

**Latest market development:-**

**Better rainfall, higher area coverage and increasing hope for higher rainfall in the weeks ahead** have eased pressure of lower production. We hope production to remain at previous year level. Lower area coverage in south India is likely to be covered by higher area in Bihar and Uttar Pradesh. Cash rice market is likely to trade under pressure in the weeks ahead. Bulk buyers are away from the market and will prefer to wait for the new arrivals expected from Sept end.

**Good rainfall last week helped rice planting in India** to expand to 35.6 million hectares, up about 3% from the normal area of 34.5 million hectares during this time of the year and about 2% more than last week. Planting area for most of the Kharif (wet) season crops also reached or crossed normal area during this time of the year. However, rice planting area is down about 1.3 million hectares or 3% from 36.9 million hectares planted area on September 9, 2011.

**India received about 31% surplus rainfall, with over 23 of 34 total sub-divisions** receiving normal or excess rainfall. Rainfall improved in key rice-growing regions in the southern peninsula as well. Three consecutive weeks of good rainfall in most parts of the country has narrowed down the overall rainfall deficit to 10% in the week ending September 7, 2012. higher rainfall is expected in the rest of Sept.

**India's rice stocks as of September 1, 2012 stand at 25.5 million tons**, down about 23% from the peak of 33.3 million tons on April 1, 2012, but still about 11.3 million tons higher than the buffer norms of about 14.2 million tons. Rice stocks are about 12% higher than 22.7 million tons last year on September 1. India's total food grain stocks comprised mostly rice and wheat stand at about 71.8 million tons as of September 1, up about 27% from 56.4 million tons last year, mainly due to high wheat stocks which stand at about 46.1 million tons, up about 37% from 33.6 million tons last year.

**The UN's Food and Agriculture Organization (FAO) has revised** downwards its forecast for global rice production in 2012 by 6 million tons mainly due to deterioration in crop prospects in Asian countries. The FAO said that rice production forecast for this year now stands at 483.3 million tons (basis milled), down about 6 million tons or 1% from the 489.1 million tons forecast in July, but still higher than the 482.3 million tons produced in 2011.

**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.

**Global consumption of rice in 2012-13 stands at around 474 million tons**, while rice inventories at the end of the 2013 marketing year are likely to reach 165 million tons, down about 2.5 million tons from the previous forecast, but enough to lift the global stock-to-use ratio from 32.9% in 2012 to 34.4% in 2013, said the FAO. Meanwhile, the FAO Food Price Index in August averaged 213 points, unchanged from July 2012 when it had increased 6% from June.

**Domestic market dynamics:**

Rice cash market traded under pressure and we expect new crop to hit market at the end of this month. However, pressure may be felt in November as planting got delayed by two to three weeks in this kharif season. As rains continue in main rice growing belts, fear of yield loss has minimized now. We expect good crop this year too. Production of parmal in Punjab and Haryana may dip this year along with other common varieties as basmati area has increased considerably. Prices of Basmati rice stays steady as demand continues from local buyers. Exporters are not buying right now and they will wait for new crop before starting fresh deals.

Export of non-basmati and basmati rice will continue without any quantitative restriction. However, total export in new crop season may dip as Vietnam and Thailand have ample stock to offer for the world market. Pakistan too will pose challenge to Indian exporters. Overall view on cash rice market seems bearish ahead of new crop.

**Domestic News:****Rice production will match last year's level-Food Minister:**

India's Food Minister has said that the recovery of rainfall in August and September will help rice production this year match last year's record harvest of around 104 million tons.

The minister said that the country has adequate supplies of food grains and exports of rice will continue due to improved prospects of a good rice crop next year. He said, "Rice production will be as good as the previous year and we have no problem in sugar as of now...wheat stocks are also adequate." India has exported around 5.7 million tons of non-basmati rice from September 2011 to July 2012.

Following a delay in monsoon rains in India this year, the FAO and USDA have both revised down India's rice production to less than 99 million tons, triggering concerns that India may resume the ban on rice exports. However, monsoon has recovered in the last few weeks helping narrow down the rainfall deficit from over 35% in June to 12% as of now, boosting rice planting across the country.

The economic think-tank Centre for Monitoring Indian Economy (CMIE) projects the late monsoon will reduce India's rice production by nearly 2%, suggesting roughly a 2 million ton decline from 104.3 million tons last year.

**Higher profit for basmati attracts farmers:**

The rising share of basmati mainly to better profitability attracts farmer. A farmer growing Pusa-1121 basmati typically harvests 18-20 quintals of paddy an acre, compared with 26-27 quintals for the normal 'Parimal' varieties. But this is more than compensated through higher realizations. Last year, farmers received Rs 2,200-2,300 a quintal for Pusa-1121, against the minimum support price (MSP) of Rs 1,030 for Grade 'A' non-basmati paddy. For the ensuing marketing season, the MSP for the latter has been raised to Rs 1,110 a quintal.



