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## OVERVIEW

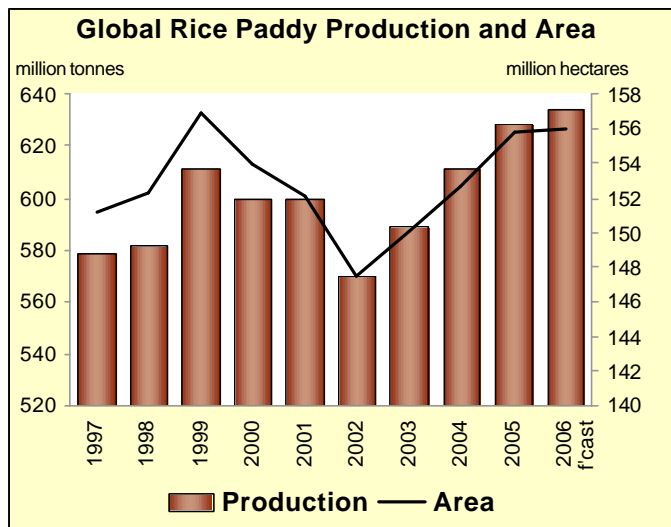
- **2005** was a record breaking year for the world rice economy. For the third consecutive season, global paddy production experienced a brisk expansion, which lifted it to an all time high of 628 million tonnes. Growth reflected relatively favourable weather conditions in Asia, western Africa and South America and the positive effects of high prices in 2004, which had fostered a general increase in plantings. Tight domestic supplies in a number of countries confronted with production shortfalls in 2004 prompted a surge of global imports in calendar 2005 to a record volume of 29.0 million tonnes. The expansion in trade in 2005 took place despite relatively tight export availabilities in Thailand and China (mainland), as reduced sales from these countries were more than compensated by increased shipments from the other major exporting countries, in particular India, Pakistan and Viet Nam.
- At this time in the year, in March, the **2006** paddy season is well advanced in countries located south and along the equator, but sowing is only about to start in countries of the Northern Hemisphere. Based on the FAO first and very tentative forecast, **global paddy production** in 2006 could rise to 634 million tonnes, 6 million, or 1 percent more than in 2005. However, forecasts will remain highly tentative, at least until August/September, when more information on the unfolding of South-West monsoon in Asia will become available.
- Paddy **production in Asia** is forecast at 573 million tonnes in 2006, 7 million tonnes more than in 2005. The increase reflects expectations of growth in Bangladesh, China, India and Viet Nam, while output may decline in Cambodia, Japan, the Republic of Korea and Sri Lanka, either driven by on-going policies to reduce production surpluses or, for those countries that benefited from particularly favourable conditions last season, by expectations of lower yields.
- Paddy **output in Africa** is anticipated to rise by 2.4 percent to 21.3 million tonnes in 2006, with much of the gain imputable to Nigeria where policies are supporting an expansion of the sector. By contrast, prospects for the season are negative in **Latin America and the Caribbean**, where output may drop by 2 million tonnes to 24.5 million tonnes. The contraction is foreseen to be concentrated in South America, especially in Brazil, Ecuador, Peru, Uruguay and Venezuela.
- **In the rest of the world**, production may increase somewhat in the EU, although the impact of the full implementation, this season, of the partial disconnection of payments to producers from actual rice cultivation is uncertain. The production outlook is positive for the United States and, especially, for Australia, where the ending of the drought has enabled producers to double the area under rice.
- FAO's **forecast of trade in calendar 2006** has been lifted to 27.8 million tonnes, but it remains 4.1 percent lower than in 2005. The contraction from last year's exceptional performance is anticipated to be mainly import-driven, as demand by several major importing countries is expected to weaken. There seem to be less physical constraints on the exporter side, although governments could intervene to restrain supplies again this year in an endeavour to keep prices from falling.
- The expected contraction of **global rice imports in 2006** would be on account of smaller shipments to Africa, in particular Nigeria, which confirmed a ban on new import contracts in 2006. By contrast, larger volumes of rice are expected to be delivered to Asian countries, in particular to mainland China, Indonesia, Iraq, the Republic of Korea and Turkey, which would more than offset declining imports by Bangladesh, the Philippines and the Islamic Republic of Iran. In the other regions, Brazil, the EU and the United States are all expected to step up their purchases in 2006.
- **Global rice exports** are forecast to decline this year, reflecting smaller expected shipments from India, Pakistan, the Rep. of Korea, Egypt, the United States and Uruguay. By contrast, exports from Australia, China, Thailand and Uruguay may rebound, while little change is foreseen for Viet Nam.
- **Global rice carry-over stocks** at the close of the 2005/06 crop years are now estimated to remain very close to their opening level of 99 million tonnes, which might signal that the adjustment process initiated in 2000/01 has reached an end.
- Despite the arrival on the market of rice from Northern Hemisphere countries' main crops, **international rice prices** were particularly buoyant in the first quarter of 2006. The FAO All Rice Price Index (ARPI), stable at 101 from June to December 2005, rose to 103 in January 2006, to 105 in February and to 106 in March. World prices may weaken in the coming months, when new crop supplies become available in leading exporting countries such as India, Viet Nam and Thailand, but also in several key importing countries. Policies conducted by the major exporting countries, in particular China, India, Thailand and Viet Nam may, however, thwart the tendency for them to fall.

## INFORMATION UPDATE AS OF 25 MARCH 2006

### I. PRODUCTION

#### Global paddy production in 2006 set to rise to 634 million tonnes, up from a revised estimate of 628 million tonnes in 2005

At this time of the year, in March, producers in the southern hemisphere and along the equatorial line are preparing to harvest their 2006 main paddy crops, while in the northern hemisphere they are either harvesting their secondary 2005 crops or about to seed/transplant their 2006 main crops.



The first and very tentative FAO forecast for global paddy production in 2006 stands at 634 million tonnes, 6 million tonnes, or 1.1 percent above the current 2005 estimate. However, it is noteworthy that several revisions were made to output numbers in the preceding seasons, of which the most important were those reported by Thailand for 2003, 2004 and 2005. Based on the latest estimates, global

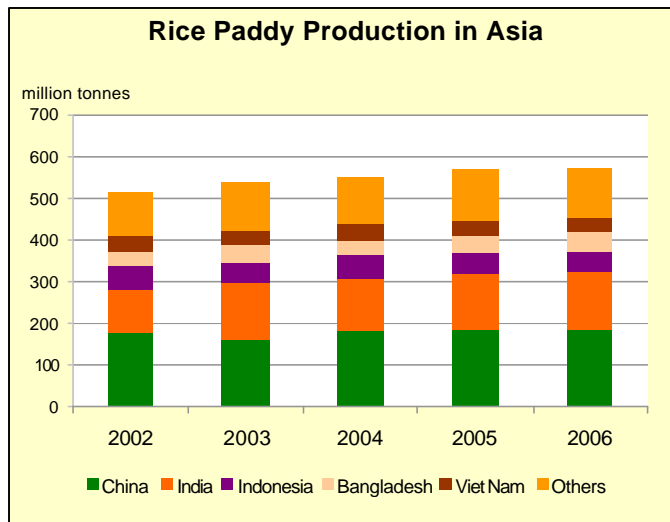
paddy production, which was in the order of 589 million tonnes in 2003, rose by 3.7 percent to 611 million tonnes in 2004 and by 2.7 percent, to 628 million tonnes in 2005.

#### A. ASIA

##### Positive outlook for 2006 paddy crops in most of Asia

Several countries in Asia have not yet concluded their 2005 paddy season and are continuing to report changes to their national output estimates. According to the latest FAO aggregation, production in the region reached 566 million tonnes in 2005, a leap of 15 million tonnes from the preceding year. Most of the expansion was on account of Bangladesh, Cambodia, China, India and Thailand, which all harvested particularly large crops, and to, a lesser extent, of Japan, Myanmar, the Philippines and Sri Lanka. By contrast, production fell in the Republic of Korea, Laos and Viet Nam.

The 2006 outlook for production in the region is positive, but, at this stage of the year, highly tentative. A relatively modest increase of 7 million tonnes to 573 million tonnes is currently prospected, much less buoyant than that witnessed in 2005, as rising costs are threatening the profitability of the sector in many producing countries. Much of the increase would be concentrated in Bangladesh, China, India and Viet Nam while output may decline in Cambodia, Japan, the Republic of Korea and Sri Lanka, either driven by on-going policies to reduce excess supply, or by expectations of a return to more normal, less buoyant, yields than those obtained in the 2005 season.



In **Bangladesh**, planting of the 2005 irrigated Boro paddy crop, the last of the three crops grown each season, was concluded in February. Overall, production in 2005 is estimated at 41.1 million tonnes, 9 percent or 3.4 million tonnes more than in 2004. The dynamic growth reflected an expansion of plantings, fostered by high prices since 2004, an adequate supply of improved seeds and fertilizers and favourable weather. The early forecast for production in 2006 shows only a modest increase from the 2005 record, to 41.4 million tonnes.

In **Cambodia**, the latest official forecast for 2005 also points to a record production of 5.6 million tonnes, which would represent a 34 percent gain from the previous year, much larger than anticipated. This outstanding growth reflects an excellent outturn of the main rainy season paddy crop, despite early drought problems, and assumes a normal output from the dry season, irrigated crop, which will be harvested in April. In 2006, production may fall back to 5.2 million tonnes.

The 2005 production forecast for **mainland China** remains at 181.9 million tonnes, which represents a 2 percent increase from 2004. The growth is relatively modest if compared with the 11 percent expansion recorded in the preceding year, especially if viewed against the backdrop of the government incentives granted over the season. These have taken the form of relatively favourable government procurement prices and direct payments, which for the whole grain sector were reported to have amounted to 13.2 billion Yuan (US\$ 1.64 billion), distributed among 29 provinces, in addition to 5.5 billion Yuan (US\$ 683 million) flowing to major grain producing counties.

