

U.S. Is Partly Responsible For Increased Global Rice Production



ECONOMIC RESEARCH SERVICE

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Global rice production for 2008/09 is projected at a record 431.7 million tons (on a milled basis), up fractionally from last month's forecast and almost 1 percent above the 2007/08 crop. This year's record global rice production is based on expanded area, estimated at a record 155.3 million hectares. The global yield of 4.1 tons per hectare (rough-basis) is unchanged since 2005/06. Bangladesh, China, Indonesia, the Philippines, Thailand, Brazil, and the United States account for most of the expected year-to-year increase in global production in 2008/09.

Global disappearance is projected at a record 428.3 million tons, up 0.8 million tons from last month's forecast and almost 1 percent above a year earlier. Egypt accounts for most of this month's upward revision in global disappearance. Global ending stocks are projected at 82.0 million tons, up fractionally from last month and more than 4 percent larger than a year earlier. This is the second consecutive year of a significant buildup in global ending stocks. The United States and Vietnam account for most of this month's upward revision.

Production forecasts for 2008/09 were raised this month for Vietnam and the United States, but lowered for North Korea and Russia. Vietnam's 2008/09 production forecast was raised 0.14 million tons to 23.7 million based on a larger area estimate. The crop is slightly smaller than the year-earlier record. Rice plantings in Vietnam are projected to remain unchanged from 2007/08 due to high world prices. The U.S. 2008/09 crop projection was raised 256,000 tons to 6.56 million tons based on a higher area estimate. The yield was lowered fractionally.

In contrast, North Korea's 2008/09 crop projection was lowered 4 percent to 1.7 million tons based on smaller area and a weaker yield. Poor growing conditions and a lack of fertilizer have hindered North Korea's agriculture this year. Finally, Russia's 2008/09 production forecast was lowered 9 percent to 0.46 million tons based on a government survey indicting smaller area, a result of tight water supplies.

This month, USDA raised the 2007/08 global production estimate fractionally to 428.0 million tons. Vietnam accounts for nearly all of the upward revision. Vietnam's 2007/08 production was raised 0.38 million tons to a record 23.9 million based on larger area and a higher yield. Data from the U.S. agricultural counselor in Ho Chi Minh City indicated a larger winter-spring crop and summer-autumn crop than previously forecast. This upward revision was partially offset by a reduction in Uzbekistan's crop based on a weaker yield.

Vietnam's 2008 and 2009 Export Forecasts Raised; Egypt's Export Forecasts Lowered

Global rice trade for calendar year 2009 is projected at 27.6 million tons (milled basis), up 2 percent from last month's forecast, but 3 percent below the revised 2008 forecast. The 3-percent decline in trade in 2009 is primarily due to expected continuation into 2009 of current export restrictions by India and Egypt, high trading prices, and record crops in several major importing countries.

On the export side, Vietnam's 2009 exports were raised 700,000 tons to a record 5.2 million tons. The upward revision is based on larger supplies and lower price expectations. In addition, the U.S. export forecast was raised 175,000 tons to 3.3 million tons based on larger supplies and more competitive prices.

These increases were partially offset by two reductions. First, Egypt's 2009 export forecast was lowered 200,000 tons to 800,000 based on a continuation of the export ban until April. And second, Cambodia's exports were lowered 150,000 tons to 300,000 tons based on expected purchases by Vietnam. Vietnam accounts for nearly all of Cambodia's rice exports.

On the import side, Vietnam's imports were lowered 150,000 tons to 300,000. In addition, U.S. imports were raised 25,000 tons to a record 775,000 tons based on stronger imports in 2008.

On an annual basis, in 2009, weaker exports from Thailand, India, the United States, and Burma are expected to offset expanded shipments from Vietnam, Pakistan, Egypt, Argentina, and China. Burma is not expected to export any rice in 2009 due to cyclone damage.

