December 2006

Volume IX - Issue No. 4

FAO Rice Market Monitor
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ROUND-UP

- Prospects for **world paddy production in 2006** have deteriorated, reflecting a bleaker outlook for crops in Asia which were affected by persistent drought problems, monsoon floods and, since September, by a series of typhoons. Insects and diseases were also reported to have caused extensive losses. Based on the latest FAO forecast of 631 million tonnes, global paddy production would decline by 1 million tonnes compared with 2005.

- In **Asia** virtually no growth in paddy production is now forecast. However, in **Asia** larger crops are expected in Bangladesh, Cambodia, Indonesia, the Islamic Republic of Iran, Myanmar, the Philippines and Viet Nam. By contrast, setbacks may depress production in India, Japan, the Democratic Republic of Korea, the Republic of Korea, Malaysia, Nepal and Thailand. In **Africa**, paddy output is expected to rise, sustained by favourable growing conditions in most countries, higher prices and renewed efforts to revitalize the sector. Growth would be mainly on account of gains in Egypt, Madagascar, Malawi, Nigeria and Tanzania, while production could fall in Côte d'Ivoire, Chad and Mauritania.

- In **Central America and the Caribbean**, production may grow by close to 9 percent, driven by a recovery in Cuba and the Dominican Republic and continued expansion in Mexico. However, it may fall in Nicaragua and Panama. Overall production in **South America** is now estimated to have contracted by 6.5 percent, mainly on account of Brazil and Peru, while most of the other countries recorded an increase. Preliminary prospects for production in 2007 point to a further decline, as drought constrained plantings in the region. **In the rest of the world**, production in 2006 is set to expand in Australia and the Russian Federation while a decline is anticipated in the EU and the United States.

- According to the latest FAO forecast, **international rice trade in 2006** may reach 28.6 million tonnes, 1.2 million tonnes below the estimate for 2005. Virtually all the drop would stems from a weakening of import demand in Africa, in particular Nigeria. However, Bangladesh, Cambodia, Japan, the Democratic of Korea, the Philippines and the United Arab Emirates are also estimated to cut their imports substantially. By contrast, shipments to China, Brazil, the EU, Indonesia, Iraq, the Republic of Korea, Saudi Arabia, Turkey, and the United States are expected to be larger. On the export side, India, the Republic of Korea, Myanmar and Viet Nam would account for much of the trade decline.

- **World trade in rice in 2007** is now forecast at 28.9 million tonnes, 800 000 tonnes more than first anticipated and slightly larger than currently expected for trade in 2006. In Asia, Malaysia, Nepal and Viet Nam may need to take more to compensate for shorter domestic supplies, while Bangladesh, the Islamic Republic of Iran, the Democratic Republic of Korea and the Philippines may import less. In Africa, larger consignments to Côte d'Ivoire and Tanzania would help compensate for a fall in Nigeria, where the government has again announced the imposition of an import ban. In the rest of the World, Brazil, Colombia, Costa Rica and Mexico are expected to purchase more rice in 2007, while the recovery in output in Cuba may help it cut imports. In the rest of the world, Australia is likely to purchase more in 2007. This would also be the case of the EU, mainly because of the accession of Bulgaria and Romania as of January. Much of the expected growth in trade next year would be sustained by larger exports from Thailand, drawing from its large public stocks. Good crops should also allow Cambodia, Egypt and Pakistan to export more. By contrast, supply constraints in Australia, India, the United States and Viet Nam are anticipated to depress their deliveries.

- **World rice inventories** at the close of seasons in 2007 are now set to be cut to less than 105 million tonnes, about 400 000 tonnes below their opening level, reversing previous expectations of a stock rebuilding. Among traditional exporters, Cambodia, Mainland China, India, Myanmar and Viet Nam may end their seasons with larger inventories, while these might fall in Thailand and the United States. Among importers, reserves in Bangladesh, Brazil, Indonesia, Japan, and Democratic Republic of Korea are expected to be cut in light of the poor production outcomes and limited imports. The fall in stocks would depress the world stocks-to-utilization ratio to 24.7 in 2007, from 25.0 in 2006.

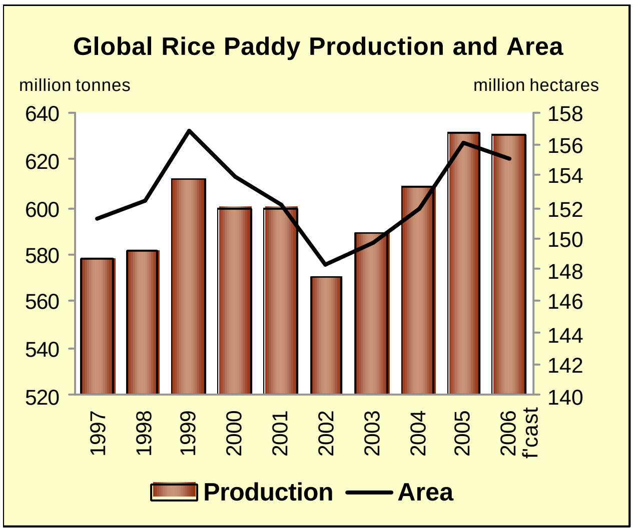
- **International rice prices** have remained generally firm since September despite the arrival of freshly harvested rice in several exporting countries. Export prices strengthened in Egypt, India, Viet Nam and the United States, while they weakened in Pakistan and temporarily also in Thailand. The various movements were reflected in the FAO All Rice Price Index, which was valued at 111 in October, unchanged from September, and at 113 in November. The index has continued rising in the first week of December, when it reached 114. Because secondary crops in the northern hemisphere countries are not due for harvest before February or March next year, prices are expected to remain firm until then. As world prices are expressed in US dollar, the current weakness of the US currency may further deepen the tendency for international rice prices to rise.

Rice situation update as of 12 December 2006

I. PRODUCTION

World paddy production likely to stagnate in 2006, as adverse crop growing conditions prevail

Prospects for global paddy production in 2006 have deteriorated in recent months, mainly reflecting a bleaker outlook for crops in Asia where several countries have been affected by persistent drought problems early in the season, by monsoon floods in August and, since September, by a series of typhoons. Insects and diseases also were also reported to have caused extensive losses. Based on the latest FAO forecasts, 2006 global paddy production might slightly fall to 631 million tonnes, 4.4 million tonnes lower than previously anticipated.



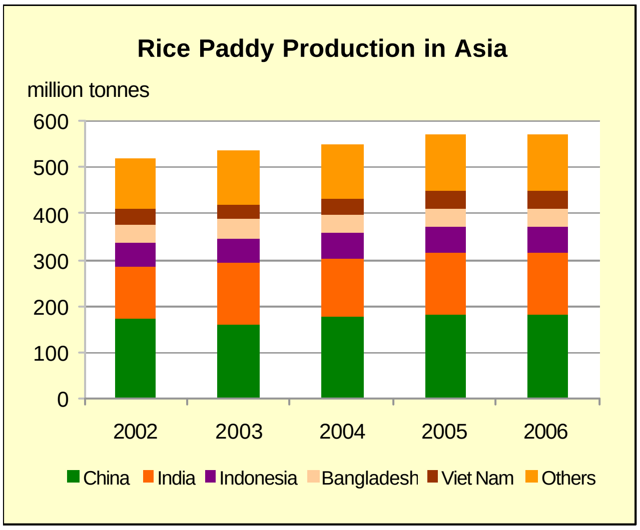
The major downward revisions to the 2006 production forecasts, compared with last issue, concerned India (-5.0 million tonnes), Indonesia (- 91 000 tonnes), Malaysia (-200 000 tonnes), the Philippines (- 200 000 tonnes), Thailand (-900 000 tonnes), Viet Nam (- 505 000 tonnes), Chad (-28 400 tonnes), Cote D'Ivoire (- 50 000 tonnes), Mauritania (- 41 500 tonnes), Uganda (- 20 000 tonnes), Costa Rica (- 50 000 tonnes) and Nicaragua (- 30 000 tonnes). By contrast, production prospects improved in the case of China (+ 740 000 tonnes), the Islamic Republic of Iran (+ 200 000 tonnes), Japan (+ 271 000 tonnes), Myanmar (+ 400 000 tonnes), Pakistan (+ 296 000 tonnes), Egypt (+ 328 000 tonnes), Tanzania (+ 306 000 tonnes), the Dominican Republic (+ 32 000 tonnes), Paraguay (+ 21 000 tonnes) and Venezuela (+ 40 000 tonnes).

A. Asia

Paddy production in Asia likely to stagnate in 2006 as prospects deteriorate in several major producing countries

Production in Asia, which accounts for 90 percent of the world total, is now forecast to reach 571 million tonnes, only 200 000 tonnes less than last season, but well below the earlier expectation of 575.7 million tonnes. The deterioration was mainly on account of **India**, although the final outcome of the season in the country is still subject to much uncertainty, with contrasting information flowing from various sources. As the season progresses, prospects for crops in **Indonesia**, **Malaysia, the Philippines, Thailand** and **Viet Nam** have also deteriorated. By contrast, forecasts were upgraded for **Mainland China, the Islamic Republic of Iran, Japan, Myanmar** and **Pakistan**.

Paddy crops in Asia have been negatively affected this season by typhoons, floods, drought and insect attacks. As a result, virtually no growth in paddy production is now forecast in 2006 in the region as a whole. Several countries, however, are likely to harvest larger crops compared with the previous season, in particular **Bangladesh**, where heavy rainfall in August brought relief to the main crop, but also **Cambodia, Indonesia, the Islamic Republic of Iran, Myanmar, the Philippines** and **Viet Nam**. By contrast, several setbacks are likely to depress production in **India, Japan, the Democratic Republic of Korea, the Republic of Korea, Malaysia, Nepal** and **Thailand**.



Although above normal temperatures and low rainfall earlier this season have constrained cereal crops in **Afghanistan**, government expectations for paddy crops, which are grown under irrigation, have remained buoyant at 540 000 tonnes, almost 11 percent more than the 487 000 tonnes harvested in 2005.

In **Bangladesh,** prospects for the main Aman crop were rather subdued by the end of August, as rainfall over the monsoon period, which runs from 1 June to 31 August, had been 24 percent below normal. Fears were allayed in September, when heavy rainfall brought floods but also relief to the rainfed Aman crop that will be harvest in November/December. The intense precipitation also lifted expectations on the irrigated Boro crop, planted between December and February, by increasing the availability of water underground and in reservoirs. As a result, prior expectations that the paddy harvest would reach 41 million tonnes (equivalent to 27.3 million tonnes of milled rice) have been retained. Although this would mean a yearly increase of about 3 percent, the current paddy production forecast remains short of the ambitious 44 million tonne government target.

Excellent crop prospects in **Cambodia** were recently confirmed by the Government, which estimated plantings over the main, wet season, crop to have risen by some 11 percent to 2.185 million hectares. As a result, the Government is now backing FAO's 6.5 million tonne production forecast, a slight increase from the excellent 2005 performance.

