

# ***U.S. 2014/15 Rice Market Outlook and 2015/16 Driving Forces***

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**USDA**



United States Department of Agriculture, Economic Research Service

# PART 1

## **THE SETTING:** **THE 2014/15 GLOBAL RICE MARKET**



# The 2014/15 Global Rice Market: *Supply*

- Slightly smaller global production and a 3-percent smaller carryin
- Result in a 1-percent decline in total supplies.
- This is the first decline in total global rice supplies since 2004/05.
- Bumper crops are projected for major rice growing countries except **India**, **Nepal**, **Pakistan**, and **Thailand** where production is projected down.



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

- **Smaller global production:**
  - Drought & low reservoir levels in Thailand are expected to reduce dry-season production.
  - Late monsoon in India reduced the *kharif* crop, which accounts for about 85 percent of the total rice crop.
  - Flooding limited Pakistan's rice production.
  - Drought in Australia and California—both medium- and short-grain producers—caused production to decline



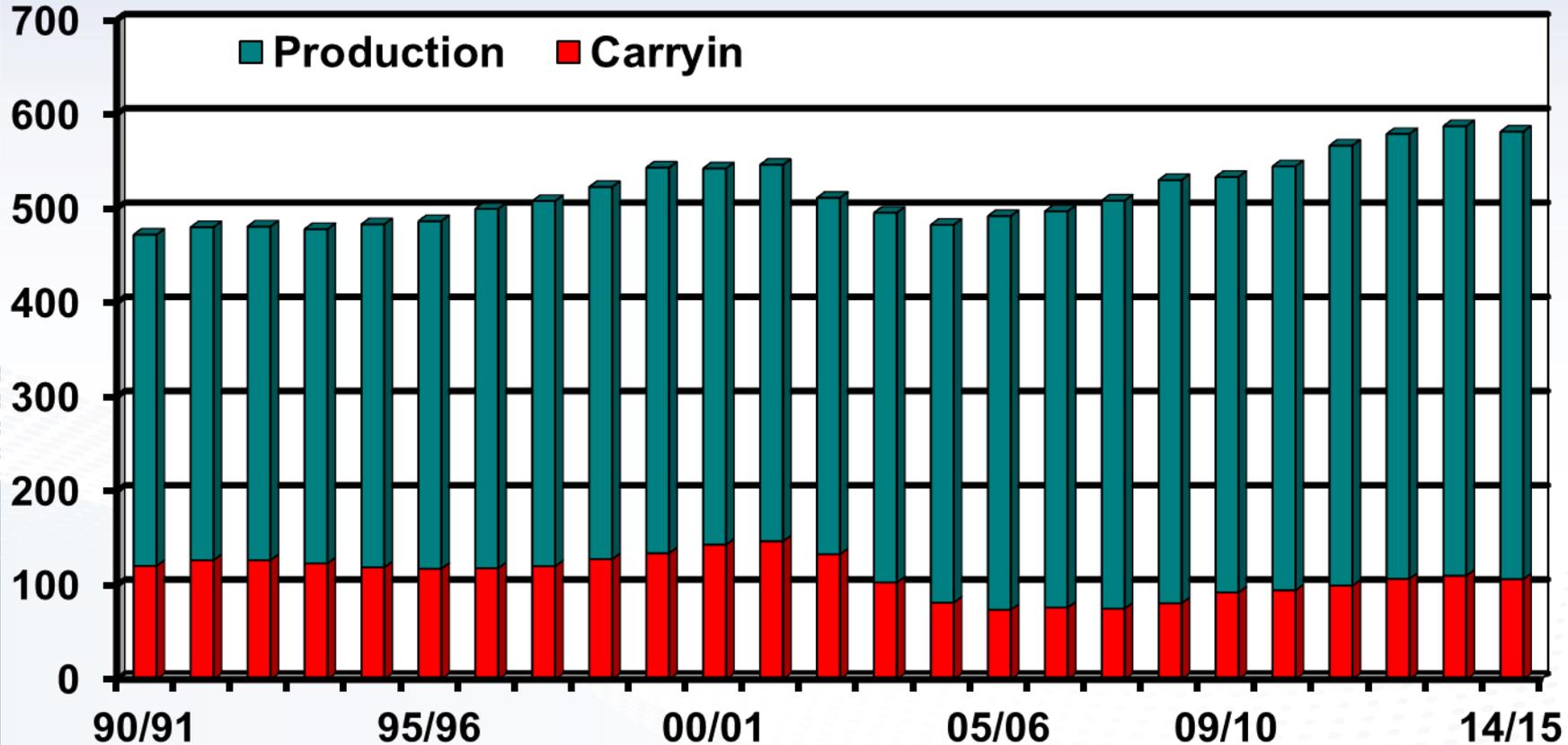
# The 2014/15 Global Rice Market: *Production*

- These reductions are partially offset by:
  - Higher projected production for **Burma**, **China**, **Guyana**, Indonesia, the **Philippines**, the United States, and **Vietnam** (slight increase).
  - (**Red** denotes a record crop).
  - And a near-record crop for Cambodia.



# 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 2014/15 Global Rice Market:**

## ***Domestic and Residual Use***

- **Global consumption is projected record high**
  - **Up almost 1 percent**
  - **Exceeds production by 9 million tons**
  - **China, the largest rice consumer, accounts for most of the projected consumption increase**
  - **Record use projected for China, Bangladesh, India, Southeast Asia, and Sub-Saharan Africa**
  - **Near-record use projected for the United States**



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

## ***Domestic and Residual Use***

- **Factors driving record global consumption**
  - **Population growth**
  - **Rising incomes in some developing countries, particularly in Sub-Saharan Africa**
  - **Includes a residual component that accounts for post-harvest losses, including losses in transporting, marketing, and processing**



# **The Global Rice Trade:**

## ***Calendar Year 2015***

- **Global trade in 2015 is projected at 42.6 million tons (milled basis), slightly below the 2014 record.**
- **Weaker exports from India are not projected to be fully offset by increased shipments from Pakistan, Vietnam, and United states.**
- **Trade would still the second highest on record.**
- **Another year of record imports by China, increased purchases by Saudi Arabia and the EU, and near-record imports by Sub-Saharan Africa**



# **The Global Rice Market:**

## ***Calendar Year 2014***

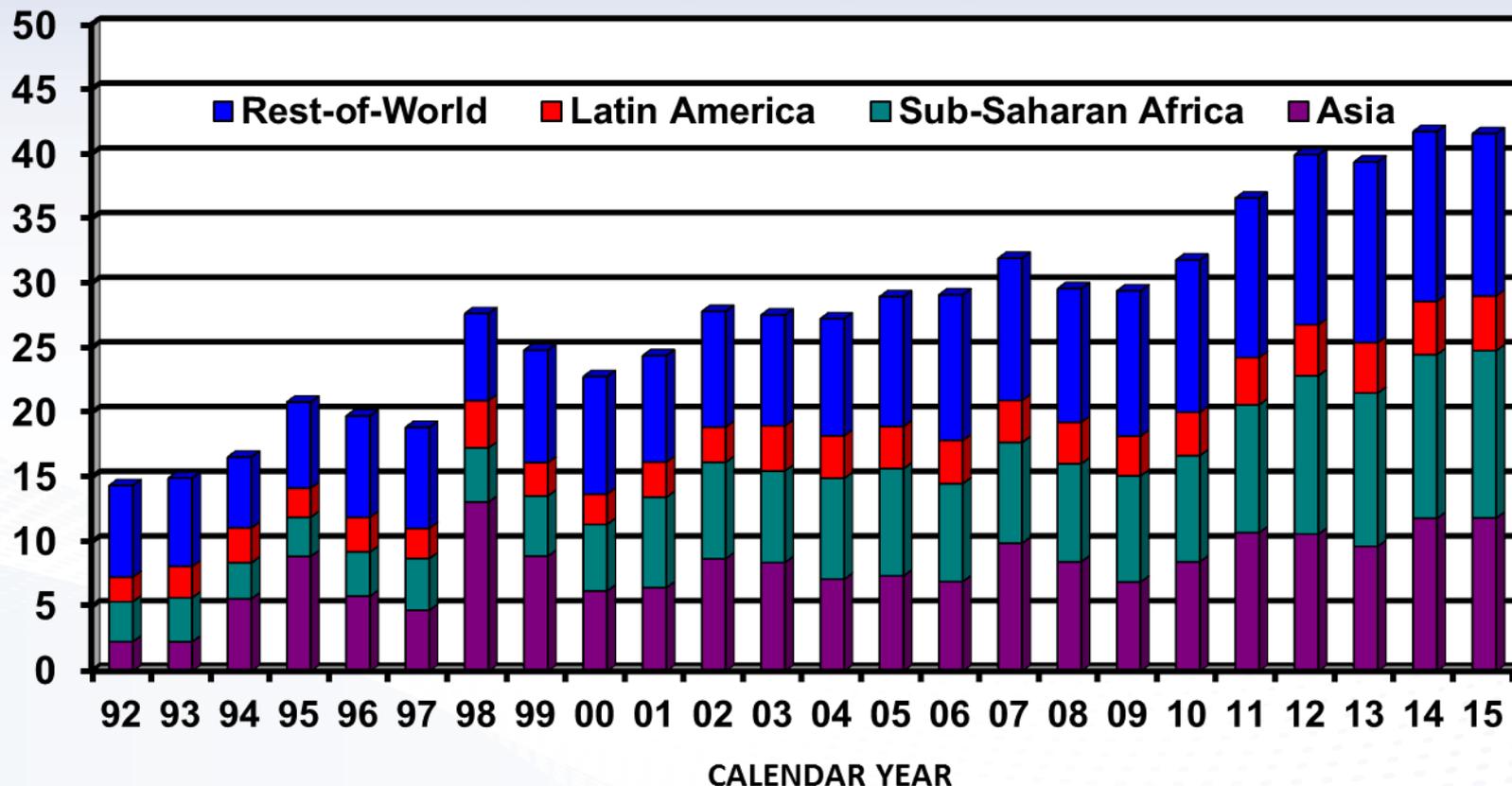
- **Global rice trade was the highest on record in 2014, estimated at 43.2 million tons (milled basis).**
- **India and Thailand each shipped about 11.0 million tons, a record for both exporters.**
- **China and Sub-Saharan Africa imported record amounts of rice in 2014.**
- **The Philippines and Bangladesh sharply increased imports in 2014.**
- **The EU (EBA) and Saudi Arabia imported more rice**



