

Rice Graphics and Commentary

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By

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Looking back on the 2005 Arkansas rice season, I continue to say that the season was one of amazing productivity achievement which was accomplished under extraordinarily difficult climatic, economic, and political conditions.

Let me mention a few of the events: First, there was a cold wet 2004 fall followed by a cold wet spring. May and June were historic droughts and energy prices reached levels not experienced in 25 years. Then there was climatic harvesting problems, not to mention the continuous drum beat of political discussions to reduce rice government support programs.

Even though productivity was achieved it was done at a cost. Arkansas rice producers produced their most costly crop in history turning many projected positive cash flow statements into negative cash flow statements by the end of the 2005 production season. Significant financial stress experienced during the 2005 season is again being felt during the 2006 season.

Looking ahead, high input costs with the focus on energy prices, a lingering drought, market prices, rental rates, availability of production loans, and large rice stocks all raise questions about the profitability of planting rice in 2006, creating uncertainty about 2006 long grain planted acreage.

The 2006 Arkansas long grain rice planted acreage will be a primary function of the rice producer, the landowner, and/or financial institution, the quality of the land resource base, the rice market and the lingering drought.

Under normal production systems high energy prices have significantly increased the per acre rice operating costs by an average of \$80 per acre pre-energy price increase. This huge increase in operating costs will limit the planting of rice acreage with below average yields unless adjustments are made, such as improving land productivity, adjusting rental rates, reducing production costs, and contracting at a level that will cover costs or allow more risk exposure.

My present expectation for the 2006 Arkansas rice harvested acres is as follows:

- ◆ 1,385,000 Arkansas all rice harvested acres: 250,000 acre reduction or a decrease of 15% over 2005
- ◆ 1,230,000 Arkansas long grain rice harvested acres: 300,000 acre reduction or a decrease of 20% over 2005
- ◆ 155,000 Arkansas medium grain rice harvested acres: 51,000 acre increase or an increase of 49% over 2005

My present price expectation for the 2006 Arkansas long grain rice is \$3.33 per bushel or \$7.40 per cwt and medium grain is \$3.94 per bushel and \$8.75 per cwt.

The present U.S. long grain rice market is struggling to reduce a very large supply. U.S. long grain rice production in 2006 was a record 177.5 million cwt, above 2003's 149 million cwt and 2004's 170.4 million cwt. The 2005/06 U.S. long grain total supply is a record 211 million cwt, which is above 2003's 174.5 million cwt and 2004's 191.3 million cwt.

USDA has 2005/06 U.S. long grain rice domestic use estimated at a record 94.4 million cwt which is above 2004/05 use by 9.9 million cwt.

Total 2005/06 exports are estimated to be the 2nd highest on record at 97 million cwt, which is behind 2002/03's record of 99.5 million cwt.

U.S. 2005/06 long grain rice ending stocks are presently estimated by USDA at 19.6 million cwt. This is the 4th largest since 1986 and below 2004's 22.7 million.

What are the bullish factors that shroud the U.S. rice market? They are as follows:

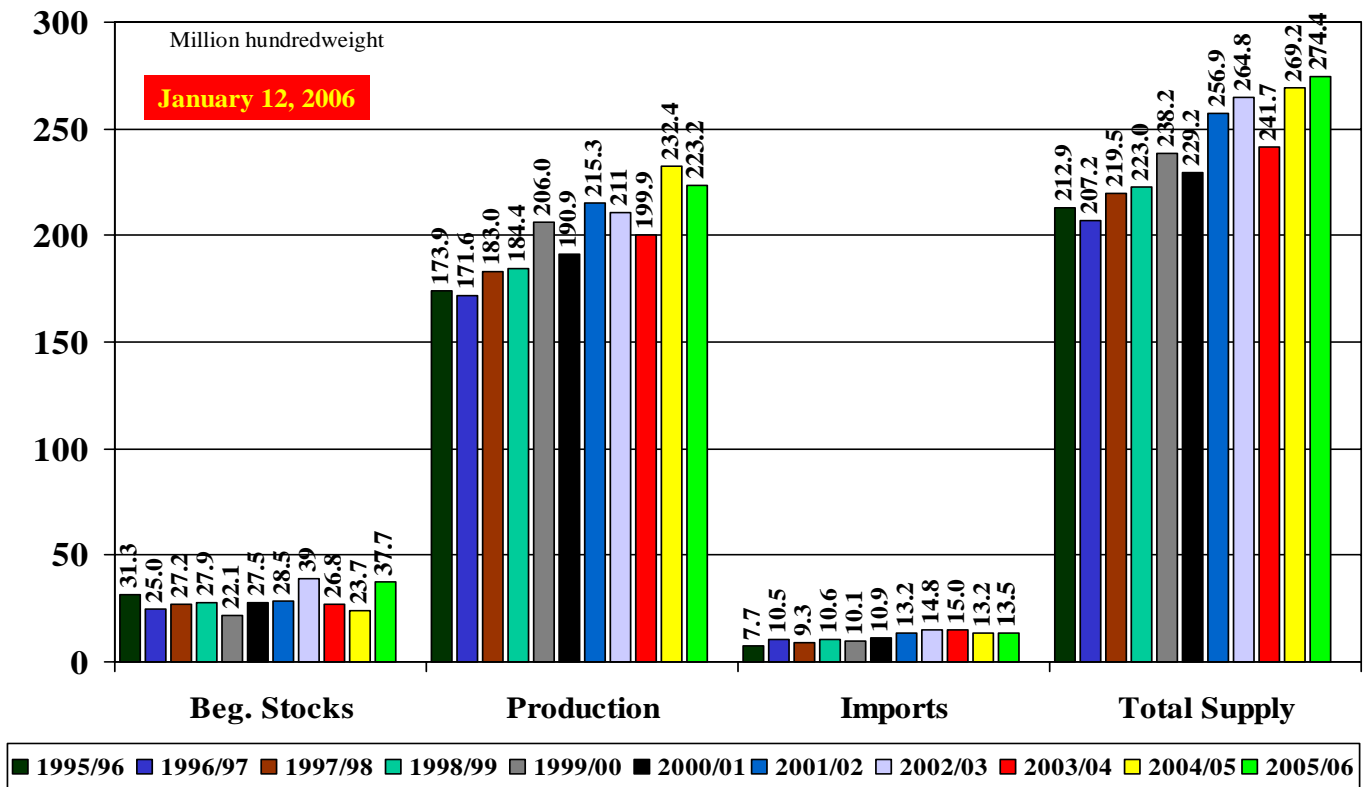
- ◆ U.S. 2006 long grain planting is uncertain. The market will have to provide additional pricing opportunities before planting for my planted acreage estimates to be achieved.
- ◆ World rice consumption continues to exceed production. Interestingly rice is such an important food grain and so protected that the market continues to allow individual counties to shoulder the risk.
- ◆ A weather event could reduce global production and significantly increase the demand for U.S. rice.
- ◆ Continued strong global growth may very well continue to translate into improving world rice prices.
- ◆ The dollar will probably strengthen into the early summer months and then weaken through much of the 2006/07 marketing period.
- ◆ Latin American rice consumption exceeds production. U.S. rice prices simply need to be more competitive with our major export competitors.
- ◆ Brazilian stocks are down from the previous two marketing periods. Will Brazil's neighbors be able to supply their long grain rough rice needs?
- ◆ Global rice stocks are down for the 5th consecutive year. At some point this becomes a critical issue to the market.

