

THE RICE TRADER

The 7th TRT

# RICE AMERICAS 2013

23-25 April 2013 Corrientes, Argentina

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**Gobierno Provincial**  
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Trabajo y Turismo



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# THE RICE TRADER

- RICE MARKET RESEARCH AND ANALYSIS
- RICE INDUSTRY CONFERENCES
- RICE MARKET NETWORKS
- BUSINESS INVESTMENTS THROUGH



IRRI



USRPA



R.RAMAN

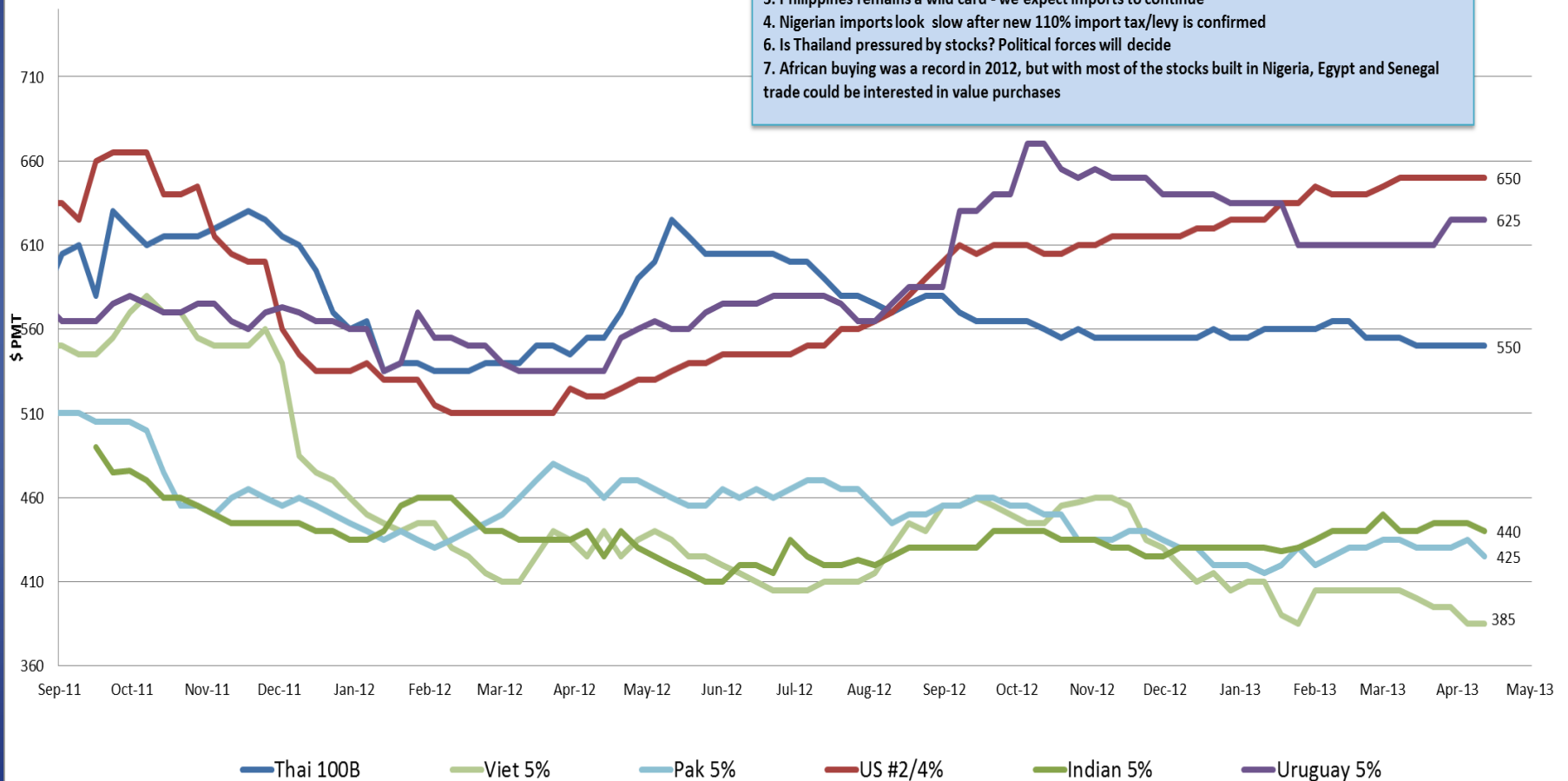
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## Is rice a commodity?

