

### **Market Highlights**

*Rice cash market traded almost steady to firm in the first half of the last month on fear of lower area coverage and lower rainfall in major rice growing belts. However, in the second half of August rainfall improved and with better availability of water coverage area improved to the level of normal barring some states. With improvement in rainfall and area coverage the fear of lower production eased considerably and resultant bearish impact on market sentiment was seen in the market. We expect prices to stay steady to slightly weak in the weeks ahead.*

*Delayed transplanting and preference of short duration crop may impact yield this year as per farmer's initial feedback. Area under rice is lagging behind considerably in the states like Andhra Pradesh, Haryana, Karnataka, Orissa, Gujarat, Tamil Nadu and Uttarakhand. However, higher area coverage in Assam, Bihar, Chhattisgarh, Maharashtra, West Bengal and Jharkhand is likely to compensate the area loss to some extent. The major concern is lower rainfall and short duration crop that can affect yield adversely in comparison to last year's productivity. As per farmers initial feedback kharif production may dip by 2 to 3 percent from last kharif production.*

*Major dip is expected in Andhra Pradesh, Haryana, Gujarat and Orissa due to lower area coverage. As per initial estimate rice production may decrease to 87 to 88 million T this season almost by 4 million T lower than last kharif (91 million T). This figure may differ on actual rainfall in Sep till mid October. Lower production will not affect the total availability in domestic market. Stock will remain at higher level due to higher production and stock last year.*

*Almost 347 lakh ha area under rice has been covered as on 30.08.2012 against 364.61 lakh ha last year and 331.85 lakh ha of normal in the corresponding period. Overall area is lagging behind by 17.51 lakh ha from last year till date. Almost 87 percent of normal area has been covered. Despite lower estimation, production may match the set target of 87 million T.*

*Progressive rice procurement has touched 348.04 lakh T against 329.85 lakh T in the corresponding period and 340.94 lakh T last year as on 24.08.2012. This year procurement may dip slightly due to lower production and likely higher buyings from exporters.*

*World rice production in 2012/13 is projected to rise to a record 466m t (464m). However, at just 0.4%, the expansion will be smaller than in recent years. After the previous year's solid output-led expansion, consumption is set to increase only modestly, to 465m t (459m). With global production and use broadly in balance, the world carryover is set to show little change, including only a modest .*

**Emerging Rice Production scenario in 10/11 percent below normal rainfall:**



States	Area(Normal)lakh ha	Area(Covered) as on 30.08.2012	12-13 Production on prev. yr yield Thousand T	Expected Sowing This Year(6% more than covered till 30.08) except A.P.	Production for 2012-13 on expected sowing this year	If yield(2011-12) decreases by 2% due to lower rainfall	Production if yield decreases 2012-13 and Sowing area increases by 6% from Now
Andhra Pradesh	26.01	22.5	66600	23.85	70596	2900.8	69184.08
Arunachal Pradesh	1.23	1.13	2260	1.1978	2395.6	1960	2347.688
Assam	20.62	20.92	33472	22.1752	35480.32	1568	34770.714
Bihar	31.9	30.9	42672.9	32.754	45233.274	1353.38	44328.609
Chattisgarh	37.17	36.34	63595	38.5204	67410.7	1715	66062.486
Goa	0.46	0.38	969.38	0.4028	1027.5428	2499.98	1006.992
Gujarat	7.05	6.12	12852	6.4872	13623.12	2058	13350.658
Haryana	11.55	10.82	33001	11.4692	34981.06	2989	34281.439
Himachal Pradesh	0.78	0.76	1292	0.8056	1369.52	1666	1342.13
Jammu & Kashmir	2.59	2.4	5400	2.544	5724	2205	5609.52
Jharkhand	13.24	14.03	25254	14.8718	26769.24	1764	26233.855
Karnataka	10.96	7.04	19676.8	7.4624	20857.408	2739.1	20440.26
Kerala	1.88	0.85	2035.75	0.901	2157.895	2347.1	2114.737
Madhya Pradesh	15.9	16.63	19041.35	17.6278	20183.831	1122.1	19780.154
Maharashtra	14.92	14.41	28099.5	15.2746	29785.47	1911	29189.761
Manipur	1.76	1.68	4191.6	1.7808	4443.096	2445.1	4354.234
Meghalaya	0.94	0.85	1466.25	0.901	1554.225	1690.5	1523.141
Mizoram	0.42	0.32	372.8	0.3392	395.168	1141.7	387.265
Nagaland	1.68	1.48	3189.4	1.5688	3380.764	2111.9	3313.149
Orissa	40.82	32.84	54186	34.8104	57437.16	1617	56288.417
Punjab	27.2	28.1	113102.5	29.786	119888.65	3944.5	117490.877
Rajasthan	1.3	0.88	1786.4	0.9328	1893.584	1989.4	1855.712
Sikkim	0.13	0.12	222	0.1272	235.32	1813	230.614
Tamil Nadu	17.2	16.78	54031.6	17.7868	57273.496	3155.6	56128.026
Tripura	1.78	1.64	4387	1.7384	4650.22	2621.5	4557.216
Uttar Pradesh	56.87	58.71	130629.75	62.2326	138467.535	2180.5	135698.184
Uttarakhand	2.76	2.63	5220.55	2.7878	5533.783	1945.3	5423.107
West Bengal	41.3	38.32	99632	40.6192	105609.92	2548	103497.722
A & N Islands	0.085	0.077	227.92	0.08162	241.5952	2900.8	236.763
D & N Haveli	0.12	0.11	213.95	0.1166	226.787	1906.1	222.251

