



July 2008

Volume XI - Issue No. 2

Use of material is subject to credit being given to source:

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

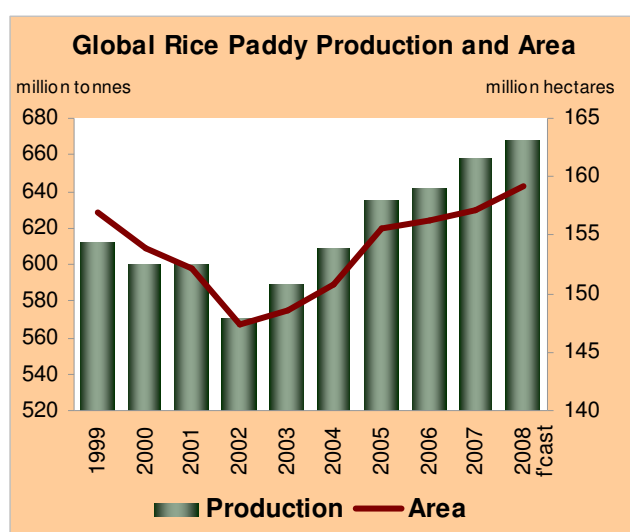
- Despite a poor start, the **2007 paddy season** is estimated to have yielded a record production of 658 million tonnes, 2.5 percent above the previous year, with much of the gain accruing over the secondary crops, the planting of which coincided with the period of soaring prices.
- While excellent 2008 crops have been harvested in the southern hemisphere, the 2008 main paddy crops are now at a critical stage of development in the northern hemisphere. Barring any major setback in the next few months, **global paddy production in 2008** is forecast to rise by 1.5 percent to 668 million tonnes. Much of the expansion is expected in **Asian** countries, now forecast to gather some 605 million tonnes, 1.1 percent above the excellent 2007 production results. Sizable gains are foreseen in Bangladesh, India, Indonesia, the Philippines and Viet Nam, while the Islamic Republic of Iran, Japan, Turkey and, especially, Myanmar may face a contraction. With favourable growing conditions prevailing so far in **Africa**, production in the region is forecast to reach 23.7 million tonnes, 5 percent more than in 2007. Various initiatives to sustain production have been launched at the national and international levels, including an *Emergency Rice Initiative for Africa*, in June 2008. Production in **Latin America and the Caribbean (LAC)** is foreseen to stage a remarkable increase of about 8 percent, much of which concentrated in Argentina, Brazil, Colombia and Uruguay. In the **rest of the world**, production prospects point to some gains in the United States, while a decline is foreseen in Australia and the European Union (EU).
- FAO's forecast of **global rice trade in 2008** now stands at 30.2 million tonnes, 1.4 million tonnes more than anticipated last April, but 4 percent below the 31.3 million tonnes traded in 2007, a reflection of the export curbs imposed by several exporting countries and of the high world prices prevailing since January, which have depressed import demand. Much of the expected drop in world rice **imports** would arise from lower purchases by Asian countries, in particular Bangladesh, Indonesia, Saudi Arabia, the United Arab Emirates and Yemen, more than compensating for larger deliveries to Iraq, the PDR of Korea, Malaysia, the Philippines and Sri Lanka. Imports to Africa are also expected to fall, while they are unlikely to change much in LAC. By contrast, Australia, the EU and the United States are all expected to purchase more. Much of the drop in world **exports** in 2008 can be attributed to the restrictive export policies implemented by several countries, in particular India, Egypt and, to a smaller extent, Viet Nam. Only part of these countries' shortfalls is likely to be offset by larger sales by Cambodia, Pakistan, Thailand and the United States.
- FAO's still very preliminary forecast of **global rice trade in 2009**, at 30.0 million tonnes, shows little change from 2008. **Imports** by Asian countries are set to decline, much on account of Bangladesh, Malaysia and the Philippines. By contrast, imports by countries in Africa and the Near East, the EU and the United States are expected to rise, driven by expanding demand and a possible drop in world prices. As for **exports**, sales by Egypt, India, Pakistan and Viet Nam are forecast to rebound, as less restraining export measures are expected to be applied. By contrast, they may fall in Thailand, where the government procurement programme is sustaining prices, as well as in Argentina, Brazil, Cambodia, China and the United States. Unlike in 2008, trade in 2009 is expected to reflect primarily importers' needs and be less constrained by exporting countries' policies.
- FAO's forecast of **world rice inventories at the close of the 2008** marketing seasons has been raised by about 4.0 million tonnes to 110 million tonnes, 1.7 percent larger than their opening level of 108 million tonnes, sustained by the good 2008 production prospects. From a trade status perspective, much of the stock-piling is forecast to be concentrated in the major exporting countries, with sizeable increases anticipated in China, India, Thailand and Viet Nam. Among major importers, Bangladesh, the Philippines and Japan could end the season with lower inventories, while Indonesia may record a strong increase, after two excellent paddy seasons.

