

### Latest market development:

**Domestic rice markets traded firm during the week under review** on positive sign from demand front. Domestic demand is improving amid better export prospects. Rice prices are expected to gain further despite higher supply side backed by increasing possibility of non-basmati export beyond 4 million T.

**India's Union Budget 2012-13 provided several incentives** to the agricultural sector - tax-free rice exports, additional funds for paddy production in eastern states, increase in storage capacity, stable fertilizer prices, continuation of food subsidies, and a boost to agriculture research and credit.

**Paddy farming in the east is expected to get a boost** as FM has allocated an extra Rs 600 crore for green revolution in the east. The productivity of paddy in eastern India is 2 tonne which is much less than Punjab whose paddy productivity is around 4 tonne.

**Two Dubai-based Iranian private traders have defaulted** on payment of Rs 184 crore to nine Indian rice exporters. Defaulters are Iranian private companies and not government entities. The Dubai-based Iranian rice traders are unable to make payments to Indian exporters as they are not getting timely payments from Iran because of depreciation in its local currency.

**Non-basmati rice export from India has crossed 3 million tonnes** and we expect 0.4 million T more in the current MY (2011-12). Demand for Indian basmati rice is improving due to cheaper availability in comparison to Pakistan and the current financial year may end up with 2.5 million T basmati export.

**The Indian government has bought over 27 million tonnes** of rice for the 2011-12 Kharif marketing season (October 2011 to September 2012) till the first week of March. That includes about 7.7 million tonnes from Punjab, about 4.2 from Andhra Pradesh, about 4.1 million tonnes from Chhattisgarh, about 2.8 million tonnes from Uttar Pradesh, and about 2 million tonnes from Haryana.

**Rice stock in central pool stood 331.78 lakh tonnes as on 1<sup>st</sup> March.** Combined wheat and rice stock stood 544.33 lakh tonnes. Stock is expected to be even higher in April due to brisk pace of paddy procurement.

**April is expected to start with massive rice stock** with over 35 million tonnes as offtake is expected to remain at lower side due to higher availability in the market and likely arrivals from rabi crop soon.

### **Market Fundamentals:**

Rice market continued to rule steady on improved demand from exporters, whole sellers amid restricted release by rice millers on increasing possibility of better realization in the months ahead. Paddy arrivals in various markets throughout the country have come down in last two weeks as

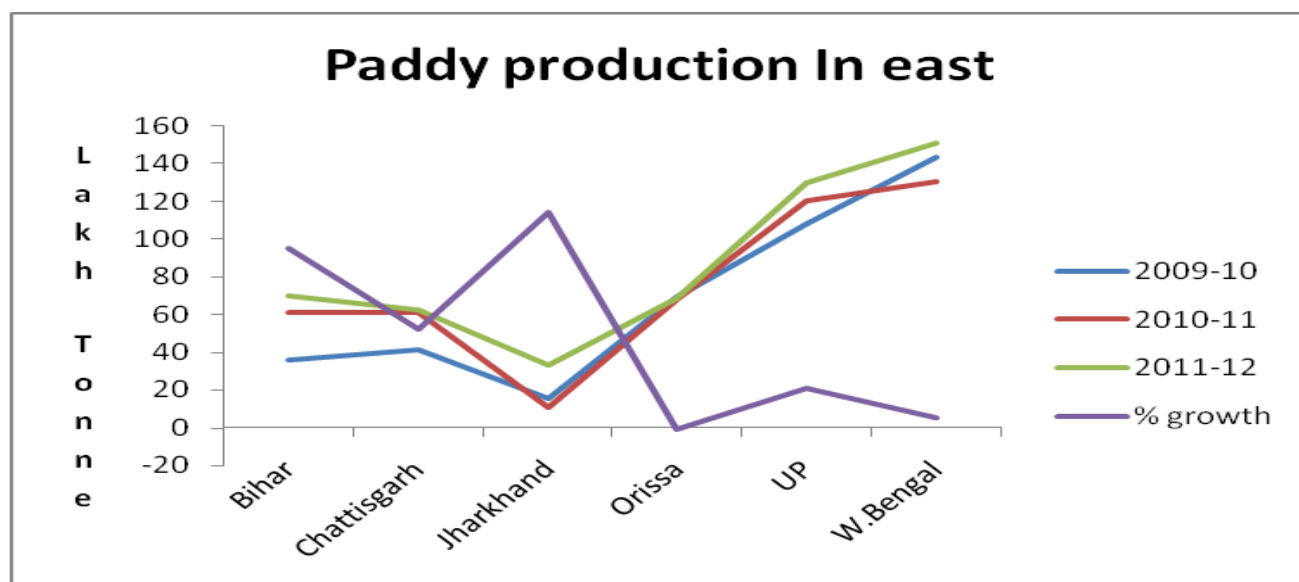
farmers expect further gains and have slowed down selling. However, prices of rice in Assam, West Bengal and some eastern states are ruling below MSP, especially where states and central procurement agencies are not fully active. Supply side remains ample and stock is touching the record level, so despite current demand any major spike in rice market is unlikely in short and medium term and market is expected to stabilize at current level with some ups and downs according to demand and supply may continue in a particular market. Overall sentiment for rice is neither bullish nor bearish for short term.

