SEASONAL COMMODITY INSIGHT

09th February 2015

Rice (Non - Basmati)

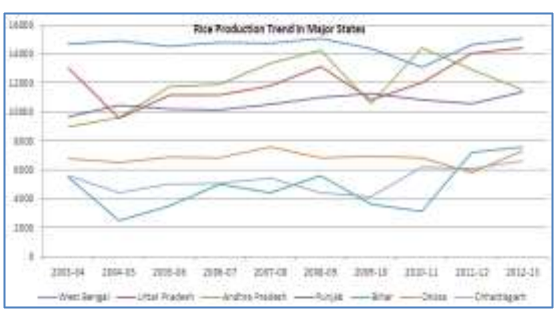
Domestic Scenario

India is the second largest producer of rice in the world after China, contributing to about 21.45 per cent of the world's production. According to the 4th advance estimates (released on 14th August 2014), rice production for 2013-14 is estimated at a record 106.54 million MT. Since the last three years, production has increased substantially owing to good yields across production tracks, supported by good monsoon rains and increase in the Minimum Support Price. Over 70.08 per cent of the total production for the country was contributed by 7 states. The top rice producing states of the country are West Bengal (14.28 per cent), Uttar Pradesh (13.70 per cent), Andhra Pradesh (10.94 per cent), Punjab (10.81 per cent), Bihar (7.15 per cent), Orissa (6.93 per cent) and Chhattisgarh (6.28 per cent). The domestic consumption is estimated at 95 to 100 million MT. India holds the second position in the major rice consumer's list after China.

Rice Production in India ('000 MT)

State	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
West Bengal	14662	14885	14511	14746	14720	15037	14341	13046	14606	15024
Uttar Pradesh	13019	9556	11134	11124	11780	13097	10807	11992	14022	14416
Andhra Pradesh	8953	9601	11704	11872	13324	14241	10538	14418	12895	11510
Punjab	9656	10437	10193	10138	10489	11000	11236	10837	10542	11374
Bihar	5448	2472	3496	4989	4418	5590	3599	3102	7163	7529
Orissa	6734	6466	6859	6825	7541	6813	6917	6828	5807	7295
Chhattisgarh	5568	4383	5012	5041	5427	4392	4110	6159	6028	6609
Assam	3880	3471	3553	2916	3319	4009	4336	4737	4516	5129
Tamil Nadu	3223	5062	5220	6611	5040	5183	5665	5792	7459	4050
Haryana	2790	3023	3210	3371	3613	3298	3625	3472	3759	3976
Karnataka	2550	3547	5744	3446	3717	3802	3691	4188	3955	3364
Jharkhand	2310	1677	1558	2968	3336	3420	1538	1110	3131	3165
Maharashtra	2835	2164	2695	2569	2996	2284	2183	2696	2841	3057
Madhya Pradesh	1750	1169	1656	1368	1462	1560	1261	1772	2227	2775
Gujarat	1277	1238	1298	1390	1474	1303	1292	1497	1790	1541
Others	3871	3981	3952	3981	4038	4154	3953	4334	4570	4428
All-India	**88526**	**83132**	**91793**	**93355**	**96693**	**99183**	**89093**	**95980**	**105311**	**105241**

Source: Ministry of Agriculture



Overall India's rice production has increased by about 18.88 per cent over the decade (2003-13). During the above period the maximum growth in production was seen in Madhya Pradesh (58.54 per cent). The other top five rice growing states with significant growth in production are Haryana (42.51 per cent), Bihar (38.21 per cent), Jharkhand (37.01 per cent), Assam (32.18 per cent) and Karnataka (31.91 per cent).

International Scenario

The global rice scenario also expected to affect the prices in a big way. To measure the exact impetus of the global factors, we can have a close watch at the global rice balance over the last 15 years. From the table we can see that the global production over the years have shown gradual improvement by about 19.18 per cent in the last 15 years. Likewise the export and consumption grew by 75.31 and 22.17 per cent respectively. The positive fact about the rice trade is the growth in the consumption over the years and the

