June 2010

Volume XIII - Issue No. 2

FAO
Rice Market Monitor
Trade and Markets Division
Food and Agriculture Organization of the United Nations

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ROUND-UP

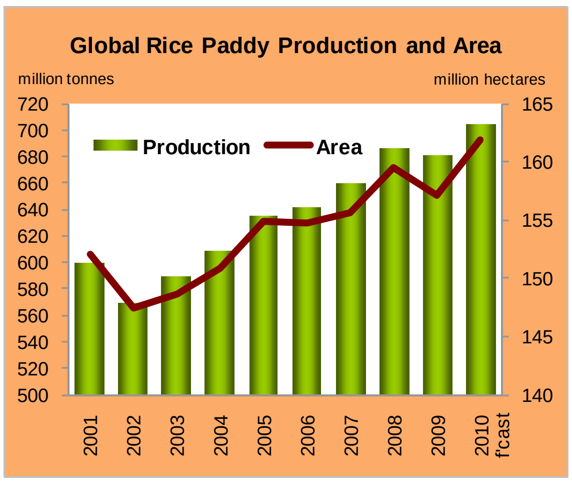
- FAO's April forecast of **global paddy production during the 2010 season** has been lowered by 6.0 million tonnes, mainly on account of a deteriorated outlook in several important producing Asian countries along the Mekong river, which have been gripped by drought since the onset of the season. Prospects were also downgraded in Brazil and Peru, but upscaled in the United States. Despite the revision, the current global paddy production forecast of 704.4 million tonnes (470.0 million tonnes, milled basis) is 3.5 percent higher than the poor 2009 estimate and a record. **Asia** is behind much of the expected growth, although this is still tentative, as the final season outcome in the region will very much depend on the unfolding of the monsoon rains. Overall, production in Asia is forecast to rebound by 23.0 million tonnes to 637.3 million tonnes (425.2 million tonnes, milled basis), sustained by a recovery in India and large gains in China (Mainland), but also in Bangladesh, Indonesia, the Philippines and Sri Lanka. On the other hand, Cambodia, the Chinese Province of Taiwan, the Republic of Korea and Myanmar may incur some decline. Unchanged prospects in **Africa** continue to point to a positive production outturn of 24.8 million tonnes (16.3 million tonnes, milled basis) in 2010, 4 percent above 2009. While output is anticipated to recover somewhat in Egypt, widespread gains are foreseen in western Africa, especially in Mali, Nigeria and Sierra Leone. On the other hand, the outlook remains negative in Southern Africa, where countries such as Madagascar and Malawi may face a contraction. Production forecasts have also been lowered somewhat in **Latin America and the Caribbean**, to reflect downward revisions in Brazil and Peru. Excessive rainfall and storms are much behind a 5 percent year-to-year contraction of production in the region to 26.7 million tonnes (17.8 million tonnes, milled basis). Smaller crops are forecast to be gathered in Bolivia, Brazil, Chile, Cuba, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Peru and Uruguay, outweighing anticipated gains in Argentina, Colombia, Costa Rica, the Dominican Republic, Ecuador, Panama and Venezuela. In the **other regions,** the United States looks set to harvest a record 2010 paddy crop, but prospects are also positive in the European Union. Although still small relative to pre-drought levels, paddy production is anticipated to increase in Australia.
- FAO has also cut its forecast of **world rice trade in 2010** by 900 000 tonnes to reflect a slow pace of imports to date, in particular from Asian countries, which is affecting most of the major exporters, except Pakistan. Accordingly, trade is now anticipated in the order of 30.4 million tonnes, which would still be 3.8 percent, or 1.1 million tonnes, above the 2009 low level. The anticipated growth is expected to be fuelled by greater **imports** by Bangladesh, Nepal, the Philippines, the United Arab Emirates and Yemen; but also Brazil, the European Union and Madagascar. Conversely, rice purchases by the Islamic Rep. of Iran, Mali, Saudi Arabia, Thailand and Viet Nam may contract over the year. The expansion in globally traded volumes in 2010 is forecast to be met by increased **exports** from Pakistan, which looks set to ship record levels. Argentina, China (Mainland) and the United States are also expected to step-up deliveries. On the other hand, shipments by Viet Nam are foreseen to remain steady and deliveries from Thailand to fall. Policies to restrict rice exports are still limiting outflows from India and Egypt, while low supplies in Brazil and weak demand in Cambodia and Myanmar are forecast to depress their respective shipments.
- **Global rice consumption in 2010-2011** is now forecast to increase to 461 million tonnes, 2 percent above the 2009 level. Consumption of rice as food is expected to grow to 395 million tonnes, or 86 percent of the total. Supplies committed to animal feed are also anticipated to rise to 12.2 million tonnes, while other end-uses of rice may increase to 54.5 million tonnes. Based on these estimates, global per caput rice consumption is now projected to pass from 56.7 kilos in 2009 to 57.0 kilos in 2010, assisted by widespread cuts in retail prices.
- Mainly reflecting changes of production figures over the 2009-2010 season, just concluded, forecasts of **global rice stocks** in 2010 have been raised to 125.1 million tonnes, 1 percent above 2009 and their highest level since 2002. At that level, the stock-to-utilization ratio would fall slightly from 27.4 percent in 2009 to 27.1 in 2010. Rice importing countries are expected to account for all of the increase in world reserves, with inventories held by Bangladesh, Brazil, the European Union, Indonesia and the Islamic Republic of Iran forecast to end larger. By contrast, mainly reflecting significant draw-downs in India, but also in Myanmar, Pakistan and Viet Nam, carryovers in rice exporting countries look set to fall. This would result in a deterioration of the stocks-to-disappearance ratio of the five major rice exporters from 21.5 percent in 2009 to 16.8 percent in 2010, the lowest level since 2006, an indication that the trade situation may become somewhat tighter later during the year.
- After falling steadily since January 2010, **international rice prices** regained some strength in June. This trend was reflected in the FAO All Rice Price Index (2002-2004=100), which passed from 251 in January to 204 in April and 201 in May, before rebounding to 213 in June. While new supplies from secondary crops in major exporting countries and weak import demand were behind the declines of Indica and Aromatic rice prices between April and June, a renewed vigour has characterised the medium-grain, Japonica, market since April. As for the coming months, prices will be greatly influenced by the unfolding of the season in northern hemisphere countries, with the pattern of the monsoon rains over Asia holding particular sway. Government policies and relative currency movements will also very much influence prices as well as the competitiveness of the major market players in the coming months.

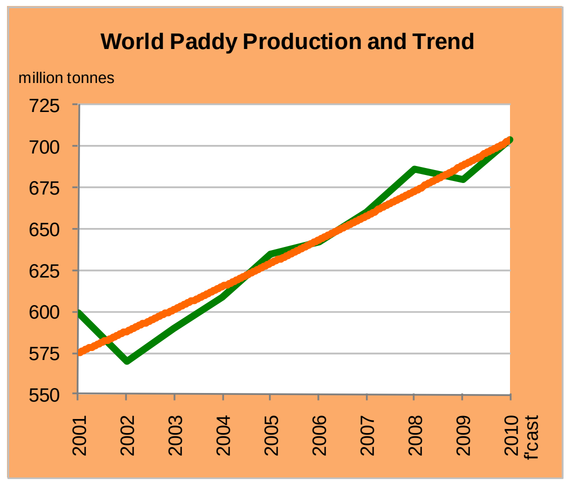
INFORMATION UPDATE AS OF 30 JUNE 2010

I. PRODUCTION

Global rice production in 2010 downgraded but still forecast at a record

The **2009** paddy season has come to a close with the harvest of secondary paddy crops in northern hemisphere countries. Following the release of new output figures by several Governments, FAO has upgraded the global production estimate for the full season to 680.4 million tonnes (454.1 million tonnes, milled basis), 500 000 tonnes more than previously reported. Compared with April figures, production estimates are reported higher in Asia, with the most important revision pertaining to India. An upward adjustment of output in the country more than offset downward revisions in Bangladesh, China (Mainland) and the Philippines. Overall, 2009 season remains forecast as the second best in history, with global output falling only 1 percent, or 5.6 million tonnes, below the record crop gathered in 2008.





Meanwhile, a number of major rice producers in South East Asia are currently engaged or are about to launch planting activities of main **2010** crops, coinciding with the arrival of the monsoon rains over the region. The season is more advanced in southern hemisphere countries were main paddy crops have already been gathered.[1] Given the heavy reliance of crops on the performance of the seasonal rains, prospects for the season will still very much depend on the unfolding of the monsoon in Asia. Indeed, while attention has now turned to the increased likelihood of a La Niña event developing over the second half of the year, drought conditions have continued to grip several important producers in the greater Mekong region since the onset of the season. FAO has accordingly downgraded its forecasts of global production during the 2010 season by 6.0 million tonnes to 704.4 million tonnes (470.0 million tonnes, milled basis). The reduction mainly mirrors a deterioration of prospects in

[1] The 2010 rice production season normally includes rice from the main paddy crops whose harvests fall in 2010, to which rice from all subsequent secondary crops, if any, is added. In the case of northern hemisphere countries, this principle implies that production in 2010 comprises the main rice crop, which is usually collected in the latter part of the year, plus the volume obtained from the successive secondary crops, commonly harvested in the first half of 2011. In the case of southern hemisphere countries, production in 2010 normally comprises rice from the main paddy crops assembled in the first part of 2010, plus rice from the secondary crops, generally gathered in the latter part of 2010. This approach to assess rice production is applicable to any given season.

Asia, with the most significant downward revisions pertaining Cambodia, China (Mainland), Myanmar, the Philippines and Thailand. By contrast, the 2010 production forecasts were raised for Indonesia, the United States and Viet Nam.

At the current forecast level of 704.4 million tonnes, global paddy production in 2010 would stand 4 percent above the 2009 estimate, and constitute a new production record. The expansion is forecast to be driven by a 3 percent upturn in area sown to paddy to 162 million hectares, while average rice yields are projected to remain virtually steady in the order of 4.4 tonnes per hectare. Asia is anticipated to account for much of the growth over the season, although prospects are also favourable in Africa, North America, Europe and Oceania. Conversely, paddy output in Latin America and the Caribbean looks set to fall.

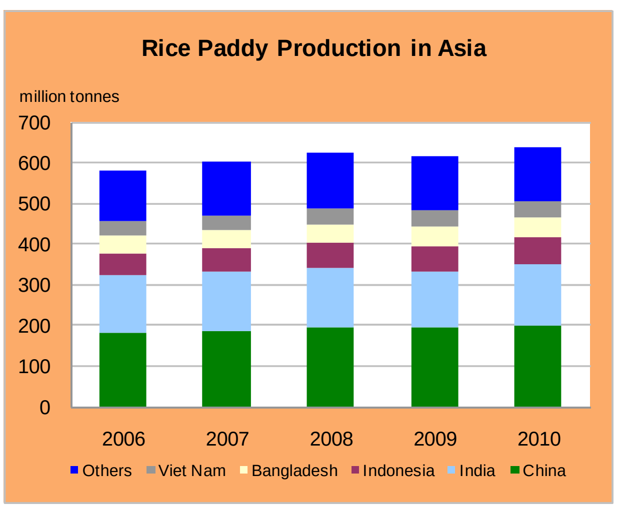
Principal Revision to 2010 Paddy Production Forecasts (million tonnes)

	April 2010 f'cast		June 2010 f'cast		Revision		April 2010 f'cast		June 2010 f'cast		Revision
WORLD	**710.4**		**704.4**		**-6.0**	Pakistan	10.1	F	10.2	F	+0.1
ASIA	**643.4**		**637.3**		**-6.1**	Philippines	17.4	F	17.0	F	-0.4
Bangladesh	50.5	F	50.3	F	-0.2	Thailand	31.6	F	30.0	F	-1.6
Cambodia	7.8	F	5.9	G	-1.8	Viet Nam	38.8	F	39.1	F	+0.3
China (Mainland)	199.0	F	197.3	F	-1.7	**NORTH AMERICA**	**10.8**		**11.1**		**+0.3**
Indonesia	64.9	G	65.2	G	+0.3	United States	10.8	F	11.1	G	+0.3
Iraq	0.2	F	0.3	F	+0.1	**LATIN AMERICA & CAR.**	**26.9**		**26.7**		**-0.2**
Malaysia	2.5	G	2.6	F	+0.1	Brazil	11.5	G	11.4	G	-0.1
Myanmar	32.0	F	30.8	F	-1.2	Peru	3.0	F	2.9	F	-0.1

G: Official Figure; F: FAO forecast/estimate.

A. ASIA

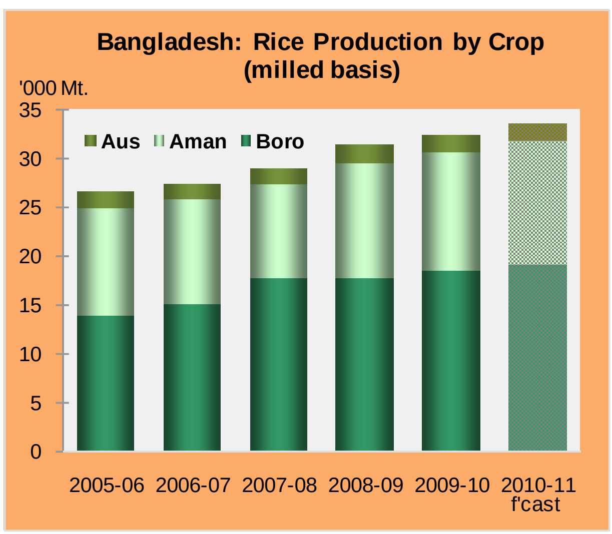
Prolonged dry-spell along the Mekong River worsens prospects for 2010 season crops in Asia



Based on the latest figures released by governments, FAO has raised its April estimate of 2009 production in ***Asia*** by 350 000 tonnes to 614.3 million tonnes (409.9 million tonnes, milled basis). Indeed, the impact of the adverse 2009 monsoon rains on India's final production was officially reckoned to have been less severe than originally foreseen, which has given way to an upward adjustment to output in the country. This more than compensated for less favourable estimates in Bangladesh, China (Mainland) and the Philippines. Compared to the previous season, production in Asia in 2009 is now gauged to have fallen by only 1 percent below the 2008 record, much of which imputable to India, but also to Nepal, the Philippines and Thailand, while sizeable gains were registered in Bangladesh, China (Mainland), Indonesia the Islamic Republic of Iran and Myanmar.

