

The U.S. and Global Rice Market Baseline: Prospects and Challenges

Arkansas Global Rice Economics Program

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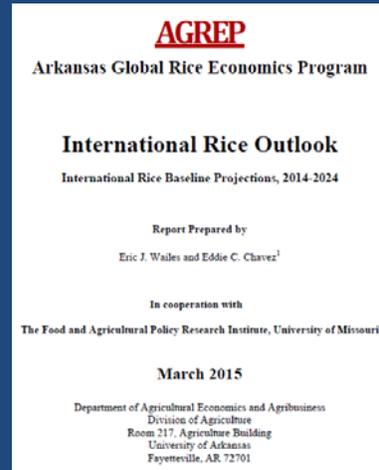
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Presentation Outline

- A. Overview of the U.S. and global rice economy
- B. Basic assumptions
- C. Uncertainties
- D. Concluding comments

<http://www.uark.edu/ua/ricersch/>



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Motivation for Baseline

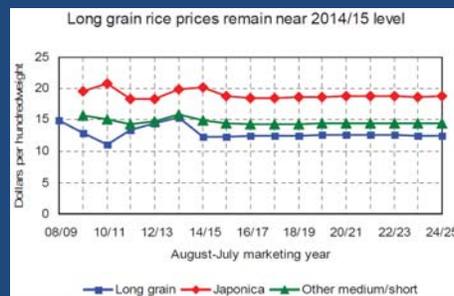
- Collaborate with FAPRI
- More details for U.S. and global rice markets
- Interest by rice sector for 2014 Farm Bill signup
- The baseline provides a framework to evaluate changes in policy and assess new technologies



<http://www.fapri.missouri.edu/publication/2015-u-s-baseline-briefing-book/?preview=true>

Prospects for the U.S. Rice Sector

- Long grain rice area and production increased in 2014
- Long grain prices remained above competitor prices but have dropped below \$13/cwt in 2014/15.
- Japonica area in California declined due to drought in 2014
- Japonica prices remain high. The drought in California and strong Asian demand will keep the margin above other types of rice.



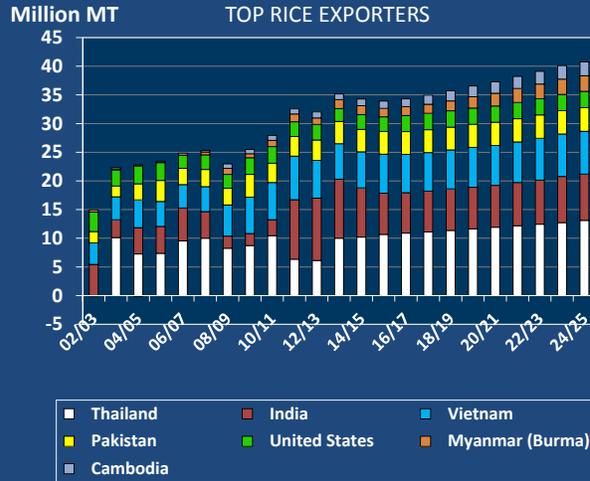
Source: FAPRI-MU, 2015 U.S. Baseline Briefing Book

U.S and International Rice Economy

- Steady growth in global trade

Export increases in Thailand, Vietnam, Myanmar and Cambodia

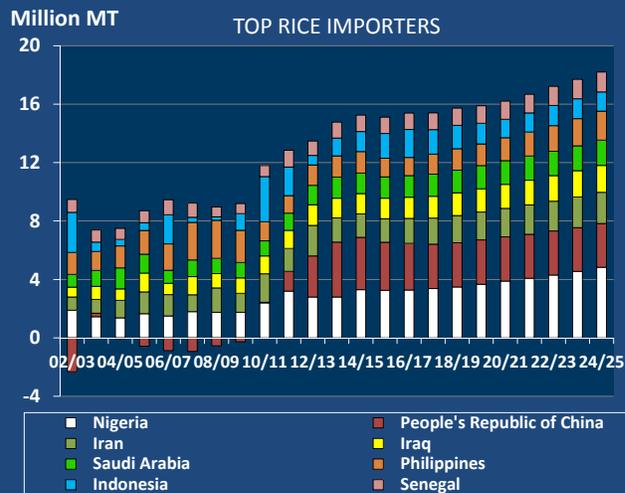
Seven countries account for more than 80% of exports and growth in trade



