

Market Highlights

Cash rice market continued to rule firm on fear of lower area coverage and deficient rainfall in major rice growing states. Continuous demand from exporters and lean seasonal factors continue to support cash rice market. Despite hefty stock in central pool and improved weather conditions there is a growing fear in the market that rice production will decrease and farmers in southern states may shift from paddy to other cash crops that require less water.

We expect rice prices to rule steady till the end of the season. Late transplanting and lower rainfall are expected to affect yield directly. As per the latest feed back by farmers rice production is set to decrease despite better rainfalls. Rice transplanting is lagging behind in states like Tamil Nadu, A.P., Bihar, Gujarat, Orissa, M.P. and to some extent West Bengal. However, clear picture will emerge only after mid-August.

Total 751.27 lakh ha. area had been sown under various Kharif crops upto 03.08.2012 as compared to average sown area of 794.64 lakh ha. up to the corresponding period of previous years. Major decline (compared to average area) has been reported under Rice (-4.8 lakh ha.), Coarse Cereals (-33.5 lakh ha.) and Pulses (-11.4 lakh ha.). However, area coverage is higher by 14.6 lakh ha. in Soybean and 6.2 lakh ha. in Sugarcane. Against normal area(391 lakh ha.) total area coverage till 03Aug,2012 is236.13 lakh ha. lower by 22.5 lakh ha. from last year coverage(258.60 lakh ha.) so far.

Rice export continues with brisk pace and we expect total export to cross8.5 million T by the end of this season.Non basmati export is likely to cross 6 million T.Due to better parity and ample marketable surplus have encouraged export. Basmati export too has increased and the final size may cross 2.7 million T in this season ending Sep.

All-India progressive procurement of Rice for the marketing season 2011-12 as on 03.08.2012 was 346.96 lakh tonnes which is higher than the procurement of 325.54 lakh tonnes upto the corresponding period of last year. Higher export volume has eased pressure from procurement agencies in Tamil Nadu and A.P. The season is expected to end with set target of 35 million T for MY 2011-12.

The country is estimated to have harvested a record 103.41 million tonnes of rice in the 2011-12 crop year against 95.98 million tonnes in the previous year. The government has increased the rice production target slightly from 2011-12's actual production of 103.41 million tonnes to the targeted 104 million tonnes in 2012-13.However, lower rainfall may affect the final size of rice production.

World rice output is tentatively forecast to rise by less than 1% in 2012/13, to 467m t, following an expected 3% rise in 2011/12, due to a more limited increase in Asian output .Following strong output-led growth of 3% in 2011/12, consumption growth is set to expand by a more modest 1.3%, to 466m T-IGC

Stocks should edge higher by 1.1m t in 2012/13 following a 3.5m t rise in 2011/12, with major exporters seeing a more modest y/y increase. World trade in 2013 forecast to rebound slightly, to 34.7m t (34.3m), following an expected 4% decline in 2012 -IGC

As per latest FAO update on world rice production is expected to total 724.5 million tonnes – a 7.8 million tonne downward revision compared to the original forecast in April. But global output should still slightly surpass the results achieved in 2011. FAO expects that Asia – the world's leading rice producer – will reap 657 million tonnes in 2012, up 0.4 per cent from last year.

Emerging Rice Production scenario in 18 and 24 percent below normal rainfall:

State/area in lakh ha.	Normal area under kharif	Targeted Area in 2012-13	5 year avg yields	Expected production in 2012-13/in Mn T	Drop in avg yields by 2% following monsoon being 18% below normal	expected production	Drop in avg yields by 4% following monsoon dropping by 24% below normal	expected production
Andhra Pradesh	26.01	28	2821.96	79.01	2765.52	77.43	2709.08	75.85
Assam	20.62	21	1545.86	32.46	1514.94	31.81	1484.02	31.16
Bihar	31.92	31.5	1292.37	40.71	1266.53	39.90	1240.68	39.08
Chhattishgarh	37.17	38	1351.85	51.37	1324.81	50.34	1297.78	49.32
Gujarat	7.05	7.15	1842.86	13.18	1806.00	12.91	1769.15	12.65
Haryana	11.55	12.75	3024.41	38.56	2963.92	37.79	2903.43	37.02
Himanchal Pradesh	0.78	0.8	1542.17	1.23	1511.32	1.21	1480.48	1.18
J&K	2.59	2.6	2073.85	5.39	2032.37	5.28	1990.89	5.18
Jharkhand	13.24	13	1799.13	23.39	1763.15	22.92	1727.17	22.45
Karnataka	10.96	10.75	2481.83	26.68	2432.19	26.15	2382.55	25.61
Kerala	1.88	1.75	2405.63	4.21	2357.51	4.13	2309.40	4.04
M.P.	15.9	16.1	933.30	15.03	914.64	14.73	895.97	14.43
Maharashtra	14.92	14.75	1655.93	24.42	1622.81	23.94	1589.69	23.45
Orissa	40.82	40	1518.31	60.73	1487.94	59.52	1457.58	58.30
Punjab	27.2	28	3949.39	110.58	3870.41	108.37	3791.42	106.16
Rajasthan	1.3	1.3	1791.02	2.33	1755.20	2.28	1719.38	2.24
Tamil Nadu	17.2	18	2940.06	52.92	2881.26	51.86	2822.46	50.80
U.P.	56.87	57	2063.11	117.60	2021.85	115.25	1980.59	112.89
Uttarakhand	2.76	2.75	1939.67	5.33	1900.88	5.23	1862.08	5.12
West Bengal	41.39	41.5	2405.98	99.85	2357.86	97.85	2309.74	95.85
Others	8.97	9.5	2158.43	20.51	2115.26	20.09	2072.09	19.68
Total	391.01	395.02	2068.73	825.50		808.99		792.48

Rice production (kharif season) is expected to dip this year due to below normal rainfall in major rice growing states. Despite improvement in weather condition and higher rainfall in the second week of August yield is likely to be lower than last year. Delayed trans-planting, area shifting from paddy to other lucrative crops in south India may reduced the total size of rice production this year. However, it is difficult to predict the exact shortfall at this particular point of time we can assume the emerging scenario under deficit rainfall percentage as has been depicted in the above given table.

If overall rainfall remains below 18 percent of normal rice production is expected to decrease to 80.89 million T in kharif season, in the worst condition 24 percent deficit than normal may reduce production size to 79.24 million T (unlikely as weather and rainfall status improved in August). At this point of time.

major fear is of area shifting as farmers are switching to other lucrative crops that requires less water than paddy. The picture will be clear by the third week of August. Even late trans-planting is expected to affect normal yield to some extent. The govt is keeping close eyes on developing situation. Rice production in Andhra Pradesh, Punjab, Karnataka and in Maharashtra may decrease to some extent. Rice requires standing water, which requires irrigation systems. With no water in dams and reservoirs, it will affect production directly. As per market preliminary view overall rice production may dip by 10 percent to 93.06 million T in 2012-13 including rabi.

If overall production decreases to 93.06 million T this year, domestic supply and demand situation is expected to remain as below given table:

Preliminary rice supply- demand estimate (Agriwatch) for 2012-13

Domestic Market Rice Supply and Demand Scenario:

Rice supply and demand				
Value in MMT		Excluding Non Basmati Exports	Total (Basmati + Non - Basmati)	Total (Basmati + Non - Basmati)
	2010-11	2011-12	2011-12	2012-13
Beginning Stocks	18.00	30.00	30.00	37.85
Production	95.00	102.00	103.40	93.06
Total Availability	113.00	132.00	133.40	130.91
Domestic consumption	48.00	51.00	51.00	52.30
Govt. Procurement	33.00	35.00	35.00	32.50
Exports	2.00	2.75	9.55	7.50
Total Usage	83.00	88.75	95.55	92.30
Ending Stocks	30.00	43.25	37.85	38.61
Av Monthly Consumption	4.00	4.25	4.25	4.36
Stock to Month Use	7.50	10.18	8.91	8.86
Stock to Consumption Ratio	0.63	0.85	0.74	0.74