World Rice: Supply and Demand **(Million MT)**

Years	Production	TY Exports	Domestic Consumption	Ending Stocks
2000-01	399.30	24.30	395.60	146.70
2001-02	399.50	27.70	413.30	132.90
2002-03	378.20	27.60	408.10	103.00
2003-04	392.30	27.30	413.70	81.60
2004-05	400.90	29.00	408.60	73.90
2005-06	417.90	29.10	415.50	76.30
2006-07	420.50	31.90	421.60	75.20
2007-08	432.90	29.60	427.30	80.80
2008-09	449.10	29.40	437.60	92.40
2009-10	440.90	31.80	438.70	94.60
2010-11	450.00	36.60	445.00	99.60
2011-12	467.00	39.90	459.80	106.80
2012-13	471.90	39.40	468.60	110.10
2013-14	477.00	42.60	480.20	106.90
2014-15	**475.50**	**42.60**	**483.30**	**99.00**

Source: USDA

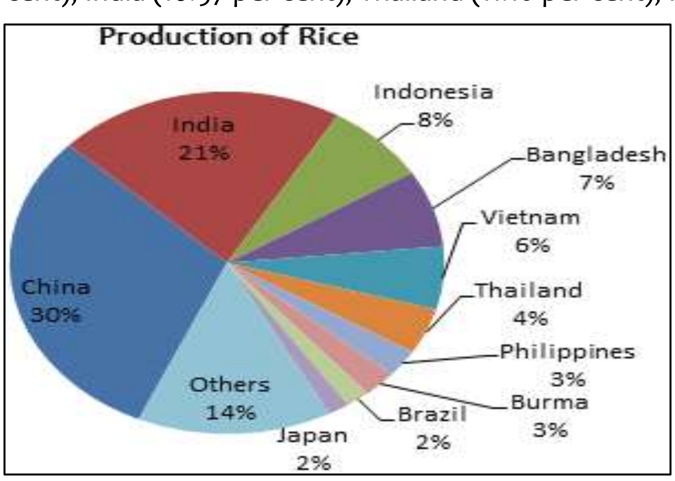
consistent increase in the production. If this pattern of consumption (rate of growth) continues in the coming years, the prices are bound to maintain a steady uptrend as the supply is always going to lag behind the demand.

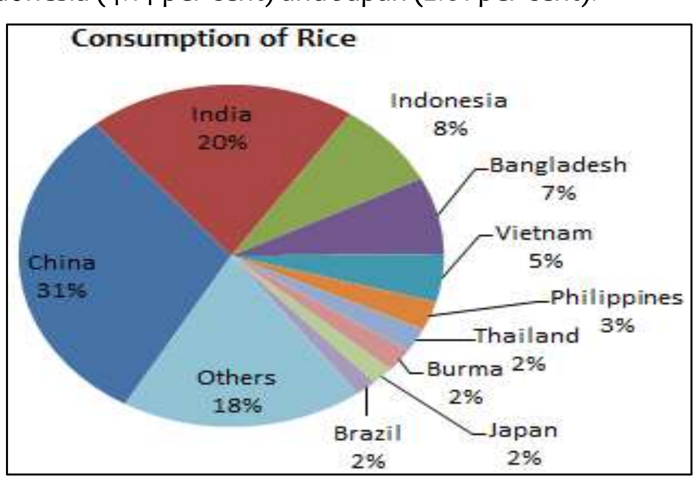
Country wise Trends in Production, Consumption and Ending Stocks (Million MT)

