

Rice Graphics and Commentary

September 15, 2006

By

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A lot has happened in the U.S. rice sector since the last USDA Supply and Demand estimates were compiled and released. Consider a few of the following points:

- ◆ The rice harvest is well underway and winding down for many of our U.S. rice producers.
- ◆ USDA reduced their 2006 U.S. rice acreage and production estimates.
- ◆ The August 30, 2006 rice stocks estimate was higher than previously estimated.
- ◆ USDA September Supply and Demand Report included the results of their analysis of the expected market impact of the genetically engineered rice found in U.S. long-grain supplies. The analysis shows minimum expected impact.
- ◆ Global rice ending stocks are the lowest that they have been since the 1983/84 marketing period.
- ◆ El Nino conditions have developed, so the question becomes: Will this weather event generate new demand for U.S. rice exports?
- ◆ Many U.S. rice producers struggle to cash flow due to high energy prices and associated weather costs. The implication, without pricing opportunities before the 2007 planting season begins then one would expect a reduction in U.S. rice acreage.
- ◆ Paul Harvey even made the observation that China is experiencing a drought in parts of their country and just maybe they would need some U.S. rice.

USDA's season-average all rice farm price for 2006/07 is currently estimated at \$8.75 to \$9.25 per cwt, which compares to \$7.62 per cwt in 2005/06 and \$7.33 per cwt in 2004/05. USDA does not publish an estimate of the U.S. long grain rice price. From last month USDA lowered the season-average farm price by \$0.50 per cwt on each end.

USDA's September Crop Production report has U.S. all rice production now forecast at 193 million cwt. This is down 2 percent from the August forecast and down 13 percent from last year. USDA harvested area was revised to total 2.82 million acres, down over 2 percent from last month and down 16 percent from 2005, which is the lowest all rice harvested rice acreage since 1996.

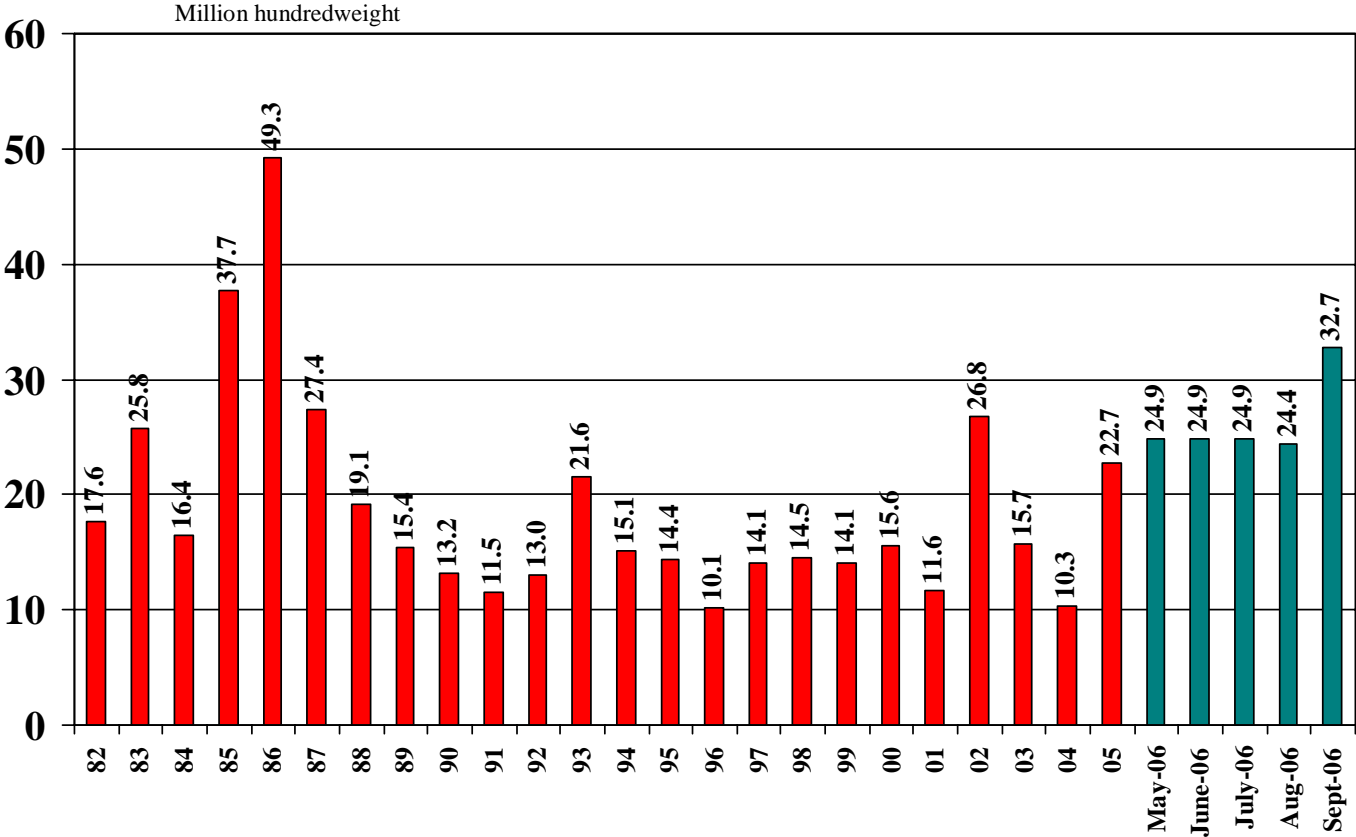
USDA estimates 2006 U.S. long grain rice acreage at 2.187 million acres, which is down 20-percent from last year's 2.734 million acres, the lowest since 1996. 2006 long-grain production is estimated at 143.6 million cwt, the lowest since 2000. This is down 4.3 million from last month. Long grain production is below 2005's 177.5 million cwt and 2004's 170.4 million cwt.