- Of estimated 34-36 MMT of world trade:
  - 6 MMT parboiled rice (\$440-600 PMT)
  - 4 MMT basmati (\$700-1600 PMT)
  - 3 MMT Hom Mali and Jasmine Rice (\$500-1170 PMT)
  - 2.5 MMT Japonica trades
  - 2 TMT white broken ( \$330-50 PMT)
  - 1 TMT of fragrant broken ( \$570-80 PMT)
  - 500 TMT glutinous rice (\$900 PMT)
  - And break the rest (14-16 MMT) into 100B, WR 5%, WR 10%, WR 15%, WR 25%, even WR 35% - Dominated by Africa
  - Example, Iraq buys 1.2 MMT WR 3%; Indonesia bought 3.1 MMT in 2010/11 of WR 5%, WR 10% and WR 15%; Cuba buys mostly WR 15%; Malaysia mostly WR 5%; while Saudi Arabia buys mostly basmati rice; Japan buys Japonica and 100B

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## Price since Sep 2011 (\$/PMT) - The India and Thailand show!



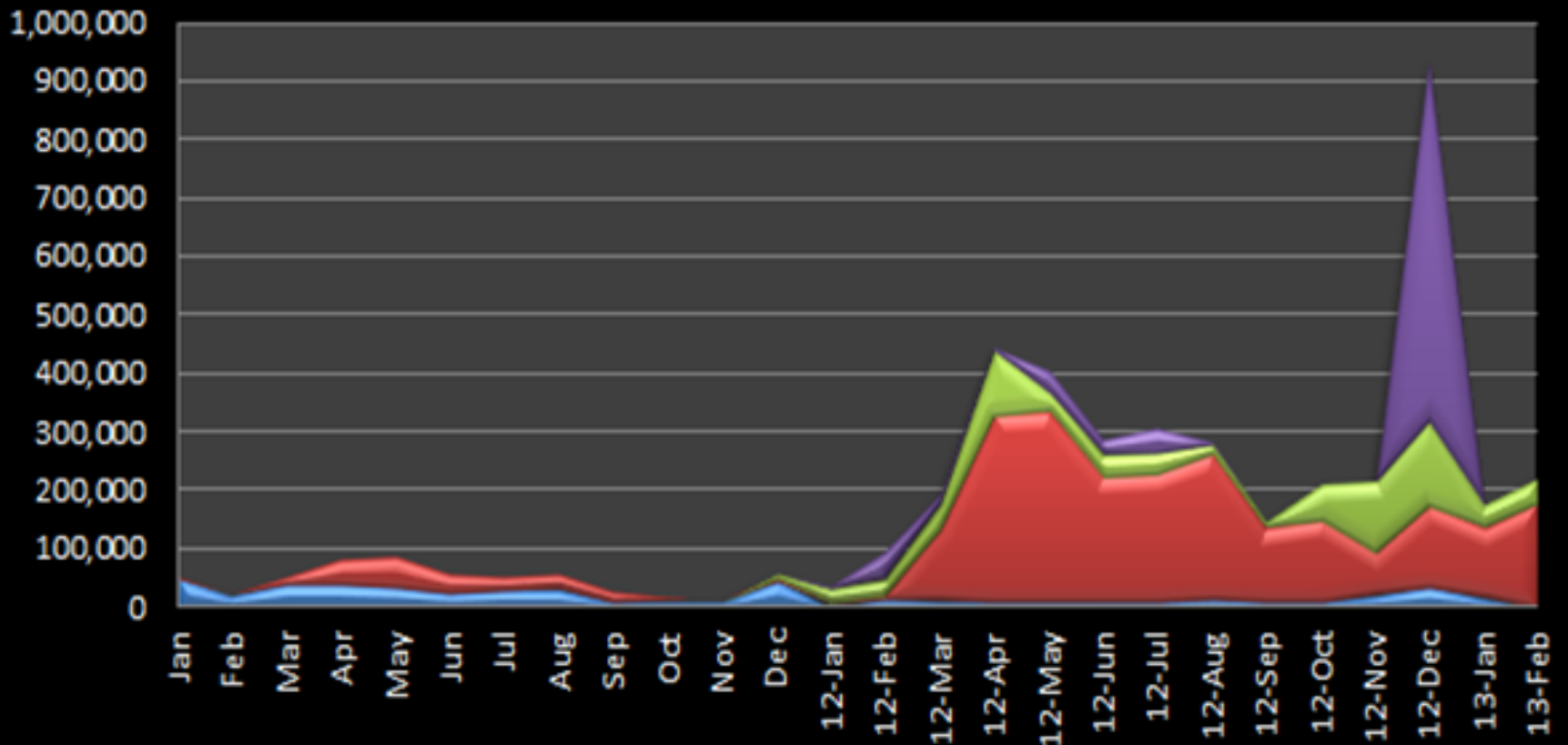
**2013 - Looking ahead**

1. Indian prices rise with MSP, rupee and on rice output concerns and National Food Security Bill
2. Demand expected from China (and Southeast Asia)
3. Philippines remains a wild card - we expect imports to continue
4. Nigerian imports look slow after new 110% import tax/levy is confirmed
6. Is Thailand pressured by stocks? Political forces will decide
7. African buying was a record in 2012, but with most of the stocks built in Nigeria, Egypt and Senegal trade could be interested in value purchases

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## China Imports since 2011 (MT)

■ Thailand ■ Vietnam ■ Pakistan ■ Myanmar



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## INDIA

- Monsoon – currently expected to be normal, some press suggests 110 MMT crop (milled for 2013/14) – we feel it is too early, watch starts in May
- Indian rupee is a major concern and almost the sole price driver for much of 2011 and 2012
- MSP up to 1250 per 100Kg (16% higher). Higher minimum support price = higher prices (or does it?)
- Food Security Bill remains a key focus – nearly 70 MMT to be bought by government and sold at subsidized rates – big question is on efficiency and leakages that could end up allowing India to offer exports at below local MSP based levels. Local market price developments are expected to see a strong political influence on market/export decision
- Food security bill is a factor for 2014, not 2013 – but with Food Corporation of India buying 40 MMT of rice in 2012/13 – leakages could still prove vital to India's competitiveness in global markets.
- **Current competitive advantage – Parboiled rice (PB 5% \$425 PMT) & Broken (from \$315 PMT)**

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## THAILAND

- Rice Pledging scheme since Oct 2011; 15000 Baht PMT for white paddy and 20000 Baht PMT for jasmine paddy
- 14-16 MMT of milled rice stocks and expected to grow to 18-20 paddy if we base on current agreement to buy 7 MMT more in current scheme