Country	2010-11	2011-12	2012-13	2013-14	2014-15
Production					
China	137.00	140.70	143.00	142.53	144.50
India	95.98	105.31	105.24	106.54	102.00
Indonesia	35.50	36.50	36.55	36.30	36.50
Bangladesh	31.70	33.70	33.82	34.39	34.60
Vietnam	26.37	27.15	27.54	28.16	28.25
Thailand	20.26	20.46	20.20	20.46	20.50
Philippines	10.54	10.71	11.43	11.86	12.20
Burma	11.06	11.47	11.72	11.96	12.15
Brazil	9.30	7.89	8.04	8.30	8.30
Japan	7.72	7.65	7.76	7.83	7.70
Others	64.53	65.46	66.60	68.63	68.77
World Total	**449.96**	**467.00**	**471.88**	**476.96**	**475.47**
Consumption					
China	135.00	139.60	144.00	146.30	148.00
India	90.21	93.33	94.03	99.18	99.00
Indonesia	38.04	38.19	38.13	38.50	39.20
Bangladesh	32.40	34.30	34.50	34.90	35.20
Vietnam	19.40	19.65	21.90	22.00	21.90
Philippines	12.90	12.86	12.85	12.85	13.20
Thailand	10.30	10.40	10.60	10.88	10.90
Burma	10.10	10.20	10.40	10.45	10.70
Japan	8.20	8.05	8.25	8.25	8.20
Brazil	8.20	7.93	7.85	7.90	7.90
Others	80.22	85.27	86.13	88.97	89.13
World Total	444.97	459.78	468.63	480.18	483.33
Ending Stock					
China	42.57	45.02	46.83	46.81	46.91
India	23.50	25.10	25.44	22.50	16.80
Thailand	**5.62**	**9.33**	**12.81**	**12.39**	**10.99**
Indonesia	7.13	7.40	6.48	5.50	4.10
Japan	2.71	2.75	2.74	2.78	2.78
Philippines	2.46	1.51	1.49	1.95	2.55
United States	**1.51**	**1.30**	**1.16**	**1.03**	**1.31**
European Union	1.22	1.15	1.19	1.19	1.18
Others	12.89	13.27	11.96	12.72	12.38
World Total	**99.61**	**106.83**	**110.08**	**106.86**	**99.00**

Source: Foreign Agricultural Service, Official USDA Estimates

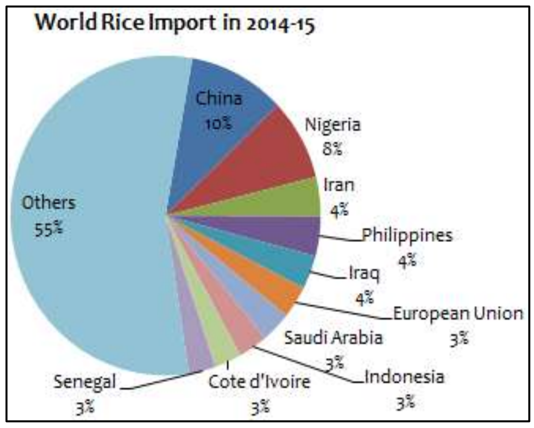
From the above table, we can see that the global production over the years have shown gradual improvement. It showed an increase of about 5.67 per cent over the last five years. The top rice producing countries are China (30.39 per cent), India (21.45 per cent), Indonesia (7.68 per cent), Bangladesh (7.28 per cent), and Vietnam (5.94 per cent). During this period the maximum growth in production was seen in Pakistan (30.00 per cent). Likewise the consumption has improved by (8.62 per cent). It was seen in China (30.62 per cent), India (20.48 per cent), Indonesia (8.11 per cent), Bangladesh (7.28 per cent) and Vietnam (4.53 per cent). There has been global ending stock declined marginally by 0.61 per cent. The maximum ending stock contribution was seen in China (47.39 per cent), India (16.97 per cent), Thailand (11.10 per cent), Indonesia (4.14 per cent) and Japan (2.81 per cent).



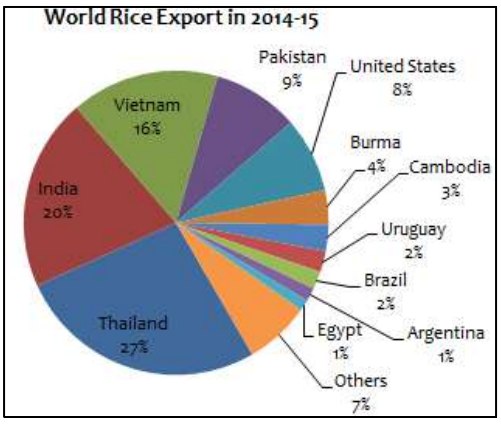


World Rice Trade (Million MT)

In the international rice trade, a relatively small number of exporting countries must interact with a large number of importing countries. However, because of market segmentation, some of the larger rice importers have had major impacts on world rice prices. The top six importing nations accounts for 33.01 per cent of the total global imports of which 10.10 per cent is done only by China. The other countries worth mentioning are Nigeria (8.22 per cent), Iran (3.99 per cent), Philippines (3.99 per cent) and Iraq (3.41 per cent).



