



Quarterly International Trade Report

November 2004
Public Distribution

Rice

World Situation and Outlook

Global PS&D

Despite a 9.0 million ton year-to-year increase in global production, 2004/05 global consumption is forecast to continue to outpace production for the 4th consecutive year thereby drawing down global ending stocks. Ending stocks are forecast to fall nearly 17% from 2003/04, the lowest level since 1983/84.

Global Trade

Total world trade for trade year 2005 is expected to fall by nearly 1.0 million tons last year as traditional importers are expected to remain on the sidelines. While the Philippines and Nigeria are forecast to have higher production, the governments of Indonesia and Turkey continue to restrict imports given ample domestic supplies. However, should bad weather negatively impact production in any of these traditional markets or should China's demand for regular, non-fragrant white rice increase, import demand could surge. Further, with major exporters' supplies dwindling on 2004 demand, global prices could jump significantly.

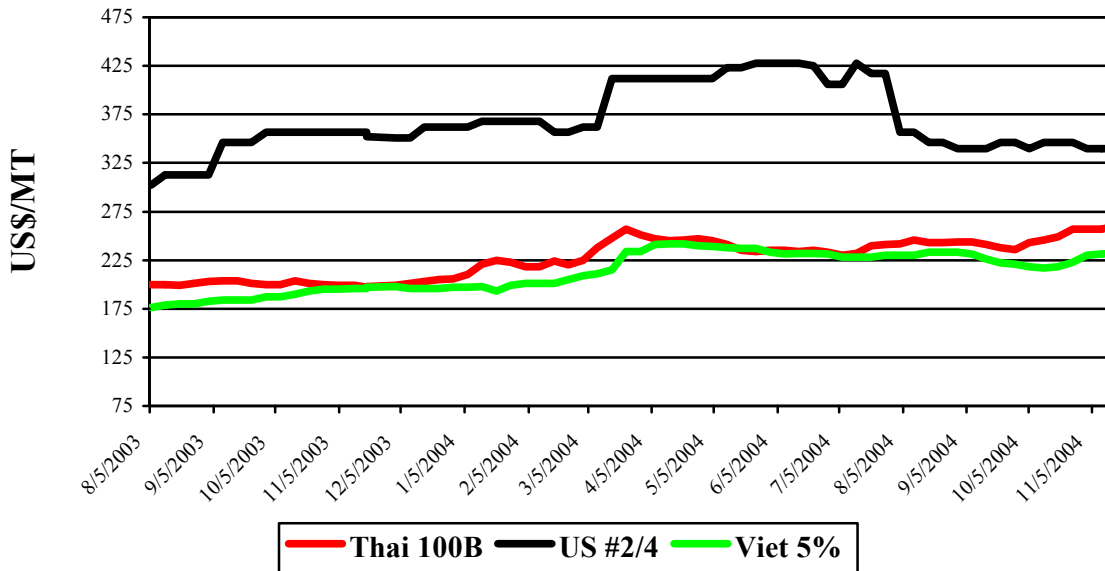
Already, over the past quarter, we are seeing global prices strengthen. Thailand – the world's leading rice exporter - implemented an intervention program on November 1, which is supporting higher global prices. Additionally, tighter Thai stocks – a result of record exports and concerns of drought - are also supporting higher prices (see *Focus* below). However, price quotes in nearby competitor Vietnam remain at a \$30 discount and are, therefore, constraining a sharp and sustained rise in competitor price quotes. In India, the lack of government export subsidies has limited this supplier's participation in the regular white rice market. However, India continues to

SUMMARY POINTS

- Global consumption continues to outpace production
- U.S. exports robust.
- The gap between Asian and U.S. prices has narrowed significantly and is expected to narrow more.

maintain strong market share in specialty markets, such as parboiled and basmati. If prices continue to rise, India will likely become a greater market player.

Nominal Price Quotes, August 2003-Present



Focus: Thailand’s Rice Exports Booming. This year, Thailand is estimated to achieve an unprecedented level of exports, squashing its previous record by over 20 percent. This is largely a function of an unusual confluence of market events. Record production, the release of large government stocks to exporters, and limits on competitor supplies have fueled the record pace at the expense of other suppliers including the United States.