Delhi	0.07	0.05	210.75	0.053	223.395	4130.7	218.927
Daman & Diu	0.019	0.014	24.5	0.01484	25.97	1715	25.451
Pondicherry	0.16	0.14	360.5	0.1484	382.13	2523.5	374.487
<b>Grand Total</b>	<b>390.874</b>	<b>369.971</b>	<b>829677.15</b>	<b>392.16926</b>	<b>879457.779</b>		<b>861868.6234</b>

As transplanting of rice has entered in the last phase we expect 6 percent more area coverage against the area covered till August. Despite slow start of sowing progress rice transplanting increased with considerable pace in mid August due to continuous improvement in rainfall in major rice growing belts. However, late planting, lower area coverage in particular states like Haryana, A.P., Gujarat and Tamil Nadu is expected to impact yield and the final size of the crop in ongoing kharif season. Lower rainfall and late planting may reduce total production to almost 88 million T as the green column in the above table. In case yield decreases by two percent from last year, total kharif production is expected to come down to almost 86 million T. However, rainfall in Sept. and Oct will be crucial for the final size of the crop and we need to have a close look over it

We assume 12 million tonnes rabi rice production in ongoing season and thus total production is expected to be around 100 million tones, almost down by 4.3 million T from last year's production. Decrease in production is not going to impact overall rice availability in the domestic market and for ongoing export of non basmati rice. Below given balance sheet shows the sufficient availability and total stock is bound to increase further even with higher export quantity.

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

##### **Domestic Market Rice Supply and Demand Scenario:**

<b>Rice supply and demand</b>				
<i>Value in MMT</i>		<b>Excluding Non Basmati Exports</b>	<b>Total (Basmati + Non - Basmati)</b>	<b>Total (Basmati + Non - Basmati)</b>
	2010-11	2011-12	2011-12	2012-13
Beginning Stocks	18.00	30.00	30.00	38.77
Production	95.00	102.00	104.32	100
Total Availability	113.00	132.00	134.32	138.77
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
<b>Ending Stocks</b>	<b>30.00</b>	<b>43.25</b>	<b>38.77</b>	<b>46.47</b>
Av Monthly Consumption	4.00	4.25	4.25	4.36
Stock to Month Use	7.50	10.18	9.12	10.66
Stock to Consumption Ratio	0.63	0.85	0.76	0.89

BALANCE SHEET HIGHLIGHTS

- *Beginning stock is likely to increase in the crop year 2012-13 from 30 million T to 38.77 million T due to record rice production (104.3 million T) despite lower estimate of overall rice production kharif and rabi at 100 million T.*
- *Due to bumper production in 2011-12 ending stock of rice too will increase from 38.77 to 46.47 million T. Even total rice export may decrease from 9.55 million T to 7.5 million tonnes in 2012-13 crop year due to Vietnam's hectic selling strategy and competitive prices. This will bring carryout stock to a record level of 46.47 million T.*
- *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 9.12 to 10.66 MMT and 0.76 to 0.89 respectively.*
- *To ease pressure of stock and maintain carryout stock at previous year's level (38.77 million T) 8 million T more export against assumed fig of 7.5 million T for this season is required. This means almost 15 million T rice export is available for this season including basmati.*

### **Rice Domestic Fundamentals/Current Developments:**

*Rice market stays steady on seasonal factors despite improvement in coverage area and better rainfall status throughout the country. Fear of considerable fall in production has eased down and three to four million tonne lower production will not affect the availability in the domestic market. New crop is expected to hit the market at the fourth week of this month and pressure will build up in October end. Prices in domestic market are likely to dip in the weeks ahead on back of new crop to be harvested in September end.*

*Exporters are not very active as buyers too are waiting for new crop and prices to come down. Currently, they are fulfilling previous export obligation. Stocks with rice millers too are depleting fast and they are engaged in preparation to buy new crop. Export volume will remain low in Sept and Oct and bulk buyers will like to wait for stabilization in the market. Basmati export continues as demand from overseas buyers has increased and it supported cash market to firm up by 10 dollar per tonne in recent weeks. Standing basmati crop is in good condition and we expect production to increase from previous year by 8 to 9 percent on the back of higher area coverage in Haryana, Punjab and U.P..*