The major countries involved in the export of rice are explained by the following chart. Because of the high concentration of exports coming from only a few countries, the international rice market is vulnerable to disruptions in supply from major exporting countries, leading to higher world prices. This means that a sudden change in production trade policy in one or more of these countries could have a major impact on world market flows and prices. More rice exports from a larger number of countries will help buffer future trade against some of the causes of instability that have been described. However, world prices are likely to remain unstable, as production shocks occur or trade policies change in the major exporting countries. Climate change could also contribute to the instability in prices, depending on how it affects productivity in rice-producing countries. As per the details top six rice exporting countries contributed 83.54 per cent. The top rice producing countries are Thailand (26.55 per cent), India (20.44 per cent), Vietnam (15.74 per cent), Pakistan (9.16 per cent) and United States (7.99 per cent).



Major Importers of Rice in World (Million MT)

TY Imports	2010-11	2011-12	2012-13	2013-14	2014-15
China	0.58	2.90	3.48	3.90	4.30
Nigeria	2.55	3.40	2.40	3.00	3.50
Iran	1.87	1.50	2.22	1.65	1.70
Philippines	1.20	1.50	1.00	1.65	1.70
Iraq	1.04	1.48	1.29	1.40	1.45
European Union	1.50	1.31	1.38	1.50	1.40
Saudi Arabia	1.06	1.19	1.33	1.45	1.33
Indonesia	3.10	1.96	0.65	1.23	1.30
Cote d'Ivoire	0.94	1.38	0.94	1.15	1.20
Senegal	0.81	1.20	1.08	1.20	1.20
Others	21.95	22.11	23.67	24.43	23.48
World Total	**36.57**	**39.93**	**39.43**	**42.56**	**42.56**

Source: Foreign Agricultural Service, Official USDA Estimates

Major Exporters of Rice in World (Million MT)

TY Exports	2010-11	2011-12	2012-13	2013-14	2014-15
Thailand	10.65	6.95	6.72	10.30	11.30
India	4.64	10.25	10.48	10.50	8.70
Vietnam	7.00	7.72	6.70	6.50	6.70
Pakistan	3.41	3.40	4.13	3.90	3.90
United States	3.25	3.30	3.29	3.00	3.40
Burma	1.08	1.36	1.16	1.55	1.55
Cambodia	0.86	0.90	1.08	1.00	1.20
Uruguay	0.84	1.06	0.94	0.93	0.95
Brazil	1.30	1.11	0.83	0.84	0.80
Argentina	0.73	0.61	0.53	0.60	0.60
Egypt	0.32	0.60	0.70	0.60	0.50
Others	2.51	2.70	2.88	2.84	2.96
World Total	**36.57**	**39.93**	**39.43**	**42.56**	**42.56**

Source: Foreign Agricultural Service, Official USDA Estimates

Most of the rice is grown and consumed in Asia, from Pakistan in the west to Japan in the east. 'Rice-producing Asia' – defined as Asia excluding Mongolia and the countries of Central Asia – accounts for roughly 90% of world rice production. But because it is a net exporter of rice to the rest of the world, its current share in global rice consumption is slightly less (87%). The overall rice export from India has increased by about 32.22 per cent over last four years. During the above period the maximum export from India was seen in Bangladesh (12.27 per cent). The other top countries are Benin (9.69 per cent), Senegal (9.57 per cent), Sri Lanka (8.33 per cent), Nepal (6.04 per cent) and Guinea (5.00 per cent). Indian exports to Bangladesh, Senegal, Liberia, Benin and Nepal have multiplied significantly.

Status of Rice Exports from India **(Lakh MT)**

Country	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (April - November)
Benin	4052	1957	213720	576546	1166847	511228
Bangladesh	65	5499	144704	31334	662834	647371
Senegal	0	0	333929	854560	651984	504849
Nepal	20814	27159	140862	396586	406163	318856
South Africa	1036	21627	192121	430702	394305	236904
Liberia	0	2	31278	166306	323391	175939
Cote D' Ivoire	5275	1700	282327	596845	261504	159465
Madagascar	1805	0	34830	102273	250693	32698
U Arab Emts	11816	1625	206819	262075	225527	139925
Guinea	870	0	15003	281845	221774	264011
Others	45733	59569	1600093	3699072	4565022	2991246
Total	**139546**	**100681**	**3991768**	**6687851**	**7148472**	**5277880**