In its October Grain Report, the China National Grain & Oils Information Centre revised slightly upward its forecast for **China's (mainland)** paddy production, which, however, remains rather downbeat. According to the organization, the season may end with an output of 180.7 million tonnes, virtually unchanged from last year. This result is based on expectations of an 11 percent increase in the late-rice crop, which would just be sufficient to offset the drop in the main intermediate crop, after this was negatively affected by drought and pest disease problems. In July, it was confirmed that government purchases of Japonica and Indica rice at minimum producer prices would be opened from 10 November 2006 to 28 February 2007 in the provinces of Jilin and Heilongjiang and from 16 September 2006 to 31 December 2006 in the provinces of Anhui, Jiangxi, Hubei, Hunan and Sichuan. Protective prices were maintained at Yuan 1440 per tonne for late and intermediate long grain, non-glutinous rice and at Yuan 1500 per tonne for Japonica round grain. In the rest of the country, provincial governments are free to decide whether to procure rice at the minimum "protective" prices.

In March 2006, the 2006-2011 Five Year Plan was presented at the China's National People's Congress. The Plan outlines important objectives for the cereal sector, including the adoption of a development strategy aimed at raising the value of the final products and the full utilization of the by-products. The strategy would imply investing in large-scale rice processing enterprises, with the capacity to handle up to 300 000 tonnes of rice per year. The country is also poised to develop new "super rice" hybrids and to sustain their dissemination to cover some 30 percent of total area by 2010. The objective is to compensate for an on-going reduction of the area planted through productivity gains. The Government also announced it would launch the second National Agriculture Survey in 2007, to help set the bases for a revitalization of the agriculture sector. The first National Agriculture Survey was conducted in 1997.

Last October, **the Chinese Province of Taiwan** announced a major overhaul of its rice price guarantee system, which was operational for the last 30 years, to be implemented in 2009. The blue print considers replacing the system with decoupled, direct payments to producers, supplemented with variable payments based on a target price. The programme envisages a progressive reduction of government direct rice purchases to 200 000 tonnes, 150 000 tonnes and 100 000 tonnes over the first three years of implementation. The gradual disengagement of the public sector would be associated with a greater involvement of the private sector in local purchases, through public biddings, establishment and administration of rice stocks. The Province's Council of Agriculture, which carries out activities to promote domestic rice consumption, reported a small increase in per caput rice intake in 2005. The move has raised the question on whether the long-lasting tendency for rice consumption to fall has bottomed out, opening the way to a new phase of stabilization or even recovery in per caput rice demand.

FAO's outlook for production in **India** has worsened since the issuance of last report, as the erratic monsoon rainfall pattern and a slight contraction in plantings are believed to have negatively affected the main, Kharif, paddy crop. Although the Indian Department of Meteorology reported a national average precipitation from 1 June to 30 September of close to 99% of its long-range average, it also indicated that the distribution of the rainfall in time was irregular, with serious delays in the arrival of the rains in June. Spatially, out the four regional demarcations, only central India received above average precipitation, while the Northwest, Northeast and South Peninsula witnessed a shortfall. Particularly affected by the rain deficiency were the important rice-producing states of Assam, Tamil Nadu and Uttar Pradesh, while rainfall was above average in Orissa. As a result, FAO anticipates a severe decline in output over the main paddy crop, but it is noteworthy that this could still be subject to major revisions as more information becomes available.

India: Geographical distribution of the 2006 south-west monsoon rains			
Region	Actual (mm)	Normal (mm)	% Departure
All-India	886.6	892.2	-1%
Northwest (NW) India	573.7	611.6	-6%
Central India	1152.2	993.9	16%
South peninsula	684.6	722.6	-5%
North east (NE) India	1177.6	1427.3	-17%
Source: India Meteorological Department – 1 June to 30 September 2006			

All-India: Monthly distribution of 2006 monsoon rainfall - Departure from long range average	
June	-13%
July	-2%
August	+5%
September	-1%
Source: India Meteorological Department – 1 June to 30 September 2006	

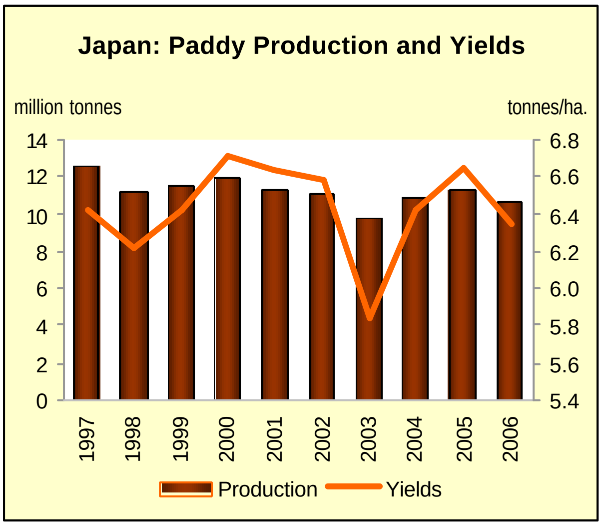
Although high prices will sustain rice cultivation over the secondary, Rabi, crop, India is now expected to harvest an overall 135 million tonnes of paddy (around 90 million tonnes of milled rice) from its Kharif and Rabi crops, five million tonnes less than previously foreseen and 1.6 million tonnes (1.2 percent) below the 2005 excellent performance.

In June, a Government Planning Commission released a draft "11th Year Development Plan", covering the period 2007/08 - 2011/2012. Of particular relevance to the Indian agricultural sector is the call for a second green revolution, to help reverse the slowing pace of expansion of the sector to reach a 4 percent annual growth rate[1].

Indonesia's forecast for paddy production this season has been lowered slightly by the authorities and now stands at 54.66 million tonnes, 1 percent above the 54.15 million tonnes harvested last year. Production has stagnated around 54 million tonnes since 2004, despite efforts by the Government to boost the sector. As planting of the 2007 main paddy crop is already underway, the Minister of Agriculture already announced an ambitious 5 percent growth target for next season, which would imply a level of output in the order of 57.4 million tonnes.

The **Islamic Republic of Iran** also reported to have gathered a bumper rice crop now estimated in the order of 3.6 million tonnes of paddy (about 2.3 million tonnes in milled terms), a new record for the country.

[1] The annual rate of agricultural growth is reported to have slowed down from a 3.2 percent over the 1980 to 1996 period to 1.5 percent in subsequent years.



The official husked rice production forecast in **Japan** has been raised slightly to 8.547 million tonnes from last report, equivalent to some 10.7 million tonnes of paddy. This would imply a drop of almost 6 percent from the excellent 2005 harvest. The rather subdued outcome was imputed principally to a lack of sunshine early after planting, which ultimately depressed yields. The country is preparing for the implementation of a new agricultural reform, aimed at improving the competitiveness of the sector. Under the proposal, which still has to be formally approved by the Parliament in December, some 193.9 billion (US$ 1.644 billion) have been earmarked for the rice sector in 2007. The Government has also established a new husked rice production target for 2007 at 8.280 million tonnes, which is 50 000 tonnes lower than the target for 2006. In paddy terms, the production target in 2007 would amount to some 10.350 million tonnes.

As the 2006 crop is fully harvested, the official **Republic of Korea's** milled- based production estimate has been raised slightly to 4.680 million tonnes, equivalent to 6.324 million tonnes of paddy. This would entail a 1.7 percent retrenchment from the 2005 outcome, largely attributed to a contraction in plantings but also to excessive rains and reduced application of fertilizers. Similar to Japan, the Republic of Korea is promoting the modernization of rice processing and other measures to enhance the quality of the local rice through the provision of Won 7.2 billion (US$ 7.8 million). The programme includes assistance to eight cities and counties to develop their own rice brands. The initiative should be viewed against the backdrop of a growing competition from imported rice, which has been available for retail sale since the beginning of 2006. In addition, the Government announced in October, it would again raise the budget allocation to the Direct Payment Programme for Rice Income Compensation, from Won 1.942 trillion in 2006 to Won 2.420 trillion (US$ 2.6 billion) in 2007[2]. The programme comprises a fixed direct payment per hectare to farmers, based on the rice area they cultivated in 1998-2001, which was set at Won 700 000 (US$ 758) per hectare in 2006, Won 100 000 per hectare more than in 2005. In addition, rice producers are eligible to a variable direct payment, to cover 85 percent of the difference between the national average market price and a target price, minus the fixed direct payment. It is still too early to know the average level of market prices that will determine the variable direct payment in 2006[3]. In 2005, the national market prices averaged Won 1,750,000 (US$ 1,893) per tonne, which, combined with a target price of Won 2,126,000 (US$ 2,300) per tonne in 2005, 2006 and 2007 and a fixed direct payment per tonne of Won 123,000 (US$ 124) **per tonne**, gave rise to a variable direct payment of Won 196,000 (US$ 212) per tonne in 2005.

Prospects for 2006 production in the **Democratic Republic** point to a much less buoyant outcome than last year, as the country was affected by flood problems. This is likely to raise serious food

[2] In 2005, Won 1.600 trillion were allocated to the Programme.
[3] All prices in this section are given on a milled rice basis.

supply problems since imports are foreseen to be much smaller than last year, reflecting the suspension or cut back of external assistance to the country.

The 2006 production outlook was also downgraded in **Malaysia**, reflecting excessive rainfall in October that caused losses to the secondary paddy crop. FAO currently forecasts the country to harvest 2 million tonnes this season, around 10 percent less than in 2005. Nonetheless, the Government has reiterated its intention to promote rice production, with the goal to satisfy 90 percent of domestic needs, much higher than the 65-70 percent currently achieved. With that endeavour, the Ministry of Agriculture was reported to have proposed an increase in the guaranteed minimum price from RM 550 to RM 650 (US$ 178.6) per tonne of paddy, which would be supplemented with a RM 240 (US$ 66) per hectare, per season, to foster a greater use of fertilizers and weed killers.

Myanmar has also engaged in an expansionary rice production policy, which, unlike in other countries, relies principally on an extension of the area rather than on productivity gains. According to the Government, the country gathered 25.1 million tonnes of paddy in 2005, higher than FAO's estimate of 24.5 million tonnes. As a result, FAO has also revised upward its production forecast for the current year to 25.2 million tonnes. Over the past several months, rice consumer prices were reported to have surged by 30 percent. In response, the government is said to have established three commodity price control committees, representing the Central, upper and lower regions, which ought to collaborate to stabilize basic food and non-food product prices. One measure to keep the retail price of rice under control was the establishment of special shops that offer cheap rice to low-income earners, which had reached 100 units by early September. In December, the country also lifted the restriction on inter-state rice movements that had been in place from August to November.

Severe drought-induced paddy losses were confirmed in **Nepal**, which is now foreseen to end the season with a 12 percent contraction in production to 3.7 million tonnes. In August, the Government launched a Rupees 200 million (US$ 2.9 million) package to bring relief to drought-affected livestock and winter crop producers.

