

**Domestic Market Highlights and Week Ahead:**

Market arrivals in the Northern Rice belt are strong. More than 80 MT has already arrived in the markets of Punjab, Haryana and UP. Procurement by state and central agencies recorded 61 lakh T.

About 450,000 T of non-basmati rice has already been exported and about 900,000 T is waiting to ship out while port infrastructure at Kakinada seems to be the roadblock.

There is a possibility of increasing the rice export limit in view of the current disparity in wheat and need for clearing storage space.

Indian rice is currently being offered at \$ 440-445 per Ton and is very competitive against Thailand and Vietnam.

Punjab reduces its cess by 3.5% for non-basmati rice exporters to encourage exports from there. It is estimated that there is a surplus of 1 mn T available at Punjab, though its landlocked nature and high taxation makes it unviable to export from there.

**Paddy procurement:**

Paddy buying in Punjab has reached 57.64 lakh tonnes so far in ongoing kharif marketing season, with government agencies procuring bulk of crop from farmers. The paddy procurement stood at 54.58 lakh tonne in corresponding period of last year. Government agencies bought 54.91 lakh tonnes, which constituted 95.3 per cent of total lifting while private traders procured 2.73 lakh tonnes so far.

**Target for Punjab and Haryana:**

Punjab and Haryana are looking to procure 168 lakh tonne of paddy for the central pool in the Kharif Marketing season (KMS) 2011-12, which will be 9 per cent more than the last season's crop lifting. Punjab, which contributes 30 per cent rice to central pool, has set a target to procure 140 lakh tonne of paddy while Haryana has pegged crop procurement of 28 lakh tonne for the central pool in the new season. Last season, Punjab's paddy buying for central pool stood at 128.86 lakh tonne and Haryana's remained 26.38 lakh tonne.

**Minimum support price:**

Minimum Support Price of Grade 'A' Paddy has been fixed for Rs 1,110 per quintal and Rs 1,080 per quintal for common variety. The highlight during this paddy lifting season is the decision of FCI to make direct payment to farmers in Punjab and Haryana, shelving its earlier practice of paying farmers through commission agents.

**Inside story on rice export front:**

Indian government and especially Punjab government are moving towards increasing the rice export limit by 3 mn T to reduce stocks in India and take advantage of the demand overseas. The roadblock seems to be the port infrastructure at Kakinada from where the rice is to be delivered from. Some effort is being made to use the other ports on the east coast but none seem ready to handle the quantum required. Local logistical companies that serve the port complain that only 21 berths are

working out of 31 where barges are loaded – which in turn get the cargo to the ships waiting for final loading.

Storage limitations are also forcing the hand since new crop is here and there is a severe shortage of space including in Andhra Pradesh, where procurement is yet to pick pace and delay may lead to distress sell in many regions. Currently India is offering rice @\$440 to 450 per T and it is the cheapest source of non basmati rice. Even Pakistan quotes are higher than India's. Thailand and Vietnam quotes are expectedly much higher. Quotes in below given table shows the prices difference and competitive edge of various countries:

**Global Rice Prices:**

<b>Long grain white rice-high quality</b>	<b>Low ( \$/per metric T )</b>	<b>High (\$/per metric T )</b>
Thai 100% B	610	620
Viet 5%	565	575
Indian 5%	455	465
Paki 5%	475	480
US 4%	620	630
Uruguay 5%	550	560
Argentina 5%	550	560

<b>Long grain white rice-low quality</b>	<b>Low ( \$/per metric T )</b>	<b>High (\$/per metric T )</b>
Thai 25%	550	560
Viet 2 5%	510	520
Indian 25%	405	415
Paki 25%	405	415
US 15%	590	600
<b>Long grain parboiled rice</b>	<b>Low ( \$/per metric T )</b>	<b>High (\$/per metric T )</b>
Thai 100%	590	600
Indian 5%	435	445

Paki 5%	505	515
US 4%	680	690
Uruguay 5%	605	615
Brazil 5%	605	615
<b>Long grain fragrant rice</b>		
Thai Hom Mali 100%	1055	1065
Viet 5%	675	685
Indian basmati 2%	1055	1065
Paki basmati 2%	1015	025

#### No export from govt. stock:

India's Food Minister said it won't allow the export of rice from government stocks, citing worries about food inflation and concerns about meeting the requirements of the proposed food security law. The law requires about 60 million tons of food grains - mostly rice and wheat – for distribution at below market prices to those in need. The program was recently expanded and the price of rations was lowered.. However, a glut of rice and wheat remains still a problem.

