

### Market Highlights

**Rice market continued to trade lower on the back of new arrivals** in various mandis of Punjab, Haryana and Uttar Pradesh. Despite lower production prospects in kharif season and continuous export prices of rice have decreased considerably and more dip of Rs 100 to Rs 150 per qtl. is expected on higher arrivals in the weeks ahead. Pressure of new crop is likely to be felt at the end of this month.

**PR rice varieties and duplicate Basmati declined during the month** under review while all other aromatic rice varieties and Sharbati variety continued to rule stable on account of lower availability of stocks coupled with slack trading. At the fag end of lean season buyers are in wait and watch mood. Slack buying and seasonal arrivals have pulled Duplicate Basmati and PR prices down. However, any steep fall in the prices of Basmati and 1121 from current level is unlikely.

**Production of basmati in Punjab and Haryana is expected to dip** by 40 to 45 percent this year. However, crop size of 1121 will increase by 15 to 20 percent; PR production will increase by 10 percent in Punjab and Haryana.

**India's rice stocks in the central pool as of October 1, 2012** have declined to this year's lowest at around 23.37 million tonnes, according to data from the Food Corporation of India (FCI). Helped by last year's record rice production of around 104.3 million tons, rice in the central pool is at a decade high and about 15% higher than 20.35 million tons recoded on October 1, 2011.

**With rice sheller owners in Punjab refusing to lift procured paddy**, by next week, mandis across the state will be flooded with harvested grain. Khanna, which is already witnessing such a scenario. Here, 18,924 lakh metric tonne of paddy has arrived till 10th October, among which, while 11,144 lakh metric tonne has been procured by government agencies, 7160 metric tonne has been procured by private players. Thus, 620 metric tonne lies unsold. The grain procured by government agencies is yet to be lifted.

**This time, farmers did not sow the early maturing paddy variety.** A large part of Punjab cultivates PUSA 44, which matures late. This means that a major chunk of harvested paddy will arrive in our mandis between October 15 and 30. Till date, various mandis in Punjab have received even less than 10 per cent of what we used to in previous years.

**On export front no major export deals have happened while concern on delayed harvest** due to the ... monsoon rains have eased due to start of the retreating phase of the four-month rainy season. Export demand for Indian rice varieties was subdued in the absence of major deals while the rainy season ending this month eased concern about disruption to the harvest, keeping prices stable. However, arrival pressure may drive prices down in the weeks ahead.

**India is expected to lower its annual sales because of fall in** domestic production on account of uneven rains, the Food and Agriculture Organization (FAO) said in its latest monthly food scenario. India's kharif rice production is projected to fall by around 6% as compared to 2011. India's first advanced estimate for 2012-2013 kharif crop season has pegged the rice output at 85.59 million tonnes, 6.5% less than last year.

**Though the UN-body did not give any firm numbers on the** likely drop in export numbers, but traders and industry officials said it could be anywhere between 1-2 million tonnes. We expect rice export to be in the range of 7 to 7.5 million tonne in ongoing crop year.

**Emerging Rice Production scenario in 11/12 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 till30.08) 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>

Lower rainfall and late planting may reduce total production to almost 88 million T as the green column in the above table shows. In case yield decreases by two percent from last year, total kharif production is expected to come down to almost 86 million T.

We assume 12 million tonnes rabi rice production in ongoing season and thus total production is expected to be around 98 million tonnes, almost down by 6.3 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:

Rice supply and demand				
<i>Value in MMT</i>		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	38.77
Production	95.00	102.00	104.32	98
Total Availability	113.00	132.00	134.32	136.77
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>44.47</b>
Av Monthly Consumption	4.00	4.25	4.25	4.36
Stock to Month Use	7.50	10.18	9.12	10.20
Stock to Consumption Ratio	0.63	0.85	0.76	0.85

\*Beginning stock includes private stock too..