Source: DGCIS

In Asia, rice consumption is very high, exceeding 100 kg per capita annually in many countries. For about 520 million people in Asia, most of them poor or very poor, rice provides more than 50% of the caloric supply. It is widely expected that per capita rice consumption in a majority of Asian countries will start or continue to decline in the future with rising income as people diversify their diets. Among high-income Asian countries such as Japan, Taiwan, and South Korea, as well as in Hong Kong, a significant decline in per capita consumption has been witnessed in the last four decades. In many other developing Asian nations, including India, Vietnam, and Indonesia, per capita consumption in recent years has also started to decline with rising income, but at a rather slow pace. On the other hand, many other middle- to low-income Asian countries, including the Philippines, Myanmar, Cambodia, Bangladesh, and Laos, continue to witness rising per capita consumption.

In sub-Saharan Africa, rice is the fastest growing staple food. Annual per capita rice consumption has doubled since 1970 to 27 kg and continues to increase rapidly in most countries, caused by high rates of population growth and changing consumer preferences. Urban dwellers who rarely ate rice only a few decades ago now consume it daily. In the least developed African countries, such as Nigeria, Tanzania, and Niger, people are moving away from tubers and cassava to rice with rising income.

Rice is also one of the most important and fastest growing staple foods in Latin America, especially among urban consumers and particularly the poor. In Latin America and the Caribbean, there has been a 40% increase in rice consumption over the last two decades due to a combination of population growth and steadily rising per capita consumption. In South America, average annual per capita rice consumption is 45 kg, while in the Caribbean it has reached over 70 kg. Like Africa, Latin America is a net importer of rice, with a projected annual deficit of 4 million tons by 2015.

Similar strong consumption growth has also been evident among Middle Eastern countries with rice consumption almost doubling in the last two decades. Along with strong population growth, rapid rise in per capita consumption has also contributed to this rapid growth in rice demand. Even in developed countries and regions such as the United States and the European Union, per capita consumption of rice continues to grow, partly due to immigration from Asian countries.

In most of the developing world, rice availability is equated with food security and closely connected to political stability. Changes in rice availability, and hence price, have caused social unrest in several countries. During the food crisis of 2008 rice prices tripled; The World Bank estimated that an additional 100 million people were pushed into poverty as a result. For the extreme poor in Asia, who live on less than $1.25 a day, rice accounts for nearly half of their food expenditures and a fifth of total household expenditures, on average.

Procurement of Rice by FCI

The Govt. policy of procurement of Food grains has the broad objectives of ensuring MSP to the farmers and also ensuring availability of food grains to the weaker sections at affordable prices. It also ensures effective market intervention thereby keeping the prices under check and also adding to the overall food security of the country. FCI, the nodal central agency of GOI, along with other State Agencies undertakes procurement of wheat, paddy and coarse grains under price support scheme and rice under statutory levy scheme. The procurement under Price Support is taken up mainly to ensure remunerative prices to the farmers for their produce which works as an incentive for achieving better production. Stocks which are brought to the Purchase centers falling within the Govt. of India's specifications are purchased at the fixed support price. If the farmers get prices better than the support price from other buyers such as traders / millers etc., the farmers are free to sell their produce to them. FCI and the State Govt./its agencies ensure that the farmers are not compelled to sell their produce below support price.

Procurement of Rice **(lakh MT)**

States	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15*
Punjab	79.81	85.54	92.75	86.35	77.31	85.58	81.06	77.82
A.P.	75.97	90.58	75.55	96.09	75.42	64.87	80.91	21.57
Chattisgarh	27.43	28.48	33.57	37.46	41.15	48.04	42.90	23.46
Haryana	15.74	14.25	18.19	16.87	20.07	26.09	24.06	19.96
West Bengal	14.29	17.43	12.40	13.10	20.41	17.66	13.59	5.26
U.P.	28.91	40.07	29.01	25.54	33.57	22.86	11.27	7.67
Others	45.21	64.67	58.87	66.57	82.43	75.34	64.60	18.26
Total	287.36	341.02	320.34	341.98	350.36	340.44	318.39	174.00