Turning to the 2010 paddy season, this has just been launched in several northern hemisphere countries, with the arrival of the monsoon rains, while it is already well advanced in countries south of the equator, where several of them have already gathered their main crops. FAO has downgraded its April forecast of 2010 production in the region by 6.1 million tonnes to 637.3 million tonnes (425.2 million tonnes, milled basis), as a prolonged dry-spell, mainly over the greater Mekong region is hindering crops since the onset of the season. At the current forecast level, however, overall output in the region would stand 4 percent, or 23 million tonnes, above the poor 2009 outcome. Much of the progress would be on account of a recovery in **India** and sustained gains in **China (Mainland),** but larger crops are also expected to be gathered in **Afghanistan, Bangladesh, Indonesia, the Islamic Republic of Iran, Japan, the People's Democratic Republic of Korea, the Lao People's Democratic Republic, Nepal, the Philippines, Sri Lanka, Thailand** and **Viet Nam.** On the other hand, **Cambodia**, the **Chinese Province of Taiwan**, the **Republic of Korea** and **Myanmar** look set to harvest smaller crops.

Planting of 2010 paddy crops was completed in May in **Afghanistan**. Increased availability of water for irrigation from above average precipitation is anticipated to favour plant growth this season. Although damages to crops and infrastructure from floods have also been reported, mainly in northern and central provinces, the overall outlook for the country remains positive, with 740 000 tonnes of paddy forecast to be produced (496 000 tonnes, milled basis), 6 percent above the good 2009 harvest.



In **Bangladesh,** the 2009 season was concluded with the April harvest of Boro paddy. 2009 production is now estimated in the order of 48.6 million tonnes (32.4 million tonnes, milled basis), 4 percent above the 2008 record crop, but 1.3 million tonnes less than previously anticipated. The reduction follows a downward revision of Aman output to 18.3 million tonnes (12.2 million tonnes, milled basis), which is still 5 percent above the previous season's outturn and more than sufficient to compensate for a reduced Aus crop of 2.6 million tonnes (1.7 million tonnes, milled basis). Favourable results were also attained from the largest irrigated Boro crop, estimated to have expanded by 1.0 million tonnes to 27.8 million tonnes (18.5 million tonnes, milled basis). The good seasonal performance was despite several setbacks incurred, including crop damages inflicted by drought and floods, electrical power shortages and a less than anticipated extension of hybrid seed coverage.

Prospects for the 2010 season, launched with the March-April sowing of the smallest Aus crop, are positive. Assuming average growing conditions, FAO anticipates production to reach 50.3 million tonnes (33.5 million tonnes, milled basis), 3 percent above the 2009 harvest. The Government is reported to have raised its Boro procurement price from Taka 25

(USD 352 per tonne) to Taka 28 per kilo of milled rice (USD 395 per tonne).[2] The move is expected to entice millers to increase their sales to public agencies, as rice procurement as on the 17 of June was reported to stand at 227 500 tonnes, representing only 19 percent of the 1.2 million tonne target set for the season.

Planting of the main paddy crops is underway in **Cambodia**. The production outlook for the country is negative, as prospects for the season have been marred by drought conditions, which have been affecting the greater Mekong sub-region since late last year. Aside from the yield losses ensuing from the lack of rains and unseasonably high temperatures, authorities anticipate a sharp retrenchment in area under the wet season paddy. As a result, production this season is officially forecast to fall to 5.9 million tonnes (3.8 million tonnes, milled basis), 22 percent below the 2009 harvest and the lowest since 2006.

Early rice crops are already being gathered in **China (Mainland)**, while planting of intermediate paddy is also in progress. Prospects for the country remain favourable, with 197.3 million tonnes of paddy forecast to be produced (135.2 million tonnes, milled basis), 1 percent above a revised 2009 output of 195.1 million tonnes (133.6 million tonnes, milled basis). Notwithstanding unfavourable weather since the beginning of the season, which saw drought in south-western regions and cold temperatures over important producing provinces in the northeast, the expansion is expected to be fostered by increased area under paddy, supported by greater government incentives, as well as further yield gains. Indeed, according to reports, authorities are intensifying their efforts to extend the cultivation of “super hybrid rice” this season, targeting a 6.67 million hectare coverage for 2010, 430 000 hectares more than in 2009. In April, an additional 500 million Yuan (USD 74 million) were allocated for Government subsidies to support high yielding rice production mainly in the northeast, while funds for subsidies on the purchase of agricultural machinery were boosted by 1 billion Yuan (USD 147).

Adverse weather also affected the main paddy crops in the **Chinese Province of Taiwan**. Due to drought problems in southern provinces, which limited water availability, 22 000 hectares of paddy fields are reported to have been left fallow this season. Although precipitation received in late May served to ease water constraints in major reservoirs, authorities have maintained their decision to delay the start of irrigation activities for the secondary rice crop in southern provinces, normally planted in May, to 21 June. Accordingly, FAO is forecasting 2010 production in the country to contract by 2 percent to 1.37 million tonnes (1.0 million tonnes, milled basis).

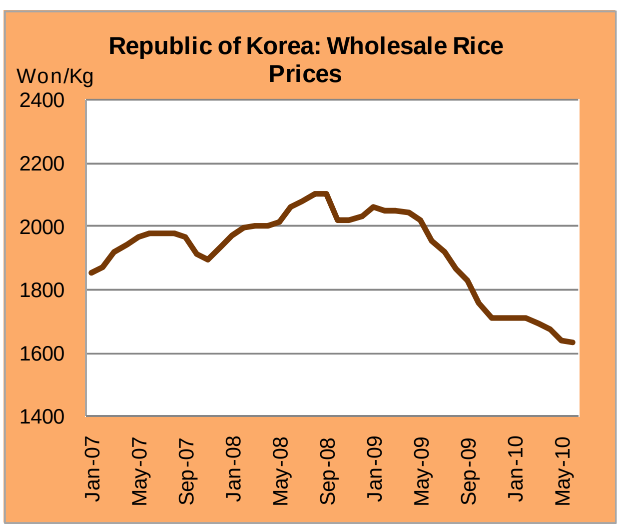
The 2009 season has been concluded in **India** with the May harvest of secondary Rabi crops. In the third advanced estimate released in May, the Department of Agriculture upgraded its production forecasts of the 2009 deficient monsoon season by 2.6 million tonnes, lifting estimates of production in the country to 133.96 million tonnes (89.3 million tonnes, milled basis), which would limit the reduction from the record 2008 crop to 10 percent. Meanwhile, planting activities for the 2010 main Kharif crop were opened with the timely arrival of the South-West monsoon over the coast of Kerala on 31 May. Despite an early delayed advancement of the rains over the country, attributed to the occurrence of cyclonic storm Phet, in its June forecast the Indian Meteorological Department (IMD) has maintained a positive outlook for the ongoing rainy season. Indeed, with an increased possibility that a manifestation La Niña manifestation brings above average precipitation, IMD forecasts point

[2] All currency conversions are based on exchange rates as on 1 July 2010.

to a normal performance of the rains, with cumulative precipitation now predicted at 102 percent of the long-period average. As such and assuming normal growing conditions, FAO forecasts paddy production in the country to surpass the 2009 poor output by 13 percent to 151.0 million tonnes (100.7 million tonnes, milled basis).

To encourage greater cultivation of rice over the season, the Indian Government has approved an increase in the minimum support prices of Rupees 500 per tonne, bringing official procurement prices paid for 2010 Kharif crops to Rupee 10 000 per tonne for common paddy (USD 215 per tonne) and Rupee 10 300 per tonne for Grade-A paddy (USD 221). The new prices effectively incorporate the Rupees 500 per tonne bonus that had been offered on top of the set minimum support prices during the 2009 season. In addition, starting from this season, non-certified but truthfully labelled hybrid rice seeds will also be eligible to the state subsidy of Rupees 5 per kilo. The measure is in line with targets set under National Food Security Mission, which seek to extend hybrid rice cultivation to 3 million hectares by 2011-2012. Meanwhile, on account of a faster than previously anticipated pace of purchases, officials are reported to have raised the target for the 2009 procurement campaign ending in September 2010, from 28 million tonnes to 32 million tonnes. As on 25 June 2010, total purchases by public agencies were reported to have reached 29.1 million tonnes.

The 2010 season is well advanced in **Indonesia,** where harvesting of secondary paddy crops will begin in July. According to the second official forecast released in June, paddy production in the country is set to surpass the 2009 record output by 1 percent to 65.2 million tonnes (41.0 million tonnes, milled basis), mainly on the back of yield improvements. The anticipated expansion has been made possible by improved climatic conditions, as earlier expectations of an early onset of the dry season and below average precipitations under the influence of El Niño have been dispelled. Meanwhile, a June presidential decree has opened the agricultural sector to foreign investment, allowing foreign entities to own up to 49 percent of plantations of various basic agricultural products, including rice.



The 2010 paddy crops are already planted in **Japan.** Assuming average growing conditions, FAO forecasts production in the country to expand by 1 percent to 10.7 million tonnes (7.8 million tonnes, milled basis) in 2010. By contrast, prospects are negative in the **Republic of Korea,** where 6.5 million tonnes (4.8 million tonnes, milled basis) might be gathered this season, 2 percent below 2009 production. The contraction reflects expectations of a reduction in area planted, as producers react to falling market prices.

Following the severe drought conditions which affected 2009 secondary crops, planting of main 2010 paddy crops in the **Lao People's Democratic Republic** is reported to have been undertaken ahead of time, favoured by an early arrival of the seasonal rains. FAO estimates 2010 output in the country to expand by 4 percent to 3.2 million tonnes (1.9 million tonnes, milled basis). Recent increases in domestic rice prices, attributed to production shortfalls from drought and localised floods, may encourage farmers to plant more over the season. Nonetheless, to contain inflationary pressure, authorities announced in June that public stocks would be released during the July-September period.

Production forecasts remain favourable in **Malaysia**, where paddy output is anticipated in the order of 2.6 million tonnes (1.7 million tonnes, milled basis), 4 percent more than in 2009. As part of the objectives set under the Tenth Malaysia Plan (2011-2015), the Government has reduced its self-sufficiency target from 90 percent in their previous plan to a less ambitious 70 percent through 2015, indicating no official intention to developed new land for paddy cultivation. Rather, for the 2011-2015 period, efforts will focus on improvements in grain productivity through infrastructure improvements. In addition, long-term agreements to import rice in exchange for exports of other commodities are to be pursued. The plan also envisages the creation of a 292 000 tonne rice stockpile to cover domestic rice needs for a 45 day period. In line with this strategy, Ringgit 145 million (USD 45 million) have been allocated to upgrade facilities in the MADA and KEDA rice granaries. As of the coming planting campaign, paddy cultivation loans disbursed by the AgroBank will be expanded from Ringgit 1 400 (USD 431) per hectare to Ringgit 2 500 (USD 770). According to official statements, the government is also considering to cut the production of the price-regulated ST15 rice, given concerns that supplies are being diverted to commercial entities rather than reaching vulnerable segments of the population.

FAO has lowered its forecast of 2010 production in **Myanmar** by 1.2 to 30.8 million tonnes (19.4 million tonnes, milled basis), 1 percent below output in 2009, to reflect the impact of lingering drought conditions over the country. Precipitation shortfalls had already prompted public intervention in March to boost irrigation capacity and encourage of substitution of drought tolerant crops for rice. Little improvement is reported since then, as the arrival of the seasonal rains, which marks the beginning of main crop sowing activities, was delayed by a month over most of the country, with extreme high temperatures also affecting the central producing areas. Meanwhile, the Government is reported to have made provisions, through the Myanmar Agricultural Development Bank, to double the ceiling of state offered loans to rice farmers to Kyat 20 000 per acre (USD 3 042 per hectare) of main season paddy sown.

In **Nepal,** planting of early paddy crops is underway. FAO's preliminary forecast of production in the country sees output recovering from the 2009 drought reduced crop by 7 percent to 4.3 million tonnes (2.9 million tonnes, milled basis). The Government is reported to have allocated Rupees 3.71 billion (USD 49 million) to a programme in support agricultural production this season. Measures under the scheme will include expansion of irrigation coverage and support to domestic production of seeds through the creation of community run seed banks. Producers in ten districts have already benefited from the distribution of 514 tonnes of seeds by FAO under the EU Food Facility Programme.

Sowing activities of 2010 paddy crops are underway in **Pakistan.** FAO estimates production in the country to recover by 1 percent to 10.2 million tonnes (6.8 million tonnes, milled basis), on the basis of larger plantings. The output expansion is expected to be facilitated by greater availability and use of fertilizers, hybrid seeds, but also respond to favourable prices sustained by an active pace of exports. Nonetheless, concerns over potential water shortages impacting production during this campaign have been growing. Officials forewarned that water availability for irrigation could fall 2 percent below normal this year, while a delayed melting of glaciers in the western Himalayas, in June, had already reduced water supplies channelled to the key growing regions of Punjab and Sindh. Meanwhile, according to official statements, the Government intends to expand a crop loan insurance programme. The initiative would complement other public support schemes, which include the setting of intervention prices and the provision of seeds, fertilisers, agricultural machinery and tractors at subsidised prices.

