

# Rice Season-Average Farm Price Is Still Record Highest



**ECONOMIC RESEARCH SERVICE**

U.S. Department of Agriculture, Washington, DC

Market Outlook on Rice is sponsored by RiceTec, Inc.

The 2008/09 U.S. all-rice season-average farm price (SAFP) was lowered 20 cents per hundredweight (cwt) on both the high and low ends to \$16.30-\$17.30 per cwt. Despite this month's downward revision, the 2008/09 SAFP is the still the highest on record and well above a revised \$12.80 for 2007/08. The downward revision in the 2008/09 SAFP was based on a larger U.S. supply forecast and lower expectations for global rice prices in 2008/09.

By class, 2008/09 long-grain rough-rice prices are projected at a record \$15.60- \$16.60 per cwt, up from \$12.70 a year earlier. Combined medium/short-grain prices are projected at \$19.50-\$20.50 per cwt, up from \$13.40 in 2007/08. The 2008/09 SAFP for both long-grain and combined medium/short-grain rice are the highest on record. This is the first month USDA reported price forecasts by class for rice.

The 2007/08 all-rice SAFP was raised 30 cents from the midpoint of last month's forecast range to \$12.80 per cwt, based on reported monthly cash prices through mid-June and expectations regarding prices for the remainder of the market year. Price quotes from trade sources indicate about a 10 percent decline in long-grain rough-rice prices in the Delta since late April, when prices soared to record highs.

Outside the Delta, there is very little 2007 crop unsold, with most quotes in Texas and Southwest Louisiana for new crop.

Last month, USDA reported a preliminary June rough-rice price of \$16.70 and raised the May price to \$16.10 from a preliminary \$15.00. The June midmonth price is the highest ever reported and \$6.70 above a year earlier. Prices have risen every month since September 2007, with an average monthly increase of more than 70 cents.

## **U.S. 2008/09 Plantings Estimate Raised 5 percent to 2.90 Million Acres**

The first survey of actual plantings of the 2008/09 U.S. rice crop peg planted acreage at 2.90 million acres, up 5 percent from both the March planting intentions and 2007/08 plantings.

By class, long-grain plantings were raised 180,000 acres to 2.25 million acres, up 9 percent from a year ago. Virtually all U.S. long-grain rice is grown in the South. In contrast, medium/short-grain acreage – estimated at 645,000 acres – is down 8 percent from both the last month and 2007/08. California medium/short-grain plantings were lowered 15,000 acres; Southern medium/short-grain plantings were reduced 40,000 acres. California accounts for the bulk of U.S. medium/short-grain acreage.

Louisiana accounted for more than half of this month's upward revision in 2008/09 total rice area. Planting estimates for Mississippi, Missouri, and Texas were each raised 30,000 acres. In contrast, the Arkansas planting estimate was lowered 20,000 acres – all medium-grain – and the California estimate was reduced 15,000 acres, also all medium-grain.

Rice plantings are estimated to be higher than a year ago in every reported State except California, where area is unchanged.

## **U.S. 2008/09 Rough-Rice Crop Projection Raised 4 Percent to 205.0 Million Cwt**

The 2008/09 U.S. rough-rice crop is projected at 205.0 million cwt, up 8.0 million cwt from last month's forecast and 4 percent larger than a year ago. This month's upward revision in the production forecast is based on the higher area estimate. The yield, estimated at 7,121 pounds per acre, is fractionally below last month's forecast and 1 percent below the year-earlier record.

Total U.S. supplies of all-rice in 2008/09 are projected at 254.6 million cwt, up 5 percent from last month's forecast, but 2 percent below a year ago. Total supplies are the smallest since 2003/04. In 2008/09, a much smaller carryin is expected to more than offset a larger crop and record imports.

The 2008/09 carryin is projected at 26.1 million cwt, up 18 percent from last month's forecast, but 34 percent below a year ago.

The 2008/09 import forecast was raised 500,000 cwt to a record 23.5 million cwt, 2 percent larger than the year-earlier revised estimate.

## **Progress and Condition of the 2008 Crop Remain Behind a Year Ago**

As of July 6, about 8 percent of the U.S. crop had headed, down 3 percentage points from a year earlier and the U.S. 5-year average. Progress of the 2008 crop lagged last year in every reported State. Except for Louisiana and Texas, none of the crop was reported headed by July 6. In Louisiana, about 39 percent of the crop had headed by July 6, down 8 or 9 percentage points from a year ago and the State's 5-year average. About 43 percent of the Texas crop was headed by July 6, down 4 percentage

points from last year and the State's 5-year average. In Arkansas, none of the crop had headed by July 6, down from 1 percent a year earlier and State's 5-year average. Heading in Mississippi was 10 percentage points behind last year and State's 5-year average. In Missouri, heading was 5 percentage points behind last year and the State's 5-year average. As in the Delta, none of the California crop was reported headed by July 6, down from 2 percent last year and a 5-year average of 5 percent.

