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FAO Rice Market Monitor

Commodity Markets, Policy Analysis and Projections Service
Trade and Markets Division
Food and Agriculture Organization of the United Nations

Contact or enquiries

Facsimile: ++(39-06) 570-54495
Telephone: ++(39-06) 570-54136
E-mail: **Commodity-Queries@fao.org**

Also available on the Internet at the following address:
http://www.fao.org/es/esc/en/index.html
(Click on "*Rice*")

ROUND-UP

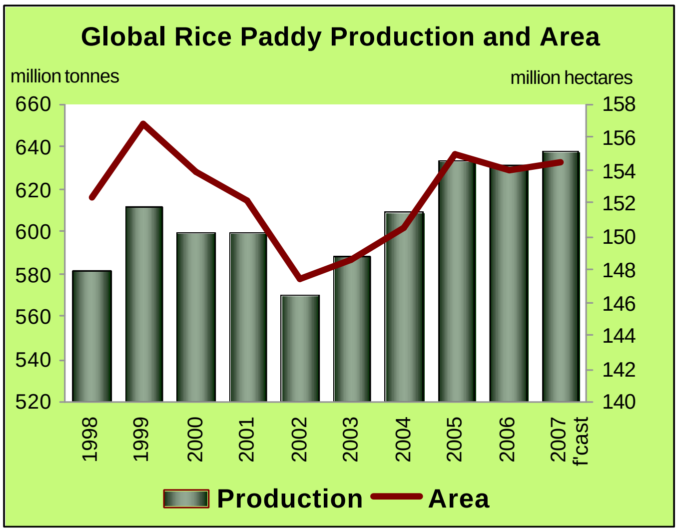
- FAO's March forecast of **global paddy production in 2007** has been raised by 5 million tonnes to 638 million tonnes, which would represent a mere 1 percent increase from 2006. So far into the season, only countries situated in the Southern Hemisphere have harvested their main 2007 crops, the results of which have been rather disappointing. While there is still much uncertainty surrounding the outcome of the season in the northern hemisphere countries, relatively high prices are anticipated to boost their production, assuming normal growing conditions.
- Much of the growth in world output would be accounted for by **Asian countries,** now anticipated to gather 580 million tonnes, 8 million tonnes more than in 2006. Sizable gains are foreseen in Bangladesh, China, India, Nepal, Pakistan and Thailand, while Indonesia, Japan, the Republic of Korea and Sri Lanka may incur a decline.
- Prospects are positive in **Africa**, where 22.1 million tonnes of paddy rice are expected to be gathered, up from 21.6 million tonnes in 2006. Output is expected to increase in Madagascar, Nigeria and Guinea, while it might fall in Burkina Faso, Cote d'Ivoire and Mali. Following the generally good crops harvested last year, the broad food situation appears to be relatively favourable at a time when many countries are heading towards the lean season.
- Adverse weather conditions and competition from other crops may result in a 2 percent decline in paddy production **in Latin America and the Caribbean (LAC)** to 24.2 million tonnes. The drop is expected to stem from a negative performance in South American countries, in particular Brazil, which faced water constraints at planting time, but also in Argentina, Chile, Ecuador, Peru and Uruguay. By contrast, the outlook is positive for countries in Central America and the Caribbean, especially Cuba, but also Costa Rica, the Dominican Republic and Mexico.
- In the **rest of the world**, prospects are rather mixed, as production is set to fall in the United States and Australia, while it may increase in the Russian Federation, following a strengthening in border protection. Output by the European Union (EU) is unlikely to change much from last year.
- FAO's forecast of **global rice trade** in 2007 has been raised to 30.2 million tonnes, almost 1 million tonnes, or 3 percent, above 2006 and a new record. The increase would result from a strengthening of **import** demand, with larger volumes flowing to Bangladesh, Indonesia, Cuba, Brazil and the EU. By contrast, imports to the Islamic Rep. of Iran, Iraq, Malaysia and the Russian Federation may fall. Overall, less rice is also expected to be imported by African countries.
- Much of the expansion in world trade this year is expected to be met through larger **exports** from Cambodia, China, Egypt, Myanmar and Thailand. By contrast, limited supply and high domestic prices are likely to depress sales of Argentina, Australia, Brazil, India, Pakistan and the United States.
- The FAO estimate of **world rice inventories** at the close of the **2006/07** marketing seasons has been raised from the March figure by about 2 million tonnes to 104 million tonnes. This would still represent a draw-down from their opening level of 106 million tonnes, an indication that global production was not sufficient to fully meet consumption. Rice inventories are estimated to fall in importing countries such as Bangladesh, Brazil, Indonesia, the Islamic Rep. of Iran, Nepal and Senegal but also in India and Viet Nam. However, they may rise strongly in China. Preliminary forecasts for closing rice inventories in **2008** point to a small recovery to 105 million tonnes, with much of the increase again concentrated in China, while further cuts are expected in Australia, Bangladesh, Brazil, India, Indonesia, the United States and Viet Nam.
- **International prices** have remained on an upward trend since March, as reflected by the FAO all rice price index, which averaged 123 in June, up from 120 in March. The price strength dominated the various rice market segments, with the exception of Japonica rice. Prices of aromatic rice, in particular, have continued to surge, a reflection of scant export availability, with the corresponding index gaining 8 points since March and 14 points since January. On average, world rice quotations are estimated to have risen by 14 percent since June 2006. Prices are expected to remain steady at least until October – November, when several important northern hemisphere countries will be harvesting their main crops. Among the various areas of uncertainties, one concerns import demand by Indonesia, the withdrawal of which would have serious negative effects on quotations. International rice prices will also be influenced in the next few months by the pattern of the monsoon, exchange rate movements and transportation logistics.

INFORMATION UPDATE AS OF 28 JUNE 2007

I. PRODUCTION

FAO's new forecast of global rice production in 2007 points to a record

This is a period of the year when most southern hemisphere countries have harvested their main crops. In the northern hemisphere, plantings are completed or about to be completed in most regions, except in Asia where many countries, including Bangladesh, China, India, the Philippines, Thailand and Viet Nam await the arrival of the monsoon rains to start sowing their main paddy crop. Since these countries are among the largest producers in the world, the current forecast of world production can still undergo major revisions in the coming months.

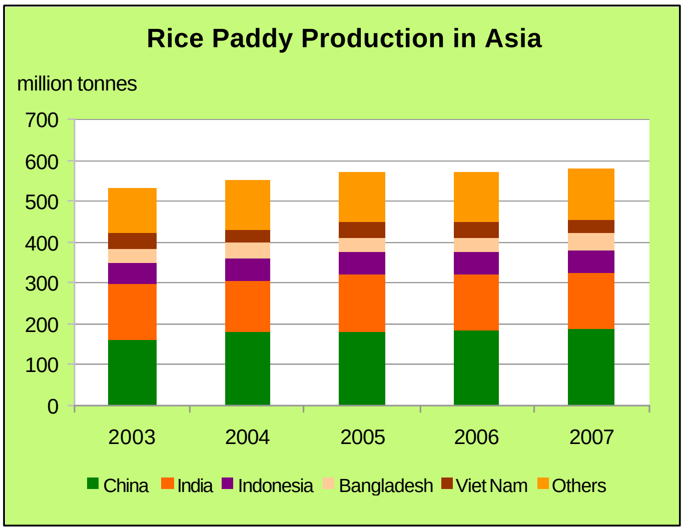


As of June 2007, the FAO outlook for global production in 2007 has improved and now stands at 638 million tonnes, about 5 million tonnes above the March 2007 forecast. At that level, the 2007 paddy season would end with a 6 million tonne increase from the revised 2006 estimate. If confirmed, production in 2007 will surpass the previous 633 million tonne record achieved in 2005. Much of the production rebound is expected to stem from growth in Asian countries situated in the northern hemisphere. This would contrast with the preliminary results of crops in southern hemisphere countries, many of which have been harvested, which are now showing a 3 million tonne production decline for that group of countries to 82 million tonnes.

Compared with the figures released in March, the 2007 production forecasts have been subject to a number of adjustments: in <u>Asia</u>, the most important corresponded to: Cambodia (+50 000 tonnes to 6.55 million tonnes), China (+3.9 million tonnes to 186.9 million tonnes), India (+1.0 million tonnes to 138 million tonnes), Laos (+70 000 tonnes to 2.87 million tonnes), Pakistan (+135 000 tonnes to 8.535 million tonnes) and Thailand (+300 000 tonnes to 30.5 million tonnes); in <u>Africa</u>: Madagascar (+350 000 tonnes to 3.55 million tonnes) and Mozambique (+26 000 to 196 000 tonnes); in <u>Latin American and the Caribbean</u> (LAC): Argentina (- 50 000 tonnes to 1.08 million tonnes), Brazil (+88 000 tonnes to 11.403 million tonnes), the Dominican Republic (+50 000 tonnes to 710 000 tonnes), Peru (- 400 000 tonnes to 2 million tonnes), Uruguay (+25 700 tonnes to 1.146 million tonnes); in <u>the other continents</u>, forecasts were changed for Australia (+ 61 000 tonnes to 167 000 tonnes), the European Union (-128 000 tonnes to 2.644 million tonnes) the United States (- 200 000 tonnes to 8.3 million tonnes).

A. ASIA

Positive outlook for 2007 paddy crops in Asia sustains expectations of a global production recovery

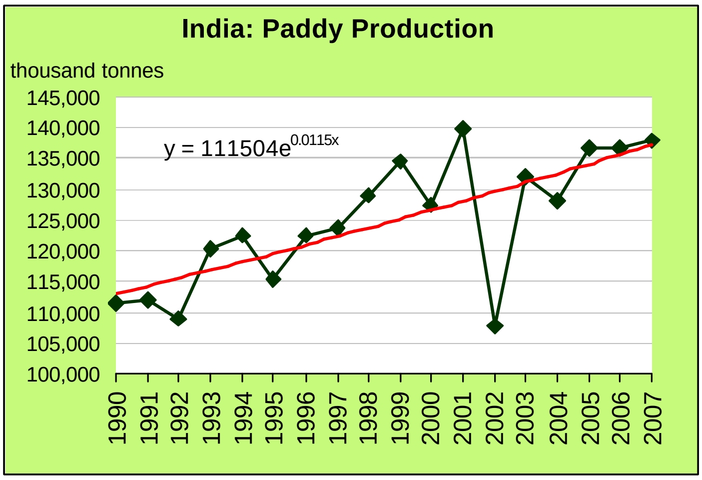


Spurred by rising rice prices, many countries in Asia are expected to plant more area with the crop this season, which may boost paddy production to some 580 million tonnes, 8 million tonnes more than in 2006. Part of the rise would arise from increases in those countries that had faced problems last season, in particular Bangladesh, China, India, Nepal, Pakistan and Thailand. The outlooks for these countries are, however, still shrouded in uncertainty, since in many of them the season still has to commence. For those countries in the southern hemisphere where the season is already well advanced, the results have been far from positive, with Indonesia posting a 1.3 million tonnes decline in output after drought constrained planting of the main crop.

