U.S. Rice Market Faces Tighter Supplies and Higher Prices in 2017/18

University of Arkansas Webinar Series  October 26, 2017
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Approved by the World Agricultural Outlook Board. Estimates and forecasts are from the October 2017 WASDE.
PART 1

THE 2017/18 GLOBAL RICE MARKET OUTLOOK
The 2017/18 Global Rice Market: Overview

- Global rice production of 483.8 million tons (milled basis) is projected to be 0.7 percent below the 2016/17 record.

- Smaller crops in Bangladesh, Brazil, China, Egypt, Indonesia, the Philippines, South Korea, and the United States more than offset larger production in Burma, Thailand, Vietnam.

- Global harvested area is projected at a record 161.9 million hectares, up 1.1 million hectares from 2016/17, as expanded rice area in India, Thailand, and Sri Lanka more than offsets reductions in Bangladesh, China, Egypt, Philippines, & U.S.

- Global supplies of 622.0 million tons are projected to be record high, a result of a 5-percent larger carryin.
Global rice supplies in 2017/18 are projected to be record high.
Global 2017/18 Harvested Area: Economic Rationale for Expansions

• Producer price support programs remain in effect in the world’s largest rice growing countries—particularly India and China—with India’s area up 3 percent and China down only 0.5 percent despite huge stocks and record imports.

• Ideal rainfall, adequate reservoir levels, higher farm-gate prices boost Thailand’s rice area 4.4 percent, near-normal, after severe drought.

• Sri Lanka’s rice area is expected to recover from the 2016/17 abnormally small level that was sharply impacted in 2016/17 by severe flooding and then severe drought.
Global 2017/18 Rice Harvested Area: Economic Rationale for Contractions

• **United States:** Total harvested are dropped 23 percent.
  – **MAIN FACTOR:** A weak long-grain price outlook at planting, plus
  – Heavy rainfall and flooding early in the season in California and in much of the South.
  – Late summer Gulf Coast hurricanes.

• Severe spring and summer flooding reduced harvested area 4 percent in **Bangladesh**, mostly reducing the *Aman* crop.

• **Egypt’s** rice harvested area dropped 10 percent due to stricter area controls and shifts in planting to cotton & corn.

• **Philippines** rice area is projected to drop 5 percent, mostly due to expectations of increased imports.
Thailand’s 2017/18 rice area and production are expected to return to pre-drought levels

The 2017/18 Global Rice Market: Decreases in Production

- Largest production declines are projected for:
  - Bangladesh: down 1.6 million tons or -4.6 percent
  - China: down 850,000 tons or -0.6 percent
  - Brazil: down 562,000 tons or -6.7 percent
  - Egypt: down 500,000 tons or -10.4 percent
  - Philippines: down 486,000 tons or -4.2 percent
  - Madagascar: down 394,000 tons or -16.1 percent
  - South Korea: down 297,000 tons or -7.1 percent
  - Japan: down 180,000 tons or -2.3 percent
  - Indonesia: down 150,000 tons or -0.4 percent
  - India: down 150,000 tons or -0.1 percent
The 2017/18 Global Rice Market: 
*Increases in Production*

- Largest production increases are projected for:
  - Thailand up 1.2 million tons or +6.3 percent
  - Sri Lanka up 903,000 tons or +45.2 percent
  - Vietnam up 479,000 tons or +1.7 percent
  - Paraguay up 141,000 tons or +28.1 percent
  - Peru up 121,000 tons or +5.2 percent
  - Burma up 100,000 tons or +0.8 percent
  - Bolivia up 97,000 tons or +70.3 percent
  - Cote d’Ivoire up 95,000 tons or +7.1 percent
  - Australia up 44,000 tons or +7.5 percent
The 2017/18 Global Rice Market: Domestic Use and Ending Stocks

• At 480.5 million tons, global consumption (including a residual) is 0.5 tons below the 2016/17 record and 3.3 million tons below 2017/18 production.

