

Wheat

WASDE: Global Wheat Supplies 7.6 Million Tons Higher

Projected U.S. wheat ending stocks for 2011/12 are raised 90 million bushels this month with higher expected imports and lower expected food use and exports. Imports are raised 10 million bushels with larger supplies in Canada. Food use is projected 5 million bushels lower in line with revisions to 2010/11 based on the latest and final U.S. Bureau of Census mill grind estimates and reflecting reduced prospects for per capita flour consumption during calendar year 2011. Exports for 2011/12 are projected 75 million bushels lower with larger supplies and exports expected for Canada and the EU-27. The season-average farm price for all wheat is projected at \$7.35 to \$8.35 per bushel, up from last month's range of \$7.00 to \$8.20 per bushel supported by higher corn prices.

Global wheat supplies for 2011/12 are projected 7.6 million tons higher mostly on larger beginning stocks in Canada and increased production for Canada, EU-27, and Ukraine. Beginning stocks for Canada are raised 1.3 million tons and production is raised 2.5 million tons, both reflecting the latest estimates from Statistics Canada. EU-27 production is raised 2.3 million tons with increases for Germany, Romania, France, Spain, and Bulgaria as harvest reports and revisions to official estimates continue to indicate higher yields. Production for Ukraine is raised 1.0 million tons based on the latest harvest reports. Other smaller production changes include 0.2-million-ton increases for both Brazil and Morocco, and a 0.2-million-ton reduction for Uzbekistan.

World wheat trade is raised slightly for 2011/12 with increased imports projected for the United States and Uzbekistan. Global exports are also raised as higher expected shipments from Canada and EU-27 more than offset reductions for the United States and Turkey. Global wheat consumption is increased 1.9 million tons with higher expected wheat feeding in Canada, China, Morocco, and Turkey more than offsetting a reduction for Russia. World wheat ending stocks for 2011/12 are projected 5.7 million tons higher at 194.6 million. At this level, global stocks would be up from 2010/11 and the second largest in the past decade.

Russia unexpectedly developed into a major rice exporter

Rice harvest in Russia for the year increased by 30% and reached an unprecedented 1.2 million tonnes. It is much more than is required for domestic use.

Therefore, Russia suddenly became a major rice exporter, said agronews.ru.

It follows, without prodding from above, unremarkable in terms of climate year farmers have achieved the goal that put the decades, but have failed under Soviet rule."Until recently, our market has been a reliable outlet for the three major world rice exporters - India, Thailand and Vietnam. Fig our respect. The consumption of cereals (5 kg per capita per year) of course we do not achieve the performance of Asia. But very much ahead of Europe.Russia has traditionally its rice was not enough, so overseas buying 450 - 470 thousand tons per year. Meanwhile, our own production gave only 150 - 200 thousand tons. The peak of rice imports was in the 2002 - 2004.

Russia harvested over 81 mln tonnes of grains

In the current year the general grain production volumes in Russia are expected to reach 90 mln tonnes , sunflower production - nearly 8 mln tonnes, declared press-service of the Ministry of Agriculture of the Russian Federation on September 20.

As of September 20, 2011, agrarians harvested grains and leguminous crops throughout the areas of 34.7 mln ha (79% of the sowing areas). The production volumes totaled 81.1 mln tonnes of grains (in 2010 - 53.5 mln tonnes, in 2009 - 79.4 mln tonnes). The average yield totaled 23.4 c/ha.

Russian agrarians harvested wheat (winter and spring) throughout the areas of 20.3 mln ha (79% of the sowing areas). The production volumes totaled 50.6 mln tonnes (in 2010 - 35.7 mln tonnes, in 2009 - 49.6 mln tonnes). The average yield totaled 24.9 c/ha.

Russia harvested barley (winter and spring) throughout 7.1 mln ha (89%), and produced 16.2 mln tonnes of the grain (in 2010 - 7.8 mln tonnes, in 2009 – 16.7 mln tonnes). The average yield totaled 22.9 c/ha.

Agricultural enterprises harvested buckwheat throughout the areas of 185 thsd ha (36%). The production volumes totaled 193 thsd tonnes (in 2010 - 114 thsd tonnes). The average yield totaled 10.4 c/ha (in 2010 - 5.8 c/ha).

Russian agrarians harvested maize for grain throughout the areas of 122 thsd ha (7%). The production volumes totaled 555 thsd tonnes. The average yield totaled 43.4 c/ha.

Agrarians harvested soybean throughout 120 thsd ha (10%), and produced 204 thsd tonnes (in 2010 - 190 thsd tonnes, in 2009 - 55 thsd tonnes). The average yield totaled 17 c/ha.

Russia harvested rapeseed (winter and spring) throughout the areas of 512 thsd ha (56%), and produced 678 thsd tonnes of the oilseed. The average yield totaled 13.2 c/ha.