The positive effects of public support were eroded by falling market prices in 2005, affecting, in particular, Indica rice from the early crop. By contrast, rising domestic demand for quality rice sustained Japonica prices. Although the 2006 season will not begin until the first, early rice crop is planted in March, production in 2006 is prospected by FAO to rise to 185 million tonnes, up 1.7 percent from 2005. On 1 March, the Central Government announced the level of protective prices for 2006, which remain at the 2005 levels of Yuan 1400 per tonne (US\$ 174.5 per tonne) for Indica rice from the early crop, Yuan 1440 per tonne (US\$ 179.5 per tonne) for Indica rice from the intermediate and late crops and Yuan 1500 per tonne (US\$ 186.9 per

<b>China: Domestic Rice Prices</b>			
	<b>Early Indica Rice</b>	<b>Japonica Rice</b>	
	<b>Wholesale</b>	<b>Production Areas</b>	<b>Sale Areas</b>
<b>US\$ per tonne</b>			
<b>1999</b>	207.1	241.3	254.3
<b>2000</b>	162.4	198.3	207.0
<b>2001</b>	174.4	222.0	238.7
<b>2002</b>	174.3	204.2	215.6
<b>2003</b>	181.5	206.8	220.9
<b>2004</b>	278.4	305.4	321.8
<b>2005</b>	250.4	321.0	336.9

Source: China National Grain & Oils Information Centre  
Analysis And Forecast Department

tonne) for Japonica rice. The maintenance of support price levels suggests the Government wishes to keep a supportive stance towards sector, especially in view of the dwindling size of domestic rice reserves. The central government decision, last December, to eliminate an historical agricultural tax on 1 January 2006, three years earlier than originally scheduled, was a further step to assist the agricultural sector, in an attempt to narrow the widening income disparity between rural and urban residents.

As more rice fields continue to be converted into urban land, China is trying to mitigate their negative impact on production by raising yields. However, as the country already gathers 6.3 tonnes per hectare, the scope for sizeable increase in productivity appears limited in the short run and further gains may have to rely on the dissemination of the new high-performing hybrid, “super rice” varieties, which have been reported to yield up to 18.3 tonnes per hectares. Already in 2005, the authorities launched a “super” rice popularization programme<sup>1</sup>, which targeted 4 million hectares in 12 grain-producing provinces for planting with the super-rice varieties in 2006. As for the risks associated with the cultivation and consumption of GMO rice, a bio-safety advisory committee failed to reach a consensus on the release, on a commercial basis, of one blight-resistant and three insect-resistant rice varieties when it met in November 2005.

In **India**, transplanting of the 2005 secondary Rabi crop started in January. Meanwhile, the government released its second advance estimate of the main 2005 Kharif crop, at 75.98 million tonnes, milled basis, equivalent to some 114.0 million tonnes of paddy. As a result and based on expectations of an average Rabi harvest of 11.88 million tonnes (17.82 million tonnes of paddy), the forecast for India’s paddy production in 2005 has been raised to 131.8 million tonnes, 3 percent more than in 2004. Paddy output in 2006 is very preliminarily forecast to be in the order of 134.0 million tonnes (equivalent to 89.3 million tonnes of milled rice), based on expectations of average yields and of a 1.4 percent increase in plantings.

Harvesting of the main 2006 paddy crop in **Indonesia**, a southern hemisphere country, began in January and reached a peak in February. Heavy monsoon rains and flooding between October and January caused damage to crops in Java, but the losses appear to have been limited and similar to those incurred in previous years. The Government has set a production target for the whole 2006 season of 54.25 million tonnes, which would surpass last year excellent performance by 200,000 tonnes. To support the expansion, the official rice purchasing prices were raised, as of 1 January 2006, from Rupiah 1,330 to Rupiah 1,730 per kilo (US\$ 187 per tonne) for wet paddy, from Rupiah 1,740 to Rupiah 2,250 per kilo (US\$ 243 per tonne) for dry paddy and from Rupiah 2,790 to Rupiah 3,550 per kilo (US\$ 384 per tonne) for milled rice. The government also announced it would increase its budgetary allocation on fertilizer and rice seedling subsidies from Rupiah 2.5 trillion in 2005 to Rupiah 3 trillion (US\$ 325 million) in 2006.

<b>Indonesia: Paddy Production by crop (000 tonnes)</b>								
	<b>1999/00</b>	<b>2000/01</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>
Dry land	2,665	2,692	2,565	2,591	2,759	2,879	2,833	2,831
Wet land	48,201	49,207	47,896	48,899	49,378	51,209	51,224	51,424
<b>Total</b>	<b>50,866</b>	<b>51,899</b>	<b>50,461</b>	<b>51,490</b>	<b>52,137</b>	<b>54,088</b>	<b>54,056</b>	<b>54,255</b>
Source: Ministry of Agriculture – Indonesia.								

<sup>1</sup> The programme launched in 2005 will last six years and is to cover 8.52 million hectares, or 30 percent of the rice area).

With the ultimate goal of attaining rice self-sufficiency, the **Islamic Republic of Iran** announced in December it would plant 130,000 hectares, or about 20 percent of its rice area, with high-yielding hybrids in 2006, rising to 180,000 hectares by 2008. It also declared to have authorized since 2004 the cultivation of genetically modified rice on several thousand hectares and its commercialization. The hybrid rice programme will be concentrated in the northern part of the country, in particular in the province of Gilan. The scheme, which has been allocated Rials 10 trillion (about US\$ 1 billion), also envisages optimizing fertilizer applications. It should contribute to further growth in production this season, to 3.4 million tonnes under normal weather conditions, or 100,000 tonnes more than last year.

Although rice for the 2006 season in **Japan** will not be seeded until April, production there is anticipated to fall, in line with on-going government policies. Forecast from the Government points to a 7 percent contraction from the 2005 bumper crop, to 10.55 million tonnes. In December, the Government released a budget proposal that included a new policy framework aimed at stabilizing agricultural incomes and at promoting a consolidation of farms. The plan, for implementation in the 2007 crop year, spells out two major items under the rice policy reform, dealing with support measures and the introduction of a new mechanism to balance supply and demand, the details of which have not yet been issued to the public. The agricultural reform hinges on the granting of direct payments only to those farms that meet a minimum size, a departure from the uniform policy stance previously followed. To be eligible to the payments, the area of individual farms should be, at least, of 10 hectares in Hokkaido and 4 hectares in the rest of the country. For community farming organizations, such as cooperatives, the minimum size required for eligibility was set at 20 hectares. The framework leaves room for exceptions for smaller farms facing enlargement constraints. The government is predicting the proposed measures to foster a 70 percent to 80 percent concentration of agricultural land over a 10 to 15 year period.

The **Republic of Korea** announced it would allocate won 901.5 billion (US\$ 936 million) to bring relief to rice producers that faced a decline in prices in 2005 to levels below the minimum guaranteed price of Won 170,083 per 80 kg sack (US\$ 2,200 per tonne). The announced compensation is to amount to Won 25,546 per 80 kg sack of milled rice (US\$ 330 per tonne). Since March 2005, the Government has refrained from intervening through market purchases as a means to sustain producer prices. Instead, it agreed to compensate farmers for 85 percent of the shortfall between the minimum guaranteed price level and the average market price in the previous three years. Rice farmers have also been eligible to direct, decoupled, payment benefits, of Wong 600,000 (US\$ 600) per hectare per year. In addition, to facilitate the restructuring of the sector, the Government granted a Won 3 million (US \$3,000) per hectare, as an incentive to keep rice fields idle, which contributed to a 2 percent reduction of plantings in 2005. The trend is anticipated to continue, which may result in a further 100,000 tonne drop of production to 6.3 million tonnes in 2006.

In **Malaysia**, the main 2006 paddy crop is currently under harvest. Last December, exceptional rainfall was reported to have caused flooding in the rice bowl of Perlis, in the North-eastern end of the Peninsula, bordering Thailand, affecting about 23,000 hectares, about 3 percent of the country's rice area. While no assessment of the impact has been made available, it might result in production this season falling somewhat below the 2.2 million tonnes estimate for 2005.

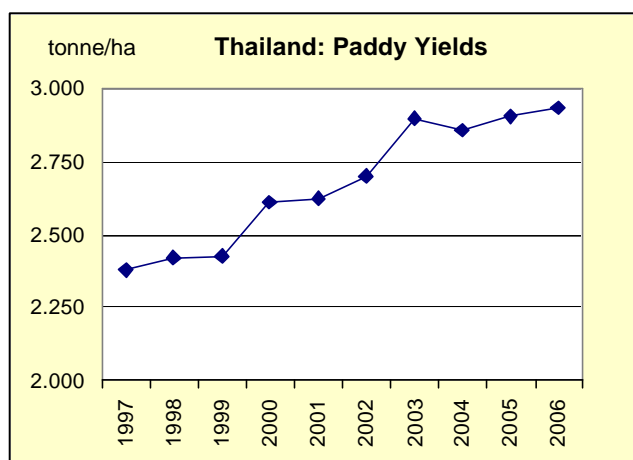
**Nepal's** official estimate of production in 2005 has been revised upward to 4.209 million tonnes, down slightly from the 4.290 million tonnes harvested in the previous year. The

decline was caused by a combination of drought and floods. In 2006, the sector is expected to recover.

The official 2005 production estimate has also been raised in **Pakistan** to 7.7 million tonnes, up from a previous figure of 7.5 million tonnes and the highest level since 1999. Since then, the country has experienced several years of drought, with negative consequences on the sector, and has launched several ambitious projects for the construction of water reservoirs, including the dams of Akori, Basha, Kalabagh, Koramtangi and Munda, which are set for completion in 2016. Following the prevailing expansionary trend, production in 2006 is set to expand further to 7.8 million tonnes, provided monsoon rains follow a normal pattern. The sector could also respond positively to an announced re-activation, last December, of purchases by PASSCO, the public procurement agency, in the Sindh and Balochistan provinces, where bumper harvests had caused strong declines in farm prices. The pre-determined paddy price, however, was rather low at Rupees 300 per 40 kg (US\$ 125 per tonne).

In **the Philippines**, the official production forecast for the 2005 paddy season (July 2005 to June 2006) shows a 3 percent increase from the previous year to 14.959 million tonnes, reflecting a small increase in the July-December output and expectations of a 5 percent recovery in the first semester of 2006. FAO's preliminary outlook for production over the 2006 season shows a 1.6 percent increase to 15.2 million tonnes, as the sector continues to benefit from public support in the dissemination of hybrid rice cultivation, a mainstay of the country's expansionary rice policy. In 2005, the government was reported to have extended a Pesos 1,350 (about US\$ 25) per hectare subsidy to plant hybrid rice on around 400,000 hectares, with the overall budget established at some Pesos 540 million (US\$ 10 million).

