

Rice Graphics and Commentary

November 19, 2007

By

Bobby Coats

**Extension Agricultural Policy Analyst and Professor
University of Arkansas Cooperative Extension Service**

Data gleaned from USDA's November rice projections showed the following:

- ◆ USDA raised their 2007 U.S. long grain rice production projection from 142 million cwt in October to 142.6 million cwt. This is the lowest U.S. long grain production since 2000, but still the 8th largest on record.
- ◆ Total long grain supply was increased from 185.5 million cwt in October to 186.2 million cwt. which is the lowest since 2003, but still the sixth largest on record.
- ◆ U.S. long grain exports were raised from 83 million cwt in October to 84 million cwt, which is above the last marketing period's 72.6 million cwt and if achieved would be the third largest on record only exceeded by the marketing periods 2002 and 2005.
- ◆ U.S. long grain total use is projected at 173 million cwt the 3rd largest on record and above the 2006/07 marketing period's 164.6 million cwt.
- ◆ U.S. long grain ending stocks are estimated at 13.2 million cwt significantly below the previous marketing period's 28.5 million cwt. and more in line with a normal ending stocks expectation.

The USDA's Foreign Agricultural Service makes bullish points on global rice situation and outlook.

- ◆ First, USDA projects record world rice exports in 2008.
- ◆ Second, world rice export prices have continued to strengthen and the value of the dollar has dropped. Regarding the dollar will it remain weak, start strengthening, or show additional weakness? Given the extreme global bearishness on the dollar, at the very least one could expect some immediate strengthening, but the sustainability of the strength remains in question.
- ◆ Third, since September, price quotes for U.S. #2/4 have jumped \$66 per ton to \$478 per ton, the highest since March 1994.
- ◆ Fourth, FAS points out U.S. export commitments are 44 percent higher than a year earlier, which is a primary function of heavy forward buying by regular customers.
- ◆ Fifth, Thailand 100 B quotes are up \$8 per ton from the previous month to \$340.
- ◆ Sixth, it is important to note that world rice prices are also being supported by export bans imposed by Vietnam (on all rice) and India (on non-basmati and high-value rice only). Given these bans Thailand, the United States, Pakistan, and China become the major suppliers of rice to world markets.
- ◆ Seventh, USDA expects global export prices will likely remain strong throughout 2008, as global ending stocks in 2007/08 are projected to be the smallest in 25 years.