#### 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 98 million T.**
- **Due to bumper production in 2011-12 ending stock of rice too will increase from 38.77 to 44.47 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. Despite lower production estimate carryout stock may touch to a record level of 44.47 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 in from 9.12 to 10.20 MMT and 0.76 to 0.85 respectively.
- To ease pressure of stock and maintain carryout stock at previous year's level (38.77 million t) 6 million T more export against assumed fig of 7.5 million T for this season is required. This means almost 13.5 million T rice export is available for this season including basmati.

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

Rice market is likely to trade stable to slightly weak on new crop started to hit market with increasing pace. Demand from exporters is lower and appreciating dollar is eating out margin. Fresh export deal is expected in Nov. Meanwhile, Indian rice exporters have requested the government to bring rice exports under various government schemes that incentivize exports and make them eligible for Duty Credit Scrip for over 3% of FOB value of exports to protect them from narrowing margins due to a sudden rise in rupee value against the US dollar.

From a high of over 49 per dollar, the Indian rupee started weakening in February this year until August, when it remained around 56 per dollar. However, the rupee strengthened sharply in September, and it rose to a five-month high of around 52 per dollar or by around 8% this week. This has left several rice exporters, who had had signed contracts to export rice but not hedged against currency fluctuations, exposed to losses.

The president of All India Rice Exporters Association (AIREA) said that the association has requested the Commerce Ministry to cushion losses by bringing rice exports under the Focus Market Scheme and Krishi Vikas Yojana, schemes aimed at helping the agriculture sector improve. If rice prices decline at least by 4 to 5 percent from current level export volume may increase once again.

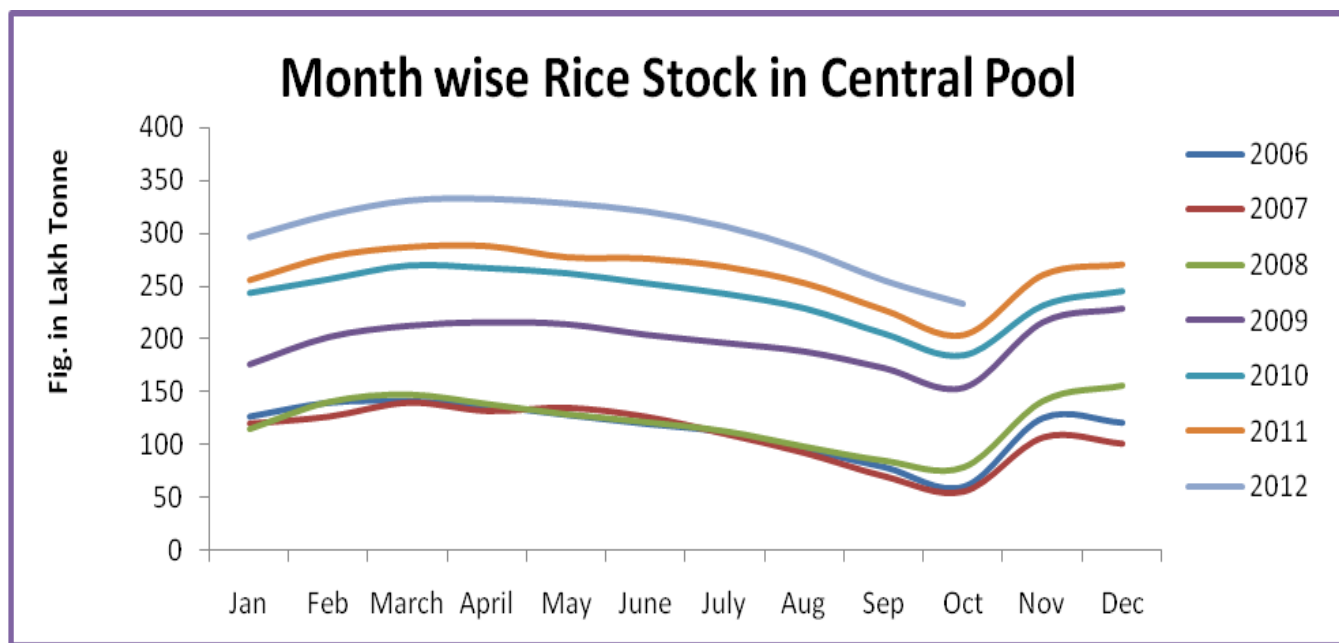
#### **State wise Area under Kharif Rice in India from crop year 2009-10 to 2012-13:**

