



Rice Outlook

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USDA WMP:

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World Market Price Value Factors	This Week 5/12/04 CWT (BBLs)	Last Week 5/05/04 CWT (BBLs)	Loan 2003/2004	LDP
Long Grain	\$9.72 (15.75)	\$9.37 (15.18)	\$10.65	\$.87
Medium Grain	\$8.74 (14.16)	\$8.85 (14.34)	\$9.65	\$.61
Short Grain	\$8.73 (14.14)	\$8.84 (14.32)	\$9.65	\$.62
Brokens	\$4.64 (7.52)	\$4.69 (7.60)	\$5.33	
Calculations				
55/70 Long Grain	\$6.04 (9.78)	\$5.86 (9.49)	\$6.66	
55/70 Medium Grain	\$5.50 (8.91)	\$5.57 (9.02)	\$6.11	

The market received a disappointment on confirmation from Bangkok that the Iraqi Grain Board purchased from Thailand the entire amount of the March 16th tender (165,000 mt of long grain white rice, 5%). Although a disappointment, it was not a surprise. The price paid was \$229/mt, around \$200/mt less than U.S. quotes.

The market remains relatively quiet. There is very little unsold long grain rice in any area. However, depleting supplies of long grain and continued good demand from Western hemisphere sources, have supported the market and it has remained relatively stable. As a result of the tight situation, trading has been rather thin. Also, growers have been focusing primarily on planting which now nears completion.

World market prices have been moving up over the last month. Since this last report, long grain is up \$1.00/cwt and medium grain up 51 cents/cwt (see table). The loan deficiency payment (LDP) rates have likewise dropped. With rising rice prices USDA has indicated that it might be necessary for some rice farmers to refund a part of their counter cyclical payments received for the 2003 harvest. USDA has two options: one, deduct any overpayment from payments received under the fixed payment program between October 2004 and March 2005; or two, make a cash payment for the excess counter cyclical payment received (see local FSA).

USDA issued its supply/demand report today, with May being the first month that USDA makes projections on the 2004 rice crop. The report shows an 8% increase in acreage to 3.26 million acres, with a record yield of 6,721 pounds/acre, resulting in a record crop of 217.5 million cwt. The expected production of 217.5 million cwt and a carryover of 21.9 million cwt from old crop rice results in a supply of 253.9 million cwt for 2004. Demand is projected to continue strong and total use is expected to be 229.1 million cwt, leaving an ending stock level for next year of 24.8 million cwt. The average farm price range is projected at \$8.25 to \$8.75/cwt.

The market continues to be supply driven as we head into the new crop year with very little in the pipelines. With little or no stocks left as harvest approaches, new crop prices should be strong at the beginning of harvest. This will likely lessen the impact of the harvest pressure from what may very well be a record crop. With supply in Asia also tight and expected to get tighter toward the end of year, export demand for long grain in the Western hemisphere and Europe will remain strong. World production of rice has been less than consumption for the last three years and is projected to be less than consumption in 2004/2005. China the largest rice producing country in the world has consumed more than it produced in seven out of the last ten years and is expected to produce 122.5 mil mt while consuming 135.7 mil mt in 2004/2005.