

Latest market development:

Rice market traded almost steady during the week under review. The pace of paddy arrivals in south Indian states have come down and farmers are holding back stock in anticipation of getting better prices on rising possibility of better demand on export front. Rice market is expected to trade slightly higher in the weeks ahead.

Pakistan for the first time in history started importing rice from India. Pakistani buyers have placed the first import order for at least 2,500 tonnes rice, while almost 100 tonnes have reached the markets in Punjab. It's expected the traders would further place orders for imports as the commodity in Indian market was available at cheaper rates.

Recently held conference on grains in Dubai has given a positive sign for rice outlook and Indian rice exporters have struck many deals during the conference. The head of the All India Rice Exporters Association, Vijay Setia, says business will be brisk in the coming months.

Indian rice is currently about \$100 cheaper than comparable varieties from other countries. From October to Feb, India shipped out 2.6 million tonnes of rice - even more than Thailand - as the Indian rice was sought by customers in several countries.

Rice procurement touched 25.8 million T at the end of Feb and set target of 35 million T seems within reach during the current season despite lower rabi coverage and lower crop prospects.

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, Chhattishgarh, 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:

Rice market remained almost stable during the week under review. Demand for export, from retailers has improved and higher demand is expected on possibility of firmness. There is a common perception in rice market it has bottomed out from lower level and is bound to go up from current level. However, any big hike is unlikely as stock remains at higher side and higher availability will continue to cap any unexpected spike. Higher stock in Punjab, Haryana, Assam, Orissa, Andhra Pradesh, Tamil Nadu will help stabilizing rice prices.

Facing a deficit of 37 per cent between production and consumption, nine new varieties of rice, maize, wheat and pulses crops are being introduced in Jammu and Kashmir to increase the production to bridge the gap.

Weather is likely to remain normal and we expect once again bumper kharif rice.

News Updates:**Govt subsidy bill on potash and phosphate fertilisers to come down:**

The Cabinet, chaired by Prime Minister Manmohan Singh, approved the Ministry's proposal on reducing subsidy on nitrogen (N) and potassium (K) to Rs 24 per kg each and Rs 21.8 per kg on phosphate (P) for the 2012-13 fiscal. For the 2011-12 fiscal, subsidy of N, P and K was fixed at Rs

27.15 per kg, Rs 32.33 per kg and Rs 26.76 per kg, respectively, under the nutrient based subsidy (NBS) policy of the government. The government's subsidy bill on phosphate potash-based fertilizers will come down by more than 20 per cent in 2012-13 with the approval of a Fertilizer Ministry's proposal by the Union Cabinet. 'At the announced rate, total subsidy outgo for the P and K fertilizers for the financial year 2012-13 would be reduced by more than 20 per cent,' said an official statement after the Cabinet meeting. The new rates will be effective from April 1, the statement said.

Twenty per cent reduction in subsidy of P and K fertilizers would help government stabilize its finances in the next fiscal, official sources said. The government subsidy bill on these two fertilizers will be more than Rs 50,000 crore in the current financial year. Retail prices of 22 varieties of P and K fertilizers were freed under the NBS regime introduced from April 1, 2010.

Rice procurement crosses 258 lakh tonne:

Rice procurement in the Kharif marketing season 2011-12 (October-September) has crossed the mark of 258 lakh tonne. According to statistics 2,58,97,802 tonne rice has been procured by the various government agencies by February 29, 2012. Punjab procured 77,31,325 tonne followed by Chhattisgarh 40,73,977 Andhra Pradesh 38,72,090 and Haryana 19,73,875 tonne of rice. This procurement is 73,123 tonne more than the corresponding day of last marketing season.

Export status (non-basmati): Rice and wheat export under OGL: As on 28.02.12

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	4.25		1.50
Total	26.65	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 Feb 2012 and we expect it to touch 3.5 million tonnes (non-basmati) by the end of March. Total rice export may cross 6.0 million tonnes going by present export trend.

Progressive procurement of Rice as on 22.02.2012 :

States	MY2010-11(Oct to Sept.)Fig in lakh T	MY2011-12 (As on 22.02.12) Fig in lakh T	MY2010-11(As on 22.02.11) Fig in lakh T
Andhra Pradesh	96.10	35.97	29.79
Chhatisgarh	37.39	36.06	32.79
Haryana	16.87	19.70	17.52
Kerala	2.63	1.07	0.66

Maharashtra	3.08	1.06	0.79
Orissa	24.76	13.39	12.33
Punjab	86.35	77.31	86.34
Tamil Nadu	15.83	8.91	7.40
Uttar Pradesh	24.66	23.47	21.30
Uttaranchal	4.22	2.07	2.23
West Bengal	13.10	6.71	5.80
All-India	340.94	248.98	221.56

Source:Decnet

Rice procurement is going through brisk pace in south and central India and we expect higher procurement on back of higher production and better procurement network in Bihar, Uttar Pradesh, Chhatisgarh, Orissa and West Bengal. Higher procurement has been reported from Chhatisgarh, Haryana, Kerela. Punjab has contributed lower paddy this year.