States	2009- 10	2010-11	2011-12	2012-13
Andhra Pradesh	2063	2924	2869	2601
Assam	2135.5	2060	2138	2062
Bihar	3117.9	2639.6	3127.7	3192
Chhattisgarh	3670	3705.7	3755.7	3717
Gujarat	658	776	754	705
Haryana	1205	1250	1241	1155
H.P	76.7	78.2	77.2	
J & K	259.9	260.3	260.5	
Jharkhand	981.7	717.4	1692.9	1324
Karnataka	1102	1090	1075	1096
Kerala	184.7	165.1	167.9	
M.P	1445.7	1563.6	1613.2	1590
Maharashtra	1450	1547	1514	1492
Odisha	4100.3	4022.1	4027.3	4082
Punjab	2802	2820	2821	2720
Rajasthan	150.7	117.5	139	
Tamil Nadu	1688	1728.1	1882.5	1720
Uttar Pradesh	5173	5657	5948	5687
Uttarakhand	278	274	266	
West Bengal	4200.4	3544	4200	4130
Others	-	859.2	937.5	1836
India	37602.3	37798.7	40507.3	39110
(Area : ' 000 Hectare)				

Rice area in comparison to last kharif season has decreased considerably and it will affect the final size of kharif production this year. Kharif rice production may decline over 6 million T despite improved rainfall status in the last phase of monsoon season. Short fall in production may be compensated by higher coverage in rabi. However it would be too early to estimate rabi area at this point of time as cost of paddy cultivation has increased considerably and farmers may prefer other cash crops that requires less water and higher return in comparison to paddy.

**Yearly central pool rice stock status: (Fig in lakh Tonne)**

	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
<b>2006</b>	126.41	139.65	141.10	136.73	128.04	119.51	111.44	95.24	78.21	59.69	125.11	120.57
<b>2007</b>	119.77	126.39	139.67	131.71	134.81	126.14	109.76	91.65	69.37	54.89	106.51	100.52
<b>2008</b>	114.75	140.39	147.34	138.35	128.64	121.29	112.49	97.93	84.72	78.63	141.39	155.78
<b>2009</b>	175.76	201.94	212.57	216.04	214.07	204.03	196.16	187.92	172.11	153.49	216.21	229.00
<b>2010</b>	243.53	256.58	269.50	267.13	262.25	252.66	242.66	228.77	204.80	184.44	231.73	245.27
<b>2011</b>	255.80	278.02	287.26	288.20	277.60	276.41	268.57	252.71	227.14	203.59	260.83	<b>270.63</b>
<b>2012</b>	297.18	318.26	331.78	333.50	329.23	321.48	307.08	285.03	255.93	233.73		



**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 export under OGL: As on 30.09.2012**

Rice Export Under OGL as on 30th Sept, 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
12-Sept.	2.25	1.25	3.5
<b>Total</b>	<b>62.4</b>	<b>29.47</b>	<b>91.87</b>

India exported over 9 million tonnes of rice in last crop year ending Sept 2012. This year (2012-13) export is likely to come down to 7.5 million tones as per exporters estimates. Traditional basmati export is likely to come down too due to lower crop size and appreciating INR. Vietnam will remain major competitor for Indian exporters.

