

Market Highlights

Rice prices in cash market continued to rule higher from the beginning of October and unlikely to dip from current level despite improved arrivals in various markets. The fear in shortfall in production in Kharif (85.6 against 91.34 last year) due to lower area coverage and lower than normal rains in the first phase of transplanting and during developmental stage continued to support prices. Despite higher stock in central pool 28.95 million tonnes as on October 1st and smooth supply in local market will restrict market to increase one way. We expect market to rule steady at current level in November.

Area under kharif rice coverage is expected to be in the range of 368 to 370 lakh ha. as reported by various sources. Lower area coverage will impact production considerably and it is likely to dip almost by three percent to 88 million T in FY 2013. However, rice production in rabi season is expected to improve and it may touch 13 million T. Thus total production may dip by 3.4 to 3.5 million T from last year's bumper production of 104.3 million T. Lower production is unlikely to impact on supply side even in the medium term as stock remains at higher level in spite of ongoing export.

India's rice stocks in the central pool as of Nov 1st, 2012 have started increasing with new arrivals. Stock registered at 28.95 million tonnes in the beginning of Nov, 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 recorded on October 1, 2011.

India's procurement of rice for the central pool in the marketing season 2012-13 (October to September) has surged to over 10 million tonnes as of November 8, 2012, up around 6.4% from the 9.4 million tonnes procured in the same period last year. This year, rice procurement began at a slow pace in October due to high moisture content in paddy reported in some parts of Punjab and Haryana along with problems faced due to the blacklisting of several hundred rice mills in the two states.

India exported record rice (over 90 million T) last year ending sept, 2012. Out of total export contribution non-basmati share was registered at 6.1 million T while basmati share increased at 3.0 million T. However, rice export is set to decrease this year to 7.5 million tonne due to lower crop size. If prices firm up beyond expectation in medium term govt. may consider quantitative restriction for non basmati. Export of 1121 will increase as traditional basmati production has dipped considerably this year.

In a move to encourage rice exports from Uttar Pradesh, the state cabinet last week approved the state's Rice Export Policy 2012. Expected to come into effect soon after the government issues a government order in this regard, the policy will be effective for five years. As a part of the new policy, the government also lifted all levies from rice exports, including Mandi tax and development cess for all varieties of rice produced in the state. The government also said no Value Added Tax will be imposed on export quality paddy. However, only those exporters whose rice mills have been set up in UP will be able to avail these benefits.

Chhattisgarh started procuring new kharif paddy at support price directly from farmers from November 1 to mark the state's 12th foundation day. This year the government has targeted to procure a record 68.55 lakh tonnes of paddy. While the minimum support price for common category of paddy has been fixed at Rs 1,250 per quintal, Grade 'A' paddy will fetch Rs 1,280 per quintal. The govt. has fixed procurement target at 40 million tonnes this year.

Tropical Cyclone Nilam formed off the southeastern coast of India and moved ashore early in the week. Nilam brought over 300 mm of rain to coastal Tamil Nadu, while its remnants produced heavy (50-300 mm), widespread showers across Karnataka, Andhra Pradesh, and Orissa. The unseasonably heavy rainfall delayed fieldwork in the affected areas but provided a significant boost to moisture supplies for rabi rice and groundnuts. Warm weather (temperatures averaging 25°C) in northwestern India promoted winter wheat and rapeseed development but increased irrigation requirements.

Rice market fundamental:

Cash rice market is likely to trade higher in medium to long term as export demand for Indian rice is expected to be supportive. Rice price in Vietnam firms up on increased export sales and Thai quotes are higher. Importers are turning to India as the cheapest source of rice. Besides, lower production in Kharif season and higher procurement target may drive prices up from last month's lower level. However, supply side will remain ample as new crop is hitting the market. Export demand is likely to increase December onward as stake holders expect market to stabilize by the time.

Even farmers are offloading lesser stock in anticipation of higher prices in the months ahead. Crop in Tamil Nadu and A.P. will hit market soon and it may restrict market to go one way. However, farmers in south India will sell higher quantity to state agencies and FCI. In brief we can say that steep down fall from current level is unlikely. Millers are waiting for peck arrivals in Punjab, Haryana, U.P.