The 2009 season (July 2009/June 2010) has just come to a close in the **Philippines,** with the June harvest of secondary paddy crops. Based on the latest official figures, production is estimated to have declined to 15.5 million tonnes (10.1 million tonnes, milled basis), 9 percent below the 2008 harvest and nearly 500 000 tonnes less than previously reported. The downward revision reflects losses incurred over the secondary crop as a result of El Niño induced dry weather and insufficient supply of water for irrigation, which inhibited fulfilment of farmer planting intentions and added to damages caused by the passage of consecutive storms in September 2009.

Philippines: Paddy Production in 2008/09 and 2009/10 (Jul-Jun crop year)

	Main Crop (Wet)			Second Crop (Dry)			Total		
	2008	2009	Var %	2008	2009	Var %	2008	2009	Var %
Area Harvested (000 Ha.)	2,582	2,586	0	1,946	1,818	-7	4,528	4,405	-3
Irrigated	1,644	1,628	-1	1,428	1,372	-4	3,072	3,000	-2
Rainfed	938	959	2	518	446	-14	1,456	1,405	-4
Yield (Mt/Ha.)	3.75	3.43	-9	3.79	3.63	-4	3.77	3.52	-7
Irrigated	4.11	3.74	-9	4.19	4.02	-4	4.14	3.87	-7
Rainfed	3.14	2.91	-7	2.69	2.45	-9	2.98	2.76	-7
Production (000 Mt.)	9,695	8,882	-8	7,376	6,605	-10	17,071	15,487	-9
Irrigated	6,749	6,095	-10	5,980	5,512	-8	12,729	11,607	-9
Rainfed	2,946	2,787	-5	1,396	1,093	-22	4,342	3,880	-11

Source: Bureau of Agricultural Statistics - Rice and Corn Situation and Outlook

A preliminary forecast for the Philippines' 2010 paddy season, opened with the July planting of wet crop, sees output recovering by 10 percent to 17.0 million tonnes (11.1 million tonnes, milled basis), despite concerns over the negative impact of heavy precipitation brought on by La Niña in the second part of 2010. The rebounding would be facilitated by an increase in the use of hybrid rice varieties, which the Department of Agriculture targets to cover 161 000 hectares over this main crop season. Looking ahead, officials are reiterating their aim to raise production by 20 percent to 21.6 million tonnes by 2013, by boosting irrigation infrastructure and enhancing productivity.

In **Sri Lanka,** the 2010 Maha crops have already been harvested, and the planting of the secondary Yala paddy just completed. Production in the country is official forecast to expand to 4.0 million tonnes (2.7 million tonnes, milled basis) in 2010, implying a 10 percent recovery from the previous season and a new record. The output boost has been supported by good weather conditions and increased availability of water for irrigation, which are expected to boost yields to 4.0 tonnes per hectare and facilitate a 5 percent expansion in plantings. Recent gains in area under paddy have been enabled by the rehabilitation of plantations in northern and eastern regions following the cessation of hostilities. Further support to these areas has been announced by the Netherlands and Japan, the latter having already allocated Rupees 156 million (USD 1.4 million) to sustain seed production and the provision of machinery to farmers. Meanwhile, the Central Bank will provide Rupees 42 million (USD 400 000) worth of credit to the rice flour industry at concessional rates, for the purchase of machinery and upgrading of facilities. The Government has also begun to reactivate stateowned mills to facilitate the release of supplies to outlets and cooperatives, with the ultimate goal of containing domestic retail prices.

Sri Lanka: Paddy Production in 2009 and 2010									
	Maha			Yala			Total		
	2009	2010	Var %	2009	2010	Var %	2009	2010	Var %
Area Harvested (000 Ha.)	605	633	5	338	360	7	942	994	5
Yield (Mt/Ha.)	3.9	4.1	4	3.8	3.9	5	3.9	4.0	4
Production (000 Mt.)	2,384	2,597	9	1,268	1,414	12	3,652	4,011	10
Source: Department of Census and Statistics									

The 2010 season is just starting in **Thailand,** with the May-June sowing of main paddy crops. FAO has lowered its production forecast for the country by 1.6 million tonnes to 30.0 million tonnes (19.9 million tonnes, milled basis) in light of lingering drought problems over the country and a recurrence of pest attacks. By mid-June, 60 provinces, mainly in northern regions, were still reported to be affected by water shortages, with levels in key dams and rivers at critical levels. The situation prompted officials to advise farmers to postpone their main crop sowing activities to mid-July, when more normal weather conditions are expected to prevail. Based on FAO's estimate, the unfavourable climate could translate into a 4 percent area based reduction in the 2010 main crop to 22.0 million tonnes. However, because much of these losses can be compensated by increased production from secondary paddy crops, overall output in the 2010 season is still expected to stand 1 percent above the 2009 harvest.

Thailand: Paddy Production by Crop									
	Area Harvested (000 ha.)			Yield (Mt/ha.)			Production (000 Mt)		
	Main	Minor	Total	Main	Minor	Total	Main	Minor	Total
2006	8560	1605	10165	2.7	4.2	2.9	22840	6802	29642
2007	8623	2046	10669	2.7	4.3	3.0	23308	8791	32099
2008	8710 F	1974 F	10684	2.7	4.3	3.0	23235	8415	31650
2009	8600 F	1700 F	10300 F	2.7	4.1	2.9	22800	7000	29800
2010	8430 F	1870 F	10300 F	2.6	4.3	2.9	22000	8000 F	30000 F
Source: Office of Agriculture Economics (OAE) F: FAO forecast/estimate.									

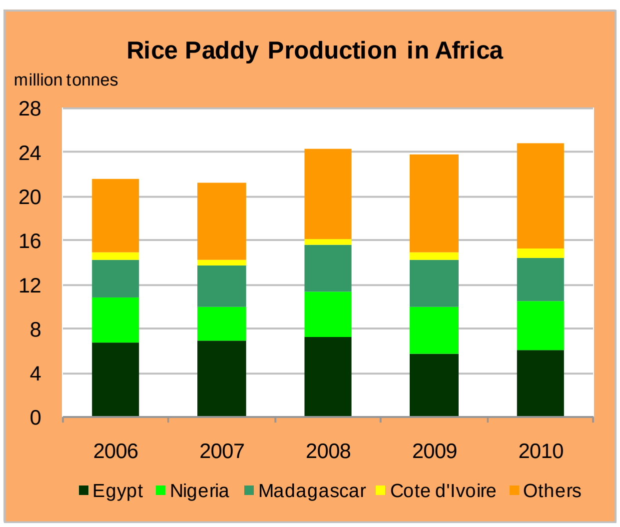
As part of the measures considered to mitigate the spread of insects and water shortages in the country, the National Rice Policy Committee is reported to have devised a programme that would limit the cultivation of rice to two crops per year. The scheme, which if approved would be implemented as of 2011 at a cost of Baht 2.8 billion (USD 86 million), would affect farms receiving water supplies from the Royal Irrigation Department, extending over 480 000 hectares of land in 22 provinces and representing 5 percent of all the area planted to rice. In exchange for adhering to the programme, participating farmers would receive training, marketing support and leniency on bank interest rate payments. An allocation of Baht 131 million (USD 4 million) would also be directed to a rice development programme, aimed at improving competitiveness through the establishment of education centres, the promotion of cost reducing production practices and pest warning systems.

In **Viet Nam,** producers will soon start harvesting their 2010 second summer-autumn crop of the season. Based on the latest figures released by the Government, FAO has upgraded its production outlook for the country to 39.1 million tonnes (26.1 million tonnes, milled basis), 1 percent above output the previous year. Much of the increase is anticipated to be on account of a larger winter-spring crop, officially assessed at 19.2 million tonnes (12.8 million tonnes, milled basis), 504 000 tonnes more than in 2009. The greater winter-spring production is expected to compensate for losses in the summer-autumn harvest, endured as a result of the prolonged drought gripping northern and central provinces. The spread of Black-dwarf disease, since it was first detected in 2009, has also heightened concerns this season. According to reports, up to 256 000 hectares of the first, winter-spring, crops were affected by the virus, with fears that it could begin spreading to southern provinces. Producers have also been affected by faltering prices, which prompted authorities to launch supportive measures over the summer-autumn harvest. In particular, the Government has instructed the Viet Nam Food Association to procure one million tonnes of rice between July and November. Entities purchasing supplies during this period will be eligible to interest free loans.

B. AFRICA

Gains in Western African countries behind an expected 4 percent output expansion in the region

In ***Africa*** the 2010 paddy season has just started in the western part of the region, while in the southern and eastern parts of the continent gathering activities of the main paddy crops are either in progress or already completed. FAO has maintained its forecast of paddy production in the region at 24.8 million tonnes (16.3 million tonnes, milled basis), 4 percent or 970 000 tonnes above the previous year's harvest. Much of expansion over the season is expected to concentrate in western African countries, where strong incentives are being offered to the sector. Output is also anticipated to recover somewhat in Egypt and in eastern parts of the continent, while unfavourable weather looks set to depress production in countries south of the equator.



In ***Northern Africa***, **Egypt** has just completed planting of 2010 paddy crops. FAO anticipates production over the season to register a slight recovery, equivalent to 325 000 tonnes, to 6.0 million tonnes (4.1 million tonnes, milled basis). Although higher prices in local markets may encourage an expansion in area planted to paddy this year, at the current forecast level, production in the country would stand as the second lowest since 2003, a reflection of Government efforts to contain rice cultivation. Meanwhile, under a 30-year lease agreement with local authorities, Egyptian investors will be constructing the first large-scale commercial rice farm in **Sudan**, to extend over 25 210 hectares. Sowing activities are scheduled to begin in June, initially covering about 1 500 hectares, and supplies produced are expected to be channelled mainly to the Sudanese domestic market. The initiative is expected to boost production in Sudan to some 39 000 tonnes in 2010, up from 34 000 tonnes in 2009.

In ***West Africa,*** the 2010 campaign was opened with the May arrival of the seasonal rains, a period that coincides with the onset of the lean season. Climatic conditions have been generally favourable so far, with normal to above normal precipitation registered over most areas. As such and assuming average growing conditions for the remainder of the campaign, production in the sub-region is still forecast to top the good 2009 outturn by 7 percent to reach 11.8 million tonnes (7.5 million tonnes, milled basis). The anticipated progress reflects expectations of widespread production gains, fostered by favourable price expectations and renewed support to the sector. Particularly positive results are anticipated in **Benin, Burkina Faso, Chad, Ghana, Mali, Mauritania** and **Sierra Leone**.

In **Ghana,** where 2010 crops are already on the ground, production is projected to expand by 10 percent to 430 000 tonnes (262 000 tonnes, milled basis). In April, the Government established the National Food Buffer Stock Company (NAFCO) to act as a state procurement agency, storing and distributing rice and other basic products to public institutions. A budget of Cedis 15 million (USD 10.4 million) is reported to have been allocated to procure supplies in the Northern, Eastern and Western regions. Farmers participating in the scheme are to receive Cedis 27 per 84 kilogram bag (USD 223 per tonne) of upland paddy they sell to intermediary agents. Amongst other support measures outlined, improved seed varieties, agricultural machinery and subsidies on fertilisers will be provided to farmers. In addition, the Government is intending to continue the drive to rehabilitate a network of irrigation infrastructure, while also encouraging youth to participate in the block farming initiative set up in 2009.

Planting of main season crops is in progress in **Liberia.** Ahead of the launching of the campaign, farmers have benefited from distribution of basic inputs provided by FAO through the European Union Food Facility Programme, which has supported producers in the country since 2009 through distribution of certified seeds, fertilisers and processing equipment. Up to 10 000 households are anticipated to benefit from the 20 month project, which will also support a Government drive to rehabilitate rice production in lowland swamp areas. FAO estimates some 300 000 tonnes may be gathered in the country this season, 2 percent more than last season.

The outlook is also positive in **Mali,** where production is anticipated to reach 1.8 million tonnes (1.2 million tonnes, milled basis) this season, 12 percent over the 2009 harvest, but still short of an ambitious production target of 2.3 million tonnes. The Government is reported to have earmarked FCFA 263 billion (USD 484 million) to back the 2010-2011 agricultural campaign in the country. Through the Rice Initiative, currently in its third year of implementation, the sector will be provided with subsidised fertilisers, improved seed varieties and machinery, while programmes to rehabilitate land will also be intensified.

Sowing of main season crops began in April in **Nigeria.** On the basis of extended plantings, FAO anticipates production in the country to rise by 3 percent to 4.5 million tonnes (2.7 million tonnes, milled basis) this season. Several local entities have moved to facilitate access to inputs through the distribution of seeds, as shortages of basic inputs continue to be a major constraint to the sector. According to a survey carried out by the Federal Ministry of Agriculture and Water Resources, the results of which were released in December 2009, a lack of availability of basic inputs and farm machinery leading to reliance on manual labour, were behind strong increase in average national production costs during 2009 main crop harvesting activities.

Prospects are positive in **Senegal,** where some 520 000 tonnes (364 000 tonnes, milled basis) might be reaped in 2010, against the 502 000 tonnes officially harvested in 2009. Officials have announced the maintenance of subsidies on seeds and fertilisers and agricultural equipment over the season. The 2010-2011 campaign will also benefit from the establishment of the Banque Verte, a rural financial facility intended to facilitate credit to farmers. Meanwhile, Canadian aid in the form of a USD 6.8 million fund to support 8 500 farmers with credit has also been announced.

