

THE HINDU Business Line

Rice prices may soften on better harvests, slowing demand



Mechanisation: A file picture of a paddy harvesting machine.

Our Bureau

Chennai, March 19

Rice prices are likely to soften in view of improving global harvests and slowing demand, especially with imports by India, to overcome the production fall in the kharif season, being ruled out.

A Commodity Outlook by Standard and Chartered Bank said the prospects of large rice import bill have also cut the expected average price for Thailand B grade 100 per cent rice this season to \$544 a tonne

“Overall, the sentiment has been adversely affected by the likelihood of burgeoning global grain stocks, make it difficult for the market to recover from current subdued levels,” the bank cited as reason for its outlook.

CBOT rice

Pointing out that rough rice prices on the Chicago Board of Trade (CBOT) had declined 20 per cent this year, rising to a 16-month high in December, the bank said during the same period, physical price of Thai rice fell 10 per cent.

“The decline in both CBOT and physical rice prices has been triggered primarily by increased supply in Asia and North America progresses, and the ample supply of substitute foodgrains, such as wheat. We previously expected large import bill from India will not materialise and that prices will remain under pressure in the coming months, it said.

Rice prices had gained in November when India, the second-largest rice producer in the world, said it would release about two million tonnes (mt) of rice for the buffer stocks to overcome the anticipated production shortfall.

The kharif rice crop was first hit by a prolonged dry period and then by untimely rains.

This led to nearly 15 mt drop in the kharif production to 69.45 mt.

Indian output

The global market's panic intensified as importing nations such as the Philippines after India issued a ban to import 30,000 tonnes rice.

The Philippines ring-fenced its imports and it led to panic, pushing up the prices further. Rabi production of over 15 mt rice production have cooled the market, though the shortfall remains.

However, the net impact of the drop in Indian production on global output is less significant.

The US Department of Agriculture estimates global rice production for 2009-10 at 440.3 mt, fractionally below the previous season's record 447 mt. This will be the second-highest global output on record.

Indonesia scene

Prospects in Indonesia that accounts for around 10 per cent of the global output have improved due to Niño event improving irrigation reservoir levels. Better seed varieties in Indonesia have also helped in the bank said.

Despite production fall in India, the global end-season stocks are unlikely to drop by over one per cent. Moreover, the wheat output in India has been largely unaffected, with the production being estimated at 100 mt.

All these factors will only lead to a limited demand pressure on global grain stocks, the outlook said.

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