

China Accounts For Upward Revision In Production



ECONOMIC RESEARCH SERVICE

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Global rice production for 2008/09 is projected at a record 439.1 million tons (on a milled basis), up 4.5 million tons from last month's forecast and almost 2 percent above 2007/08 production. This year's record global rice production is due to expanded global rice area, estimated at a record 155.8 hectares. The average yield of 4.2 tons per hectare is unchanged from last year's record.

Global disappearance is projected at a record 435.1 million tons, up almost 3.0 million tons from last month's forecast and almost 2 percent larger than a year earlier. Global ending stocks are projected at 82.7 million tons, up 2 percent from last month's forecast and 5 percent larger than a year earlier. Global ending stocks are the highest since 2002/03. The global stocks-to-use ratio is calculated at 19.0 percent, up from 18.4 percent in 2007/08. China accounts for most of this month's increase in global disappearance and ending stocks.

China accounts for the bulk of this month's upward revision in global production as well. China's 2008/09 production estimate was raised 4.2 million tons to 135.1 million based on provincial and national data indicating larger area and a higher yield than previously forecast. The 2008/09 average yield is the highest on record for China, and total rice production for China is the largest since 1999/2000.

There were four smaller production revisions this month. First, North Korea's crop was boosted 0.26 million tons to almost 1.9 million tons based on a much higher yield. Production is up 22 percent in North Korea from 2007/08. Second, Cambodia's production was increased 0.06 million tons to a record 4.3 million based on a higher yield. The U.S. 2008/09 crop was raised fractionally to 6.52 million tons based on larger area. The U.S. average yield was actually lowered. In contrast, Spain's 2008/09 production estimate was lowered 39,000 tons to 425,000 based on a lower yield resulting from low reservoir levels.

In 2008/09, most rice exporters are projected to harvest larger crops, with record production projected for three of the top six exporters – Thailand, India, and Pakistan. Of the remaining top three exporters, only Vietnam is projected to harvest a smaller crop in 2008/09, with larger crops projected for China and the United States. Argentina, Uruguay, and Cambodia – mid-sized exporters – are projected to produce more rice in 2008/09 as well. Most major importers are projected to harvest larger crops in 2008/09, with production in Sub-Saharan Africa, the Philippines, Bangladesh, Indonesia, and Malaysia the largest on record. Iran and Iraq are exceptions among the major importers, with big declines in production estimated for both countries.

Global Rice Trade Projected To Increase 1 Percent in 2009

Global rice trade for calendar year 2009 is projected at 29.6 million tons (milled basis), up fractionally from last month's forecast and 1 percent larger than last year. Despite the slight upward revision, 2009 trade is still forecast nearly 8 percent below the 2007 record. There were two 2009 export revisions this month. First, Cambodia's exports were raised 100,000 tons to 400,000 based on larger supplies and a higher 2008 export forecast. This increase was partially offset by a 50,000-ton reduction in the U.S. export forecast to 3.25 million tons. The U.S. export forecast was lowered based on a slower-than-expected pace in the latter part of 2008 and a lowered 2008/09 market year forecast.

On the import side, Brazil's imports were lowered 100,000 tons to 0.5 million based on weaker imports in 2008. North Korea's 2009

import forecast was lowered 100,000 tons to 300,000 based on a larger crop. The U.S. 2009 import forecast was lowered 75,000 tons to 650,000 based on a much slower pace of deliveries since the start of the 2008/09 market. Finally, Columbia's 2009 import forecast was lowered 50,000 tons to 100,000 based on much lower imports in 2008.

The 2008 global trade estimate of 29.2 million tons is virtually unchanged from last month, but 9 percent below 2007. Export estimates were raised this month for Cambodia and Brazil, but lowered for Vietnam and Ecuador. On the import side, 2008 estimates were revised up this month for Bangladesh (raised 400,000 tons), the European Union (raised 350,000 tons), and Haiti (raised 50,000 tons). These upward revisions were nearly offset by reductions for North Korea (lowered 320,000 tons), Colombia (lowered 100,000 tons), Syria (lowered 100,000 tons), Australia (lowered 75,000 tons), and Taiwan (lowered 35,000 tons).

Thailand's Trading Prices Increase 3-8 Percent Due to Government Purchases and Fresh Demand

Thailand's trading prices for various grades and types of rice are up 3-8 percent from early December, primarily due to large purchases of rough-rice by the government and recent inquiries by major buyers, especially for fragrant rice and parboiled rice. With government prices 15-20 percent above market prices, commercial millers are running out of rice as farmers are selling their rice to the government.

Prices for Thailand's high-quality, 100-percent Grade B (fob vessel, Bangkok) milled rice for export were quoted at \$576 per ton for the week ending January 5, up \$40 from the week ending December 8. Prices for 5-percent broken were quoted at \$559 per ton for the week ending January 5, up \$28 from December 8. Prices for Thailand's 5-percent parboiled rice were quoted at \$580 per ton for the week ending January 5, up \$43 from December 8. India is currently banning sales of parboiled rice.

Prices for lower quality rice have increased at a slower pace. For the week ending January 5, prices for Thailand's A-1 Super 100-percent broken were quoted at \$208 per ton, up \$8 from a month ago. All price quotes for Thailand's rice are from the Weekly Rice Price Update, reported by the U.S. agricultural counselor in Bangkok.

In contrast to Thailand's prices, price quotes from Vietnam have decreased since early December. For the week ending January 6, prices for Vietnam's top-quality 5-percent broken were quoted at \$400 per ton, down \$25 from the week ending December 9, mostly due to a lack of new sales and expectations of a larger winter-spring harvest to begin late next month. Vietnam's prices are \$160 per ton below comparable grades of rice from Thailand, making Vietnam a very competitive supplier. The price difference has widened from a month ago.

Export price quotes for U.S. long-grain milled rice continue to drop, primarily due to a lack of new business. For the week ending January 6, price quotes for high-quality southern long-grain rice (No. 2, 4-percent broken, bagged, free alongside vessel, U.S. Gulf port) were quoted at \$606 per ton, down \$28 from a month earlier and more than \$340 below the late-April record. U.S. prices (adjusted to reflect fob vessel price) are just \$45 per ton above Thailand's price quotes, down from more than \$100 a month earlier. Price quotes for U.S. long-grain rough-rice (bulk, fob vessel, New Orleans) are reported at \$360 per ton for the week ending January 6, unchanged from a month earlier.

Price quotes for California medium-grain milled rice are unchanged from a month ago. Prices for California package-quality medium-grain rice (sacked) for domestic sales remain quoted at \$1,102 per ton for the week ending January 6, down just \$33 from the late-September record. Export price quotes (in 30-kg bags, fob vessel) remain reported at \$1,125 per ton. U.S. medium-grain prices are being supported at extremely high levels by Egypt's export ban, a lack of any significant exportable supplies in Australia, and a smaller U.S. crop in 2008/09. △

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