- Since reaching all-time high levels in May 2008, the strength in **world rice prices** have shown signs of abating in June and July, with the arrival of new rice paddy crops. This was reflected in the FAO all rice price index, which, by July, had lost 9 percent from its May 2008 peak. Despite the drop, prices in July were still more than 80 percent above their January 2008 values. In the coming months, rice international prices are expected to remain under downward pressure, especially if wheat prices keep falling. The slide may be limited, however, by the current policies in place in Thailand and Viet Nam, which will keep them from dropping below a floor level. In addition, several importing countries, in Africa and the Near East are expected to return to the market to contract new purchases, providing additional strength to the market. The pattern of the monsoon in the Northern Hemisphere Asian countries as well as developments regarding government policies, in particular export restriction by Egypt and India, will also weight heavily on world rice prices.

I. PRODUCTION

FAO's new forecasts point to a global production record in 2007, with further, though limited, growth anticipated in 2008

Despite a poor start, the **2007 paddy season** appears to have yielded a record production of 658 million tonnes, which represented an increase of 2.5 percent from the previous year. Much of the gain accrued over the secondary crops, the planting of which coincided with the period of soaring prices, enabling producers to respond by expanding rice cultivation. Although the season has been practically completed, governments are still revising their estimates of production, especially in those Asian countries that harvested their 2007 secondary crops in April/May 2008. Compared with the forecast presented in the April issue of the Rice Market Monitor, the 2007 production figures have been changed for a few countries, namely Bangladesh (+1.6 million tonnes to 43.0 million tonnes), Cambodia (+300.0 thousand tonnes to 6.73 million tonnes), China mainland (+1.5 million tonnes to 185.5 million tonnes), India (+1.1 million tonnes to 144.6 million tonnes), Pakistan (+105.5 thousand tonnes, to 8.33 million tonnes), Philippines (+144.0 thousand tonnes to 16.8 million tonnes), Thailand (+1.1 million tonnes to 32.1 million tonnes) and Mali (+127.1 thousand tonnes to 1.08 million tonnes). As a result, the estimate of global paddy production in 2007 has been revised upwards by 6.1 million tonnes to 658 million tonnes, a new record.



However, much of the attention is turning to the **2008 paddy season**, now at a critical stage of its development. The monsoon rains have reached several countries in Asia, but the amount and distribution of precipitation up to October/November, when the monsoon is to retreat, will be decisive to the outcome of the season. On the other hand, most of the 2008 paddy crops have already been harvested in countries located in the southern hemisphere. Assuming a normal weather pattern in the coming few months, FAO is forecasting paddy production in 2008 at 668 million tonnes,

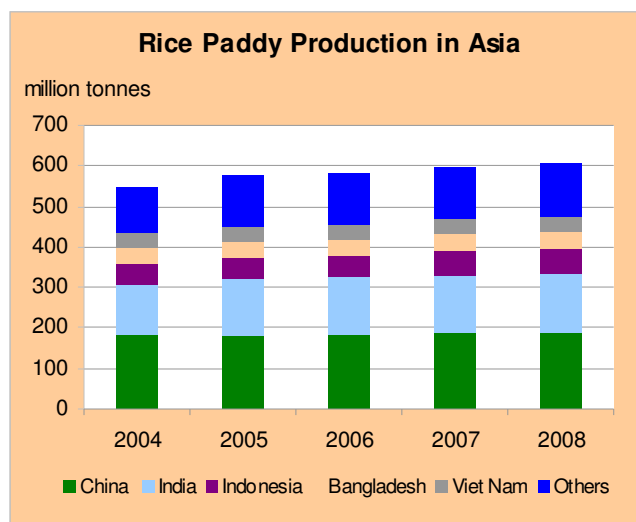
up 1.5 percent from 2007 and 1.4 million tonnes higher than the previous outlook released in April. Since then, some major revisions have been made to production in: China mainland (-1.3 million tonnes to 185.7 million tonnes), India (+3.0 million tonnes to 147.0 million tonnes), Indonesia (+1.6 million tonnes to 59.9 million tonnes), Myanmar (-3.9 million tonnes to 27.7 million tonnes), Pakistan (+0.4 million tonnes to 8.7 million tonnes), Viet Nam (+0.45 million tonnes to 37.0 million tonnes); Madagascar (+0.4 million tonnes to 4.0 million tonnes) and the United States (+0.6 million tonnes to 9.3 million tonnes).

