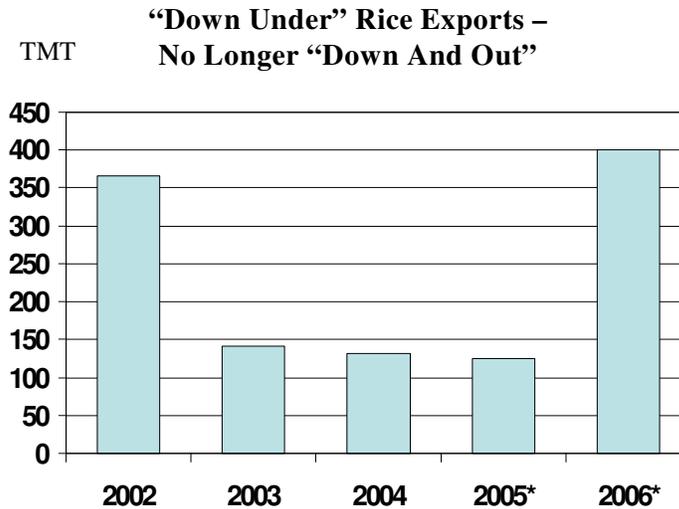


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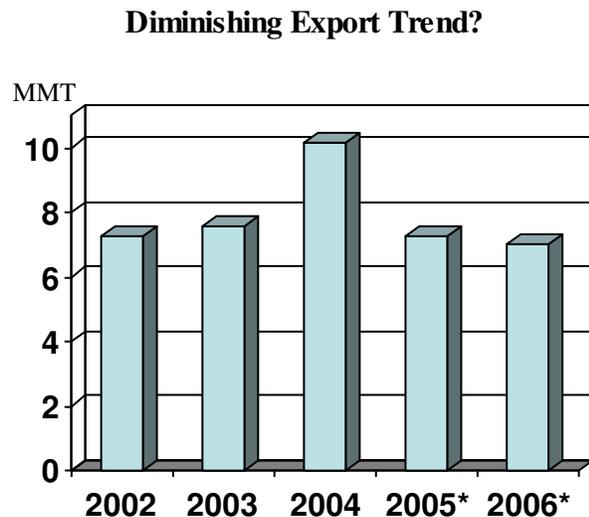
## RICE: WORLD MARKETS AND TRADE

### MONTHLY HIGHLIGHTS:

**Australia Exports Set to Rebound:** With a substantial rebound in its rice crop, Australian exports are forecast to more than triple in trade year 2006 but are estimated to come in 40 percent short of its 1999 record of 1.2 million tons. This boost in production is expected to put downward pressure on what are currently extraordinarily high medium grain prices. Meanwhile, U.S. prices are expected to remain strong as 2005/06 production is estimated down roughly 25 percent from the previous year and the stocks-to-use ratio is estimated to be the lowest on record (since 1982/83). Consequently, Australian rice is likely to be more competitive than U.S. rice in certain markets in the Middle East and Oceania.



**Thai Exports Expected to Contract Further in 2006:** Despite an expected recovery in production from last year's drought, exports are anticipated to shrink to 7.0 million tons. The government is still holding stocks from last year's mortgage scheme and is likely to acquire large stocks again this year, which raises concerns over how and when those stocks will be released. So far, the government has shown little willingness to sell the stocks at below replacement costs, which raises the necessity of securing government-to-government or barter deals.



### PRICES:

**International:** Asian rice price movement was limited this month, with no Viet quotes given tight supplies, and Thai 100B down a \$1 to \$284 per ton, FOB. There has been little demand for Thai white rice as the prices continue to be supported by the domestic mortgage scheme. Many

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traditional importers are sitting on large stocks or expecting good harvests, thus allowing them to wait for cheaper rice to be available.

**Domestic:** U.S. long grain prices have been stable over the past month, with #2/4 currently holding at \$335 per ton, FOB. The rise in U.S. medium grain prices (California) has eased. Current quotes for U.S. #1/4 sacked are up \$5 to \$515 per ton, FOB, and are expected to stay strong in the near-term.

### **TRADE CHANGES IN 2006**

#### **Selected Exporters**

- **Australia** is increased 225,000 tons to 400,000 due to an increased production forecast.
- **Pakistan** is increased 100,000 tons to 2.2 million due to a larger expected crop.
- **Thailand** is reduced 500,000 tons to 7.0 million as the government continues to hold stocks at higher-than-market prices.

#### **Selected Importers**

- **Indonesia** is up 100,000 tons to 800,000 due to reduced stocks and higher domestic prices fueling import demand.

### **TRADE CHANGES IN 2005**

#### **Selected Exporters**

- **China** is down 50,000 tons to 700,000 based on a slower than anticipated pace to date.
- **Vietnam** is up 100,000 tons to a record 5.1 million based on contracts to date.

#### **Selected Importers**

- **Indonesia** is slashed 400,000 tons to 500,000 due to ongoing intra-governmental debate over the necessity of imports.
- **Iraq** is reduced 200,000 to 800,000 tons as contract delays continue to impede necessary shipments.
- **Malaysia** is up 50,000 tons to 700,000 on strong pace of imports to date.

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- **South Africa** is up 50,000 tons to 800,000 based on strong shipments from India and Thailand. In addition, **Sub-Saharan Africa** is increased 425,000 tons, with much of the increase in **Cameroon, Madagascar, and Nigeria**.
  - Due to strong imports from Egypt and the United States, **Turkey** is increased 50,000 tons to 300,000.