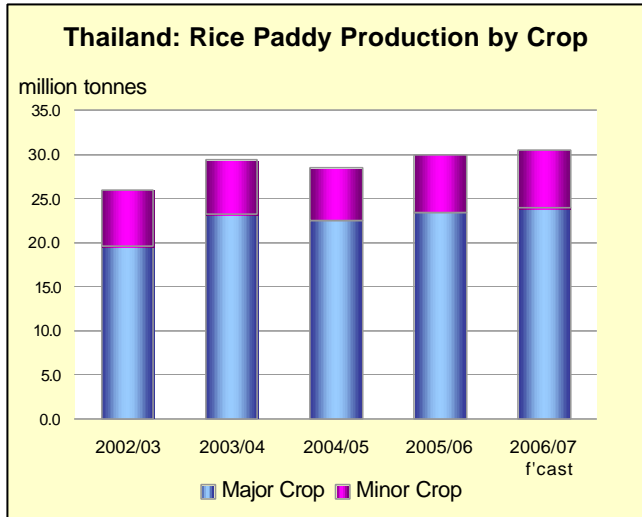
With the results of the secondary 2005 Yala crop in **Sri Lanka** becoming firmer, the official 2005 production estimate has been revised upward slightly to 3.246 million tonnes, a 23.5 percent increase from the outcome of the previous year. As for the 2006 season, the country started harvesting the main Maha crop in February. According to official estimates, it may be 6 percent smaller than the 2005 Maha crop, principally reflecting a contraction in the area. As a result and based on expectation of an average 2006 Yala crop, FAO sees production in 2006 declining by 4 percent to 3.1 million tonnes.



As harvesting of the 2005 secondary paddy crop is well advanced, **Thailand** released its first official production forecast for the season at 29.9 million tonnes. At the same time, the 2003 and 2004 official output figures were raised by 2.4 million tonnes to 29.5 million tonnes and by a hefty 4.6 million tonnes to 29.9 million tonnes, respectively. In both cases, the revision reflected upward adjustments of yields to some 2.9 tonnes per hectare. The revised 2004 production estimate showing only a modest decline

from the previous year is at odds with the information that was available in 2004, when erratic weather conditions were thought to have caused havoc to the sector. However, the rise of yields is an important development for the rice economy, as low rice productivity has been a predominant feature of the sector in Thailand.

As for the 2006 season, in January the Ministry of Agriculture anticipated the main paddy crop to rise by 500,000 tonnes to 23.9 million tonnes. Accordingly, FAO's forecast of production over the full season (including the main and secondary paddy crops) has been set at 30.5 million tonnes, 2 percent above 2005. The increase is consistent with the higher



intervention prices offered under the government pledging programme, a novelty of which, this year, consisted of an on-farm mortgage scheme, that encourages farmers to store the rice on farm, against a compensation by the Government of baht 20 (US\$ 0.51) per tonne, per month, to cover storage costs. Since the beginning of November, the government purchases from the main crop are estimated in the order of 5 million tonnes, more than 3 million tonnes of which corresponded to fragrant rice. Another 2 million tonnes are expected to be purchased from the secondary crop,

under the new pledging programme, which will run from 16 March to 31 July. Procurement prices have been announced to remain at baht 7,100 (US\$ 180.3) per tonne for 100 percent paddy rice and at baht 7,000 (US\$ 177.8) per tonne for 5 percent paddy.

In **Viet Nam**, farmers have started harvesting the Winter/Spring paddy crop, the first of the 2006 paddy season and the most important for export purposes. Since the beginning of planting in November-December, crop development on 200,000 - 300,000 hectares of rice land in the Northern provinces have been afflicted by insufficient rainfall, with water of the Red River falling to its lowest level in 100 years and reservoirs only filled to 50 - 60 percent of their capacity. In response, the Government was reported to have offered incentives, in the form of input subsidies, to farmers moving out of rice into less water-demanding crops. Assuming normal weather conditions over the rest of the year, FAO's first forecast for overall production in 2006 has been set at 36.5 million tonnes, up 2 percent compared with 2005.

## B. AFRICA

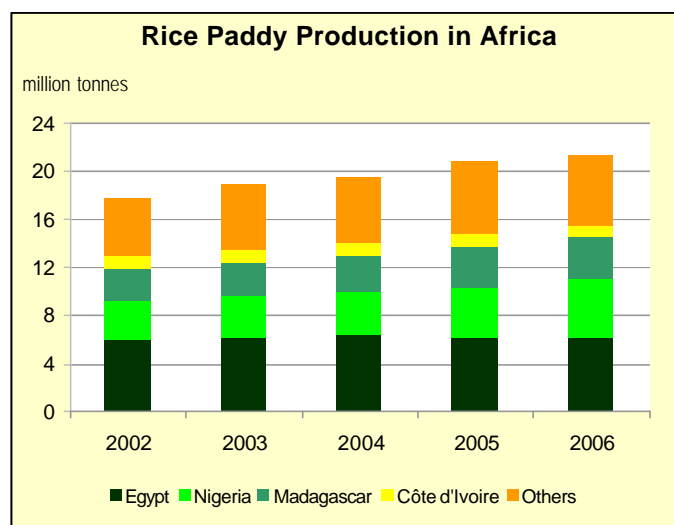
### Paddy production forecast to rise 2.4 percent in 2006

Rice-production activities in Africa are largely at a standstill, except in countries located south of the equator where the 2006 paddy crops are about to reach maturity. As for 2005, production in the region is estimated at some 20.8 million tonnes, 1.4 million tonnes more than in the previous year, reflecting favourable weather conditions and limited pest incidence. In 2006, production in the region is forecast to rise to 21.3 million tonnes, with much of the change imputable to Nigeria, where current policies are supporting a strong expansion of the sector.

In **Egypt**, the leading rice producing country in the region, the government official estimate of paddy production in 2005 has been revised upward to 6.130 million tonne in 2005, which would still be 3 percent less than in the previous season, reflecting mainly a 5 percent



contraction of the area planted. There were further productivity gains, however, with yields estimated at a record 9.995 tonnes per hectare in 2005. The FAO forecasts a modest recovery of production in the country to 6.2 million tonnes, as favourable returns and strong export demand, especially for medium grain rice, are expected to stimulate the rise.



In *Western Africa*, pending the arrival of the rains that will mark the opening of the 2006 season in April, countries have been gauging the level of their 2005 production. In general, the past season evolved favourably in the sub-region, with timely and well distributed rainfall and little incidence of pests and diseases. As a result, excellent crops are estimated to have been harvested in **Burkina Faso** (+46 percent to 108.5 thousand tonnes), **Chad** (+60 percent to 145.7 thousand tonnes), **Mali** (+28 percent to 907.3 thousand tonnes) and **Senegal** (+24

percent to 321 thousand tonnes), while more modest production growth rates have been estimated for **Guinea** (+7 percent to 965.8 thousand tonnes), **Guinea Bissau** (+10 percent to 98.3 thousand tonnes) and **Mauritania** (+12 percent to 95.5 thousand tonnes). By contrast, flooding impaired the irrigated rice crop in **Gambia**, resulting in a contraction of paddy production (-14 percent to 28 thousand tonnes). Most of the above countries suffered from rice shortages in the first half of 2005, when prices were reportedly doubling in certain locations. Prospects for production in 2006 in the above cited countries will highly depend on the weather situation, but are generally positive given expectations of favourable market conditions again in 2006.

Among other western African countries, **Nigeria** is foreseen to witness a 14 percent surge in production to 4.8 million tonnes in 2006, after recording an estimated 20 percent increase in 2005 in a context of strong support from the Government. Among the measures aimed at assisting rice producers this season, the implementation of a rice import ban in 2006 was officially confirmed during a Presidential Retreat on Agriculture that was held in Kaduna State in December 2005. On the other hand, little can be predicted in the **Cote d'Ivoire**, where an important consequence of civil conflict in recent years has been a displacement of labourers, often immigrants, from the producing areas. In February 2006, the key players in the conflict committed to peace efforts, which may support a recovery of the rice sector.

In several parts of *southern and eastern Africa*, harvesting of the 2006 paddy crops is about to start. This is principally the case of **Madagascar**, where gathering of the main crop should begin around April. The country, which is highly susceptible to cyclones between January and April, was little affected by a tropical storm that threatened its southeast coast late in January 2006. Barring major setbacks in the coming months, paddy production may reach 3.5 million tonnes, surpassing the excellent performance achieved in 2005, when production soared by 12 percent to a record 3.4 million tonnes. In **Mozambique**, the rainy season, which normally starts in November, was delayed in the central provinces where the bulk of the country's paddy is grown. Heavy rains from a tropical depression in January were reported to have caused some localized crop losses. Nonetheless, the crop outlook remains positive with production set to increase by 3 percent. In **Uganda**, the dynamic expansion in rice cultivation

witnessed since 2000 is anticipated to proceed, which may raise output in 2006 by 12 percent to 190,000 tonnes. In the sub-region, however, many countries received below-average precipitation in the last quarter of 2005, when rice crops are normally planted. As a result, paddy output may fall this season in **Kenya, Rwanda, Sudan and Tanzania**.

### C. CENTRAL AMERICA AND THE CARIBBEAN

#### After stagnating in 2005, production expected to rebound in 2006

In most regions in Central America and the Caribbean, planting of the 2006 main paddy crops will not begin until April/May, but a number of countries are still in the process of harvesting their secondary 2005 crops. Regarding the 2005 season final production outturn in the sub-region, this is estimated at 2.5 million tonnes, little changed from the previous year. Adverse growing conditions depressed production in **Costa Rica**, where producers were reported to have shifted away from rice towards sugarcane, **Cuba, El Salvador and Guatemala**. By contrast, output rose in the **Dominican Republic, Mexico and Panama**.

Prospects for the coming season in the sub-region now point to an overall 6 percent increase to 2.6 million tonnes, reflecting positive expectations for all major producing countries. In **Costa Rica**, producers last December were reported to be negotiating an increase in the producer price of rice, the only food product still subject to administratively set prices. The CAFTA-DR agreement, likely to enter the implementation phase in 2006, is expected to have relatively small immediate effects on production in member countries, as, under the free trade agreement, the rice tariffs will not be subject to any reduction for the first ten of the 18 to 20 year transition period (see trade section for more details).

