

**Domestic Market Highlights and Week Ahead:**

- India's rice procurement in the kharif marketing season 2011-12 (October-September) has crossed the mark of 99 lakh tonnes as on November 15.
- Paddy procurement in Punjab is likely to drop from 130.77 to 120 lakh tonnes on fall in acreage.
- Punjab this season made arrangement to procure 140 lakh tonne of paddy.
- Area under basmati crop including PUSA 1121 variety this year increased by 10-15 per cent to 6 lakh hectares in Punjab.
- The agriculture ministry expects a record 102 mt rice production in the 2011-12 crop year (July-June) against last year's 95.32 mt.
- During the 2011-12 marketing year, FCI procured paddy (common) at R1,080 per quintal and paddy (Grade A) at R1,110 per quintal.
- Rice prices remained almost steady during the week on increased export demand.
- Loading for export continues from Gujarat, Tamil Nadu and Andhra Pradesh.

**Market Fundamentals:**

Rice market remained almost steady to weak during the week under review on increasing rice supply from newly harvested paddy crop. Miller's demand for fine grade paddy for export is continuously increasing and is restricting market to dip further. Prices are likely to stay on current level despite export demand and procurement at higher prices as arrivals from new crop in Andhra Pradesh, Orissa, West Bengal, Uttar Pradesh and Chhattisgarh are expected to increase in weeks ahead. It would be difficult to meet set target as arrivals have been lower than expectation in Punjab and Haryana. Better export opportunity, attractive price in comparison to major exporters and ample availability will help non-basmati rice export quantity at higher level. Almost 8 lakh tonnes non basmati rice has been shipped out so far in African countries and deals for equal amount have been confirmed by private trades for various destinations in the price range of \$440 to 485 per T for forward delivery.

**Procurement pressure eased in Punjab and Haryana:**

With Punjab and Haryana approaching the kharif 2011-12 target for the government's rice procurement drive, Food Corporation of India (FCI) and state-owned agencies in Chhattisgarh, Orissa, West Bengal and Andhra Pradesh are set to start rice purchase operations by the end of this month. According to the latest food ministry data, rice procurement during the ongoing kharif marketing season (October-September) has crossed 9 million tonnes with the bulk of purchases in

Punjab (6.9 million tonne), followed by Haryana (1.8 mt) and Tamil Nadu (1.7 mt) . The government expects a record procurement of 35.31 mt in the 2011-12 season.

#### **Procurement as on 10.11.11**

State	Last year(2010-11)	This year (2011-12) Quantity in lakh T
Punjab	86.00	69.00
Haryana	16.00	18.00
Andhra pradesh	96.00	n.a
Tamil Nadu	15.00	17.00
Chhattishgarh	37.00	n.a
Orissa	24.00	n.a
West Bengal	13.00	n.a
Uttar Pradesh	25.00	n.a

#### **Set Target for Punjab and Haryana:**

At the start of the procurement drive on October 1, Punjab and Haryana governments had set targets of lifting 9.3 mt and 3.2 mt rice respectively from the farmers. However, meeting the set target seems difficult given the decreased arrivals in major markets of Punjab and Haryana..

