

Executive summary:

Downward pressure in physical rice markets begins to ease with improved demand from whole sellers, retailers and exporters despite better flow of arrivals in various markets throughout the country.

Appreciating Indian currency, fair chances for continuation of non-basmati rice export amid millers renewed buying interest support rice market and firmness is likely to continue further under limit.

Rice procurement in the Kharif Marketing Season 2011-12 (October-September) has crossed the mark of 186 lakh tonnes. The rice has been procured by various government agencies as on January 13, 2012. During the last corresponding period it was around 162 lakh tonnes.

Wheat and paddy sowing rose marginally so far this winter from a year before, fuelling hopes of a bumper production once again. Winter paddy planting inched up by 4% to 665,000 hectares in comparison to last year as on 13.01.2012.

The quantity of non-basmati rice export is nearing the allocated quantity of 2 million tonnes. As per private trade India has exported 1.8 million tonnes non-basmati rice so far. Tough competition from Pakistan and Vietnam amid strong dollar may reduce profit margin for Indian rice exporters.

The Trade Development Authority of Pakistan (TDAP) has decided to launch a consultative exercise to assess possibilities of exporting basmati rice to India.

Market Fundamentals:

Prices in cash rice markets have improved a little bit on various factors like renewed demand from bulk users, strong Indian currency and increased hope for an additional export allocation of non-basmati rice. Pressure from newly harvested crop begins to ease now and any decline from current level is unlikely as rice prices are ruling at its lowest level. However, market participants say that rice prices should stabilize at current level and may increase a little bit more, if second allocation for non-basmati export is announced soon. We expect such announcement in mid February.

With increasing possibility of bumper foodgrains (wheat and rice) production in 2011-12, higher stock and favourable weather conditions, rice is expected to trade with stability amid balanced supply and demand sides throughout the year. Continuation of export will not impact domestic prices given the ample availability and stock.

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 13.01.12. 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. There is no damage report from any parts of the country on account of recent rains, hailstorm and frost.

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 higher in comparison to Dec. and it will continue to expand in coming weeks with brisk pace. As on 1st 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.

Govt. is planning to shift stock in the lower availability zone. It will ease storage crunch in major producing zones like Punjab, Haryana, Chhattisgarh and Andhra Pradesh.

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 reserve stand 138 lakh T as on 1st January and against it total availability of rice is 297.18 lakh tonnes. It is more than two times higher than actual requirement in Jan.

Procurement status:

Rice procurement has crossed 186 lakh tonnes, higher by 24 lakh tonnes from last year till date and target for 350 lakh tonnes of procurement seems very much within reach.

Rice balance sheet and projection for 2011-12

Value in MMT		Excluding Non Basmati Exports	Including Non Basmati Exports
	2010-11	2011-12	2011-12
Beginning Stocks	18	30	30
Production	95	102	102
Total Availability	113	132	132
Domestic consumption	48	51	51
Govt. Procurement	33	35	35
Exports	2	2.3	4.3
Total Usage	83	88.3	90.3
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 meet the set target of 35 million tonnes or even more. 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	1849.67	1934.51	2295.46	-4.39
Assam	2460.18	2665.11	2671.81	-7.69
Gujarat	2053.02	2043.77	1907.32	0.45
J&K	5434.76	5700	5145.59	-4.65
Jharkhand	1980.76	2027.81	2151.88	-2.32
Karnataka	2195.84	2186.29	2134.78	0.44
Kerala	2929.54	2770.44	3651.24	5.74
Maharashtra	4034.96	4121.4	4043.95	-2.1
Meghalaya	3077.14	3084.21	2591.33	-0.23
Delhi	1700	1596	1432.5	6.52
Orissa	1969.65	1870.28	1821.05	5.31
Punjab	1513.85	1550.91		-2.39
Uttar Pradesh	1473.64	1513.18	1417.39	-2.61
Uttrakhand	1614.29	1675	1710.54	-3.62
West Bengal	1873.3	1853.28	1961.85	1.08
Average	2410.71	2339.85	2357.92	

Average rice prices have continuously been decreasing at various centers as shown in the above given table. However, rice prices have firmed up in Karnataka, Kerala 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, millers and retailers as market participants believe that market should stabilize at current level or slightly improve.

International Market Highlights:

Indian rice exporters have raised quotes for rice(non-basmati) as the Indian rupee continues to appreciate. New year started with firmness in Indian currency and during the last two weeks it has recovered by almost 4 percent. With Indian rice quotes coming up and Vietnamese rice indications down, the two origins are near parity for high-quality rice. Uruguay is the most expensive origin at about \$560 per ton for 5% broken rice, then Argentina 5% is about a \$545 per ton, U.S. 4% rice is offered about \$540 per ton, next is Thai 5% at about \$520 per ton. Vietnam 5% is quoted at around \$445 per ton though the Vietnam Food Association (VFA) has set the floor price at \$500 per ton. Indian 5% rice is also quoted about \$445 per ton, and Pakistani 5% rice is now the cheapest at about \$430 per ton. Vietnam is expected to compete with India in near future as new crop, likely to be

bumper, will hit the markets in the month of March. Pakistan is already in competition and may attract buyers who are sourcing rice from India right now.

Despite greater availability and stock of rice in the world market, prices are unlikely to dip from current level as it is already at the bottom. Prices of rice are bound to firm up from current level as the absence of Thai rice in the world markets is unlikely to be filled by India, Pakistan and Vietnam all put together.

FOB Quotes during the week: High quality long grain

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
11/Jan/12	555	445	435	430
12/Jan/12	545	445	435	430
13/Jan/12	535	445	440	430
16/Jan/12	530	445	445	430
17/Jan/12	530	445	450	430

White rice long grain 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
11/Jan/12	510	410	395	375
12/Jan/12	510	410	380	375
13/Jan/12	510	410	375	375

16/Jan/12	510	410	380	375
17/Jan/12	510	410	380	375

CBOT Chart: Rough White Rice:



US rice futures ended lower on pressure from a stronger dollar and ample supplies. Thursday's USDA reports, negative for grains generally, also showed an increase in projected rice stockpiles as demand wanes both domestically and for exports. The strength in the dollar, driven by worries about Europe's debt crisis, was also negative for commodities. CBOT March rice ends down 13c at \$14.44/hundredweight.

Rough Rice(CBOT)

Month	Open	High	Low	Close	Change
12-Jan	14.38	14.45	14.36	14.39	0.02
12-Mar	14.62	14.66	14.42	14.44	-0.13
12-May	14.93	14.93	14.72	14.72	-0.13
12-Jul	15.03	15.11	14.98	14.98	-0.14

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