- Huge need for G2G sales or a weather shock at a key destination market
- Could government be forced? Real issues, but so far government seems resilient
- Exporter stocks held by Thailand could also be a ceiling for markets if prices rise
- Dependent so far on Nigeria sales (2012), while 2013 sees focus on Iraq, Japan and Korea tenders and some old crop sales to high value markets like Cameroon, Mozambique and Angola
- Border trades involving Cambodia (limited in 2013) and Vietnam (brokens are bought to meet milling ratio of scheme).
- **Much depends on stock releases – supposed to be 500 TMT in April, but no news so far, and up to 2 MMT for 2013 – which is still a pale comparison to 18-20 MMT potentially held at the end of 2013 in stocks.**

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## VIETNAM

- High inventory of nearly 1.8 MMT, limited G2G (no Indonesia, less Philippines, no Bangladesh, but new – Haiti, and better Cuban sales)
- Cross Border trades with Cambodia-Thailand and China can impact local prices
- Competition for African and now even Asian markets (Indonesia, Bangladesh, Malaysia and China in particular) from India and Pakistan
- Weak Vietnamese economy implies high cost of carry and a push to sell stocks – less power to hold and can also limit government's ability to protect farmers
- Promise of VND 5000 per Kg for paddy, can be a political motivator
- **POTENTIAL: Huge Gains seen in Jasmine, Glutinous, Fragrant broken have all exceeded in performance**
- **Prices are weak – 3.8 MMT exportable surplus from W-S crop, plus 800 TMT or exportable ending stocks, and June harvests pressure price as commercial buying (Africa) is slow**
- **Sentiment driven, especially at the Very sensitive to news from Indonesia and Philippines (and now China)**



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## PAKISTAN

- 2012 - Moves away from West African sales towards more Asian sales
- 2013 – African interest is back as Chinese demand looks to have moved to Vietnam
- Strong sales of low grades (WR 25%, and brokens) has left low grade and brokens prices up (\$370 PMT for WR 25%) and likely to face competition from Myanmar (WR 25% 345-50 PMT) and Vietnam (WR 5% \$385 PMT)
- Basmati has lost ground to India – most dip seen in brown rice exports, but Indian removal of MEP for basmati was a major factor together with India's success in selling basmati to Iran and Iraq
- Probably the closest market to offer rice under free trade conditions – very market driven
- East Africa and Afghanistan remains a key destinations
- Competition in parboiled rice has seen Pak move to higher grades in light of Indian competition – strong focus on parboiled rice sales to Middle East
- **China will reveal Pak price trends – which suggest soft markets due to Pakistan's inability to compete.**

