

Record Production, Record Disappearance For Global Rice



ECONOMIC RESEARCH SERVICE

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Global rice production for 2008/09 is projected at a record 439.7 million tons (on a milled basis), up fractionally from last month's forecast and almost 2 percent above 2007/08 production. This is the fourth consecutive year of a record global crop. This year's record global rice production is due to expanded rice area, estimated at a record 155.8 million hectares. The average yield of 4.2 tons per hectare – the highest on record – is virtually unchanged from last year.

Global disappearance is projected at a record 434.1 million tons, down 1.0 million tons from last month's forecast, but more than 1 percent larger than a year earlier. Consumption forecasts (including a residual component) were lowered this month for Burma, India, and the Philippines.

Global ending stocks are projected at 84.6 million tons, up 2 percent from last month's forecast and 7 percent larger than a year earlier. Global ending stocks are the highest since 2002/03. This is the second consecutive year of a significant buildup in global stocks. The global stocks-to-use ratio is calculated at 19.5 percent, up from 18.4 percent in 2007/08 and the highest since 2003/04. India and Thailand account for most of this month's increase in global stocks.

The Philippines accounts for the largest share of this month's upward revision in global production. The Philippines 2008/09 production forecast was raised 0.45 million tons to a record 10.65 million based on a record yield. There were four smaller production increases this month. First, Spain's crop was boosted 33,000 tons to 465,000 tons based on a higher yield reported by the Government of Spain. Second, Australia's crop was increased 25,000 tons to 73,000 based on larger area and a higher yield. Third, Nicaragua's production was increased 22,000 tons to a record 212,000 based on a higher yield. Finally, Russia's 2008/09 production was increased 25,000 tons to 475,000 tons, also due to a higher yield.

These upward revisions were partially offset by two reductions. First, Thailand's production was lowered 100,000 tons to 19.4 million based on a lower yield resulting from an abnormally cold January. The crop is still the highest on record. And second, Ukraine's crop was lowered 5,000 tons to 65,000 based on weaker yield.

There were two revisions for 2007/08. First, the Philippines' production was raised 0.4 million tons to 10.48 million due to a higher yield reported by the Government. And second, Peru's production was boosted 162,000 tons to a record 1.86 million tons, based on a record high yield reported by the U.S. agricultural counselor in Peru.

In 2008/09, most rice exporters are projected to harvest larger crops, with record production projected for three of the top six exporters – Thailand, India, and Pakistan.

Of the remaining top three exporters, only Vietnam is projected to harvest a smaller crop in 2008/09, with larger crops projected for China and the United States. Argentina, Uruguay, and Cambodia – midsized exporters – are projected to produce more rice in 2008/09 as well. Most major importers are projected to harvest larger crops in 2008/09, with production in Sub-Saharan Africa, the Philippines, Bangladesh, Indonesia, and Malaysia the largest on record. Iran and Iraq are exceptions among the major importers, with big declines in production estimated for both countries.

Thailand's 2009 Export Forecast Lowered; Export Forecasts for Burma and India Raised

Global rice trade for calendar year 2009 is projected at 29.5 million tons (milled basis), down fractionally from last month's forecast and 1 percent smaller than last year. The 2009 trade forecast is 8 percent below the 2007 record. High prices and the impact of export bans and restrictions account for much of the decline in global trade since 2007.

There were four 2009 export revisions this month. First, Thailand's exports were lowered 500,000 tons to 9.0 million, based on expectations of increased competition from Vietnam when it harvests its winter-spring crop, and from India if its current export ban on non-basmati rice is removed. Thailand's prices are much higher than prices from Vietnam and Pakistan. The U.S. 2009 export forecast was lowered 50,000 tons to 3.2 million, based on a slower-than-expected shipment pace in late 2008 and a reduced 2008/09 export forecast. These two reductions were partially offset by a 300,000-ton increase in Burma's exports to

500,000 tons and a 200,000-ton increase in India's exports to 2.5 million tons.

On the import side, the 2009 import forecast for the Philippines was lowered 500,000 tons to 2.0 million based on much larger supplies, primarily due to upward revisions in production. Australia's imports were lowered 50,000 tons to 175,000 tons, also based on a larger crop. These two reductions were partially offset by larger import forecasts for Liberia, Syria, Hong Kong, and Peru.

