

► Rice Market Outlook – Supply And Demand In The World Of Rice

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The world fundamentals have become a major drag on US prices and are creating an unfavorable outlook for the future. We will take a look at both the US and world supply and demand and what they show in regards to the price of rice for the 2015 crop year and beyond. We will cover issues that could change supply going forward as well as the trends in the demand. We will also look at alternative markets and what their price outlook is as we navigate a couple of years where losses seem likely.

We cannot develop here exactly what our presentation will entail since those numbers are weeks from being published as this is written. In fact, we will be using numbers that will have come from the USDA only days before the conference. We can tell you a little of what we know we will have to cover to do the job of looking at the market going forward into 2015.

World market conditions will be the starting place. If trends continue, we should lower surpluses in exporting countries. Can they drop fast enough to help support prices in 2015? We will also look hard at India which is starting to hold less rice and move more to their population. Another interesting trend is Viet Nam's situation. Can that help support higher world price levels? All of these world factors are certainly impacting US prices.

What about the US rice outlook? While a lot can be said for the stupidity of the Thailand government and their intervention program which has pretty much wrecked the world rice market, the major increase in US plantings of rice has to also carry some of the blame for the current price levels in rice. Price levels may not see much appreciation through 2015 without a major change in the supply side of the equation in the US.

Other factors that may be adding weight to price action include the new varieties which also are increasing supply while rice handling facilities are not embracing fully the idea of separating rice by variety. This has been a talking point for importing countries of rough rice that have had some problems milling US rice cargos. Given the supply, the last thing needed is for the demand to drop because of rice variety inconsistencies.

Couple all of these things together and the outlook for US rice prices is certainly not very stellar. Even so, the old statement is true, "The cure for low prices is low prices."

There are some glimmers of hope for the market and we will take the current WASDE report apart in our presentation and look at "the good, the bad and the ugly" parts of the supply and demand table. We will also walk through the market phases which may have a lot of impact on the market going forward.

Finally, we will spend some time on basic technical analysis to see if there is any historical evidence of what could happen given the current conditions.