# Global rice trade in 2015 is projected to be near-record high

MIL. TONS

## Major Importing Regions



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

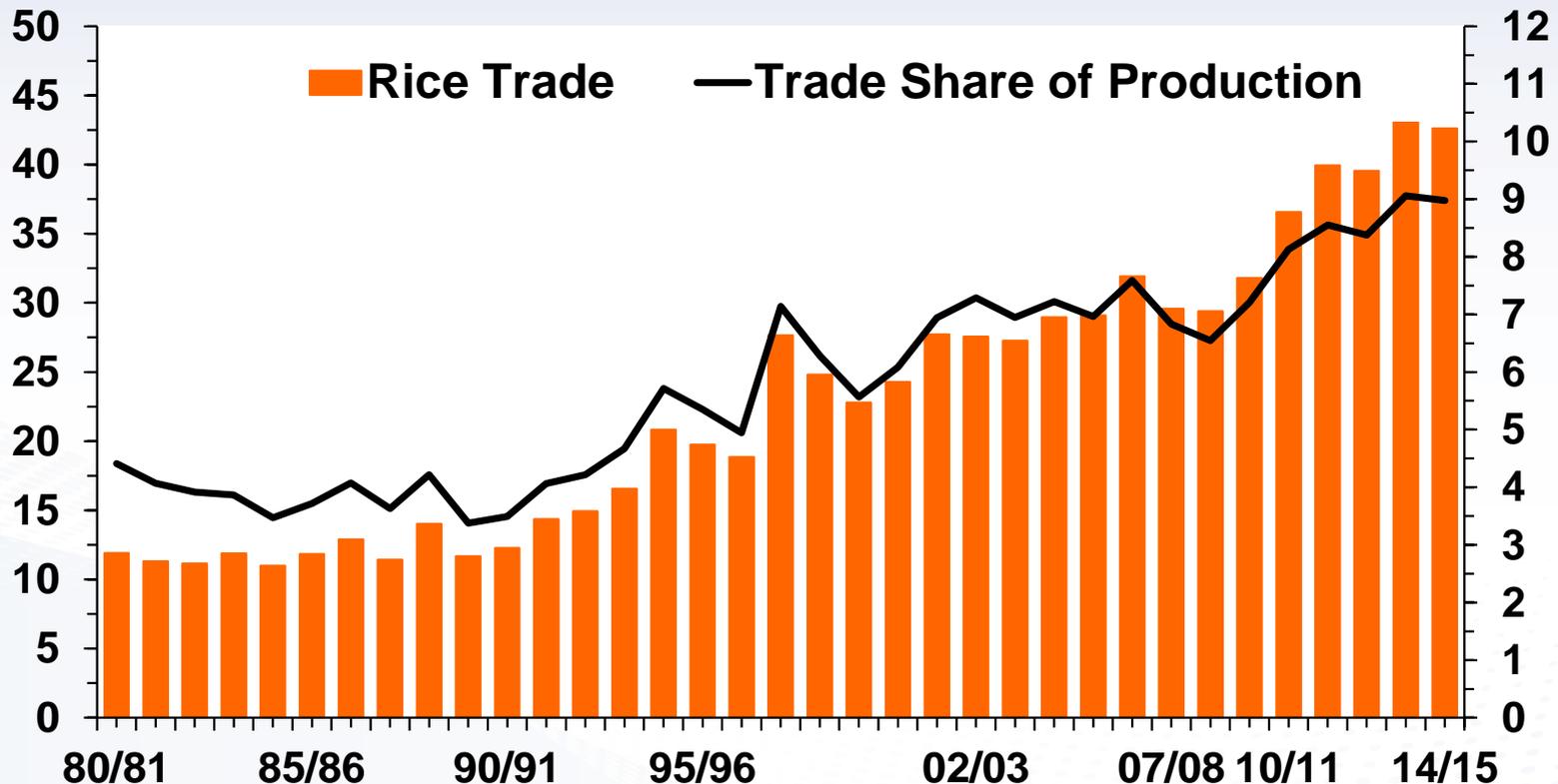


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# About 9 Percent of Global Rice Production Is Traded, Double the Share 5 Year Ago

MILL. TONS

PERCENT



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

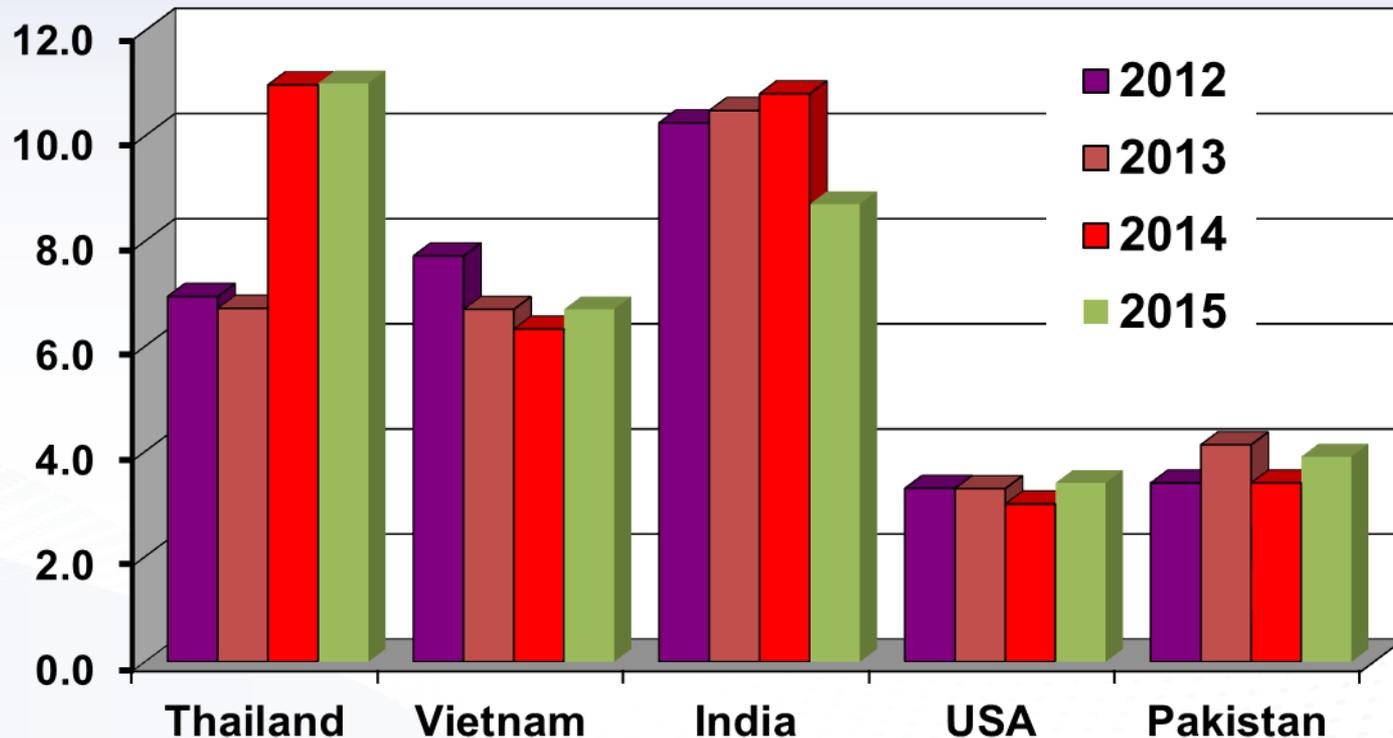


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# India's exports are projected to drop 17 percent in 2015; Thailand's record high

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>.