### D. SOUTH AMERICA

#### Low producer prices and rising costs depress paddy production in 2006

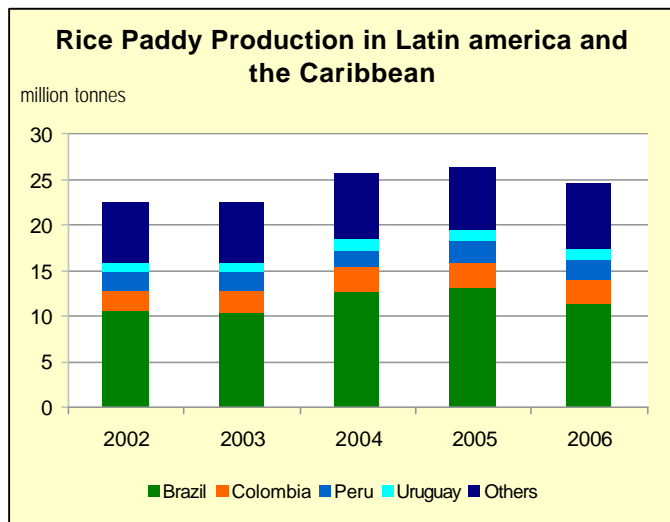
The 2006 paddy season is well advanced in South American countries, some of which are already releasing their official assessment of the crops. At the same time, governments are revising their 2005 production estimates. According to the latest figures, production in the sub-region rose by 3.4 percent to 24.1 million tonnes in 2005, with much of the increase concentrated in **Peru and Brazil**. By contrast, low prices last year depressed plantings and production in **Argentina, Colombia and Uruguay**.

The outlook for rice crops in 2006 is negative in the sub-region, where production is forecast to fall by 2.2 million tonnes to 21.9 million tonnes, as a substantial drop is expected in **Brazil, Ecuador, Peru, Uruguay and Venezuela**. The reduction is consistent with the fall in prices and rising costs experienced in 2005. The depressed market conditions are pushing governments to provide additional assistance to the sector but also to erect new trade barriers against imports.

In **Argentina**, the estimate of production in 2005 has been revised downward to 956,000 tonnes, which would imply a 9.8 percent cutback from the previous season. The decline reflects a drop of the area under rice, mainly caused by a late arrival of the rains, and lingering drought problems that impaired yields, especially in the important producing Province of Corriente. As for the on-going 2006 paddy season, by mid-February the harvest of rice crops had already started in the Entre Rios and Santa Fe provinces, with reported yields as high as

6.0 - 6.6 tonnes per hectare. Overall, the area is estimated to have increased slightly, which together with a recovery of yields could boost production by 7.2 percent to 1.040 million tonnes. The FAO latest estimate of production in **Bolivia** in 2005 shows a 24 percent jump in output to 410,000 tonnes, in line with the government announcement of an expansion of planting and the introduction of irrigation through field flooding. In 2006, production in the country is anticipated to be in the order of 420,000 tonnes.

By contrast, in **Brazil**, the second survey on planting intentions conducted by CONAB last December points to a likely retrenchment away from rice cultivation, attributed mainly to the depressed market situation, which saw producer prices falling by 15 percent in 2005<sup>1</sup>. Based



on the survey, the area under rice is anticipated to slide by 20.1 percent, with the drop concentrated in the central and western region. According to CONAB, the fall in the area would be compensated to some extent by a recovery of yields to 3.671 tonnes per hectare, giving rise to a production of 11.5 million tonnes, or 13 percent less than in 2005. Attempts by the local government of the Rio Grande do Sul to restrict access to the State of rice from Argentina and Uruguay by tightening phytosanitary conditions last February were thwarted, as the State eventually

decided in March not to ratify the measure, which could have been challenged under the Mercosur Regional Agreement

In **Ecuador**, plantings in December were delayed by a late arrival of the rains, while, in February, flooding problems in Coastal areas caused the loss of 10,000 hectares under rice. As a result, the first forecast for the country's production in 2006 points to a 10 percent decline to 1.24 million tonnes.

In **Guyana**, floods in December were reported to have caused severe losses to rice fields, especially along the Coast, a repetition of the setback experienced last year. As a result, FAO anticipates that the country will harvest some 420,000 tonnes in 2006, a similar level as last season, but almost a quarter less than in 2003.

In **Paraguay**, the latest official estimates of production in 2005 shows a 20 percent contraction in output to 108,500 tonnes, reflecting drought problems which affected both the rainfed and irrigated rice sector. Production is expected to recover somewhat in the current season, provided normal weather prevails.

<b>PARAGUAY – Paddy Production, Area and Yield</b>									
	Sown Area (ha.)			Production (tonnes)			Yield (Kg./ha.)		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
<b>Irrigated land</b>	30,303	31,000	33,500	110,250	125,000	102,000	3,638	4,032	3,045
<b>Dry land</b>	4,059	5,843	4,440	6,702	11,827	6,500	1,651	2,024	1,464
<b>Total</b>	34,362	36,843	37,940	116,952	136,827	108,500	3,404	3,714	2,860

Sources: MAG, DEAg and DCEA (Paraguay)

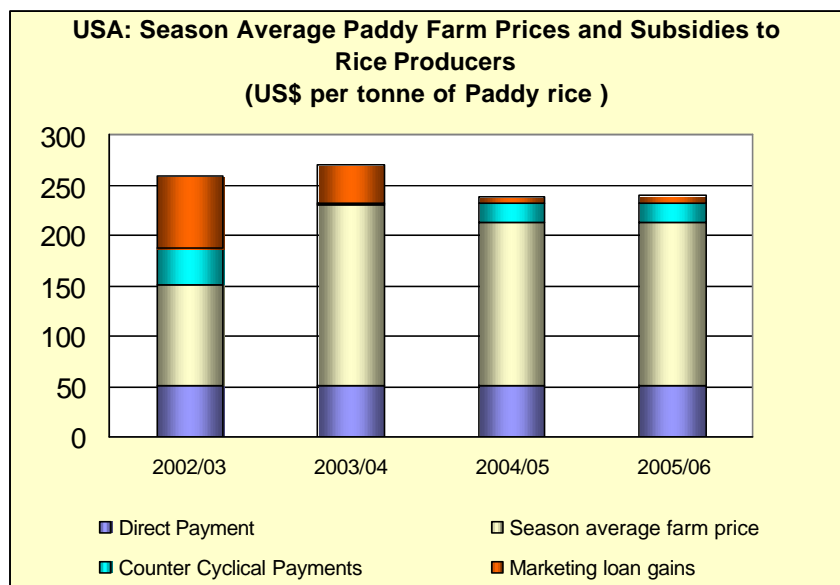
**Peru** harvested a record paddy crop in 2005, of 2.466 million tonnes. Drought problems in the north have been recurring this season, causing water scarcities in some of the most prominent rice producing regions of Lambayeque and Piura. As a result, production in 2006 could decline to 2.2 million tonnes.

On 4 March, **Uruguay** officially declared the harvest of the 2006 paddy season open, in a rather depressed context, as producers this season were confronted with poor market conditions, succeeding to a 15 percent price drop in 2005. As a result, the area planted to rice is estimated to have fallen by 6 percent, which may depress output from 1.2 million tonnes in 2005 to 1.1 million tonnes this season. Late last year, the Government provided some assistance to the sector, by advancing a US\$ 12 per tonne tax rebate due to producers. On occasion of the opening of the harvest, the Government announced the provision of an additional US\$ 12 million fund to rice producers also engaged in rice exports to help them weather the depressed market situation. Roughly, this could result in an average transfer of US\$ 0.60 per 50 kg bag of paddy rice (US\$12 per tonne). Like the US\$ 35 million credits earmarked for the sector in 2003 under the “Fondo de Financiamiento y Recomposición de la Actividad Arrocerá (FFRAA)”, the US\$ 12 million loan will be repaid by producers through a 5 percent retention of the FOB value of rice exports, but unlike the FFRAA loan, which was subject to a 9.5 percent annual interest rate, it will be granted free of interest.

In spite of a 6 percent increase in the area harvested, production in **Venezuela** fell by 1.2 percent to 963 thousand tonnes in 2005, reportedly reflecting particularly large losses caused by rodents. Prices fetched by producers in 2005 have fallen short of the institutionally agreed levels. As the result, a shift of producers away from rice towards more remunerative crops may depress production to 930,000 tonnes in 2006. In February 2006, the Government finally published the level of institutional prices for paddy rice in 2006, at Bolivar 500 per kg (US\$ 233 per tonne) for type “A” rice, slightly up from the previous season level of Bolivar 490 per kg. Unlike in the previous season, the Government also announced an official price of Bolívar 490 per kg (US\$ 228 per tonne) for lower quality, type “B” rice.

## E. REST OF THE WORLD

### In 2006, paddy production to grow in Australia, the EU and the United States



Notwithstanding the passage of Hurricanes Katrina and Rita in August and September 2005, the **United States** latest revision of production in 2005 points to an exceptional performance of 10.126 million tonnes, only 4 percent below the record 2004 harvest and the second highest in history. The 2006 rice season will not begin until planting starts in April. Based on the USDA medium-term projections,

paddy production may rise to 10.4 million tonnes in 2006.

Despite particularly high production levels in 2004 and in 2005, paddy prices received by farmers over the 2005 season (1 August-31 July), have averaged US\$ 7.30 per cwt (US\$ 160.8 per tonne) up to March 2006, marginally below prices received for the whole of the 2004 season. At that level, producers would be entitled to a countercyclical payment of US\$ 0.82/cwt (US\$ 18.1 per tonne). In addition, because the world calculated price, as reported by USDA, was lower than the government minimum price (loan rate) of US\$ 6.5 per cwt (US\$ 143.2 /tonne), producers have also been eligible to marketing loan benefits. Overall, based on the average values to date, producers are estimated to receive a direct subsidy in the order of US\$ 3.62<sup>2</sup> per cwt (US\$ 79.7 per tonne) over the 2005 season in addition to the average farm price.

In **Australia**, above normal rainfall in New South Wales last spring helped replenish water reservoirs, bringing about increased water allocations to rice producers and a doubling of the area planted to rice. Expectations over yields are also positive. As a result, production in the country is forecast to rise by 210 percent to 1.00 million tonnes, still short of the 1.3 million tonne pre-drought level. On the policy front, the New South Wales State is now considering to comply with a decision of the National Competition Council to abolish the domestic rice market monopoly that the Rice growers' Co-operative Limited (RCL) has been operating on behalf of the Rice Marketing Board (RMB) of New South Wales. The move would reverse a November 2003 decision by the State to extend the domestic monopoly till 31 January 2009. However, the RLC is to retain the monopoly it holds on the export of rice produced in New South Wales, which accounts for the bulk of Australia rice output.

In the **European Union (EU-25)**, the latest estimates of production in 2005 confirmed a 4.7 percent reduction from the exceptionally high outturn of 2.823 million tonnes achieved in 2004. As planting of the 2006 paddy crop is about to start in April, there is still no base to gauge the effects on rice cultivation of the implementation of the 2003 CAP reform that decouples much of the producer aid. Indeed, 2006 will be the first season that the direct aid to producers will be channelled under two different payments: eligible farmers will receive € 102 per tonne as part of the single payment, independently on whether they will grow rice or not ("decoupled"), and €75 per tonne as a rice specific aid (both calculated on a national base area and yield). In the short run, FAO does not expect that the new policy brings about major plantings and forecasts production in the Union at 2.731 million tonnes in 2006, up from 2.691 million tonnes in 2005.

