

**Rice Graphics and Commentary**

**August 22, 2007**

**By**

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The week of August 13, 2007 saw financial and commodity markets deteriorate around the world causing money managers, funds, and individual investors to move to protect gains on their equity and commodity assets. By Friday August 17<sup>th</sup> due to the tightening credit conditions and increased financial uncertainty's potential to restrain economic growth the Federal Reserve Board approved a 50 basis point reduction in the primary credit rate to 5-3/4 percent, to narrow the spread between the primary credit rate and the Federal Open Market Committee's target federal funds rate to 50 basis points. The Board also announced a change to the Reserve Banks' usual practices to allow the provision of term financing for as long as 30 days, renewable by the borrower. The Fed said that these changes will remain in place until the Federal Reserve determines that market liquidity has improved materially.

Since November of 2005 global growth accelerated to an extremely robust level creating a huge demand for commodities and creating strength in the equities and commodities markets around the world. In the best of markets, corrections do occur and the Federal Reserve signaled the world on Friday that they would provide the needed liquidity to assure crowd or panic behavior did not unrealistically impact the equity and commodity markets.

The dynamics of our new global economy continues to amaze me. I'm amazed at the strength that it has exhibited and I'm amazed and white knuckled sometimes at the potential downside, which is exactly why our row crop producers need a farm bill with a strong farm safety net.

USDA's August supply and demand report indicates the following for U.S. long grain rice:

- 2007/08 beginning stocks at 30.6 million cwt is below the previous marketing periods 32.7 million cwt but the second highest since 1986.
- 2007/08 production at 140 million cwt is below the previous marketing periods 146 million cwt and 2005/06's 178 million cwt and the second lowest in the past nine production periods.
- 2007/08 total supply at 185.6 million cwt is below the last marketing period's 193 million cwt and 2005/06's 213 million cwt.
- 2007/08 total use at 168 million cwt is above the last marketing period's 163 million cwt and below 2005/06's 180 million cwt.
- 2007/08 ending stocks at 17.6 million cwt is considerably below last year's 30.6 million cwt and 2005/06's 32.7 million cwt.

Additional points:

Commodities as a group have built a considerable amount of strength since the beginning of 2002 due to strong global growth. As a group they have been correcting and consolidating since last fall. The strength and consistency of global growth will determine the depth of the correction and the length of the consolidation. Moving forward I still favor commodities as a group trading in a higher range than the period 1979 to 2005 time period, which is to say I'm bullish on commodities.

Our current credit crisis is extremely dangerous but the Federal Reserve seems to have signaled that they are willing to strike the right balance between managing inflation and promoting economic growth. It is my belief that there is still much more strength than weakness in the global economy and this global strength will sustain the strong demand for commodities including our food and fiber commodities into the immediate future. The biggest problem our producers face in the export market is simply market access.

