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Intelligence Report

World Rice Outlook, 1975

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World Rice Outlook, 1975

KEY JUDGMENTS

- At 315 million metric tons, the 1974/75 world rice harvest will nearly equal last year's record.

- Export availabilities this calendar year could exceed last year's level by 1 million tons.

- With demand relatively unchanged, the world rice price of about US $440 a ton is expected to decline. The extent will largely depend on the US rice crop and other Northern Hemisphere foodgrains.

- World stocks may increase somewhat but will remain far below pre-1973 levels.

- US rice supplies available for export from the 1974/75 crop will total about 2.5 million tons. At current prices, export sales and PL-480 shipments should reach about 2.2 million tons.

Note: Comments and queries regarding this report are welcomed. They may be directed to [redacted] of the Office of Economic Research, [redacted]

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DISCUSSION

Introduction

1. The poor rice harvest in 1972/73[1] pushed prices to record highs in 1973 and forced many poorer countries to cut rice imports sharply. As a result, their stocks were depleted, and they substituted imports of cheaper foodgrains such as wheat. While last year's bumper harvest brought some relief, prices were still higher and stocks lower than pre-1973 levels. This report assesses the current world supply/demand situation for rice and the impact on stocks and prices in the coming year.

1974/75 Production Prospects[2]

2. The 1974/75 world rice harvest is forecast at 315 million tons, less than 1% below last year's record crop of 316 million tons. The combination of high prices and good weather resulted in increased acreage and yields in the United States and a number of other key countries. These increases, however, will not offset shortfalls in South Asia (see Table 1).

3. In the United States, a 12% increase in plantings, 15% more harvested acreage, and 7% higher yields than a year earlier should produce a 1974/75 record crop of 5.2 million tons – 24% higher than last year. Elsewhere in the Western Hemisphere, the increase will be about 6.5%.

4. A world production record would have been set except for problems in Bangladesh, India, and Burma. Floods last June and July may have destroyed 500,000 tons of the first of Bangladesh's three rice crops and delayed planting of the "amman," or autumn, crop. Increased moisture and good weather, however, probably increased the aman harvest to 10.5 million tons – 300,000 tons more than in 1973. This spring's harvest should reach about 3.7 million tons, bringing the season's total output to 18.0 million tons, compared with 18.5 million tons a year earlier. In India, increased moisture in some states failed to offset the impact of drought in others. Thus, the estimated 1974/75 harvest of 60 million tons is down about 6 million tons from earlier expectations. In Burma, the worst flood

1. Rice crop years have been calculated on a 1 August-31 July basis. Production data are expressed in terms of paddy rice. Trade data are expressed in milled rice and refer to calendar years. Paddy rice can be converted to milled by multiplying by an average factor of 0.66.

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Table 1

World Paddy Rice Production[1]

Million Metric Tons

	1970/71	1971/72	1972/73	1973/74	1974/75[2]
Total	**304.3**	**299.4**	**293.6**	**316.2**	**315.0**
Western Hemisphere	14.0	13.4	13.3	15.0	16.7
Brazil	6.3	5.1	5.3	6.2	6.5
United States	3.8	3.9	3.9	4.2	5.2
Other	3.9	4.4	4.1	4.6	5.0
Africa, Europe, Oceania	9.0	9.2	9.0	9.5	9.5
Australia	0.3	0.2	0.3	0.4	0.4
Egypt	2.5	2.5	2.6	2.3	2.4
Italy	0.8	0.9	0.8	1.0	1.0
Malagasy Republic	1.9	1.9	1.8	2.0	2.0
Other	3.5	3.7	3.5	3.8	3.7
Asia	281.3	276.8	271.3	291.7	288.8
Bangladesh	16.8	14.9	15.4	18.5	18.0
Burma	8.1	8.2	7.4	8.3	7.6
Cambodia	2.7	2.1	1.0	0.7	0.5
India	63.7	64.7	58.9	65.7	60.0
Indonesia	18.5	19.6	20.5	22.6	23.5
Japan	15.9	13.6	14.9	15.2	15.4
Korea, North	3.0	3.0	2.5	3.0	4.0
Korea, South	5.6	5.6	5.5	5.9	6.0
Pakistan	3.2	3.4	3.5	3.6	3.6
Peoples Republic of China	102.0	99.0	103.0	105.0	105.0
Philippines	5.3	5.2	4.4	5.6	5.9
Taiwan	2.9	3.0	3.1	2.8	3.2
Thailand	13.4	14.2	11.7	14.0	14.3
Vietnam, North	4.5	3.7	4.6	4.0	4.5
Vietnam, South	5.7	6.1	5.9	6.6	6.9
Other	10.0	10.5	9.0	10.2	10.4

1. By crop year (1 August-31 July).
2. Preliminary.

in 60 years destroyed more than 10% of the fall crop and resulted in 1974/75 production falling about 700,000 tons below last year to 7.6 million tons.