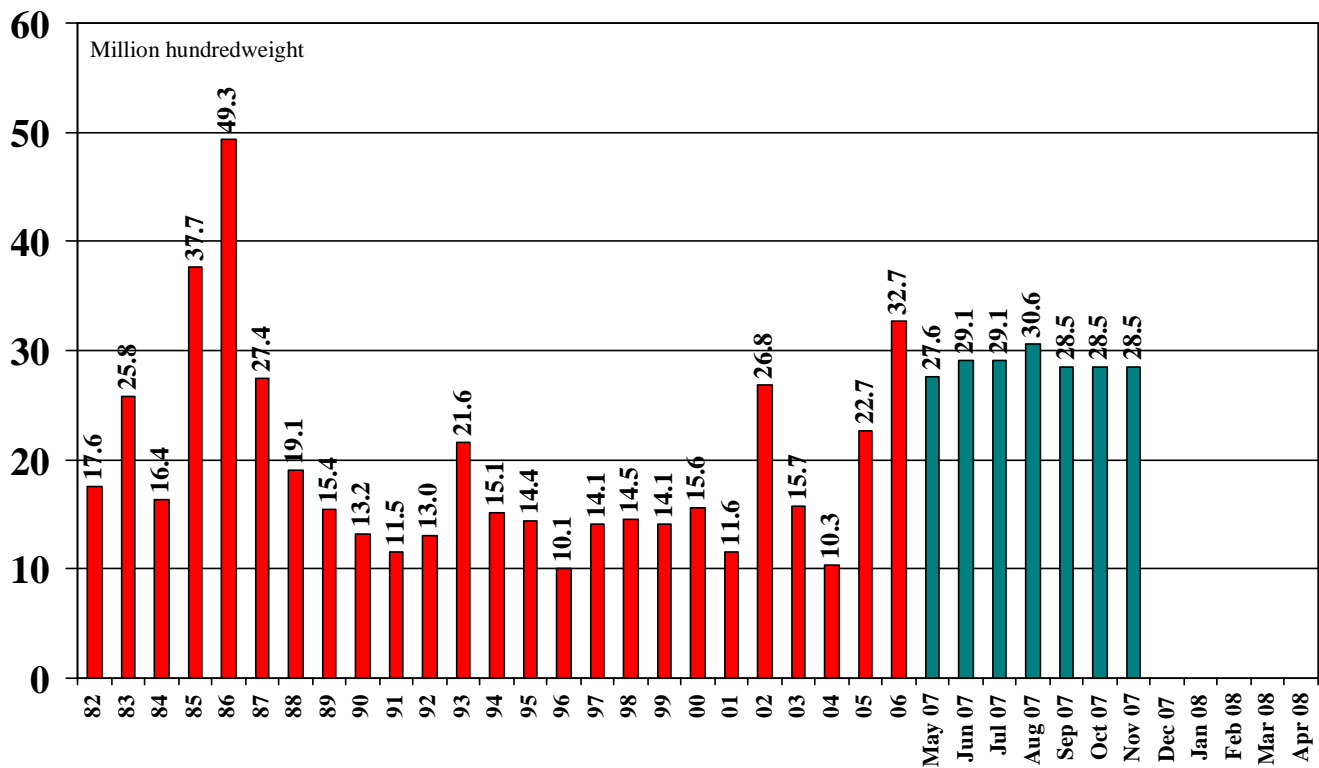
Turning to the price outlook for long grain rice, the U.S. Federal Reserve's rate cuts to date have been bullish for global growth and global economic momentum. This maintenance of global growth and momentum continues the strong demand for commodities including food, feed, and fiber. But problems exist. Fed rates cuts are creating weakness in the dollar with inflation concerns being a by-product. The Fed will face increasing pressure on meeting the challenge of how to maintain domestic growth without fueling domestic inflation, which leads me to believe that the Federal Reserve at their next meeting on December 11, 2007 will announce no change in the interest rate before continuing to lower interest rates in the future. I make these points to say that the domestic and global economic setting remains bullish for commodities, so in a very liquid global marketplace with an abundance of short term speculative activity, one should take advantage of pricing opportunities. Remember commodity markets will be extremely volatile and difficult to predict.

Rice prices continue to show strength and the trend remains up. Will the trend continue? I do not know but caution is advised. Old crop wheat is giving the appearance of having topped, but only time will tell. New crop wheat may still have some upside. My expectation is that soybeans and corn are in the process of moving above their previous highs, which raises the question will higher soybean pricing opportunities cause some low yielding rice land to be planted to soybeans? The answer is yes, because the rice cost of production simply remains too high for many rented below average yield acres to remain in production. Cotton prices have continued to struggle for an array of reasons, but should start showing price strength in the future.

I continue to see more positives than negatives in the U.S. and global economy, which will continue bullish for commodities over the longer run, but individual commodity markets will correct over a period of time before moving even higher.