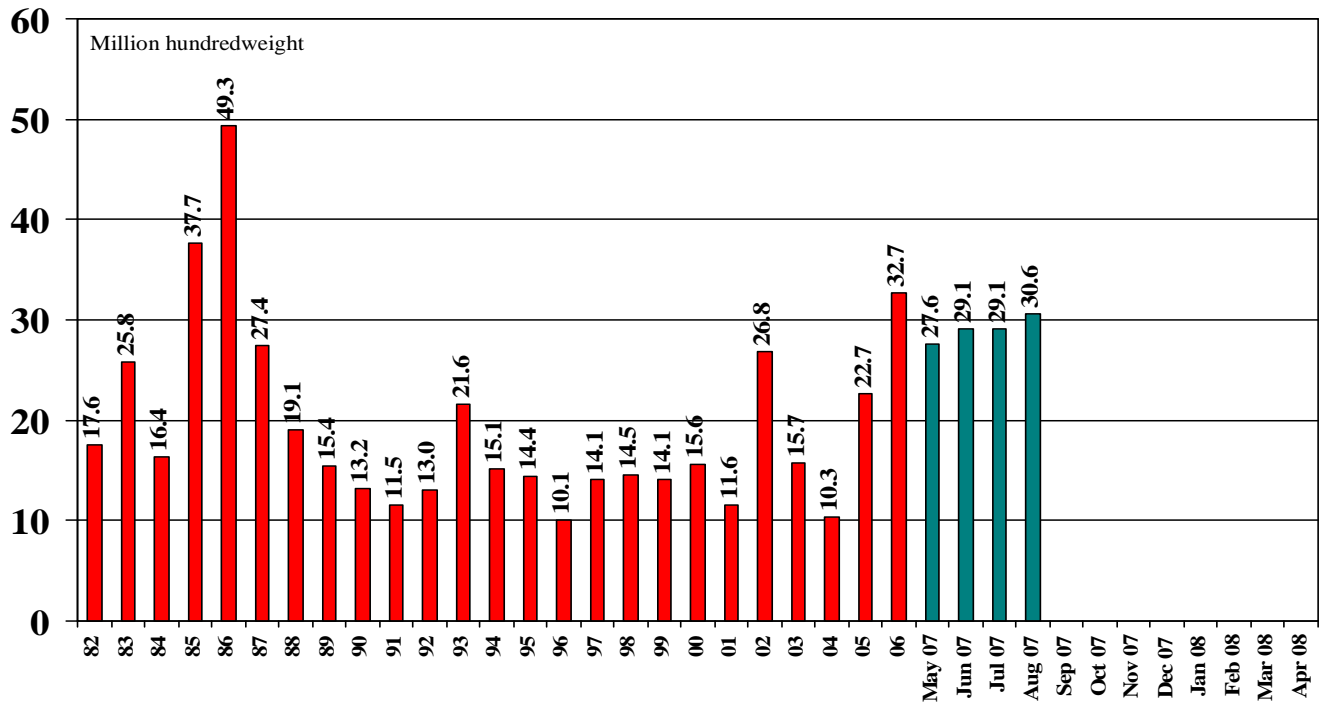
On rice price outlook USDA's 2007/08 all rice season-average farm price is projected at \$9.75 to \$10.25 per cwt or \$4.39 to \$4.61 per bushel.

The events of the week of August 13 introduced significant uncertainty into the global commodity markets. It is now important to assemble data and information to answer an array of questions related to the event. My current expectation is that wheat, soybeans and corn will show price weakness over the next 4 to 6 weeks before prices start strengthening. Weakness exists in the long grain futures rice market. That said, the weekly long grain rice chart shows rice consolidating above the \$10 per cwt level.

The global economy still has amazing potential to grow. I expect several more years of solid growth before normal business cycle weakness occurs, so I presently remain bullish on food and fiber commodities.