Russia. Grain exports seen at 23mn tons in 2011-2012

Russia's grain exports could amount to about 23mn tons of grain in 2011-2012 MY, deputy PM Viktor Zubkov announced. Previously the Agriculture M Ministry estimated the grain exports at about 20mn tons. Zubkov also added that a discounted tariff for grain railroad transportation could be approved by the government later this month.

As reported, grain harvest is expected to be between 90mn and 92mn metric tonnes this marketing year. This summer, head of the Russian Grain Union Aleskandr Korbut argued that upon re-entering the grain exports markets after lifting the export ban, Russian grain producers will have to sell at a discount of about USD 20-USD 30 per ton. Any "come-back" to the global market has its price, Korbut then stressed, reminding that previously the premium for entering the market was about USD 10-USD 15 per ton. Korbut also believes that overall price trend on global grain markets this year will be a downwards one. To remind, last year due to severe drought and wildfires, only 60mn of grain were harvested, while domestic demand was estimated at 77mn tons. Poor harvest of grain forced an exports ban that was lifted on July 1 2011. Fitch Ratings welcomed Russia's intention not to prolong the export ban on grains, as well as to lift the export quotas on some types of grain.

At the same time, Fitch believed that limitations on grain trade in Ukraine and difficult weather conditions in key grain-harvesting regions are going to continue limiting global supply of grain on the background of global prices remaining higher than five-year average. Fitch noted that although Russia and Ukraine accounted for 22% of global grain exports in 2008-2009, this share is likely to decrease to 6% by the end of the current season, concluding that Russia lifting the exports ban not necessarily being sufficient to compensate harvest losses in Europe and USA.

Ukraine is unlikely to cancel the export duties on grains – Ministry of Agrarian Policy

Ukraine is likely to keep the customs duties on grain exports until the end of 2011, forecasted Anatoly Rozgon, Deputy Director of the department of economic development and agrarian market of the Ministry of Agrarian Policy, on September 5.

According to him, canceling of the duties is a very difficult procedure, which requires conducting consultations with the International Monetary Fund, arguing their position to the Fund, looking for additional sources of revenue in the budget.

A.Rozgon added that the factor which influenced the decision to avoid the cancellation is that it is not much time till the end of the year.

The official said that despite the existence of customs duties, grain export volumes in the present marketing year will gradually catch up the last year indices.

The Deputy Director of the department of economic development estimated grain exports in the first two months of the new MY at the level of 2.1 mln tonnes.

According to him, dumping of grain exports by the Russian suppliers slows down the Ukrainian exports, but the factor will gradually decline, particularly due to the physical limitations for exports of Russian grains.

A.Rozgon said that the forecast for grain exports from Ukraine in 2011 totals nearly 24 mln tonnes and the general production volumes of 51 mln tonnes, so the country needs to reach the monthly rate of exports at the level of 1.5-2 mln tonnes. He added that the acceleration of exports is needed to prepare elevators to receive maize volumes, or there is a risk of shortage of grain storage capacities in November.

As a reminder, grain exports from Ukraine to 2010/11 MY totaled nearly 12 mln tonnes with the general production volumes of 39.3 mln tonnes. At the same time, the Government limited grain export with administrative measures from the end of August 2010, and in October 2010 imposed the quotas for ensuring the food security, which were finally canceled only in early June 2011.

But at the same time, Ukraine from July 1 to January 1, 2012, imposed the customs duties on exports of wheat (9% but not less than 17 EUR/t), maize (12%, but not less than 20 EUR/t), barley (14%, but not less than 23 EUR/t).

Ukraine harvests over 37 million tons of grain by September 21

Ukraine as of September 21 harvested over 37 million tons of grain and leguminous crops from an area of 11.98 million hectares, or 77% of the forecast.

The average yield of these crops in the country was 30.9 quintals per hectare, compared to 25.7 quintals per hectare last year.

In particular, farmers harvested 1.86 million tons of corn from an area of 364,000 hectares (10% of the target), with its average yield being 51.1 quintals per hectare, whereas in 2010 it was 39.6 quintals per hectare.

Ukraine also threshed 264,000 tons of buckwheat from an area of 235,000 hectares (79% of the forecast), with its average yield being 11.2 quintals per hectare, compared to last year's 8.4 quintals per hectare.

As of September 21, agribusinesses also harvested 4.153 million tons of sunflower seeds from an area of 2.318 million hectares (51% of the forecast), with their average yield being 17.9 quintals per hectare, whereas in 2010 the figure was 15.6 quintals per hectare.

Ukraine harvests 37.6 million tons of grain by September 23

Ukraine as of September 23 harvested 37.627 million tons of grain and leguminous crops from an area of 12 million hectares, or 78% of the forecast.

The average yield of these crops in the country was 31.1 quintals per hectare, compared to 25.8 quintals per hectare last year.

