

InterRice

Monthly report of the world market of rice

August 2011

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RICE: Firm world prices and uncertain future supply

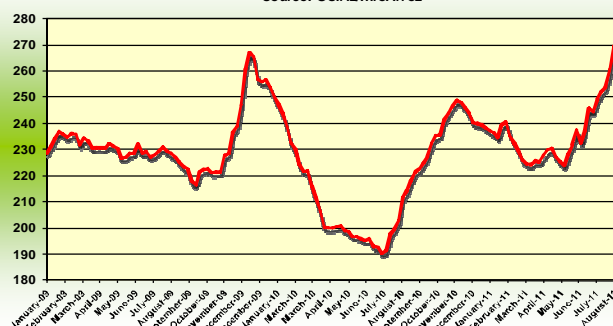
Market Trends

In August, world prices increased again due to uncertainties about future export supply, especially in India. The new policy to support domestic prices in Thailand also tends to strongly weight on international prices. Moreover, this measure may enter in effect before the expected. With the perspective of a sharp high in Thai prices, importers have looked for alternative suppliers, leading prices to grow in all markets, including those from the West Hemisphere. India's return to the non-fragrant export market is gradually happening. India's export supply may be smaller than the projected.

In August, the OSIRIZ/InfoArroz (IPO) index rose by 16.6 points to 260.8 points (basis 100 = January 2000) against 244.2 points in July. By the beginning of September, the IPO index was at 272 points.

OSIRIZ/InfoArroz International prices Index (IPO)

base 100 = January 2000
source: Osiriz/InfoArroz



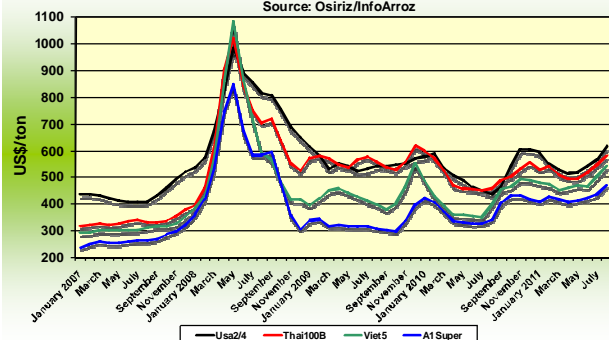
IPO Index and Export Rice Prices (US\$/t FOB - Source: OSIRIZ)

	IPO	Usa2/4	Thai100B	Thai5	Thai Parb	India5	Viet5	Tai25	Viet25	Pak25	A1Super
2009	231.9	553	564	540	-	-	435	456	368	352	327
2010	220.1	523	506	481	517	-	420	439	387	370	380
2011*	235.7	560	532	515	533	-	486	472	445	438	430
JAN - MAR	233.5	562	528	512	528	-	471	462	437	426	418
APR - JUN	227.8	526	505	490	510	-	470	454	435	434	416
JULY	244.2	568	549	531	545	455	504	489	446	451	438
AUGUST	260.8	619	582	563	579	460	544	520	484	460	473
	01-aug-11	252.3	605	565	545	550	460	500	460	460	450
	08-aug-11	253.9	595	560	540	560	460	535	505	475	465
	15-aug-11	260.6	625	575	560	570	460	510	490	465	470
	22-aug-11	269.5	635	615	595	610	460	555	540	495	485
	29-aug-11	267.8	635	595	575	605	460	560	500	450	495

Source: Osiriz/InfoArroz, *January- August

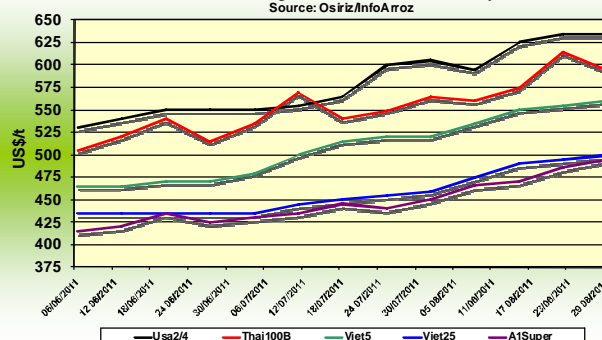
Monthly Evolution of World Rice Prices

US\$/t FOB Bangkok, Houston and Ho Chi Minh City
Source: Osiriz/InfoArroz



Weekly Evolution of World Rice Prices

US\$/t FOB Bangkok, Houston and Ho Chi Minh City
Source: Osiriz/InfoArroz

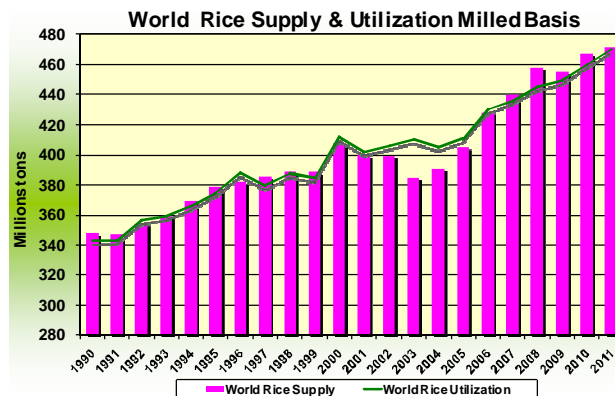
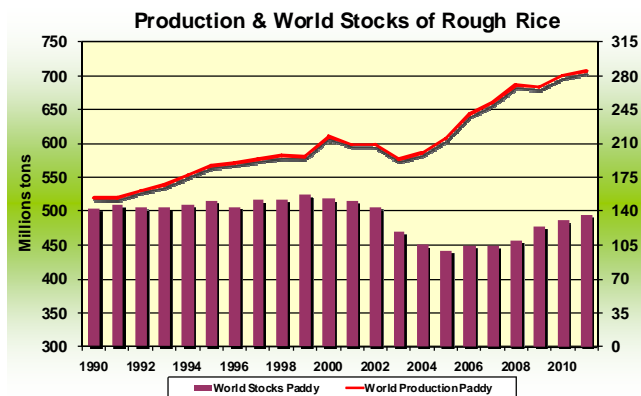


