

Market Highlights:

Rice markets throughout India have traded firm during the month under review on positive sign from demand fronts. Demand for common grade, sella and aromatic rice during last four weeks has been continuously improving in domestic markets. Prices are likely to gain further despite higher supply side backed by increasing possibility of non-basmati export beyond 4 million T.

India's Union Budget 2012-13 provided several incentives to the agricultural sector - tax-free rice exports, additional funds for paddy production in eastern states, increase in storage capacity, stable fertilizer prices, continuation of food subsidies, and a boost to agriculture research and credit.

Paddy farming in the east is expected to get a boost as FM has allocated an extra Rs 600 crore for green revolution in the east. The productivity of paddy in eastern India is 2 tonne which is much less than Punjab whose paddy productivity is around 4 tonne.

Assam would promote hybrid rice production to boost its total production to 70 lakh metric tonne in the forthcoming kharif season. The state has achieved a record rice output of 53 lakh MT in the current financial year.

Bihar has procured 16 lakh tonnes of paddy in this kharif season against the set target of 30 lakh T. Going by the present pace of procurement target is expected to be easily met. However, shortage of gunny bags may slow procurement activities.

March may end up with 38 lakh T non-basmati and 26 lakh T basmati rice export. Demand for Indian rice continues to increase due to competitiveness and ample stock ready to be delivered.

All-India progressive procurement of Rice for the marketing season 2011-12 as on 16.03.2012 was 276.83 lakh tonnes which is higher than the procurement of 241.52 lakh tonnes up to the corresponding period of last year.

India's rice stocks with government procurement agencies stood at 33.17 MMT as on 1st March-2012 and with ongoing smooth procurement it is likely to cross 36 MMT by March end. 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.

Second advance estimate for kharif rice has been set at 90.18 million T against the production target of 87 million T for 2011-12 (last year 80.85 million T final production). However, rabi rice production estimate has been set lower at 12.57 million t against the set target of 15 million T due to lower rabi area.

Current Market Dynamics:

Demand for PR varieties throughout India has improved and higher demand for aromatic, fine rice segment for export may continue to support rice market at current level. Brisk pace of export (basmati and non-basmati), ample availability for ready delivery in the states having port facilities and increasing quantity of export through land route (Punjab) seem to be supportive for the rice market fundamentals. However, as per traders view any major spike in near term is unlikely as market already has gained up to a level from where buyers may slow down their purchases with narrowing margins in terms of export.

In recently concluded world grains conference the overall feelings of participants remained bullish. Demand from Iran, Iraq and the entire Middle East was seen higher than expectation. The presence of the African customers was seen there due to good quality and the lower quotes.

The main reason behind it was India. It is providing customers with a cheaper alternative to rice from top exporters like Thailand, US and to some extent Vietnam. Brazil and India are on driving seat to direct the world rice market with ample stock and attractive quotes. However, how long India will remain in non- basmati rice export market is still uncertain. In current scenario at least for two years export may continue with higher exportable surplus and good kharif production prospects once again.

Latest update on procurement, production and export status:

