

**Domestic Market Highlights and Week Ahead:**

- Rice market remained almost steady to weak throughout the country despite slowed down arrivals in Punjab and Haryana.
- Paddy arrivals from newly harvested crop are picking up in Andhra Pradesh and Tamil Nadu.
- Paddy procurement starts in Orissa. Procurement target is unlikely to meet due to crop loss by flooding.
- Orissa State Civil Supplies Corporation, NAFED, MARKFED and Food Corporation of India would also procure paddy and offer 1,080 per quintal for paddy of common variety. Grade A quality of paddy would get 1,110 a quintal.
- Basmati paddy arrivals start picking up in Punjab, Haryana and Uttar Pradesh. Exporters, millers are active in buying fine grade variety for export purpose.
- Export demand for non basmati rice is strong and loading from Gujarat, Tamil Nadu and Andhra Pradesh continues with fast pace.
- Prices of rice in south India is likely to stay steady at current level on back of strong demand despite higher arrivals in weeks ahead.
- Non-basmati export touched 7.8 lakh tonnes till date and likely to cross one million tonne at the end of January.

**Market Fundamentals:**

Rice supply in south Indian markets is expected to improve with increasing arrivals from newly harvested crop in local markets. Pressure is likely to be felt in Tamil Nadu, Andhra Pradesh and Assam soon. However, prices of paddy is unlikely to dip below MSP in these areas as procurement agencies are well equipped and are buying maximum crop coming into the market yards. Besides, millers, exporters are actively buying fine grade paddy as export demand is very strong. They are attempting to meet current demand locally for better margin and have planned to source it from U.P., Punjab, Haryana and Assam when prices in local market will start firming up. Rice is being loaded from Kandla port and exporters are buying better quality rice at Rs 1775 per qtl.

As rice stock is ample and supply is increasing in many producing states, prices are unlikely to firm up mainly on ground of strong export demand. It will only prevent prices falling further. This year Bihar may compensate procurement shortfall in Punjab and Haryana. Farmers are expected to easily sell their produce to procurement agencies on MSP. Even U.P. is expected to contribute more this year. Govt. will be able to reach near procurement target.

**Bumper Paddy Production Likely In Bihar:**

Production of paddy in Bihar is likely to touch 70 lakh tonnes this year. Favourable weather and various incentives offered by state govt. encouraged farmers to plant more paddy this season. The state food corporation and other state agencies have planned to procure a big chunk of the paddy from the farmers. Previously procurement target had been set 25 lakh tonnes. The state govt. has revised the set target for the benefit of farmers. Of 70 lakh mt production of paddy, the state agencies will procure 30 lakh mt, while Food Corporation of India the rest, available surplus with the farmers.

### **Progressive Paddy Procurement:**

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 10 million tonnes with the bulk of purchases in Punjab (7.3 million tonne), followed by Haryana (2.0 mt) and Tamil Nadu (1.9 mt). The government expects a record procurement of around 35 million tonnes in the 2011-12 season.

### **Procurement as on 15.11.11**

State	Last year(2010-11)	This year (2011-12) Quantity in lakh T
Punjab	86.00	73.00
Haryana	16.00	20.00
Andhra pradesh	96.00	n.a
Tamil Nadu	15.00	19.00
Chhattishgarh	37.00	n.a
Orissa	24.00	n.a
West Bengal	13.00	n.a
Uttar Pradesh	25.00	n.a