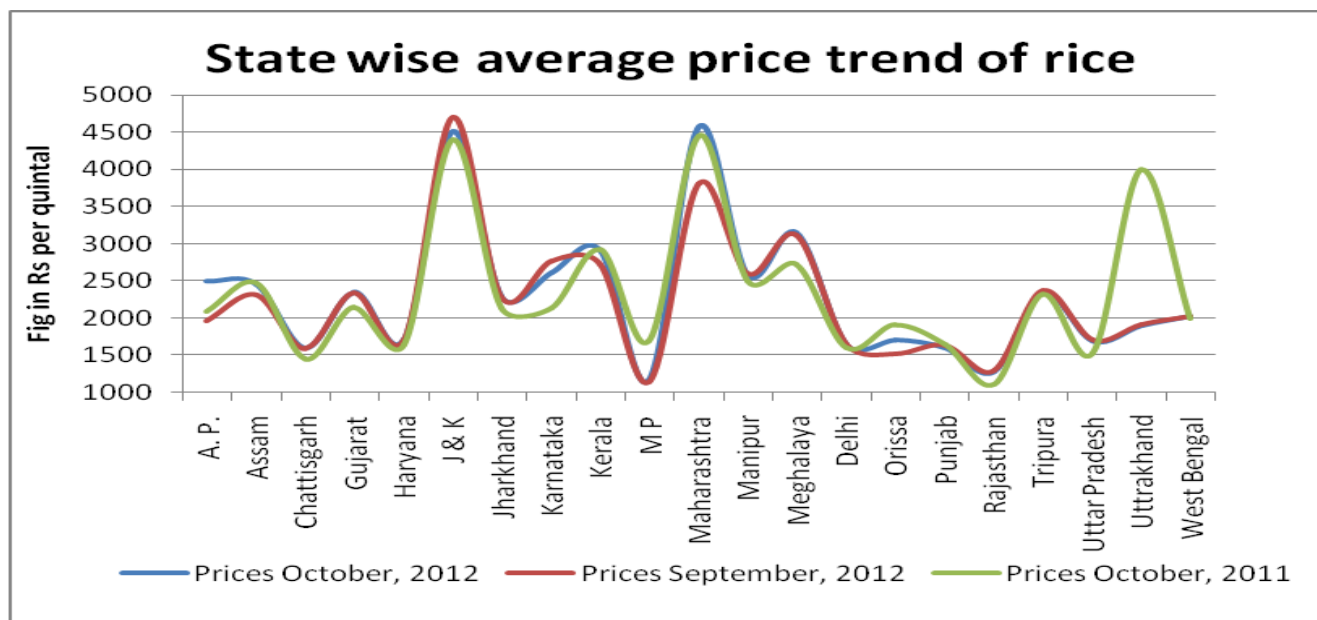
Rabi trans-planting for rabi is likely to increase and it may compensate lower production in kharif to some extent. Rabi rice production may cross 13 million T. Demand in domestic market from domestic consumers are likely to pick up from January. Weather remains favourable for rabi sowing and we expect better production in rabi season.

Domestic Rice Balance Sheet:

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	39.17
Production	95.00	102.00	104.32	101
Total Availability	113.00	132.00	134.32	140.17
Domestic consumption	48.00	51.00	51.00	52.30
Govt. Procurement	33.00	35.00	35.00	40.00
Exports	2.00	2.75	9.15	7.50
Total Usage	83.00	88.75	95.15	99.80
Ending Stocks	30.00	43.25	39.17	40.37
Av Monthly Consumption	4.00	4.25	4.25	4.36
Stock to Month Use	7.50	10.18	9.22	9.26
Stock to Consumption Ratio	0.63	0.85	0.77	0.77

We have considered here private stock too as on nov 1st 2012 including likely production in rabi. despite lower production in kharif overall stock is likely to increase due to higher production last year.