BALANCE SHEET HIGHLIGHTS

- Beginning stock is likely to increase in the crop year 2012-13 from 30 million T to 37.85 million T due to record rice production (103.4 million T) despite lower estimate of overall rice production (93.06).
- Due to bumper production in 2011-12 ending stock of rice too will increase from 37.85 to 38.61 million T. Even total rice export may decrease from 9.55 million T to 7.5 million tonnes in 2012-13 due to higher availability worldwide.
- Domestic consumption is likely to increase from 51.00 to 52.30 million T. However total usage in 2012-13 is likely to come down from 95.55 to 92.30 million T due to lower export estimation.
- Due to higher availability Av. monthly consumption will increase from 4.25 to 4.36 million T. Even stock to month use ratio and stock to consumption ratio are likely to increase from 8.91 to 8.86 MMT and 0.74 to 0.74 respectively.

- **Rice balance sheet shows ample availability of rice stock and export will continue even if production in ongoing kharif season decreases below 100 million T. It will remain at higher level and there would not be any supply crunch in next season.**

Rice Domestic Fundamentals/Current Developments:

Rice market is trading steady to slightly firm on lower crop estimation and other seasonal factors. Area is lagging behind, rainfall has not been very encouraging so far and farmers are opting to go for other cash crop that requires less water. Possibility of delayed harvesting, lower crop size, better export demand and news of area shifting are expected to support rice market till the new harvest. Cash rice market is likely to trade steady at current level as pace of export has come down due to congestion on ports and buyers sluggish interest. Most regular buyers have covered its immediate requirements and they are waiting for a correction in the market.

Millers too have not much rice left from previous season as season is about to come to an end. Besides, Vietnam is offering lower rates and it has slowed down Indian non –basmati rice demand. However, basmati demand continues as old stocks are still left. Market too is aware of the fact that basmati production this year will increase as area under basmati in Haryana, Punjab and U.P. has increased. Domestic demand for non-basmati is likely to stay steady and supply through PDS is expected to increase due to price containment policy through govt's end. Stocks in central pool are ample and higher supply is likely to restrict market to gain further. However, weather will play a crucial role in deciding price trend. If it improves in the weeks ahead, market sentiments would turn bearish, otherwise market will continue to move steady to slightly firm.

The government has huge stockpiles of grains and was ready with contingency plans to meet in any eventuality. By August 1, government rice stocks were 285.03 lakh tonnes, much higher than the 9.8 million tonnes targeted for the quarter to end-September. Wheat stocks were 475.26 lakh tonnes against the quarterly target of 17.1 million tonnes. So there is no fear of any short supply. If production short falls below set target of 940 lakh tonnes, it will not impact total domestic supply and price.

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

Export Status and Likely Scenario:
Rice and wheat export under OGL: As on 30.07.12

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	2.6
11-Oct	4.5	1.3	3.15
11-Nov	4.9	1.8	4
11-Dec	5.9	1.35	2.5
12-Jan	5.45	1.05	2.5
12-Feb	5.75	0.8	1.7
12-Mar	5.6	0.9	2.1
12-Apr	6.8	1.15	1.25
12-May	5.3	1.55	1.6
12-Jun	5.6	1.45	2.2
12-Jul	5.35	2.25	2.9
Total	57(Official)	13.6 (Official)	26.05
Expectation up to August end, 2012	6 lakh T	4 lakh T	2.5 lakh t

We expect rice export to touch 7 million tonnes at the end of this season ending August. Non-basmati rice export may touch 6.5 lakh tonnes while basmati export is expected to touch 2.5 million tonnes. However, wheat export will depend totally on govt.'s policy, subsidy and demand in the international markets. We assume govt. would provide wheat at MSP to the exporters and they can ship out 5 lakh tonnes in next three four months. We have not included here GTG deals likely to be finalized with Iran, Afghanistan and Nepal.

The good harvest in 2011-12, inventories well in excess of buffer norms and forecast of a normal monsoon this year should allow unhindered rice exports in the next two years, at least. Now it is the time to sort out the infrastructure bottlenecks, particularly relating to cargo handling at ports that rice exporters have experienced this year.

