InterRice

Monthly report of the world market of rice
December 2009

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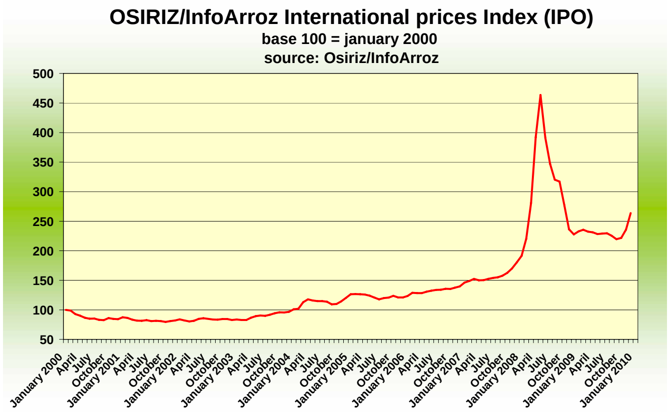
RICE: Strong increase world prices

Market Trends

In December, the **world prices** had a strong increase due to the massive import demand from the Philippines. The country's successive tenders caused a "small earthquake" in international markets, showing the specter of further rising prices, just like in 2008. Nevertheless, at the end of 2009, it was possible to observe some stability in the main Asian markets. This calm went on in the beginning of January. The next weeks up to the Chinese New Year, on February 14th, will be crucial for indicating the future trends the market is likely to follow in 2010.

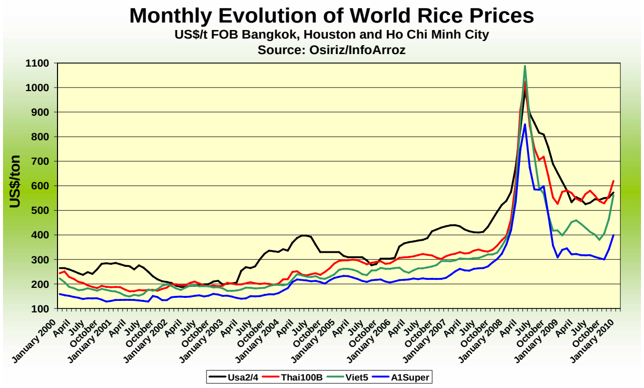
In December, the *OSIRIZ/InfoArroz* index (**IPO**) sharply rose by 27.9 points to 263.6 points (basis 100 = January 2000) against 235.7 points in November.

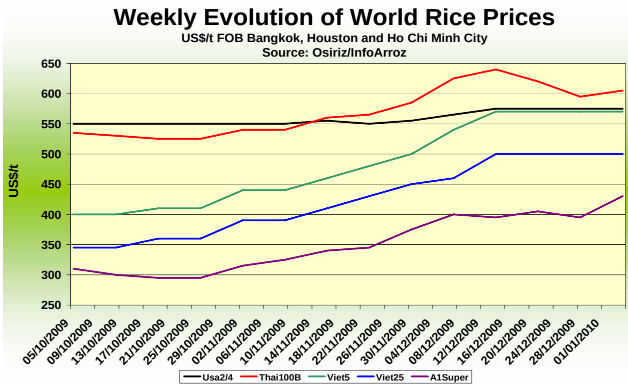


IPO Index and Export Rice Prices (US$/t FOB - Source: OSIRIZ)

		IPO	Usa2/4	Thai100B	Thai5	Inde5	Viet5	Inde25	Thai25	Viet25	Pak25	A1Super
2007		**156,8**	**442**	**337**	**328**	**298**	**312**	**278**	**307**	**294**	**284**	**270**
2008		**305,1**	**757**	**678**	**660**	**700**	**616**	**655**	**600**	**519**	**516**	**541**
2009*		**231,9**	**553**	**563**	**541**	**-**	**436**	**-**	**456**	**369**	**352**	**328**
JUL- SEP		**224,8**	**540**	**559**	**534**	-	**398**	-	**445**	**341**	**344**	**311**
OCT- DEC		**240,0**	**558**	**568**	**543**	**-**	**476**	**-**	**474**	**418**	**363**	**347**
NOVEMBER		**235,7**	552	558	531	-	464	-	467	414	353	340
DECEMBER		**263,6**	**573**	**620**	**599**	**-**	**563**	**-**	**538**	**490**	**385**	**399**
	07-dec-09	**260,8**	565	625	605	**-**	540	**-**	565	460	360	400
	14-dec-09	**267,3**	575	640	615	**-**	570	**-**	555	500	380	395
	21-dec-09	**265,5**	575	620	595	**-**	570	**-**	535	500	400	405
	28-dec-09	**260,7**	575	595	580	**-**	570	**-**	495	500	400	395

