



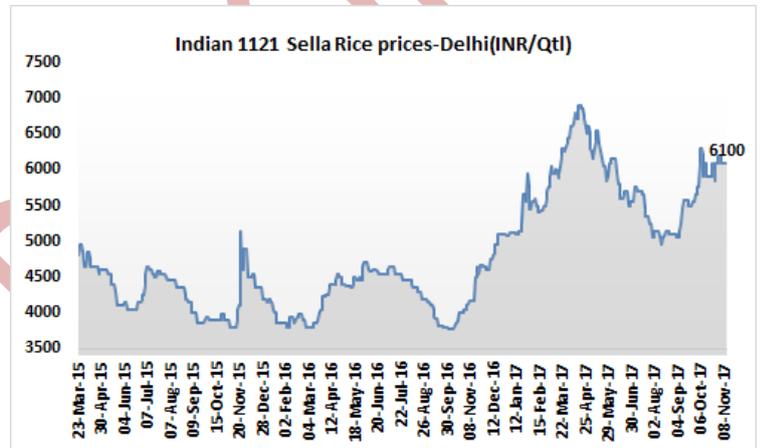
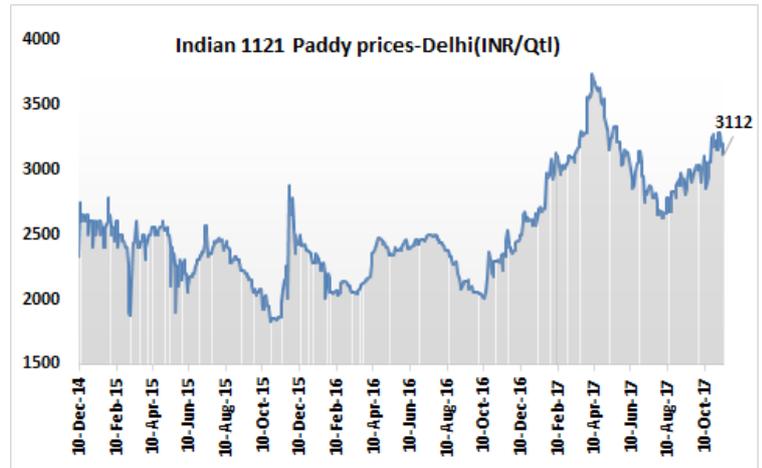
MONTHLY REPORT

**BASMATI-RICE**

**Bullish**

Paddy 1121 prices in Delhi are expected to trade higher towards INR 3,300/qtl from CMP of INR 3,112/qtl. Prices of 1121 Sella in Delhi are expected to trade higher towards INR 6,500/qtl from CMP of INR 6,100/qtl.

- Paddy arrivals of 1121 and traditional Basmati are at its peak, whereas arrivals of 1509 have declined significantly in line with seasonality.
- Lower beginning stocks from last year and estimated decline in production has resulted to decline in overall supplies.
- Buying of paddy is active by millers and stockiest. Stockiest got decent realization last year which is prompting higher hoarding.
- Export demand from EU is expected to pick up ahead of restriction which is from 1<sup>st</sup> Jan 2018.
- Domestic demand would remain steady.



**Indian Basmati Rice Balance Sheet (Lakh Tons)**

	Year to date (1st Oct to 30th Nov)			Annual- (Oct-Sept)			
	16-17E	17-18F	Change	15-16	16-17E	17-18F	Change
Basmati C/I	XX	XX	XX	8.88	XX	XX	XX
Production	XX	XX	XX	65.19	XX	XX	XX
Import	XX	XX	XX		XX	XX	XX
<b>Total Supply</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>74.07</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>
Dom Demand	XX	XX	XX	22.00	XX	XX	XX
Export Demand	XX	XX	XX	40.29	XX	XX	XX
<b>Total Demand</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>62.29</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>
Basmati C/O	XX	XX	XX	11.78	XX	XX	XX
<b>Stocks to Use Ratio</b>	<b>XX</b>	<b>XX</b>		<b>18.9%</b>	<b>XX</b>	<b>XX</b>	

Source:EAR

Note: EAR has not included mid premium varieties like Sugandha, Sharbati and others in basmati rice production. Rice production includes broken Rice as well.



**Supply**

Arrivals of 1509 paddy have declined significantly and arrivals of Pusa 1121 Basmati and other traditional Basmati varieties are active. Higher arrivals are putting pressure on the market, whereas active buying by millers is limiting the price fall. Market believes that production is lower but the actual drop in production is debatable. Market is very volatile with confused production numbers, uncertainty over European Union exports and Iranian exports restriction.

- ✓ Steady exports demand and sharp fall in production in 2016-17 has resulted to fall in carry in stocks from last year. Majority of the stocks are lying with millers and stocks with stockiest reported lower y/y.
- ✓ Production of Basmati complex excluding Sharbati, Sugandha and other premium varieties is estimated to be lower. Almost all the study shows decline in production this season.
- ✓ Acreage of traditional and PUSA 1121 Basmati pegged lower this season, whereas acreage of 1509 witnessed significant rise across the major producing states. Farmers are preferring short duration varieties like 1509 which gives higher yield and sufficient time for Wheat sowing.
- ✓ Short duration variety helps farmers to sow Rabi crop on time.
- ✓ Sowing of 1509 saw sharp rise in Punjab and Haryana.
- ✓ In states like MP, Punjab and Haryana farmers are expected to hoard the produce in anticipation of rise in prices moving ahead.
- ✓ EAR has estimated Indian Basmati Rice complex production near xx million tons against xx million tons of last year production, lower by xx%.

