

Market Highlights

Domestic rice market remained under pressure on higher kharif crop size, lower demand and increased competition from Pakistan, Myanmar and to some extent Vietnam despite appreciating Indian currency and production loss in Tamil Nadu due to flooding and lower rabi acreage. However, during last week of Jan prices of duplicate Pusa basmati improved on fresh inquiry from overseas buyers.

Indian panel to review MEP for basmati rice and decision over non basmati rice export allocation on 7th Feb.2012.MEP for basmati may be reduced by 22 percent to \$700 per T.

India is likely to export between 3.0 million metric tonnes of common -grade rice by the end of the current financial year through March. As of now almost 2 million tonnes non basmati rice has been shipped out and we expect further 2 million tonnes export excluding basmati in next six to seven months time.

India's rice stocks with government procurement agencies stood at 29.71 MMT as on 1st Jan-2012 and with ongoing procurement it is likely cross 31 MMT in Feb. The government rules stipulate that Food Corporation of India(FCI), the central agency for grain procurement and distribution, should have a buffer stock of 14.2MMT of rice, including 2 MT of strategic reserves, as of April 1st ,2012 , each year.

Paddy procurement in the 2011-12 kharif marketing season(Oct-Sept) has crossed 20 million tonnes throughout the country and given the flow of arrivals set target of 35 million tonnes seems very much within reach.Major contributors are Punjab,Chhattishgarh, Andhra Pradesh and Haryana.

Rice transplanting is in progress. The total area under rabi rice is 17.64 lakh hectare against 19.27 lakh hectare during the corresponding period of last year. Higher area has been reported from Tamil Nadu (0.24 lakh hectare) and Odisha (0.13 lakh hectare).Kharif rice area last year(till 30th Sept.2011) was registered at383.69 lakh ha.,higher by33.26 lakh ha.over last year's acreage on this date.

Market Fundamental:

New trade enquires pushed up Pusa-1121 (sela) and duplicate basmati prices with rising hope that govt may slash down MEP for basmati by 22 percent to \$ 700 per T, while all other aromatic and non-basmati rice varieties were unchanged. In overseas markets, Indian white rice touched \$455-\$465 a tonne (f.o.b.) last week, up from \$440-\$450 a week ago. Demand for Indian rice abroad is rising and recently traders signed new contracts for aromatic varieties. Besides, demand for non basmati rice is as usual and export will continue with brisk pace in the weeks ahead. A weak dollar against the rupee also supported the rise in prices.

Procurement of paddy is very smooth and has already crossed 20 million T mark. Higher arrivals in South India and resultantly lower prices may encourage govt. to announce bonus over and above MSP of Rs 1110 per qtl. so that minimum support price may be ensured. An additional export quota for non basmati rice may be allowed any time and export will continue without any break. The Union minister for consumer affairs, food and public distribution KV Thomas is expected to take up a major initiative to modernize and mechanize the public distribution system, and embark on end to end

computerization of the system for better coordination and food grains movement. Direct online link will be established between the Food Corporation of India (FCI) godowns and the Public Distribution System (PDS) to track the movement of foodgrains and check misappropriation and irregularities by dealers and others.

Rice demand -supply and projection for 2011-12

<i>Value in MMT</i>		Excluding Non Basmati Exports	Including Non Basmati Exports
	2010-11	2011-12	2011-12
Beginning Stocks	18	30	30
Production	95	102	102
Total Availability	113	132	132
Domestic consumption	48	51	51
Govt. Procurement	33	35	35
Exports	2	2.3	4.3
Total Usage	83	88.3	90.3
Ending Stocks	30.0	43.7	41.7

Source: Agriwatch

Agriwatch expects 102 million tonnes rice production in 2011-12 and will be able to export total 6.6 million tonnes by the end of this crop year. Domestic consumption may touch 51 million tonnes from 48 million tonnes in 2010-11 due to higher availability. Higher crop size, increased MSP and likely bonus for south Indian states will ensure maximum procurement to the tune of 35 million tonnes. As the demand –supply table shows total usage will go up from 83 million tonnes to 88.3 million tonnes excluding non basmati export. If we include non basmati export it will cross 90 million tonnes in 2011-12. Despite higher usage and export ending stock is expected to cross 41.7 million tonnes, quite higher than 14.2 million tonnes required on 1st of April 2012. It will create storage crunch as wheat procurement starts in April and higher wheat procurement is expected in the range of 30 million tonnes in MY 2012-13.