5. Elsewhere in Asia, rice harvests are reported to be good. Weather was generally favorable, and high world prices prompted an expansion of acreage. A record 23.5 million ton harvest is forecast for Indonesia, partly as a result of increased use of fertilizers and intensive government programs. Thailand, an

important exporter, expects a near-record crop of 14.3 million tons.[3] The fall crop recovered from the drought of June and July following the arrival of monsoon rains in August. Thailand's spring crop should be larger than a year ago because of expanded irrigated acreage. Pakistan increased acreage, but drought lowered irrigation water and hurt yields. As a result, output will be about the same as last year's record 3.6 million tons.

6. Record crops are also expected in the Philippines, North Korea, South Vietnam, and Taiwan. In Japan, good weather and a 5% increase in plantings, induced by the elimination of government subsidies that encouraged farmers to leave rice land fallow, will boost production 200,000 tons, to 15.4 million tons. The subsidy was eliminated as part of a long-range Japanese plan to achieve self-sufficiency and to maintain at least 1 million tons of brown rice in reserve. The harvest in The Peoples Republic of China is expected to equal last year's average crop.

Export Availabilities in 1975

7. Rice available for export this year is projected at 8.7 million tons, or 14% more than last year's actual exports mainly because of increased supplies from the United States and Thailand (see Table 2). The excellent 1974 US harvest will make up to 2.5 million tons available for export, assuming no stock buildup. Thailand's export availability could reach 1.4 million tons – 1 million tons from the 1974/75 harvest and 400,000 tons from stocks. However, the recent floods and subsequent domestic fears of shortages may force Bangkok to restrict rice exports as it did last year.

9. Italy, the EC's major rice producer and exporter, has 550,000 tons of rice available for export this year – 100,000 tons more than was exported in 1974. In December, EC authorities canceled export levies on semi- and fully-milled long-grain rice to third countries in an effort to increase exports. Prior to the cancellation, the export levy was about $121 per ton.

10. In all of Asia, despite a 3 million ton drop in paddy production, rice available for export is expected to be up by 2% over last year, or about 100,000 tons. Neither the food shortage in Bangladesh nor the poor rice harvests in India and Burma will affect the amount of rice available for export. Both Bangladesh and India consume nearly all of the rice they produce. Despite recent floods, Burma,

3. Floods early this year in Thailand destroyed about 200,000 tons of the spring crop but caused only limited damage in Burma.

Table 2

World Milled Rice Exports[1]

Thousand Metric Tons

	1970	1971	1972	1973	1974[2]	1975[3]
Total	7,644	8,209	7,976	6,924	7,655	8,700
Western Hemisphere	2,069	1,913	2,137	1,897	2,120	2,875
Brazil	95	149	1	35	20	....
United States	1,695	1,415	1,965	1,589	1,800	2,500
Other	279	349	171	273	300	375
Africa, Europe, Oceania	1,353	1,305	1,253	848	1,117	1,300
Australia	111	186	172	163	136	180
Egypt	654	515	456	298	320	350
Italy	347	438	428	198	450	550
Malagasy Republic	68	36	26	6	60	65
Other	173	130	171	183	151	155
Asia	4,222	4,991	4,586	4,179	4,418	4,525
Burma	719	800	519	146	200	200
Japan	630	900	183	517	268	100
Pakistan	130	197	300	771	600	600
Peoples Republic of China	1,000	1,000	1,000	1,200	1,500	1,500
Thailand	1,064	1,576	2,112	848	1,100	1,400
Other	679	518	472	697	750	725

1. By calendar year.
2. Preliminary.
3. Estimate of availability for export at current prices.

with severe foreign exchange shortages, would rather reduce domestic supplies than cut rice exports below the 200,000 tons exported last year.