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## MYANMAR

- Key Asian export origins, Myanmar has shipped 1.3 MMT in 2012, but this number has nearly 700 TMT of border trades with China
- 2013 looks similar – export focus on WR 25% (emata) and rising exports of broken to Europe and more investments into parboiled rice
- Myanmar has a porous border with China and proximity to Bangladesh – China is a big influence in 2012 like in many parts of Asia
- African sales remains a key component, but new sales to Russia, Middle East, some Malaysian and Philippines sales and recent MOU with Indonesia shows intent on growing markets
- Bridesmaid to other origins, often labeled as cheapest origin, and traded at a discount to most major origin – example Emata 25%
- Monsoon dependent – both in production, export availability and in monthly export trends (when exports slow during monsoon months)
- Consistency of quality (or inconsistency) remains a bugbear for export quality developments

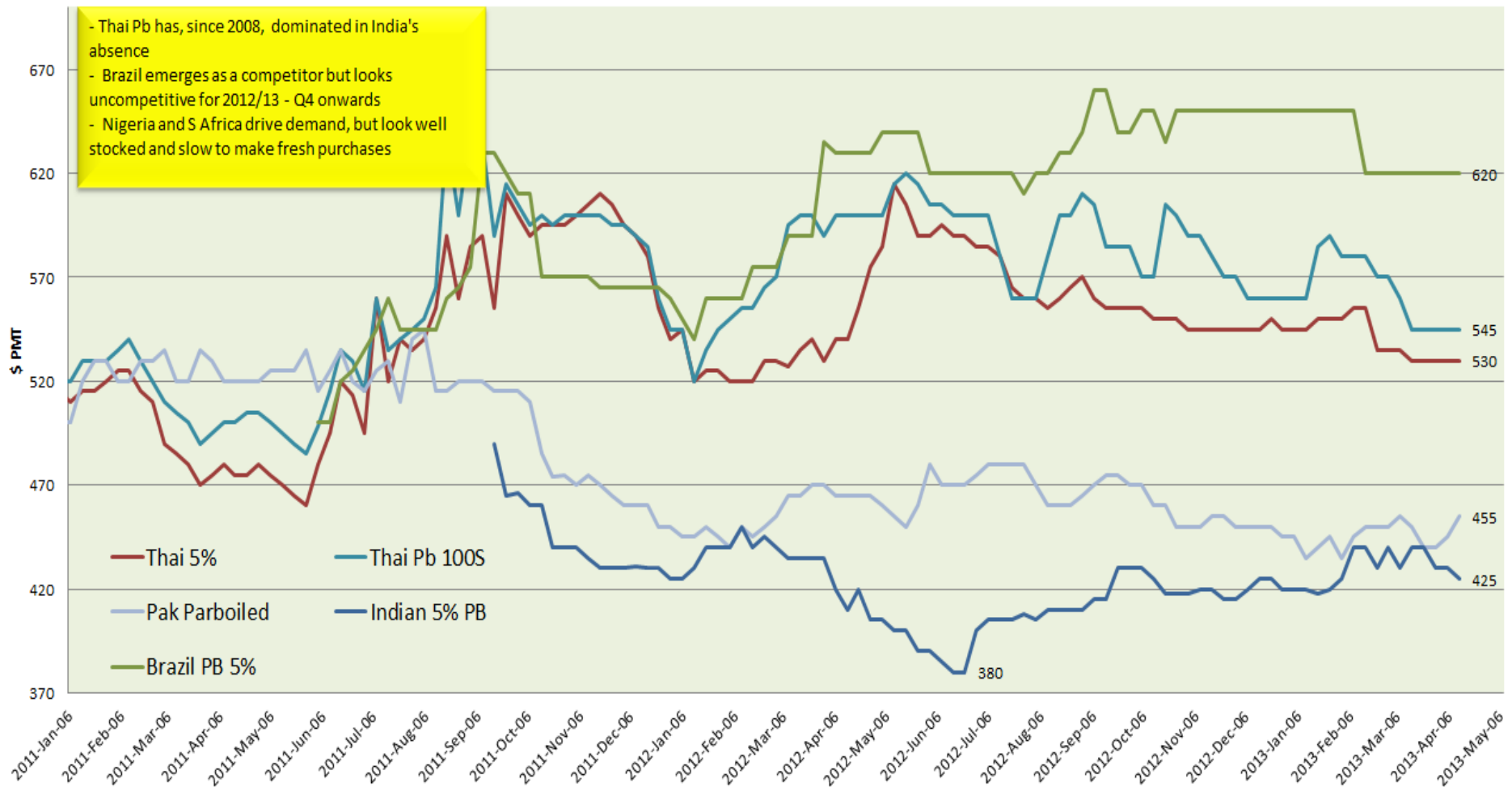
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## **CAMBODIA**