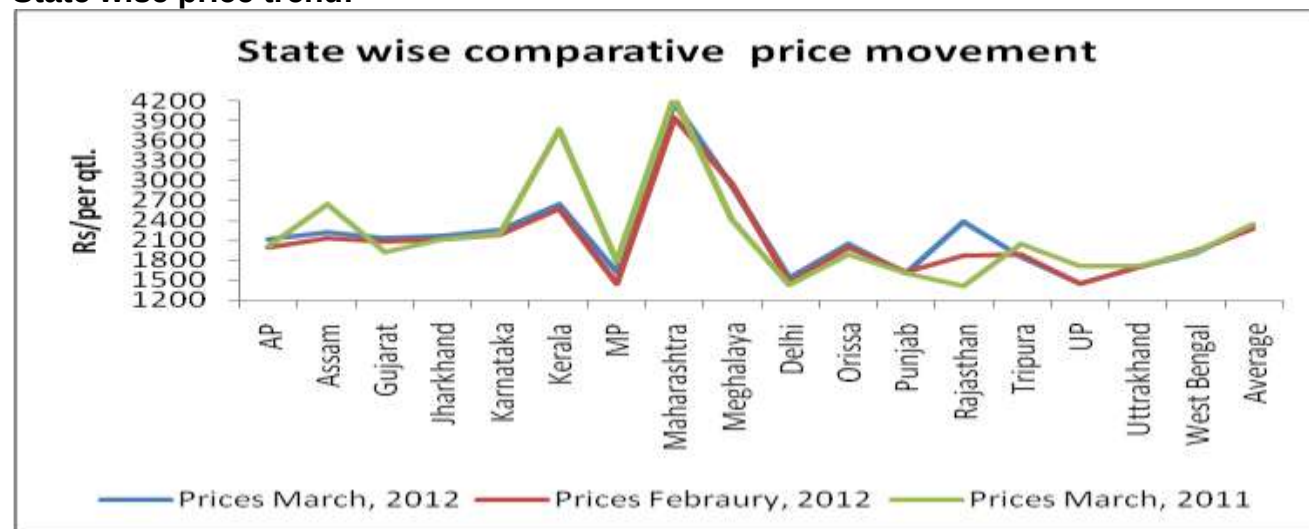
All-India progressive procurement of Rice for the marketing season 2011-12 as on 16.03.2012 was 276.83 lakh tonnes which is higher than the procurement of 241.52 lakh tonnes upto the corresponding period of last year.

Rice stock in central pool stood 331.78 lakh tonnes as on 1st March. Combined wheat and rice stock stood 544.33 lakh tonnes. Stock is expected to be even higher in April due to brisk pace of paddy procurement.

Rabi rice production has been pegged at 12.57 million T against the set target of 15 million tonnes. Farmers shifted from rice to other lucrative crops in south India due to lower price for kharif rice. However, lower production is not going to impact price and availability. Total rabi and kharif rice production has been pegged at 102.75 million tonnes.

Non-basmati rice export has crossed 3.5 million tonnes and current financial year, ending March may end up with 3.8 million T export. Indian rice is competitive and export will continue beyond 4 million T.

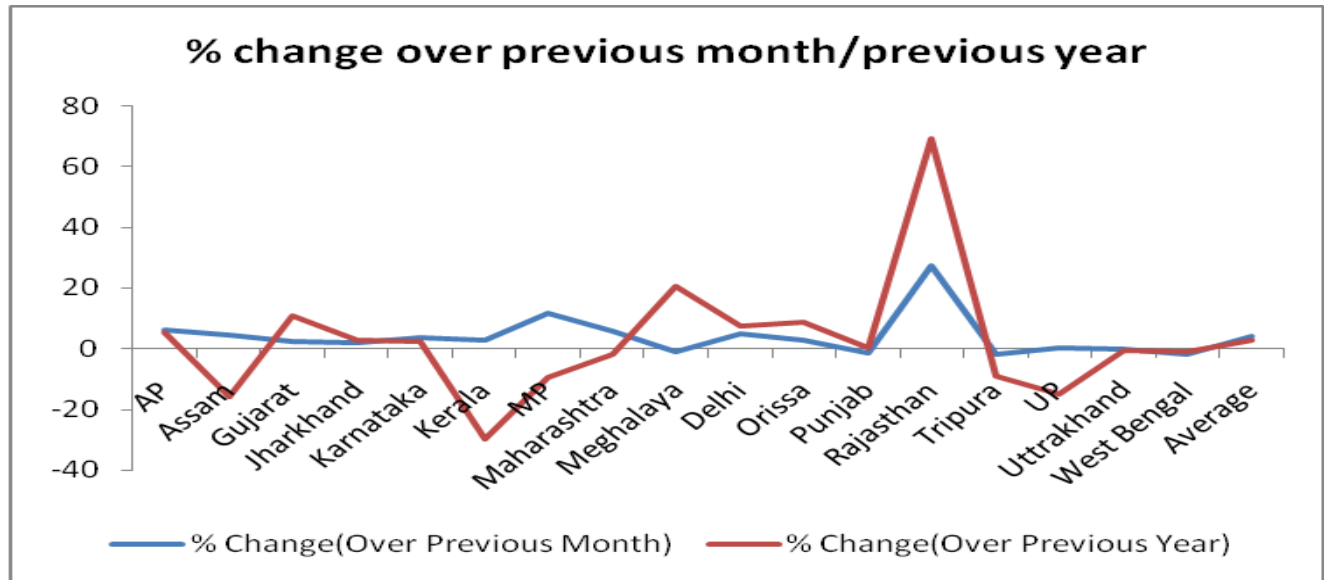
State wise price trend:



Prices of rice in the month of March have moved up higher in comparison to Feb. However, prices have been lower from March 2011 as depicts the above given price chart. Against the normal trend rice price in Rajasthan ruled higher in the mid March and after the third week supply from new crop and higher release from govt.'s stock pressurize the market to trade lower. Average price of rice is touching the 2011 level seen in the month of March due to recent gains in the physical market on

back of higher export demand and govt.'s intention to continue export without quantitative restriction. We expect prices to stabilize at current level for a short period and to move up once again in the last phase of April.

Percentage change:



Major percentage change in negative side is being seen in Assam, Kerala, M.P., Tripura and U.P. Prices of rice in Assam during the month of March declined 15.86 percent in comparison to March 2011. The decline in price in Kerala was registered at 29.98 percent. Price in U.P, Tripura declined by 15.22 and 9.22 percent respectively in comparison to March 2011 due to higher production, lower local demand and millers unwillingness to buy in bulk quantity. However, govt.'s buying on MSP prevented price to fall further even in the state of excessive supply.

India's Union Budget 2012-13 favours rice sector:

India's Union Budget 2012-13 provides several incentives to the agricultural sector - tax-free rice exports, additional funds for paddy production in eastern states, increase in storage capacity, stable fertilizer prices, continuation of food subsidies, and a boost to agriculture research and credit. India's rice exports and production have received support from the government as expected.

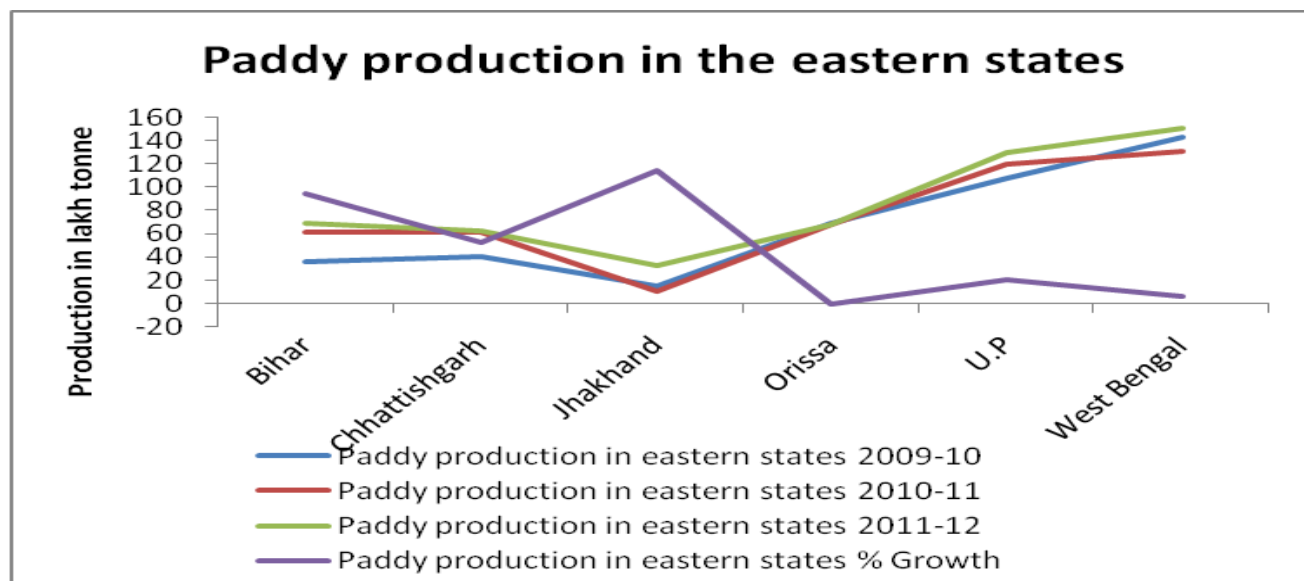
India's Finance Minister has announced that the existing tax-free export policy on rice will continue. The move, coupled with reports that India would allow non-basmati rice exports beyond the 4 million tons cap announced earlier this year, is expected to boost rice exports further. This would be in addition to 2.5.3.0 million tonnes of basmati rice exported annually. India has already exported over 3.5 million tonnes of rice since it started exports in September 2011.

