

### **Latest market development:-**

**Cash rice market continued to trade steady to slightly weak** on back of increased acreage and better rainfall in major rice growing belts. As lean season is at its last phase major slump from current level is unlikely in the short term. Rice market is expected to trade range bound in the weeks ahead. Demand from export front is sluggish due to seasonal factors and bulk buyers will like to wait for new crop expected in Sep end and Oct.

**The fear of lower area coverage and yield loss has eased** with higher rainfalls in the recent weeks. However, late trans-planting and short duration crop may affect yield in comparison to last year. In some non major rice producing states farmers preferred to go for other lucrative crops as spices, cotton and pulses, oilseeds. Rainfall in Sep is very crucial for all kharif crop and it will have the direct bearing on productivities.

**Higher rainfall in last two weeks and better prospects ahead** seem beneficial to the standing crop. As of August 31, rice planting area touched 34.7 million hectares, up about 5% from the normal area for this time of the year of about 33.1 million hectares and about 5.5% higher than last week's 32.9 million hectares. However, overall planting is down about 3% from 35.8 million hectares last year around this time.

**Indian basmati rice exporters are eying to African market now** as big buyer like Iran will not be able to export higher quantity due to sanction imposed by Us and its allies. Africa imports about 10,000 tons to 12,000 tons of basmati, compared to millions of tons imported by the Middle East countries. However, Africa's basmati rice imports have grown substantially in recent years. Indian rice exporters are also focusing on China and Iraq to export basmati rice. China has recently lifted a six-year-old ban on rice imports from India.

**Basmati and non-basmati rice export is likely to increase in current** crop year due to higher demand from overseas market and higher prices in Thailand. Basmati rice export to will increase despite higher prices. Almost three million T basmati rice has been exported so far. Non basmati rice export has crossed 6 million T and we expect 0.5 million tone more export in current month. Total export will cross 9 million tones before the end of this marketing year. Prices realized for basmati this year remain in the range of \$1100 to 1395 per T depending on quality.

**India's milled rice production is expected to decline 6 per cent to 98.5 million tonnes** in the current kharif (summer sowing) season due to late onset of monsoon rains leading to deficit in key northern and southern growing areas, United Nation's body FAO. The delay and fall in sowing in the current season was on account of insufficient rains and shortages in irrigation facilities. "FAO tentatively forecast the 2012 aggregate rice production in India at 98.5 million tonnes (milled basis), which is 6 per cent lower than the good level of the previous year.

**India received above-average rainfall for the first time this year.** In the week ended August 30, monsoon rains averaged 6% higher than normal. As per latest update from the Indian Meteorological Department (IMD), rainfall August 1-29 was 99.6% of long-term average, better than the earlier estimated 96% for August. The overall deficit for the entire season so far stands at 12%. The northwestern states have received 115% rainfall in August, compared to the 34% deficit recorded in July.

**Domestic market dynamics:**

Despite improved acreage and area under kharif rice week on week basis, overall planting status is 3 percent lower(35.8million ha.) than last year. Delayed transplanting and lower area coverage will affect the final size of the kharif rice even higher rainfalls expected in the coming weeks. Yield too is expected to be lower and overall production may fall by 5 to 6 million tones in comparison to last year. However, supply and stock in domestic market will remain ample due to record production last year(104.3 million tonne). Better rainfall in the weeks ahead will also ensure better rabi crop. We see overall production this year in the range of 97 to 98 million tonnes.

Export from India will continue despite lower production estimate. Stock is ample and Space crunch is still haunting as new rice crop is hardly one and a half month away. The govt. will try to offload 5 to 6 million tonne wheat and rice in next two three months and it will pressurize prices in domestic market. Govt may sell wheat and rice above MSP tracking the prevailing market force. Overall sentiments remain bearish in medium term. Market is likely to trade steady in the short term.

Rainfall next month is expected to be better as monsoon is unlikely to be influenced by El Nino weather pattern, helping rice and other kharif crop. El Nino refers to abnormal warming of surface ocean waters in the Pacific that disrupts weather pattern causing drought and floods in many regions of the world. Even if El Nino temperature do increase, I do not think, it will impact our monsoon. It may affect other parts of the world. So far, monsoon deficit is 13 per cent. However, the seasonal rains have revived because the Indian Ocean Dipole (IOD), known as Indian Nino, is now favourable. Better rains in September will help in retaining soil moisture and support sowing of rabi crops. The kharif crop will also benefit. There may be more rainy days ahead as monsoon could withdraw late from north-west India.