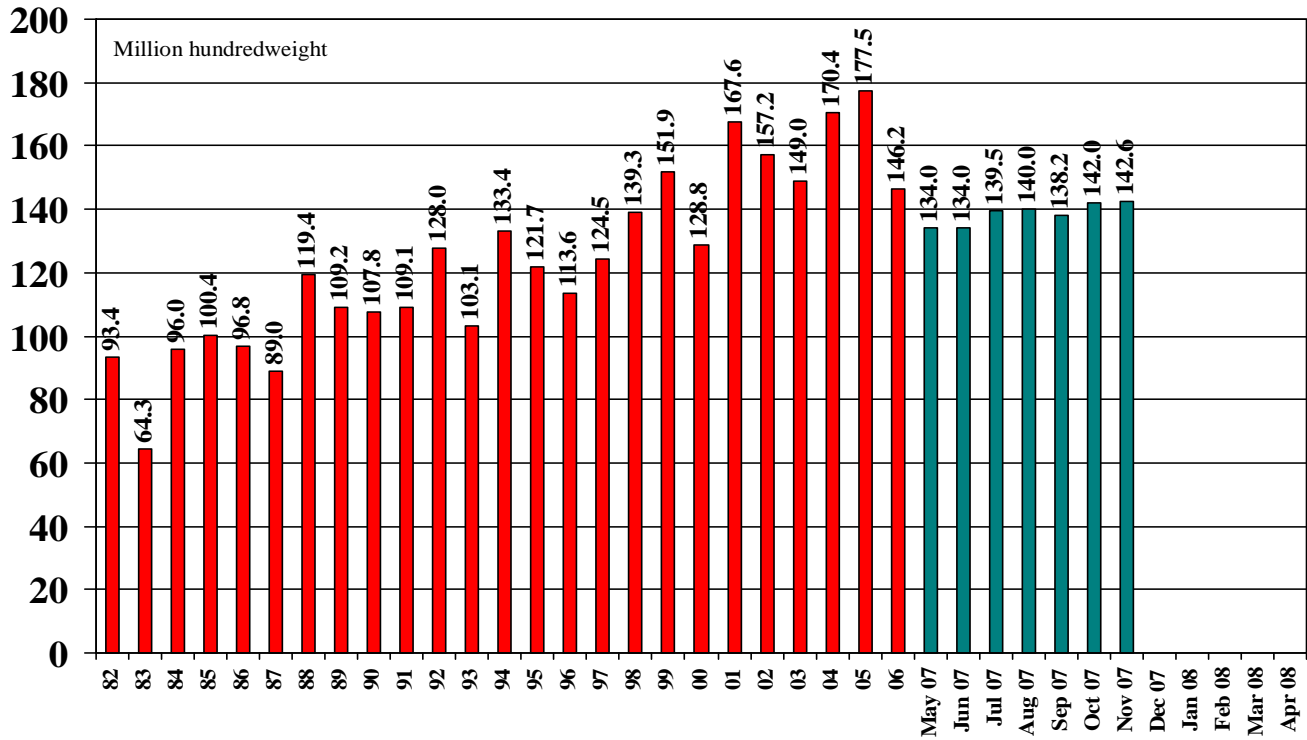
Commodities continue to display significant price volatility and uncertainty, due to the dynamics of the global economic setting. I continue to believe professional marketing assistance is advisable from co-ops or individual marketing professionals.

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



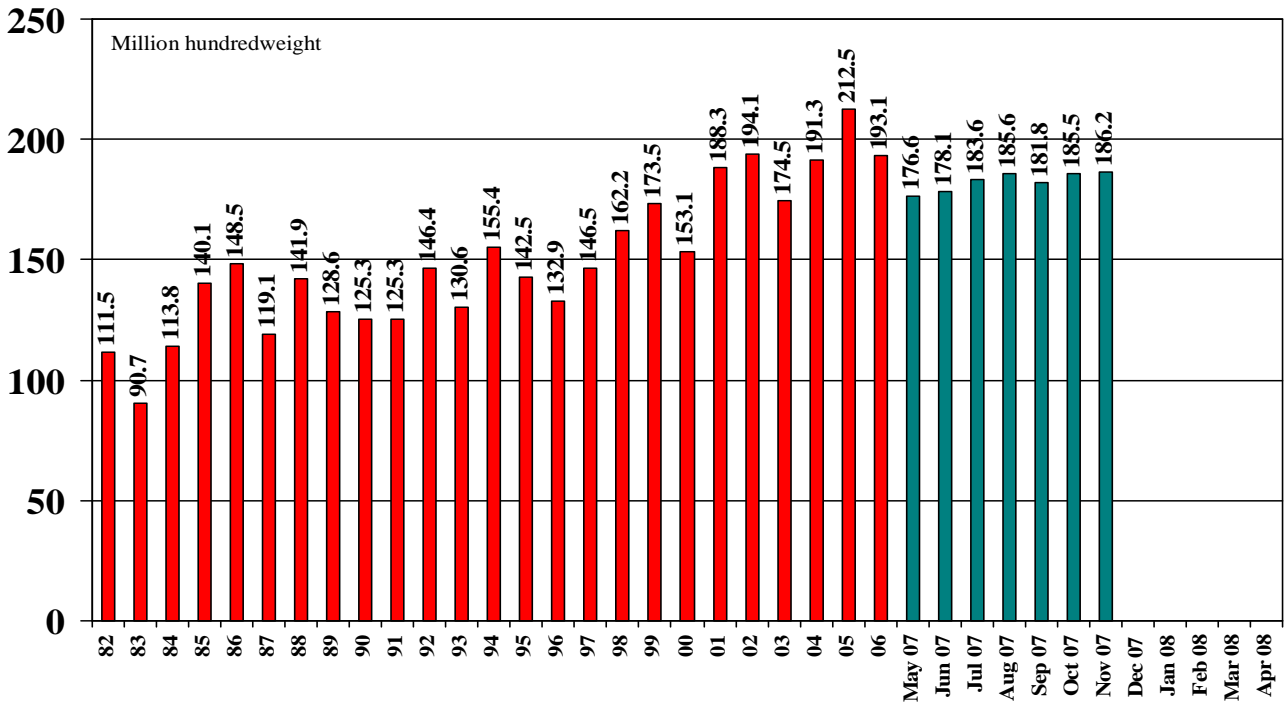
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