Rice production costs would not be affected much as the government has kept the prices of fertilizers unchanged, contrary to earlier expectations of a 10% hike.

The Budget also allocates an extra Rs.600 crore (about \$117 million) towards green revolution in India's eastern region comprising the states of Assam, Bihar, Chhattisgarh, Jharkhand, Odisha, West Bengal, and eastern parts of Uttar Pradesh, which are mostly rice producing states often affected by

the erratic weather conditions. The government has raised the allocation to Bringing Green Revolution to Eastern India (BGREI) scheme from Rs.400 crore (about \$77 million) in 2011-12 to Rs.1000 crore (about \$194 million) in 2012-13. The BGREI scheme has resulted in a significant increase in production and productivity of paddy, with states reporting additional paddy production of 7 million tonnes in 2011 Kharif. The extra funds may be a respite to many of the rice farmers in some eastern states who have been complaining of the inefficiency of the Food Corporation of India (FCI) in fixing an adequate minimum support price (MSP) as well as of absence of adequate storage centers for their produce.

Paddy production growth in the eastern states:



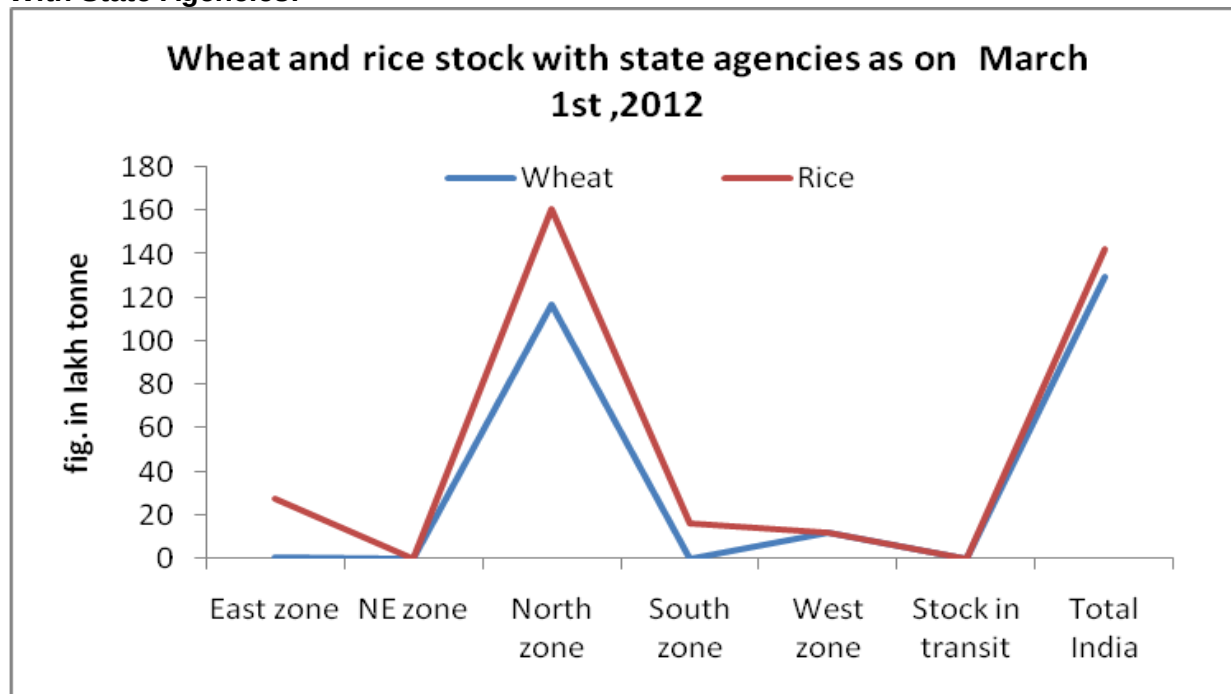
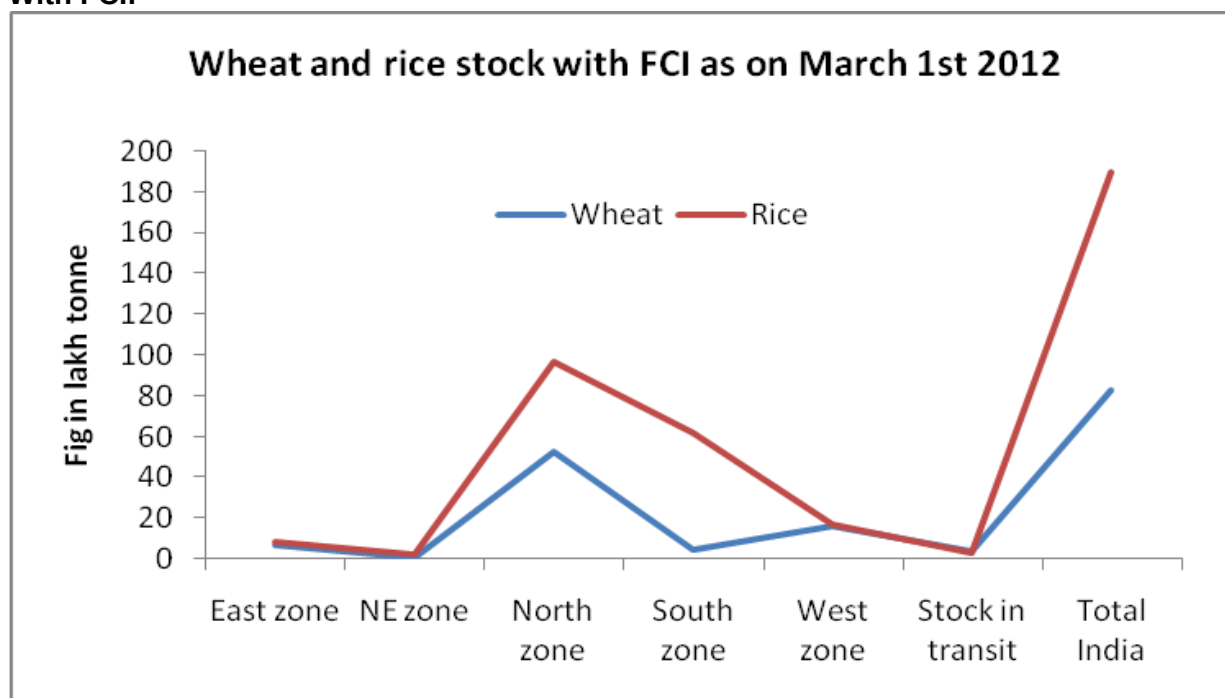
During last three years paddy production in the eastern states has been on the rise and the current allocation for agri sector in budget may boost growth further. Paddy production in Bihar has gone up by over 90 percent in last three years. The growth in Chhattisgarh, Jharkhand, U.P. and West Bengal has been over 51,114,20 and 4 percent respectively as the above given chart shows. The brisk pace of growth may continue with govt.'s recent weightage to these regions.

