

DOWNWARD TREND IN WORLD RICE PRICES WWW.INFOARROZ.ORG - @OSIRIZNEWS

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World Production

According to FAO, **world production** in 2018 was set at 774.3 Mt of paddy rice (514.1 Mt in milled basis), up by 1.6% when compared to 2017. This increase is due to better weather conditions in the northern hemisphere and more attractive prices. In Asia, harvests began to reach the market and they are announced to be abundant, especially in India where production was record, up by 3% thanks to good rainfall and a revaluation of minimum prices. By contrast, in China, production have declined by 1% as a result of a reduction in planted areas. In Africa, harvests would have improved by 3.7% especially in the east and southeast of the

continent, in Tanzania and Madagascar. In western regions of Africa, production also increased by 2.8% thanks to programs that encourage rice cultivation. In Egypt, however, production have decreased by 22% because of a drastic reduction of planted areas, aiming to save water resources. In North America, production recovered by 22% and returned to normal levels thanks to more attractive prices. In the rest of the American continent, crops declined due to a 6% reduction of production in Mercosur, especially in Brazil. The forecasts for 2019 are announced to be weak, with a further reduction of rice areas in Mercosur.

OSIRIZ/InfoArroz International price Index (IPO)

base 100 = january 2000
source: Osiriz/InfoArroz



World Trade

In 2018, the **world trade** would have finally increased by 1%, reaching a record level of 48.6 Mt against 48.1 Mt in 2017. The market was quite active for a good part of the year thanks to the demand from the southeast, especially in Indonesia and the Philippines. In contrast, import demand from South Asia had a drastic decline, especially in Bangladesh. In the rest of the world, imports remained stable due to larger domestic availability. On the supply side, exports were globally satisfactory, except in India, where external sales fell by 2.5% compared to the record in 2017. By 2019, the first projections

indicate a decline in world rice trade to 47.3 Mt.

The **world stocks** of rice ending in 2018 increased 2.7% to 172.6 Mt, against 168.1 Mt in 2017, reaching the highest historical level. In 2019, a further increase of 2.9% to 177.5 Mt is expected, equivalent to a third of world consumption. This new increase is due to the reconstitution of Chinese and Indian reserves, as well as in Indonesia and the Philippines. Globally, inventories of major exporting countries in 2018 reached 33.2 Mt, their lowest level since 2010, but a recovery in 2019 is expected, reaching 36 Mt, equivalent to 20% of world reserves.

Market Trends

In January, **world prices** decreased by an average of 1.5%, influenced by the sharp contraction of Vietnamese prices (-9%). Meanwhile, in the rest of the export markets, prices remained relatively stable, even with slight increases due to a revaluation of local currencies against the dollar. Vietnam is affected by the lack of import demand, particularly from China, its main customer. The bearish trend is likely to affect all markets and continue during the first half of 2019 due to important exports availability, especially at the beginning of the year, and due to the reduction of the world import demand. By 2019, a significant reduction of 2.5% is expected for the international trade, to 47.3 Mt, in comparison to 48.6 Mt in 2018.

In January, the OSIRIZ/InfoArroz (IPO) index fell by 2.9 points to 191.9 points (basis 100 = January 2000) against 194.8 points in December. Early February, the IPO index continued to decline, reaching 189 points.

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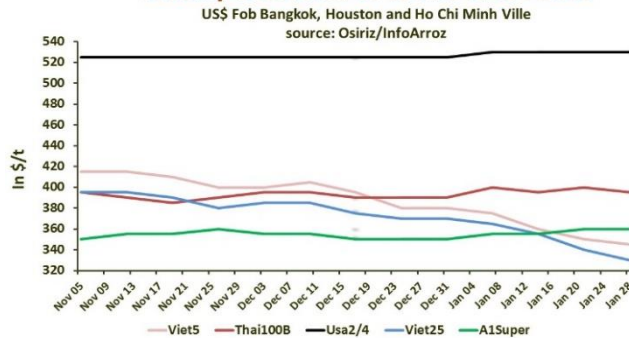
OSIRIZ Index (IPO 100 = January 2000) & Export Rice Prices (US\$/t FOB – source: OSIRIZ)