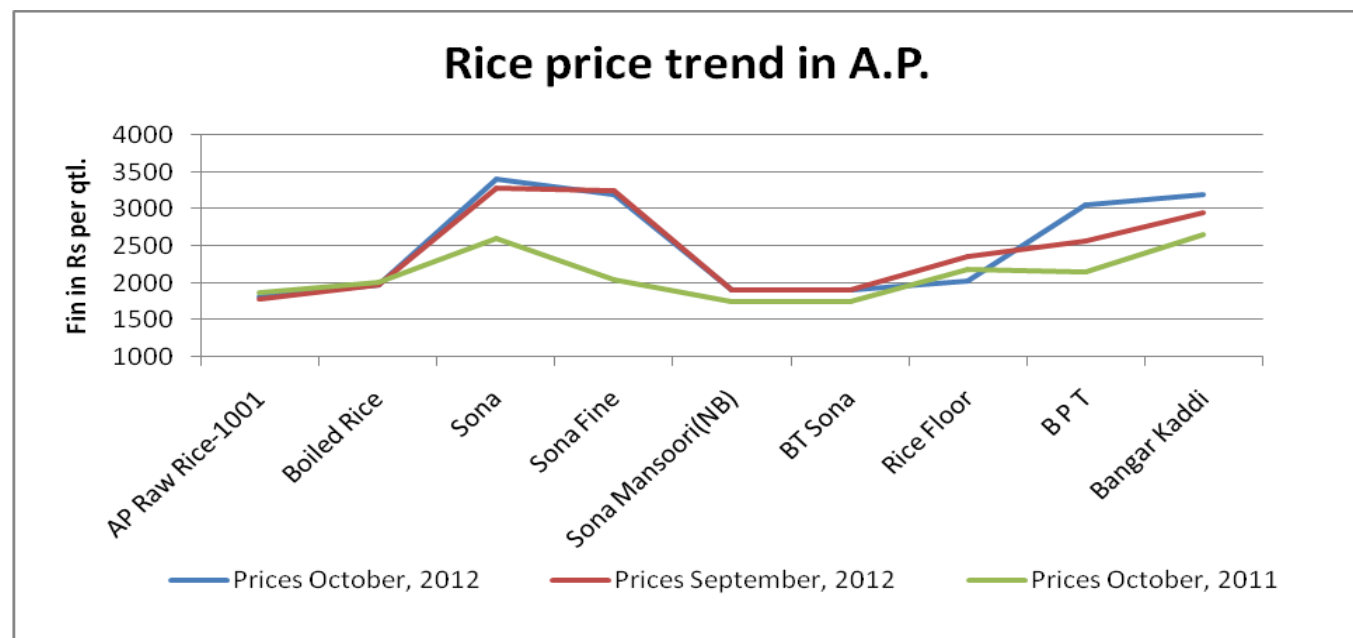
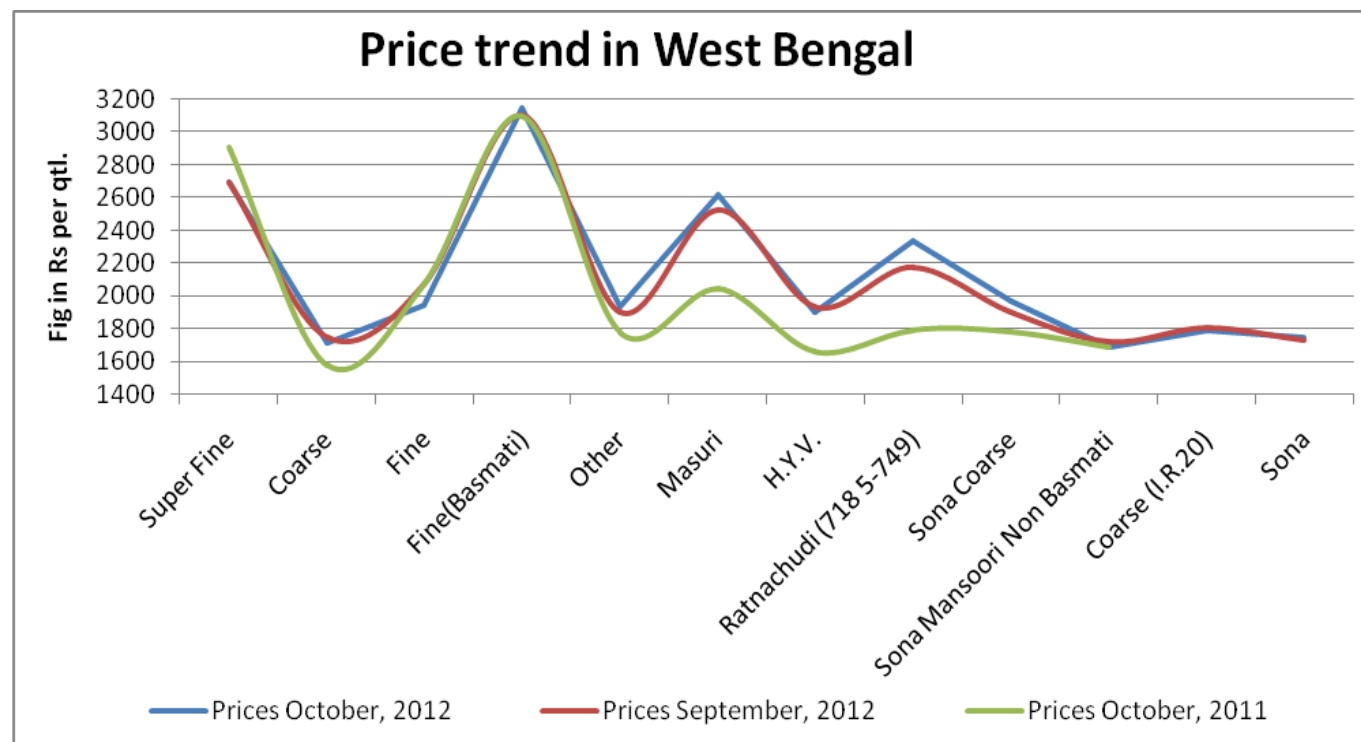
State wise rice price trend with table:



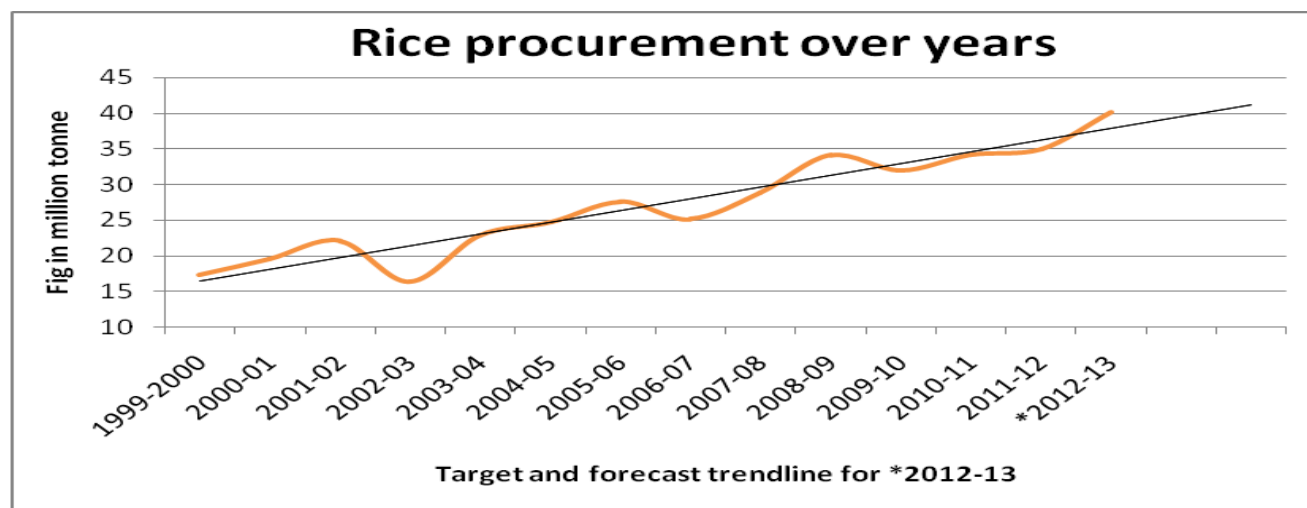
Rice price rules higher in comparison to last year in October and we expect it to trade higher despite new arrivals in major growing states. Major reasons of higher price are MSP, export demand at higher rates and increased production cost. The above given line chart shows the same trend.

State	Prices October, 2012	Prices September, 2012	Prices October, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
A. P.	2501.95	1957.42	2090.34	27.82	19.69
Assam	2459.21	2309.2	2465.92	6.5	-0.27
Chattisgarh	1600	1595	1450	—	—
Gujarat	2347.17	2335.92	2146.66	0.48	9.34
Haryana	1715.25	1711.89	1650	—	—
J & K	4504.44	4694.44	4400	-4.05	—
Jharkhand	2291.32	2278.99	2141.31	0.54	7.01
Karnataka	2616.44	2771.72	2141.1	-5.6	22.2
Kerala	2911.16	2729.83	2923.56	6.64	-0.42
M P	1170	1143.78	1700	2.29	-31.18
Maharashtra	4575.38	3810.42	4450.9	20.08	2.8
Manipur	2580	2600	2500	—	—
Meghalaya	3153.12	3120.89	2722.91	1.03	15.8
Delhi	1638.39	1650.88	1601.47	-0.76	2.31
Orissa	1705.79	1520.86	1910.82	12.16	-10.73
Punjab	1600	1635	1640.43	—	-2.46
Rajasthan	1280	1300	1111	—	—
Tripura	2350	2375	2318.7	—	—
Uttar Pradesh	1690.3	1706.81	1537.96	-0.97	9.91
Uttarakhand	1892.28	1915.77	3996.18	-1.23	-52.65
West Bengal	2024.24	2020.98	1999.66	0.16	1.23
Average	2393.01	2354.99	2299.94		

*Report Generation: As per the data reported by APMCs

Price trend in A.P.:

Price trend in West Bengal:


Rice prices are higher in South India while it is ruling lower in West Bengal. South Indian states are still waiting for arrivals to start. In West Bengal arrivals are picking up and prices have come down. However, more downward pressure is unlikely as govt. is buying paddy at higher prices.

Rice procurement target and previous trend:


India's procurement of rice for the central pool in the marketing season 2012-13 (October to September) has surged to over 10 million tonnes as of November 8, 2012, up around 6.4% from the 9.4 million tonnes procured in the same period last year. This year, rice procurement began at a slow pace in October due to high moisture content in paddy reported in some parts of Punjab and Haryana along with problems faced due to the blacklisting of several hundred rice mills in the two states. This year procurement target has been set over 40 million tonne. Higher MSP will encourage farmers to sell more to govt.'s agencies.

Rice export under OGL:

Rice Export Under OGL as on 30 th September, 2012					From Oct 2012(New Season)	
Units are in lakh tons	Non Basmati	Basmati	Total	Non Basmati	Basmati	Total
Sept.11	1.85	2.6	4.45			
12-Oct	4.5	3.4	7.9	1.2	0.8	2
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-Sep	2.25	1.25	3.5			
Total	62.4	29.47	91.87			
Note: - New season for paddy starts on Oct 2012.						