U.S. rice stocks are higher than expected. The National Agricultural Statistics Service (NASS) on August 30 estimated August 1 ending U.S. rice stocks at 43 million cwt (rough-equivalent basis), 8.6 million cwt above last month's projection, and 5.30 million cwt above a year earlier. NASS estimated rough rice stocks at 37.4 million cwt and milled rice stocks at 3.9 million cwt. USDA raised long grain stocks 34 percent to 32.7 million cwt.

Bottom Line: 2006/07 U.S. long grain ending stocks at 21.5 million cwt are slightly below the previous five year average of 21.6 million cwt. Consider USDA's current assessment of the rice sector, which seems reasonable and fair. Now consider the possibility of some impact from the El Nino weather event to increase the demand for U.S. exports; consider the impact of high energy prices and the impact the drought has had

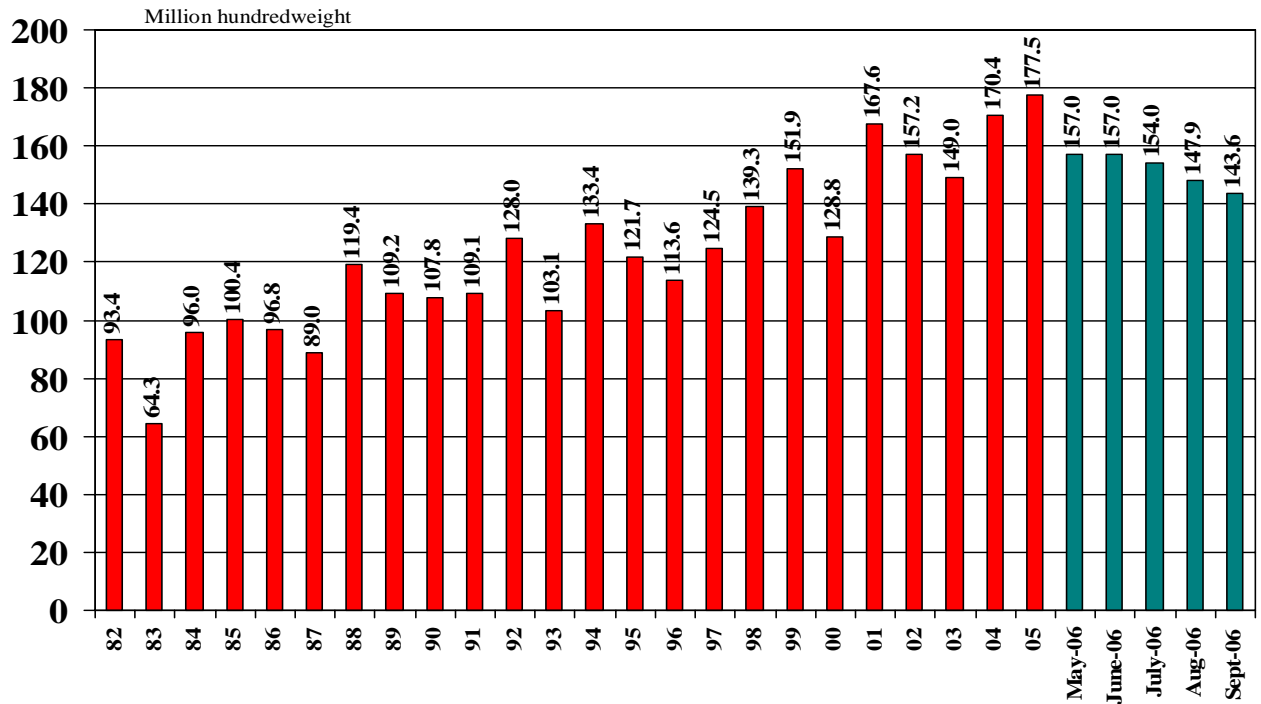
on many producers' ability to cash flow. Consider more so than at any time in recent memory that the market will truly have to provide producers with pre-planting pricing opportunities if 2007 U.S. long grain rice acreage is to equal 2006 acreage. Now one gains some perspective of the dynamics of this U.S. long grain rice market.

U.S. Long Grain Rice Beginning Stocks 1982/83 – 2006/07



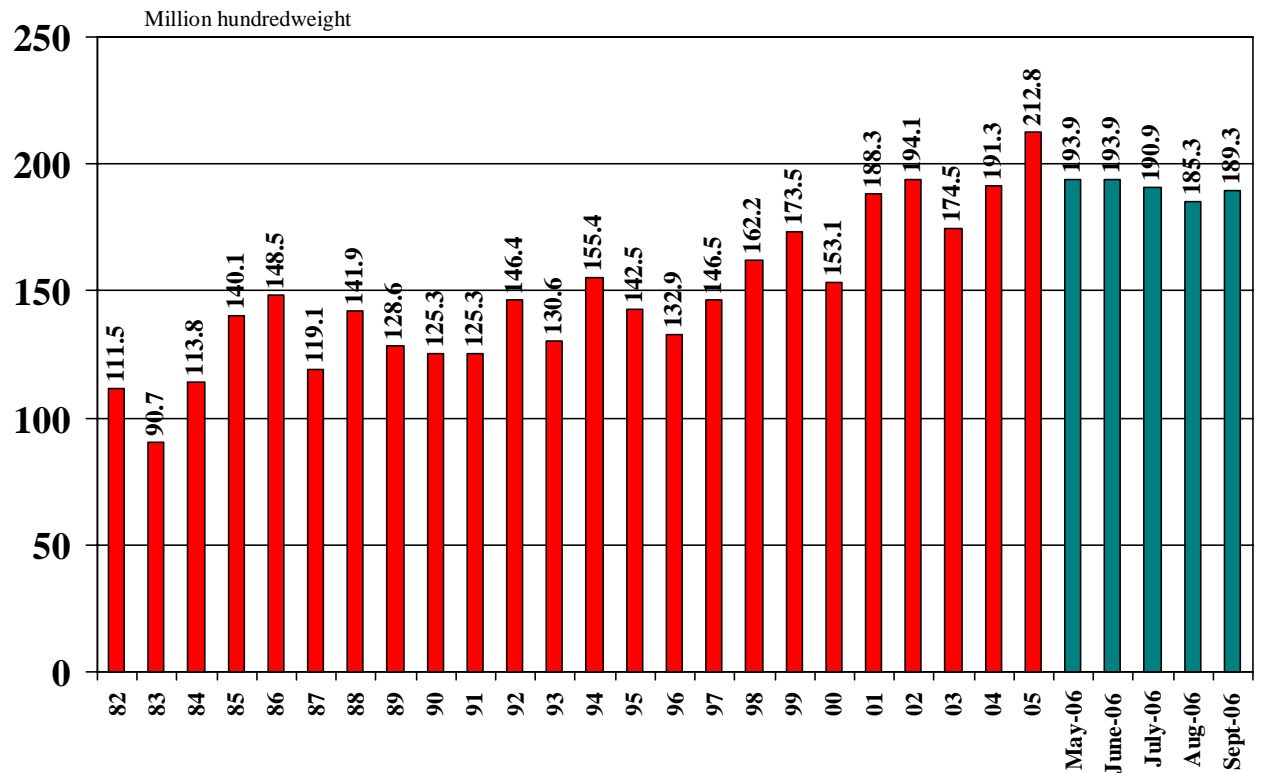
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Long Grain Rice Production 1982/83 – 2006/07