The bottom line is that the 2006 Arkansas long grain rice planted acreage will be a primary function of the rice producer, the landowner, and/or financial institution, the quality of the land resource base, the rice market and the lingering drought. Arkansas long grain rice acreage could be well below my present expectation. Finally, producers should give some consideration to rice base preservation, which may or may not be an issue in the next farm bill.

Source: [NASS/USDA Data Set](#), [World Agricultural Supply and Demand Estimates](#), [Rice Outlook Report](#), and [Grains: World Markets and Trade](#)

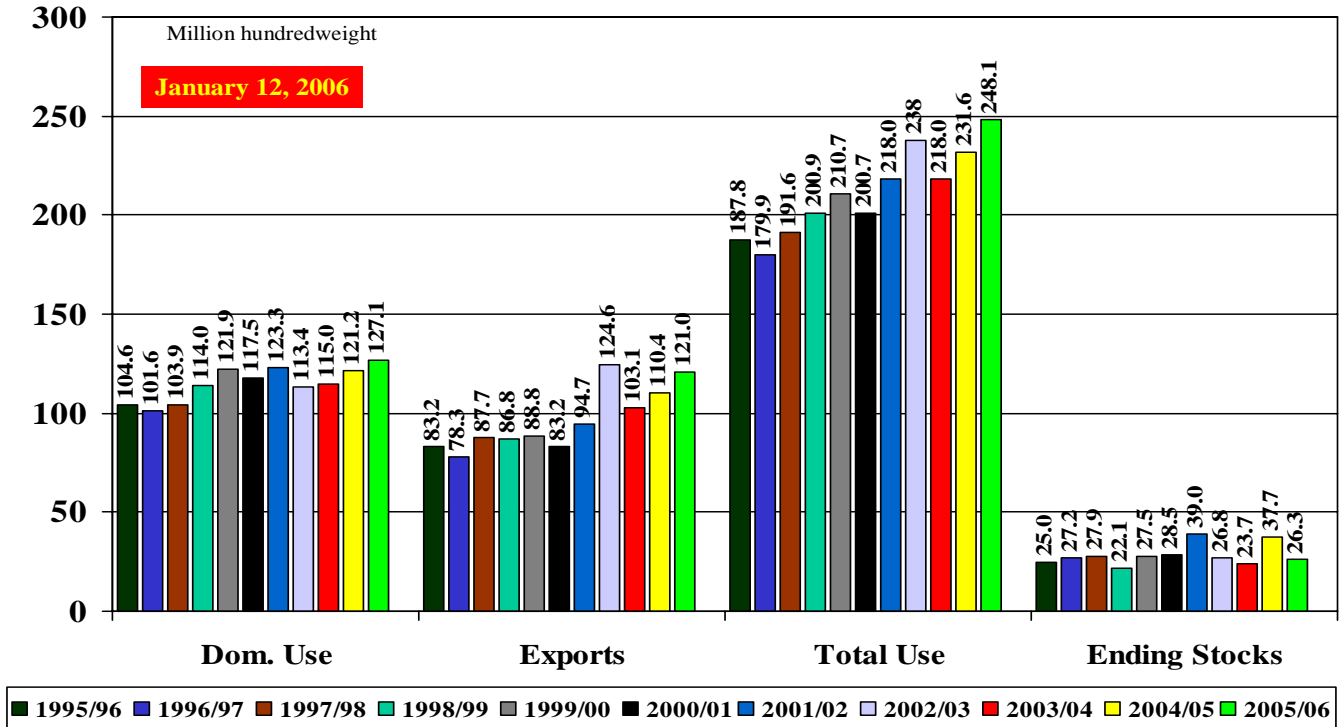
U.S. All Rice Supply 1995/96 – 2005/06

Average Farm Price (\$/cwt): 2003/04 \$8.08, 2004/05 \$7.33 & 2005/06 \$7.65 to \$7.95



