

# InterRice

Monthly report of the world market of rice

December 2011

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## RICE: world prices continue to go down

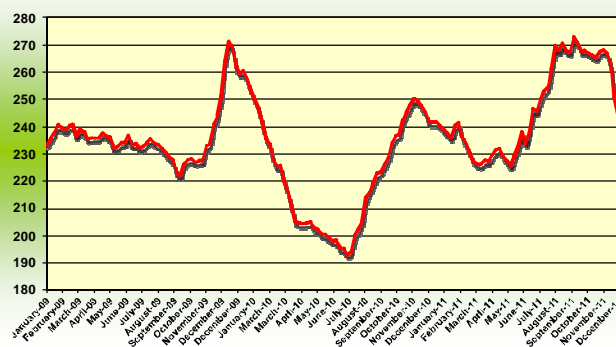
### Market Trends

In December, the **world prices** had a strong decrease in all export markets. The buyers tend to encourage the competition among exporters because of low Indian prices. The downward trend is likely to continue in the following weeks. Nevertheless, there are uncertainties about the perspectives which depend on policy decisions in the main export and import countries. The comeback of India to the export market was determinant for prices movements in the last quarter of 2011. Will this opening policy go on in 2012? Is Thailand able to keep a high internal prices policy without damaging its leadership in the global market? In turn, large importers announced new ambitious plans of self-sufficiency in the middle term. But market analysts wonder about the feasibility of this objective. Yet, the world trade is estimated to decline by 5% in 2012 due to the growth of world production and the high level of world stocks.

In December, the *OSIRIZ/InfoArroz* index (IPO) strongly decreased by 17.5 points to 249.4 points (basis 100 = January 2000) against 266.9 points in November. By the beginning of January, the IPO index was at 240 points.

OSIRIZ/InfoArroz International prices Index (IPO)

base 100 = January 2000  
source: Osiriz/InfoArroz



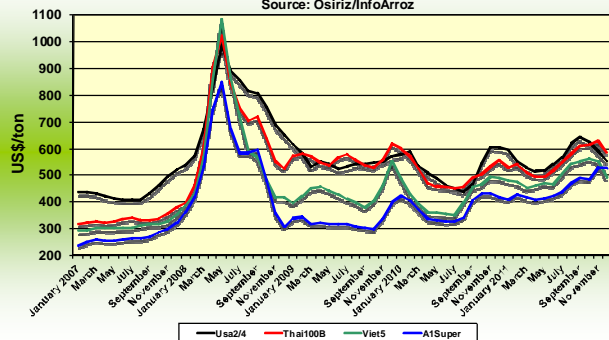
### IPO Index and Export Rice Prices (US\$/t FOB - Source: OSIRIZ)

	IPO	Usa2/4	Thai100B	Thai5	Thai Parb	India5	Viet5	Tai25	Viet25	Pak25	A1Super
<b>2009</b>	236.7	553	564	540	-	-	435	456	368	352	327
<b>2010</b>	222.9	523	506	481	517	-	420	439	387	370	380
<b>2011*</b>	244.8	573	556	540	552	-	503	500	460	429	453
<b>JUL - SEP</b>	256.5	611	581	564	578	-	534	520	478	453	468
<b>OCT - DEC</b>	259.1	593	610	596	590	451	540	562	492	400	512
<b>NOVEMBER</b>	266.6	593	630	615	598	446	555	583	506	391	529
<b>DECEMBER</b>	249.4	555	588	574	574	440	491	554	450	383	526
05-déc-11	261.9	575	615	600	595	445	540	575	495	390	530
12-déc-11	250.8	550	595	580	580	440	495	560	450	385	530
19-déc-11	244.3	550	575	560	560	440	470	545	430	380	525
26-déc-11	240.8	545	565	555	560	435	460	535	425	375	520

Source: Osiriz/InfoArroz, \*January - December

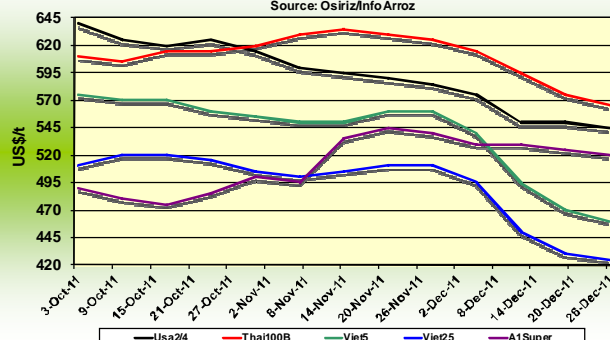
### Monthly Evolution of World Rice Prices