## Rice export:

Rice Export Under OGL as on 04 <sup>th</sup> Sept, 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
12-Sept	1.35	0.62	1.97
<b>Total</b>	<b>61.50</b>	<b>28.84</b>	<b>90.34</b>
Expectation up to Sept end, 2012	2.0	1.0	3.00

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.

## 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
<b>2010</b>	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
<b>2011</b>	25.58	27.80	28.70	28.82	27.76	27.64	26.86	25.27	22.7	20.5	26.83	27.63
<b>2012</b>	29.71	31.8	33.17	33.35	32.92	32.14	<b>30.70</b>	<b>28.50</b>	<b>25.59</b>			

Rice stocks in Central Pool as on 1st Sep, 2012 stood at 25.59 MMT which is higher by around three times from an actual requirement for buffer norm (7.2 MMT) as on 1st Oct 2012. We expect stock to come down to 23.50 on 1<sup>st</sup> Oct

## Weekly Price movement:



State	Prices 09-15 Sep 2012	Prices 01-08 Sep 2012	Prices 24-31 Aug 2012	Prices 09-15 Sep 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
A P		1952.03	2087.76	1914.03	—	—	—
Assam	2200	2218.56	2157.45	2812.71	-0.84	1.97	-21.78
Gujarat		2134.82	2320.98	2033.34	—	—	—
Haryana		1711.89	1718.58	1700	—	—	—
J K		4725	4725		—	—	—
Jharkhand		2298.52	2293.29	2140.62	—	—	—
Karnataka	2150	2789.34	2786.92	2112.05	-22.92	-22.85	1.8
Kerala	2862.02	2717.62	2718.96	3081.88	5.31	5.26	-7.13
M P		1130	1860		—	—	—
Maharashtra	1262	3831.9	4138.7	4546.09	-67.07	-69.51	-72.24
Meghalaya		2984.62	3038.6	2584.75	—	—	—
NCT of Delhi	1600		1600	1600	—	0	0
Orissa	2034.51	1863.79	2084.11	2144.19	9.16	-2.38	-5.12
Rajasthan				1098.23	—	—	—
Tripura				2024.61	—	—	—
U P	1834.55	1691.87	1683.85	1555.62	8.43	8.95	17.93
Uttrakhand		1611.92	1639.78		—	—	—
West Bengal	1960	2029.65	1998.83	1903.64	-3.43	-1.94	2.96
Average	1987.88	2379.44	2428.3	2216.78			

### Price Projection for Sep 2<sup>nd</sup> week in domestic market:

Duration	Trend	Average Price Range
Short Term( 5 days)	Steady(negative)	2000-2050
Sept(2 <sup>nd</sup> week )	Steady (negative)	1975-2000

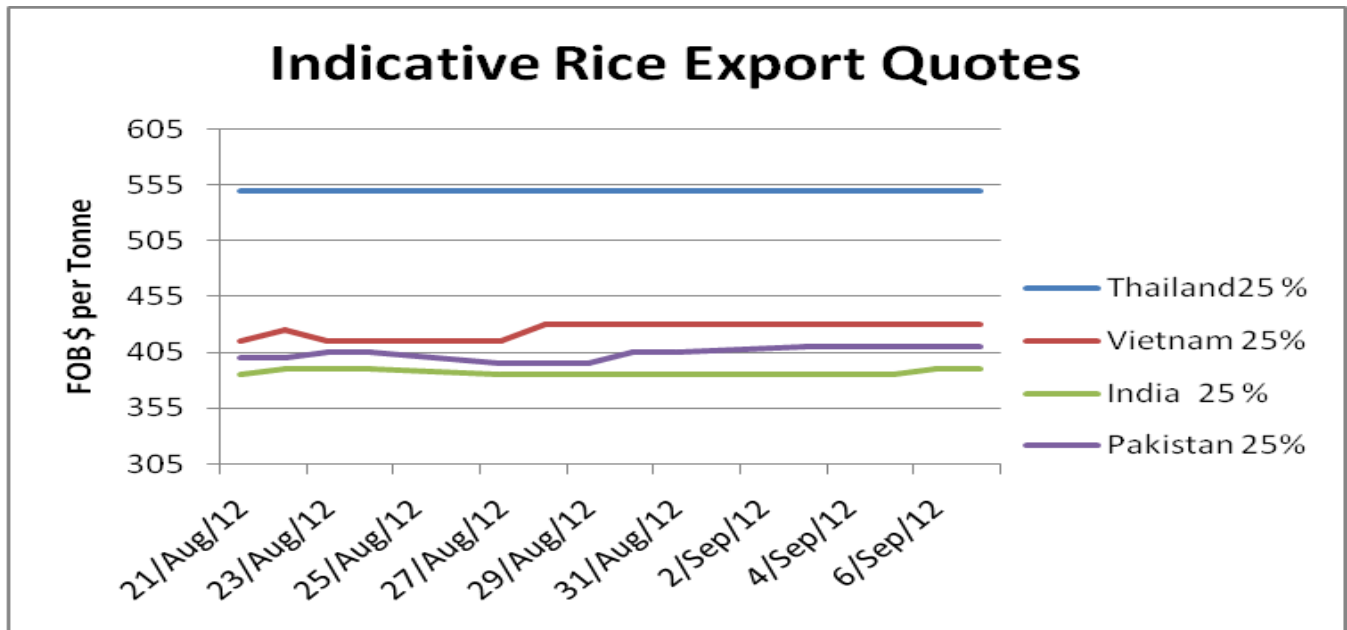
### Weather Watch (Weather Outlook Up to 16th September, 2012):