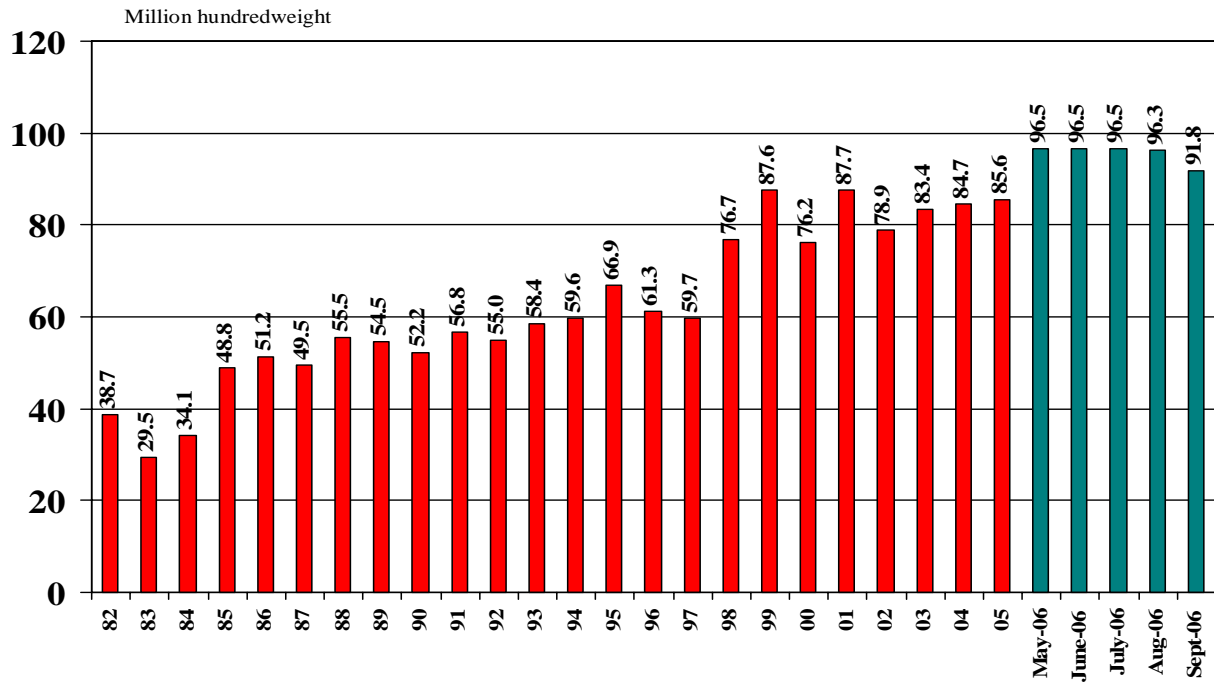
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Long Grain Rice Total Supply 1982/83 – 2006/07



