

Rice Outlook March 2009

CEDAC, 30 March 2009

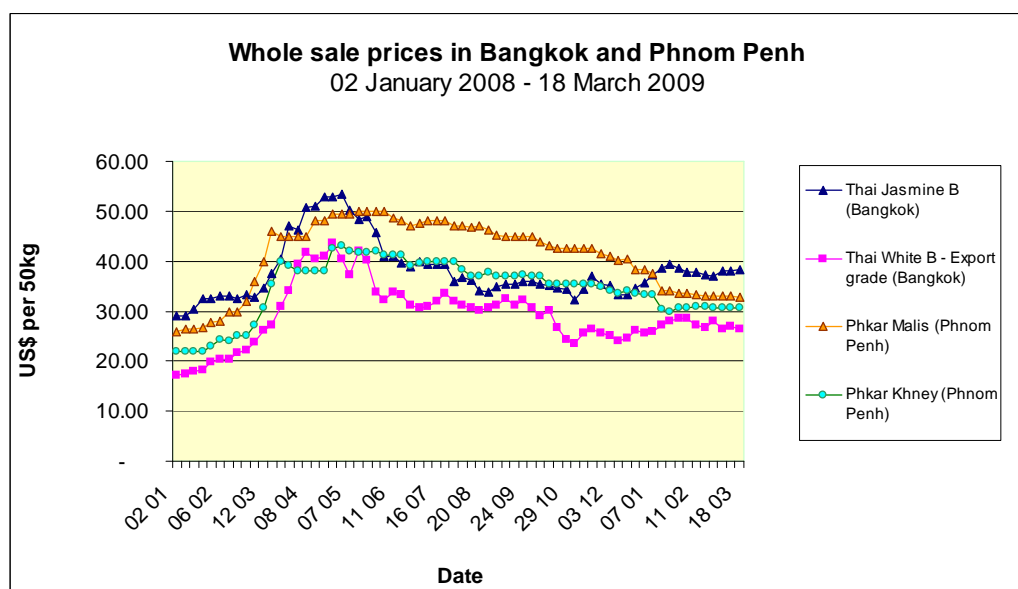
Cambodia: Prices remain stable

As the graph “Whole sale prices in Bangkok and Phnom Penh” shows, prices in Phnom Penh have been relatively stable since January this year. Cambodian jasmine rice cost currently about US\$ 33.00 per 50 kg bag, US\$ 5.00 less than Thai jasmine rice. During 2008, Cambodian rice was more expensive than Thai rice.

Given the current situation, it can be expected that prices will remain steady for March and April, except for increases due to the higher costs for storage and capital. This is already evident in the current prices for paddy.

Based on reports from Kampot and Takeo province, the price for Phkar Malis paddy have increased from 1200 Riel per kg in January to 1400 Riel/kg mid of March, non-fragrant varieties rose from 680 riel per kg in December to 850-860 riel/kg mid of March.

Another observation is that the price gap between Phkar Malis and Phkar Khney has reduced by almost 50 percent compared to early 2008. Similarly the price difference to other varieties has reduced as well.



Sources: Thai Rice Millers' Association (<http://www.thairicemillers.com>), Cambodian prices: CEDAC's weekly survey

Currently farmers bring in a good harvest in areas which plant rice as floods recede. In provinces, such as Takeo and Prey Veng, Vietnamese traders buy paddy from farmers at around 800 to 850 Riel per kg. Farmers obtain a better price compared to last year when the government had imposed its rice export ban. However, when the ban was lifted after two months, prices increased.

Since the beginning of 2009, no formal rice exports have been announced by the Cambodian government. According to Mao Thora, secretary of state at the Ministry of Commerce of Cambodia, one reason is the significant level of the informal trade. He admitted that exact figures of rice exports to Vietnam were difficult to determine and added that Vietnamese officials had previously informed the ministry that Vietnam had imported one million tones of paddy from Cambodia of 2008-09 harvest, about one-sixth of the Kingdom's total annual rice production (Phnom Penh Post, 26 February 2009).

