

Rice Outlook for 2009

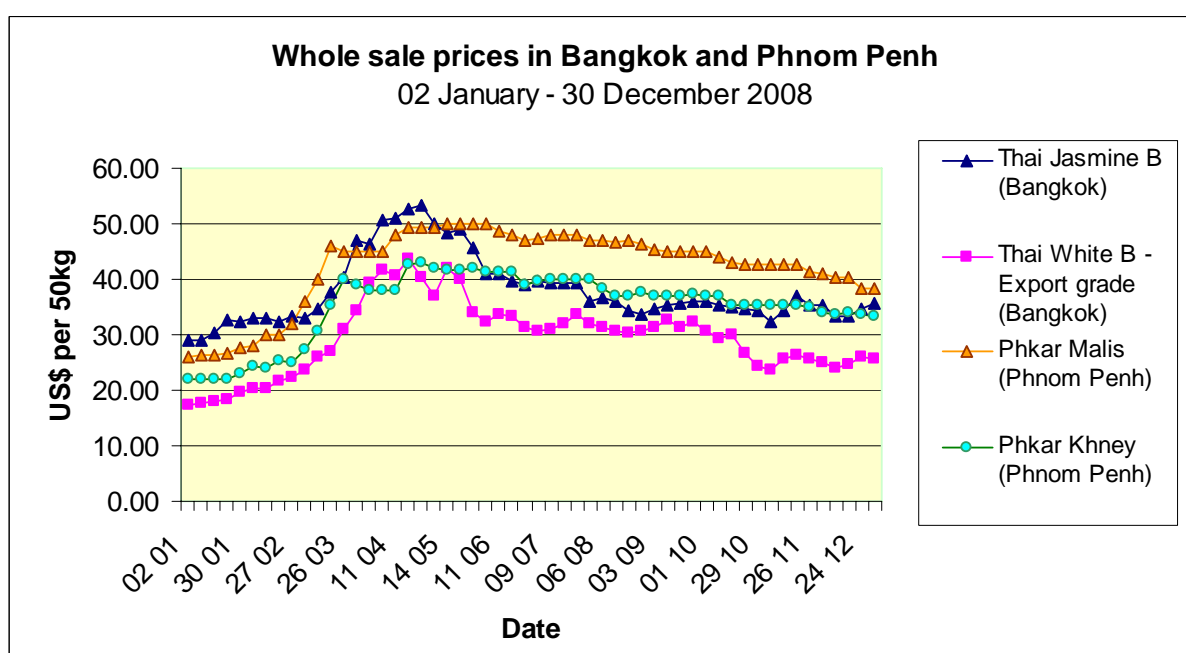
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CEDAC has been involved in monitoring the situation of rice prices since early 2008. The main purpose of this is to provide reliable information to CEDAC's marketing team in the setting of prices for paddy and milled rice. CEDAC also aims to inform producers, other stakeholders as well as consumers about the situation of rice and rice prices. In 2009, CEDAC intends to produce an update on the Cambodian and international rice market on a monthly basis.

Since the 2007/2008 harvest, the price of rice has increased drastically. After many years of stagnant or declining prices in real terms (adjusted for inflation), this is the first time that the price of rice has significantly increased.

For several years worldwide, people have consumed more rice than rice farmers have been able to produce. As a result stocks declined to a critically low level. This triggered a fear of shortages. Consequently, traders began to hoard rice, sending prices up by about 100 percent within a few months. Commencing in April and May, prices began to fall. As the graph below shows, at the end of the year milled rice costs about 50 to 60 percent more than in the previous year.



Sources:

Thai prices: Thai Rice Millers' Association (URL -

http://www.thairicemillers.com/index.php?option=com_content&task=view&id=536&Itemid=53)

Cambodian prices: CEDAC's weekly survey

As prices were gradually falling during the last quarter of 2008, there was uncertainty around whether the decline would continue during and after the main rice harvest (November to January). Yet, farm-gate prices have slightly increased during the harvest period due to the stiff competition with Vietnamese traders and their agents since early December.