Rice export reached to 91.87 million tonnes for this MY 2012. Non-basmati rice export touched 62.40 million tonnes while basmati export touched 3.5 million tonnes. At the end of this Marketing Year total rice export crossed over 9.1 million T. Pace of basmati export increased due to abolition of MEP. Even next crop is expected higher than last year and it will augment supply for the exporters September onward.

Current procurement status state wise:

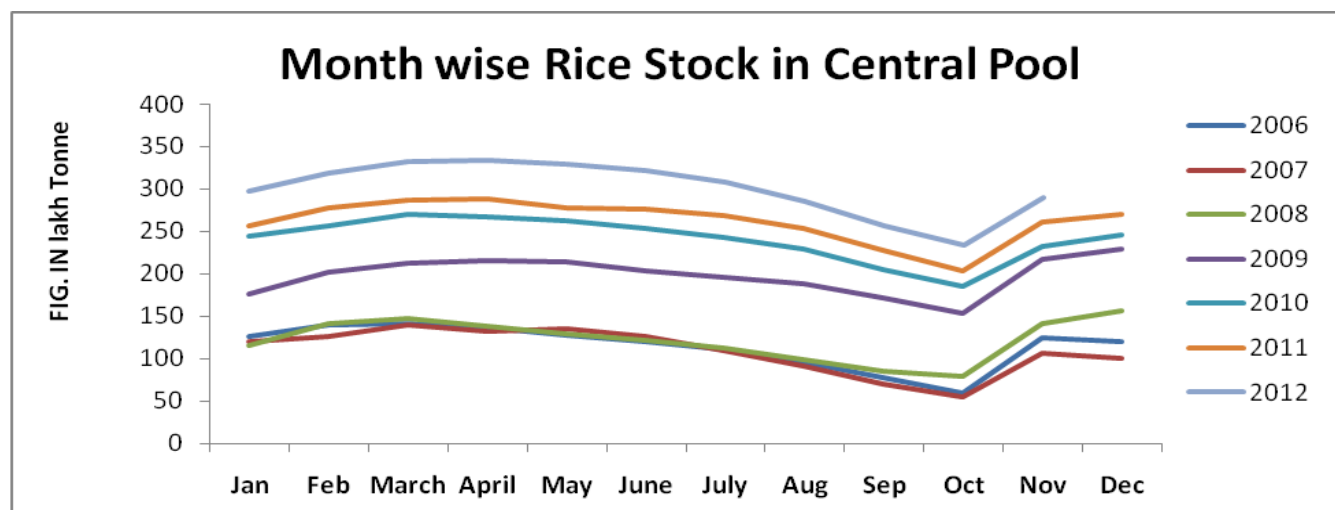
States	Total procurement in marketing season 2011-12 (Oct. – Sept.)	In Marketing season 2012- 2013	In Marketing season 2011-2012
Andhra Pradesh	75.47	-	-
Chhattisgarh	41.15	-	-
Haryana	20.07	21.99	17.73
Kerala	3.72	-	-
Madhya Pradesh	6.35	-	-
Maharashtra	1.78	-	-
Orissa	28.46	-	-
Punjab	77.31	64.22	66.81
Tamil Nadu	15.96	-	1.66
Uttar Pradesh	33.55	0.02	0.06
Uttaranchal	3.78	0.02	0.03
West Bengal	20.34	-	-
All-India	350.30	86.35	86.50

Rice procurement is started for this marketing year 2012-13 and we expect the procurement will touch about 40 million T against previous year procurement of 35 MT. Punjab remains the highest contributors likely to last year till now followed by Haryana. Arrivals have peak in major states and paddy procurement may get quick in the weeks ahead.