In **Bangladesh**, harvesting of the 2006 Boro crop, the last and most important of the three grown each season, has been completed. Although the crop was 2 percent larger than in 2006, it fell well short of the Government target, reflecting the negative impact of low temperatures at the early stage of crop development. The disappointment performance of the Boro crop compounded the poor output obtained from both the Aus rice crop, which was impaired by a lack of rain at the critical flowering time, and the main Aman crop, which was hampered by drought and rising prices of basic inputs. Under more positive climatic expectations, Bangladesh's production in 2007 is set to reach 40.5 million tonnes, 2.7 percent above the current estimate for 2006. The production decline in 2006 was felt through rising domestic prices, to levels exceeding those that had been fixed by the government to pay for its local purchases for its distribution programmes. Facing major difficulty to procure rice locally, the government announced in early May that it would raise its purchasing price from Taka 10.00 to Taka 11.25 per kilo, in the case of paddy, and from Taka 16 to Taka 18 per kilo, in the case of milled rice. The government is expected to buy about 1.2 million tonnes of rice domestically by end August, to reconstitute public reserves.

The 2007 paddy season is about to start in **Cambodia** and farmers are busy preparing land and are starting transplanting seedlings for the early wet rice crop. According to official expectations, production in 2007 may reach 6.55 million tonnes, a gain of almost 5 percent from the 6.264 million tonnes gathered in 2006 and a new record. The country has been expanding the area planted to rice with the view to becoming an increasingly important supplier of the international rice market. Last year, participation as an exporter was reported to have contributed to raising the paddy prices from US$ 120 to US$ 135 per tonne. Cambodia has joined the coalition of exporting countries composed of Laos, Myanmar, Thailand and Vietnam that are promoting rice from the region but also fostering technical collaboration.

According to new estimates released in May 2007, **China** (mainland) harvested 182.6 million tonnes in 2006, 1 percent up from the previous year and about 2 million tonnes larger than the earlier estimate. The country is starting gathering its 2007 early rice crop, while also planting the intermediate crop. Weather conditions have been erratic so far, as a lingering drought and unseasonably high temperatures in Southwest Sichuan Province were reported up until early June to have caused considerable delays in plantings. Since then, the country has faced torrential rains and floods in Hunan, Guangdong, Guangxi, Guizhou, Jiangxi and Fujian, while intense heat and above normal temperatures continued to grip the north-eastern part of the country. Severe plant hoppers attacks have also been reported. Nonetheless, the China National Grain and Oilseed Information Centre has maintained its semi-official forecast of production at 186.9 million tonnes for 2007, which would be 2.4 percent above the revised estimate for 2006. The expected increase reflects anticipation of a much larger intermediate rice crop, the one that had been particularly affected by adverse weather conditions in 2006.



According to the Meteorological Department of **India**, the monsoon rains reached the Kerala coast on 28 May, slightly earlier than normal, while they were expected to stretch to the north-eastern states by mid-June. The arrival of the monsoon opens the 2007 rice season in the second largest rice producing country. Assuming normal growing conditions, the country is forecast to gather 138 million tonnes of paddy rice in 2007, barely 1 percent more than in 2006, but in line with the trend path observed since 1990. The disappointing agricultural growth performance in recent years is becoming a growing source of concern, raising questions over the long run ability of India to meet the food needs of its population. Production has also been subject to large fluctuations, because of the Kharif crop strong dependence on the monsoon. However, the slow expansion also reflects a shift of resources to other more profitable activities. Under the 11th Plan, the country has set a medium term production target for 2011-2012 of 114.86 million tonnes of milled rice (equivalent to 174 million tonnes of paddy rice), which would require a rate of growth of around 5 percent per annum, much faster than the one witnessed in recent years,.

Tight cereal supplies in 2006 and 2007, much of which related to a poor wheat crop season, lifted Indian market farm prices well above the official procurement levels, which has hindered the government's ability to procure wheat as well as rice, locally. So, in May, the Indian authorities announced they would extend by several months the period of application of the price incentive of Rupee 650 (US$ 16) per tonne on government paddy purchases, which was originally set for application between 25 September 2006 and 31 March 2007. The extension varied depending on individual states: up to 31 May 2007 in Bihar and Kerala, up to end September 2007 in Andhra Pradesh, Chhattisgarho, Orissa, Tamil Nadu and West

Bengal. The premium raises the procurement price level from Rupees 5800 to Rupees 6450 (US$ 158) per tonne for common rice and from Rupees 6100 to 6750 (US$ 166) per tonne for Grade A rice. In 2006/07, the government plans to procure 25 million tonnes of rice for the Central Pool to meet the quantity required for its distribution programme while also meeting the target stock level of 5.2 million tonnes by October 2007.

The production forecast for **Indonesia** remains at 53.13 million tonnes, 1.1 million tonnes less than in 2006. The decline is the reflection of a prolonged drought, which delayed plantings by about 2 months, and of subsequent flooding problems. These difficulties had a strong negative impact on the main paddy crop, which is normally harvested between March and April, as the lack of irrigation water in reservoirs prevented many farmers from growing that rice crop. Some of the losses might be recouped over the second crop, the planting of which is underway. The Government is reported to have launched a Seeds Assistance Programme, under which 112 247 tonnes of high quality rice seeds and 3 600 tonnes of hybrid rice seeds have been earmarked for distribution to farmers over the season, which may help boost the size of the secondary crop. Furthermore, in March 2007, the government raised the level of the official procurement prices, which, for dry paddy rice moved from Rupiah 2280 (US$ 248) to Rupiah 2575 (US$ 280) per tonne and, for milled rice, from Rupiah 3550 (US$ 387) to Rupiah 4000 (US$ 436) per tonne. Since March 2005, however, these prices have no longer provided a floor to producer prices as there is no obligation for the government to purchase unlimited amounts of rice at those levels. Instead, they are defined as a “government reference purchase price” to guide public agencies in their market operations.

The official production target in **Japan,** of 8.280 million tonnes of husked rice, equivalent to 10.350 million tonnes of paddy continues to be used as production forecast for 2007. It would imply a 3 percent drop from 2006 and would be consistent with the steady decline in domestic demand as, according to recent estimates by the Ministry of Agriculture, Forestry and Fisheries, per caput rice consumption fell from 61.5 kg in 2004 to 61.4 kg in 2005. The government continues to examine possible strategies to reform agriculture. In April 2007, it approved a “New Agricultural Policy for the 21 Century”, which hinges on five basic principles: (i) a new strategy on food and agriculture; (ii) the development of domestic agricultural industries; (iii) the adoption of “Good Agricultural Practices” (GAP); (iv) a growing utilization of biomass[1]; and (v) Increased number of visitors and inhabitants of rural areas. The GAP are to be promoted for all major agricultural products, including rice, by fostering the management of risk along the full production process rather than on a safety assessment of the final product only.

The **Democratic Popular Republic (DPR) of Korea** is currently transplanting the paddy crop under excellent conditions. The crop is also expected to benefit from increased fertilizer applications, rendered possible by the resumption of fertilizer deliveries by the neighbouring Republic of Korea. As a result, FAO’s previous forecast of a 1 percent recovery of production to 2.5 million tonnes in 2007 is maintained.

Under the prevailing rice policy regime, **the Republic of Korea** is expected to produce 6.2 million tonnes of paddy rice, down from 6.324 million tonnes in 2006. In 2005, the country launched a major reform of its national rice policy, which abolished the traditional price-based support and shifted the assistance to the sector to direct payments. According to the

[1] Japan has set a target for domestic biofuel production of 50 000 kiloliters per year by 2011

new regime, producers are eligible to a fixed-area payment and to a price deficiency payment under the Rice Income Compensation Act. The area payment, limited to an historical 1998-2000 rice land base of 1.024 million hectares, was increased from Won 600 000 per hectare in 2005 to Won 700 000 (US$ 586) per hectare in 2006. As a result, transfers made to eligible farmers as area payments rose from Won 614.4 billion in 2005 to Won 716.8 billion in 2006. Producers also received deficiency payments that compensated them for 85 percent of a price shortfall calculated as the difference between a government fixed “target price” of Won 2126 per tonne[2] and the national average market price over the crop harvest season (October to January) of Won 1846 per tonne, minus the area payment[3]. In 2006, the deficiency rate amounted to Won 94.2/kilo (US$ 100 per tonne) of milled rice, which gave rise to a transfer of Won 437 billion (US$ 471 million) to the sector in 2006, substantially lower than the Won 900.6 billion paid in 2005[4]. Overall, compensatory payments to rice producers amounted to Won 1.15 trillion (US$ 1.95 billion) in 2006, down from 1.515 trillion in 2005. For 2007, payments have been budgeted by the government at Won 2.42 trillion (US$ 2.56 billion), but actual outlays have normally fallen short of those budgeted. Besides the previous two compensatory payments, the government also intervened on the market by purchasing rice under the Public Storage System for Emergency programme at prevailing market prices. In 2006, 504 000 tonnes, in milled rice equivalent, were purchased, a level substantially lower than the 719 000 tonnes procured in 2005.

The paddy season is just commencing in **Nepal** where the main paddy crop is now at the planting stage. The country, which incurred severe and prolonged drought problems for the past three years, is very preliminarily expected to gather 4.2 million tonnes of rice in 2007, which would imply a major recovery from the 3.681 million tonnes harvested in 2006.

The 2007 paddy season is already well advanced in **Pakistan**, where sowing of the 2007 Kharif rice crop started in April. Following a flood-related contraction in 2006, paddy production is expected to rebound this season to a new record of 8.5 million tonnes (equivalent to 5.7 million tonnes of milled rice), largely on expectations of increased irrigation water availability following abundant winter rains and spring snowfall. A surge in paddy and rice market prices is also likely to foster an expansion of plantings this season. In addition, crops are expected to benefit from increased applications of fertilizers, following the extension to phosphates and potassium fertilizers, in October 2006, of a price subsidy, originally limited to urea and the increase, in March 2007, of the fertilizer subsidy from RS 250 to Rupees 400 per 50 kg bag (US$ 133 per tonne). On another front, the country should complete the construction of various dams and canals in the next few years, which should increase the national water storage capacity by more than 5.2 billion cubic metres by 2008.

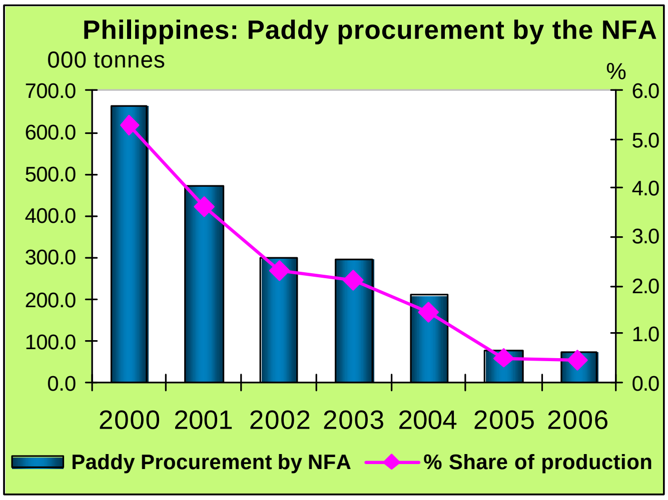
In the **Philippines**, the 2007 paddy season (July-June) is just starting. Abundant rainfall in the past few months is expected to enable farmers to increase rice plantings. In addition, the Ministry of Agriculture protracted the rice subsidy, which, it had originally announced, would be discontinued this season. The Ministry was reported to have allocated Pesos 400 million

[2] The target price for the 2005 -2007 three year period was set equal to the 2002-04 average level of Won 2126 per tonne.

