

Mid-January Cash Price Reported Down 10 Cents



ECONOMIC RESEARCH SERVICE

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The 2008/09 U.S. all-rice season-average farm price (SAFP) was lowered 50 cents per hundredweight (cwt) on both the high and low ends to \$16.00-\$17.00 per cwt, still the highest on record and well above the 2007/08 SAFP of \$12.80. The downward revision was based on reported cash prices through mid-January and expectations regarding prices the remainder of the market year. On an annual basis, the record U.S. price forecast is largely based on very high reported U.S. rough-rice cash prices at the start of the market year, smaller U.S. rice supplies, and export restrictions by Egypt and India that are supporting global prices.

By class, the 2008/09 long-grain rough-rice price is forecast at a record \$15.00-\$16.00 per cwt, down 50 cents on each end from last month and well above the revised \$12.40 a year earlier. The combined medium/short-grain average price is projected at a record \$20.50-\$21.50 per cwt, down \$1.00 on each end from last month's forecast and sharply higher than the revised SAFP of \$14.60 in 2007/08.

Last month, USDA reported a preliminary January all-rice rough-rice cash price of \$17.00 per cwt, and lowered the December price to \$17.50 from a preliminary \$18.00. The January preliminary cash price is almost \$6.00 above a year earlier. By class, the long-grain mid-January cash price was reported at \$16.10 per cwt, down 10 cents from the revised December cash price. U.S. long-grain cash prices have dropped \$1.90 since the start of the 2008/09 market year.

For medium/short-grain rice, the mid-January price was reported at \$19.50 per cwt, down \$1.20 from a revised December price. The December mid-month price was lowered \$2.40 to \$20.70 per cwt. Despite the substantial downward revision, the December medium/short-grain cash price is the highest on record. U.S. medium/short-grain prices are being supported by smaller U.S. supplies this year and Egypt's export ban.

U.S. Rice Supplies Projected To Decline 4 Percent in 2008/09

There were no supply-side revisions this month. Total supplies remain projected at 251.2 million cwt, down 4 percent from a year earlier. This year, a much smaller carryin and a big decline in imports more than offset a slightly larger crop. At 29.4 million cwt, carryin is 25 percent below a year earlier and the smallest since 2004/05. Long-grain accounts for the bulk of the decline in carryin. At 19.0 million cwt, long-grain carryin is 33 percent below a year earlier and the smallest since 2004/05.

Medium/short-grain carryin is estimated at 9.1 million cwt, a drop of 9 percent from a year ago and the smallest since 1999/2000.

Imports of all rice remain forecast at 18.0 million cwt, down 25 percent from the year earlier record. Reported deliveries by the U.S. Census Bureau from August-November 2008 were nearly 40 percent below a year earlier. Shipments from the three largest suppliers – Thailand, India, and China – were sharply behind a year earlier. Long-grain imports remain projected at 15.0 million cwt, 15 percent below the year earlier record. Almost all U.S. long-grain imports are aromatics from Asia. Thailand, India, and Pakistan supply virtually all aromatics imported by the United States, with Thailand the largest supplier of imported rice to the United States.

Medium/short-grain imports remain forecast at 3.0 million cwt, more than 50 percent below the year-earlier near-record. In recent years, large purchases by Puerto Rico have accounted for a substantial share of U.S. medium/short-grain imports, with China the principle supplier. Through November 2008, there have been virtually no reported shipments of

medium/short-grain rice to Puerto Rico.

The U.S. 2008/09 rough-rice crop remains estimated at 203.7 million cwt, almost 3 percent above a year earlier. The larger crop is the result of an 8-percent area expansion that more than offset a 5-percent yield decline. By class, long-grain accounted for all of the production increase. At 153.3 million cwt, long-grain production is 7 percent larger than a year earlier, a result of an almost 15 percent increase in area that more than offset a lower yield. In contrast, medium/short-grain production declined almost 9 percent to 50.5 million cwt, a result of smaller plantings. The yield was up almost 2 percent from last year, and is the second-highest on record.

Rice acreage increased in 2008/09 in all southern rice growing States, primarily due to extremely high prices at planting and expectations of very strong prices in 2008/09. In contrast, rice acreage declined about 3 percent in California. Yields were lower in 2008/09 in all southern growing States except Texas, a result of late planting in much of the region and two late-summer hurricanes that damaged crops across most of the South. Texas was an exception, as most of the Texas crop was harvested prior to the hurricanes. The California yield was up slightly from last year. All States except California and Arkansas harvested larger crops in 2008/09, with Louisiana accounting for the largest share of the production increase.

U.S. 2008/09 All-Rice Export Forecast Lowered 3.0 Million Cwt to 98.0 Million Cwt

Total use of U.S. rice in 2008/09 is projected at 225.0 million cwt, down 3.0 million cwt from last month's forecast and 3 percent below last year. Exports account for all of this month's reduction in total use. The 2008/09 all-rice export forecast was lowered 3.0 million cwt to 98.0 million cwt, down 9 percent from last year. The downward revision was largely based on shipment data reported by Census through November, shipment and sales through January 2009 reported in the weekly U.S.

Export Sales, and expectations regarding sales and shipment pace the remainder of the market year.

U.S. milled-rice exports were lowered 3.0 million cwt to 60.0 million, 11 percent below a year ago. Through late January 2009, U.S. shipments of milled-rice to Sub-Saharan Africa and the Middle East were substantially lower than a year earlier. U.S. rough-rice exports remain forecast at 38.0 million cwt, 5 percent below last year.

By class, long-grain exports were lowered 3.0 million cwt to 74.0 million, 10 percent below a year earlier. Through late January, the pace of shipments of long-grain rice to the Middle East and Sub-Saharan Africa was behind a year earlier. This was partially offset by large sales of long-grain rice to South America, typically not a major buyer of U.S. rice. Medium/short-grain exports remain forecast at 24.0 million cwt, 8 percent below last year's near-record. Despite the projected decline, the U.S. has picked up markets in Oceania this year previously supplied by Australia. Consecutive droughts have sharply lowered Australia's exports.

Total domestic disappearance – including the residual that accounts for losses in processing, marketing, and transportation – remains projected at a near-record 127.0 million cwt, up 2 percent from a year earlier. Long-grain domestic and residual use remains forecast at a record 95 million cwt. Medium/short-grain domestic and residual use remains forecast at 32.0 million cwt, 10 percent below a year earlier. Due to the record high prices of medium/short-grain rice, some U.S. processors are likely switching from medium/short-grain rice to lower-priced U.S. long-grain rice.

U.S. ending stocks for 2008/09 are projected at 26.2 million cwt, up 3.0 million cwt from last month's forecast, but 11 percent below the previous year. The stocks-to-use ratio is calculated at 11.6 percent, down from 12.7 percent last year. By class, long-grain ending stocks are projected at 18.3 million cwt, up 3.0 million cwt from last month's forecast, but 4 percent below a year earlier. Medium/short-grain ending stocks remain projected at 6.6 million cwt, 28 percent below a year earlier. Medium/short-grain ending stocks are the lowest since at least 1982/83. Δ



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