

# InterRice

Monthly report of the world market of rice

June 2011

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## RICE: Sharp upward pressure in world prices

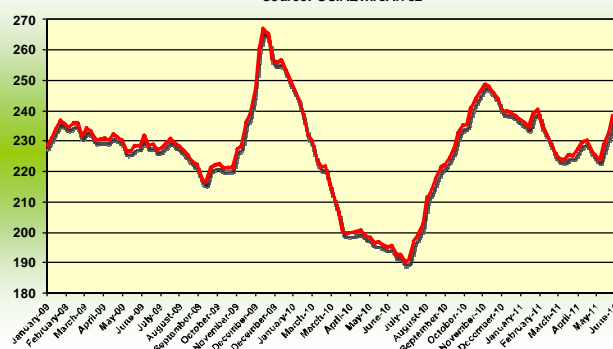
### Market Trends

In June, **world prices** rose sharply because of the political situation in Thailand. The electoral promises of the main opposition party include the strong revaluation of the price paid to rice producers, what led to speculative behavior with prevention purchases in the domestic market. In other Asian markets, prices remained stable or moderately high. Therefore, importers tend to move away from the Thai market, showing more interest in the Vietnamese bids. In late June, the market seemed to be adjusting to the pressures of the beginning of the month. But with the announcement of the victory of the opposition party, Thai prices increased further in early July. The global export availabilities are still abundant and global demand should remain relatively stable. However, there are uncertainties on the new Thai government's future policy for domestic prices. This could, when applied, have an additional cost of US\$ 2 billion.

In June, the OSIRIZ/InfoArroz index (IPO) rose by 6.1 points to 233.5 points (basis 100 = January 2000) against 227.4 points in May. Early July, the IPO index marked 236 points.

OSIRIZ/InfoArroz International prices Index (IPO)

base 100 = January 2000  
source: Osiriz/InfoArroz



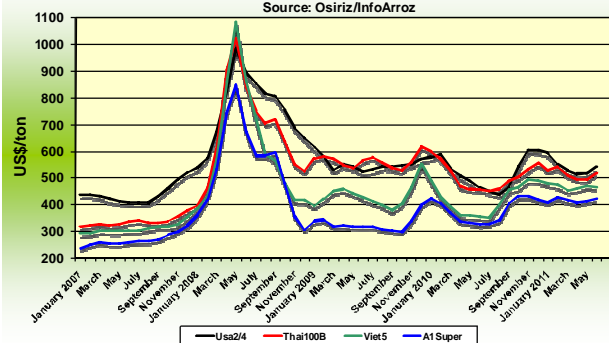
### IPO Index and Export Rice Prices (US\$/t FOB - Source: OSIRIZ)

	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*	230.9	544	517	502	520	-	478	459	436	430	417
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
MAY	227.4	520	496	481	506	-	473	449	438	429	416
JUNE	233.5	543	520	506	518	-	468	466	435	443	424
06-jun-11	228.9	530	505	490	495	-	465	460	435	435	415
13-jun-11	232.8	540	520	510	510	-	465	465	435	445	420
20-jun-11	238.7	550	540	525	545	-	470	475	435	450	435
27-jun-11	233.8	550	515	500	520	-	470	465	435	440	425

Source: Osiriz/InfoArroz, \*January- June

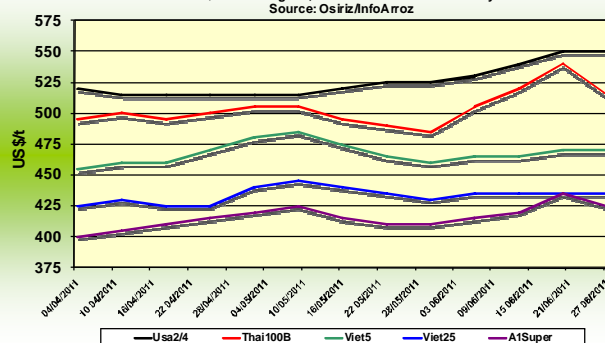
### Monthly Evolution of World Rice Prices

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

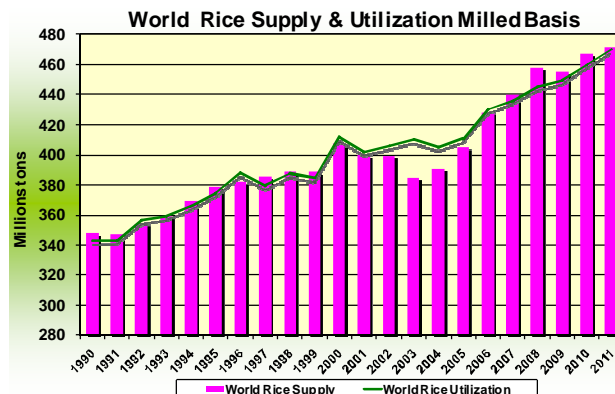
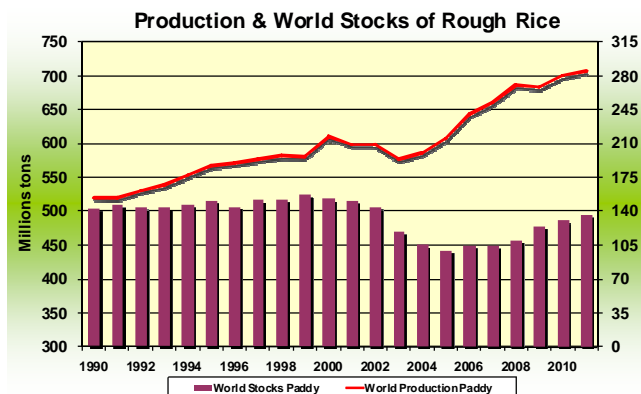