By contrast, the outlook for paddy production in **Pakistan** has improved since the last report and now stands at 8.4 million tonnes (5.6 million tonnes, milled basis, of which 2.0 million tonne correspond to Basmati), only 1 percent more than last season but the fifth consecutive year of gains. Indeed, a 10 percent loss caused by excessive rainfall in the lower Sindh was reported to have been compensated by increases in both IRRI and basmati rice produced in the Punjab. The arrival of new supplies in October, however, have caused producer prices to fall, prompting requests for a reactivation of the system of guarantee rice prices, through government purchases. Last July, the largely indicative official prices of IRRI-6 paddy were raised to Rupees 306 per 40 kg in 2006, equivalent to some Rupees 7 650 (US$ 127.4) per tonne.

In **the Philippines,** the outlook for paddy production over the 2006 season (July 2006 – June 2007) has been revised downward by 200 000 tonnes to 15.3 million tonnes, because of a succession of typhoons, floods and plant diseases that have affected the country since July. Despite the revision, the new forecast still represents a 1.3 percent increase from last season. The adjustment follows less buoyant expectations over the size of the crops harvested from July to December, because of damage from typhoon Xangsane, which hit provinces around Manila in September, and typhoon Cimaron, which battered the major rice growing northern areas in November. If confirmed, this would be the fourth consecutive years the country would witness gains in paddy production, mainly driven by improvements in yields. One mainstay of government production expansionary drive has been the dissemination, since 2003, of high performing hybrid seeds, supported by the provision of price subsidies[4]. The hybrid dissemination programme, which is to be terminated in 2007, has been rather controversial, with some farmers reportedly disappointed by the performance of the hybrid rice varieties. The Government, on the other hand, claims surveys have shown that farmers would continue using hybrids even in absence of subsidies.

In **Sri Lanka**, paddy production in 2006 has been confirmed to surpass the record level of last season, with almost 3.3 million tonnes harvested from both the Maha and Yala crops. The very high level of output for the second year in a row has given rise to large surpluses, which have depressed producer prices and caused storage bottlenecks.

Sri Lanka – Rice Paddy Production by Crop (thousand tonnes)

	2002/03	2003/04	2004/05	2005/06	2006/07
Maha season	1,774	1,895	1,670	2,013	2,136
Yala season	1,086	1,176	958	1,233	1,157
Total	**2,860**	**3,071**	**2,628**	**3,246**	**3,293**

Source: Department of Census and Statistics – Sri Lanka.

By contrast, in **Thailand**, drought in the Northeast and floods in the North, Central and Southern regions have dampened expectations over production this season, the main crop of which started being harvested in November. Following reports that more half a million hectares of paddy had been severely damaged, FAO has downgraded its production forecast from 30.6 million tonnes to 29.7 million tonnes. On the policy front, the interim Government, formed after the military coup in September, announced that the intervention paddy programme for the 2006/07 season would cover 9 million tonnes from the main crop, unchanged from the previous season, with procurement limited to paddy rice. Procurement prices, however, were lowered by around 8 percent compared with the 2005/06 high levels.

Thailand – Intervention Prices for Paddy Rice (Main Crop)

	5% Broken		100% B	
	(Baht/tonne)	(US$/tonne)	(Baht/tonne)	(US$/tonne)
2001	5 235	119	5 330	122
2002	5 235	121	5 330	123
2003	5 235	132	5 330	134
2004	6 500	166	6 600	168
2005	7 000	170	7 100	173
2006	6 400	179	6 500	182

Source: Thai Rice Policy Committee.

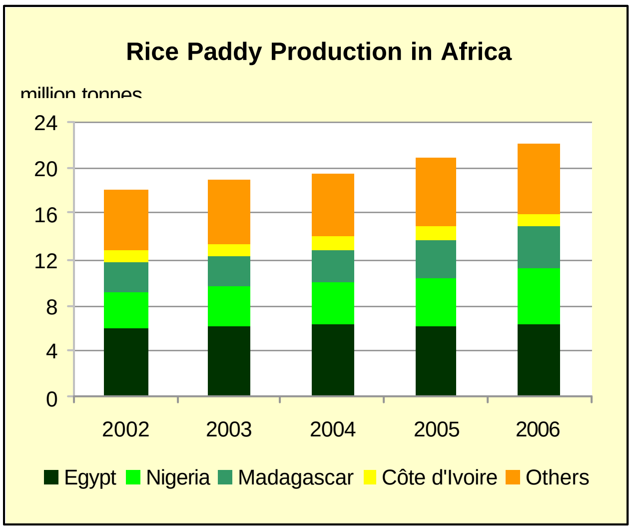
[4] Hybrid seeds were reported to be priced more than twice as much as normal certified seeds.

The Government of **Viet Nam** recently confirmed that the setbacks that were affecting crops in the past few months had caused serious damage. As a result, 2006 production is now forecast by the government at 36.2 million tonnes, somewhat lower than the previous from 36.7 million tonnes FAO forecast still slightly above the 35.8 million tonnes harvested in 2005. Part of the crop losses stemmed from infestation from the brown plant hopper in central and southern provinces.

B. Africa

Positive prospects for paddy crops in 2006 confirmed

The 2006 paddy season is approaching its end in Africa, as most crops are at the harvest stage in the western and northern parts of the region, while, south of the equatorial line, countries are already looking forward to the 2007 paddy crops, which are normally planted in November/December. Overall the region is now expected to gather some 22 million tonnes in 2006, half a million tonnes more than previously anticipated, and 1.3 million tonnes above output in 2005. Much of the growth reflects favourable growing conditions in most countries, higher prices and government renewed efforts to revitalize the sector.



The upgrading of output in the region from the previous review reflects more buoyant forecasts for **Egypt** and **Tanzania**, while prospects deteriorated for the **Chad, Côte d'Ivoire, Mauritania** and **Uganda**. Compared with 2005, the expected growth this season would be mainly on account of large gains in **Egypt, Madagascar, Malawi, Nigeria and Tanzania**, while production could fall in **Côte d'Ivoire, Chad** and **Mauritania**.

In ***Northern Africa***, the outlook for rice production has improved, following the release of new forecasts for **Egypt** indicating an increase in plantings compared with 2005. According to the Ministry of Agriculture and Land Reclamation, around 669 100 hectares were put under rice this season, 9 percent more than last year, confirming private traders' anticipation of an expansion. As a result, FAO has raised its forecast for production in the country to 6.5 million tonnes, 7 percent above last year official output estimate.

A few ***Western African*** countries are still engaged in harvesting, but most have already concluded the season. To review the 2006/07 crop outlooks and their implications for the food situation in Western Africa and the Sahel, a regional meeting was convened from 26 to 28 September in Mindelo, Cap Vert. The conference concluded that, despite a faltering start of the rains in the sub-region and some damage to crops caused by floods in **Burkina Faso, Chad, Mali** and **Niger**, growing conditions have been generally favourable, with good crops expected in most countries. In addition, the phytosanitary situation was generally satisfactory, with a limited risk of locust attacks.

In **Mali**, some 950 000 tonnes are now expected to be harvested, slightly more than last year. Favourable growing conditions and continued support from the Government could boost production in **Nigeria** to 4.8 million tonnes, up from 4.2 million tonnes last year. This would be the fifth consecutive year of expansion, a sign that the country's efforts to achieve rice self-sufficiency in rice are bearing fruit. The sector has benefited from subsidies on seeds and fertilizers, combined with strong border protection against imports. The production outlook is also positive in **Senegal**, which benefited from favourable weather and of a low incidence of pests and diseases. As a result, the country is expected to gather about 300 000 tonnes of paddy, 3.7 percent more than in 2005. Nonetheless, a 28 percent contraction in paddy production is currently forecast in **Chad**, to 106.6 thousand tonnes, mainly reflecting a 26 percent drop of plantings, caused by floods in the southern part of the country. In **Côte d'Ivoire**, the pattern of the rainfall this season was better than last year in several rice-growing regions but scant precipitation in August in Guiglio and Duekoue negatively affected rice crops. As a result, the country is now expected to harvest 1.1 million tonnes, about 4 percent less than in 2005. Production is anticipated to decline more sharply in **Mauritania**, following an erratic rainfall and damage from insects, with the Government predicting a 35 percent drop from last season to 58.5 thousand tonnes.

In ***Southern Africa***, goods rains and improved access to fertilizers and seeds through input subsidy programmes targeted to small producers also raised prospects of rice production in **Malawi,** now officially forecast at 91.5 thousand tonnes, more than twice the dismal 41.3 thousand tonnes harvested in 2005. **Madagascar** also gathered a bumper crop in 2006, estimated by FAO at 3.5 million tonnes or 2 percent larger than in 2005.

In ***Eastern Africa***, output in **Kenya** is expected to recover from last season drought-induced decline. Paddy production in the country remains relatively modest, in the order of 40 000-50 000 tonnes, equivalent to some 25 000 – 33 000 tonnes of milled rice, much less than domestic consumption, estimated at some 260 000 tonnes. To respond to the growing domestic demand for rice, the African Development Bank was recently reported to have provided a grant to the country of Shilling 3.5 billion (US$ 50 million) to finance an irrigated rice project in the Nyanza Province. After a poor start of the rainy season, crop prospects greatly improved in **Tanzania,** where the Government is now forecasting production to rise by 20 percent to 784 000 tonnes, on a milled rice basis, equivalent to 1.2 million tonnes of paddy. Similarly, official estimates in **Uganda** point to a production gain of 11 percent to 170 000 tonnes, mainly resulting from an expansion of plantings.

C. Central America and the Caribbean

Large gains in Cuba, the Dominican Republic and Mexico expected to sustain a 9 percent production growth in Central America and the Caribbean in 2006

As of December, the critical hurricane period will be largely over in sub-region. This year, their incidence has been rather limited, especially if compared with 2005. The National Oceanic and Atmosphere Administration (NOAA) has associated the weak hurricane activity in the Atlantic to the strengthening of an El Niño phenomenon. According to this organization, as of September, there was a 55 percent chance of it turning into a moderate El Niño event in the coming months, the effects of which would also extend to the other continents.

The production outlook in the sub-region continues to be positive, but it has somewhat deteriorated from the previous issue of the Report, following downward revisions of forecasts in **Costa Rica** and **Nicaragua**, which more than offset more buoyant expectations for **the Dominican Republic**. At the current expected level of 2.5 million tonnes, paddy production in Central America and the Caribbean would be 8.8 percent higher than last year, with much of the increase driven by a recovery in **Cuba** and the **Dominican Republic** and a continued expansion in **Mexico**.

In **Costa Rica**, the Government is now anticipating production to fall to 200 000 tonnes, from 242 300 tonnes last year, reflecting the lack of precipitation, particularly in September, which depressed yields. The drought affected about 1500 hectares, especially in the North and Central Pacific Region. Rice is one of the few agricultural commodities in the country that are still subject to price controls. On 31 October, an increase of Colon 1000 per 73.6 kg bag (US$ 27.3 per tonne) in paddy producer prices was announced, which lifted them to some Colon 12 650 per bag (US$ 345 per tonne). In a parallel move, retail consumer prices are also to be raised by 6.69 percent as of January.