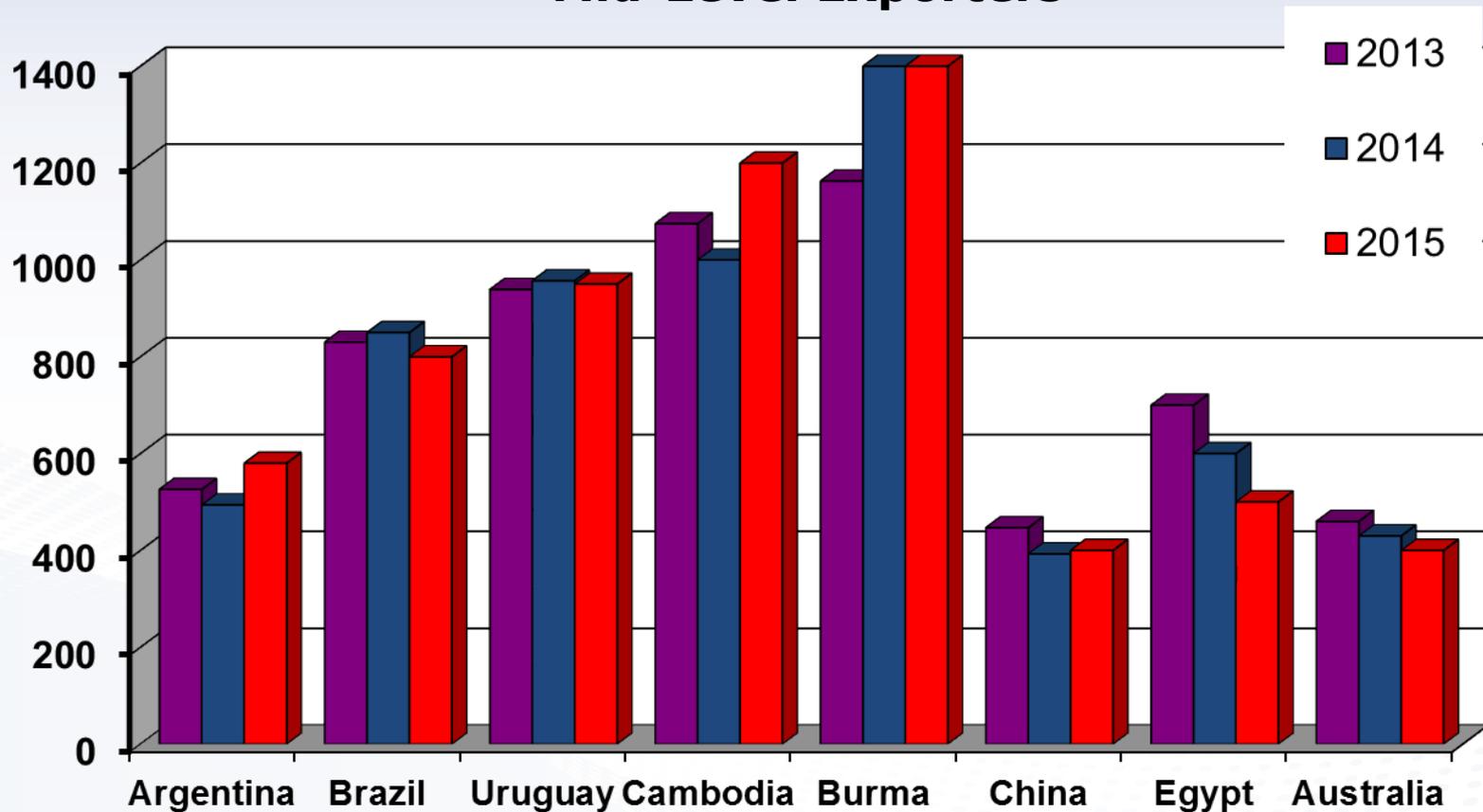


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# Burma and Cambodia have returned as significant rice exporters

1,000 TONS

## Mid-Level Exporters

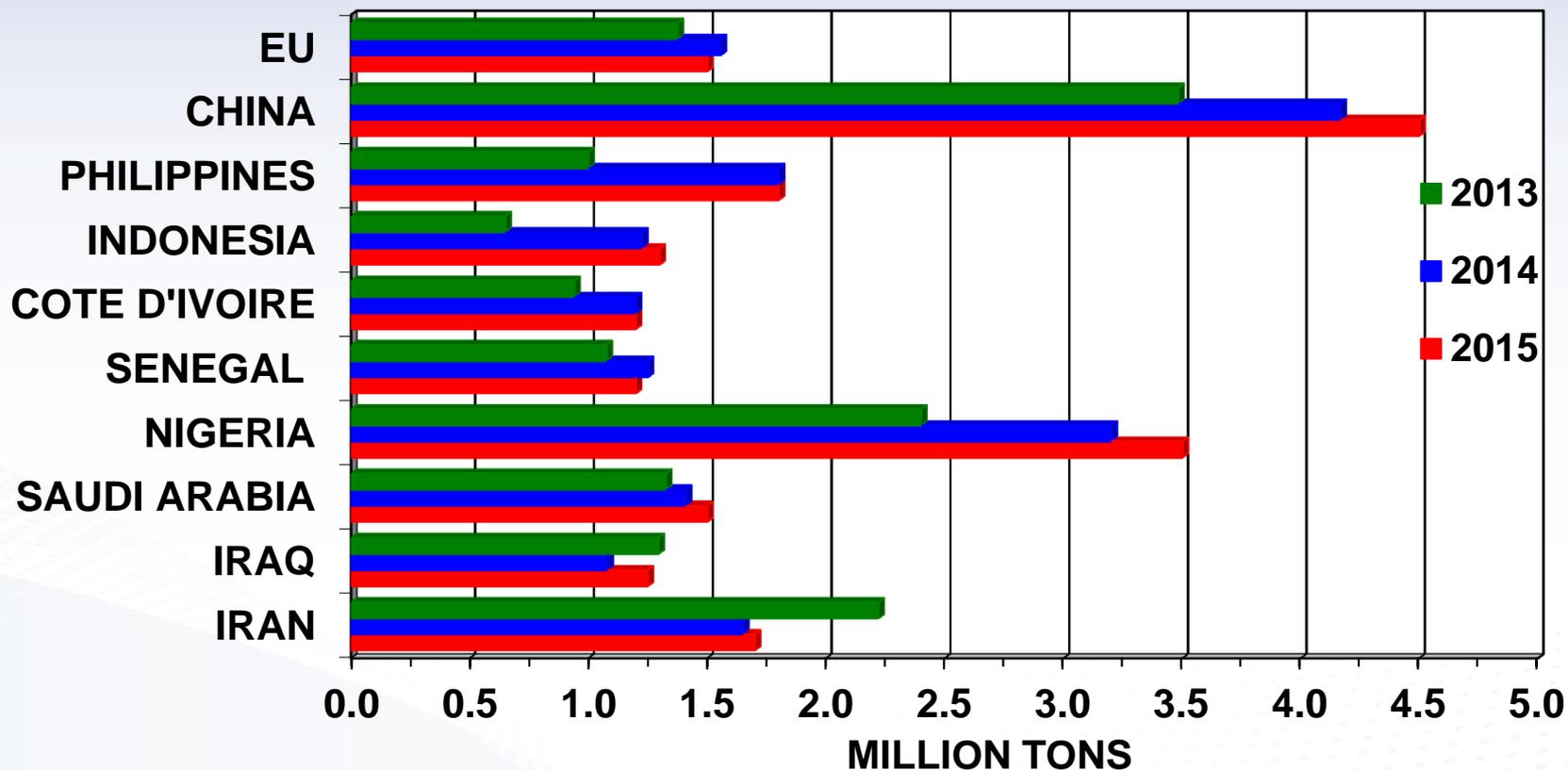


2015 are forecasts. Source: *Production, Supply, and Distribution* database, Foreign Agricultural Service, USDA, <http://www.fas.usda.gov/psd>.