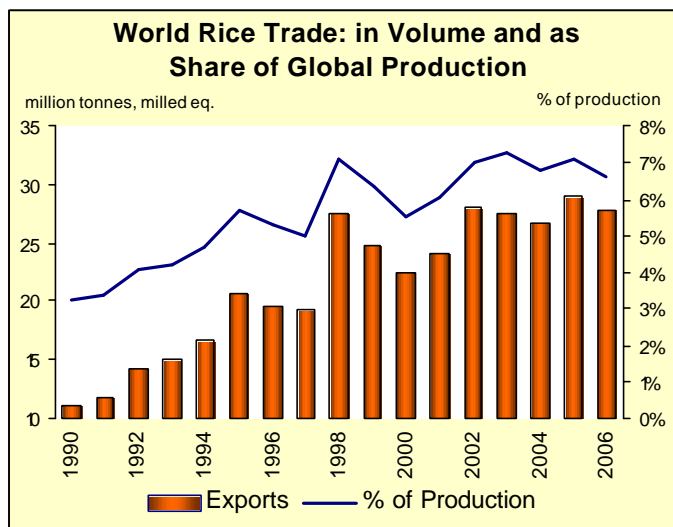
<b>EU: Rice National Base Areas And Rice Specific Aid In Major Rice Producing Countries as of 2006/07</b>							
	France Metropolitan	French Guyana	Italy	Greece	Portugal	Spain	Total
Base areas (ha)	19,050	4,190	219,588	20,333	24,667	104,973	392,801
Historical paddy yield (tonnes/ha)	5.49	7.51	6.04	7.48	6.05	6.35	
Rice specific aid (€/per ha)	411.75	563.25	453.00	561.00	453.75	476.25	
Source: Official Journal of the European Union							

<sup>2</sup> Consisting of a direct payment of US\$ 2.35 per cwt, a countercyclical payment of US\$ 0.85 per cwt and a marketing loan gain of US\$ 0.45 per cwt (for long grain rice).

## II. INTERNATIONAL TRADE IN RICE

### After reaching a record of 29.0 million tonnes in 2005, trade in rice anticipated to fall in 2006

With the ending of the 2005 calendar year, exporting and importing countries are submitting more accurate information over their trade flows last year, which has given rise to a new, higher, estimate of global trade in 2005, of 29.0 million tonnes (milled rice basis). At that level, trade in rice would be 8.6 percent higher than the previous year and the highest on record, confirming the strong upward trend that has dominated since 1995.

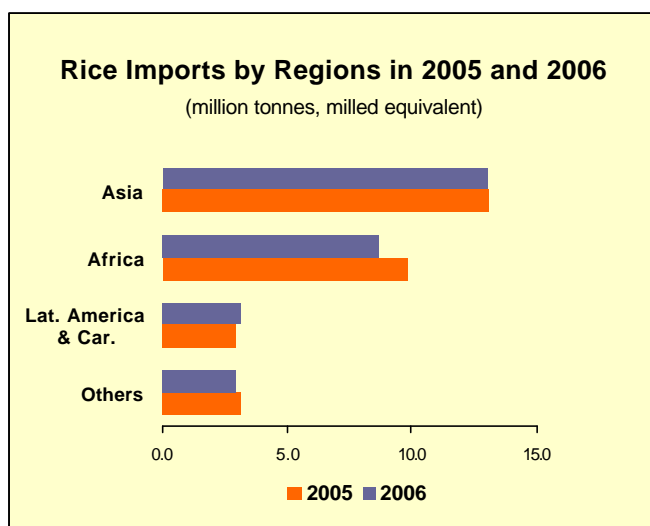


FAO has significantly raised its earlier forecast of world rice trade in calendar 2006, from 26.1 million tonnes to 27.8 million tonnes. At that level, trade would be 4.1 percent lower than the current estimate for 2005. The contraction from last year's exceptional performance is anticipated to be mainly import-driven, as demand by several major importing countries is expected to weaken in the light of the abundant crops they harvested in 2005 and of policies in place that could hinder imports. There seems to be fewer constraints on the exporter

side, except for policies that could be implemented by some governments that would restrict the availability of supplies for trade.

### A. IMPORTS

#### After surging in 2005, import by African countries are anticipated to fall and to depress global trade in rice in 2006

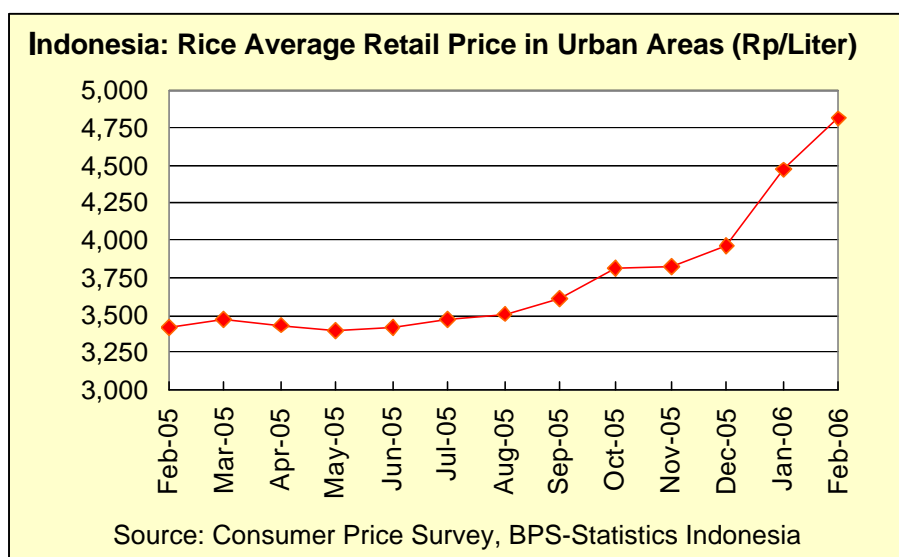


Buoyant import demand by countries in Asia and Africa sustained much of the growth in trade in 2005. In the first region, larger volumes reached **Bangladesh, the Democratic Republic of Korea, the Philippines and Turkey**, which compensated for smaller shipments to **China, Indonesia, the Republic of Korea and Sri Lanka**. In Africa, imports to **Nigeria**, made directly or re-exported from neighbouring countries, are estimated to have risen by 25 percent to a 2 million tonne record. Rising domestic consumption also stimulated imports to

**South Africa.** In the other regions, smaller purchases by **Brazil** and **Colombia** offset increases in **Cuba**, **Honduras** and **Mexico**, while in Europe imports by the **EU** rose somewhat, while the imposition of higher tariffs depressed those directed to **the Russian Federation**.

Reduced shipments to African countries could depress rice trade in 2006. Much of the drop would reflect the application of an import ban by **Nigeria** as of January 2006, although this is not expected to arrest the inflow of rice through neighbouring countries. Currently Nigeria is foreseen to take 1.2 million tonnes of rice in 2006, down from the exceptionally high level of 2 million tonnes in 2005, when importers rushed to bring supplies before the imposition of the ban. In the region, imports to **South Africa** could also decline compared with the 2005 high level.

Unlike in Africa, imports to *Asian* countries are seen to increase in 2006. In the region, rice



deliveries to **China mainland** are seen to increase, in response to growing domestic demand for higher quality rice. Based on the latest information, **Indonesia** extended the prohibition on private sector's imports till July 2006. Until then, only Bulog, the government - run logistics agency for

basic foodstuffs, will be eligible to get licenses to import. Assuming a relaxation of current restrictions in the second half of the year, the country could take 1.0 million tonnes of rice in 2006, up from an estimated 600,000 tonnes in 2005. Pressure to import could intensify in the course of the year, especially if prices remain on an upward trend, as was the case between November 2005 and February 2006 (see graph). Imports by **Iraq**, the **Republic of Korea** and **Turkey** are all anticipated to increase. In the **Republic of Korea**, they are forecast to rise from an estimated 139,000 tonnes in 2005 to 333,000 tonnes this year, as the later includes the shortfall from last year 225,575 tonnes minimum access quota, pledged under the WTO but which the country failed to purchase, and the higher minimum access quota of 245,922 tonnes agreed to be brought into the country in 2006. By contrast, the exceptional 2005 production outcome should allow **Bangladesh** to cut imports by one third to 0.8 million tonnes in 2006. Similarly, abundant harvests may depress rice deliveries to the **Islamic Republic of Iran** and the **Philippines**. In the **Philippines**, where the bulk of imports are carried through by the National Food Agency, the Government announced it would allow private farm groups to import 488,000 tonnes between January and August 2006. Overall, FAO forecasts the country to import 1.5 million tonnes, down from an estimated 1.8 million tonnes in 2005.

Little change in imports by countries in *Central America and the Caribbean* is currently anticipated for 2006, with only some reduction expected for **Cuba**, the **Dominican Republic** and **Mexico**. On the policy front, the CAFTA-DR-US regional free trade agreement (FTA)

sealed between **Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua** and the **United States** formally started being implemented by **El Salvador** and **Nicaragua** on 1 March 2006. Based on one provision of the Agreement, all the other partners will have 90 days from that date to follow suit. As a result, 2006 will be designated as the Year 1 for implementation purposes by all signatories. All the Central American partners of the FTA designated rice as a strategic product, subject to a ten year grace period during which no reduction in ad-valorem tariffs will be carried forward. The cuts in tariffs will start from year 11 (2016) and will continue until their complete elimination by 1<sup>st</sup> January of year 18 (2023) or, for Costa Rica, in year 20 (2025). In the case of the United States, free access to the rice market will be granted to the six partners upon enforcement of the Free Trade Agreement.

<b>CAFTA-DR-USA: Rice Tariff Reduction Schedules</b>			
	Initial tariff level <sup>3</sup>	Implementation Period	of which: Grace Period
	Percent	Years	Years
Costa Rica	36	20	10
Dominican Republic	99	18	10
El Salvador	40	18	10
Honduras	45	18	10
Guatemala	29.2	18	10
Nicaragua	63	18	10

Source: ICST - Special Products and the Special Safeguard Mechanism - Strategic Options for Developing Countries, 2005; quoting *Pomareda* (2005)

Over the implementation period, the six Central American and Caribbean countries will grant some preferential access to rice from the United States. In the first year of implementation, the United States will be allowed to export up to 354,500 tonnes of paddy rice and 52,500 tonnes of milled rice (equivalent, overall, to some 283,000 tonnes of milled rice) free-of-duty to the other 6 members. This would be some 100 000 tonnes less than the normal level of rice imports from all origins to those countries. However, the preferential quota will be increased, in most cases by 2 percent per year in the case of paddy rice and by 5 percent per year in the case of milled rice, until tariff elimination is completed over the 18-20 year implementation phase.