Prospects in **Cuba** continue to point to a strong recovery, as the country is expected to gather around 500 000 tonnes this year, an increase of 36 percent from last year. This reflects a return to a normal pattern of precipitation this season, after lingering drought problems for the past three years.

The Dominican Republic confirmed the expectation of a bumper 2006 crop, in view of the favourable weather conditions that have prevailed and a limited incidence of phytosanitary problems. The Government now foresees production to reach 732 000 tonnes, compared with 645 000 tonnes last year. Measures to reduce rice production costs are being promoted, in an attempt to prepare the sector to more intensive import competition from the United States under the CAFTA regional Agreement.

According to the latest official forecasts, production in **El Salvador** would also increase to 30.4 thousand tonnes, the highest level since 2001. Expectations for next year are positive, following the release of a new high yielding, short cycle (110 days to reach maturity), pyricularia resistant, rice variety, which also presents good marketing characteristics.

Little change in production is currently anticipated in **Honduras**, which last year, gathered 19.2 thousand tonnes. This season, the Government was reported to have supplied small producers, for the first time, with free fertilizers and seeds, through a “technological production bonus” programme, launched with the 2006-2010 Strategic Plan for the Development of the Food and Agricultural Sector. In October, an agreement was also reached between rice producer associations, representatives of the Industry and the Ministry of Agriculture to set the paddy price that will be paid to producers until June next year, at Lempiras 240 per quintal (US$ 288 per tonne).

The outlook for this season crop is favourable in **Mexico**, which is set to harvest some 330 000 tonnes, up from 286 900 tonnes in 2005.

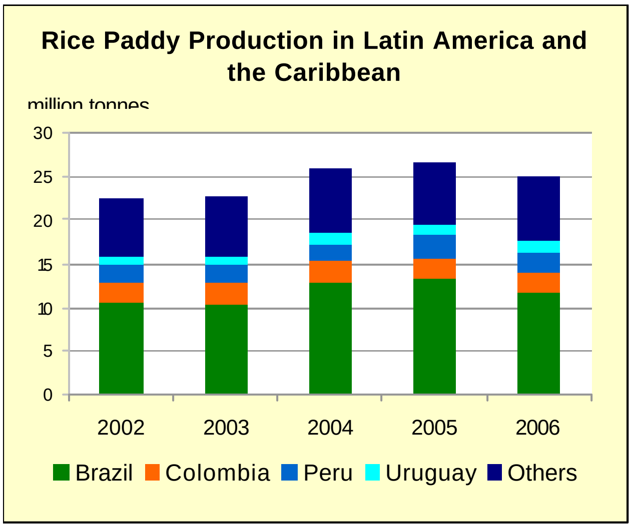
By contrast, an increased incidence of pests and diseases earlier this year and a lack of rainfall in September have marred prospects for production in **Nicaragua**. This is now forecast to reach 260 000 tonnes in 2006, 30 000 tonnes less than earlier anticipated and slightly below the level of 269 000 tonnes harvested in 2005.

In **Panama**, a persistent lack of rainfall in the Chiriqui Province, which supplies about 80 percent of the country's output, also impaired crops, with yield losses of up to 60 percent reported. As a result, the country is now forecast to harvest 230 000 tonnes, 15 percent less than last year, but prospects might be further downgraded should the drought linger and also affect the secondary paddy crop.

D. South America

Mixed results for crops in 2006 while planting for the new 2007 season is already underway

The 2006 paddy season is over in South America and planting of the main 2007 crops is well advanced in several countries. Based on the latest estimates, many of which already official, overall production in the region is now estimated at 22.5 million tonnes, 6.5 percent less than in 2005. Much of the decline reflects negative prospects in **Brazil**, the largest producer in the region.



Argentina confirmed a level of output from its 2006 paddy season of 1.175 million tonnes, which is 23 percent larger than in 2005. Excellent yields were the main factor behind the increase, as the area only rose by 5 percent. The Government is now foreseeing a 4 500 hectare increases in planting to 174 500 hectares in 2007, reflecting favourable price expectations by farmers. Dry weather, however, delayed plantings, which may have negative effects on yields.

Despite adverse seasonal conditions earlier this year, an expansion of rice cultivation is anticipated to boost production in **Bolivia** by 8.6 percent to 520 000 tonnes in 2006. However, a resulting slide in domestic prices may prompt a cut in plantings in the forthcoming 2007 season

In **Brazil**, production in 2006 has been gauged at 11.6 million tonnes, 12.5 percent less than in 2005. The contraction was the result of a 1 million hectare retrenchment from rice cultivation, driven by low prices in 2005, which was somewhat compensated by excellent yields. As for the 2007 paddy season, the third crop survey carried out by CONAB in November shows little change in the area, but a likely return to more normal, less favourable yields this season led CONAB to suggest a possible slide of output to 11.1 million tonnes.

Brazil Paddy Production by Region in 2007 (for Brazil: 2006/07 paddy season)				
	Area	Production	Production Change from last season	Yield
	000 ha	000 tonnes	%	tonnes/ha
Total	**2,976.2**	**11,067.5**	**-4.4**	**3.72**
North	487.1	1,109.5	9.4	2.28
Northeast	739.6	1,208.3	8.3	1.63
Centre-West	492.9	1,339.0	17.6	2.72
South East	115.7	275.6	-8.4	2.38
South	1,140.9	7,135.2	-10.9	6.25
Source: CONAB, Third Planting Intention Survey, Dec. 2006				

After harvesting an excellent rice crop in 2006, **Chile** may witness a small contraction in planting next season. According to farmer's planting intentions, as of September 2006, the area under rice could fall to 26.5 thousand hectares, compared with 28.0 thousand hectares in 2006, which may result in a small output contraction, unless further gains in yields can be achieved.

In **Ecuador**, forecast paddy production in 2006 remains at 1 365 000 tonnes, little changed from last year. The Ministry of Agriculture is currently supporting the constitution of a National Rice Council, open to paddy producers and millers. This type of rice organizations is rather common in the region. They have been instrumental in representing the sector in discussions with governments and in settling, through negotiation, diverging positions between producers and millers, for instance regarding the level of paddy prices to be paid each season.

Despite flooding problems at the beginning of the year, **Guyana's** Bureau of Statistics reported an increase of 3.9 percent in output gathered between January and June 2006, compared with the same period last year. As a result, FAO has slightly raised its forecast for the full season to 431 000 tonnes, up from 420 000 tonnes in 2005. In August 2006, the country announced the establishment of a financial facility, to provide working capital and facilitate investments to the rice sector. The project falls under a wider EU €24 million development project, shared with Suriname, which aims at enhancing the competitiveness of the rice industry in the two countries, as a means to smooth the impact of the lost value of Guyana and Suriname's preferential access to the EU market. This loss is associated to the reform of the EU import regime may be aggravated, as of 2009, by the granting of free access to the EU market to rice from least developed countries under the "Everything but Arms" Initiative.

Between January and September, **Peru** reported to have gathered 2.012 million tonnes of paddy, 66 000 tonnes less than in the first nine months of 2005, although the area harvested was larger in the current year. As a result, FAO continues to forecast a 2.7 percent decline in paddy production to 2.4 million tonnes this year, mainly reflecting less buoyant paddy yields, which, however, remain among the highest in the region at close to 7 tonnes per hectare. The Government recently released a plan to reduce rice cultivation in the country from the current 350 000 hectares to 285 000 hectares, through the imposition of ceilings on the area planted to rice, by department. The programme also introduces more stringent rules on the varieties of rice that can be cultivated in the eastern "Selva" departments.

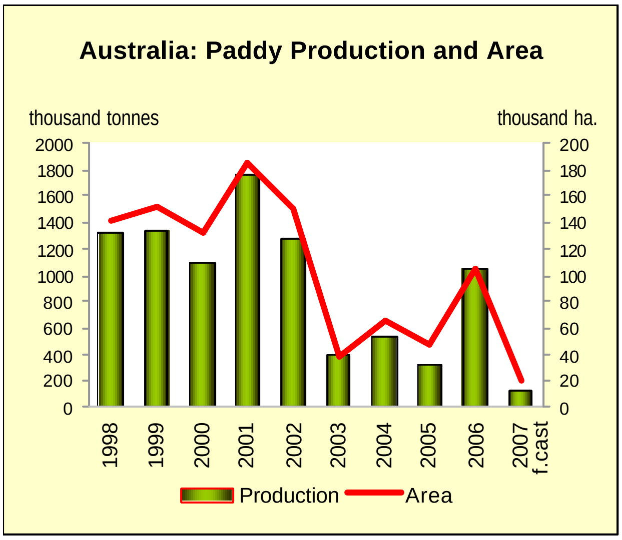
As of 30 October, the Ministry of Agriculture of **Paraguay** estimated irrigated paddy production in 2006 to have reached 126 000 tonnes, from 42 000 hectares, compared with 102 000 tonnes and 33 500 hectares, respectively, in 2005. Overall, paddy production (including both irrigated and rainfed) is set to reach 132 000 tonnes in 2006, 22 percent more than in 2005.

Despite a 2 percent decline in the area, **Uruguay** reported a level of production in the current season of 1.292 million tonnes, 6 percent more than last year, reflecting a 9 percent gain in yields to 7.3 tonnes per hectare. According to information released on 13 November 2006, land cultivated to rice in the coming 2007 season could fall by around 10 percent to 158 700 hectares, as lingering drought problems reduced the availability of water in reservoirs by up to 50 percent. Meanwhile, in October, producers and millers reached an agreement on paddy prices to be temporarily applied on rice from the 2006 season, at US$ 7.2 per 50 kg bag (US$144 per tonne). This price would be subject to revisions in December.

E. Rest of the world

Production in 2006 expands in Australia and the Russian Federation but may decline in the EU and the United States

Harvesting of paddy crops has been completed in the **United States**. According to the USDA Rice Outlook of 12 December, paddy production in the countries is estimated at 8.768 million tonnes, 1.3 million tonnes, or 13.4 percent less than in 2005. The contraction mainly reflected a cut in the area, attributed to adverse weather conditions, but also to rising fuel and fertilizer prices and difficult access to loans.



After the strong recovery that brought production in 2006 back to a level of 1.05 million tonnes, **Australia** is again daunted by a severe lack of precipitation, which is likely to constrain production next season. As the crop was due for planting in October, reduced water allocations are already foreseen to lead to a cut in plantings from 105 000 hectares for the current 2006 season to 20 000 next year, possibly resulting in a 88 percent drop of output to some 126 000 tonnes. The recurrence of droughts in the country is seen as a threat to the rice sector, because of the large water requirements of the crop. To encourage producers to keep up with rice cultivation, SunRice, the Australia rice processing and marketing company, was reported to have guaranteed producers a price of US$ 320 per tonne for their rice.

Production In the **EU** was also gauged to have fallen by 5.3 percent to some 2.55 million tonnes. All member countries except Portugal experienced a contraction, as extensive drought problems affected both plantings and yields.

By contrast, production in the **Russian Federation** is forecast to increase markedly this season, as Krasnodar, where the bulk of rice is cultivated, reported to have harvested some 630 000 tonnes, about 10 percent more than in 2005.

