

Progressive report of rice market development

(January to September 2009)

I- Introduction

Rice market development is followed up by compiling into monthly reports which consolidated into trimester and a whole year reports. The information of rice market is collected from Vietnam, Thailand and other international markets via online for the sake of rice business development perception for CEDAC enterprise.

Last several months, CEDAC enterprise has involved in rice business transaction with a local company of 15 tonnes of brown rice in organic conversion destined to Malaysia. Currently, CEDAC enterprise has directly involved with shipment to US for the first trial of three containers. In prospective, CEDAC enterprise will deeply involve in export market.

In vision, Cambodian milled rice will be able to meet the standard of export market requirement in commercial level soon and CEDAC enterprise will be able to implement its rice export contract to Germany with a German company. It is really necessary to update the information of rice price development from both international and domestic markets.

II- Domestic Rice Market Outlook

Export market destination of Cambodian white gold

(Saturday, 05 September, 2009)

In early 2010, Cambodia will export 50,000 metric tonnes of Khmer jasmine rice to European market which is first ever since 1993 of re-Kingdom of Cambodia. Recently, Cambodian rice has also been exported to some countries in Europe such as France, Germany... but in small quantity, based on Mr. Phou Poy, president of Cambodian Rice Association.

He added that Cambodia currently has paddy rice processing center which can produce the best quality of milled rice to meet export market's requirements.

Dr. Yang Saing Koma, president of Cambodian Center for Study and Development in Agriculture (CEDAC), is optimistic that it will be helpful to enhance national economy especially small scale farmers when Cambodian rice mill association is capable to produce a standardized quality of milled rice in commercial level. He added that the open of European markets for rice sector is really helpful for poor countries like Cambodia which its rice will not be required to pay

importation tax. Any way, European markets need high standard quality of milled rice; that's why, Cambodian rice is needed to meet the standard's requirement which is very great to rehabilitate agricultural sector.

He also emphasized whether or not Cambodia can produce milled rice with the standard-required quality and expected that broad market and premium price offer will encourage Cambodian farmers to increase more rice production.

www.dap-news.com

The first trial shipment of Cambodian organic brown rice to US

CEDAC will really take one more step onto export market if its export scheme to US is successful. It is the first time to ship full organic brown rice from Cambodia to US market. Right now, the agreement between CEDAC and American Lotus Company almost comes to the final stage since required standard quality of milled rice and packaging issues incorporated with FOB price have been dealt with.

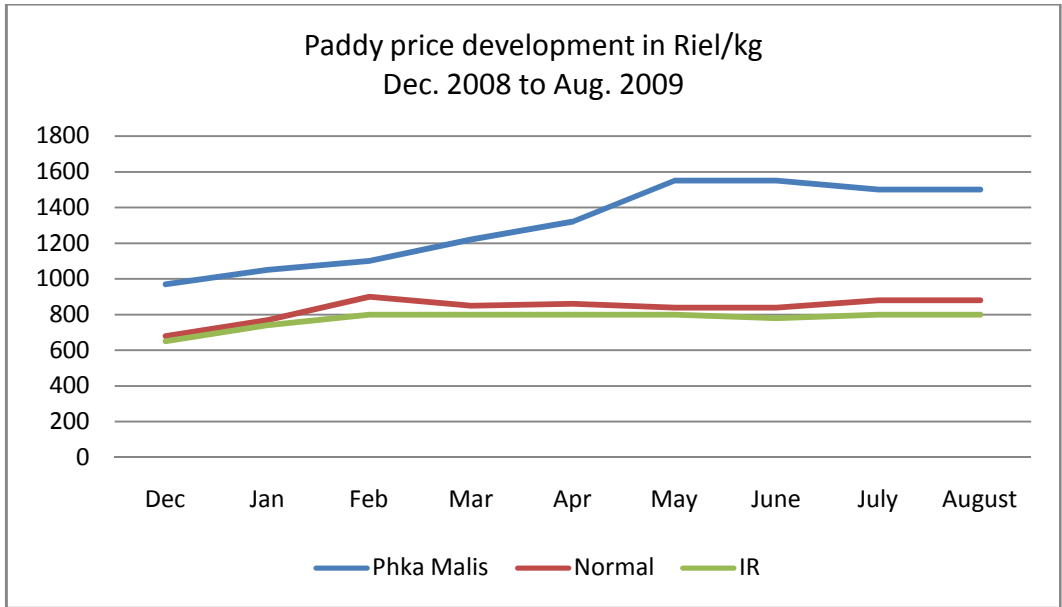
Both FOB price and other issues are already cleared; therefore, the schedule of milling and the shipment will come soon. It is a bit proud for CEDAC to step forwards to linking small scale farmers onto international market which is a destiny partner farmers have been waiting for long. It is just a first step onto international market because CEDAC is still in an engagement with German Rickmers Company to supply full organic milled rice which will start in early next year.