*Basmati export will increase this year while non-basmati export is likely to decline due to higher availability worldwide. Vietnam and Thailand will remain the major competitors for India in the months ahead. Hefty stock in central pool continues to pose greater challenge this season too.*

*Weather remains favourable for rice crop and if it continues with equal pace in the weeks ahead, it will ensure better growth of the standing crop. Weather department has predicted higher rainfalls in the weeks ahead.*

Area covered SDA till August end,2012 9Area in lakh Ha.						
North West India	Normal Area(DES)	Normal Area of Corresponding Week	2012	2011	2010	2009
Haryana	11.55	11.16	10.82	12.35	11.5	10.9
Himachal P	0.78	0.73	0.76	0.75	0.75	0.7
J&K	2.59	1.05	2.4	2.45	1.13	0.99
Punjab	27.2	26.9	28.1	28.18	27.5	27.15
Rajasthan	1.3	0.91	0.88	0.99	0.92	0.84
Uttar Pradesh	56.87	54.66	58.71	59.49	57.1	40.05
Uttarakhand	2.76	2.8	2.63	2.78	2.81	2.69
Chhattisgarh	37.17	34.76	36.34	35.11	34.72	34.43
Gujarat	7.05	7	6.12	7.02	6.51	6.6
M.P.	15.9	13.83	16.63	16.37	13.39	11.41
Maharashtra	14.92	13.54	14.41	13.84	15.24	12.17
Orissa	40.82	32.91	32.84	33.66	34.05	34.59
A.P.	26.01	16.6	16.26	20.75	16.83	14.08
Karnataka	10.96	7.81	7.04	8.98	7.2	8.08
Kerala	1.88	0.86	0.85	0.92	0.92	0.81
Tamil Nadu	17.2	2.67	1.8	3.16	2.49	2.34
Assam	20.62	20.1	20.92	21.57	21.79	20.04
Bihar	31.92	28.19	30.9	32.84	22.19	21.72
Jharkhand	13.24	11.66	14.03	15.08	6.51	7.32
West Bengal	41.3	37.71	38.32	42.02	29.15	39.29
Others	8.97	5.99	6.34	6.3	5.95	6
<b>Total</b>	<b>391.01</b>	<b>331.85</b>	<b>347.1</b>	<b>364.61</b>	<b>318.65</b>	<b>302.2</b>

**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 29.08.2012**

Rice Export Under OGL as on 29 th August, 2012			Fig:in lakh Tonne
Units are in lakh tons	Non Basmati	Basmati	Total
Sept.11	1.85	2.6	4.45
12-Oct	4.5	3.4	7.9
12-Nov	5.5	4	9.5
12-Dec	5.9	2.5	8.4
12-Jan	5.45	2.75	8.2
12-Feb	5.75	1.76	7.51
12-Mar	5.6	2.25	7.85
12-Apr	5.8	1.35	7.15
12-May	5.3	1.9	7.2
12-Jun	5.5	1.75	7.25
12-Jul	5.25	2.25	7.5
12-Aug	3.75	1.71	5.46
<b>Total</b>	<b>60.15</b>	<b>28.22</b>	<b>88.37</b>
Expectation up to Sept end, 2012	3	1.25	4.25

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.

**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

<b>Maize</b>	980	1,090	1,175	20
<b>Ragi</b>	1,050	1,100	1,500	43

**Availability of Rice stock in central pool as on 1<sup>st</sup> August,2012:-**

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

**India's Rice Production in Global Context:-**

Year	World Production in million ton	Indian Production in million ton*	India's share (In %)
2001-02	399	84.98	21.32
2002-03	380	93.08	24.52
2003-04	390	88.53	22.71
2004-05	405	83.13	20.51
2005-06	423	91.79	21.7
2006-07	427	93.35	21.84
2007-08	438	96.69	22.09
2008-09	459	99.18	21.59
2009-10	457	89.13	19.51
2010-11	449	95.98	21.38
2011-12	456	104	22.81
2012-13	463	98	21.17