Likewise, **Ukraine** reported to have recorded this season an 8 percent increase in output, now estimated at 91 000 tonnes.

II. INTERNATIONAL TRADE IN RICE

A. Trade in 2006

The latest forecast for global rice trade in 2006 confirms a 1.2 million tonnes decline

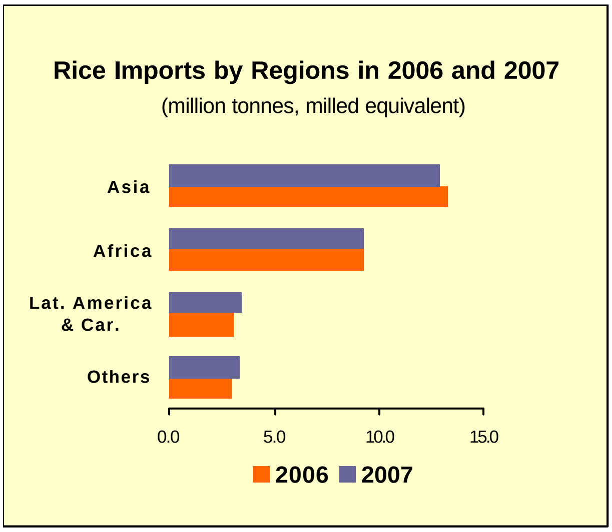
According to the latest FAO forecast, international rice trade in 2006 may reach 28.6 million tonnes, about 100 000 tonnes less than earlier anticipated and 1.2 million tonnes below the estimate for 2005. Since the last report, import forecasts have been raised for **Malaysia (+40 000 tonnes), Nepal (+20 000 tonnes), Viet Nam** (+ 116 000), **Libyan Arab Jamahiriya** (+ 40 000), **Mexico** (50 000), **Panama** (+15 000 tonnes), **the United States** (+75 000 tonnes), **Bulgaria** (+ 16 000), **EU** (+ 200 000), and **Romania** (+ 25 000) while they were revised downward in the case of the **Islamic Republic of Iran** (-100 000 tonnes), **the Democratic Republic of Korea** (-290 000 tonnes) and **Tanzania** (-150 000 tonnes). There were much fewer changes made to the 2006 export forecasts, the most significant of which corresponded to **India** (+200 000 tonnes), **the Republic of Korea** (-100 000 tonnes), **Thailand** (+ 200 000), **Viet Nam** (+150 000 tonnes) and **United States** (-200 000).

Rice imports in 2006

Much of the expected decline in trade in 2006 to stem from reduced imports by African countries

Virtually all of the anticipated drop in trade in 2006 would stem from a weakening of import demand in Africa, where relatively good crops in 2005, reduced the dependence on external supplies. However, to a large extent, the drop was also driven by a new awareness by governments of the need to protect their country's rice sector. The new stance was championed by Nigeria, but other countries in the region, especially in Western Africa appear to be following suit. Half of the expected 1 million tonne drop in rice imports to the region would stem from lower deliveries to **Nigeria**, which is expected to take 1.8 million tonnes of rice this year, down from 2.3 million tonnes in 2005. While, in 2005, the government had granted special licenses to let unhusked rice to be brought in at a preferential 50 percent duty, half the rate imposed on milled rice[5], the concession has not renewed in 2006. More modest but widespread declines are foreseen across the region, with cuts varying from 50 000 to 100 000 tonnes in **Cote d'Ivoire, Guinea, Madagascar, Senegal** and **Tanzania.**

[5] In addition, since March 2005, imports have been subject to a minimum price for the import duty calculation purpose, at US$ 365 per tonne for milled rice originating from Thailand and at US$ 335 per tonne if originating from India.



Import forecast for **Asian countries** as a whole still point to a small increase compared with 2005. This would mask more significant changes at the individual country level. For instance, **Bangladesh**, **Cambodia, Japan, the Democratic of Korea, the Philippines** and **the United Arab Emirates** are estimated to cut their imports substantially. On the other hand, shipments to **China, Indonesia, Iraq, the Republic of Korea, Saudi Arabia** and **Turkey** are expected to be significantly larger than in 2005. In most cases, the changes were consistent with the supply/demand situation faced by each individual country, but also reflected policy developments, as in the case of **Indonesia** and **Turkey**. The increase estimated for **Saudi Arabia** reflects an official forecast, while the decline in imports by the **United Arab Emirates** is drawn from shipments reported so far by major exporting countries. In the trail of the 2006 bumper harvest, the **Islamic Republic of Iran** temporarily banned imports of Basmati from Pakistan as of October 2006, for two months. In addition, tariffs on private sector rice imports, which are channelled mainly through co-operatives at the border with Pakistan, were reported to have been raised from 4 percent to 70 percent. As a result, the country is now expected to buy 1.1 million tonnes of rice in 2006, 100 000 tonnes less than previously anticipated, but about the same level as in 2005. As for the **Democratic Republic of Korea**, imports are now foreseen to fall to some 200 000 tonnes, down from around 700 000 tonnes in 2005, mainly reflecting a reduction of food aid deliveries by major donor countries.

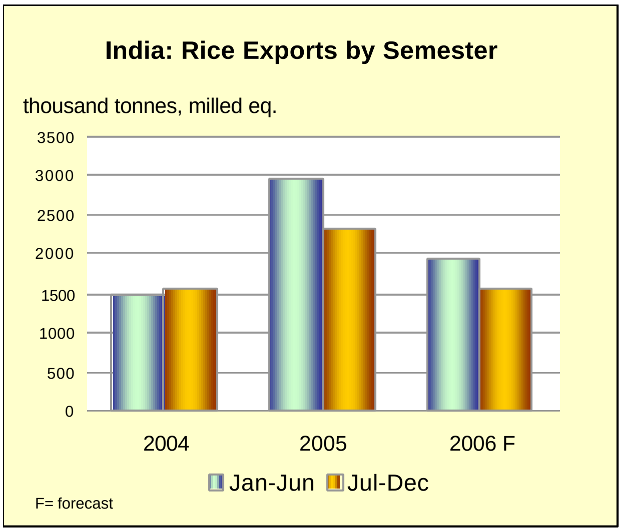
Overall imports by countries in ***Central America and the Caribbean*** may fall slightly in 2006, mainly on account of lower deliveries to **Mexico, Panama** and **the Dominican Republic.** Imports by ***South American countries*** are also expected to change little, as a 16 percent increase in purchases by **Brazil,** now forecast at some 600 000 tonnes, would be largely offset by a decline in **Chile**, **Peru** and **Venezuela**. **Peru** was even reported to have made large unrecorded border shipments to **Ecuador** and **Colombia**, although forecasts by the latter two countries indicate little change in imports compared with 2005.

In the ***rest of the world***, purchases by the **United States** are now anticipated to rise by 75 percent and reach 600 000 tonnes, largely a reflection of the high domestic prices prevailing in the country. Likewise, the **EU** is expected to record an increase from 780 000 tonnes in calendar 2005 to 1 million tonnes this year. Large purchases by **Romania** and **Bulgaria** in recent months, ahead of their accession to the EU as of 1 January 2007, have also bolstered their import forecasts in 2006, from 120 000 tonnes in 2005 to 130 000 tonnes this year and from 19 000 tonnes to 35 000 tonnes, respectively. By contrast, shipments to **the Russian Federation** are expected to fall by 19 percent to 315 000 tonnes, largely a reflection of larger output in 2005 and of the €70 per tonne fixed duty in place since last year. On 4 December, the government also stopped issuing import permits on rice from all origins, admittedly for health reasons, but announced it would reopen the trade through the Baltic Sea ports of Kaliningrad and St Petersburg, as well as Novorossiisk on the Black Sea. The production recovery in **Australia** in 2006 is also estimated to have cut its purchases from 100 000 tonnes in 2005 to 80 000 tonnes this year.

Rice Exports in 2006

India to account for much of the expected contraction in world exports in 2006

The latest FAO estimate for global rice exports in 2006 stands at 28.6 million tones, 1.2 million tonnes, or 4 percent less than the all time high reached in 2005. Much of the decline would be on account of **India**, which is now expected to ship 3.7 million tonnes, 200 000 tonnes more than previously anticipated but 1.3 million tonnes below its 2005 performance.



While shipments over the first half of the year fell behind the pace of the previous year, rising domestic paddy prices and large purchases by the Food Corporation of India in recent months are likely to have constrained sales further in the second part of the year. Reduced supplies, together with existing tensions with the neighbour Democratic Republic of Korea, are expected to result in a halving of shipments from the **Republic of Korea** compared with last year, to only 100 000 tonnes. **Myanmar's** export forecast was also cut to 100 000 tonnes, half the 2005 estimated level, reflecting the restrictions on rice movements enforced by the country. The ban imposed on 12 November by **Viet Nam** to avert a domestic supply shortage has brought sales from the country in December to a virtual standstill. As a result, exports by the country this year are now estimated to fall to 4.8 million tonnes, slightly less than previously expected and 350 000 tonnes short of the 2005 level. A landmark development for the country was the approval, on 7 November, by the WTO of Viet Nam membership to the Organization, after 11 years of negotiations. The agreement was ratified by Viet Nam on 28 November. Viet Nam is the 150th country to join WTO.

Prospects for exports by **Thailand** in 2006 have improved, especially since the retrenchment of Viet Nam. Thailand is now expected to deliver 7.7 million tonnes to the international market, 2.2 percent above 2005 and 200 000 tonnes more than last anticipated. The forecast was raised to reflect the volumes actually exported between January and October, which were 1.6 percent larger than in the 2005 corresponding period, and prospects for reduced competition from rival exporters since November. In addition, the recent announcement by the new Government of bi-monthly releases of rice stocks through tenders will also contribute to ease the supply situation in the country, although the effects are likely to be felt more markedly in the course of 2007. Export prospects continue to be positive for **mainland China,** which is anticipated to ship 1.1 million tonnes in 2006, 400 000 tonnes more than last year, some of which may take the form of food aid, and for **Cambodia**, where relatively large domestic supplies are fostering an outflow of rice to Viet Nam. The outlook for exports by **Pakistan** remains unchanged at 3.5 million tonnes, about the same high level as in 2005.

Outside of Asia, **Egypt** lifted on 1st October the ban on milled rice exports it had introduced on 1st July. Although restrictions on husked rice exports continued to apply, these are unlikely to affect the country's shipments significantly because the bulk consists of milled and broken rice. According to FAO's forecast, the country is anticipated to dispatch about 1 million tonnes this year, 100 000 tonnes less than last year, reflecting relatively high domestic prices.

In ***South America***, strong demand from Brazil and Chile but also from countries in the Near East and the EU have bolstered sales by **Argentina** and **Uruguay** over the last quarter. As a result, **Argentina** is now expected to export 430 000 tonnes this year, compared with 342 000 tonnes last year, while **Uruguay** may ship 760 000 tonnes, up from 723 000 tonnes in 2005. Part of the renewed demand for export to the EU stemmed from the imposition of stringent testing requirements imposed on rice from the United States following the finding of GM rice traces in US shipments, which encouraged EU traders to look for alternative sources.