In particular, farmers harvested 2.44 million tons of corn from an area of 469,000 hectares (13% of the target), with its average yield being 52.2 quintals per hectare, whereas in 2010 it was 40.2 quintals per hectare.

Ukraine also threshed 271,000 tons of buckwheat from an area of 242,000 hectares (81% of the forecast), with its average yield being 11.2 quintals per hectare, compared to last year's 8.4 quintals per hectare. Farmers also harvested 274,000 tons of millet from an area of 142,000 hectares (87% of the target), with its average yield being 19.4 quintals per hectare (15.4 quintals per hectare in 2010).

As of September 23, agribusinesses also harvested 4.829 million tons of sunflower seeds from an area of 2.684 million hectares (59% of the forecast), with their average yield being 18 quintals per hectare, whereas in 2010 the figure was 15.4 quintals per hectare.

Ukraine threshed 674,000 tons of soybeans from an area of 347,000 hectares (31% of the target), with their average yield being 19.4 quintals per hectare (15.1 quintals per hectare in 2010).

Egypt Buys 300,000 Tons of Russian, Kazakh Wheat at Tender

Egypt, the world's largest wheat importer, bought 300,000 metric tons of the grain grown in Russia and Kazakhstan at a tender.

The state-run General Authority for Supply Commodities purchased three 60,000-ton cargoes of Russian wheat, Vice Chairman Nomani Nomani said by phone today. One

shipment was bought from Bunge Ltd. at \$289.70 a ton and the other two from Nidera and Aston, both at \$291.50 a ton, he said.

The authority also purchased two 60,000-ton cargoes of Kazakh wheat from Glencore International Plc, both at \$291 a ton, according to Nomani.

All of the grain is for shipment from Nov. 11 to Nov. 20 without freight costs, he said.

Egypt cancels sugar tender due to high prices

Egypt's state-owned Sugar and Integrated Industries Company (SIIC) said on Sunday it cancelled a tender to buy 50,000 tonnes of raw sugar due to high prices.

"We will review the situation when market prices improve," a SIIC official

Egypt Purchases 420,000 Tons of Russian Wheat at Tender

Egypt, the world's biggest wheat importer, bought 420,000 metric tons of the grain grown in Russia at a tender.

The state-run General Authority for Supply Commodities purchased a 60,000-ton cargo from Allegrow at \$277.77 a ton and another of equal size from El Etihad at \$278.44 a ton, Vice Chairman Nomani Nomani said by telephone. It also bought four 60,000-ton cargoes from Louis Dreyfus at \$278.44 a ton and a seventh shipment of that size from Cargill at \$278.95 a ton.

The wheat, which was purchased without the cost of freight, is for shipment from Nov. 21 to Nov. 30 and Dec. 1 to Dec. 10, Nomani said.

Egypt's GASC buys 240,000 T Russian wheat

Egypt, the world's largest wheat importer, has bought 240,000 tonnes of Russian wheat for December 11-20 shipment, the main government wheat buyer said on Thursday.

Nomani Nomani, vice chairman of the General Authority for Supply Commodities (GASC), gave the following breakdown of the purchases:

-60,000 tonnes from Louis Dreyfus at \$261.44 a tonne with freight costs of \$15.63

-60,000 tonnes from Aston at \$263.25 a tonne with freight costs of \$15.63

-60,000 tonnes from Nidera at \$263.25 a tonne with freight costs of \$15.70

-60,000 tonnes from Bunge at \$263.25 a tonne with freight cost of \$15.70

GASC received an offer of Ukrainian wheat in the tender but it was disqualified as the tender announcement had not asked for that origin, Nomani said.

Since the start of the 2011/12 fiscal year on July 1, GASC has purchased 2.22 million tonnes of Russian wheat and 180,000 tonnes of Romanian wheat.

In the fiscal year that ended on June 30, 2011, GASC purchased some 5.58 million tonnes of French, U.S., Canadian, Australian and Argentine wheat.

Egypt imports 365,000 tonnes of Brazilian Sugar

Egypt's authorities have decided to import 365,000 tonnes of sugar from Brazil at international prices until local production reaches sufficient levels in January.

The deal will cost around LE1.3 billion (US\$220 million), and is supposed to reach Egyptian consumers before the end of September, according to Hassan Kamel, Head of Egyptian Sugar and Integrated Industries company.

Kamel added that the imported amounts, in addition to the current stock levels, are sufficient to cover the needs of the market until the sugarcane season starts the beginning of 2012.

Jordan purchased 100 KT feed Barley

Jordanian Ministry of Industry and Trade has bought 100,000 tons of feed barley at a tender yesterday.

The ministry bought 50,000 tons for the first of October shipping and 50,000 for the first of November shipping.

The first shipment bought from Toepfer at 322 \$/t C&F, while the other shipment bought from Noble Grains at 321.98 \$/t C&F.

In addition, the Ministry cancelled three tenders of feed barley in the last two months due to high offer prices.