• Bangladesh, Burma, Indonesia, Thailand, and the United States account for most of the expected decline global consumption (including a residual component) in 2017/18.

• In contrast, rice consumption in 2017/18 is projected to increase in China, Egypt, India, Sub-Saharan Africa, and Vietnam.

• Global ending stocks of 141.5 million tons are projected up 4.6 million tons from 2016/17 and the highest since 2000/01.
Global ending stocks in 2017/18 are projected to be the highest since 2000/01.

China is expected to hold more than 65 percent of global ending stocks in 2017/18

MIL. TONS

China India Thailand Rest of World

However, ending stocks by the top 5 exporters are declining

The Global Rice Exporters: *Calendar Year 2018*

- Global rice trade in 2018 is projected to drop 0.3 percent from the 2017 record to 44.4 million tons (milled basis), the second highest on record.

- In 2018, Argentina, Burma (down 300K), Cambodia, Thailand (down 500K), and the United States are projected to export less rice.

- In contrast, Australia, China, India (up 600K and record), and Pakistan are projected to increase exports.

- India and Thailand are projected to remain the top rice exporters in 2018, followed again by Vietnam and Pakistan.
The Global Rice Importers: 
Calendar Year 2018

• China is projected to remain the number one rice importer, taking **5.25 million tons**, unchanged from the 2017 record.

• Nigeria (2.3 mmt), the EU (record 1.9 mmt), the Philippines (1.7 mmt), Cote d’Ivoire (record 1.5 mmt), Saudi Arabia (1.45 mmt), Iran (1.3 mmt) and Bangladesh (1.2 mmt) are projected to be the next largest buyers.

• Sub-Saharan Africa (up 410K mt and record), the Philippines (up 600k mt), and Bangladesh, account for most of the expected increase in global rice imports in 2018.

• In contrast, Egypt (-100K), Iran (-300K), Nigeria (-100K), and Sri Lanka (-500K) are all expected to import less rice in 2018.
About 9 percent of global rice production is traded annually, double the share 25 years ago.


United States Department of Agriculture, Economic Research Service
Thailand and India are projected to remain the top rice exporting countries in 2017 and 2018 forecasts. These countries account for about 85 percent of global rice exports. Source: *Production, Supply, and Distribution* database, Foreign Agricultural Service, USDA, http://www.fas.usda.gov/psd.
Burma’s 2017 rice exports are projected to be the highest since before WWII

China is expected to remain the largest rice importing country; Nigeria to remain number two.

With steady growth, Cote d’Ivoire is projected to be the fifth largest rice importing country in 2018.

Little change in Thailand’s export prices, while U.S. prices continue rising

All prices quoted “free-on-board” vessel at local port. Sources: Thai quotes, U.S. Ag Counselor, Bangkok; U.S. and Vietnam quotes, Creed Rice Market Report.
PART 2

THE U.S. 2017/18
RICE MARKET OUTLOOK
The U.S. 2017/18 Rice Market: Main Points

- Declining prices and historic flooding at planting, plus late summer Gulf Coast hurricanes, resulted in a 23-percent drop in U.S. long-grain harvested area. California harvested area dropped 15 percent due to heavy winter rains, historic snowpack, and resulting flooding.

- A 20-percent drop in all rice U.S. production is projected to pull U.S. supplies down 15 percent from the 2016/17 near-record level.

- Total use—domestic and residual use plus exports—is projected to decline 11 percent. With both categories projected to be smaller.

- Total ending stocks of all rice are projected to drop 40 percent, with the stocks-to-use ratio of 12.6 percent, slightly below normal.

- Prices for both classes of rice in the South and for medium- and short-grain in California are projected to be higher in 2017/18 than in 2016/17.
Arkansas accounts for the bulk of the decline in harvested area in 2017

Source: USDA, National Agricultural Statistics Service, Acreage, June 2017, National Agricultural Statistics Service, USDA.
Rice crops in 2017 estimated smaller in all producing States

Source: USDA, National Agricultural Statistics Service.
Arkansas remains the largest rice producing State

Source: USDA, National Agricultural Statistics Service
A 23-percent drop in all rice harvested area is projected to pull U.S. production down 20 percent in 2017/18.

