

**Executive summary:**

Rice markets remained under pressure despite some improvement in prices during the week under review. Export demand for non-basmati rice has come down as buyers are expecting further decline in non-basmati rice prices. Higher supply, ample stock and lower demand in domestic market supported by regulated export will weigh on cash market sentiments. Progressive paddy procurement is auguring well and target of 35 million tonnes seems very much within reach.

With favourable weather even rabi planted area is ahead of schedule and expected to cross the previous year level. Planting of paddy is in progress in Andhra Pradesh, Orissa, Tamil Nadu and Karnataka. As of now .6.61 lakh ha. have been covered against 6.35 lakh ha. last year till date.

Non basmati rice export has crossed 1.8 million tonnes and total allocated quantity of 2 million tonnes is likely to be shipped out by the end of current month. Competition is likely to increase with new Vietnamese crop, likely to hit the market in March. Even Pakistan will pose tough competition.

Stock is ample and will continue to increase with ongoing smooth procurement and at price front pressure is expected to sustain in weeks ahead if further export allocation is not allowed before time.

**Market Fundamentals:**

Bumper production, increasing stock in govt.'s granary and higher rabi acreage paint a bearish outlook for cash rice market in the weeks ahead. Lower prices of paddy in various markets have compelled farmers to restrict selling hoping for improvement ahead. Miller's restricted their buying since it is not clear if more export allocation will be made. Even foreign buyers expect decline in prices and resultantly export demand has come down in comparison to last month.

However, in the medium term India will continue to enjoy the current advantage of parity and non basmati rice export quota is expected to be increased soon. . It will support depressed market prices and help to lighten the glut like situation. Market expects 2 million tonnes additional export allocation soon with ballooning central pool stock.

However, India may face problem on basmati rice export front, which has been satisfactory so far. Tougher sanctions on Iran, a key basmati rice market for India, may hit business hard. India's basmati rice exports may increase only marginally to around 2.7 million tonnes in 2011-12, despite a good harvest and a weaker rupee against the dollar.

Payment has been a problem with most countries trading with Iran ever since the country has been placed under sanctions over its alleged nuclear bomb-making program. Though Iran had cleared its trading accounts from its regional clearing offices; Reserve Bank Of India disallowed such payments in December 2010. And on New Year's Eve, the U.S. imposed fresh economic sanctions on Iran's central bank. It will aggravate payment problem further.

### Paddy plantation:

Paddy plantation is progressing well and it is under way in Tamil Nadu, Karnataka, Andhra Pradesh and Orissa. Total coverage area under rabi was reported 6.65 lakh ha. against 6.25 lakh ha. last year as on 06.01.12. Weather is favourable and recent rains are beneficial for the late variety. Going by present planting trend, rabi planting is expected to cross last year's level.

### Rice Stock position: As on 01.01.2012

Fig in Lakh T	Stock with FCI, Dec-11	Stock with FCI, Jan-12	Stock with state agencies Dec-11	Stock with state agencies Jan-12	Total central pool stock as on 01.01.2012
East Zone Total	6.26	5.61	7.53	11.27	16.88
NE Zone Total	1.68	1.45	0.0	1.45	1.45
North Zone Total	67.96	76.11	103.97	96.14	172.25
South Zone Total	47.75	50.41	9.85	12.26	62.67
West Zone Total	10.10	11.99	13.42	27.53	39.52
Stock in Transit	2.10	4.41	--	--	4.41
All India Total	133.76	149.98	134.77	147.20	297.18

With bumper production and smooth procurement rice stock is fast increasing in comparison to Dec. and it will continue to increase in the coming weeks. As on 1<sup>st</sup> January total rice stock in central pool touched 297.18 against 270.63 lakh tonnes including stock in transit last month. Offtake of rice is expected to be lower in Jan, Feb and March due higher supply from new crop in domestic market. Rice stock has decreased only in NE zone. However, it is expected to increase in Jan with ongoing harvesting.

### 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

Total requirements for buffer and strategic reserves stand at 138 lakh T as on 1<sup>st</sup> January and against its total availability of rice is 297.18 lakh tonnes. It is more than two times higher than actual

requirement in Jan. On 1<sup>st</sup> April total requirement for rice would be 142 lakh tonnes and stock is expected to increase continuously with brisk procurement pace supported by bumper production.

**Procurement status:**

Rice procurement has crossed 200 lakh tonnes and target for 350 lakh tonnes of procurement seems very much within reach.