Vietnam is apparently worried because of the continued informal inflow of Cambodian rice. The website *VietNamNet Bridge* carried an article titled *Rice is still being illegally imported daily from Cambodia into the southwestern border province of An Giang*. Duong Su Market in Tinh Bien District's An Nong commune is the largest granary of smuggled rice from Cambodia in An Giang Province.

In Thot Not District Cambodia's unhusked rice was sold for VND4,000-5,000 per kilogram – VND200 cheaper than the locally grown rice. Local traders explained that buying Cambodian rice helps them to gain profits and to save time. However, farmers in the province said that rice smuggling makes their lives more difficult.

To counter this development, Vietnam plans to lease Cambodian farmland to grow rice in areas close to the border. Doan Ngoc Pha, deputy director of the Agriculture and Rural Development Department of An Giang province of Vietnam, which borders Cambodia, explained that the move was aimed at stopping Cambodian rice smuggling to Vietnam. Vietnamese companies would be encouraged to lease land in Cambodia and allowed to export rice to Vietnam.

Thailand's exports decline

According to Chookiat Opaswongse, president of the Thai Rice Exporters Association, rice exports during the first two months of this year totaled to 1.44 million MT, a drop of 37% compared to the same period last year. The value dropped by 20%. Thai exports have slowed during the last 6 months.

Due to the government's intervention price, Thai 5% white rice costs at US\$600 per MT compared to Vietnam's \$430. The commerce minister announced a new intervention scheme starting on March 16 under which the government will buy paddy from farmers at 11,800 baht (\$328) per MT, slightly lower than the previous 12,000 baht per ton. The new intervention price equates to an export price of around \$580-\$620 per metric ton, exporters said.

White Rice Quotes - 2009 (US\$ per metric ton, FOB), selected varieties

Items	18 Mar	11 Mar	4 Mar	25 Feb	18 Feb	11 Feb	4 Feb	21 Jan	14 Jan	7 Jan
Thai Hom Mali Rice Grade A (crop year 2008/09)	\$883	\$876	\$872	\$865	\$877	\$885	\$889	\$887	\$888	\$854
White Rice 100% Grade B	\$639	\$634	\$631	\$622	\$630	\$621	\$624	\$623	\$608	\$590

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

Mid of February, Thai rice businesses, including exporters, millers and farmers raised concern over the significant stocks of paddy. According to them, Thailand's rice export industry is in danger of collapsing in the next two years if the government continues its failed policy of intervening in the market with "unreasonable prices". Export Volumes would be much lower than the government's target of 8 million to 8.5 million MT, at just 6 million to 7 million MT this year. The traders are worried that the current prices for paddy and consequently for milled rice are too high and consequently hamper the exports.

Vietnam rice shipments top record in first two months of 2009

According the Ministry of Agriculture and Rural Development, the country exported 1.05 million MT of rice, worth US\$479 million, in the first two months of 2009, including 750,000 MT in February alone, with a value of \$350 million. The figures set records for both volume and value in a two-month period. By comparison, rice exporters shipped only 381,000 MT in the first two months of last year, worth just \$150 million.

Export prices were also hitting new highs, climbing to \$396 per ton in January and hitting \$430-460 in February. Buyers in Africa, Iraq and Cuba imported 500,000 MT of rice from Viet Nam in January and February, and the nation delivered the first 500,000-ton installment to the Philippines under contracts for 1.5 million MT in 2009. Exporters have signed contracts to export 2.8 million MT in the first half of the year.

According to the Thanh Nien Daily of March 4, Vietnam, will cut back planned shipments to ensure sufficient reserves. The country will hold back 300,000 MT that would have been exported.

In another development the Vietnamese government plans to construct new rice storage warehouses with a combined capacity of four million metric tons in the Mekong Delta at a cost of about VND7 trillion (US\$400 million). The current capacity for rice storage in the Mekong Delta is 1.2 million tons, according to statistics from the ministry's Department of Agricultural, Forestry and Aquatic Products Trade and Processing.

