

InterRice

Monthly report of the world market of rice

September 2011

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RICE: Firm world prices despite a large supply

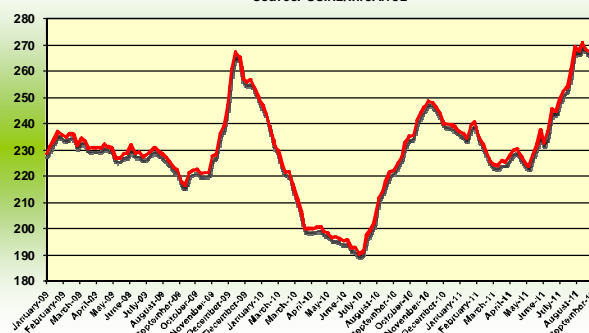
Market Trends

In September, **international prices** remained firm but with relatively moderate increases over the previous month. It is mainly due to the new Thai policy for supporting prices paid to growers, which can lead to significantly higher export prices. Asian competitors would benefit from a *windfall* to increase their prices, while remaining below the Thai prices. The Indonesian market, of almost 1.5 Mt in 2011, may totally deviate from Thai exporters and move forward to Vietnam and India. India's return to the export market occurs in a very bad moment for the Thai government, who could reconsider its internal prices policy, since there is the risk of causing losses for the whole national value chain, including growers.

In September, the **OSIRIZ/InfoArroz index (IPO)** rose by 9.1 points to 269.9 points (basis 100 = January 2000) against 260.8 points in August. In the beginning of October, the IPO index was at 270 points.

OSIRIZ/InfoArroz International prices Index (IPO)

base 100 = January 2000
source: Osiriz/InfoArroz



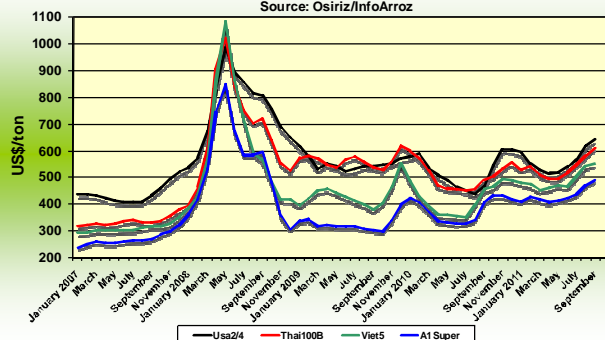
IPO Index and Export Rice Prices (US\$/t FOB - Source: OSIRIZ)

	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*	238.9	566	538	522	539	-	491	479	449	438	434
APR - JUN	227.0	526	504	489	510	-	468	453	433	436	416
JUL - SEP	256.2	611	581	564	578	-	534	520	478	453	468
AUGUST	260.8	619	582	563	579	460	544	520	484	460	473
SEPTEMBER	269.9	645	613	598	610	469	553	553	501	446	493
05-sep-11	270.9	640	620	605	610	465	550	560	500	450	495
12-sep-11	268.2	640	610	595	615	470	540	555	495	445	495
19-sep-11	267.3	650	600	585	605	465	550	540	500	445	485
26-sep-11	273.3	650	620	605	610	475	570	555	510	445	495

Source: Osiriz/InfoArroz, *January - September

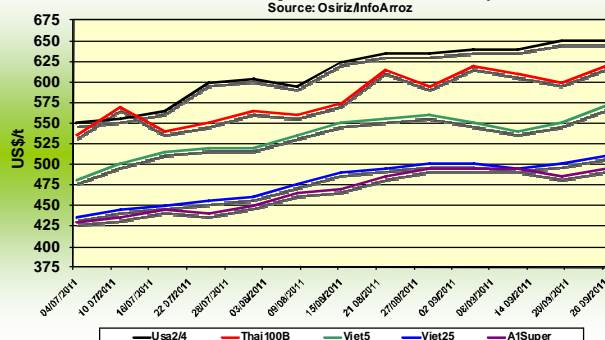
Monthly Evolution of World Rice Prices

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

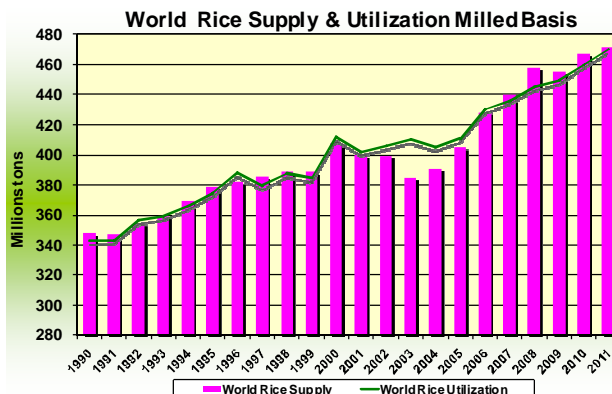
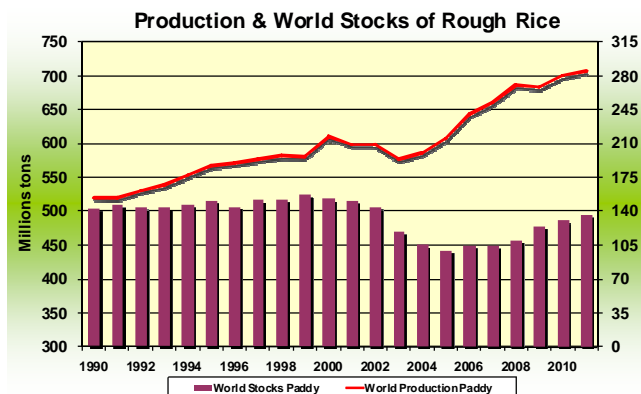