**Rice balance sheet and projection for 2011-12**

<i>Value in MMT</i>		<b>Excluding Non Basmati Exports</b>	<b>Including Non Basmati Exports</b>
	<b>2010-11</b>	<b>2011-12</b>	<b>2011-12</b>
Beginning Stocks	18	30	30
Production	95	102	102
Total Availability	<b>113</b>	<b>132</b>	<b>132</b>
Domestic consumption	48	51	51
Govt. Procurement	33	35	35
Exports	2	2.3	4.3
<b>Total Usage</b>	<b>83</b>	<b>88.3</b>	<b>90.3</b>
Ending Stocks	30.0	43.7	41.7

With the production of 95 million tonnes in 2010-11 government achieved 33 million tonnes procurement and with expected higher production of 102 million tonnes or over this season (2011-12) we expect government will be able to exceed the set target of 35 million tonnes easily. We expect non basmati rice export over 4 million tonnes with hope of additional 2 to 3 million tonnes allocation for export in months ahead.

Rice stock has been continuously increasing as depicted in the balance sheet. Ample ending stocks (up by 32% from last year's 30 MMT) in case of Rice are likely to facilitate smooth procurement, despite ongoing exports of Non Basmati rice.

**Average Rice Prices at Various Centers**

**Rs/Qtl**

State	Prices January, 2012	Prices December, 2011	Prices January, 2011	% Change(Over Previous Month)
Andhra Pradesh	1877.13	1934.51	2295.46	-2.97
Assam	2496.64	2665.11	2671.81	-6.32
Gujarat	2058.26	2043.77	1907.32	0.71
Jharkhand	1946.73	2027.81	2151.88	-4
Karnataka	2222.02	2186.29	2134.78	1.63
Kerala	2942.02	2770.44	3651.24	6.19
Maharashtra	3987.93	4121.4	4043.95	-3.24
Meghalaya	3100	3084.21	2591.33	0.51
Orissa	1932.92	1870.28	1821.05	3.35
Punjab	1493.74	1550.91		-3.69
Uttar Pradesh	1491.08	1513.18	1417.39	-1.46
Uttrakhand	1550	1675	1710.54	-7.46
West Bengal	1858.91	1853.28	1961.85	0.3

Average rice prices have continuously been decreasing at various centers as depicted in the above given table. However, rice prices have firmed up in Karnataka, Kerala, Meghalaya and Orissa. Drought like conditions in Karnataka last year and flooding in Orissa in Nov-Dec damaged standing crop to a great extent in these areas and it reflects in prices. Even procurement in these states is expected to come down considerably. Export demand supports prices in Gujarat.

However, further decrease is unlikely as prices have touched its lower level. Besides, local demand is expected from bulk users as millers and retailers as market participants believe that market should stabilize at current level or slightly improve.

### **International Market Highlights:**

Thailand's rice exports may drop to nine mt in 2012 from an estimated 10 million tonnes a year earlier as the government's purchase boosts prices. Higher quotes are impacting Thai rice exporters and condition is unlikely to improve in months ahead as Thai govt. buys paddy from local farmers at higher prices (\$487 per T). It has reduced the competitiveness of Thai exporters. Vietnam has revise down its quotes considerably in last one month in comparison to India and Pakistan. However, parity exists in favour of India and Pakistan. New crop in Vietnam is expected in march end and till then India is expected to enjoy better parity for non basmati rice. Vietnam and Thailand will continue to lose their regular buyers.

**FOB quotes during the week:**

**Long grain high quality:**

Date	Thai 100/B \$/MT	Viet 5% \$/MT	India 5 %\$/MT	Pak 5% \$/MT
30/Dec/11	570	460	440	445
31/Dec/11	570	460	440	445
2/Jan/12	570	460	440	445
3/Jan/12	565	460	440	440
4/Jan/12	565	460	440	440
5/Jan/12	560	460	440	440
6/Jan/12	560	460	440	440
7/Jan/12	560	460	440	440
8/Jan/12	560	460	440	440
9/Jan/12	560	450	440	440
10-Jan-12	560	450	440	440

**Long grain white rice:low quality**

Date	Thai 25% \$/MT	Viet 25% \$/MT	India2 5 % \$/MT	Pak 25%\$/MT
30/Dec/11	545	430	385	385
31/Dec/11	545	430	390	385
2/Jan/12	545	430	390	385
3/Jan/12	540	430	390	380
4/Jan/12	540	430	390	380
5/Jan/12	530	430	390	380
6/Jan/12	530	430	390	380
7/Jan/12	530	430	390	380
8/Jan/12	535	430	390	380
9/Jan/12	535	425	390	380
10-Jan-12	535	420	390	380

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