Export status (non-basmati): Rice and wheat export under OGL:

Wheat and rice export under OGL	Rice (fig in lakh T)	Wheat (Fig in Lakh T)
Sept.11	1.85	0
11-Oct	4.5	1.3
11-Nov	4.8	1.8
11-Dec	5.1	1.2
12-Jan	5.2	0
Total	21.45	Official 4.3

Note: Unofficial figure is quite higher around 7 to 8 lakh tonnes, illegally through road route from West Bengal to B, desh. Rice export is on the rise continuously as the above table shows. Non – basmati export have crossed 2.1 million T mark in January and we expect it to touch 4 million tonnes (non-basmati) by the end of May. Total rice export may cross 6.5 million tonnes going by present export trend.

Progressive procurement of Rice as on 27.01.2011 :

States	MY2010-11(Oct to Sept.)Fig in lakh T	MY2011-12 (As on 27.01.12) Fig in lakh T	MY2010-11(As on 27.01.11) Fig in lakh T
Andhra Pradesh	96.10	27.95	18.47
Chhatisgarh	37.39	31.14	24.49
Haryana	16.87	19.70	16.52
Kerala	2.63	1.05	0.66
Maharashtra	3.08	0.95	0.79
Orissa	24.76	10.90	7.33
Punjab	86.35	77.31	86.34
Tamil Nadu	15.83	3.99	1.65
Uttar Pradesh	24.66	20.17	13.11
Uttaranchal	4.22	2.01	12.37
West Bengal	13.10	3.57	2.92
All-India	340.94	207.12	188.54

Source:Decnet

Rice procurement is going through brisk pace in south and central India and we expect higher procurement on back of higher production and better procurement network in Bihar, Uttar Pradesh, Chhatisgarh, Orissa and West Bengal. Higher procurement has been reported from Chhatisgarh, Haryana, Kerela. Lower procurement was reported from Punjab and Uttaranchal. If state govt. in south India declares bonus over MSP, total procurement may go up considerably beyond set target of 35 million tonnes. Some well to do farmers are holding back their stock in anticipation of bonus.

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

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
2012	29.71	31.8	33.00									

Rice stocks in Central Pool as on 1st Jan, 2012 stood at 29.71 MMT which is higher by over two times from an actual requirement of buffer norm(14.2 MMT) as on 1st April 2012. 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. Stock in Feb may touch 31.8 MMT and in March it may cross 33 million tonnes as offtake is expected to remain at lower side due to higher availability in the market.

Zone Wise Rice Stock position: As on 01.01.2012

Fig in Lakh T	Stock with FCI		Stock with state agencies		Total central pool stock as on 01.12.2011
East Zone Total	5.61	(6.26)	11.27	(7.53)	16.88 (13.79)
NE Zone Total	1.45	(1.68)	0.0		1.45 (1.68)
North Zone Total	76.11	(67.96)	138.50	(103.97)	172.25 (171.93)
South Zone Total	50.41	(47.75)	12.26	(9.85)	62.67 (57.60)
West Zone Total	11.99	(10.10)	27.53	(13.42)	39.52 (23.52)
Stock in Transit	4.41	(2.10)	--		(4.41 (2.10)
All India Total	149.98	(133.76)	147.20	(134.77)	297.18 (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 April 2012 as depicts the below given table. Against requirement of 142 including strategic reserve of 20 lakh tonnes. Current rice stock is over 297.8 lakh tonnes. When we consider zonal wise stock it has been increasing in every zone with ongoing smooth procurement. Rice stock will continue to increase from Dec to April and touch 330 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