**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

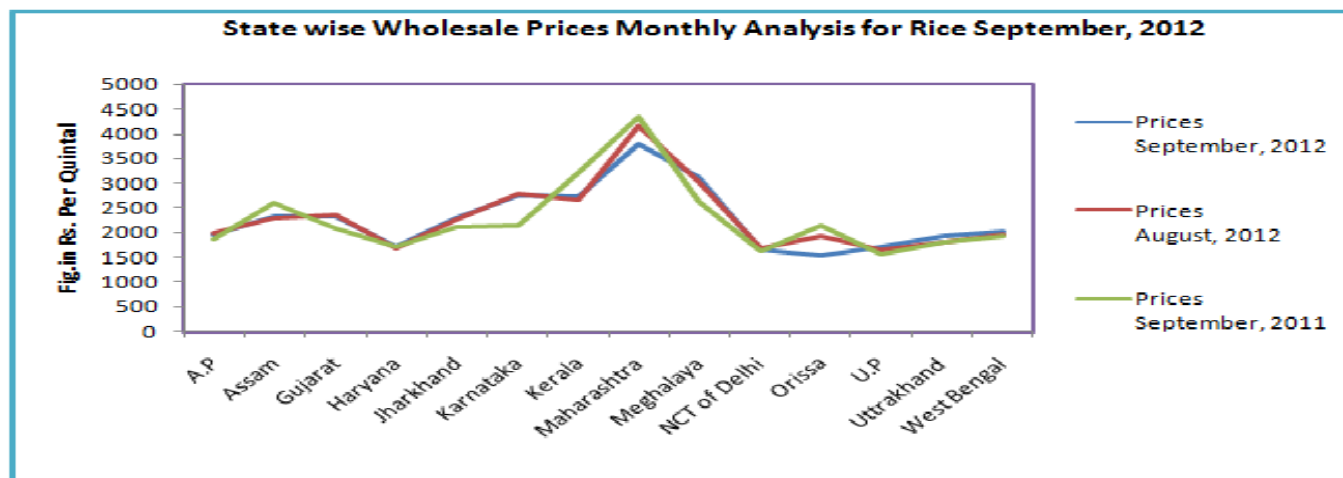
**India's Rice Production in Global Context:-**

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
2010	2360.2	2275.6	2238.2	2338.9	2281.7	2202.2	2222.3	2435.2	2341.3	2298.2	2370.0	2451.6
2011	2357.8	2399.8	2350.7	2437.0	2393.5	2493.6	2091.5	2187.2	2120.5	2299.9	2254.8	2338.6
2012	2309.4	2275.1	2317.4	2372.9	2295.8	2443.2	2405.12	2388.8	2354.35			