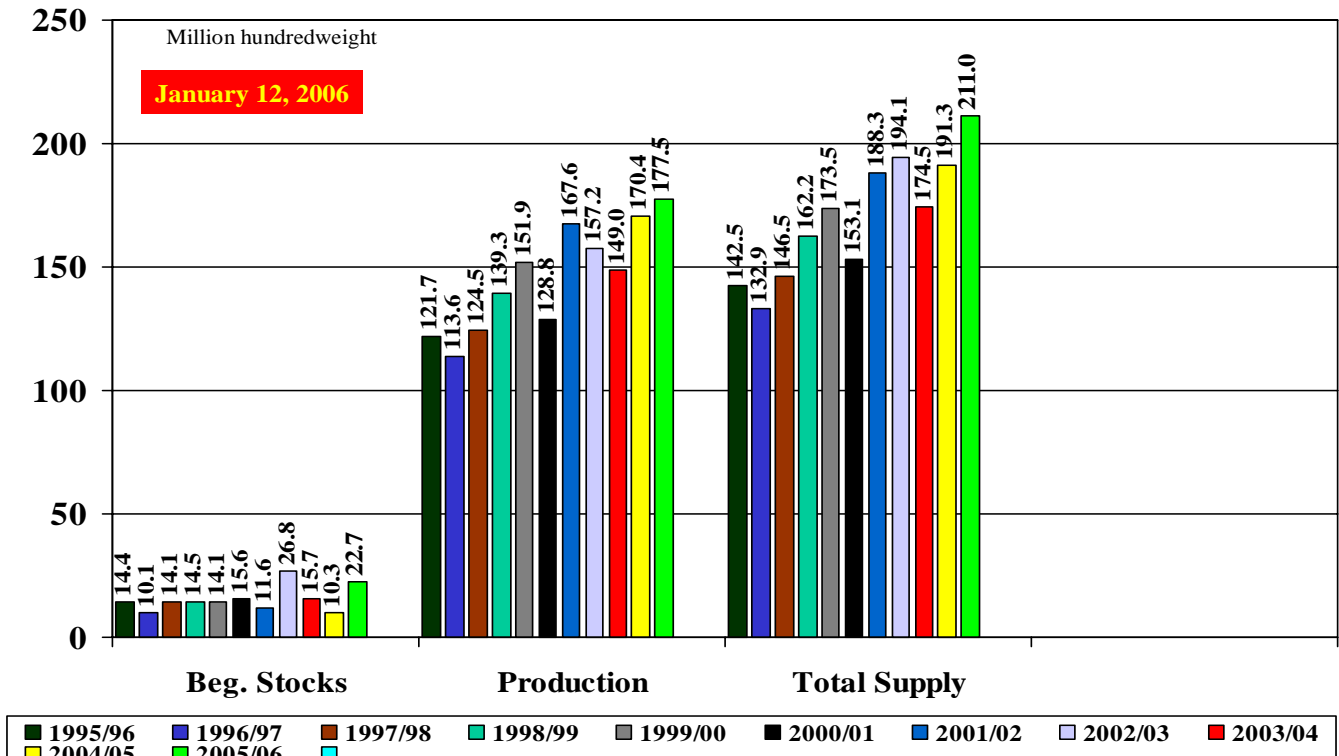
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. All Rice Use and Ending Stocks 1995/96 – 2005/06



