

**Latest Market Development:-**

***Rice prices continuously increase on better demand prospects in the coming weeks.*** Prices have constantly moved northward and we expect uptrend to continue as availability in retail market is declining. Stockiest and millers have started building up inventories sensing the bullish sentiments. Prices of basmati and non basmati have gone up by Rs 400 and Rs 150 per qtl respectively in last one week and going by current trend we expect almost equal level of increase in next two -three weeks. Traders have quoted higher price for immediate delivery.

***Despite arrivals from Kharif harvested crop and higher supply in the market rice prices continued to rule higher*** in the month of January and are unlikely to dip one way from current level. Inner tone in the market stands bullish due to continued export and good demand for Indian rice abroad. However, we expect price will move southward in February last week.

***India's rabi (winter) rice crop planting is down sharply from last year,*** reaching 1.476 million hectares, down about 19% from 2.042 million hectares rice planted by February 1, 2012. Rice planting in India has declined due to shortage of rainfall in key Rabi rice producing southern states of Andhra Pradesh and Tamil Nadu. The Rabi crop accounts for about 13% of India's annual rice production with the majority produced in the Kharif (summer) crop.

India's total Rabi planting area – including rice, wheat, oilseeds, pulses, and coarse cereals - reached at 60.502 million hectares so far, down about 0.5% from 60.834 million hectares planted at this time last year.

***We expect Rabi production to be limited at 13 million Tonnes*** on milled basis. This means total Kharif and Rabi production will be in the range of 98 to 99 million tonnes, which is lower than 103.4 million tonnes last year. Rabi sowing area is lagging behind by 19 percent to 8.79 lakh ha. till 18.01.2013. Normal area under Rabi rice is 44.99 lakh ha.

***Among the food grains, inflation for Wheat has increased to 23.23% from the previous Month's*** level of 23.19%, Cereals to 19.02% from the previous month's level of 15.85%, Rice to 17.10% from the previous month's level of 11.80% and Pulses has decreased to 17.57% from the previous month's level of 19.10%.

***Indian government agencies have procured almost 20.43 million tons of rice*** from the ongoing Kharif Marketing Season (KMS 2012 to 2013) till 18.01.2013. According to the Ministry of Consumer Affairs, Food and Public Distribution, total rice procured until January 18, 2013 is about 6.37 % more than the rice procured during the same period of the previous season of 192.14 lakh tonnes.

### **Domestic Market Fundamentals:**

Haryana has achieved the highest ever rice production of 39.76 lakh tonnes since its beginning in 1966. This has been achieved despite the state receiving about 36.8 percent less rainfall in 2012. According to state agriculture department the output of coarse rice was over 23.54 lakh tonnes, with a productivity of 40.03 quintals per hectare. The total crop area was 5.88 lakh hectares. This has remained highest both in production and productivity since 1966-67. The production of Basmati rice was 16.22 lakh tonnes, with a productivity of 25.87 quintals per hectare in an area of 6.27 lakh hectares which was also the highest since 1966-67.

### **Rice export through OGL as on 20.11.2012**

| Rice Export Under OGL till 30 <sup>th</sup> September, 2012 |              |              |              |             | From 1st Oct 2012(New Season) as on 20 Dec.12 |         |
|---|--------------|--------------|--------------|-------------|---|---------|
| Units are in lakh tons                                      | Non Basmati  | Basmati      | Total        | Non Basmati | Basmati                                       | Total   |
|   |              |              |              | 2012-13     | 2012-13                                       | 2012-13 |
|   |              |              |              |             |   |         |
| Oct-11  | 4.5          | 3.4          | 7.9          | 1.45        | 0.8   | 2.25    |
| Nov-11  | 5.5          | 4            | 9.5          | 2.0         | 0.5   | 2.5     |
| Dec-11  | 5.9          | 2.5          | 8.4          | 2.75        | 0.35  | 3.1     |
| Jan-12  | 5.45         | 2.75         | 8.2          |             |   |         |
| Feb-12  | 5.75         | 1.76         | 7.51         |             |   |         |
| Mar-12  | 5.6          | 2.25         | 7.85         |             |   |         |
| Apr-12  | 5.8          | 1.35         | 7.15         |             |   |         |
| May-12  | 5.3          | 1.9          | 7.2          |             |   |         |
| Jun-12  | 5.5          | 1.75         | 7.25         |             |   |         |
| Jul-12  | 5.25         | 2.25         | 7.5          |             |   |         |
| Aug-12  | 3.75         | 1.71         | 5.46         |             |   |         |
| Sep-12  | 2.25         | 1.25         | 3.5          |             |   |         |
| <b>Total</b>  | <b>60.55</b> | <b>26.87</b> | <b>87.42</b> |             |   |         |

**Note: - New season for paddy starts on Oct 2012. (As on 30<sup>th</sup> Dec)**

Rice export reached to 87.42 million tonnes for this MY 2012. Non-basmati rice export touched 60.55 lakh tonnes while basmati export touched 2.6 million tonnes. At the end of this Marketing Year total rice export crossed over 8.74 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 February onward.