Jordan buys 50,000 tonnes feed wheat

Jordan's state grain buyer purchased on Thursday 50,000 tonnes of feed wheat in a tender for double the amount from any origin, a grain official said.

The price paid for the wheat purchased from Toeffler that was most likely Black Sea origin was \$279.83 per tonne C&F for shipment of 50,000 tonnes the in second half of

October. The price was the lowest among bids made by international suppliers, with the second-lowest bid coming at \$289.89 from Vitara, traders said.

Traders said this was a rare instance of a tender by Jordan to buy feed wheat, with prices cheaper now than barley, which is traditionally bought and is subsidised for the country's cattle owners.

"There is at least a \$30 price gap between feed wheat and barley which is going up and this is what encouraged them to go for this tender," said one trader.

Other bids given were Glencore and Cargill, which submitted similar bids at \$299 per tonne while Dreyfus' was a high \$305 per tonne bid, traders said.

Tunisia buys 92,000 T wheat, 25,000 T durum

Tunisia's state grains agency has purchased 92,000 tonnes of soft milling wheat and 25,000 tonnes of durum wheat in a tender which closed on Friday, European traders said on Monday.

All the grain was optional origin for October/November shipment.

Of the wheat, some 25,000 tonnes was purchased at \$285.69 a tonne c&f for October 25-November 5 shipment, 17,000 tonnes at \$288.69 a tonne c&f for November 5-15 shipment, 25,000 tonnes at \$286.50 a tonne c&f for November 5-15 shipment and 25,000 tonnes also at \$286.50 a tonne c&f for November 15-25 shipment.

Wheat sellers were said to be trading houses Granit and Invivo.

The durum was sold at \$449.84 a tonne c&f for October 25-November 5 shipment.

Durum seller was said to be Gavilon.

Iraq Scraps Wheat Tender, Plans to Buy Rice, Grain Board Says

Iraq has cancelled a tender for 50,000 metric tons of wheat and is inviting bids to buy 30,000 tons of rice from South America, said Amer Abdel Aziz, spokesman for the country's Grain Board.

Abdel Aziz did not give a reason for the cancellation of the wheat tender, when he spoke to Bloomberg by phone today. Bids were due by Sept. 6, according to a notice by the Trade Ministry last month.

Rice

Global Rice Production in 2011/12 Projected To Be the Highest on Record

The 2011/12 global rice production forecast was reduced by 73,000 tons this month to 456.3 million tons, with increases for Egypt and the United States nearly offsetting reductions for Indonesia and the Koreas. In spite of the reduction, global rice production in 2011/12 remains projected at a record, up more than 1 percent from 2010/11.

Egypt's production estimate was raised this month by 350,000 tons to 4.7 million tons. The U.S. Agricultural Officer in Cairo reports that in the wake of this spring's political upheaval, rice planting restrictions on the basis of water conservation were not strictly enforced, allowing more rice to be planted in lieu of corn and soybeans.

As a result, plantings in Egypt are estimated at 760,000 hectares – nearly a 70- percent increase over 2010/11 when the planting restrictions were in place. This would be the largest crop on record for Egypt.

U.S. rice production for 2011/12 was also revised upward this month. The estimate was raised 40,000 tons to 6.04 million tons based on a higher yield estimate reported by the National Agricultural Statistics Service.

These increases were more than offset by several reductions. The largest of these was a 300,000-ton decrease for Indonesia, whose production for 2011/12 is now forecast at 37.3 million tons. The decrease in production was almost entirely due to an adjustment in the milling rate for 2011/12 from 64.0 to 63.5. Production on a rough basis was largely unchanged from last month. Despite this reduction, production in Indonesia is still forecast 240,000 tons higher than in 2010/11.

Extremely wet weather has harmed production prospects this season throughout the Korean peninsula. In North Korea, torrential rain fell in the country's main rice growing areas throughout July, hindering crop development. Currently, production is estimated at 1.7 million tons, down 100,000 tons from last month's forecast based on a lower yield. In South Korea, production is estimated at 4.24 million tons, down 60,000 tons from last month's forecast. Similarly, the reduction is due to a slightly reduced yield estimate.

Global rice production for 2010/11 was raised by nearly 1.0 million tons this month to 451.2 million tons. The largest change for 2010/11 was an 800,000-ton increase in India's production estimate to 95.3 million tons. This increase was recommended by the U.S. Agricultural Officer in New Delhi and is consistent with the Indian Ministry of

Agriculture's Fourth Advance Estimates report. Higher yields for the winter-planted rabi crop accounted for most of the increase.

Similarly, Indonesia's 2010/11 production estimate was increased 160,000 tons to 37.06 million tons following newly revised quarterly estimates released by the Indonesian Central Agency on Statistics, BPS. The U.S. Agricultural Officer in Jakarta reports that wet conditions in 2010/11 led to increased rice plantings at the expense of corn, soybeans, and other minor food crops. At the same time, poor conditions reduced expected field yields, and milling yields were also reportedly affected.