11. An increase in available exports from Thailand and North Korea in 1975 will offset a drop in expected exports from Japan and Taiwan. In 1974, North Korea entered the Free World rice market for the first time when it sold about 400,000 tons to Indonesia. Only about one-half was delivered in 1974, with the remaining 200,000 tons scheduled for delivery in 1975.

12. Japan's decision to increase stocks about 150,000 tons will mean a cut in exports despite a slightly larger crop. In Pakistan, a shortfall in the summer rice harvest will hold export availabilities to last year's level of 600,000 tons. A large amount of Pakistani rice is of low quality and the least acceptable in Asian markets because of the high percentage of broken grain and insect infestation. Thus, Pakistani rice sales will be concentrated in markets where price is the prime consideration. Taiwan's official predictions of smaller exports this year despite a

record harvest suggest a stock buildup and/or increased domestic consumption. We estimate that The Peoples Republic of China will have about the same amount of rice available for export in 1975 as in 1974 – 1.5 million tons. Chinese activity in many Asian export markets has caused some concern to Thailand, the traditional supplier.

Import Demand in 1975

13. We now estimate that world import demand will be about 7.7 million tons, or 1 million tons less than the supply. Even if a large increase in Middle East demand materializes, excellent rice harvests in a number of Asian importing countries, the high price of rice relative to other foodgrains, and improved stock levels in a few large importing countries should hold demand to about the 1974 level (see Table 3).

Table 3

World Milled Rice Imports[1]

Thousand Metric Tons

	1970	1971	1972	1973	1974[2]	1975[3]
Total	7,633	8,209	7,976	7,112	7,655	7,675
Western Hemisphere	460	550	523	545	630	650
Africa, Europe, Oceania	1,773	1,981	1,985	1,633	1,720	2,000
Asia	5,400	5,677	5,468	4,934	5,305	5,025
Bangladesh	568	348	563	204	100	200
Hong Kong	345	371	361	369	400	350
India	206	540	419	....	....	....
Indonesia	956	494	712	1,657	1,200	700
Iran	6	61	80	55	350	450
Iraq	2	97	45	135	265	325
Malaysia, West	272	148	122	50	240	200
Philippines	....	437	500	311	180	100
Singapore	276	277	358	231	200	200
South Korea	750	1,007	565	395	300	350
South Vietnam	559	137	300	270	300	200
Sri Lanka	534	339	266	343	300	500
USSR	323	332	280	154	280	250
Other	603	1,089	897	760	1,190	1,200

1. By calendar year.
2. Preliminary.
3. Estimate of import demand at current prices.

14. Rice imports by Middle East nations increased dramatically from about 770,000 tons in 1973 to nearly 1.4 million tons in 1974 and are forecast at 1.8 million tons this year. Lower world prices will boost 1975 imports by Africa and Europe about 15% to approximately 2 million tons. In Sri Lanka, reported drought damage to the winter rice crop may raise import requirements 200,000 tons above last year's 300,000 tons. Bangladesh is primarily dependent on foreign aid for rice imports and will probably receive about 200,000 tons in 1975, 100,000 tons more than last year.

15. These increases in import demand, however, will be offset by a significant drop in demand by traditional Asian rice importers. Indonesia, the world's largest rice importer, had a record 1974/75 harvest and will have stocks of 1.3 million tons by early 1975. Also, excellent harvests in the Philippines, South Vietnam, and Malaysia should reduce their demand for imported rice. Despite lower rice production, India is expected to import a large quantity of cheaper grains rather than rice.

Stocks Will Increase Somewhat

16. Poor crops in 1971/72 and 1972/73 lowered rice stocks in some countries by as much as 80% to 90% (see Table 4). Despite a record harvest in 1973/74, world rice stocks increased only marginally except in the United States. The record Asian harvest was mainly used to increase the per capita consumption of an expanding population.

17. World stocks, although expected to increase this year, will still be less than half the 1971 level. In Brazil, increased production and government policies aimed at discouraging exports to increase domestic supply and lower prices may double stocks to about 550,000 tons by 1 April. Privately held stocks in Japan may decrease 50,000 tons as a result of a sharp increase in consumer prices, but government-held stocks are planned to increase by 200,000 tons by 1 November. Stock buildups are also expected in the United States, Thailand, Indonesia, South Korea, and Taiwan owing to good harvests. Government-held stocks in India, however, will decrease 1 million tons, to 3 million tons – one-half the 1971 level.