### 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 18/01/2013

| States         | Total procurement in marketing season 2011-12 (Oct. – Sept.) | (Lakh tonnes)                  |                               |
|----------------|--|--------------------------------|-------------------------------|
|                |  | In Marketing season 2012- 2013 | In Marketing season 2011-2012 |
| Andhra Pradesh | 75.38  | 22.68                          | 24.64                         |
| Chhattisgarh   | 41.15  | 32.55                          | 29.44                         |
| Haryana        | 20.07  | 25.83                          | 19.66                         |
| Kerala         | 3.72   | -                              | -                             |
| Madhya Pradesh | 6.35   | 6.63                           | 4.18                          |
| Maharashtra    | 1.78   | 1.13                           | 0.63                          |
| Orissa         | 28.46  | 14.18                          | 7.91                          |
| Punjab         | 77.31  | 85.57                          | 77.31                         |
| Tamil Nadu     | 15.96  | 0.01                           | 3.19                          |
| Uttar Pradesh  | 33.55  | 9.58                           | 18.40                         |
| Uttaranchal    | 3.78   | 2.04                           | 1.71                          |
| West Bengal    | 20.34  | 3.67                           | 2.83                          |
| All-India      | 350.25   | 204.39                         | 192.14                        |

Rice procurement by Government agencies has crossed the half-way-mark of the targeted 40 million tonnes (mt) for the Kharif marketing season 2012-13 starting October. Procurement as of end-January stood at 20.43 mt, up by 6 per cent over that in the corresponding period last year at 19.21 mt. Procurement has been higher in Punjab, Haryana, Chhattisgarh and Odisha, while States such as Andhra Pradesh and Uttar Pradesh have registered a decline. Procurement of paddy by the State agencies has been completed in the major rice growing States with the exception of Andhra Pradesh, Bihar and Odisha. The Government agencies had procured 35 mt of rice in the 2011-12 Kharif marketing season and are targeting 40 mt in the current season.

***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 | 34.75 |       |       |       |       |       |       |       |       |       |       |

India's rice stock as of Jan-01, 2013 stood at around 32.22 million tonnes, much above the buffer and strategic requirements. We expect stock to reach 34.75 million T in Feb. 2013 with ongoing procurement. The govt. has set the procurement target of 40 million T in ongoing season. However, lower production in Kharif season may hamper the set target. However procurement is smooth so far and contribution from eastern and southern states to the central pool kitty may improve.

**State wise Wholesale Prices Weekly Analysis for Rice January, 2013**

| State       | Prices in Rs/Quintal  |                       |                       |                              |                              |
|-------------|-----------------------|-----------------------|-----------------------|------------------------------|------------------------------|
|             | Prices 24-31 Jan 2013 | Prices 16-23 Jan 2013 | Prices 24-31 Jan 2012 | % Change(Over Previous Week) | % Change(Over Previous Year) |
| AP          | 3364.96               | 3004.99               | 2026.59               | 11.98                        | 66.04                        |
| Assam       | 2516.17               | 2356.64               | 2003.06               | 6.77                         | 25.62                        |
| Gujarat     | 2585.19               | 2391.44               | 2076.45               | 8.1                          | 24.5                         |
| Jharkhand   | 2415.71               | 2378.15               | 2054.4                | 1.58                         | 17.59                        |
| Karnataka   | 3105.23               | 2841.25               | 2162.54               | 9.29                         | 43.59                        |
| Kerala      | 3616.97               | 3539.02               | 2792.26               | 2.2                          | 29.54                        |
| Maharashtra | 4825.24               | 4825.63               | 3810.08               | -0.01                        | 26.64                        |
| Meghalaya   | 3080.49               | 3320                  | 3100                  | -7.21                        | -0.63                        |