* Updated Till 16.01.2015
Source: FCI, Govt. of India

Important Facts Governing the Prices

India

- India's rice exporters may end the current fiscal on a damp note due to Iraq has doubled the import duty to 40 per cent, while Iran has clamped an outright ban at a time when price realization has slipped 15-20 per cent in overseas markets.
- Rice export from India are likely to fall about 15 per cent this year due to lower prices in global markets, experts say. It is expected the export will also be affected by a steep rise in import duty by Iran, which accounts for the highest grain export from India.
- In an effort to contain domestic price inflation, the newly-elected National Democratic Alliance Government has already approved additional allocation of 5.0 MMT rice for distribution through the Public Distribution System (PDS) for the period July 2014 to March 2015. Media reports note that senior GOI officials have committed to releasing additional rice stocks into the market as to contain food price inflation.
- Recent surges in domestic prices vis-à-vis the current exchange rate with the U.S. dollar have affected the export competitiveness of Indian rice. This dynamic may change as international prices and exchange rates fluctuate. The GOI is unlikely to impose export restrictions on rice given current sufficient domestic supplies, as well as current production and export estimates.

World

- The **UN,s Food and Agriculture Organization (FAO)** estimates 2014-15 global rice production will decline marginally from last year's production to around 496.2 million MT; this estimates is up slightly from its previous estimates. The decline from last year is attributed to decreases in South America, Sri Lanka, Australia and Madagascar.
- **Thailand:** In 2015, Thailand is expected to experience the worst drought in more than a decade, according to the Irrigation Department Officials. The government has allocated about 6.8 billion baht (about $208.65 million) to help alleviate and endure the drought.
- **Pakistan:** Pakistan 5per cent broken rice is today shown at about $350 per ton, down about $10 per ton from a week ago, down about $30 per ton from a month ago and down about $45 per ton from a year ago. In January 2015, Pakistan's basmati rice export prices have declined about 1 per cent m/m to around $876 per ton from around $885 per ton in December 2014, and down about 37 per cent from their year