World production and trade

According to FAO, the **world production** in 2010 reached a record volume of 700 million tons (467Mt of white rice) against 684Mt of paddy in 2009, up by 2.4%. Higher outputs have been observed in almost all rice producing region of the world, due to the expansion of planted areas, which could reach 162Mha. This increase is mainly observed in Asian regions, especially China, India, Indonesia and Bangladesh. These named countries are the world's leading producers, answering for one third of global production. Projections for 2011/12 season indicate a new production growth to 717Mt (479Mt of white rice), up by 2.5%. Good conditions in the Southern hemisphere tend to confirm these projections.

In 2010/12, the **world trade** rose by 6% to 33.2Mt against 31.4Mt in 2009/10. In 2011/12, trade flows are likely to remain relatively steady at 33.3Mt. The exportable availability from the main exporters is likely to continue to be largely enough to meet global demand.

The **world stocks** at the end of 2010 increased by 4.6% to 132.3Mt against 126.5Mt in 2009. These reserves represent 30% of the world's needs. Projections for world stocks in 2011 indicate a new increase to 137.3Mt. In 2012, preliminary estimates indicate an increase to 145Mt.



Export market

In **Thailand**, prices increased by 6% in August motivated by the new policy on domestic prices, which may enter in effect by October, one month earlier than expected. Thai paddy rice is expected to reach \$ 500/ton, what could mechanically raise export prices to \$ 850/ton FOB, making it unfeasible for Thailand to compete with Asian exporters. The government should then reduce export taxes, not providing direct subsidies to exports. Uncertainties also persist on the quantities of rice the government is going to buy and the future availability of public stocks, which may have a strong increase. In August, the Thai 100% B was pigged at US\$ 582/ton FOB, against \$ 549 in July. The Parboiled Thai rose to \$ 579/ton from \$ 545 in July. The Broken A1 Super also increased to \$ 473/ton from \$ 438 in July.

In **Vietnam**, the export prices strongly increased, as a result of new interest from importers. There are rumors about massive sales to Indonesia and Malaysia. However, they have been partially denied by Vietnamese authorities, who try to build confidence about the ability for supplying the domestic market. Export prospects for 2011 have been revised and could reach a record level of 8Mt against 6.9 Mt in 2010. In August, the Viet 5% was registered at \$ 544/ton, against \$ 504/ton in July. The Viet 25% also rose to \$ 484/ton from \$ 446 previously. In early September, prices were declining amid no further demand.

In **Pakistan**, prices increased modestly in relation to Asian competitors. The floods that hit the country in 2010 heavily damaged part of the storage infrastructure; and rice quality may be affected, limiting the increase of export prices. For the 2011/2012 season, exports may exceed a record volume of 4Mt. The average price of Pak 25% was \$ 460/ton, against \$ 451/ton in July.

In **India**, the authorities may release some additional 2Mt of non-aromatic rice for export. But for now these measures are not likely to impact world prices. In fact, massive sales are not expected to happen because of logistic problems to transport rice towards the ports. Moreover, there is some confusion on the regard of the amount of rice actually exported up to now. National operators expect to know a little more about central government's intentions, in the coming weeks.

In the **United States**, export prices have followed the upward behavior of Asian markets. The new harvest is almost completed. The bad weather that affected the main southern producing regions of the country will probably impact industrial yields and grain quality. On the Chicago Board of Trade, futures prices showed an increase of 10% in a month. Export prospects are not encouraging because of scarce supply and less competitive prices. In August, the price for the rice Long Grain 2/4 was \$ 619/ton, against \$ 568 in July. In early September, it was ranging around \$ 640/ton.

In **Mercosur**, export prices increased by nearly 10% in one month, due to a relatively active export market, particularly in Uruguay. In Brazil, domestic prices rose by 8%, in average, when compared to July. Despite the increases, South American prices remain fairly competitive.

In **Africa**, rice production in 2011 may grow by 2.5%, especially in Guinea, Mali and Nigeria. With this increase, imports should rise by only 1.5% in 2011, against 3% last year.

Millions ton	Production milled rice		Exports		Stocks
	2010	2011	2010	2011p	2011
World	455.6	463.8	31.4	31.8	132.3
China	134.0	136.6	0.6	0.8	70.7
India	91.1	99.1	2.0	2.3	19.0
Indonesia	43.2	44.2	0.1	-	5.9
Vietnam	26.0	26.7	6.9	7.1	3.3
Thailand	21.9	21.4	9.1	10.0	5.5
Brazil	8.6	8.0	0.4	0.6	2.0
USA	6.9	7.6	3.8	3.4	1.2
Pakistan	6.8	4.7	4.0	3.5	0.7

Sources: FAO & USDA August 2011

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This monthly report is made by Patricio Méndez del Villar, researcher at the Centre de Coopération Internationale en Recherche Agronomique pour le Développement - CIRAD, in France (www.cirad.fr). The contents are available in four languages: French (Osiriz), Spanish (InfoArroz), English (InterRice) and Portuguese (InterArroz) with the support of InfoComm project from the United Nations Conference on Trade and Development (UNCTAD, www.unctad.org/infocomm/). All these versions can be found at the website www.infoarroz.org. All rights reserved. Osiriz, InfoArroz, InterRice and InterArroz are registered marks