<b>CAFTA-DR-US: Rice Duty-Free Quota to the USA – 2006: First Year of Implementation</b>							
	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Dominican Republic	Total
- Paddy Rice	51,000	62,220	54,600	91,800	92,700	2,140	354,460
- Milled Rice	5,250	5,625	10,500	8,925	13,650	8,560	52,510
Total rice quota (milled rice eq.*)	38,400	46,068	45,990	68,595	73,905	9,951	282,909
Actual rice imports (2004; milled eq.)	108,000	49,300	52,000	97,700	100,000	90,000	389000

\* Paddy rice converted into milled rice equivalent by applying a standard multiplying factor of 0.65  
Sources: CAFTA, FAO

<sup>3</sup> The initial levels of the tariff are the ones corresponding to the MFN rate of the Central American tariff system as prevailing on 10 December 2003



In *South America*, imports could rebound somewhat, reflecting expectations of a smaller production this season in **Brazil**, the main importer in the sub-region. Deliveries to the country are forecast to rise to 800,000 tonnes, up from 517,000 tonnes in 2005. Imports to **Peru**, which were officially reported to have reached 129,000 tonnes last year, are estimated to drop to 40,000 tonnes this year. Rice purchases by **Colombia** are anticipated to remain relatively low, in the order of 25,000 tonnes, especially if the government maintains the restrictions imposed on shipments from countries belonging to the Andean Community.

In February, **Peru** and **Colombia** concluded the negotiations for a Free Trade Agreement with the United States, while those between **Ecuador** and the United States resumed on 20 March. In the Agreements, rice was designated by Peru and Colombia as a sensitive product, requiring longer transition periods for a full opening of the market than other commodities: Colombia was granted a period of 19 years to eliminate rice tariffs, starting from a base level of 80 percent. In the case of Peru, the transition was shorter, to last 17 years, and the base tariff set lower, at 52 percent.

In *North America*, deliveries to the **United States** are officially forecast to reach some 450,000 tonnes in 2006, up from 418,000 tonnes last year, especially if domestic prices continue to strengthen. Imports into the **European Union (EU-25)**, estimated in the order of 900,000 tonnes in 2005, are forecast to rise to 1 million tonnes this year, reflecting the application of lower tariffs on all types of rice, including milled, husked and broken rice, and relatively high domestic prices.

Over the 2004 rice marketing year (1 September 2004 – 31 August 2005) imports were subject to a tariff of €65 per tonne for husked rice, €175 per tonne for milled rice and €128 per tonne for broken. As of 1 March 2005, the system was modified and duties on husked rice were lowered. The new system requires the duties to be reviewed every six months and their level to be determined depending on the volume of imports<sup>4</sup> relative to some reference levels, also established on a six-month and annual bases. In December 2005, a similar system for determining the import duties for semi-milled, milled rice was formally approved. On the same date, the tariff rate on broken rice<sup>5</sup> was fixed at €65 per tonne.

In March 2006, the EU tariffs on husked rice (classified under HS:100620) and milled rice (classified under HS:100630) were reviewed based on the import license volumes released from 1 September 2005 to 28 February 2006 (in the case of husked rice, excluding Basmati rice). According to the new rules:

- for husked rice, if the volume of import licenses in the just completed six months is less than 186,013 tonnes, rice imported between 1 March 2006 and 31 August 2006 will be subject to a €30 per tonne tariff; if the volume falls between 186,013 tonnes and 251,665 tonnes, the rate will be raised to €42.5 per tonne and, over 251,665 tonnes, the maximum €65 per tonne tariff rate will apply.
- In the case of milled or semi-milled rice, if the volume of import licenses in the just completed six months is less or equal to 182,239 tonnes, rice imported in the following six

<sup>4</sup> Based on the volumes of the import licenses released between 1 September and 28 February, when establishing the duty applying to imports between 1 March and 31 August; based on licenses released over the full marketing season, between 1 September and 31 August, to establish the duty applying from 1 September to 28 February

<sup>5</sup> The disposition also establishes that the tariff rate quota on broken rice will be increased to 100,000 tonnes. Rice imported within that quota will be subject to the normal tariff rate (€65 per tonne) minus 30.77 percent, resulting in a preferential tariff rate of €45 per tonne.

months (1 March to 31 August) will be subject to a duty of €145 per tonne. If it exceeds 182,239 tonnes, the higher tariff rate of €175 per tonne will apply.

According to the information provided by the EU Commission, the import license volumes for husked rice (excluding Basmati) amounted to 288,200 tonnes from 1 September 2005 to 28 February 2006, exceeding the threshold of 251,665 tonnes. As a result, the maximum €65 per tonne is to apply on husked rice imports made between 1 March 2006 and 31 August 2006. As for the importation of milled rice, the reference level triggering the higher duty was not reached by end August, so duties on milled rice will stay at €145 per tonne until 31 August 2006.

Reflecting the imposition of a €70 per tonne duty on rice imports in April 2005, imports by the **Russian Federation** fell to 389,000 tonnes last year. Purchases by the country are anticipated to drop further in 2006, to some 350,000 tonnes, given the good crop gathered in 2005, especially as the government signed a decree, on 1 December 2005, that made the duty permanent.

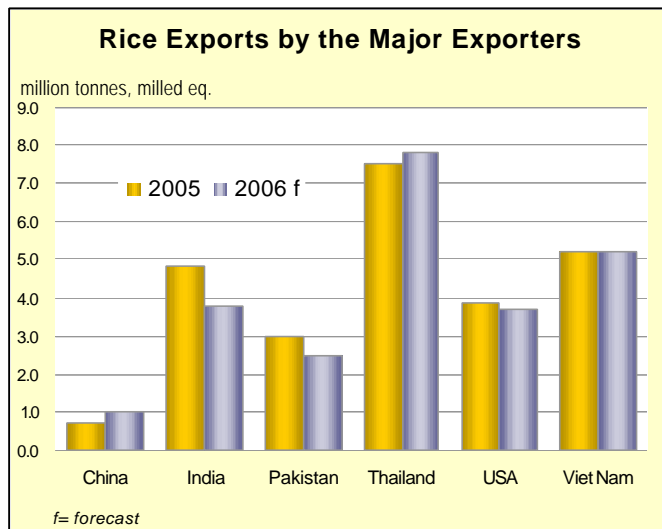
## B. EXPORTS

### **Exports from Thailand set to recover somewhat in 2006 while, for most of the other exporting countries, they are expected either to fall or to change little**

The expansion of rice trade in 2005 took place in spite of a 2.6 million tonne contraction of exports by **Thailand**, the major rice supplier to the international rice markets, as well as smaller shipments from **mainland China** and **the Republic of Korea**. Those countries' shortfalls were more than compensated by **India, Pakistan** and **Viet Nam**, which all managed to raise their exports by more than 1 million tonnes each compared with 2004. Other traditional exporters also contributed to the trade expansion, in particular **Egypt**, the **United States** and **Uruguay**. In addition, large supplies allowed **Brazil**, traditionally a net rice importer, to sell 272,000 tonnes of rice abroad.

According to the current FAO forecast, global rice exports in 2006 could fall by 1.2 million tonnes to 27.8 million tonnes. Among the major countries expected to face a decline is **India**, which is now seen to ship 3.8 million tonnes in 2006, down from 4.8 million tonnes last year. Although the country's paddy production recovered in 2005, part of the increase will be needed to compensate for falling wheat supplies. Prospects are also negative for **Pakistan**, whose shipments could drop from the exceptional 3 million tonnes of last year to a more normal performance of 2.5 million tonnes in 2006. The country has taken steps to enhance the quality of its rice for export through the establishment of a quality review and certification board, responsible for checking the rice, especially basmati rice, before its shipment. Quality problems, which had caused the Islamic Republic of Iran to turn to other suppliers since 1999, were apparently overcome in 2005, as Pakistan was reported to have resumed trade with both Iraq and the Islamic Republic of Iran. Rice deliveries from the **Republic of Korea**, consisting mainly of food aid to the Democratic Republic of Korea, are anticipated to halve to 200,000 tonnes, reflecting the improvement of the food situation in the recipient country. Exports by **Egypt**, which surged to 1.1 million tonnes in 2005, are now anticipated to fall to 900,000 tonnes in 2006, partly in response to the harvesting of a smaller 2005 crop. Similarly, based on the USDA forecast, the **United States** would cut shipments by 200,000 tonnes to 3.7 million tonnes, still the second-best performance on record. The anticipated contraction of production this season is also expected to result in smaller shipments from **Brazil** and **Uruguay**. In the case of **Uruguay**, exporters have made large inroads in markets outside of

South America, especially in the Near East and Europe, where they have been less exposed to competition from US rice. In this connection, the government of Uruguay has renewed its threat to challenge the compatibility of the United States' domestic support to rice producers with WTO rules. Meanwhile, the two countries have engaged in bilateral consultations to solve the matter.



By contrast, exports from **Thailand** are anticipated to recover somewhat in 2006 to 7.8 million tonnes, 300,000 tonnes more than last year, despite the continuation of the current policy to raise domestic prices. Under the country's prevailing strategy to boost the sale of high quality rice, the government has been reported to have registered the Hom Mali Brand in 30 countries, with another 20 countries targeted for registration. Exports by **Viet Nam** are foreseen to remain close to the record 5.2 million tonnes of last year. The Government, however, may

again intervene to stabilize prices, as it did last year, through intermittent export bans, restricted release of export licenses and the imposition of minimum export prices. Shipments from mainland **China**, which remain under government control, might rise to 900,000 tonnes in 2006, compared with the very low 671 800 tonne sold in 2005. Among the other major exporters, sales by **Argentina** are expected to record a small increase, especially as, on 10 March 2006, the government announced its preparedness to reconsider a November decision to suspend the tax rebate that had been granted to exporters of 200 food products, including rice. In **Australia** the end of the drought should enable the country to restore its rice availabilities, which could boost export to 350,000 tonnes, up from some 60,000 tonnes in 2005 but still short of the pre- 2002.drought levels.

