Arkansas’ Rice Situation and Outlook
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Arkansas’ Rice Situation and Outlook

2017 Arkansas All Rice
Harvested Acreage, Yield and Production
Arkansas’ All Rice Harvested Acres, 1950 to 2017

2017 – 1,093,000 Acres, 28% < 2016, Failed 51,179, Prevented Planted 218,791

Without Weather & Global Economic Issues
Potential Total Acreage Including Failed and Prevented = 1,362,970
Arkansas All Rice Yield Per Acre, 1950 to 2017

2017 Yield 7400 lbs. (164 bus.) – 4th Highest on Record

7% above 2016’s - 6920 lbs. (154 bus.)
Arkansas All Rice Production, 1950 to 2017

2017’s 81 million cwt.

Previous 5 yr. = 97.8, 10 = 97.1, 15 average = 98.6, (98 million cwt.)

2017’s production
17 million cwt. below average 98 million cwt

NASS Estimate

2005=108.8
2010=115.7
Arkansas County Harvested Acres

- 60,015 (17)
- 90,192 (16)
- 86,669 (15)
- 95,000 (14)
- 75,700 (13)
- 91,700 (12)
- 92,800 (11)

Rice = blue
Soybeans = green
Arkansas Long Grain Rice Harvested Acres, 1972 to 2017

2017: 945,000 acres - 445,000 acres (32%) below 2016’s 1,390,000 acres

1981 to 2017 average 1,171,833 acres, 6 year average 1,122,500 acres

Previous Six Year Average = 1,123,000 acres
178-thousand below previous 6 year average
Arkansas Long Grain Rice Production, 1972 to 2017

2017’s Preliminary Estimate 70 million cwt.
2nd Lowest in the Current 7 Production Periods
Ranking 2017 Arkansas Long Grain Rice Producing Counties
Top 4 AR Long Grain Rice Counties by Harvested Acreage

- **Top 4 Long Grain Counties**
  - Lonoke 77,342
  - Lawrence 74,529
  - Greene 64,904
  - Poinsett 62,922
Arkansas Medium Grain Rice Harvested Acres, 1972 to 2017

2017 - 147,000 acres

Previous 16 year average 159,625
Arkansas Medium Grain Rice Production, 1972 to 2017

2017 – 11 Million cwt. – 24% greater than 2016
Ranking 2017 Arkansas Medium Grain Rice Producing Counties

Top 3 AR Medium Grain Rice Counties by Harvested Acreage

<table>
<thead>
<tr>
<th>Rank</th>
<th>County</th>
<th>Harvested Acreage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Poinsett</td>
<td>28,819</td>
</tr>
<tr>
<td>2</td>
<td>Jackson</td>
<td>19,078</td>
</tr>
<tr>
<td>3</td>
<td>Lawrence</td>
<td>13,791</td>
</tr>
</tbody>
</table>

- **< 5,000**
- **5,000 to 9,999**
- **10,000 to 24,999**
- **25,000 to 49,999**
- **50,000 to 74,999**
- **75,000 to 99,999**
- **100,000 to 124,999**
- **125,000 +**
The Year Ahead
Build a Foundation for 2018
Arkansas Acreage and Production Outlook
WORLD RICE AREA HARVESTED 1987/88-2017/18

- World rice acreage at 160 million hectares
- 2nd lowest in current 5 production periods

Source: USDA
• World rice yield at 4.5 metric tons per hectare
• Consistent with last year
1988/89 World rice milled production at 332.1 million metric tons.
1990/91 World rice milled production at 345.3 million metric tons.
1992/93 World rice milled production at 351.4 million metric tons.
1994/95 World rice milled production at 353.3 million metric tons.
1996/97 World rice milled production at 353.9 million metric tons.
1998/99 World rice milled production at 354.7 million metric tons.
2000/01 World rice milled production at 364.1 million metric tons.
2002/03 World rice milled production at 380.4 million metric tons.
2004/05 World rice milled production at 387.4 million metric tons.
2006/07 World rice milled production at 409.3 million metric tons.
2008/09 World rice milled production at 420.1 million metric tons.
2010/11 World rice milled production at 433.6 million metric tons.
2012/13 World rice milled production at 449.9 million metric tons.
2014/15 World rice milled production at 450.1 million metric tons.
2016/17 World rice milled production at 486.6 million metric tons.

- 17/18 World rice milled production at 481 million metric tons, 2nd highest on record
- World rice milled consumption at 480 million metric tons, 2nd highest on record
- World rice production exceeded consumption current 11 marketing periods

Source: USDA
World trade at 45.1 million metric tons, 2nd highest on record
Global reflation providing a more bullish trade bias for 2018
World rice ending stocks at 138.9 million metric tons
Highest since 2001/02
All implying we may not need to be conservative in our AR acreage expansion plans without an additional known demand source

Source: USDA
U.S. LONG-GRAIN RICE
USDA SUPPLY AND DEMAND ESTIMATES
NOVEMBER 2017
- 2017/18 long grain rice beginning stocks at 31.0 million cwt.
- Previous 5 year average was 22 million cwt.
- Previous 10 year average was 24 million cwt.
• 2017/18 long grain rice production is estimated at 126.1 million cwt
  • 20.5% below 2016/17
  • 5 year average 148 million cwt
  • 10 year average 149 million cwt
U.S. LONG GRAIN RICE TOTAL SUPPLY 1982/83 – 2017/18

Million hundredweight

- 2017/18 long grain rice total supply is estimated at 178.5 million cwt.
  - 15-percent below 2016/17
  - 5 year average 190 million cwt.
  - 10 year average 191 million cwt.

