

# ***Rice Outlook and Baseline Projections***

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# THE GLOBAL RICE MARKET

## PART 1



# **The 2014/15 Global Rice Market: The Big Picture**

- **Smaller carryin and a decline in global production result in a 1-percent reduction in total supplies, first since 2004/05.**
- **Bumper crops in most major growing countries except Cambodia, India, Nepal, Sri Lanka, and Thailand where production is down**
- **Record high global consumption, exceeding production by 8.6 million tons**
- **Slight decline in 2015 global trade from 2014 record**
- **Ending stocks expected to decline 8 percent**
- **Trading prices continue falling**

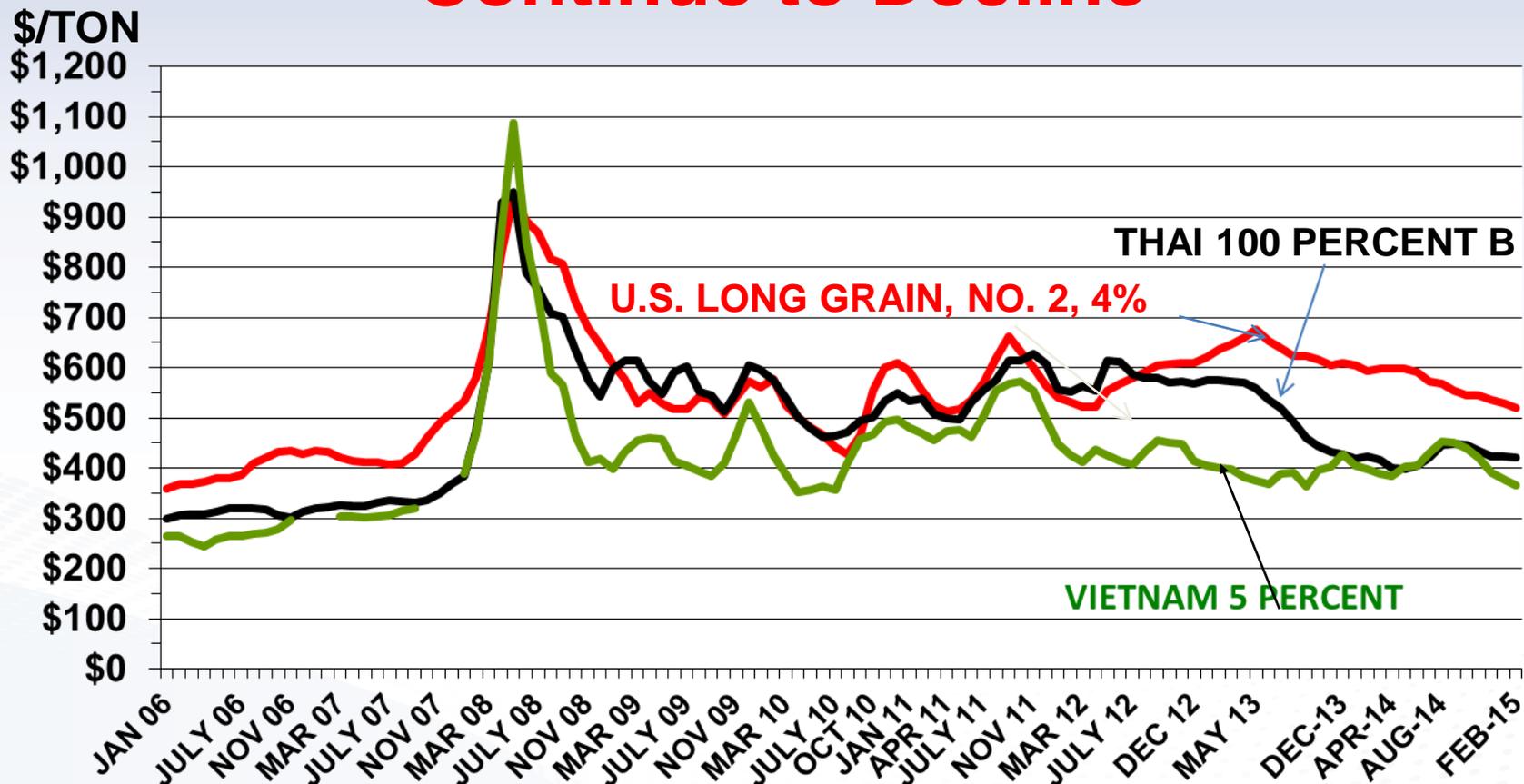


# The 2014/15 Global Rice Market: Weaker Trading Prices

- **Driving factors:**
  - **Stronger dollar**
  - **Much lower fuel prices**
  - **Bumper crops in several major importing countries—Philippines, Indonesia, Malaysia**
  - **Continued release of large stocks of rice held by the Government of Thailand**
  - **Lower overall commodity prices**



# Global Trading Prices Continue to Decline



February 2015 preliminary. 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*.



# The 2014/15 Global Rice Market: Smaller Global Production

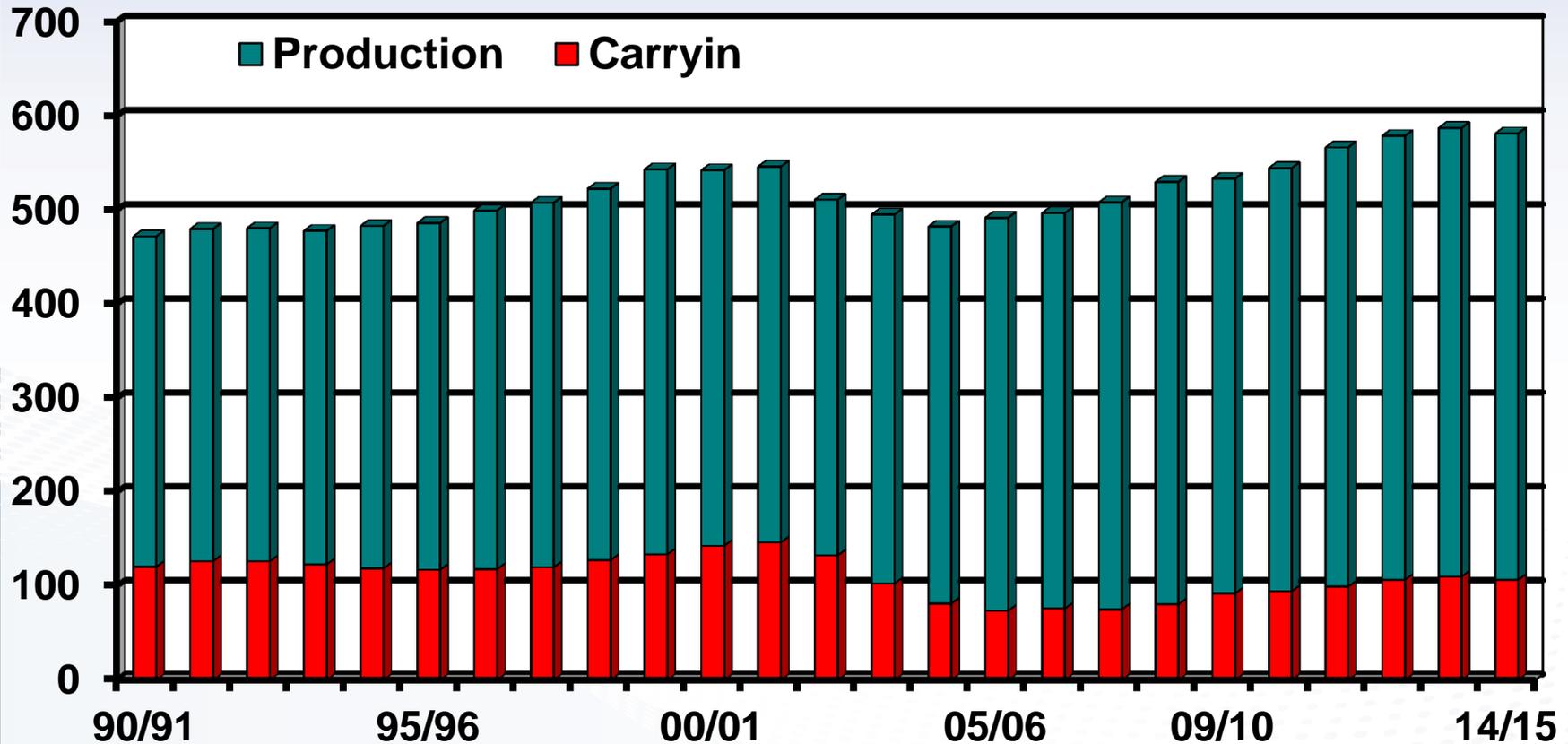
- **Driving Factors:**

- Drought in Thailand is expected to reduce the dry-season crop 1.0 million tons (milled basis).
- Late monsoon cut India's crop 4 percent. Crops are also smaller in Cambodia, Nepal, Pakistan, and Sri Lanka.
- Drought in Australia and California has reduced global supplies of medium- and short-grain rice.
- In contrast, production is expected higher in 2014/15 in **Burma, China, Guyana**, Indonesia, the **Philippines**, the United States, & **Vietnam** (slight).



# Global rice supplies are projected to decline 1 percent in 2014/15

MIL. TONS



Milled basis. 2014/15 are forecasts. Source: *Production, Supply, and Distribution* database, Foreign Agricultural Service, USDA, <http://www.fas.usda.gov/psd>.



