

U.S., Egypt Rice Production Offsets Reductions



ECONOMIC RESEARCH SERVICE

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The 2011/12 global rice production forecast was reduced by 73,000 tons this month to 456.3 million tons, with increases for Egypt and the United States nearly offsetting reductions for Indonesia and the Koreans. In spite of the reduction, global rice production in 2011/12 remains projected at a record, up more than 1 percent from 2010/11.

Egypt's production estimate was raised this month by 350,000 tons to 4.7 million tons. The U.S. Agricultural Officer in Cairo reports that in the wake of this spring's political upheaval, rice planting restrictions on the basis of water conservation were not strictly enforced, allowing more rice to be planted in lieu of corn and soybeans. As a result, plantings in Egypt are estimated at 760,000 hectares – nearly a 70-percent increase over 2010/11 when the planting restrictions were in place. This would be the largest crop on record for Egypt.

U.S. rice production for 2011/12 was also revised upward this month. The estimate was raised 40,000 tons to 6.04 million tons based on a higher yield estimate reported by the National Agricultural Statistics Service.

These increases were more than offset by several reductions. The largest of these was a 300,000-ton decrease for Indonesia, whose production for 2011/12 is now forecast at 37.3 million tons.

In North Korea, torrential rain fell in the country's main rice-growing areas throughout July, hindering crop development. Currently, production is estimated at 1.7 million tons, down 100,000 tons from last month's forecast based on a lower yield. In South Korea, production is estimated at 4.24 million tons, down 60,000 tons from last month's forecast. Similarly, the reduction is due to a slightly reduced yield estimate.

Global rice production for 2010/11 was raised by nearly 1.0 million tons this month to 451.2 million tons. The largest change for 2010/11 was an 800,000-ton increase in India's production estimate to 95.3 million tons.

Global disappearance in 2011/12 is projected at a record 455.2 million tons, down 1.1 million tons from last month's forecast, but still nearly 7 million tons larger than 2010/11.

Global ending stocks for 2011/12 are projected at 97.9 million tons, up 1.7 million tons from last month and 1 percent larger than a year earlier.

Thailand's Exports Are Projected To Drop 20 Percent in 2012

The global trade forecast for calendar year 2012 was reduced 240,000 tons from last month to 31.9 million tons (milled basis), down nearly 3 percent from the revised 2011 estimate. Egypt's production change and several rice policy changes resulted in large export revisions this month.

India's export forecast was raised 700,000 tons to 3.5 million tons – unchanged from the revised 2011 forecast – based on the recommendation of the U.S. Agricultural Officer in New Delhi.

Egypt's export forecast was raised 300,000 tons to 500,000 tons based on the country's record 2011/12 production and the gap between low domestic prices and high world

prices, which will likely encourage trade even though an export ban remains in effect. Lastly, Brazil's 2012 export forecast was raised 150,000 tons to a near-record 700,000 tons, based on the country's export pace in 2011 and the likelihood that higher prices in 2012 will make Brazilian rice more competitive on the global market.

On the importer side, the 2012 import forecast for Indonesia was raised 1.0 million tons this month to 1.4 million tons based on a report from the U.S. Agricultural Officer in Jakarta.

In contrast, the U.S. 2012 import forecast was reduced this month by 15,000 tons to 635,000 tons on the expectation of smaller long-grain imports from South Asia.

Global trade for 2011 was raised 1.5 million tons this month to a record 32.7 million tons.

On the importer side, Indonesia's 2011 import forecast was raised 450,000 tons this month to 2.2 million tons, the highest since 2003. Rice prices there have increased in recent weeks due to the start of Ramadan. For this reason, the National Logistics Agency (Bulog) has been authorized to import 1.6 million tons of rice through March 2012, with part of this quantity expected to ship before the end of this calendar year. Bangladesh's import forecast was increased 200,000 tons this month to 1.2 million tons on information from the U.S. Agricultural Officer in Dhaka. Smaller importer adjustments were made this month for Egypt, Madagascar, Oman, Sierra Leone, Somalia, Togo, Uganda, and the United States.

Trading Prices for Vietnam and the U.S. Have Increased Since Early July

Trading prices for Thailand's high- and medium-quality grades of non-specialty rice have remained strong in the wake of the Pheu Thai Party election victory, but have fallen 2 to 4 percent from the levels achieved in early July. Prices for Thailand's high-quality, 100-percent Grade B (fob vessel, Bangkok) milled rice for export were quoted at \$560 per ton for the week ending August 8, down 4 percent from the week ending July 11. Prices for Thailand's 5-percent broken were quoted at \$545 per ton for the week ending August 8, also down 4 percent from the week ending July 11. Prices for Thailand's 5-percent parboiled rice – a specialty rice – were quoted at \$561 per ton for the week ending August 8, down 3 percent from the week ending July 11.

In Vietnam, price quotes rose nearly 10 percent over the past month due to tight short-term supplies as a result of increased export shipments over the past month. For the week ending August 9, prices for 5-percent broken were quoted at \$555 per ton – up \$50 per ton from the week ending July 12. Higher trading prices for Vietnam have nearly erased the premium of Thailand's rice over Vietnam, now only \$5 compared to \$76 last month.

U.S. long-grain milled-rice prices have risen over the past month in response to global market conditions and renewed concerns over the impacts of above-average nightly temperatures in the Mississippi River Delta. For the week ending August 9, prices for high-quality Southern long-grain rice (No. 2, 4-percent broken, bagged, free alongside vessel, U.S. Gulf port) were quoted at \$595 per ton, up \$66 from the week ending July 12. U.S. price quotes have risen this month while Thailand's have fallen slightly, raising the premium of U.S. rice (adjusted to reflect the fob vessel price) to \$50 over similar grades of Thai rice, compared with a difference of \$37 last month. U.S. long-grain rough-rice (bulk, fob vessel, New Orleans) was quoted at \$330 per ton for the week ending August 9, up \$30 from the week ending July 12. Δ



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