U.S. rice imports are projected to increase slightly in 2017/18

2017/18 are forecasts. 1/ Rough basis. 2/ Does not include seed use.
Source: World Agricultural Supply and Use Estimates, WAOB, USDA.
U.S. rice supplies are projected to drop 15 percent in 2017/18

Rough basis. 2017/18 are forecasts. Source: World Agricultural Supply and Use Estimates, WAOB, USDA.
Both U.S exports and domestic use are projected to be smaller in 2017/18  1/

Rough-rice basis. 2017/18 are forecasts. 1/ Domestic use includes a residual component.
Sources: World Agricultural Supply and Use Estimates, WAOB, USDA.
The U.S. 2017/18 Rice Market: Economic Rationale

- Weaker U.S. Exports
  - Smaller U.S. supplies of both classes of rice.
  - Higher U.S. prices for both classes of rice.
  - Bumper crops and supplies in most Asian exporting countries.
  - Lack of price competitiveness for U.S. rice outside core markets:
    - Long-grain core market are mostly in the Western Hemisphere. The majority are rough-rice buyers.
    - Medium- and short grain U.S. core markets are Northeast Asia (milled) and to a lesser degree the Mediterranean and North Africa (rough & milled).
Latin America typically accounts for about 60 percent of U.S. rice exports.

By type, milled-rice accounts for most of the projected decline in U.S. rice exports 2017/18

Rough basis. 2017/18 are forecasts. Source: *World Agricultural Supply and Use Estimates*, WAOB, USDA.
U.S. exports of both classes of rice are projected to decline in 2017/18

Rough basis. 2017/18 are forecasts. Source: World Agricultural Supply and Use Estimates, WAOB, USDA.
Through October 19, U.S. all-rice exports were 22 percent below a year earlier, with rough most of the decline.

But U.S. long-grain exports were 7 percent above a year earlier, with milled all of the increase.
While combined medium- and short-grain exports were 63 percent below a year earlier.

Through October 19, U.S sales and shipments to Haiti and Mexico were well ahead of a year ago...


United States Department of Agriculture, Economic Research Service
...but well behind last year to Northeast Asia and the Middle East

Medium- and short-grain

Japan
Korea
Taiwan
Turkey
Jordan
Libya

The U.S. 2017/18 Rice Market: Economic Rationale

- Smaller domestic and residual use
  - Less post-harvest losses due to a smaller crop.
  - Fewer losses in transporting, milling, and marketing, also due to the smaller crop.
  - Stable historic ratio of total supply to domestic use.
  - Higher prices will likely reduce some processed food and industrial uses of rice.
U.S. all-rice ending stocks are projected to decrease 40 percent in 2017/18.

Season-average farm prices for both classes of rice are projected to be higher in 2017/18.

Both the southern and California medium- and short-grain SAFPs are projected higher

2017/18 are projected. 1/ Season-average rough-rice for medium- and short-grain rice first reported by region for the 2008/09 market year. 2/ October-September market year. 3/ August-July market year.

The U.S. 2017/18 Rice Market: Economic Rationale for Higher Prices

- Tighter U.S. supplies of both classes of rice.
- Ending stocks of both classes of rice are expected to substantially decline from 2016/17:
  - With long-grain down from recent abnormal high levels
  - And medium- and short-grain ending stocks becoming extremely tight.
- Area and crop losses from adverse weather early in the season in both the South and California, as well as concerns over potential damage from Gulf Coast Hurricanes pushed prices higher.
For More Information, Please Go To:

• The Economic Research Service Home Page http://www.ers.usda.gov


• Production, Supply and Distribution data base https://apps.fas.usda.gov/psdonline/app/index.html#/app/home

• The Rice Topics Page http://www.ers.usda.gov/topics/crops/rice.aspx