Domestic Rice Price Trend and Outlook:

State	Prices January, 2012	Prices December, 2011	Prices January, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	1895.18	1934.22	2295.46	-2.02	-17.44
Assam	2310.44	2665.11	2670.36	-13.31	-13.48
Gujarat	2060.82	2043.77	1907.32	0.83	8.05
Jammu and Kashmir	5503.62	5700	5145.59	-3.45	6.96
Jharkhand	2004.65	2025.95	2151.88	-1.05	-6.84
Karnataka	2196.95	2186.16	2134.73	0.49	2.91
Kerala	2906.33	2768.97	3651.24	4.96	-20.4
Maharashtra	3989.82	4120.47	4043.95	-3.17	-1.34
Meghalaya	3059.55	3064.1	2591.33	-0.15	18.07
NCT of Delhi	1544.9	1596	1432.5	-3.2	7.85
Orissa	1921.21	1870.76	1821.05	2.7	5.5
Punjab	1536.69	1550.91		-0.92	—
Uttar Pradesh	1457.13	1516.09	1417.13	-3.89	2.82
Uttarakhand	1473.14	1675	1710.54	-12.05	-13.88
West Bengal	1893.73	1853.31	1961.85	2.18	-3.47
Average	2323.49	2338.59	2357.82		

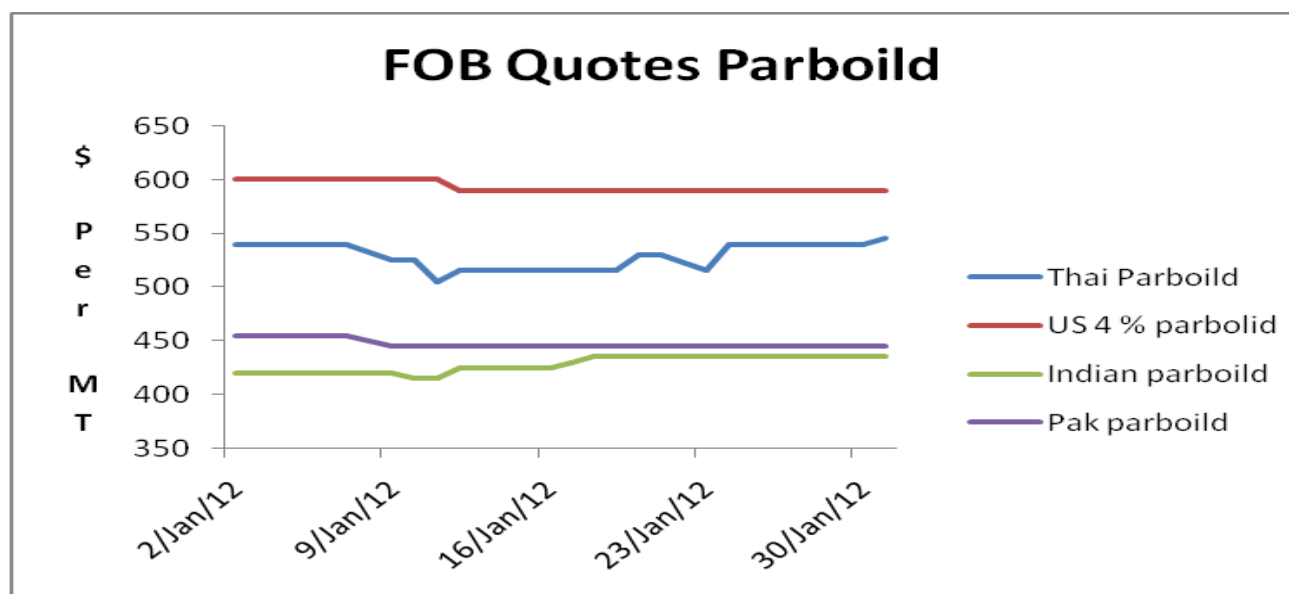
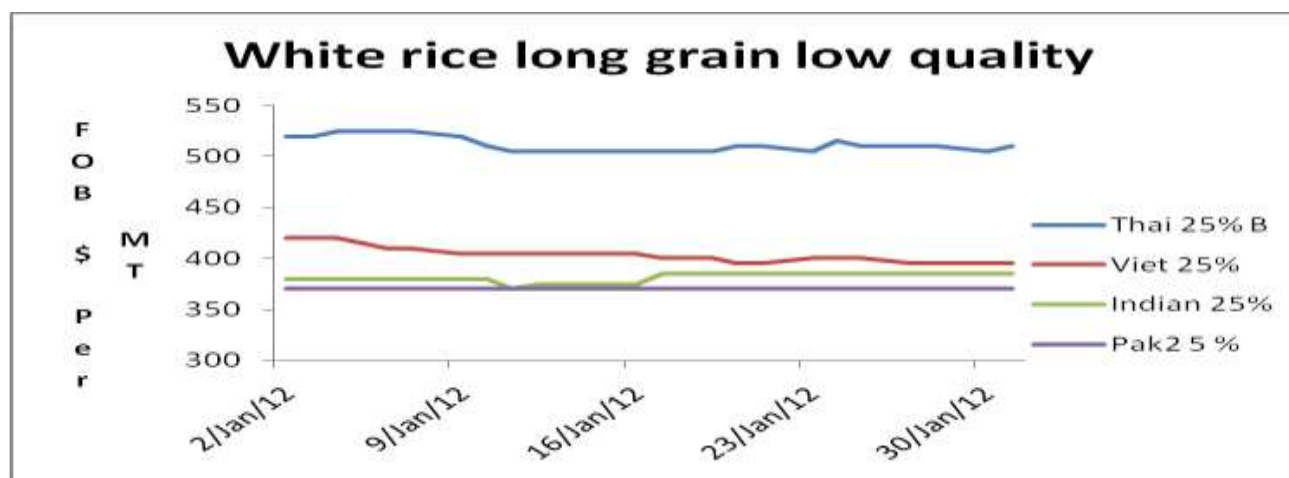
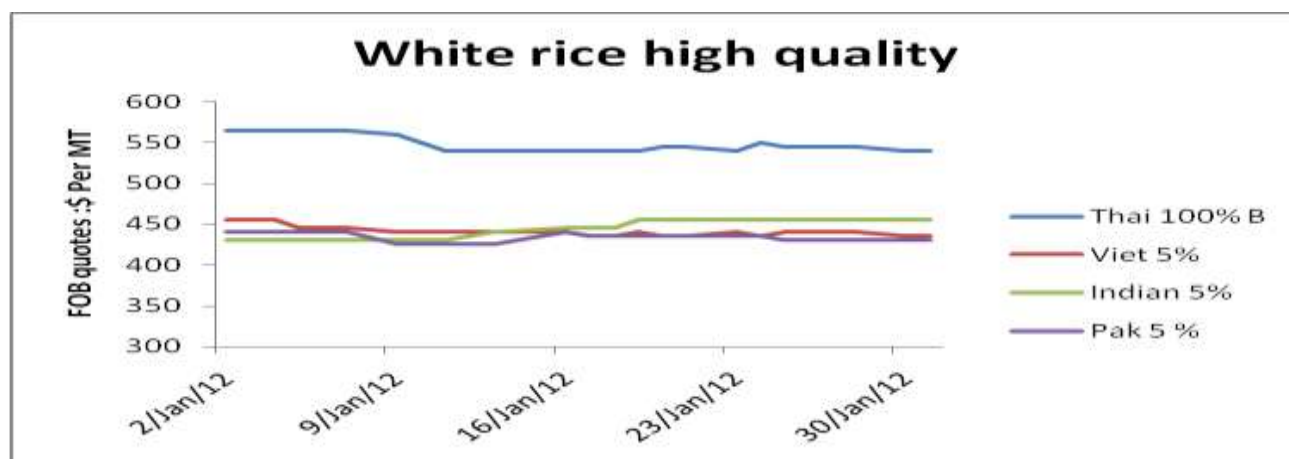
Price Rs/Per qtl:

Prices of rice have decreased considerably in comparison to December except some centers like Gujarat, Karnataka, Kerala and West Bengal as depicts the above table. Higher supply is pressurizing market despite good demand for non basmati export. However, traders say that now further loss is unlikely as fresh demand at current level is expected from millers, exporters in the weeks ahead. Smooth procurement should support market at current level. Lower rabi area may also influence price.

Price Projection:

	Trend	Average Price Range
Short Term (10-15 days)	Range bound/Negative	2200-2350
Feb. end 2012	positive	2250-2450

Comparative FOB Quotes in Overseas rice market during Jan 2012



International Market

World Market Recap

- US rice futures end lower, extending their recent steep drop amid poor demand. Weak demand, both domestically and for export, has weighed on the market for months, and spot futures have hit fresh 8-month lows this week. CBOT March rice ends down 10c to \$13.64 per hundredweight..
- Thai 5% rice is quoted about \$515 - \$525 per ton, about an \$80 per ton premium over Viet 5% rice shown around \$435 - \$445 per ton. Indian 5% rice is indicated around \$455 - \$465 per ton, about a \$25 per ton premium over Pak 5% rice shown around \$430 - \$440 per ton.
- China has increased the minimum purchase price for paddy in 2012. The increase is the fifth consecutive yearly price increase. After the increase, the minimum purchase price for early indica paddy rice will be 120 yuan per 50 kg (about \$380 per ton), up 18 yuan (about \$5.71 per ton) from the 2011 price. A similar hike is set for the price for mid-and-late indica rice paddy to 125 yuan per 50 kg (about \$396 per ton). The price for japonica rice paddy is set to rise to 140 yuan per 50 kg (about \$450 per ton), up 12 yuan (about \$4) from the 2011 price.
- Indonesia will review contracts with Indian rice exporters who are seeking more time to deliver cargoes citing congestion at ports and bottlenecks in procuring grain from millers, trading executives and a Jakarta-based official said.
- Thailand's Commerce Minister confirmed the nation would extend the Thai rice mortgage scheme beyond the February 29th deadline. Under the scheme, which began October 7th 2011, the Thai government buys white paddy rice at about 15,000 baht (about \$482) per ton and fragrant paddy at about 20,000 baht (\$642) per ton, about twice the market rate before the scheme was announced last summer.
- World rice market remained almost stable. Thai rice sellers increased their quotes for almost all varieties of rice by about \$5 - \$15 per ton today. Viet rice sellers lowered indications for some varieties of rice by about \$5 per ton. Indian and Pak rice sellers kept quotes unchanged.
- Global rice production is projected to go up by 2% in 2011/12, to 459m. tonnes. The record outturn will be accompanied by a further expansion in global use, to 458m. tons (448m.)-IGC

News Flash:

Indonesia To Review India Rice Contracts On Delivery Delay

Indonesia will review contracts with Indian rice exporters who are seeking more time to deliver cargoes citing congestion at ports and bottlenecks in procuring grain from millers, trading executives and a Jakarta-based official said. "We will be reviewing the delivery schedule for cargoes from India, to decide whether any additional time needs to be given or impose a penalty for delayed shipments," state-run procurement agency Bulog's chief executive Sutarto Alimoeso told Dow Jones Newswires.

Indonesia, which was the top importer in 2011, traditionally buys from Thailand and Vietnam. For the first time in several years, Bulog locked in a deal for 250,000 metric tons of Indian rice on Nov. 15 for delivery by mid-February.