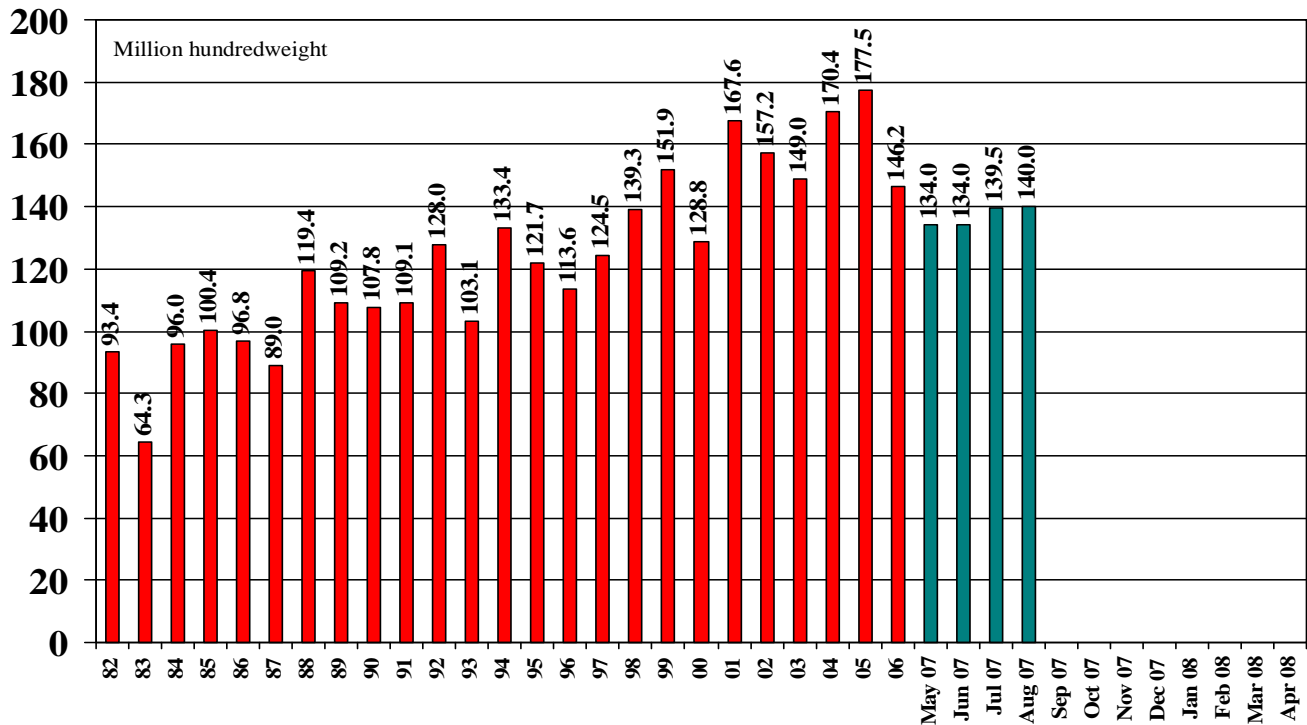
Recognize the challenges, uncertainty, and volatility of this market and seek professional marketing assistance when making marketing decisions.

## U.S. Long Grain Rice Beginning Stocks 1982/83 – 2007/08



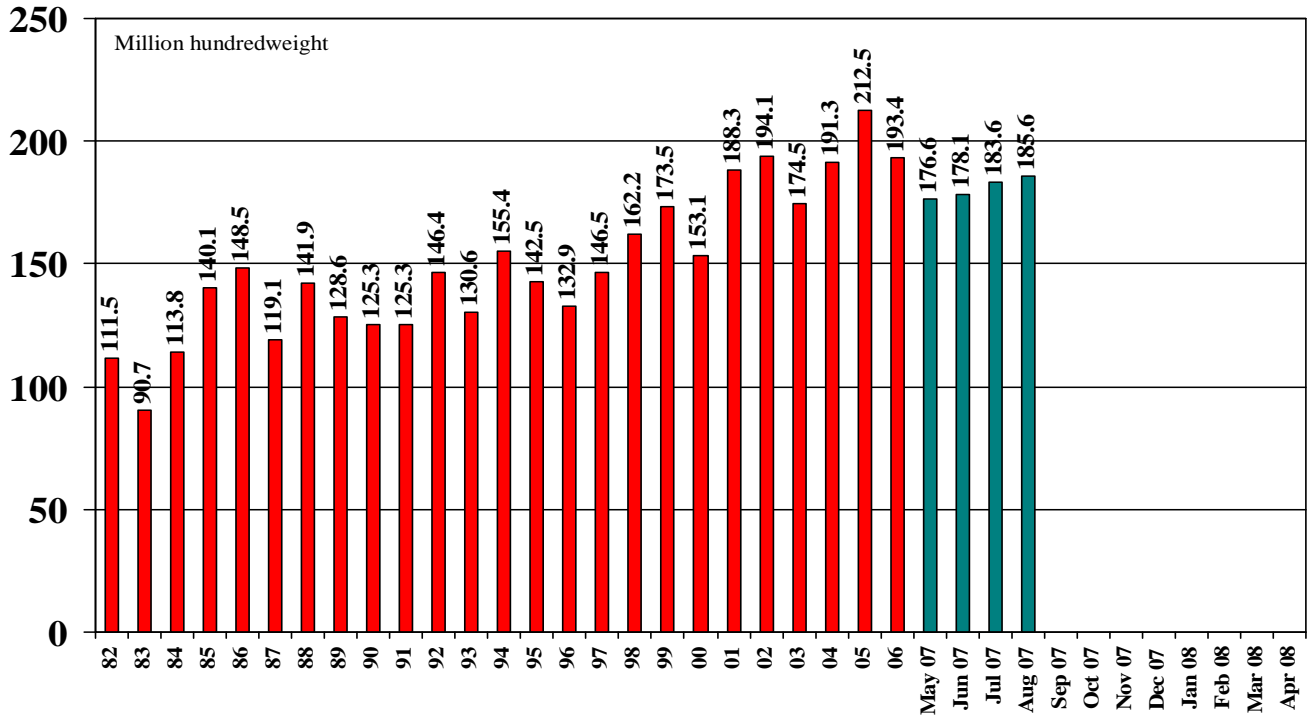
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