U.S and International Rice Economy

- Steady growth in global trade

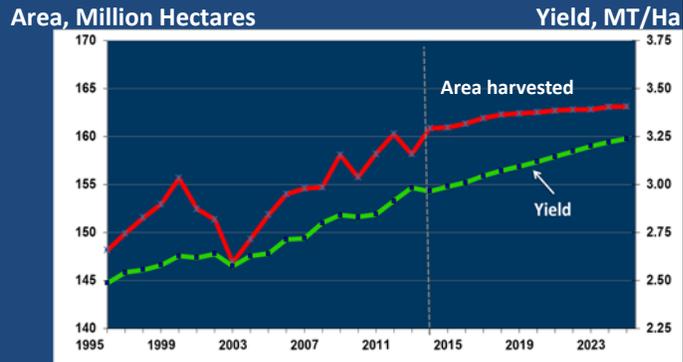
- Import growth in Nigeria, other West Africa, the Middle East and the Philippines



U.S and International Rice Economy

- World rice production growth**

Primarily through yield growth and only marginal increases in area harvested



U.S and International Rice Economy

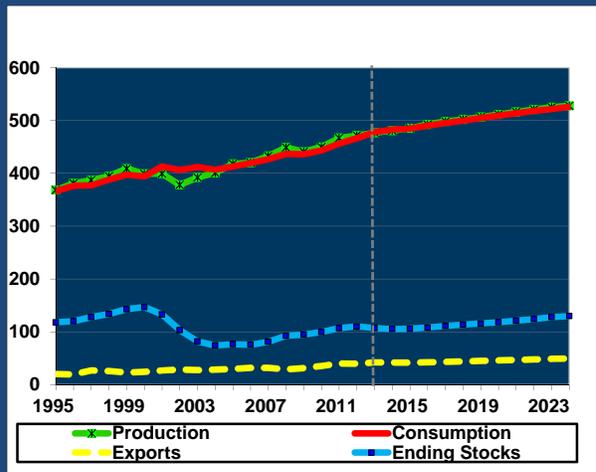
- Consumption growth**

Population growth is the key driver.

We project slight declines in global per capita use of rice.

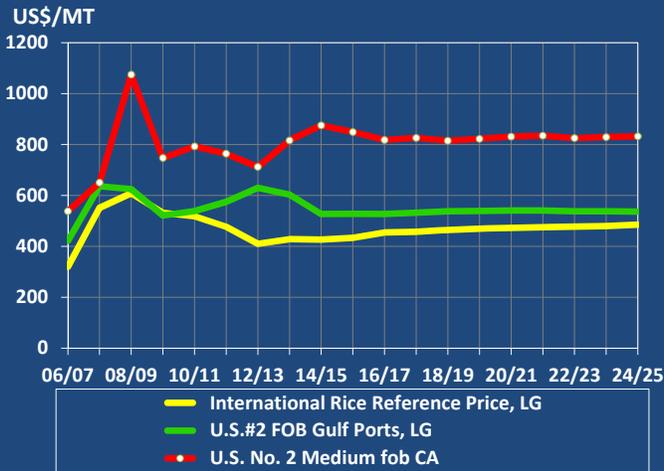
Stocks rebuild while trade is less than 10% of use.