Rain/thundershowers would occur at many places over west coast, east & northeastern states and Andaman & Nicobar Islands. Rain/thundershowers would occur at a few places over northwest India.

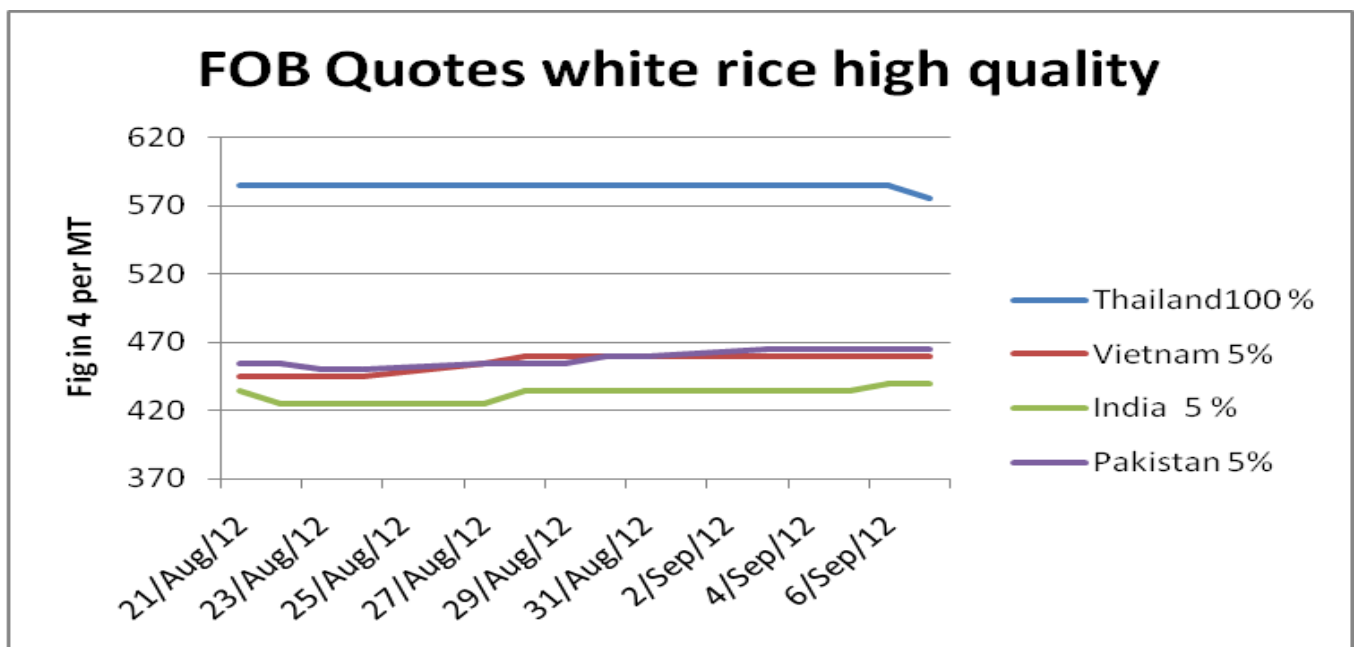
Seasonal Rainfall (in mm) from 1 June-8 September, 2012			
Region	Actual	Normal	% Departure from Long Period Average
All India	700.8	768.3	-9
East & Northeast India	1034	1223	-15
Northwest India	477.6	544.4	-12
Central India	829.6	858.6	-3
South Peninsula	558.9	594.8	-6



Rice FOB quotes: Low quality white rice:



High quality white rice:



**International Market updates:-**

**The UN's Food and Agriculture Organization (FAO) has revised** downwards its forecast for global rice production in 2012 by 6 million tons mainly due to deterioration in crop prospects in Asian countries. The FAO said that rice production forecast for this year now stands at 483.3 million tons (basis milled), down about 6 million tons or 1% from the 489.1 million tons forecast in July, but still higher than the 482.3 million tons produced in 2011.