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# China and Nigeria are projected to remain the two largest rice importing countries in 2015

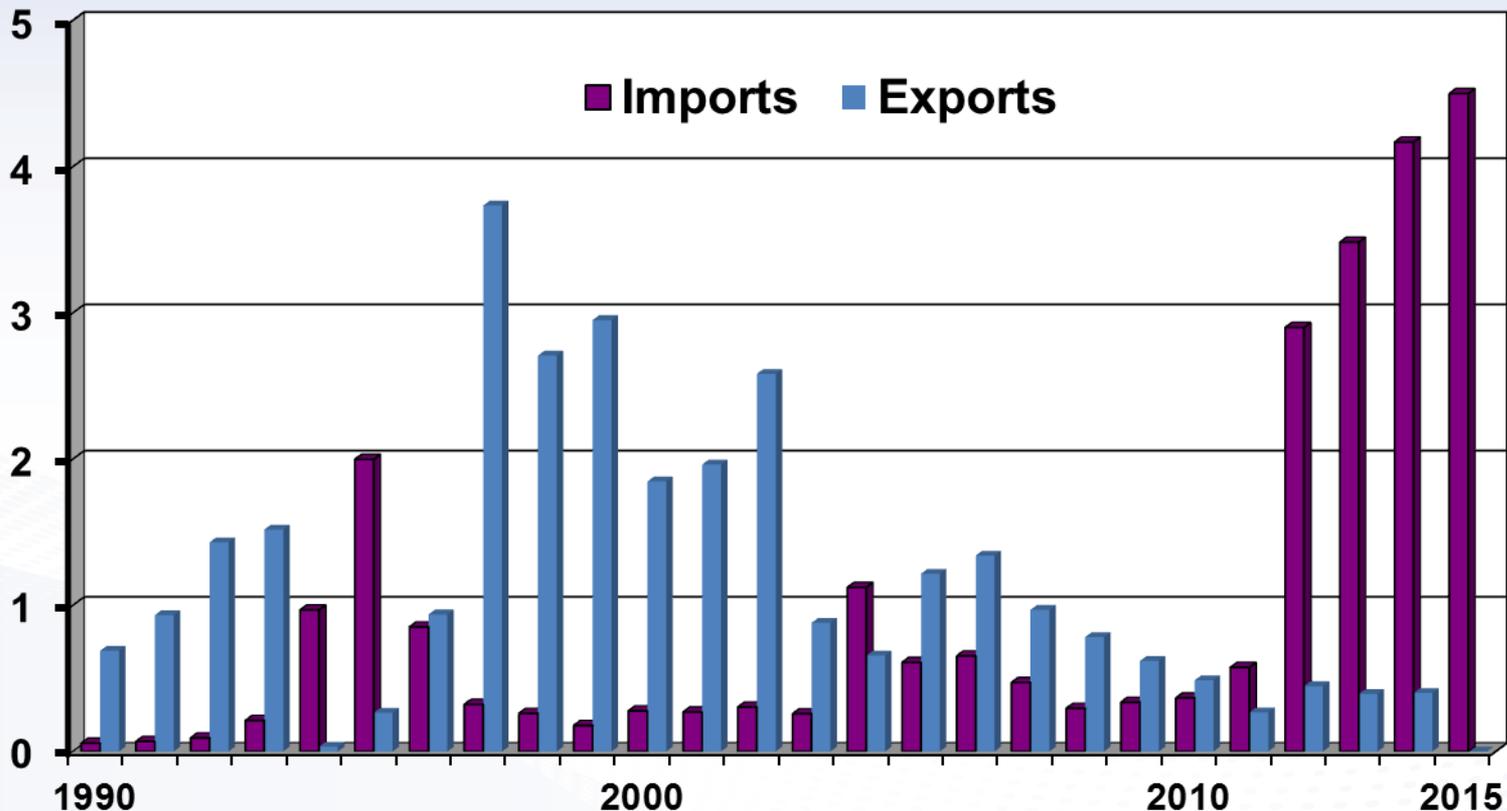


2015 are forecasts. These 10 countries account for about 45 percent of annual rice global imports. Source: *Production, Supply, and Distribution* database, Foreign Agricultural Service, USDA, <http://www.fas.usda.gov/psd>.



# 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 2014/15 Global Rice Market:**

## ***Ending Stocks***

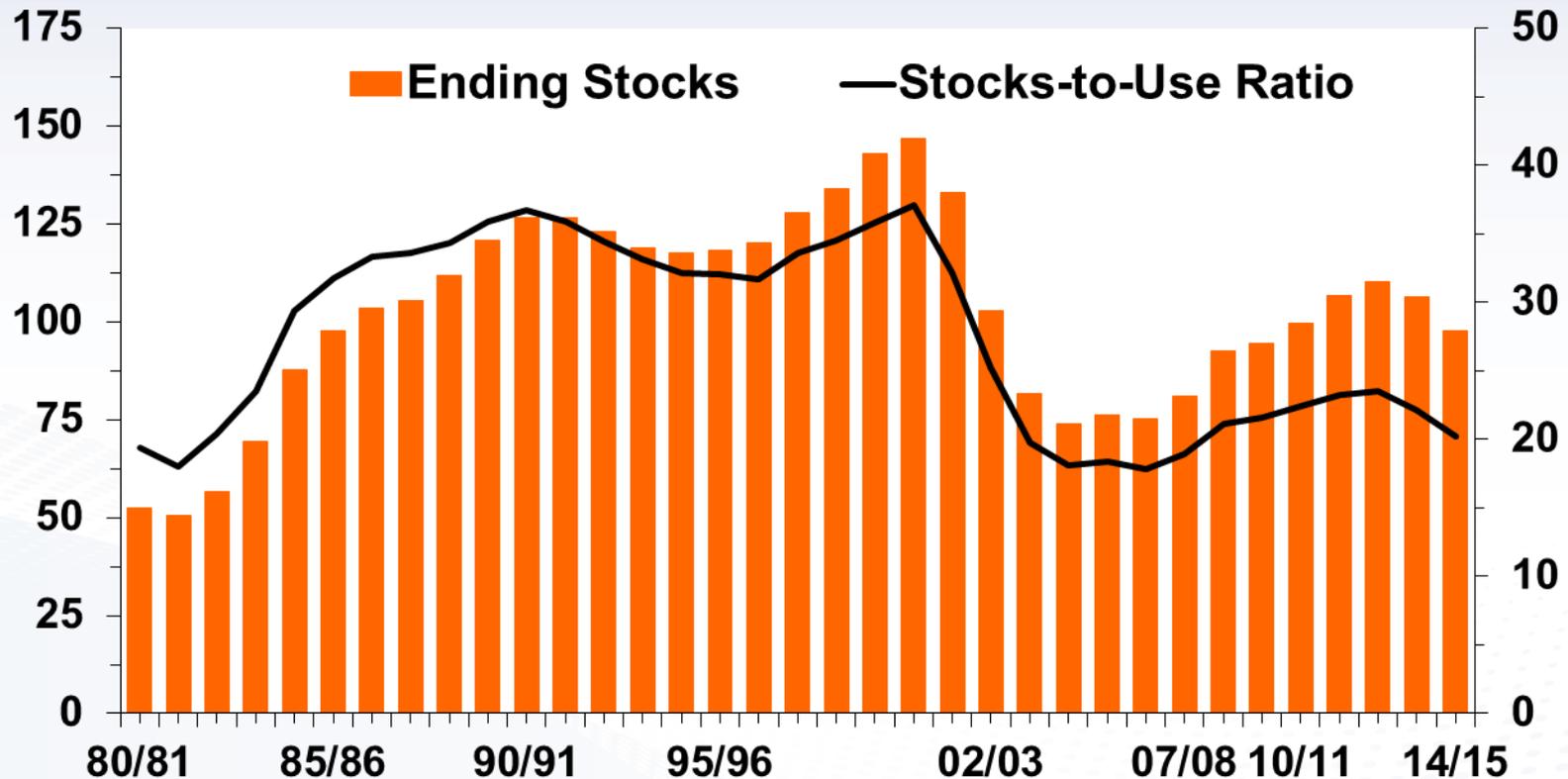
- **Ending stocks are projected to decline 8 percent and would be lowest the since 2009/10.**
- **Stocks-to-use ratio projected to be 20.1 percent, the lowest since 2007/08**
- **India and Thailand account for most of the projected decline in 2014/15 ending stocks**