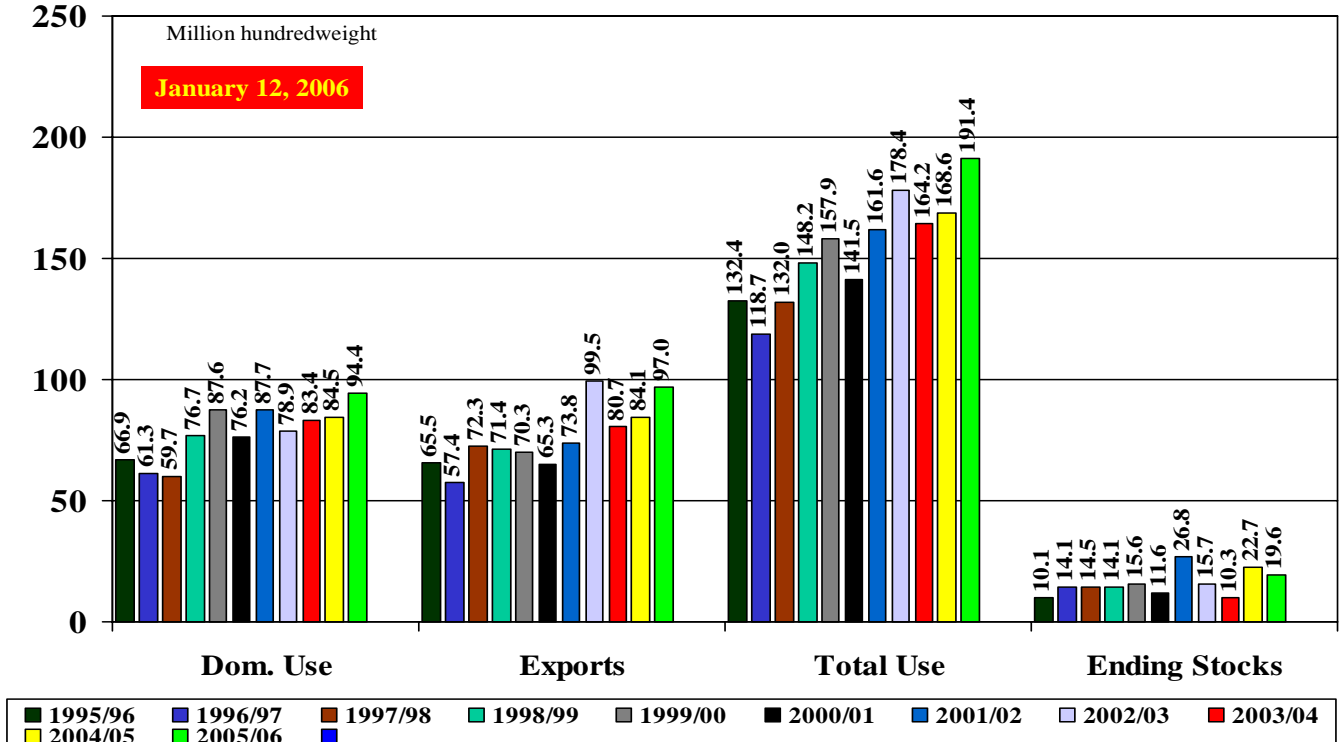
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Long Grain Rice Supply 1995/96 – 2005/06



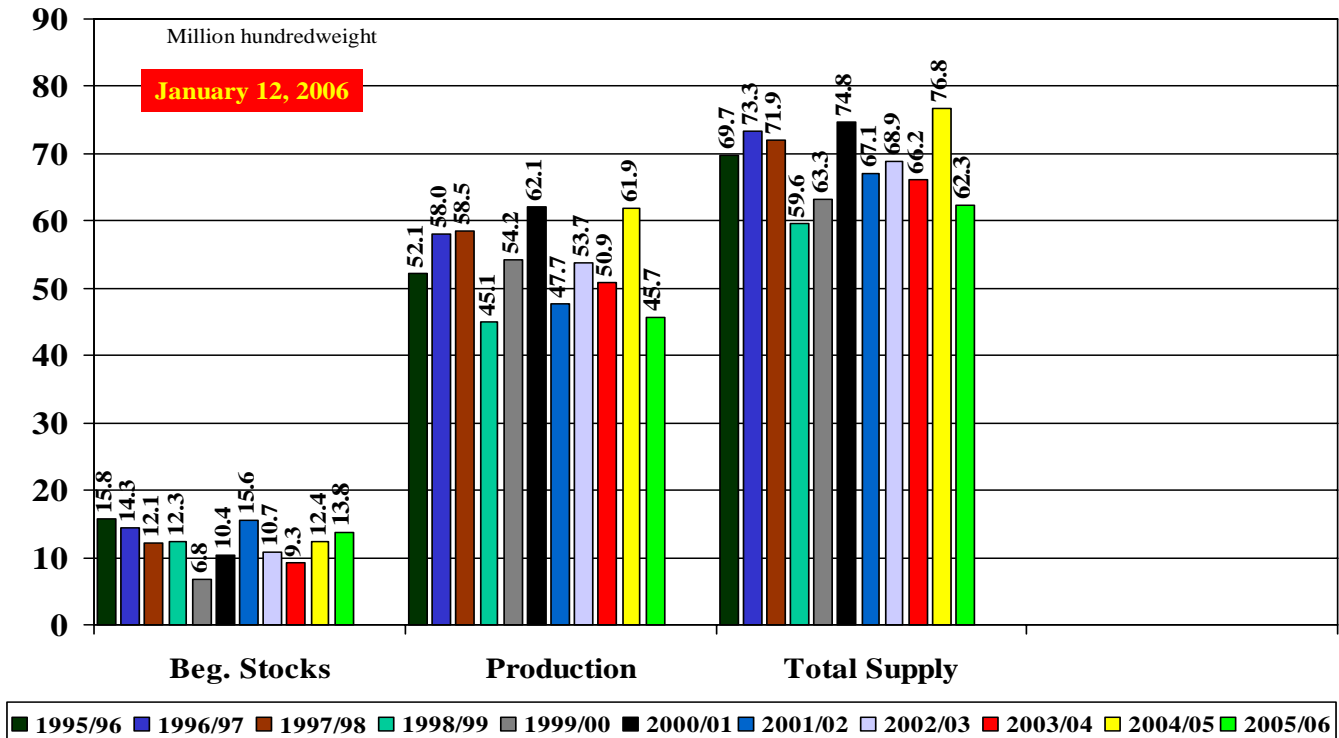
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Long Grain Rice Use and Ending Stocks 1995/96 – 2005/06



