

InterRice

Monthly report of the world market of rice

July 2010

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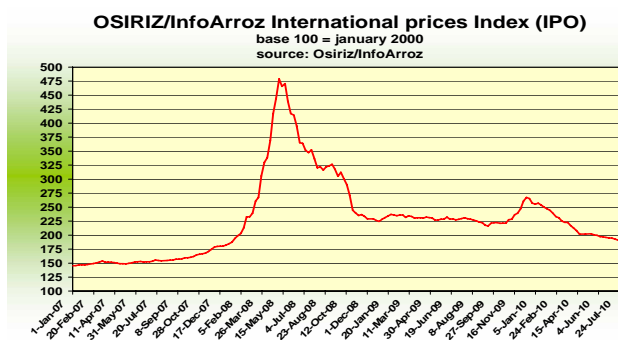


RICE: world prices remain low

Market Trends

In July, **world rice prices** remained low because of a short global demand and plenty exportable supply. Perspectives for the 2010 harvest are said to be positive in the main Asian producing countries. Thus, the world prices downward trend is likely to go on in the following months.

In July, the *OSIRIZ/InfoArroz* index (IPO) fell by 3.8 points to 192.5 points (basis 100 = January 2000) against 196.3 points in June. By the beginning of August, the IPO index was below 190 points, getting close to the levels observed by end-2007, before the soaring of world prices.

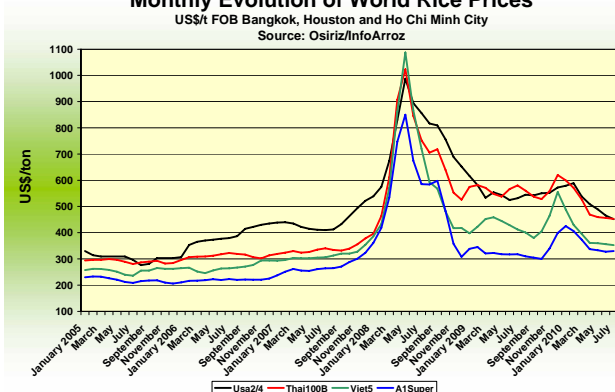


IPO Index and Export Rice Prices (US\$/t FOB - Source: OSIRIZ)

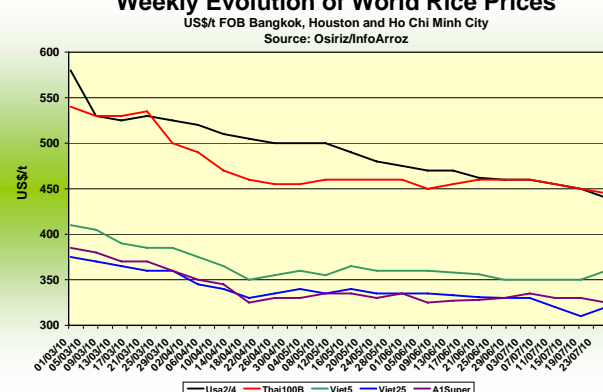
| | IPO | Usa2/4 | Thai100B | Thai5 | Inde5 | Viet5 | Inde25 | Thai25 | Viet25 | Pak25 | A1Super |
|--------------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 2008 | 305.1 | 757 | 678 | 660 | 700 | 616 | 655 | 600 | 519 | 516 | 541 |
| 2009 | 231.9 | 553 | 564 | 540 | - | 435 | - | 456 | 368 | 352 | 327 |
| 2010* | 216.2 | 517 | 504 | 475 | - | 391 | - | 431 | 362 | 353 | 361 |
| JAN- MAR | 238.3 | 566 | 563 | 532 | - | 435 | - | 477 | 403 | 368 | 399 |
| APRIL- JUNE | 201.3 | 488 | 461 | 433 | - | 359 | - | 397 | 336 | 338 | 333 |
| JUNE | 196.3 | 466 | 456 | 428 | - | 356 | - | 390 | 332 | 360 | 328 |
| JULY | 192.5 | 451 | 453 | 428 | - | 353 | - | 388 | 320 | 350 | 330 |
| | 05-jul-10 | 194.8 | 460 | 460 | 435 | - | 350 | - | 395 | 330 | 335 |
| | 12-jul-10 | 192.9 | 455 | 455 | 430 | - | 350 | - | 390 | 320 | 330 |
| | 19-jul-10 | 191.4 | 450 | 450 | 425 | - | 350 | - | 385 | 310 | 330 |
| | 26-jul-10 | 190.7 | 440 | 445 | 420 | - | 360 | - | 380 | 320 | 325 |

Source: Osiriz/InfoArroz. * January-July

Monthly Evolution of World Rice Prices



Weekly Evolution of World Rice Prices



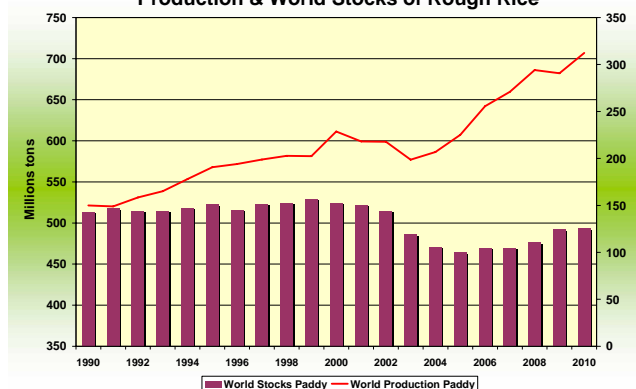
World production and trade

In 2010, according to FAO forecasts, the **world production** may increase by 3.6% to 707 million tons of paddy rice (472 Mt of white rice) against 682 Mt in 2009. This rise is due to production recovery in India, where production reached 2008's level. Other countries around the world have favorable production perspectives because weather conditions are fine. Higher prices and government supporting measures also contribute to the recovery of global production.