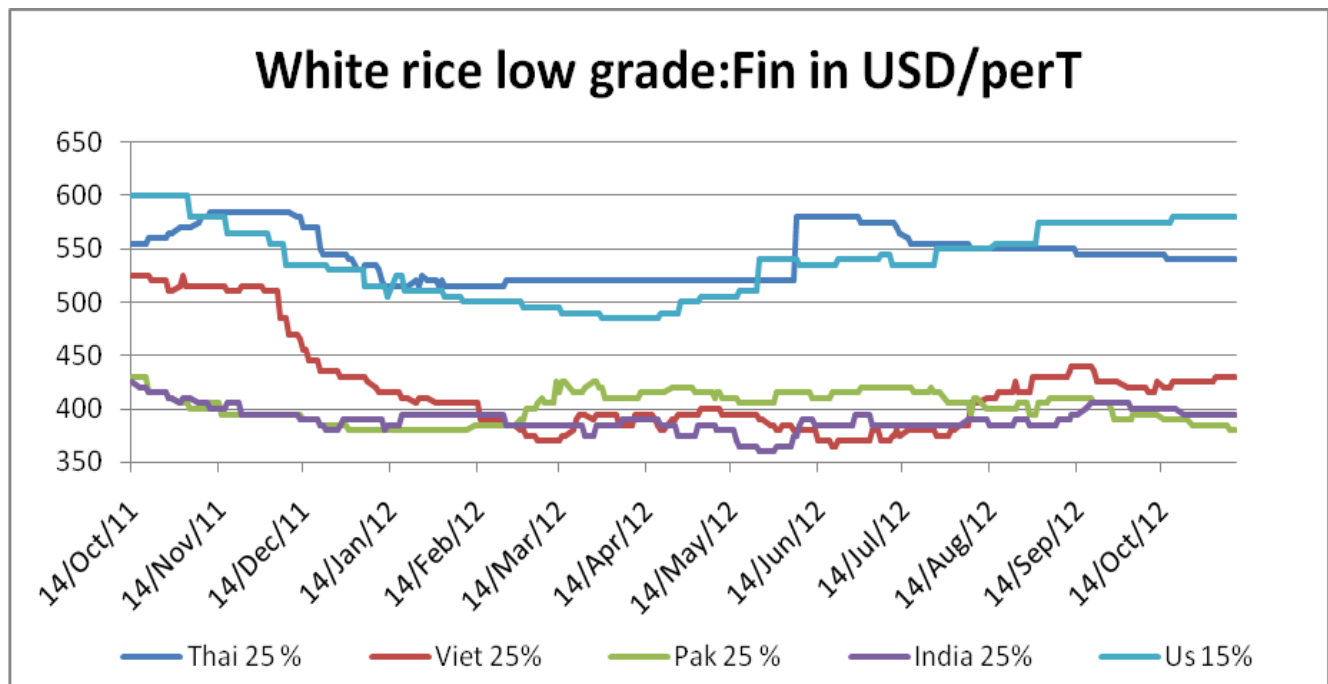
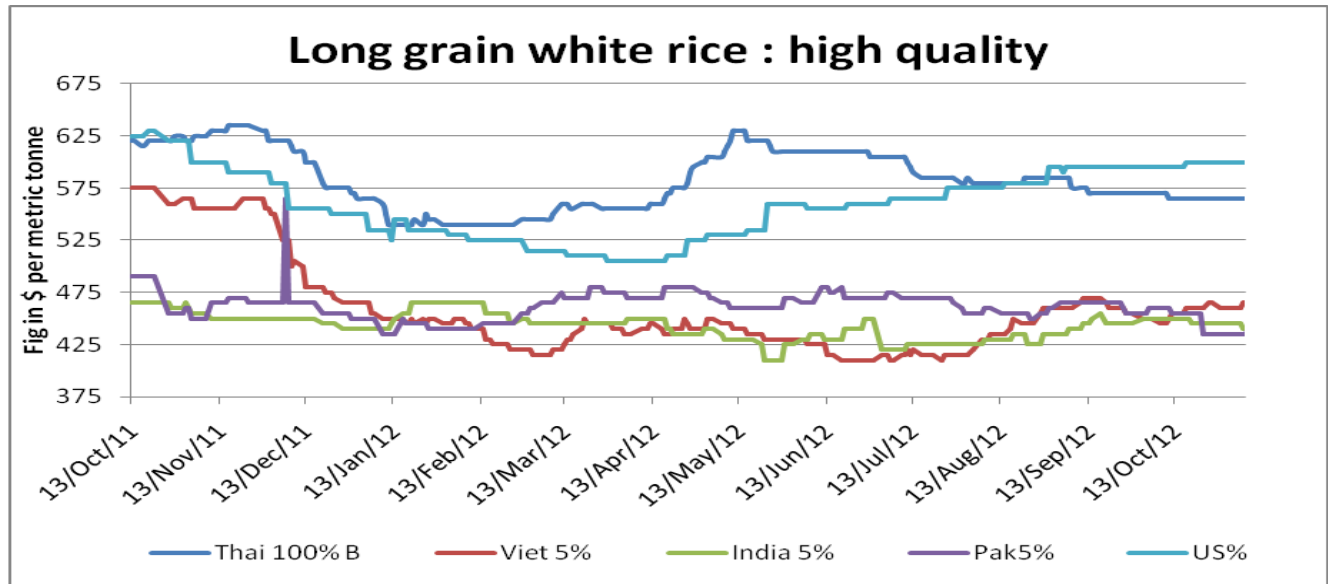
Month-wise Rice Stock in Central Pool (As on 1st day of the month) Values in MMT:

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	33.35	32.92	32.14	30.70	28.50	25.59	23.4	28.95	

Rice stock in central pool kitty:



Rice stock in central pool kitty starts increasing with arrival of new crops and it will continue to increase up to February 2013, when arrival from kharif crop starts residing. However government may consider higher allocation for domestic market, if prices continue to firm up and stock to flatten.