Million MT



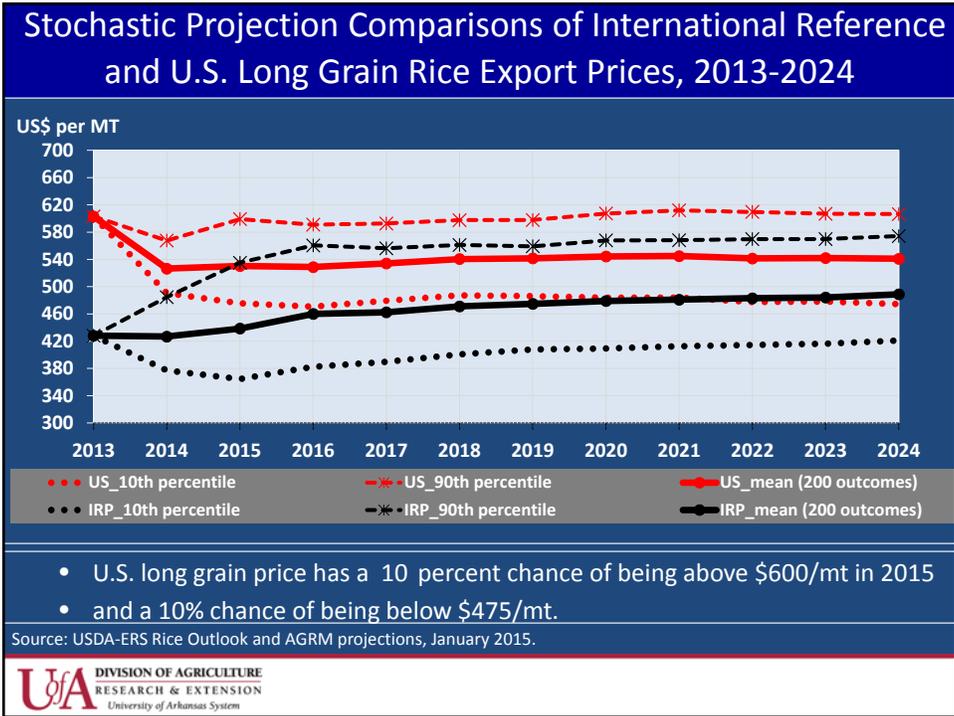
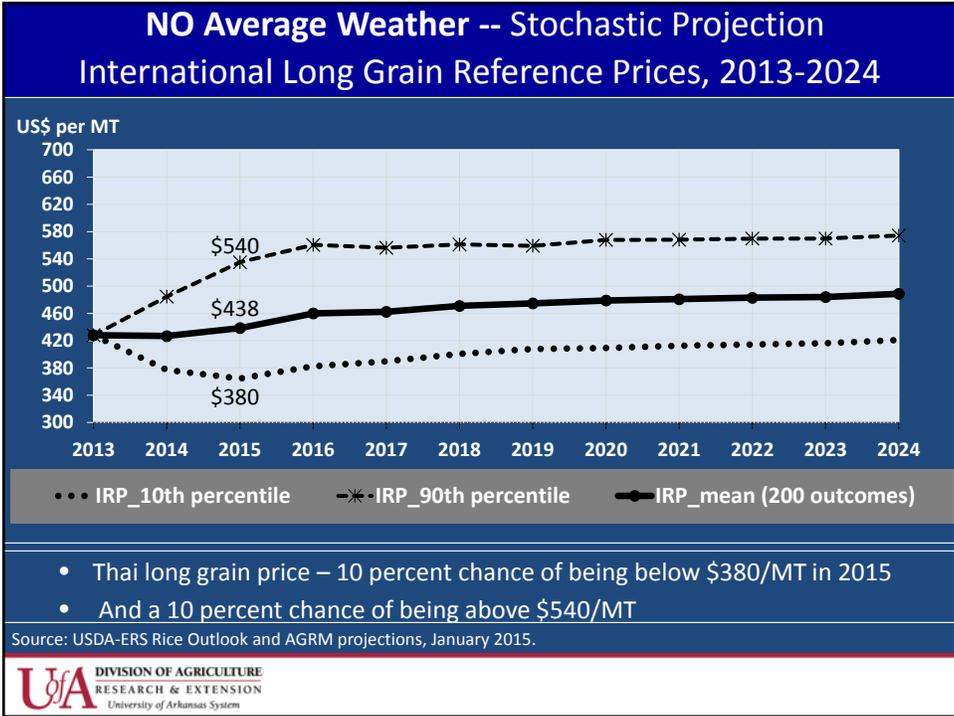
U.S and International Rice Prices