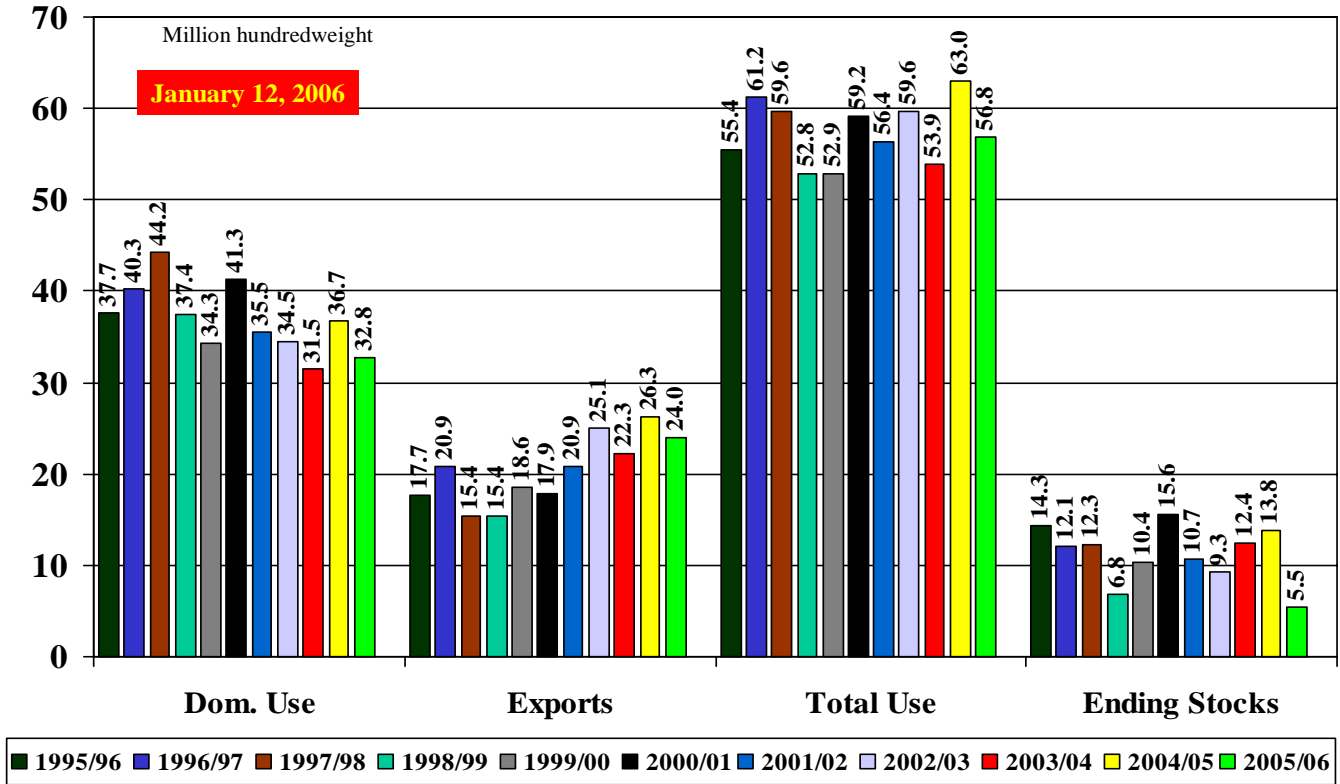
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Medium and Short Grain Rice Supply 1995/96 – 2005/06



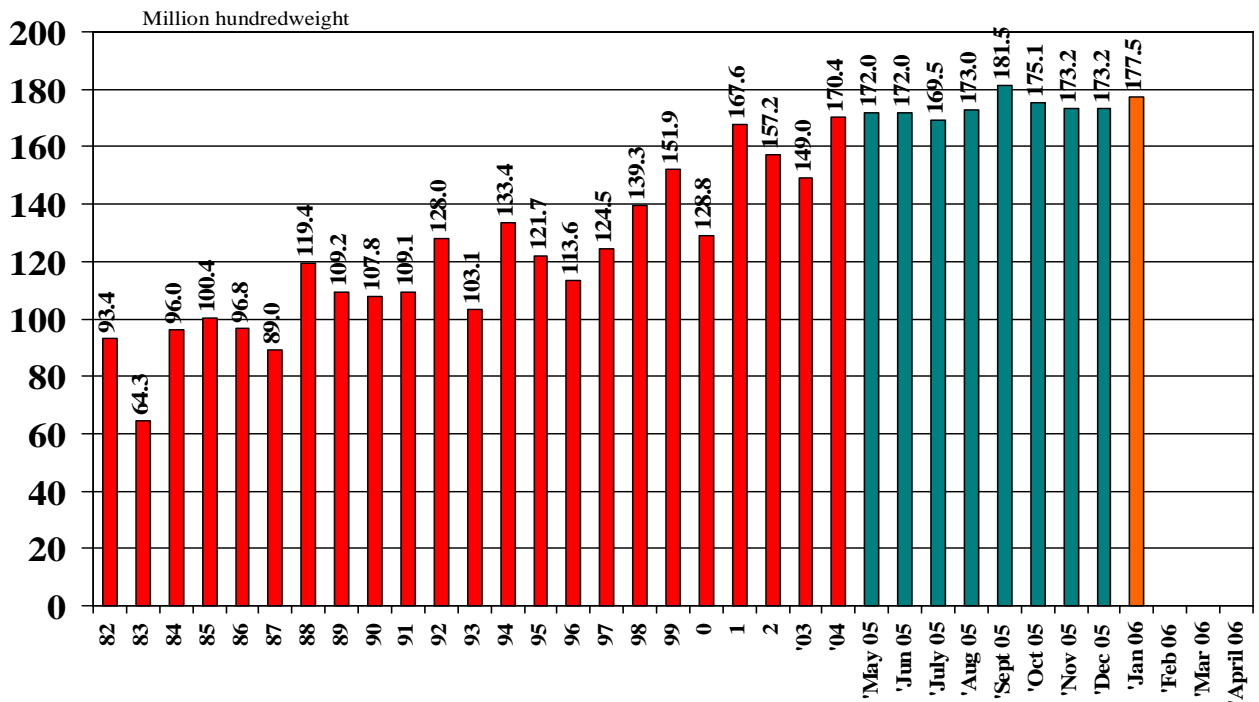
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Medium and Short Grain Rice Use and Ending Stocks 1995/96 – 2005/06