### **Paddy farming may get a boost In th eastern states:**

Paddy farming in the east is expected to get a boost as FM has allocated an extra Rs 600 crore for green revolution in the east. The productivity of paddy in eastern India is 2 tonne which is much less than Punjab whose paddy productivity is around 4 tonne. Dr Trilochan Mohapatra, director of Central Rice Research Institute said: The eastern region suffers from erratic weather conditions which affects the productivity of paddy. An increased allocation will help us to accelerate different schemes that are required for increasing production of paddy. New reseraches and adoption of modern technologies will help the farmers to increase paddy production.

Incidentally, eastern India comprises Orissa, West Bengal, Bihar, Jharkhand, Chhatisgarh, eastern parts of Uttar Pradesh and Assam. Of the total area under paddy cultivation in the country, eastern region comprises 50%. The total area under paddy cultivation is 44 million hectares. Of all the eastern states, West Bengal has a greater share in paddy cultivation and produces 15 million tonnes of paddy which produces 10 million tonne of rice. The country produces 100 million tonne of paddy..

D.N. Mondol, president of Bengal Rice Mills Association said that importance of eastern India is increasing as far as paddy is concerned due to availability of water. "The water table in north India is going down which will affect the paddy crop in the long run," Mr Mondol said. India's eastern states, long considered the bad boys of Indian agriculture, are perhaps scripting one of independent India's biggest turnaround stories in farming.



**State wise Wholesale Prices Weekly Analysis for Rice Second week March, 2012 Prices in Rs/Quintal**

State	Prices 09-15 Mar 2012	Prices 01-08 Mar 2012	Prices 24-28 Feb 2012	Prices 09-15 Mar 2011	% Change(O ver Previous Week)	% Change(Ov er Previous to Previous Week)	% Change(Ov er Previous Year)
Andhra Pradesh	2114.29	2077.63	2048.33	2001.44	1.76	3.22	5.64
Assam	2144.29	2151.88	2154.87	2385.57	-0.35	-0.49	-10.11
Gujarat	2141	2160.98	2129	1949.24	-0.92	0.56	9.84
J&K	5550	5550	5550	5400	0	0	2.78
Jharkhand	2152.75	2169.86	2176.45	2127.79	-0.79	-1.09	1.17
Karnataka	2270.6	2250.58	2173.43	2246	0.89	4.47	1.1
Kerala	2635.98	2654.4	2610.35	3680.44	-0.69	0.98	-28.38
Maharashtra	4136.55	4152.71	4008.45	3905.73	-0.39	3.2	5.91
Meghalaya	3043.75	3100	2712.9	2434.5	-1.81	12.2	25.03
Delhi	1500		1500	1400	—	0	7.14
Orissa	2148.44	2041.44	2123.55	1883.03	5.24	1.17	14.09
Punjab	1526.69	1600	1600		-4.58	-4.58	—
Rajasthan	2411.07	2368.97	1745		1.78	38.17	—
Tripura	1897.95	1849.11	1822.31	2090.94	2.64	4.15	-9.23
Uttar Pradesh	1541.13	1481.9	1432.33	1487.74	4	7.6	3.59
West Bengal	1884.5	1928.28	1929.25	1931.26	-2.27	-2.32	-2.42
Average	2417.59	2407.36	2304.19	2451.39			