ago levels of around $1,396 per ton, according to data from the UN's Food and Agriculture Organization (FAO).

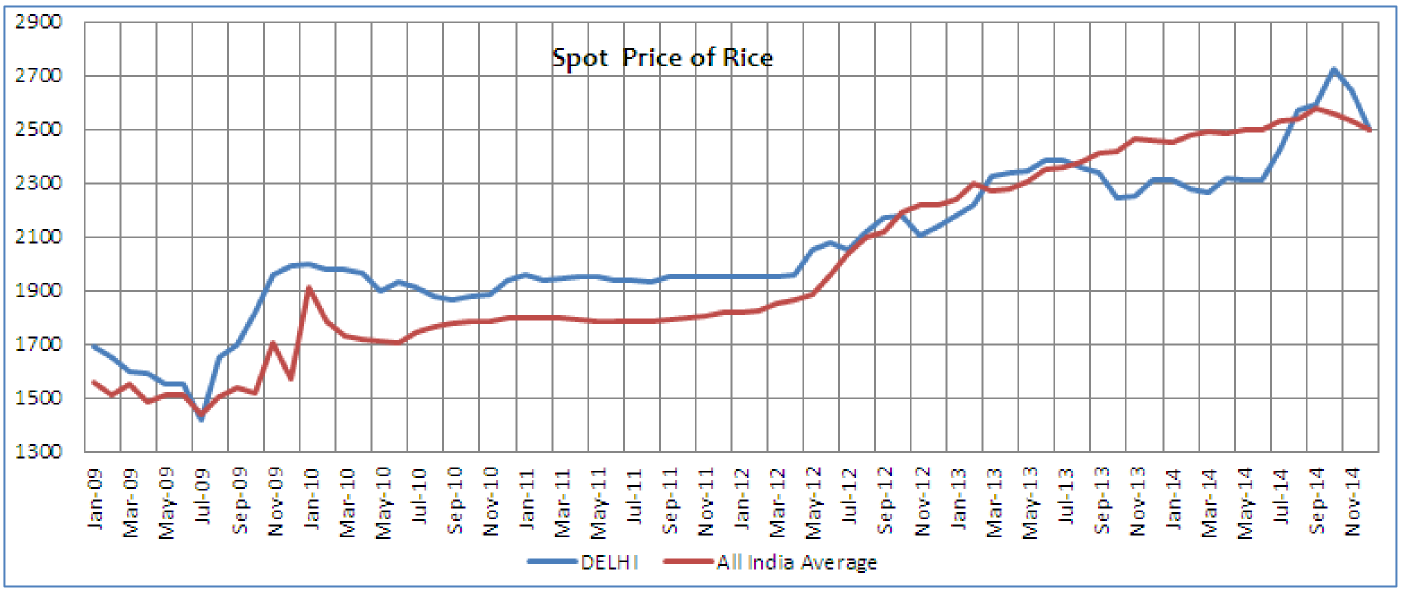
- **Brazil:** The USDA Post estimates Brazil's MY 2014-15 (April-March) rice exports will be around 900,000 tons, unchanged from both the previous year and previous estimates.
- Mauritania: Paddy rice production in Mauritania reached around 202,000 tons in 2013-14, making it sufficient to cover 69 per cent of the country's domestic consumption demand./ the Agriculture Ministry anticipates production in2014-15 will meet 90 per cent of the country's consumption needs.
- **China:** Government in China has decided to continue the state stockpiling policy of rice in 2-15 but will maintain last year's minimum rice purchase prices (MRPP).
- Nepal: Nepal imported about 97,098 tons of rice from India through the Belhiya transit point in the first six months of the current fiscal year 2014-15 (August 2014-July 2015), up about 42 per cent from the same period in FY 2013-14.
- **Japan:** It has bought and sold around 895 tons of whole grain/brown rice of U.S., Australia, Pakistan, Thailand and Vietnam origins and about 500 tons of broken rice of Thailand and Vietnam origins in the sixth Simultaneous Buy-Sell tender. Japan is seeking to import about 30,000 tons of rice in the tender with the last date for applications February 17. The USDA post estimates Japan's 2015 rice imports will be about 700,000 tons, up about 8 per cent from 2014, due to anticipated decline in production.
- **European Union:** Total milled rice production in the EU is expected to decline to around 1.637 million MT in the marketing/crop year 2014-15 (September-August), a decrease of about 7.5 per cent from MY 2013-14, according to the EU Directorate General for Agriculture and Rural Development.
- **South Korea:** The USDA Post estimates South Korea will import about 560,000 MT of rice in MY 2014-15, including 408,000 MT of rice imports under the WTO's Minimum Marketing Agreement quota in the 2015 calendar year.
- **Indonesia:** Paddy rice production in 2015 in Indonesia is expected to reach about 71.28 million MT, up about 0.95 per cent from around 70.6 million MT produced in 2014.