In ***Central Africa,*** paddy production in **Cameroon** is anticipated to increase to 130 000 tonnes in 2010, up 6 percent from the 2009 harvest. The sector is being supported by the Government, which has earmarked CFA Franc 3 billion (USD 1.8 million) to rehabilitate 2 500 hectares of land to be brought under cultivation of high-yielding rice varieties starting in July. While an initial target of increasing production by 40 000 tonnes by 2011 is being envisaged, the ultimate aim of the initiative is to lift output to 300 000 tonnes by 2013 so as to cut back on imports.

In ***Eastern Africa,*** the main paddy crops are already at the harvesting stage in the **United Republic of Tanzania.** Plant development this season has benefited from favourable climatic conditions in the form of abundant precipitation, which are anticipated to sustain a 4 percent yield driven output expansion to 1.4 million tonnes (910 000 tonnes, milled basis). Meanwhile, as part of the Kilimo Kwanza Initiative, further to raising 2010 allocations to the agriculture sector by 36 percent to Shillings 904 billion (USD 606 million) the Government has waived value added taxes on agricultural implements.

FAO estimates production in **Kenya** to match the 2009 outcome with 65 000 tonnes of paddy produced (42 000 tonnes, milled basis). Amongst the budgetary allocations announced by the Government this year**,** Shillings 525 million (USD 6.2 million) will be invested to construct 15 rice processing facilities across the country.

In ***Southern Africa,*** output in **Madagascar**, one of the largest producers in the continent looks set to decline by 200 000 tonnes to 4.0 million tonnes (2.7 million tonnes, milled basis). The contraction follows production losses associated to prolonged precipitation deficits in the centre and south, compounded by damages inflicted by the March passage of tropical storm Hubert over south-eastern portions of the country. Moreover, since April, an estimated 100 000 hectares in southern provinces have been infested by locusts, which may result in further production losses over the season.

Drought conditions have also prevailed in the central and southern regions of **Mozambique**. While important losses have been incurred in the Zambezia Province, in May 2010, 7 300 hectares in the Chokwe irrigation scheme were affected by severe bird attacks. Pending a thorough assessment of damages, FAO has kept estimates of output in the country steady at 260 000 tonnes (173 000 tonnes, milled basis). Meanwhile, experimental cultivation of high-yielding Chinese rice varieties in the province of Gaza are reported to have reaped positive outcomes, with more areas expected to be brought under cultivation over the ongoing 2010-2011 season.

C. CENTRAL AMERICA AND THE CARIBBEAN

Paddy production forecast to rise by 1 percent over the 2010 season

The 2010 season was opened in ***Central America and the Caribbean*** with the April-May planting of main paddy crops, a period which coincides with the onset of the hurricane season over the Atlantic. According to May predictions released by the National Oceanic and Atmospheric Administration (NOAA), a high likelihood of above-normal hurricane activity exists this year, with forecasts pointing to a 70 percent probability of 14-23 named storms, 8-14 hurricanes and 3-7 major hurricanes forming over the season. Damage from storms has already been incurred in **El Salvador, Guatemala** and **Honduras**, while unfavourable weather is also affecting **Cuba** and **Nicaragua.** Nonetheless, the overall outlook for the sub-region remains positive, with paddy production forecast to increase to 2.8 million tonnes (1.85 million tonnes, milled basis), up 1 percent from the good 2009 outcome, on account of larger expected crops in **Costa Rica,** the **Dominican Republic** and **Panama.**

In June, **Costa Rica** started planting its 2010 crops. Production in the country is anticipated to reach 285 000 tonnes (191 000 tonnes, milled basis), 6 percent above the 2009 harvest. The expansion is expected to be fostered by larger plantings, as incentives to production offered under the 2008 National Food Plan are reported to have encouraged a number of producers to switch to paddy cultivation from other crops. By contrasts, prospects are negative in **Cuba,** where several important producing regions, including Camaguey, Granma, Pinar del Rio and Sancti Spiritus, continue to be affected by precipitation shortfalls. With yield losses stemming from the unfavourable climate likely to more than offset area gains, output in the country is projected to fall to 540 000 tonnes (360 000 tonnes, milled basis), 4 percent below the 564 000 tonnes (376 000 tonnes, milled basis) officially reported to have been gathered in 2009.

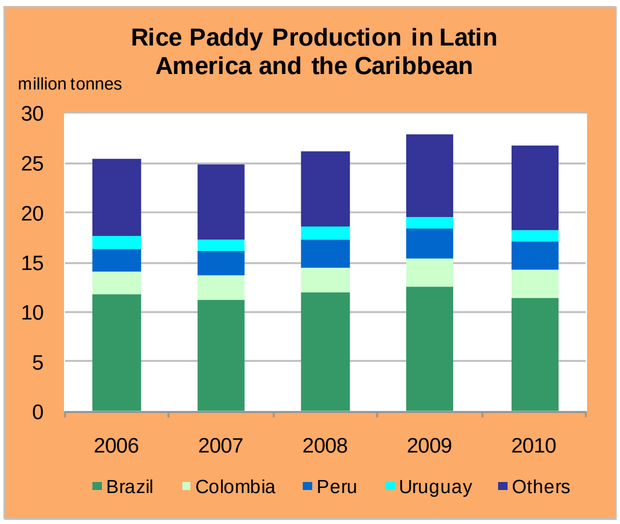
The season is more advanced, in the **Dominican Republic** where harvesting of the main crops is underway. Notwithstanding dry episodes early in the season, generally favourable weather conditions and continued support to the sector are expected to boost output to 900 000 tonnes (594 000 tonnes, milled basis) this year, a 6 percent area based expansion from the 2009 harvest. For 2010, the Government has allocated Pesos 3 billion (USD 81 million) to fund the national warehouse receipts programme (Programa Nacional de Pignoraciones), which is expected to benefit 34 000 rice producers. Support to the sector is also being provided by the Agricultural Bank which offers loans at preferential rates, as well as by the Food and Agriculture Sector Competitiveness Project (PATCA), which promotes adoption of new technologies by small/medium size producers, food and animal health and safety and institutional support.

Severe damages to paddy crops have been reported in **El Salvador,** following the 29 May landing of tropical storm Agatha. As a result, officials estimate 2010 production in the country will fall by 11 percent below the 2009 high to 36 000 tonnes (24 000 tonnes, milled basis). The storm is also reported to have affected crops in **Guatemala** and **Honduras,** where output is now foreseen to contract to 28 000 tonnes (19 000 tonnes, milled basis) and 24 000 tonnes (16 000 tonnes, milled basis), 9 percent and 14 percent respectively below the 2009 harvests.

Prolonged dry conditions this year have delayed the April-May sowing of *primera* paddy crops in **Nicaragua**. As a result of reduced water availability and localised insect attacks, production in the country may fall by 5 percent to 320 000 tonnes (210 000 tonnes, milled basis). Farmers this season will benefit from the April establishment of the Banco Produzcamos, which will facilitate credit to small/medium agricultural producers. Notwithstanding reports of delayed plantings due to insufficient rainfall, production in **Panama** is forecast to recover from 2009's weather affected crop to 310 000 tonnes (203 000 tonnes, milled basis).

D. SOUTH AMERICA

A decline in Brazil, largely behind the negative 2010 production outcome in South America



The season is well advanced in ***South America***, where most countries have already harvested or in the process of harvesting their 2010 crops. Overall production in the region is forecast to decline by 5 percent to 24.0 million tonnes (16.0 million tonnes, milled basis), mainly a reflection of a contraction in **Brazil,** where unfavourable weather hampered crops. According to CONAB's ninth planting survey, 11.4 million tonnes of paddy (7.6 million tonnes, milled basis) were harvested this season, 10 percent or 1.2 million tonnes less than in 2009. The drop reflected a 140 000 hectare retrenchment in area planted to paddy, caused by excessive rains and competition from other crops, as wells as by a 5 percent depression in average yields, mainly imputable to late plantings in the highly productive region of Rio Grande du Sol.

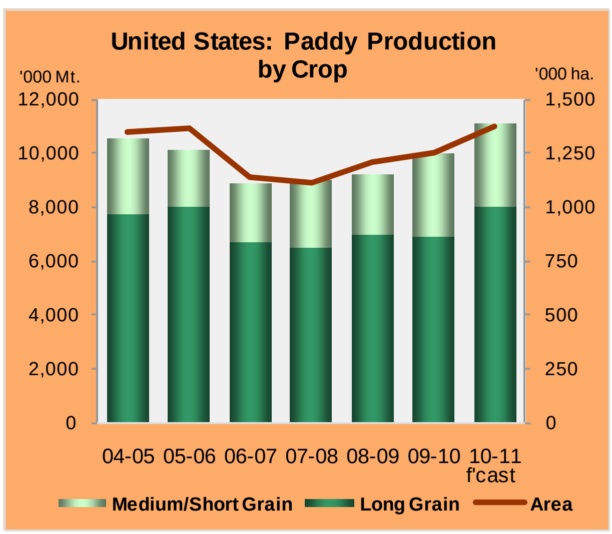
Production is also poised to decline in **Uruguay,** where gathering activities are still underway. Output in the country is officially anticipated in the order of 1.1 million tonnes (804 000 tonnes, milled basis) in 2010, against the 1.3 million tonnes harvested the previous season. The 11 percent year-on-year contraction is expected to be driven by productivity losses, as planting activities in the country were also delayed by excessive rains. Under similar conditions, production in **Bolivia** is estimated to have declined by 13 percent to 500 000 tonnes (343 000 tonnes, milled basis). Producers in northern La Paz will, benefit this year from a USD 3 million fund allocated by the Government of Japan to support rice and cacao production.

By contrast, according to the latest official estimate, production in **Argentina** is set to register a 6 percent expansion to 1.4 million tonnes (952 000 tonnes, milled basis), the highest level in over two decades. Although heavy precipitation at the onset of the season is estimated to have depressed average yields by 4 percent to 6.6 tonnes per hectare, a 10 percent expansion in area planted to 211 000 hectares, fostered by prospects of remunerative prices, compensated for the losses. The outlook is also positive in **Colombia,** where summer crops are currently being gathered. On the basis of yield gains, production in the country is officially expected to expand by 4 percent to 2.9 million tonnes (2.0 million tonnes, milled basis).

In **Peru**, a 2 percent reduction in area planted to paddy to 396 000 may depress output to 2.9 tonnes in 2010 (million tonnes, milled basis), 3 percent below the 2009 record harvest but still well above a five-year average of 2.6 million tonnes (1.8 million tonnes, milled basis). Adding to unfavourable price prospects, the main producing regions of San Martín, Lambayeque and Piura are reported to have been affected by excessive precipitation this season, also leading to localised pest infestations. Nonetheless, prospects of another large harvest after the 2009 exceptional crop continue preoccupying the sector, particularly in light of the maintenance of import restrictions by Colombia, the largest foreign market for Peruvian rice. Production prospects are also positive in **Venezuela,** where output is anticipated to recover to 1.1 million tonnes (735 000 tonnes, milled basis), 5 percent above the 2009 drought reduced crop.

E. NORTH AMERICA, EUROPE AND OCEANIA

Paddy production to reach a new record in the United States, positive outcomes also expected in the European Union and Australia



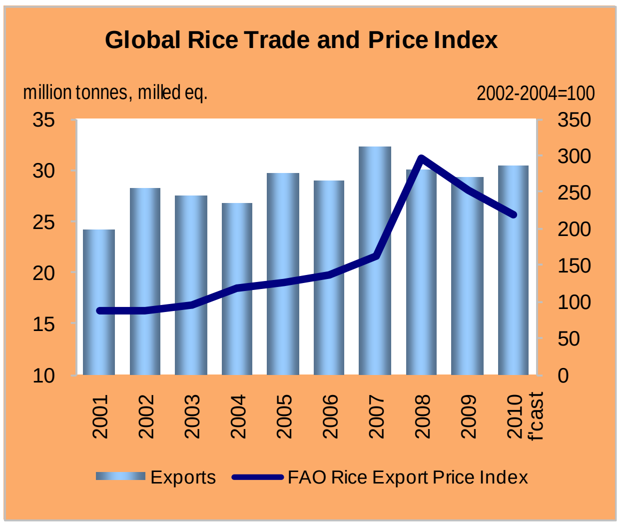
In ***North America,*** the season is advancing favourably in the **United States**. Although excessive rain and low temperatures slowed progress in California during May, as on June 27, 74 percent of crops were reported to be in good/excellent condition. In fact and driven by both larger plantings and improved yields, the June USDA forecast sees paddy production in the country expanding to 11.1 million tonnes (7.6 million tonnes, milled basis), an 11 percent increase from 2009's bumper harvest and a new record. The increase is expected to be supported by greater long-grain production; while output of medium/short grain varieties looks set to remain largely unchanged from the previous year.

In ***Europe,*** paddy crops are already under ground in the **EU-27** zone. The overall outlook for the region remains positive, with 3.2 million tonnes (2.2 million tonnes, milled basis) forecast to be produced, 1 percent above 2009 output. Despite some planting delays incurred in Italy, France and Greece because of excessive precipitation and low temperatures, which could lead to some yield losses, some extension in the area sown to paddy may lead to small gains in all producing countries. Concerns over softening prices and increasing production costs have, however, been expressed by the industry in Italy, the largest producer in the region. Paddy output is also expected to increase in the **Russian Federation,** where it might reach 950 000 tonnes (634 000 tonnes, milled basis), 5 percent over the 2009 good performance; while, production in the **Ukraine** is officially anticipated steady around 135 000 tonnes (90 000 tonnes, milled basis).

