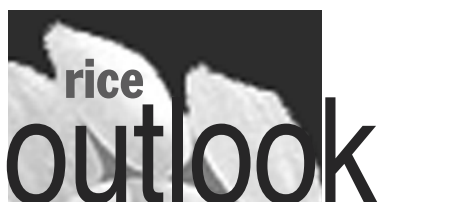


Global Ending Rice Stocks Are Projected Downward



ECONOMIC RESEARCH SERVICE

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Global rice production for 2008/09 is projected at a record 430.8 million tons (on a milled basis), down 1.0 million tons from last month's forecast, but almost 1 percent above the 2007/08 crop. This year's record global rice production is based on expanded area, estimated at 155.2 million hectares, fractionally below the 1999/2000 record. The yield of 4.14 tons per hectare is unchanged from last year's record. Yield-growth since 2000/01 has been quite low.

Global disappearance is projected at a record 427.7 million tons, down fractionally from last month's forecast, but up 1.0 million tons from a year earlier. Global ending stocks are projected at 80.7 million tons, down 1.3 million tons from last month and more than 4 percent larger than a year earlier. This is the second consecutive year of a significant buildup in global ending stocks. The Philippines and Pakistan account for most of this month's downward revision in stocks.

Production forecasts for 2008/09 were lowered this month for Afghanistan, Iran, and North Korea. Afghanistan's production forecast was lowered 87,000 tons to 168,000 tons based on a much smaller area estimate. The area estimate was lowered 65,000 hectares to 190,000 tons, based on a lack of irrigation water due to an abnormally small snow-melt that has hindered crop production across the region. Iran's 2008/09 production forecast was lowered 750,000 tons to 1.5 million tons due to a smaller area estimate and a much lower yield. Like Afghanistan, below-normal snow-melt in Iran has sharply reduced water supplies.

Finally, North Korea's production was lowered 100,000 tons to 1.6 million based on a lower yield. The yield was lowered due to excessive rainfall and a lack of fertilizer. These reductions were partially offset by a 24,000-ton increase in Mexico's 2008/09 production to 209,000 tons, a result of a larger area estimate.

This month, USDA raised the 2007/08 global production estimate 1.0 million tons to 429.0 million tons. Brazil's 2007/08 production estimate was raised 0.22 million tons to 8.35 million based on a higher yield reported by the government. In addition, Mexico's production estimate was raised slightly based on larger area.

Export Forecasts for 2008 Raised for India and Pakistan

Global rice trade for calendar year 2009 is projected at 27.5 million tons (milled basis), down 0.1 million from last month's forecast and 6 percent below the revised 2008 forecast. The 6-percent decline in trade in 2009 is primarily due to continuing export restrictions by India and Egypt, high trading prices, and record crops in several major importing countries.

The only export revision for 2009 was a 125,000-ton reduction in Argentina's exports to 500,000 tons. The reduction was based on a weaker forecast for 2008. On the import side, the Philippine import forecast was raised 200,000 tons to 2.2 million based on a stronger expected demand for imports.

On an annual basis, in 2009, weaker exports from Thailand, India, the United States, and Burma are expected to offset expanded shipments from Vietnam, Pakistan, Egypt, Argentina, and China. Burma is not expected to export any rice in 2009 due to cyclone damage.

The 2008 global trade forecast was raised almost 0.7 million tons this month to 29.1 million tons, still 9 percent below the 2007 record. On the export side, Pakistan's exports were raised 300,000 tons to 3.0 million based on sales to traditional Indian markets for non-basmati rice. India's 2008 exports were raised 300,000 tons to 2.8 million based on shipment pace and sales of basmati rice. Brazil's exports were raised 175,000 tons to 450,000 based on high world prices and the absence of some suppliers from

the global export market. These upward revisions were partially offset by a 100,000-ton reduction in Argentina's 2008 exports to 450,000 tons based on a slower-than-expected shipment pace.

On the import side, Brazil's imports were lowered 200,000 tons to 500,000 tons due to a large release of government stocks into the domestic market. In addition, the Philippine import forecast was lowered 300,000 tons to 2.1 million based on a slower-than-expected shipment pace and expectations regarding future purchases.

Global Trading Prices Continue To Drop On Weaker Demand and a Stronger Dollar

Thailand's trading prices for higher quality non-specialty rices are down by up to \$20 per ton from early July, primarily due to an absence of panic buying by major importers, a stronger dollar, a bumper dry-season harvest, and lower overall commodity prices. Thailand's prices actually increased in late July, when the government's intervention program was fully implemented. Price quotes are about \$30 per ton lower than quotes for the week ending July 21. Thailand's exporters are facing intense competition from lower-priced rice from Vietnam.

Prices for Thailand's high-quality, 100-percent Grade B (fob vessel, Bangkok) milled rice for export were quoted at \$733 per ton for the week ending August 11, down \$17 from the week ending July 7, and \$32 per ton below prices the week of July 21. Prices for 5-percent broken rices were quoted at \$716 per ton for the week ending August 11, down \$1 from early July and \$32 below price quotes for the week ending July 21.

Prices for Thailand's 5-percent parboiled rice were quoted at \$783 per ton for the week ending August 11, down \$1 from early July. Prices for Thailand's jasmine rice (a premium aromatic rice) were quoted at \$853 per ton for the week ending August 11, down \$50 from early July.

Prices for lower quality rice have declined even more. For the week ending August 11, prices for Thailand's A-1 Super 100-percent broken rices were quoted at \$489 per ton, down about \$60 from early July. All price quotes for Thailand's rice are from the Weekly Rice Price Update, reported by the U.S. agricultural counselor in Bangkok.

The government of Vietnam has allowed traders to resume commercial sales since last month. Currently, the government maintains a minimum export price (MEP) for 5-percent broken rices of \$750 per ton. However, actual trading prices are much lower, with price discounting limited by licensing requirements. Last week, the government announced that it will not apply an export tax to sales priced below \$800 per ton. For the week ending August 11, price quotes for Vietnam's top-quality 5-percent broken rices were reported at \$600 per ton, up \$80 from early July.

Export price quotes for U.S. long-grain milled rice have declined since mid-July, primarily due to lower global prices, a stronger dollar, and weaker commodity prices. For the week ending August 12, 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 \$805 per ton, down \$55 from mid-July and \$143 below the late-April record. U.S. long-grain milled prices were nearly unchanged from mid-June to Mid-July, despite falling global prices.

U.S. prices (adjusted to reflect fob vessel price) are about \$87 per ton above Thailand's price quotes, down from a \$125-difference a month earlier. Price quotes for U.S. long-grain rough rice (bulk, fob vessel, New Orleans) were reported at \$415 per ton for the week ending August 12, down \$35 from early July and \$135 below the late-April record.

Price quotes for California rice have increased slightly this month, after remaining stable during July. Prices for California package-quality medium-grain rice (sacked) for domestic sales were quoted at a record \$1,069 per ton for the week ending August 12, up \$33 from a month earlier and \$110 above prices in mid-June. Export price quotes (in 30-kilogram bags, fob vessel) were reported at a record \$1,175 per ton, unchanged from July. U.S. medium-grain prices are being supported at record levels by Egypt's export ban and a lack of any significant exportable supplies in Australia. Δ