

Latest Market Development:-

Rice cash market traded slightly up in comparison to last week on declining arrivals in major markets and increasing possibility of fresh export enquiry from overseas market. However, one sided uptrend is unlikely at this point of time as rice is ruling higher in domestic market despite some downward correction in previous week. We expect prices to move slightly up from current level as higher cost of paddy remains supportive to the cash rice market.

Aromatic rice prices traded mixed during the week under review. Higher prices restricted big buyers away from the market. Prices may stay steady despite lower demand in domestic and international market as millers have procured paddy at higher prices and it has increased the total cost of processing. Market participants expect higher prices in the month ahead. Fresh demand is expected with stabilization in the market.

Lower than expected production in kharif season and now lower area coverage in Rabi too are indicative of considerable decline in total rice production. Kharif production is pegged at 85 million T and going by rabi coverage trend production may be restricted to 13 MMT, thus total production might be 98 MT, almost 6.4 million T lower than previous year. However, higher carryout stock will continue to ensure supply in the domestic market. Almost 4.45 lakh ha. has been covered under rabi rice so far against 5.99 lakh ha. last year till date. Normal area under rabi rice is 44.99 lakh ha.

Rice export is bound to decrease this year due to higher prices in the domestic market and lower production this year. Market experts expect lower export volume this year due to lower prices in the international market and higher prices in domestic market. Total volume may come down to 7 million T against last year's over 90 million T.

All-India progressive procurement of Rice for the marketing season 2012-13 as on 28.12.2012 was 160.58 lakh tonnes against the procurement of 153.66 lakh tonnes upto the corresponding period of last year. Despite better procurement pace rice procurement target is unlikely to meet this year. The govt. has set 40 MMT procurement target.

India's rice stocks in the central pool as of Jan 1st, 2013 have increased to 32.22 million T . Stock registered at 30.67 million tonnes in the beginning of Dec, according to data from the Food Corporation of India (FCI). It will continue to increase as procurement season began just two months earlier. Total food grains stock registered at 66.72 million T on 1st Jan-2013. Out of this wheat contribution was 34.38 million Tonnes.

Among the foodgrains, inflation for Wheat has increased to 23.19% from the previous month's level of 19.78%, Cereals to 15.85% from the previous month's level of 14.35%, Rice to 11.80% from the previous month's level of 11.40% and Pulses has decreased to 19.10% from the previous month's level of 20.00%.

India may lose global leadership in the rice market in 2013 as shipments are likely to slide by 30 per cent to 7 million tonnes due to weak prices and surplus grain in Thailand, according to government advisory body CACP. Rice shipments from the country could slowdown because of shrinking export profit margin, he said. "Our margins would take a hit with rise in the minimum support price of paddy and if global prices weaken due to aggressive exports from Thailand and Vietnam.

Domestic Market Fundamentals:

Rice cash market is likely to trade steady to slightly firm this week as paddy arrivals have slowed down to a negligible level and we expect demand at lower level from domestic market. Millers processing cost has increased due to higher paddy prices and other expenses and so they will not be able to offer lower prices to whole sellers and retailers. However higher carryout stock in central pool will ensure ample supply in the domestic market.

Lower rabi area coverage will remain supportive in the months to come as total production may come down to 98 MMT including rabi. Lower availability of almost 6 million T and higher prices in domestic market will remain restrictive to downward trend.

India's Commerce Minister has reiterated that the government will continue to allow unrestricted export of rice due to sufficient supply in the domestic market. Due to higher production, the government has allowed export of rice, wheat and cotton as per by MOA. This will continue as we have enough supply. They admitted that a stable export policy for exports of rice will help obtain better returns for rice farmers.

Rice export through OGL as on 20.11.2012

Rice Export Under OGL as on 30 th September, 2012				From 1st Oct 2012(New Season) as on 30 Dec.12		
Units are in lakh tons	Non Basmati	Basmati	Total	Non Basmati	Basmati	Total
Sept.11	1.85	2.6	4.45			
12-Oct	4.5	3.4	7.9	1.20	0.8	2.00
12-Nov	5.5	4	9.5	2.2	0.5	2.7
12-Dec	5.9	2.5	8.4	3.25	0.55	3.80
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-Sep	2.25	1.25	3.5			
Total	62.4	29.47	91.87			

Note: - New season for paddy starts on Oct 2012. (As on 30th Dec)

The UN's Food and Agriculture Organization (FAO) said that India is well placed to become the top rice exporter this year with over 9 million tons of rice exports, ending Thailand's status as the largest rice exporter for over two decades