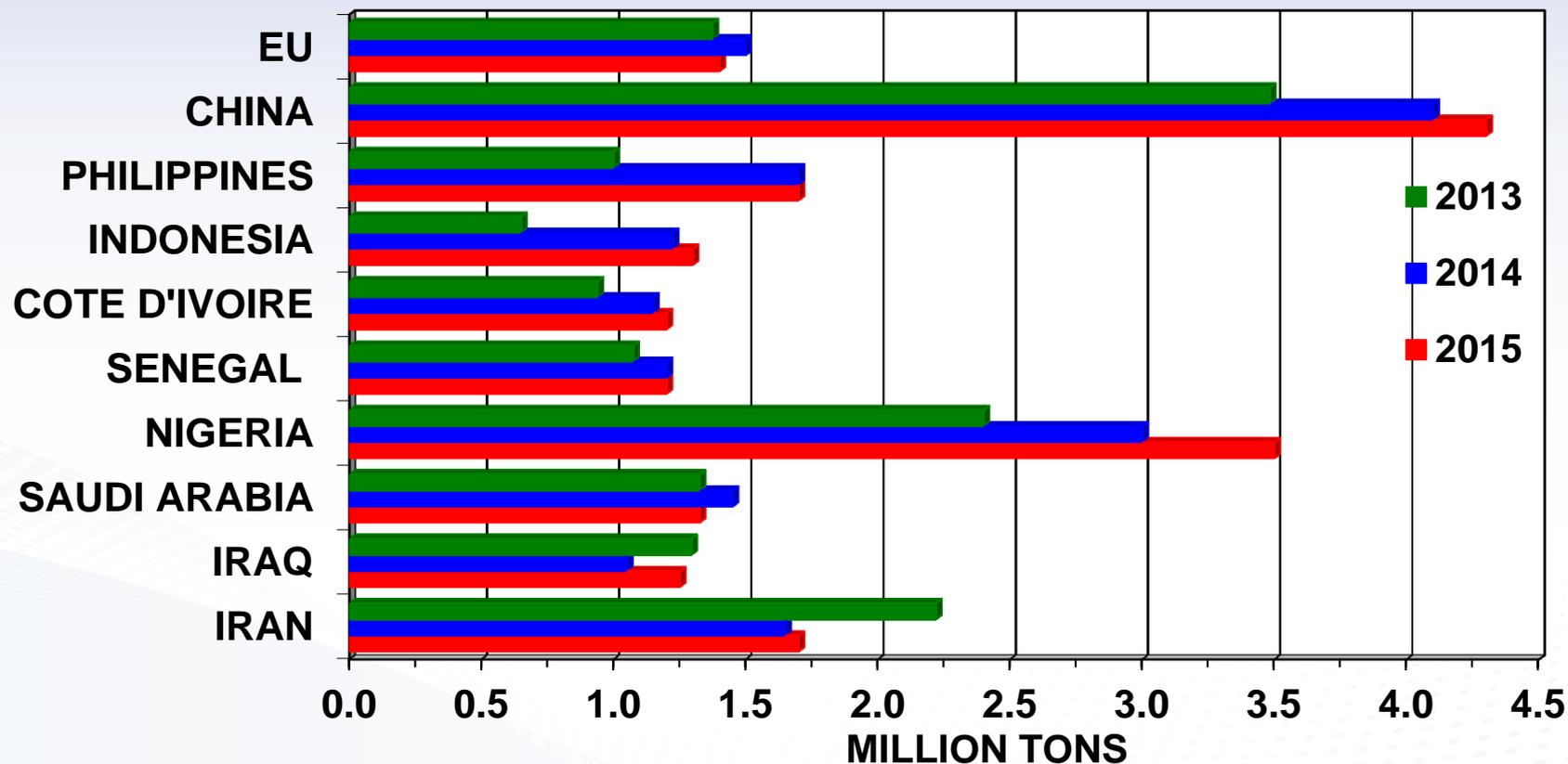
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# The Global Rice Market: Near-record 2015 Imports

- **Driving factors:**
  - Another year of record imports by China and Sub-Saharan Africa, the largest global buyers
  - Continued strong purchases by the Philippines
  - Abundant exportable supplies in Asia and the Western Hemisphere
  - Declining trading prices for long-grain and medium-grain.



# China and Nigeria are projected to remain largest rice importing countries

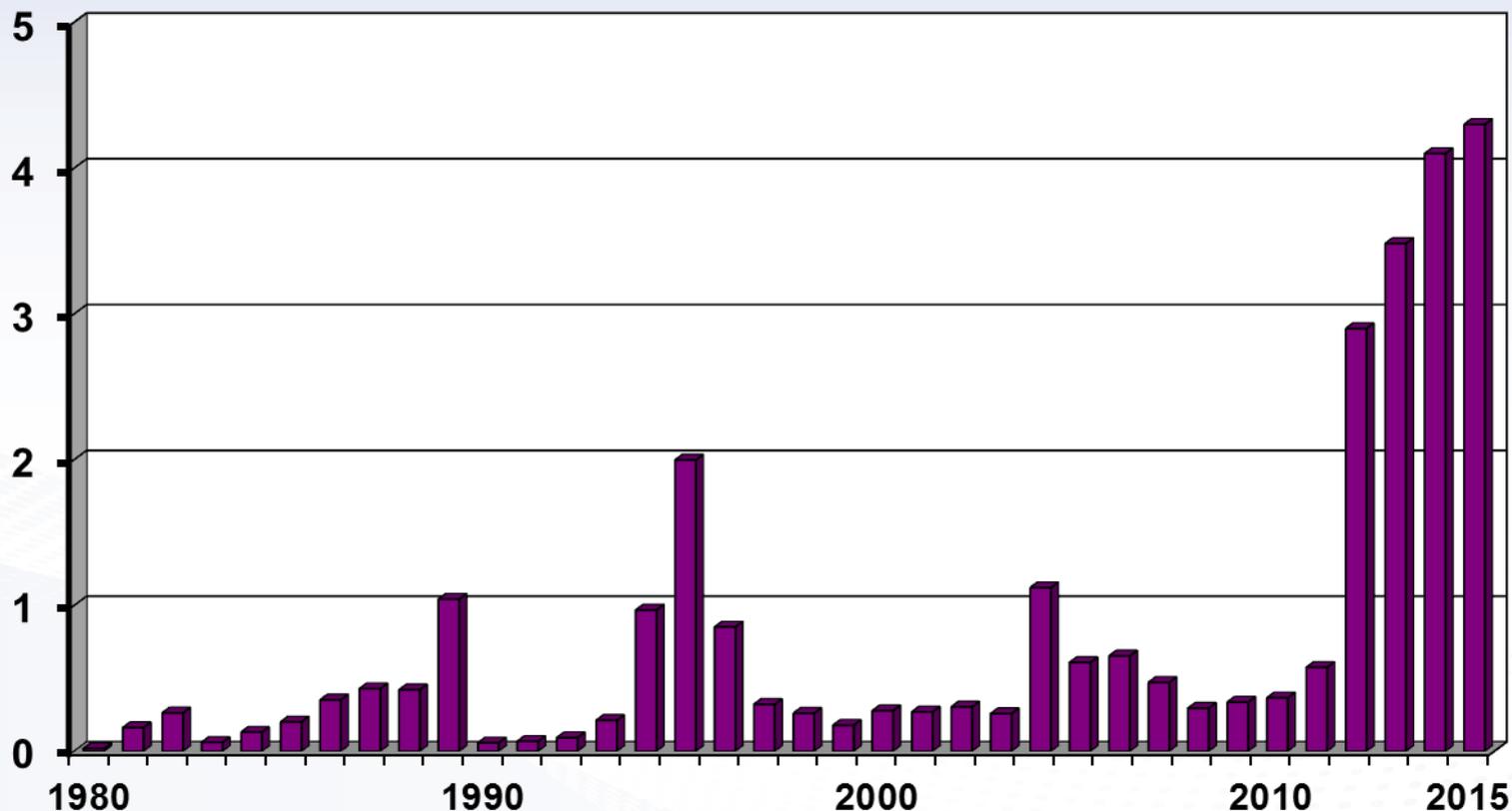


2015 are forecasts. These 10 countries account for about 45 percent of annual rice global imports. Source: *Production, Supply, and Distribution* database, Foreign Agricultural Service, USDA, <http://www.fas.usda.gov/psd>.



# China's rice imports have risen sharply since 2012

MIL. TONS



2015 are forecasts. Source: *Production, Supply, and Distribution* database, Foreign Agricultural Service, USDA, <http://www.fas.usda.gov/psd>.



