



Rice Outlook

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USDA WMP:

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World Market Price Value Factors	This Week 10/15/08 CWT (BBLs)	Last Week 10/08/08 CWT(BBLs)	Loan 2008/2009	LDP
Long Grain	\$26.14 (42.35)	\$27.40(44.39)	\$10.00	\$.00
Medium Grain	\$25.82 (41.83)	\$27.06 (43.84)	\$9.78	\$.00
Short Grain	\$25.82 (41.83)	\$27.06 (43.84)	\$9.78	\$.00
Brokens	\$17.59 (28.50)	\$18.44 (29.88)	\$6.67	
Calculations				
55/70 Long Grain	\$17.06 (27.64)	\$17.84 (28.90)	\$6.50	
55/70 Medium Grain	\$16.84 (27.28)	\$17.65 (28.59)	\$6.50	

The effects of the collapse in the equity markets on Wall Street have been felt in the commodity markets in Chicago, as rice futures are down substantially at the beginning of the week. The last week in September, November rice futures were trading over \$20.00/cwt and this week, November is trading under \$16.00/cwt. The open interest has been cut by more than half as speculators and investment funds have withdrawn from the market. With the steps taken by Congress and the President, hopefully things will settle down and the market will bounce back.

Basically, the fundamentals of the U. S. market are strong. The only supply revision this month to the 2008/09 U. S. rough-rice balance sheet was a 2.8 million cwt reduction in the crop to 204.1 million cwt, still more than 3 percent larger than last year. The downward revision is entirely due to a lower yield. The yield was lowered 95 pounds per acre to 6,982 pounds. The smaller crop reduced total U. S. supplies 1 percent to 259.1 million cwt. Carryin remains estimated at 29.4 million cwt, 25 percent below a year ago. Total use was lowered 2.0 million cwt to 234.0 million cwt due to smaller exports. The export forecast was lowered to 108.0 million cwt based on smaller supplies for long grain and a continued strong price forecast. The average farm price forecast for October at \$17.50-\$18.50/cwt is \$2.00/cwt less than the September forecast of \$19.50-\$20.50/cwt.

The rough rice cash market is relatively quiet as a large amount of rice was contracted prior to harvest and there seems to be no selling or buying pressure on the market. Local growers have virtually withdrawn from the market given the wide spread in price ideas between buyers and sellers. Mill and exporters are offering prices ranging from a high of \$18.50/cwt and sellers are offering rice at \$1.00-\$3.00/cwt above these bids. In Texas, bids on public sales were slightly higher last week, ranging mostly between \$11.75-\$12.25/cwt over loan. In Louisiana, buyers have backed off a little this past week with bids mostly at \$18.30-\$18.60/cwt, FOB farm.

In the global rice market, Thailand's trading prices for higher quality rice are down around \$50/mt to \$650/mt from early September, primarily due to a lack of new sales, large government stocks and lower overall commodity prices resulting from the global financial crisis. Export price quotes for U.S. long grain milled rice declined in early October to \$810/mt after increasing during September in response to damage and delays caused by two Gulf Coast hurricanes.

The big news in the market was a reported sale at the end of September of 30,000 mt to Iran, which was a surprise, given the embargo and price spread with other countries. U.S. prices are now some \$160/mt above Thailand and \$300/mt above Vietnam and Pakistan. This sale to Iran should keep the mills busy through October. Hold good quality rice the market should recover.