As of July 6, the condition of the 2008/09 U.S. crop was rated slightly lower than a year earlier, with conditions lower in every reported State except Texas. California reported the biggest drop in crop conditions from last year. For the week ending July 6, about 70 percent of the California crop was rated in good or excellent condition, down from 83 percent a year ago. In 2007, weather conditions in California were extremely favorable to rice production. This year, the California crop has experienced some weather problems. Cool temperatures early in the season slowed germination and development. In addition, local wildfires have created heavy smoke and ash that have reduced sunlight. Temperatures last week were extremely hot as well.

In Arkansas, 63 percent of the crop was rated in good or excellent condition, down from 72 percent a year earlier. About 84 percent of the Mississippi crop was rated in good or excellent condition, 7 percentage points below a year earlier. In Missouri, 84 percent of the crop was rated in good or excellent condition for the week ending July 6, just 1 percentage point below a year ago. About 74 percent of the Louisiana crop was rated in good or excellent condition, down from 78 percent last year. In contrast, 68 percent of the Texas was rated in good or excellent condition, up sharply from just 30 percent a year ago. In 2007, the Texas rice growing areas received excessive rain early in the growing season.

## **U.S. 2008/09 All-Rice Export Forecast Raised to 107.0 Million Cwt**

Total use of U.S. rice in 2008/09 is projected at 233.0 million cwt, up 4 percent from last month's forecast, but fractionally smaller than a year earlier. Exports account for all of this month's upward revision in total use. Exports are projected at 107.0 million cwt, up 8.0 million cwt from last month, but still 2 percent below a year earlier. Rough rice exports were raised 2.0 million cwt to 37.0 million, unchanged from last year. Mexico and Central America account for the bulk of U.S. rough-rice exports. Milled-rice exports (on a rough-equivalent basis) were raised 6.0 million cwt to 70.0 million cwt, 2.0 million below a year earlier.

By class, the long-grain export forecast was raised 8.5 million cwt to 81.0 million cwt, 1.5 million cwt below this year. The upward revision in long-grain exports is primarily due to a 15.0-million increase long-grain supplies. In contrast, the medium/short-grain export forecast was lowered 0.5 million cwt to 26.0 million, 0.5 million below the year earlier near-record. The downward revision in medium/short-grain exports is primarily due to a 4-percent reduction in the medium/short-grain supply forecast.

Total domestic disappearance – including the residual that accounts for losses in processing, marketing, and transportation – remains projected at a record 126.0 million cwt, an increase of 1 percent from a year earlier. U.S. ending stocks for 2008/09 are projected at 21.6 million cwt, up 26 percent from last month's forecast, but still 17 percent below the previous year and the lowest since 1980/81. The stocks-to-use ratio, calculated at 9.3 percent, is the lowest since 1974/75.

By class, long-grain ending stocks are projected at 13.7 million cwt, up 34 percent from last month's forecast, but still 10 percent below a year earlier. The long-grain ending stocks-to-use ratio is calculated at 8.0 percent. Medium/short-grain ending stocks are projected at 7.1 million cwt, down 30 percent from a year earlier and the lowest since 1998/99. The medium/short-grain ending stocks-to-use ratio is calculated at 11.7 percent, the lowest since at least 1982/83.

There were several revisions to the 2007/08 rough-rice balance sheet this month. On the supply side, imports were raised 1.0 million cwt to 23.0 million, the highest to date. Both long- and combined medium/short-grain imports were raised 0.5 million cwt. On the use side, total exports were lowered 3.0 million cwt to 109.0 million.

By class, long-grain exports were lowered 2.5 million cwt and combined medium/short-grain exports were lowered 0.5 million cwt.

Finally, data from the June 30 Rice Stocks report indicate total U.S. rice stocks on June 1, 2008 at 59.6 million cwt (rough-basis of both rough- and milled-rice stocks). Stocks are estimated to have declined 47 percent from a revised March 1, 2008 calculated estimate of 112.5 million cwt. Long-grain stocks on June 1 are calculated at 38.4 million cwt. Combined medium/short-grain stocks are calculated at 19.1 million cwt. More than half of all reported rice stocks on June 1 were in Arkansas, with stocks estimated at 34.6 million cwt. Rice stocks in California on June 1 are estimated at 15.4 million cwt. Stocks on June 1 in the remaining four States were much smaller. This is the first time USDA has estimated June 1 rice stocks. Δ