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# The Global Rice Market: 2015 Global Exports

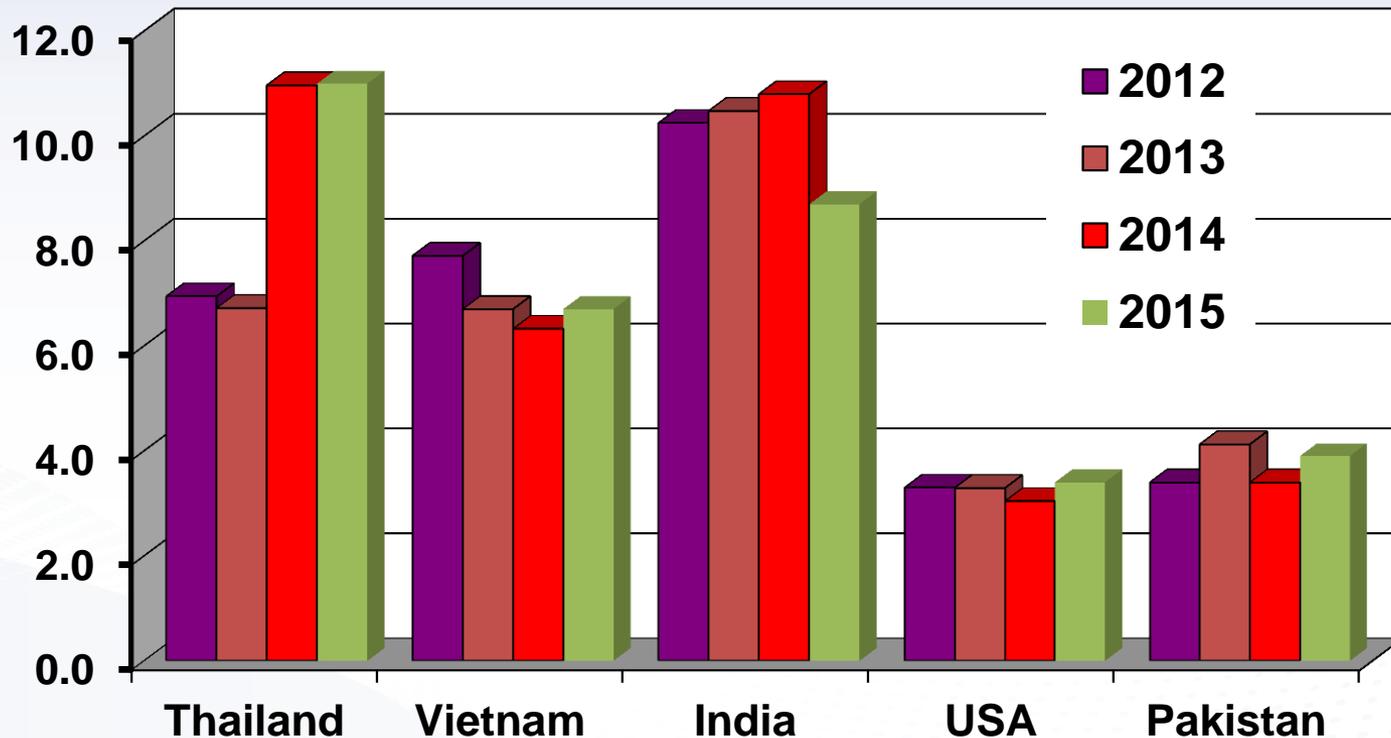
- **Driving factors**
  - A 19-percent drop in India's exports...
  - ....plus smaller declines in shipments from Australia, Egypt and Brazil...
  - ...are expected to slightly offset stronger exports from Cambodia, Pakistan, Thailand (slight increase), the United States, and Vietnam.
  - Despite the projected 1.6-percent decline in global rice trade, global exports in 2015 are projected to be the second highest on record.



# Thailand has returned as the largest rice exporter

MIL. TONS

## Major Exporters



These 5 countries account for more than 80 percent of global rice exports. 2015 are forecasts.

Source: *Production, Supply, and Distribution* database,  
Foreign Agricultural Service, USDA, <http://www.fas.usda.gov/psd>.

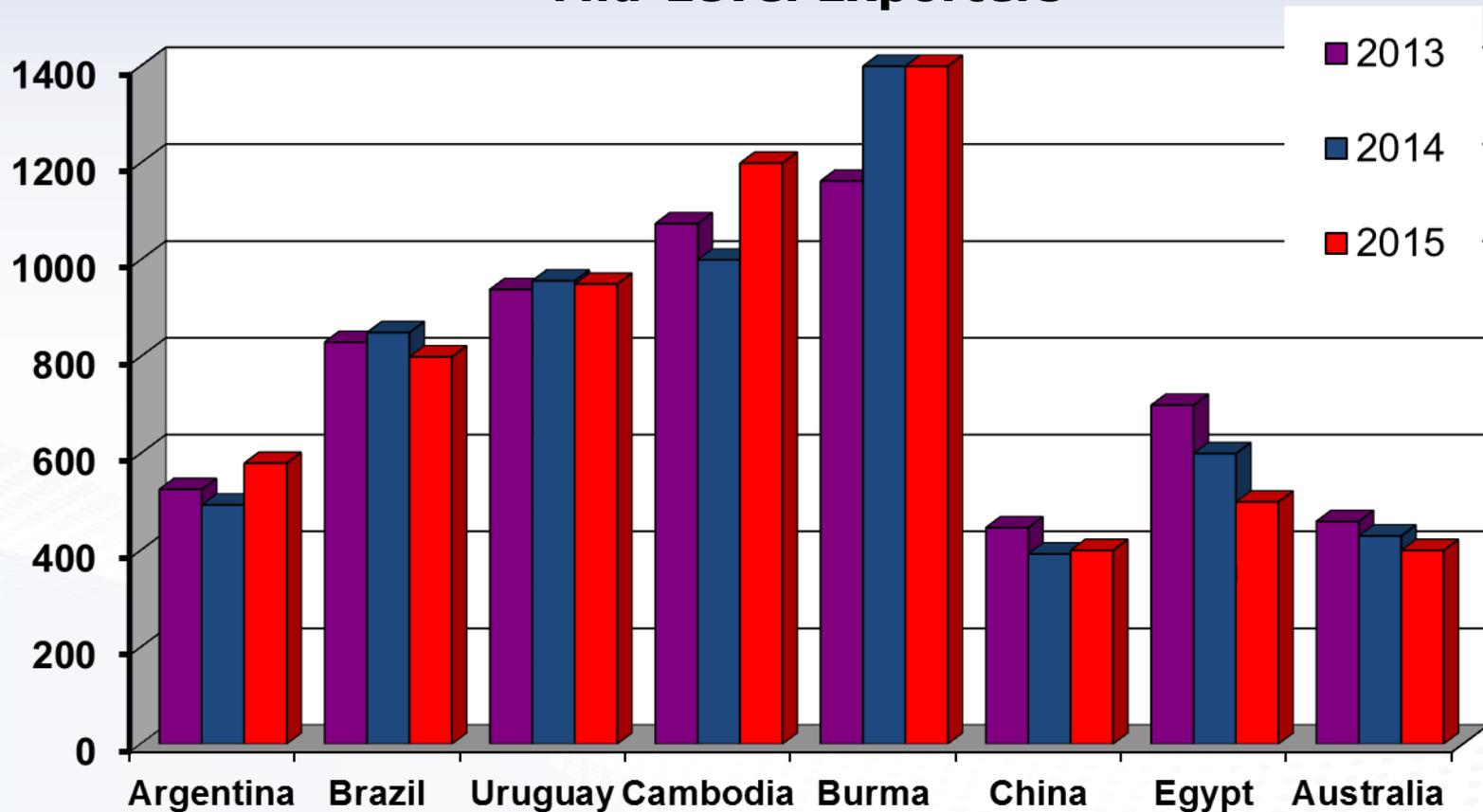


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# Burma and Cambodia are the largest mid-level rice exporters

1,000 TONS

## Mid-Level Exporters



2015 are forecasts. Source: *Production, Supply, and Distribution* database, Foreign Agricultural Service, USDA, <http://www.fas.usda.gov/psd>.



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# The 2014/15 Global Rice Market: Record Domestic and Residual Use

- **Driving factors**
  - Record use in China, Bangladesh, Southeast Asia, and Sub-Saharan Africa
  - Near-record use in the United States and India
- **Reasons:**
  - Population growth and rising incomes in some developing countries, particularly in Sub-Saharan Africa.
  - While use continues to decline in South Korea and Japan due to diet diversification.