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



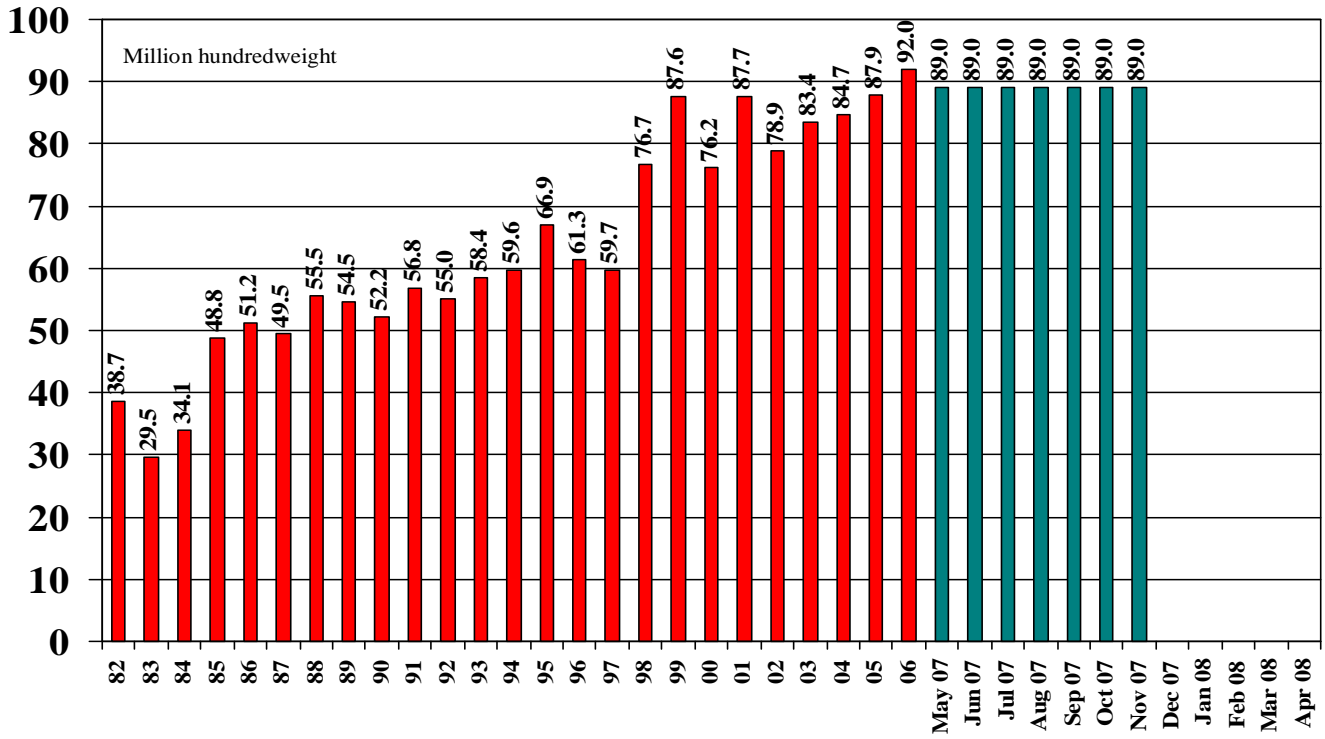
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