[3] Converted into a per milled tonne basis of Won 144/kilo (US$155 per tonne).

[4] The per tonne deficiency rate is applied to level of production corresponding to the actual cultivated area out of the historical 1.024 million hectares, based on an historical yield of 4.880 tonnes per ha.

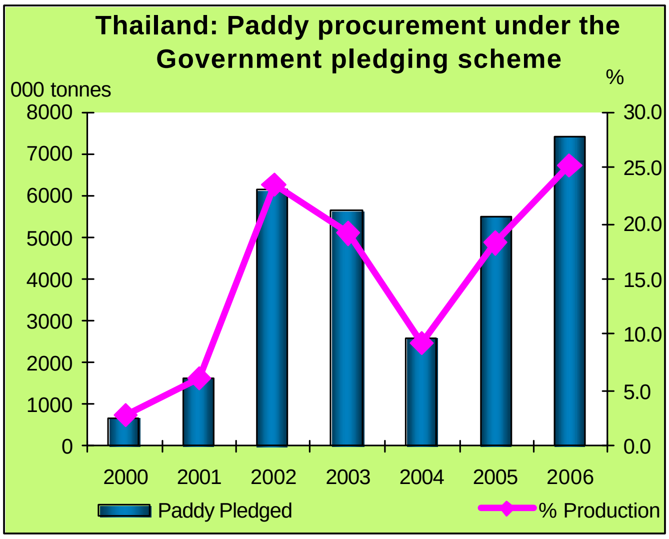
(US$ 8.7 million) to fund the price subsidy on hybrid rice seeds to cover about 400 000 ha or rice cultivated under irrigation, resulting in a Pesos 1000 (US$22) per ha subsidy. In addition, it earmarked Pesos 264 million (US$5.8 million) to finance a price subsidy on certified seeds, which would allow them to be planted on 600 000 ha of rainfed rice fields, giving rise to a subsidy of Pesos 440 (US$9.6) per ha. As much of the expansion in production in the past ten years relied on improvements in productivity, it was feared that the cancellation of the subsidy would be a major hindrance to the country's objective to reach rice self-sufficiency by 2010. Thus, assuming no major problem affects the crop over the season, production in the country may reach 15.8 million tonnes in 2007, up from 15.418 million tonnes in 2006, and the largest output on record.



In the country, the National Food Agency (NFA), which holds the mandates of ensuring a minimum rice price at the farm level and a maximum rice price at the retail level, has accumulated debt since 2003, when it was summoned to pay tariffs on its rice imports. The government appears now inclined to relieve the Agency from the responsibility to buy rice from farmers at the minimum support price and to distribute rice at subsidized prices to poor consumers. The change in the NFA's mandate could imply a sharp cut in the volume of paddy procurement by the organization in the coming years, a tendency already evident since 2000.

The season is well advanced In **Sri Lanka,** where the 2007 main Maha paddy crop, harvested in March, was already estimated to be 8 percent smaller than in the previous season, at 1.97 million tonnes, reflecting drought problems. The country is now engaged in sowing the secondary Yala crop which normally accounts for one third of total output. The government has announced it had allocated Rupees 16 billion (US$ 144 million) to finance a fertilizer subsidy, only provided, however, through government-owned fertilizer companies. Half of the fertilizer subsidy has been allocated to the on-going Yala season, which, together with relatively high prevailing prices, is expected to boost plantings of the Yala crop, currently forecast to yield about 1.25 million tonnes, 50 000 tonnes more than last season. The increase would not be sufficient to compensate for the drop of the Maha crop, so the country is anticipated to face a 4 percent decline compared to the bumper 2006 production and harvest an overall 3.2 million tonnes of paddy in 2007. Meanwhile, the government has allocated Rupees 2 billion (US$ 18 million) to procure some 110 000 tonnes of paddy from the Maha crop through the Agricultural Production and Marketing Authority, resulting in an average paddy price of US$164 per tonne. As of mid-June, the Agency was reported to have purchased 84 000 tonnes, despite storage space constraints.

Thailand is just starting the new 2007 season with the sowing of the main paddy crop in May-June. Following the release of estimates for the 2006 second and third crops, production over the 2006 season is gauged at 30.3 million tonnes, virtually unchanged from the 2005 level and reversing earlier expectations of a decline. The new estimate arises from reports of a



sizeable expansion of plantings of the secondary crops in all regions, except the South, which was facilitated by abundant water availability and positive price prospects. The 2007 production forecast has also been raised and now stands at 30.5 million tonnes, slightly above the current 2006 production estimate. The Thai Government already started buying rice under the second paddy crop procurement programme (16 March - 31 July 2007), but in much smaller quantities than last year, as less than 500 000 tonnes were reported to have been procured by the government by end April 2007. In 2006, 7.4 million tonnes were pledged, 2.2 million tonnes of which from the secondary crops. The fall in procurement volumes reflects a less interventionist stance by the authorities but also a 15 percent rise in producer prices since the beginning of the year. Moreover, in April 2007, for the first time, the Government tendered through the Agricultural Futures Exchange of Thailand (AFET) 33 000 tonnes of government-owned, 5% white rice from the 2005/06 season. The bidding process was linked to the price of 5 % white rice contract quoted at AFET, and lots were assigned to those offering the “best base”, defined as the offer with the smallest discount from, or the largest premium over, the prevailing futures price. The bidding system is expected to help the government to cut the size of its rice inventories, estimated at 3.3 million tonnes by end April 2007. The use of Futures may also prefigure a lessening of the role played by the government in stabilizing market prices.

In June, **Viet Nam** virtually concluded the harvest of its 2007 first (winter-spring) paddy crop, the most important of the three grown in the country, as it accounts for about 48 percent of the total. Although some parts in the Red-River Delta had to be replanted following attacks of brown plant hoppers, estimates from the Ministry of Agriculture and Rural Development indicate an increase in output compared with the 2006 winter-spring crop, as yields in the Mekong Delta producing zones were excellent. For the time being, however, the output forecast for the whole 2007 season remains at 36.0 million tonnes, which would be only slightly above the 35.8 million tonnes harvested in 2006.

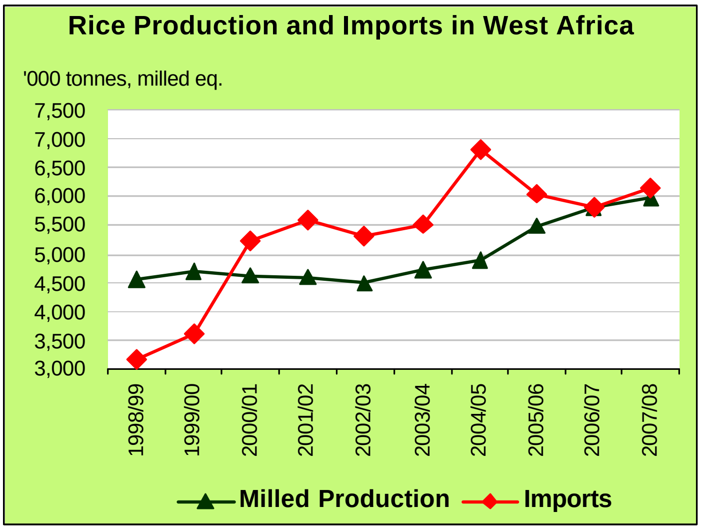
B. AFRICA

Paddy production to rise by 2 percent above the good performance in 2006

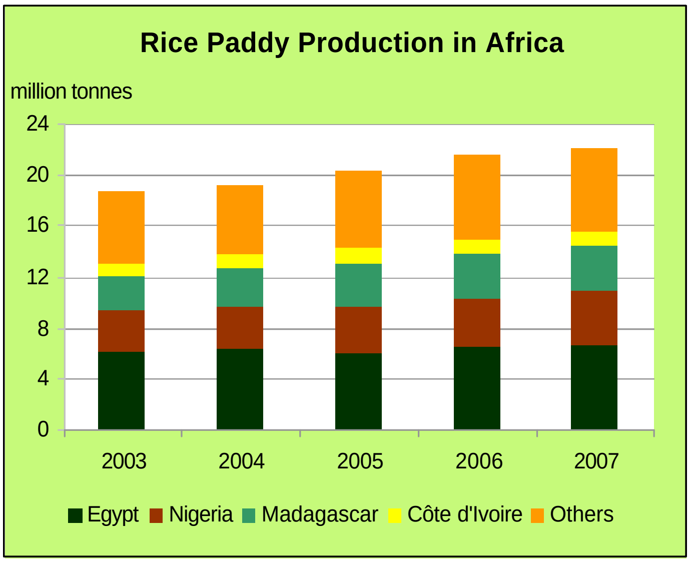
In Africa, the April-June period coincides with the arrival of the rainy season and with the planting of the main paddy crops in western part of the region, whereas the crop is at an advanced stage of development in southern Africa and parts of eastern Africa. Overall, about 22.1 million tonnes are expected to be gathered in Africa this season, 400 000 tonnes more than the previous forecast and up from 21.6 million tonnes in 2006. Following the generally good crops harvested last year, the broad food situation appears to be relatively favourable at a time when many countries are heading towards the lean season.

In *Northern Africa*, **Egypt** is about to complete the sowing of its 2007 paddy crop. So far, no indication on the area covered has been released by the authorities and production in 2007 remains forecast at 6.6 million tonnes, up from the 6.5 million tonnes harvested in 2006. Expectations of an increase are based on the high prices received by farmers, although availability of fertilizers was reported below normal.

In *Western Africa*, the rainy season arrived early in several countries, which permitted the paddy season to start early in **Benin, Burkina Faso, Cameroon, parts of Chad, Niger, Nigeria and Togo**. However, by end-June, several countries were again suffering dryness with moisture deficits registered in Western **Burkina Faso**, **Chad**, some **parts of Cote D'Ivoire** and **Mali**. Rainfall shortfalls were also apparent in **Guinea**, **Guinea Bissau**, **Mali** and **Senegal**. Although continued low precipitation in those countries would have serious negative implications for production this season, the situation is not yet critical, provided rainfall resumes. Pending more information on the pattern of the rainy season, paddy production forecasts have not been changed, at 9.6 million tonnes for the sub-region, equivalent to 6.0 million tonnes of milled rice, a 3 percent increase from 2006. Much of the progress would be on accounted of expected gains in **Benin, Chad, Ghana, Guinea, Nigeria** and **Senegal**, which would more than compensate for the declines anticipated in **Burkina Faso**, **Côte d'Ivoire** and **Mali**. Production in the sub-region has shown a particularly dynamic pace of growth in the past five years, but imports have been the main source of rice supplies, surpassing production, since 2000.



