

Executive summary:

Domestic rice market traded firm during the week under review and may trade higher despite ample stock and bumper production. Higher export demand and increasing possibility of continuation of export will support market.

Indian exporters are trying to sell rice to Iran and Iraq and delegation from both countries is expected to visit India by the end of this month. More business opportunities may be explored besides solving problem regarding payment.

Exporters are sourcing most of rice from south Indian states and Gujarat from millers. Movement of rice for export from north India is still awaited. However, some deals from Punjab reported through land route.

Basmati export during last ten months of current fiscal year touched 2.2 million T and in next two months 0.7 to 0.8 million T more export expected owing to lower MEP recently set by the govt.

Non-basmati export has touched 2.5 million T in last five and a half month and current fiscal year ending March 2012 may end up with 3.0 million T given the current pace of export.

India's rice stocks with government procurement agencies stood at 31.82 MMT as on 1st Feb-2012 and with ongoing smooth procurement it is likely to cross 33 MMT by Feb end. The government rules stipulate that Food Corporation of India (FCI), the central agency for grain procurement and distribution, should have a buffer stock of 14.2 MMT of rice, including 2 MT of strategic reserves, as of April 1st, 2012, each year.

Paddy procurement in the 2011-12 kharif marketing season (Oct-Sept) has crossed 24.8 million tonnes throughout the country as on 22.02.12 and given the flow of arrivals set target of 35 million tonnes seems very much within reach. Major contributors are Punjab, Chhattisgarh, Andhra Pradesh and Haryana.

Second advance estimate for kharif rice has been set at 90.18 million T against the production target of 87 million T for 2011-12 (last year 80.85 million T final production). However, rabi rice production estimate has been set lower at 12.57 million T against the set target of 15 million T due to lower rabi area.

Market Fundamentals:

Indian rice is currently about \$100 per T cheaper than comparable varieties from other countries. From Sep to Feb, India shipped out almost 2.5 million tonnes of non basmati rice - even more than Thailand - as the Indian rice was sought by customers in several countries. Those customers include neighboring Pakistan, which is itself a rice producer and exporter. The price advantage has prompted Pakistani traders to buy rice from Indian traders for the first time. In current market scenario more rice is also going to price-conscious markets in Africa. Today India is able to participate in the entire price spectrum of rice trades in the world. Vietnam and Pakistan will remain main competitors for Indian exporters. Despite brisk competition, export from India will continue to expand amid rising possibility of Iran, Iraq entering in Indian market.

However, fluctuation in currency and crude oil price may play a crucial role regarding FOB quotes in India and it will decide the total export size. Rice price in current scenario is expected to stay either steady or inch up during next week.

.Procurement of paddy is very smooth and has already crossed 24.8 million T mark and set target of 35 million T seems very much within reach.

Rice demand -supply 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

Source: Agriwatch

Agriwatch expects 102 million tonnes rice production in 2011-12 and will be able to export total 6.6 million tonnes by the end of this fiscal year. Domestic consumption may touch 51 million tonnes from 48 million tonnes in 2010-11 due to higher availability. Higher crop size, increased MSP and likely bonus for south Indian states will ensure maximum procurement to the tune of 35 million tonnes. As the demand –supply table shows total usage will go up from 83 million tonnes to 88.3 million tonnes excluding non basmati export. If we include non basmati export it will cross 90 million tonnes in 2011-12. Despite higher usage and export ending stock is expected to cross 41.7 million tonnes, quite higher than 14.2 million tonnes required on 1st of April 2012. It will create storage crunch as wheat procurement starts in April and higher wheat procurement is expected in the range of 30 million tonnes in MY 2012-13.

