InterRice

Monthly report of the world market of rice

August 2010

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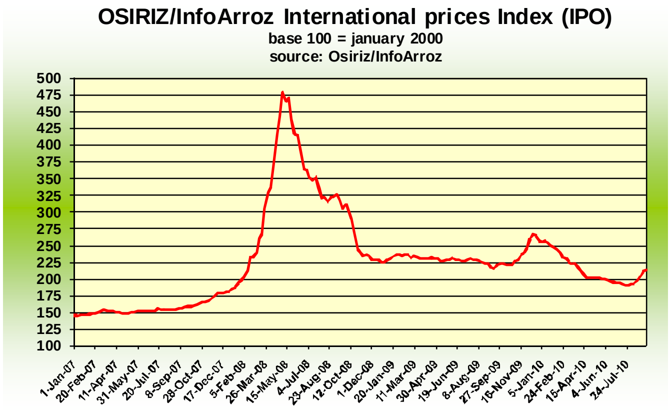
RICE: firmer world prices

Market Trends

In August, **world prices** increased for the first time since late 2009. There are uncertainties about Asian crops due to flooding in several major producing and exporting countries such as China and Pakistan. However, it is still early to measure the impact on world trade over the medium term. The export availabilities are relatively large in those exporting countries least affected by the weather. Thus, global export supply is likely to be sufficient, and world prices should see moderate increases in the coming months.

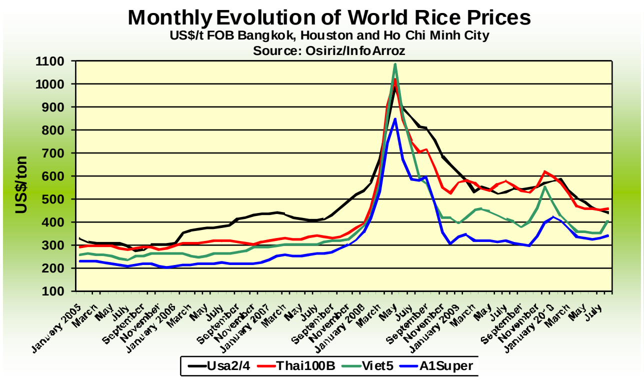
In August, the OSIRIZ/InfoArroz index (**IPO**) rose by 7.5 points to 200 points (basis 100 = January 2000) against 192.5 points in July. In early September, the IPO index marked about 215 points.

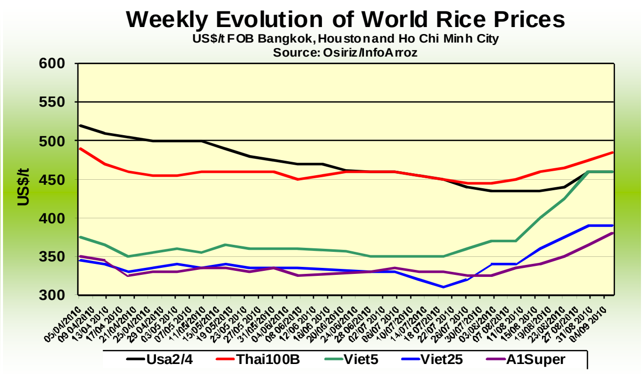


IPO Index and Export Rice Prices (US$/t FOB - Source: OSIRIZ)

		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*		**213,6**	**506**	**498**	**470**	**-**	**393**	**-**	**426**	**363**	**353**	**359**
JAN- MAR		**238,3**	**566**	**563**	**532**	**-**	**435**	**-**	**477**	**403**	**368**	**399**
APRIL- JUNE		**201,3**	**488**	**461**	**433**	**-**	**359**	**-**	**397**	**336**	**338**	**333**
JULY		**192,5**	451	453	428	-	353	-	388	320	350	330
AUGUST		**200,0**	**441**	**459**	**438**	**-**	**405**	**-**	**400**	**361**	**-**	**343**
	02-aug-10	**192,1**	435	445	420	485	370	420	380	340	360	325
	09-aug 10	**193,6**	435	450	425	485	370	420	390	340	360	335
	16-aug 10	**199,0**	435	460	440	485	400	420	400	360	360	340
	23-aug 10	**203,7**	440	465	445	485	425	420	410	375	360	350
	30-aug-10	**211,3**	460	475	460	485	460	420	420	390	360	365