In eastern Africa, above-normal rainfall in **Tanzania** is reported to have fostered an increase in the area planted to rice, which may result in a 3 percent production increase to 1.24 million tonnes. In **Kenya,** paddy production, which is concentrated in the south-western part of the country, along the Lake Victoria, was also affected by flooding, despite late and below normal precipitation over the April-June rainy season. Pending more information on the unfolding of the season, the country's output is forecast at 50 000 tonnes, marginally above the estimate for 2006.



In southern Africa, harvesting of the 2007 main paddy crops is virtually concluded. **Madagascar**, one of the largest African rice producers, has been battered by a series of cyclones this year, the last two of which (cyclones Indlala and Jaya) hit the country in March and April, respectively, when the harvesting of the main crop was in full swing. However, despite reports of heavy damage to people and infrastructure, there has been no confirmation the events caused major damage to the paddy crop. Moreover, forecasts by the Ministry of Agriculture, at 3.55 million tonnes, would imply an increase from the 3.4 million tonnes FAO's estimate for 2006 and an improvement from the previous 3.2 million tonnes 2007 outlook. Although, temporary, the arrival of new supplies, have caused a seasonal fall in paddy prices, after reaching a high in mid-March, when harvesting of the crop was just starting. Likewise, production prospects have been upgraded in **Mozambique**, despite the drought and floods that hampered crops in the country this season. According to official forecasts from the Ministry of Agriculture, the country is set to gather 195 967 tonnes of paddy in 2007 from an area of 204 031 ha, up 7 percent from the 182 573 tonnes harvested last year from an area of 194 252 ha.

C. LATIN AMERICA AND THE CARIBBEAN

Output forecast to fall in the region, as the expected recovery in Central America and the Caribbean is unlikely to be sufficient to compensate for declines in the southern cone

Competition from other crops and adverse weather conditions have resulted in a 2 percent expected decline in paddy production in Latin America and the Caribbean (LAC) to 24.2 million tonnes. The decline is likely to stem from negative performance in countries situated in South America, while the outlook for countries in Central America and the Caribbean is positive.

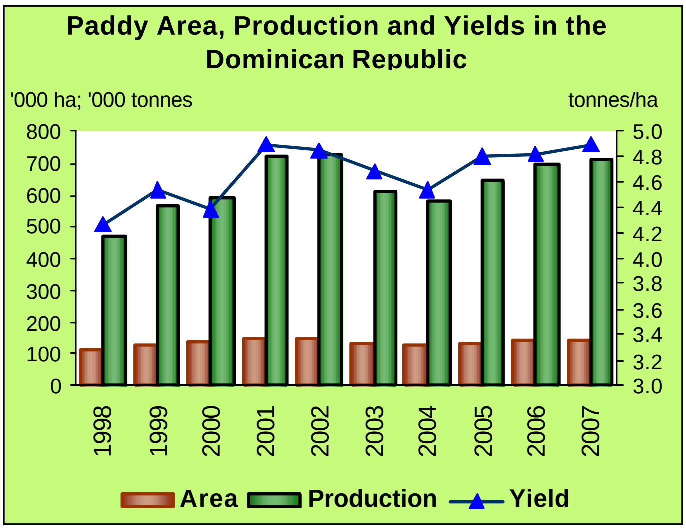
In *Central America and the Caribbean*, the rainy and hurricane season, which normally coincides the planting of the first paddy crop, has already started as, by mid-June, intense rainfall had reached **Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua** and **Panama**, causing flooding and damage to infrastructure. Although still subject to much uncertainty, paddy production in the sub-region is foreseen to attain 2.5 million tonnes, 7 percent more than the 2.36 million tonnes harvested in 2006. Growth largely reflecting expectations of a continued recovery in **Cuba**, where output is forecast to rise by more than 20 percent to 500 000 tonnes, still short of the pre-drought levels of 600 000-700 000 tonnes.

Cuba: Paddy Production

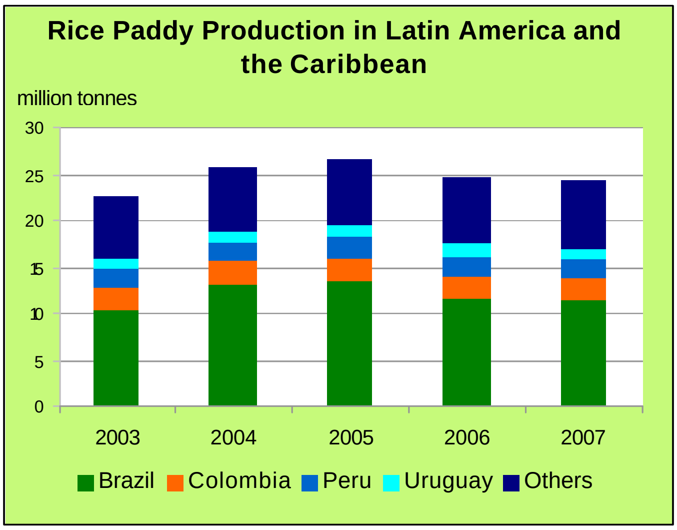
	2000	2001	2002	2003	2004	2005	2006	2007
State Sector	122,670	118,814	116,244	76,104	64,120	42,322	na	na
Non-state Sector	430,130	482,186	575,756	639,696	424,780	325,278	na	na
Total	552,800	601,000	692,000	715,800	488,900	367,600	410,000F	500,000F

Source: Cuba Oficina Nacional de Estadísticas, FAO

Production in **Costa Rica** is expected to rebound from the 2006 drought-reduced level, with increases also anticipated in the **Dominican Republic** and **Mexico.**



The **Dominican Republic** already started harvesting the main spring crop, with excellent results. Part of the progress has been attributed to the well-functioning of collaboration between producers and millers, which helps them negotiate and agree on producer prices, with the authorities acting as facilitator. This year, the parts agreed on a base reference paddy price of Pesos 1600 per fanega (about US$ 500 per tonne). In addition, the sector benefited for the third successive year of a national pledging programme (Programa Nacional de Pignoración), which the Government has funded with Pesos 400 million (US$ 12.5 million). The programme, which gives access to credits at an 11 percent preferential rate to finance rice production and marketing, was allocated Pesos 3 billion (US$ 94 million) this season by the Reserve Bank, Pesos 1 billion more than in 2006, as the rate of loan repayment in 2006 was reported as high as 99.88 percent. The pledging scheme is activated when the bulk of the crop is harvested, with the objective to store supplies when prices are at their lowest and to release them as prices rise. The rice stored is used as collateral of the bank loans, while government funds cover storage costs. The government announced in June 2007 a streamlining of the rice sector, with the goal to enhance its competitiveness. The move is warranted by the increasing exposure to competition from the United States, as the Dominican Republic already started opening free-duty rice quotas under CAFTA, the US-Central America free trade agreement. Production in **El Salvador** is anticipated to reach 34 000 tonnes, up from 30 000 tonnes in 2006 and the highest level since 2001. The Ministry of Agriculture has launched a series of measures to sustain production of cereals, including rice. For instance, it allocated US$ 8 million to supply high-quality seeds and fertilizers to 160 000 farmers this season. In addition, 1265 metallic silos were provided to small cereal producers to reduce post-harvest losses.



In *South America*, the 2007 paddy season is very much advanced. Overall, the region is estimated to reap 21.7 million tonnes, a 3 percent decline from 2006. This is mainly reflection of the fall witnessed in **Brazil,** where, according to the June survey conducted by CONAB, about 11.4 million tonnes have been harvested, down from 11.7 million tonnes in 2006. The drop very much reflects a cut in planting in the Southern region, which accounts for two thirds of national output, mainly imputable to unattractive prices at sowing time. Although the same area is estimated to have been planted this season, production in **Argentina** is forecast to decline by 9 percent to 1.08 million tonnes, reflecting reduced yields compared with the extremely high levels achieved in 2006. Likewise, official estimates in **Chile** point to a decline in rice production from 160 000 tonnes in 2006 to 135 000 tonnes in 2007. FAO also foresees a 5 percent contraction in **Ecuador**, to 1.3 million tonnes and especially in **Peru**, where it could fall by 10 percent to about 2 million tonnes. In **Peru**, an erratic weather pattern already led to a 12.4 percent drop in January-March 2007 from the level achieved in the first three months of 2006, as a lack of water constrained plantings in Lambayeque, while flooding damaged fields in San Martin. The Government current stance to reduce rice cultivation along the coast, as a water-saving measure, is also putting pressure on producers to shift to other cultivations, such as cotton. Insufficient water availability constrained plantings in **Uruguay,** which, despite anticipation of record yields, is expected to result in an 11 percent fall in output to 1.146 million tonnes.

By contrast, although still to be completed, the season is expected to be positive in **Colombia**, which is now forecast to gather 2.5 million tonnes, up from 2.25 million tonnes in 2006, sustained by a strengthening of prices and increased credit availability. An increase is also expected in **Venezuela** and in **Guyana.** In **Guyana**, production this season has been forecast by the government at 494 000 tonnes, up 5 percent from the 469 000 tonnes harvested in 2006.

E. Rest of the world

Production prospects worsen in the United States but improve in Australia

In *Oceania*, the production outlook for **Australia** presented in the June issue of Abare's June Crop Report remains bleak, with an 84 percent decline anticipated to 167 000 tonnes. However, this is much improved compared with previous government expectations of 125 000 tonnes. The drop in production from last season is imputable to the lack of irrigation water which constrained plantings but also to the interruption in water supply over the growing period, which induced farmers to abandon some of their fields.

By contrast, in *North America*, the outlook deteriorated in the **United States**, with the USDA forecasting production at 8.3 million tonnes in June, 200 000 tonnes less than reported in the March issue of the Rice Market Monitor and 500 000 tonnes below the level reached in 2006. The expected fall largely reflects a contraction of the area planted, affecting mainly long grain rice varieties.

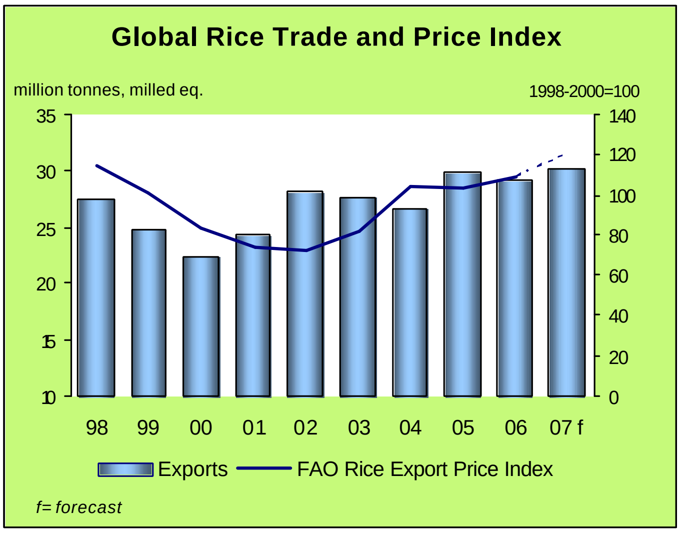
In *Europe*, **the European Union** (EU) has completed the sowing phase, with most countries confirming to have planted an area similar to last year. A small retrenchment is only expected in Spain, as insufficient water availability may constrain cultivation in Andalucia, while a small increase may actually take place in Italy, where, according to a survey by Ente Risi released in April, farmers intended to raise cultivation of long grain, Japonica varieties while reducing that of long grain, Indica varieties. Overall, rice in the EU (27) is expected to cover 411 000 ha in 2007, marginally above last year. As a result, production is set to reach 2.64 million tonnes, virtually unchanged from 2006.