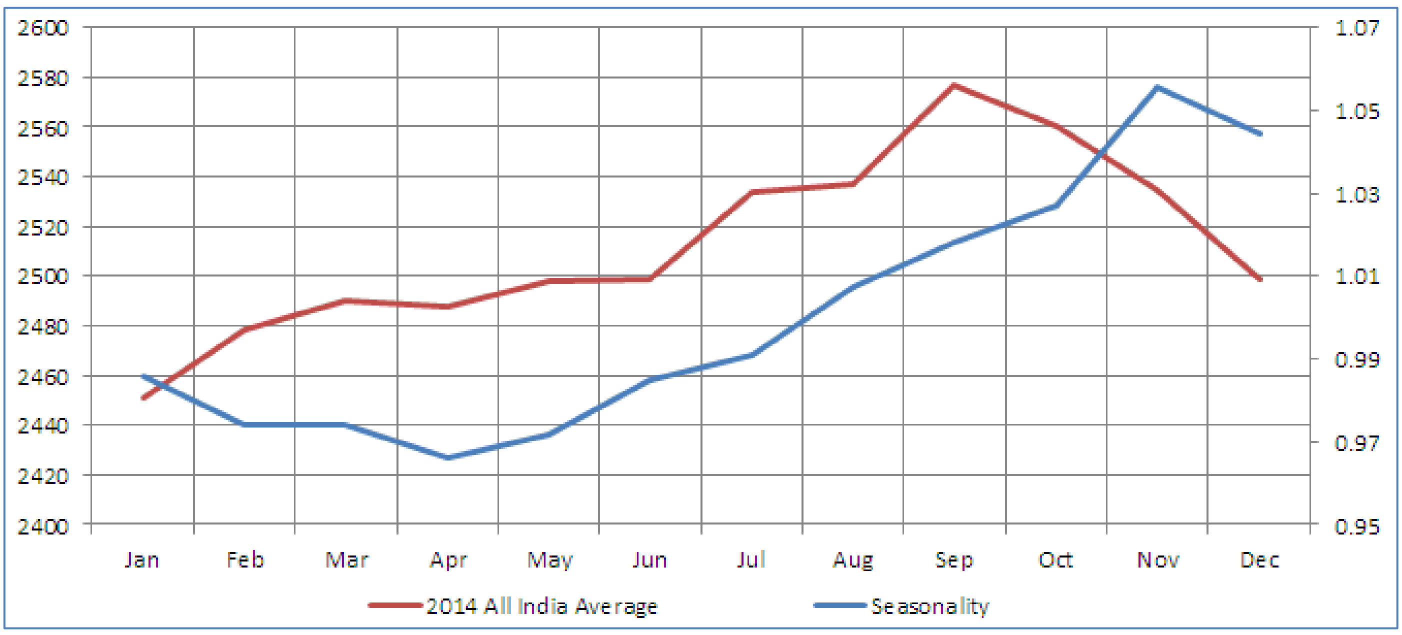
India's Crop Calendar for Rice

States/Uts	Activity	Kharif	Rabi	Zaid
Andhra Pradesh	**Sowing**	**May-June**	**Nov-Dec**	**March-April**
	Harvesting	Nov-Dec	May-June	July-Aug.
Assam	**Sowing**	**Feb-March**	**June-July**	**Nov-Dec**
	Harvesting	June-July	Nov-Dec	May-June
Bihar	**Sowing**	**Jun-Sept.**	**Oct-Nov**	**Feb.-March**
	Harvesting	Dec - March	April-May	July-Aug.
Gujarat	**Sowing**	**June-July**		
	Harvesting	Oct-Nov		
Haryana	**Sowing**	**June-July**		
	Harvesting	Sept-Oct.		
Himachal Pradesh	**Sowing**	**May-June**		
	Harvesting	October		
Jammu & Kashmir	**Sowing**	**April-May**		
	Harvesting	Sept-Oct.		
Karnataka	**Sowing**	**May-June**	Sept-Oct.	Jan.-Feb.
	Harvesting	Sept-Oct.	Jan.-Feb	May-June
Kerala	**Sowing**	**April-May**	**Sept-Oct.**	**Dec-Jan.**
	Harvesting	Sept-Oct.	Dec-Jan.	March-April
Madhya Pradesh	**Sowing**	**June-July**		
	Harvesting	Oct-Nov		
Maharashtra	**Sowing**	**June-July**		
	Harvesting	Oct-Nov		
Orissa	**Sowing**	**May-June**	June-July	Dec-Jan.
	Harvesting	Sept-Oct.	Nov-Dec	April-May
Punjab	**Sowing**	**May-June**		
	Harvesting	Oct Nov		
Rajasthan	**Sowing**	**June-July**		
	Harvesting	Oct-Nov		
Uttar Pradesh	**Sowing**	**June-July**	Nov-Dec	
	Harvesting	Oct-Nov	April-May	
West Bengal	**Sowing**	**June-July**	**Nov-Dec**	
	Harvesting	Oct-Nov	April-May	
All India	**Sowing**	**May-Aug**	**Dec-Jan.**	
	Harvesting	Sep-Jan	April-May	

Source: Indian Council of Agricultural Research (Crop Science Division)

Price Trend Analysis





As shown in above figure, Indian rice prices remain low during the months of January and March amid the commencement of Kharif crop harvesting across major growing regions. Thereafter, prices tend to rise with increase in demand especially for new rice, as consumer purchasing increases for household stocking. Prices tend to fall (rather sharply) during the month of April as rabi harvesting commences. Prices tend to rise again from the month of May with the pickup in demand especially during the festive season. Rice prices in Delhi market almost followed the seasonal trend of rise during October-November 2013-14, after remaining low at Rs. 2265 per quintal during March 2014. Peak was reached in October at Rs. 2726 per quintal. Thereafter, the prices saw a dip during the month of January 2015 due to weak trends in the global market. Overall, the market is expected to maintain a weak trend till May 2015 after which the support to price is expected to come from the gradual increase in the domestic festive demand.

National Bulk Handling Corporation Private Limited, 7th floor, 'A' Wing, Dynasty Business Park, Andheri Kurla Road, Chakala, Andheri (E) Mumbai 400 059