Source: Osiriz/InfoArroz. * January-August



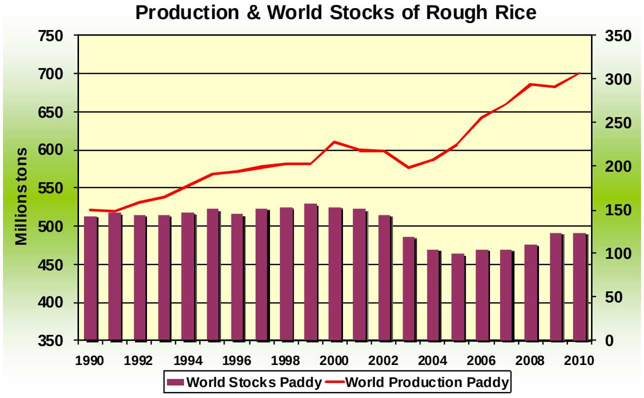


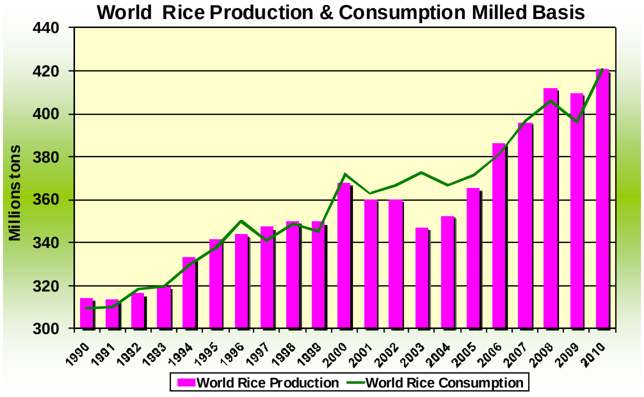
World production and trade

The new estimates of **global production**, which take into account the situation in Asian countries, will be released only in mid-September. In 2010, rice output could reach 700 million tons of paddy (or 467Mt of white rice) against 682Mt in 2009, an increase of 2.6%. This increase is mainly due to the recovery of production in India, which returned to its 2008 production level. In the rest of the world, production prospects are announced favorable because of good weather conditions.

In 2010, despite the restrictions still in force in India and a significant reduction of Pakistani exports, **world trade** projections indicate an increase of 5% to 31.3 Mt from 29.7 Mt in 2009, and this, thanks to Thailand and Vietnam's exportable reserves.

The **global stocks** ending in 2009 increased to 124.5 Mt from 110.5 Mt in 2008. These reserves represent 28% of global needs. In 2010, global stocks may not increase, in line with the situation in Asian countries.





Export market

In **Thailand**, the recovery of prices was relatively limited in August, as a result of a large exportable supply. In contrast, Thai prices in early September were firmer. In spite of the prospects for a slightly lower production caused by drought in some rice regions, public stocks are still abundant. Therefore, global import demand should be supplied by enough exportable supply. In August, Thai 100% B rose to $ 459/ton FOB, against $ 453 in July. The Broken A1 Super also rose to $ 343/ton from $ 330/ton in July.

In **Vietnam**, export prices rose significantly by 15%, motivated by an active demand from China an further purchases from Bangladesh. Faced with this additional demand, the Vietnamese authorities have revised export projections, which can reach 7 million tons in 2010, 17% more than the initial objectives. In August, the Viet 5% was pigged at $ 405/ton against $ 353/ton in July. The Viet 25% was quoted at $ 361/ton against $ 320 in July.

In **Pakistan**, the floods have caused a loss of 30% of production and also impacted the volume of exports projected for this year, which could fall by 20%. However, this reduction could be offset by additional exports from Thailand, the United States and even India. This means that there is no risk for now of rice shortages that could provoke a new crisis, as in 2008.

In **India**, the ban on non-fragrant rice exports begins to loosen. But the move is still slow, limited to shipping some 50,000 tons to Bangladesh. These restrictions, in place since late 2007, helped to restore public stocks. However, stock levels began to be criticized, once they could be two times higher than the estimated needs. With current tensions on the world market, the Indian authorities could still release more rice for exports, avoiding a brutal collapse in world prices, like in 2008.

In the **United States**, export prices started to recover only from mid-August. For this reason, the indicative price for the Long Grain dropped by 3% and the monthly average was at $ 441/ton against $ 451 in July, putting US prices under Thai prices. In contrast, in the Chicago Board of Trade, futures prices for September and November 2010 strongly enhanced 12 to 15% between July and August.

In **Mercosur**, export prices also began to recover, motivated by the prospect of a reduction in the supply of some exporting countries in Asia. South American exporters also expect higher world prices to try to capture new markets outside Mercosur.

In **Africa**, import demand is progressing but importers face difficulties to be supplied with rice from Asia. South American exporters could try to increase their market-shares in parboiled rice markets, especially in the southern region of the continent.

Millions ton	Production milled rice		Exports		Stocks
	2009	2010	2009	2010	2010
World	455.5	467.0	29.7	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	39.0	40.0	-	0.1	8.7
Vietnam	24.8	25.2	5.7	6.8	4.0
Thailand	20.3	20.0	9.5	10.0	7.4
Brazil	8.4	7.7	0.3	0.6	0.3
USA	6.9	7.8	3.3	3.5	2.1
Pakistan	6.6	4.6	3.7	2.5	0.9

Sources FAO & USDA August 2010

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