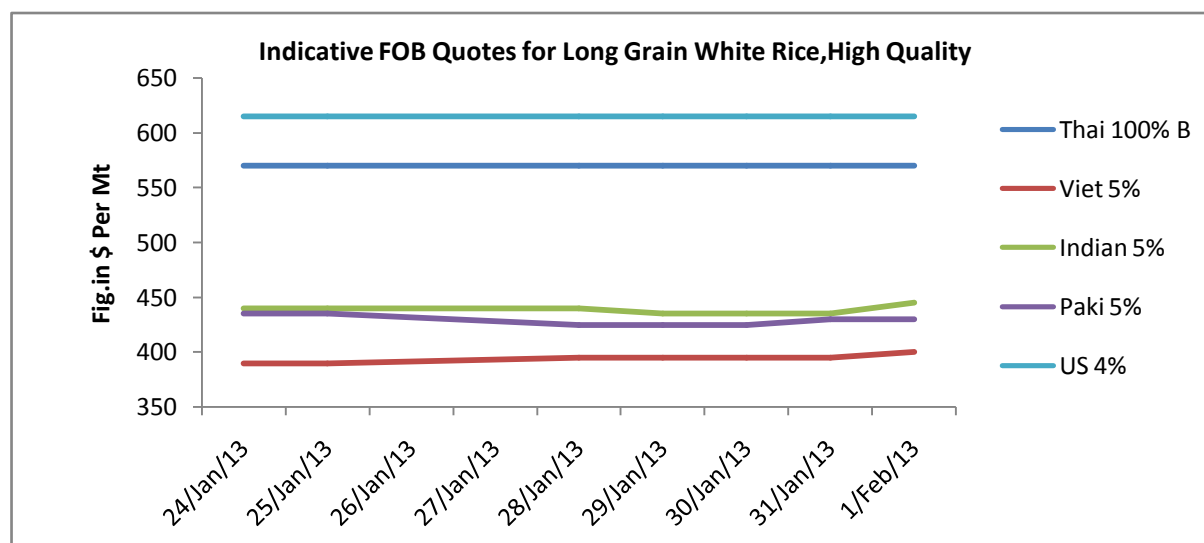
|                     |                |                |                |       |       |
|---------------------|----------------|----------------|----------------|-------|-------|
| <b>NCT of Delhi</b> | 1600           | 1700           | 1500           | -5.88 | 6.67  |
| <b>Orissa</b>       | 2468.81        | 2451.64        | 1939.8         | 0.7   | 27.27 |
| <b>UP</b>           | 1663.12        | 1650.03        | 1440.45        | 0.79  | 15.46 |
| <b>Uttrakhand</b>   | 2249.54        | 1832.93        | 1622.3         | 22.73 | —     |
| <b>West Bengal</b>  | 2205.09        | 2157.4         | 1937.57        | 2.21  | 13.81 |
| <b>Average</b>      | <b>2745.89</b> | <b>2649.93</b> | <b>2189.65</b> |       |       |

Prices of rice have firm slightly in comparison to last week and we expect market will trade steady to firm further on better demand side and lower production estimates for Rabi rice, also , prices are higher than Jan 2012 as denotes the above given table.

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

| <b>Duration</b>                              | <b>Trend</b>  | <b>Average Price Range</b> |
|--|---------------|----------------------------|
| <b>2<sup>nd</sup> week of February, 2013</b> | <b>Steady</b> | <b>Rs.-2700-2800</b>       |

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



Rice FOB quotes for Thai 100% and US 4% are unchanged from previous week, whereas Indian FOB is moving upward due to better demand prospects in the overseas market, followed by Pakistan and Vietnam Quotes.

Rice FOB Prices – America and Asia (as on 02.02.2013)

(USD/MT)

| Grade/Variety            | Thailand | Vietnam | India | Pakistan | USA |
|--------------------------|----------|---------|-------|----------|-----|
| 100%B - 5%DWP, US 4%     | 570      | 400     | 445   | 430      | 615 |
| Broken, Thai A 1 super   | 530      | 345     | 335   | 350      | -   |
| Fragrant homali /basmati | 1135     | 585     | 1065  | 1025     | -   |
| 25%, US-15%              | 545      | 365     | 395   | 365      | 595 |
| Parboiled, US-4%         | 590      | -       | 440   | 450      | 630 |

