

InterRice

Monthly report of the world market of rice

May 2011

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RICE: Downward trend of world prices likely to remain

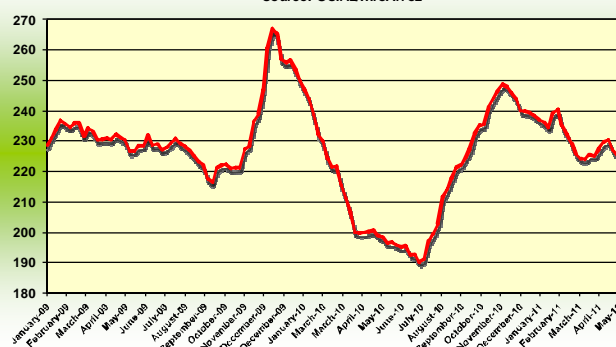
Market Trends

In May, the **world prices** showed a downward trend, but only after the second half of the month. Exportable supplies from Thailand and Vietnam – the world's main exporters –, the announcement of Myanmar's return to the export market and the large supply from Mercosur's countries pressure prices down. The exportable availability is likely to exert more pressure on global markets by the second half of the year, mainly over low quality and parboiled rice prices. Global demand could, meanwhile, remain stable following the growth prospects of world production, even at importing countries of Southeast Asia and sub-Saharan Africa. The Philippines and Nigeria, some of the world's largest importers, have announced that they plan to significantly reduce their imports in the coming months and years ahead.

In May, the OSIRIZ/InfoArroz index (IPO) slightly rose by 1.6 points, scoring an average of 227.4 points (basis 100 = January 2000) against 225.7 points in April. By early June, the IPO index had fallen to 224 points.

OSIRIZ/InfoArroz International prices Index (IPO)

base 100 = January 2000
source: Osiriz/InfoArroz



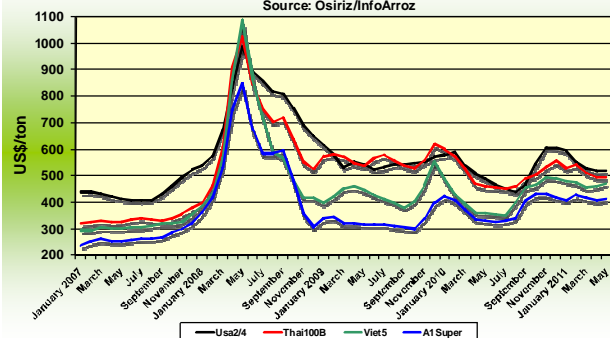
IPO Index and Export Rice Prices (US\$/t FOB - Source: OSIRIZ)

	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*	230.2	544	515	500	519	-	470	456	435	429	416
OCT – DEC	238.0	587	531	512	540	-	485	472	448	415	428
JAN – MAR	233.5	562	528	512	528	-	471	462	437	426	418
APRIL	225.7	516	498	483	506	-	461	446	426	439	408
MAY	227.4	520	496	481	506	-	473	449	438	429	416
	02-may-11	229.8	515	505	490	515	-	480	455	440	420
	09-may-11	230.4	515	505	490	515	-	485	455	445	425
	16-may-11	227.3	520	495	480	505	-	475	450	440	415
	23-may-11	225.4	525	490	475	500	-	465	445	435	410
	30-may-11	223.8	525	485	470	495	-	460	440	430	410

