

InterRice

Monthly report of the world market of rice

January 2010

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RICE: world prices keep on the downward trend

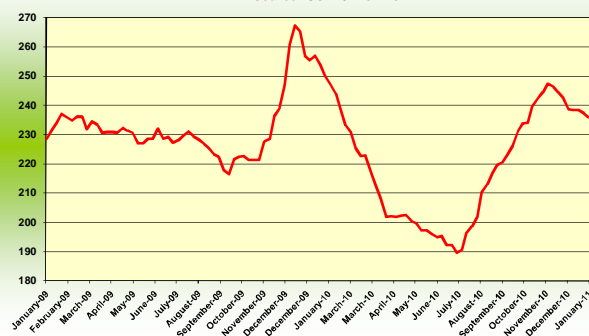
Market Trends

In January, **world prices** decreased in all export markets, except Pakistan, where the supply availability starts to be shorter due to smaller production in 2010. Globally, the main exporters have plenty supply, while world demand is likely to keep steady in 2011, especially in Asia, where import needs may remain almost unchanged. Therefore, world prices do not tend to register strong upward pressures, at least in the first half of 2011. On the other hand, new exporters may arise, starting by Cambodia, which is trying to enter new markets, like West Europe.

In January, the *OSIRIZ/InfoArroz* index (IPO) fell down by 6.0 points to 237.0 points (basis 100 = January 2000) against 243.0 points in December. By the beginning of February, IPO was at 235 points.

OSIRIZ/InfoArroz International prices Index (IPO)

base 100 = January 2000
source: Osiriz/InfoArroz



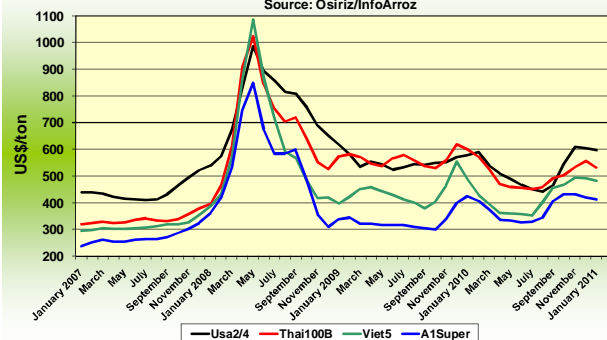
IPO Index and Export Rice Prices (US\$/t FOB - Source: OSIRIZ)

	IPO	Usa2/4	Thai100B	Thai5	Inde5	Viet5	Inde25	Thai25	Viet25	Pak25	A1Super
2008	305.1	757	678	660	700	616	655	600	519	516	541
2009	231.9	553	564	540	-	435	-	456	368	352	327
2010	220.1	523	506	481	-	420	-	439	387	370	380
JUL – SEPT	202.9	452	467	446	-	403	-	409	363	-	358
OCT – DEC	238.0	587	531	512	-	485	-	472	448	415	428
DECEMBER	243.0	605	556	536	-	493	-	478	454	418	420
JANUARY	237.0	595	530	514	-	438	-	460	444	428	411
03-jan-11	238.5	610	530	510	-	490	-	460	450	420	410
10-jan-11	238.3	615	525	510	-	485	-	455	455	425	410
17-jan-11	237.3	600	530	515	-	480	-	460	445	435	405
24-jan-11	235.9	580	535	520	-	475	-	465	435	430	410
31-jan-11	235.2	570	530	515	-	475	-	460	435	430	420