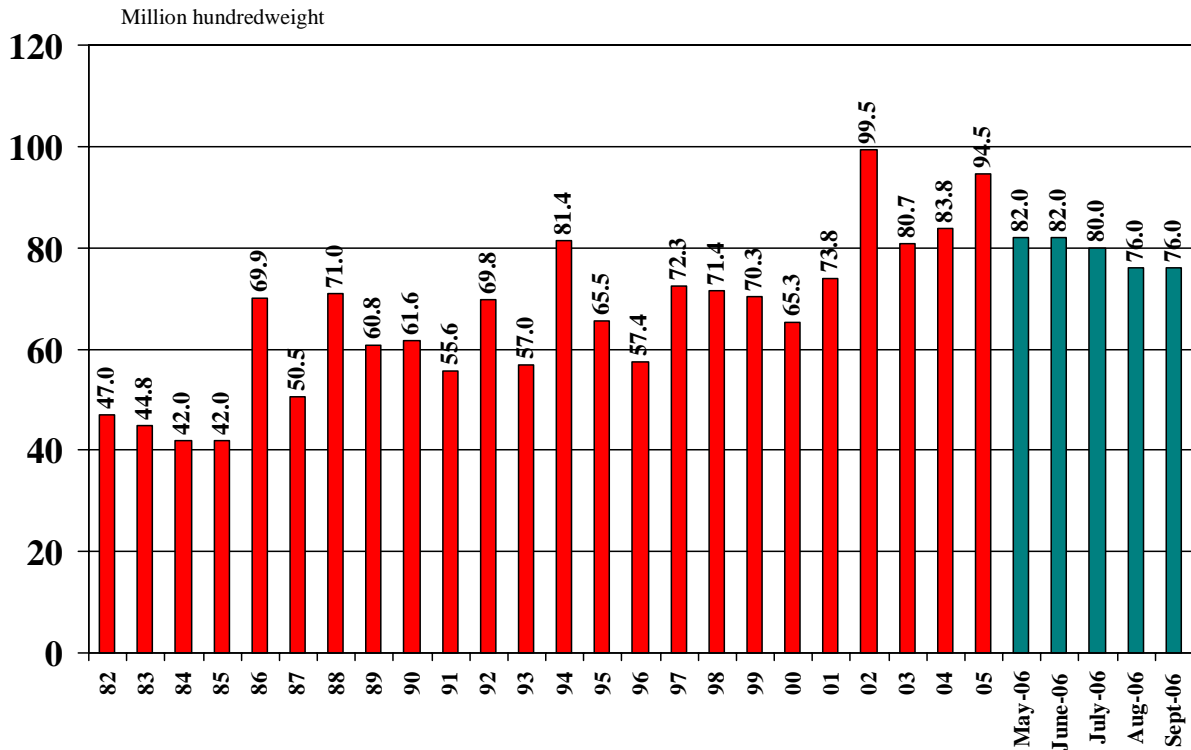
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Long Grain Rice Domestic & Residual 1982/83 – 2006/07



