

Outlook Positive For U.S. Rice Exports In 2010-11 Marketing Year

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The projected record long-grain rice crop to be harvested this year in the United States must find a home in order to firm up prices that have been trending downward since their peak in December 2008. With record global rice production expected, the market outlook may appear rather gloomy. But there are bright spots on the horizon for U.S. rice exports.

Firstly, price declines have made U.S. prices comparable to Thai, and only marginally higher than Vietnamese rice, which makes U.S. rice more competitive in the export market. The U.S. Department of Agriculture (USDA) Economic Research Service projects U.S. rice exports will grow by 5 percent to reach 114 million hundred weight (cwt) during the current marketing year. This increase comes after a 4 million cwt upward revision of last year's exports.

This upward trend is supported by sales to date, with shipments and sales at 18.5 million cwt, a 35 percent increase compared to last year. But, what is driving these early exports and expectations of even more to come?

One obvious answer is Iraq, which purchased 2.65 million cwt of U.S. rice near the end of August. Iraq's past purchases of U.S. rice have typically come later in the marketing year so these early purchases may bode well for our exports for the remainder of the year.

After setting a record for rice imports from the United States last year, Turkey has already purchased 970,000 cwt of U.S. medium-grain rice compared to none this point last year. With domestic production rice production in Turkey expected to be higher this year, it's not likely that U.S. imports will increase significantly. However, with even weaker exports expected from Egypt, our primary competitor in this market, U.S. exports may do better than expected.

Export sales to Ghana have reached 926,000 cwt already this marketing year compared to one-fourth that total at the same time last year. Although Ghana was hit hard by the global economic downturn last year, this purchase may signify that things are improving and imports may return to a more historic trend of 1.7 to 2.2 million cwt from the United States.

In the Americas, there are some bright spots and some lowered expectations. On the bright side, Brazil has purchased 1.1 million cwt of U.S. rice so far this marketing year, compared

to none at the same time last year. Venezuela is likely to continue importing significant quantities of U.S. rice as local production continues to lag. Costa Rica will likely slash its imports by more than half as local production increased by 1.3 million cwt. Mexico and the remaining countries of Central America should remain steady customers, as should Canada.

Cuba remains the market with the most long-term potential for U.S. rice exports. Unfortunately, until the Cuban economy improves and the U.S. policy toward Cuba changes, that potential will be unrealized.

In terms of export competition, the United States is fairly competitive. Pakistan will decrease its rice exports following significant crop damage caused by persistent flooding. USDA's Foreign Agriculture Service (FAS) estimates the country's rice crop losses at 32 percent, and projects its exports will decrease by 36 percent from last year. – a reduction of some 32 million cwt. Last year, Pakistan was the world's third-largest rice exporter just ahead of the United States.

On the negative side, the Thai government holds significant intervention stocks of long-grain rice that will have to find their way into the market sooner than later.

The Indian crop has recovered from the crop failure of last year; however the country still maintains an export ban on long-grain rice and a minimum export price for Basmati rice. Many expect India to lift its export ban relatively soon, but it must rebuild depleted reserves before becoming aggressive in the export market.

If world trade numbers remain steady, the export picture for U.S. long-grain rice is positive and exports are likely to exceed current USDA projections.

The Australian medium-grain crop has rebounded and exports may resume, but at very low levels. FAS expects exports not to exceed 2.3 million cwt.

Egypt, another medium-grain rice exporter, is expected to cut exports by half in 2010-11, a reduction of 6.6 million cwt. There has been some private industry interest in importing U.S. medium-grain paddy rice to be milled in Egypt for re-export.

The overall scenario is positive for export demand of U.S. medium-grain rice and supportive of medium-grain rice prices. Δ



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