

Rice Prices Climb Based Partially On Reduced Supplies



The 2008/09 U.S. all-rice season-average farm price (SAFP) was raised 10 cents per hundredweight (cwt) on both the high and low ends to \$15.85-\$16.85 per cwt, the highest on record and well above \$12.80 in 2007/08. The upward revision was primarily based on higher-than-expected U.S. cash prices reported in August and early September and a reduced U.S. supply forecast.

By class, 2008/09 long-grain rough-rice prices are projected at \$15.50-\$16.50 per cwt, up \$0.50 on both ends from last month and well above \$12.50 a year earlier. The upward revision in the long-grain SAFP is primarily due to a slight reduction in the 2008/09 long-grain crop projection and higher than expected prices in August and September. Combined medium/short-grain prices are projected at \$17.50-\$18.50 per cwt, down \$2.00 on both ends from last month, but sharply higher than \$13.80 in 2007/08.

Last month, USDA reported a preliminary September rough-rice cash price of \$17.90 per cwt and raised the August price to \$18.00 from a preliminary \$17.70. The August cash price is the highest ever reported, and \$7.90 above a year earlier. Monthly cash prices are currently about double the levels reported early in the 2006/07 market year. By class, the long-grain mid-September price was reported at \$17.70 per cwt, down 20 cents from an August price. For medium/short-grain rice, the mid-September price was reported at \$18.80 per cwt, up 80 cents from August.

U.S. 2008/09 Rough-Rice Crop Projection Lowered 1 Percent to 204.1 Million Cwt

The 2008/09 U.S. rough-rice crop is projected at 204.1 million cwt, down 2.8 million cwt from last month's forecast, but more than 3 percent larger than a year ago.

The reduced yield forecast is primarily due to wind and rain damage caused by Hurricanes Gustav and Ike which struck the Gulf Coast in September. Hurricane Gustav, which struck the Louisiana Gulf Coast on September 1, brought heavy rains and flooding to much of Louisiana and southern Arkansas, slowing the harvest. On September 13, Hurricane Ike struck Galveston and then moved north and east, bringing heavy winds to northern Arkansas and southern Missouri. The heavy winds caused much of the crop to lodge, delaying harvest and reducing field yields. Most of the Texas crop was harvested before Ike struck.

Long-grain accounts for most of this month's downward revision in production. The 2008/09 U.S. long-grain production estimate was lowered 2.1 million cwt to 155.2 million, still 9 percent larger than a year earlier. The medium-grain production forecast was lowered 1 percent to 45.7 million cwt, 11 percent below last year. The short-grain production forecast was lowered 1 percent to 3.2 million cwt, 21 percent smaller than a year ago. Almost all short-grain rice is grown in California.

Area estimates by State are unchanged from last month. Average yields and production forecasts were lowered this month for Arkansas and Mississippi, but raised for California and Texas. Average yields and production forecasts are unchanged this month for Louisiana and Missouri.

Arkansas accounted for the largest decline in production this month. The Arkansas crop estimate was lowered 4.0 million cwt to 92.8 million. Mississippi's production was lowered 3 percent to 16.5 million cwt. These two reductions were partially offset by a 1.6-million cwt increase in the California crop estimate to 41.9 million cwt and a 0.2-million cwt increase in the Texas crop estimate to 12.3 million cwt.

Louisiana, Mississippi, Missouri, and Texas Are Projected To Harvest Larger Crops in 2008/09

Rice production in 2008/09 is estimated to be larger than last year in all reported States except Arkansas and California. Louisiana accounts for the largest share of the 2008/09 increase in production. At 26.5 million cwt, the Louisiana crop is 14 percent larger than last year, a result of expanded area. The yield is down 7 percent from last year. Production in Mississippi is up 17 percent from last year, also a result of expanded area. The yield is 3 percent below last year. Texas rice production is 29 percent larger than last year's crop, a result of both expanded area and a record yield. Missouri's record crop is up 15 percent from last year due to expanded area and a record yield.

In contrast, production in Arkansas is projected 2 percent smaller than last year, with a 3-percent drop in yield more than offsetting a slight area expansion. The California crop is more than 4 percent below last year, with both

area and yield down.