# The 2014/15 Global Rice Market: Global Ending Stocks

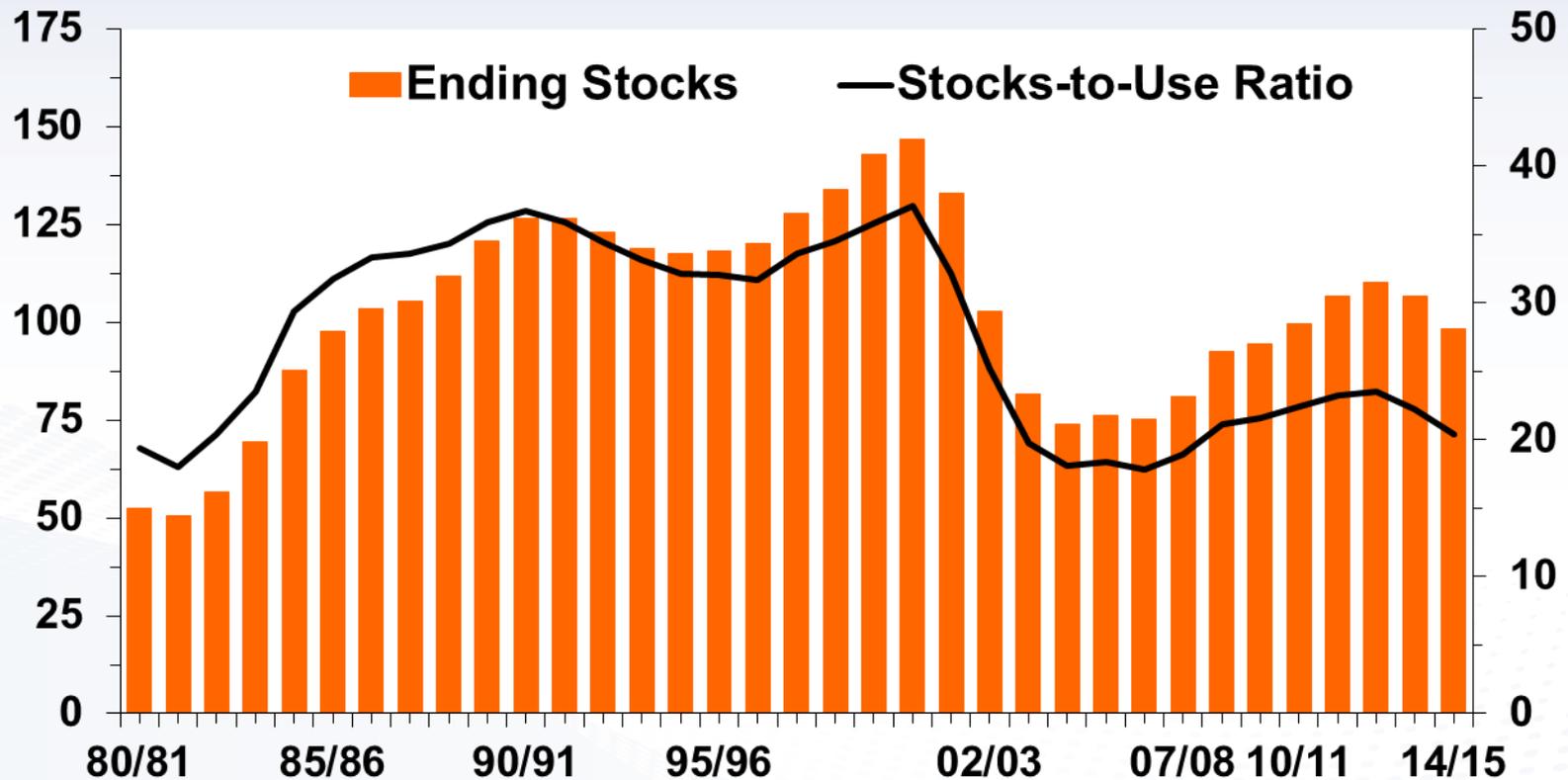
- **Analysis and driving factors**
  - Global stocks are projected to decline 8 percent and will be the smallest since 2009/10.
  - Thailand, India, and Indonesia account for most of the decline in global stocks.
  - Thailand continues to sell its stocks purchased under its Paddy Pledging Scheme.
  - India's production has not matched its record pace of exports and near-record consumption.
  - At 20.4 percent, the global stocks-to-use ratio is the lowest since 2007/08.



# Global ending stocks in 2014/15 are projected to decline 8 percent

MILL. TONS

PERCENT



2014/15 are forecasts. Source: *Production, Supply, and Distribution* database, Foreign Agricultural Service, USDA, <http://www.fas.usda.gov/psd>.



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# USDA's Global Rice Baseline Forecasts

## – Assumptions

- Projections made as of the November 2014 *World Agricultural Supply and Demand Estimates*.
- Assumes normal weather throughout the 10-year forecast period.
- Assumes current policies and programs remain in effect.
- Is a multi-agency modelling effort involving analysts from FAS, FSA, the WAOB, and ERS.



# USDA's Global Rice Baseline Forecasts

## – 2015/16

- **Small increase in global area.**
- **Slightly higher average global yield.**
- **Results in a record global rice crop.**
- **Record total use, with total use again exceeding production and...**
- **...pulling global ending stocks down.**
- **Increased global trade**



# Global Rice 10-Year Baseline Trade Forecasts

## – IMPORTERS

- **Global rice trade is projected to grow 1.8 percent per year from 2015/16 to 2024/25, reaching 49.5 million tons, up 41 percent or 14.5 million tons from the previous decade average.**
- **China, West Africa (especially Nigeria), Southeast Asia, and the Middle East remain the top markets.**
- **Although China's imports trend down, China remains the world's largest importing country throughout the baseline, purchasing most of its rice from Southeast Asia.**



# Global Rice 10-Year Baseline Trade Forecasts

## – IMPORTERS

- **Nigeria remains the second largest importer.**
- **Trade as a share of consumption increases from the current 8.6 percent to 9.5 percent.**
- **The next largest importers are Indonesia, Iran, and the Philippines, each taking 1.9-2.2 million tons a year by 2024/25. For all three countries, production growth cannot keep pace with rising use.**



# Global Rice 10-Year Baseline Trade Forecasts

## – IMPORTERS

- **Bangladesh's imports rise rapidly from 0.6 million tons in 2015/16 to almost 1.5 million tons by 2024/25. The average annual growth rate exceeds 10 percent, a result of strong population growth and limited ability to expand area.**
- **Other major importing countries— Iraq and Saudi Arabia—each take more than 1.5 million tons and South Africa and Malaysia each import more than 1 million tons a year.**



# Global Rice 10-Year Baseline Trade Forecasts

## – IMPORTERS

- In Canada and the United States, immigration continues to support slightly higher per capita consumption and modest import growth, with aromatics accounting for bulk of U.S. imports.



# Global Rice 10-Year Baseline Trade Forecasts

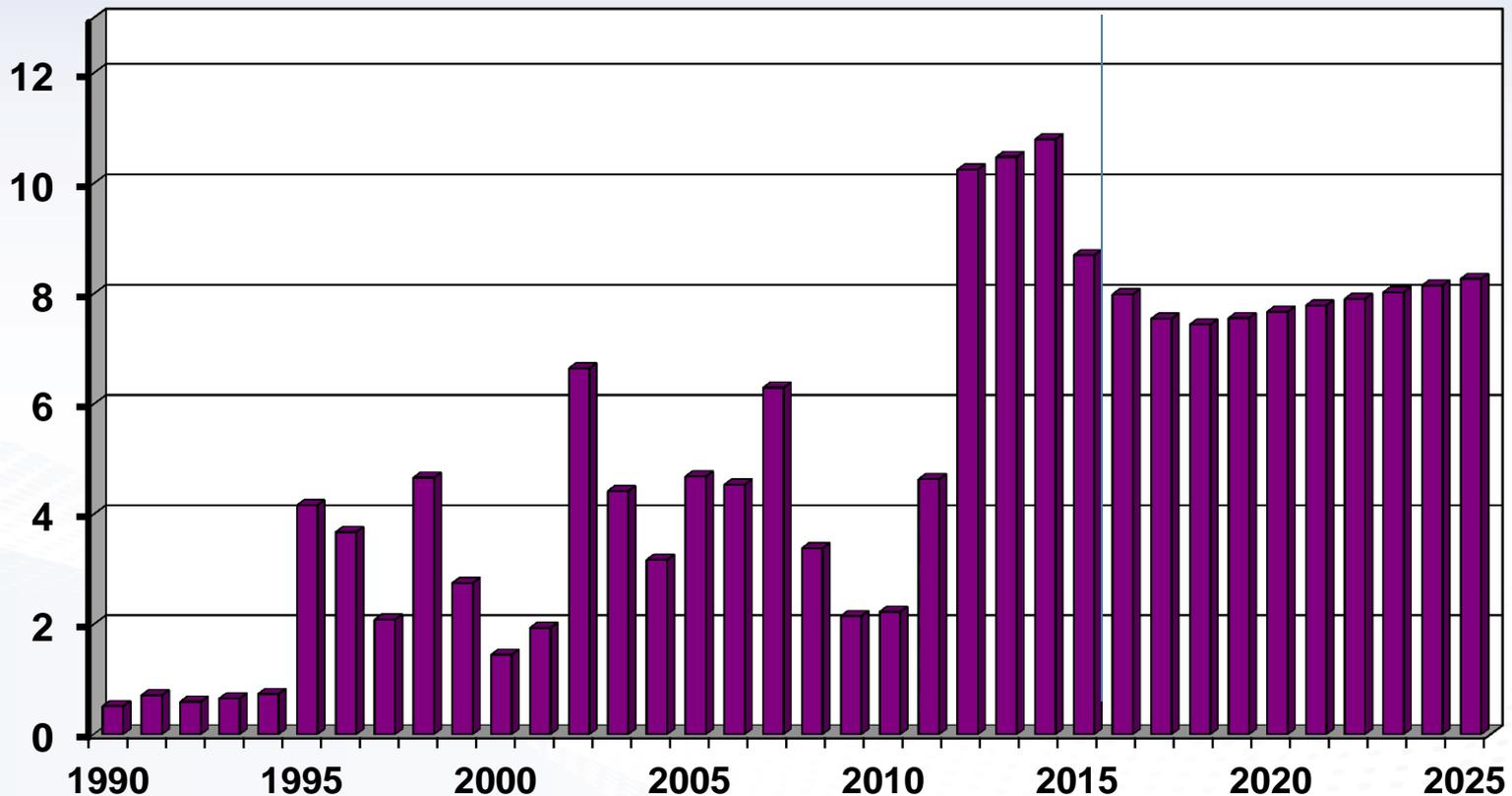
## – EXPORTERS—LONG-GRAIN AND AROMATIC

- **Thailand** and **Vietnam**, typically the largest exporters, account for 45 percent of world rice exports and for 60 percent of the projected trade growth in the coming decade.
- **India** remains the second largest exporter through 2016/17, then drops to number three behind Vietnam. India's exports increase after 2017/18, but never exceed 8.3 million tons.
- **Pakistan's** exports increase slightly over the next decade. Pakistan maintains market share and is the world's fourth largest exporter and United States is the fifth-largest exporter.