# 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>.

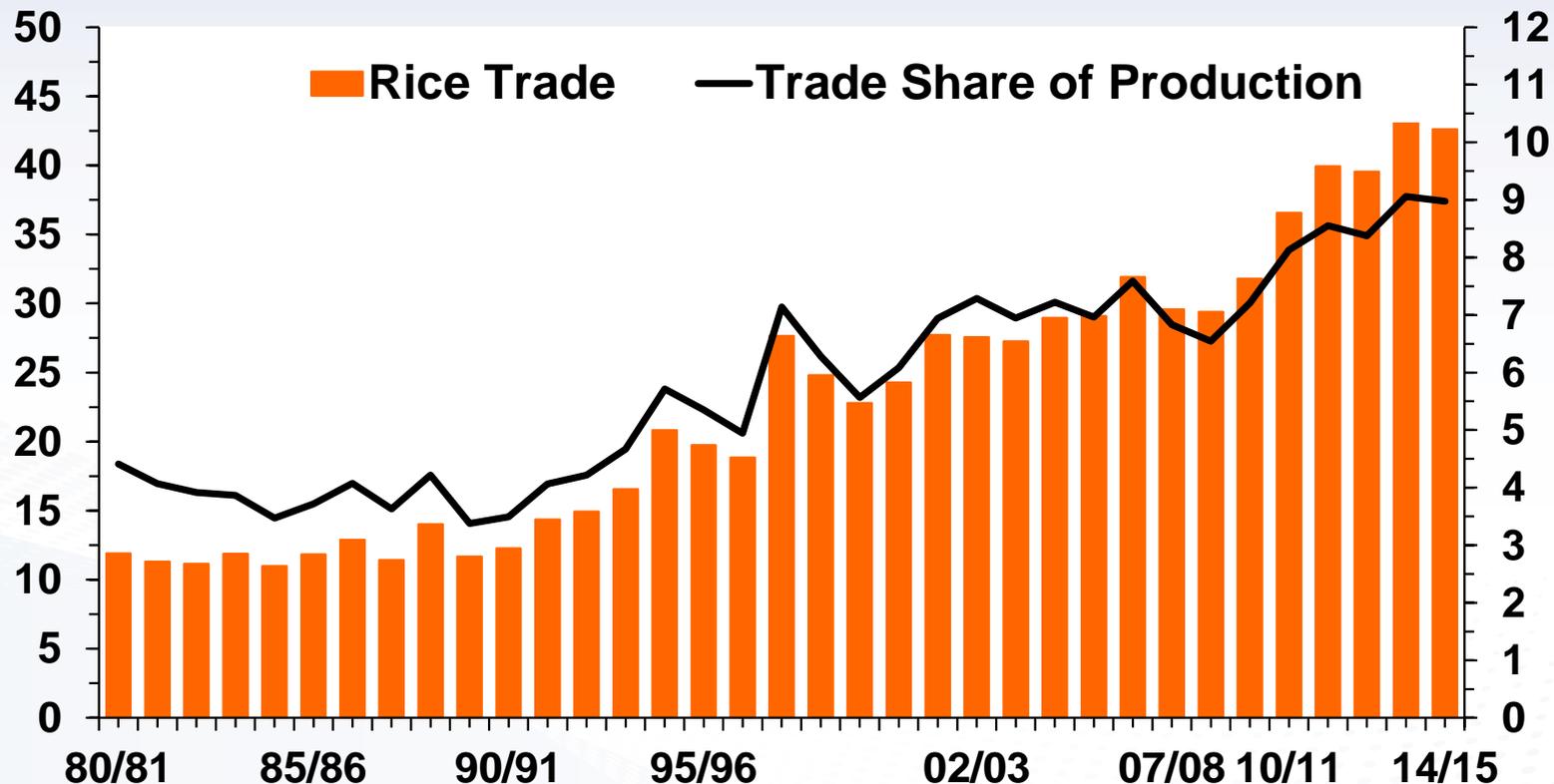


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# About 9 Percent of Global Rice Production Is Traded, Double the Share 5 Year Ago

MILL. TONS

PERCENT



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



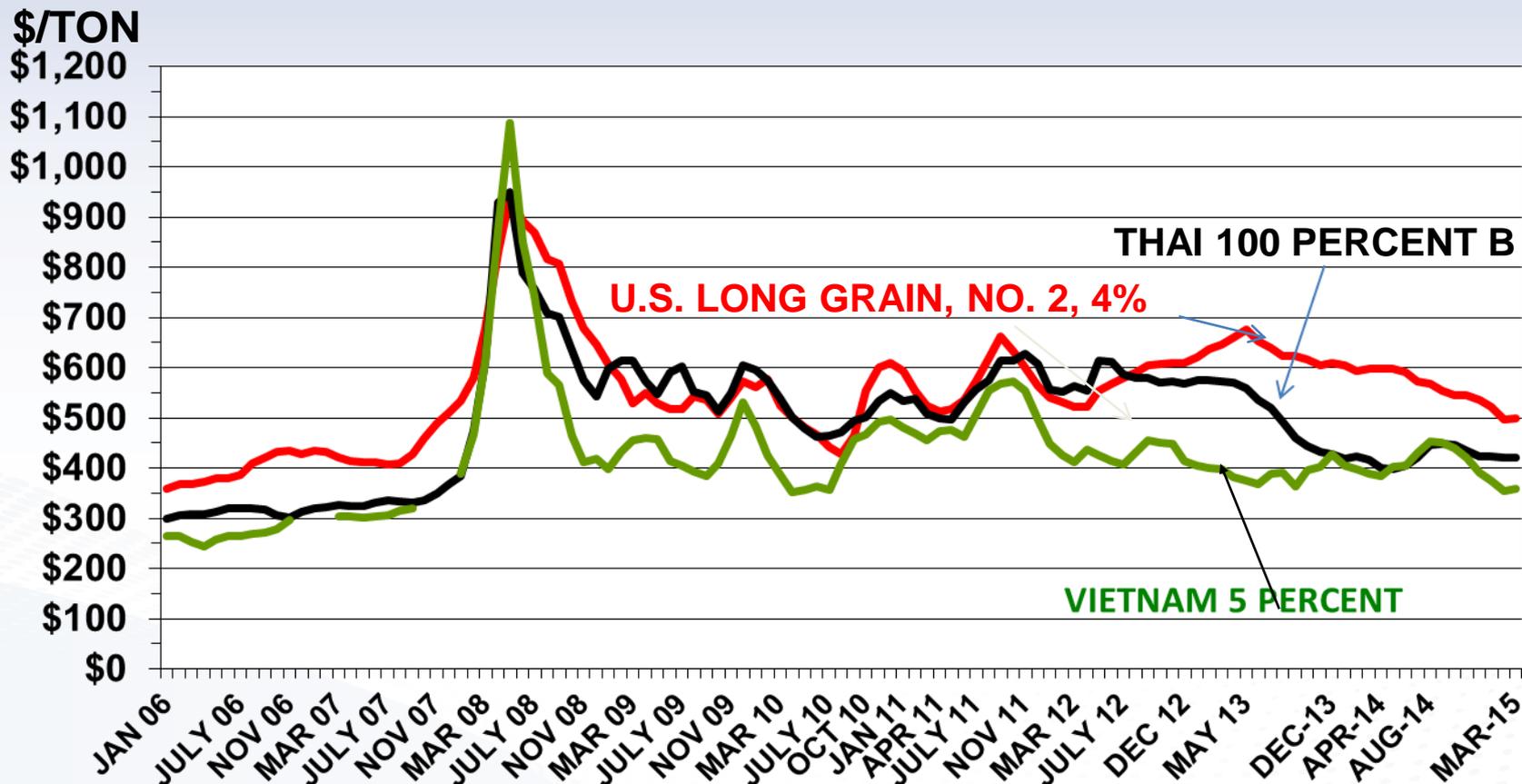
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# **The 2015 Global Rice Market:** ***Declining Global Trading Prices***

- **Driving factors:**
  - **Stronger dollar**
  - **Much lower fuel prices**
  - **Bumper crops in major importing countries**
  - **Large exportable supplies**
  - **Continued release of rice stocks held by the Government of Thailand**



# The U.S. Price Difference Over Thailand Has Declined from Last Summer's Record



March 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*.