As of October 5, just 69 percent of the U.S. crop had been harvested, behind 82 percent last year and the U.S. 5-year average of 81 percent. Harvest is behind last year in every reported southern State except Texas, with the States in the Delta reporting the longest delay. The Delta received substantial rainfall early in the season that delayed plantings several weeks. Then, in early September, Hurricane Gustav brought heavy rains before the bulk of the harvest was to start in the region. About 2 weeks latter, Hurricane Ike brought heavy winds to the Delta that caused much of the crop to lodge, further slowing harvest.

In Arkansas, just 65 percent of the crop was harvested by October 5, about 20 percentage points behind a year earlier and the State's 5-year average. Only 59 percent of the Missouri crop was harvested by October 5, compared with 86 percent last year and a 5-year average of 75 percent. In Mississippi, 72 percent of the crop was reported harvested by October 5, well behind 96 percent last year and a 5-year average of 91 percent.

In Louisiana, about 95 percent of the crop was harvested by October 5.

Only in Texas, with nearly all the main-crop harvested, was progress on par with last year and the 5-year average. Hurricane Gustav missed the Texas rice area, and Hurricane Ike struck after the bulk of the Texas crop had been harvested. Harvest of the Texas ratoon crop continues. In California, 53 percent of the crop was reported harvested by October 5, slightly ahead of last year and the State's 5-year average.

Total Supplies for 2008/09 Are Down Slightly from Last Year

Total U.S. supplies of all rice in 2008/09 are projected at 259.1 million cwt, down 2.8 million cwt from last month's forecast, a result of the reduced crop forecast.

The 2008/09 carryin remains estimated at 29.4 million cwt, 25 percent below a year ago. Long-grain carryin remains estimated at 19.0 million cwt, 33 percent smaller than a year earlier. Medium/short-grain carryin remains estimated at 9.1 million cwt, more than 9 percent smaller than a year ago.

Imports in 2008/09 remain forecast at a record 25.5 million cwt, 7 percent larger than last year. Long-grain imports remain forecast at a record 19.0 million cwt, 8 percent larger than last year. Thailand is the largest supplier of long-grain imports to the United States, with its premium jasmine rice accounting for most of the sales. Medium/short-grain imports remain forecast at 6.5 million cwt, the highest on record. China is typically the largest supplier of medium/short-grain imports to the United States, with Puerto Rico the major destination.

U.S. 2008/09 All-Rice Exports Forecast Lowered to 108.0 Million Cwt

Total use of U.S. rice in 2008/09 is projected at 234.0 million cwt, down 2.0 million cwt from last month's forecast, but 1 percent larger than last year. Exports account for all of this month's reduction in total use. The 2008/09 all-rice export forecast was lowered 2.0 million cwt to 108.0 million cwt, unchanged from last year.

By type, milled-rice exports (rough equivalent of both milled and brown rice exports) were lowered 1.0 million cwt to 71.0 million cwt, still 5 percent larger than last year. Rough-rice exports were lowered 1.0 million cwt to 37.0 million, down 8 percent from last year's near-record. By class, the long-grain export forecast was lowered 1.5 million cwt to 85.0 million cwt, still 4 percent larger than a year earlier. The Middle East and Latin America account for most of this month's downward revision in long-grain exports. The medium/short-grain export forecast was lowered 0.5 million cwt to 23.0 million, 12 percent below last year. The Middle East accounts for most of the expected reduction in U.S. medium/short-grain exports in 2008/09.

Total domestic disappearance – including the residual that accounts for losses in processing, marketing, and transportation – remains projected at a near-record 126.0 million cwt, up 2 percent from a year earlier. U.S. ending stocks for 2008/09 are projected at 25.1 million cwt, down 3 percent from last month's forecast and 14 percent below the previous year. The stocks-to-use ratio, calculated at 10.7 percent, is 2 percentage points below a year earlier and the lowest since 1980/81.

By class, long-grain ending stocks are projected at 17.3 million cwt, down 3 percent from last month's forecast, and 9 percent below a year earlier. The long-grain ending stocks-to-use ratio is calculated at 9.8 percent, down 1.4 percentage points from last year. Medium/short-grain ending stocks are projected at 6.5 million cwt, down almost 3 percent from last month's forecast and 29 percent below a year earlier. The medium/short-grain ending stocks-to-use ratio is calculated at 11.2 percent, 3.5 percentage points below a year earlier. Both medium/short-grain ending stocks and the stocks-to-use ratio are the lowest since at least 1982/83.

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