- Abundant global rice supplies
- Prices increase marginally
- U.S. and Asian long grain prices converge



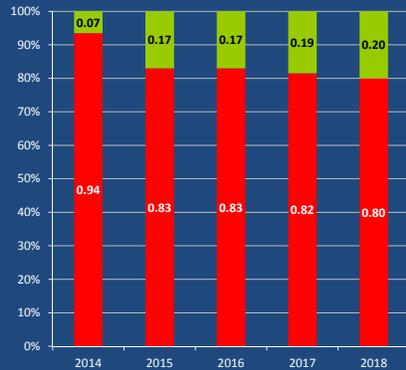
Basic Assumptions of the Projections

- Macroeconomic data : IHS Global Insight
- Average weather conditions
- Continuation of existing policies
- Smooth liquidation of the excessive rice stocks accumulated under Thailand's Paddy Pledging Program.



Policy implications for the 2014 Farm Bill – Price Loss Coverage

Probabilities of U.S. long grain price less than \$14.00 and greater than or equal to \$14.00 per cwt.



Probabilities of U.S. Medium Japonica less than \$16.10 and greater than or equal to \$16.10 per cwt.



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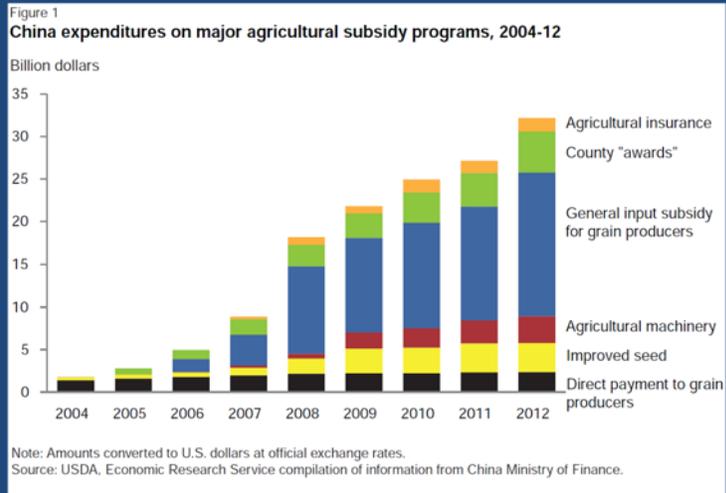
Current Policies – where from here?

- Magnitude of policy distortions in the global rice economy have never been greater than today!
- Emerging economies – China, Brazil, Indonesia, where rice is a staple food, are spending at unprecedented levels.



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Growth in support in China



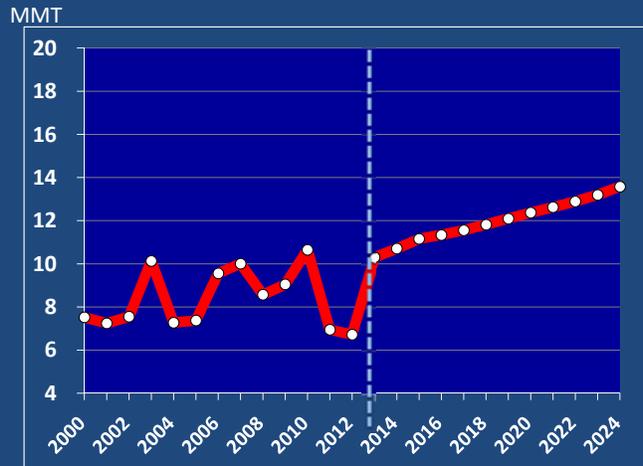
Source: Gale, F. USDA, ERS Econ Res. Rpt No 153, August 2013