Price Implications for 1975

18. Some further weakening of prices on the world rice market is expected. Prices have been on the downside since reaching highs in late 1973 and early 1974 (see Figure 1 and Table 5). The price differential between rice and cheaper grains reached highs in early 1974. The rice-wheat spread, for example, peaked in May

Table 4

Beginning Rice Stocks (Milled Basis) in Selected Countries

Thousand Metric Tons

	Season Beginning	1969-71 Annual Average	1971	1972	1973	1974	1975[1]
Total		18,086	18,153	14,173	8,373	8,492	8,865
Brazil	1 Apr	1,176	1,043	537	62	288	549
India[2]	1 Nov	6,000[1]	6,000	5,650	3,500	4,000	3,000
Indonesia	1 Apr	1,000[1]	1,146	1,229	604	942	1,300
Italy	1 Aug	45	65	17	42	208	127
Japan	1 Nov	6,162	6,057	3,288	1,730	1,456	1,598
Malaysia, West	1 Jan	237	300	250	100	100	150
Philippines	1 Jul	506	501	712	151	247	247
South Korea	1 Oct	500[1]	491	613	642	158	300
Taiwan	1 Jul	395	412	266	196	118	165
Thailand	1 Jan	1,500[1]	1,521	1,232	1,178	719	879
United States	1 Aug	565	617	379	168	256	550

1. Projected or estimated.
2. Government stocks only.

Table 5

Thailand: Export Prices for Milled Rice[1]

US $ per Metric Ton

	1969	1970	1971	1972	1973	1974	1975
Jan	181.20	154.20	139.20	133.81	179.21	541.33	400.00
Feb	178.80	151.20	125.10	129.74	198.10	575.00	411.00
Mar	185.20	143.04	115.20	130.45	204.65[2]	597.50	
Apr	183.60	139.20	112.80	128.96	....	629.00	
May	190.80	139.20	123.84	132.36	....	625.00	
Jun	197.76	141.60	127.20	136.06	....	596.25	
Jul	198.60	142.80	129.00	137.73	....	519.00	
Aug	188.40	145.68	131.52	159.86	....	521.25	
Sep	186.68	142.20	139.89	160.79	....	514.00	
Oct	185.40	142.50	138.82	167.62	....	498.75	
Nov	186.00	141.60	135.76	175.71	....	452.50	
Dec	178.56	138.00	134.00	183.64	....	424.00	

1. Thai white rice (5% brokens), f.o.b. Bangkok. Monthly average.
2. Thailand suspended price quotations from 5 March 1973 until January 1974 and reduced exports because of domestic rice shortages.

1974 at \$490 a ton, compared with earlier levels of around \$145 a ton (see Figure 2). Faced with declining foreign exchange positions, rice importers increasingly turned to cheaper grains. If the current tight world situation for other grains worsens, however, and the price differential between rice and other grains approaches more traditional levels, then some increase in demand and prices could occur. Stock policies in key rice-importing countries, the general economic climate, and expectations for the 1975/76 world rice harvest beginning in August could also influence demand.