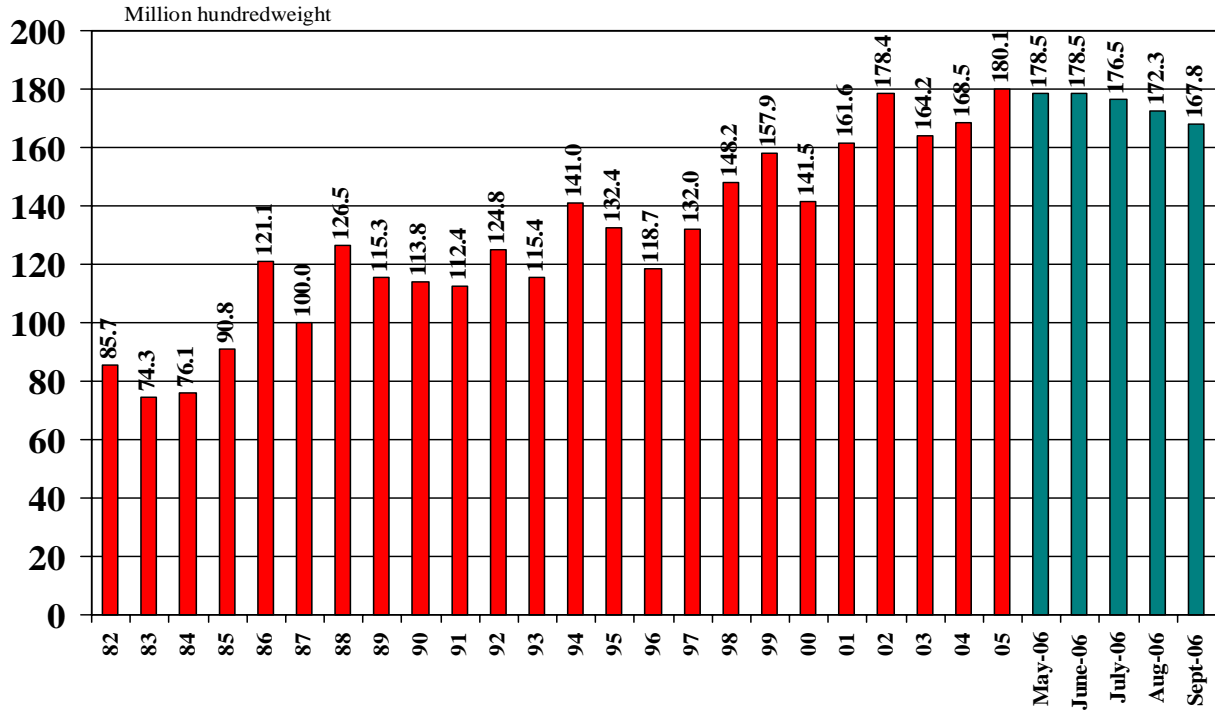
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Long Grain Rice Total Exports 1982/83 – 2006/07



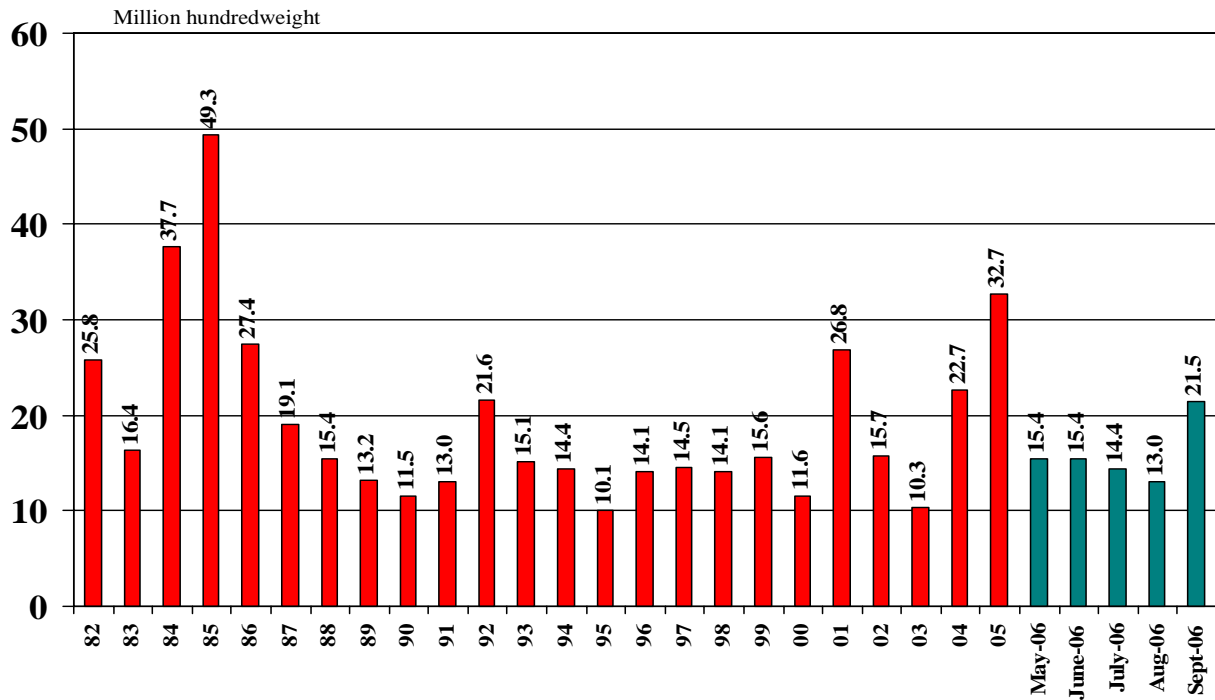
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Long Grain Rice Total Use 1982/83 – 2006/07