### World production and trade

According to FAO, **world production** in 2010 would have reached a record of 696 million tons (464Mt of white rice) against 683Mt of paddy rice in 2009, an increase of 1.8%. The crops have improved in almost all rice growing regions of the world, due to an extension of cultivation areas, which reach 162Mha. The increase in production has been mainly observed in the Asian region, especially China, India, Indonesia and Bangladesh, the leading global producers. They respond to two thirds of world production. Early projections for 2011/2012 season indicate a further increase in production due to good weather conditions, to 713Mt (476 Mt of white rice), up by 2.6%.

In 2010, **world trade** rose by 6% to 31.4 Mt from 29.6 Mt in 2009. In 2011, trade flows should remain relatively stable at 31.8 Mt. Export availabilities in major exporting countries are likely to be enough to meet global demand.

**World stocks** by the end of 2010 increased 4.6% to 132.3 Mt from 126.6 Mt in 2009. These reserves represent 30% of global needs. In 2011, the projections for global stocks indicate a further increase to 136.7 Mt.



### Export market

In **Thailand**, prices were firmer after the statements of the main opposition party that promised, in case of winning general elections, to increase the price paid to rice producers by 40% to US\$ 495/ton of paddy from US\$ 300 today. Expectations of further increases triggered speculative behaviors with preventive purchases by national operators. The external sales remain quite active with exports exceeding one million ton in June. In the first six months of the year, Thai sales have increased by 50% when compared to last year. In total, exports could exceed the projection of 10Mt in 2011. In June, the Thai 100% B was US\$ 520/ton FOB, against \$ 506 in May. In early July, it marked \$ 535. Parboiled Thai also rose to \$ 518/ton from \$ 506 in May. The Broken A1 Super went up to \$ 424/ton from \$ 416/ton in May.

In **Vietnam**, export prices remained relatively stable, with a slight decline compared with May. Domestic supply is large and the price of paddy is still falling. With the appreciation of Thai rice prices, the world's largest importers show more interest in the Vietnamese rice. Vietnamese sales have already increased by 15% in relation to the previous year, reaching 4Mt for the first six months. In total, exports could exceed the record volume of 7Mt in 2011. In June, the Viet 5% was pigged at \$ 468/ton against \$ 473/ton in May. The Viet 25% also fell to \$ 435/ton from \$ 438 previously.

In **Pakistan**, prices increased by 3.5% in one month, on the back of Thailand's rises. In late June, prices started to stabilize. The outlook is for a return to normal production level due to good weather conditions. The expected contraction in exports would then be less significant. These should reach about 3.5 Mt, a reduction of 12% in relation to 2010. The Pak 25% was quoted at \$ 443/ton against \$ 429/ton in May.

In **India**, rice production may increase because of heavy rains during the growing cycle of the plant. But despite the prospect of a record harvest, estimated at about 100Mt, the central authorities maintain export restrictions on non-fragrant rice. However, exports of Basmati aromatic rice have no restrictions and may increase due to strong demand from the Middle East.

In the **United States**, export prices remain firm since supply is shorter. In June, production projections were lowered, they could fall by 15%. Bad weather conditions have affected the main producing regions in the South of the country. In contrast, at the Chicago Board of Trade, futures prices had a reverse trend and fell by 5% in a month. Traders seem to be more optimistic about the future supply of U.S. rice. In June, the price for rice Long Grain 2/4 was \$ 543/ton against \$ 520 in May.

In **Mercosur**, export prices valorized by an average of 5%. The devaluation of the dollar partly explains the strength of South American prices. The region, however, faces problems of foreign markets to sell surplus as a result of record harvests in 2010/2011.

In **Africa**, the increase of rice production tends to stabilize imports. Countries such as Nigeria and Senegal expect to significantly reduce their imports. But even so, self-sufficiency for sub-Saharan Africa remains a distant goal, at least in the medium term. Sub-Saharan Africa is the major rice import center, with nearly a third of world imports.

Millions ton	Production milled rice		Exports		Stocks
	2009	2010	2010	2011p	2010
<b>World</b>	455.6	463.8	31.4	31.8	132.3
<b>China</b>	134.0	136.6	0.6	0.8	70.7
<b>India</b>	91.1	99.1	2.0	2.3	19.0
<b>Indonesia</b>	43.2	44.2	0.1	-	5.9
<b>Vietnam</b>	26.0	26.7	6.9	7.1	3.3
<b>Thailand</b>	21.9	21.4	9.1	10.0	5.5
<b>Brazil</b>	8.6	8.0	0.4	0.6	2.0
<b>USA</b>	6.9	7.6	3.8	3.4	1.2
<b>Pakistan</b>	6.8	4.7	4.0	3.5	0.7

Sources: FAO & USDA June 2011

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