# India's rice exports are projected to decline from current highs

MIL. TONS



Source: USDA's Agricultural Baseline Projections, <http://www.ers.usda.gov/topics/farm-economy/agricultural-baseline-projections.aspx>



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# Global Rice 10-Year Baseline Trade Forecasts

## – EXPORTERS—LONG GRAIN

- **U.S.** exports post a modest increase of 1 percent a year, but the U.S. market share declines.
- **Burma** and **Cambodia** are projected to expand exports over the entire baseline, returning as major rice exporters, largely due to rising production. Exports are projected to be about 1.7 million tons by 2024/25 for both countries.
- Exports from South America—primarily **Argentina, Brazil, Guyana, Paraguay,** and **Uruguay**—expand over the next decade and account for almost 11 percent of global trade.



# Global Rice 10-Year Baseline Trade Forecasts

## – EXPORTERS—MEDIUM- AND SHORT-GRAIN

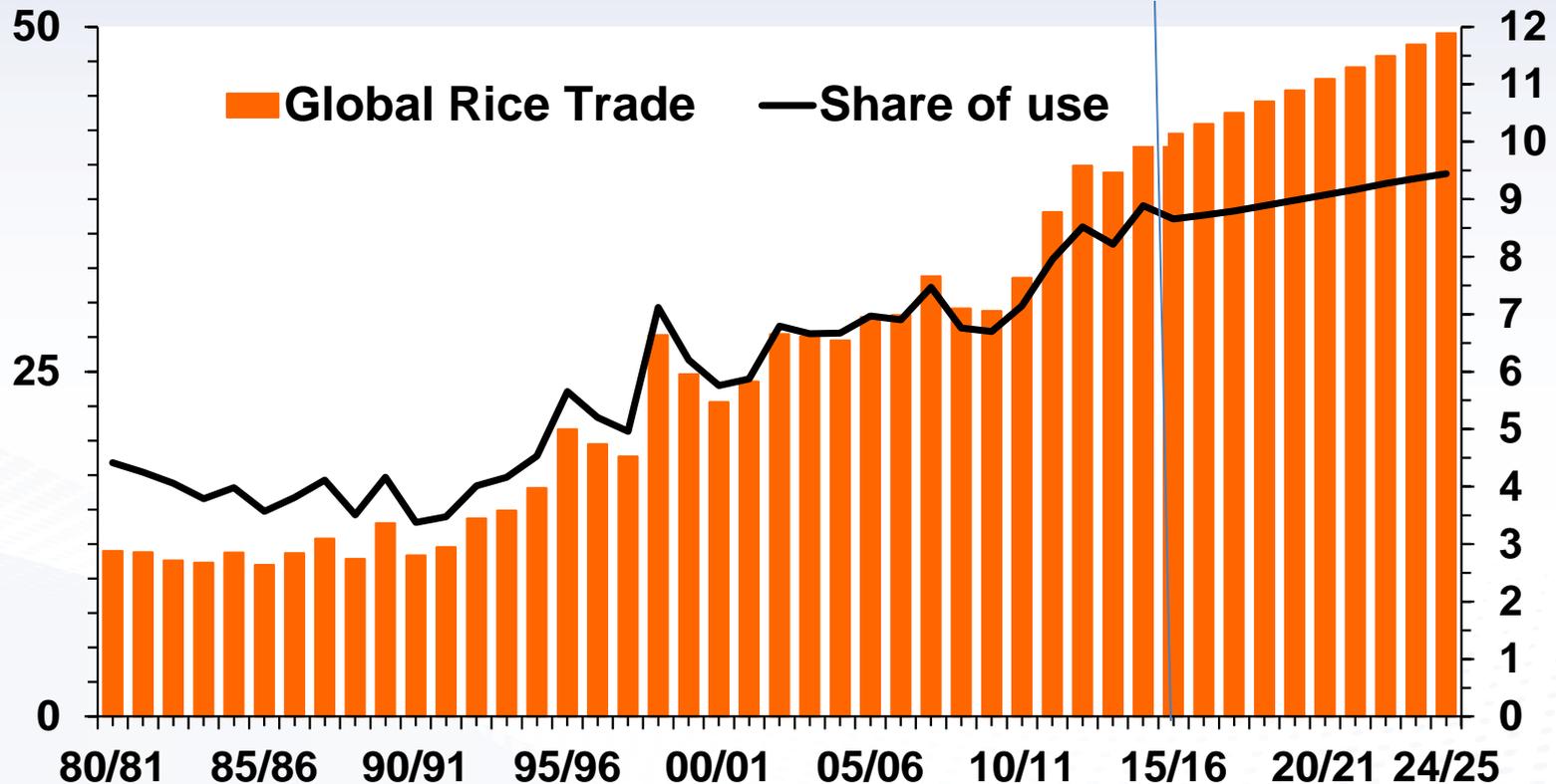
- **Australia's** rice area is expected to recover from current drought-reduced levels, facilitating a modest export expansion after 2016/17. However, Australia's exports remain well below current levels.
- **Egypt's** exports slowly decline after 2017/18 as production cannot keep pace with rising demand.
- **United States MG-SG**—Slight increase due to higher yields and slow growth in domestic use.



# Global Rice Trade Is Projected to Exceed 49 Million Tons by 2024/25

MILL. TONS

PERCENT



Source: USDA's Agricultural Baseline Projections, <http://www.ers.usda.gov/topics/farm-economy/agricultural-baseline->



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# THE U.S. RICE MARKET OUTLOOK AND BASELINE

## PART 2



# The U.S. 2014/15 Rice Market:

- **MAIN POINTS**

- A big area expansion in the South, a bumper U.S. rice crop, and much larger supplies (up 10%)
- But a substantial decline in California's area and production, nearly all medium- and short-grain rice
- Yield slightly lower, less California rice.
- Weaker prices for both long-grain and medium- and short-grain rice. Medium-grain prices rose last spring in anticipation of reduced California area.
- Expanded U.S. rice exports (mostly long-grain) and higher domestic and residual use of all rice
- A much larger long-grain carryout (up 73 percent) and all-rice carryout (up 32 percent) going into 2015/16



# The 2014/15 U.S. Rice Market: Exports

- **Total U.S. exports**
  - Projected 11 percent higher than last year.
- **U.S. long-grain exports**
  - Up 14 percent. **WHY?**
  - Larger U.S. supplies and more competitive prices
  - Expanded sales to core markets in Latin America
- **U.S. medium- and short-grain exports**
  - Up 4 percent from 2013/14. **WHY?**
  - Tighter supplies in Egypt and Australia, major competitors of the United States.
  - Big increase in Southern medium-grain area

