

Latest Market Development:-

With increasing pressure of new paddy in various mandis rice prices continued to trade weak and more dip (Rs50 per qtl.) is expected in the weeks ahead. However, any steep fall is unlikely and market should stabilize after a slight dip. Demand from domestic market is weak as supply is increasing. Major buyers like exporters and millers are expected to start active purchasing at the end of this month.

Rice production is expected to dip this year by 6.5 percent to 85.59 million tonnes due to lower area coverage, lower than expected rainfall in the beginning of the monsoon season. However, bumper production last year and resultantly higher carryout will ensure ample supply throughout the season. Due to lower production and strong export demand prices of rice are expected to rule higher than last year.

India's Food Minister has written to the state governments to lift the allocated amount of rice and wheat for distribution under the Public Distribution System (PDS) to make space for food grains from the new harvest which has begun this month. This year the government has allocated about 57 million tons of food grains for the PDS, up about 14% from the normal 50 million tones. But states have been unable to lift allocated quantity in time.

India's food grain stocks as of October 1, 2012 stood at around 66.6 million tons (about 43.1 million tons and almost 23.4 million tons of rice), much above the buffer and strategic requirements of around 21 million tons, while the total storage space for food grains with the government is around 68 million tonnes.

The government aims to procure a record 40 million tonnes of rice from farmers in the ongoing 2012-13 marketing year that started this month, even as the summer kharif output is estimated to be lower. In the 2011-12 marketing year (October-September), the government had targeted to procure 35 million tonnes of rice and has nearly reached that level.

Paddy procurement, which started from October 1, has reached around 5,00,000 tonnes in the first week and is expected to pick up in the coming days. Paddy is being purchased at present from Punjab and Haryana. The government has fixed MSP of common grade paddy at Rs 1,250 per quintal, while 'A' grade variety of paddy at Rs 1,280 per quintal for this year. States like Punjab, Andhra Pradesh, Chhattisgarh, Orissa, Uttar Pradesh, Tamil Nadu, West Bengal will remain major contributors.

Punjab and Haryana are looking to procure 156 lakh tonne of paddy for the central pool in the Kharif Marketing Season (KMS) 2012-13 beginning Monday, which will be 8 per cent more than the last season's lifting. Punjab, which contributes 30 per cent rice to the central pool, is eyeing to procure 130 lakh tonne for KMS 2012-13 as against 115.39 lakh tonne procured in the last season.

Despite deficient rain this year, Punjab managed to bring over 28 lakh hectares of land under paddy against the target of 27.80 lakh hectares. The state is looking at an output of 164 lakh tonne this year with an yield of 58 quintals a hectare. The crop is looking good this year and yield is expected to be more as well as it has been disease free.

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.

Domestic market fundamentals:

Despite lower production estimate in ongoing kharif season prices are likely to dip further on new arrivals and lower demand in domestic market supported by increased supply. Exporters too are waiting for stabilization in the market. However, major decline from current level is unlikely and market should stabilize at current level with some dip on new crop pressure. Procurement has started in the states like Punjab and Haryana and almost 0.5 million tones paddy has been procured so far.

As crop size is lower this year and govt is willing to procure more than last year rice prices are expected to remain at higher level this year like wheat. Additional procurement of 5 million tones will support prices of rice in domestic market in the medium term. The crop condition in Punjab is good as per feedback received from Punjab agriculture department. It is disease free. However, condition is not same for Haryana. Arrival of paddy in Haryana is expected to dip because of drop in area under cultivation and scanty rain during June and July. The Haryana government has made arrangement of procuring 26 lakh tonne of paddy in comparison to the arrival of about 30 lakh tonne in last season for the central pool.

Area under paddy shrunk to 10.62 lakh hectares in current season against 12.35 lakh hectares in last season, recording 14 per cent decrease in area. Rice output in Haryana is expected to be 33.45 lakh tonne against production of 37.59 lakh tonne recorded last year. However, payment for paddy procurement to farmers will be made through the traditional system in Punjab and Haryana. Despite uneven and deficient rain fall, the State Government has decided in principle to procure 30 lakh tonnes of rice during the 2012-13 Kharif marketing season (KMS) with a two-lakh-tonne increase against last year's procurement target.