## U.S. Long Grain Rice Production 1982/83 – 2007/08



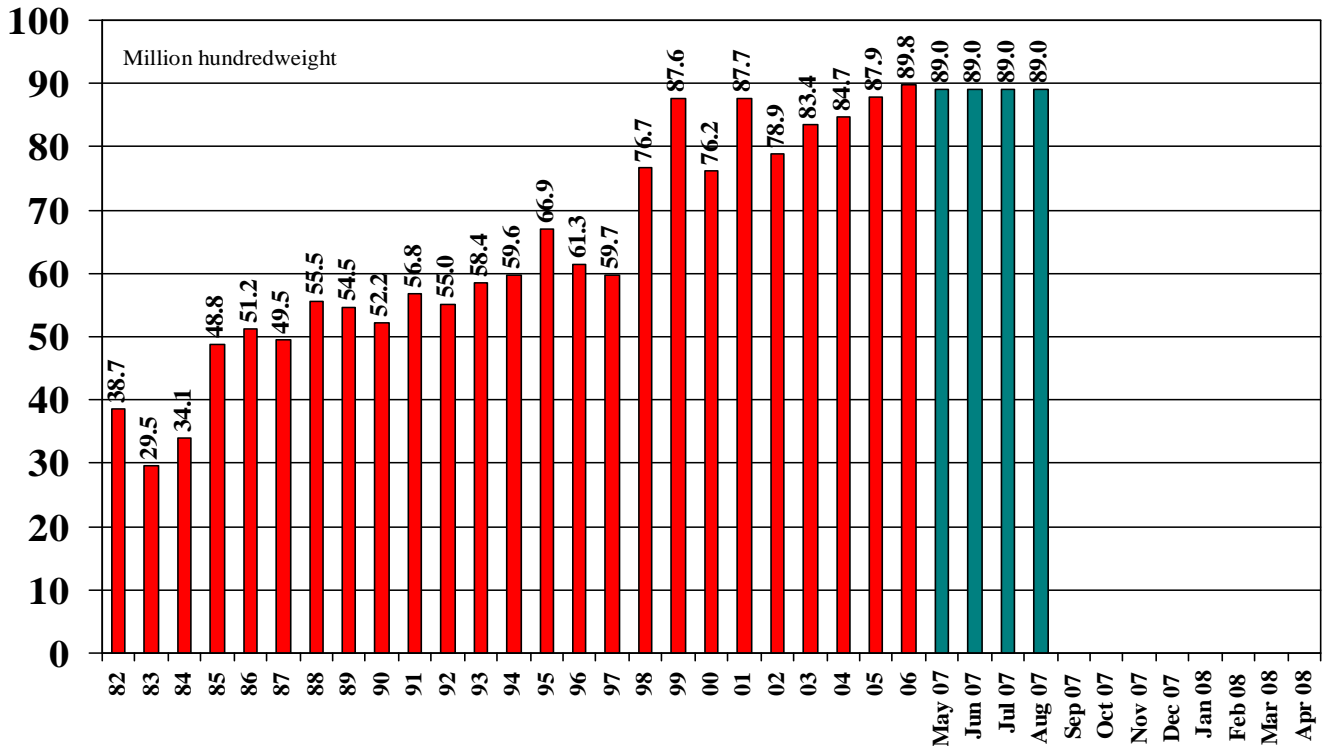
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