Rice Balance Sheet For India:

Marketing Year January -December			
Value in MMT	2010-11	2011-12	2012-13 E
Beginning Stocks with govt	24.3	25.51	28.86
Production	95.98	104.32	98
Total Availability	120.28	129.83	126.86
Domestic consumption	48	50	52.5
Govt. Procurement	34.9	35.03	40
Exports	2.77	8.74	7.4
Total Usage	85.67	93.77	99.9
stock with Millers /Stockiest	9.1	7.2	7
Ending Stocks	25.51	28.86	19.96
Av Monthly Consumption	4	4.17	4.38
Stock to Month Use	6.38	6.93	4.56
Stock to Consumption Ratio	0.53	0.58	0.38

Fig. in Million tone

India is in very comfortable situation on rice stock front with consecutive bumper production. Beginning stock has been on the rise due to higher production last year. We expect new rice marketing season to begin with over 29 million T stock with smooth procurement under way despite lower Kharif production at around 85 to 86 million T. We expect 13 million T production Rabi season. Due to higher domestic prices and lower production in Kharif season export may dip this year to 7.4 million T. If export continues carryout for next year may drop to around 20 million T.

Progressive Procurement of Rice as on 28/12/2012

(Lakh tonnes)

States	Total procurement in marketing season 2011-12 (Oct. – Sept.)	In Marketing season 2012- 2013	In Marketing season 2011-2012
Andhra Pradesh	75.38	13.95	14.64
Chhattisgarh	41.15	17.41	18.27
Haryana	20.07	25.74	19.60
Kerala	3.72	-	-
Madhya Pradesh	6.35	3.69	2.44
Maharashtra	1.78	0.14	0.05
Orissa	28.46	-	-
Punjab	77.31	85.44	76.61
Tamil Nadu	15.96	0.01	2.88
Uttar Pradesh	33.55	4.75	12.60
Uttaranchal	3.78	1.28	1.19
West Bengal	20.36	0.66	1.11
All-India	350.25	160.58	153.66

Rice procurement is started for this marketing year 2012-13 and we expect the procurement will touch about 40 million T against previous year procurement of 35 MT. Punjab remains the highest contributors likely to last year till now followed by Haryana. Arrivals have peak in major states and paddy procurement may get quick in the weeks ahead.

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

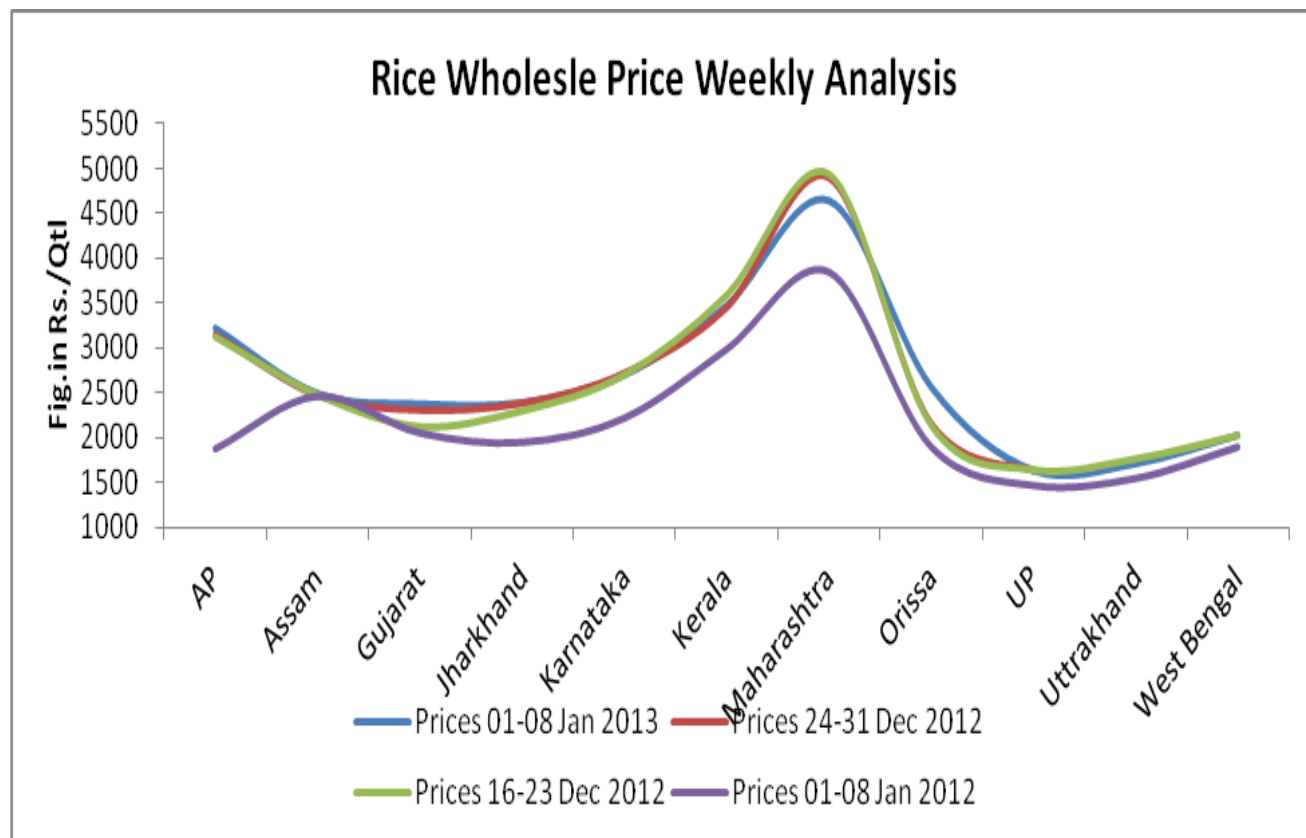
Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2010	24.35	25.65	26.95	26.71	23.26	25.26	24.26	22.87	20.48	18.44	23.17	24.52
2011	25.58	27.80	28.70	28.82	27.76	27.64	26.86	25.27	22.7	20.5	26.83	27.63
2012	29.71	31.8	33.17	33.35	32.92	32.14	30.70	28.50	25.59	23.4	28.95	30.67
2013	32.22											