**Domestic News:****Indian Basmati exporters eye South Africa and China:**

After international sanctions held up trade with top basmati rice importer Iran, Indian basmati rice exporters are exploring the Africa market which has shown promising growth in the last few years. According to local sources, Africa imports about 10,000 tons to 12,000 tons of basmati, compared to millions of tons imported by the Middle East countries. However, Africa's basmati rice imports have grown substantially in recent years.

Besides Africa, Indian rice exporters are also focusing on China and Iraq to export basmati rice. China has recently lifted a six-year-old ban on rice imports from India. Earlier this year, a top Indian basmati rice exporter said that basmati rice exports of India are likely to increase from last year's exports of about 3.2 million tons. He had also revealed that Indian basmati is selling at around \$1,100 to \$1,400 per ton this year, about 20% higher than last year's prices. Oryza

**Rice production sets to decline-FAO**

India's milled rice production is expected to decline 6 per cent to 98.5 million tonnes in the current kharif (summer sowing) season due to late onset of monsoon rains leading to deficit in key northern and southern growing areas, United Nation's body FAO said. The Food and Agriculture Organisation said in its latest report that the delay and fall in sowing in the current season was on account of



insufficient rains and shortages in irrigation facilities. "FAO tentatively forecast the 2012 aggregate rice production in India at 98.5 million tonnes (milled basis), which is 6 per cent lower than the good level of the previous year," FAO said in a statement. Production from the kharif season amounts to about 53 per cent of the total annual cereal output and about 88 per cent of the main staple, rice, it added.

"However, the crop output of this season will depend on the rainfall progress during the last month of monsoon," the UN body added. About 45 per cent of the agricultural land in the country is under irrigated condition, while the rest depends upon monsoons. Normal rains were recorded since the beginning of August in many areas of the country, particularly in eastern regions.

However, key rice northern and southern growing areas still show significant cumulative rains deficits, FAO said. "Late onset of the 2012 summer monsoon, followed by a prolonged dry spell during the months of June and July in the main producing areas of the country is expected to negatively affect production of the 2012 main Kharif season crops, including paddy, maize, sugarcane, pulses and oilseeds," it said. FAO

## Bonus for paddy farmers in M.P.

The Madhya Pradesh government has decided to provide Rs 100 per quintal as bonus on support price for paddy cultivated during the Kharif marketing season 2012-13. In order to make farmers aware of the decision, directives were issued today to all collectors and officials of the department concerned. Registration of peasants -- for purchase of paddy and coarse grain -- commenced yesterday and is scheduled to conclude on September 16, an official release said. Makka, jowar and bajra will be procured from October 1 to January 31 while paddy will be procured between November 1 and January 31.

## Rice export through OGL as on 29.08.12

Rice Export Under OGL as on 29 th August, 2012			Fig:in lakh Tonne
Units are in lakh tons	Non Basmati	Basmati	Total
Sept.11	1.85	2.6	4.45
12-Oct	4.5	3.4	7.9
12-Nov	5.5	4	9.5
12-Dec	5.9	2.5	8.4
12-Jan	5.45	2.75	8.2
12-Feb	5.75	1.76	7.51
12-Mar	5.6	2.25	7.85
12-Apr	5.8	1.35	7.15
12-May	5.3	1.9	7.2
12-Jun	5.5	1.75	7.25
12-Jul	5.25	2.25	7.5
12-Aug	3.75	1.71	5.46
<b>Total</b>	<b>60.15</b>	<b>28.22</b>	<b>88.37</b>
<b>Expectation up to Sept end, 2012</b>	<b>3</b>	<b>1.25</b>	<b>4.25</b>

We expect rice export to cross 9.0 million tonnes at the end of Sep. Non-basmati rice export may touch 6.2/6.3 million tonnes while basmati export is expected to touch 2.8 million tonnes. At the end of August total rice export may cross over 9 million T. Pace of basmati export may increase due to abolition of MEP. Even next crop is expected higher than last year and it will augment supply for the exporters September onward. India can enhance its market share in the global market on back of bumper crop and govt.'s policy to encourage export. India may enter in new market like China.