State wise rice area coverage till date and planting target for 2012-13 kharif season:

State/area in lakh ha.	Normal area under kharif	Targeted Area in 2012-13	Normal acreage for the week each year	Actual coverage as on 26.07.12	% of normal area	% of targeted area covered
Andhra Pradesh	26.01	28	4.63	3.42	73.87	12.21
Assam	20.62	21	12.08	10.99	90.98	52.33
Bihar	31.92	31.5	26.19	26.23	100.15	83.27
Chhattishgarh	37.17	38	27.62	25.32	91.67	66.63
Gujarat	7.05	7.15	2.55	2.17	85.10	30.35

Haryana	11.55	12.75	9.87	9.87	100.00	77.41
Himanchal Pradesh	0.78	0.8	0.55	0.23	41.82	28.75
J&K	2.59	2.6	0.52	0.94	180.77	36.15
Jharkhand	13.24	13	4.4	1.99	45.23	15.31
Karnataka	10.96	10.75	3.25	2.63	80.92	24.47
Kerala	1.88	1.75	0.85	0.83	97.65	47.43
M.P.	15.9	16.1	8.54	10.4	121.78	64.6
Maharashtra	14.92	14.75	7.32	5.8	79.23	39.32
Orissa	40.82	40	20.23	16.81	83.09	42.03
Punjab	27.2	28	26.19	26.23	100.15	93.68
Rajasthan	1.3	1.3	0.59	0.7	118.64	53.85
Tamil Nadu	17.2	18	1.65	1.09	66.06	6.06
U.P.	56.87	57	36.97	40	108.20	70.18
Uttarakhand	2.76	2.75	2.17	1.77	81.57	64.36
West Bengal	41.39	41.5	13.32	10.62	79.73	25.59
Others	8.97	9.5	4.03	4.64	115.14	48.84
Total	391.01	395.02	213.52	202.68	94.92	51.31

Above given table shows the area under rice is lagging behind considerably in the month of July. However, coverage percentage has improved in August and clear picture will emerge in the third week of August.

Progressive Procurement of Rice as on 03.08.2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 03.08.12)	MY 2010-11(As on 03.08.11)
Andhra Pradesh	96.1	74.55	89.23
Chhattisgarh	37.39	41.15	36.44
Haryana	16.87	19.85	16.87
Kerala	2.63	3.72	2.60
Maharashtra	3.08	1.58	2.05
Orissa	24.76	28.28	24.50
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.96	14.12
Uttar Pradesh	24.66	33.50	23.95
Uttaranchal	4.22	3.78	3.99
West Bengal	13.1	18.56	10.60
All-India	340.94	346.96	325.54

Rice procurement is smooth and we expect the procurement target of 35 million T very much within reach despite lower Rabi crop this season. Punjab remains the highest contributor followed by A.P., Chhattisgarh and Uttar Pradesh. However, arrivals have come down in mandis and paddy procurement may get slower in the weeks ahead.

MSP for Coarse cereal in 2011-12 and The CACP recommendation for 2012-13:

Crops	MSP 2011-12	Average mkt price in the week under review	MSP 2012-13	% rise
Paddy common	1,080	1,500-1,700	1,250	15.7
Paddy A Grade	1110	1900-2000	1280	16.0
Jowar	980	1,670	1,500	53
Bajra	980	1,175	1,175	20
Maize	980	1,090	1,175	20
Ragi	1,050	1,100	1,500	43

Availability of Rice stock in central pool as on 1st August, 2012:-

Zone wise	STOCK WITH FCI	STOCK WITH STATE AGENCIES	TOTAL CENTRAL POOL STOCK
EAST ZONE TOTAL	8.94	32.29	41.23
NE ZONE TOTAL	3.48	0.00	3.48
NORTH ZONE TOTAL	97.03	25.74	122.77
SOUTH ZONE TOTAL	65.48	17.01	82.49
WEST ZONE TOTAL	16.47	16.45	32.92
TOTAL	191.40	91.49	282.89
STOCKS IN TRANSIT	2.14	0.00	2.14
TOTAL (ALL INDIA)	193.54	91.49	285.03

State Wise Wholesale Prices Monthly Analysis for Rice August, 2012:

State	Prices August, 2012	Prices July, 2012	Prices August, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	1909.69	1875.94	2017.86	1.8	-5.36
Assam	2333.97	2377.99	2508.24	-1.85	-6.95
Gujarat	2499.69	2348.54	2028.34	6.44	23.24
J& K	4263.64	3176.57		34.22	—
Jharkhand	2279.68	2246.02	2168.54	1.5	5.13
Karnataka	2855.35	2484.15	2086.04	14.94	36.88
Kerala	2716.32	2635.6	3049.37	3.06	-10.92
Maharashtra	4098.35	4019.21	4665.75	1.97	-12.16

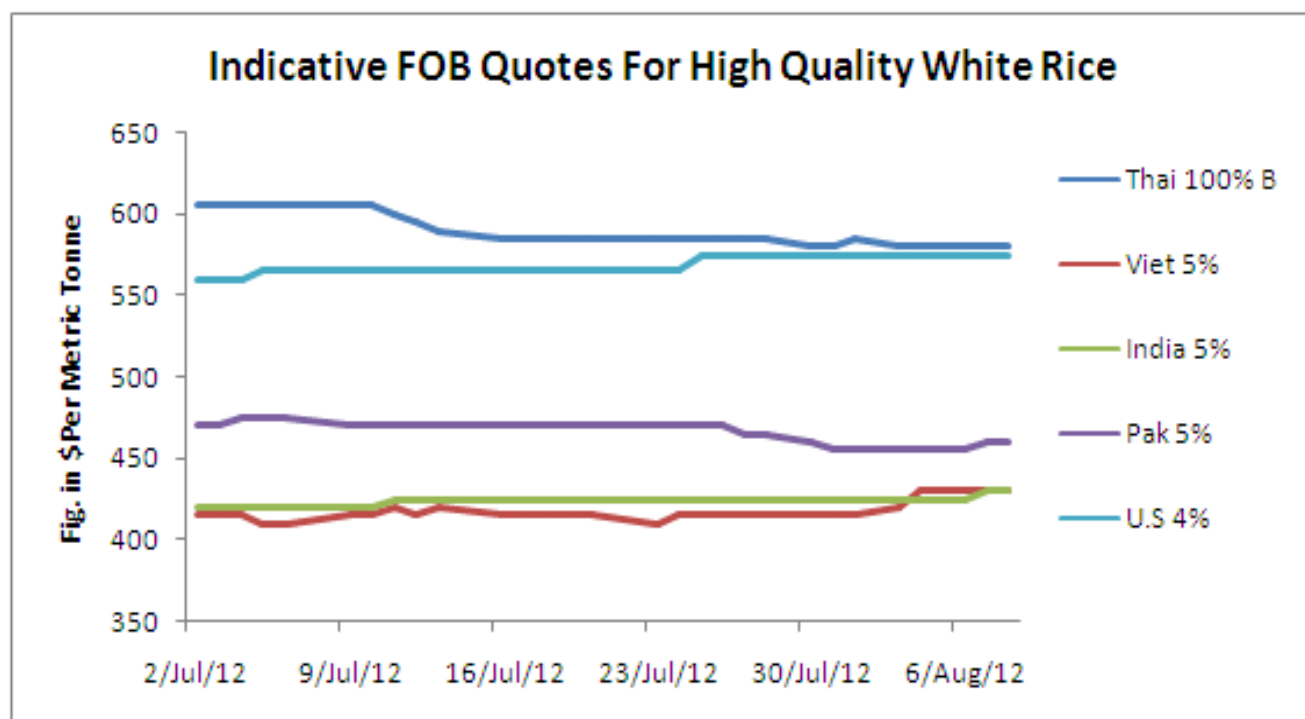
Meghalaya	3100	2918.71	2242.76	6.21	38.22
Delhi	1600	1700	1704.65	-5.88	-6.14
Orissa	1899.92	1887.05	2237.93	0.68	-15.1
Uttar Pradesh	1669.89	1619.8	1540.95	3.09	8.37
Uttrakhand	1642.52	1583	1532.62	3.76	7.17
West Bengal	1916.79	1919.91	1930.69	-0.16	-0.72
Average	2484.7	2294.65	2187.25		

Average price of rice has increased from July. However it lower than the prices in August 2011 at some major centers of rice. Rice prices are likely to stay steady in the month of August due to lower area coverage so far. Harvesting too may be delayed by two to three weeks.

