

# Ongoing Flooding In Pakistan Severely Affects Rice Crop Prospects



**ECONOMIC RESEARCH SERVICE**

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**W**eather problems in several major rice-producing countries are largely responsible for a 4.6-million ton reduction in the 2010/11 global rice production forecast to 454.6 million tons (milled basis), still 3 percent larger than a year earlier and the highest on record. On a year-to-basis, larger crops in India, Bangladesh, Brazil, the Philippines, and the United States are expected to more than offset production declines in China, Egypt, South Korea, and Pakistan.

The largest production change this month for 2010/11 was a 2-million ton reduction in Indonesia's production, now forecast at 38 million tons.

China's production estimate was reduced by 1.5 million tons this month to 136.0 million tons, down 1 percent from last month.

The ongoing flooding in Pakistan has severely affected crop prospects in the rice-growing areas of Punjab and Sindh provinces. Using before-and-after satellite images of the affected areas, USDA estimates that approximately 400,000 hectares of rice plantings have been lost, with total production estimated at 5.3 million tons, down 1.2 million tons from last month's forecast.

Rather than too much rain, Thailand's production this year has suffered from a lack of rain during planting of its main season crop and low reservoir levels. But with low reservoir reserves, yields are projected slightly lower than previously forecast. Smaller downward production revisions were made this month for North Korea, Colombia, and Chile.

A large production revision for Indonesia was primarily responsible for a reduction in the 2009/10 global production estimate, down 1.5 million tons to 441.2 million tons. This reduction comes after an extensive survey of the production situation. In 2009/10, rice plantings were delayed by excessive rains attributed to El Niño. Successive rice crops were also delayed, but were also affected by floods, pests, and disease.

This large decrease was partially offset by a 300,000-ton increase in Pakistan's production estimate to 6.8 million tons, based on the recommendation of the U.S. Agricultural Counselor in Islamabad. Smaller 2009/10 production changes were made this month for Guyana, the Philippines, Thailand, and Vietnam.

The global disappearance forecast for 2010/11 was reduced this month by 4.5 million tons to 452.1 million tons – still the highest on record.

## **2011 Global Trade Forecast Reduced to 30.7 Million Tons**

Global trade for 2011 was reduced this month by nearly 0.7 million tons to 30.66 million tons, primarily due to a large production decrease forecast for Pakistan.

There were two upward 2011 export revisions this month, both based on revised production forecasts. The largest of these was for the United States. Russia's 2011 export forecast was increased 10,000 tons to 120,000 tons, also based on a larger 2010/11 crop estimate.

These upward revisions were more than offset by a large decrease in Pakistan's export fore-

cast, reduced 750,000 tons to 2.85 million tons.

On the import side, Haiti's imports for 2011 were increased 25,000 tons to 300,000 tons based on a continuation of pace-to-date. Colombia's imports were raised 20,000 tons to 70,000 tons based on a slightly smaller 2010/11 crop forecast.

These increases were offset by several reductions. Iran's imports were reduced by 300,000 tons to 1.2 million tons based on reduced Pakistani supplies, and Afghanistan's imports were reduced 100,000 tons to 200,000 tons, also based on smaller Pakistani supplies. The only other change was a 25,000-ton reduction in Cuba's imports to 525,000 tons, based on a continuation of the 2009/10 import pace.

Global exports for 2010 were raised this month by 50,000 tons to 30.1 million tons. Vietnam's 2010 exports were raised 450,000 tons to a record 6.2 million tons based on a report from the U.S. Agricultural Counselor in Hanoi. U.S. exports were increased 75,000 tons to 3.5 million tons based on export pace-to-date and the current outstanding sales balance.

These export increases were nearly offset by several reductions – particularly a 500,000-ton reduction to Thailand's 2010 exports, now estimated at 9.0 million tons.

This revision was based on a slower-than-expected shipment pace, taking into account that the country's recent decision to release some intervention stocks may somewhat accelerate the pace of exports in the remainder of the year. Also, Ecuador's 2010 exports were reduced 55,000 tons to 70,000 tons.

Importer changes for 2010 were also mixed. Indonesia's import forecast was raised 250,000 tons to 500,000 tons based on a large reduction to the country's 2009/10 production estimate. A slower-than-expected import pace-to-date was responsible for several import estimate reductions this month. Smaller import estimate reductions were made for Bolivia and Cuba.

## **Concerns Over Pakistan's Crop Damage Fuel Global Price Increases**

Trading prices for Thailand's high- and medium-quality grades of non-specialty rice have risen 4 to 13 percent from the second week of August, partially due to concerns of tightening global supplies, but also due to a stronger Thai baht.

Prices for Thailand's high-quality, 100-percent Grade B (fob vessel, Bangkok) milled rice for export were quoted at \$483 per ton for the week ending September 6, up 4 percent from the week ending August 9. Prices for Thailand's 5-percent broken rice were quoted at \$465 per ton for the week ending September 6, up 5 percent from the week ending August 9. Prices for Thailand's 5-percent parboiled rice—a specialty rice—were quoted at \$512 per ton for the week ending September 6, up 8 percent from the week ending August 9.

Though a record rice crop is projected for the U.S. in 2010/11, price quotes for U.S. long-grain milled rice firmed slightly this week on global supply concerns. For the week ending September 7, prices for high-quality southern long-grain rice (No. 2, 4-percent broken, bagged, free alongside vessel, U.S. Gulf port) were quoted at \$430 per ton, up \$17 from the week ending August 10. However, because of the large U.S. crop, U.S. price increases were less pronounced than price increases for rice from Asia. U.S. rice (adjusted to reflect the fob vessel price) is quoted with a \$21 discount to similar varieties from Thailand. U.S. long-grain rough-rice (bulk, fob vessel, New Orleans) is quoted at \$245 per ton for the week ending September 7, up \$5 from the week ending August 10. Δ