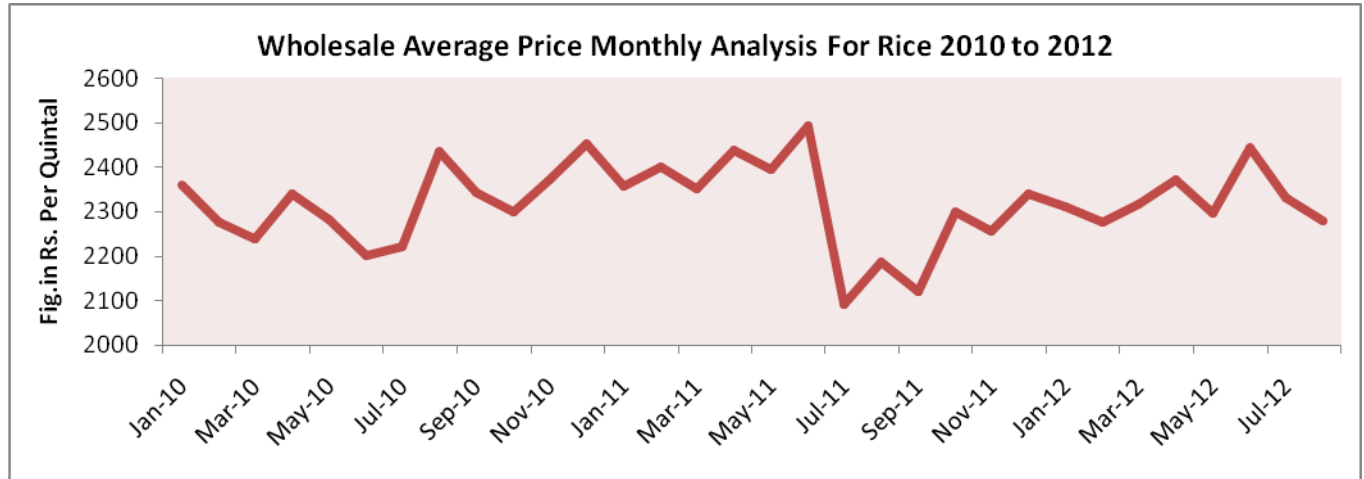
Indian share in global rice production has been hovering in the range of 19.50 to 24.52 percent as shows the above given table.

**State Wise Wholesale Average Prices Monthly Analysis for Rice:-**

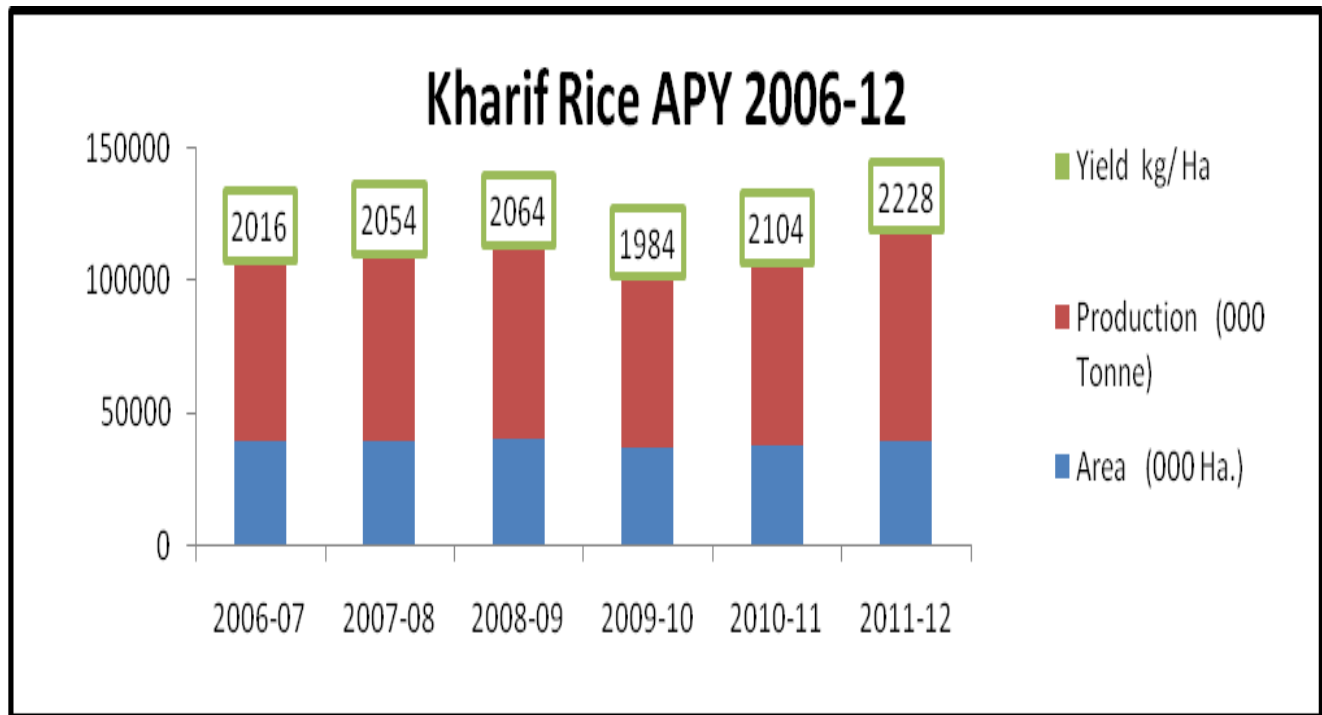
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2010</b>	2360.2	2275.6	2238.2	2338.9	2281.7	2202.2	2222.3	2435.2	2341.3	2298.2	2370.0	2451.6
<b>2011</b>	2357.8	2399.8	2350.7	2437.0	2393.5	2493.6	2091.5	2187.2	2120.5	2299.9	2254.8	2338.6
<b>2012</b>	2309.4	2275.1	2317.4	2372.9	2295.8	2443.2	2330.1	2278.0				