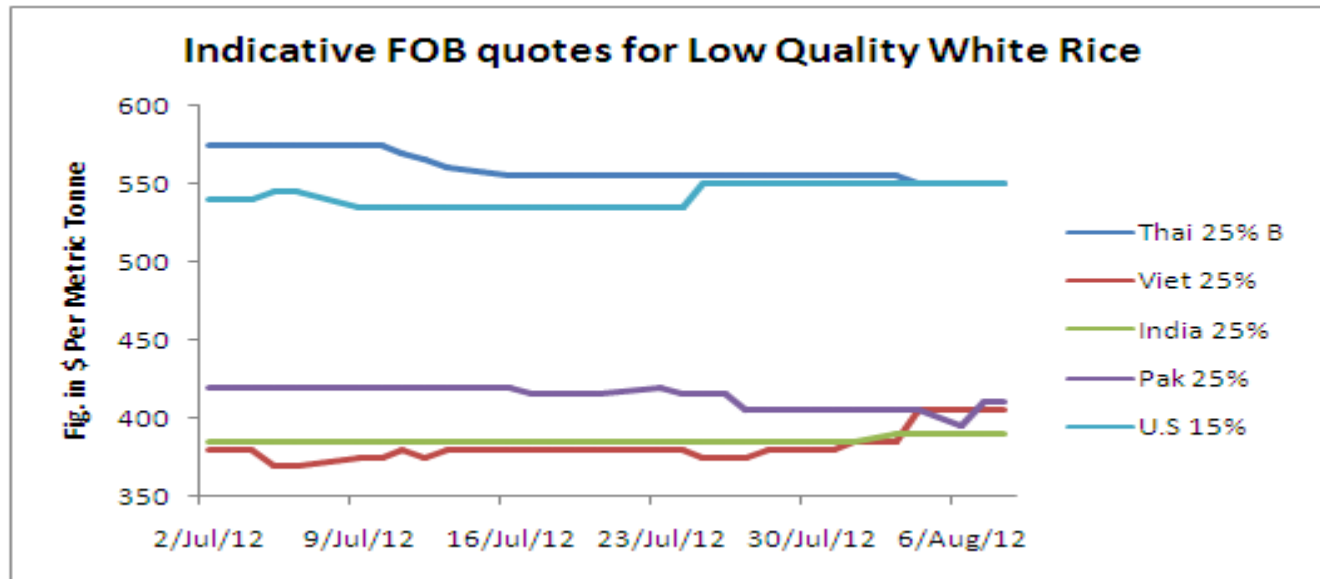
Domestic Rice Price Trend and Outlook::

Duration	Trend	Average Price Range
Short Term(15 days)	Steady to firm	2450-2500
August (One month)	Steady (Positive)	2475-2550

Indicative FOB Trend of high quality rice:



Indicative FOB Quotes for low quality white rice:



Pressure on rice market continued on higher production estimate world over. India, Vietnam and Pakistan remain the main competitors in global rice market. Prices in Thailand and US are ruling high and export volume from these countries are likely to decrease in the months ahead. We expect rice prices to dip further as better crop prospects world over have been predicted by IGC. Ample stock and sluggish increase in demand will restrict gains even if weather remains unfavourable in major rice growing regions.

Weather Outlook in August: Main Observations:

The southwest monsoon rains have improved in the past few days helping sowing of crops such as onion. The deficit in rains has come down to 18 per cent from about 22 per cent in past few days. Central India which was deficit in rains has come down to 15 percent from 22 percent. States such as Andhra Pradesh and Karnataka has received good rainfall in past few days. Isolated rainfall occurred over states like Gujarat, Rajasthan and Madhya Pradesh. As per IMD data North Interior Karnataka, which is facing drought-like condition, has a 47 per cent deficit rain, while in South Interior Karnataka the shortfall stands at over 51 per cent. As per IMD, Punjab, Haryana, Chandigarh & Delhi, West Rajasthan and Saurashtra & Kutch have received scanty of rainfall. In area wise distribution 47% area of the country received excess/normal rainfall. Remaining 53% area received deficient/scanty rainfall. On the other hand, the North East region, North Bihar and North Bengal have received heavy rainfall.