In the same vein, Vietnam's top rice exporters have sought the approval of the Philippine government to build a bonded warehouse with the capacity of 1.7 million tons in the Philippines, the world's largest importer of the grain, a state-run newspaper reported on 05 March, 2009.

Malaysia aims to increase rice production by 2010

Malaysia aims to increase its rice production from the present 73 percent to 86 percent of the country's needs by 2010. Towards this end, the government had allocated an additional budget of RM5.6 billion (US\$ 1.5 billion) to boost agricultural production until 2010, the prime minister said. The plans include sustainable utilization of land for food production, greater private and public sector investments in agricultural infrastructure and projects using high quality seeds. However, the increase in the prices for imported fertilizers is considered an obstacle.

Indonesia to export super quality rice in March

After obtaining a surplus of over 2.7 million MT of rice during 2008, Indonesia will start to export super quality rice to some Asian countries such as Japan, Malaysia, Brunei Darussalam, Hong Kong and Timor. For the start, Indonesia will export about 100,000 MT of rice to Japan.

On the other hand, based on reports from early March, Indonesia, the world's third-largest rice producer, may harvest 62 million metric MT of unhusked grain this year, missing a government target by 1 million MT, according to a minister's deputy who's in charge of farm policy. Previously, an official of the Agriculture Ministry said that the cultivated area increased to 12.5 million hectares from 11.8 million hectares three years ago.

Japan considers ending four-decade policy to reduce rice planting

Japan, the world's largest grain importer, may end a four-decade program to cut rice sowing as it plans to revive agricultural production and create jobs amid a deepening recession.

The changes under discussion aim to lure individuals and companies into farming to boost output and increase agricultural exports, the official said. Japan has 3.35 million farmers, according to the agriculture ministry, of a total population of about 127 million people. Agriculture accounts for less than 2 percent of gross domestic product.

Increased rice production would decrease prices to consumers, help stimulate new uses for the grain, mainly consumed as a staple food and in liquor and confectionery, and may drive creation of larger, more efficient farms, the official said.

Philippines expect record harvest

The Philippine government expects that the rice harvest could reach a record 17.3 million metric MT paddy this year, an increase of 3.5 percent to the previous year. Dr. Frisco Malabanan, director of the Department of Agriculture's (DA) rice program attributes the increase chiefly to the increased use of certified seeds and expanded irrigation.

USA: Declining exports, weak prices

Despite export restrictions in several countries, a lack of demand caused the U.S. quotes for rice to weaken further. Since February 2009 the price for the US rice #2/4 (\$522 per MT) significantly fell below the price for the comparable Thai 100 Grade B.

The United States expects to export 3.1 million MT for 2009 compared to 3.4 million metric tons (MT) in 2008. Also Uruguay's rice exports are expected to fall by over 20 percent to 634,000 MT mainly due to fewer sales to Brazil. Among the importers, Saudi Arabia's import needs are estimate at 1.4 million for 2009, with increasing compared to 345,000 MT for 2008.

World Rice Production to Rise 3.5%,

United Nations' Food and Agriculture Organization (FAO) estimates world paddy-rice production in the 2008 season has increased by 3.5 percent. This would lift global stocks to a seven-year peak. The main factor for the higher quantity is an increase of the area for rice cultivation by 2.2 percent to 159 million hectares (392.9 million acres) compared to last year in response to higher prices, according to the FAO. Favorable weather in many parts of the world helped to sustain yields, the UN agency said. Also India and China were able to increase their production. Generally prices for rice have been relatively stable since early this year.

The Foreign Agriculture Service of the United States Department of Agriculture observed that several governments continue to impose export policies that impact prices: Vietnam announced that new contracts for delivery before July will not be approved while India continues to restrict private sales of non-Basmati rice. Thailand is purchasing rice at above market prices, keeping new rice in the country because exports are not competitive, and even small players are implementing policies that limit exports.