

# China's Production Accounts For Largest Share Of Rice Production Increase



**ECONOMIC RESEARCH SERVICE**

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**G**lobal rice production for 2008/09 is projected at a record 432.0 million tons (on a milled basis), more than 1 percent above the revised 2007/08 crop. The larger global production in 2008/09 is due to expanded area. The average yield is unchanged from the year-earlier record. All four of the top rice-producing countries are expected to harvest larger crops in 2008/09. All global production forecasts for 2008/09 are based on the assumption of normal weather.

China accounts for the largest share of the expected increase in global production in 2008/09. At 130.9 million tons, China's production is 1 percent above a year earlier and the largest since 2000/01. India – the second largest rice producing country – is projected to harvest a record 96.0 million tons of rice in 2008/09, up fractionally from 2007/08.

Several other large rice producing countries are projected to harvest larger crops in 2008/09. Thailand, the world's largest rice exporting country, is projected to harvest a record 18.8 million tons in 2008/09. The second-largest rice exporting country, Vietnam, is projected to produce a record 23.6 million tons of rice in 2008/09, virtually unchanged from 2007/08. The world's largest rice importing country, the Philippines, is projected to harvest a record 10.8 million tons of rice in 2008/09, up 2 percent from a year earlier, a result of both record area and record yield. Brazil, the largest nonAsian rice-producing country, is projected to increase production almost 5 percent to 8.5 million tons due to expanded area.

Global disappearance is projected at a record 428.0 million tons, up almost 1 percent from a year earlier. China, India, Indonesia, the Philippines, and Brazil account for most of the expected increase in global rice disappearance. In contrast, disappearance is projected to continue to decline in Japan and South Korea.

With production exceeding disappearance by 4.0 million tons, endings are projected to increase 5 percent to 82.6 million tons, the second consecutive year of a buildup in stocks. The global stocks-to-use ratio is calculated at 19.3 percent, up from 18.5 percent in 2007/08 and the highest since 2003/04.

The 2007/08 global production forecast was raised 1.7 million tons to 427.1 million. India accounts for almost all of the increase.

## **Global Rice Trade Projected To Drop 14 Percent in 2008, No Growth Expected for 2009**

Global rice trade for calendar year 2009 is projected at 27.1 million tons (milled basis), virtually unchanged from this year, but 14 percent below the 2007 record.

In 2009, weaker exports from India, the United States, and Burma are expected to offset expanded shipments from Vietnam, Pakistan, Egypt, Argentina, and China.

These smaller export forecasts were offset by several projected increases. First, Vietnam is expected to boost shipments 0.4 million tons to 4.5 million, mostly due to very high global prices and adequate supplies. Pakistan is projected to export 3.15 million tons of rice in 2009, up 0.45 million from this year, mostly due to a larger crop and very high prices. Egypt is projected to expand exports 0.2 million tons to a near record 1.0 million based on large supplies and termination of the current ban. China is expected to increase exports 0.1 million tons to 1.1 million. Argentina is projected to export a near-record 625,000 tons of rice in 2009, mostly due to larger supplies and tight supplies from other sources. Thailand is projected to export 9.0 million tons of rice in 2009, unchanged from this year.

Among the major importers, Indonesia is expected to reduce imports 0.3 million tons in 2009 to 800,000 due to adequate supplies. A record crop is behind forecast of a 0.24 million ton drop in imports by Bangladesh to 1.0 million tons. A record crop and large carryin are behind a 0.1-million-ton drop in Philippine imports to 2.0 million tons in 2009.

These reductions are offset by several expected increases in imports. The European Union is expected to import 1.2 million tons of rice in 2009, up 0.1 million from this year due to stronger demand and stagnant production. Despite another record crop, Nigeria is projected to import 1.7 million tons in 2009, an increase of 0.1 million. Saudi Arabia – which grows no rice – is projected to increase imports 85,000 tons to 1.1 million based on stronger demand.

This month, the 2008 global trade forecast was lowered 0.45 million tons to 27.0 million, 8 percent below the year-earlier record.

The biggest revision on the import side for 2008 was a 0.24-million boost in Bangladesh's imports to 1.23 million tons based, on the timing of purchases made in late 2007.

## **Global Rice Prices Spike to Record Highs in Late April; Retreat Slightly in Early May**

Actual international trading prices are very hard to acquire at this time, as several major exporters are banning sales and Thailand is making few new sales. In early May, export price quotes for Thailand's top grades of regular-milled white rice dropped slightly from the week earlier records, mostly due to the release of some government-held intervention stocks into the domestic market and the cancellation of a large tender by the Philippines. Despite the slight retreat in prices this month, prices are still 2-3 times the levels reported a year ago.

Prices for Thailand's high-quality, 100-percent Grade B (fob vessel, Bangkok) milled rice for export were quoted at a near-record \$973 per ton for the week May 5, down \$20 from a week earlier, but up \$88 from early April. Prices for Thailand's 5-percent parboiled were quoted at \$1,015 per ton for the week ending May 5, down \$10 from late April, but still more than 3 times the level reported in May 2007. Price quotes for Thailand's premium jasmine rice are \$1,088 per ton, down just \$7 from the late April record and up \$200 from a month ago.

Prices for 100-percent broken, a low grade of milled rice are near-record as well. For the week ending May 5, prices for Thailand's A-1 Super 100-percent broken were quoted at a record \$783 per ton, down \$20 from the late April record, but still up \$150 from late March.

The government of Vietnam has banned most new rice sales at least until June to help stabilize domestic food prices. Price quotes from Vietnam are nominal quotes only and are not based on actual sales. Nominal quotes for Vietnam's top-quality 5 percent broken are calculated at \$1,100 per ton, up from \$800 per ton in mid-April.

Export price quotes for U.S. long-grain milled rice have dropped slightly from the record levels reported in late April, mostly due to slightly lower global prices. For the week ending May 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 \$926 per ton, down \$22 from the late April record, but up \$154 from a month earlier. U.S. prices (adjusted to reflect fob vessel price) are actually below Thailand's price quotes (not actual trading prices), making U.S. rice very competitive in global markets. Price quotes for U.S. long-grain rough-rice (bulk, fob vessel, New Orleans) were reported at \$530 per ton for the week ending May 5, down \$20 from the late April record but up \$95 from April 1. Prices for California rice remain at record highs. Prices for California package-quality medium-grain rice (sacked, loaded on a truck at a local mill, low end of the reported projection range) for domestic sales were quoted at a record \$926 per ton for the week ending May 6, unchanged from late April, but up \$275 from April 1. U.S. medium-grain prices are supported by Egypt's export ban and a lack of exportable supplies in Australia. Δ