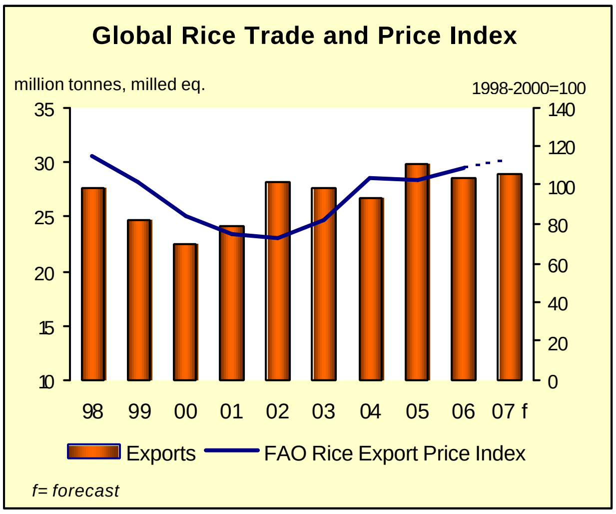
Among the other major exporters, the **United States** is foreseen to cut its shipments abroad by 9 percent to 3.5 million tonnes, reflecting less competitive export prices and, since September, the imposition of testing requirements on US rice in some of the country's major markets, in particular the EU, Japan and the Philippines.

B. Trade in 2007

New FAO forecast now points to a 1 percent increase in trade in 2007

Changes in production prospects in 2006, which largely determines import requirements in 2007 have resulted in several revisions to the first FAO 2007 trade forecasts that were presented in the September issue of the Rice Market Monitor. As a result of those changes, trade in rice in 2007 is now expected to reach 28.9 million tonnes, a 1 percent increase from the current trade estimate for 2006 and some 800 000 tonnes more than first anticipate.

The major revisions to the import forecasts in 2007 concerned Bangladesh (+100 000 tonnes), Indonesia (+200 000 tonnes), the Islamic Republic of Iran (-200 000 tonnes), Japan (-100 000), the Democratic Republic of Korea (-360 000 tonnes), Malaysia (+40 000 tonnes), Nepal (+100 000 tonnes), the Philippines (+150 000 tonnes), Viet Nam (+186 000 tonnes) and, outside of Asia, Australia (+60 000 tonnes), Brazil (+250 000 tonnes), Mexico (+100 000 tonnes) and Tanzania (-90 000 tonnes).



On the export side, the most important changes to the 2007 forecasts related to Argentina (+50 000), Australia (-40 000 tonnes), Brazil (-200 000 tonnes), Egypt (+150 000), India (-100 000 tonnes), the Republic of Korea (-200 000 tonnes), Myanmar (+50 000 tonnes), Pakistan (+350 000 tonnes), Thailand (+1 000 000 tonnes), United States (+200 000), Uruguay (-50 000 tonnes) and Viet Nam (-400 000 tonnes).

Rice imports in 2007

Despite expectations of lower imports by Asian countries, trade likely to be boosted by dynamic import demand in all the other regions

According to the latest FAO forecasts, imports by countries in Asia may fall by some 300 000 tonnes to 12.9 million tonnes in 2007, largely on account of lower deliveries to several of the larger traditional Asian markets. In particular, **Bangladesh, the Islamic Republic of Iran** and **the Philippines** are all expected to import less compared with 2006, given current expectations of good crops and prospects for continuing firm international prices. In the case of **the Philippines**, imports, which continue to be subject to a virtual monopoly by the National Food Agency, are forecast to be in the order of 1.5 million tonnes, 150 000 tonnes less than in 2006, provided production in the first half of 2007 is not much affected by the series of cyclones that have successively hit the country. The recent introduction of a requirement to test all rice from the United States for presence of GM rice, is unlikely to affect much the pace of imports to the country, but it might hinder the provision of food aid, since the condition also extends to US rice supplied under the PL480 programme. **The Republic of Korea** may also take less rice from abroad next year, when it had also to purchase part of the minimum quota it had failed to import in 2005. In 2007, the country is expected to limit its purchases to 266 000 tonnes, the minimum import volume it has committed with WTO. Imports by the **Democratic Republic of Korea**, consisting mainly of food aid, are foreseen to be smaller than in 2006, reflecting the retrenchment of traditional donors. The volume shipped to **Iraq** is now seen to remain in the order of 1.2 million tonnes. **Indonesia** is also likely to maintain its purchases around 800 000 tonnes, a level needed if it wishes to keep the minimum reserves at 1 million tonnes. However, the volume of its imports could end being much larger, if the current drought conditions linger over the next few months, when the bulk of the country's production is normally harvested, as anticipated by climate prediction centres. On the other hand, **Malaysia, Nepal** and **Viet Nam** may step up their imports to compensate for shorter domestic supplies.

Imports to African countries are not expected to change much in 2007, with an overall 9.4 million tonnes expected to flow to those markets, up from the 9.3 million tonnes anticipated in 2006. Larger consignments to **Côte d'Ivoire** and **Tanzania** would help compensate for a fall in **Nigeria,** where the government has again announced the imposition of an import ban as of January. However, the move is still subject to much uncertainty, especially since the country is estimated to consume about 4.5 million tonnes, compared with a level of production of less than 3 million tonnes, in milled rice equivalent. Under the Eastern African Custom Union (EAC), rice imports to **Kenya, Tanzania** and **Uganda** were supposed to be raised as of 2005 from 35 percent to the highest of either a 75 percent *ad-valorem* duty or US$ 200 per tonne. In May 2005, however, the three EAC countries agreed to maintain the preceding tariff rate of 35 percent until the end of 2006, not to hinder the access of rice from Pakistan, an important trading partner. With the end of 2006 approaching, **Kenya** is reported to be negotiating with its EAC partners an extension of the 35 percent duty for at least six months beyond December, when the higher 75 percent tariff rate would, in principle, be triggered.

In ***North America***, the official import forecast in the **United States** has been raised somewhat and now stands at 625 000 tonnes, compared with 600 000 tonnes in 2006.

Imports to ***Latin America and the Caribbean*** are now anticipated to rise by some 340 000 tonnes, compared with 2006 and reach 3.4 million tonnes. Much of the growth would be concentrated in **Brazil**, which is now foreseen to take some 750 000 tonnes, 150 000 tonnes more than expected for 2006. Purchases by **Colombia, Costa Rica** and **Mexico** are also expected to be larger, while the recovery in output in **Cuba** in 2006 may limit its imports to 700 000 tonnes, 40 000 tonnes less than the current 2006 estimate.

In ***Europe***, the new rice marketing year in the **European Union** begins on 1st September. According to the new import regime, the duties applicable to husked and milled rice imports for the 1 semester of the new marketing year, running from 1 September 2006 to 28 February 2007, depends on the volume of their respective imports over the full 2005/2006 marketing year, from 1 September 2005 to 31 August 2006.

EU Rice Imports in 2005/06 (1 September 2005 – 31 August 2006)			
	1 Sep.05 - 28 Feb.06	1 Mar.06 - 31 Aug.06	Total 2005/06
	Tonnes		
Total husked	428,853	274,853	703,706
husked Basmati	140,654	132,977	273,631
husked, non-Basmati	288,199	141,876	430,075
Milled/semi milled	123,929	122,040	245,969
Source: ONIC, quoting EC DG-AGRI; based on delivered import certificates			

According to the import certificates notified by member countries, imports of husked rice (excluding basmati) over the full 2005/06 marketing year amounted to 430 075 tonnes. As this volume falls within the 377 126 – 510 230 tonne range, imports of non-basmati husked rice in the first half of the 2006/07 marketing year will be subject to a €42.5 per tonne duty, lower than the €65 per tonne that has been applied from 1 March to 31 August 2006. On the other hand, imports of milled/semi-milled rice in 2005/06, at 245,969 tonnes, did not exceed the established threshold of 431 678 tonnes. As a result, imports in the first six months of the 2006/07 marketing year will be charged a duty of €145 per tonne, unchanged from the duty applied over the second half of 2005/06[6]. As a result, the margin

[6] For more details on EU rice import mechanism, see September issue of FAO Rice Market Monitor.

between import duties of milled and husked rice, important to the milling industry in the EU, will reach a more comfortable level of €102.5 tonne, if compared with an €80 per tonne difference in the second half of the 2005/06 marketing year.

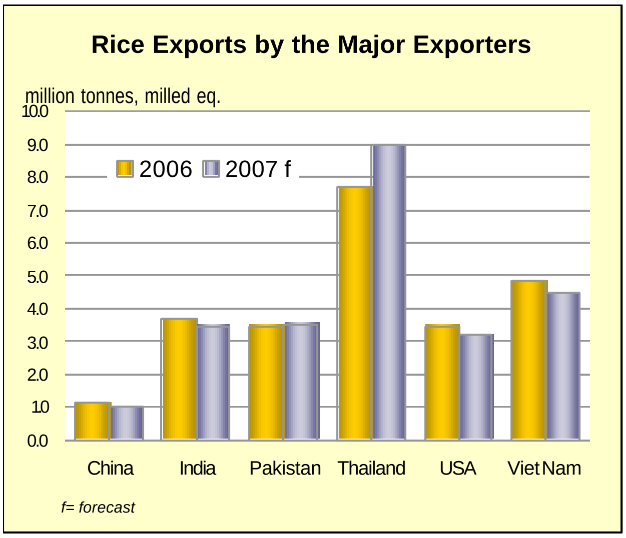
As of 2007, the EU will be composed of 27 member countries following the accession on 1 January of **Bulgaria** and **Romania**. Because of large purchases in 2006, in the course of 2007 the two countries are likely to limit their purchases, most of which originated from non-EU countries. As a result, the enlargement is not envisaged to boost imports into the **EU** in 2007, now anticipated to reach 1.1 million tonnes, about 100 000 tonnes more than expected to be imported by the 25 member countries in 2006.

Reflecting the good outturn of the 2006 paddy season, the **Russian Federation** is anticipated to curtail its rice purchases by 5 percent in 2007 to 300 000 tonnes. By contrast, given the dismal 2007 production outlook, **Australia** may have to import 150 000 tonnes, up from 80 000 tonnes in 2006.

Rice exports in 2007

Large opening stocks may enable Thailand to boost exports in 2007

Among the main rice exporting countries, **Cambodia**, **Pakistan, Thailand** and, possibly, **Myanmar** may have sufficient supplies in hands to step up their exports. In the case of **Cambodia**, they may reach 600 000 tonnes, or twice as much as expected in 2006, following large production gains. Shipments, mostly in the form of unprocessed paddy, are likely to be directed to Viet Nam, which recently authorized duty-free rice imports from the country. Early prospects for **Pakistan** also point to a 50 000 tonnes increase to 3.6 million tonnes. If confirmed this would be the third consecutive year that the country would reach such a high level of sales, consolidating its status as a major rice supplier to the world market. Based on current forecasts, Pakistan could even become the third largest rice exporter in 2007, behind Thailand and Viet Nam. The substantial production gains reported by the Government of **Myanmar** over the 2006 paddy season could, in principle, boost its sales to neighbouring countries. However, given current restrictions on inter-provincial movements and exports, external rice shipments may be in the order of 150 000 tonnes, up from a 100 000 tonne estimate in 2006, most of which is likely to cross borders unrecorded.