	IPO	Usa 2/4	Thai100B	Thai Parb	Inde5	Viet5	Camb5	Burma5	Uru5	Thai25	Viet25	Pak25	A1Super
2017	195.1	508	393	398	393	378	425	405	480	360	357	353	331
2018*	206.3	550	410	404	396	417	479	433	522	386	395	362	360
JUL-SEPT	200.8	545	392	383	395	398	483	436	518	368	375	365	349
OCT-DEC	196.5	524	395	390	370	404	480	390	521	370	384	333	353
DECEMBER	194.8	525	392	387	371	392	480	385	520	373	377	327	352
JANUARY	191.9	530	398	394	373	358	465	376	516	378	348	325	358
07-jan-19	194.6	530	400	395	375	375	465	380	510	380	365	330	355
14-jan-19	192.4	530	395	390	375	360	465	375	515	375	355	330	355
21-jan-19	191.0	530	400	395	370	350	465	375	520	380	340	320	360
28-jan-19	189.6	530	395	395	370	345	465	375	520	375	330	320	360

source: Osiriz/InfoArroz; *January –December

In **India**, export prices remained stable. Production in 2018 reached a record level of 115.3 Mt (milled basis) and export availability is abundant, which should weaken export prices, at least during the first half of the year. Exports in 2018 decreased 2.5% to 11.84 Mt, against 12.2 Mt in 2017. Bangladesh was India's first customer with about 1 Mt exported in 2018, followed by Senegal (825,000 tons), Nepal (655,000 tons) and Benin (600,000 tons). In January, the Indian 5% rice was at US \$ 373/ton Fob against \$ 371 in December. Indian rice 25% remained unchanged at \$ 330. Early February, prices remained stable.

Weekly Evolution of World Rice Prices



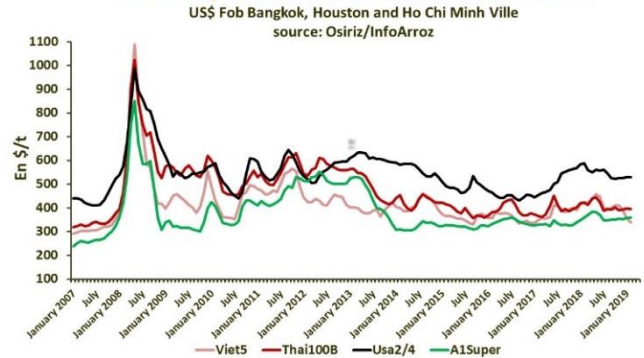
In **Thailand**, export prices declined by 1.5% due to the 3% appreciation of the bath against the dollar. Since the beginning of the year, foreign sales have slowly progressed. In 2018, Thai exports totaled up to 11.09 Mt versus 11.62 Mt in 2017, declining 4.6%. Benin was the main customer, answering for 1.6 Mt of Thai's exports in 2018, but 80% of this was destined for the Nigerian market. The Philippines and China are also on the top, with 1 Mt each. The price of Tai 100% B rice was \$ 398/ton against \$ 392 in December. The parboiled Thai also increased to \$ 394 against \$ 387. The broken A1 Super rice was at \$ 358 against \$ 352. Early February, prices tended to fall.

In **Vietnam**, rice prices fell again by 9% due to the strong competition with Thailand, but also because of the limitations of Chinese imports of Vietnamese rice and the prospects of a good winter-spring harvest. Over the past three months, Vietnamese prices declined by 18% and are now the most competitive in the market, after having marked the highest levels throughout the year 2018. Exports rose 5% to 6.15 Mt, against 5.86 Mt in 2017. The Viet 5% dropped to \$ 358/ton, from \$ 392 in December. The Viet 25% also declined to \$ 348 against \$ 377. Early February, prices remained weak.

