

# Extremely Strong U.S. Rice Price Forecast Based On Exportable Supplies



## ECONOMIC RESEARCH SERVICE

U.S. Department of Agriculture, Washington, DC

Market Outlook on Rice is sponsored by Rice Tec, Inc.

The 2008/89 season-average farm price (SAFP) is projected at a record \$18.50-\$19.50 per hundredweight (cwt), up sharply from a revised \$12.85-\$13.15 a year earlier and well above the previous record of \$13.80 per cwt in 1973/74. The extremely strong U.S. price forecast for 2008/09 is based on very tight exportable supplies of rice worldwide, continued record or near-record global rice prices, high prices for most other commodities, and smaller U.S. supplies. The tight global exportable supply situation for rice is primarily due to export bans and restrictions implemented by several large and medium-sized exporters.

This month, USDA raised the 2007/08 SAFP 85 cents on both the high and low end to \$12.85-\$13.15 per cwt, well above \$9.96 in 2006/07. The upward revision was based on reported monthly cash prices through mid-April and expectations regarding prices the remainder of the marketing year. The strong year-to-year increase in price in 2007/08 is primarily due to very high global trading prices for rice, a powerful bull market for most commodities – including fuel – and a weaker dollar. U.S. supplies in 2007/08 are virtually unchanged from a year ago.

Last month, USDA reported a preliminary April rough-rice cash price of \$14.80, the highest ever reported and \$4.60 above the April 2007 price. In addition, USDA raised the March rough-rice price to \$13.60 from a preliminary \$12.90. Prices have risen every month since September, with an average monthly increase of almost 60 cents.

### U.S. 2008/09 Rough-Rice Production

#### Projected at 197.0 Million Cwt

The 2008/09 U.S. rough-rice crop is projected at 197.0 million cwt, virtually unchanged from a year earlier. In 2008/09, a fractional increase in area is expected to offset a slightly lower yield. The average yield – projected at 7,145 pounds per acre – is 40 pounds below last year and the second-highest on record. The 2008/09 yield projection is based on 1990-2007 yield trends by class of rice. The first objective yield forecast for the 2008/09 crop will be released in the August Crop Production report.

Little change in production by class is projected for 2008/09. Long-grain production is projected at 142.0 million cwt, fractionally below a year earlier. Combined medium/short-grain production is projected at 55.0 million cwt, also fractionally below 2007/08.

The 2008/09 area forecast is taken from the March 2008 Prospective Plantings report, which indicated U.S. rice plantings at 2.77 million acres, up just 9,000 acres from a year earlier and the second-smallest since 1989/90. Plantings remain well below the 2000-2005 average of 3.24 million acres. Although U.S. rough-rice prices are the highest since at least 1980/81, strong returns for competing crops and very high fuel and fertilizer prices sharply limited the acreage expansion in 2008/09.

The planting intentions were based on a survey of producers conducted during the first two weeks of March. The first USDA survey of actual plantings of the 2008 crop will be released on June 30, 2008. The survey was conducted before the sharp spike in global rice prices that occurred in late March and April.

### Crop Progress Remains Behind A Year Ago In the Delta

As of May 4, about 61 percent of the U.S. crop had been planted, about 10 percentage points behind a year earlier and the U.S. five-year average. Except for the Delta, progress in other producing regions was about the same or ahead of a year ago.

Progress in the Delta remains behind that of a year ago and of the region's five-year average.

The pace of emergence lags behind both last

year and the U.S. five-year average. As of May 4, about 31 percent of the expected acreage had emerged, 16 points behind last year and 19 points behind normal. As with planting, emergence was well behind normal in Arkansas and Missouri, and slightly behind normal in Mississippi, but ahead of normal elsewhere.

### U.S. 2008/09 Total Rice Supplies Expected To Be 7 Percent Below A Year Ago

Total U.S. supplies of rice in 2008/09 are projected at 241.1 million cwt, 7 percent below a year ago and the smallest since 2000/01. In 2008/09, a much smaller carryin and fractional drop in production are expected to more than offset another year of record imports.

At 21.6 million cwt, the 2008/09 carryin is 45 percent below a year ago and the smallest since 1981/82.

At 22.5 million cwt, 2008/09 imports are projected to be the highest on record and nearly 5 percent above a year ago. Long-grain accounts for all of the projected increase in U.S. rice imports in 2008/09. At 16.0 million cwt, U.S. long-grain imports are up 7 percent from a year ago and the highest on record. Aromatics from Asia account for nearly all U.S. long-grain rice imports, with Thailand the largest supplier. Despite extremely high trading prices for Asian aromatics in the global market, little substitution away from these varieties by U.S. consumers is expected.

### U.S. 2008/09 Exports Projected to Decline 13 Percent

Total use of U.S. rice in 2008/09 is projected at 224.0 million cwt, down 5 from a year earlier, but 3 percent larger than in 2006/07. Exports account for all of the year-to-year decline in total use. At 98.0 million cwt, exports are 13 percent below a year earlier. Smaller supplies and much higher prices are behind the decline forecasted for U.S. rice exports in 2008/09. In contrast to exports, total domestic disappearance – including the residual that accounts for losses in processing, marketing, and transportation – is projected at a record 126.0 million cwt, and increase of 1 percent from a year earlier.

Both milled and rough-rice exports are projected to be smaller in 2008/09. At 34.0 million cwt, rough-rice exports are projected to be 7 percent below a year earlier, as record prices are expected to cause some regular buyers – mostly in Latin America – to reduce purchases. Combined milled and brown rice exports (on a rough-equivalent basis) are forecast at 64.0 million, 15 percent below the previous year.

The Middle East and Africa are expected to account for most of the decline in milled export.

By class, the long-grain exports are forecast at 72.0 million cwt, down 15 percent from 2007/08. Mexico, Central America, the Caribbean, the Middle East, Europe, Canada, and Sub-Saharan Africa are the top markets for U.S. long-grain rice. Combined medium/short-grain exports are forecast at 26.0 million cwt, down 1 million from the year earlier near-record. Northeast Asia and the Eastern Mediterranean are the largest markets for U.S. medium/short-grain rice. Egypt, a major competitor with the U.S. in the medium/short-grain market, is expected to lift its current export ban in October.

U.S. ending stocks for 2008/09 are projected at 17.1 million cwt, 21 percent below the previous year and the lowest since 1980/81. The stocks-to-use ratio, calculated at 7.6 percent, is the lowest since 1974/75. By class, long-grain ending stocks are projected to drop 17 percent to 9.7 million cwt, down 62 percent from the previous year. Both long-grain ending stocks and the long-grain stocks-to-use ratio of 6.1 percent are the lowest since at least 1982/83. Medium/short-grain ending stocks are projected at 6.6 million cwt, down 27 percent from a year earlier. Medium/short-grain ending stocks and stocks-to-use ratio – calculated at 10.4 percent – are the lowest since at least 1982/83.

There was only one revision this month to the 2007/08 rough-rice balance sheet: a 1 million cwt switch between exports by class. Long-grain exports were lowered to 85.0 million cwt, while medium/short-grain exports were raised 1 million cwt to a near-record 27.0 million. Ending stocks by class were adjusted to reflect the export revisions. Δ