

# Higher Rice Production Forecast Attributed To Expanded Area



**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), up 1.2 million tons from last month's forecast and almost 1 percent above the 2007/08 crop. This year's record global rice production is based on expanded area, estimated at almost 156.0 hectares, the highest on record. The yield of 4.1 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 428.9 million tons, up 1.2 million tons from last month's forecast and 1.7 million tons larger than a year earlier. Global ending stocks are projected at 80.4 million tons, down fractionally from last month, but 4 percent larger than a year earlier. This is the second consecutive year of a significant buildup in global ending stocks.

Production forecasts for 2008/09 were raised this month for India, Pakistan, Thailand, Japan, and the United States. India's production forecast was raised 1.0 million tons to a record 97.0 million based on larger area. At 45.0 million hectares – a near-record. Pakistan's production is projected at a record 5.8 million tons, up 0.2 million from last month's forecast, a result of a higher yield. Rainfall was particularly favorable in August. Thailand's production was raised 0.7 million tons to a record 19.5 million based on both record area and record yield. There were two smaller upward revisions this month. Japan's crop was raised 0.1 million tons to 8.0 million based on larger area. The U.S. crop was raised 0.75 million tons to 6.31 million, also based on larger area.

These upward revisions were partially offset by two reductions. First, the Philippines 2008/09 production forecast was lowered 0.8 million tons to 10.2 million based on a lower field yield and milling rate. Second, Iraq's crop was lowered 0.35 million tons to 0.85 million based on much lower area. The reduced area is primarily due to water restrictions resulting from severe drought in the region.

This month, USDA raised the 2007/08 global production estimate 0.5 million tons to 429.5 million tons. Thailand's 2007/08 production estimate was raised 0.7 million tons to 19.3 million based on larger second crop area. Vietnam's crop was raised 0.2 million tons to 24.1 million tons. These two upward revisions were partially offset by a 0.5-million-ton reduction in the Philippines estimate to 10.1 million.

## **Export Forecasts for 2009 Raised for India and Thailand**

Global rice trade for calendar year 2009 is projected at 28.3 million tons (milled basis), up 0.8 million from last month's forecast, but 3 percent below the revised 2008 forecast. The 3-percent decline in trade in 2009 is primarily based on expectations of continued export restrictions by India and Egypt, high trading prices, and record crops in several major importing countries.

There were two export revisions for 2009 this month. First, Thailand's exports were raised 500,000 tons to 9.5 million based on larger supplies and stronger global demand. And second, India's exports were raised 300,000 tons to 2.3 million based on expectations that the current ban will be lifted in the first half of the year, larger supplies, and stronger demand from Bangladesh – India's major buyer. There were two major import revisions for 2009 this month. First, Bangladesh's imports were raised 300,000 tons to 1.0 million based on stronger demand. And second, the Philippines' imports were boosted 300,000 tons to a record 2.5 million based on a smaller crop. In addition, the U.S. import forecast was raised 50,000 tons to a record 825,000 tons.

Global trade in 2008 remains forecast at 29.1

million tons, 9 percent below the 2007 record. There were no export revisions. On the import side, Indonesia's imports were lowered 600,000 tons to 500,000 tons based on a slower-than-expected pace to date. Bangladesh's imports were raised 250,000 tons to 1.2 million based on large purchases from India. Finally, imports by the Philippines were raised 200,000 tons to 2.3 million based on purchases to-date and a smaller crop.

## **Global Trading Prices Have Declined Since Early August Due to a Stronger Dollar and Weaker Overall Commodity Prices**

Thailand's trading prices for higher quality nonspecialty rices are down \$25-\$30 per ton from early August, primarily due to a stronger dollar, a bumper dry-season harvest, and lower overall commodity prices. Thailand's prices actually increased the first week of September, mostly due to the government rough-rice purchase program. Thailand's exporters are facing intense competition from lower-priced rice from Vietnam and expectations of a record harvest in Pakistan.

Prices for Thailand's high-quality, 100-percent Grade B (fob vessel, Bangkok) milled rice for export were quoted at \$706 per ton for the week ending September 8, down \$27 from the week ending August 11. Prices for 5-percent broken were quoted at \$688 per ton for the week ending September 8, down \$28 from August 11. Prices for Thailand's 5-percent parboiled rice were quoted at \$728 per ton for the week ending September 8, down \$55 from a month ago. Prices for Thailand's jasmine rice (a premium aromatic rice) were quoted at \$810 per ton for the week ending September 8, down \$43 from a month earlier.

Prices for lower quality rice have declined even more. For the week ending September 8, prices for Thailand's A-1 Super 100-percent broken were quoted at \$430 per ton, down almost \$60 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.

The Government of Vietnam has allowed traders to resume commercial sales since July. Currently, the government maintains a minimum export price (MEP) for 5-percent broken of \$650 per ton. However, actual trading prices are lower, with price discounting limited by licensing requirements. For the week ending September 9, price quotes for Vietnam's top-quality 5-percent broken were estimated at \$600 per ton, unchanged from a month ago.

Export price quotes for U.S. long-grain milled rice have declined a little since early August, primarily due to lower global prices, a stronger dollar, and weaker overall commodity prices. For the week ending September 9, 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 \$794 per ton, down \$11 from early August and about \$150 below the late-April record. U.S. prices actually increased about \$10 per ton from September 2 to 9. U.S. prices (adjusted to reflect fob vessel price) are about \$103 per ton above Thailand's price quotes, up from an \$87 difference a month earlier.

Price quotes for U.S. long-grain rough-rice (bulk, fob vessel, New Orleans) were reported at \$435 per ton for the week ending September 9, up \$20 from a month earlier. Recent strength in U.S. prices is likely due to logistical problems caused by Hurricane Gustav and uncertainty over the degree of any crop damage it caused.

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 \$1,135 per ton for the week ending September 12, up \$66 from a month earlier. Export price quotes (in 30-kg bags, fob vessel) remain reported at a record \$1,175 per ton, unchanged since 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.

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