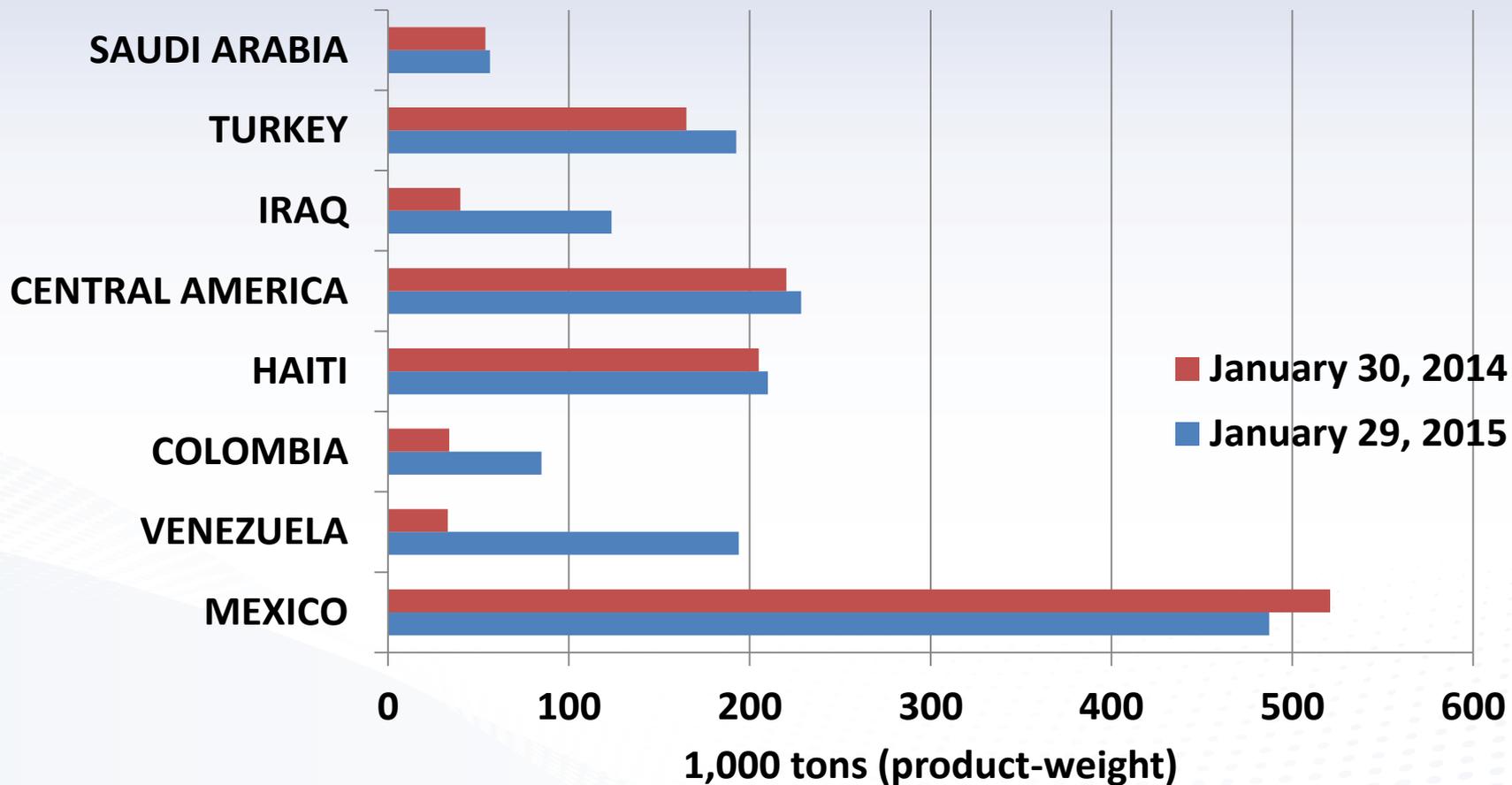


# The U.S. 2014/15 Rice Market:

- **Current U.S. Export Situation**
  - Long-grain rough-rice commercial exports and sales, nearly all to Latin America, are 15 percent ahead of a year earlier.
  - In contrast, medium- and short-grain milled exports are 27.5 percent behind last year, especially to Northeast Asia, the top market.
  - Commercial sales and shipments to Sub-Saharan Africa—all long-grain milled rice—are 39 percent behind a year ago.
  - Shipments to the Middle East are ahead of a year earlier, especially to Iraq and Turkey.



# U.S. exports & sales were ahead of year earlier to Colombia, Iraq, Venezuela, & Turkey



Source: *U.S. Export Sales*, Foreign Agricultural Service, U.S. Department of Agriculture, <http://apps.fas.usda.gov/export-sales/esrd1.html>



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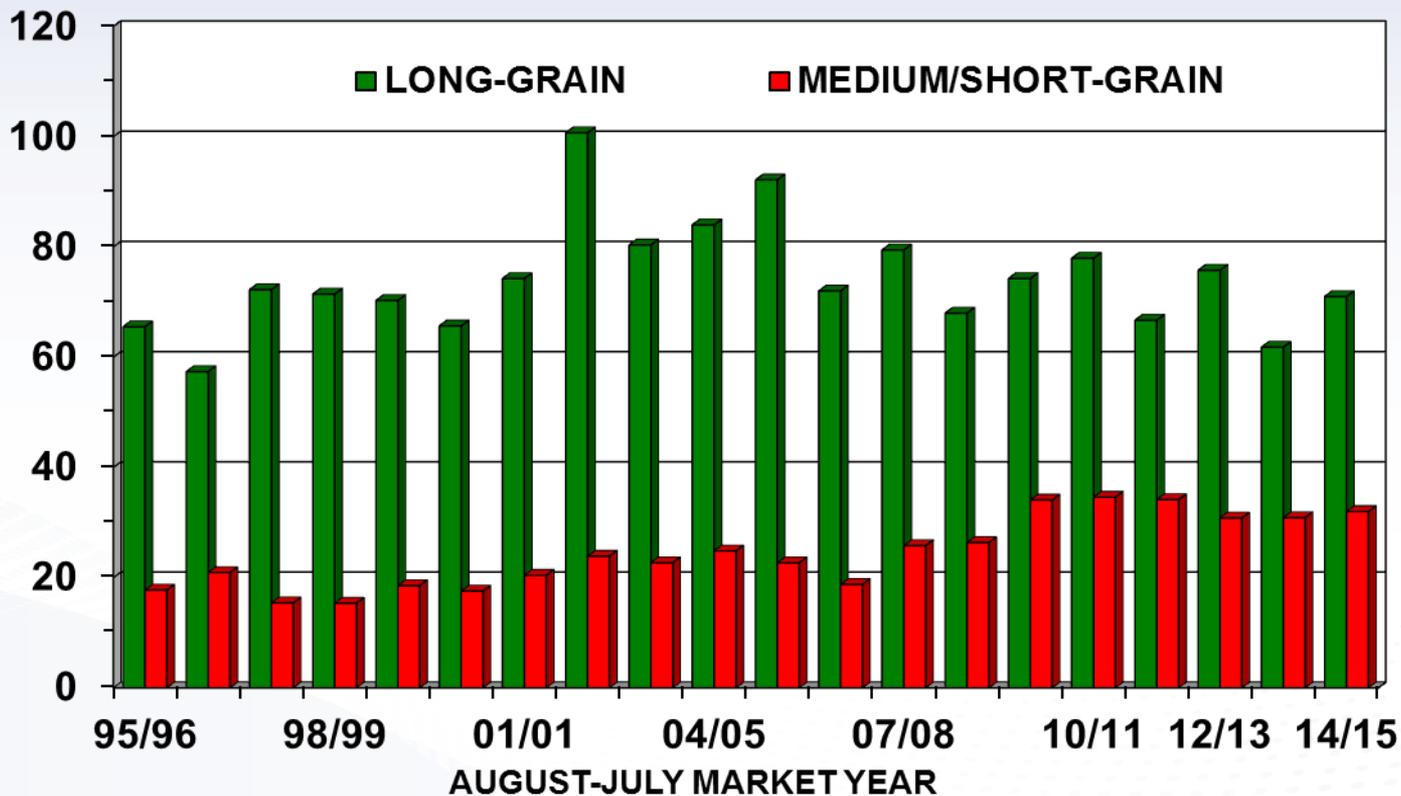
# The U.S. 2014/15 Rice Market: Exports

- **Concerns**
  - **Economic and political situation in Venezuela, a major buyer of U.S. southern long-grain rice**
  - **Low oil prices could further constrain Venezuela's purchases**
  - **Slowness in WTO purchases by Japan, South Korea, and Taiwan—these three countries typically account for the bulk of annual U.S. medium- and short-grain exports**
  - **Rising value of the dollar**
  - **Likelihood of additional purchases by Iraq**
  - **Logistics situation in Oakland, California**



# Long-grain accounts for most of the projected increase in U.S. rice exports in 2014/15

MILL. CWT



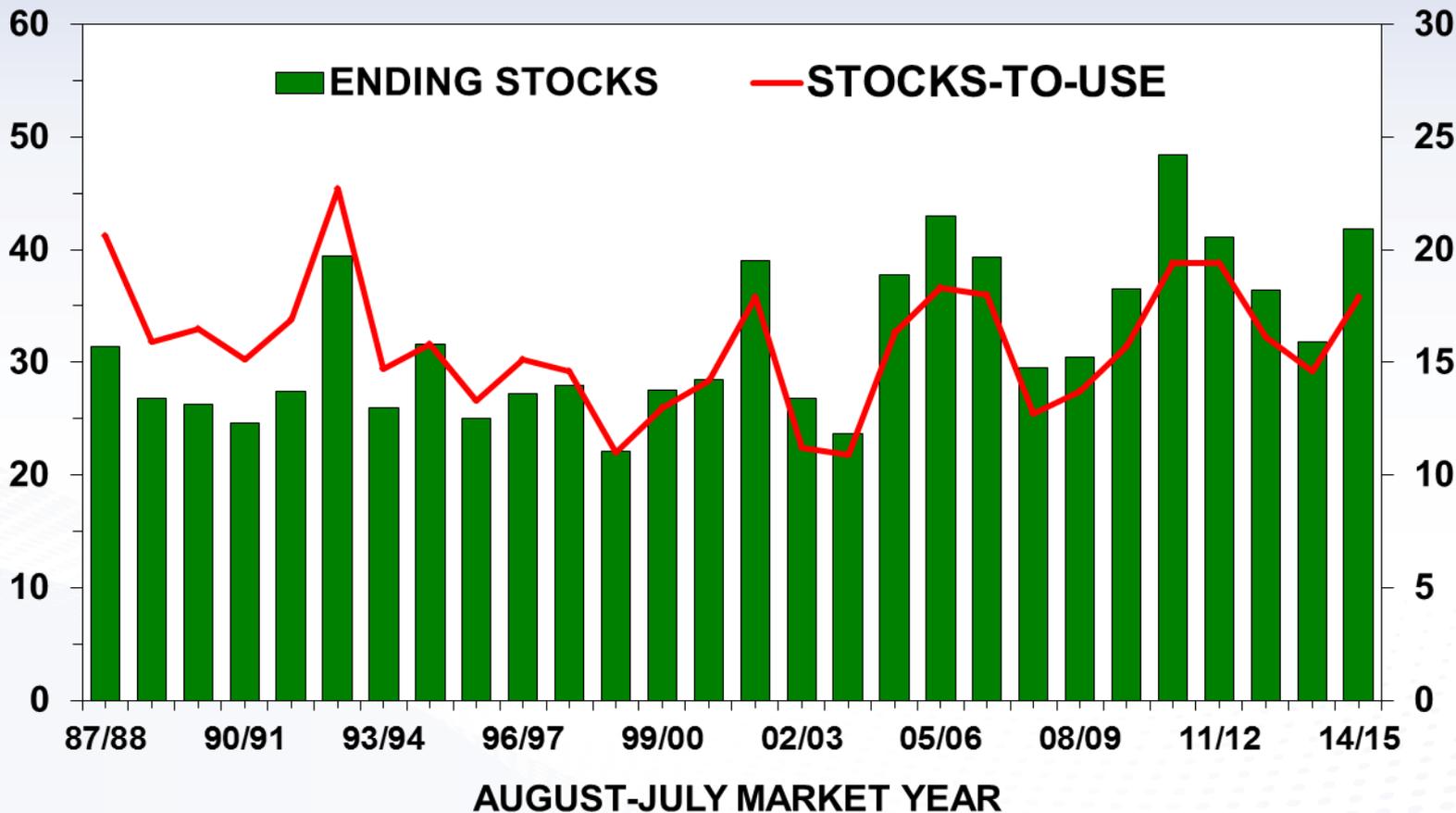
Rough basis. 2014/15 are forecasts. Source: *World Agricultural Supply and Use Estimates*, WAOB, USDA.



