



Rice Outlook

By Dr. Gene Johnson

USDA WMP:

March 16, 2005

World Market Price Value Factors	This Week 3/15/05 CWT (BBLs)	Last Week 3/08/05 CWT (BBLs)	Loan 2004/2005	LDP
Long Grain	\$9.79 (15.86)	\$9.79 (15.86)	\$10.61	\$.53
Medium Grain	\$8.84 (14.32)	\$8.84 (14.32)	\$9.61	\$.49
Short Grain	\$8.83 (14.30)	\$8.83 (14.30)	\$9.61	\$.50
Brokens	\$4.90 (7.94)	\$4.90 (7.94)	\$5.31	
Calculations				
55/70 Long Grain	\$6.12 (9.91)	\$6.12 (9.91)	\$6.63	
55/70 Medium Grain	\$5.60 (9.07)	\$5.60 (9.07)	\$6.08	

Low prices and spotty activity is reported in the rough rice cash markets in most areas. Prices are mostly sideways to off slightly as pressure from the supply side continues to drive the market. Long grain #2, 4% milled rice is currently quoted at \$320-325 per mt bagged FOB vessel or \$292-295 per mt basis bulk. Long grain rough rice is bid at \$165 per mt bulk FOB and offered at levels reflecting \$170-175 (\$7.60-7.81/cwt).

Although the milled rice market is somewhat dormant, the mills are operating at about 80% of capacity on average through April. The primary reason is due to recent sales to markets like Cuba, the Dominican Republic, West Africa and Haiti. These sales are directly related to the decrease in the spread of pricing with Asian rice (U.S. \$325/mt versus Thai \$295/mt).

The paddy (rough) market has been less active. Export sales of long grain paddy trail last year by almost 250,000 mt. The lack of export sales combined with a record crop is the source of the weakness in this market. Trading has been quiet thin with buyers seemingly disinterested and sellers dismayed over current values.

In South Louisiana, buying interest has picked up, with bids for long grain in a range of \$11.40 to \$11.90/barrel (\$7.04-7.34/cwt) for #2./62/70 FOB farm. In Texas a small amount of long grain was traded at 75 cents/cwt over world market price (WMP)--\$6.87/cwt. In the upper delta, buying interest is up somewhat with long grain #2/55/70 trading at \$6.35/cwt.

There continues to be reports in the U.S. rice market that a large sale of U.S. long grain milled rice has been made to Iraq. Some two months ago, an Iraqi official was reported by a major news service in Baghdad as saying Iraq had contracted for 180,000 mt of U.S. rice from three U.S. companies. This week it was reported that 120,000 mt of rice has been contracted by Iraq with legitimate U.S. rice traders. However, no L/C's (letters of credit) have been issued and consequently no rice has been purchased from mills yet. Eventually the facts have to surface.

Rice export quotes in Thailand and Vietnam move up slightly last week, largely due to large sales to the Philippines. Quotes for Thai rice per mt FOB vessel were: 100% grade B--\$295; 5%--\$290; 25%--\$266. In Vietnam, quotes were reported per mt FOB vessel: white rice 5%--\$2644; 25%--\$252.

USDA in its March 10th supply/demand report made no changes from its estimates of February. Ending stocks are still projected at 40.1 million cwt and the average farm price is estimated at a range of \$7.25 to 7.55/cwt.

The large unsold supply and a large expected build up in demand in the last months of the marketing year should produce a bounce in the market. Hopefully the break in the dam on export sales will not come too late as many rice producers begin planting next year's rice crop.

