

# Global Supply Constraints Has Rice Export Business Booming

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**A**lthough it is only February, 2008 has already become a memorable year for the rice industry. The cash and futures markets are hurdling price target after price target with no apparent end in sight, and the export business has been booming in light of the global supply constraints. The phenomenon is by no means limited to rice as wheat, corn, and especially soybeans have experienced similar trends.

These events are gaining international attention as governments look at escalating commodity prices and are faced with potential food shortages. Producers across the rice regions are eyeing the rising prices as well as they begin to develop their planting intentions for the new crop.

While rice prices continue to break records, the soybean market has caught substantial attention with Chicago Board of Trade prices in excess of \$15 and the attraction to plant beans will likely influence many acres.

With plantings still up in the air, price action will likely get pretty intense during March after producers have made these intentions clear and there is a better picture of what the actual stocks are likely to be. For the moment, it is expected that rice acreage will decline slightly, although not as much as in 2007, giving way to increased soybean and corn plantings.

Exports this month have been very strong with almost 400,000 MT sold and 410,000 MT loaded for shipment. Most of these volumes have been paddy and have resulted from global price and supply considerations. In the Asian markets, prices have risen to over \$470-500 per metric ton (up from around \$300-325 per metric ton one year ago) and continue to increase weekly. These increases are due to supply

shortages in Southeast Asia and are driving up the global price as traditional markets must now look elsewhere for rice.

Domestically, cash markets have also performed well with bids reaching into the \$15.00 per hundredweight plus range. Many producers have liquidated their stocks during the price climb as their price goals were met, but there remains a small amount of unsold rice in the bins. One of the key factors in the slow sell off of on farm rice was the inability of the cash market to keep up with the futures board. This resulted in a very poor basis situation and caused most producers to hold tight. If the current price trends hold, buyers will have to be more responsive during the upcoming year in order to get sorely needed supplies. The supply and demand report this month was relatively unchanged from January, with all supply factors held constant and slight increases in the export projections (1 million hundredweight increase) and season average farm price (up \$0.40 on the low end and \$0.20 on the high end resulting in \$11.30-\$11.60), and a decrease in the ending stocks (now estimated 2 million hundredweights below last month at 22.6 million hundredweights). From a global standpoint, the major grain producers have found themselves unable to meet the overall demand and are now looking at an agricultural boom. Biofuels are helping to drive the market, but rising incomes in developing countries have significantly stimulated the increased consumption of grain. Even at the beginning of the year, it is shaping up to be a great time to be on the production side of agriculture, especially rice. All in all, the market remains fundamentally and technically bullish and it will be interesting to see what transpires in 2008. Δ

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