Source: Osiriz/InfoArroz, *January - May

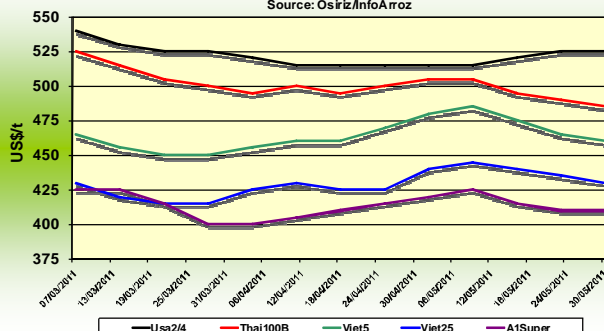
Monthly Evolution of World Rice Prices

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

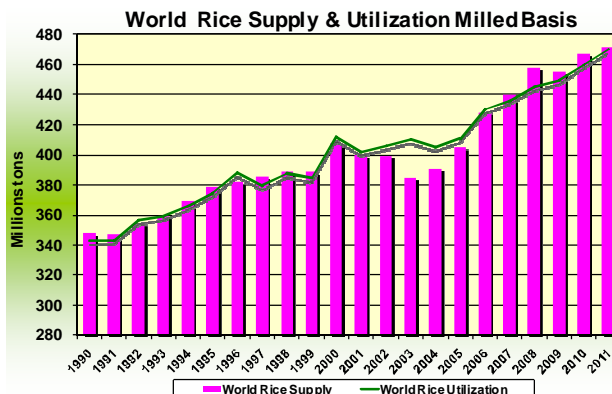
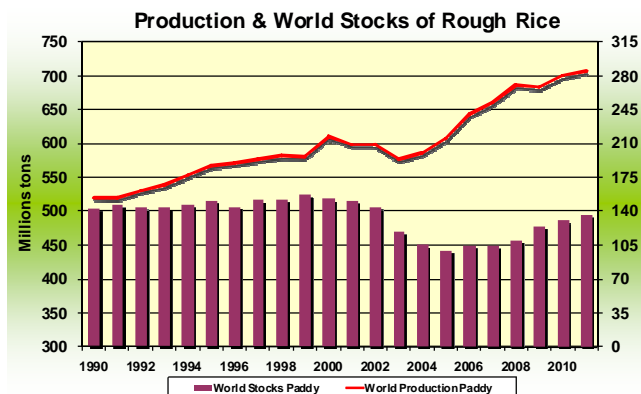


World production and trade

According to FAO, **world production** in 2010/2011 should reach a record of 700 million tons (466Mt white rice equivalent) against 683Mt of paddy rice in 2009/2010, an increase of 2.5%. Harvests have improved in almost all rice growing regions of the world, due to an extension of planted areas, which could reach about 162 million hectares. The increase in production will be mainly observed in the Asian region, especially China, India, Indonesia and Bangladesh, the leading producers, with two-thirds of total world production. Initial projections for the 2011/2012 season indicate a further increase in production of 3% to 720Mt (480 Mt of white rice).

In 2010, the **world trade** rose by 6.3% to 31.5Mt from 29.6Mt in 2009. In 2011, trade flows should remain relatively stable at 31.8Mt. Therefore, the main exporters' exportable supply is largely sufficient to meet global demand.

Global stocks at the end of 2010 increased by 4.6% to 131.3Mt from 125.5Mt in 2009. These reserves represent 30% of global needs. In 2011, the projections for global stocks were revised again, indicating that they could increase to 138.9Mt.



Export market

In **Thailand**, prices remained firm in early May and started to decline only in the middle of the month. Demand is relatively low and competition with Vietnam is increasingly aggressive. The appreciation of the dollar against Bath also has contributed to the decline of prices expressed in U.S. dollars. In May, Thai exports fell by one third in relation to April. Even so, they remain 50% higher than the volume exported at the same period of 2010. In 2011, total exports could surpass 10Mt once again. In May, the Thai 100% B was pigged at an average of \$ 496/ton Fob, against \$ 498 in April. The Parboiled Thai remained stable at \$ 506/ton. The Broken A1 Super, however, increased by \$ 9/ton, to \$ 416/ton, from \$ 408/ton in April.

In **Vietnam**, export prices were also firm in early May and then reversed the trend, which continued to be observed in early June. The return of the competitor Myanmar and large exportable surpluses may drive prices down. Moreover, the prospects for a good Summer-Autumn harvest indicate that Vietnamese supply is going to be satisfactory in the coming months. During the first half of the year, exports may reach 4Mt, a rise of 10% when compared to the same period of 2010. In May, the Viet 5% marked \$ 473/ton against \$ 461/ton in April. The Viet 25% rose to \$ 438/ton against \$ 426/ton in the previous month.

In **Pakistan**, prices decreased by 2% in a month. It is expected that favorable weather conditions lead production to achieve normal levels. Therefore, export forecasts were revised. They could reach about 3.5Mt, a reduction of only 12% in relation to 2010. The Pak 25% had an average price of \$ 429/ton against \$ 439/ton in April.

In **India**, despite the prospect of a record harvest of 100Mt in 2011, national authorities still keep export restrictions on non-aromatic rice. However, the State of Andhra Pradesh, in the southeast region of the country, announced that he would allow exports over a period of only two months. In contrast, exports of fragrant Basmati rice are not banned and may increase due to strong demand in the Middle East.

In the **United States**, export prices remained relatively firm. Perspectives of a smaller planted area, as a result of bad weather conditions and less remunerative prices for rice producers, should lead export prices to rise in the coming months. At the Chicago Board of Trade, futures prices recovered in late May and returned to the levels observed earlier this month. In May, the indicative price for the Long Grain 2/4 was \$ 520/ton against \$ 516 in April.

In **Mercosur**, export prices remain low. The region's countries expect to harvest record volumes this season, and export availabilities are also large. Therefore, trade policies, especially in Brazil, seek to develop ways to promote exports.

In **Africa**, the recovery of production tends to stabilize rice imports. Some countries like Nigeria and Senegal expect to significantly reduce imports, at least in the medium term. For now, self-sufficiency remains a distant goal. The sub-Saharan Africa is the world's major import region, responding for nearly one third of global imports.

Millions ton	Production milled rice		Exports		Stocks
	2009	2010	2010	2011p	2010
World	455.4	466.0	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 May2011

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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