## U.S. Long Grain Rice Total Supply 1982/83 – 2007/08



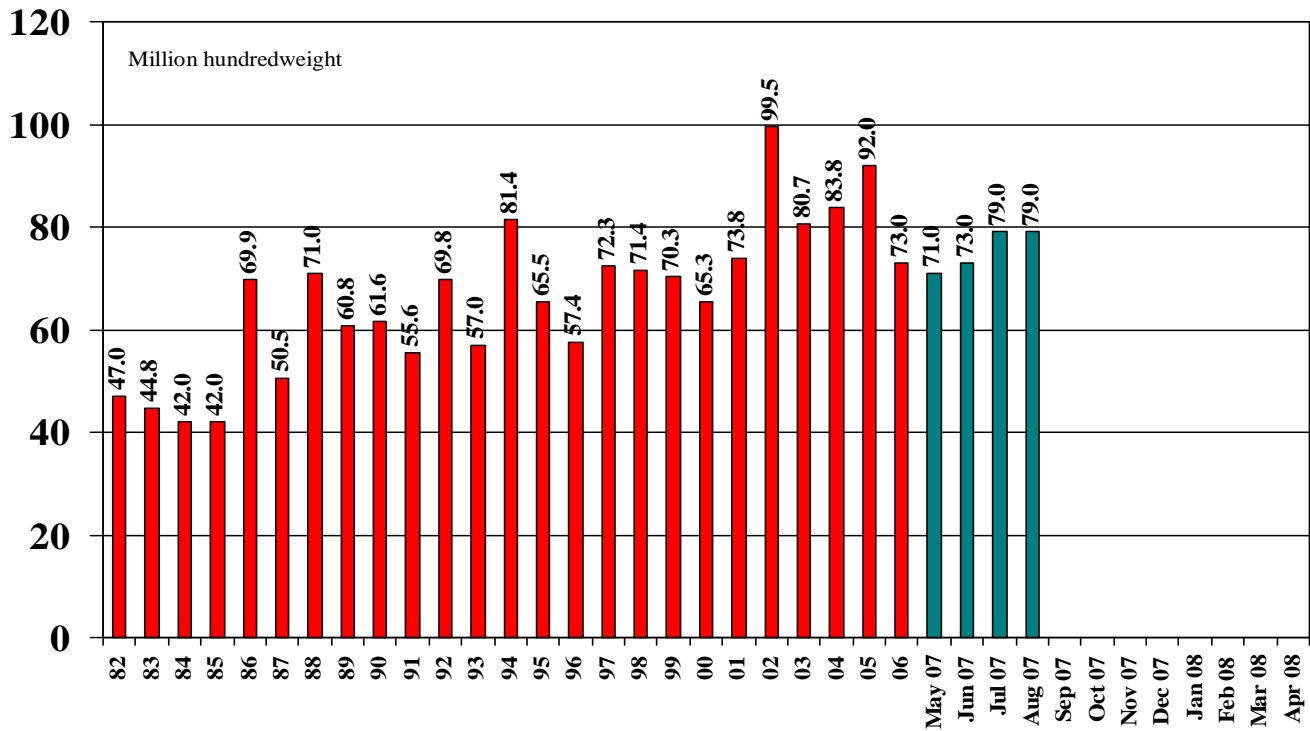
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

