

As The Rice World Turns

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Even as global rice markets are steadily moving up in price, the unfinished US harvest is keeping both buyers and sellers in a state of confusion. The US crop was expected to be huge, and though that will not be the case, it will be very large.

Nearly all in the trade seem to agree that this year is undergoing a difficult and unfamiliar start as far as getting rice moving efficiently into trade channels. Buyers were expecting very cheap rice – even distressed – at harvest, and producers were expecting large, perhaps difficult to manage, quantities to move. Neither situation has fully occurred, and this has left both buyers and sellers up and down the line of trade trying to figure out and adjust to what is really happening instead of what was believed would happen. Add to all of this the huge difference between cash bids and futures prices, and what is left is a market struggling as though it were wading through heavy mud. At some point in the near future, this will work itself out, but for now low buying ideas and higher selling ideas have the trade stymied to a large degree. USDA production and supply estimates are not much help – they are projecting a large crop that will be difficult to move, but neither buyers nor sellers seem to accept that premise. Domestic consumption remains steady, and as the harvest winds down and buyers and sellers have a better picture of the US crop and supply situation, we believe that export sales will pick up substantially. Some large and basically unexpected sales of long grain milled have already been booked for this year, with Iraq and West Africa accounting for something like 150,000 tons that few were expecting at the beginning of the marketing year. To move this large crop, though, more large

sales of long grain milled in particular will have to be seen. Hopefully the Iraqi Grain Board will continue to seriously consider and book more large tonnages of US long grain, and with the currently indicated price levels of US rice at or below the quoted prices of export 100 percent Grade B out of Thailand, this should be the case. Though prices are anemic in the US at this time, demand for Asian rice is seen as very strong. The Thai government is reported to have released close to 4 million tons of stocks to the local export trade while prices did not even bat an eye – indeed in some cases price quotes actually moved higher. Comments about Vietnam being fully committed to its domestic rice market at the expense of further exports this year are being more widely heard, and stories about China being short by “only” one percent in its rice, wheat, and corn crops have also been widely noted. A one percent shortfall in the Chinese crops turns into big tonnage. On the other side, however, some argue that the Chinese have big emergency stocks, while still others in Bangkok say that the Chinese have “demanded” access to a million tons of rice. What the Chinese may or may not ultimately need and try to buy is shrouded to a large degree in the old secrecy of a country that was closed to outside eyes for decades. The Russian and European wheat crop problems have also helped to set the rice market roiling due to wheat’s relationship to rice as a global food commodity, and it looks like that situation will help to keep rice and grain markets off balance and playing defense for quite a while to come. Traders are acting very cautiously, and producers are holding back – it’s too early to predict just how this will play out for this still young marketing year. Farmers will need to recognize the opportunities and take advantage of them when presented. Good prices solve lots of problems! Δ

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