India's rice stock as of Dec-1, 2012 stood at around 30.67 million tonnes, much above the buffer and strategic requirements.

State wise Wholesale Prices Weekly Analysis for Rice January, 2013

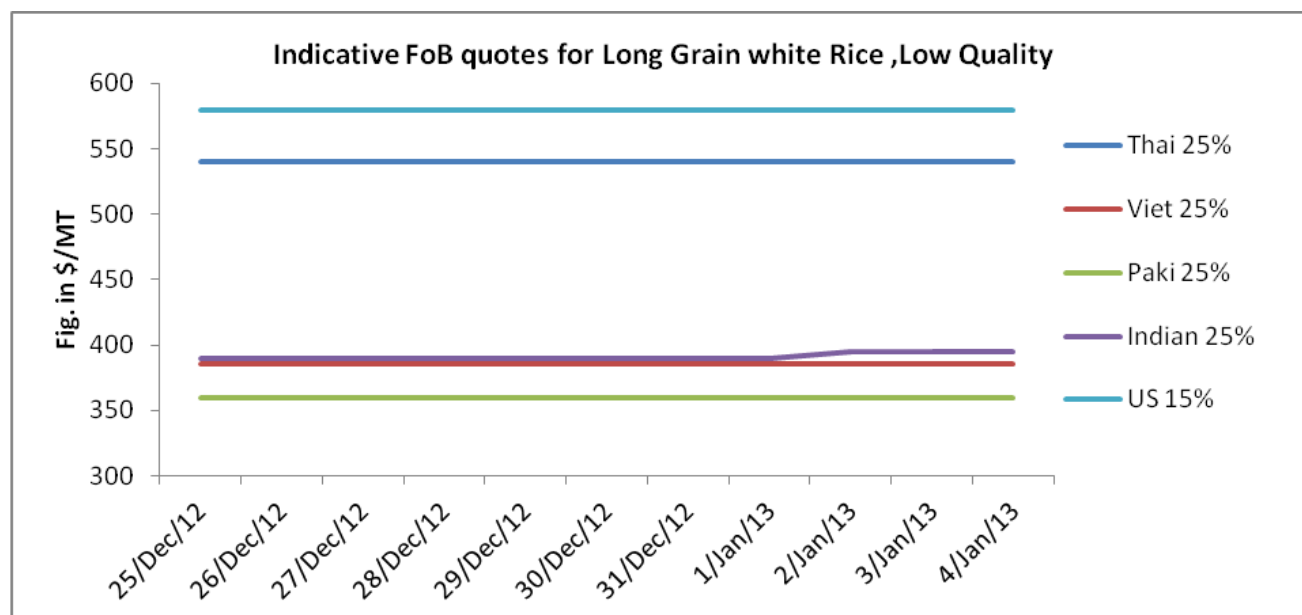
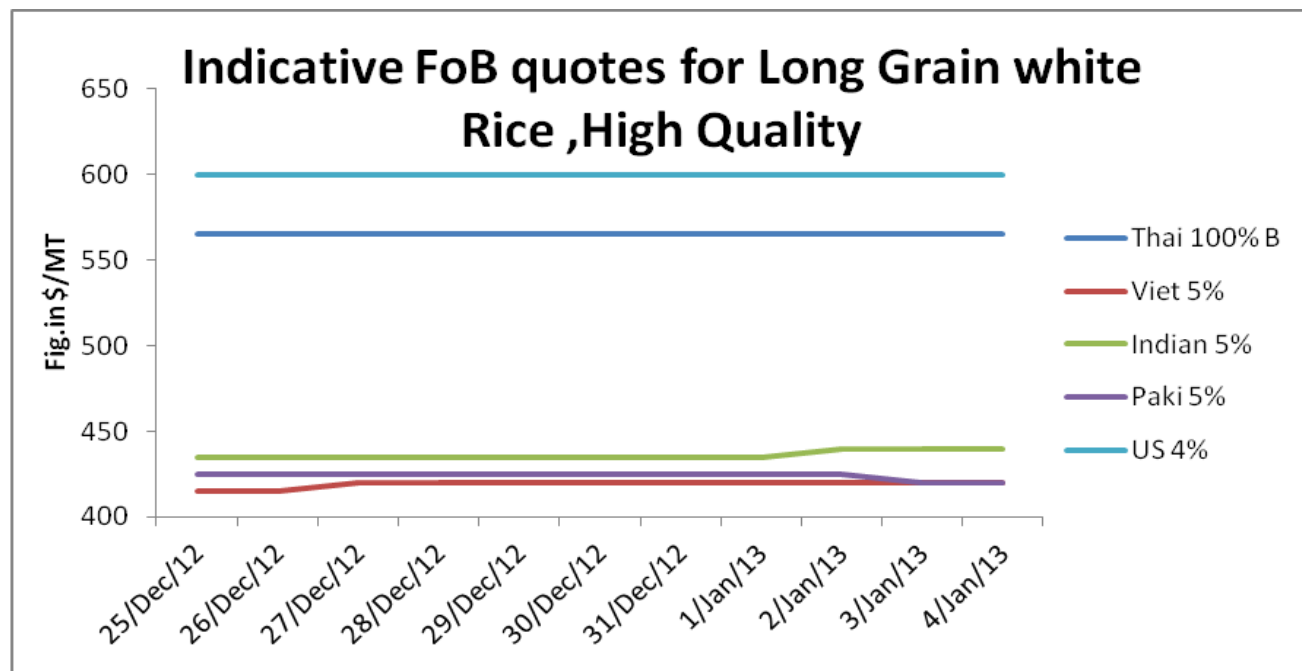
State	Prices in Rs/Quintal						
	Prices 01-08 Jan 2013	Prices 24-31 Dec 2012	Prices 16-23 Dec 2012	Prices 01-08 Jan 2012	% Change(Over Previous Week)	% Change(Over Previous to Previous Week)	% Change(Over Previous Year)
AP	3225.24	3149.18	3128.83	1876.84	2.42	3.08	71.84
Assam	2498.85	2477.11	2483.17	2461.84	0.88	0.63	1.5
Gujarat	2382.02	2312.2	2128.54	2054.8	3.02	11.91	15.92
Jharkhand	2396.93	2388.56	2304.02	1949.52	0.35	4.03	22.95
Karnataka	2704.24	2720.69	2703.76	2219.22	-0.6	0.02	21.86
Kerala	3476.06	3448.06	3588.12	2983.01	0.81	-3.12	16.53
Maharashtra	4645.55	4897.63	4935.45	3841.56	-5.15	-5.87	20.93
Orissa	2573.58	2169.84	2147.09	1902.13	18.61	19.86	35.3
UP	1643.38	1639.76	1647.38	1471.13	0.22	-0.24	11.71
Uttarakhand	1717.64		1769.69	1550	—	-2.94	10.82
West Bengal	2034.6	1997.42	2028.5	1898.13	1.86	0.3	7.19
Average	2705.24	2674.57	2742.17	2422.88			

As per the data reported by APMCs

Weekly Rice Price Trend for 1st Week of January:-

Price Projection for January 2nd week in domestic market:

Duration	Trend	Average Price Range
2 nd week of January, 2013	Steady to firm	Rs.-2675-2725

Rice market is expected to move up from current level as cost of production has increased considerably. Millers are unable to offer rice at lower rates. Despite better stock pile in central pool rice prices are expected to move up in the months ahead.