## U.S. Long Grain Rice Domestic & Residual 1982/83 – 2007/08



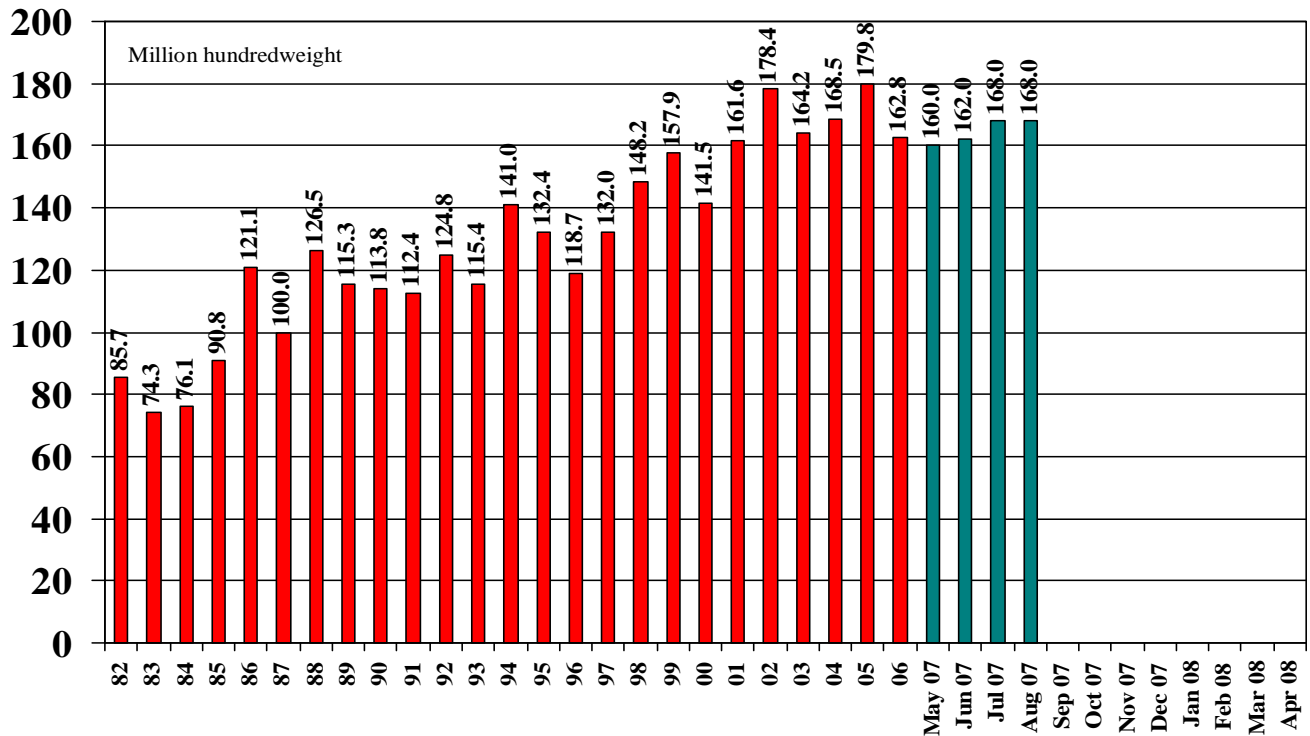
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