In the domestic market for milled rice, the price has slightly declined during recent weeks. However, this is normal within annual fluctuation. As the new rice comes in, prices tend to drop slightly, especially after a good harvest. To some extent, the market in Phnom Penh still adjusts to the Thai market, where a more rapid price decrease was observed during the recent months.

As the graph and the table below show, prices in Thailand have stabilized, except for some fluctuations due to changing currency rates.

Thai Rice Exporters Association

White Rice Quotes (US\$ per ton, FOB)

Items	21 Jan 09	7 Jan 09	24 Dec 08	11 Dec 08	26 Nov 08
Thai Hom Mali Rice Grade A (crop year 2008/09)	\$902	\$854	\$837	\$807	\$818
Thai Pathumthani Fragrant Rice	\$767	\$733	\$730	\$717	\$714
White Rice 100% Grade B	\$623	\$590	\$585	\$574	\$586
White Rice 5%	\$592	\$560	\$569	\$559	\$571

Source: Thai Rice Exporters Association <http://www.riceexporters.or.th/price.htm>

Worldwide, many rice producing countries have experienced a better harvest than in 2007. And some countries which imported rice last year may not need to import it this year. However, many countries need to improve their inventories which have dwindled to dangerously low levels during recent years. The FAO Food Outlook - Global Market Analysis for rice also predicts a higher per capita consumption. For more details, please see the table below.

World rice market at a glance

	2006/07	2007/08 <i>estimate</i>	2008/09 <i>forecast</i>	Change: 2008/09 over 2007/08
	<i>million tons</i>			%
WORLD BALANCE (milled basis)				
Production	428.7	439.5	450.2	2.4
Trade	32.3	31.0	30.5	-1.6
Total utilization	427.1	436.5	444.4	1.8
Food	372.2	377.4	384.2	1.8
Ending stocks	104.6	109.3	115.4	5.5
SUPPLY AND DEMAND INDICATORS				
Per capita consumption:				
World	<i>kg/year</i>	56.9	56.7	57.0
				0.5

Low-income-food deficit countries (LIFDC)	<i>kg/year</i>	69.6	69.6	70.0	0.6
World stock-to-use ratio	%	24.0	24.6	25.5	3.8
Major exporters' stock-to-disappearance ratio	%	15.4	17.1	18.6	8.8
		2006	2007	2008	Change: Jan-Oct 2008
					over Jan-Oct 2007
					%
FAO Price Index (1998-2000=100)		117	137	258*	94

Jan-Oct 2008

1 Calendar year exports (second year shown)

2 Major exporters include India, Pakistan, Thailand, the United States of America and Viet Nam More detailed information on the rice market is available in the FAO Rice Market Monitor which can be accessed at:

http://www.fao.org/es/esc/en/15/70/highlight_71.html

Source: Food Outlook-Rice, FAO November 2008, <http://www.fao.org/docrep/011/ai474e/ai474e05.htm>

In Cambodia, despite some problems with prolonged drought, the harvest for the wet season 2008 is expected to be the same as 2007, or even slightly higher than in 2007. The situation of paddy production in the dry season is expected to be better than 2007/08. This is mainly due to the expansion of cultivated areas and lower fuel prices.

However, to the disappointment of farmers, the farm-gate prices for normal paddy have decreased drastically from around 1100 to 1300 riel per kg (August to September) to around 600-700 kg in December 2008 and early January 2009. However, as the demand for quality rice (fragrant rice) seems to have increased, the prices of high quality or fragrant rice remain relatively high, around 1000 to 1200 riel per kg. CEDAC has been offering 1250 riel-1300 riel per kg of organic fragrant paddy.

For the domestic market, it is expected that the prices are going to rise by March, as it has happened every year. However, we do not expect drastic increases such as those in 2008. It is anticipated that the price of high quality rice will increase by 20 to 40 percent while the prices of ordinary rice varieties will increase from 10 to 30 percent.