Orissa will procure 30 lakh T paddy:

Despite uneven and deficient rain fall, the State Government has decided in principle to procure 30 lakh tonnes of rice during the 2012-13 Kharif marketing season (KMS) with a two-lakh-tonne increase against last year's procurement target. The State Cabinet which met here under the chairmanship of Chief Minister Naveen Patnaik on Tuesday evening, approved the Food and Procurement Policy for the 2012-13 Kharif marketing season, targeting to procure 30 lakh tonnes of rice which is around 45 lakh tonnes in terms of paddy. Of the total procurement, 70 per cent would be collected through Primary Agriculture Cooperative Societies (PACS) and the Odisha Civil Supplies Corporation (OCSC).

However, for the first time, the State Government has kept the Central Food Corporation of India out of the procurement chain. The FCI has been asked to provide storage facilities for the procured rice and take steps for evacuation of an estimated 10 lakh tones of surplus rice to outside of the State.

Rice export through OGL as on 30.09.12

Rice Export Under OGL as on 30th September, 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	2.25	1.25	3.50
Total	62.40	29.47	91.87

Rice export reached to 91.87 million tonnes for this MY 2012. Non-basmati rice export touched 62.40 million tonnes while basmati export touched 3.5 million tonnes. At the end of this Marketing Year total rice export crossed over 9 .1 million T. Pace of basmati export increased 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 and South Africa.

Progressive Procurement of Rice as on 05/10/2012 (lakh tonnes)

States	MY 2010-11 (During Oct-Sept.)	MY 2011-12 (As on 05.10.12)	MY 2010-11(As on 05.10.11)
Andhra Pradesh	96.1	75.47	95.37
Chhattisgarh	37.39	41.15	37.38
Haryana	16.87	20.07	16.87
Kerala	2.63	3.72	2.6
Maharashtra	3.08	1.78	2.08
Orissa	24.76	28.43	24.74
Punjab	86.35	77.31	86.35
Tamil Nadu	15.83	15.96	15.09
Uttar Pradesh	24.66	33.5	24.46
Uttaranchal	4.22	3.78	3.99
West Bengal	13.1	19.38	13.10
All-India	340.94	349.27	337.87

Rice procurement is smooth and we expect the procurement target of 35 million T very much within reach despite lower Rabi crop this season. Punjab remains the highest contributor followed by A.P., Chhattisgarh and Uttar Pradesh. However, arrivals have come down in mandis and paddy procurement may get slower in the weeks ahead. With adequate stocks of rice in the central pool and the possibility of low production due to uneven rains, the Centre is unlikely to substantially increase its annual rice procurement target for the 2012-13 crop marketing season starting October.

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	18.4 4	23.1 7	24.52
2011	25.58	27.80	28.70	28.82	27.76	27.64	26.86	25.27	22.7	20.5	26.8 3	27.63
2012	29.71	31.8	33.17	33.35	32.92	32.14	30.70	28.50	25.59	23.4		

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State wise Wholesale Prices Weekly Analysis for Rice October, 2012