Source: Osiriz/InfoArroz

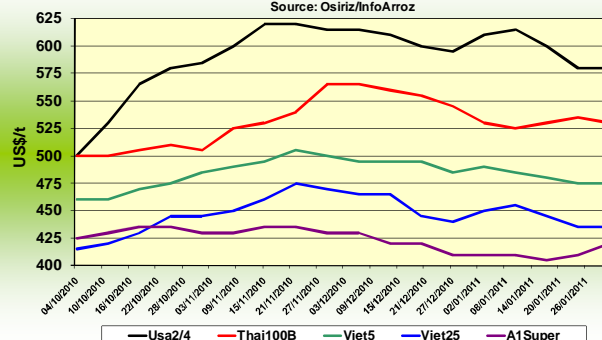
Monthly Evolution of World Rice Prices

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

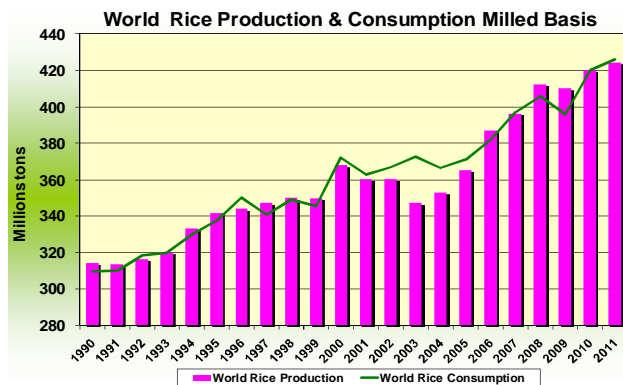
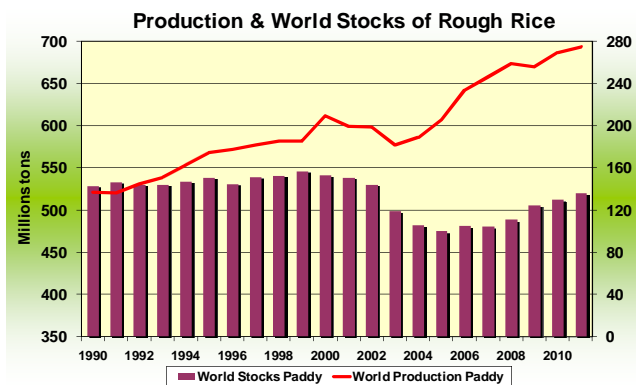


World production and trade

According to FAO, the **world production** increased by 2.5% in 2010, in relation to the 2009/2010 season. Despite bad weather conditions in some Asian countries, world production may get closer to 700 million tons (467Mt of white rice equivalent) against 683Mt of paddy rice in 2009. Harvests have been good in the majority of the world's regions, except in Pakistan, where production decreased by one third due to strong floods, but with no major consequence for the world market.

In 2010, the **world trade** remained relatively stable at 30.6Mt against 30.4Mt in 2009. This stability is expected to continue in 2011. Stocks from the main exporting countries allow foreseeing a year with no great tensions in the rice market, on the contrary of other grain markets, affected by upward pressures caused by small crops and lower world stocks.

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



Export market

In **Thailand**, prices decreased in January, in spite of the perspective of setting new contracts, mainly with Indonesia. However, this perspective led prices to be firmer by mid-January. Thai government may sell part of its old stocks in face of the arrival of the new harvest. In 2010, the exports reached 9Mt against 8.5Mt in 2009. Projections for 2011 indicate a new increase to 10Mt. In January, the Thai 100%B was pigged at US\$ 530/ton Fob against \$ 556 in December. In the beginning of February, it was at \$ 530. The Broken A1 Super fell to \$ 411/ton against \$ 420/ton in December.

In **Vietnam**, export prices decreased by 2% in one month. The new harvest starts to reach the market and supply grows. In 2010, exports almost reached a record level of 7Mt against 6Mt in 2009. In 2011, the forecasts suggest a reduction of exports to 6Mt, but they can be upward revised due to competitive prices. Vietnam tries to increase the sales of parboiled rice, market currently dominated by Thailand. In January, the Viet 5% registered \$ 481/ton against \$ 493/ton in December. The Viet 25% decreased to \$ 444/ton against \$ 454 previously.

In **Pakistan**, in opposition to other markets, prices rose by 2% in relation to December. Serious floods impaired near one third of the country's rice production and this fact starts to affect the exportable supply in 2011. Pakistanis exports may fall by 25% in relation to the previous year. The Pak 25% was at \$ 428/ton against \$ 418/ton in December. In the beginning of February, it was at \$ 430/ton.

In **India**, in spite of good rice harvests in 2010, 100Mt against 90Mt in 2009, the Indian authorities continue with the restrictions on non-fragrant rice exports, which are in effect since the end of 2007, with some exceptions, as for the neighbor Bangladesh. According to the country's authorities, these measures intend to fight against inflationary trends that currently affect India's internal markets.

In the **United States**, export prices declined as well. By the other side, futures prices for March and May 2011 increased by 10% at Chicago Board of Trade, as a consequence of the announcement of a possible reduction in rice planted area this year, caused by lower prices paid to growers. In January, the Long Grain 2/4 indicative price was quoted at \$ 595/ton against \$ 605 in December.

In **Mercosur**, export prices went down by 3% in relation to December. In domestic markets, especially in Brazil, prices decreased more than 10% in one month. The new harvest is expected to begin by the end of February. It is estimated that the exportable potential at regional level could overcome 2.5 million tons in 2011. Therefore, it would be urgent to search for new markets, under the risk of pressuring down internal prices. Brazilian growers calculate that the rice price received by them is under production costs, so they count on federal government purchases in order to support prices.

In **Africa**, production could increase by 3% in 2011, due to larger areas and higher yields. Nevertheless, this increase continues to be not enough to compensate the constant growth of internal consumption, of 5% in 2011. So, imports are expected to rise by 4% in relation to 2010.

Millions ton	Production milled rice		Exports		Stocks
	2009	2010	2010	2011p	2010
World	455.6	467.3	30.6	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	0.3
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 January 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. All rights reserved. Osiriz, InfoArroz, InterRice and InterArroz are registered marks