**Weekly Rice price trend in domestic market for First Week of September:**

Prices in Rs/Quintal							
State	Prices 01-08 Sep 2012	Prices 24-31 Aug 2012	Prices 16-23 Aug 2012	Prices 01-08 Sep 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
Andhra Pradesh	1938.68	2087.28	1856.36	2040.08	-7.12	4.43	-4.97
Assam	2205.98	2157.45	2363.27	2516.56	2.25	-6.66	-12.34
Gujarat	3025	2321.42	2399.87	1928	30.31	26.05	56.9
Haryana		1718.58	1647.85		—	—	—
J &K		4725	4725		—	—	—
Jharkhand	2005.43	2271.79	2297.13	2048.27	-11.72	-12.7	-2.09
Karnataka	2816.04	2788.75	2750.36	2112.62	0.98	2.39	33.3
Kerala	2820.61	2718.96	2687.91	3417.38	3.74	4.94	-17.46
M.P		1860			—	—	—
Maharashtra	3702.18	4159.19	4236.4	4385.15	-10.99	-12.61	-15.57
Meghalaya		3038.6	3100	2445.95	—	—	—
Delhi		1600	1811.54		—	—	—
Orissa	1993.79	2085.37	1919.21	2269.38	-4.39	3.89	-12.14
Punjab				233.5	—	—	—
Rajasthan			2225	899.82	—	—	—

Tripura				2061.08	—	—	—
U.P	1723.8	1680.79	1665.66	1552.15	2.56	3.49	11.06
Uttrakhand		1639.78	1844.17	1671.05	—	—	—
W.B	1975	2003.27	1981.6	1909.44	-1.41	-0.33	3.43
Average	2420.65	2428.51	2469.46	2099.36			
As per the data reported by APMCs							

Mixed trend in rice average price has been witnessed during the week under review. Overall average prices have declined in comparison to week ending at 8<sup>th</sup> August. We expect prices to decrease a little bit more as improved area coverage and rainfall have eased pressure on market fundamentals. However, any steep fall is unlikely due seasonal factors .New crop is still away one and a half month. Besides, demand from local market is expected at lower level.

**Price Projection for Sep 1<sup>st</sup> week in domestic market:**

Duration	Trend	Average Price Range
Short Term( 5 days)	Steady(negative)	2250-2300
Sept(1 <sup>st</sup> week )	Steady (Negative)	2200-2250

**Month-wise Rice Stock in Central Pool (As on 1st day of the month) Values in MMT:**

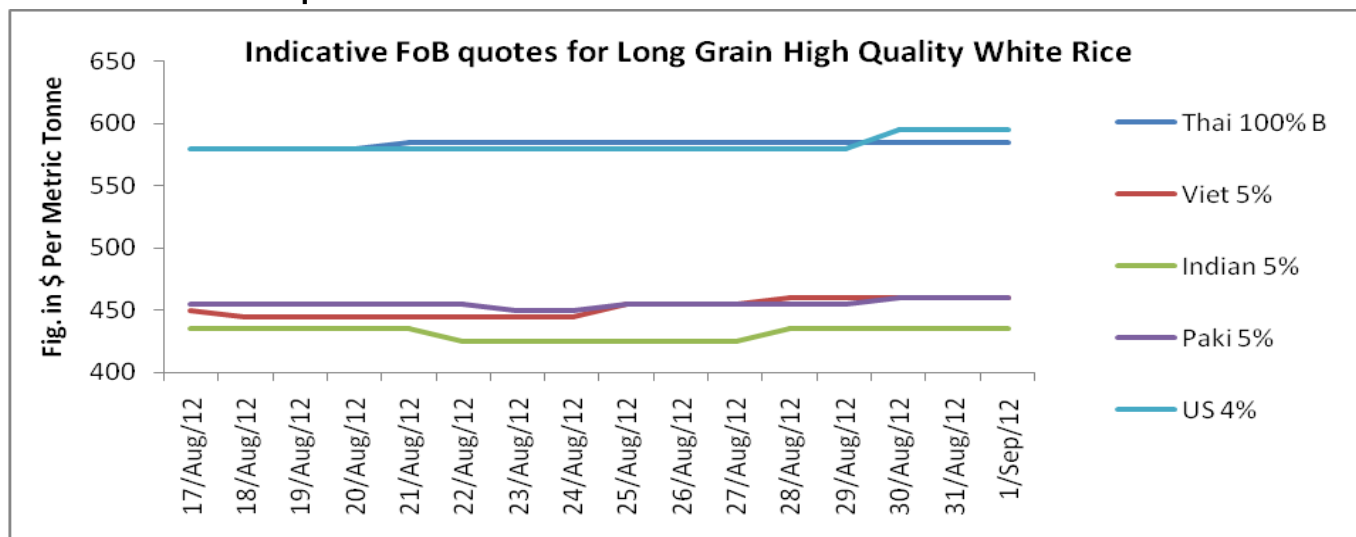
Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2010	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
2011	25.58	27.80	28.70	28.82	27.76	27.64	26.86	25.27	22.7	20.5	26.83	27.63
2012	29.71	31.8	33.17	33.35	32.92	32.14	30.70	28.50	26.30			

Rice stocks in Central Pool as on 1st August, 2012 stood at 28.50 MMT which is higher by around three times from an actual requirement for buffer norm (7.2 MMT) as on 1st Oct 2012. Higher off take is likely now as demand from govt. stock will increase. We expect stock to come down to 26.30 on 1<sup>st</sup> September going by present procurement trend set target of 35 million tones (paddy) is easily achievable. We expect rice stock to come down to 28.90 million T in August.