Prices in Rs/Quintal

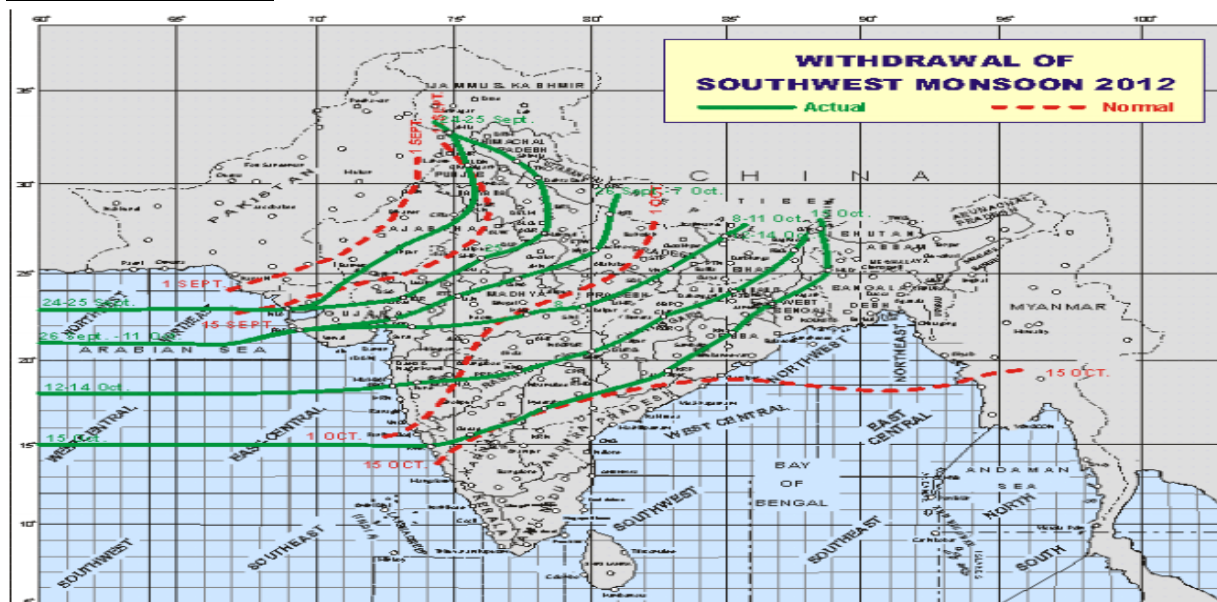
State	Prices 09-15 Oct 2012	Prices 01-08 Oct 2012	Prices 24-30 Sep 2012	Prices 09-15 Oct 2011	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
AP	2901.8	2269.38	1943.49	2091.55	27.87	49.31	38.74
Assam	2485.2	2490.3	2425.83	2502.74	-0.2	2.45	-0.7
Gujarat	2311.21	2363.77	2395.65	2151.95	-2.22	-3.52	7.4
J & K	4310	4650	4600		-7.31	-6.3	—
Jharkhand	2478.87	2346.04	2350.16	2164.58	5.66	5.48	14.52
Karnataka	2648.49	2709.33	2713.75	2164	-2.25	-2.4	22.39
Kerala	2942.54	2948.95	2650.15	2994.34	-0.22	11.03	-1.73
MP		1170	1165		—	—	—
Maharashtra	4565.57	4586.87	4589.16	4516.52	-0.46	-0.51	1.09
Meghalaya	3200	3075	3200	2719.05	4.07	0	17.69
NCT of Delhi	1700		1662.5	1600	—	2.26	6.25
Orissa	1440.66	1622.89	1481.42	1897.38	-11.23	-2.75	-24.07
UP	1702.1	1707.26	1690.6	1538.95	-0.3	0.68	10.6

Uttarakhand	2051.84	1889.87	1892.87		8.57	8.4	—
West Bengal	1965.78	1980.42	1995.34	2008.22	-0.74	-1.48	-2.11
Average	2621.72	2557.86	2450.39	2370.14			
As per the data reported by APMCs							

Price Projection for October 3rd week in domestic market:

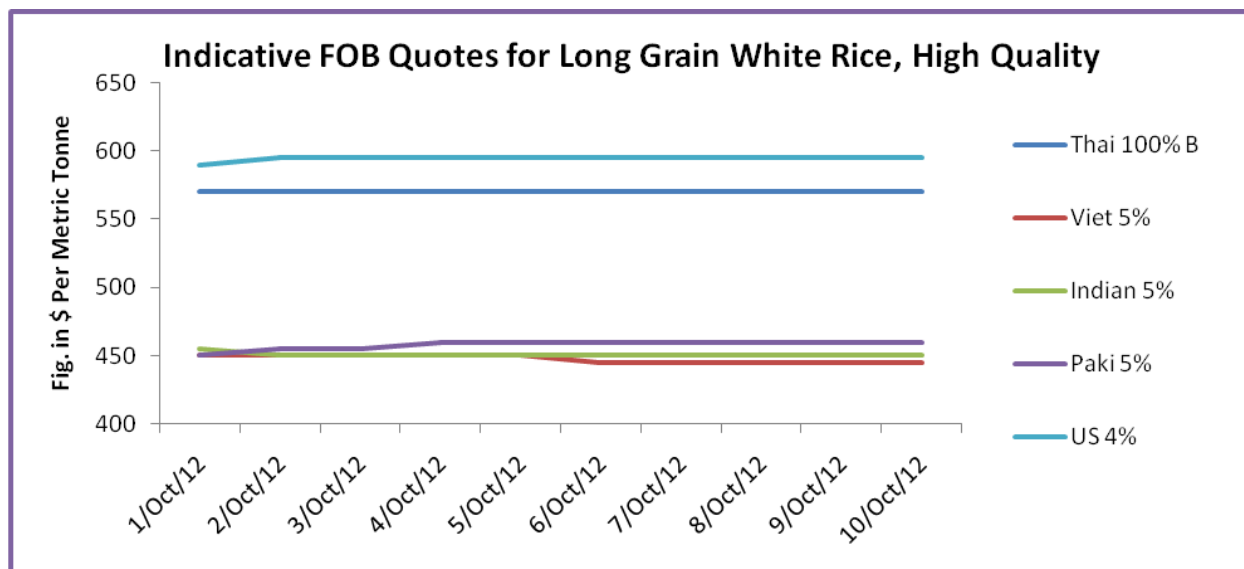
Duration	Trend	Average Price Range
Short Term(5 days)	Steady(positive)	2550-2600
October (3 rd week)	Steady (positive)	2600-2650