- Key markets with influence on fortunes of Thai and Viet rice markets
- Exports from ports mostly high grade fragrant rice (200-250 TMT)
- Large movements of cargo via border due to more profitable and less bureaucratic cross border sales (lower costs to sell via border than via ports)
- Even now trader to Viet cargo to Vietnam via Cambodian road routes due to price arbitrage opportunity between Thai-Cambodia-Viet markets
- Border movements have a significant impact on world rice compared to port related export activities
- Production and development prospects are some of the best in Asia
- Internal Logistics and Bureaucracy (cost of paper work) can be a major hindrance in developing the formal export routes and trade
- Clear opportunities seen in marketing of fragrant rice
- Lack of price transparency or the lack of a competitive indicative price can also hinder sales opportunities and marketability of Cambodian rice

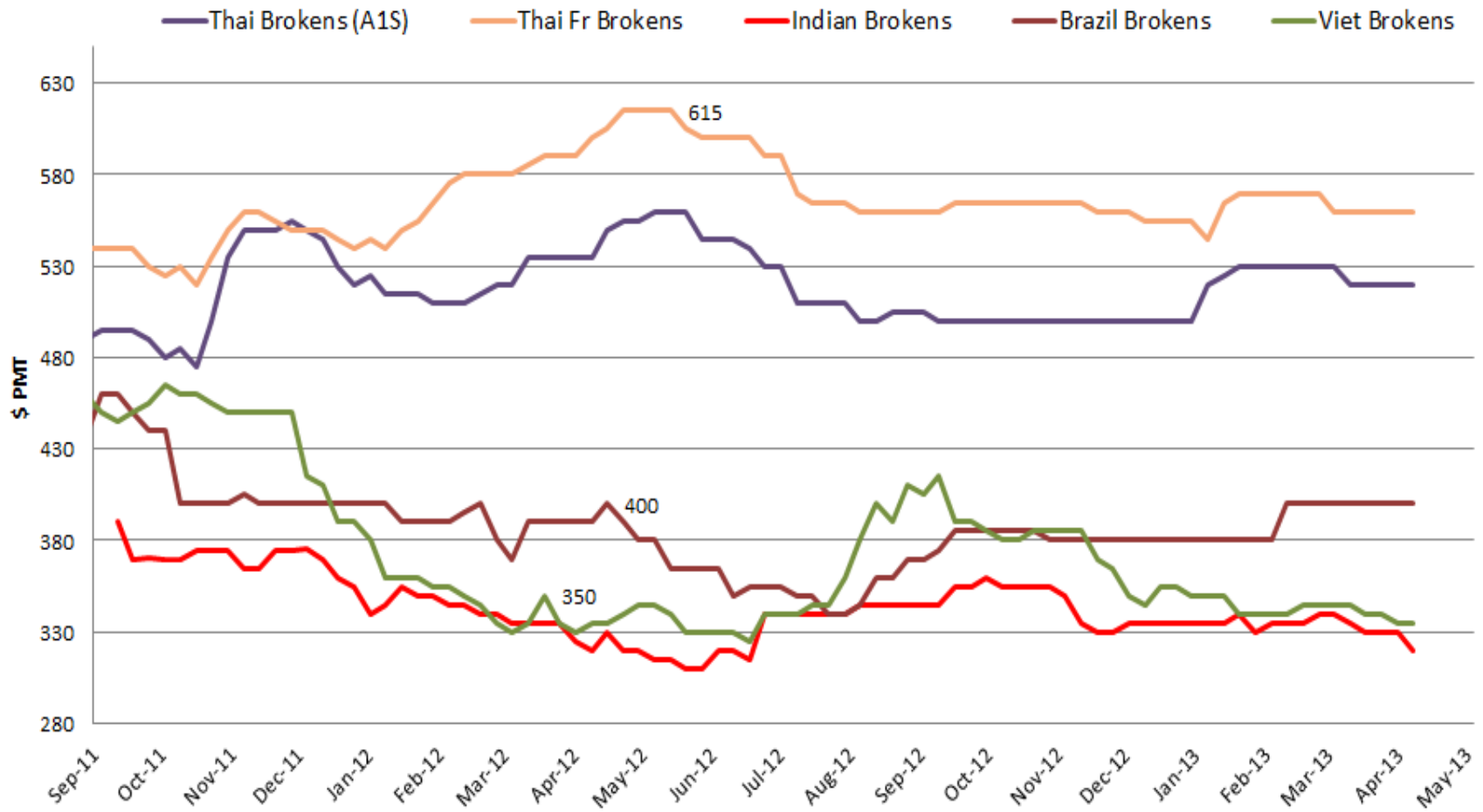
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Parboiled Rice Price since Jan 2011 (\$/PMT) - Close up