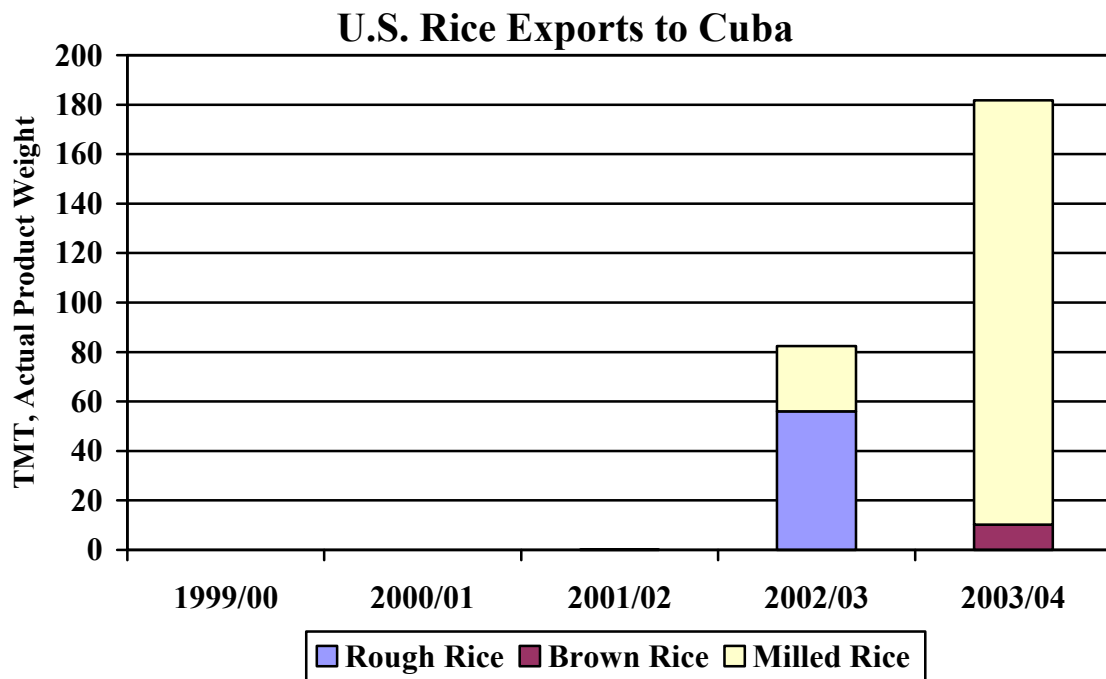
For example, China has largely withdrawn from the market due to limited exportable supplies, which in turn, has made China itself, as well as many West African markets, available to Thailand. Indian exports have shrunk on relatively smaller supplies and a lack of government export subsidies. Vietnam, too, has faced some export hurdles this year as the government carefully managed, and at times limited, exports given domestic supply concerns. As a result, Thailand has rather easily stolen market share from those suppliers, particularly in the Middle East and Africa.

However, since these events are not likely to be repeated in 2005, Thai exports are forecast to fall but would still be the second largest on record. Production is expected to shrink due to drought concerns and stocks are forecast to contract. China is expected to remain on the sidelines as a major exporter, and India’s current policy is to ban subsidized exports. Consequently, Thailand will likely maintain many of the markets gained the previous year.

U.S. Situation and Outlook

Despite of a record crop of 7.2 million tons (milled basis) and expectations that ending stocks will almost double, U.S. rice export prospects, particularly of long grain, are constrained by relatively high U.S. prices and good crops in traditional U.S. markets.

- *Long grain rough rice* exports are expected to be limited given ample domestic supplies in key Western Hemisphere markets, such as Brazil.
- Meanwhile, *long grain milled rice* exports may be constrained by the large, yet shrinking, spread between U.S. and Asian prices.
- However, since the food show in Cuba this month, *long grain milled rice* sales to Cuba look positive. This market has grown significantly over the past few years.
- For the first time in nearly 20 years, the United States has secured a commercial sale of 5.5 thousand tons of long grain milled rice to one of the world's top *long grain milled rice* importers, Nigeria, and could potentially contract more. The United States had been a key exporter to this market throughout the late 1970s and early 1980s supplying roughly 200.0 thousand tons annually on a commercial basis. In the 1980s, U.S. rice began battling staunch competition from the world's top supplier, Thailand.
- U.S. *medium/short grain* exports are anticipated to be up slightly year-to-year on increased demand in South Korea. However, Turkey still has a prohibitive import scheme.



WORLD RICE PRODUCTION, CONSUMPTION AND STOCKS					
	2002/03	2003/04	2004/05	Annual Change	
Production	377.809	389.137	398.253	9.116	2.3%
Consumption	407.141	413.669	412.371	-1.298	-0.3%
Trade	27.550	25.378	24.411	-0.967	-3.8%
Ending Stocks	110.094	85.562	71.444	-14.118	-16.5%
U.S. RICE PRODUCTION, CONSUMPTION AND STOCKS					
Production	6.536	6.396	7.228	0.832	13%
Consumption	3.534	3.628	3.787	0.159	4%
Exports	3.834	3.0	3.350	0.35	11.7%
Ending Stocks	0.829	0.761	1.328	0.567	74.5%
	MILLION TONS	MILLION TONS	MILLION TONS	MILLION TONS	PERCENT

For more information, please contact:

Michelle Moore at (202) 720-9523 or Michelle.Moore@fas.usda.gov

Stephanie Murphy at (202) 690-4298 or Stephanie.Murphy@fas.usda.gov