World production and trade

According to FAO, the **world production** in 2010 reached the record volume of 700 million tons (or 467Mt white rice equivalent) against 683Mt of paddy rice in 2009, up by 2.4%. The harvests have improved in almost all rice producing regions in the world, with the expansion of planting areas, which may reach 162 million ha. This growth is likely to be mainly observed in Asian regions, especially China, India, Indonesia and Bangladesh, the world's leading producing countries. They answer for two thirds of global production. The projections for the 2011/12 season indicate that production will increase further to 720Mt (481 Mt of white rice), a growth of 3%. Good weather conditions in the South hemisphere tend to confirm the forecasts.

In 2010/11, the **world trade** increased by 6% to 33.5Mt against 31.5Mt in 2009. In 2011/12, the trade flows may remain relatively stable at 33.6Mt. The exportable supply in the main exporters is likely to remain enough to meet global demand.

The **global rice stocks** by the end of 2010 increased by 4.6% to 132,3Mt from 126.5Mt in 2009. These stocks represent 30% of the world needs. Projections suggest that world stocks will grow further to 137.3Mt in 2011. The first estimates for 2012 point to another growth to 148Mt.



Export market

In **Thailand**, prices rose by 6% in September. Thai supply is scarce once the market has been waiting for the opening of the new campaign of governmental purchases, under the new internal price scheme. The supply of paddy rice is likely to grow in the following weeks, but uncertainties about the conditions of public purchases still remain. The government may limit acquisitions at supported prices by imposing quotas per farmer. Meanwhile, the new Thai authorities renegotiate previous contracts because they consider that prices were too low, especially with Indonesia. This trade "disagreement" may benefit Vietnamese and Indian exporters. China, instead, may also return to the international market, due to attractive prices. Remember that China has more than 50% of global stocks. In September, the Thai 100%B was pigged at US\$ 613/ton Fob contra \$582 in August. The Parboiled Thai rose to \$613/ton against \$579/ton in August. The broken A1 Super slightly rose to \$494/ton from \$473/ton in August.

In **Vietnam**, export prices had moderate increases. The Vietnamese exporters take advantage of unexpected highs due to the perspective of a strong increase in Thai prices. The export market is very active, especially in Asian markets. Foreign sales in the first nine months of 2011 reached near 7Mt. At this pace, total exports in 2011 may surpass the historical record of 8Mt. In September, the Viet 5% remained steady at \$549/ton against \$544/ton in August. The Viet 25% rose to \$501/ton from \$484 previously. In the beginning of October, prices showed an upward trend because market activity was intense with the uncertainties of Thai supply in the next months.

In **Pakistan**, by contrast of other Asian markets, prices went down in September. The quality of export rice is not very good, once floods damaged part of the storage warehouses in 2010. On the other hand, India's return to the world market tends to directly compete with Pakistanis rice. The Pak 25% was pigged at \$446/ton against \$460/ton in August.

In **India**, in spite of logistic problems, the authorities seem to be optimistic about the country's return to the international market, since prices are competitive, between 15% and 20% lower than Thai prices. On the other hand, the Trade Ministers of India and Indonesia have negotiated Government to Government contracts to exchange Indian rice with palm oil. The price of the Indian rice 5% was \$496/ton in September against \$460/ton in August.

In the **United States**, export prices were firm. The export market activity is low because traders are on stand-by position, waiting for upward trends at the international level. At the Chicago Board of Trade, futures prices decreased from mid-September, falling down by 9% to 10% in relation to August. In September, the indicative price for the Long Grain 2/4 was \$645/ton against \$619 in August.

In **Mercosur**, export prices were stable. The revaluation of dollar against national currencies is partly responsible for this trend. By the end of September, however, prices in dollars decreased. Brazilian internal prices were firm in August, because of the lack of activity between local supply and demand.

In **Africa**, the dynamic generated by the 2008 crises had a positive effect on the increase of production and the stabilization of imports. In the last three years, rice imports have increased only by 2% in average, against 5% in the previous period.

Millions ton	Production milled rice		Exports		Stocks
	2010	2011	2010	2011p	2011
World	467.0	480.5	33.5	33.6	137.3
China	134.0	136.6	0.7	0.8	75.2
India	91.1	99.1	2.0	2.5	19.1
Indonesia	43.2	44.2	0.1	-	5.4
Vietnam	26.0	26.7	6.9	7.4	2.8
Thailand	21.9	21.4	9.1	9.9	5.2
Brazil	8.6	8.0	0.4	0.8	2.0
USA	7.6	6.8	3.9	3.4	1.7
Pakistan	6.8	4.7	3.6	2.7	0.4

Sources: FAO & USDA September 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. All rights reserved. Osiriz, InfoArroz, InterRice and InterArroz are registered marks