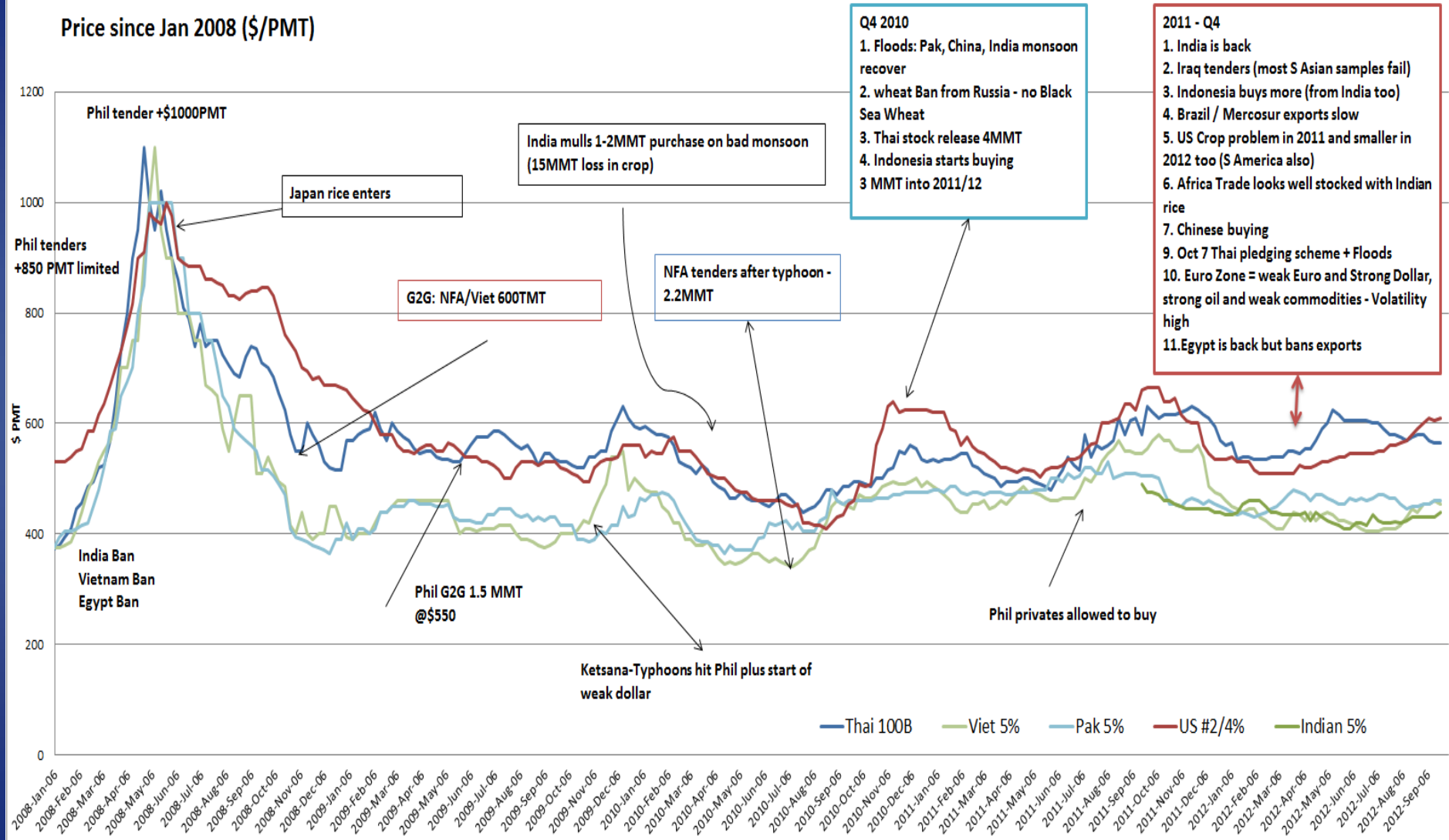
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## White and Fragrant Broken Price since Sep 2011 (\$/PMT)



