

Market Highlights

- An increased supply through kharif crop harvesting has pulled the prices of rice down almost by 20 per cent in December.
- At present, the supply is higher than demand and pressure on rice market is likely to continue.
- Arrivals in south Indian states, Bihar and Uttar Pradesh are on increase.
- Non-basmati rice export crossed 1.2 million tonnes as per private trade estimates. Besides, deals of another 4.5 lakh tonnes have been finalized for shipment in Jan-Feb.
- India and Pakistan will remain competitive in first three months next year until the new Vietnam crop hits the market.
- All-India progressive procurement of rice for the marketing season 2011-12 as on 16.12.2011 was 134.12 lakh tonnes which is higher than the procurement of 123.79 lakh tonnes upto the corresponding period last year.
- Rabi paddy transplanting is lagging behind this year by 35,000 ha. so far. Trans-planting has been completed in 1.75 lakh ha. against 1.95 lakh ha. last year as on 18th Dec.
- Rice stocks at government warehouses stood at 270.63 lakh tonnes as on Dec. 1 as against 260.83 lakh tonnes.in Nov.
- Rice is expected to trade at current levels despite higher arrivals and ample availability. Ongoing procurement and export demand would restrict further loss in the market.

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	62.78
Total Usage	83.76	86.15	2.85
Carry Over Stocks	26.97	36.14	33.00

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:

Despite obligation under food security bill India has a fair chance on the export front in 2011-12, especially for non basmati rice with ample availability and bumper harvested crop this year. With established overseas buyers and prudent working capital management practices amid strong dollar are expected to provide an additional edge for Indian rice millers. However, it depends on further allocation for export in months ahead. As of now only two million tonnes non basmati rice export has been allowed and almost 60 to 65 percent of which has been shipped out, the rest is likely to be shipped in next two months under normal and current international market outlook.

Despite ongoing procurement and export demand for non basmati export prices of rice and paddy in many states like Uttar Pradesh, Bihar, Gujarat, Maharashtra, West Bengal, Assam, Tamil Nadu and Andhra Pradesh have come down considerably. However, further loss in domestic prices is unlikely as demand from local markets is expected to improve at this level. Arrival pressure too will come down by the end of January.

High stocks that have allowed India to export 2 million tonnes since September - the first since a shipment ban in 2007 - and its weak currency, have kept Indian rice far below prices in Vietnam, Thailand. Indian rice prices have eased \$40-\$50 per tonne since exports were allowed. Common grade non-basmati rice are offered between \$380 and \$415 a tonne, FOB, down from the beginning of Dec from \$430-\$450. The Indian rupee touched a record low in Dec as foreign and domestic investors snapped up dollars to reduce exposure to India's cooling economy. It has shed 4.8 percent against the dollar in the past four weeks and 16 percent this year. Prices have almost bottomed out due to the fall in the rupee's value. There is no room for Indian rice prices to ease further, unless the rupee slides further.

Export Scenario:

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 port facilities to ship out rice easily. Besides, they are active in sourcing rice from eastern U.P., Bihar and to some extent from Orissa. Market sources say that almost 15.75 lakh tonnes basmati and 12.5 lakh tonnes non basmati rice have been shipped out so far from various ports. Indian quotes will continue to attract foreign buyers.

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 1725 per qtl.

This comes to FOR Kandla at Rs 1775 per qtl. the latest deals are said to be finalized at \$440 to 450 per T. Better profit margin attracts exporters and more deals is expected in Jan-Feb..

Domestic Rice Price Trend and Outlook:

Market	Month Ending Prices of Sharbati Sella Rice (Rs. /quintal)						
	11-Jun	11-Jul	11-Aug	11-Sep	11-Oct	11-Nov	11-Dec
Delhi	2918.46	2913.6	2933.33	2750	2600	2550	2500
Rudrapur (Uttarakhand)	2896.15	2984.61	3037.5	2900	2800	2775	2725
Karnal (Haryana)	2953.84	2976.92	3000	2950	2750	2700	2650
<u>Amritsar</u> (<u>Punjab</u>)	<u>2976.92</u>	<u>3115.38</u>	<u>3100</u>	<u>3100</u>	<u>2850</u>	<u>2750</u>	<u>2700</u>

Monthly ending prices of Sharbati Sella Rice start declining Sept. onward as evident from above given table and touch the lowest level in Dec. Rice is expected to trade steady to slightly firm in Jan-Feb on likely improved demand from domestic market with decreasing arrival pressure from newly harvested crop. Ongoing procurement and better export opportunity will support market not losing ground further.