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



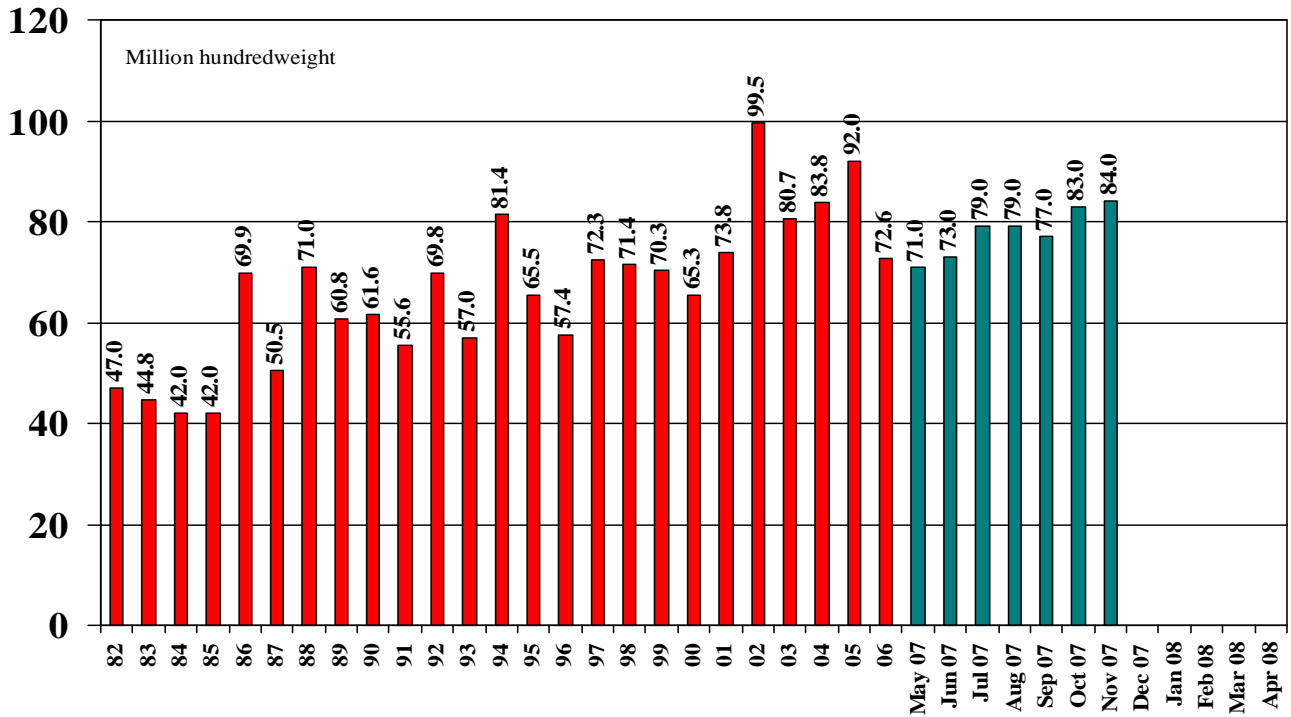
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

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



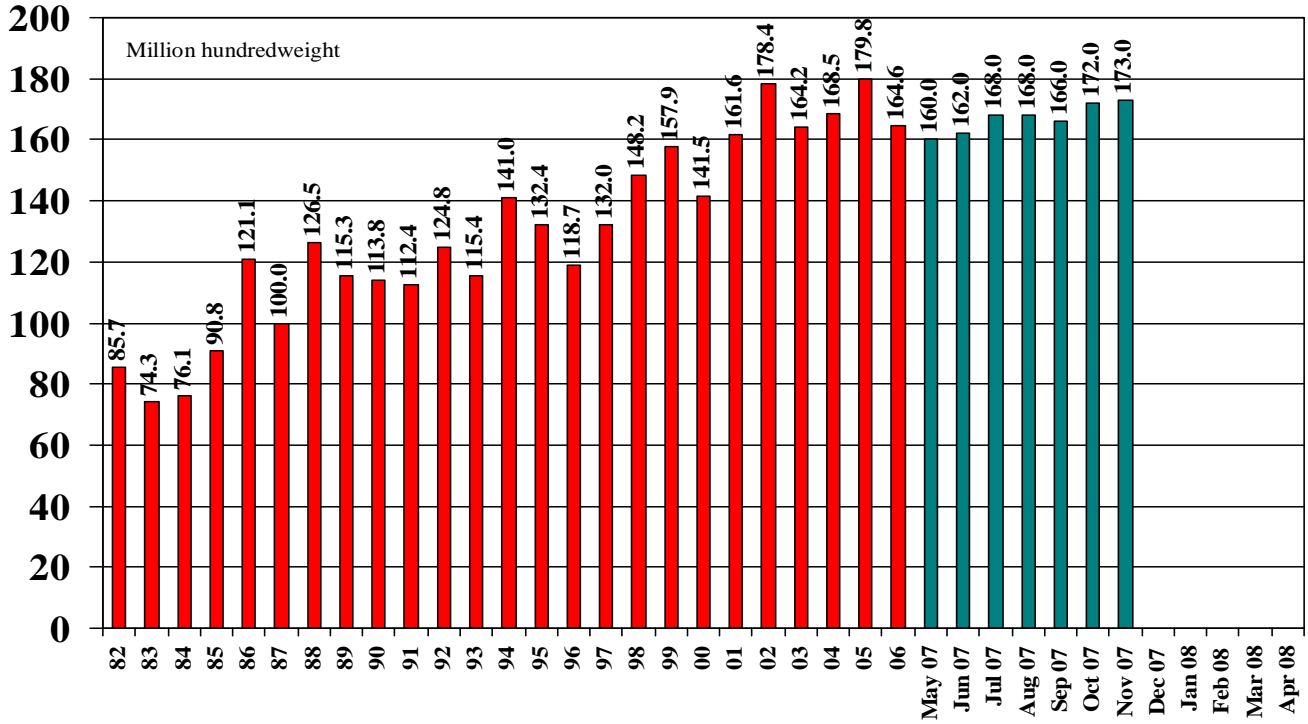
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