**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.

**The U.S. Department of Agriculture's attaché in India has raised the 2012-13 rice forecast to 98 million tons following a sharp recovery of rainfall in August.** In the first week of August, the USDA Post had estimated that India's rice production will decline to 94 million tons, down almost 10% from the record production of 104.3 million tons in 2011-12, with the possibility of further downward revision if rains fail in August. However, India's monsoon rainfall revived sharply in August bringing the overall deficit from over 35% in the beginning of the season down to 12% in the end of August.

**Thailand is seeking oil for rice barter trade with Iran. The Thai Foreign Minister said that bilateral trade between Thailand and Iran** has stagnated over the recent months due to international sanctions that prohibit countries to deal with Iran using any U.S. entity including the dollar. The two countries are studying a proposal to exchange rice for oil and gas as Iran needs about 1 million tons of rice annually while Thailand is facing a shortage of oil and gas.

**The USDA Ag Attaché projects Indonesia's rice imports for 2011-12 will decline to about 1.25 million tons** as favorable weather boosted domestic yields and production, reducing the amount of rice Bulog needs to import. Bulog's imports of rice for 2012-13 are projected to rise to about 1.45 million tons.

**In 2011-12 Bulog intends to buy about 4.5 million tons of rice – including 2.4 million tons from the domestic** market, up from 1.3 million tons the year before. Bulog can only buy paddy from farmers if the market price is lower than the government's official price.



IGC estimate on released 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	449	467	466
Trade	29	29	31	36	35	35
Consumption	427	435	438	447	466	465
Carry over St.	81	92	96	97	102	102
Year change	+5	+11	+4	+1	+1	+1
Major exporters	19	27	28	29	33	34

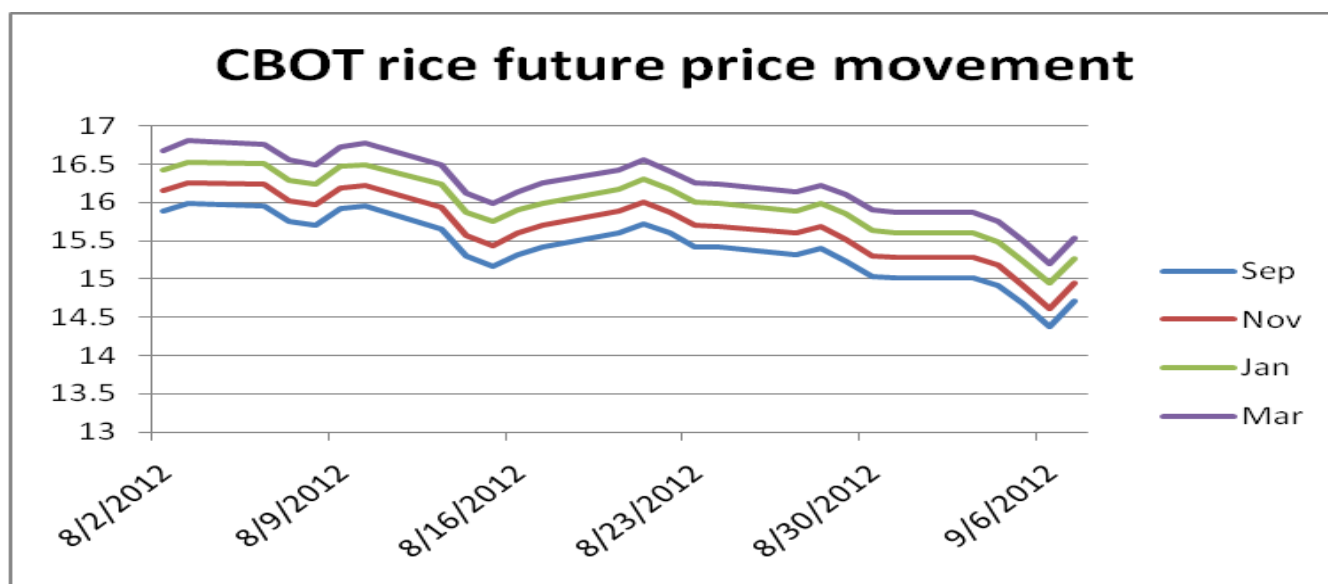
Note: Major exporters are India, Pakistan, Thailand, Vietnam, United States

### 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:-





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

	Trend	Price Range
Short Term (5-10 days)	Range bound (Positive)	1460-1480
2 <sup>nd</sup> week of Sept, 2012	Steady (Positive)	1480-1520

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