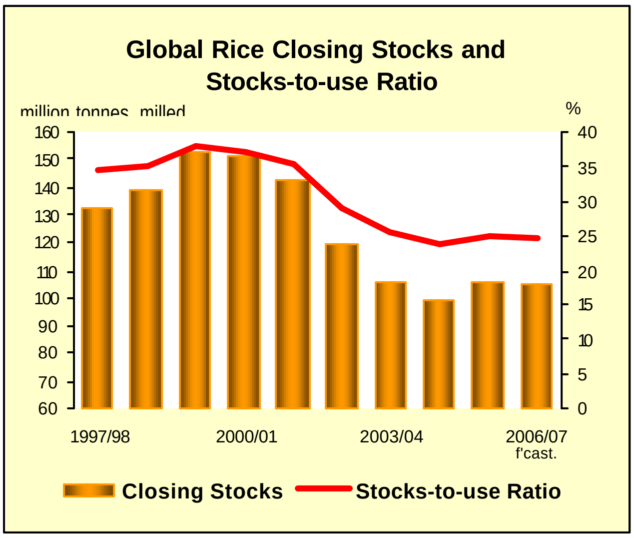


Despite the presently subdued 2006 crop prospects in **Thailand**, the announced release of large existing reserves in the hand of the public sector should enable the country to boost its sales in 2007 to some 9.0 million tonnes, 1.3 million tonnes more than estimated for 2006. Outside of Asia, only **Egypt** might step shipments next year. The country is now forecast to sell 1.1 million tonnes in 2007, although high prices and government efforts to retain sufficient supplies domestically may trigger some restrictions on exports, as in 2006. Recently, the authorities were reported to have even threatened to open a tender to import 100 000 tonnes, to ease the supply/demand tightness and cool pressure for domestic prices to rise.

On the other hand, Australia, India, the United States and Viet Nam are anticipated to face supply constraints in 2007, which are likely to result in lower deliveries to the international market. The cut is forecast to be of the order of 300 000 tonnes for the United States, which is anticipated to ship 3.2 million tonnes, down from 3.5 million tonnes in 2006. A similar decline is currently foreseen for Viet Nam, now anticipated to ship 4.5 million tonnes in 2007, in an attempt for the country to retain sufficient supplies for domestic utilization and domestic reserves. Australia may also have to reduce consignments abroad to only 40 000 tonnes, one tenth of the volume it is estimated to ship in 2006. FAO forecasts India's exports to fall by 200 000 tonnes to 3.5 million tonnes, the lowest level since 2002. Similarly, sales from Brazil and Uruguay may decline given prospects for rice output to drop in 2007. Exports by Japan, which are in the form of food aid, may also be limited to 200 000 tonnes, half the level it is estimated to deliver in 2006.

III. STOCKS

World rice inventories at the close of the 2006/07 marketing seasons are now set to be cut to less than 105 million tonnes, about 400 000 tonnes below their opening level, reversing previous expectations of a stock rebuilding. The change in the outlook follows mainly from the deterioration of crop prospects in several major producing countries, which will constrain many of them to dent on their reserves to meet domestic consumption and, in the case of exporters, export demand. Among traditional exporting countries, only **Cambodia**, **Mainland China**, **India,** **Myanmar** and **Viet Nam** are anticipated to close the season with larger inventories. In the case of China, the rise is likely to stem from a fall in domestic consumption while in India, it mainly reflects expectations of a cut in exports next year. Despite the relatively poor crops harvested this year, the anticipated cut in shipments abroad should enable **Viet Nam,** to rebuild its domestic rice reserves by 200 000 tonnes, while Cambodia and Myanmar are expected to use part of their production gains this season to reconstitute their stocks. By contrast, in **Thailand**, a drawdown would be required to meet rising domestic requirements and a sizeable increase in exports in 2007, in the face of a lower production this season. Much of the contraction will concern rice owned by the Government, which already announced it would call tenders twice a month to reduce the size of public rice inventories, with fragrant rice released for sale on both the domestic and export markets, while sales of white rice would be only for export. The drop of production in the **United States** could also lead to smaller ending inventories. So far, closing stocks in **Egypt** and **Pakistan** are not expected to change much.



Among traditional importing countries, **Nigeria** and **Tanzania** may also build-up stocks given positive production prospects this season. By contrast, fast consumption growth in **Bangladesh** will likely result in smaller reserves, despite rising imports. Similarly, reserves in **Brazil, Indonesia, Japan, and Democratic Republic of Korea** are expected to be cut in light of the poor production outcomes and limited imports.

The expected fall in global stocks carried over into 2007 would also influence negatively the **rice stocks-to-utilization ratio**, which provides an indication of the extent to which rice reserves could cover rice consumption in 2007, and hence of food security. According to current forecasts, the Ratio would fall to 24.7 in 2007, compared with 25.0 in 2006.

IV. INTERNATIONAL PRICES

World prices remain firm as crop prospects deteriorate

FAO Rice Price Indices

	All	Indica		Japonica	Aromatic
		High	Low		
	1998-2000 = 100				
2001	**74**	**74**	**74**	**76**	**69**
2002	**72**	**73**	**75**	**67**	**74**
2003	**82**	**79**	**81**	**82**	**91**
2004	**104**	**101**	**110**	**104**	**96**
2005	**103**	**104**	**115**	**92**	**94**
2005 December	101	103	109	94	92
2006 January	103	106	110	96	94
February	105	108	110	101	96
March	106	109	110	102	96
April	106	109	111	101	98
May	108	111	113	102	101
June	108	112	112	101	102
July	109	114	115	100	105
August	110	116	116	100	106
September	111	119	117	101	105
October	111	120	115	101	103
November	113	122	118	102	104
December *	114	122	120	102	110
2005 Jan.-Dec.	103	104	115	92	94
2006 Jan.-Dec.	109	114	114	101	102

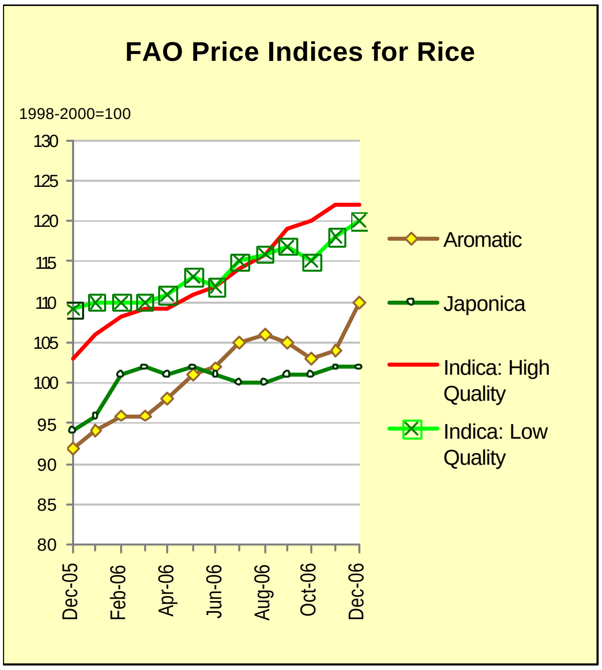
Source *: FAO*

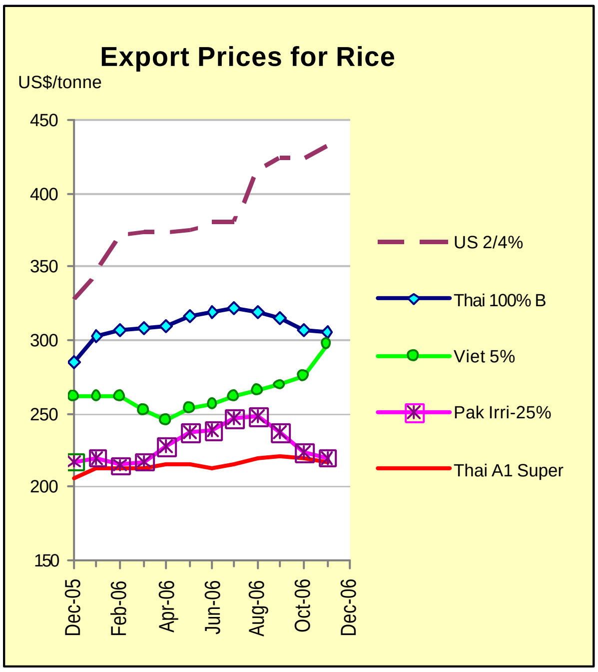
N.B. - The FAO Rice Price Index is based on 16 rice export quotations. "Quality" is defined by the percentage of broken kernels, with high (low) quality referring to rice with less (equal to or more) than 20 percent brokens. The Sub-Index for Aromatic Rice follows movements in prices of Basmati and Fragrant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

* One week only.

Although rice prices have followed contrasting tendencies since September, they have remained generally firm despite the arrival of freshly harvested supplies in several exporting countries. Export prices strengthened in Egypt, India, Viet Nam and the United States, while they showed a tendency to weaken in Pakistan and temporarily also in Thailand. The various movements were reflected in the FAO All Rice Price Index, which was valued at 111 in October, unchanged from the previous month, and at 113 in November. The index has continued rising in the first week of December, when it reached 114. The price strength was particularly felt on the high quality Indica rice segment, but also on the Indica lower quality rice. Prices of Japonica rice stayed relatively stable, gaining only one point in November. Although prices of aromatic rices have softened since September, the corresponding FAO sub-index rebounded strongly December, following sharp increases in the quotations of Thai fragrant rice and Indian Basmati.

Comparing rice from various origins, **Thai** product tended to be priced lower in October and November, coinciding with the bulk of the 2006 main paddy harvest. The announced released of both ordinary and fragrant rice from public stocks through tenders also tended to depress prices. These effects were counter balanced, to some extent, by the strength of the Thai Baht against the US dollar, which tended to lift Thai rice quotations, especially over the first week of December. **Pakistan** remained the most competitive source of ordinary IRRI rice among exporters, and prices continued to drop in September, October and November. This contrasted with an upward trend prevailing in **India**, where large purchases by the Food Corporation of India have sustained the market. The temporary ban on exports in **Egypt** had the effect of cooling prices somewhat in October and November, a trend unlikely to persist, given reports of continued strong import demand from eastern Europe and the Near East countries. Although **Viet Nam** is virtually out of the market, since the announcement of the export ban in November, rice quotes from the country continue to point to rising prices, to the point that by November the Indica 25% from the country was the highest quoted compared with similar quality rice from Thailand, India, Pakistan. Similarly, prices of rice from the **United States** have risen further since September, influenced by the issuance by USDA of a lower forecast regarding closing rice inventories in 2007 in the country.





Because the secondary crops in the northern hemisphere countries are not due to be harvested before February/March next year, the supply/demand tightness that currently prevails in the rice economy is likely to continue for the next three months. As international prices are expressed in US dollar, the current weakness of the US currency may further exacerbate the tendency for international rice prices to rise.