Wheat and rice stock details:

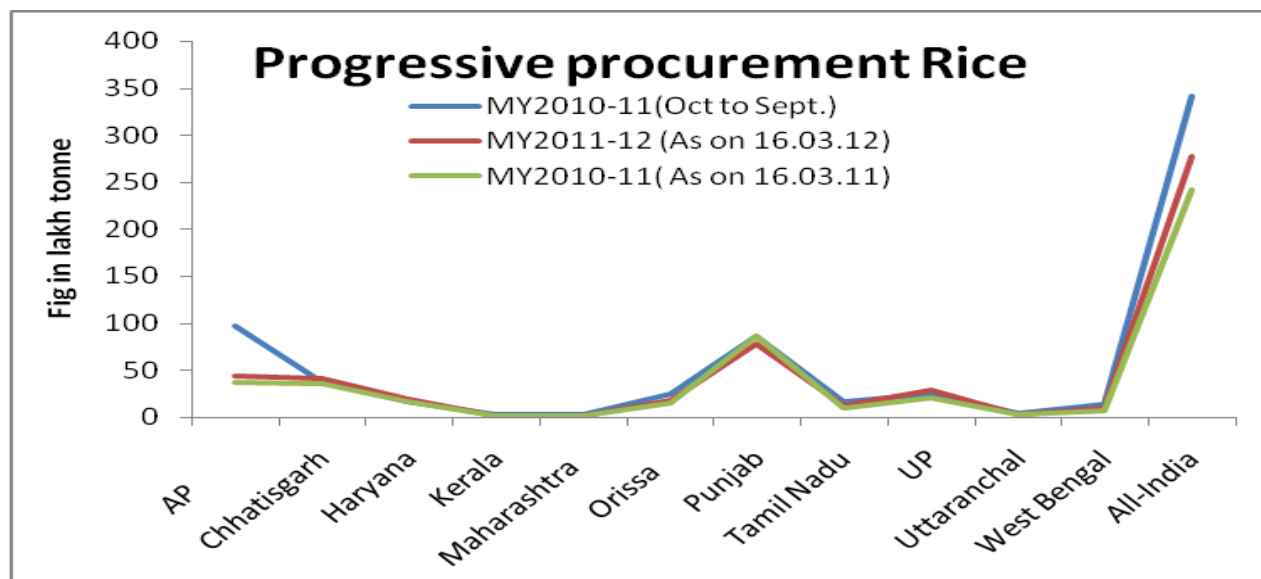
Wheat and rice stocks in north zone are on its peak as these regions are major contributors to the central pool kitty. Rice and wheat stocks are lower only on consuming regions. Above given charts show rice and wheat stocks as on 1st of March, 2012 in FCI and state agencies godowns.

Movement of foodgrains from surplus to deficit regions continues but with slow pace due to increasing availability from the new crop. In case of wheat, stock will start ballooning up soon. With smooth procurement rice stock is continuously increasing and additional storage space will remain need of the hour despite better efforts to enhance present storage capacities (674 lakh T).

Total wheat and rice stocks on 1st of March, 2012 in govt.'s granary were registered at 544.33 lakh tonnes (rice-331.78, wheat-212.55 lakh tonnes). Foodgrains stock is likely to increase in the months ahead with ongoing procurement activities for rice and wheat. Below given charts show stock status with FCI and state agencies:

With State Agencies:

With FCI:

Paddy procurement under way:

Paddy procurement has increase in all major and minor rice producing states except Punjab and Uttranchal. It has already cross 27.6 million tonnes and is nearing the set target of 35 million tonnes for ongoing season MY 2011-12. Last year till mid March total procurement was registered at 24.15 million tonnes, almost lower by 3.5 million tonnes.



