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Rice Prices 'Worrisome' as Global Supplies Tighten (Update2)
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(Adds comment from broker in 6th paragraph.)

By Cecilia Yap and Luzi Ann Javier

Sept. 9 (Bloomberg) -- Rice prices are becoming "worrisome" as global supplies tighten because of crop losses in some of the largest exporters, according to an official in the Philippines, the world's biggest buyer.

The global supply-and-demand balance is "not at the 2008 level yet, but it's pretty worrisome because of the prices," Lito Banayo, head of the National Food Authority, which handles state rice purchases in the Philippines, said in an interview in Manila yesterday.

The United Nations Food & Agriculture Organization's global Food Price Index surged in August to the highest level since September 2008 as wheat and rice prices advanced after Russia, the world's third-largest wheat grower last year, banned exports and flooding in Pakistan damaged rice crops, curbing supplies of Asia's two main staple grains.

The FAO pared its estimate for global rice production on Sept. 1 for the second time since April as lower water levels in the Mekong River curbed yields in Thailand and Vietnam, the world's two biggest exporters, and flooding slashed the harvest in Pakistan, the third-largest shipper.

The agency's Rice Price Index, which tracks 16 export prices around the world, climbed to a five-month high of 215 points in August.

"We feel the market could be subject to a supply crunch," Jonathan Barratt, managing director at Commodity Broking Services Pty. in Sydney, said in an e-mail to Bloomberg News today. "Already we have seen a strong movement in rough rice" prices, he said.

Thai Prices

Rice futures advanced to a record \$25.07 per 100 pounds in Chicago in April 2008 as exporting countries including India and Vietnam restricted shipments, adding to concerns about a global food shortage that sparked riots from Haiti to Egypt. The Thai export price, the benchmark for Asia, surged to an all-time high of \$1,038 a metric ton a month later.

Futures in Chicago have gained 23 percent since slumping to the lowest in almost four years in June. The December-delivery contract traded at \$11.685 at 11:18 a.m. in Singapore.

The Thai export price may rise to \$525 a ton in October, according to the median estimate in a Bloomberg News survey of 10 exporters and traders last month, as supply tightens ahead of the country's harvest, which has been delayed because of drought.

The price, updated weekly by the Thai Rice Exporters Association, climbed to a five-month high of \$495 a ton yesterday.

The FAO cut its rice production forecast for this year to

467 million tons on Sept. 1, compared with 474 million tons in April, and 472 million tons in a June report.

Pakistan Losses

Crop losses in Pakistan "could negatively affect the rice trade," the FAO said. The agency reduced its forecast for next year's global exports to 29 million tons, from an estimated 30 million tons this year.

Exports from Pakistan may slump as much as 35 percent to 3 million tons in the year that began July 1, from 4.6 million tons a year earlier, after the deadliest flood in the nation's history destroyed crops, Malik Jahangir, chairman of the Rice Exporters Association of Pakistan, said Sept. 1.

Shipments from India of basmati rice, which is at least twice as expensive as the regular variety, may surge by about 22 percent after the floods in Pakistan, Anil Mittal, chairman of KRBL Ltd., the country's biggest exporter, said yesterday.

"Timing of when to buy is important" for the Philippines, Banayo said. The country's government is still "validating" production figures to gauge the volume of rice it needs to purchase for 2011, he said.

Supply in the Philippines may tighten after drought caused by El Nino delayed planting. The nation's main harvest, which typically begins mid-September, may be delayed by at least a month, Agriculture Secretary Proceso Alcala said in July.

Drought may cut rough rice production in the Philippines by 15.2 percent to 9.24 million tons in the first nine months of the year, compared with the same period last year, according to a July report by the nation's Bureau of Agricultural Statistics.

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