Domestic rice market development

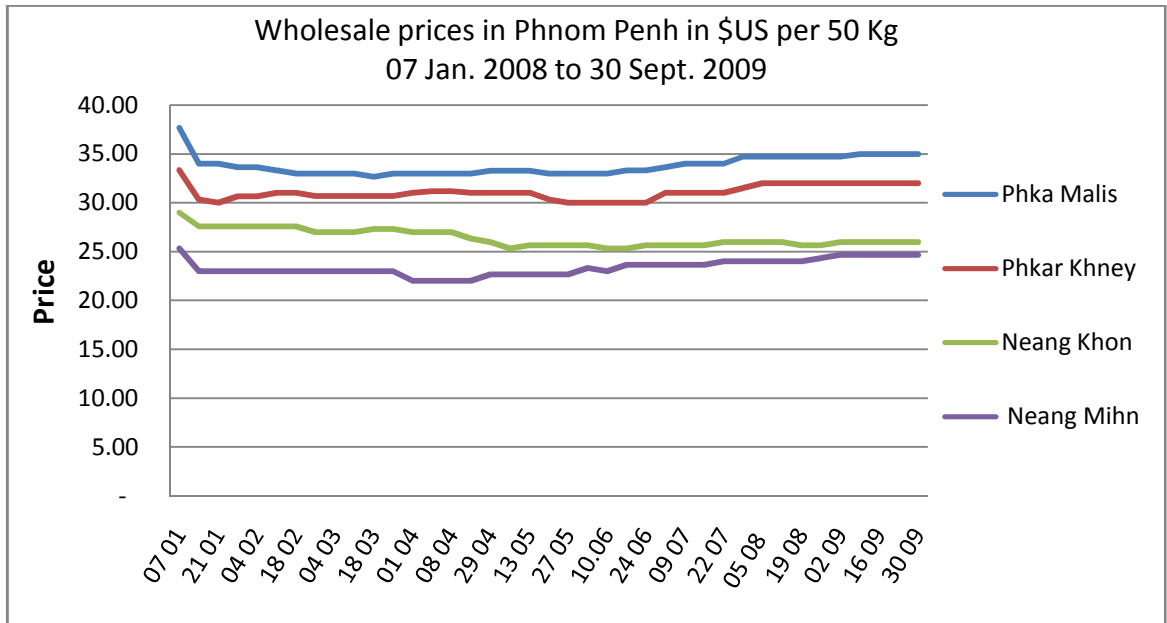
Since early the year of 2009, domestic rice prices have been observed almost staying flat compared to the prices in 2008 which increased dramatically during March and April and started declining in May. It is shown that the rice in stockpiles of each country has become secure following the critical period of March and April, and then there have not been many big buyers in the international market while exporting countries like Thailand and Vietnam left great deal of rice in their stockpiles due to good harvest.

Rice market in Cambodia obviously gets influenced from neighboring countries, Thailand and Vietnam. Apparently, during harvesting and short after, foreign traders' agents come to buy paddy rice from Cambodian farmers and process for export market. As the last harvest of 2008, there were 1 million metric tonnes of paddy rice from Cambodia informally exported to Vietnam, based on the report from the Vietnamese Ministry of commerce's report.

However, even though there were huge amount of paddy rice purchased and shipped from Cambodia to Vietnam (no formal statistic report from Thailand), it did not trigger the Cambodian paddy's prices increase. The paddy's prices of indigenous varieties are ranging from 680 to 880 Riel/kg and IR variety varies from 650 to 800 Riel/kg and Phka Malis increases from 970 to 1500 Riel/kg from December 2008 to August 2009.