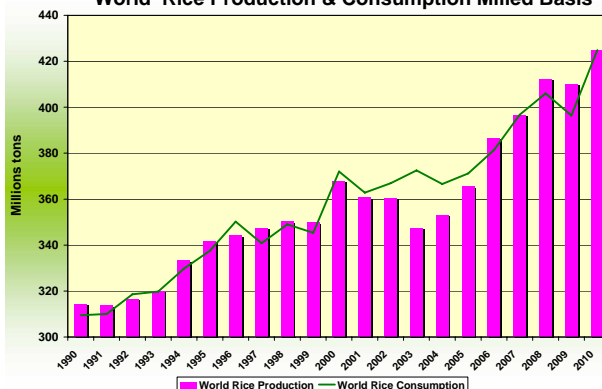
In 2010, the **world trade** may improve by 5% to 31.3 Mt against 29.7 Mt in 2009. This increase considers demand growth in some importing countries and more attractive importation prices. On the exporters' side, supply is large, despite India's export restrictions, which starts to be more flexible.

The **world stocks** by the end of 2009 increased to 124.5 Mt against 110.5 Mt in 2008, up by 5%. These reserves represent 28% of the world needs. In 2010, global stocks are likely to rise again, to 125.3 Mt.

Production & World Stocks of Rough Rice



World Rice Production & Consumption Milled Basis



Export market

In **Thailand**, prices remained relatively steady. By end-July, they were a little firmer. 2010's production perspectives are uncertain due to the drought in some rice producing regions. Nevertheless, government's stocks are large and export supply is unlikely to be affected. In July, the Thai 100%B fell by US\$ 3 to \$ 453/ton Fob against \$ 456 in June. The broken A1 Super, by its turn, slightly recovered to \$ 330/ton against \$ 328/ton in June.

In **Vietnam**, export prices decreased by 1% to 4% according to rice category. The Vietnamese exports tend to reduce a little on the back of a less intense global demand. 2010 total exports may finally stay under 6 Mt. In June, the Viet 5% was pigged at \$ 353/ton against \$ 356/ton in June. The Viet 25% was at \$ 320/ton against \$ 332 in June.

In **Pakistan**, prices declined by 3% in average. The exports have risen, but they may be lower than expected since export supply decreased with the stagnation of 2010 production. In July, the Pak25% was at \$ 350/ton against \$ 360 in June.

In **India**, analysts have studied the conditions to restart non-fragrant rice exports. The restrictions in effect since end-2007 allowed the country to reestablish public stocks, which are now twice as higher as the estimated needs. The sale of the rice surplus is likely to be slow in order to avoid the sharp fall of world prices.

In the **United States**, export prices decreased by 3% in July. This fall led US indicative prices to stand in a level which is close to the Thai reference price. In the Chicago Board of Trade, September and November 2010 prices

started to stabilize in the end of July, although keeping a downward trend. In July, the Long Grain average price was \$ 451/ton against \$ 466 in June.

In **Mercosur**, the export prices went down by 1%. Despite smaller Brazilian production, the exportable supply tends to increase because of larger production in Argentina. Moreover, South American exporters are affected by the lack of market outside Mercosur block.

In Africa, the import demand seems to be more intense due to lower world prices. On the other side, the 2010 harvest is expected to be good, although insufficient to reduce imports. These represent 40% of Sub-Saharan Africa needs and almost one third of world imports.

| Millions ton | Production milled rice | | Exports | | Stocks |
|------------------|------------------------|-------|---------|------|--------|
| | 2008 | 2009 | 2009 | 2010 | 2010 |
| World | 455.5 | 472.0 | 29.8 | 31.3 | 125.3 |
| China | 135.1 | 137.5 | 0.9 | 1.0 | 70.8 |
| India | 89.0 | 100.0 | 2.2 | 2.5 | 18.1 |
| Indonesia | 40.0 | 40.9 | - | 0.1 | 8.7 |
| Vietnam | 25.0 | 25.2 | 5.7 | 5.8 | 4.0 |
| Thailand | 20.3 | 20.6 | 9.5 | 10.0 | 7.4 |
| Brazil | 8.4 | 7.7 | 0.3 | 0.5 | 0.3 |
| USA | 6.9 | 7.8 | 3.3 | 3.5 | 2.1 |
| Pakistan | 6.6 | 6.6 | 3.3 | 3.6 | 1.1 |

Sources FAO & USDA July 2010

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