### III. RICE UTILIZATION

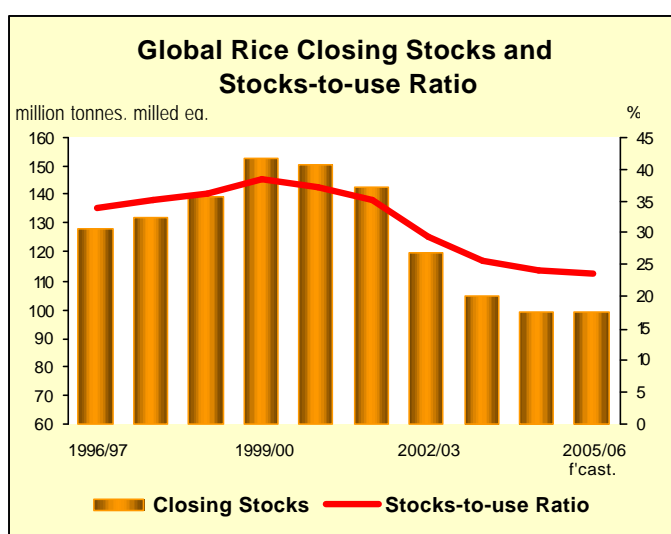
#### Rice per caput food consumption to rise slightly in 2005/06

According to the latest FAO forecast, global rice consumption, which includes food, feed and other uses, would be in the order of 420 million tonnes in 2005/06, 5.3 million tonnes, or 1.3 percent, above the level estimated for 2004/05. Given the higher costs of producing rice, compared with maize, cassava or oilseeds, the utilization of rice as a feed ingredient remains uneconomical and rather limited, except on farms. As a result, rice is essentially a food commodity and human consumption accounts for close to 88 percent of total utilization. Based on current forecasts, annual per caput consumption is to rise slightly from 56.8 kg in 2004/05 to 57.0 kg in 2005/06.

#### IV. CLOSING RICE INVENTORIES

##### Global Rice Stocks virtually unchanged in 2006

World rice inventories at the close of the 2005 crop seasons are now set to reach 99 million tonnes, higher than the previous estimate of 97 million tonnes and virtually unchanged compared with last season. This would basically mean that global production in 2005 would be sufficient to meet consumption without requiring the release of rice reserves, as was the case for the past five years. Stocks in **China**, the country that has driven much of the downscaling of global rice inventories since 1999, are seen to end higher by the end of the season, reflecting growth in production and a lingering tendency for per caput rice demand to weaken.



Among Asian countries, **Bangladesh, Cambodia, Myanmar, the Philippines and Thailand** are all expected to build-up stocks somewhat, generally as a result of larger crops. By contrast, inventories are estimated to be cut back in **India, Indonesia and Viet Nam**. In the other regions, stocks held by **African countries** are anticipated to change little compared with last season, while the large crops harvested in 2005 in South America allowed some rebuilding of rice reserves in the sub-region, mainly concentrated in **Brazil and Peru**. Among developed countries,

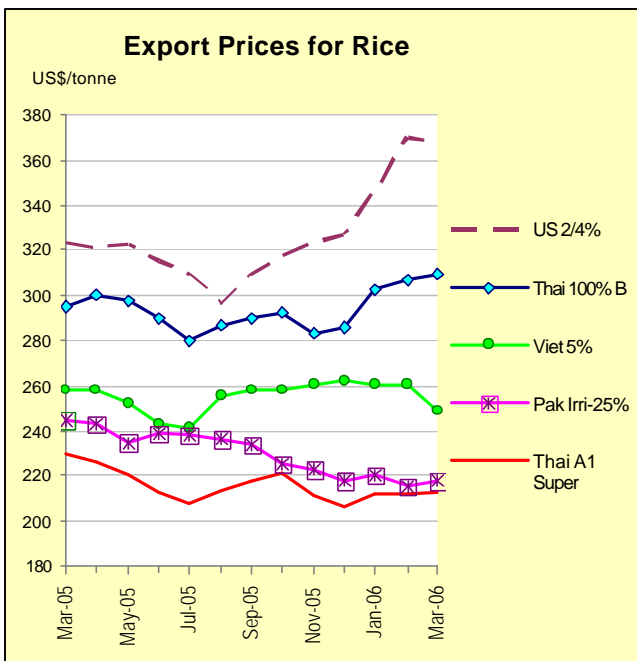
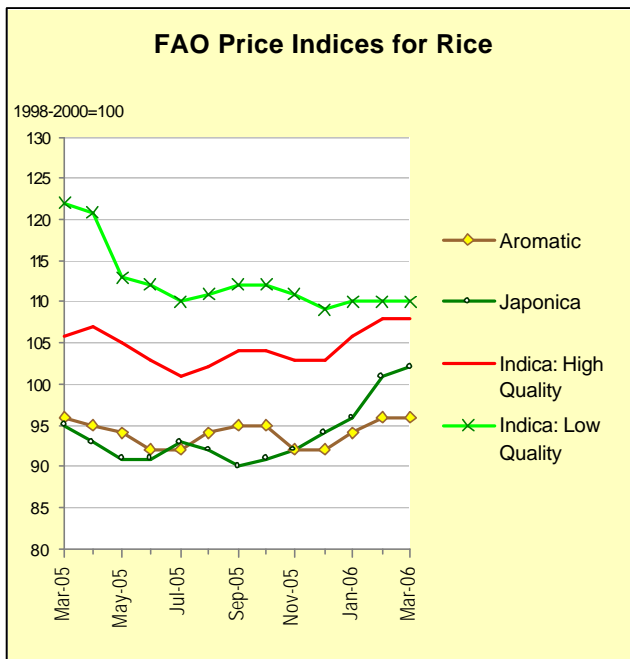
inventories are expected to increase in Japan and the United States.

As a result of the stabilization in global rice inventories, the stock-to-utilization ratio remains in the order of 23 percent. This ratio is often taken as an indicator of global food security because it provides the proportion of consumption that could be met out of rice reserves, to cover, for instance sudden disasters or major crop failures.

#### V. INTERNATIONAL PRICES

##### International rice prices remain particularly strong as plantings for the 2006 season will soon start in the northern hemisphere countries

Despite the arrival on the market of large harvests in some major Northern Hemisphere countries, international prices have been remarkably buoyant in the last quarter of 2005 and first quarter of 2006. The FAO All Rice Price Index (ARPI), which had been stable at 101 from June to December 2005, rose to 103 in January 2006, to 105 in February and to 106 in March.2006. Particularly strong were the prices of the ordinary and parboiled Indica, which were sustained by large purchases by countries in Asian, in particular Iraq, the Islamic Republic of Iran and the Philippines. The launching of import tenders by Japan and the



the ultimate goal to shore up prices. Similarly, Thailand intervention programme covering the secondary crop launched on 15 March will likely prevent export prices from falling too much. In balance, even though international rice prices may edge lower in the next few months, the decline is likely to be contained.

Republic of Korea also tended to lift Japonica rice quotations. The price index of aromatic rice has also moved higher since September. On the other hand, quotations of the lower quality Indica tended to weaken compared with the latest months of 2005, reflecting some retrenchment from the market of African buyers. The general strengthening of international rice prices in the first quarter of the year also reflected the effects of the government procurement programme at relatively high support prices in Thailand and a tightening of export availabilities in major exporting countries, including Viet Nam and India.

Availabilities of rice are expected to increase in April, when countries in the southern hemisphere start harvesting their main 2006 crops. Supplies from the 2005 secondary crops in northern hemisphere countries will also be reaching the market. These additional supplies may exert downward pressure on prices, especially if import demand by African countries remains weak. On the other hand, Governments in Thailand and Viet Nam have declared they will continue sustaining the market: in Viet Nam, authorities recently announced that leading rice exporting firms, such as the Northern Food Corporation (Vinafood1) and the Southern Food Corporation (Vinafood2), will be granted soft loans to enable them to store about 150 000 tonnes from the winter-spring crop with

FAO Rice Price Indices					
	All	Indica		Japonica	Aromatic
		High	Low		
1998-2000 = 100					
<b>2001</b>	<b>74</b>	<b>74</b>	<b>74</b>	<b>76</b>	<b>69</b>
<b>2002</b>	<b>72</b>	<b>73</b>	<b>75</b>	<b>67</b>	<b>74</b>
<b>2003</b>	<b>82</b>	<b>79</b>	<b>81</b>	<b>82</b>	<b>91</b>
<b>2004</b>	<b>104</b>	<b>101</b>	<b>110</b>	<b>104</b>	<b>96</b>
<b>2005</b>	<b>103</b>	<b>104</b>	<b>115</b>	<b>92</b>	<b>94</b>
<b>2005</b> March	106	106	122	95	96
April	106	107	121	93	95
May	102	105	113	91	94
June	101	103	112	91	92
July	101	101	110	93	92
August	101	102	111	92	94
September	101	104	112	90	95
October	101	104	112	91	95
November	101	103	111	92	92
December	101	103	109	94	92
<b>2006</b> January	103	106	110	96	94
February	105	108	110	101	96
March *	106	108	110	102	96
<b>2005</b> Jan.-Mar.	106	107	122	94	96
<b>2006</b> Jan.-Mar.	105	107	110	100	95

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 broken. The Sub-Index for Aromatic Rice follows movements in prices of Basmati and Fragrant rice.

\* Four weeks only.

EXPORT PRICES FOR RICE													
	Thai White 100% B second grade	Thai Parboiled 100%	U.S. Long Grain 2,4%	Viet 5%	Thai 25%	India 25%	Viet 25%	Pak 25%	Thai A1 Super 1/	U.S. Medium Grain 2,4% 2/	Egypt Short Grain, Grade 2/6% 178 Camolino	Pak Basmati Ordinary	Thai Fragrant 100%
	<i>US \$/tonne, f.o.b.</i>												
<b>2001</b>	177	194	264	166	153	185	148	148	135	256	204	332	275
<b>2002</b>	197	194	207	187	171	140	168	159	151	219	279	366	306
<b>2003</b>	201	196	284	183	176	163	167	175	151	310	291	357	449
<b>2004</b>	244	247	372	224	225	n.a.	212	230	207	420	317	468	443
<b>2005</b>	291	285	319	255	259	236	239	235	219	310	327	473	404
<b>2005</b>													
March	295	288	324	258	266	n.a.	244	245	230	310	324	467	427
April	300	299	321	258	268	n.a.	245	243	226	309	324	472	417
May	298	290	323	252	263	237	239	235	220	309	326	472	403
June	290	283	315	243	255	242	230	239	213	309	338	472	382
July	280	274	309	241	247	240	222	238	208	309	331	473	377
August	287	282	296	256	255	229	238	236	214	309	341	475	406
September	290	287	309	258	258	229	240	234	218	n.a.	326	475	401
October	293	286	318	258	260	236	240	225	221	n.a.	315	475	395
November	283	275	324	261	250	236	243	223	211	n.a.	312	488	383
December	286	276	327	262	251	237	243	218	206	n.a.	339	500	388
<b>2006</b>													
January	303	286	346	261	263	237	244	220	212	n.a.	341	500	408
February	307	289	370	261	263	238	244	215	212	n.a.	348	500	423
March *	309	291	368	249	265	239	239	218	213	n.a.	358	500	436
<b>2005 Jan.-Mar.</b>	295	289	329	257	266	n.a.	245	245	231	n.a.	322	460	432
<b>2006 Jan.-Mar.</b>	306	289	361	257	264	238	242	217	212	n.a.	349	500	422
<b>Sources:</b> Jackson Son & Co. (London) Ltd. and other public sources.													
1/ White broken rice. 2/ F.A.S. basis.													
* Four weeks only.													