#### **Official Procurement prices:**

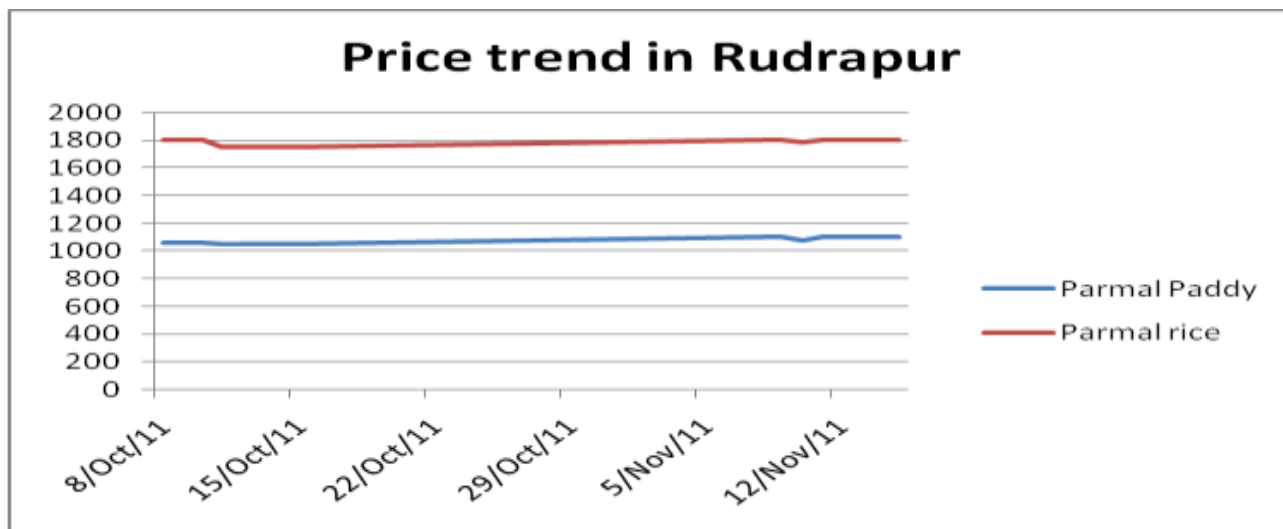
During the 2011-12 marketing year, FCI procured paddy (common) at R1,080 per quintal and paddy (Grade A) at R1,110 per quintal. If the government achieves the rice procurement target this year, it would help in the implementation of the proposed National Food Security Act. The agriculture ministry expects a record 102 mt rice production in the 2011-12 crop year (July-June) against last year's 95.32 mt.

#### **Basmati area in Punjab higher by 15 %**

Increase in area under basmati varieties in Punjab will also cause less crop procurement for the central pool, experts said. Area under basmati crop including PUSA 1121 variety this year increased by 10-15 per cent to 6 lakh hectares in Punjab. Even PR varieties area increased by 20-25 % in Punjab and Haryana. That is why arrivals of common grade paddy in Punjab and Haryana remains at lower side and resultantly lower procurement.

#### **Price movement in Rudrapur:**

Parmal paddy prices in Rudrapur remained almost steady despite increased arrivals from new crop. 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.



**Note:** Prices are in Rs /Qtl.

### **Impact of Exports on Rice Procurement:**

As a consequence of green signal to exports of Non Basmati, 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 contrary, 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 :**

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 bumper 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 Nov. end in south India. Non-basmati prices are expected to rule at current level as support from export demand continues.

#### Rice FOB prices:

##### Long grain white rice - high quality

<u>Country (date 14 .11.11)</u>	<u>High \$ per MT</u>	<u>Low \$ per MT</u>
Thai 100 % B	<u>630</u>	<u>620</u>
Viet 5%	<u>655</u>	<u>645</u>
India 5%	<u>450</u>	<u>440</u>
Pakistan5%	<u>465</u>	<u>455</u>
Us 4%	<u>600</u>	<u>590</u>
Uruguay5%	<u>570</u>	<u>560</u>
Argentina5%	<u>570</u>	<u>560</u>

##### Long grain white rice-low quality

<u>Country</u>	<u>High \$ per MT</u>	<u>Low \$ per MT</u>
Thai 25 %	<u>575</u>	<u>585</u>
Viet 25%	<u>515</u>	<u>505</u>
India 25%	<u>405</u>	<u>395</u>
Pakistan25%	<u>395</u>	<u>385</u>
Us 15%	<u>580</u>	<u>570</u>