Production in the **Russian Federation** is forecast to rise to about 700 000 tonnes in 2007, up from 685 000 tonnes in the previous year and a new record. The increase is consistent with expectations of reduced competition from imports, following the imposition of more stringent quality certifications and the raising of the import tariff.

II. INTERNATIONAL TRADE IN RICE

New forecast for rice trade in 2007 points to an even larger volume of exchange in 2007

With the arrival on the market of the 2006 secondary crops and of the 2007 primary crops, the global rice situation has eased somewhat compared with that prevailing in March. Since the previous issue of the RMM, FAO has raised by some 400 000 tonnes its forecast of trade in calendar 2007, now set to reach 30.2 million tonnes, almost 1 million tonnes more than in 2006. The pressure for trade to expand stems from an intensification of import demand, as several of the major exporting countries are facing tight supply situations.



On the import side, the revision to the 2007 trade outlook reflects larger expected deliveries to Angola (+40 000 tonnes to 250 000 tonnes), Colombia (+73 000 tonnes to 213 000 tonnes), EU (+150 000 tonnes to 1.2 million tonnes), India (+50 000 tonnes to 100 000 tonnes), Indonesia (+300 000 tonnes to 1.8 million tonnes), Senegal (+90 000 tonnes to 840 000 tonnes) and Thailand (+200 000 tonnes to 200 000 tonnes), which more than offset lower forecasts for Bangladesh (-200 000 tonnes to 800 000 tonnes), Brazil (-100 000 tonnes to 800 000 tonnes), Madagascar (-50 000 tonnes to 200 000 tonnes) and the Russian Federation (-50 000 tonnes to 200 000 tonnes). As for exports, forecasts were raised for China (+200 000 tonnes to 1.5 million tonnes), India (+300 000 tonnes to 4.2 million tonnes) and Viet Nam (+300 000 tonnes to 4.8 million tonnes), but lowered for Argentina (-50 000 tonnes to 0.4 million tonnes), Brazil (-50 000 tonnes to 150 000 tonnes) and Thailand (-300 000 tonnes to 9.0 million tonnes).

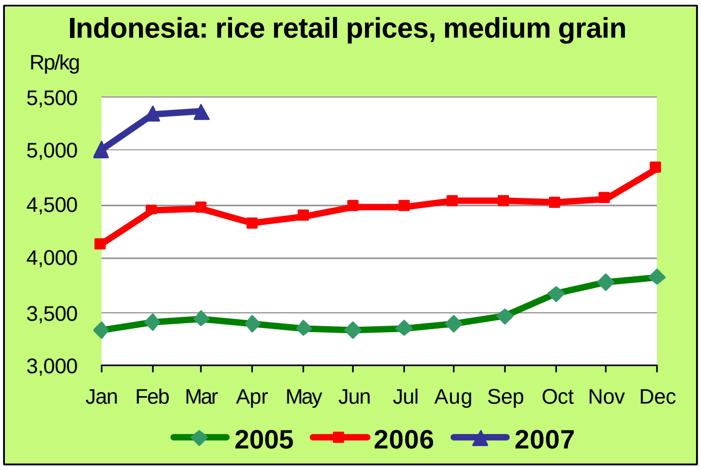
A. Rice imports in 2007

The resurgence of Indonesia as a major importer behind the expected expansion in trade

International trade in rice in 2007 is currently forecast at 30.2 million tonnes, close to 1 million tonnes above the current estimate for 2006. The growth is attributable to a rise in demand in Asia, mainly reflecting expectations of a return of Indonesia as an important buyer, but also in LAC and Europe. By contrast, imports to African countries may fall.

Shipments to ***Asia*** are set to rise to 14.1 million tonnes in 2007, up from 13.2 million tonnes last year, largely on account of larger anticipated deliveries to **Bangladesh, Indonesia** and **Nepal**. On the contrary, **Iraq, the Islamic Republic of Iran, Malaysia** and **the Philippines** may import less this year, partly reflecting relatively high world prices.

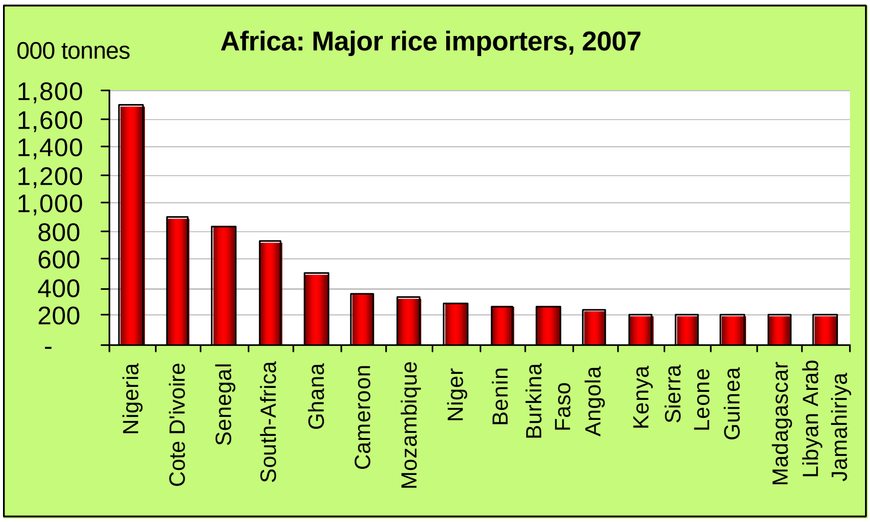
In **Bangladesh**, imports are expected to reach some 800 000 tonnes, up from 700 000 tonnes last year. The country has been facing sharp increases in prices in the first quarter of the year, which may encourage the government to purchase more rice on the international rather than on the domestic market to cover supply requirements for its food distribution programme. The expected increase in imports is less than earlier anticipated, as rising prices in India, the main source of Bangladesh's imports, may dampen demand. **China (mainland)** is set to take about 700 000 tonnes of rice, this year, slightly less than in 2006. As of May, rice imports into the country were reported to have fallen by 37 percent, but they may peak up, later in the year. Meanwhile, in April 2007 China was reported to have lifted a phytosanitary ban on imports of Japanese rice, after four years of suspension.



Overall, **Indonesia** is reported to have established a 1.5 million tonne import quota for 2007, of which 1.2 million tonnes have already been contracted with Thailand and Viet Nam, largely under G-to-G contracts. As of early June, only about half of that amount had actually been shipped to Indonesia, because of delivery problems in the supplying countries. FAO's import forecast for the country, however, has been raised from the previous 1.5 million to 1.8 million tonnes, as domestic prices have continued to be well above the established ceiling that triggers imports. According to the current rules, imports of rice are only permitted when domestic retail prices exceed Rupiah 3550 per kg, or when government reserves fall below 1 million tonnes. Between January and March 2007, retail prices have averaged Rupiah 5,236 per kilo, which compares with Rupiah 4,337 per kilo January-March 2006 and Rupiah 3,391 per kilo in January-March 2005.

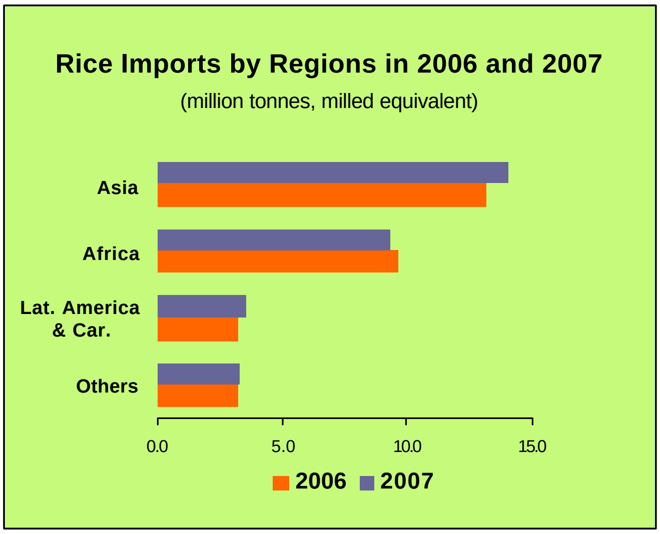
Rice imports by **Japan** are expected to be in the order of 700 000 tonnes, up from an official import estimate of 602 000 tonnes in 2006. Since 2000, the country has faced a WTO obligation to take a minimum 682 000 tonnes, on a milled rice basis, per year, but much of the imported rice has been kept in stocks. For instance, in 2006, 1.9 million tonnes out of a total of 2.6 million tonnes held in inventories corresponded to foreign rice. According to a study by the Ministry of Agriculture, Forestry and Fisheries, the elimination of border protection would have deep consequences for GDP and unemployment. In the case of rice, it was gauged to bring about a 90 percent cut in production, estimated to result in a loss of yen 1822 300 billion (US$ 14 835 billion). The country is aiming at securing the status of sensitive product, in the Doha Round Negotiations, for rice and other basic food products, to make them eligible to an exemption from tariff reduction or to lower tariff cuts. Imports by the **DPR of Korea** are forecast at 240 000 tonnes, slightly above last year, but well short of the levels of 700 000 tonnes which reached the country in 2005. The difference mainly reflects expectations of a strong drop in food aid shipments, pending the resolution of an argument with the Republic of Korea, which had earlier promised to supply the country with 400 000 tonnes of rice as food aid by the end of May. The delivery was suspended on failure by the DPR Korea to shut a nuclear reactor in April 2007. Rice purchases by the **Republic of Korea** are expected to be in the order of 270 000 tonnes, as the country has committed to import 266,269 MT (milled rice equivalent) under the minimum import quota. The bulk of the imported rice has been for use by the food industry for conversion into value-added food products but also into alcohol. Most of the 2006 import quota was tendered between September and December 2006, reaching the country in the first half of 2007. The 2007 quota is likewise expected to be auctioned from August onwards. Imports by the **Philippines** are anticipated to fall to 1.7 million tonnes, from 1.8 million tonnes in 2006, in light of the good harvests reaped in 2006. The bulk of these imports continue to be conducted by the National Food Authority, the state-owned agency, often under government-to-government contracts. The possible elimination from the Agency's mandates of its obligation to guarantee a minimum price to producers and a price ceiling to consumers may eventually imply that the importation of rice will be mostly entrusted to the private sector. Although not officially declared, **Thailand** is estimated to have imported about 100 000 tonnes of rice (milled equivalent) in 2006, mainly in the form of paddy, from neighbouring Laos and Cambodia. The forecast inflow for 2007 is even larger, at 200 000 tonnes, as the latter two countries have abundant surpluses from their 2006 bumper crops while Thailand is facing shortages, which is likely to have fostered an intensification of border trade. Similarly, **Viet Nam** is forecast to import 300 000 tonnes of rice in 2007, 100 000 tonnes more than the estimate for 2006. The country has passed various regulations in 2006 and 2007 to enhance collaboration and trade with Cambodia and Laos. Under the new legal setup, up to 100 0000 tonnes of milled rice or, alternatively, 200 000 tonnes of paddy rice from Cambodia can be imported duty free into Viet Nam. In the case of Laos, the volume allowed is smaller at only 40 000 tonnes.