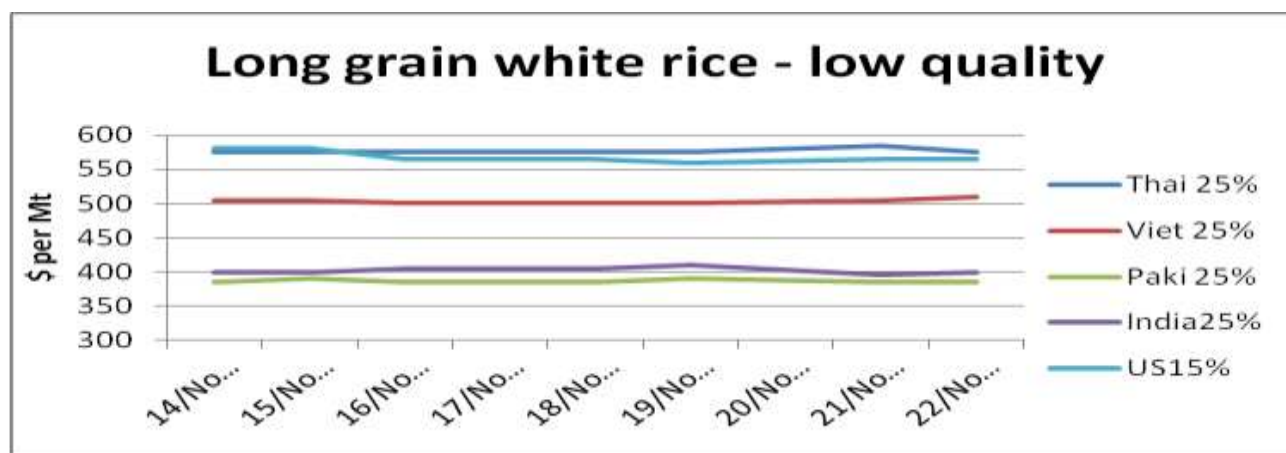
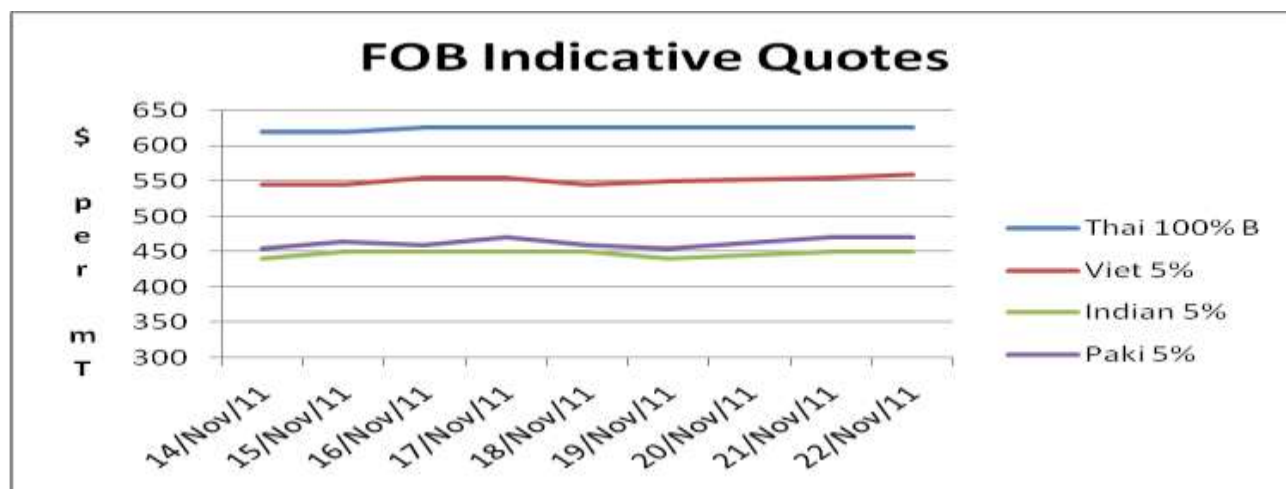
### **Comparative FOB Indicative Quotes during the Week:**

Thai 5% rice is indicated around \$605 - \$615 per ton, about a \$50 per ton premium over Viet 5% rice shown around \$555 - \$565 per ton. Indian 5% rice is quoted around \$440- \$450 per ton, about a \$15 per ton discount to Pak 5% rice indicated around \$455 - \$465 per ton, down about \$5 per ton.

Thai 25% rice is shown around \$575 - \$585 per ton, about a \$70 per ton premium over Viet 25% rice indicated around \$505 - \$515 per ton. Indian 25% rice is quoted around \$385 - \$395 per ton, about on par with Pak 25% rice shown around \$385 - \$395 per ton.

Thai parboiled rice is shown around \$595 - \$605 per ton. Indian parboiled rice is quoted around \$425 - \$435 per ton, about a \$30 per ton discount to Pak parboiled rice indicated around \$455 - \$465 per ton, down about \$5 per ton from yesterday.

Thai broken rice is indicated around \$545 - \$555 per ton, about a \$100 per ton premium over Viet broken rice quoted around \$445 - \$455 per ton. Indian broken sortexed rice is shown around \$370 - \$380 per ton, about on par with Pak broken sortexed rice quoted around \$370 - \$380 per ton.