As per the data reported by APMCs

Rice prices during last two weeks have been uneven as shows the above given table. Prices have gained in Andhra Pradesh, Orissa, Tripura, Uttar Pradesh and Karnataka. Just opposite to it prices of rice in Assam, Gujarat, Jharkhand, Kerala, Meghalaya, Punjab, Tripura and West Bengal have declined slightly during the week under review. The fall in prices is mainly attributed to higher stock and lower demand from whole sellers amid bumper production. However, firmness in Andhra Pradesh, Orissa, Tripura, Uttar Pradesh and Karnataka is due to miller's unwillingness to sell at current prices. Millers expect higher export demand in mid year and it will boost prices further. However, overall sentiment for rice market is unsupportive for any major spike and we expect range bound movement to continue for short term.

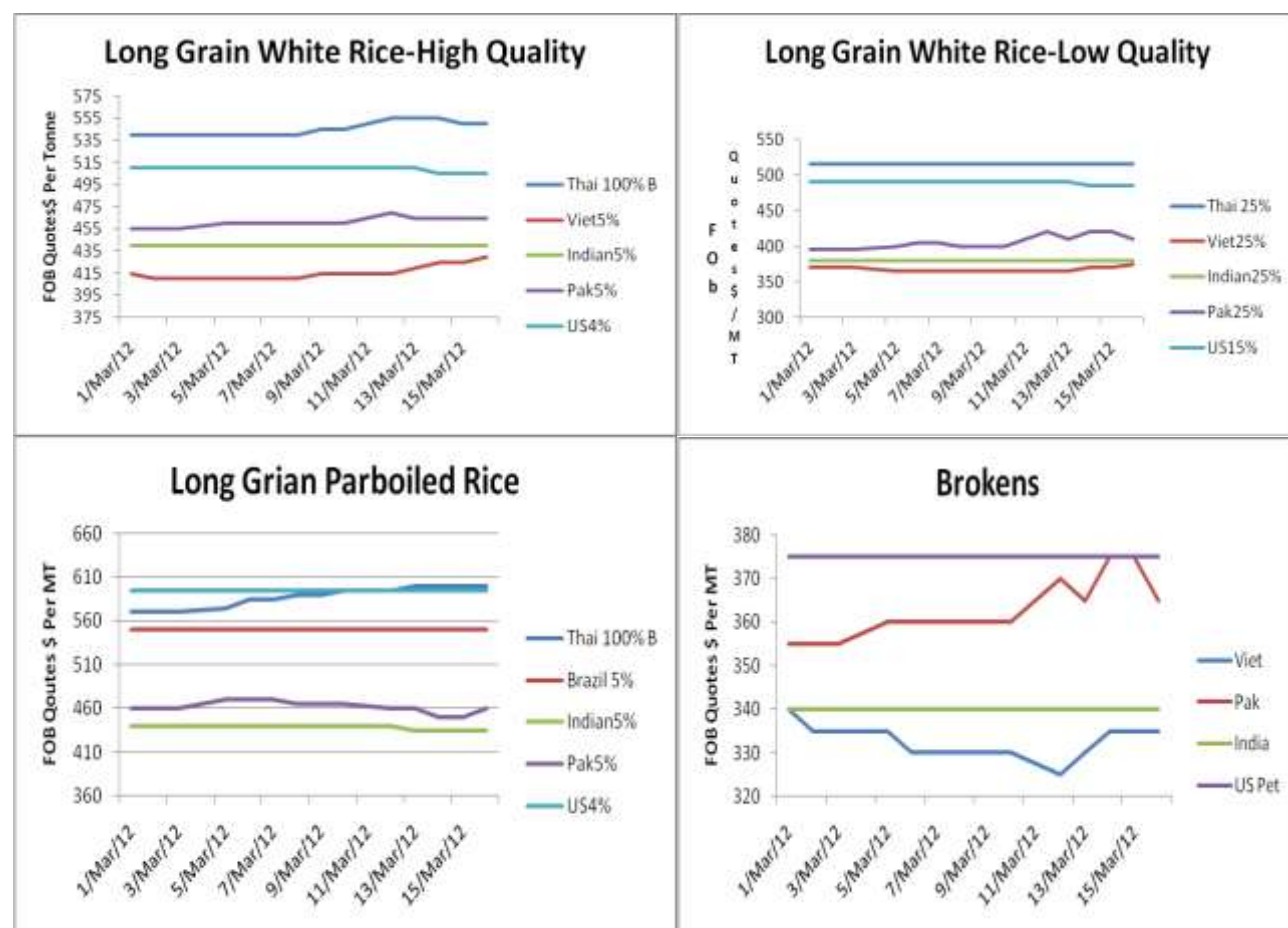
**Export status (non-basmati):Rice and wheat export under OGL: As on 16.03.12**

