

Long-Grain Rough-Rice Price Forecast On The Rise



ECONOMIC RESEARCH SERVICE

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The 2008/09 U.S. all-rice season-average farm price (SAFP) was raised 65 cents per hundredweight (cwt) on both the high and low ends to \$15.15-\$16.15 per cwt, the highest on record and well above \$12.80 in 2007/08. Although global rice prices have trended downward since the start of the 2008/09 market year, they are declining at a slower-than-expected pace. Impacts from Thailand's rough-rice purchase program and continued export bans by India and Egypt are limiting the decline in global prices. In addition, monthly rough-rice cash purchases reported by the National Agricultural Statistics Service (NASS) in November indicate a higher SAFP than reported last month, especially for medium/short-grain rice.

On an annual basis, the record U.S. price forecast is largely based on very high U.S. rough-rice prices early in the market year, smaller U.S. rice supplies, and continued trade restrictions by Egypt and India. By class, the 2008/09 long-grain rough-rice price is forecast at a record \$14.50-\$15.50 per cwt, up 65 cents on each end from last month and well above \$12.50 a year earlier. The combined medium/short-grain average price is projected at a record \$18.00-\$19.00 per cwt, up \$1.00 on each end from last month and sharply higher than \$13.80 in 2007/08.

Last month, USDA reported a preliminary November rough-rice cash price of \$17.30 per cwt, and lowered the October price to \$16.90 from a preliminary \$17.00. The November preliminary cash price is almost \$6.00 above a year earlier. By class, the long-grain mid-November cash price was reported at \$16.50 per cwt, down 30 cents from October and the third consecutive month of a decline. Long-grain cash prices have dropped \$1.40 since the start of the 2008/09 market year. For medium/short-grain rice, the mid-November price was reported at \$19.00 per cwt, up \$1.80 from October and the highest on record.

U.S. 2008/09 All-Rice Import Forecast Lowered 3.0 Million Cwt to 22.5 Million Cwt

The only supply-side revision this month was a 3.0-million cwt reduction in the 2008/09 import forecast to 22.5 million cwt, down 6 percent from the year-earlier record. Despite the downward revision, imports in 2008/09 are second highest on record. The reduction was made based on a slower-than-expected pace of deliveries from key suppliers – primarily Thailand and India – through September.

By class, long-grain imports were lowered 2.0 million cwt to 17.0 million, 4 percent below the year-earlier record. Combined medium/short-grain imports were lowered 1.0 million cwt to 5.5 million, 12 percent below the year-earlier near-record. Through September, there have been virtually no imports of rice from China, the largest supplier of medium/short-grain rice to the U.S. in recent years. Puerto Rico accounts for almost all of China's shipments to the U.S.

The 2008/09 U.S. rough-rice crop remains projected at 203.5 million cwt, up 3 percent

from a year ago. A 6.5-percent area expansion more than offset a lower yield. The South accounted for all of the area expansion, primarily due to extremely high prices at planting and expectations of strong prices throughout the marketing year. Yields are estimated lower this year in all States except Missouri and Texas. Late planting in the Delta and two severe Gulf Coast hurricanes account for most of the southern yield decline. In California, a combination of abnormally hot and cold temperatures at various times during the season and possible adverse effects from forest fire smoke likely cut yields. Despite lower yields in several States, rice production was larger this year in all reported States except California and Arkansas.

The reduced import forecast lowered total U.S. supplies of all rice in 2008/09 to 255.4 million cwt, 2 percent below a year earlier. By class, medium/short-grain accounts for all of the year-to-year supply reduction, largely due to a smaller crop. In contrast, long-grain supplies are forecast 1 percent larger than last year, a result of a bigger crop. The 2008/09 carryin remains estimated at 29.4 million cwt, 25 percent below a year ago. Long-grain accounts for most of the decline in carryin.

U.S. 2008/09 All-Rice Export Forecast Lowered 1.0 Million Cwt to 106.0 Million Cwt

Total use of U.S. rice in 2008/09 is projected at 232.0 million cwt, down 1.0 million cwt from last month's forecast, but virtually unchanged from last year. Exports account for all of this month's reduction in total use. The 2008/09 all-rice export forecast was lowered 1.0 million cwt to 106.0 million cwt, down 2 percent from last year. Milled-rice exports were lowered 2.0 million cwt to 67.0 million, a result of a slower-than-expected pace of shipments and sales, mostly to the Middle East. In contrast, the rough-rice export forecast was raised 1.0 million cwt to 39.0 million, mostly due to larger-than-expected sales, mostly to South America.

By class, long-grain exports were lowered 1.0 million cwt to 83.0 million, mostly due to weaker-than-expected sales to the Middle East. Medium/short-grain exports remain forecast at 23.0 million cwt, 12 percent below last year. In 2008/09, reduced sales to the Middle East are expected to more than offset expanded shipments to Oceania.

Total domestic disappearance – including the residual that accounts for losses in processing, marketing, and transportation – remains projected at a near-record 126.0 million cwt, up 2 percent from a year earlier. Although total and domestic disappearance is unchanged from last month, there was a 1.0-million cwt switch from medium/short-grain to long-grain based on supply availability and a very wide price difference by class. U.S. ending stocks for 2008/09 are projected at 23.4 million cwt, down 2.0 million from last month's forecast and 21 percent below the previous year. These are the lowest ending stocks since 1998/99. The stocks-to-use ratio is calculated at 10.2 percent, down from 12.7 percent a year earlier and the lowest since 1974/75.

By class, long-grain ending stocks are projected at 15.8 million cwt, down 2.0 million from last month's forecast and 17 percent below a year earlier. Medium/short-grain ending stocks remain projected at 6.3 million cwt, down almost 3 percent from last month's forecast and 30 percent below a year earlier. Medium/short-grain ending stocks are the lowest since at least 1982/83. ▲