**Domestic rice market price trend:**



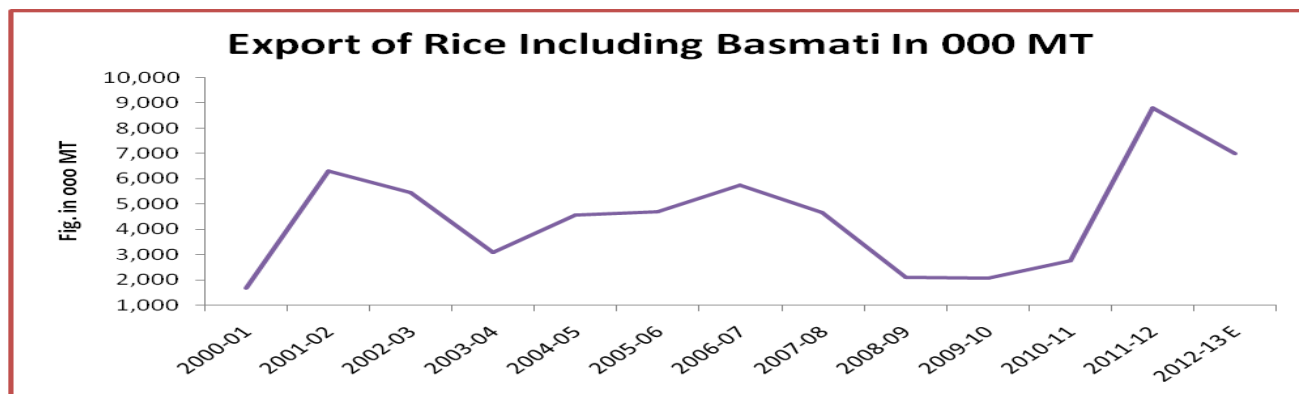
*Production reflects the monthly average wholesale price variation during 2010-2012. Wholesale price in 2011 -12 ruled higher*



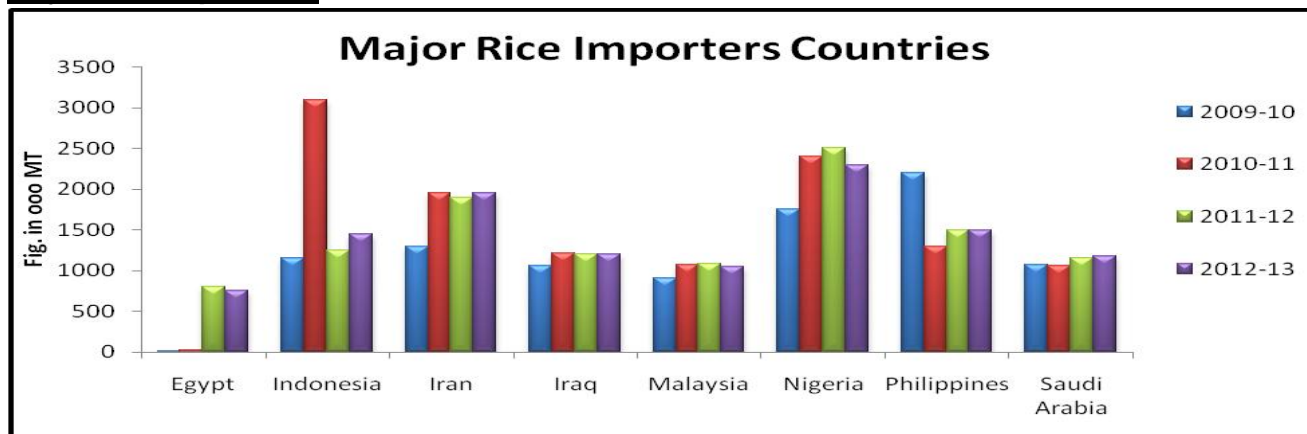
*Area under rice remains almost constant with slight variation in particular state depending on price and over all rainfall in that regions. However, yield has been constantly on the rise as depicts the above given table.*