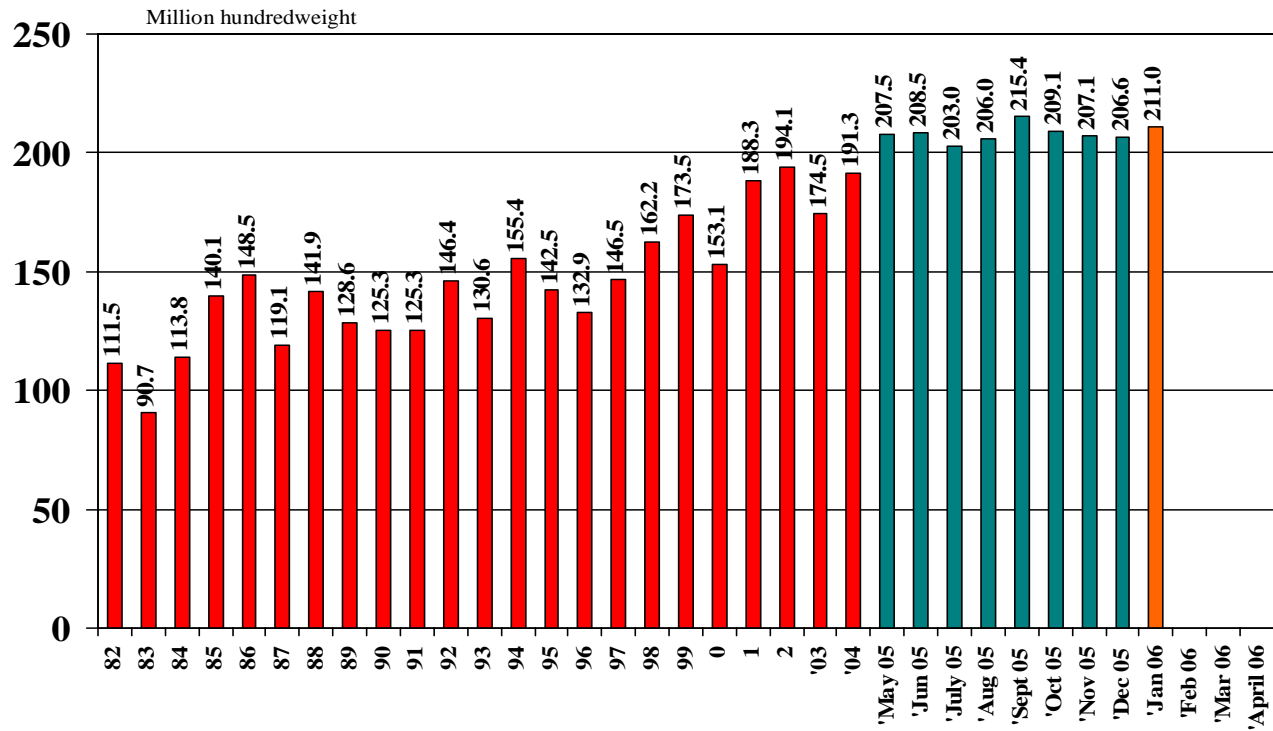
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Long Grain Rice Production 1982/83 – 2005/06