Indian Basmati Complex Paddy, Area, Production, Productivity												
	Area(Lakh ha)				Productivity(Kg/ha)				Production(Lakh MT)			
	2015-16	2016-17	2017-18	Change	2015-16	2016-17	2017-18	Change	2015-16	2016-17	2017-18	Change
Traditional Basmati	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
PUSA 1121 Basmati	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
PUSA 1509 Basmati	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Total	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX

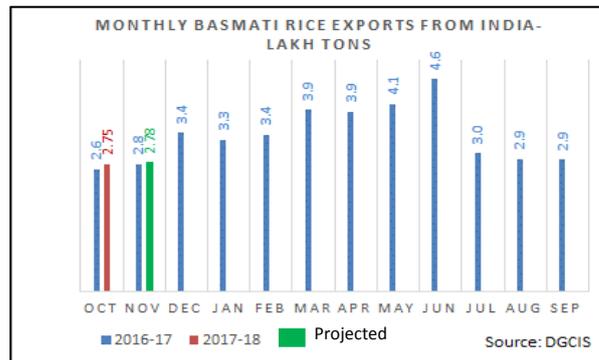
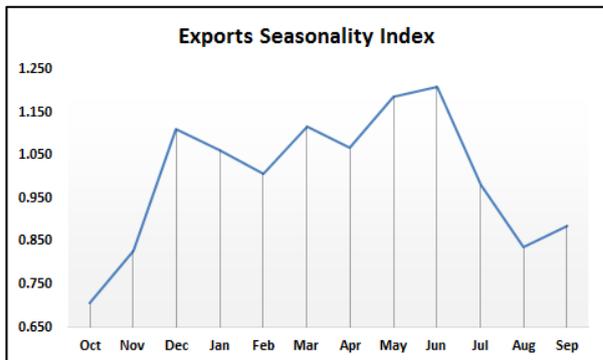
Source:EAR & Trade Estimates

**Demand**

Paddy buying by millers is active with estimated decline in production of Basmati complex. Buying by exporters is expected to pick up tracking restriction by EU from 1<sup>st</sup> January 2018

- ✓ Buying of paddy is higher across the markets following lower carry in stocks from last year and lower estimated production. Last year there were higher stocks across value chain which made buying slower. Rice industry got decent margins in concluded season which has revamped the balance sheets of the companies. This season they are financially much better than last 2 years.
- ✓ Meanwhile, traders who have stocked the Paddy have got better realization over other crops which is prompting them to increase their buying this season as well.
- ✓ Millers are eager to fill their bins due to lower availability.
- ✓ Domestic rice demand is steady. Domestic demand would remain dull with no marriage season and major festivals.

Exports



- ✓ Seasonally, exports stays lower in the months viz August, September and October. Exports picks up from November and December again drops in the month of February and then rises again.
- ✓ Exports remain higher in the months of March, April, May and June. Since more than 80% of the Indian Basmati Rice is exported to Middle East the dates of Ramadan month plays crucial role.
- ✓ Exports from India stays higher prior to start of the Ramadan.
- ✓ Iran which is the largest importer of Indian Basmati Rice has restricted the imports since August 2017. Imports by Iran in the month of Sep are pegged lower. The imports restriction by Iran is not new it has happened earlier as well.
- ✓ At time of restriction by Iran imports flows to Iran via UAE. Import restriction by Iran doesn't have much impact on total exports from India.
- ✓ Meanwhile, EU has put a limit on the residue level of Tricyclazole fungicide in basmati rice. This fungicide should not exceed 0.01 parts per million from 1 January 2018, compared with 1 part per million currently.
- ✓ European Nations normally imports near 3 to 3.5 Lakh MT of Basmati Rice annually. For 2017-18 imports of Basmati Rice from India would decline marginally, however EU nations would speed up the imports and stock the material. Speed up in shipments in December would keep exports higher.
- ✓ Exports of Basmati Rice in the month of October 2017 are estimated near 2.75 Lakh MT against 2.6 Lakh MT of same period last year exports.
- ✓ Exports in November 2017 are projected to be around 2.78 Lakh MT which is almost similar level of exports happened in Nov 2016.

Outlook

**Nov:** Paddy prices in Delhi would trade higher towards INR 3,300/qtl from the current market price of INR 3,150/qtl for the coming month. Lower production and brisk buying by millers is expected to support the prices. Prices of Sella Rice would trade higher towards INR 6,500/qtl from CMP of INR 6,100/qtl for coming month.

**Q4 (Nov-Jan):** Prices of Paddy would remain higher towards INR 3,600/qtl tracking tight balance sheet and brisk exports in December to EU. Prices of 1121 Rice sella would trade higher towards INR 7,000/qtl.



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