Total Rice Stocks Position with State/Central Pool

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	31.82	34.00									

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 (4.41)
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 :

Fourth week February, 2012 Prices in
Rs/Quintal

State	Prices 24-28 Feb 2012	Prices 16-23 Feb 2012	Prices 09-15 Feb 2012	Prices 24-28 Feb 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
Andhra Pradesh	2048.33	2047.83	1891.37	1998.26	0.02	8.3	2.51
Assam	2154.87	2171.61	2135.33	2430.46	-0.77	0.92	-11.34
Gujarat	2129	2060.13	2090.1	1916.23	3.34	1.86	11.1
Jammu and Kashmir	5550	5550	5550	5349.77	0	0	3.74

Jharkhand	2118.92	2103.78	2083.56	2104.97	0.72	1.7	0.66
Karnataka	2173.43	2182.58	2198.41	1985.84	-0.42	-1.14	9.45
Kerala	2610.35	2664.2	2617.89	3693.88	-2.02	-0.29	-29.33
Maharashtra	4008.45	3832.07	3980.04	3839.6	4.6	0.71	4.4
Meghalaya	2712.9	3035.63	3100	2800	-10.63	-12.49	-3.11
NCT of Delhi	1500	1433.33	1500	1500	4.65	0	0
Orissa	2126.58	2057.61	2021.12	1832.96	3.35	5.22	16.02
Punjab	1600	1634.23	1649.59		-2.09	-3.01	—
Rajasthan	1745	1735.03	1715		0.57	1.75	—
Tripura	1789.26	1937.86	1940	2026.54	-7.67	-7.77	-11.71
Uttar Pradesh	1431.63	1447.22	1452.01	1472.6	-1.08	-1.4	-2.78
West Bengal	1934.95	1936.61	1909.89	1922.68	-0.09	1.31	0.64
Average	2352.1	2310.57	2364.64	2410.07			
As per the data reported by APMCs							

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.

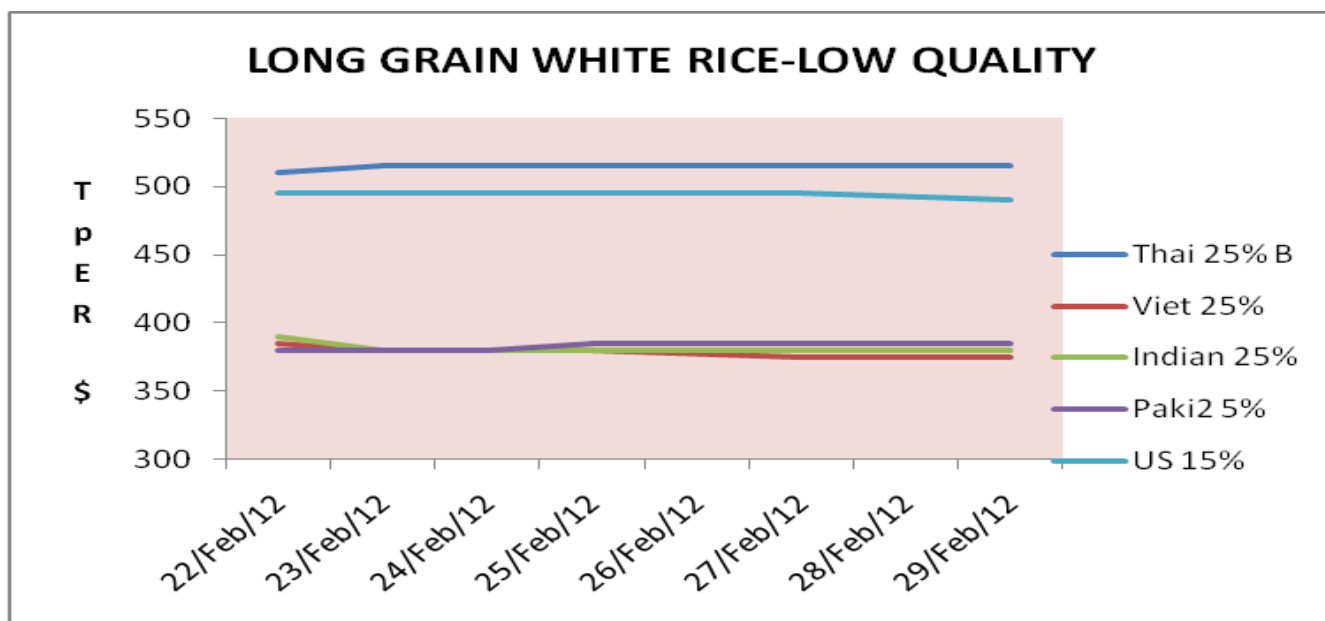
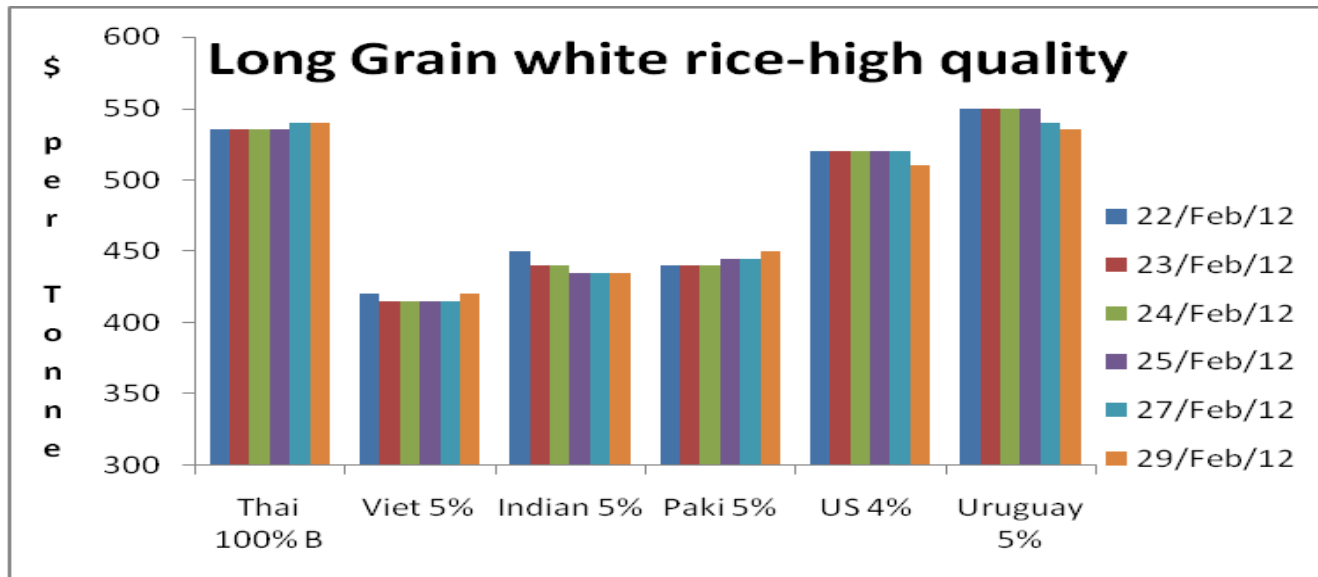
Expected average range of rice price next week:

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:

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 fourth week of 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:

US rice futures closed lower, following other commodities down on a stronger dollar and concerns about Chinese and European economic growth. Poor export demand still weighs as well, though losses are limited by a need for high enough prices to prevent farmers from planting other crops in place of rice. CBOT May rice, the most active month, ends down 9c at \$14.25 1/2 per hundredweight.

World rice quotes were little changed Wednesday. Thais raised their parboiled quotes by about \$5 per ton, Viet rice sellers lowered their broken rice quotes by about \$5 per ton, and Pakistani rice sellers raised their 25% broken rice quotes by about \$10 per ton. Chicago rough rice futures for May delivery traded down 9 cents per cwt (about \$2 per ton) to \$14.255 per cwt (about \$314 per ton).

The Vietnamese dong is about 1% higher vs the U.S. dollar now compared to the beginning of the year. In the same period, Viet rice quotes fell about 10-15% for white rice. Viet 5% is quoted around \$410 per ton, down about \$50 per ton from the beginning of the year while Viet 25% rice is down about 14% or about \$60 per ton to about \$365 per ton.

The Indian rupee has strengthened about 6% so far year-to-date. In the same period, Indian rice quotes are little changed, suggesting domestic Indian rice prices have fallen nearly 6%, making up for the stronger rupee. Indian 5% rice strengthen about 1% or \$5 per ton to around \$440 per ton most recently while Indian 25% rice declined by about 1% or about \$5 per ton to around \$380 per ton.

The Pakistani rupee is trading about 1% stronger since the beginning of the year. Over that time, Pakistani rice quotes have risen about 5-10%. Pakistani 5% rice is shown around \$460 per ton, up about \$15 per ton since early January while Pakistani 25% rice is up about \$35 per ton to about \$410 per ton.

The International Grain Council recently relieved a forecast for Indian rice exports to reach 6.1 million tons, including basmati. That's since been followed by an even higher estimate.

Pakistan is expecting its rice production to be around 6.3 to 6.5 million tons this year, and would like to export most of it. It may meet today with Iran to complete details of the transaction which is a barter deal to exchange wheat and rice for iron ore and fertilizer.

Global rice output is projected to rise by 3% in 2011/12, to 463m. tonnes. The record outturn will be accompanied by a further expansion in demand, to 460m. tonnes (449m.), but the 2011/12 carryover is still expected to increase by 4%, to 99m as per the IGC latest estimates.

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.

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

CBOT rough rice white rice:



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