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. California Medium Grain 2/	Egypt Short Grain, Grade 2,6% 178 Camolino	Pak Basmati Ordinary	Thai Fragrant 100%
	US $/tonne, f.o.b.												
2001	**177**	**194**	**264**	**166**	**153**	**185**	**148**	**148**	**135**	**267**	**204**	**332**	**275**
2002	**197**	**194**	**207**	**187**	**171**	**140**	**168**	**159**	**151**	**271**	**279**	**366**	**306**
2003	**201**	**196**	**284**	**183**	**176**	**163**	**167**	**175**	**151**	**370**	**291**	**357**	**449**
2004	**244**	**247**	**372**	**224**	**225**	**n.a.**	**212**	**230**	**207**	**493**	**317**	**468**	**443**
2005	**291**	**285**	**319**	**255**	**259**	**236**	**239**	**235**	**219**	**418**	**327**	**473**	**404**
2005													
December	286	276	327	262	251	237	243	218	206	507	339	500	388
2006													
January	303	286	346	261	263	237	244	220	212	507	341	500	408
February	307	289	370	261	263	238	245	215	212	507	348	500	423
March	308	290	373	252	265	238	240	218	212	491	358	500	436
April	309	290	373	246	267	243	231	228	215	485	361	500	442
May	316	296	375	253	271	243	237	238	215	498	357	513	467
June	318	299	379	256	272	243	233	239	213	507	373	525	479
July	321	311	379	262	274	243	245	247	216	507	… 3/	525	511
August	318	311	415	265	274	243	250	248	220	507	… 3/	525	520
September	314	308	423	269	272	252	252	237	222	518	358	525	515
October	306	307	424	276	267	252	251	224	221	520	326	525	494
November	305	303	431	298	267	257	283	221	218	525	343	525	454
December *	312	309	434	300	274	270	285	220	220	572	366	525	492
2005 Jan.-Dec.	291	285	319	255	259	236	239	235	219	418	327	473	404
2006 Jan.-Dec.	311	300	393	266	269	247	250	229	216	512	353	516	470

Sources: Jackson Son & Co. (London) Ltd. and other public sources.

1/ White broken rice. 2/ No. 1, maximum 4-percent brokens, sacked, California mill. This series replaces the U.S. medium grain No.2, 4% the quotations of which have been missing since September 2005. 3/ Not quoted.

* One week only.

WORLD PADDY PRODUCTION

	2004	2005 (estimated)	2006 (forecast)
		million tonnes	
WORLD	**609.1**	**631.9**	**631.0**
Developing countries	583.0	606.1	606.4
Developed countries	26.1	25.8	24.5
ASIA	**549.5**	**570.9**	**570.7**
Bangladesh	37.7	39.8	41.0
Cambodia	4.2	6.0	6.5
China	180.5	182.1	182.2
of which Taiwan Prov.	1.4	1.5	1.5
India	124.7	136.6	135.0
Indonesia	54.1	54.2	54.7
Iran, Islamic Rep. of	3.1	3.3	3.6
Japan	10.9	11.3	10.7
Korea Rep. of	6.7	6.4	6.3
Myanmar	24.8	25.1	25.2
Pakistan	7.5	8.3	8.4
Philippines	14.5	15.1	15.3
Sri Lanka	2.6	3.2	3.3
Thailand	28.5	30.0	29.7
Viet Nam	36.2	35.8	36.2
AFRICA	**19.4**	**20.8**	**22.1**
North Africa	**6.4**	**6.2**	**6.6**
Egypt	6.4	6.1	6.5
Sub-Saharan Africa	**13.0**	**14.6**	**15.5**
Western Africa	8.1	9.2	9.7
Côte d'Ivoire	1.2	1.2	1.1
Guinea	0.9	1.0	1.0
Mali	0.7	0.9	1.0
Nigeria	3.5	4.2	4.8
Central Africa	0.4	0.4	0.4
Eastern Africa	1.2	1.4	1.6
Tanzania	0.9	1.0	1.2
Southern Africa	3.3	3.7	3.8
Madagascar	3.0	3.4	3.5
Mozambique	0.2	0.2	0.2
CENTRAL AMERICA	**2.3**	**2.3**	**2.5**
Cuba	0.5	0.4	0.5
Dominican Rep.	0.6	0.6	0.7
Mexico	0.3	0.3	0.3
SOUTH AMERICA	**23.3**	**24.1**	**22.5**
Argentina	1.1	1.0	1.2
Brazil	12.8	13.2	11.6
Colombia	2.7	2.5	2.3
Peru	1.8	2.5	2.4
Uruguay	1.3	1.2	1.3
NORTH AMERICA	**10.5**	**10.1**	**8.8**
United States	10.5	10.1	8.8
EUROPE	**3.4**	**3.4**	**3.3**
EU	2.8	2.7	2.5
OCEANIA	**0.6**	**0.3**	**1.1**
Australia	0.5	0.3	1.0

WORLD IMPORTS OF RICE

	2005	2006 (estimated)	2007 [1/] (forecast)
		million tonnes, milled	
WORLD	**29.8**	**28.6**	**28.9**
Developing countries	25.4	24.1	24.2
Developed countries	4.3	4.6	4.7
ASIA	13.3	13.2	12.9
Bangladesh	1.0	0.7	0.6
China	1.0	1.3	1.3
of which Taiwan Prov.	0.1	0.2	0.2
Indonesia	0.6	0.8	0.8
Iran, Islamic Rep. of	1.1	1.1	0.8
Iraq	1.0	1.2	1.2
Japan	0.8	0.7	0.7
Malaysia	0.8	0.8	0.8
Philippines	1.8	1.7	1.5
Saudi Arabia	1.0	1.1	1.1
Sri Lanka	0.1	0.0	0.0
AFRICA	**10.6**	**9.3**	**9.3**
Côte d'Ivoire	0.9	0.9	0.9
Nigeria	2.3	1.8	1.7
Senegal	0.9	0.8	0.8
South Africa	0.8	0.7	0.8
CENTRAL AMERICA	**2.4**	**2.3**	**2.4**
Cuba	0.7	0.7	0.7
Mexico	0.5	0.5	0.6
SOUTH AMERICA	**0.8**	**0.8**	**1.1**
Brazil	0.5	0.6	0.8
Peru	0.1	0.1	0.1
NORTH AMERICA	**0.7**	**0.9**	**1.0**
Canada	0.3	0.3	0.3
United States	0.4	0.6	0.6
EUROPE	**1.6**	**1.8**	**1.8**
EU	0.8	1.0	1.1
Russian Fed.	0.4	0.3	0.3
OCEANIA	**0.4**	**0.4**	**0.4**

WORLD EXPORTS OF RICE

	2005	2006 (estimated)	2007 [1/] (forecast)
		million tonnes, milled	
WORLD	**29.8**	**28.6**	**28.9**
Developing countries	25.5	24.3	25.3
Developed countries	4.3	4.4	3.6
ASIA	**22.9**	**21.7**	**22.7**
China	0.7	1.1	1.0
of which Taiwan Prov.	0.0	0.0	0.0
India	5.0	3.7	3.5
Myanmar	0.2	0.1	0.2
Pakistan	3.5	3.5	3.6
Thailand	7.5	7.7	9.0
Viet Nam	5.2	4.8	4.5
AFRICA	**1.1**	**1.0**	**1.1**
Egypt	1.1	1.0	1.1
SOUTH AMERICA	**1.7**	**1.9**	**1.7**
Argentina	0.3	0.4	0.5
Guyana	0.2	0.2	0.2
Uruguay	0.7	0.8	0.7
NORTH AMERICA	**3.9**	**3.5**	**3.2**
United States	3.9	3.5	3.2
EUROPE	**0.2**	**0.2**	**0.2**
EU	0.2	0.2	0.2
OCEANIA	**0.1**	**0.4**	**0.0**
Australia	0.1	0.4	0.0

FOOTNOTES:

Totals computed from unrounded data.

1/ Highly tentative.

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

CHINA 2/ 3/ (Oct./Sep.)

	2004/2005		2005/2006 prelim.		2006/2007 5/ f'cast	
	(......... thousand tonnes ....)					
Opening Stocks	59200	F	56020	F	57285	F
Production 1/	123723	G	124777	G	124865	*
Imports	659	F	920	F	950	F
Total Supply	183582		181717		183100	
Domestic Use	126864		123307		123395	
Exports	698	F	1125	F	1025	F
Closing Stocks	56020	F	57285	F	58680	F

INDIA 2/ (Oct./Sep.)

	2004/2005		2005/2006 prelim.		2006/2007 5/ f'cast	
	(......... thousand tonnes ....)					
Opening Stocks	13000	F	9000	F	11500	F
Production 1/	83130	G	91040	G	90005	F
Imports	50	F	82	F	50	F
Total Supply	96180		100122		101555	
Domestic Use	82139		84922		86455	
Exports	5041	G	3700	F	3500	F
Closing Stocks	9000	F	11500	F	11600	F

PAKISTAN 2/ (Nov./Oct.)

	2004/2005		2005/2006 prelim.		2006/2007 5/ f'cast	
	(......... thousand tonnes ....)					
Opening Stocks	650	F	150	F	200	F
Production 1/	5023	G	5547	G	5600	F
Imports	1	F	1	F	1	F
Total Supply	5674		5698		5801	
Domestic Use	2049		1998		2051	
Exports	3475	G	3500	F	3550	F
Closing Stocks	150	F	200	F	200	F

THAILAND 2/ (Nov./Oct.)

	2004/2005		2005/2006 prelim.		2006/2007 5/ f'cast	
	(......... thousand tonnes ....)					
Opening Stocks	3200	F	3800	F	5000	F
Production 1/	18892	G	19889	G	19661	G
Imports	8	G	1	F	1	F
Total Supply	22100		23690		24662	
Domestic Use	10763		10990		11062	
Exports	7537	G	7700	F	9000	F
Closing Stocks	3800	F	5000	F	4600	F

UNITED STATES 4/ (Aug./Jul.)

	2004/2005		2005/2006 prelim.		2006/2007 5/ f'cast	
	(......... thousand tonnes ....)					
Opening Stocks	761	G	1211	G	1370	G
Production 1/	7462	G	7113	G	6137	G
Imports	424	G	545	G	572	G
Total Supply	8647		8869		8079	
Domestic Use	3942		3809		3905	
Exports	3494	G	3690	G	3239	G
Closing Stocks	1211	G	1370	G	935	G

VIET NAM 2/ (Nov./Oct.)

	2004/2005		2005/2006 prelim.		2006/2007 5/ f'cast	
	(......... thousand tonnes ....)					
Opening Stocks	4900	F	4700	F	4550	F
Production 1/	24112	G	23873	G	24142	F
Imports	14	F	130	F	200	F
Total Supply	29026		28703		28892	
Domestic Use	19126		19353		19642	
Exports	5200	G	4800	F	4500	F
Closing Stocks	4700	F	4550	F	4750	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.