The 2008 global trade forecast was lowered fractionally this month to 28.4 million tons, 10

percent below the 2007 record. On the export side, Egypt's exports were lowered 350,000 tons to 450,000 tons based on the April 2008 through March 2009 ban. Vietnam's 2008 exports were raised 250,000 tons to 4.75 million based on shipment pace, larger supplies, and more competitive prices. Since July, the Government of Vietnam has allowed exporters to resume new sales after a 3-month ban. Cambodia's exports were raised 50,000 tons to 400,000 based on Vietnam's expected purchases.

On the import side, the Philippine import forecast was raised 300,000 tons to a record 2.4 million based on deliveries and purchases to date, as well announcements regarding future purchases. Also, the U.S. import forecast was raised 25,000 tons to 750,000 based on deliveries through April and expectations regarding purchases the remainder of 2008.

Resumption of Sales by Vietnam and a Weaker Baht

Pull Global Prices Down

Thailand's trading prices have dropped 9-10 percent since early June due to a recent renewal of sales by exporters in Vietnam, a weakening of the baht, and a temporary lull in large-scale buying by major importers. In early July, Thailand's prices actually rose from a week earlier due to government purchases under the 2007/08 second-crop intervention program.

Prices for Thailand's high-quality, 100-percent Grade B (fob vessel, Bangkok) milled rice for export were quoted at \$750 per ton for the week ending July 7, up \$20 from a week earlier, but down 9 percent from a month earlier. Prices for 5-percent broken were quoted at \$717 per ton for the week ending July 7, up \$12 from the last week of June, but 10 percent below prices reported in early June.

Prices for Thailand's 5-percent parboiled rice were quoted at \$784 per ton for the week ending July 7, up \$14 from a week earlier, but 9 percent below prices in early June. Prices for Thailand's jasmine rice (a premium aromatic rice) were quoted at \$903 per ton for the week ending July 7, down \$17 from last week and down 15 percent from early June.

Prices for lower quality rice have declined as well. For the week ending July 7, prices for Thailand's A-1 Super 100-percent broken were quoted at \$550 per ton, down \$30 from a week earlier and 11 percent below quotes in early June. All price quotes for Thailand's rice are from the Weekly Rice Price Update, reported by the U.S. agricultural counselor in Bangkok.

The Government of Vietnam has resumed allowing exporters to make sales. The Government has also lowered the minimum export price (MEP) for 5-percent broken to \$720 per ton from \$800 in June. For the week ending July 8, price quotes for Vietnam's top-quality 5-percent broken were reported at the MEP of \$720 per ton, down from a nominal price in late June calculated at \$750 per ton.

Export price quotes for U.S. long-grain milled rice have remained unchanged since mid-June, even as global prices have declined. As of July 3, the U.S. had a record level of outstanding sales on the books for this late in the market year. Although prices have declined from the May record highs, prices remain more than twice the levels reported a year ago, largely due to export restrictions by some competitors, continued high global rice trading prices, and high prices for other commodities. For the week ending July 8, 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 \$860 per ton, unchanged from a month earlier, but \$88 below the late-April record high.

U.S. prices (adjusted to reflect fob vessel price) are about \$125 per ton above Thailand's price quotes, up from about a \$50-difference a month earlier. During most of April and May, U.S. prices were actually below Thailand's price quotes (not actual trading prices). During April and much of May, exporters in Thailand were making few new sales – despite record-high prices and strong demand – making price discovery difficult in the global rice market. Price quotes for U.S. long-grain rough- rice (bulk, fob vessel, New Orleans) were reported at \$450 per ton for the week ending July 8, unchanged from a month earlier but \$100 below the late-April record.

In contrast to U.S. long-grain milled-rice prices, price quotes for California rice have increased since early June. Prices for California package-quality medium-grain rice (sacked) for domestic sales were quoted at a record \$1,036 per ton for the week ending July 8, up \$110 from a month earlier. Export price quotes (in 30-kilogram bags, fob vessel) were reported at a record \$1,175 per ton, up \$75 from mid-June. U.S. medium-grain prices are being supported by Egypt's export ban and a lack of any significant exportable supplies in Australia. Δ