

Rice to Rally as Global Demand, Thai Buying Stoke Increased Export Prices



Rice prices may advance as global demand increases and a new government in Thailand, the largest shipper, pays farmers above-market rates for supplies and pushes up export costs, the Thai Rice Exporters Association said.

“Demand is still filtering into the market non-stop,” Korbsook Iamsuri, president of the group, said in an interview on Bloomberg Television today. The extent of the gains will be determined by the volume of grain that Thailand’s new government buys and the design of its plan, said Korbsook.

Higher prices of rice, staple for half the world, would fuel global food costs that reached an all-time high in February, according to United Nations’ gauge. Rice is already this year’s best-performing grain after farmers in the U.S., the third- largest exporter, switched to other crops.

Rice has “a massive food-inflation potential,” said Jonathan Barratt , managing director at Commodity Broking Services Pty., who correctly predicted a rally last week. “That’s something that needs to be widely watched.”



Rough rice on the Chicago Board of Trade, up 18 percent this year, surged to \$17.19 per 100 pounds on July 15, the highest price since October 2008. In Thailand, the 100 percent grade B variety has rallied 8.5 percent to \$563 per metric ton since the July 3 poll won by the opposition Pheu Thai Party.

Korbsook's comments echo forecasts from the shipper's group that the new policy in Thailand will increase shipment prices. Thailand's export price may rise to \$800 in the fourth quarter, according to a Bloomberg survey of four exporters, millers and traders taken a week after the electoral contest.

'High Prices'

"World demand will increase this year, even though the trend of high prices is coming in the next three months," Korbsook said in today's interview. She declined to say how high the price may go.

Incoming Thai leader Yingluck Shinawatra won the election on promises to buy rice at higher prices to boost rural incomes and increase minimum wages. Her government plans to buy unmilled grain from farmers at 15,000 baht (\$503) a ton.

The last time a similar policy was implemented, the Thai government led by Thaksin Shinawatra, Yingluck's brother, bought 5.4 million tons between Nov. 1, 2008 and June 15, 2009. That was equal to 18 percent of the global rice trade in 2008, when food shortages sparked riots from Haiti to Egypt.

Thailand may have had 12 million tons of rice available for export this year without government intervention, Korbsook said. That would have made shipments the largest ever, surpassing the 10.14 million tons sold in 2003-2004, according to U.S. Department of Agriculture data.

Index Gains

The Rice Price Index of the United Nations' Food & Agriculture Organization, which tracks 16 varieties from Vietnam to the U.S., rose in June for the first time since February, the agency said July 6. The "uncertainty over export prices in Thailand" helped to boost prices, it said a day later.



Global output of rice will expand 2.7 percent to 476.1 million tons in the 2011-2012 season, beating demand that's forecast at 469.9 million tons, the FAO said in a July 7 report.

The FAO's World Food Price Index, which tracks 55 items, peaked at 237.68 in February. Last month, the index gained 1.1 percent to 233.84.

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