### Progressive Weather Update: - Up to 05 September, 2012:-

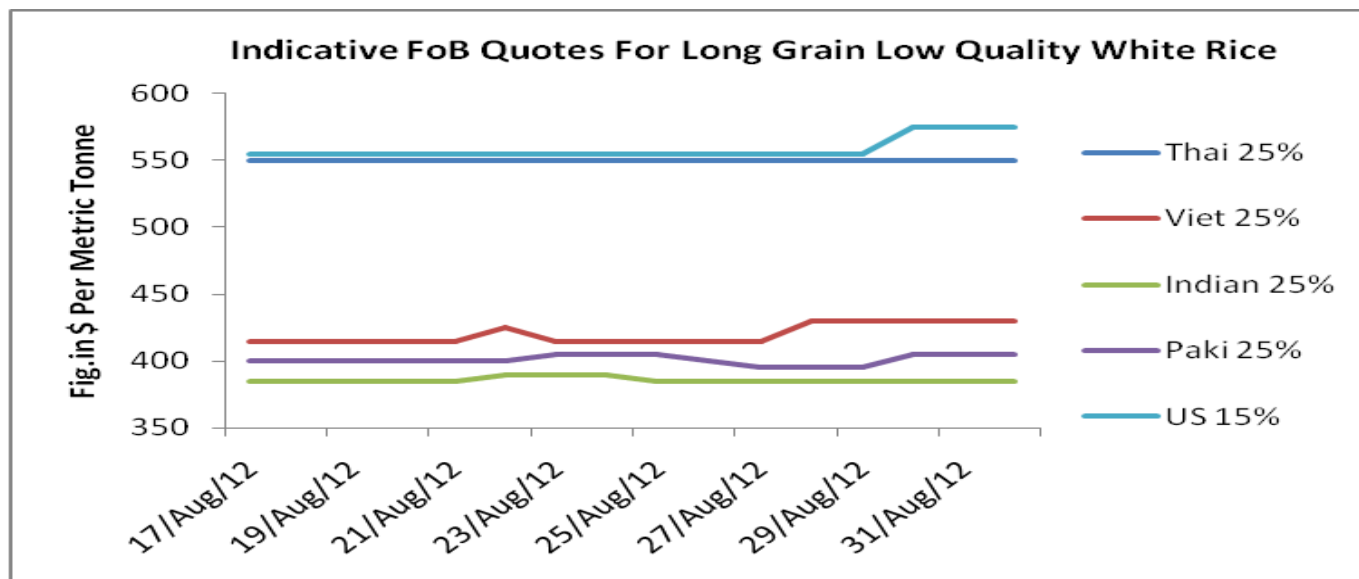
- ◆ Rain/thundershowers would occur at many places over west coast, Andaman & Nicobar Islands and Lakshadweep.
- ◆ Rain/thundershowers would occur at many places over Odisha, central India, Uttar Pradesh, Uttrakhand, Himachal Pradesh, east Rajasthan and Gujarat.
- ◆ Rain/thundershowers would occur at a few places over rest northwest India, Madhya Maharashtra, Marathwada, north Andhra Pradesh and interior Karnataka during next 24 hours and increase thereafter.
- ◆ Rain/thundershowers would occur at a few places over Bihar, Jharkhand, West Bengal & Sikkim and northeastern states.
- ◆ Rain/thundershowers would occur at one or two places over rest peninsular India

### **Indicative FOB Rice quotes trend:-**



During the week FOB quotes remained almost unchanged except Vietnam and India where prices increased due to better export demand. Indian quotes improved slightly due to fear of production short fall. However, more upward move is unlikely as demand has decreased due to uneven perices in domestic and overseas market.

### **FOB Indicative Price Low Quality White Rice:-**



Indicative FOB quotes remained almost unchanged from previous year. However, latest FAO release indicates market to trade steady despite higher production estimates. Lower Indian crop may pressurize world stock and support price to rule steady.