Sharbati Sella Rice prices (Rs. Per Quintal)	Monthly Average	3 Yrs. Average	Spread 3 yrs monthly average price)
10-Dec	3013	2675	-338
11-Jan	2900	2711	-189
11-Feb	3025	2632	-393
11-Mar	3037	2767	-270
11-Apr	3000	2805	-195
11-May	3071	2869	-202
11-Jun	2977	2897	-80
11-Jul	3115	2755	-360
11-Aug	3100	2723	-377
11-Sep	3150	2617	-483
11-Oct	3000	2615	-372
11-Nov	2825	2595	-230
11-Dec	2750	2650	-100

Three years average spread also suggest declining trend. Current prices are ruling still higher. However, going by seasonality factors, prices of rice start moving up from January onward as shown

in the above given table. However, market direction will depend on further allocation of non- basmati rice. It will support market to stay steady for medium term.

	Trend	Price Range
Short Term (10-15 days)	Range bound/Negative	2650-2700
Jan end 2012	positive	2700-2750

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	26.83	27.63

Rice stocks in Central Pool as on 1st Dec, 2011 stood at 27.63 MMT which is higher by almost 9.63 MMT from an actual requirement of buffer norm as on 1st Jan. Rice stock is continuously increasing and likely to touch the highest level in March-April with smooth procurement and bumper harvest. Going by present procurement trend set target of 35 million tonnes(paddy) is easily achievable.

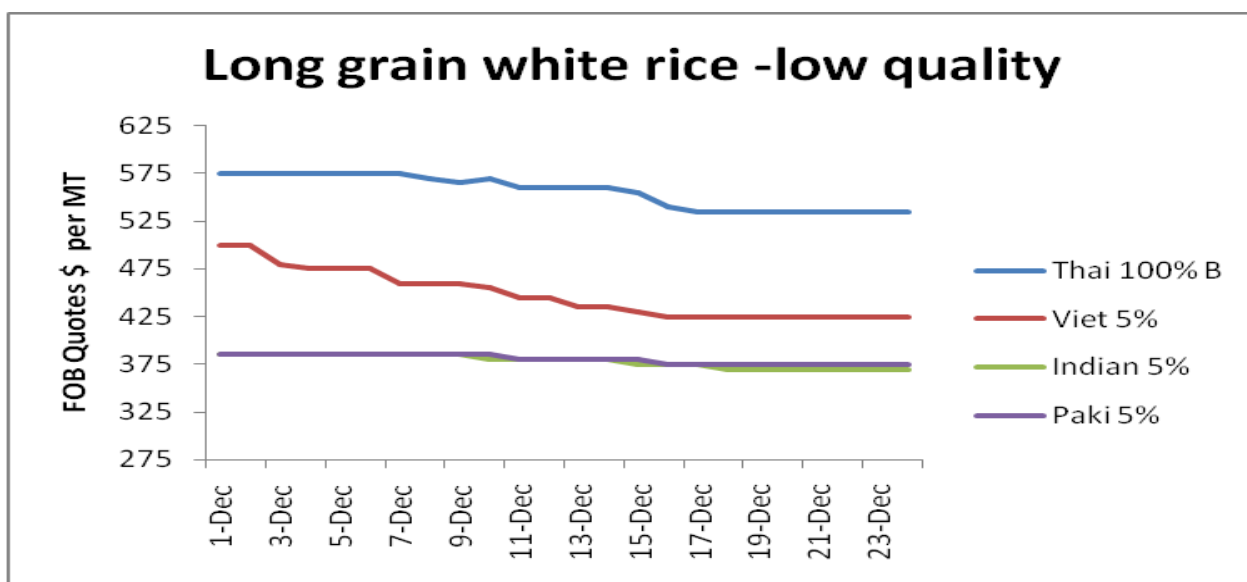
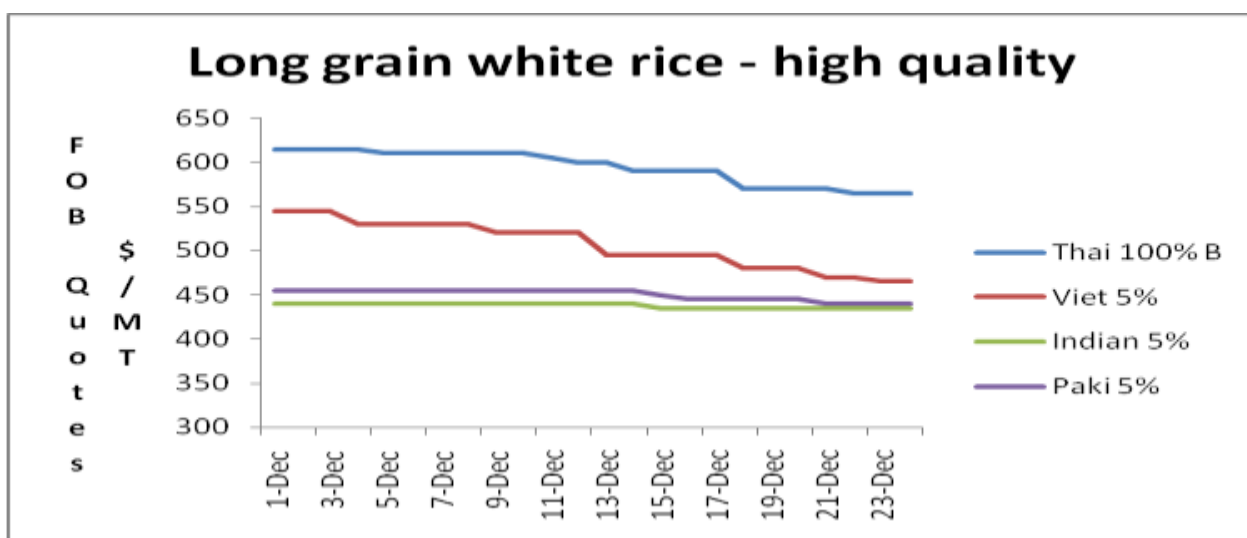
Zone Wise Rice Stock position: As on 01.12.2011