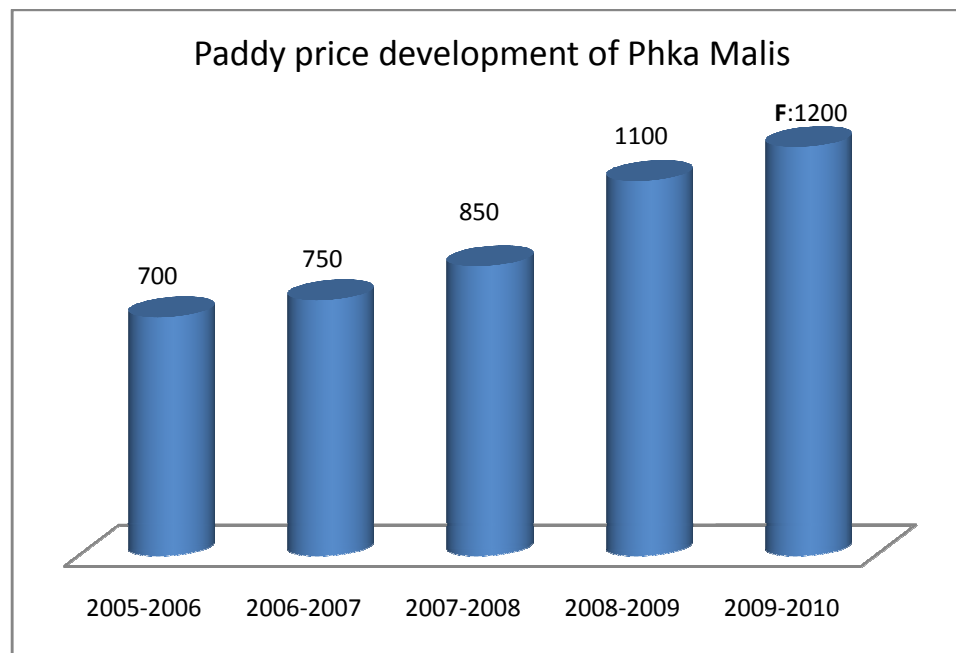


The graph below shows of the rice prices development in Phnom Penh. The data collection based on the three main wholesale sites at Deum Kor market, Oreusei market and the wholesale in opposite the rail way station.



(Source: Weekly survey by CEDAC's staff)

As the graph above, the prices are almost stable for the whole period of time from January to end of September. Even they steadily increase since late June, but it is not the real market demand; it is calculated to compensate of storage payment and interest rate. Please see graph of paddy rice price development of Phka Malis.



(F: forecasting) (Source: CEDAC's data collection)

III- International Rice Market Outlook

Food association says rice venture with Cambodia necessary

Cambodia is potential for agriculture sector based on its agricultural land as large as Vietnam. Due to the lack of modern technology, Cambodian farmers have encountered rice production figures low. Nevertheless, Cambodia produces a surplus of rice for export to Thailand and Vietnam, Vietnam Food Association Deputy Chairman Nguyen Tho Tri told the Saigon Economic Times. He added that Cambodia would become a rice exporter as large as Vietnam if the informal outflow of paddy could be curbed during harvest and after.

Last meeting in August between Cambodian and Vietnamese officials discussed the possibility of rice joint venture project to boost shipments of Cambodian rice. The joint venture plan provoked any criticism among Vietnamese farmers who would like their government to focus only on exporting locally-produced rice products.

<http://www.thanhniennews.com/print.php?>

Vietnam to lift limits on rice exports

The current Vietnamese rice export system will be reformed and rice export quota system will be removed to make it more market-based according to Bui Ba Bong, deputy minister of Agriculture and Rural Development. The rice export quota for this year was originally capped at 5.2 million tons but last month the deputy minister of industry and trade Do Huu Hao said Vietnam may boost shipments this year to 7 million tons. So far, 4.7 million tons of rice was already shipped in the first eight months, 43 percent more than a year earlier. Last year, rice exports totaled only 4.65 million tons and reached record 5.17 million tons in 2005.

<http://www.thanhniennews.com/business/?catid=2&newsid=52719>

“Land grabs” for rice production due to supply threats

To meet existing or anticipated demand, a recent interest in “land grabs” or the international acquisition of land to produce rice is sparked by a looming threat of inadequate rice supply. “To put it simply, there is not enough rice to feed the world,” says Dr. Robert Zeigler, director general of the International Rice Research Institute (IRRI).

To meet the need and keep rice prices around US\$300 a ton, we need to produce an additional 8 to 10 million tons of rice more than in the previous year for the next twenty years. From this point of view, poor rice farmers would be able to make some profit and poor rice consumers would be able to afford as well.