### Procurement Target is unlikely to meet 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. Higher area under PR variety is considered to be the main reason for lower procurement. Generally millers and exporters buy this variety and better export demand and increased further export possibility encouraged them to buy more this season. They are buying this variety paying higher prices.

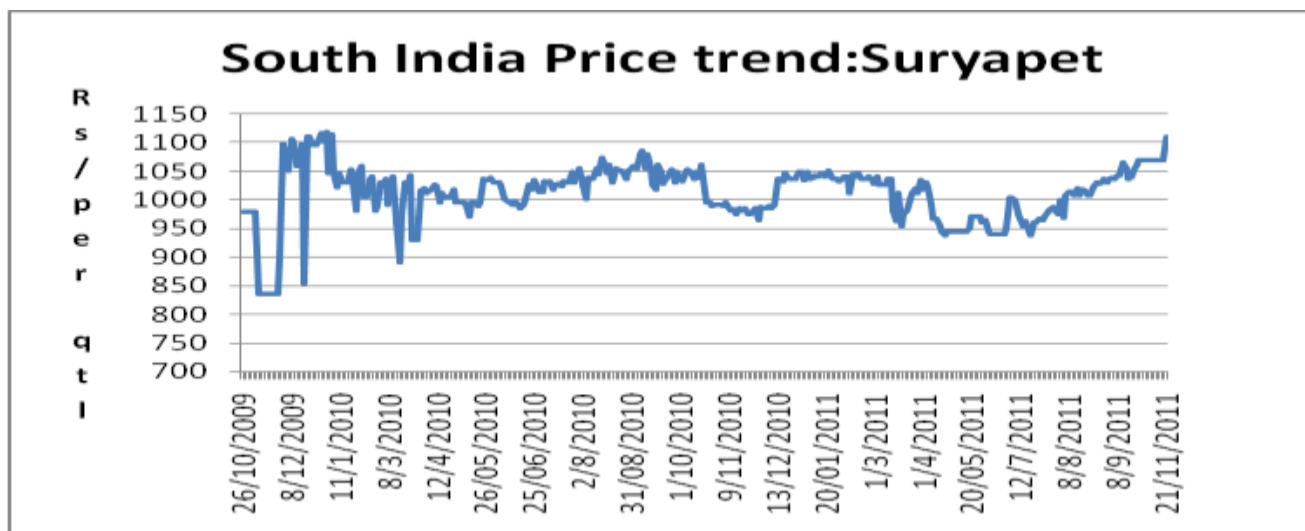
### Official Procurement prices:

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.

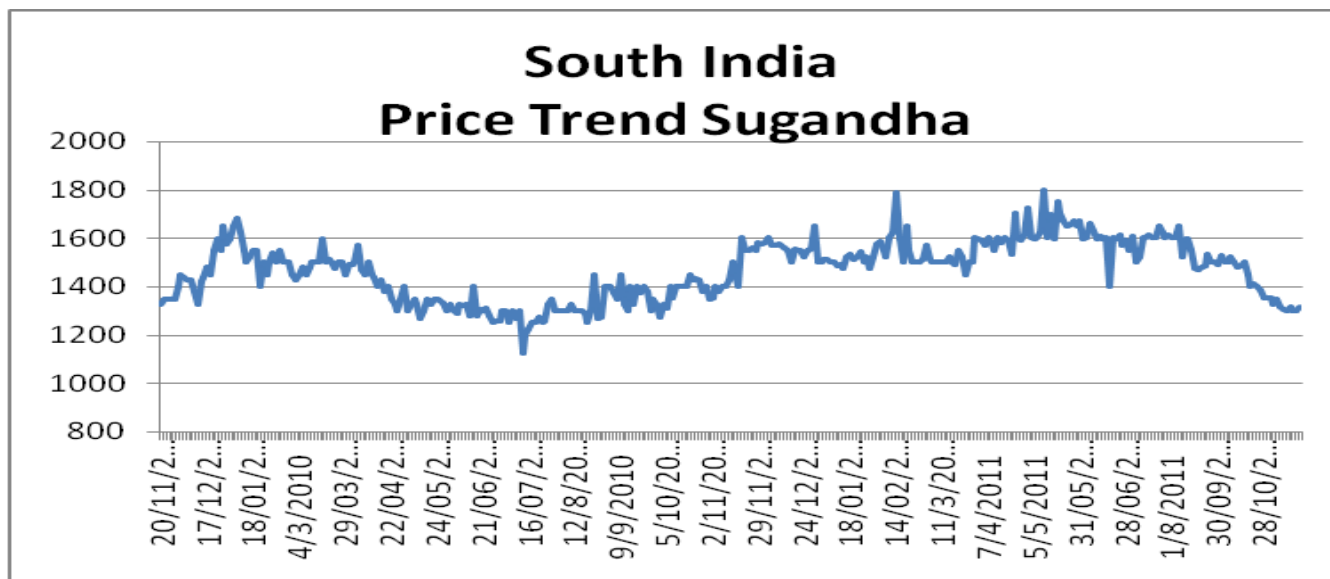
### **Paddy price movement in South India:**



