

Other Grains, Oilseeds Push Domestic Rice Prices Higher



ECONOMIC RESEARCH SERVICE

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The 2007/08 U.S. season-average farm price (SAFP) was raised 55 cents on the low end and high end to \$11.85-\$12.15 per cwt, up from \$9.96 the previous year. The 2007/08 SAFP is the highest since 1980/81. This month's upward revision in the SAFP is based on reported monthly cash prices through mid-February and expectations regarding prices and marketing the remainder of the market year. The substantial year-to-year price increase is due to very high prices for other grains and oilseeds, rapidly rising global rice prices, and strong export demand for U.S. rice.

Last month, USDA reported a preliminary February rough-rice cash price of \$12.20 per cwt, and raised the January price to \$11.80 from a preliminary \$11.60. The February mid-month price is the highest since July 1981. Prices have risen every month since September, with an average monthly increase of 35 cents. Prices are up more than \$2.00 from a year earlier.

There were no supply-side revisions this month. Total U.S. rice supplies in 2007/08 remain projected at 258.3 million cwt, nearly unchanged from a year ago. By class, long-grain supplies are projected to be 4 percent smaller than a year ago, while medium/short-grain supplies are up 13 percent.

The 2007/08 U.S. rough-rice crop of 197.5 million cwt is up 2 percent from a year ago. A 5-percent yield increase more than offset smaller plantings. At 7,185 pounds per acre, the average field yield is the highest on record. Rice plantings of 2.76 million acres were 77,000 acres below a year ago. The area decline was primarily due to strong prices for competing crops and high fuel and fertilizer prices.

At 39.3 million cwt, beginning stocks in 2007/08 are 9 percent below a year ago, with long-grain accounting for all of the decline. Imports of all rice remain projected at a record 21.5 million cwt, up more than 4 percent from 2006/07, with both long- and medium/short-grain imports the highest on record.

U.S. 2007/08 Export Forecast Raised to 112.0 Million Cwt

Total use of U.S. rice in 2007/08 is projected at 236.7 million cwt, up 1.0 million cwt from last month's forecast and 9 percent larger than the previous year. Exports account for all of this month's upward revision in total use. The 2007/08 U.S. export forecast was raised 1.0 million cwt to 112.0 million cwt based on U.S. Census data through December, data from the weekly U.S. Export Sales report through February, and expectations regarding sales the rest of the market year. In addition, on March 7 the U.S. Department of Agriculture announced the availability of \$65 million in credit guarantees for sales of rice to the Philippines under the Commodity Credit Corporation's Export Credit Guarantee Program (GSM-102) for fiscal year 2008.

U.S. exports in 2007/08 are forecast to be 23 percent higher than a year earlier. The solid

year-to-year increase in U.S. exports is due to strong global demand, tight exportable supplies across most of Asia, a voluntary export ban by Egypt, and continued export restrictions by India (currently a \$650 per ton-minimum export price and additional port restrictions).

Rough-rice exports were raised 0.5 million cwt to 36.5 million, up 14 percent from the previous year. Mexico and Central America account for the bulk of U.S. rough-rice exports, buying mostly long-grain rice. Sales to Mexico have been at record levels through February. This year, Mexico and Turkey have purchased much smaller quantities of medium/short-grain rough rice. Combined milled and brown rice exports (on a rough-equivalent basis) are forecast at 75.5 million, also up 0.5 million cwt from last month's forecast and 27 percent above the previous year. Japan, Haiti, and Iraq have been the top markets for U.S. milled rice in 2007/08; Canada and Saudi Arabia have purchased substantial amounts as well.

By class, the long-grain exports remain forecast at 86.0 million cwt. The recently announced GSM allocation for the Philippines offsets a lack of new sales to some key markets in the Caribbean and the Middle East. Long-grain exports are 18 percent above the previous year. Through February, U.S. exports of long-grain rice to Mexico, the Philippines, and Sub-Saharan Africa were ahead of a year earlier.

The combined medium/short-grain export forecast was raised 1.0 million cwt, to 26.0 million cwt, up 39 percent from the previous year and the highest since 1980/81. The Middle East is expected to account for most of the year-to-year increase in U.S. medium/short-grain exports.

The big boost in U.S. medium/short-grain exports this year is partly due to extremely tight supplies in Australia, historically a major competitor of the U.S. in global medium/short-grain markets. Since mid-January, Egypt – another major medium/short-grain exporter – has implemented a voluntary export ban, likely assisting U.S. exporters in some Middle East markets.

Total domestic and residual use for 2007/08 remains projected at 124.7 million cwt, almost 2 percent below the previous year. Long-grain domestic disappearance remains projected at 89.0 million cwt, down 3 percent. Combined medium/shortgrain domestic disappearance remains forecast at 35.7 million cwt, up almost 3 percent from the previous year.

U.S. ending stocks of all rice for 2007/08 are projected at 21.6 million cwt, down 1.0 million from last month's forecast and 45 percent below the previous year. Ending stocks are the lowest since 1980/81. The ending stocks situation varies by class. At 10.7 million cwt, long-grain ending stocks are down 62 percent from the previous year. In contrast, medium/short-grain ending stocks of 10.1 million cwt – a 1.0 million cwt reduction from last month's forecast – are up 1 percent from the previous year.

The all-rice stocks-to-use ratio is projected at 9.1 percent, down 0.5 percentage point from last month and well below 18.0 percent in 2006/07. The 2007/08 stocks-to-use ratio is the lowest since 1974/75. The long-grain stocks-to-use ratio is forecast at 6.1 percent, well below 17.3 percent in 2006/07 and the lowest in more than 25 years. The tight ending stocks situation for long-grain rice will keep strong upward price pressure on long-grain rice the remainder of the market year. At 16.4 percent, the medium/short-grain stocks-to-use ratio is below the 18.8 percent of the previous year. Δ