# PART 2

## THE U.S. 2014/15 RICE MARKET OUTLOOK



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

## *Main points*

- An 11-percent increase in total supplies, with long-grain accounting for most of the increase.
- A 16-percent increase in production more than offset a 13-percent smaller carryin and near-steady imports.
- Total use is projected up 8 percent, with domestic and residual use up 5 percent and exports 12 percent higher
- Large stocks buildup, thus a much larger carryout is expected going into 2015/16
- Much lower long-grain prices in 2014/15
- Slightly lower 2014/15 medium- and short-grain prices



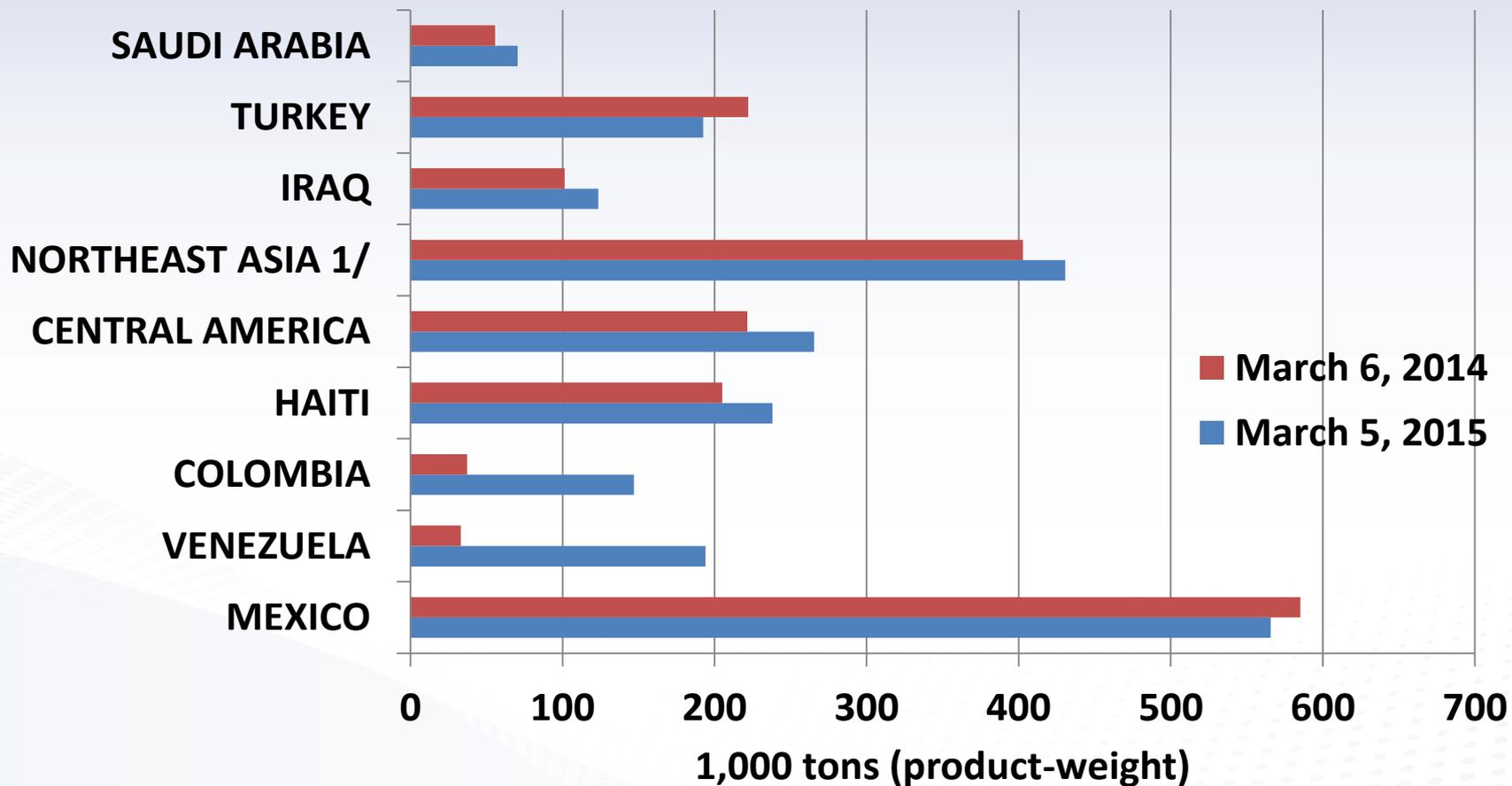
# The 2014/15 U.S. Rice Market:

## *Exports*

- **Total U.S. exports**
  - Projected 12 percent higher than last year.
- **U.S. long-grain exports**
  - Up 16.5 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



# U.S. exports & sales were well ahead of year earlier to Colombia and Venezuela



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

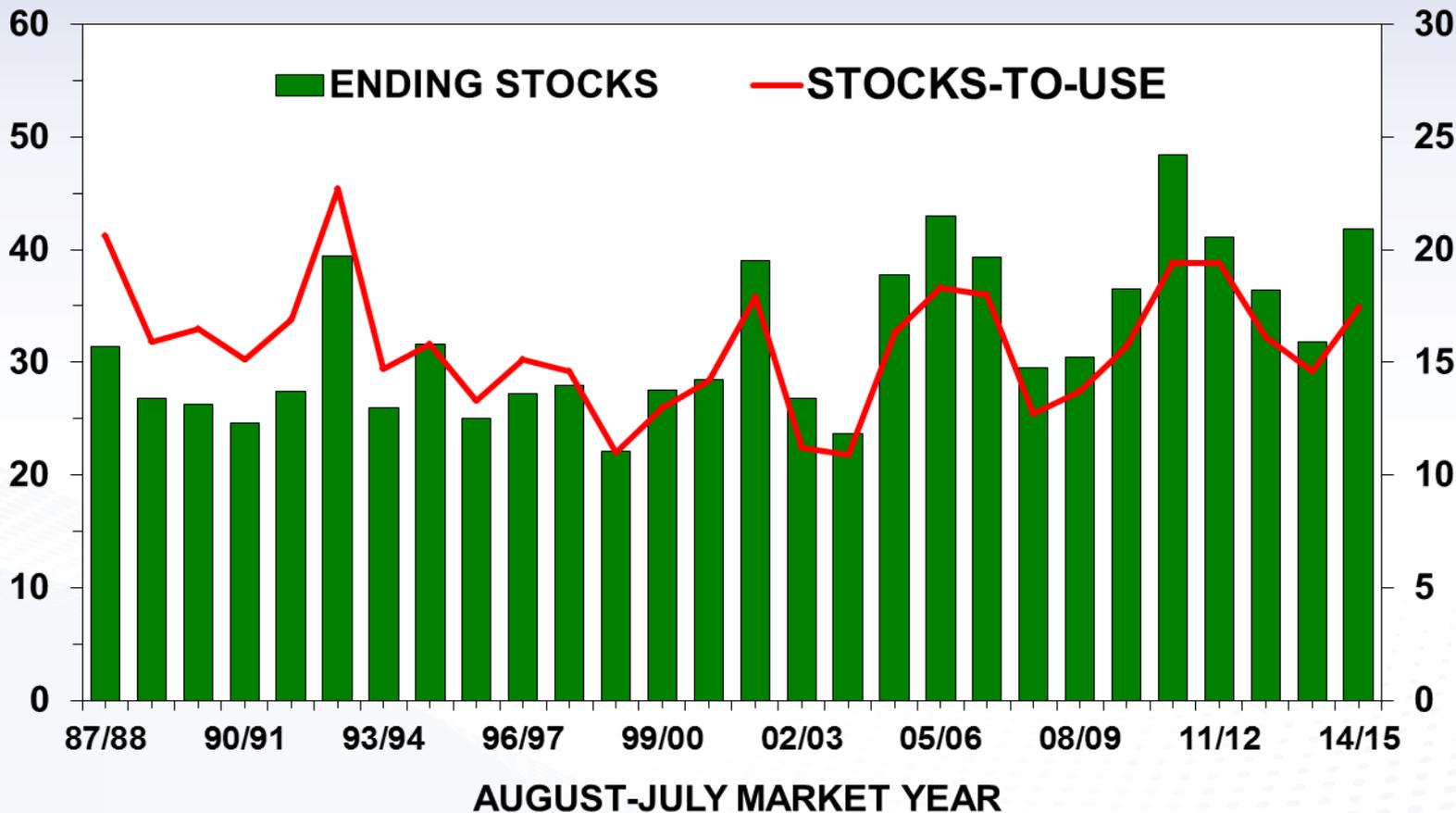


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# U.S. all-rice ending stocks are projected to increase 28 percent in 2014/15