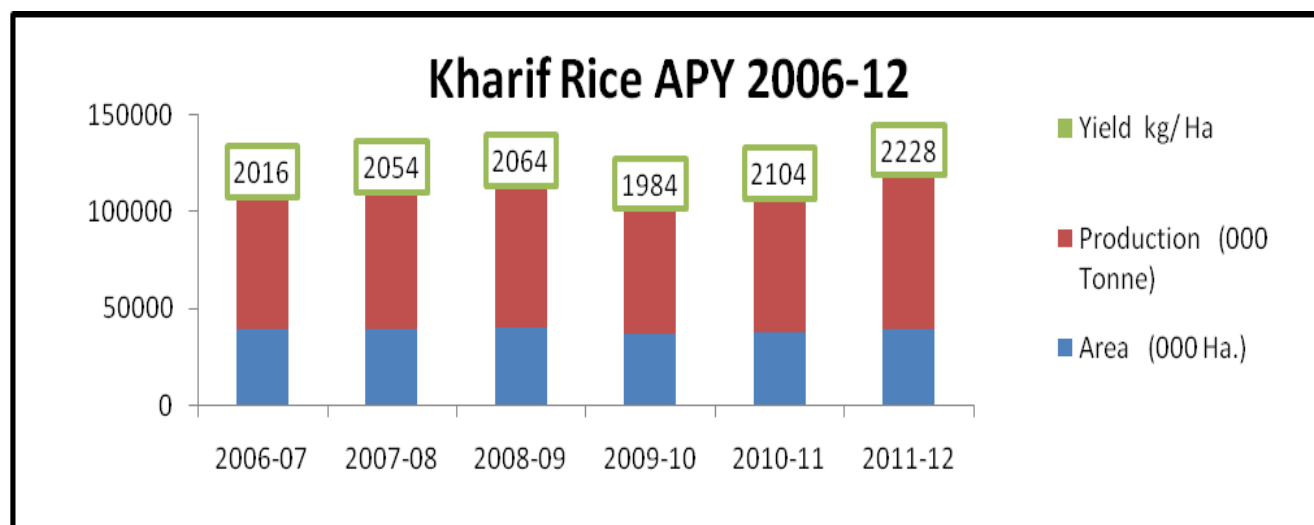
**Domestic rice market price trend:**



Prices in Rs/Quintal

State	Prices September, 2012	Prices August, 2012	Prices September, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
A.P	1957.42	2008.32	1874.1	-2.53	4.45
Assam	2309.2	2296.34	2581.53	0.56	-10.55
Gujarat	2335.92	2360.7	2089.18	-1.05	11.81
Haryana	1711.89	1711.73	1700	0.01	0.7
J & K	4694.44	4552.75		3.11	—
Jharkhand	2278.99	2291.45	2111.15	-0.54	7.95
Karnataka	2771.72	2793.37	2134.06	-0.78	29.88
Kerala	2729.34	2684.6	3219.55	1.67	-15.23
M.P	1143.78	1860		-38.51	—
Maharashtra	3810.42	4159.92	4341.28	-8.4	-12.23
Meghalaya	3120.89	3046.74	2624.94	2.43	18.89
NCT of Delhi	1650.88	1691.67	1618.93	-2.41	1.97
Orissa	1519.1	1944.26	2126.2	-21.87	-28.55
U.P	1707.11	1668.97	1555.83	2.29	9.72
Uttrakhand	1915.77	1812.75	1797.3	5.68	6.59
West Bengal	2012.74	1983.16	1918.57	1.49	4.91
Average	2354.35	2388.8	2120.49		
*Report Generation: As per the data reported by APMCs					

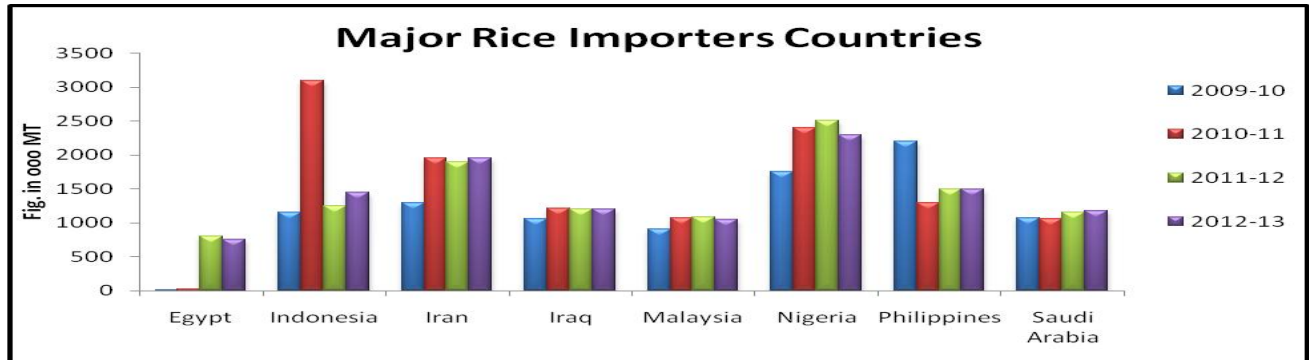
Prices of rice have come down and we expect prices to dip further on new crop hitting the market with lower export demand and higher supply in the market. Above given table shows the declining trend.