Source: Osiriz/InfoArroz. * January-December



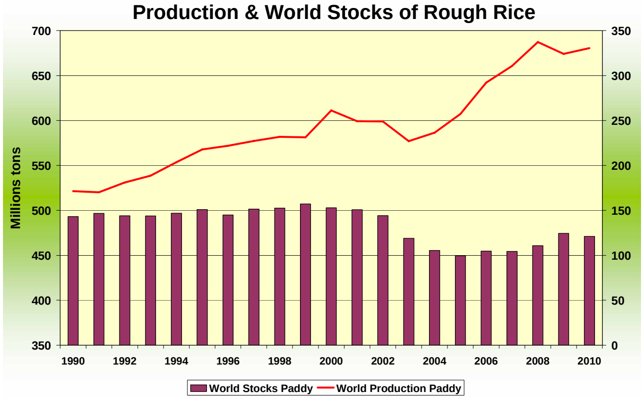


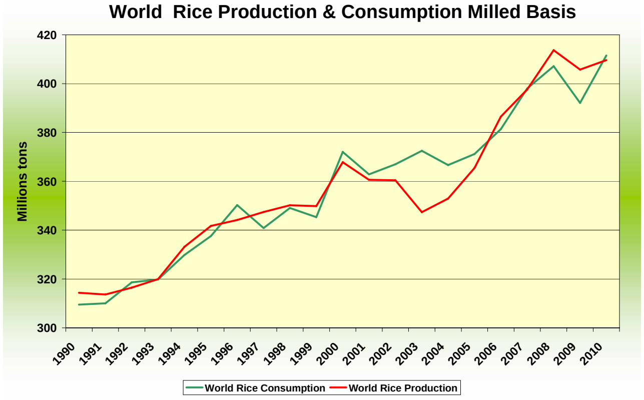
World production and trade

In 2009, the **global production** may have fallen by 2% to 674 million tons of paddy rice (451Mt of white rice). This forecast takes into account the bad weather conditions in many countries from South Asia, mainly in India. The region answers for 30% of world production.

The **global trade** in 2009 is expected to have slightly risen to 30.4Mt. The decrease of Indian exports may directly benefit the Thai and Vietnamese exports, as well as new exporting countries, as Myanmar and Cambodia. China was also expected to return to the export market, due to the increase of its production. In 2010, the global trade is expected to grow to 31.2 Mt.

The **global stocks** by the end of 2009 are forecasted to have increased, in spite of the decrease of Indian reserves, to 124Mt against 110,8Mt in 2008, up by 5%. These reserves represent 25% of world needs, against 24% in 2008. In 2010, the world stocks may reach 121Mt.





Export market

In **Thailand**, prices sharply rose between 12% and 18%, depending on rice categories. The most significant increases affected low quality rice, motivated by Philippine's demand and India's interest for the rice Tai 25% broken. By the end of December, prices tended to fall due to the drop of Bath. The Thai exports in December grew once again, compensating part of the delay observed in previous months. In December, the Thai 100%B jumped to US$ 620/ton Fob against $ 558 in November. The Broken A1 Super strongly jumped to $ 399/ton against $ 340/ton in November.

In **Vietnam**, export prices had a strong rise of 20% in one month, led by repeated tenders from the Philippines. In order to calm down the inflation impacts in domestic markets, the Vietnamese authorities implemented stabilization measures to avoid speculation and new increases of prices, as in 2008. In December, the Viet 5% was pigged at $ 563/ton against $ 464/ton in November. The Viet 25% increased to $ 490/ton, against $ 414 in November.

In **Pakistan**, the export prices went up by 10% in average. After successive falls, Pakistanis prices were influenced by upward moves in Asian competitors. In December, the Pak 25% was at $ 385/ton against $ 353 in November.

In **India**, despite a 16% drop of production in relation to 2008, the rice deficit may be less serious than forecasted. The exports, basically of fragrant rice, were designed to 2Mt for the 2009/10 season, which may balance the needs of non-fragrant rice imports in the following months. On the other side, the sowing of the « Rabi » season began at the end of 2009 is larger than in 2008.

In the **United States**, the export prices were also affected by the Asian markets behavior, but with a 4% high in relation to November. In the Chicago Board of Trade, the futures markets seem to be calm with lower prices for January and March 2010 contracts, going back to the levels found at the end of October 2009. In December, the rice Long Grain 2/4 was at $ 573/ton against $ 551/ton in November.

In **Mercosur,** the export prices were relatively stable. However, in domestic markets, prices rose from 10% to 12% in relation to November. The perspective of further increases in the following months has impaired business. Bad weather conditions have delayed sowing activities in South regions, what may negatively impact the quantity and the quality of rice in 2010.

In **Africa**, the projections for 2009 production indicate a slight decrease in relation to 2008, which had increased due to higher prices paid to growers. Anyway, the imports in 2010 are likely to decrease due to enough stocks.

Millions ton	Production milled rice		Exports		Stocks
	2008	2009	2009	2010	2010
World	460.3	450.0	30.2	30.3	121.0
China	132.5	135.1	0.9	1.5	70.3
India	99.2	85.0	2.5	2.0	11.5
Indonesia	38.0	40.2	-	-	4.4
Vietnam	25.8	26.0	6.3	6.3	3.4
Thailand	21.0	21.1	8.4	9.5	5.3
Brazil	8.1	8.4	0.7	0.5	0.4
USA	6.5	7.0	3.1	3.1	1.4
Pakistan	7.0	6.4	2.8	2.6	0.7

Source: FAO. December 2009

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This monthly report is made by Patricio Méndez del Villar. researcher at the Centre de Coopération Internationale en Recherche Agronomique pour le Développement - CIRAD. in France (www.cirad.fr). The contents are available in four languages: French (Osiriz). Spanish (InfoArroz). English (InterRice) and Portuguese (InterArroz) with the support of InfoComm project from the United Nations Conference on Trade and Development (UNCTAD. www.unctad.org/infocomm/). All these versions can be found at the website www.infoarroz.org. It is a partnership with Natural Consultoria & Comunicação. a Brazilian company that contributes to divulge this work.