## U.S. Long Grain Rice Total Exports 1982/83 – 2007/08



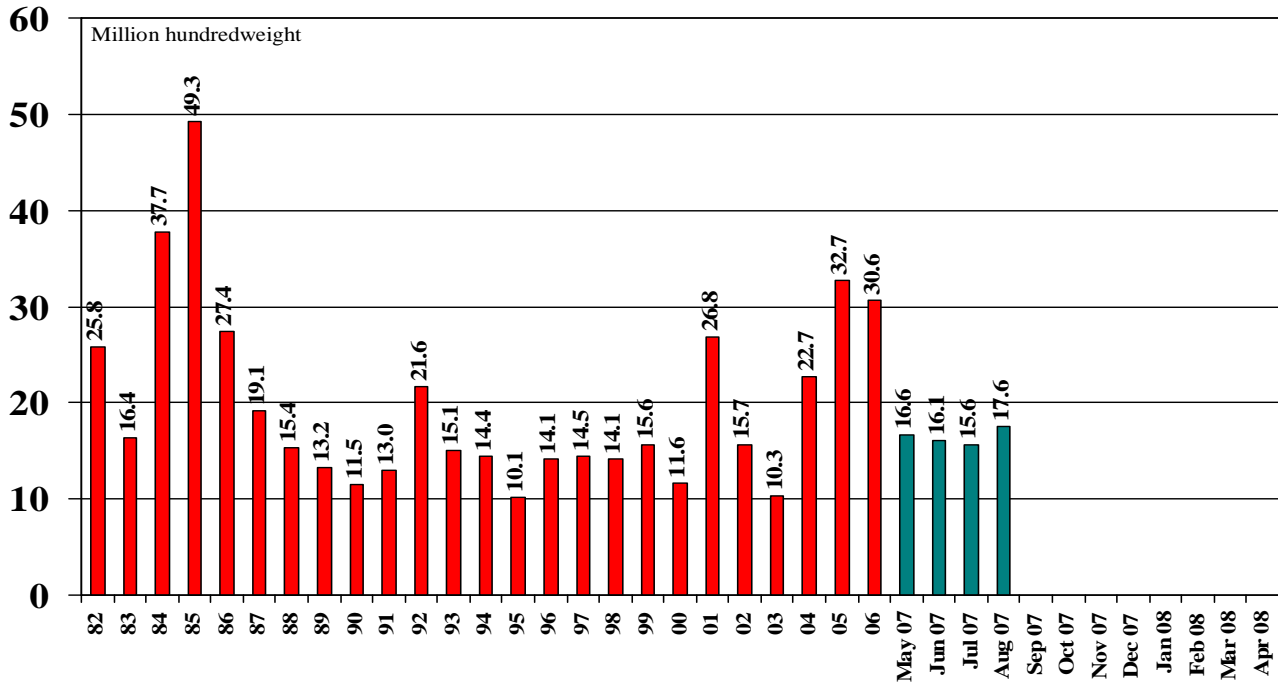
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

## U.S. Long Grain Rice Total Use 1982/83 – 2007/08



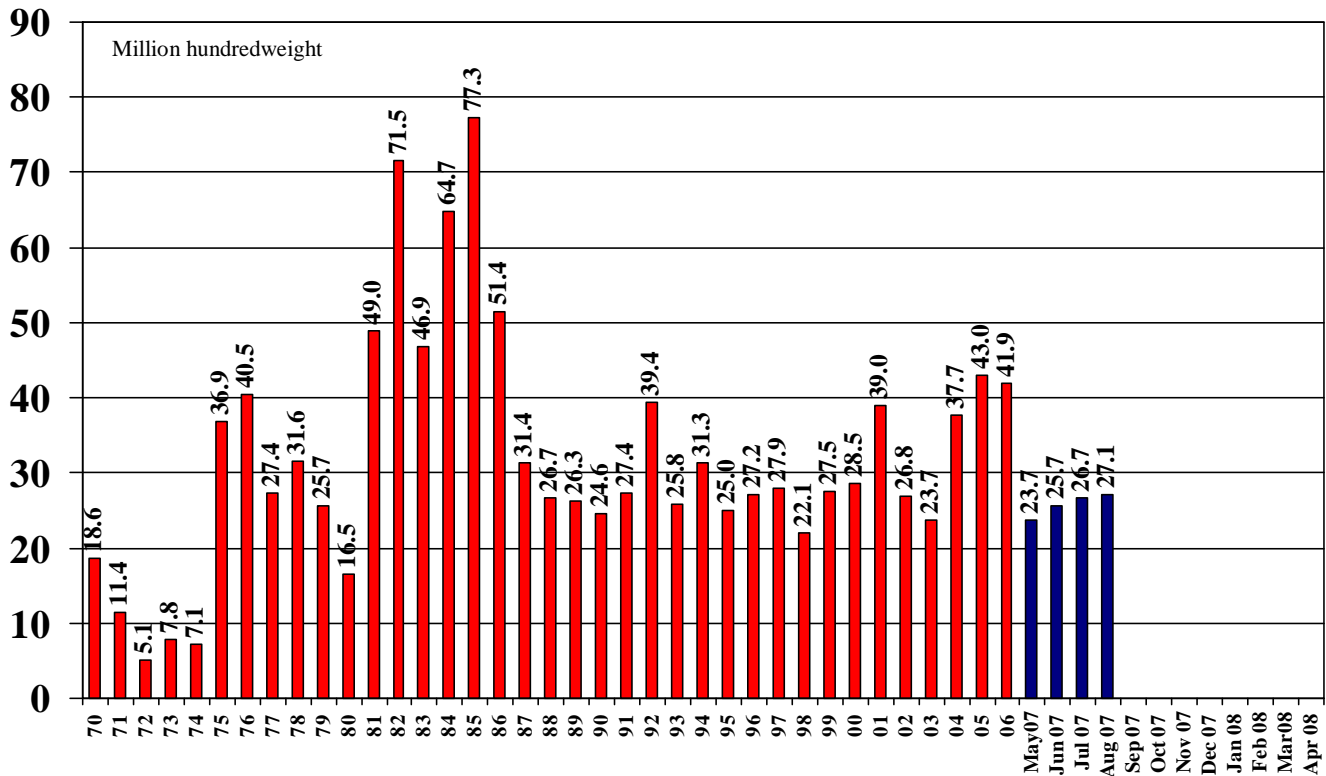
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