Global disappearance in 2011/12 is projected at a record 455.2 million tons, down 1.1 million tons from last month's forecast, but still nearly 7 million tons larger than 2010/11. Upward revisions for Bangladesh, Egypt, and Indonesia were more than offset by reductions for North Korea and Pakistan.

Global ending stocks for 2011/12 are projected at 97.9 million tons, up 1.7 million tons from last month and 1 percent larger than a year earlier. Upward revisions for China, Indonesia, and Thailand more than offset declines for Bangladesh, Egypt, Brazil, and Pakistan. The global stocks-to-use ratio for 2011/12 is calculated at 21.5 percent compared with 21.6 percent in 2010/11.

Rice May Slump, Easing Global Food Inflation

Rice, which has beaten corn, wheat and soybeans in the past year, may drop as India restarts non-basmati exports after a ban was lifted, boosting global supplies as buyers including Indonesia take less than expected.

The Indian shipments will have a bearish impact and futures may average \$16 per 100 pounds in Chicago in the fourth quarter, according to Abah Ofon, an analyst at Standard Chartered Plc. That compares with \$16.987 so far this quarter. Prices may fall as India's shipments cut Thailand's market share in Africa, said Mohammad Ismet, a senior adviser to Indonesian food agency Bulog.

Cheaper rice may improve the lives of the 1.1 billion the World Bank says live on less than \$1 a day, while restraining food inflation and cutting the pressure on central banks to raise interest rates. Global food prices have rallied 26 percent in the past year, bolstered by a plan by Thailand, the largest exporter, to buy rice from farmers at above-market rates.

"There will be some short-term fears on India entering the white-rice market," said Jeremy Zwinger, chief executive officer of The Rice Trader, a weekly industry report



based in California. Still, “with Thailand staying strong on the price intervention, there may be a reversal of ideas as India sells quantity very quickly.”

Rice has surged 42 percent in the past 12 months, beating rallies in corn and soybeans, while wheat has dropped. The November-delivery contract was unchanged at \$17.195 at 12:31 p.m. in Singapore. The price touched \$18.54 on Sept. 12, the highest level since October 2008. The rate for 100 percent grade-B Thai rice was quoted at \$629 per metric ton on Sept. 7.

Indian Exports

India’s government, which banned private companies from shipping non-basmati rice in April 2008 amid a global food crisis, lifted that restriction on Sept. 8. Exports from the second-largest producer may total 4 million tons for the year from April 1, Vijay Setia, president of the All India Rice Exporters Association, said on Sept. 13.

Indian shipments will account for 11 percent of the global rice trade this year, overtaking the U.S. and Pakistan to become the third-largest shipper, according to projections from the U.S Department of Agriculture, or USDA, in a report on Sept. 12.

“I don’t see rice prices running away,” Ofon, the analyst at Standard Chartered, said in an interview in Singapore today. “Prices will moderate.”

‘Quite Dangerous’

The end of India’s curb, coupled with Thailand’s plan, may add to volatility, exposing traders to potential losses, said Amit Gulrajani, general manager for rice trading and shipping at Olam International Ltd. (OLAM), one of the world’s three biggest rice traders. “Going long or short could be quite dangerous,” said Gulrajani, referring to bets on gains and losses.

Imports by Indonesia may be capped at 1.2 million tons this year, said Bulog’s Ismet. That’s less than a forecast of 2.2 million tons from the USDA. Imports include the 400,000 tons bought from Vietnam last week, Ismet said.

Bangladesh, South Asia’s biggest buyer, may cut its forecast for imports by half as local output climbs, according to the Bangladesh Directorate General of Food. Shipments may total 400,000 tons in the year from July 1 compared with 800,000 tons estimated two months ago, according to Badrul Hasan, director for procurement at the Bangladesh Directorate General of Food. Imports were 1.26 million tons in the year to June 30.



Global output may climb to a record 458.4 million tons in 2011-2012, buoyed by larger harvests in China, the Philippines and the U.S., according to the Sept. 12 report by the USDA. That would be a second year of record supply, outpacing demand and lifting so-called ending stockpiles to the highest level in nine years, the USDA said.

Rural Incomes

Thailand plans to pay 15,000 baht per ton (\$493) for unmilled white rice and 20,000 baht for Hom Mali fragrant rice, as much as 50 percent above current rates, according to Bloomberg News calculations based on data from the Thai Rice Mills Association. The country is willing to give up its position as largest exporter to boost rural incomes, Deputy Prime Minister Kittiratt Na-Ranong said on Sept. 12. State purchases are due to start on Oct. 7.

Thailand's rice-buying policy may "create problems" for the government as it will inflate stockpiles and the state may be unable to sell them on the open market without losses, Abdolreza Abbassian, senior economist at the Food & Agriculture Organization, said in an interview in Singapore yesterday.

