

2007/08 U.S. Rough-Rice Crop Estimated Up 2 Percent From Year Ago



ECONOMIC RESEARCH SERVICE

U.S. Department of Agriculture, Washington, DC

Market Outlook on Rice is sponsored by Rice Tec, Inc.,
Gulf Rice Arkansas, LLC

There were no supply-side revisions this month. Total U.S. rice supplies in 2007/08 remain projected at 258.3 million cwt, nearly unchanged from a year ago. In 2007/08, a slightly larger crop and record imports were nearly offset by a smaller carryin. By class, long-grain supplies are projected to be 4 percent smaller than a year ago, while medium/short-grain supplies are up 13 percent.

The 2007/08 U.S. rough-rice crop remains estimated at 197.5 million cwt, up 2 percent from a year ago. A 5-percent yield increase more than offset smaller plantings. At 7,185 pounds per acre, the 2007/08 average field yield is 317 pounds above a year earlier and the highest on record. Rice plantings of 2.76 million acres are 77,000 acres below a year ago. The area decline was primarily due to strong prices for competing crops, and high fuel and fertilizer prices.

By class, medium/short-grain accounts for all of the increase in production in 2007/08. At 55.3 million cwt, the medium/short-grain crop is 16 percent larger than a year ago. In contrast, long-grain production of 142.2 million cwt is 3 percent below a year earlier. By State, California and Louisiana account for most of the 3.7-million cwt production increase. Production declined in Arkansas, Missouri, and Texas.

At 39.3 million cwt, beginning stocks in 2007/08 are 9 percent below a year ago, with long-grain accounting for all of the decline. Imports of all rice remain projected at a record 21.5 million cwt, up more than 4 percent from 2006/07, with both long- and medium/short-grain imports the highest on record.

U.S. 2007/08 Export Forecast Raised to 111.0 Million Cwt

Total use of U.S. rice in 2007/08 is projected at 235.7 million cwt, up 2.0 million cwt from last month's forecast and 8 percent larger than the previous year. Exports account for all of this month's upward revision in total use. The 2007/08 U.S. export forecast was raised 2.0 million cwt to 111.0 million cwt based on U.S. Census data through November, data from the weekly U.S. Export Sales report through January, and expectations regarding sales the rest of the market year.

U.S. exports are more than 21 percent higher than a year earlier. The solid year-to-year increase in U.S. exports is due to strong global demand, tight exportable supplies across most of Asia, an export ban by Vietnam until new-crop harvest next month, and continued export restrictions by India (currently a \$500 per ton minimum export price).

Rough-rice exports were raised 1.0 million cwt to 36.0 million, up 12 percent from the previous year. Mexico and Central America account for the bulk of U.S. rough-rice exports, buying mostly long-grain rice. This year, Mexico and Turkey have purchased much smaller quantities of medium/short-grain rough rice.

Combined milled and brown rice exports (on a rough-equivalent basis) are forecast at 75.0 million, up 1.0 million cwt from last month's forecast and almost 27 percent above the previous year.

By class, the long-grain export forecast was raised 1.0 million cwt to 86.0 million, 18 percent above the previous year. Through January, U.S. exports to Latin America, Southeast Asia, and Sub-Saharan Africa were ahead of a year earlier. The combined medium/short-grain export forecast was also raised 1.0 million cwt, to a near-record 25.0 million cwt, up 34 percent from the previous year. The Middle East is expected to account for most of the year-to-year increase in medium/short-grain exports.

The big boost in U.S. medium/short-grain exports this year is partly due to extremely tight supplies in Australia, historically a major competitor of the U.S. in global medium/short-grain markets. Since mid-January, Egypt – another major medium/short-grain exporter – has implemented a voluntary export ban, likely assisting U.S. exporters in some markets.

Total domestic and residual use for 2007/08 remains projected at 124.7 million cwt, almost 2 percent below the previous year. Long-grain domestic disappearance remains projected at 89.0 million cwt, down 3 percent. Combined medium/short-grain domestic disappearance remains forecast at 35.7 million cwt, up almost 3 percent from the previous year.

U.S. 2007/08 Ending Stocks Projection Lowered; Season-Average Farm Price Boosted

U.S. ending stocks of all rice for 2007/08 are projected at 22.6 million cwt, down 2.0 million from last month's forecast and 42 percent below the previous year. Ending stocks are the lowest since 1998/99.

The ending stocks situation varies sharply by class. At 10.7 million cwt, long-grain ending stocks are down 1.0 million cwt from last month and 62 percent below the previous year. In contrast, medium/short-grain ending stocks of 11.1 million cwt – a 1.0 million cwt reduction from last month's forecast – are up 11 percent from the previous year.

The all-rice stocks-to-use ratio is projected at 9.6 percent, down about 1 percentage point from last month and well below 18.0 percent in 2006/07. The 2007/08 stocks-to-use ratio is the lowest since 1974/75. The long-grain stocks-to-use ratio is forecast at 6.1 percent, well below 17.3 percent in 2006/07. At 18.4 percent, the medium/short-grain stocks-to-use ratio is slightly below the previous year.

The 2007/08 U.S. season-average farm price (SAFP) was raised 40 cents on the low end and 20 cents on the high end to \$11.30-\$11.60 per cwt, up from a revised \$9.96 per cwt the previous year. The midpoint of the 2007/08 SAFP is the highest since 1980/81. This month's upward revision in the SAFP is based on revisions to August-December reported prices, a strong preliminary price for January, and expectations regarding prices the remainder of the market year. The year-to-year increase is due to very high prices for other grains and oilseeds, rising global rice prices, and strong export demand for U.S. rice.

Last month, USDA reported a preliminary January rough-rice cash price at \$11.60, and raised the December price to \$11.30 from a preliminary \$10.90. The January mid-month price is the highest since August 1981. Δ