In ***Oceania***, ABARE's latest crop report raised the forecast of paddy production in **Australia** to 205,000 tonnes (137 000 tonnes, milled basis), nearly 150 000 tonnes more than in 2009. The 2010 performance, the highest since the 1.0 million tonnes harvested in 2006, was achieved on the back of record level yields of 10.8 tonnes per hectare, boosted by excellent growing conditions and increased availability of water for irrigation. Meanwhile, concern exists that the 2011 paddy crop, not due for planting until October, could be threatened by the emergence of locusts over main growing areas.

II. INTERNATIONAL TRADE IN RICE

World rice trade in 2010 revised dwon by 900 000 tonnes to reflect a slow pace of imports to date



Since the April issue of the RMM, FAO has downgraded its forecast of global rice trade in calendar year 2010, which now stands at 30.4 million tonnes, milled basis, 900 000 tonnes less than previously reported, largely to reflect sluggish import demand countries in the first half of the year. On the demand side, the revision reflects lower estimates of imports than previously anticipated mainly in Malaysia, Saudi Arabia, Thailand, the United States and Viet Nam, which more than offset larger forecast mainly in Venezuela. In the case of Viet Nam and Thailand, which in the past few years have seen an inflow of rice from Cambodia and Myanmar, the cuts reflect less buoyant prospects for export and less attractive domestic prices. On the export side, forecasts were mainly downscaled in Cambodia, India, Egypt, Myanmar, and Thailand; while those of Pakistan were upgraded.

Principal Revisions to 2010 International Trade in Rice (million tonnes)

2010 IMPORTS						2010 EXPORTS					
	April 2010 f'cast		June 2010 f'cast		Revision		April 2010 f'cast		June 2010 f'cast		Revision
WORLD	**31.3**		**30.4**		**-0.8**	**WORLD**	**31.3**		**30.4**		**-0.9**
ASIA	**14.5**		**13.8**		**-0.8**	**ASIA**	**24.8**		**24.0**		**-0.8**
Malaysia	0.9	F	0.8	F	-0.1	Cambodia	1.7	F	1.5	F	-0.2
Thailand	0.5	F	0.2	F	-0.3	India	2.2	F	2.0	F	-0.2
Saudi Arabia	0.9	F	0.8	F	-0.1	Myanmar	1.3	F	1.0	F	-0.3
Viet Nam	0.5	F	0.2	F	-0.3	Pakistan	3.4	F	3.8	F	+0.4
NORTH AMERICA	1.1		1.0		-0.1	Thailand	8.8	F	8.2	F	-0.6
United States	0.7	G	0.6	G	-0.1	**AFRICA**	**0.6**		**0.5**		**-0.1**
LATIN AMERICA & CAR	**3.8**		**3.9**		**+0.0**	Egypt	0.6	F	0.5	F	-0.1
Venezuela	0.2	F	0.2	F	+0.1						

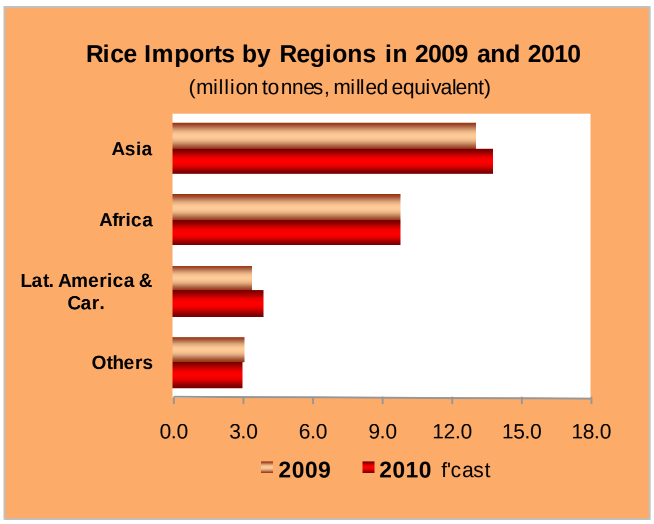
G: Official Figure; F: FAO forecast/estimate.

At the current forecast level of 30.4 million tonnes, global trade in rice would still stand 4 percent, or 1.1 million tonnes above the 2009 contracted level. Much of the trade recovery this year is expected to be driven by greater demand from Asian, but also from Latin America and the Caribbean.

Imports in 2010

Growing demand by Asian countries to sustain an expansion of world imports in 2010

Around 30.4 million tonnes of rice are forecast to be imported over calendar year 2010, 4 percent, or 1.1 million tonnes, above the current estimate for 2009. ***Asia*** is anticipated to be responsible for much of the expansion, absorbing 13.8 million tonnes of rice, 5 percent more than in 2009, and accounting for 46 percent of the world total. The increase would be mainly driven by larger deliveries to **Bangladesh**, **Nepal** and the **Philippines,** but also to **China (Mainland), Iraq, Sri Lanka** and **Viet Nam.** On the other hand, several traditional importers may find themselves in a position to cut purchases, in particular **Afghanistan**, the **Islamic Republic of Iran, Indonesia** and **Saudi Arabia.**



Rice imports by **Bangladesh** are forecast to reach some 400 000 tonnes over the calendar year, up from a revised low of 150 000 tonnes in 2009. Despite the 2009/10 good output performance, persistently high domestic prices have prevented the government from fulfilling its procurement targets through domestic purchases. As a result, the authorities have decided to step-up imports to 300 000 tonnes by June, of which 125 000 tonnes of rice appear to have already been contracted through a series of tenders. In June 2010, Bangladesh also reacted to the high domestic prices by extending an export ban on aromatic and non-aromatic rice until the end of year.

Imports by **China (Mainland)** are projected to increase by 12 percent to 400 000 tonnes in 2010. Cumulative deliveries to the country in the first quarter of the year have already amounted to 96 000 tonnes, 41 percent above the corresponding level in 2009.

In line with its commitments to the WTO, the **Republic of Korea** is anticipated to step up purchases by 7 percent to 327 000 tonnes, while **Japan** are foreseen to maintain 2010 imports steady at 700 000 tonnes, respectively. Good prospects for the 2010 harvest could, instead, enable **Indonesia** to cut purchases by 20 percent to 200 000 tonnes.

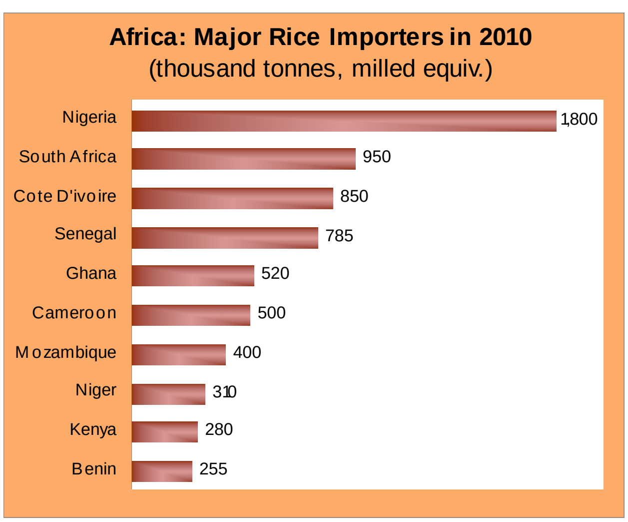
Consignments to **Malaysia** are forecast to remain unchanged from the previous year at 850 000 tonnes. Recently, the Malaysian Government announced a shift in its production strategy; foregoing its expansionary plans and downscaling its self-sufficiency aims from an 86 percent target for the 2006-2010 period, to 70 percent by 2015. To meet domestic requirements, authorities will now be looking to enter into long-term agreements to import rice in exchange of palm oil or oil. The country will also seek to maintain a 292 000 tonne rice buffer stock to cover 45 days of estimated consumption needs.

On the other hand, **Nepal** may need to increase purchases by 100 000 tonnes to 250 000 tonnes this year to cover domestic deficits arising from 2009's weather affected crop. Part of this volume is expected to be sourced from India, which has approved a 25 000 tonne exception to its export ban for the country on diplomatic grounds.

International rice purchases by the **Philippines** are forecast to increase by 675 000 tonnes to a record 2.45 million tonnes in 2010. Production shortfalls from a series of weather related setbacks led the National Food Authority (NFA) to launch a series of import tenders late last year that secured delivery of 2.25 million tonnes of rice in 2010. Provisions were also made for an additional 200 000 tonnes to be purchased by private traders by September. According to official statements, the NFA will not need to return to the market this year, except to negotiate purchases for delivery in 2011. Meanwhile, the Government has confirmed its commitment to attaining self sufficiency in rice by 2013.

Sri Lanka is forecast to raise rice purchases to 80 00 tonnes in 2010, 33 above imports a year earlier. Much this volume is estimated to have been acquired in the first quarter of the year, facilitated by reduced levy on rice imports, which was effective until March 2010. With improved prospects for the 2010 crop, the Government is unlikely to make use of the 20 000 tonne contingent approved for export by India. Indeed, in anticipation of further production gains from the rehabilitation of abandoned land in northern and eastern regions in forthcoming years, the country could even venture into the export market.

In *Near East Asia*, a 13 percent decline in purchases is anticipated in **Afghanistan** to 260 000 tonnes. Likewise, 2010 imports by the **Islamic Republic of Iran** and **Saudi Arabia** are foreseen to fall to 1.2 million tonnes and 840 000 tonnes, respectively. In both cases, the decline would be associated with the introduction of greater protective measures. Conversely, **Iraq** is officially expected to step up the volume of its purchases by 6 percent to 1.18 million tonnes, a volume needed to meet requirements under the food distribution programme. Deliveries to the **United Arab Emirates** are also forecast to rise from an estimated 400 000 tonnes in 2009 to 520 000 tonnes this year.



Overall imports by ***African countries*** look set to remain in the order of 9.8 million tonnes in 2010. In *Western Africa*, relatively good crops harvested late last year may enable **Gambia, Ghana, Guinea, Mali, Senegal** and **Sierra Leone** to cut deliveries. By contrast, severe food shortages are likely to boost deliveries to **Chad** and **Mauritania**. Both **Cote d'Ivoire** and **Nigeria**, two of the most important destinations of rice trade in the region, are foreseen to keep their purchases around the 2009 volumes of 1.8 million tonnes and 850 000 tonnes, respectively. In *southern Africa*, the relatively poor crops harvested in 2010 may require **Madagascar, Malawi** and **Mozambique** to step up imports**.** Growing demand should also lead to a 6 percent rise in purchases by **South Africa** to 950 000 tonnes. *In eastern Africa*, production shortfall is likely to prompt **Kenya** to purchase 280 000 tonnes in 2010, up 4 percent from the previous year. The increase would be facilitated by the government decision, in June, to lower duties on imported rice from the 75 percent level applicable under the East African Community Common External Tariff to 35 percent, or USD 200 per tonne, depending on which is higher. The reduction is valid for one year and applicable to rice from all origins and not only from Pakistan to whom preferential treatment had been granted since 2007.

In ***Central America and the Caribbean***, rice inflows are forecast to rise by 3 percent to 2.3 million tonnes, a level sustained by greater inflows to **Haiti, Mexico** and **Panama.** In the latter, a decision by public and private industry stake-holders has approved the importation of a contingent of 28 000 tonnes of paddy, which will serve to cover domestic needs until the October harvest of 2010 paddy crops. Overall purchases by the country over the year are forecast in the order of 80 000 tonnes, 18 percent above 2009 deliveries. By contrast, on the back of a good 2009 season result, consignments to **Cuba** may decline to 500 000 tonnes, 12 000 tonnes below the volume officially reported to have been delivered in 2009. Production gains and larger stocks should also enable **Costa Rica,** the **Dominican Republic** and **El Salvador** to cut purchases in 2010.

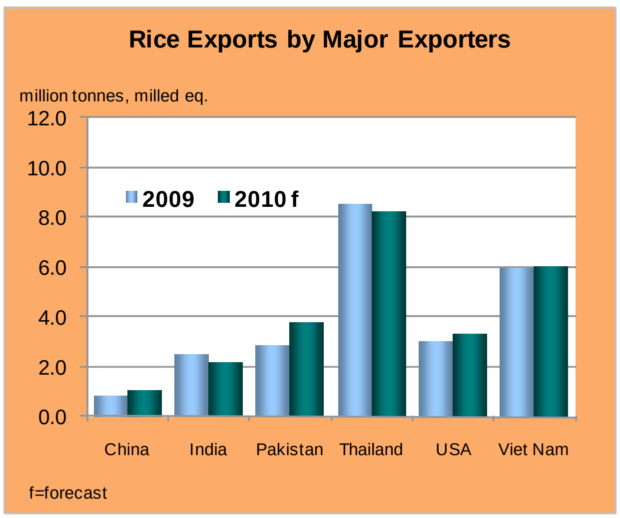
Aggregate imports by ***South American*** countries are forecast to reach 1.5 million tonnes in 2010, a 31 percent annual surge from 2009. Virtually all of the increase, equivalent to 366 000 tonnes, would be on account of **Brazil,** which may need to import 1.0 million tonnes over the year, following the negative 2010 production outcome. A drought reduced crop is also foreseen to boost purchases by **Venezuela** by 80 000 tonne to 200 000 tonnes. Conversely, surplus crops in **Colombia** and **Peru** are projected to depress imports to the countries to 100 000 tonnes and 40 000 tonnes, respectively. Meanwhile, industry representatives from **Argentina, Brazil, Paraguay** and **Uruguay** have formally appealed to their Governments to have the Mercosur Common External Tariff raised from its current 12 percent level to 30 percent.