#### Foodgrains stock in central pool as on 01.10.2011

	IN STORAGE	IN TRANSIT	TOTAL
RICE	200.14	3.45	203.59
WHEAT	311.88	2.38	314.26
Wheat lying in mandies	0.00	0.00	0.00
<b>TOTAL</b>	<b>512.02</b>	<b>5.83</b>	<b>517.85</b>
COARSE GRAINS	0.89	0.00	0.89
SUGAR	0.18	0.09	0.27
<b>GRAND TOTAL</b>	<b>513.09</b>	<b>5.92</b>	<b>519.01</b>

Source:FCI

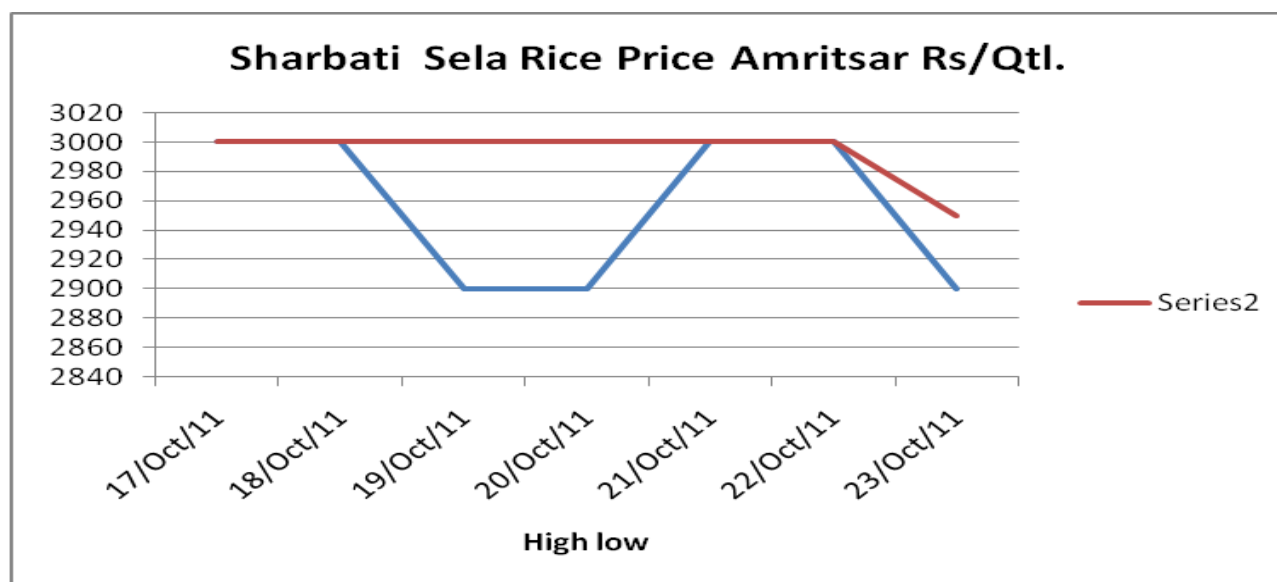
#### Punjab to export 1 MT of non-basmati rice:

The Punjab government would allow 10 lakh tonnes of non-basmati rice export in the ongoing Kharif Marketing season and for this purpose state govt. has given a nod to allow levy-free private purchase of non-basmati paddy. The state government had taken this decision pro-actively to ensure remunerative prices to the farmers over and above the MSP and to facilitate the private exporters to purchase paddy from mandis. As per the information available with the food and supplies department, the private traders/millers had hardly any stock for export because they were bound to give 75 per cent of the rice out of their private purchase to the central pool. The Cabinet also approved to refund the infrastructure

development cess on the rice exported from the state. Cess is 3 per cent which would be refunded along with other taxes on the production of the proof of rice exported from Punjab. An estimated amount of cess to be refunded was likely to be nearly Rs 80 crore

#### Price movement in Amritsar:

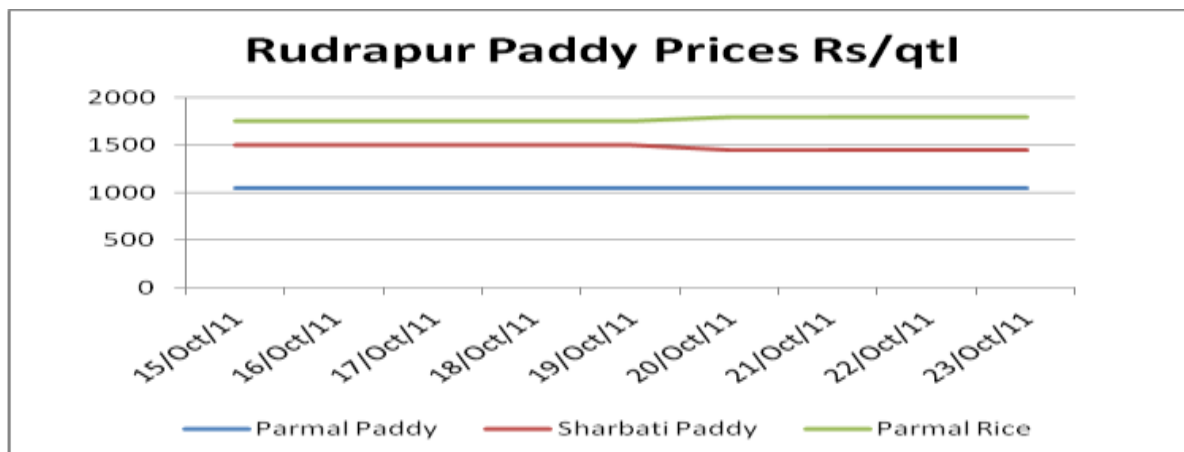
Rice prices broadly traded steady to weak in the spot market in the week ended 22 Oct. 2011 on back of new arrivals of Sugandha paddy in U.P. and PR-11 and others in Punjab and Haryana. Pressure on rice market is likely to continue on rising arrivals in various markets of major rice producing states. However, any unexpected fall is unlikely as buying by private millers and trades continues. Market participant says that private buying will continue on increased export opportunity from Punjab amid govt's declared sops for export recently. Other state like Haryana may follow suit to encourage export



from the state.

#### Price movement in Rudrapur:

Parmal paddy prices in Rudrapur remained almost steady despite increased arrivals from new crop. Unlike parmal prices of sharbati paddy decreased slightly in spite of better demands from millers/private traders. At the same time parmal rice prices have shown slight firmness as demand from cash market is picking up. However, increasing arrivals of paddy is expected to restrict gain to some extent as bigger crop with better yield will pressurize market in weeks ahead. Following table shows price trends in Rudrapur market.



### Impact of Exports on Rice Procurement:

No major Impact is being anticipated in procurement in southern rice region while the same in Punjab and Haryana is likely to decrease by 10 to 15%. Varieties PR11 and PR 14 which comprise of 25% of the total rice production in the region are the varieties to be exported and in the same context, millers are purchasing actively the same variety. With the parity being favorable and the arrival of new crop is likely to improve the same, further aiding the exports.