Africa is expected to remain a key destination for rice trade in 2007, but imports into the region are now anticipated to fall from 9.6 million tonnes in 2006 to 9.3 million tonnes this year, practically unchanged from the March forecast. The reasons underlying the fall are much related with the relatively high world rice prices prevailing this year, which have been compounded by surging freight rates. For several countries in the region, especially those, like **Madagascar**, that have just harvested their main paddy crop, these factors have contributed to making domestically produced rice competitive with imports, although this situation may last only for a few months. Much of the drop in rice imports in the region is foreseen to arise from smaller deliveries to **Guinea, Mali** and **Nigeria**, while those directed to **Egypt**, **Mauritania** and **Senegal** may rise.



Shipments to the other major markets in the region, in particular **the Cote D'Ivoire, Ghana** and **South Africa** are not expected to change much compared with last year.

Imports to countries in ***Latin America and the Caribbean*** are forecast to reach 3.5 million tonnes, up from 3.2 million tonnes in 2006. Much of the increase reflects expectations of larger purchases by **Cuba, Brazil** and, to a smaller extent, **Colombia** and **Peru**. **Cuba** is forecast to buy 700 000 tonnes, up from an estimate 600 000 tonnes in 2006. In May 2007, the country resumed rice importation from the United States, which had been suspended in August 2006, following the announcement by the USDA that traces of genetically modified rice had been found in US rice shipments. The move may have been triggered by difficulties to find suitable supplies, given the surge in export prices in Viet Nam, Cuba's main source of imported rice, and freight rates.



In ***the other regions***, imports by the United States are forecast to rise to a record level of 675 000 tonnes, almost 7 percent above last year, largely driven by high domestic prices. The official forecast in **Australia**, at 97 000 tonnes would be slightly lower than the 102 000 tonnes reported by the Government to have been imported in 2006.

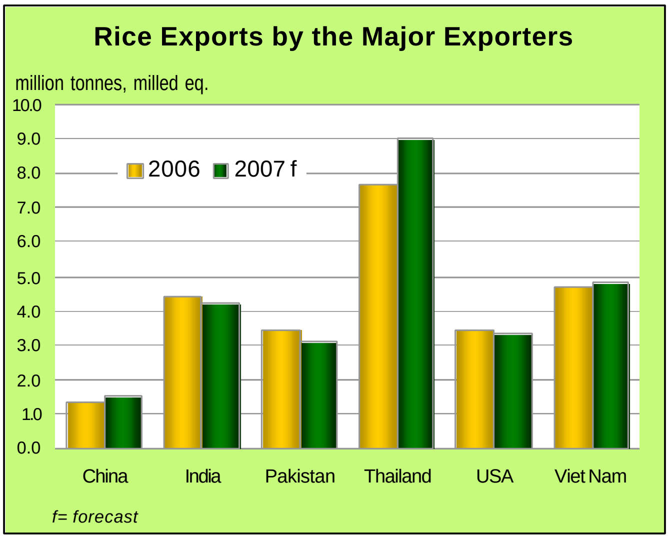
Purchases by the 27 member countries of the **European Union** are set to reach 1.2 million tonnes, a 20 percent increase from the level estimated for 2006, only a minor part of which can be explained by the accession of Romania and Bulgaria. Indeed, much of the increase is attributed to the relatively high prices that have prevailed in member countries, since the enlargement from 15 to 25 members on 1 May 2004. According to a proposal by the European Commission, the EU is poised to grant the Group of African Caribbean and Pacific countries (ACP) unlimited and duty-free access to its market for all products, although the process was phased in over several years in the case of rice and sugar. The measure would affect 77 ACP countries currently benefiting from preferential access to the EU under the Cotonou Agreement, due to expire by the end of 2007. If approved, the proposal would be enshrined in the new Economic Partnership Agreements (EPAs), expected to become operational in 2008. It would confer ACP countries the same rights as those granted to the least developed countries under the Everything-but-Arms initiative (EBA). However, as stipulated under the EBA, this would not give free access to the EU rice market to the eligible countries until September 2009. Since the launching of the programme in 2002, the volumes allowed under the EBA quota have minimal and still subject to the payment of duties. In 2006/07, 5063 tonnes were allowed, subject to a 20 percent duty reduction. In 2007/08, 5 823 tonnes will be allowed for import, subject to a 50 percent duty reduction. Only in 2009/10 will the rice market be fully opened to ACP and least developed countries, with all duty waived, subject to a safeguard provision, which allows the free-access concession to be suspended when imports exceed by 25 percent the level of the previous year.

EU: Rice Import allocations of the Everything-but-Arms Quota (in husked rice eq., tonnes)					
	2002	**2003**	**2004**	**2005**	**2006**
Bangladesh	270		43	153	50
Cambodia	2,555	3,141	3,780	4,249	2,110
Laos	16	9	5		
Madagascar					2,902
Malawi	54	179			
TOTAL	**2,895**	**3,329**	**3,828**	**4,402**	**5,062**
Source: EU Commission					

Rice imports by the **Russian Federation** are expected to fall to 175 000 tonnes, half the level estimated in 2006 and 65 000 tonnes below the previous forecast. The year-to-year decline reflects the raising of tariffs and the tightening of certification requirements. Late in 2006, the Russian Federal Veterinary and Phytosanitary Surveillance Service (VPSS) imposed a ban on imports from India, Pakistan, Sri Lanka, the United States and Vietnam, claiming the cereal did not comply with the Russian quality standards. Although imports were again allowed if accompanied with the required certification and information regarding the use of chemicals, they had to be brought into the Russian territory only through three selected locations (Kaliningrad, Novorossiysk, and St Petersburg). Imports of rice from India and Thailand were again arrested on 1 May 2007. The tightening of SPS measures appears to have had a strong depressing effect on Russia's imports, which amounted to only 50 000 tonnes in the first four months of 2007, about one third of the level imported in the same period in 2006. Compounding the effect of stricter quality certification requirement, tariffs on rice imports from 13 March to 31 May and from 1 October to 31 December were raised from € 70 per tonne to € 120 per tonne.

A. EXPORTS

Mixed export performances expected

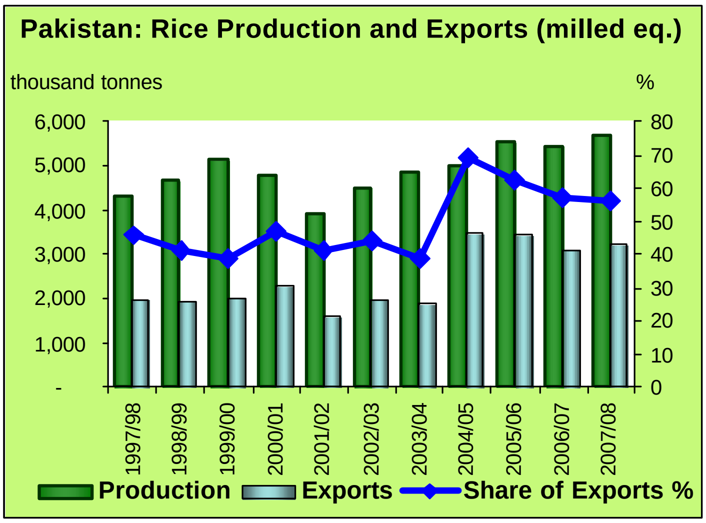


Although trade is forecast to recover to a new record in 2007, not all the major exporting countries may benefit from the growth, as only a few appear to hold sufficient supply to respond to the expanding import demand . Although **Thailand** is among those, it is now expected to ship a 9.0 million tonnes, 300 000 tonnes less than previously anticipated, but still 1.3 million tonnes more than in 2006 under expectations of a lively world import demand. In the first five months of the year, exports were only 11 percent higher than in the corresponding 2006 period, as a lack of vessels and containers delayed consignments. A 10 percent strengthening of the Baht, against the US $ since the beginning of the year has also tended to slow the pace of sales, but this is expected to accelerate in the coming months, especially as supply availability from the 2006 secondary crop is larger than originally expected.

India's rice export forecast this year has been raised from 3.9 million to 4.2 million tonnes, which is still 5 percent less than last year. So far in 2007, the rice export performance has been affected by a firming of domestic prices, the strengthening of the Rupee relative to the US dollar, rising freight rates and bad weather that has hindered shipping operations.

The latest forecast of **China's** exports in 2007, at 1.5 million tonnes, is 300 000 tonnes larger than previously anticipated and more than 20 percent above the 1.2 million tonnes officially shipped in 2006. In the first four months of the year, deliveries to foreign countries were reported to have increased by 20.2 percent compared with the same period in 2006, with the bulk directed to African countries. However, there is still much uncertainty and much will depend on the evolution of the season, as fears of shortages may prompt the Government to put a halt on shipments. Unlike for imports, the government has full discretion regarding exports of cereals.

A bumper 2006 paddy season has left considerable rice surpluses in **Cambodia**, which have been flowing to neighbouring countries, in particular Thailand and Viet Nam, for processing. Exports from the country have been anticipated to reach 900 000 tonnes, three time the level estimated for 2006, which would place the country among the important players in the world rice economy.



As India, **Pakistan** is facing considerable difficulty in keeping the pace of export of last year. In the wake of the 2006 production shortfall and with domestic prices soaring since the beginning of 2007, the country is forecast to cut exports from 3.4 million tonnes in 2006 to 3.1 million tonnes in 2007, which represent close to 60 percent of production. In the wake of the growing supply tightness, which manifested through sharp increases in prices, it was feared that the government would restrict rice exports as it had done in May 2007 in the case of wheat. However, the chance of such action is rather slim, as rice is not a major staple food for the Pakistani population. The expected drop of shipments this year is likely to be on account of smaller shipments of Basmati rice, the production of which was especially impaired by the adverse weather conditions last year.

Although little information regarding the pace of **Myanmar's** exports has been flowing, there was a recent news of a 17 000 tonne sale to the Cote D'Ivoire, which may signal a resumption of Myanmar rice trade. This remains under tight government control and restrictions on rice movements and sales abroad have been maintained in the past several years, to keep rising domestic prices in check. Still, Myanmar is forecast to sell 150 000 tonnes of rice over the year, up from 100 000 tonnes in 2006.