The 2008 global trade estimate of 29.7 million tons is up almost 2 percent from last month, but still 7 percent below the 2007 record. India's exports were raised 350,000 tons to 3.3 million based on larger-than-expected shipments through September 2008. Burma's exports were boosted 91,000 tons to 541,000 based on government data. Australia's exports were raised 60,000 tons to 100,000, based on shipment data. These increases were partially offset by a 55,000-ton reduction in China's exports to 945,000 tons based on shipment data.

There were several import revisions for 2008 based on year-end, or almost year-end, shipment data. Import estimates were raised this month for Liberia, Hong Kong, Oman, Malaysia, Peru, and Cuba. These increases were offset by reductions for Nicaragua and Ukraine.

Thailand's Price Quotes Increase 5-10 Percent Due to Government Purchases and Strong Parboiled Demand

Thailand's trading prices for various grades and types of rice are up 5-10 percent from early January, primarily due to large purchases of rough-rice by the government and strong demand for parboiled and fragrant rice. India's current ban on non-basmati exports has allowed Thailand to capture a larger share of this market. Thailand will likely face strong price competition when Vietnam harvests its main winter-spring crop and if India relaxes its export ban.

Prices for Thailand's high-quality, 100-percent Grade B (fob vessel, Bangkok) milled rice for export were quoted at \$612 per ton for the week ending February 9, up \$36 from the week ending January 5. Prices for 5-percent broken were quoted at \$592 per ton for the week ending February 9, up \$33 from early January. Thailand is currently making very few sales of high-quality nonspecialty rice.

Prices for Thailand's 5-percent parboiled rice – a specialty rice – were quoted at \$639 per ton for the week ending February 9, up \$59 from January 5. India – a major competitor of Thailand in the large Middle Eastern and African parboiled markets – is currently banning sales of parboiled rice.

Prices for lower quality rice have increased at a slower pace. For the week ending February 9, prices for Thailand's A-1 Super 100-percent broken were quoted at \$317 per ton, up \$16 from early January. All price quotes for Thailand's rice are from the Weekly Rice Price Update, reported by the U.S. agricultural counselor in Bangkok.

Price quotes from Vietnam have increased as well. For the week ending February 10, prices for Vietnam's top-quality 5-percent broken were quoted at \$420 per ton, up \$20 from the week ending January, mostly due to strong demand and shipments, mainly to Iraq, the Philippines, Africa, and Cuba. Vietnam's prices are \$172 per ton below quotes for comparable grades of rice from Thailand, making Vietnam a very competitive supplier. The price difference has widened by \$12 from a month ago.

Export price quotes for U.S. long-grain milled rice continue to drop, primarily due to a lack of any substantial new business and adequate supplies. For the week ending February 10, price quotes for high-quality southern long-grain rice (No. 2, 4-percent broken, bagged, free alongside vessel, U.S. Gulf port) were quoted at \$562 per ton, down \$44 from a month earlier and almost \$100 below the late-April record. U.S. prices (adjusted to reflect fob vessel price) are actually lower than Thailand's price quotes. There have been very little, if any, sales of high-quality rice by Thailand at quoted prices. Price quotes for U.S. long-grain rough-rice (bulk, fob vessel, New Orleans) are reported at \$340 per ton for the week ending February 10, down \$20 from early January.

Price quotes for California medium-grain milled rice are down slightly from a month ago, but are still at near-record highs. Prices for California package-quality medium-grain rice (sacked) for domestic sales are quoted at \$1,080 per ton for the week ending February 10, down \$22 from early January. Export price quotes (in 30-kg bags, fob vessel) are reported at \$1,100 per ton, a drop of just \$25 from early January. U.S. medium-grain prices are being supported at extremely high levels by Egypt's export ban, a lack of significant exportable supplies in Australia, and a smaller U.S. crop in 2008/09. In addition, there is much uncertainty regarding California plantings for 2009/10 due to drought conditions in Northern California. The first indication of 2009 planting intentions by farmers will be released on March 31. Δ



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