Export status (non-basmati): Rice and wheat export under OGL: As on 22.02.12

Wheat and rice export under OGL	Non Basmati Rice (fig in lakh T)	Wheat (Fig in Lakh T)	Basmati Export in last ten months
Sept.11	1.85	0	2.60
11-Oct	4.5	1.3	3.40
11-Nov	4.9	1.8	4.00
11-Dec	5.9	1.2	2.50
12-Jan	5.2	0	2.75
12-Feb	3.25		1.50
Total	25.65	Official 4.3	16.75(in six months) 22.00

Note: Unofficial figure for wheat is quite higher around 7 to 8 lakh tonnes, illegally through road route from West Bengal to B, desh. Rice export is on the rise continuously as the above table shows. Non – basmati export have crossed 2.6 million T mark up to mid Feb2012 and we expect it to touch 3.5

Rice stocks in Central Pool as on 1st Feb, 2012 stood at 318.26 MMT which is higher by over two times from an actual requirement of buffer norm(14.2 MMT) as on 1st April 2012. Rice stock is continuously increasing and likely to touch the highest level in March-April with smooth procurement and bumper harvest. Going by present procurement trend set target of 35 million tonnes(paddy) is easily achievable. Stock in March it may cross 33 million tonnes as offtake is expected to remain at lower side due to higher availability in the market.

Zone Wise Rice Stock position: As on 01.02.2012

Fig in Lakh T	Stock with FCI	Stock with state agencies	Total central pool stock as on 01.12.2011
East Zone Total	6.27 (5.61)	17.88 (11.27)	24.15 (16.88)
NE Zone Total	1.89 (1.68)	0.0	1.89 (1.45)
North Zone Total	88.01 (76.11)	81.48 (138.50)	169.56 (172.25)
South Zone Total	56.75 (50.41)	13.84 (12.26)	70.59 (62.67)
West Zone Total	15.32 (15.72)	33.52 (27.53)	48.84 (39.52)
Stock in Transit	3.22 (4.41)	--	3.22 (4.410)
All India Total	171.54 (149.98)	146.72 (147.20)	318.26 (297.2)

Rice stock position in India is quite comfortable. It is more than two times higher than required quantity for buffer norm as on 1st April 2012 as depicts the below given table. Against requirement of 142 including strategic reserve of 20 lakh tonnes .Current rice stock is over 318.26 lakh tonnes. When we consider zonal wise stock it has been increasing in every zone with ongoing smooth procurement. Rice stock will continue to increase from Dec to April and touch 330 lakh tonnes(rice) given the record production and increasing stock trend during these months

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

Average Domestic Rice Price Trend :

State	Prices Febraury, 2012	Prices January, 2012	Prices Febraury, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	1996.34	1895.18	2019.81	5.34	-1.16
Assam	2065.36	2306.01	2379.06	-10.44	-13.19
Gujarat	2088.42	2060.82	1919.58	1.34	8.8
Jammu and Kashmir	5550	5503.62	5226.87	0.84	6.18
Jharkhand	2101.08	2005.21	2054.09	4.78	2.29
Karnataka	2190.37	2196.95	2073.48	-0.3	5.64
Kerala	2502.65	2906.33	3680.25	-13.89	-32
Maharashtra	3933.01	3989.68	4207.6	-1.42	-6.53
Meghalaya	3100	3059.55	2800	1.32	10.71
NCT of Delhi	1500	1544.9	1479.09	-2.91	1.41
Orissa	1959.92	1920.32	1881.95	2.06	4.14
Punjab	1642.29	1536.69		6.87	
Rajasthan	2036.06		1800		13.11
Tripura	1950	1924.42	2058.6	1.33	-5.28
Uttar Pradesh	1497.4	1457.13	1460.25	2.76	2.54
West Bengal	1862.49	1908.07	1948.42	-2.39	-4.41
Average	2373.46	2300.57	2399.79		

Source:Agmark

Price Rs/Per qtl:

Prices of rice have decreased considerably in comparison to January except some centers like Gujarat, Karnataka, Kerala and West Bengal as depicts the above table. Higher supply is pressurizing market despite good demand for non basmati export. However, traders say that now further loss is unlikely as fresh demand at current level is expected from millers, exporters in the weeks ahead. Smooth procurement should support market at current level. Lower rabi area may also influence price to stay steady to slightly firm.