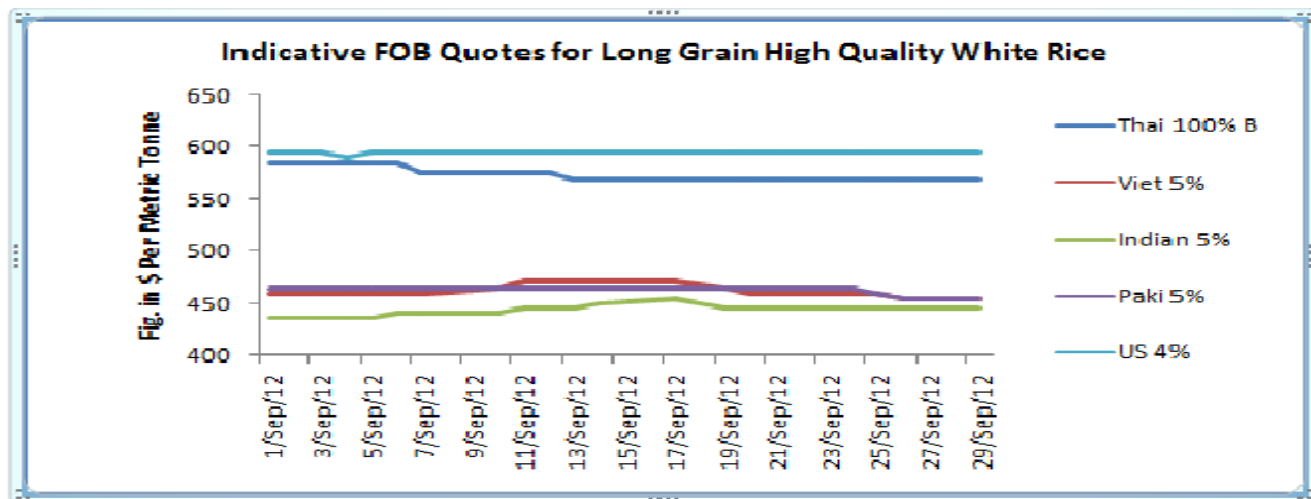


Area under rice remains almost constant with slight variation in particular state depending on price and over all rainfall in that regions. However, yield has been constantly on the rise as depicts the above given table. However this year khariof area has declined considerably due to lower rainfall.