Fig in Lakh T	Stock with FCI	Stock with state agencies	Total central pool stock as on 01.12.2011
East Zone Total	6.26	7.53	13.79
NE Zone Total	1.68	0.0	1.68
North Zone Total	67.96	103.97	171.93
South Zone Total	47.75	9.85	57.60
West Zone Total	10.10	13.42	23.52
Stock in Transit	2.10	--	2.10
All India Total	133.76	134.77	270.63

Rice stock position in India is quite comfortable. It is more than two times higher than required quantity for buffer norm as on 1st January as depicts the below given table. Against requirement of 118 plus 20 lakh tonnes current rice stock is over 270 lakh tonnes. When we consider zonal wise stock it is on lower side only in NE zone. Rice stock will continue to increase from Dec to April and touch 280 lakh tonnes(rice) given the record production and increasing stock trend during these months.

Buffer Norms And Strategic Reserve:

As on	Buffer Norms			Strategic Reserve		Grand Total
	Rice	Wheat	Total	Rice	Wheat	
1st April	122	40	162	20	30	212
1st July	98	171	269	20	30	319
1st October	52	110	162	20	30	212
1st January	118	82	200	20	30	250

Comparative FOB Quotes in Overseas rice market during Dec.


Fob quotes in overseas market remained almost unchanged in India and Pakistan .Non basmati rice in both countries traded almost flat to slightly weak during the month under review. However,

Vietnam slashed down its quotes considerably during the month and its quotes came much closer to Indian and Pakistani quotes.

Vietnam crop is due in March and a bumper crop may tempt Vietnam to slash its price further though such a downward revision is unlikely as the Vietnamese govt. has to ensure better prices for its farmers also. Despite ample availability world rice market should bottom out from current level as demand is likely to improve from current level. Buyers are waiting for price to stabilize and with this they will return into the market once again.