## International Market updates:-

**Global rice markets remained almost unchanged and no major** deals were reported. Traders are awaiting news on how successful the Thailand government auction was and how close buyers' bids were to the government's hopes. The continuation of the Thailand rice scheme, while not exactly thought to be a success is effectively supporting rice quotes across Asia for the time being – especially with Vietnam and Cambodia rice being smuggled into Thailand and exported or pledged as Thailand rice.

**With harvest just around the corner across the region, the Thailand** government may need to auction more rice in the coming months to make storage room for the new crop. Quotes across Asia range from around \$580 per ton for Thai 100% B grade rice to \$430 per ton for Indian 5% broken rice, with Viet 5% inching higher in the last month to around \$455 per ton, just \$115 per ton below the Thai equivalent.

**Since January 1 through August 24 Thailand has shipped about 4.34** million tons of rice, according to preliminary data from the Department of Foreign Trade, down almost 46% from over 8 million tons exported in the same period last year. During the first 8 months of this year, January to August, Thailand rice exports have only reached about 50% of the nation's target to ship 8 or 9 million tons by year-end

**Vietnam rice exports from January 1 to August 23 have reached 4.72** million tons, according to the Vietnam Food Association (VFA). That's down about 8% from 5.12 million tons shipped the first 8 months of last year, when total rice exports reached 7.1 million tons by year-end. The VFA said that about 543,376 tons of rice exported was August 1-23, compared to almost 700,000 tons exported in August 2011, and about 300,000 tons of rice exported in August 2010.



**World rice production in 2012/13 is projected to rise to a record 466m T (464m).** However, at just 0.4%, the expansion will be smaller than in recent years. After the previous year's solid output-led expansion, consumption is set to increase only moderately, to 465m t (459m). With global production and use broadly in balance, the world carryover is set to show little change, including only a modest rise in major exporters' stocks. World trade in 2013 is projected to rise slightly, to 34.8m t.

**IGC Rises Global Rice Production Forecast to 462 Million Tons:** IGC downgraded 2012-13 global rice production forecast by 1 million tons to 466 million tons. However, IGC also decline the global rice consumption by 1 million tons that offset the impact of downgraded production Y-o-Y resulted in no change in carryover stocks W-o-W. Global ending stocks in 2012/13 are projected to be broadly unchanged on the previous year, with supplies in the major exporters, notably in Thailand and India, expected to remain comfortable.

**IGC Balance Sheet: Updated on 23.08.2012**

**(Fig. In MMT)**

IGC estimate released on 23.08.12	2007-08	2008-09	2009-10	2010-11	2011-12 estimated 26.07.12	2012-13 forecast 23.08.12(Milled basis)
<b>Rice</b>						
Production	431	448	441	<b>449</b>	467	<b>466</b>
Trade	29	29	31	<b>36</b>	35	<b>35</b>
Consumption	427	435	438	<b>447</b>	466	465
Carry over St.	81	92	96	<b>97</b>	<b>102</b>	<b>102</b>
Year change	+5	+11	+4	+1	+1	+1
Major exporters	19	27	28	29	33	34

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

#### High Lights:-

- According to latest IGC update, rice production in 2012/13 is projected to rise further, to nearly 466m. tons from the all-time high of 463m.,estimated for 2011/12.
- This is underpinned by a slight increase in the area planted to paddy and a marginal improvement in average yields.
- At 2%, the expected annual growth rate is significantly smaller than in the previous year and the five-year average, and underlines expectations for only modest increases in output in Asian countries.
- Export figure has been decreased from 34 million tonnes to 33 million tonnes lower by 1 million tonne from previous estimate,
- However global rice trade trend has been continuously rising has also depicts the latest IGC chart released on 02/07/2012.

#### CBOT Rough Rice Chart: September contract:-





### CBOT Rough Rice Futures:-

Daily Futures Price Listing (as on 31/08/2012)				(Values in \$/hundredweight)	
Contract Month	Open	High	Low	Close	Change
<b>Sep'12</b>	15.05	15.14	14.93	15.42	-0.02
<b>Nov-12</b>	15.38	15.45	15.18	15.70	-0.03
<b>Jan-13</b>	15.63	15.72	15.51	15.99	-0.03
<b>March-13</b>	15.87	15.95	15.79	16.25	-0.03

### Price Projection (International-CBOT):-

	Trend	Price Range
<b>Short Term (5-10 days)</b>	Range bound (Negative)	14.60-14.80
<b>4<sup>th</sup> week of August, 2012</b>	Steady (Negative)	14.40-14.60

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