Rice demand -supply and projection for 2011-12:

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.

Value in MMT			
		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

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

Wheat and rice export under OGL	Non Basmati Rice (fig in lakh T)	Wheat (Fig in Lakh T)	Basmati Export in last ten months
Sept.11	1.85	0	2.60
11-Oct	4.5	1.3	3.40
11-Nov	4.9	1.8	4.00
11-Dec	5.9	1.2	2.50
12-Jan	5.2	0.5	2.75
12-Feb	5.25	0.5	1.70
12-March	5.6	0.5	2.1
Total	33.25	Official 5.8	18.95(in six months) 25.00

Export quantity has been calculated here with stock lying on port

Source: Private trade

Note: Unofficial figure is quite higher around 7 to 8 lakh tonnes, illegally sent 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 3.3 million T mark at and we expect it to touch 3.8 million tonnes (non-basmati) by the beginning of April. Total rice export may cross 6.5 million tonnes going by present export trend.

Second Advance Estimates of Production of kharif and rabi rice for 2011-12:

									(Million Tonnes)
Crop	Season	2006-07	2007-08	2008-09	2009-10	2010-11		2011-12	
						2nd Advance Estimates	Final Estimates	Targets	2nd Advance Estimates
1	2	3	4	5	6	7	8	9	10
Rice	Kharif	80.17	82.66	84.91	75.92	80.16	80.65	87.00	90.18
	Rabi	13.18	14.03	14.27	13.18	13.85	15.33	15.00	12.57

(Source: Ministry of Agriculture)

Production of rabi rice will be lower than target and previous year production due to lower area coverage. Lower prices for kharif paddy discouraged farmers to opt for other lucrative crop. However, lower crop size will not make a big difference. Next kharif crop will be crucial for market direction; even monsoon will play a vital role in deciding trend and price movement.

All India Crop Situation - Rabi (2011-12)					
Crop Name	Normal Area	Area sown reported (In lakh hectares)			Absolute Change over Last Year
		2nd Adv. Estimates of 2011-12	% of Normal	Final Estimates of 2010-11	
Wheat	277.45	288.93	104.1	290.69	-1.8
Rice	44.11	38.99	88.4	48.30	-9.3
Jowar	46.18	36.89	79.9	43.10	-6.2
Maize	10.48	12.61	120.3	12.71	-0.1
Barley	6.42	6.89	107.4	7.05	-0.2
Total Coarse Cereals	63.08	56.40	89.41	62.86	-6.5
Total Cereals	384.64	384.32	99.9	401.84	-17.5

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	33.17	33.80								

Rice stocks in Central Pool as on 1st March, 2012 stood at 33.8MMT 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 April may touch 33.8 MMT as offtake is expected to remain at lower side due to higher availability in the market.

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

Price Projection for April in domestic market:

Duration	Trend	Average Price Range
Short Term(10 to 15 days)	Range bound/steady	2300-2350
April (up to End of April)	Firm (positive)	2375-2475

Comparative FOB Quotes in Overseas rice market during March 2012
Rice FOB Prices – America and Asia (as on 27.03.2012)

Grade/Variety	Thailand	Vietnam	India	Pakistan
100%B - 5%DWP	535-545	415-425	440-450	445-455
10%	545-550	505-510	-	-
15%	580	550	-	-
25%	510-520	370-380	375-385	375-385
Parboiled	560-570	-	435--445	435-445

- ❖ All prices basis long grain per mt bagged FOB vessel.
- ❖ All prices basis per mt, bagged FOB vessel except Brown and Paddy -- Bulk FOB vessel
- ❖ California -Bagged 30 KG preslung FOB vessel
- ❖ CY-equates delivered port in conrt.