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

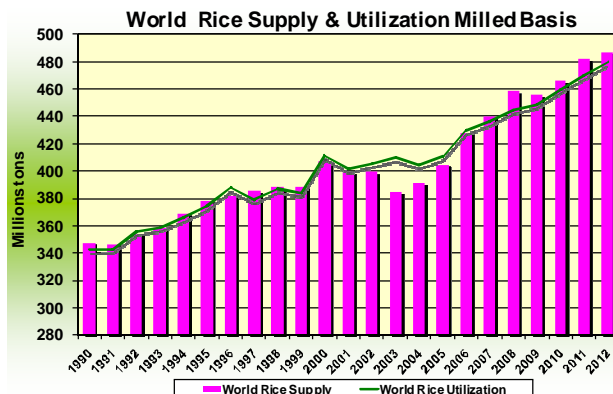
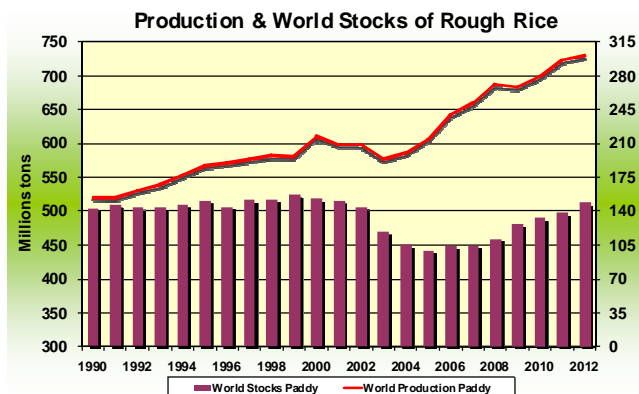


### World production and trade

According to FAO, the **world production** reached 720 million tons in 2011 (480Mt White rice equivalent) against 700Mt of paddy rice in 2010, up by 3%. The outputs have improved in almost all rice regions of the world, due to the expansion of planted area, which sums up to 164Mha. This increase is likely to concentrate in the main Asian producing countries, especially China, India and Indonesia, which answer for two thirds of global production.

In 2011, the **world trade** rose by 8% reaching the record volume of 34.3Mt against 31.5Mt in 2010. In 2012, trade flows may lower by 1.5% to 33.8Mt, on the back of a shorter import demand from Asia. Even so, exportable supplies in the main exporting countries are largely enough to meet global demand.

The **world stocks** of rice by the end of 2011 increased again and may reach 140.6Mt against 134.7Mt in 2010. These stocks represent 30% of world needs. Projections for **world stocks** in 2012 indicate a further significant increase of 8% to 150Mt.



### Export market

In **Thailand**, prices decreased by 7% in December because of the lack of interest from buyers and the weakness of Bath in relation to Dollar. The external sales in December were 50% lower than the monthly average. Even so, the exports in 2011 surpassed the 10.5Mt. Thai authorities estimate an export volume of only 8Mt in 2012, due to the decline of 2011/12 production. In December, the Thai 100%B were pigged at US\$ 588/ton Fob against \$ 630 in November. Thai Parboiled went down to \$ 574/ton against \$ 598/ton in November. By contrast, the Broken A1 Super stayed at \$ 526/ton against \$ 529/ton in November. By the beginning of January, rice prices kept a downward trend.

In **Vietnam**, the export prices fell by 12% in relation to November. The Vietnamese had to put prices down because of the strong competition with Pakistan and mainly India, where prices are the lowest of the market. But authorities still intend to increase export minimum prices. The country's total exports reached about 7.3Mt due to a particularly active market in the end of 2011. In 2012, these could grow further to 7.5Mt, getting close to the first place in the world ranking. In December, the Viet 5% was at \$ 491/ton against \$ 555/ton in November. The Viet 25% went down to \$ 450/ton against \$ 506 previously. By the beginning of January, prices tended to stabilize.

In **Pakistan**, prices decreased moderately, since they already were at low levels. The export supply may increase in the following months due to the return of production to normal levels in 2012. The exports were estimated to be of 3.7Mt against 3Mt in 2011. The average price of Pak 25% was \$ 383/ton against \$ 391/ton in November.

In **India**, the external market kept a strong activity due to competitive prices. In 2011, exports almost doubled in relation to the previous year. And they may grow by 50% in 2012. Some analysts estimate, however, the Indian authorities may limit the sales of non-fragrant rice in the next months. At the moment, this alternative seems not feasible as domestic stocks are very high. The Indian 5% decreased by 2% to \$ 385/ton against \$ 394/ton in November.

In the **United States**, the export prices were also affected by the downtrend of Asian markets and they decreased by 6% in one month. The Long Grain 2/4 indicative price was at \$ 555/ton against \$ 593 in November, a difference of \$ 33 in relation to the Thai reference price. At the Chicago Board of Trade, futures prices also decreased. However, prices seemed to be a little firmer at the end of December. The market seemed to anticipate business reactivation after the New Year's holidays.

In **Mercosur**, export prices fell down by 3%, following the general trend of international markets. In Brazil, paddy rice prices remained relatively stable within a slow market. Brazil continues its program for exports promotion, this time towards the Middle East market, partly occupied by Uruguay.

In **Africa**, imports increased in 2011 after two years of relative stability in the import demand. In this market, which represents two thirds of global imports, there is an aggressive competition between the main Asian and South American exporters.

Millions ton	Production milled rice		Exports		Stocks
	2010	2011	2010	2011p	2011
<b>World</b>	466.6	480.4	31.5	34.5	140.6
<b>China</b>	134.0	137.0	0.6	0.7	75.2
<b>India</b>	89.1	94.1	2.1	3.8	19.1
<b>Indonesia</b>	43.2	44.3	-	-	5.4
<b>Vietnam</b>	25.9	26.6	6.9	7.3	2.8
<b>Thailand</b>	21.3	20.9	9.0	10.5	5.2
<b>Brazil</b>	8.6	8.0	0.4	1.0	2.0
<b>USA</b>	7.6	6.8	3.9	3.4	1.7
<b>Pakistan</b>	6.9	5.5	3.8	3.0	0.4

Sources: FAO & USDA December 2011

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