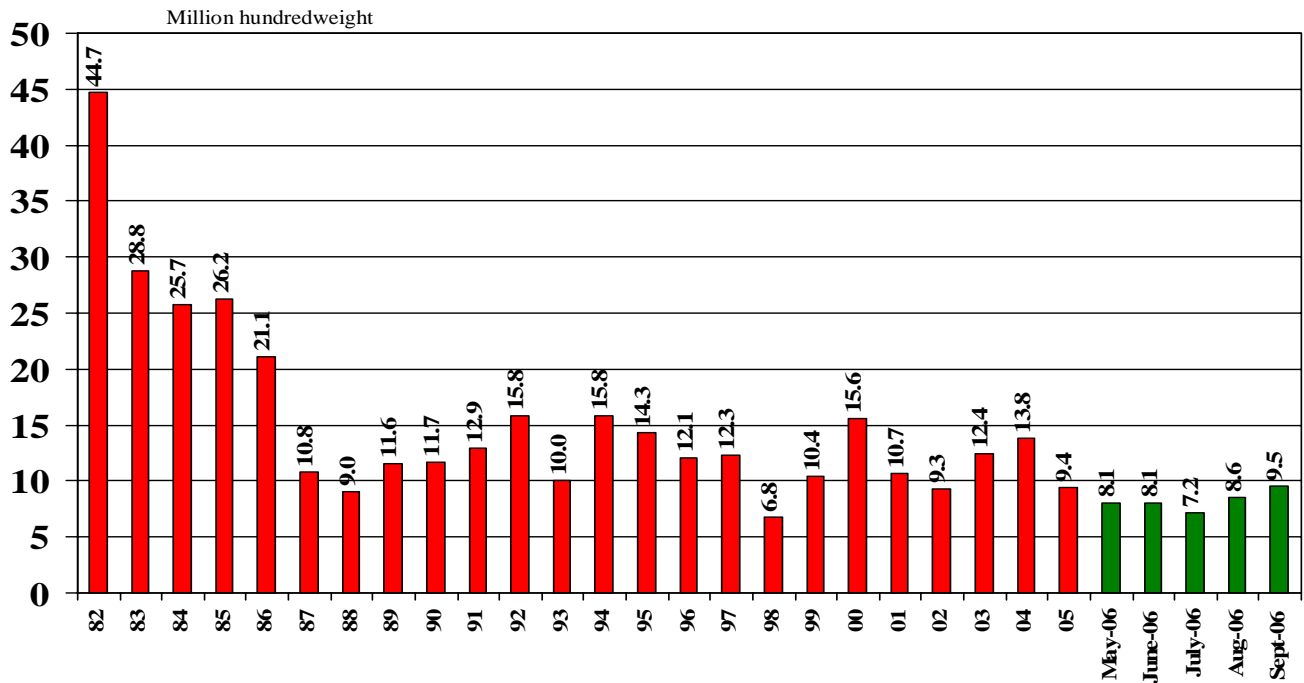
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Long Grain Ending Stocks 1982/83 – 2006/07