The Thai export price may gain to about \$650 a ton by the yearend, said Kiattisak Kanlayasirivat, a director at Novel Commodities SA's Thai office, who correctly forecast a rally late last year. "That is the level that buyers can accept."

Global food security at risk: Thai rice subsidy could cause price turbulence

A populist policy aimed at boosting the incomes of Thai farmers has raised fears of global rice price turbulence, and experts say the kingdom could just be hurting itself.

Thailand, the world's biggest rice exporter, has vowed to boost the minimum price farmers receive by buying unmilled rice directly at 15,000 baht (\$485) per ton from October. The current price is about 10,000 baht.

The move, part of an array of promises that helped propel former premier Thaksin Shinawatra's allies to victory in a July election, has fuelled speculation that world prices could be set to surge.

While it is unclear what effect the policy might have on global consumers, prices have already risen and observers fear a spike could pile further pressure on poor importer nations.

Rice is the staple food for more than three billion people, about half the world's population, and Thailand produces about one third of global exports, with China, Bangladesh, Philippines, South Africa and Nigeria among its major customers.

The rice export price has jumped from \$500 per ton in early July to around \$600 as Thai farmers withheld stocks to take advantage of the rice deal, according to analysis from Capital Economics.

The Thai Rice Exporters Association, concerned that the country could lose its position as the biggest global exporter, has warned that prices could hit \$800 per ton. Vichai Sriprasert, head of Riceland International said last week the move could push Thai prices "higher than anybody".

"Any government in the world when they subsidise their commodities (it is) to be more competitive, but Thailand just did the opposite," he said.

The US Department of Agriculture predicts Thai exports, projected at 10 million tons this year, will slump by 20% in 2012, although global trade is predicted to drop four percent from a 2011 record high.

At a recent meeting in the northern Thai city of Chiang Mai, export representatives from Thailand and Vietnam – the world's second biggest supplier – warned of the effect on consumer prices. A report from the USAID-affiliated Famine Early Warning Systems Network last month said Asian rice prices had risen "significantly" since July, driven mainly by the Thai government proposal.

"Unless trade in rice is disrupted by policies, prices should remain relatively stable," it predicted, forecasting that world production would increase slightly ahead of consumption in the 2011/12 period.

"If, however, rice prices were to increase, this development would have an adverse impact on food security in low-income, food-deficit countries, especially in the context of high oil prices and a global slowdown in economic activity."

Thailand's dominant position has raised concerns that world prices could surge as high as in 2008, when they peaked at around \$1,000 a tonne amid export curbs in India and rocketing oil prices.

The report said the bill for the scheme could be significant, which suggests "the government will be keen to pass at least some of the cost to consumers. But it also suggests that the scheme may not be in place for very long".

Thailand May Give Up Top Rice-Exporter Role

Thailand is willing to relinquish its role as the world's biggest rice exporter as the government prepares to buy grain directly from farmers to boost prices and rural incomes, Deputy Prime Minister Kittiratt Na-Ranong said.

"We will not back off," Kittiratt said in an interview yesterday. "If we cannot help our farmers, what is the point of being the government in this country? I'm not proud of being the largest exporter. I'm proud that Thai farmers can grow and sell their products at reasonable prices and they can smile."

Prime Minister Yingluck Shinawatra aims to insulate the country of 66 million people from a global slowdown by lifting incomes of poorer Thais who propelled her party to victory in a July election. The plan to guarantee rice prices may boost export rates by almost 20 percent and erode the nation's share of the global market, said Sarunyu Jeamsinkul, deputy managing director at Asia Golden Rice Ltd., Thailand's largest shipper.

"That will be trouble for exporters," Sarunyu said by phone from Bangkok. "It would be difficult to get deals done at that price." The export price may climb to \$750 a metric ton, Sarunyu said. It was at \$629 as of Sept. 7, the highest level since December 2009, according to the Thai Rice Exporters Association.

Rice futures rose 0.2 percent to \$18.40 per 100 pounds on the Chicago Board of Trade as of 11:54 a.m. Bangkok time, poised for the highest close since Sept. 30, 2008.

Shipments to Decline

Shipments from Thailand, which account for about 30 percent of world rice exports, are expected to fall to 8 million metric tons next year from an estimated 10 million tons this year, according to the U.S. Department of Agriculture. Exports by Vietnam, the second-largest shipper, may fall 8.6 percent to 6.4 million tons next year, the USDA estimates.

"I believe that if we have to suffer with smaller export amounts, the total value of exports will be more," Kittiratt said in Bangkok. Overseas sales jumped 55 percent to 8.3 million tons this year through Sept. 5, according to the Thai Rice Exporters Association.

The government plans to pay 15,000 baht per ton (\$498) for unmilled white rice and 20,000 baht for Hom Mali fragrant rice, as much as 47 percent above current market rates, according to Bloomberg News calculations based on data from the Thai Rice Mills Association. Purchases are due to start on Oct. 7.