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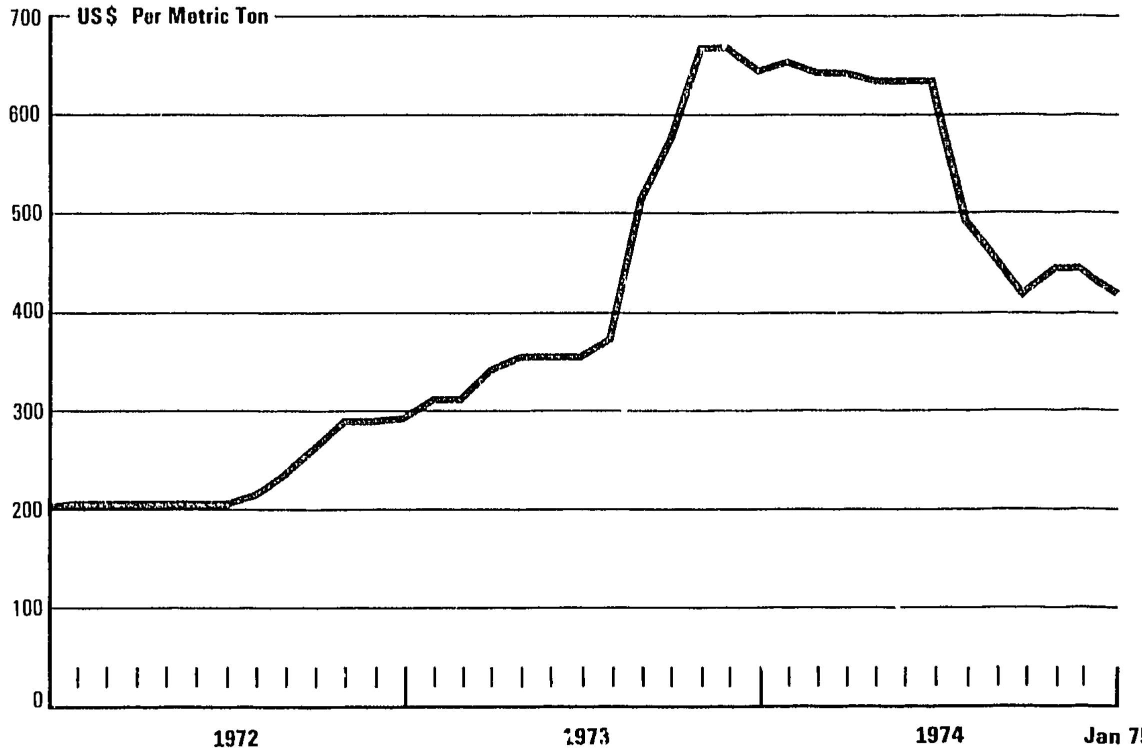
US Rice Export Prices[1]

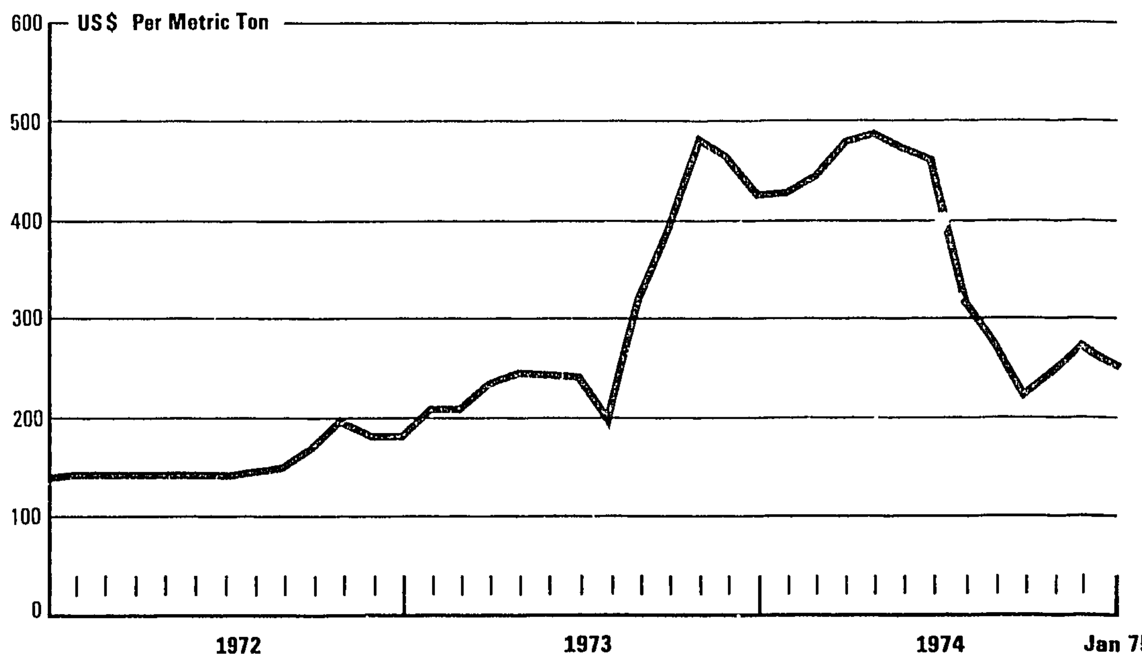
FIGURE 1



[1] No. 2 medium grain, 4% brokens, f.o.b. mills, Houston, Texas.

Rice-Wheat Price Differential[1]

FIGURE 2



[1] The price of No. 2 medium grain rice, 4% brokens, f.o.b. mills, Houston, Texas, less the price of hard winter wheat, ordinary protein, f.o.b. vessel, Gulf ports.

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