The U.S. and Global Rice Market Baseline: Prospects and Challenges

Arkansas Global Rice Economics Program

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Presentation Outline

A. Overview of the U.S. and global rice economy
B. Basic assumptions
C. Uncertainties
D. Concluding comments

http://www.uark.edu/ua/ricersch/
Motivation for Baseline

- Collaborate with FAPRI
- More details for U.S. and global rice markets
- Interest by rice sector for 2014 Farm Bill signup
- The baseline provides a framework to evaluate changes in policy and assess new technologies


Prospects for the U.S. Rice Sector

- Long grain rice area and production increased in 2014
- Long grain prices remained above competitor prices but have dropped below $13/cwt in 2014/15.
- Japonica area in California declined due to drought in 2014
- Japonica prices remain high. The drought in California and strong Asian demand will keep the margin above other types of rice.

Source: FAPRI-MU, 2015 U.S. Baseline Briefing Book
U.S and International Rice Economy

- Steady growth in global trade

Export increases in Thailand, Vietnam, Myanmar and Cambodia

Seven countries account for more than 80% of exports and growth in trade

- Import growth in Nigeria, other West Africa, the Middle East and the Philippines
U.S and International Rice Economy

• World rice production growth
  Primarily through yield growth and only marginal increases in area harvested

U.S and International Rice Economy

• Consumption growth
  Population growth is the key driver. We project slight declines in global per capita use of rice.
  Stocks rebuild while trade is less than 10% of use.
U.S and International Rice Prices

- Abundant global rice supplies
- Prices increase marginally
- U.S. and Asian long grain prices converge

Basic Assumptions of the Projections

- Macroeconomic data: IHS Global Insight
- Average weather conditions
- Continuation of existing policies
- Smooth liquidation of the excessive rice stocks accumulated under Thailand’s Paddy Pledging Program.
Thai long grain price – 10 percent chance of being below $380/MT in 2015

Source: USDA-ERS Rice Outlook and AGRM projections, January 2015.

U.S. long grain price has a 10 percent chance of being above $600/mt in 2015 and a 10 percent chance of being below $475/mt.

Source: USDA-ERS Rice Outlook and AGRM projections, January 2015.
Policy implications for the 2014 Farm Bill – Price Loss Coverage

Current Policies – where from here?

- Magnitude of policy distortions in the global rice economy have never been greater than today!
- Emerging economies – China, Brazil, Indonesia, where rice is a staple food, are spending at unprecedented levels.
Growth in support in China

Source: Gale, E. USDA, ERS Econ Res. Rpt No 153, August 2013

Uncertainty in the Global Rice Market-Thailand

- Impact of the Thai Paddy Pledging Program
- Timing and ability of Thailand to dispose rice stocks
Key Global Rice Market Drivers

• Thailand resumes active market participation
• Or will it pursue supply controls?

Key Global Rice Market Drivers

• Will China remain a major rice importer?

Graph: MMT 2000-2024

- 2014: 4.0 mmt
- 2024: 3.8 mmt
Concluding observations

• Global rice supplies are expected to stay ahead of demand
• Demand is driven by population growth as per capita consumption declines
• Nominal prices rise marginally but real prices are projected to decline.

LG International Reference Price vs. Thai Price, 2006-2024

• International reference price range: $426–485
• Nominal Thai price converges with international reference price
• Real Thai price declines below $300/mt

Source: USDA-ERS Rice Outlook and AGRM projections, January 2015.
Concluding observations

• The U.S. remains an important global export supplier.

• Trade policies affect U.S. competitiveness
  – Regional trade agreements: TPP, T-TIP
  – Policy distortions of major export competitors
  – Policy distortions of major

• U.S. rice remains competitive relative to soybeans, wheat and corn.

U.S. Relative Export Prices, Rice vs. Other Crops

Projected rice price increases relative to corn in 2014, then declines & stabilizes.
Relative to wheat, rice price declines in 2014, increases in 2015, then stabilizes.
Relative to soybeans, rice price increases in 2015, then stabilizes

Source: FAPRI-MU and AGRM projections, January 2015.
Thank You!

If you have Comments/Questions
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