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Rice May Surge 30% as U.S. Crop Misses USDA Forecast (Update1)  
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(Adds farmer's comment in eighth paragraph.)

By Luzi Ann Javier

Oct. 12 (Bloomberg) -- The rice harvest in the U.S., the world's fourth-largest exporter last year, may be at least 10 percent smaller than estimated, missing a forecast record output and pushing prices 30 percent higher, a producers' group said. Futures advanced, erasing an earlier loss.

Rough-rice futures in Chicago may surge to \$16 to \$17 per 100 pounds by January after hot weather in producing areas of the U.S. curbed yields and lowered milling rates, said Dwight A. Roberts, president of the U.S. Rice Producers Association, who correctly predicted the grain would peak at \$16 last year.

Smaller production in the U.S. may limit supplies available to importers, after recent flooding slashed harvests in Pakistan, the world's third-largest shipper last year. Rice has rallied 37 percent from this year's low of \$9.55 per 100 pounds on June 30.

"We've just begun to rally," Milo Hamilton, president of rice market advisory service Firstgrain.com, said at a Singapore conference yesterday. "What you have out there is a crop that's in trouble," he said, referring to the U.S. harvest.

The U.S. Department of Agriculture lowered its estimate for this year's national rice paddy production by 5 percent to 11 million metric tons and forecast that average yield per acre would drop to the lowest since the 2005-2006 season.

The Food & Agriculture Organization of the United Nations pared its estimate for global rice production on Sept. 1 for the second time since April as lower water levels in the Mekong River cut yields in Thailand and Vietnam, the world's two biggest exporters, and flooding cut the harvest in Pakistan.

#### 'Wrong' Rains

Hot weather in July and August hurt the U.S. crop and may lower the amount of milled rice produced from every 100 tons of rough rice to 50 tons, from the usual 65 tons, Roberts said in an interview yesterday.

"We had a lot of rains at the wrong time," Joe Crane, who grows about 1,000 acres (405 hectares) of rice in Texas, said in an interview in Singapore today. "It caused a lot of blanks because of the pollination problems. We also had extremely high nighttime temperatures up in the central part of the U.S.," further lowering yields, he said.

Rough-rice for November delivery gained 0.4 percent to \$13.05 per 100 pounds on the Chicago Board of Trade at 3:16 p.m. Singapore time, erasing an earlier loss of 0.4 percent.

"We've never had a year where we started out thinking we're going to have a record crop and then over the last three weeks, everything

has changed because of field yields and milling yield problems," Roberts said. "The milling-yield problem has yet to figure into the USDA data."

'Serious Problem'

The average yield in the U.S. will be 6,687 pounds (3,033 kilos) per acre, 360 pounds less than last month's estimate, the USDA said last week. The department raised its average cash price forecast by \$1.80, to as much as \$13.10 per 100 pounds.

"The USDA doesn't drastically revise its yield forecast and price forecast," Roberts said. "That's a sign that there's a serious problem."

Prices need to be \$13 per 100 pounds for farmers to meet production costs, Hamilton said.

Farmers may switch from rice to planting wheat and soybeans if prices fall below that break-even level, Roberts said.

Wheat futures have surged 67 percent from this year's low on June 9, while soybeans have rallied 31 percent from this year's low on the same date.

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