## U.S. Long Grain Rice Ending Stocks 1982/83 – 2007/08



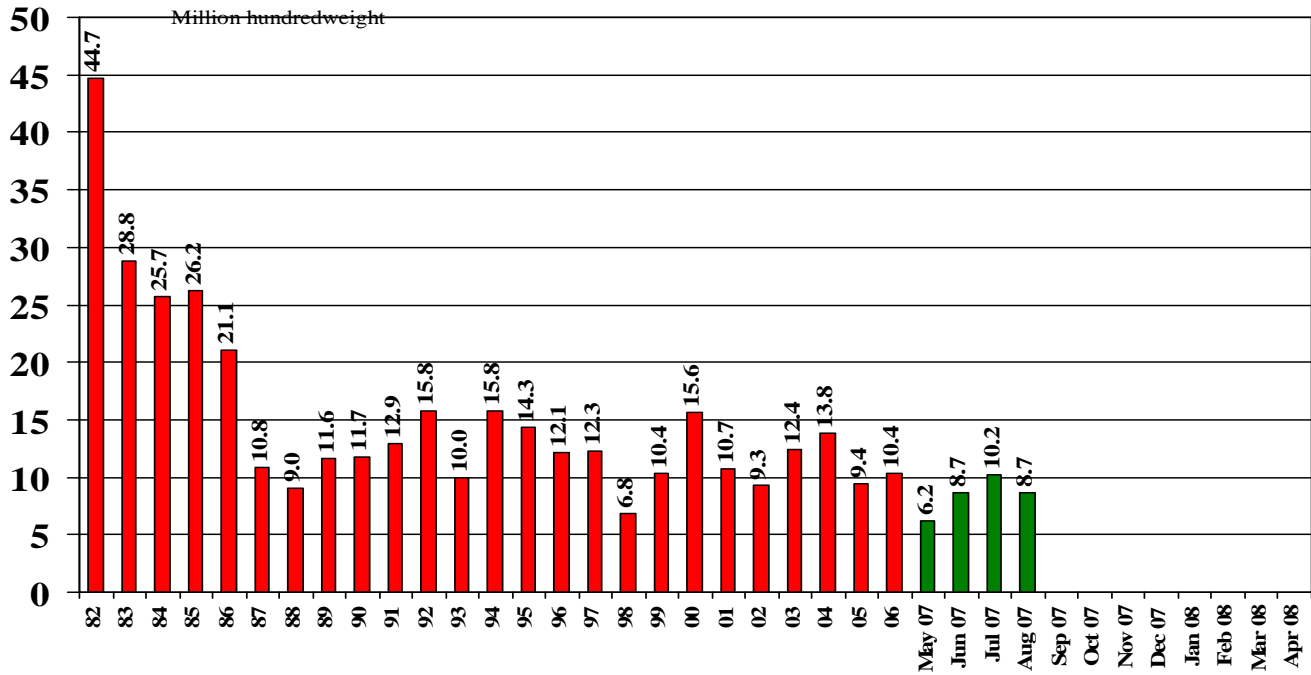
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

## U.S. All Rice Ending Stocks 1970/71 – 2007/08



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

## U.S. Medium and Short Grain Rice Ending Stocks 1982/83 – 2007/08



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