In ***Europe,*** rice deliveries to the **EU-27 zone** are forecast to increase by 10 percent to 1.1 million tonnes. Under a trade agreement reached in May with Central American nations, the European Union has committed to grant duty free access to a 20 000 tonnes annual contingent of husked, semi-milled and wholly milled rice originated from Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. The size of the preferential quota will rise by 5 percent, or 1 000 tonne, per year. In line with the institution of greater protection, imports by the **Russian Federation** are anticipated to fall by 60 000 tonnes to 200 000 tonnes in 2010. On the other hand, the USDA has recently lowered its forecast for 2010 purchases by the **United States** to 650 000 tonnes, which would imply a 5 percent decline compared with last year.

Exports in 2010

Pakistan anticipated to account for much of the expected increase in global rice trade in 2010

World rice exports in calendar 2010 are forecast to increase to 30.4 million tonnes, 4 percent or 1.1 million tonnes over the 2009 depressed level. **Pakistan** is now anticipated to account for much of this increase, with deliveries by the country set to reach a new high. Prospects are also favourable for **Argentina**, **China (Mainland), Ecuador, Egypt** and the **United States,** all of which are expected to step-up deliveries in 2010. On the other hand, the outlook is rather subdued for the two largest global suppliers, with shipments by **Viet Nam** foreseen to remain around 2009's level and deliveries from **Thailand** set to fall. Policies to restrict rice exports are still limiting outflows from **India** and **Egypt**, while low supplies in **Brazil** and weak demand in **Cambodia** and **Myanmar** are forecast to depress their respective shipments

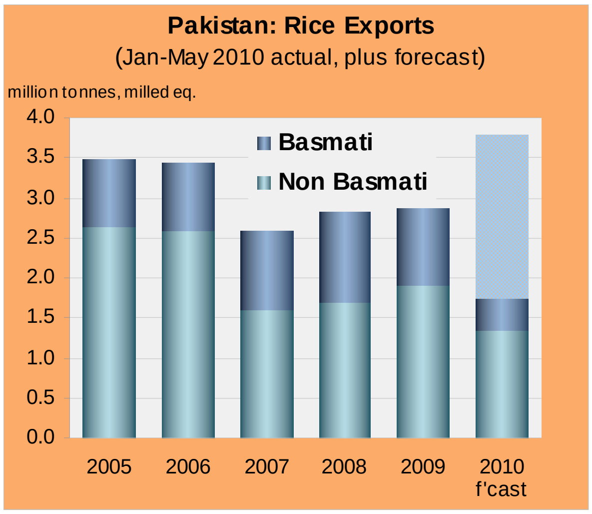


FAO's forecast of exports by **Cambodia** in 2010 has been lowered by 200 000 tonnes to 1.5 million tonnes in 2010, 6 percent less than the current 2009 estimate. The bulk is likely to be routed through unofficial channels, much of which under border trade transactions with Thailand and Viet Nam. Indeed, formal rice exports by domestic companies remain rather limited and progressing slowly. The need to improve the quality of supplies has been highlighted as one of the key concerns of the sector, which has prompted the Government to double funds allocated to the provision of loans to rice farmers and millers to USD 36 million this year.

Export prospects are favourable for **China (Mainland),** which remains forecast to ship 1.0 million tonnes in 2010, up 27 percent from the 2009 low volume of deliveries. The current forecast would entail increasing shipments over the second half of 2010, as deliveries by the country in the first four months of the year fell 8 percent behind the corresponding level in 2009 amounting to 296 400 tonnes.

With the **Indian** government securing ample supplies in public stocks, further exceptions to the export ban on non-basmati rice have been approved. In May, a contingent of 100 000 tonnes of common varieties were permitted for export to Bangladesh, followed, in June, by an additional 30 000 tonnes for the Maldives, both to be undertaken through diplomatic channels. Barring these exemptions, however, officials stated that a repeal of current restrictions on rice trade is not foreseen until favourable results from the 2010 Kharif crop are confirmed. This, together with a slow pace of basmati rice exports, is anticipated to limit shipments from the country to 2.0 million tonnes in 2010, down from a revised official figure of 2.1 million tonnes in 2009.

Reflecting a tightening of supplies from deteriorating prospects for 2010 crops, exports by **Myanmar** are anticipated to fall to 1.0 million tonnes, 9 percent below the level officially reported to have been shipped in 2009. Despite the anticipated reduction, shipments by the country would still remain large, particularly if compared to recent years. The country is strengthening its position as an important player in the market, providing inexpensive supplies of lower grade rice varieties particularly to African countries.



Much of the anticipated increase in 2010 global exports is expected to be met by larger shipments from **Pakistan,** now forecast to export a record 3.8 million tonnes, nearly 950 000 tonnes more than in 2009. Competitive prices and large inventories boosted by two consecutive good harvests have already enabled the country to ship 1.8 million tonnes by May, of which three quarters corresponded to non-basmati rice. The good pace of exports has been sustained by increasing deliveries to traditional markets, such as South Africa, Saudi Arabia and the United Arab Emirates, as well as Bangladesh and Sri Lanka. However, Pakistan's dominant position in Kenya, an important destination for Irri exports, may be put under pressure following a June decision by the Kenyan Government to extend to rice from all origins a reduction of the East African Community's Common external Tariff (CET) of 75 percent to 35 percent, or USD 200 per tonne depending on which is higher. Since 2007, Pakistani has been the only external supplier to benefit from this preferential access.

Thailand is now foreseen to ship 8.2 million tonnes of rice in 2010, 550 000 tonnes less than previously anticipated and 4 percent below 2009. Thai rice competitiveness continues to be eroded by a strong currency and high prices relative to other origins, a situation that has led many to suggest that the industry should concentrate in consolidating its dominant position in the high-quality rice market. While demand for parboiled rice has remained strong over recent months, particularly from Africa, expectations of declines in Thai quotations and a general softening of international prices are reported to have led to up to 200 000 tons worth of contract defaults between April and May. Meanwhile, the Ministry of commerce has given way to a gradual release of public stocks, ahead of the 2010 main season harvest.

On the other hand, **Viet Nam** is anticipated to ship 6.0 million tonnes of rice in calendar year 2010, against the 5.96 million tonnes exported in 2009. The steady performance is anticipated in spite of the slow pace of deliveries registered so far, as according to official figures, cumulative shipments of Vietnamese rice by end of May fell to 2.82 million tons, 10 percent below their corresponding level a year ago. On the back of ample availability from a bumper 2010 winter-spring crop, officials have nonetheless maintained a positive outlook for the remainder of the year, on expectations that the 6.0 million tonne export target set for 2010 will be met by a pick-up in deliveries during the third-quarter of the year.

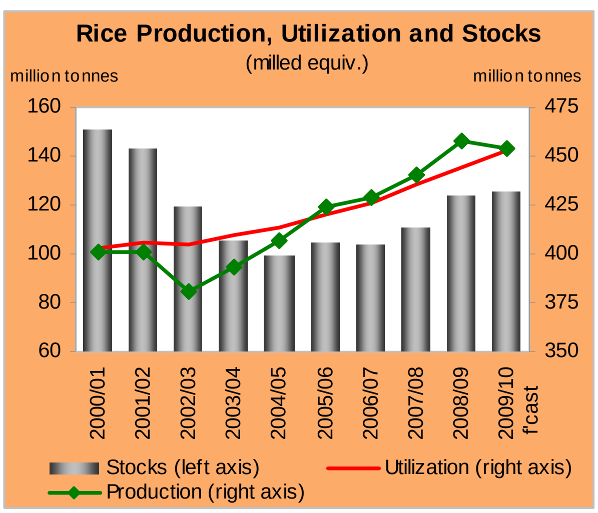
FAO has downgraded forecasts of 2010 exports by **Egypt** to 500 0000 tonnes, 100 000 tonnes less than previously reported. The revision follows a June decision by Government to stop issuance of export licenses in an attempt to stabilise domestic rice prices. Since the February 2009 repeal of the full export ban, the Government has issued export permits to traders through a system of tenders and upon conditional delivery of equivalent amounts of rice to the General Authority for Supply and Commodities (GASC), for distribution through the ration card system. With the measure expected to be held in place until the new crop harvest, due in October, the current forecast level still implies a 11 percent increase in deliveries from an estimated 2009 low of 450 000 tonnes.

In the **United States**, the figures released by the USDA in its June Report have maintained 2010 exports forecasts at 3.3 million tonnes, 10 percent above shipments in 2009. The expansion is anticipated to arise from greater deliveries to Latin American countries, as well as to markets previously supplied by Egypt and Australia. Meanwhile, efforts to lift trade restrictions on agricultural exports to Cuba have made headway. On 30 June, the House Agriculture Committee approved proposed legislation that would repeal the current the travel ban on the country, as well requirements on advanced cash payments of agricultural produce via third-country institutions. The bill still requires approval by the full House of Representatives before it can be enacted.

In South America, export prospects are favourable for **Argentina,** which is anticipated to step-up deliveries by 2 percent over the year to 500 000 tonnes. By contrast, reduced supplies from a weather affected crop in **Brazil** may lead to a 15 percent retrenchment in shipments by the country to 500 000 tonnes. Total deliveries by **Guyana** are projected in the order of 264 000 tonnes, up 1 percent from 2009. On the back of increasing demand from regional partners including Brazil and Venezuela, exports from **Ecuador** and **Uruguay** are also anticipated to rise to 50 000 tonnes and 700 000 tonnes, respectively.

I. RICE UTILIZATION

World consumption of rice in 2010 forecast to increase by 2 percent



Based on the latest estimates, global rice consumption in 2010-2011, including the use of rice for food, feed and other-end-uses is set to increase to 461 million tonnes, milled basis, 2 percent or 8.7 million tonnes above 2009. Consumption of rice as food is forecast to account for 86 percent of the total, rising from an estimated 388 million tonnes in 2009 to 395 million tonnes this year. The small volumes committed to animal feed are anticipated to rise by 1 percent to 12.2 million tonnes, while other end-uses, including use of rice for seeds, non-food industrial uses and post harvest losses may be up by 1.6 million tonnes to 54.5 million tonnes. On these basis, global per caput rice consumption is projected to pass from 56.7 kilos in 2009 to 57.0 kilos in 2010. The increase is anticipated to mirror a rise in average intake in **developed countries** to 12.7 kilos and in **developing countries** to 68.0 kilos.

Per caput consumption of rice in ***Asia*** is projected to rise from 82.1 kilos to 82.5 kilos in 2010, with particularly large gains anticipated in Bangladesh, Indonesia and Sri Lanka. Increasing consumption levels across western, southern and central regions of the continent should also sustain a 1 percent growth in ***Africa*** to 22.2 kilos per person. Likewise, greater average rice consumption is anticipated in ***Europe*** to 5.3 kilos and especially in ***Oceania,*** where it is forecast to pass from 14.3 kilos in 2009 to 15.2 kilos this year. On the other hand, it is expected to remain in the order of 30.6 kilos in ***Latin America and the Caribbean*** and of 11.5 kilos in ***North America***.

In many cases the anticipated rise in average rice consumption will be facilitated by declining domestic consumer prices. Looking at a survey of **retail/wholesale prices** in 39 countries, domestic price quotations tended to decline in the second quarter of the year, compared to their level three months earlier, across Asia, (particularly in India, Japan, Nepal and Thailand), in Eastern Africa (Burundi, Uganda and the United Republic of Tanzania), Central America (Haiti and Honduras) and in Brazil. Conversely, since March, consumer prices of rice have witnessed significant gains in Pakistan, in Western Africa (Mali and Senegal), in Southern Africa (Mozambique), in Central America (El Salvador and Panama) and in Bolivia.