Rice exports in **Viet Nam** are under the control of the Rice Export Administration an organism composed of various ministries representatives (in particular, the Ministry of Trade, Office of Prime Minister, Ministry of Finance, Ministry of Agriculture and Rural Development, Ministry of Planning and Investment and State Bank of Viet Nam). Given the prevailing market tightness, the Government originally set a 2007 rice export target of 4.0 million to 4.5 million tonnes, lower than the 4.749 tonnes shipped in 2006. However, in the wake of favourable prospects regarding the 2007 winter-spring crop now under harvest, some high-ranking officials suggested that exports in calendar 2007 might even reach 5 million tonnes. Nonetheless, FAO's forecast has been raised to 4.8 million tonnes only, as the performance of the sector in the first five months of the year was rather disappointing, with 1.949 million tonnes exported, 17 percent less than the 2.340 million tonnes delivered in January-May 2006. The reduction reflects not only reduced supply availability but also logistic constraints to find vessels. Moreover, in a sign of continued concern over availability, the Ministry of Trade recommended exporters to suspend the signing of new contracts, at least until September.

Among non-Asian exporters, the **United States** is anticipated to ship 3.3 million tonnes of rice in 2007, down from 3.36 million tonnes in 2007. Export prospects continue to be marred by the imposition of tight certification requirements which were imposed by many importing countries following the finding of genetically-modified rice in US shipments last year. In addition, domestic rice prices have remained particularly strong since January, which has made it more difficult for US rice to compete, especially on markets outside of the Americas.

Strong import demand from countries in the Near East is expected to boost exports from **Egypt** to levels close to the 2005 record. Although prices in the country have been rising, rice imports by the government have relieved some of the pressure, which could enable the country to sell at least 1 million tonnes of rice in 2007, 15 percent above last year.

Exports from **Guyana**, which are mainly destined to the EU and to the Caribbean Community (Caricom), have been officially forecast by the government at 213 000 tonnes this year, up from 204 300 tonnes in 2006. Rice imports to the fifteen countries[5] belonging to the Caricom are subject to a common external tariff of 25 percent. In May 2007, however, Guyana complained that several members of the Community were not complying with their obligation to submit timely and accurate data on their rice imports and failing to apply the 25 percent external tariff on rice imports originating from non-Caricom countries. The move may lead to the opening of a trade dispute at the Caribbean Court of Justice.

Brazil is set to maintain some rice exports in 2007, notwithstanding this year production shortfall. The country sold more than 270 000 tonnes in 2005 and even managed to increase them to 290 000 tonnes last year. In 2007, FAO foresees the country to ship 150 000 tonnes

[5] Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago

only, as two consecutive poor seasons have led to a substantial reduction of rice stocks. Supply constraints are also likely to depress sales from **Argentina** and **Uruguay**.

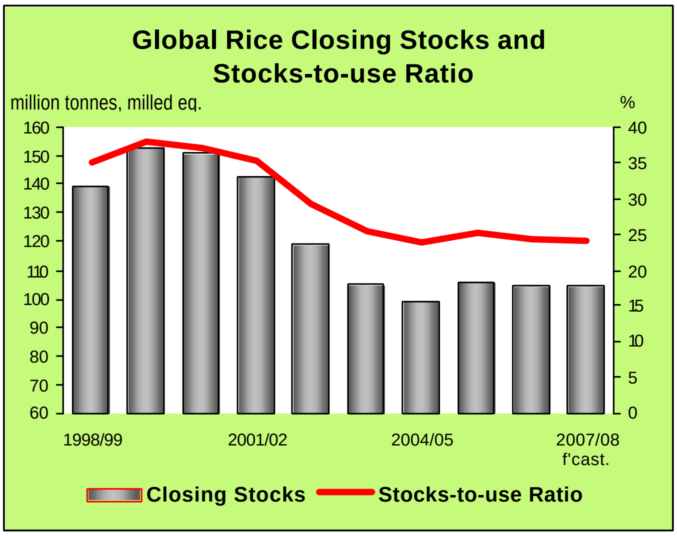
This would also be the case of **Australia,** where exports are expected to fall from an official estimate of 149 000 tonnes in 2006 to a 35 000 tonne FAO forecast in 2007.

III. CLOSING RICE INVENTORIES

Global rice inventories forecast to end lower in 2007, with a small recovery possible in 2008

Reflecting several positive changes in the 2006 production estimates, FAO's March forecast of world rice inventories at the close of the 2006/07 marketing seasons has been raised by about 2 million tonnes to 104 million tonnes. The revision mainly reflects upward adjustments of the 2007 carry-overs in **China, India** and, especially, **Thailand,** which more than compensated for a lowering in **the Islamic Republic of Iran, Pakistan** and **Viet Nam.**

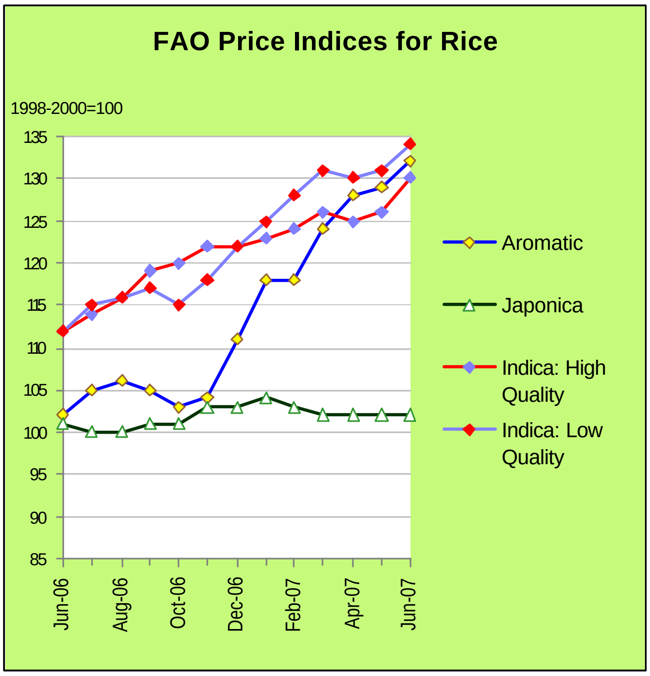
Despite the upward revision, compared with the previous year, global rice carryover stocks are anticipated to drop by 1.4 million tonnes to 104.4 million tonnes in 2007, an indication that world production may fall short of global consumption, which would require the difference to be covered by drawing from existing reserves. Rice inventories are foreseen to decline in some major importing countries, in particular **Bangladesh, Brazil, Indonesia, the Islamic Republic of Iran, Nepal** and **Senegal**, but exporters such as **India** or **Viet Nam** may also face a contraction. By contrast, **China**, which holds the bulk to the world rice inventories, is estimated to close the 2006 paddy season with a 1.4 million tonne stock increase to 58.4 million tonnes. More generally, rice importing countries as a group is anticipated to incur a 2.7 million tonne cut in stocks to 17.6 million tonnes, while, overall, they may rise in exporting countries, which include **China**, by 1.2 million tonne to 86.8 million tonnes.

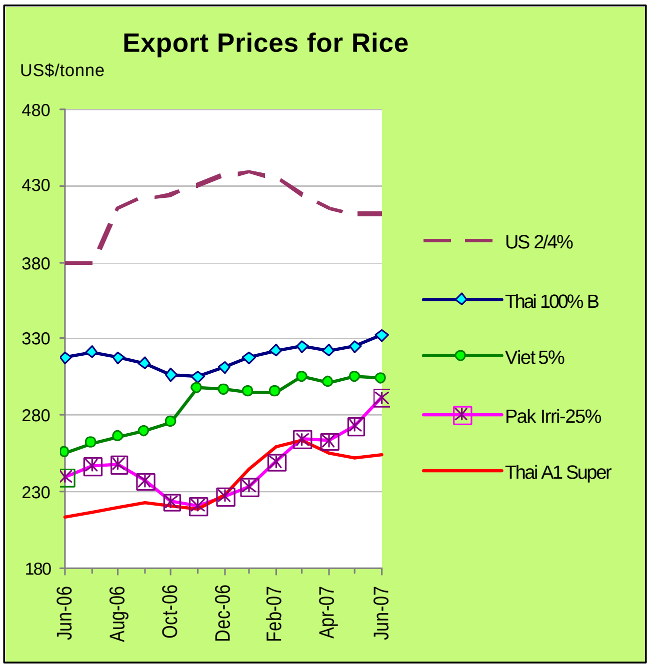


Preliminary forecasts of rice stocks at the close of the 2007/08 rice marketing seasons show a small recovery to 105 million tonnes. However, individually, there were many more countries expected to witness a contraction than an expansion in stocks. Among those likely to incur a cut of inventories, are **Australia, Bangladesh, Brazil, India, Indonesia, Japan, the Republic of Korea, Peru, the United States** and **Viet Nam**, while only few countries, **China** in particular, are expected to experience a stock rebuilding. Based on current forecasts, the rice stockpile in **China** may gain 3.6 million tonnes and reach 62 million tonnes by 2008. The country's increase reflects expectations of a positive 2007 production outcome, continued slow growth in domestic demand (largely contained by a falling per caput rice consumption) and a relatively low volume of exports in 2008. Closing stocks held by rice importing countries are now foreseen to fall by a further 2.0 million tonnes, to 15.6 million tonnes in 2008, while those retained by exporting countries are forecast to expand by about 2.3 million tonnes, to 89.0 million tonnes. The latter gain, however, would be mainly on account of **China**, as most of the other exporting countries are anticipated to end the 2007 season with smaller inventories.

IV. INTERNATIONAL PRICES

International rice prices still on the rise





Rice export prices have generally remained on an upward trend since March, except in the United States. These tendencies were reflected in the FAO all rice price index, which averaged 123 in June 2007, up from 121 in May and 120 in March and April. One year ago, in June 2006, the price index was equal to 108. Distinguishing among the different market segments, both the lower and higher quality Indica rice showed particular price strength, gaining 4 and 3 points respectively since March, while Japonica rice prices were stable over the same period, actually losing a few points compared with their January level. On the other hand, the prices of aromatic rice, which includes the Basmati and Hom Mali varieties, remained steadfastly on the rise, reflecting very tight supplies, following poor 2006 crops and a firm demand. These factors were reflected in the corresponding price index, which gained 8 points between March and June 2007. Compared with its June 2006 value, the index gained 30 points.

Across the various origins, prices have remained strong in Thailand, although the arrival of new supplies from the 2006 secondary crop since March and the release of a further 400 000 tonnes from public stocks in May have dampened the pressure somewhat. In June, prices were again sustained by lively exports under government-to-government contracts. By contrast, export prices in the United States have trended downward since January, reflecting a slow pace of shipments, largely connected with the imposition of tighter certification requirements on US rice exports. In the other major exporting countries, i.e. Egypt, India, Pakistan and Viet Nam, limited supply availabilities have sustained prices. This was particularly the case of fragrant rice in Pakistan, the price of which soared to US$ 800 per tonne over the fifth week of June. Export prices of Indica rice from Pakistan also rose, with the IRRI rice 25% quoted US$ 292 per tonne in June, up from US$ 263 per tonne in March.