Progressive procurement of Rice as on 23.12.2011 :

States	MY2010-11(Oct to Sept.)Fig in lakh T	MY2011-12 (As on 23.12.11) Fig in lakh T	MY2010-11(As on 23.12.11) Fig in lakh T
Andhra Pradesh	96.10	12.54	8.43
Chhatisgarh	37.39	18.63	9.51
Haryana	16.87	19.60	16.52
Kerala	2.63	0.99	0.64
Maharashtra	3.08	0.46	0.36
Orissa	24.76	0.17	--
Punjab	86.35	76.60	86.34
Tamil Nadu	15.83	2.83	0.94
Uttar Pradesh	24.66	11.30	5.10
Uttaranchal	4.22	1.04	1.20
West Bengal	13.10	1.06	0.97
All-India	340.94	150.38	133.34

Rice procurement is running smooth and has been satisfactory so far. Paddy procurement in Chhatisgarh, Haryana, Kerala, Maharashtra, Tamil Nadu, U.P and West Bengal has increased. However, contribution to the central pool from Orissa, Punjab, Uttaranchal has been lower in comparison to last year till date. Going by the current procurement trend, set target of 35 million tonnes is easily achievable. Andhra Pradesh, U.P., Haryana, Tamil Nadu, West Bengal and Bihar will contribute more this year with bumper paddy crop. Procurement activities in Orissa are yet to pick up.

Recommendation:

Despite higher requirement of 61 million tonnes foodgrains under food security obligation, stock will remain at higher level. Wheat procurement may cross 32 million tonnes backed by higher MSP irrespective of production size. Combined wheat and rice stock will cross 70 million tonnes. Besides, ample stock will remain in private hands to take care of additional export in case it is allowed.

Continuation of non basmati export will remain the main price driving force in domestic market and further allocation at least in the range of 2 to 3 million T should be allowed to ensure better price for farmers and avoid impending storage crunch in the second quarter of this year.

International Market

World Market Recap	
<ul style="list-style-type: none"> US rice futures fall as the market continued to erase early week gains. Rice dropped for a second-straight day after climbing the previous five. Poor demand sent the market tumbling throughout the fall, but analysts say the market could be oversold. CBOT January rice ends down 14 1/2c at \$13.90 1/2 per hundredweight. Still, it gained 1.6% on the week. 	
<ul style="list-style-type: none"> Viet rice remains quoted in very close proximity to Indian and Pakistani rice. Viet 5% rice is quoted at around \$470 per ton, about a \$35 per ton premium over Indian 5% rice quoted around \$440 per ton, and about a \$20 per ton premium over Pak 5% rice quoted around \$450 per ton. 	
<ul style="list-style-type: none"> Iraq announced the results of their tender for 30,000 tons of rice. They will buy 150,000 tons with 90,000 tons from India and 60,000 tons from Pakistan. Sources say the Indian rice is priced at an average of about \$520 per ton cif while the Pakistani rice is priced at about \$529 per ton cif. 	
<ul style="list-style-type: none"> Activity remains stagnant in South America as well. South American rice prices are down about \$20 from earlier this month but may be bottoming out as dry weather threatens crop production. Farmers in South America remain nervous about not having enough rainfall for the rice crop. 	
<ul style="list-style-type: none"> Total rice use is also forecast to expand by 2%, with a further small increase projected in the global carryover, to 100m. tons (98m.). Within the total, inventories in the five major exporters are forecast to increase by 8%, to an all-time peak of 32m. tonnes. IGC World trade in calendar 2012 is forecast to contract by 0.8m.tons, to 32.5m., on reduced imports by Far East Asia, especially by Bangladesh and Indonesia. 	
<ul style="list-style-type: none"> 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 	

International Market Rice Supply and Demand Scenario:

IGC Balance Sheet:

IGC estimate released on 24.11.11	2007-08	2008-09	2009-10	2010-11 est.	2011-12 forecast 27.10	2011-12 forecast 24.11
Rice						
Production	432	447	440	451	459	459
Trade	29	29	31	33	32	32
Consumption	429	436	437	448	457	458
Carry over St.	80	92	95	98	99	100

Year change	+3	+12	+3	+3		+2
Major exporters	18	27	28	29	31	32

Note: Major exporters are India, Pakistan, Thailand, Vietnam, United States

Dec. report is awaited:

Export prices of this rice remained weak in Dec with India and Pakistan shipping for various destinations with ample availability and cheaper quotes. Vietnam slashed down price considerably to compete with India and Pakistan. However, good price gap still hinges in favour of India and Pakistan. Market is closely watching new developments in India .Is India going to allow more rice export? It will be a price driving factor in overseas market in short and medium term.