MILL. CWT

PERCENT



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

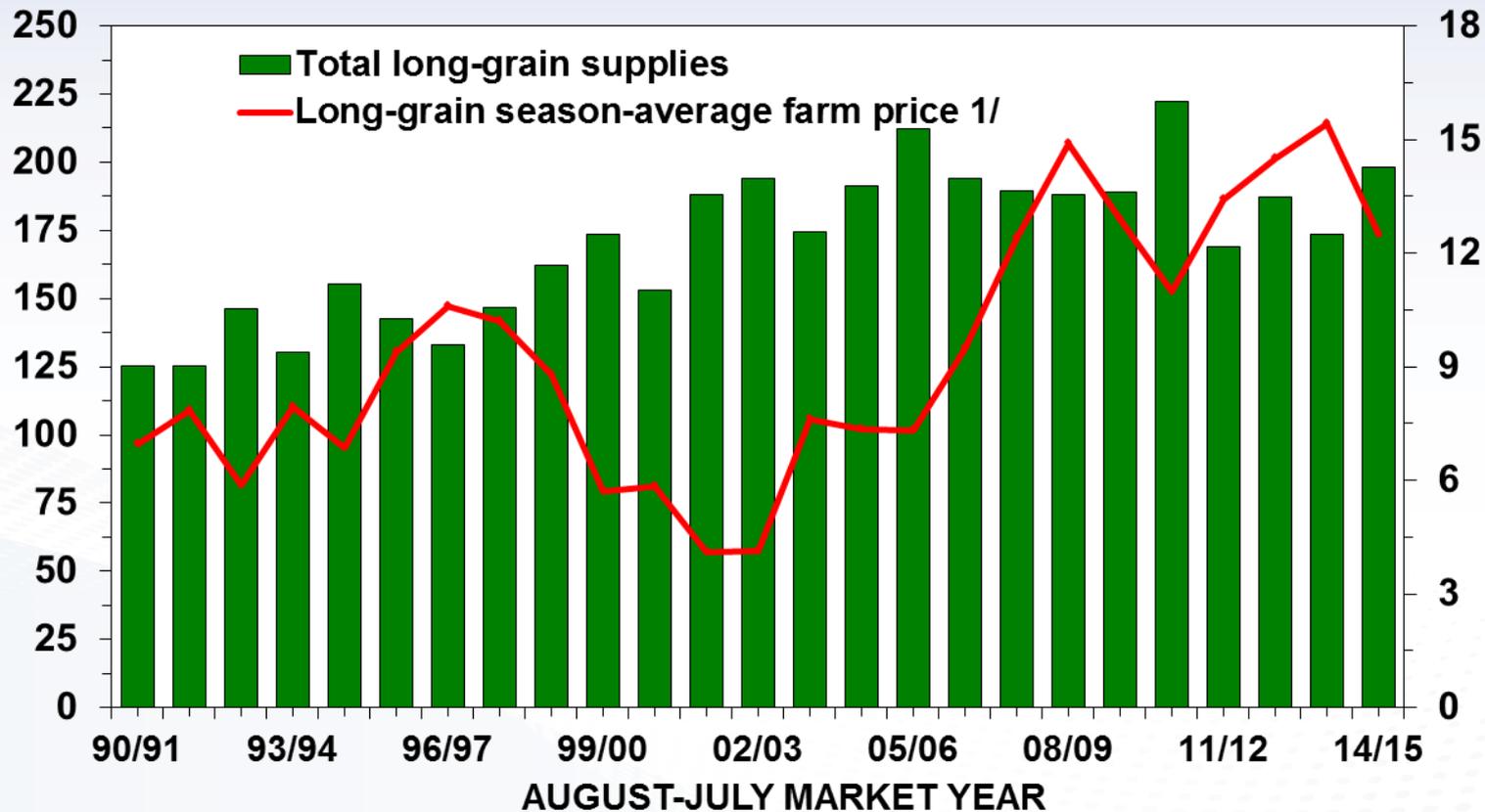


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# U.S. long-grain prices are projected to decline about 20 percent 2014/15

MILL. CWT

\$/CWT

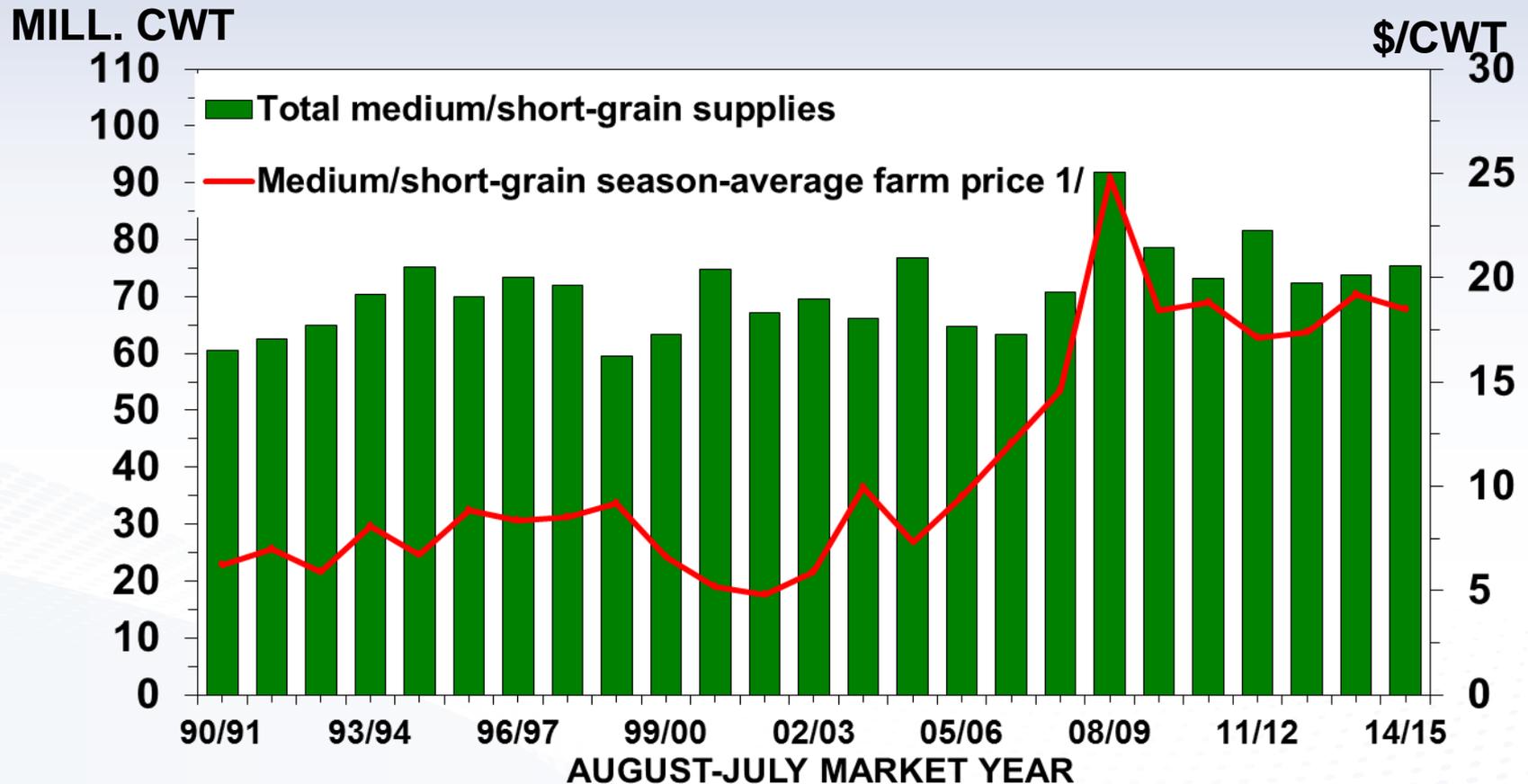


2014/15 are forecasts. 1/ 2014/15 mid-point of price range. Sources: 1990/91-2011/12, *2014 Rice Yearbook Data Set*, Economic Research Service, USDA; 2012/13-2014/15, *World Agricultural Supply and Demand Estimates*, <http://www.usda.gov/oce/commodity/wasde/index.htm>



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# U.S. medium- and short-grain rough-rice prices are projected to be slightly lower in 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. 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
  - A stronger dollar