MONTHLY RETAIL PRICES OF RICE IN SELECTED MARKETS

Latest available quotation: *Latest available quotation compared to:* [/1]

Asia	*Month*	*USD/Kg*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Bangladesh: Ntl. Avg. (coarse)	May-10	0.36	-2%	24%	34%	-13%
Cambodia: Phnom Penh (mix)*	Apr-10	0.45	0%	3%	33%	-10%
India: Delhi	Jun-10	0.47	-4%	-4%	10%	10%
Japan: Tokyo Ku-area (Non-glutinous)	May-10	4.64	-4%	-6%	-1%	7%
Republic of Korea: Ntl. Avg.	Jun-10	1.71	-1%	-2%	-9%	-9%
Nepal: Kathmandu (coarse)	May-10	0.39	-9%	-28%	-22%	-6%
Pakistan: Karachi (irri)	May-10	0.41	3%	4%	4%	-36%
Philippines: Ntl. Avg. (well-milled)	May-10	0.75	-1%	1%	-1%	1%
Sri Lanka: Colombo (white)	Jun-10	0.46	-2%	-18%	-16%	-21%
Thailand: Bangkok (5% broken)*	Apr-10	0.40	-24%	-14%	-22%	-49%
Western Africa	*Month*	*USD/Kg*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Burkina Faso: Ouagadougou (imported)*	Jun-10	0.60	0%	-11%	-11%	-29%
Cape Verde: Santiago (imported)	Apr-10	1.13	1%	8%	7%	58%
Chad: N'Djamena (imported)	May-10	0.87	0%	0%	-1%	-4%
Mali: Bamako (imported)*	Jun-10	0.61	14%	14%	-7%	-4%
Mauritania: Nouakchott (imported)	May-10	1.02	-13%	18%	40%	42%
Senegal: Dakar (imported)	Apr-10	0.82	8%	15%	0%	33%
Central Africa	*Month*	*USD/Kg*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Dem. Rep. Congo: Kinshasa (imported)	May-10	1.09	-1%	8%	1%	47%
Eastern Afirca	*Month*	*USD/Kg*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Burundi: Bujumbura	May-10	0.85	-19%	-20%	-23%	8%
Rwanda: Kigali*	Jun-10	0.95	-9%	-12%	-7%	-19%
Somalia: Mogadishu (imported)	May-10	0.64	-5%	-26%	-8%	-38%
Uganda: Kampala*	Jun-10	0.75	-10%	-19%	-7%	-17%
United Rep. of Tanzania: Dar es Salaam*	Jun-10	0.79	-14%	-18%	3%	20%
Southern Africa	*Month*	*USD/Kg*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Malawi: Lilongwe	Jun-10	1.19	-	2%	14%	22%
Mozambique: Maputo	Jun-10	0.78	10%	21%	56%	39%
Central America and the Caribbean	*Month*	*USD/Kg*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Costa Rica: Ntl. Avg. (first quality)	May-10	1.54	2%	25%	34%	57%
Dominican Rep: Santo Domingo (first quality)	Jun-10	1.31	1%	5%	3%	16%
El Salvador: San Salvador	May-10	1.09	4%	-4%	-21%	-15%
Guatemala: Ntl. Avg. (second quality)	Apr-10	1.07	0%	0%	0%	13%
Haiti: Port-au-Prince (imported)	Jun-10	1.03	-21%	-6%	-3%	-14%
Honduras: Tegucigalpa (second quality)*	Jun-10	0.68	-5%	-8%	-12%	-26%
Mexico: Mexico City (sinaloa)*	Jun-10	0.72	-1%	-3%	-16%	-22%
Nicaragua: Ntl. Avg. (second quality)	Apr-10	0.91	1%	0%	-6%	13%
Panama: Panama City (first quality)	Jun-10	1.07	4%	4%	0%	0%
South America	*Month*	*USD/Kg*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Bolivia: La Paz (grano de oro)*	Jun-10	0.87	6%	-7%	-11%	-24%
Brazil: Ntl. Avg.	May-10	1.15	-13%	-1%	-4%	3%
Colombia: Bogotá (first quality)*	May-10	0.92	-2%	4%	-15%	-1%
Peru: Lima (corriente)	May-10	0.70	0%	-19%	-24%	-35%
Uruguay: Ntl. Avg.	May-10	0.95	0%	2%	-6%	0%
North America	*Month*	*USD/Kg*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
United States: City Avg. (long grain, uncooked)	May-10	1.64	-2%	-3%	-3%	6%

Percentage price decrease

Percentage price increase

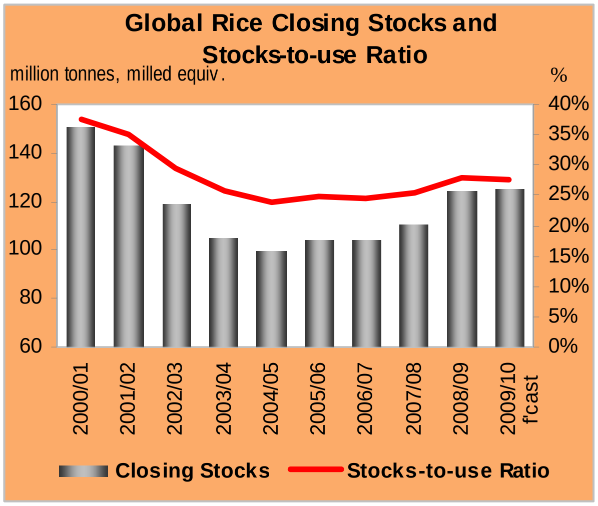
[/1] *Quotations in the month specified in the second column were compared to their levels in the preceding three, six, twelve and twenty-four months. Price comparisons were made in nominal local currency units.*

* *Wholesale prices.*

Sources: FAO/GIEWS National Food Price database; Monthly Report on the Retail Price Survey, Japan Ministry of Internal Affairs and Communications; Korea Agricultural Marketing Information Service (KAMIS); U.S. Bureau of Labor Statistics (BLS).

II. CLOSING STOCKS

2010 Global rice inventories now forecast to increase by 1 percent



Reflecting changes to 2009/10 production figures, FAO's April forecast of global rice stocks at the close of the 2009-2010 marketing years has been raised to 125.1 million tonnes, milled basis, 1.5 million tonnes more than previously estimated. This would bring global rice reserves 1 percent above 2009 and to their highest level since 2002, reversing earlier expectations of a decline. The revision mainly stems from larger than previously expected inventories in Asia, with estimates being most notably raised in India; but also in Cambodia, Myanmar, Thailand and Uruguay. By contrast, forecasts were downscaled in China (Mainland), Pakistan, the United States and Viet Nam.

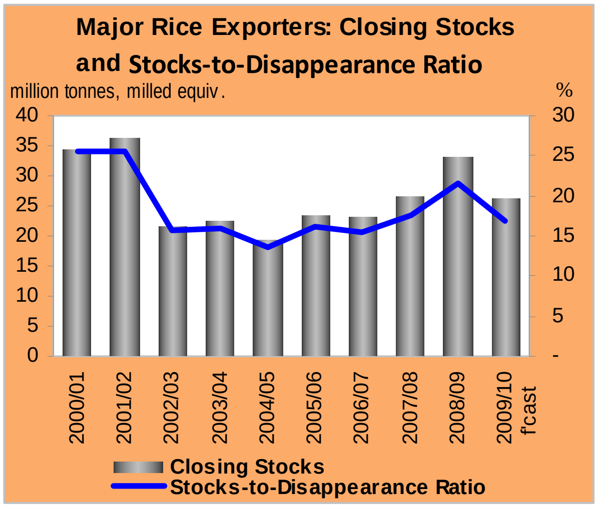
Principal Revisions to 2009-2010 Closing Stocks (million tonnes)

	April 2010 f'cast		June 2010 f'cast		Revision		April 2010 f'cast		June 2010 f'cast		Revision
WORLD	**123.5**		125.1		**+1.5**	United Arab Emirates	0.2	F	0.2	F	-0.1
ASIA	**117.3**		118.8		**+1.5**	Viet Nam	4.0	F	3.9	F	-0.2
Bangladesh	6.0	F	5.8	F	-0.2	**AFRICA**	2.7		2.8		+0.1
Cambodia	0.8	F	0.8	F	+0.1	Egypt	1.1	F	1.2	F	+0.1
China (Mainland)	70.6	F	70.4	F	-0.2	**NORTH AMERICA**	1.1		0.9		-0.1
India	13.6	F	15.3	F	+1.7	United States	1.0	G	0.9	G	-0.1
Myanmar	4.5	F	4.8	F	+0.3	**LATIN AMERICA & CAR.**	1.9		2.0		+0.1
Pakistan	1.1	F	1.0	F	-0.1	Uruguay	0.2	F	0.2	F	+0.1
Thailand	5.1	F	5.3	F	+0.2						

G: Official Figure; F: FAO forecast/estimate.

Upgrade to the 2009-2010 closing stock figures have also resulted in a slightly higher global **stocks-to-use ratio** of 27.1 percent, with world reserves forecast to be ample enough to cover approximately 3.3 months of global rice consumption. All of the increase is to be concentrated in **developing countries**, which are predicted to increase their inventories by 1.0 million tonnes, to 122.2 million tonnes at the close of the season. Conversely, a slight decline is expected among **developed countries,** where stocks may shrink to 2.9 million tonnes, 1 percent below their opening level.

From a trade status perspective, inventories held by **rice exporting countries** are projected to decline by 1 percent to 103.3 million tonnes. **India** is expected to be behind much of this drop, as the country would require to draw 6.0 million tonnes to compensate for the smaller output, bringing reserves at the close of the season down to 15.3 million tonnes. An



exceptional pace of exports in **Myanmar** is also anticipated to result in a 10 percent decline in stocks to 4.8 million tonnes. Similarly, sizeable sales abroad will require **Pakistan** to cut its reserves by 19 percent to 1.0 million tonnes. A decline in production in **Egypt** and a combination of larger domestic consumption and exports in the **United States** are estimated to curb end-of-season inventories in the two countries to 1.2 million tonnes and 893 000 tonnes, respectively. By contrast, reserves held by **China (Mainland)** are estimated to rise by 11 percent, or 7 million tonnes, to 70.4 million tonnes, as production continues to outpace utilization. As a result of the drop, major exporters stocks-to-disappearance[3] ratio are estimated to fall from 21.5 percent in 2009 to 16.8 percent in 2010, the lowest level since 2006.

By contrast, carry-overs by traditional **rice importing countries** are forecast to increase by 9 percent to 21.7 million tonnes. A bumper crop in **Bangladesh,** along with increased imports, may facilitate a 14 percent replenishment in stocks to 5.8 million tonnes. Likewise, the excellent 2009 turnout in **Indonesia** has driven rice inventories up by 1.0 million tonnes to 4.5 million tonnes. By contrast, weather related production losses may require **Nepal** and the **Philippines** to use part of their reserves to meet domestic requirements. Accordingly, rice carry-overs are anticipated to fall by 40 percent to 150 000 tonnes in Nepal and by 10 percent to 2.5 million tonnes in the Philippines. Amongst other major rice importers, inventories carried in 2010 are forecast to increase in **Brazil,** the **European Union,** the **Islamic Republic of Iran** and the **Republic of Korea,** while they may fall in **Saudi Arabia, Senegal** and **Sri Lanka.**

III. INTERNATIONAL PRICES

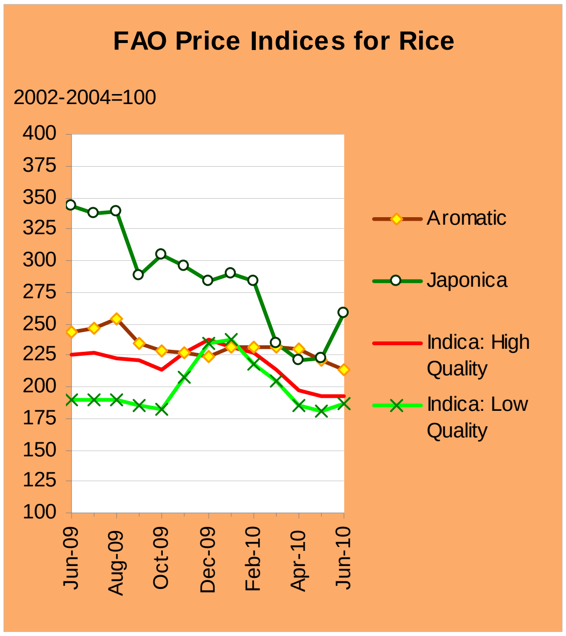
Rice export prices following diverging trends across the different market segments

After falling steadily since January 2010, international rice prices regained some strength in June. This trend that was reflected in the FAO All Rice Price Index (2002-2004=100), which mirrors the pattern of 16 international rice quotations, with the index falling from 251 in January to 204 in April and 201 in May, before rebounding to 213 in June. Between January and June, the index has lost 38 points, or 15 percent of its value.

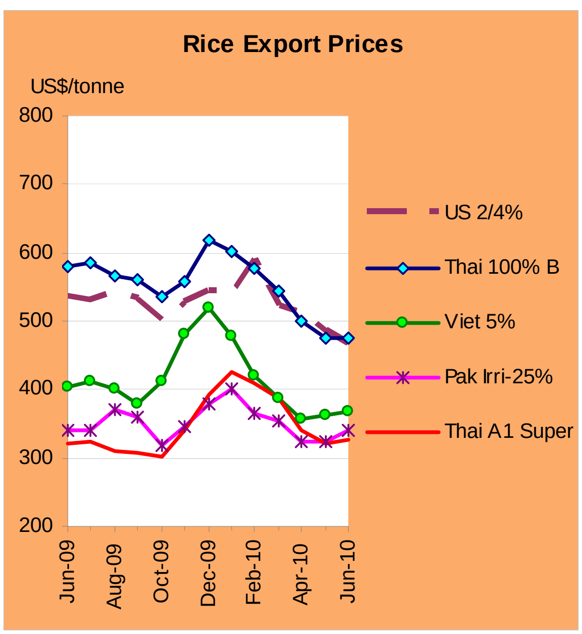
New supplies from the harvest of secondary crops in major exporting countries have exerted downward pressure on quotations of both high and low quality Indica rice in May, resulting in the corresponding indices shedding 5 and 4 points each to average 192 and 181 over the month. Weak demand for fragrant rice, including Basmati and Hom Mali varieties, also caused a slide in the Aromatica rice Index of 9 points in May and of another 7 points in June,

[3] Disappearance defined as exports plus consumption

to a value of 214. However, renewed vigour has characterised the medium-grain market since April, a reflection of a tightening of supplies from export restrictions in Egypt as well as the continued absence of Australia from the market. As a result, the Japonica rice Index gained 37 points to 258 points over the second quarter of the year.



Across the different origins, prices in **Thailand** remained under downward pressure, with the benchmark Thai 100% B quoted at USD 474 per tonne in June, 5 percent below its April value. Indeed, the price support measures enacted by Government, through the price guarantee programme and a complementary purchase scheme, were not sufficient to compensate the depressing effects stemming from a sluggish international demand. Prices also lost ground in the **United States,** with US N.2 4% rice trading 9 percent lower in June, at USD 466 per tonne, than in April. Renewed demand for medium-grade rice, however, pushed June prices of US N.1/4 medium to USD 725 per tonne, 105 dollars more than in April. A pick-up in deliveries and initial concerns over the effects of weather on California's crop were behind the revival. Strong interest in lower grade rice from **Viet Nam** and **Pakistan** have also strengthened quotations in the two countries, with the 25% broken rice respectively trading at USD 343 and USD 340 per tonne in June, 5 percent higher than in April. Meanwhile, a weakening of buying interest by Near Eastern countries has led a 6 percent fall in **Indian** Basmati rice to USD 1 373 per tonne.



