

Rice Becomes Much More Attractive Crop With Futures Over \$2

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This last month has seen some significant moves in the rice market, especially from the pricing side, although exports and demand have received some positive boosts as well.

The global commodity market has been extremely active,

with importing countries scrambling to cover their needs while traditional exporters are hitting their limits and backing away from the table. The resulting surge in prices has set off panic in many areas of the world regarding food price and availability. While this comes as a shock to consumers, producers have entered into a Golden Age of agriculture.

It is easy to see the effects already beginning to take hold. Total acreage devoted to crops is up for the current year, with grains accounting for the majority of the increases.

A month ago, rice was marginally profitable with the increases in the cost of production. Now, as futures prices have gone up over \$2.00 per hundredweight on the Chicago exchange, it has become a much more attractive crop.

In the cash market, prices have continued to meet and surpass pricing goals, resulting in the sell off of most of the southern old crop. There is still some unsold rice in the Delta but with no slack in the export demand, this will likely not last long. Asian prices have continued to move up except that there is no longer any rice to sell. Exporters in many of the traditional rice exporting countries have stepped away from the bidding table, which translates into even more potential buyers coming to the U.S. market.

To underline the stronger market, India has imposed an all out export ban instead of the minimum export price they have been using for the last several months.

Plantings have been well underway for the

past few weeks in the southern region of the rice belt, although seed availability among several crops has played a key role in actual acreage.

The USDA planting report, which has been a cause for much anticipation and speculation for the last few weeks came out with only a few surprises, most of which are a direct result of market forces.

As we mentioned last month, soybean acreage was expected to increase and the report indicates a 19 percent increase in total acreage for that crop. Rice, which seems to have reacted positively to the recent price trends, was projected to be at about the same acreage as last year (as opposed to a net decrease which was considered a possibility at previous price levels) with acreage increases in Texas and Arkansas, and decreases in Louisiana, Mississippi, and Missouri. The other crops were reported as follows: an 8 percent decrease in corn acreage, a 13 percent decrease in cotton acreage, and a 6 percent increase in wheat.

This demonstrates the growing ability of agriculture to adapt to the market trends. The supply and demand report for the month did not have any substantial changes for rice with the only major revisions being an increase in exports and a subsequent decrease in ending stocks (1 million hundredweight each). The season average farm price was also increased by \$0.55 on both ends of the range.

Globally, the market has definitely moved into high gear and export demand is expected to be strong. Availability is another question that will have to be answered as processors are able to evaluate their costs, project their abilities, and most importantly determine what it will take to actually get the commodity from producers.

Fundamentally, there are no reasons to suspect any weakening in the rice market, and at the rate everything is moving, there will be many stories to tell at the end of the year. Δ

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