Comparative FOB quotes:


FOB Quotes for Pakistan, Thai, Vietnam, India and US rice price are almost unchanged from last week. Prices are likely to dip on new crop pressure, expected on mid of October to starting of November onwards. Major buyers too are waiting for price to decrease. However market will move upward as new crop pressure stabilizes in the market and also demand come from domestic and overseas 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

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

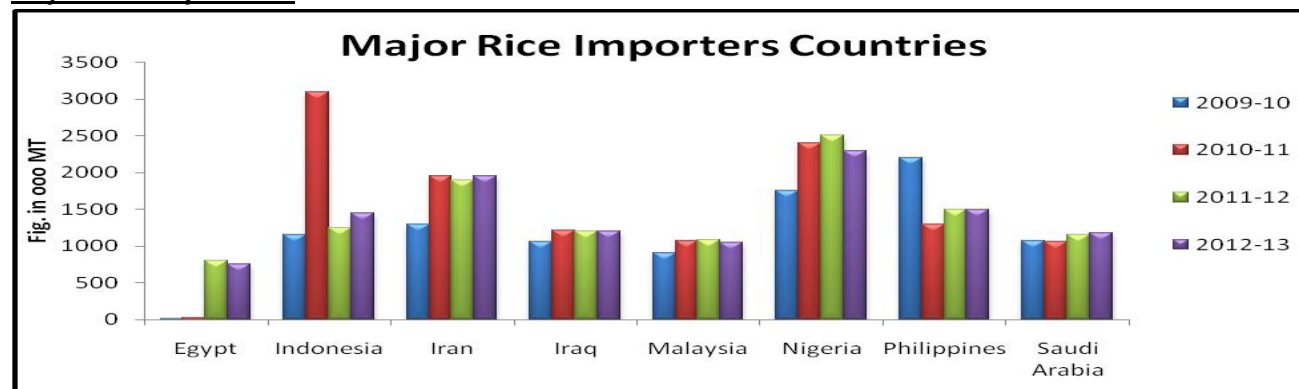
Crops	MSP 2011-12	Average mkt price in the week under review	MSP 2012-13	% rise
Paddy common	1,080	1,500-1,700	1,250	15.7
Paddy A Grade	1110	1900-2000	1280	16.0
Jowar	980	1,670	1,500	53
Bajra	980	1,175	1,175	20
Maize	980	1,090	1,175	20
Ragi	1,050	1,100	1,500	43

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	104.3	22.81
2012-13	463	101.0	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.

Major Rice Importers:-



World Market Recap

Thai 5% rice is quoted around \$545 - \$555 per ton, about a \$90 per ton premium over Viet 5% rice shown around \$455 - \$465 per ton. Indian 5% rice is quoted around \$425 - \$435 per ton, down about \$5 per ton from Friday and about a \$10 per ton discount over Pak 5% rice shown around \$435 - \$445 per ton. Thai 25% rice is quoted about \$530 - \$540 per ton, about a \$110 per ton premium over Viet 25% rice indicated around \$420 - \$430 per ton.

India rice exporters lowered most of their quotes by about \$5 per ton on increased availability in domestic market. Thai, Viet, and Pak rice sellers kept their quotes mostly unchanged after a slight increase during last two weeks in October. Indian 25% rice is quoted about \$380 - \$390 per ton, down about \$5 per ton and about a \$10 per ton premium over Pak 25% rice shown around \$370 - \$380 per ton.

China is expected to sign a rice agreement with Thailand next week to increase rice purchase from the current 300,000 tons to around 5 million tons from 2013 to 2015. Thailand's government spokesman said that the government-to-government deal is likely to be signed on November 21, when the Chinese Premier Wen Jiabao is slated to visit Thailand-Bloomberg

High demand and tight supplies have led to a sudden surge in Vietnam's average rice prices in November. According to data from the Vietnam Food Association (VFA), average prices of Viet rice have soared to \$481 per ton so far this month, up about 8% from about \$445 per ton last month and about 22% higher than around \$395 per ton recorded in July this year. However, current prices of around \$481 per ton are still about 14% lower than around \$560 recorded in November 2011-Bloomberg