IGC Balance Sheet: Updated on 17.01.2013

(Fig. In MMT)

| IGC estimate released on 17.01.13 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 estimated | 2012-13 forecast<br>29.10.12 (Milled basis) | 17.01.13 |
|-----------------------------------|---------|---------|---------|---------|-------------------|---|----------|
| Rice                              |         |         |         |         |                   |   |          |
| Production                        | 431     | 448     | 441     | 448     | 464               | 464   | 464      |
| Trade                             | 29      | 29      | 31      | 36      | 36                | 36  | 36       |
| Consumption                       | 427     | 435     | 437     | 446     | 457               | 466   | 467      |
| Carry over St.                    | 81      | 92      | 96      | 99      | 105               | 104   | 103      |
| Year change                       | 5       | 11      | 4       | 2       | 7                 |   | -2       |
| Major exporters                   | 19      | 27      | 29      | 31      | 36                | 37  | 37       |

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

High Lights:-

- Rice markets remain relatively stable with support from tight export availabilities in Thailand and Vietnam mostly offset by pressure from limited export interest.
- Rice output is forecast unchanged y/y and, while global stocks are expected to show a small decline, major exporters' inventories are seen rising to a record 37.1m t.
- With world use expected to rise by 2% y/y, global ending stocks are forecast to fall slightly, but major exporters' supplies are set to rise slightly for an eighth successive year.
- Global trade in 2013 is projected to fall by 6% from last year's record on reduced shipments to Asia and Africa.

## World Market Recap:

**Under the 2012 Minimum Market Access (MMA) commitments**, South Korea purchased a total of 368,006 tons of rice from the United States (100,901 tons), China (166,070 tons), Thailand (29,963 tons), Australia (9,030 tons), Vietnam (45,400 tons), India (11,642 tons) and Myanmar (5,000 tons).

**In an effort to boost Vietnam paddy prices, the Vietnam Food Association** has asked members to begin stockpiling a targeted one million tons of paddy at the minimum price of 5,000 dong per kilogram (about \$240 per ton), according to local media. Vietnam's winter/spring crop is estimated at about 3.8 million tons with harvest peaking in February and March.

**Japan's paddy rice production in 2012 is likely to reach about 10.54 million tons, according to the UN's Food and Agriculture Organization (FAO).** Paddy rice production in 2012 is slightly higher than around 10.5 million tons produced in the previous year, but about 2% less than the average of previous five years. The FAO said that rice acreage has not increased much since the Fukushima disaster about two years ago.

**Russia's rice production in 2013 is forecast to remain at last year's levels at around 685,000 tons** despite a nearly 11% decline in rice acreage this year, the USDA Post in Russia .Area under rice cultivation is expected to decline from around 207,000 hectares in 2012 to about 185,000 hectares this year as farmers continue to grow corn in place of most other grains. However, the Post says that loss in acreage is unlikely to impact rice production as rice yield continues to increase in the country. According to the Post, Russia's average rice yield is likely to reach around 5.7 tons per hectare in 2013, up about 14% from around 5 tons per hectare in 2012.

**Paddy rice production in the Philippines is expected to increase to about 4.27 million tonnes in the first quarter of 2013, up around 7% from about 3.99 million tons produced in the first quarter 2012**, according to the Bureau of Agriculture Statistics (BAS). The area under rice cultivation is seen increasing to 1.12 million hectares, up almost 4% from around 1.08 million hectares in the same period last year, while yield may increase by about 3% to around 3.8 tons per hectare.

**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.



**CBOT Rough Rice Chart: March Contract:-**

**Market Analysis:**

**Global rice market shows a 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 15.60 (resistant). However, Rice CBOT market is moving range bound and bearish tone is likely to continue on latest bearish outlook by IGC.

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

| Duration                               | Trend  | Price Range |
|--|--------|-------------|
| 2 <sup>nd</sup> week of February, 2013 | Steady | 15.00-15.40 |

**Weather Watch:**
**Major Feature of Weather Forecast up to 07<sup>th</sup> February, 2013:**

Rain/snow would occur at most places over Jammu & Kashmir, Himachal Pradesh and Uttarakhand during next 48 hours and decrease thereafter.

Rain/thundershowers would occur at many places over Punjab, Haryana & Delhi, Rajasthan & U.P during next 48 hours and at a few places over Uttar Pradesh and at one or two places over Punjab, Haryana & Delhi, Rajasthan thereafter.

Rain/thundershowers would occur at one or two places over Gujarat and west Madhya Pradesh.

Rain/thundershowers would occur at one or two places over northeastern states and Andaman & Nicobar Islands during next 48 hours.



No significant change in minimum temperatures over northwest and adjoining central & east India during next 2-3 days.

Mainly dry weather would prevail over rest parts of the country.

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