Conclusively trade sources anticipate the cuts in the procurement in Punjab and Haryana. To the contradictory, no major impact is being anticipated in southern regions like Andhra Pradesh and Tamil Nadu where Pvt. Traders and Stockists carry the stock of about half a million tonne and further they plan to acquire another million from the new crop, which they say is hardly going to make a big impact. Further, with likely distress sell, procurement is likely to remain higher. Good production, facilitated by higher yields remains a likely contributing factor to the sufficiency of supplies. Even Punjab is going to contribute to export kitty(almost 1 million t) with declared incentives for exporters will further add availability for non basmati export.

### Domestic Prices & Outlook

Andhra Pradesh			
Market	Variety	17.10.2011	23.10.2011
Addanki	B P T	2350	2300
Allagadda	Boiled Rice	2350	2350
Divi	B P T	1750	1750
Kandukur	B P T	2150	2150
Kondapi	B P T	2150	2100

**Domestic Prices & Outlook**  
**Spot Market Prices for Rice:**

	Andhra Pradesh		
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Allagadda	Boiled Rice	2350	2350
Divi	B P T	1750	1750
Kandukur	B P T	2150	2150
Kondapi	B P T	2150	2100

	West Bengal		
Market	Variety	17.10.2011	23.10.2011
Blurghat	Masuri	2350	2300
Bishnupur	Masuri	1680	1650
Burdwan	Other	-	-
Kalipur	Sona masuri non basmati	1700	1700
Samsi	H.Y.V	1600	1550

***Paddy Price in various markets during the Week (Prices in Rs. /quintal)***

Market	Variety	17/10/2011	23/10/2011
Addanki (AP)	BPT	1300	1300
kakinada(AP)	MTU-1010	1040	1000
Badvel (AP)	Masuri	1250	1250
Gangavathi(Karnataka)	IR 64	1000	1000
Shimoga(Karnataka)	Paddy Coarse	-	-
Hassan(Karnataka)	Paddy	-	-
Kolathur (Tamil Nadu)	Ponni	800	750
Madurai (Tamil Nadu)	ADT 36	900	900
Chinnamanur(Tamil Nadu)	IR 64	880	875

**Outlook:**

- Domestically, rice prices are likely to remain steady to weak as new crop arrivals, preceded by higher estimates for production in 2011-12 are likely to remain price limiting factors, despite good prospects of Non Basmati exports. Supply side will remain high with incoming crop in south India, supported by other states like Punjab, Haryana, U.P and Bihar. Arrival pressure from new crop will be felt from mid Nov. in south India. Non-basmati prices are bound to come down from current level.

**International Market Highlights:**

No major trading activities were seen in major rice exporting countries except India and Pakistan where many deals have finalized for non basmati rice. Both the countries are the cheapest source of non basmati rice currently. Shipment from both countries will increase as demand is continuously seen on the rise. Thai and Viet quotes haven't changed much over the last month.

Meanwhile, Indian and Pak rice sellers have been steadily lowering their quotes this month, especially for Pak 25% rice, which is now indicated the same as Indian 25% rice at about \$405 - \$415 per ton. Thai 25% rice is quoted about \$550 - \$560 per ton, about a \$40 per ton premium over Viet 25% rice indicated about \$510 - \$520 per ton. Traditional buyers from Vietnam and Thailand are turning to India and export from these two major exporting countries are expected to decline in Nov. onward.

Thai 5% rice is quoted around \$590 - \$600 per ton, about a \$25 per ton premium over Viet 5% rice quoted around \$565 - \$575 per ton. Indian 5% rice is shown around \$455 - \$465 per ton. Pak 5% rice is indicated around \$480 - \$490, about a \$25 per ton premium over Indian 5% rice.

**CBOT Market Rice Scenario (Corrent Month Contract):**


US rice futures close higher on worries about crop losses due to severe flooding in Thailand, the world's top exporter of the grain. Floodwaters reached Bangkok, and some towns were under water more than six feet high. "These floods in Thailand are pretty darn serious. It's going to drive the price of rice up, CBOT November rice jumps 9c to \$16.40 1/2/hundredweight. Prices of rice may move up due to supply concern.

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