



Rice Outlook

By Dr. Gene Johnson

USDA WMP:

August 26, 2008

World Market Price Value Factors	This Week 08/20/08 CWT (BLS)	Last Week 08/13/08 CWT(BLS)	Loan 2008/2009	LDP
Long Grain	\$26.63 (43.14)	\$26.63(43.14)	\$10.00	\$.00
Medium Grain	\$26.30 (42.61)	\$26.30 (42.61)	\$9.78	\$.00
Short Grain	\$26.30 (42.61)	\$26.30 (42.61)	\$9.78	\$.00
Brokens	\$17.92 (23.03)	\$17.92 (23.03)	\$6.67	
Calculations				
55/70 Long Grain	\$17.33 (28.07)	\$17.33 (28.07)	\$6.50	
55/70 Medium Grain	\$17.15 (27.78)	\$17.15 (27.78)	\$6.50	

The market remains extremely quiet as foreign demand is virtually nonexistent as buyers stay on the sidelines awaiting lower prices as the new crop progresses. A large amount of new crop rough rice has been traded and farmers are not under pressure to rush early sales. Also, most traders have a large amount on new crop rice booked and are not under pressure for quick deliveries.

Heavy rainfall in Texas and continued frequent showers in South Louisiana over the past several days, with no let-up in sight, have delayed the rice harvest and have affected rice yields and quality. Fields have been wet during most of the harvest resulting in rutting of fields, which will affect second crop production. The lateness of the harvest (3 to 4 weeks) will also affect second crop potential. August 15 is considered the cut off date for a successful second crop and only about a third of the crop had been harvested by that date.

Market activity is light in South Louisiana since about one third of the new crop has already been sold and over 50% has been sold for delivery by the end of November. New sales are reported at \$15.20/cwt fob farm and \$15.62/cwt delivered at mill, basis No 2/55/70. In Texas, bids for new crop long grain reported at \$10 to \$10.50/cwt over loan. In Northeast Louisiana, bid reported at \$1 under September futures price delivered to mill.

On August 12, 2008, USDA issued its supply/demand report and projected the 2008 rice crop at 204.9 million cwt with average farm yields estimated at 7,116 pounds/acre. Exports for 2008/09 are projected at 110.0 mil cwt, up 3 mil cwt from last month. Ending stocks are projected at 22.5 mil cwt, 24 percent below last year. The season average farm price range for all rice was lowered \$1.30/cwt on each end of the range to \$15.00 to \$16.00/cwt.

Thailand, the world's largest rice exporter reported exports of 889,955 mt of rice in July, bringing Thailand's total rice exports for 2008 to 7,007,098 mt. The Thais are estimating total rice export for 2008 at 10 mil metric tons. Leaving Thailand only 3 million metric tons for export the last five months of 2008. Thai's exports would have to average only 600,000, well below the one million tons they have averaged the first seven months of 2008.

Looking at the futures market last week, one could easily speculate that this market may have bottomed out. But, at the end of the day, it will take an infusion of fresh demand to truly jump start the cash market again. What this market really needs is an Iraq tender. However, it remains to be seen if Iraq will pay the kinds of premiums that currently exist between U.S. and Asian origins, \$100 to \$200/mt is a lot to overcome, not to mention expensive. New export sales are what is lacking, particularly for milled rice.