FOB Quotes for Long Grain White Rice, High Quality:-


Rice FOB quotes ruled steady in major exporting countries as the above given price chart shows. No major change is expected in the weeks ahead. Global rice market is expected to decrease slightly as supply from Thailand and Vietnam will increase. Thailand , Vietnam and Thailand will continue to pose tough challenge to the Indian rice exporters.

IGC Balance Sheet: Updated on 29.11.2012
(Fig. In MMT)

IGC released 23.08.12	estimate on	2007-08	2008-09	2009-10	2010-11	2011-12 estimated	2012-13 forecast 25.10.12 (Milled basis)	29.11.12
Rice								
Production		431	448	441	449	463	465	464
Trade		29	29	31	36	36	36	36
Consumption		427	435	438	447	457	466	466
Carry over St.		81	92	96	97	103	102	104
Year change		+5	+11	+4	+1	+6	-	-1
Major exporters		19	27	28	29	35	36	37

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

High Lights:-

- Asian rice markets mostly weakened over the last month as limited trade activity weighed on sentiment, along with increased supplies from main crop harvests.
- At 464m t, world rice production is forecast marginally lower than last month, but is still a record, as rises in China and elsewhere more than offset reduced output in India.
- World stocks are set to decline slightly in 2012/13, but supplies will remain comfortable, especially in the major exporters.
- Global trade in 2013 is projected to fall by 4% y/y on lower shipments to China and Nigeria.

World Market Recap:

Global rice trade is forecast to reach around 37.5 million tons in 2013, up slightly from the current 2012 estimate of around 37.3 million tons, according to the UN's Food and Agriculture Organization (FAO). The small increase in rice exports next year will be driven mainly by accumulated stocks in Thailand and a good harvest in India. However, the demand in China and the resumption of rice exports by Egypt are likely to change the equations of rice trade in 2013, says the FAO.

The Thailand government has purchased about 5.64 million tonnes rice worth about \$2.78 billion under the second year of the rice mortgage program that began on October 1, 2012. The Thailand Bank for Agriculture and Agricultural Cooperatives (BAAC) officer reports that about 778,000 farmers have so far participated in second term of scheme.

Thailand's total white rice exports in 2012 have reached over 5 million tons, down about 39.5% from around 8.3 million tons of white rice exports in 2011, according to the Thai Rice Exporters Association (TREA). Rice exports recovered in the last month of 2012, reaching about 350,658 tons, up about 15% from about 300,000 tons exported in December, 2011.

The Thai government plans to sell up to 7 million tons of rice under government-to-government (G2G) deals in 2013. This is in addition to the 7.33 million tons of rice exports under G2G deals announced by the Commerce Minister in September, 2012. However, the permanent secretary for commerce did not reveal details of the planned 7 million tons of rice exports, allowing local rice traders to speculate that the target is unachievable unless the government reduces export prices.

Vietnam's rice exports in 2012 have reached a record high of 8.05 million tons, up about 13% from last year's almost 7.1 million tons and the highest ever on record, Vietnam's General Statistics Office (GSO) said today. Both the USDA and the FAO have estimated that Vietnam will be this year's second largest rice exporters with exports of around 7.5 million tons, while the government estimated rice exports to cross 7.7 million tons.

Pakistan's basmati rice export declined by about 53% to 239,764 tons (valuing about \$233 million) during July 2012 to December 2012, from 509,904 tons (valuing about \$440 million) in the same period of last year, Rice Exporters Association of Pakistan (REAP) reported.

The USDA says that increase in rice yield in the region coupled with scope to expand rice acreage in Burma and Cambodia will not only help satisfy the import needs of Indonesia, the Philippines, and Malaysia, but also serve large import markets outside the region in the coming decade. Growth in rice production in Southeast Asia is projected to slow down in the coming decade, growing by about 11.3 million tons (milled basis) or about 1% from 2011 to 2021, compared with an increase of 16.6 million tons or 1.6% during 2000-10

CBOT Rough Rice Chart: March Contract:-

Market Analysis:

Global rice market in March Contract shows bullish trend in previous trading session, CBOT future price closed higher from previous level. We expect market will trade in the range of 15.00 (support) to 15.80 (resistant). However overall medium term outlook is bearish.

Price Projection (International-CBOT):-

Duration	Trend	Price Range
2 nd week of January, 2013	Steady	1520-1560

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