Thailand's effort to raise farm incomes may fuel price gains across a region that the USDA estimates accounts for 87 percent of global rice consumption. Thailand has been the world's largest exporter since 1981, according to the USDA.

Prices Are 'Reasonable'

"We're not talking about pushing up the price three, four, or fivefold so that people will switch to consume bread or other grains," Kittiratt said. "I'm confident the price we're offering is reasonable. I'll not be happy if the price surges higher than what we suggest."

Competing suppliers may also take the opportunity to raise prices, Abah Ofon, an analyst at Standard Chartered Plc, said in an interview with Bloomberg Television today. "Up to 12 months, there is a risk we see that elevation staying in place. The question is how long can Thailand continue to buy rice at the rate it has set?"

The price of 100 percent grade-B Thai rice, the benchmark for Asia, has gained 21 percent since the July 3 election on expectation that Yingluck would resurrect a policy first introduced by her brother, Thaksin Shinawatra.

About 35 percent of Thais made their living growing crops last year, according to data from the Office of Agricultural Economics. During the election, Yingluck's Pheu Thai party won 153 of 195 seats in the north and northeast, where incomes are about a third of those in Bangkok.

Thaksin's Policy

In 2008, when Thaksin's allies were last in power and the government had a similar policy, it bought a total of 10.5 million tons of rice from almost one million farmers, according to the Bank for Agriculture & Agricultural Cooperatives. Losses from selling rice below purchasing costs were estimated at 43 billion baht, data from the bank showed.

Local prices rose to a record 17,000 baht per ton in April that year and export rates hit an all-time high of \$1,038 per ton the following month after India, China and Vietnam curbed shipments, spurring unrest from Haiti to Egypt.

"Everyone in the business can look at the price of rice five years ago and the price of wheat five years ago and look at the percentage increase," Kittiratt said. "What we're suggesting isn't even trying to outpace other comparable choices. What we're trying to do is to beg for the understanding of buyers and consumers."

The Bank for Agriculture is expected to spend about 400 billion baht on the program, the Thai-language Krungthep Turakij newspaper reported today, citing President Luck Wajananawatch.

‘No Supply Shortage’

The USDA raised its estimate for global rice production to a record 458.4 million tons for the 2011-2012 crop, buoyed by larger expected harvests in Brazil, China, the Philippines and the U.S., according to a Sept. 12 report. That would be a second year of record supply, outpacing consumption and lifting ending stocks to the highest level in nine years, the USDA said.

Global trade in rice is estimated to fall 4.2 percent to 31.8 million tons next year, the USDA said.

“As we go forward, demand and supply fundamentals are going to come to bear,” Ofon said. “There isn’t a shortage of rice in the market. We’re actually seeing a decrease in per capita consumption of rice in this region. As people get richer they switch from rice to other higher protein meals.”

India's rice exports to ease food inflation fears

Indian rice exports will hit global markets with a bang, regaining not just market share lost in three years of absence but also challenging the world's top rice exporter Thailand, whose plan to lift prices threatens to stoke food inflation.

India, which has also allowed wheat exports for the first time since 2007, will add to the global oversupply of wheat, pressuring the benchmark US market, although high domestic prices will cap exports.

Last week, India allowed unrestricted exports of two million tonnes each of wheat and common rice, as the country's stocks reach unmanageable levels, forcing the authorities to allow overseas sales.

New Delhi's move to export non-basmati or cheaper grades of rice couldn't have come at a better time for buyers, with benchmark rice climbing to a three-year top last week on expectations of intervention by the new Thai government.

Thailand's plan threatens to bolster global food prices which remained stubbornly high in August, buoyed by a worrying outlook of low grain supplies and stocks, the UN Food and Agriculture Organisation warned last week.



The FAO food index dipped to 231.1 points in August, down less than a point from July, still only 3 percent below an all-time peak hit in February.

India -- which typically sold between two and three million tonnes of non-basmati rice in a year to Asia, the Middle East and Africa before imposing a ban in 2008 -- could ship up to 4 million tonnes as Thailand displaces itself from the market.

"India is well positioned to vastly undercut suppliers in Thailand and Vietnam," said Darren Cooper, senior economist at the International Grains Council in London.

"If Thailand goes ahead with its intervention scheme and farmers sell significant quantities to the Thai government, India will be able to sell a lot in the international market."

Buyers have already started snapping up Indian rice, with at least 100,000 tonnes sold within days of the government move. "Indian rice is very, very competitive," said Vijay Setia, president of industry body the All India Rice Exporters' Association, which groups 82 exporters and producers. "An encouraging response from buyers may see some more exports from India."

The 100,000 tonnes was sold to Nigerian buyers at \$470 per tonne, undercutting Thai and Vietnamese competitors in the first deals since the food minister gave a nod for exports last week.