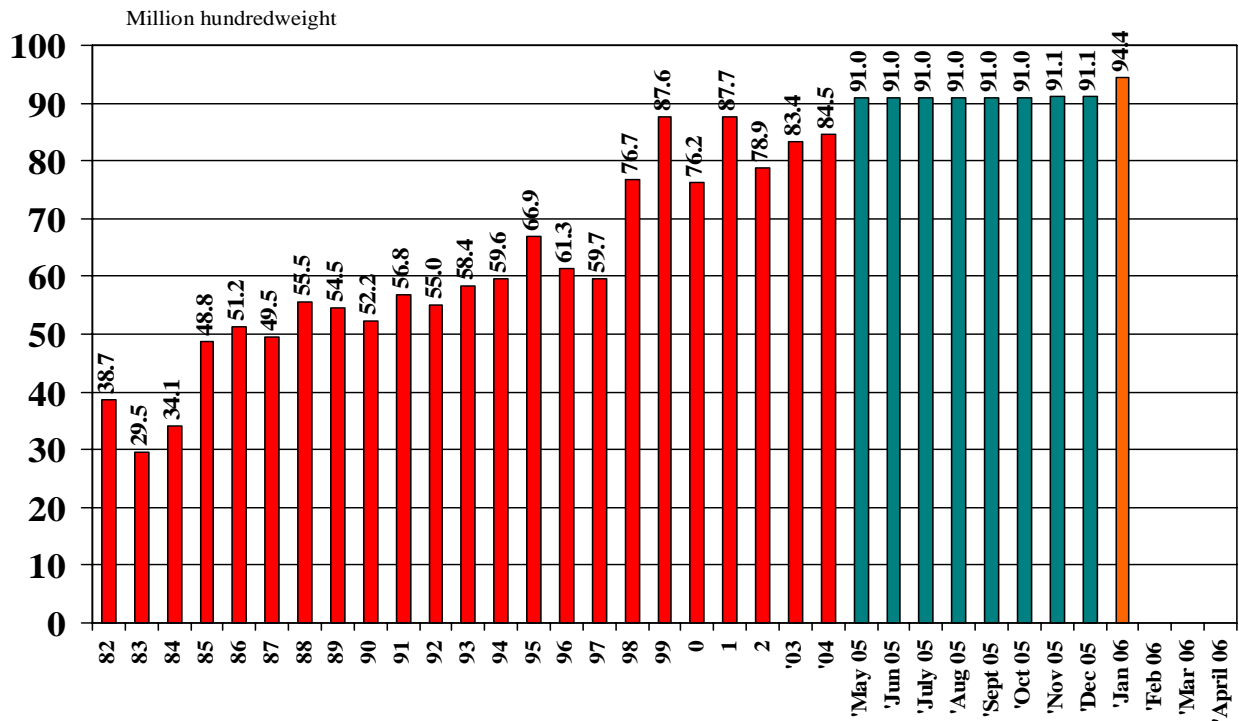
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Long Grain Rice **Total Supply** 1982/83 – 2005/06



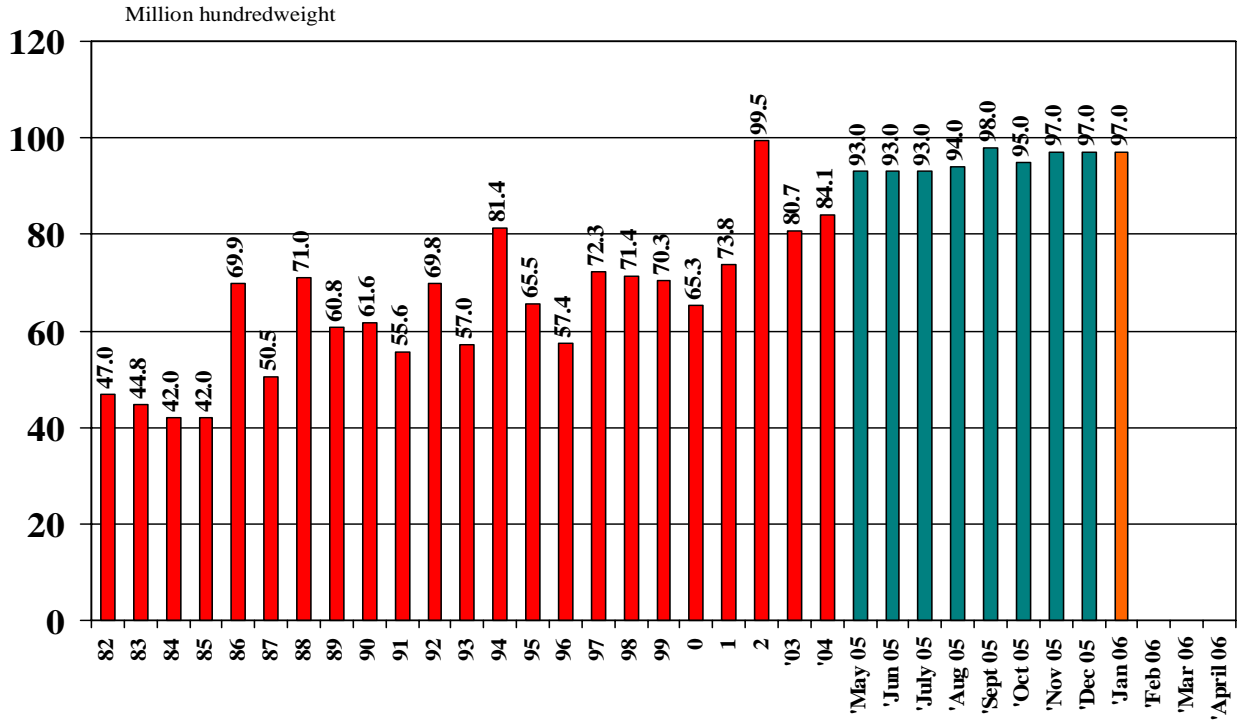
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Long Grain Rice **Domestic & Residual** 1982/83 – 2005/06