Prices of Suryapet paddy in south Indian markets started firming up August onward and continued upward momentum till now. Better export demand, millers increased buying interest and procurement on MSP hold price firmed up. Arrivals from local producing regions are continuously increasing. However it is unlikely to go further up despite better demand. It is likely to stay at current level.

### **Price Trend:Sugandha Paddy:**

Paddy prices of Sugandha variety in south India continued to rule weak with arrival pressure in local markets. Experts say that prices should stay at current level as demand from exporters /millers are increasing continuously. Higher arrival is expected in Dec. when moisture level in paddy will decrease to normal level and will fetch better price in comparison to current prices. Crop is said to be in better conditions and yield is likely to increase this year in south India.



#### **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.

#### **International Market Highlights:**

**CBOT rice futures fell, falling to 4 1/2 month lows. General** weakness across broader asset classes encouraged traders to reduce risk exposure in unison with the declines seen amid other grain futures. CBOT Jan Rice ended down 22 1/2c, or 1.5%, to \$14.45 1/2/hundredweight.

**Keeping a pre-election promise, the Thai government is buying** unmilled rice, or paddy from growers at THB15,000 a metric ton, while the market price is THB10,000 a ton or lower. Thai rice prices have increased by around \$20/ton so far this month because the government's price has now become a benchmark.

**Thai 5% broken white rice is now being** offered around \$615/ton, free-on-board and 25% broken around \$580/ton. Vietnamese rice grades are mostly between \$500-\$550/ton, FOB. However there aren't many buyers at current price levels.

**Last week, Indonesia, the world's largest rice importer, purchased 250,000 tons** from private Indian companies at \$483/ton, basis cost and freight. This marks a paradigm shift in Indonesia's rice import strategy and also shows pragmatism, because Thai and Vietnam rice is costlier, a Singapore-based exporter said. If the quality is found acceptable, it may open the door for Indian rice in Jakarta permanently

**Thai government stocks continue to rise. Besides about 2 million tons** of old crop stocks, Thai government has received about 600,000 tons of new crop rice under the new paddy buying scheme

at around \$487 per ton. Thai government insists it is still in the game with some of the Thai officials claiming big government to government deals in the making. Name of the buyers has not been disclosed.

**Now only major Asian buyer – the Philippines remains** in the market in Asian region. Initially, the Philippines was supposed to import about 500,000 tonnes and now the import estimate has been revised to 500,000 to 800,000 tonnes for 1212.

**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

### Landed Cost Estimates of Global Rice

(as on 22/11/2011)

Cost Component			Thailand 15 Broken #	Thailand 25% Broken #	Vietnam 15% Broken #	Vietnam 25% Broken #	US Gulf 10% Broken #
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>52.45</b>	<b>32899.81</b>	<b>31027.16</b>	<b>31294.69</b>	<b>29154.52</b>	<b>37715.20</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

<b>Transit loss (On landed Cost at Indian ports (INR/T))</b>	0.050%		16.45	15.51	15.65	14.58	18.86
<b>Loading &amp; Unloading</b>			200	200	200	200	200
<b>Market Price of Rice</b>			34603.26	32729.68	32997.33	30856.09	39421.05
<b>Profit Margin</b>	2%		692.07	654.59	659.95	617.12	788.42
<b>Total Cost (INR per tonne)</b>			<b>35295.33</b>	<b>33384.27</b>	<b>33657.28</b>	<b>31473.22</b>	<b>40209.47</b>

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