As to prospects for the coming months, these will be greatly influenced by the unfolding of the season in northern hemisphere countries. The pattern of the monsoon rains over Asia will hold particular sway, either in determining a potential return of India to the market as a supplier or commanding a reduction in supply availability of major rice export countries like Thailand and Pakistan. Government policies will also have their effect, particularly in Thailand, where the potential release of government held stocks could underpin further price declines. As usual, relative currency movements will also need to be watched, as these will very much influence the competitiveness of the major market players.

FAO Rice Price Indices (2002-2004=100)						
		All	**Indica**		**Japonica**	**Aromatic**
			High quality	**Low quality**		
2005		**125**	**124**	**128**	**127**	**108**
2006		**137**	**135**	**129**	**153**	**117**
2007		**161**	**156**	**159**	**168**	**157**
2008		**295**	**296**	**289**	**315**	**251**
2009		**253**	**229**	**197**	**341**	**232**
2009	June	252	225	189	344	243
	July	251	227	189	338	247
	August	251	223	190	339	253
	September	232	221	185	288	234
	October	232	213	182	304	228
	November	241	227	207	295	227
	December	249	238	234	283	224
2010	January	251	232	237	289	232
	February	242	227	218	283	231
	March	219	213	205	235	232
	April	204	197	185	221	230
	May	201	192	181	223	221
	June	213	193	187	258	214
2009	Jan.-Jun.	264	233	197	374	228
2010	Jan.-Jun.	222	209	202	252	227
% Change		-16.1	-10.4	2.8	-32.7	-0.5

***Source** : FAO*

N.B. - The FAO Rice Price Index is based on 16 rice export quotations. "Quality" is defined by the percentage of broken kernels, with high (low) quality referring to rice with less (equal to or more) than 20 percent brokens. The Sub-Index for Aromatic Rice follows movements in prices of Basmati and Fragrant rice.

RICE EXPORT PRICES													
	Thai White 100% B Second grade	**Thai Parboiled 100%**	**U.S. Long Grain 2,4%**	**Thai 5%**	**Viet 5%**	**Thai 25%**	**Viet 25%**	**Pak 25%**	**Thai A1 Super 1/**	**U.S. California Medium Grain 2/**	**Egypt Short Grain, Grade 2,5% 178 Camolino**	**Pak Basmati Ordinary**	**Thai Fragrant 100%**
	(US $/tonne, f.o.b.)												
2005	**291**	**285**	**319**	**285**	**255**	**259**	**239**	**235**	**219**	**418**	**327**	**473**	**404**
2006	**311**	**300**	**394**	**304**	**266**	**269**	**249**	**230**	**217**	**512**	**353**	**516**	**470**
2007	**335**	**332**	**436**	**325**	**313**	**305**	**294**	**290**	**275**	**557**	**404**	**677**	**550**
2008	**695**	**722**	**782**	**682**	**614**	**603**	**553**	**498**	**506**	**913**	**n.a.**	**1077**	**914**
2009	**587**	**619**	**545**	**555**	**432**	**460**	**384**	**351**	**329**	**1019**	**765**	**937**	**954**
2009													
June	581	612	537	551	405	457	362	340	320	1150	780	1100	916
July	586	632	530	556	413	459	359	340	323	1067	767	1100	956
August	565	586	544	532	400	443	345	370	310	948	762	1100	972
September	560	616	532	530	380	440	332	360	306	895	762	838	1022
October	535	581	504	504	412	422	360	318	303	849	762	750	1060
November	558	593	528	527	481	443	432	345	338	816	782	750	1083
December	618	622	544	588	520	496	488	380	394	794	742	750	1009
2010													
January	601	616	542	570	478	503	451	401	426	772	652	830	1024
February	576	594	590	542	420	485	401	364	410	772	652	865	1016
March	543	552	522	502	386	453	361	354	388	732	607	880	1005
April	500	492	510	466	357	411	328	325	341	728	575	856	1000
May	475	460	485	446	362	390	332	323	322	719	577	760	983
June	474	470	466	443	369	390	343	340	327	739	669	760	957
2009 Jan.-Jun.	603	633	560	571	431	469	382	351	329	1143	n.a.	993	890
2010 Jan.-Jun.	528	531	519	495	395	439	369	351	369	744	622	825	998
% Change	-12.5	-16.2	-7.3	-13.4	-8.2	-6.5	-3.3	-	12.1	-34.9	n.a.	-16.9	12.1

Sources: Jackson Son & Co. (London) Ltd., Thai Department of Foreign Trade (DFT) and other public sources.

1/ White broken rice. 2/ Up to August 2005 U.S. medium grain No.2, 4%; since September 2005 onwards No. 1, maximum 4-percent brokens, sacked, California mill.

Note: Please note that data may have been subject to revision due to temporary unavailability and/or late publishing of weekly price quotations.

WORLD PADDY PRODUCTION

	2008	2009 (estimated)	2010 (forecast)
		million tonnes	
WORLD	**686.0**	**680.4**	**704.4**
Developing countries	661.8	654.9	677.4
Developed countries	24.3	25.5	26.9
ASIA	**622.8**	**614.3**	**637.3**
Bangladesh	47.0	48.6	50.3
Cambodia	7.2	7.6	5.9
China	193.4	196.5	198.7
of which Taiwan Prov	1.5	1.4	1.4
India	148.8	134.0	151.0
Indonesia	60.3	64.4	65.2
Iran, Islamic Rep. of	2.2	2.7	2.8
Japan	11.0	10.6	10.7
Korea Rep. of	6.5	6.6	6.5
Myanmar	30.5	31.0	30.8
Pakistan	10.4	10.1	10.2
Philippines	17.1	15.5	17.0
Sri Lanka	3.9	3.7	4.0
Thailand	31.7	29.8	30.0
Viet Nam	38.7	38.9	39.1
AFRICA	**24.3**	**23.8**	**24.8**
North Africa	**7.3**	**5.7**	**6.0**
Egypt	7.3	5.7	6.0
Sub-Saharan Africa	**16.9**	**18.0**	**18.6**
Western Africa	10.2	11.0	11.8
Côte d'Ivoire	0.7	0.7	0.7
Guinea	1.5	1.5	1.5
Mali	1.3	1.6	1.8
Nigeria	4.2	4.3	4.5
Central Africa	0.4	0.5	0.5
Eastern Africa	1.8	1.8	1.9
Tanzania	1.4	1.3	1.4
Southern Africa	4.4	4.6	4.4
Madagascar	4.1	4.2	4.0
Mozambique	0.2	0.3	0.3
CENTRAL AMERICA	**2.5**	**2.8**	**2.8**
Cuba	0.4	0.6	0.5
Dominican Rep.	0.8	0.8	0.9
Mexico	0.2	0.3	0.2
SOUTH AMERICA	**23.8**	**25.2**	**23.9**
Argentina	1.2	1.3	1.4
Brazil	12.1	12.6	11.4
Colombia	2.4	2.8	2.9
Peru	2.8	3.0	2.9
Uruguay	1.3	1.3	1.1
NORTH AMERICA	**9.2**	**10.0**	**11.1**
United States	9.2	10.0	11.1
EUROPE	**3.4**	**4.2**	**4.3**
EU	2.5	3.2	3.2
OCEANIA	**0.0**	**0.1**	**0.2**
Australia	0.0	0.1	0.2

WORLD IMPORTS OF RICE

	2008	2009 (estimated)	2010 1/ (forecast)
		million tonnes, milled eq.	
WORLD	**30.1**	**29.3**	**30.4**
Developing countries	25.4	24.6	25.7
Developed countries	4.7	4.7	4.7
ASIA	14.0	13.0	13.8
Bangladesh	1.7	0.1	0.4
China	0.7	0.9	0.9
of which Taiwan Prov.	0.1	0.2	0.2
Indonesia	0.3	0.3	0.2
Iran, Islamic Rep. of	1.0	1.3	1.2
Iraq	0.8	1.1	1.2
Japan	0.6	0.7	0.7
Malaysia	1.0	0.9	0.9
Philippines	2.3	1.8	2.5
Saudi Arabia	1.0	0.9	0.8
Sri Lanka	0.1	0.1	0.1
AFRICA	**9.6**	**9.8**	**9.8**
Côte d'Ivoire	0.9	0.9	0.9
Nigeria	2.0	1.8	1.8
Senegal	0.9	0.9	0.8
South Africa	0.8	0.9	1.0
CENTRAL AMERICA	**2.3**	**2.3**	**2.3**
Cuba	0.6	0.5	0.5
Mexico	0.6	0.6	0.6
SOUTH AMERICA	**0.9**	**1.2**	**1.5**
Brazil	0.4	0.7	1.0
Peru	0.1	0.1	0.0
NORTH AMERICA	**1.0**	**1.0**	**1.0**
Canada	0.3	0.3	0.3
United States	0.7	0.7	0.7
EUROPE	**1.8**	**1.5**	**1.6**
EU 2/	1.3	1.0	1.1
Russian Fed.	0.3	0.3	0.2
OCEANIA	**0.4**	**0.5**	**0.5**

WORLD EXPORTS OF RICE

	2008	2009 (estimated)	2010 1/ (forecast)
		million tonnes, milled eq.	
WORLD	**30.1**	**29.3**	**30.4**
Developing countries	26.4	25.8	26.5
Developed countries	3.7	3.4	3.9
ASIA	**24.1**	**23.3**	**24.0**
China	1.0	0.9	0.9
of which Taiwan Prov.	0.1	0.1	0.1
India	3.5	2.1	2.0
Myanmar	0.2	1.1	1.0
Pakistan	2.8	2.9	3.8
Thailand	10.0	8.5	8.2
Viet Nam	4.7	6.0	6.0
AFRICA	**0.5**	**0.5**	**0.5**
Egypt	0.5	0.5	0.5
SOUTH AMERICA	**2.0**	**2.2**	**2.2**
Argentina	0.3	0.5	0.5
Guyana	0.2	0.3	0.3
Uruguay	0.8	0.7	0.7
NORTH AMERICA	**3.2**	**3.0**	**3.3**
United States	3.2	3.0	3.3
EUROPE	**0.1**	**0.2**	**0.3**
EU 2/	0.1	0.1	0.2
OCEANIA	**0.1**	**0.1**	**0.1**
Australia	0.1	0.1	0.1

FOOTNOTES:
Totals computed from unrounded data.
1/ Tentative.
2/ Excluding intra-trade.

RICE : Supply and Utilization in Main Exporting Countries. (National Crop Years)

	CHINA 2/ 3/ (Oct./Sep.)			INDIA 2/ (Oct./Sep.)		
	2008/2009	2009/2010 prelim.	2010/2011 5/ f'cast	2008/2009	2009/2010 prelim.	2010/2011 5/ f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Opening Stocks	58290 F	63772 F	70566 F	16700 F	21300 F	15300 F
Production 1/	132513 G	134665 F	136180 F	99180 G	89310 G	100670 F
Imports	932 F	910 F	870 F	80 F	100 F	100 F
Total Supply	191735	199347	207616	115960	110710	116070
Domestic Use	127102	127716	128900	92549	93410	95570
Exports	861 F	1065 F	1050 F	2111 G	2000 F	2500 F
Closing Stocks	63772 F	70566 F	77666 F	21300 F	15300 F	18000 F

	PAKISTAN 2/ (Nov./Oct.)			THAILAND 2/ (Nov./Oct.)		
	2008/2009	2009/2010 prelim.	2010/2011 5/ f'cast	2008/2009	2009/2010 prelim.	2010/2011 5/ f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Opening Stocks	350 F	1240 F	1000 F	4150 F	5300 F	5300 F
Production 1/	6954 G	6741 G	6800 F	20952 G	19728 G	19860 F
Imports	1 F	1 F	1 F	400 F	200 F	300 F
Total Supply	7305	7982	7801	25502	25228	25460
Domestic Use	3197	3182	3301	11681	11728	11860
Exports	2868 G	3800 F	3400 F	8521 G	8200 F	8300 F
Closing Stocks	1240 F	1000 F	1100 F	5300 F	5300 F	5300 F

	UNITED STATES 4/ (Aug./Jul.)			VIET NAM 2/ (Nov./Oct.)		
	2008/2009	2009/2010 prelim.	2010/2011 5/ f'cast	2008/2009	2009/2010 prelim.	2010/2011 5/ f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Opening Stocks	918 G	960 G	893 G	4400 F	4300 F	3850 F
Production 1/	6400 G	6917 G	7621 G	25830 G	25943 G	26080 F
Imports	603 G	629 G	656 G	400 F	200 F	400 F
Total Supply	7921	8506	9170	30630	30443	30330
Domestic Use	3949	4310	4347	20372	20593	20780
Exports	3012 G	3303 G	3405 G	5958 G	6000 F	5800 F
Closing Stocks	960 G	893 G	1418 G	4300 F	3850 F	3750 F

Symbols:

G Official figure
* Unofficial figure
F FAO estimate/forecast

Footnotes:

Totals computed from unrounded data.
1/ Milled basis.
2/ Rice trade data refer to the calendar year of the second year shown.
3/ Including Taiwan province.
4/ Rice trade data refer to the August/July marketing season.
5/ Highly tentative.