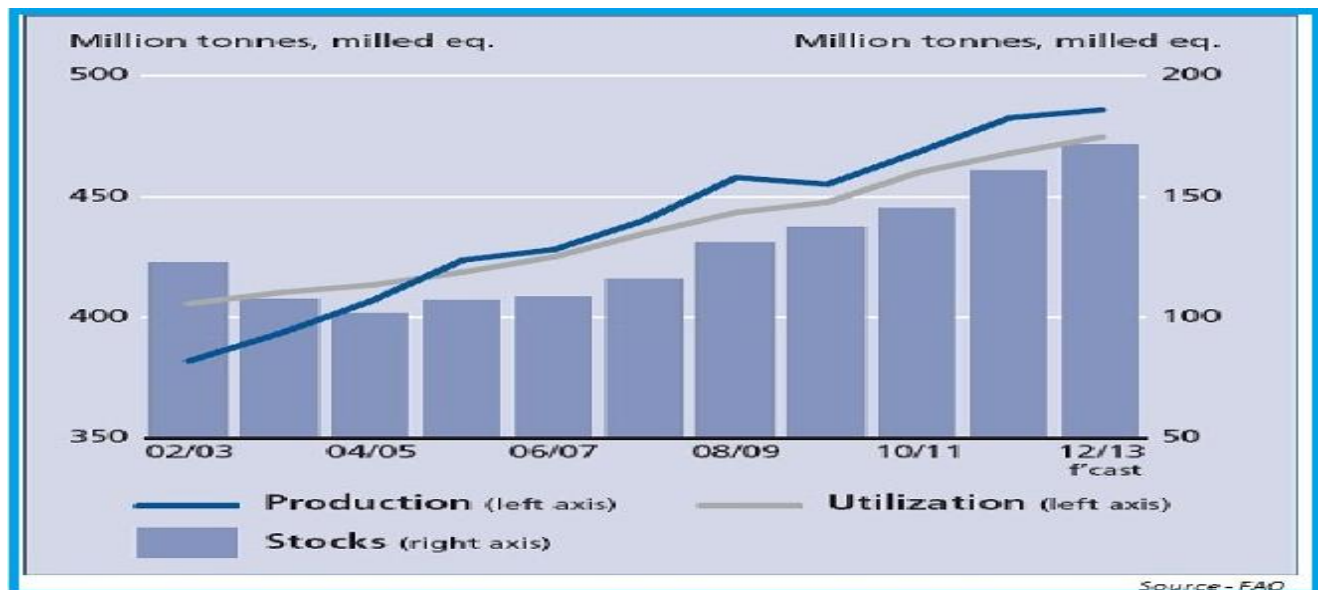
Rice harvest is underway in Vietnam and demand for Viet rice has remained consistently high in the second half of 2012. Vietnam has already signed contracts to sell around 7.2 million tons of rice in 2012, and recently, Indonesia announced that it would buy about 300,000 tons of rice from Vietnam, boosting the demand for Vietnam rice further-VNA

The UN's Food and Agriculture Organization (FAO) says that high domestic prices of rice will continue to drive China's rice imports to around 2 million tons in 2012, despite an estimated record high rice production of about 140.4 million tons this year, up around 2% from around 138 million tons produced in 2011-Reuters

The USDA says that overall rice imports by the Philippines in the MY 2012-13 (May to April) are forecast to remain unchanged from MY 2011-12 at 1.5 million tons, as the increase in production due to the government's goal of rice-sufficiency next year will compensate for the slight increase in consumption. This is contrary to the Philippine government claims that the country has reduced rice imports to 500,000 tons this year and would import a maximum of 100,000 tons in 2013 mostly for buffer stocks.

Rice production in Pakistan is likely to decline in 2012-13 due the impact of floods in key rice growing areas, frequent power outages and rising cost of fertilizers. Local sources said that rice production is likely to decline by up to 10% in Sindh, Balochistan and southern parts of Pakistan which account for a bulk of Pakistan's annual rice production, due to rising input costs and floods-Rice trade association,PAK

Rice production in 2012-13 is estimated to reach 486 million tonnes, up about 1% from the 483 million tons produced in the previous year, according to the October Food Outlook by the UN's Food and Agriculture Organization (FAO).

FAO estimates for world rice:

IGC balance sheet:

IGC estimate released on 23.08.12	2007-08	2008-09	2009-10	2010-11	2011-12 estimated	2012-13 forecast 28.09.12 (Milled basis)	25.10.12
Rice							
Production	431	448	441	449	463	466	465
Trade	29	29	31	36	36	35	36
Consumption	427	435	438	447	457	465	466
Carry over St.	81	92	96	97	103	103	102
Year change	+5	+11	+4	+1	+6	-	-1
Major exporters	19	27	28	29	35	36	36

High lights:

- The IGC GOI daily rice price index was largely steady during October, although quotations at major origins were mixed.
- The forecast for 2012/13 global rice production is cut slightly but, at 465m t (463m), would still be a record, and global use is set to expand to an all-time high of 466m t (457m).
- World ending stocks in 2012/13 are projected to remain comfortable, at 102m t, including a 3% rise in major exporters.
- World trade in rice in 2013 is seen falling by 2% – on smaller shipments to Far East Asia and sub-Saharan Africa.

CBOT rice futures:

Price Projection (International-CBOT):-

	Trend	Price Range
Short Term (5-10 days)	Range bound (Positive)	14.80-15.20
4th week of Nov, 2012	Steady (Positive)	15.00-15.40

World rice prices are likely to stay steady in the short and medium term. Export from Vietnam and Thailand is likely to increase due to aggressive selling strategy. World supply is expected to remain comfortable despite production loss in some major producing countries.

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