The same company also sold 50,000 tonnes of wheat to Bangladesh. India's wheat exports are likely to remain limited to neighbouring countries where it enjoys a freight advantage, given competition from rival Black Sea suppliers.

"With the news of India allowing 2 million tonnes of wheat exports, the global market will fall further, which is bad for Indian wheat exports," said Amit Takkar, president of Emmsons International, a commodities trading company based in New Delhi.

"At best, only a few containers are going to countries such as Bangladesh."

Sugar

Investors in Brazil sugar set for huge gain

Investors in Brazil's sugar sector, which have included BP, Bunge and Louis Dreyfus, look set for supercharged gains as mill values surge to ensure investment of up to \$490bn needed to meet growing demand.

There is "no doubt" that demand for sugar expected to soar by 50% by 2030 "will put pressure on Brazil to deliver growth", Czarnikow said.

However, Brazil's sugar sector, which thanks to constraints in other countries will need to provide half of that extra production, is in a poor state to deliver, still suffering a hangover from two years ago, when it ran into the credit crunch with heavy debts.

The country in 2011-12 looks set to record its first decline in cane output in a decade, while the number of new mill openings is expected to drop to five, from 30 three seasons ago.

Ensuring the investment of at least \$340bn, and potentially \$490bn, the sector needs to meet demand will mean reversing an anomaly under which it is far cheaper to buy an existing mill than develop a new one.

Mill revaluation

"Consolidation will still take place," Czarnikow said, noting the "clear ambitions" of companies such as Petrobras, the Brazilian energy group, to grow in cane ethanol.

The UK's BP on Wednesday paid \$71m to acquire the 50% it did not own in Brazilian ethanol company Tropical Energia.

However, it was unsustainable that the – rising - costs of constructing a new mill, equivalent to \$130-150 a tonne of cane crushing capacity, should be above those of purchasing an existing site, at \$100-130 a tonne of cane.

"At some point, existing asset values should revalue to reflect the asset replacement cost plus the benefits associated with the lower implementation risk and prompt cash flow," Czarnikow said.

Such a revaluation holds out gains for companies such as Bunge, which last month unveiled plans to invest \$2.5bn to boost its Brazilian sugar and bioenergy capacity,

Archer Daniels Midland, Noble and Shell which have acquired sugar interests in the country over the last couple of years.

Crunch time

Czarnikow, which forecast that Brazil required new mill openings of at least nine a year, said that the recent stress on consolidation reflected industry debts which soared from R\$8bn in 2005 to R\$42bn in 2009 to fund an expansion drive, and ended up forcing owners to sell.

The burden of the debts, which at some companies were equivalent to more than a year's revenues, was exacerbated by a world recession which lowered sugar prices while the credit crunch made it difficult to roll forward borrowings.

Many new operations also faced the period without revenues, given that cane requires some 18 months from planting before harvesting.

"Going forward, we expect greater financial discipline," Czarnikow said

Sugar Production in India Seen at Four-Year High as Farmers Boost Planting

Sugar output in India, the second- biggest producer, may surge to the highest level in four years after farmers boosted planting, potentially increasing exports.

Production may total 25.83 million metric tons in the year starting Oct. 1, according to a compilation of estimates by sugar cane commissioners of 10 states including Uttar Pradesh and Maharashtra, the biggest growers. That compares with 26 million tons forecast by the Indian Sugar Mills Association and 24.2 million tons estimated this year.

Rising production may prompt the government to lift curbs on exports, helping ease a shortage caused by a decline in supplies from Brazil, the biggest producer and shipper. Futures have declined 17 percent this year on expectations of increased production from Thailand, Russia and European Union.

"India will be in a better position to export sugar in a sizable quantity as supplies increase," Yatin Wadhvana, managing director of Sucden India Pvt., said by phone today.

The government may announce the first production estimate for the 2011-2012 season after a meeting of cane officials from states today, according to Food Secretary B.C. Gupta.



Uttar Pradesh, India's largest cane grower, may process 70 million tons of cane to make 6.45 million tons of sugar, said Kamran Rizvi, the state's sugar cane commissioner. Maharashtra, the biggest sweetener producer, may make 9.3 million tons, according to Anil Bansode, the state's joint director for sugar.

Farmers nationwide planted sugar cane on 5.08 million hectares (12.6 million acres), up 3 percent from a year ago, according to the farm ministry. Cane production may climb to 342.2 million tons in 2011-2012 from 339.17 million tons a year earlier, Farm Minister Sharad Pawar said Sept. 14.

The government plans to announce its policy on exports by Oct. 15 and the nation may allow shipments of more than 500,000 tons in one tranche, Pawar said yesterday.

India allowed mills to export 2.6 million tons of sugar since the start of the season on Oct. 1. Shipments next year may be as much as 4 million tons, according to six producers and traders in a Bloomberg News survey July 29.