However, with two weeks to go, less than 100,000 tons have been shipped out and around 31,000 tons delivered, according to estimates of traders, port officials and cargo surveyors. Another 36,700 tons are being loaded and ships for loading 35,000 tons are waiting for berth at Indian ports. "Due to infrastructural bottlenecks, we have sought two more weeks to complete deliveries," said Prem Garg, managing director of Shri Lal Mahal Ltd., which has a 100,000-ton contract with Bulog.

Indonesia has also bought 100,000 tons from Amira Foods and 50,000 tons from Emmsons International. "Apart from a small cargo of 5,000 tons, all our orders from Bulog have been shipped out or are under loading and will be completed soon," an Emmsons executive said. An executive at Amira Foods didn't give details of shipments but Bulog officials said they haven't received any cargo from the company and only a ship with 6,000 tons is on high seas.

Many Indonesian ports are difficult to access and arrangements had to be made for smaller vessels to deliver cargoes to Bulog, an Indian trading executive involved in the deals said. He added that Indian millers have also hiked the prices of 15% broken rice due to the large Indonesian order. Alimoeso said the government had given Bulog licenses to complete all imports by end-February and the agency had asked Indian exporters to deliver shipments by Feb. 15. Some shipments from Thailand are also pending but they will likely be completed this month, he said. Bulog has signed a memorandum of understanding with Myanmar Rice Industry Association to import up to 200,000 tons annually, if needed. **Source: CME**

FAO estimates higher world carry over stock:

The United Nations Food and Agriculture Organization (FAO) today forecast that the carry over world rice supply from 2011 into 2012 is about 151 million tons, the highest since 2000 and equivalent to cover 32% of anticipated world consumption, up from 30% in 2011. The high carryover is thanks partly to bumper harvests in 2011 which produced about 481 million tons of rice, equivalent to about 721 million tons of paddy. FAO is forecasting world rice trade this year of about 32.8 million tons, down about 5% from 2011 due to lower demand from importing nations. **FAO**

IGC estimates higher rice production:

Because of increases in Asia, notably in China and India, global rice production is projected to go up by 2% in 2011/12, to 459m. tons. The record outturn will be accompanied by a further expansion in global use, to 458m. tons (448m.), with the carryover placed at a nine-year high of 98m. (96m.). Inventories in the five major exporters are projected to rise by 10%, to an all-time high of 31.9m. tons, due to increases in India and Thailand. World trade in calendar 2012 is forecast to contract sharply, by 8%, to 31.5m. tons, owing to significantly reduced shipments to markets in Far East Asia.

IGC Balance Sheet: Updated on 19.01.2012

IGC estimate released on 19.01.12	2007-08	2008-09	2009-10	2010-11 est.	2011-12 forecast 24.11.11	2011-12 forecast 19.01.12
Rice						
Production	432	447	440	449	459	459
Trade	29	29	31	34	32	32
Consumption	429	436	437	448	458	458
Carry over St.	80	92	95	96	100	98
Year change	+3	+12	+3	+1		+2
Major exporters	18	27	28	29	32	32

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

CBOT Rough Rice Futures

Daily Futures Price Listing (as on 02/02/2012) (Values in \$/hundredweight)					
Contract Month	Open	High	Low	Close	Change
Mar'12	14.03	14.10	13.50	13.74	-0.26↓
May' 12	14.32	14.38	13.77	14.02	-0.26↓
July'12	14.44	14.49	14.07	14.29	-0.25↓
Sep'12	14.15	14.50	14.09	14.21	-0.29↓

CBOT Rice Chart:



U.S. rice futures tumble on poor export demand and technical selling. U.S. rice again snubbed by Iraq, which announced it was buying rice from four other countries. "They're buying from everyone

but us," says Price Futures Group VP Jack Scoville. He adds that technical selling hastened the slide when prices fell below a key support level. CBOT March rice ends down 45 1/2c to \$14 per hundredweight.

Price Projection (International-CBOT)-

	Trend	Price Range
Short Term (10-15 days)	Range bound to negative	13.60-14.50
Mid Feb 2012	Range bound Positive	14.50-14.75

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