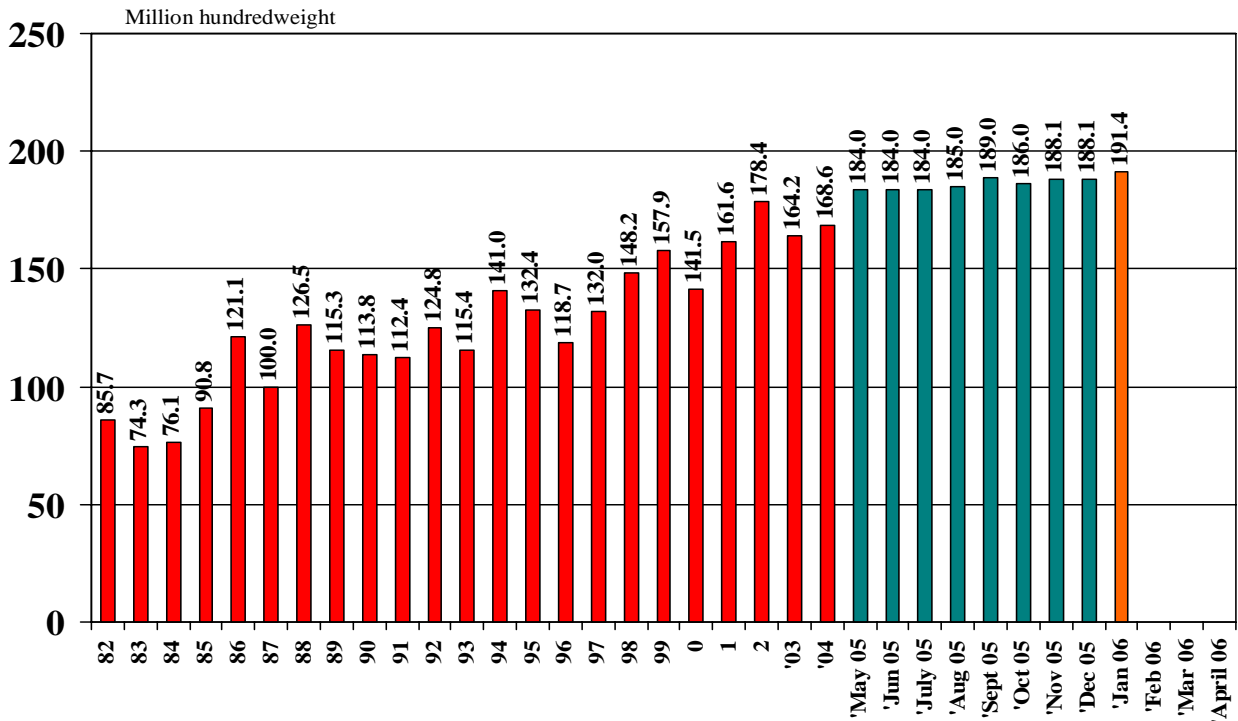
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Long Grain Rice **Total Exports** 1982/83 – 2005/06



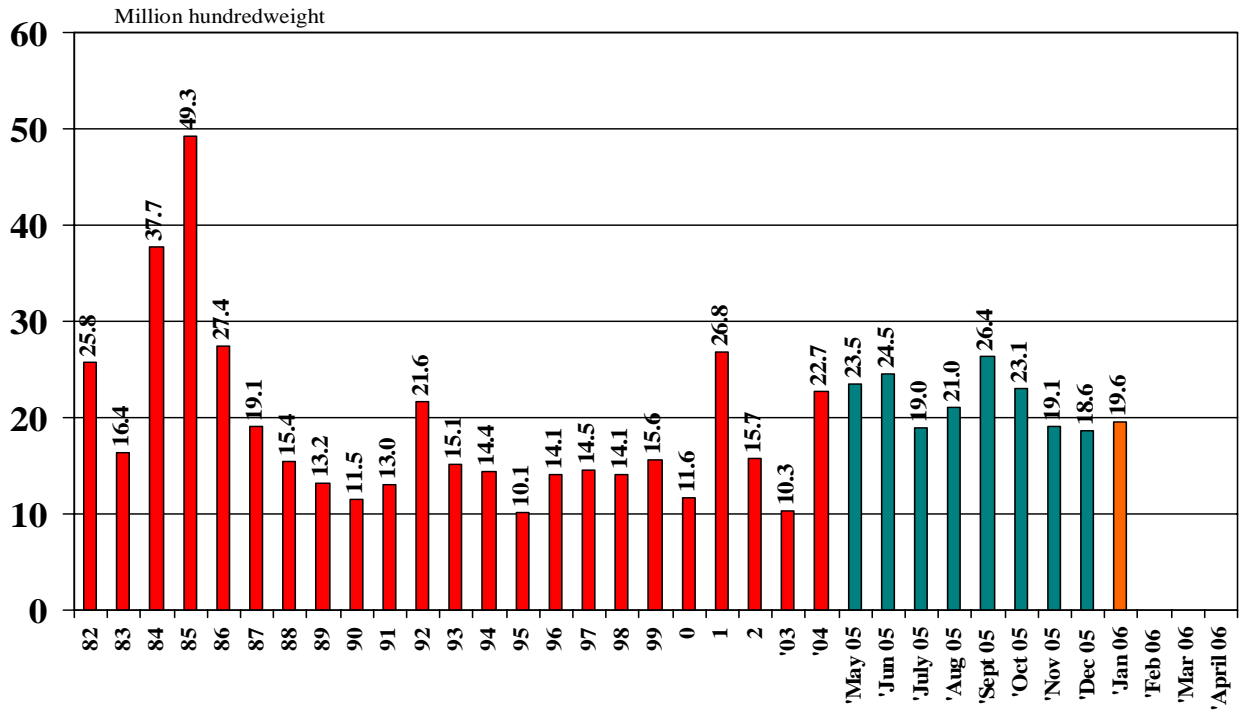
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

U.S. Long Grain Rice **Total Use** 1982/83 – 2005/06



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

U.S. Long Grain Ending Stocks 1982/83 – 2005/06



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