**Export Of Rice Including Basmati from 2000 to 2012**



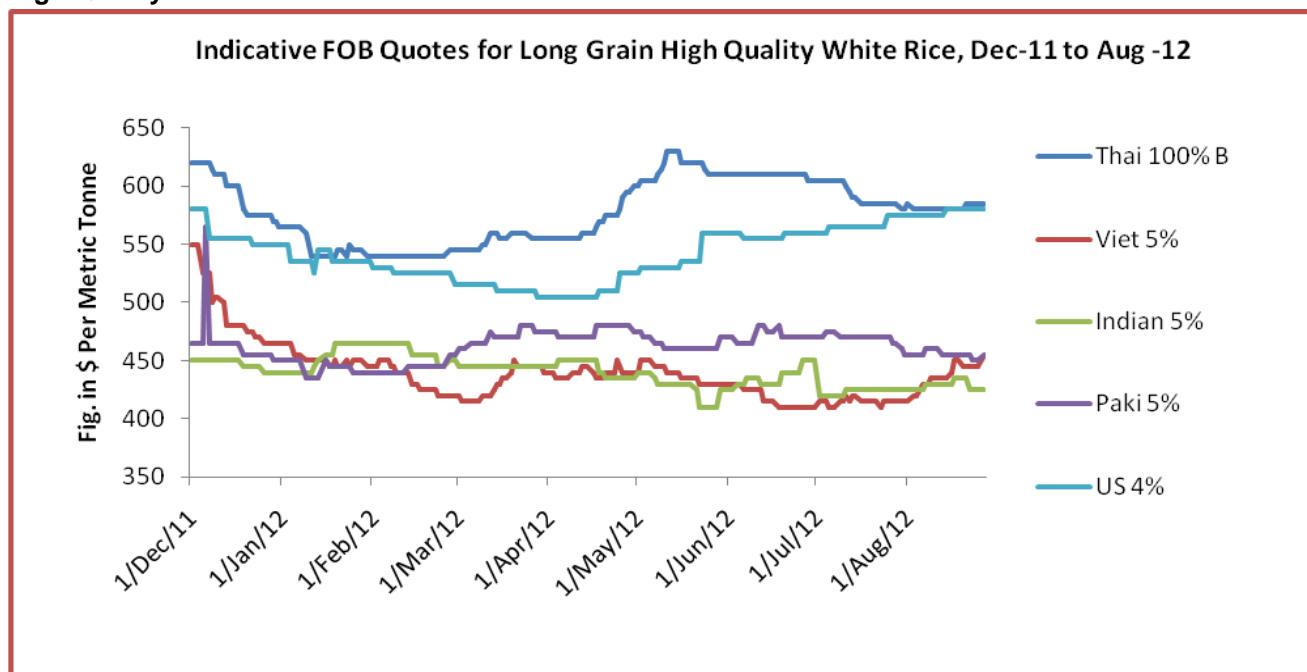


### Major Rice Importers:-