<http://www.enn.com/agriculture/article/40531>

Government to lower rice stockpile

Published: 25/09/2009 at 08:14 PM

Thai government plans to sell up to 500.000 tonnes of rice from its stocks by the end of next month to avoid pressure on rice prices when the new crop comes onto the market next month. According to Commerce Minister Porntiva Nakasi who chaired a meeting of the sub-committee that handles the sales on last Friday, the government was preparing to intervene in the market to buy as much as 2 million tonnes of paddy if the new output prices fall below the market prices. Currently, government has about 6-7 million tonnes of rice in its inventory.

<http://www.bangkokpost.com/breakingnews/155350/govt-to-lower-rice-stockpile>

VN doubles exports of rice to Timor Leste

Vietnamese companies will double their exports of rice to 200.000 metric tonnes to Timor Lest next year, under an agreement signed in Ha Noi by Vietnam's ministry of industry and trade and the country's minister of tourism. Noticeably, all rice eaten in Timor Leste is imported. The two ministers also agreed to start negotiations on a bilateral trade agreement. The rice export companies and associations have been encouraged to promote bilateral economic and trade activities.

<http://vietnamnews.vnagency.com.vn/showarticle.php?num=01BUS240909>

Southeast Asia increases rice exports

In Southeastern Asia, the region with greater rice production nowadays, supplies should grow considerably by the end of 2009, said Thai experts, Prensa Latina. The southeastern Asian nations will increase their rice exports and the price of the cereal should fall to \$400 a ton according to experts.

Thai food experts said that progress in rice exports emerged from the government decision to withdraw protection to the kingdom's producers, eliminating direct buyers. That increase also answers to the growth of the Vietnamese exports, which are expected to reach six million tonnes in 2009 and could be more next year. They added that another emerging factor of that trend lies on the increase in Myanmar and Cambodia's production.

They expected that the demand in the international market increases and buyers will be encouraged to create reserves for 2010, due to the difficulties found to locate offers in late 2008. For the first time in several decades, Thailand, the greatest world exporting country, abandons direct buys from farmers to make a turn in the world market's behavior when the prices of rice and other produce shot up. If there is not a weather catastrophe or a sudden drought, Thai rice price will fall to \$400 or \$300 a ton, the national Exporter Association predicted.

<http://www.dailynews.lk/2009/09/25/wld01.asp>

Asia rice prices steady despite warning demand

Thailand's benchmark 100 percent B grade white rice was unchanged from last week, at \$530 per tonne. "Prices remained supported as the intervention scheme is still in place," one exporter said. "However, I do not see any chance of prices rising significantly as demand is thin."

