InterRice

Monthly report of the world market of rice
February 2010

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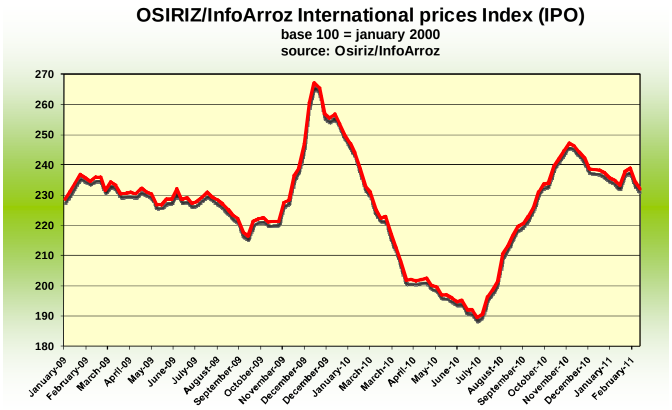
RICE: stability or further increases for world prices?

Market Trends

In February, the **world prices** strongly resisted to tensions that different food and energy markets are going through. Globally, rice export supply is large, despite possible restrictions from Myanmar. Supply is likely to remain enough in relation to world demand, which tends to stay steady in 2011. Nevertheless, a question has arisen. Which would be the reaction of Asian governments in face of the inflationary pressures on food and energy prices currently observed in domestic markets? New bans on rice exports are possible as an anti-inflationary measure, just like in 2008. However, for the time being, this crisis scenario seems to be not so close. World prices may even fall further in the following months, if good harvest conditions were confirmed in the main Asian countries.

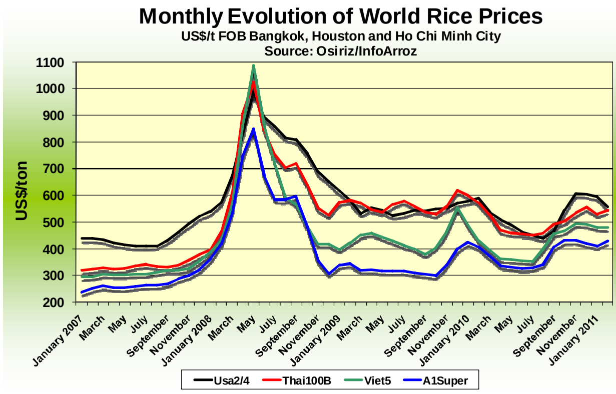
In February, the *OSIRIZ/InfoArroz* index (**IPO**) remained almost unchanged at 236.1 points (basis 100 = January 2000) against 243.0 points in January. In the beginning of March, the IPO index was at 232 points.

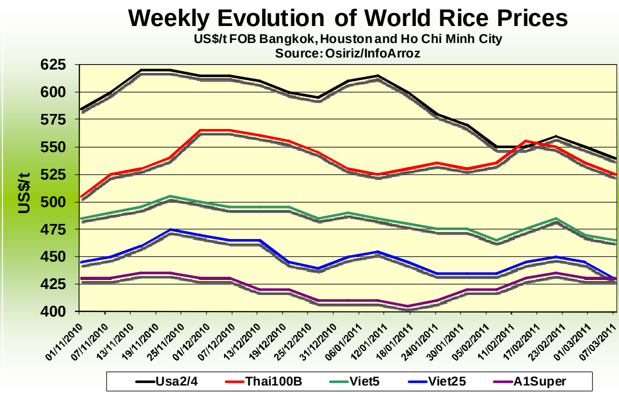


IPO Index and Export Rice Prices (US$/t FOB - Source: OSIRIZ)