Uncertainty in the Global Rice Market-Thailand



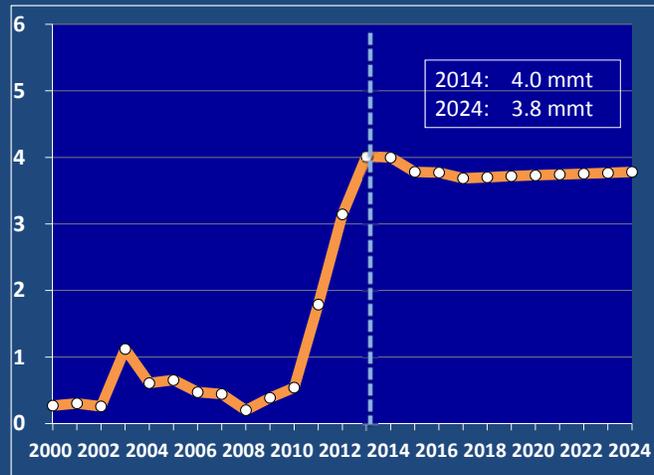
Key Global Rice Market Drivers

- Thailand resumes active market participation
- Or will it pursue supply controls?



Key Global Rice Market Drivers

- Will China remain a major rice importer?



Concluding observations

- Global rice supplies are expected to stay ahead of demand
- Demand is driven by population growth as per capita consumption declines
- Nominal prices rise marginally but real prices are projected to decline.

LG International Reference Price vs. Thai Price, 2006-2024

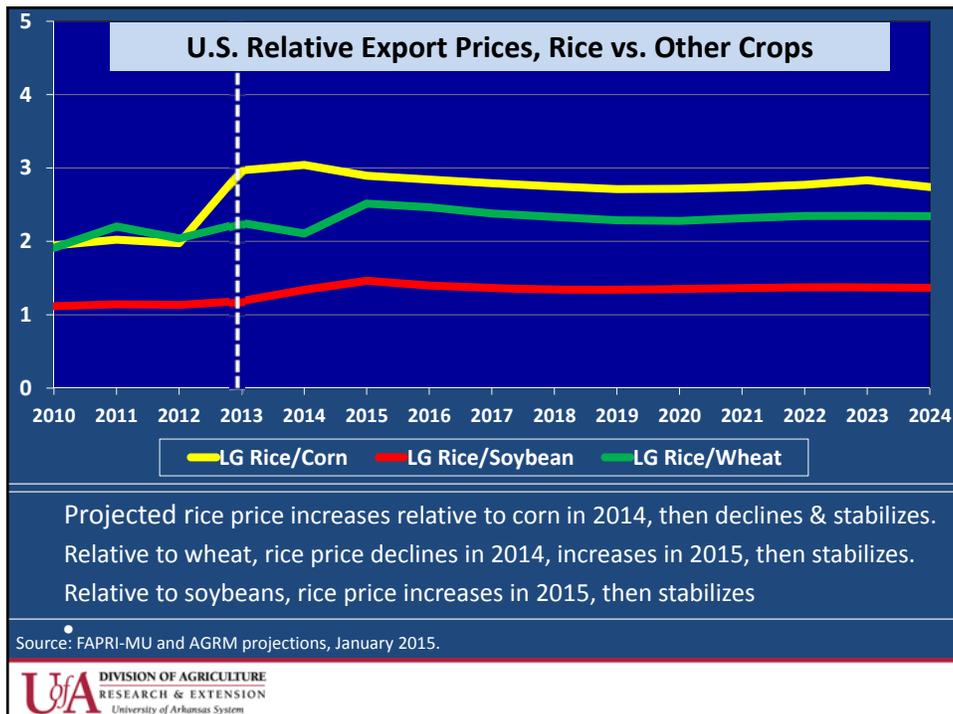


- International reference price range: \$426- 485
- Nominal Thai price converges with international reference price
- Real Thai price declines below \$300/mt

Source: USDA-ERS Rice Outlook and AGRM projections, January 2015.

Concluding observations

- The U.S. remains an important global export supplier.
- Trade policies affect U.S. competitiveness
 - Regional trade agreements: TPP, T-TIP
 - Policy distortions of major export competitors
 - Policy distortions of major
- U.S. rice remains competitive relative to soybeans, wheat and corn.



Thank You!

**If you have
Comments/Questions
Contact: ewailes@uark.edu**