IMD has forecasted for August month that active monsoon conditions would prevail over parts of central & east India during 1st half with decrease in rainfall during 2nd half of week. Isolated heavy rainfall would occur over Orissa, Chhattisgarh, Vidarbha and Madhya Pradesh during 1st half of the week. Rainfall would occur at many places along the west coast and over northeast India. Rainfall would occur at few places over northwest India during the 1st half of the week and would increase towards the 2nd half of the week particularly over Uttar Pradesh, Uttarakhand and Himachal Pradesh. Subdued rainfall activity would occur over the remaining parts of country particularly over interior Peninsula.

World Market Recap

World rice market traded mostly range bound during the month under review. Pressure on rice market is a likely possibility may release stocks and the Indian monsoon is continuously improving. Thailand is holding about 11 million tonnes of rice and India about 29 million tons while the monsoon is now 17% below normal, better than 20% below normal last week. Rice prices remain firm in the U.S. and South America but buying remains hand-to-mouth. South American quotes would be higher if it weren't for weakening domestic currencies.

Possibly taking a cue from a warning by the chairman of Rice Exporters Association of Pakistan that "Any country can grow anything they want. However, they cannot export it as 'Basmati,' that is exclusively shared between India and Pakistan," the Philippines has launched a campaign to help find an official brand name and logo for its long grain fragrant rice being prepared for export next year.

The July 2012 issue of the Rice Market Monitor, released by FAO Monday, says that production is expected to total 724.5 million tonnes – a 7.8 million tonne downward revision compared to the original forecast in April. But global output should still slightly surpass the results achieved in 2011. "The downward revision was mainly the result of a 22 per cent lower-than-average monsoon rainfall in India through mid-July, which is likely to reduce output in the country this season," FAO stated in a news release.

World rice output is tentatively forecast to rise by less than 1% in 2012/13, to 467m t, following an expected 3% rise in 2011/12, due to a more limited increase in Asian output. Following strong output-led growth of 3% in 2011/12, consumption growth is set to expand by a more modest 1.3%, to 466m T-IGC

Stocks should edge higher by 1.1m t in 2012/13 following a 3.5m t rise in 2011/12, with major exporters seeing a more modest y/y increase. World trade in 2013 forecast to rebound slightly, to 34.7m t (34.3m), following an expected 4% decline in 2012 -IGC

IGC balance sheet:

IGC estimate released on 02.07.12	2007-08	2008-09	2009-10	2010-11	2011-12 estimate d 02.07.12	2012-13 forecast 26.07.12 (Milled basis)
Rice						
Production	431	448	441	449	463	467
Trade	29	29	31	36	34	35
Consumption	427	435	438	447	460	466
Carry over St.	81	92	96	97	100	102
Year change	+5	+11	+4	+1	+3	+2
Major exporters	19	27	28	29	33	34

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

Balance sheet highlight:

- According to latest IGC update, rice production in 2012/13 is projected to rise further, to nearly 467m. tons from the all-time high of 463m., estimated for 2011/12.
- This is underpinned by a slight increase in the area planted to paddy and a marginal improvement in average yields.
- At 2%, the expected annual growth rate is significantly smaller than in the previous year and the five-year average, and underlines expectations for only modest increases in output in Asian countries.
- Export figure has been decreased from 34 million tonnes to 33 million tonnes lower by 1 million tonne from previous estimate,
- However global rice trade trend has been continuously rising has also depicts the latest IGC chart released on 02/07/2012

CBOT Rice: Front Month Future: Daily Chart (Sept- Contract)



Price Projection (International-CBOT)-

	Trend	Price Range
Short Term (10-15 days)	Range bound to negative	15.60-16.00
August 2012 (Medium Term)	Range bound Negative	15.40-15.80

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