		IPO	Usa2/4	Tai100B	Tai5	Tai Parb	India5	Viet5	Tai25	Viet25	Pak25	A1Super
2008		**305.1**	**757**	**678**	**660**	**-**	**700**	**616**	**600**	**519**	**516**	**541**
2009		**231.9**	**553**	**564**	**540**	**-**	**-**	**435**	**456**	**368**	**352**	**327**
2010		**220.1**	**523**	**506**	**481**	**517**	**-**	**420**	**439**	**387**	**370**	**380**
JUL – SEPT		**202.9**	**452**	**467**	**446**	**494**	**-**	**403**	**409**	**363**	**-**	**358**
OCT – DEC		**238.0**	**587**	**531**	**512**	**540**	**-**	**485**	**472**	**448**	**415**	**428**
JANUARY		**237.0**	595	530	514	527	-	481	460	444	428	411
FEBRUARY		**236.1**	**553**	**544**	**526**	**541**	**-**	**474**	**473**	**444**	**425**	**429**
	07-feb-11	**233.2**	550	535	520	540	-	465	460	435	430	420
	14-feb-11	**237.8**	550	555	535	550	-	475	475	445	430	430
	21-feb-11	**239.1**	560	550	530	545	-	485	480	450	420	435
	28-feb-11	**234.5**	550	535	520	530	-	470	475	445	420	430

Source: Osiriz/InfoArroz



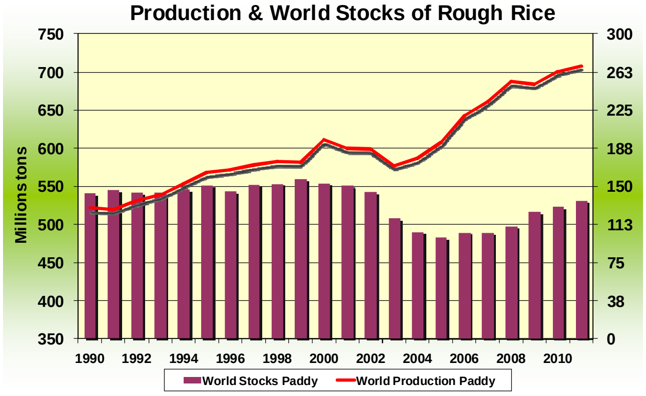


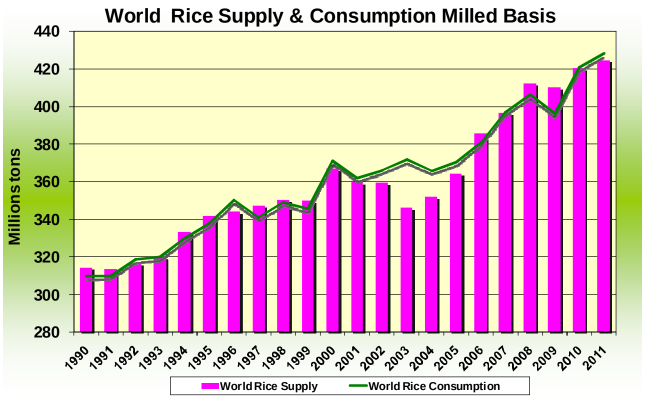
World production and trade

According to FAO, the **world production** in 2010 rose by 2.5% in relation to the 2009/2010 season. In spite of bad weather conditions in some Asian countries, the world production may have surpassed 700 million tons (466Mt of white rice equivalent) against 683Mt of paddy rice in 2009. Because of an extension of rice planted areas around the globe, which may have reached about 162 million hectares, harvests are said to be satisfactory in most regions. The exception is Pakistan, where production decreased by one third due to serious floods, but with no significant consequences for global market.

In 2010, the **world trade** increased to 31.5Mt against 29.7Mt in 2009. In 2011, trade may remain steady at 31.4Mt. Exportable supplies in the main exporting countries are estimated to be enough to meet a relatively stable global demand.

Rice **world stocks** by the end of 2010 increased to 130Mt against 125Mt in 2009. These reserves represent 29% of global needs. In 2011, world stocks may increase further to 137Mt. But this figure can be downward revised because of a possible rise in world consumption.