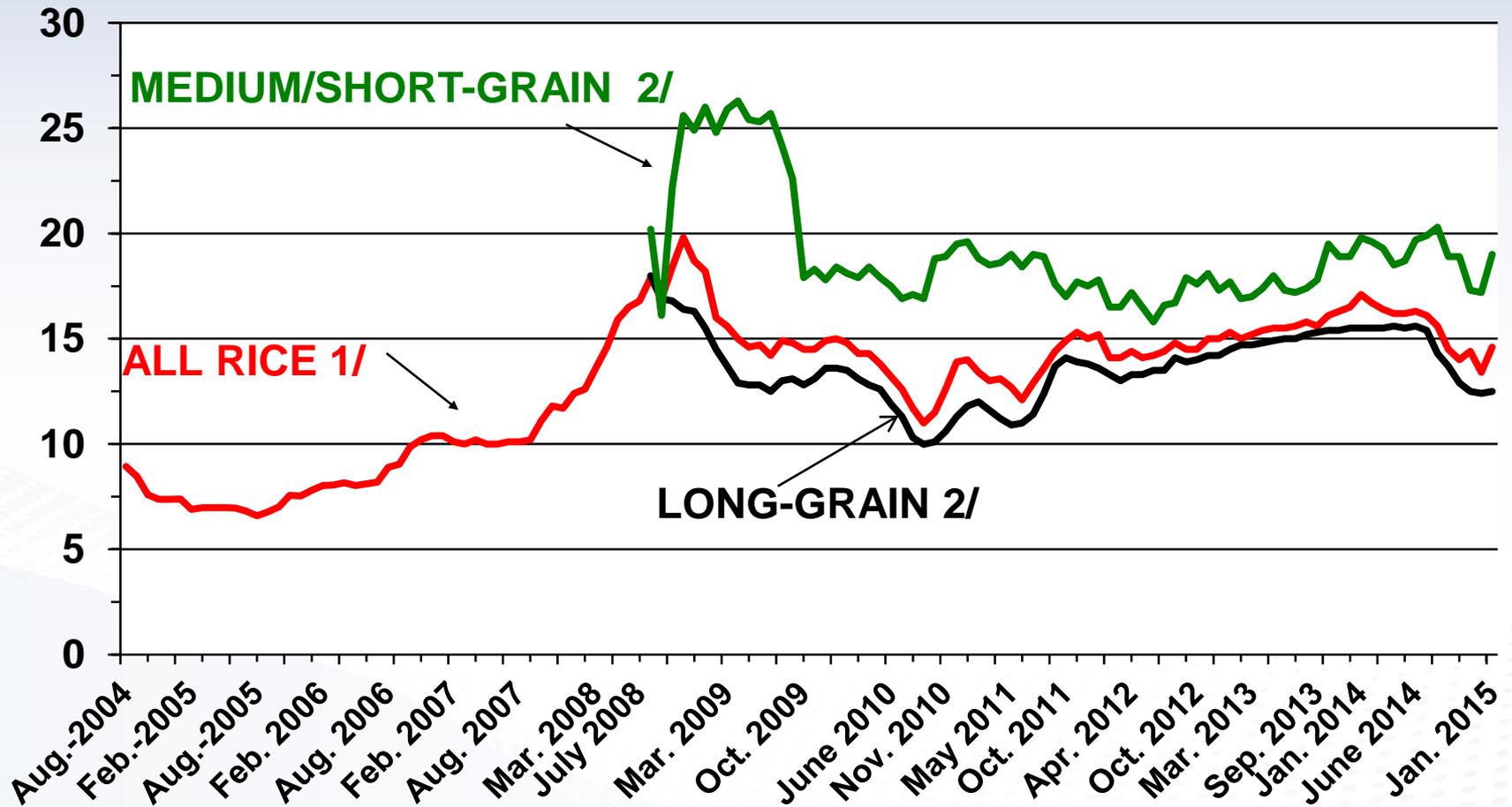
# U.S. 2014/15 Farm Price Forecasts: Season-Average Farm Price by Class

- **Slightly lower U.S. medium/short-grain rough-rice prices**
  - Larger share of the U.S. medium- and short-grain 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 rough-rice prices have dropped 10 percent since June

\$/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.



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## **PART 3**

# **2015/16 U.S. Rice Supply and Use Forecasts: From the 2015 Agricultural Outlook Forum (AOF)**



# **AOF Outlook for the U.S. 2015/16 Rice Market**

- **Multi-Agency forecasting process—includes analysts from the WAOB, FSA, FAS, and ERS.**
- **Forecasts for 2015/16 U.S. rice market, for all rice and by class, were presented at the February 2015 Agricultural Outlook Forum.**
- **All forecasts were based on data and analysis made in support of the 2015 February *WASDE*.**



# **AOF Outlook for the U.S. 2015/16 Rice Market**

- The first indication of intended plantings of the 2015/16 crop will be released on March 31 in the *NASS Prospective Plantings* report.
- The first official USDA forecasts for 2015/16 for both the U.S. and global rice markets will be released in the May 2015/16 *WASDE*.
- You can access the AOF 2015/16 supply and use tables and analysis for rice, other grains, and oilseeds at the following URL:
- [http://www.usda.gov/oce/forum/2015\\_Speeches/Grains\\_Oilseeds.pdf](http://www.usda.gov/oce/forum/2015_Speeches/Grains_Oilseeds.pdf)



# **AOF Outlook for the 2015/16**

## **U.S. Long-Grain Market: Supply**

- **Much larger carryin**
- **Small area decline**
- **Long-term trend yield (little change from 2014/15)**
- **Slightly smaller crop**
- **Slight increase in imports, mostly aromatic rice from Asia, the dominate type of rice imported by the U.S.**
- **Larger total long-grain supplies**



# **AOF Outlook for the 2015/16**

## **U.S. Long-Grain Market: Use**

- **No change in domestic and residual use**
- **Slight increase in exports, a result of larger supplies and lower prices**
- **Another year of a buildup in ending stocks**
- **Highest stocks-to-use ratio since 2010/11**
- **Another year of declining U.S. long-grain rough-prices**
- **A long-grain SAFP well below the \$14.00 per cwt reference price**



# AOF Outlook for 2015/16

## U.S. Long-Grain Market: **Questions**

- How economically viable will planting long-grain rice be in the South at lower rice prices...?
- ...And with lower projected prices for other grains and soybeans?
- What will be the impact of lower fuel prices on the profitability of rice compared with alternative crops?
- Will a stronger dollar hurt U.S. competitiveness in global markets?
- How will low global oil prices affect major buyers such as Venezuela or Iraq that are oil exporters?



# Cuba and the U.S. Long-Grain Market: History and Current Situation

- Cuba was the largest market for U.S. long-grain rice in the 1940s and 1950s
- Big increase during WWII and sales remained strong through the 1950s
- U.S. shipments to Cuba averaged 165,000 tons a year (milled basis) 1956-58.
- In some years, half of all U.S. rice exports went to Cuba, accounting for about one-fourth of U.S. long-grain rice production.
- The U.S. embargoed exports to Cuba in 1962



# Cuba and the U.S. Long-Grain Market: History and Current Situation

- U.S. sales resumed in 2002. Last significant U.S. sale was in 2008.
- Cuba has purchased milled, rough, and brown rice from the United States.
- The U.S. accounted for about 18 percent of Cuba's rice imports 2002-2007.
- Imports now account for more than half of total use
- Imports accounted for more than two-thirds of total use 2003/04-2007/08 before area increased
- Vietnam is the largest supplier. Brazil supplies most of the rest



# Cuba and the U.S. Long-Grain Market: **History and Current Situation**

- Cuba has the highest per capita food use in the Western Hemisphere, over 120 pounds a person
- Rice accounts for almost 20 percent of daily calorie intake in Cuba based on FAO Food Balance Sheet



# Cuba and the U.S. Long-Grain Market: **History and Current Situation**

- The U.S. would have a substantial transportation advantage over Asian suppliers and could ship small quantities year round to various ports.
- Asian suppliers ship large quantities to a limited number ports where the rice is stored.
- The U.S. sells high-quality rice preferred by the Cuban consumers who had a history of buying U.S. rice instead of lower priced rice from Asian exporters.



# Cuba and the U.S. Long-Grain Market: **History and Current Situation**

- However, Vietnam's prices are substantially lower than U.S. prices for similar grades of rice
- And Vietnam can offer long-term credit at favorable rates for large sales.



# AOF Outlook for 2015/16

## U.S. Medium- and Short-grain: Supply

- Small increase in plantings, all in the South
- Expect continued water restrictions in California
- A slightly lower U.S. MG/SG average yield based on long-term trend
- About a 2-percent larger total medium- and short-grain crop
- Carryin down about 14 percent
- Near-steady imports
- Virtually no change in total supplies



# AOF Outlook for 2015/16

## U.S. Medium- and Short-grain: Use and Price

- Small drop in domestic use
- Exports expected up slightly...
- ...with Northeast Asia still the top export market
- Larger ending stocks and a higher stocks-to-use ratio
- Little change in medium- and short-grain farm prices in the South or California.



# AOF Outlook for 2015/16

## U.S. Medium- and Short-grain: Concerns

- Reservoir levels and water restrictions in California
- Egypt's export policy and planting restrictions
- Profitability of rice in the South compared with alternative crops



## **U.S. Rice Outlook Concluding Remarks**

- **A large carryin is projected for 2015/16**
- **Crop size is expected to be little changed from 2014/15**
- **Expanded use is not expected to absorb all of the increased supply**
- **Long-grain prices are projected to be under downward pressure from larger U.S. supplies and adequate global supplies**
- **A larger than typical share of the medium- and short-grain crop is expected to be produced in the South**
- **Southern MG/SG trades at lower prices than California rice and competes in some markets.**



## For More Information, Please Go To:

- The Economic Research Service Home Page <http://www.ers.usda.gov>
- The Rice Topics Page <http://www.ers.usda.gov/topics/crops/rice.aspx>