# U.S. all-rice ending stocks are projected to increase 32 percent in 2014/15

MILL. CWT

PERCENT



Rough basis. 2014/15 are forecasts. Source: *World Agricultural Supply and Use Estimates*, WAOB, USDA..



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# U.S. 2014/15 Farm Price Forecasts: Season-Average Farm Price by Class

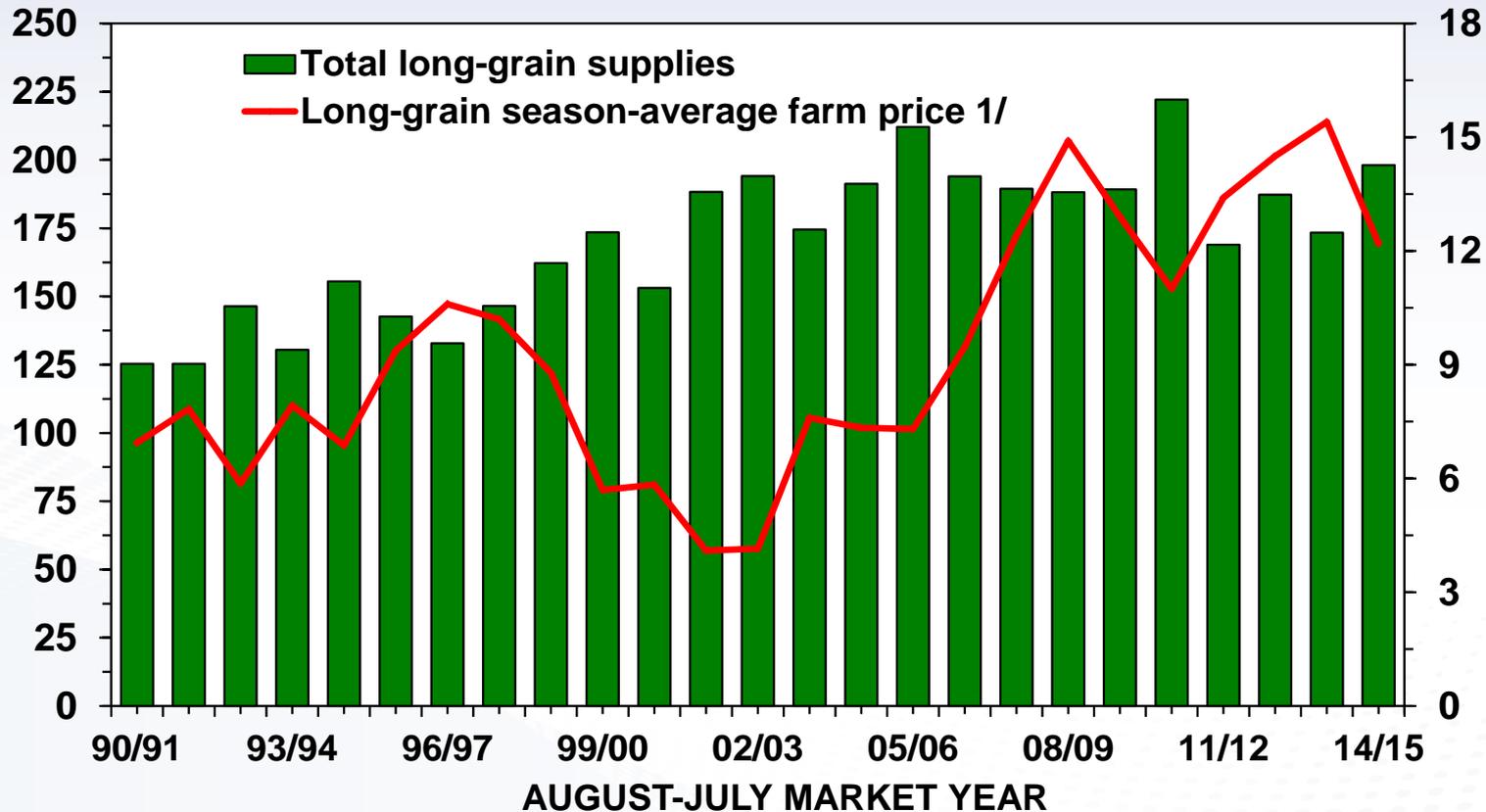
- **Big drop in U.S. long-grain rough-rice prices**
  - Larger U.S. supplies
  - Large exportable supplies in Asia and South America
  - Lower global trading prices and a stronger dollar
- **Slightly Lower U.S. medium/short-grain rough-rice prices**
  - Larger share of the U.S. crop is from the South which trades at a lower price than California rice.
  - The pooling method of payment for California rice whereby the full market price is unknown until after the market year is over.
  - Stronger dollar



# U.S. long-grain prices are projected to decline 22 percent 2014/15

MILL. CWT

\$/CWT

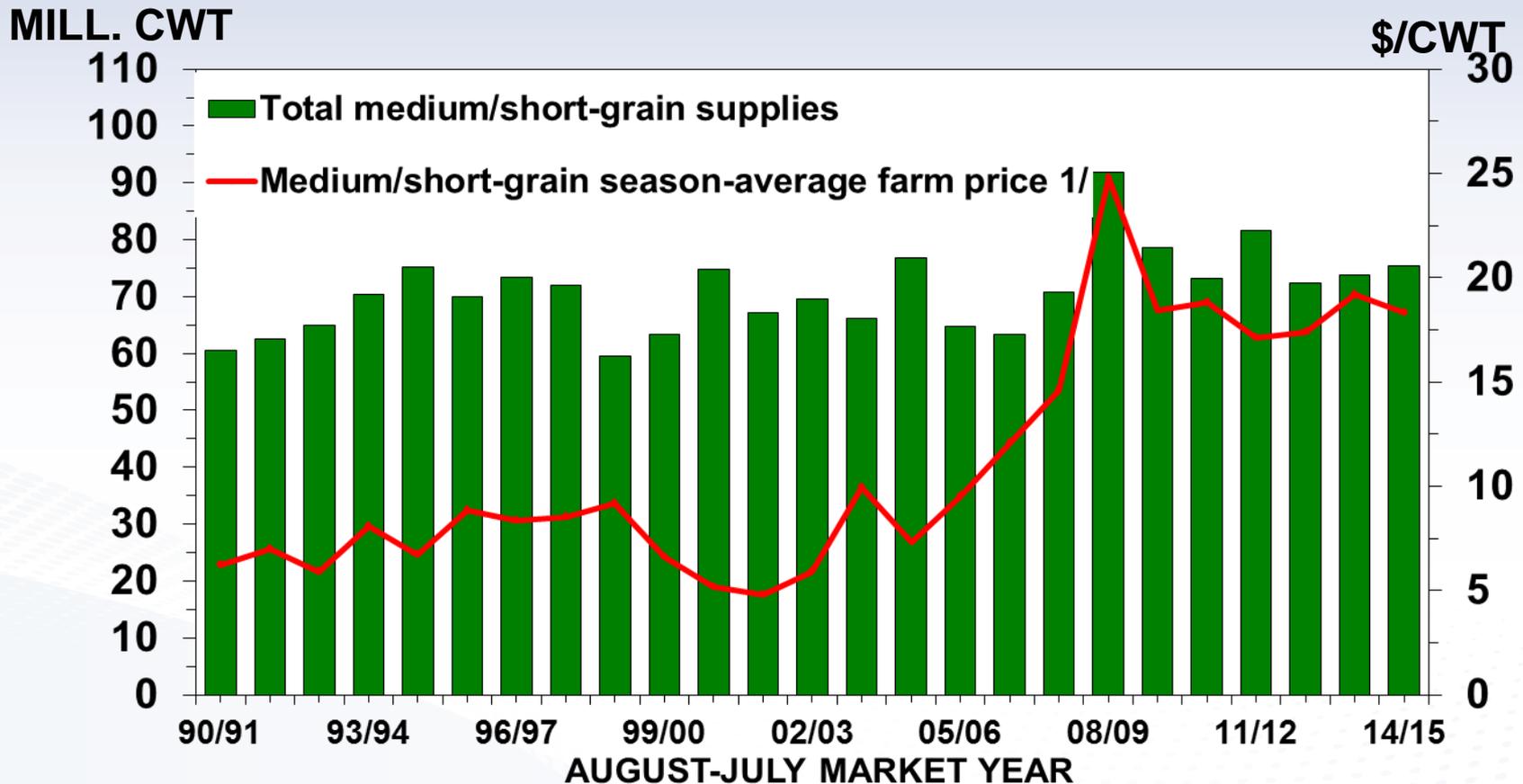


2014/15 are forecasts. 1/ 2014/15 mid-point of price range. Sources: 1990/91-2011/12, *2014 Rice Yearbook Data Set*, Economic Research Service, USDA; 2012/13-2014/15, *World Agricultural Supply and Demand Estimates*, <http://www.usda.gov/oce/commodity/wasde/index.htm>