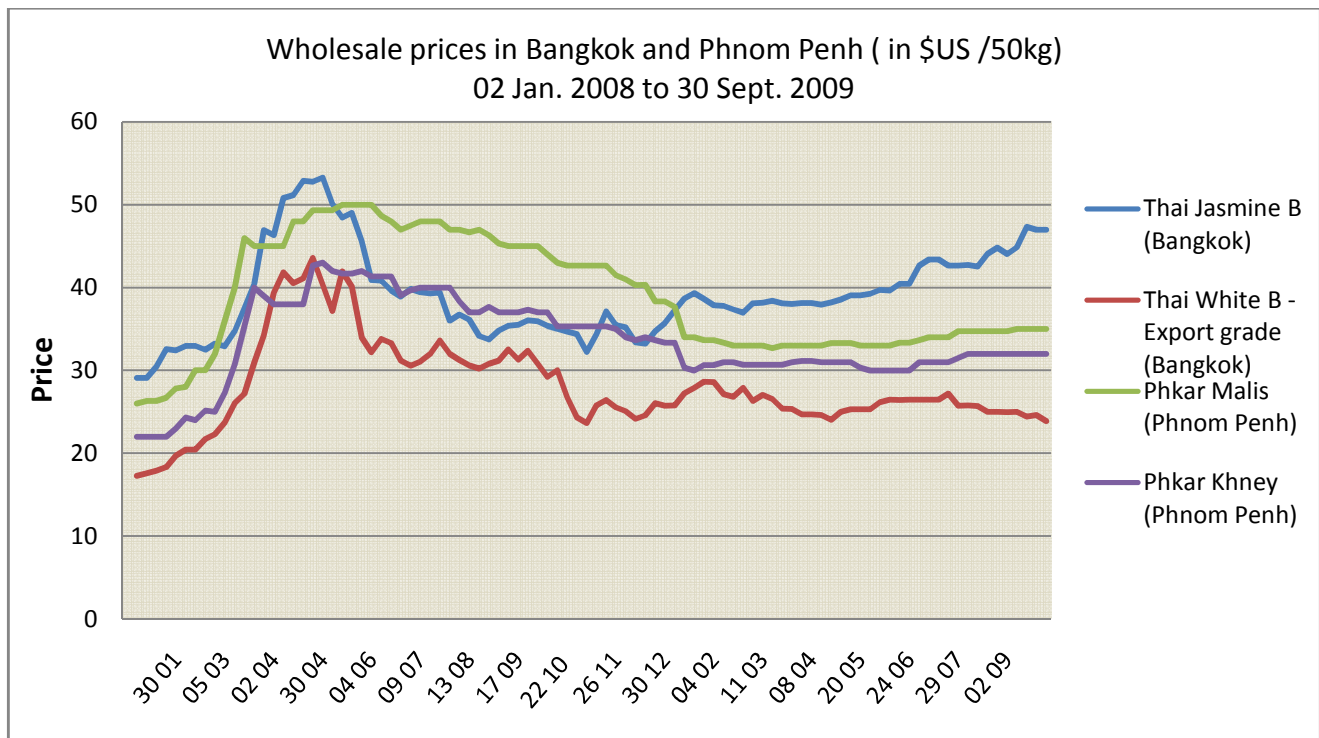
The government is estimated to be holding the equivalent of 7 million tonnes of rice in its stocks, the largest amount ever since it started stockpiling the grain, and still not come up with a clear plan to reduce them. Thailand, the world's largest rice exporter, has exported 6.2 million tonnes so far this year, down 23 percent from the same period last year, when it had sold 8.1 million tonnes.

Last Wednesday, the government said Vietnam's largest rice exporter, Vinafood 2, will stockpile 500.000 tonnes of milled rice over the next four months to support paddy prices. Currently, Vietnam's 25 percent broken rice was at \$340 - \$350 a tonne, free on board Saigon Port, while the higher quality 5 percent broken rice stood at \$390 - \$400 a tonne, unchanged from last week.

http://www.dailytimes.com.pk/default.asp?page=2009%5C09%5C24%5Cstory_24-9-2009_pg5_28

Rice market Development in Phnom Penh and Bangkok

As graph below, in early last year 2008 Thai jasmine rice's price seemed lower than that of Khmer Phka Malis until April of 2008 and from June to December of 2008, Khmer Phka Malis was still higher than Thai jasmine rice in price. Starting from early 2009, Thai jasmine's price has grown up higher than Khmer Phka Malis till now.



(Source: <http://www.Thairiceassociation> and data collected by CESDE's staff on Phnom Penh market)

IV- Conclusion and Impression

With 1.8 million families relying on the cultivation of rice which utilizes 80 percent of arable land, Cambodian economic growth mostly depends on the agricultural sector. Cambodian farmers still favor old-fashioned techniques of rice cultivation of which production yield is still low compared to neighboring countries. Based on the territorial geography, Cambodia is located in a very favorable region which less weather catastrophe happens.

Based on the current situation of typhoon, Ketsana, hitting several countries in southeastern Asian Nations such as Philippines, Vietnam, Laos and some areas of Cambodia; thousands of farmland areas will absolutely be influenced and damaged inevitably. So far, there is no statistic data of damage released yet.

In vision, even there are some natural disasters hitting the region but it is a normal thing in Philippines and Vietnam which routine weather catastrophes happen yearly during September and October. Climate change is very problematic which the world is challenging but the world rice market will not be in serious situation as in early 2008 since both importing and exporting countries are well-prepared for their national food security.

Paddy rice prices prediction is based on the current rice market and yearly development of paddy prices. Based on data collected since 2005, the paddy prices have never increased sharply as milled rice prices; it steadily develops from 700 Riel per kilo in 2005's harvest for Phka Malis and the last of harvest season of 2008, 1100 Riel per kilo. Consequently, the price of Phka Malis paddy would be in a range of 1200 to 1300 Riel per Kilo during and short after harvest of 2009-2010.

03/Oct./09

Written by Mr. Chhim Phallyboth