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

<b>12-Jan</b>	5.2	0	2.75
<b>12-Feb</b>	5.25	0.5	1.70
<b>12-March</b>	4.6	0	1.1
<b>Total</b>	32.25	Official 4.8	17.95(in six months)
			24.00

Rice export from India continues with brisk pace and we expect export to continue beyond 4 million T limit especially for non basmati rice. The food ministry has given positive indication for continuation of export. It will support prices to stand steady at current level and ensure better prices for the farmers in the eastern region. Non basmati export has crossed 3 million T mark and current financial year may end up with 3.8 million T non basmati export. India, being the cheapest source of rice, can offload desired quantity of non basmati rice under current export policy and strategy.

### Rice FOB Quotes During Last Two Weeks:



FOB quotes in the international markets have been unsteady for all grades rice except India as the above given charts denote. Major up and down are being seen in Vietnamese and Pakistani rice quotes. However, prices of rice in national and international markets are expected to stabilize at current level despite improving demand at lower level. We expect prices to trade in range for short term. Indian market is likely to rule steady to slightly firm in the weeks ahead.

Pressure is on white grade high quality rice in Thailand and Vietnam as India and Pakistan are supplying rice at cheaper rates. Availability of these grades rice are ample and any upwardly revision by any major exporting countries is unlikely as India is on driving seat and controlling direction in the rice market having ample stock to offload in the international markets.

### **Rice procurement:**

As of March 12, the Indian government has bought over 27 million tons of rice for the 2011-12 Kharif marketing season (October 2011 to September 2012). That includes: about 7.7 million tons from Punjab, about 4.2 from Andhra Pradesh, about 4.1 million tons from Chhattisgarh, about 2.8 million tons from Uttar Pradesh, and about 2 million tons from Haryana. This year's year-to-date total is about 83,000 tons higher than the same time last 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	33.17	35.50								

Rice stocks in Central Pool as on 1st March, 2012 stood at 331.78 MMT which is higher by over two times the actual requirement under buffer norms (14.2 MMT) for 1st April 2012. Rice stocks are continuously increasing and likely to touch the highest level in April-May with smooth procurement and bumper harvest. Going by present procurement trend set target of 35 million tonnes(paddy) is easily achievable. Stock in April may cross 35 million tonnes as offtake is expected to remain at lower side due to higher availability in the market and likely arrivals from rabi crop soon.

### **Zone Wise Rice Stock position: As on 01.03.2012**

Fig in Lakh T	Stock with FCI	Stock with state agencies	Total central pool stock as on 01.03.2012
East Zone Total	8.39 (6.27 )	27.24 (17.88 )	35.63 (24.15)
NE Zone Total	2.24 (1.89)	0.0	2.24 ( 1.89)
North Zone Total	96.78 (88.01 )	63.82 (81.48)	160.60 (169.56)
South Zone Total	61.54 ( 56.75)	16.92 (13.84)	78.46 (70.59)

<b>West Zone Total</b>	<b>16.90 (15.32 )</b>	<b>34.28 ( 33.52)</b>	<b>51.18 (48.84)</b>
<b>Stock in Transit</b>	<b>3.67 ( 3.22 )</b>	<b>--</b>	<b>3.67 (3.22)</b>
<b>All India Total</b>	<b>189.52 (171.54)</b>	<b>142.26 ( 146.72)</b>	<b>331.78 (318.26 )</b>