Weather Outlook:-



Southwest monsoon has further withdrawn from remaining parts of Bihar, Jharkhand, Chhattisgarh, Maharashtra, some parts of West Bengal & Sikkim, Odisha, Telangana, north interior Karnataka and entire Goa and some more parts of central Arabian Sea.

The withdrawal line continues to pass through Gangtok, Malda, Bankura, Keonjhar, Koraput, Hyderabad, Gadag, Karwar, Lat. 15.0° N / Long. 60.0° E and Lat. 15.0° N / Long. 70.0° E.

Comparative global FOB:


FOB Quotes for India, Pakistan and Vietnam are almost same in comparison to previous week. Prices are likely to dip on new crop pressure, expected on mid of October to starting of November onwards. Major buyers too are waiting for price to decrease.

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)
Rice						
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 466 Million tonnes 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.

International Market Update:-

Global rice production is estimated to augment a record of 465.1 million in 2012-13, up about 900,000 tonnes from the last estimate in September. The increase is due to favorable late monsoon rainfall in India where rice production is likely to be around 99 million tons, up about 1 million tons from the previous estimate. The report also says that rice production is likely to rise in Australia, Egypt, Japan, and the U.S., but most of these gains will be offset by a drop in production in Uruguay and several Sub-Saharan African countries.

The US Department of Agriculture (USDA) has raised its paddy rice production forecast for 2012-13 for the second consecutive month to 198.9 million cwt (about 9 million tons of paddy, about 6.34 million tons of milled rice), up 2.5 million cwt (about 550,000 tons of paddy, about 385,000 tons of milled rice) from the September forecast of about 196.3 million cwt (about 8.9 million tons paddy, about 6.25 million tons milled rice).

Thai Rice Exporters Association (TREA) has urged the government to improve research and development of Thai fragrant rice which is facing increasing competition from fragrant rice of Vietnam and Cambodia. The TREA honorary president said that while Thailand is still the top exporter of fragrant rice with 900,000 tons rice exports so far, Vietnam is close behind with around 700,000 tons exports. He revealed that both Vietnam and Cambodia have increased fragrant rice production and their prices are around \$200 to \$500 per ton discount to Thai fragrant rice quoted around \$1,100 per tonne.

Thailand Exports of white rice and parboiled rice from the 1st of January to the 30th of September 2012 totalled 3,622,435 MTS, down 49.7% from the previous year. According to the Department of Foreign trade, Ministry of Commerce, total rice exports (including fragrant rice) from the 1st of January to the 21st of September 2012 amounted to 4,817,950 MTS, down 45.1% from the previous year.

Total rice stocks in the Philippines have declined sharply by 40.3% from 2.41 million tons in September 2011 to 1.44 million tons as of September 1, 2012, according to data from the Bureau of Agricultural Statistics (BAS). Rice stocks are at their lowest level this year and the lowest since 2009 for this time of the year. The sharpest decline registered was for the stocks maintained by the National Food Authority (NFA). Rice stocks with NFA are at 520,000 tons, down 62.4% from almost 1.4 million tons recorded in September last year. Rice stocks in commercial warehouses stand at 390,000 tons, down 19% from 480,000 tons during the same time last year. Comparatively, the decline in household stocks is less at just 2.7%, down from last year's 540,000 tons to 530,000 tons this year.

CBOT Rough Rice Chart: November contract:-

Market Analysis:

Global rice market shows bullish trend in previous trading session, CBOT future price closed lower from previous level. We expect market will trade in the range of 14.60(support) to 15.20 (resistant).

Price Projection (International-CBOT):-

	Trend	Price Range
Short Term (5-10 days)	Range bound (Negative)	1480-1500
2nd week of October, 2012	Steady to weak (Negative)	1490-1530

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