In **Pakistan**, rice prices were relatively stable at the beginning of the year, marking a significant fall of 4% during the last two weeks of the month. By 2018, exports increased 9% to 4 Mt and they should remain stable in 2019. Pakistan hopes to diversify its markets in China, sub-Saharan Africa and Southeast Asia. But for now, these destinations are slow in setting up new contracts. In January, the 25% Pak was at \$ 325/ton against \$ 327 in December. Early February, prices tended to fall.

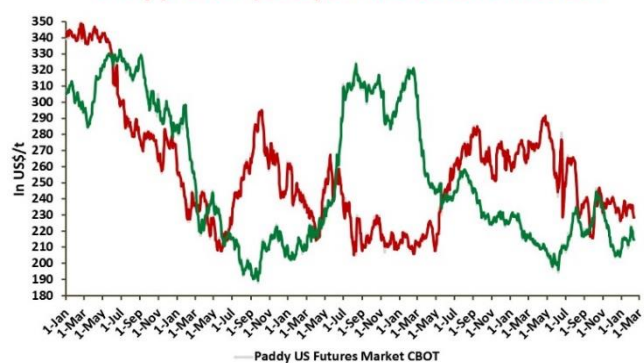
In the **United States**, export prices rose by 1% thanks to the active demand from Central American countries, despite strong competition from the Mercosur exporting countries. In 2018, US exports would have reached 3.2 Mt against 3.3 Mt in 2017. Mexico was the main customer with 26% of foreign sales, followed by Haiti (15%) and Japan (12%). The

Monthly Evolution of World Rice Prices



indicative price of the Long Grain 2/4 rice was \$ 530/ton, against \$ 525 in December. Early February, prices remained stable. At the Chicago Board of Trade, futures paddy prices were stable at \$ 234/ton. Early February, futures prices were slightly up at \$ 235.

Daily price of paddy United States and Brazil



In **Mercosur**, export prices slightly fell in a weak market at the beginning of the year. In 2018, Brazilian exports increased 108%, reaching a record volume of 1.23 Mt (milled basis) against 592,000 tons in 2017. In Argentina, exports also progressed, with a 10% increase compared to 2017. In contrast, in Uruguay, external sales decreased by 20% to 800,000 tons against 1 Mt in 2017. The outlook for the new 2018/2019 harvest indicates a possible decline in planted areas because of the lack of competitiveness in relation to soybean. The indicative price of the Brazilian paddy rice rose 4% to \$ 222/ton against \$ 207 in December, due to the appreciation of the real against the dollar. Early February, the price was at around \$ 219.

In **sub-Saharan Africa**, domestic rice prices remain stable in most regional markets where local rice from the new crop begins to arrive. The import demand is weak for now, except in the east regions of the continent. In West Africa, demand is likely to rise in the coming weeks, with a strong import growth expected in 2019, especially in Nigeria (+ 20%) and Senegal (+ 15%). Egypt began its rice purchases, half of them from Chinese origin. It is estimated that its imports in 2019 could reach 400,000 tons.