Rice stock position in India is quite comfortable. It is more than two times higher than required quantity for buffer norm for 1<sup>st</sup> April 2012 as depicts the below given table. Against requirement of 142 including strategic reserve of 20 lakh tonnes, current rice stock was registered at 331.78 lakh tonnes as on 01.03.2012. When we consider zonal wise stock it has been increasing in every zone with ongoing smooth procurement. Rice stock will continue to increase up to May-June and touch 345 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	
<b>1st April</b>	<b>122</b>	<b>40</b>	<b>162</b>	<b>20</b>	<b>30</b>	<b>212</b>
<b>1st July</b>	<b>98</b>	<b>171</b>	<b>269</b>	<b>20</b>	<b>30</b>	<b>319</b>
<b>1st October</b>	<b>52</b>	<b>110</b>	<b>162</b>	<b>20</b>	<b>30</b>	<b>212</b>
<b>1st January</b>	<b>118</b>	<b>82</b>	<b>200</b>	<b>20</b>	<b>30</b>	<b>250</b>

#### Expected average range of rice price for next week:

<b>Short term Positive</b>	<b>2350-2450 per qtl.</b>
<b>Medium term Positive</b>	<b>2400-2500 per qtl.</b>

#### 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

#### International Market:



Viet rice sellers increased their quotes for 5% broken rice and 25% broken rice by about \$5 per ton each today. Pak rice sellers lowered their quotes for 25% broken rice and 100% broken rice by about \$10 per ton each. Thai and Indian rice sellers kept their quotes unchanged. Source:CME

Venezuela will import 170,000 tons of paddy to ensure stocks can meet the consumption demands in the next two months. The move to import rice comes after an assessment by officials of the rice stocks in the country, which was found to be low.Source-Bloomberg

Vietnam has disclosed that it can export up to 7.2 million tons of rice in 2012. The Minister of Agriculture and Rural Development said that it is expected that the winter-spring harvest is likely to exceed last year's production-VNA

The Indonesian government is planning to work jointly with Cambodia and Myanmar over a food cooperation to ensure food security in the country. One of the proposals in the cooperation is to store rice outside Indonesia-Reuters

The USDA has expressed fear over lower global rice trade. The overall global rice trade in 2011-12 may decreased by 7 percent in comparison to last year's trade of 35.1 million T. This means world rice trade this year may confined to 32 to 32.5 million T.Big buyers like Indonesia and Bangladesh have slowed down their export and it will directly hit the overall quantity of export import business.

### **IGC estimates higher rice production**

Due to increases in Asia's biggest producers, China and India, global rice output is projected to rise by 3% in 2011/12, to 463m. tons. The record out turn will be accompanied by a further expansion in demand, to 460m. tons (449m.), but the 2011/12carryover is still expected to increase by 4%, to 99m. Much of the forecast rise in global stocks will be due to increases in the major exporters, notably in India and Thailand, seen 14% higher, at a record 32.7m.tons. World trade in 2012 is forecast to contract by7%, to 32.2m. tons, owing to significantly reduced purchases by key Asian buyers, including Bangladesh and Indonesia.

### **IGC Balance Sheet: Updated on 23.02.2012**

<b>IGC estimate released on 23.02.12</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11 est.</b>	<b>2011-12 forecast 19.01.12</b>	<b>2011-12 forecast 23.02.12</b>
<b>Rice</b>						
Production	432	447	441	450	459	463
Trade	29	29	31	35	32	32
Consumption	428	436	437	449	458	460
Carry over St.	80	91	94	96	98	99
Year change	+3	+11	+3	+2		+3

Major exporters	19	27	28	29	32	33
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Note: Major exporters are India, Pakistan, Thailand, Vietnam, United States



US rice futures ended up, with nearby futures climbing to their highest level in nearly two months amid questions about US acreage. Prices top the 100-day moving average for the first time in 4 1/2-months. Worries about low planted acreage in the wake of a months-long swoon in prices underpin the market. US Rice Producers Association also notes that weekly export sales were strong last week. CBOT May rice ends up 7c to \$14.60 1/2 per hundredweight.

CBOT rice price projection:

Short term (one week) Positive	\$1360-1440 per hundredweight
Medium term(two week) Positive	\$1380-1450 per hundredweight

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