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# U.S. medium- and short-grain rough-rice prices are projected to decline 5 percent 2014/15

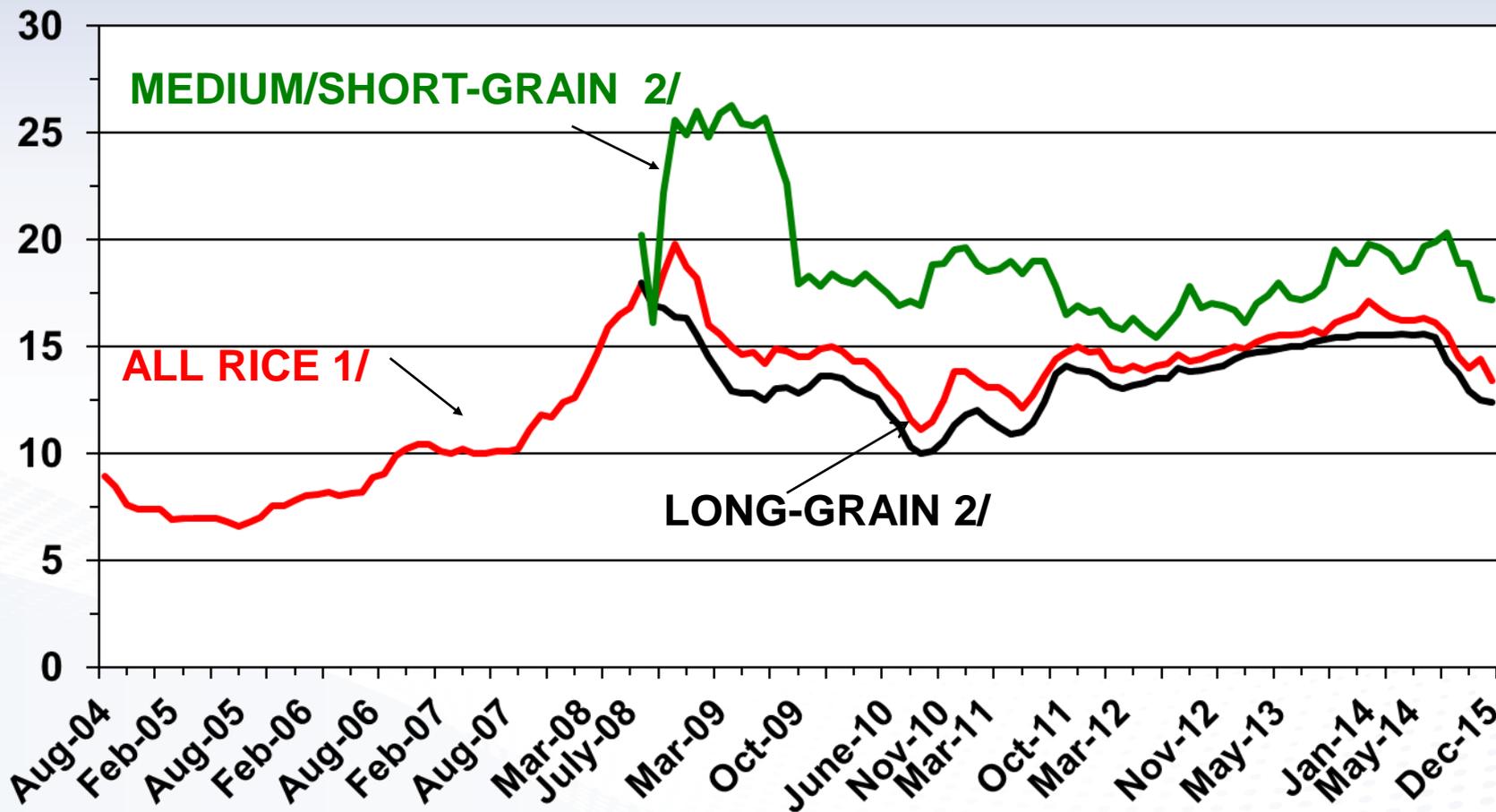


2014/15 are forecasts. 1/ 2014/15 mid-point of price range. Sources: 1990/91-2011/12, *2014 Rice Yearbook Data Set*, Economic Research Service, USDA; 2012/13-2014/15, *World Agricultural Supply and Demand Estimates*, <http://www.usda.gov/oce/commodity/wasde/index.htm>



# U.S. rough-rice prices for both classes of rice continue to decline

\$/CWT



All prices are full month. 1/ Monthly U.S. cash price for all-rice reported by NASS.

2/ Monthly rough-rice prices by class first reported August 2008. Sources: *Agricultural Prices*, NASS, USDA.



United States Department of Agriculture, Economic Research Service

# Outlook for the 2015/16

## U.S. Long-Grain Market: Supply and Use

- This outlook is based in part on the rethinking of the 2015/16 U.S. rice forecasts the Rice ICEC in preparation for the Agricultural Outlook Forum February 19-20 in Washington.
- **Major changes since the November 2014 Baseline:**
  - Long-grain prices have declined, impacting planting decisions.
  - Fuel and other input prices have dropped
  - A stronger dollar has reduced U.S. competitiveness in global markets
  - Lower global oil prices have reduced purchasing power of Venezuela and Iraq—both major oil exporters.



# Outlook for the 2015/16

## U.S. Long-Grain Market: Supply and Use

- Much larger carryin
- A small area decline and a long-term trend yield result in slightly smaller crop.
- Nearly steady imports and mostly aromatic rice from Asia
- Larger total long-grain supplies
- Expanded total use, with long-grain exports accounting for most of the expected increase
- Little change in ending stocks
- Weaker long-grain rough-prices
- A 2015/16 SAFP for long-grain rice well below the \$14.00 per cwt reference price



# Market changes since November that impact the 2015/16 U.S. Medium- and Short-grain forecasts

- U.S. medium- and short-grain rough-rice prices have declined, resulting in lower forecasts for the 2014/15 market year.
- U.S. sales have been slow to Northeast Asia, the largest market for U.S. medium- and short-grain rice.
- The dollar has strengthened, reducing U.S. competitiveness.
- U.S. milled rice prices for medium-grain rice have declined as well.



# **Preliminary outlook for 2015/16**

## **U.S. Medium- and Short-grain**

- **Increased plantings in the South, mostly in Arkansas**
- **Near-steady yield**
- **Continued water restrictions in California, thus no area increase is expected in the State.**
- **Slightly larger total medium- and short-grain crop**
- **A smaller carryin**
- **Little change in total supplies**
- **Little change in domestic use or exports, with Northeast Asia still the top export market**
- **Little change in SAFP with prices exceeding the reference price in both regions.**



## 10-Year Baseline Forecasts for U.S. Rice

- **Small increase in area after 2016/17, reaching 3.06 million acres by 2024/25, below 3.6 million in 2010**
- **Average yields increase about 0.6 percent a year**
- **Production increases each year after 2016/17, reaching 246.4 million cwt in 2024/25 (Previous record 243.4 million cwt in 2010/11.)**
- **Imports increase at a much slower pace—about .6 percent—than the pace earlier this century.**
- **Domestic use rises slightly faster than population**
- **Exports increase 1-2 million cwt each year after 2015/16, reaching 121.5 in 2024/25, still below record.**



## 10-Year Baseline Forecasts for U.S. Rice

- **Ending stocks decline from current levels, but remain around 40.0 million cwt the rest of the baseline.**
- **Stocks-to-use ratio slowly declines over the baseline, dropping to 15.3 percent by 2024/25**
- **Long-grain season-average prices begin rising after 2016/17 as current high stock levels decline, reaching \$14.40 by 2024/25.**
- **Medium- and short-grain prices decline 2017/18-2018/19 as area returns in California and Australia.**
- **In 2019/20 prices begin increasing on slightly lower area, reaching \$19.60 by 2024/25.**
- **California prices are not projected to fall below the reference price.**



## For More Information, Please Go To:

- The Economic Research Service Home Page <http://ers.usda.gov/>
- The Rice Topics Page  
<http://www.ers.usda.gov/topics/crops/rice.aspx>
- The Agricultural Baseline forecasts  
<http://www.ers.usda.gov/topics/farm-economy/agricultural-baseline-projections.aspx>