<b>WORLD PADDY PRODUCTION</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>
		(estimated)	(forecast)
	<i>million tonnes</i>		
<b>WORLD</b>	<b>611.3</b>	<b>627.7</b>	<b>634.0</b>
Developing countries	585.2	601.8	607.9
Developed countries	26.1	25.9	26.1
<b>ASIA</b>	<b>551.6</b>	<b>566.5</b>	<b>573.3</b>
Bangladesh	37.7	41.1	41.4
Cambodia	4.2	5.6	5.2
China	180.5	183.4	186.6
of which Taiwan Prov.	1.4	1.5	1.6
India	128.0	131.8	134.0
Indonesia	54.1	54.1	54.3
Iran, Islamic Rep. of	3.1	3.3	3.4
Japan	10.9	11.4	10.6
Korea Rep. of	6.7	6.4	6.3
Myanmar	23.7	24.5	24.8
Pakistan	7.5	7.7	7.8
Philippines	14.5	15.0	15.2
Sri Lanka	2.6	3.2	3.1
Thailand	28.5	29.9	30.5
Viet Nam	36.2	35.8	36.5
<b>AFRICA</b>	<b>19.4</b>	<b>20.8</b>	<b>21.3</b>
<b>North Africa</b>	<b>6.4</b>	<b>6.2</b>	<b>6.2</b>
Egypt	6.4	6.1	6.2
<b>Sub-Saharan Africa</b>	<b>13.0</b>	<b>14.6</b>	<b>15.1</b>
Western Africa	8.1	9.1	9.6
Côte d'Ivoire	1.2	1.2	1.0
Guinea	0.9	1.0	1.0
Mali	0.7	0.9	0.9
Nigeria	3.5	4.2	4.8
Central Africa	0.4	0.4	0.4
Eastern Africa	1.2	1.4	1.3
Tanzania	0.9	1.0	0.9
Southern Africa	3.3	3.6	3.8
Madagascar	3.0	3.4	3.5
Mozambique	0.2	0.2	0.2
<b>CENTRAL AMERICA</b>	<b>2.4</b>	<b>2.5</b>	<b>2.6</b>
Cuba	0.6	0.6	0.6
Dominican Rep.	0.6	0.6	0.7
Mexico	0.3	0.3	0.3
<b>SOUTH AMERICA</b>	<b>23.3</b>	<b>24.1</b>	<b>21.9</b>
Argentina	1.1	1.0	1.0
Brazil	12.8	13.2	11.5
Colombia	2.7	2.6	2.6
Peru	1.8	2.5	2.2
Uruguay	1.3	1.2	1.1
<b>NORTH AMERICA</b>	<b>10.5</b>	<b>10.1</b>	<b>10.4</b>
United States	10.5	10.1	10.4
<b>EUROPE</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>
EU 2/	2.8	2.7	2.7
<b>OCEANIA</b>	<b>0.6</b>	<b>0.3</b>	<b>1.0</b>
Australia	0.5	0.3	1.0

**FOOTNOTES:**

Totals computed from unrounded data.

1/ EU-15 until 2003, EU-25 from 2004.

2/ Highly tentative.

<b>WORLD IMPORTS OF RICE</b>			
	<b>2004</b>	<b>2005</b>	<b>2006<sup>3/</sup></b>
		(estimated)	(forecast)
	<i>million tonnes, milled</i>		
<b>WORLD</b>	<b>26.7</b>	<b>29.0</b>	<b>27.8</b>
Developing countries	22.3	24.3	23.3
Developed countries	4.4	4.7	4.6
<b>ASIA</b>	<b>12.0</b>	<b>13.1</b>	<b>13.0</b>
Bangladesh	0.8	1.2	0.8
China	1.2	1.0	1.3
of which Taiwan Prov.	0.2	0.1	0.2
Indonesia	0.7	0.6	1.0
Iran, Islamic Rep. of	1.0	1.0	0.8
Iraq	1.1	1.0	1.2
Japan	0.7	0.8	0.7
Malaysia	0.8	0.8	0.8
Philippines	1.0	1.8	1.5
Saudi Arabia	0.9	0.9	0.9
Sri Lanka	0.2	0.1	0.1
<b>AFRICA</b>	<b>8.6</b>	<b>9.8</b>	<b>8.7</b>
Côte d'Ivoire	0.8	0.9	0.9
Nigeria	1.6	2.0	1.2
Senegal	0.8	0.9	0.9
South Africa	0.7	1.0	0.9
<b>CENTRAL AMERICA</b>	<b>2.0</b>	<b>2.4</b>	<b>2.3</b>
Cuba	0.6	0.8	0.8
Mexico	0.5	0.5	0.5
<b>SOUTH AMERICA</b>	<b>1.1</b>	<b>0.8</b>	<b>1.0</b>
Brazil	0.9	0.5	0.8
Peru	0.1	0.1	0.0
<b>NORTH AMERICA</b>	<b>0.8</b>	<b>0.7</b>	<b>0.8</b>
Canada	0.3	0.3	0.3
United States	0.5	0.4	0.5
<b>EUROPE</b>	<b>1.8</b>	<b>1.7</b>	<b>1.8</b>
EU 2/	0.7	0.9	1.0
Russian Fed.	0.5	0.4	0.4
<b>OCEANIA</b>	<b>0.4</b>	<b>0.4</b>	<b>0.0</b>

<b>WORLD EXPORTS OF RICE</b>			
	<b>2004</b>	<b>2005</b>	<b>2006<sup>3/</sup></b>
		(estimated)	(forecast)
	<i>million tonnes, milled</i>		
<b>WORLD</b>	<b>26.7</b>	<b>29.0</b>	<b>27.8</b>
Developing countries	23.2	24.7	23.2
Developed countries	3.6	4.4	4.6
<b>ASIA</b>	<b>21.2</b>	<b>22.1</b>	<b>21.2</b>
China	1.0	0.7	1.0
of which Taiwan Prov.	0.1	0.0	0.1
India	3.6	4.8	3.8
Myanmar	0.1	0.2	0.2
Pakistan	1.9	3.0	2.5
Thailand	10.1	7.5	7.8
Viet Nam	4.1	5.2	5.2
<b>AFRICA</b>	<b>0.8</b>	<b>1.1</b>	<b>0.9</b>
Egypt	0.8	1.1	0.9
<b>SOUTH AMERICA</b>	<b>1.2</b>	<b>1.6</b>	<b>1.5</b>
Argentina	0.3	0.3	0.4
Guyana	0.3	0.2	0.2
Uruguay	6.0	0.7	0.7
<b>NORTH AMERICA</b>	<b>3.1</b>	<b>3.9</b>	<b>3.7</b>
United States	3.1	3.9	3.7
<b>EUROPE</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>
EU 2/	0.3	0.2	0.2
<b>OCEANIA</b>	<b>0.1</b>	<b>0.1</b>	<b>0.4</b>
Australia	0.1	0.1	0.4



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

	CHINA 2/ 3/ (Oct./Sep.)			INDIA 2/ (Oct./Sep.)		
	2003/2004	2004/2005	2005/2006	2003/2004	2004/2005	2005/2006
		prelim.	f'cast		prelim.	f'cast
	(..... thousand tonnes .....)			(..... thousand tonnes .....)		
Opening Stocks	73,700 F	59,180 F	56,600 F	12,000 F	12,400 F	9,200 F
Production 1/	111,252 G	123,723 G	125,695 *	88,280 G	85,310 G	87,860 G
Imports	918 G	659 F	920 F	0 F	50 F	50 F
Total Supply	185,870	183,562	183,215	100,280	97,760	97,110
Domestic Use	125,738	126,250	125,265	84,321	83,760	85,010
Exports	952 G	712 F	950 F	3,559 G	4,800 F	3,800 F
Closing Stocks	59,180 F	56,600 F	57,000 F	12,400 F	9,200 F	8,300 F

	PAKISTAN 2/ (Nov./Oct.)			THAILAND 2/ (Nov./Oct.)		
	2003/2004	2004/2005	2005/2006	2003/2004	2004/2005	2005/2006
		prelim.	f'cast		prelim.	f'cast
	(..... thousand tonnes .....)			(..... thousand tonnes .....)		
Opening Stocks	370 F	600 F	300 F	3,566 G	3,200 F	3,800 F
Production 1/	4,848 G	5,025 G	5,136 G	19,512 G	18,892 G	19,804 G
Imports	1 F	1 F	1 F	1 G	8 G	1 F
Total Supply	5,219	5,626	5,437	23,079	22,100	23,605
Domestic Use	2,729	2,326	2,537	9,765	10,763	11,305
Exports	1,890 G	3,000 F	2,500 F	10,114 G	7,537 G	7,800 F
Closing Stocks	600 F	300 F	400 F	3,200 F	3,800 F	4,500 F

	UNITED STATES 4/ (Aug./Jul.)			VIET NAM 2/ (Nov./Oct.)		
	2003/2004	2004/2005	2005/2006	2003/2004	2004/2005	2005/2006
		prelim.	f'cast		prelim.	f'cast
	(..... thousand tonnes .....)			(..... thousand tonnes .....)		
Opening Stocks	829 G	761 G	1,210 G	4,900 F	4,900 F	4,700 F
Production 1/	6,419 G	7,463 G	7,088 G	23,057 G	24,112 G	23,872 G
Imports	482 G	424 G	460 G	14 F	14 F	14 F
Total Supply	7,730	8,648	8,758	27,971	29,026	28,586
Domestic Use	3,658	3,896	4,042	19,016	19,126	19,236
Exports	3,311 G	3,542 G	3,747 G	4,055 G	5,200 G	5,200 F
Closing Stocks	761 G	1,210 G	969 G	4,900 F	4,700 F	4,150 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.