Export market

In **Thailand**, prices were firmer in the beginning of February, after the announcement of new contracts with Indonesia and the Philippines. However, by the end of the month, prices were weaker again, as a consequence of a significant supply and the strong competition of Vietnam. Through the years, Thailand's market-share decreased in Southeast Asia rice markets, in favor of Vietnam. Adding to this is the recent entrance of Cambodia in the world market. Cambodia currently exports more than 1Mt and its share is likely to increase in the coming years. In February, the Thai 100%B was pigged at US$544/ton Fob against $530 in January. The Parboiled Thai was at $541/ton Fob against $527/ton in January. The broken A1 Super rose to $429/ton against $411/ton in January.

In **Vietnam**, export prices were fairly stable in February, getting firmer by the end of the month. The Vietnamese government announced an increase for minimum prices and there are rumors about possible sales to the Philippines, what also contributes to increasing prices. On the other hand, Vietnamese authorities have urged exporters to reduce the external sales pace, in order to avoid falling export prices during the harvest period. Meanwhile, there are no signs of restrictions. Besides, exports in January reached high volumes, almost 500.000 tons. In February, the Viet 5% was at $474/ton against $481/ton in January. The Viet 25% remained steady at $445/ton against $444 in the previous month.

In **Pakistan**, prices slightly decreased by 1% in relation to January. In spite of lower rice production due to serious floods that hit the country in 2010, the Pakistanis exports grew by 5%. Even so, a reduction of almost 50% is expected for the year's total exports, in comparison to the previous year. The Pak 25% was quoted at $425/ton against $428/ton in January. In the beginning of March, it was at $420/ton.

In **India**, the discussion on a possible liberation of non-fragrant rice exports – restricted since the end of 2007 – continues. A partial open was made to the neighbor Bangladesh. The possibility of expanding sales of high quality rice to other markets in the Middle East and Southeast Asia is commented. These sales would compensate a possible reduction of aromatic rice in relation to the previous year. Nevertheless, the inflationary situation currently observed in India's internal markets may postpone this new openness.

In the **United States**, export prices decreased by 6% in February. Futures prices at Chicago Board of Trade for March and May 2011 fell by more than 10% after January's sharp high. Information regarding large supply in the main exporting countries has impacted US prices. In February, indicative price for the Long Grain 2/4 was at $553/ton against $595 in January.

In **Mercosur**, export prices declined by 2% in average in comparison to January. The region would have significant exportable supply, especially Brazil, where public and private stocks may be larger than projected. In Argentina and Uruguay, perspectives for the export market can be more favorable due to more competitive prices in relation to the biggest Northern neighbor.

In **Africa**, supporting measures for local rice sectors, as a response to 2008's crisis, have contributed to boost national production. The expansion of new planted areas and higher yields may lead production to grow by 3% in 2011. Even so, this increase is not enough to reduce imports, which are required to meet internal consumption – which, in turn, grows by 5% to 6% per year. In total, imports represent almost 40% of Rice consumption in sub-Saharan Africa.

Millions ton	Production milled rice		Exports		Stocks
	2009	2010	2010	2011p	2010
World	455.6	467.3	30.5	30.4	130.0
China	134.0	136.6	0.8	1.0	70.6
India	91.1	99.1	2.4	2.5	19.0
Indonesia	43.2	44.2	0.1	-	5.9
Vietnam	26.0	26.7	6.9	6.5	3.3
Thailand	21.9	21.4	9.1	9.7	5.5
Brazil	8.6	8.0	0.4	0.6	2.0
USA	6.9	7.5	3.5	3.6	1.2
Pakistan	6.8	4.3	3.5	1.8	0.7

Sources: FAO & USDA February 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. It is a partnership with Natural Consultoria & Comunicação. a Brazilian company that contributes to divulge this work.