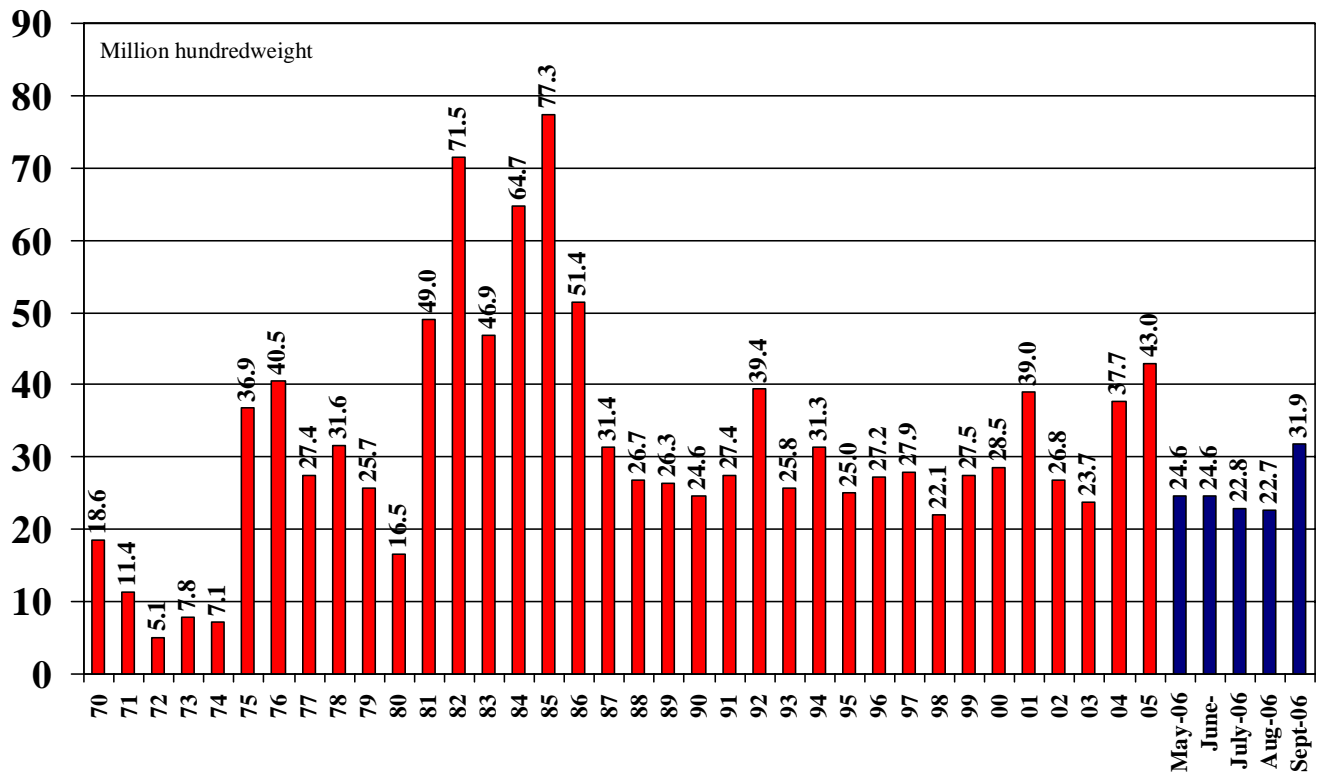
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Medium and Short Grain Ending Stocks 1982/83 – 2006/07



Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. All Ending Stocks 1970/71 – 2006/07



Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