	Rice(millions tons)								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Paddy Rice								(e)	(p)
World Production	702.2	724.9	732.0	744.6	744.8	739.4	754.8	762.5	774.3
China	197.2	202.7	205.9	205.2	208.2	209.8	208.7	210.3	208.1
India	144.0	157.9	157.9	160.0	158.2	156.6	164.5	169.4	173.0
Indonesia	66.5	65.8	69.1	71.3	70.8	73.0	72.6	73.9	74.5
Bangladesh	50.3	50.8	50.8	51.2	51.8	52.5	52.1	51.4	53.6
Vietnam	40.0	42.3	43.7	45.1	45.0	45.1	43.2	42.8	44.6
Thailand	36.0	38.1	38.0	36.8	33.5	27.4	32.4	33.7	34.5
Burma	30.8	29.0	27.7	28.3	28.2	27.5	28.6	29.5	30.4
Brazil	11.7	13.6	11.6	11.8	12.1	12.4	10.6	12.3	12.1
Japan	10.6	10.5	10.7	10.9	10.8	10.5	10.7	10.8	10.8
Milled Rice									
World Exports	32.3	36.7	40.5	40.1	45.5	45.1	41.3	48.1	48.5
India	2.2	4.8	10.4	10.5	11.5	11.2	10.1	12.5	11.8
Thailand	9.0	10.7	6.7	6.6	11.0	9.8	9.9	11.6	11.0
Vietnam	6.9	7.1	7.7	6.6	8.4	6.6	5.8	5.9	6.2
Pakistan	3.5	3.1	2.8	3.1	3.7	4.1	4.0	3.7	4.0
United States	3.9	3.2	3.3	3.3	3.0	3.5	3.5	3.3	3.2
Burma	0.6	0.9	0.5	0.5	0.4	3.1	2.8	3.1	2.5
China	0.7	0.7	0.3	0.5	0.4	0.3	0.5	1.2	1.7
Brazil	0.4	1.3	1.1	0.8	0.8	0.9	0.6	0.6	1.2
Others	5.1	5.1	7.8	8.3	6.5	5.6	4.0	5.9	7.1
World Imports	32.3	36.7	40.5	40.1	45.5	45.1	41.3	48.1	48.6
China	1.2	1.2	3.0	2.7	5.9	7.1	6.3	6.4	5.9
Nigeria	2.0	2.5	3.0	2.4	3.0	2.2	2.2	2.7	2.5
European Union	1.1	1.4	1.2	1.2	1.4	1.8	1.8	2.0	2.0
Cote d'Ivoire	0.9	1.0	1.7	1.2	1.2	1.4	1.4	1.6	1.5
Philippines	2.4	1.2	1.3	0.7	1.7	2.0	0.7	1.0	1.7
Saudi Arabia	1.0	1.2	1.3	1.3	1.4	1.6	1.2	1.1	1.2
Iran	1.1	1.1	1.5	1.9	1.4	0.8	1.1	1.4	1.3
Senegal	0.7	0.8	1.2	1.1	1.3	1.4	1.1	1.6	1.3
Indonesia	1.0	2.8	1.8	0.5	1.0	1.3	1.3	0.3	2.2
Brazil	0.8	0.6	0.7	0.7	0.6	0.3	0.7	0.8	0.7
Japan	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7
Fed. Russia	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Eastern Asia	9.1	8.2	8.6	7.0	14.3	15.1	11.7	14.0	14.8
Africa	9.4	11.1	13.6	14.0	15.2	13.8	14.3	17.0	16.1
Near & Middle East	6.7	9.3	9.4	9.5	8.6	8.1	7.3	8.4	8.2
Latin America	3.3	3.5	3.7	3.6	3.6	3.8	4.3	4.4	4.2
Developed countries	3.0	3.0	3.0	3.3	3.6	4.1	3.9	4.2	4.3
Stocks ending	120.6	126.7	142.5	156.5	166.1	168.5	166.5	168.1	172.6
China	70.7	75.6	84.7	94.1	85.2	92.9	98.0	99.0	103.3
India	21.4	21.2	23.5	25.0	25.5	21.5	18.1	19.5	21.7
Pakistan	1.0	0.3	0.6	0.2	0.7	0.7	0.5	0.7	0.8
Thailand	6.4	7.4	13.1	17.5	19.6	16.2	10.7	8.2	5.6
Vietnam	3.5	2.9	2.9	2.7	2.7	3.2	2.8	3.2	3.1
United States	1.2	1.5	1.3	1.2	1.1	1.5	1.5	1.5	0.9

Sources: FAO & USDA, 2019