International Market

World Market Recap

World rice export prices edged higher in the last week, having recovered about \$25 per ton on average in the last month. Chicago rough rice futures for May delivery traded higher, up 19.5 cents per cwt (about \$4 per ton) to \$14.600 per cwt (about \$322 per ton). U.S. rice futures rallied along with other U.S. grain futures, after Thursday's better than expected export sales showing an improved demand for U.S. grains, recovering losses from earlier in the week- **CME**

World rice prices are evenly priced about \$20 to \$30 per ton apart, ranging from Thai rice at about \$555 per ton for 100% B grade rice, to about \$440 per ton for Viet 5% and Indian 5% rice. Uruguayan 5% and Argentinean 5% rice is shown at about \$535 per ton, about \$20 per ton below Thai 100% B grade rice. U.S. 4% rice is offered about \$505 per ton, about \$30 per ton below South American rice. Pakistani 5% rice is indicated around \$475 per ton, \$30 below U.S. rice and \$35 below Pakistani rice is Viet and Indian 5% rice at around \$440 per ton-**Chamber of Commerce**

Scientists from Japan Agency for Marine-Earth Science and Technology (Jamstec) have maintained their earlier outlook of deficit rainfall during June and July in India. The agency said that most parts of India would have weaker than normal rainfall during the pre-monsoon period June to July. This could mean a delay in plantation of India's Kharif crop-**Jamstec**

Cambodia is eager to join a rice cartel and is pushing for Burma to join as well. The Cambodian Prime Minister will meet his Burmese counterpart this week as part of a meeting to boost regional trade. Cambodian efforts to include Burma are spurred by Cambodian observations that Burma is improving its rice mills-**Bloomberg**

China's own paddy prices are up about \$150 per ton from the same time last year, now trading around the equivalent of about \$400 per ton, while Chinese milled rice is quoted around \$600 per ton. That's well below 5% Vietnamese milled rice fob quoted around \$445 per ton. No wonder China is an aggressive buyer-**Reuters**

The International Grain Council recently relieved a forecast for Indian rice exports to reach 6.1 million tons, including basmati. That's since been followed by an even higher estimate-**IGC**

Pakistan is expecting its rice production to be around 6.3 to 6.5 million tons this year, and would like to export most of it. It may meet today with Iran to complete details of the transaction which is a barter deal to exchange wheat and rice for iron ore and fertilizer-**Daily Times**

Global rice output is projected to rise by 3% in 2011/12, to 463m. tonnes. The record outturn will be accompanied by a further expansion in demand, to 460m. tonnes (449m.), but the 2011/12 carryover is still expected to increase by 4%, to 99m as per the IGC latest estimates-**IGC**

IGC Balance Sheet: Updated on 23.02.2012

IGC estimate released on 23.02.12	2007-08	2008-09	2009-10	2010-11 est.	2011-12 forecast 19.01.12	2011-12 forecast 23.02.12
Rice						
Production	432	447	441	450	459	463
Trade	29	29	31	35	32	32
Consumption	428	436	437	449	458	460
Carry over St.	80	91	94	96	98	99
Year change	+3	+11	+3	+2		+3
Major exporters	19	27	28	29	32	33

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

CBOT Rough Rice Futures

Daily Futures Price Listing (as on 23/03/2012)				(Values in \$/hundredweight)	
Contract Month	Open	High	Low	Close	Change
May12	14.64	14.82	14.57	14.81	+0.20↑
Jul12	14.89	15.07	14.85	15.07	+0.20↑
Sep12	15.20	15.32	15.10	15.31	+0.22↑
Nov12	15.33	15.55	15.33	15.55	+0.23↑

CBOT Rough Rice May Chart:

Price Projection (International-CBOT)-

	Trend	Price Range
Short Term (10-15 days)	Range bound to positive	14.60-14.90
Mid April 2012	Range bound Positive	14.50-15.50

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