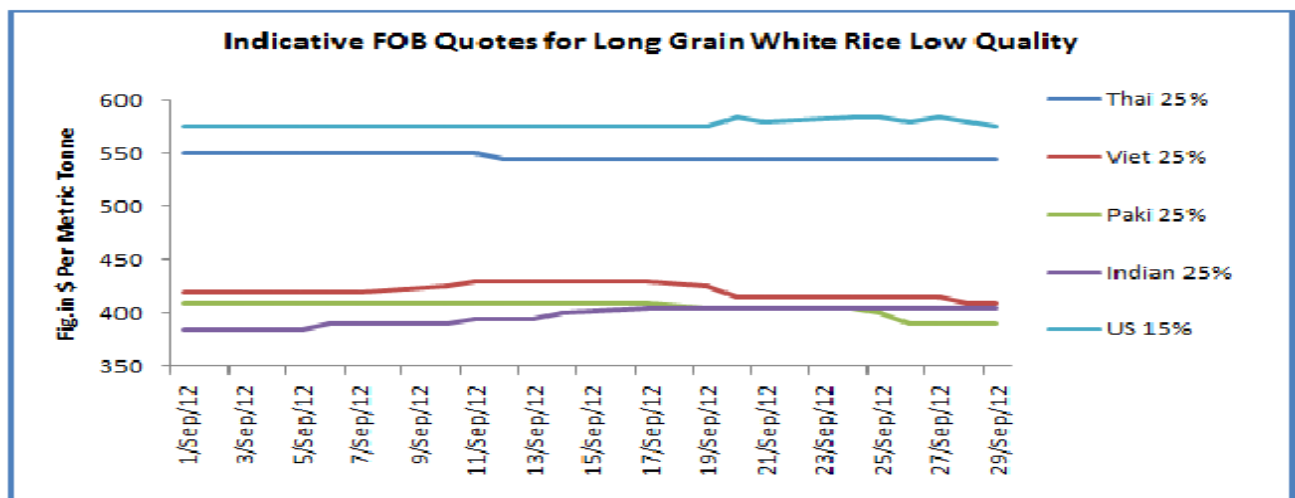
**Major Rice Importers:-**



**Indicative FOB Rice quotes trend:**



**FOB Quotes low quality white rice:**



### World Market Recap

**Egypt's Industry and Foreign Trade Ministry has allowed** exports of 100,000 tons of rice. The government has placed an upper limit of 15,000 tonnes for each dealer and shipments are expected to take place in October and November, this year.

**Demand for Vietnamese rice continued to be strong throughout** September, with the Vietnam Food Association (VFA) recording exports of 719,619 MTS between the 1st and 27th of September. Exports have included regular shipments to Malaysia, the Philippines and West Africa. Two large shipments, 35,825 MTS destined for Abidjan and Bissau, and 28,500 MTS destined for Cuba, remain under loading.

**Thai exporters have faced a considerable reduction in business in 2012**, as rice exports have been reduced by half. Exports currently total 3.4 million MTS, a 50% reduction from last year was of totaled 6.8 million MTS. Thailand was the largest rice exporter last year exporting around 10.8 million tons, but this year both India and Vietnam are expected to surpass Thailand as top rice exporters. While India's rice exports in 2012 are estimated to reach around 8.5 million tons, Vietnam's rice exports from the beginning from the year to September 27, 2012 stand at 5.82 million tons.

**Harvesting of the Pakistani new crop has continued and we should now** expect to see plenty of fresh supply become available over the coming weeks. Moisture levels from the Sindh remain high following the late withdrawal of the monsoon rainfall, although levels should fall in the coming weeks when the rice enters the dryers, allowing it to be exported.

**Japan is the tenth largest producer of rice in the world. Though over 96%** of rice farmland in Japan is held by small-scale farmers, rice plays an important role in the country's culture, economy and food security. However, shrinking rice acreage has become a major concern in the recent years. According to USDA, rice acreage in Japan at 1.55 million hectares in 2012-13, is down by about 11% from a high of 1.7 million hectares in 2005. To make matters worse, rice yield in 2012-13 is also expected to decline by about 2% to 6.52 tons per hectares from last year.

#### **IGC balance sheet:**

IGC Global Rice Estimates			
	2011-12 E	2012-13 Forecast	
		23/08/2012	28/09/2012
Production	464	466	466
Trade	35	35	35
Consumption	458	465	465
Carryover Stocks	103	102	103
Y-o-Y Change		-	-

#### **High lights:**

- *The IGC GOI rice sub-Index is slightly down m/m as values weakened in Thailand, pressured by large state intervention reserves.*
- *A small y/y increase should put global rice output at an all-time high of 466m t (464m previous year) in 2012/13.*
- *World rice use is set to rise to a record of 465m t (458m) on increases in Asia's main consumers.*
- *The 2012/13 global rice carryover will likely remain high, including a 3% rise in major exporters' stocks.*

The USDA Agriculture Attaché projects Indonesia's rice imports for 2011-12 will decline to about 1.25 million tons as favorable weather boosted domestic yields and production, reducing the amount of rice Bulog needs to import. Bulog's imports of rice for 2012-13 are projected to rise to about 1.45 million tons. In 2011-12 Bulog intends to buy about 4.5 million tons of rice – including 2.4 million tons from the domestic market, up from 1.3 million tons the year before. Bulog can only buy paddy from farmers if the market price is lower than the government's official price.

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#### **CBOT Rough Rice Chart: September contract:-**

##### **Rice Price Trend @ CBOT (Nov- 12, Rough Rice):-**



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

	<b>Trend</b>	<b>Price Range</b>
<b>Short Term (5-10 days)</b>	Range bound (Positive)	15.20-15.60
<b>3<sup>rd</sup> week of Oct, 2012</b>	Steady (Negative)	15.00-15.40

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