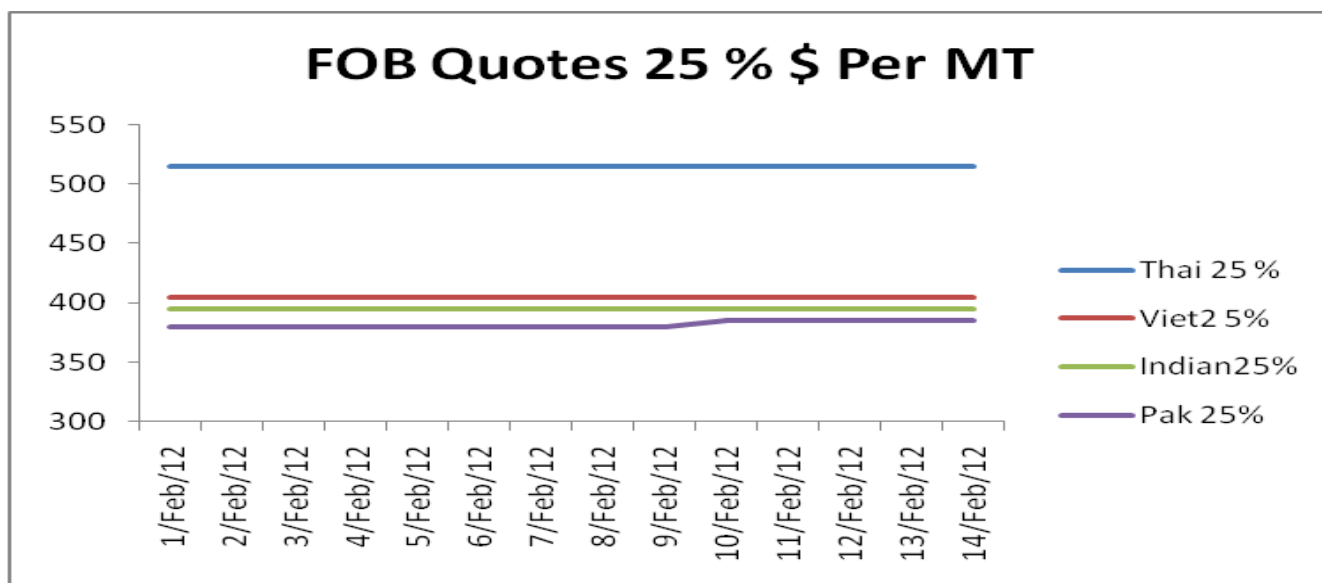
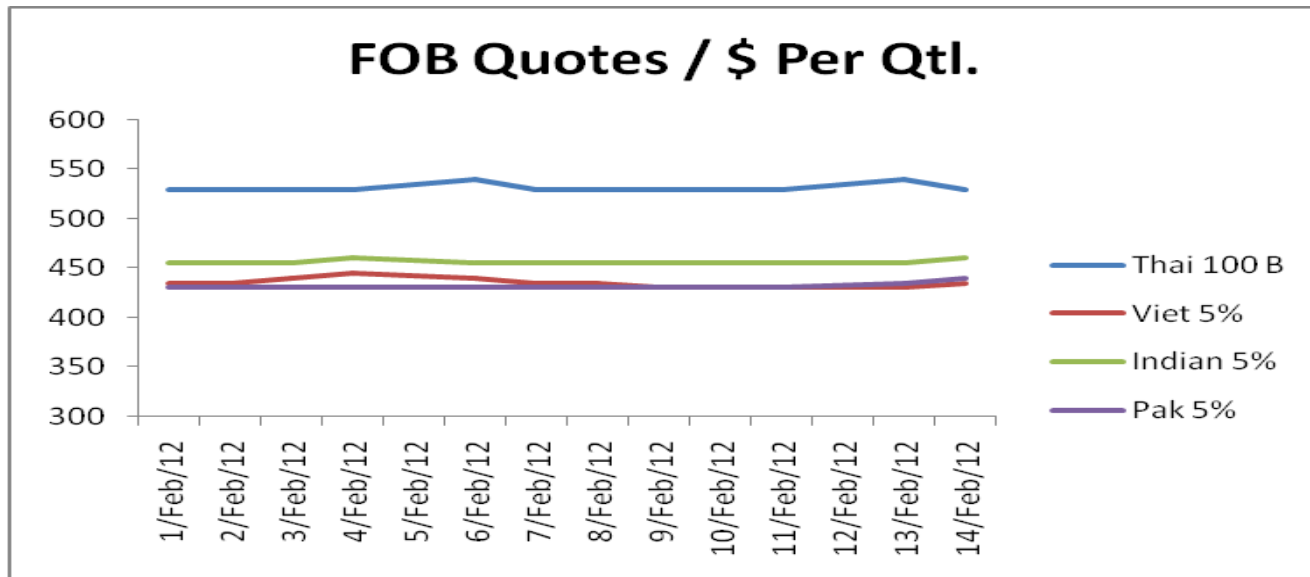
Expected average range of rice price next week:

Short term	Positive	2350-2375 per qtl.
Medium term	Positive	2375-2400per qtl.

Second Advance Estimates of Production of kharif and rabi rice for 2011-12:

									(Million Tonnes)
Crop	Season	2006-07	2007-08	2008-09	2009-10	2010-11		2011-12	
						2nd Advance Estimates	Final Estimates	Targets	2nd Advance Estimates
1	2	3	4	5	6	7	8	9	10
Rice	Kharif	80.17	82.66	84.91	75.92	80.16	80.65	87.00	90.18
	Rabi	13.18	14.03	14.27	13.18	13.85	15.33	15.00	12.57

Comparative FOB Quotes in Overseas rice market during Feb 2012



FOB quotes in world rice market remained almost stable during the current week except high quality high rice. Some improvements have been seen in India, Pakistan and Vietnam in last few days as the above given chart shows. FOB quotes are expected to improve from current level due to escalating tension in the west Asia and it may encourage fuel price and resultantly support rice market world over.

International Market:

FAO estimates higher world carry over stock:

The United Nation's Food and Agriculture Organization (FAO) today forecast that the carry over world rice supply from 2011 into 2012 is about 151 million tons, the highest since 2000 and equivalent to cover 32% of anticipated world consumption, up from 30% in 2011. The high carryover is thanks partly to bumper harvests in 2011 which produced about 481 million tons of rice, equivalent to about 721 million tons of paddy. FAO is forecasting world rice trade this year of about 32.8 million tons, down about 5% from 2011 due to lower demand from importing nations. FAO

CBOT Rough rice Chart: March Contract:



U.S. rice futures ended slightly lower as a lack of demand continues to hang over the market. Rice prices retreat after briefly climbing to a fresh two-week high. Large world supplies and weak demand for U.S. rice, both domestically and internationally, hangs over the market. CBO March rice ends down 4c to \$14.34 1/2 per hundredweight. Market may trade in the range of \$14.25 to 14.50 per hundredweight in current week.

IGC estimates higher rice production:

Because of increases in Asia, notably in China and India, global rice production is projected to go up by 2% in 2011/12, to 459m. tons. The record outturn will be accompanied by a further expansion in global use, to 458m. tons (448m.), with the carryover placed at a nine-year high of 98m. (96m.). Inventories in the five major exporters are projected to rise by 10%, to an all-time high of 31.9m. tons, due to increases in India and Thailand. World trade in calendar 2012 is forecast to contract sharply, by 8%, to 31.5m. tons, owing to significantly reduced shipments to markets in Far East Asia.

Thai-Vietnami rice exports slow down:

Thailand exported less than 400,000 tons of rice in January, comprising mostly fragrant Jasmine rice. Thailand had been exporting more than a million tons of rice a month in the first half of

2011. Thailand's monthly shipments have fallen by more than 75%, to less than 100,000 tons. Vietnam's rice exports fell to below 300,000 tons in January compared with a monthly average of almost 600,000 tons in 2011-Rueter

IGC Balance Sheet: Updated on 19.01.2012

IGC estimate released on 19.01.12	2007-08	2008-09	2009-10	2010-11 est.	2011-12 forecast 24.11.11	2011-12 forecast 19.01.12
Rice						
Production	432	447	440	449	459	459
Trade	29	29	31	34	32	32
Consumption	429	436	437	448	458	458
Carry over St.	80	92	95	96	100	98
Year change	+3	+12	+3	+1		+2
Major exporters	18	27	28	29	32	32

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

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