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Price since Jan 2008 (\$/PMT)

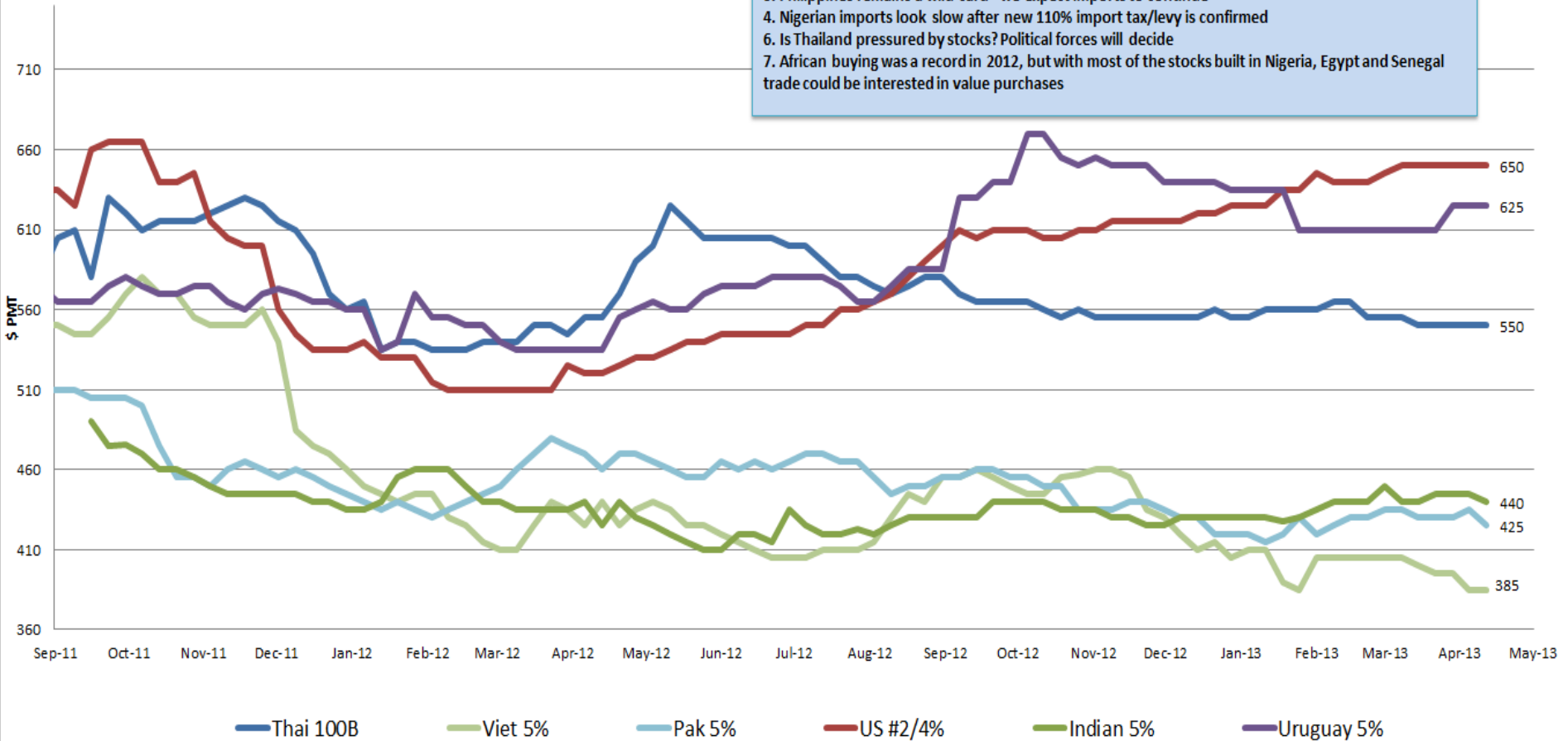


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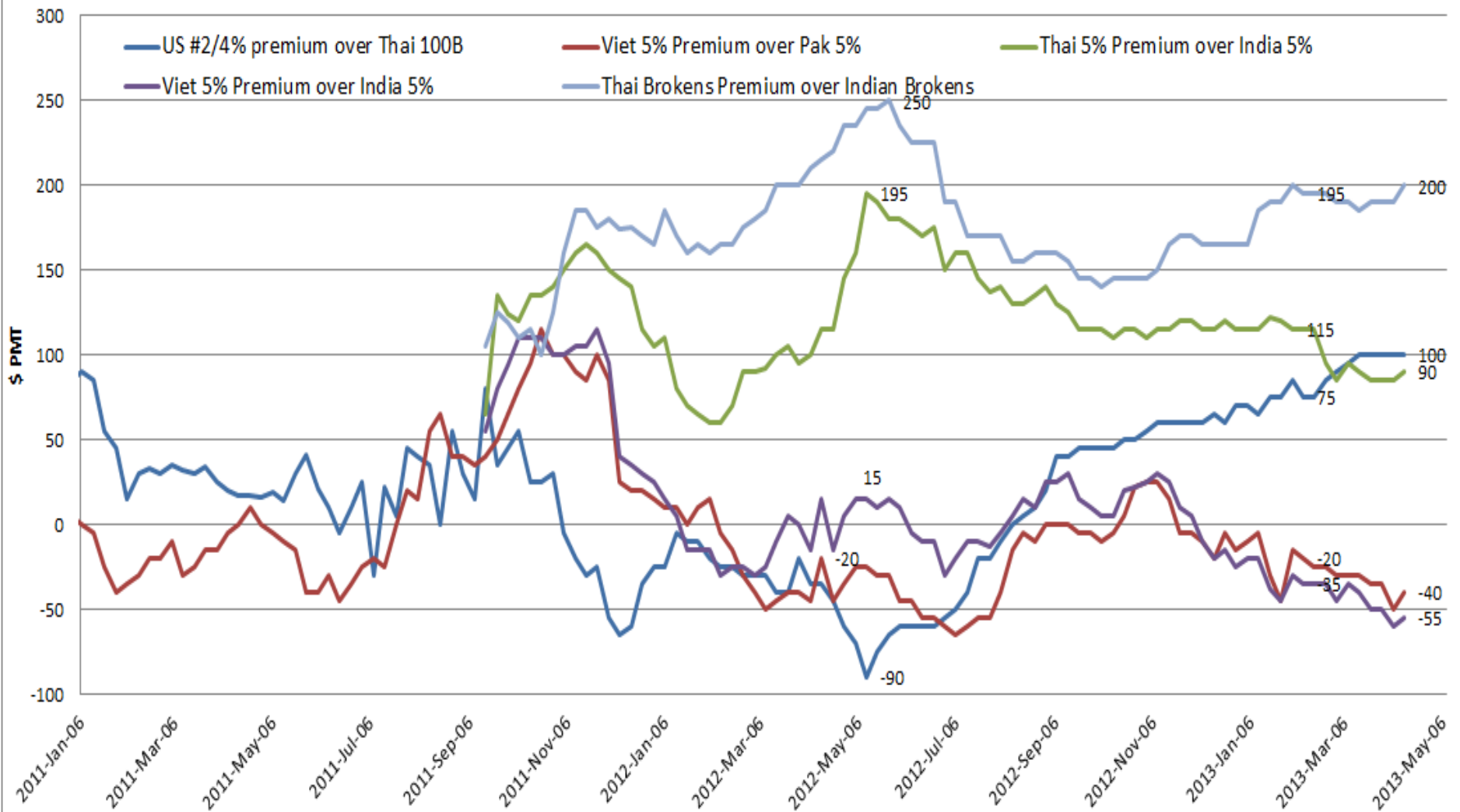
## The Road Ahead

- Key Concerns:
  - The weather – a US crop recovery foreseeable – look at all grains and not choice between rice and other foods
  - Indonesia – interesting always the year before elections (2014)
  - Philippines – Wild card as we have conflicting reports on trade versus data collected - the grey trade and politics behind rice will always excite
  - China remains very important in demand while global grains remains tight
  - Global economic conditions / Currency markets
  - Thailand, pledging scheme and stocks (releases)
  - African demand – Nigeria and the West African crop will be important: for the moment high inventories have seen demand slow, and buyers are even moving from India to Vietnam due to large price differences – Price and competitive advantage will be key.



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Price Premiums since Jan 2011 (\$/PMT) - Premiums narrow but not enough



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## THANK YOU!

V. Subramanian

Vice President, The Rice Trader

Email: [subra@thericetrader.com](mailto:subra@thericetrader.com)

Tel: +65 97603225



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