Millers participation for direct paddy buying may increase on increased possibility of export.

Domestic Rice Price Trend and Outlook:

Market	Month Ending Prices of Sharbati Sella Rice (Rs. /quintal)				
	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11
Delhi	2918.46	2913.6	2933.33	2750	2600
Rudrapur (Uttarakhand)	2896.15	2984.61	3037.5	2900	2800
Karnal (Haryana)	2953.84	2976.92	3000	2950	2750
Amritsar (Punjab)	2976.92	3115.38	3100	3100	2850

Price cycle for Rice in India and overseas by month and our price projections Dec.

As evident from this table prices of sharbati sella remained in the range of Rs 2742 to 3100 as shown in the monthly average while three yearly average remained in the range of Rs 2498 to 2869 per qt. depending on seasonality and better demand for export is expected to support prices in short and medium term. Prices in retail market may rule at Rs 2500 at lower side while at Rs 2800 upper side. However, if export quantity is enhanced price will increase Rs 100 more in domestic market. 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
10-Oct	2742	2498	-244	9.8

10-Nov	2935	2458	-477	19.4
11-Dec	3013	2675	-338	12.6
11-Jan	2900	2711	-189	7
11-Feb	3025	2632	-393	14.9
11-Mar	3037	2767	-270	9.8
11-Apr	3000	2805	-195	7
11-May	3071	2869	-202	7
11-Jun	2977	2897	-80	2.8
11-Jul	3115	2755	-360	13.1
11-Aug	3100	2723	-377	13.8
11-Sep	3150	2617	-483	18.5
11-Oct	3000	2615	-372	17.3

	Trend	Price Range
Short Term (10-15 days)	Range bound/Positive	2800-2850
Nov-Dec 2011	Weak	2900-2950

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	20.5		

Rice stocks in Central Pool as on 1st Oct, 2011 is 20.5MMT which is higher by almost 2 million T compared to the stocks in same period last year.

International Market

World Market Recap

- **CBOT rice futures ended lower on outside-market pressure** and weak demand and comfortable world supplies. But traders are also watching Asian supplies as recent floods in Thailand have prompted worries. Besides weaker equities and a stronger dollar hurt rice, with the CBOT November contract falling 10c to \$16.54/hundredweight.

- **Thai rice sellers reversed their quotes just after raising** quotes one day before and lowered them by about \$5 to \$20 per ton. Buyers from Thailand are turning to India due to very attractive prices. Viet rice indication changes are mixed – some lower and some higher - while Indian and Pak rice sellers raised some of their quotes.
- **Indian 25% rice is quoted around \$400 - \$410 per ton**, unchanged from yesterday and about a \$5 per ton premium over Pak rice indicated around \$395 - \$405 per ton, unchanged from yesterday.
- **Thai 5% rice is shown around \$590 - \$600 per ton, down about \$5 per ton** and about a \$35 per ton premium over Viet 5% rice indicated around \$555- \$565 per ton. Indian 5% rice is shown around \$455 - \$465 per ton, up about \$5 per ton from yesterday and about a \$5 per ton premium over Pak 5% rice shown around \$450 - \$460 per ton, up about \$5 per ton.
- **Reflecting reduced prospects in some Asian producers**, notably flood-affected Thailand, the forecast of global rice output in 2011/12 is cut. However, at 459m. tonnes (451m.), it would still be arecord, primarily due to increases in China and India.
- **World trade in current crop year 2012** is forecast to contract by 3%, to 32.3m. tonnes, on reduced imports by Far East Asia, despite expectations of a significant increase in buying by the Philippines and Indonesia-IGC
- **Indian grain exporters are considering switching** from Kakinada Port to other ports such as Paradip, Visakhapatnam, and Chennai even at a higher cost. Roads leading to the port are lacking and railway and barges have experience bottlenecks. There are 50 barges but only 18 barge loading points and each barge can only handle 500 tons a day.

International Market Rice Supply and Demand Scenario:

As per the IGC, reflecting reduced prospects in some Asian producers, notably flood-affected Thailand, the forecast of global rice output in 2011/12 is cut. However, at 459m. tons (451m.), it would still be arecord, primarily due to increases in China and India. While total rice use is forecast to expand by 2%, to 457m. tons, the increase in output will still enable a further rise in the global carryover, to around 99m. Within the total, inventories in the five leading suppliers are forecast at an all-time peak of 31.3m. tons (28.6m.), mainly because of increases in India and Thailand. World trade in calendar 2012 is forecast to contract by 3%, to 32.3m. tons, on reduced imports by Far East Asia, despite expectations of a significant increase in buying by the Philippines.

World Rice Supply and Demand Table: Date: 27.10.2011

	2009-10	2010-11	2011- 2012(forecast)	% Change
Production	440	451	459	1.3
Trade	31	32	32	0.0

Consumption	437	447	457	2.2
Carry Over Stocks	94	98	99	1.0
YOY % Change	3	2	2	0

(Figures in Million Tonnes)

CBOT Rice: Front Month Future: Daily Chart

Price Projection (International-CBOT)-



	Trend	Price Range
Short Term (10-15 days)	Range bound to negative	15.50-16.50
Oct-Nov 2011	Rangebound Positive	16.00-17.00

Rice FOB Prices – America and Asia (as on 02.11.2011)

Americas

(USD/MT)

Grade/Variety	USA South	USA California	Uruguay	Argentina
4% - 5%	610-620	815-820	550-560	570-580
10%	630	-	550-555	565
15%	590-600	-	-	-
Brown	n/a	775	-	-
4% cont./CY	640	825	-	-
Paddy	375	475	-	-

Asia
(USD/MT)

Grade/Variety	Thailand	Vietnam	India	Pakistan
100%B - 5%DWP	600-620	560-570	450-465	460-465
5%	590-595	565-575	455-460	475-480
10%	585	575	-	-
15%	580	555	-	-
25%	560-570	505-515	405-415	410-415
Parboiled	600	-	455	500

- ❖ All prices basis long grain per mt bagged FOB vessel.
- ❖ All prices basis per mt, bagged FOB vessel except Brown and Paddy -- Bulk FOB vessel
- ❖ California -Bagged 30 KG preslung FOB vessel
- ❖ CY-equates delivered port in cont.l

Vietnam and Thailand is expected to raise their quotes despite cheaper Indian supply. Higher demand in world market will continue and Indian and Pakistan will not be able to fulfill the gap created by Thai flood and crop loss in Vietnam.

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