##### Long grain parboiled rice

<u>Thai 100%</u>	<u>605</u>	<u>595</u>
<u>Pak5%</u>	<u>480</u>	<u>470</u>
<u>India5%</u>	<u>440</u>	<u>430</u>
<u>US4%</u>	<u>ng</u>	<u>ng</u>

#### International Market Highlights:

- **CBOT rice futures halt their free-fall**, ending mixed after falling more than \$2 in recent weeks. Poor export demand has pressured prices, outweighing worries about Asian crops damaged by floods. Jan. CBOT rice ends flat at \$15.22 per hundredweight.
- **Major exporters like Thailand, Vietnam** and India kept their quotes almost unchanged. Strong demand for Indian non basmati rice continues. Just opposite to it Pakistani rice exporters have revised their quotes down by almost \$ 5 per T from previous level.

- **Thai 5% rice is quoted around \$600 - \$610 per tonne**, about a \$55 per tonne premium over Viet 5% rice shown around \$545 - \$555 per tonne. Indian 5% rice is quoted about \$455 - \$465 per tonne, about on par with Pak 5% rice indicated about \$455 - \$465 per tonne.
- **According to Vietnam Food Association (VFA)** Vietnam's rice exports for the period January to November 10 totaled 6.48 million tonnes with 159,500 tonnes shipped between November 1 and November 10.
- **India and Indonesia are still in negotiations for** Indonesia to buy Indian rice. Indonesia is looking for 250,000 tonnes of Indian rice for February or March delivery. India has offered 500,000 tonnes.
- **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

**As on 14.11.11**

<b>Landed cost estimates of global Rice @ 0% import tariff (USD/MT)</b>							
<b>Cost Component</b>			<b>Thailand 15 Broken #</b>	<b>Thailand 25% Broken #</b>	<b>Vietnam 15% Broken #</b>	<b>Vietnam 25% Broken #</b>	<b>US Gulf 10% Broken #</b>
FOB Value			580	545	550	510	640
Freight			25	25	25	25	55
Export Tax			0	0	0	0	0
C & F Value			<b>605</b>	<b>570</b>	<b>575</b>	<b>535</b>	<b>695</b>
Interest Charges for one month	1%		6.05	5.7	5.75	5.35	6.95
Risk premium (risk of rejection at Indian ports)- USD/MT	10		10	10	10	10	10
C&F Value plus Risk premium and Interest Charges (USD/MT)			<b>621.05</b>	<b>585.7</b>	<b>590.75</b>	<b>550.35</b>	<b>711.95</b>
Landing Charges	1%		6.21	5.86	5.91	5.50	7.12
Landed Cost at Indian Ports (USD/MT)			<b>627.26</b>	<b>591.56</b>	<b>596.66</b>	<b>555.85</b>	<b>719.07</b>
Landed Cost at Indian Ports (INR/T)		<b>50.15</b>	<b>31457.11</b>	<b>29666.58</b>	<b>29922.37</b>	<b>27876.05</b>	<b>36061.34</b>
Port handling charges			800	800	800	800	800

Local transport			105	105	105	105	105
Warehousing charges (For one month)			70	70	70	70	70
Transit Insurance			12	12	12	12	12
Gunny bags			500	500	500	500	500
Transit loss (On landed Cost at Indian ports (INR/T))	0.050%		15.73	14.83	14.96	13.94	18.03
Loading & Unloading			200	200	200	200	200
Market Price of Rice			33159.84	31368.42	31624.33	29576.99	37766.37
Profit Margin	2%		663.20	627.37	632.49	591.54	755.33
Total Cost (INR per tonne)			<b>33823.04</b>	<b>31995.79</b>	<b>32256.82</b>	<b>30168.53</b>	<b>38521.69</b>

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



U.S. rice futures continued to slump, ending lower on weak demand and technical selling. CBOT Nov. rice ends down 3c to \$15.00 1/2 per hundredweight, setting another fresh 4-month low. Prices have fallen 11 of the past 12 days and are down from and Oct. 25 high of \$17.26

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