CBOT Rice: Front Month Future: Daily Chart



Price Projection (International-CBOT)-

	Trend	Price Range
Short Term (10-15 days)	Range bound to negative	13.60-14.40
Jan 2012	Range bound Positive	14.50-15.50

Vietnam and Thailand are expected to slash their quotes slightly to compete with cheaper Indian supply and grab some buyers. However, higher demand and limited supply from India and Pakistan may drive market higher in new year.

Landed Cost Estimates of Global Rice

(as on 24/12/2011)

Cost Component			Thailand 100 Broken #	Thailand 25% Broken #	Vietnam 5% Broken #	Vietnam 25% Broken #	US Gulf 15% Broken #
FOB Value			595	565	475	440	530
Freight			25	25	25	25	55
Export Tax			0	0	0	0	0
C & F Value			620	590	500	465	585
Interest Charges for one month	1%		6.2	5.9	5	4.65	5.85
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)			636.2	605.9	515	479.65	600.85
Landing Charges	1%		6.36	6.06	5.15	4.80	6.01
Landed Cost at Indian Ports (USD/MT)			642.56	611.96	520.15	484.45	606.86
Landed Cost at Indian Ports (INR/T)		52.60	34441.32	32801.00	27880.04	25966.33	32527.62
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%		17.22	16.40	13.94	12.98	16.26
Loading & Unloading			200	200	200	200	200
Market Price of Rice			36145.54	34504.40	29580.98	27666.32	34230.88
Profit Margin	2%		722.91	690.09	591.62	553.33	684.62
Total Cost (INR per tonne)			36868.45	35194.49	30172.60	28219.64	34915.50

News in flash:

India and Pakistan remain competitive:

Viet rice remains quoted in very close proximity to Indian and Pakistani rice. Viet 5% rice is quoted at around \$470 per ton, about a \$35 per ton premium over Indian 5% rice quoted around \$440 per ton, and about a \$20 per ton premium over Pak 5% rice quoted around \$450 per ton. However, while Viet rice quotes have come off about \$90 per ton since late November, the Vietnamese Food Association (VFA) yesterday came out and said that they were setting minimum export prices for Viet rice at levels about \$30 to \$40 per ton higher than current price quotes. Viet rice sellers had lowered their quotes because sales were dwindling as buyers shifted their interest toward cheaper origins such as Indian and Pakistan. Source: Trade

India and Pakistan win Iraqi tender:

Iraq announced the results of their tender for 30,000 tons of rice. They will buy 150,000 tons with 90,000 tons from India and 60,000 tons from Pakistan. Sources say the Indian rice is priced at an average of about \$520 per ton cif while the Pakistani rice is priced at about \$529 per ton cif, while Indian and Pakistani 5% rice are today being quoted around \$440 and \$450 per ton fob respectively. The deal is still subject to the approval of quality samples. Source: All India rice exporters association

Activity remains stagnant in South America:

South American rice prices are down about \$20 from earlier this month but may be bottoming out as dry weather threatens crop production. Farmers in South America remain nervous about not having enough rainfall for the rice crop. There have been recent rains but they haven't been significant. Most recent forecast show weather should be extremely hot and drier than normal this time of year, summer time in the southern hemisphere. South American rice business is slow as workers leave for the holidays and mills close for seasonal maintenance and repairs. U.S. stock markets were buoyed by news U.S. jobless claims fell by 4,000 to 364,000 in the week ending December 17, that's the lowest reading since March 2008 and gave investors hope the U.S. labor market was turning a corner. Most analysts were expecting something closer to 380,000 jobless claims. CME

Indonesia plans to buy 4 million tonnes rice in 2012:

Indonesia's state grain buying agency, Bulog, said it plans to buy 4 million tons of rice in 2012 with all rice purchased from the domestic market, if possible. Indonesia has imported about one or 2 million tonnes of rice each year as consumption has outpaced demand. However, domestic pressure has been rising from the nation's farmers to lower imports, charging that if given the chance, the nation's rice producers can meet Indonesia's needs. While trying to meet its rice consumption, of about 39 million tons annually with domestic supplies, the head of Bulog gave assurances that rice stocks would be kept around 2 million tons. Most think that the nation will need to import rice, but the focus on domestic sourcing should boost domestic production, perhaps reducing Indonesia's needs. Trade source

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