Prices are expected to remain steady at least until October – November, when several important producing countries in the northern hemisphere will be harvesting their main paddy crops. Meanwhile, additional supplies from stocks may come to the market in Thailand, where the Government has announced its intention to sell, through monthly tenders, the bulk of the rice it owns. Although these supplies may ease some of the pressure on prices, their effect is expected to be limited, given the policy of not releasing them below a minimum price level. However, there are several other areas of uncertainty, one concerning the possibility that the Indonesia's government re-imposes restrictions on imports, which would have a serious negative effect on quotations. International rice prices will also be influenced in the next few months by the pattern of the monsoon, as well as exchange rate movements and transportation logistics, including freight rates.

FAO Rice Price Indices

		All	**Indica**		**Japonica**	**Aromatic**
			High	**Low**		
		1998-2000 = 100				
2002		**72**	**73**	**75**	**67**	**74**
2003		**82**	**79**	**81**	**82**	**91**
2004		**104**	**101**	**110**	**104**	**96**
2005		**103**	**104**	**115**	**92**	**94**
2006		**109**	**114**	**114**	**101**	**102**
2006	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	103	104
	December	115	122	122	103	111
2007	January	117	123	125	104	118
	February	119	124	128	103	118
	March	120	126	131	102	124
	April	120	125	130	102	128
	May	121	126	131	102	129
	June	123	130	134	102	132
2006	Jan.-Jun.	106	109	111	100	98
2007	Jan.-Jun.	120	126	130	103	125

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.

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.												
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**
2006	**311**	**300**	**394**	**266**	**269**	**247**	**249**	**230**	**217**	**512**	**353**	**516**	**470**
2006													
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	529	326	525	494
November	305	303	431	298	267	257	283	221	218	529	343	525	454
December	311	305	437	297	273	270	282	227	228	551	366	525	490
2007													
January	318	311	439	295	283	270	280	233	245	551	377	586	529
February	322	315	435	295	291	270	280	249	259	551	392	600	523
March	325	318	424	305	293	260	288	264	263	551	392	615	537
April	322	314	416	301	289	270	286	263	256	551	392	625	542
May	325	319	412	305	292	n.a.	285	273	252	551	388	625	530
June	333	326	412	304	298	n.a.	286	292	255	551	401	660	533
2006 Jan.-Jun.	310	291	369	254	267	240	238	226	213	499	356	506	441
2007 Jan.-Jun.	324	317	423	301	291	268	284	262	255	551	390	618	532

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

1/ White broken rice. 2/ Up to August 2005 U.S. medium grain No.2, 4%; since September 2005 onwards No. 1, maximum 4-percent brokens, sacked, California mill. 3/ Not quoted.

WORLD PADDY PRODUCTION

	2005	2006 (estimated)	2007 (forecast)
	million tonnes		
WORLD	**633.0**	**631.8**	**638.1**
Developing countries	607.1	607.1	615.2
Developed countries	25.8	24.7	22.9
ASIA	**572.3**	**572.2**	**579.8**
Bangladesh	39.8	39.5	40.5
Cambodia	6.0	6.3	6.6
China	182.1	184.0	188.3
of which Taiwan Prov	1.5	1.5	1.5
India	137.7	136.6	138.0
Indonesia	54.2	54.4	53.1
Iran, Islamic Rep. of	3.3	3.3	3.5
Japan	11.3	10.7	10.4
Korea Rep. of	6.4	6.3	6.2
Myanmar	25.1	25.2	25.2
Pakistan	8.3	8.2	8.5
Philippines	15.1	15.4	15.8
Sri Lanka	3.2	3.3	3.2
Thailand	30.3	30.3	30.5
Viet Nam	35.8	35.8	36.0
AFRICA	**20.4**	**21.6**	**22.1**
North Africa	**6.2**	**6.6**	**6.6**
Egypt	6.1	6.5	6.6
Sub-Saharan Africa	**14.2**	**15.0**	**15.5**
Western Africa	8.8	9.3	9.6
Côte d'Ivoire	1.2	1.1	1.0
Guinea	1.3	1.3	1.4
Mali	0.9	1.0	1.0
Nigeria	3.6	3.9	4.3
Central Africa	0.4	0.4	0.4
Eastern Africa	1.4	1.6	1.6
Tanzania	1.0	1.2	1.2
Southern Africa	3.7	3.7	3.9
Madagascar	3.4	3.4	3.6
Mozambique	0.2	0.2	0.2
CENTRAL AMERICA	**2.3**	**2.4**	**2.5**
Cuba	0.4	0.4	0.5
Dominican Rep.	0.6	0.7	0.7
Mexico	0.3	0.3	0.4
SOUTH AMERICA	**24.2**	**22.3**	**21.7**
Argentina	1.0	1.2	1.1
Brazil	13.4	11.7	11.4
Colombia	2.5	2.3	2.5
Peru	2.5	2.2	2.0
Uruguay	1.2	1.3	1.1
NORTH AMERICA	**10.1**	**8.8**	**8.3**
United States	10.1	8.8	8.3
EUROPE	**3.4**	**3.4**	**3.4**
EU 2/	2.7	2.6	2.6
OCEANIA	**0.3**	**1.1**	**0.2**
Australia	0.3	1.0	0.2

WORLD IMPORTS OF RICE

	2005	2006 (estimated)	2007 1/ (forecast)
	million tonnes, milled		
WORLD	**29.8**	**29.2**	**30.2**
Developing countries	25.5	24.6	25.4
Developed countries	4.3	4.6	4.7
ASIA	13.3	13.2	14.1
Bangladesh	1.0	0.7	0.8
China	0.9	1.2	1.1
of which Taiwan Prov.	0.1	0.1	0.1
Indonesia	0.6	0.7	1.8
Iran, Islamic Rep. of	1.2	1.1	1.0
Iraq	1.1	1.3	1.2
Japan	0.8	0.6	0.7
Malaysia	0.8	0.9	0.8
Philippines	1.8	1.8	1.7
Saudi Arabia	1.0	1.1	1.0
Sri Lanka	0.1	0.0	0.0
AFRICA	**10.5**	**9.6**	**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	0.7
CENTRAL AMERICA	**2.4**	**2.2**	**2.3**
Cuba	0.7	0.6	0.7
Mexico	0.5	0.6	0.5
SOUTH AMERICA	**0.8**	**1.0**	**1.2**
Brazil	0.5	0.6	0.8
Peru	0.1	0.0	0.1
NORTH AMERICA	**0.7**	**1.0**	**1.0**
Canada	0.3	0.3	0.3
United States	0.4	0.6	0.7
EUROPE	**1.6**	**1.8**	**1.9**
EU 2/	0.8	1.0	1.2
Russian Fed.	0.4	0.3	0.2
OCEANIA	**0.4**	**0.4**	**0.4**

WORLD EXPORTS OF RICE

	2005	2006 (estimated)	2007 1/ (forecast)
	million tonnes, milled		
WORLD	**29.8**	**29.2**	**30.2**
Developing countries	25.5	25.0	26.5
Developed countries	4.3	4.2	3.7
ASIA	**22.9**	**22.3**	**24.0**
China	0.7	1.3	1.5
of which Taiwan Prov.	0.0	0.0	0.0
India	5.0	4.4	4.2
Myanmar	0.2	0.1	0.2
Pakistan	3.5	3.4	3.1
Thailand	7.5	7.7	9.0
Viet Nam	5.2	4.7	4.8
AFRICA	**1.1**	**1.0**	**1.1**
Egypt	1.1	1.0	1.1
SOUTH AMERICA	**1.7**	**2.0**	**1.6**
Argentina	0.3	0.5	0.4
Guyana	0.2	0.2	0.2
Uruguay	0.7	0.8	0.7
NORTH AMERICA	**3.9**	**3.4**	**3.3**
United States	3.9	3.4	3.3
EUROPE	**0.2**	**0.1**	**0.2**
EU 2/	0.2	0.1	0.2
OCEANIA	**0.1**	**0.5**	**0.0**
Australia	0.1	0.5	0.0

FOOTNOTES:

Totals computed from unrounded data.

1/ Tentative.

2/ EU-25 until 2006, EU-27 from 2007.

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

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

(......... thousand tonnes ....)

	CHINA 2005/2006		CHINA 2006/2007 prelim.		CHINA 2007/2008 5/ f'cast		INDIA 2005/2006		INDIA 2006/2007 prelim.		INDIA 2007/2008 5/ f'cast	
Opening Stocks	56000	F	57085	F	58480	F	9000	F	11600	F	11500	F
Production 1/	124775	G	126119	G	129072	*	91790	G	91050	G	92000	F
Imports	828	G	810	F	860	F	82	F	100	F	50	F
Total Supply	181603		184014		188412		100872		102750		103550	
Domestic Use	123256		124009		124807		84872		87050		88450	
Exports	1262	F	1525	F	1525	F	4400	*	4200	F	4000	F
Closing Stocks	57085	F	58480	F	62080	F	11600	F	11500	F	11100	F

PAKISTAN 2/ (Nov./Oct.) / **THAILAND 2/** (Nov./Oct.)

(......... thousand tonnes ....)

	PAKISTAN 2005/2006		PAKISTAN 2006/2007 prelim.		PAKISTAN 2007/2008 5/ f'cast		THAILAND 2005/2006		THAILAND 2006/2007 prelim.		THAILAND 2007/2008 5/ f'cast	
Opening Stocks	150	F	150	F	200	F	3800	F	5100	F	5100	F
Production 1/	5547	G	5438	G	5693	G	20053	G	20059	G	20191	F
Imports	1	F	1	F	1	F	100	F	200	F	250	F
Total Supply	5698		5589		5894		23953		25359		25541	
Domestic Use	2104		2289		2444		11148		11259		11391	
Exports	3444	G	3100	F	3200	F	7705	G	9000	F	9000	F
Closing Stocks	150	F	200	F	250	F	5100	F	5100	F	5150	F

UNITED STATES 4/ (Aug./Jul.) / **VIET NAM 2/** (Nov./Oct.)

(......... thousand tonnes ....)

	UNITED STATES 2005/2006		UNITED STATES 2006/2007 prelim.		UNITED STATES 2007/2008 5/ f'cast		VIET NAM 2005/2006		VIET NAM 2006/2007 prelim.		VIET NAM 2007/2008 5/ f'cast	
Opening Stocks	1211	G	1370	G	1349	G	4700	F	4700	F	4500	F
Production 1/	7113	G	6239	G	5852	G	23873	G	23896	G	24012	G
Imports	545	G	676	G	688	G	200	F	300	F	350	F
Total Supply	8869		8285		7889		28773		28896		28862	
Domestic Use	3809		3941		3996		19324		19596		19862	
Exports	3690	G	2995	G	3070	G	4749	G	4800	F	4800	F
Closing Stocks	1370	G	1349	G	823	G	4700	F	4500	F	4200	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.