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



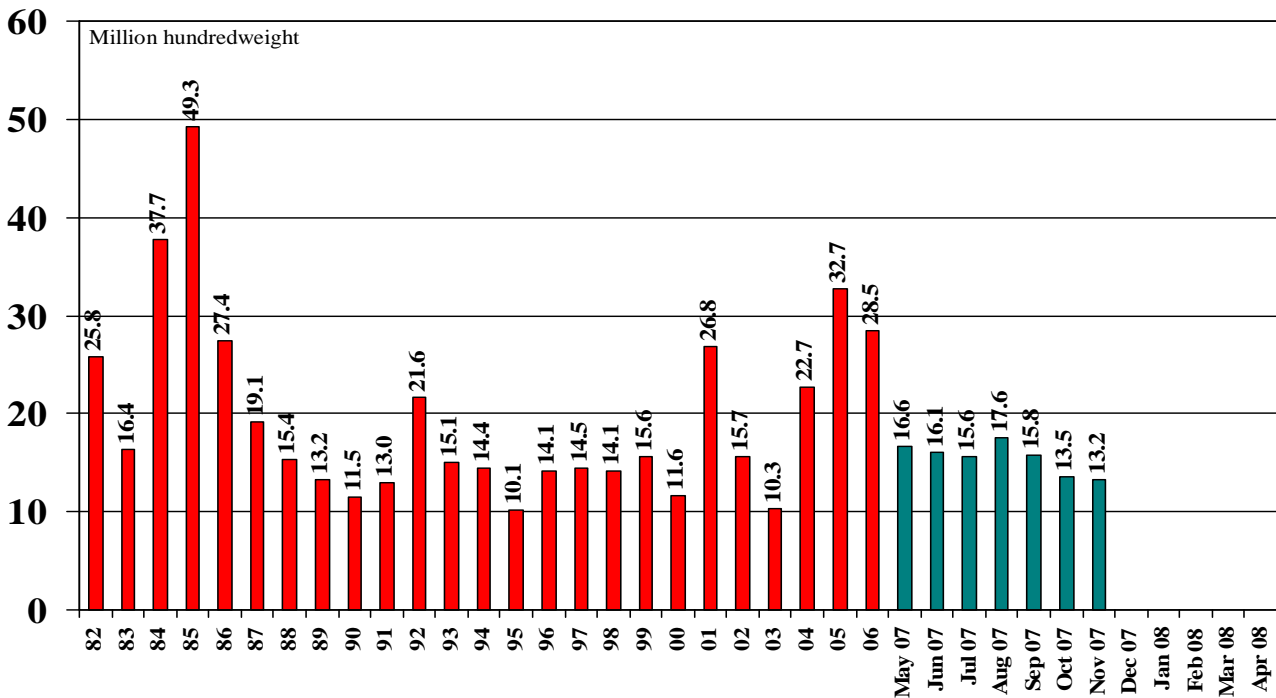
Source: [USDA World Supply and Demand Estimates](#) and [Rice Yearbook](#)

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](#)