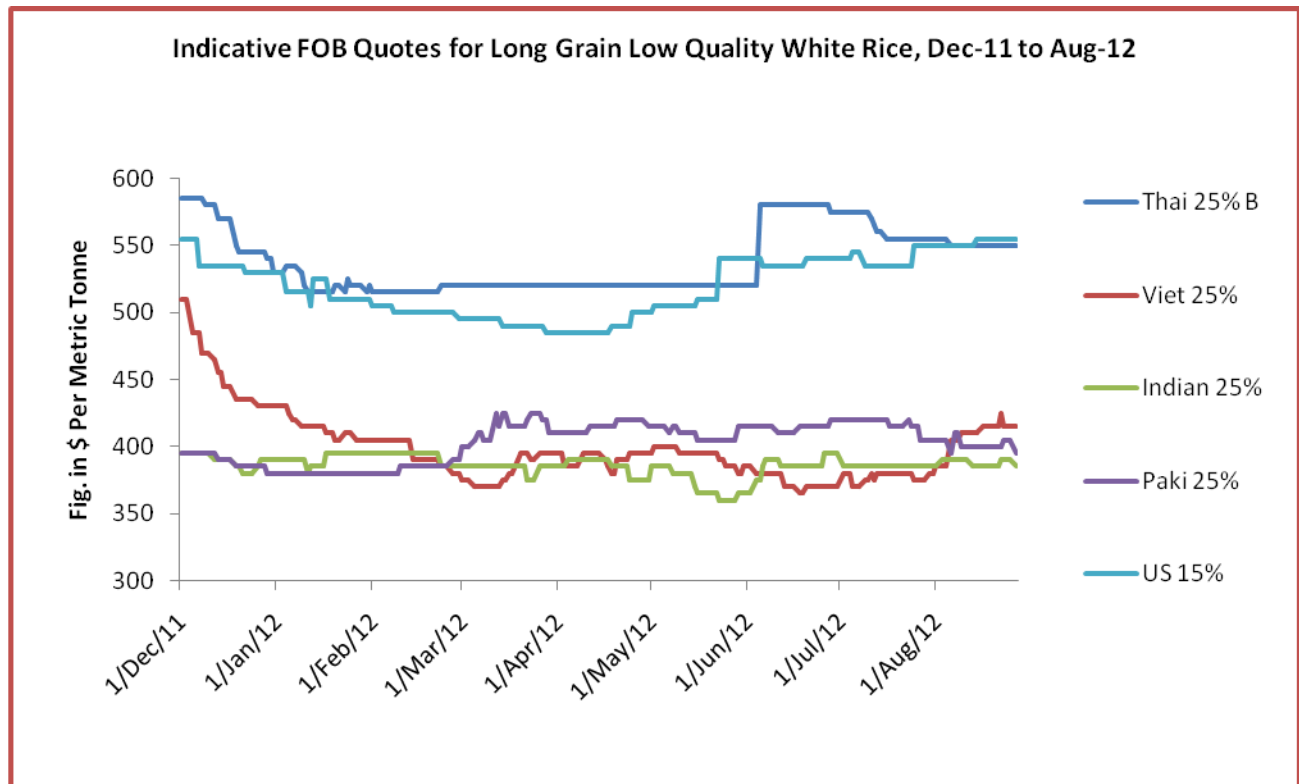


### Indicative FOB Rice quotes trend:

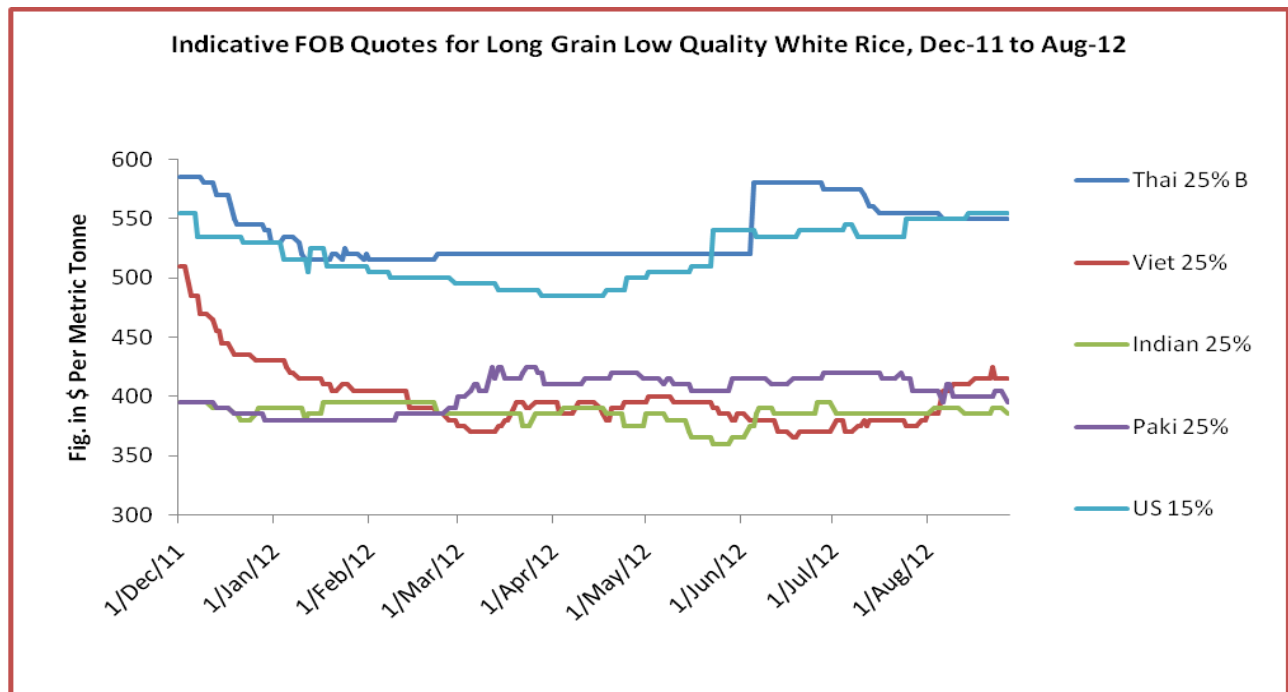
#### High Quality:



**FOB quotes high quality white rice:**



**FOB Quotes low quality white rice:**



**State wise monthly price trend of rice:**

State	Prices August, 2012	Prices July, 2012	Prices August, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	2008.32	1868.86	2017.86	7.46	-0.47
Assam	2296.34	2377.99	2508.24	-3.43	-8.45
Gujarat	2360.7	2362.84	2028.34	-0.09	16.39
Haryana	1711.73			—	—
J & K	4552.75	3139.15		45.03	—
Jharkhand	2282.73	2245.87	2168.54	1.64	5.27
Karnataka	2793.36	2484.15	2086.04	12.45	33.91
Kerala	2676.29	2635.6	3049.37	1.54	-12.23
Madhya Pradesh	1860	1419.96	1080	30.99	72.22
Maharashtra	4162.93	4019.21	4665.75	3.58	-10.78
Meghalaya	3046.74	2918.71	2242.76	4.39	35.85
NCT of Delhi	1691.67	1700	1704.65	-0.49	-0.76
Orissa	1946.12	1888.07	2237.93	3.07	-13.04
Rajasthan	2225	2930	946.59	-24.06	135.05
Uttar Pradesh	1665.37	1617.83	1540.62	2.94	8.1
Uttarakhand	1812.75	1585.22	1532.62	14.35	18.28
West Bengal	1973.63	1929.37	1930.69	2.29	2.22
Average	2415.67	2292.75	2187.23		
*Report Generation: As per the data reported by APMCs					

**World Market Recap**

*Global rice markets remained almost unchanged and no major deals were reported. Traders are awaiting news on how successful the Thailand government auction was and how close buyers' bids were to the government's hopes. The continuation of the Thailand rice scheme, while not exactly thought to be a success is effectively supporting rice quotes across Asia for the time being – especially with Vietnam and Cambodia rice being smuggled into Thailand and exported or pledged as Thailand rice.*

*With harvest just around the corner across the region, the Thailand government may need to auction more rice in the coming months to make storage room for the new crop. Quotes across Asia range from around \$580 per ton for Thai 100% B grade rice to \$430 per ton for Indian 5% broken rice, with Viet 5% inching higher in the last month to around \$455 per ton, just \$115 per ton below the Thai equivalent.*

Since January 1 through August 24 Thailand has shipped about 4.34 million tons of rice, according to preliminary data from the Department of Foreign Trade, down almost 46% from over 8 million tons exported in the same period last year. During the first 8 months of this year, January to August, Thailand rice exports have only reached about 50% of the nation's target to ship 8 or 9 million tons by year-end

Vietnam rice exports from January 1 to August 23 have reached 4.72 million tons, according to the Vietnam Food Association (VFA). That's down about 8% from 5.12 million tons shipped the first 8 months of last year, when total rice exports reached 7.1 million tons by year-end. The VFA said that about 543,376 tons of rice exported was August 1-23, compared to almost 700,000 tons exported in August 2011, and about 300,000 tons of rice exported in August 2010.

World rice production in 2012/13 is projected to rise to a record 466m T (464m). However, at just 0.4%, the expansion will be smaller than in recent years. After the previous year's solid output-led expansion, consumption is set to increase only moderately, to 465m t (459m). With global production and use broadly in balance, the world carryover is set to show little change, including only a modest rise in major exporters' stocks. World trade in 2013 is projected to rise slightly, to 34.8m t.

IGC Rises Global Rice Production Forecast to 462 Million Tons: IGC downgraded 2012-13 global rice production forecast by 1 million tons to 466 million tons. However, IGC also decline the global rice consumption by 1 million tons that offset the impact of downgraded production Y-o-Y resulted in no change in carryover stocks W-o-W. Global ending stocks in 2012/13 are projected to be broadly unchanged on the previous year, with supplies in the major exporters, notably in Thailand and India, expected to remain comfortable.

#### **Major Rice Producing Countries Balance Sheet:-**

Country	Beginning Stocks (1000 MT)	Milled Production (1000 MT)	MY Imports (1000 MT)	MY Exports (1000 MT)	Consumption and Residual (1000 MT)	Ending Stocks (1000 MT)
India	23,500	104,320	0	8,000	93,820	22,000
Pakistan	500	6,500	50	3,750	2,500	1,000
Thailand	5,615	20,460	200	6,500	10,400	12,125
Vietnam	1,941	26,735	400	7,000	19,750	2,501

**IGC Balance Sheet: Updated on 23.08.2012**

**(Fig. In MMT)**

IGC estimate released on 23.08.12	2007-08	2008-09	2009-10	2010-11	2011-12 estimated 26.07.12	2012-13 forecast 23.08.12(Milled basis)
<b>Rice</b>						
Production	431	448	441	<b>449</b>	467	466
Trade	29	29	31	<b>36</b>	35	35
Consumption	427	435	438	<b>447</b>	466	465
Carry over St.	81	92	96	<b>97</b>	102	102
Year change	+5	+11	+4	+1	+1	+1
Major exporters	19	27	28	29	33	34

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

#### High Lights:-

- According to latest IGC update, rice production in 2012/13 is projected to rise further, to nearly 466m. 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 Rough Rice Chart: September contract:-



**Price Projection (International-CBOT):-**

	<b>Trend</b>	<b>Price Range</b>
<b>Short Term (5-10 days)</b>	Range bound (Negative)	14.60-1480
<b>2<sup>nd</sup> week of Sept, 2012</b>	Steady (Negative)	14.40-14.60

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