Source: USDA
2017/18 long grain rice total exports is estimated at 74 million cwt,
- 4.7 million cwt. below last year
- 5 year average 72
- 10 year average 73
2017/18 long grain rice ending stocks are estimated at 16.5 million cwt.
- 47-percent below 2016/17, 2nd lowest in the previous 13 marketing periods
- 5 year average 23.7 million cwt.
- 10 year average 24 million cwt.
- Potentially bullish for 2018 prices unless we overproduce
2018 Market Outlook
Policy Drivers Key to Understanding
Present
Global Governments and Central Banks
Intervention Policy Strategies

• US and Global economic momentum heavily dependent on Fiscal, Monetary, Trade and Regulatory Policy actions of
  • U.S. and Global Governments and Central Banks
  • Present policy course adequate to overcome:
    • Chronic global slow growth
    • Low to negative interest rates

Current Policies likely extends the business cycle one possibly two to three years and avoids a near term US and Global recession
“What is the Market Impact”
Intervention by Governments and Central Banks

• **Near Term or First half of 2018** (chart pattern dependent on global stability)
  
  • **Bonds**: Duration dependent, but yields sideways-to-up
    • 10-Year US Treasury Yield today at 2.37 and ends 2018 at 2.85 and higher in 2019
  
  • **Dow Jones Industrial Average**, grinds higher with consolidation and/or correction periods, with more price strength than weakness
  
  • **EFA Global Equities** – excluding U.S. and Canada, continues building momentum
  
  • **EEM Emerging Markets**, continues building momentum critically important for healthy commodity prices
“What is the Market Impact”

- Near Term or 2018 (chart pattern dependent on global stability)
  - $CRB Index, Commodity Index, Aggressive Government and Central Bank intervention policies will continue elevating economic activity and commodity prices in the aggregate
  - $WTIC Light Crude Oil, a complex market having more strength than weakness in 2018, thus positive for the commodity sector
  - $USD US Dollar Index – more weakness than strength
  - Commodities, land, fine arts, etc. new highs following equities up
  - Corn, soybeans and wheat build a base and have more price strength than weakness in the first half of 2018, due to global growth, value, concern over anomaly uncertainties, like weather, military friction, etc.
2018 Arkansas Long Grain Rice
Harvested Acreage and Production
Expectation
2018 Arkansas Long Grain Rice Harvested Acreage Expectation

2018 acreage range 1,086,750 to 1,173,000 acres (2017 = 945,000) or 15% to 24.1% increase

- 2018 long grain rice acreage increase needs to remain in a range of 15% to 24% increase
- Reality is with no new demand [and if LG rice harvested acreage exceeds a 15% increase over 2017 acreage or 1,086,750 acres] one should expect increasingly downward pressure on LG rice prices, so plan accordingly
Arkansas Long Grain Rice Production, 1972 to 2018

2018’s Preliminary Estimate of 87 million cwt.
4th largest since 2011

Assuming 2018 1,173,000 harvested acres
Arkansas Long Grain Rice Production, 1972 to 2018

2018 estimated harvested acres = 1,173,000 & production 86.8
Without new demand higher production increasingly bearish prices
2018 estimated harvested acres = 1,300,000 & production 96.2
2018 estimated harvested acres = 1,400,000 & production 103.6
2018 estimated harvested acres = 1,500,000 & production 111
2018 estimated harvested acres = 1,600,000 & production 118.4

These production levels given present fundamentals would be increasingly bearish for LG rice prices
2018 Arkansas Medium Grain Rice Harvested Acreage and Production Expectation
2018 Arkansas Medium Grain Rice Harvested Acreage
Expectation 169,000 Acres - 15% greater than 2017
Producers should study demand for MG before planting
2018 Arkansas Medium Grain Rice Production Expectation 12.5 million cwt. – 15% greater than 2017

Assuming 2018 169,000 harvested acres
Concluding Thoughts

U.S. and Global Governments and Central Banks

- Present domestic and global policy adequate to overcome:
  - Chronic global slow growth
  - Low to negative interest rates
    (Assumes social, political, trade and military stability)

Policy intervention should enhance 2018 Global Inflationary Forces

Supporting rice and grain prices

- Assuming no major over-production. Over-production would be bearish pushing prices back toward 2016/17 season’s lows
Concluding Thoughts

U.S. and Global Governments and Central Banks

Current Policies likely extends the business cycle one possibly two to three years and avoids a near term US and Global recession
Concluding Thoughts

Marketing challenges of policy intervention

• A 1-year Business Cycle extension will create a complex chart pattern & increase the complexity of the market decision
• Assuming a 2 to 3-year Business Cycle extension will create even more complex chart patterns and marketing decisions
• Why the complexity? A key policy focus will be minimizing asset bubble damage with managed flows of stimulus
2018 Arkansas Long Grain Rice Harvested Acreage Expectation

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2018 Arkansas Medium Grain Rice Harvested Acreage
Expectation 169,000 Acres 15% increase over 2017
Producers should study demand for MG before planting
Food and Agribusiness Webinars

Webinar Series Produced by University of Arkansas System Division of Agriculture

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I do appreciate your attention!
Thank you so very much!

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