The abundant new 2007 paddy crops together with good prospects for the 2008 paddy season are easing the global rice market situation after world prices had jumped to record levels in

April and May 2008. This is despite the upholding of export curbs in India and Egypt and other less important exporters. The slide in rice international prices also reflects a recent weakening of wheat prices, which in turn may encourage the two countries to relax their restrictions on rice exports.

A. ASIA

Good prospects for 2008 crops in Asia on expectations of a favourable monsoon



The arrival of the South-West monsoon rains between May and June has marked the beginning of the 2008 paddy season in several Asian countries situated in the northern hemisphere, which, by now, have already planted their main paddy crops. So far, the monsoon conditions have been favourable and, provided the season develops normally, production in the region is forecast to exceed 600 million tonnes for the first time. This is despite the prevalence of extremely dry conditions in several countries in Central Asia and the Near East, which may depress production there. The current

2008 production forecast for the whole region of almost 605 million tonnes is close to the previous forecast released in April, but 7 million tonnes ahead of the excellent 2007 production results.

Afghanistan has been, together with Iraq, the Islamic Republic of Iran, Syria and Turkey, among those countries most affected by abnormally dry conditions in Near East Asia. Below normal rainfall from October 2007 to May 2008, combined with unusually high temperatures, constrained the availability of water for irrigation at the time of planting. Given the lingering drought, Afghanistan production prospects in 2008 have been downgraded to 500 000 tonnes, from a previous 600 000 tonnes forecast, which would imply a 17 percent contraction from 2007.

Bangladesh concluded the 2007 paddy season with the harvesting, in April, of the Boro crop, the third of the three crops cultivated every season. According to the country's Food Situation Report, considerable more rice was produced under this crop, sustained by positive price expectation as well as Government assistance in the provision of seeds and fertilizers aimed at compensating for the flood losses incurred over the Aus and Aman paddy crops. Accordingly, the Boro crop in 2007 has been boosted by 17 percent compared with the previous year, reaching 26.3 million tonnes. Part of the increase reflects an expansion of the area planted with hybrid rice to about 1 million hectares, representing 20 percent of the total. Since the early 2000s, the Boro has been the most important of the three crops cultivated every season. In 2007, it represented more than 60 percent of paddy produced over the season, now assessed at 43 million tonnes. Reacting to the various setbacks suffered in recent years, from drought to floods, the Government announced it would authorize the cultivation of genetically

modified (GMO) rice and release flood-resistant and salt tolerant GM rice seeds for commercial production in 2009. This might not yet affect the 2008 paddy season, which has already begun with the planting of the small Aus crop in March-April, now at the harvest stage. With the arrival of the monsoon rains, farmers have also started planting the main Aman crop. Though very preliminary, FAO's forecast for 2008 paddy production stands at 44 million tonnes, a 2 percent increase from the exceptionally high level harvested in 2007.

The estimate of paddy production in 2007 has also been raised in **Cambodia**. The country is reporting to have harvested 6.727 million tonnes over the season, which is 7 percent more than in 2006. Production in 2008 is officially set to reach 6.8 million tonnes. Since 2003, the country has made considerable progress in boosting rice production, largely through the enhancement of yields, which have passed from some 2 tonnes per hectare in the early 2000s to 2.6 tonnes per hectare in 2007. The Government intends to maintain this direction in the next few years, by encouraging farmers to produce multiple crops over one season, largely by strengthening irrigation systems. According to the plan, the country could step up production to 10 million tonnes over the next five years, much of which would be available for export.

Production figures for **Mainland China** have undergone a number of revisions, resulting in a level of output of 185.5 million tonnes in 2007, which compares with a previous FAO estimate of 184 million tonnes. As for 2008, China's earlier production forecast has been downgraded by 1.3 million tonnes to 185.7 million tonnes, which in part reflects the disruption caused by the earthquake that hit the country on 12 May 2008. Sichuan, the most affected province, normally produces a single paddy crop of around 15 million tonnes, or 8 percent of national output. When the earthquake struck the province, planting of the 2008 paddy crop was commencing and 100 000 hectares of rice paddies were reported to have been destroyed. A normal unfolding of the 2008 paddy season in the Province is being precluded also by the heavy losses of lives and the considerable damage to infrastructure caused by the earthquake. As it now stands, China's 2008 semi-official production forecast of 185.7 million tonnes would imply virtually no growth this season. This constitutes a rather downbeat outlook, in contrast with on-going government policies to promote grain production through various programmes, consisting mainly of subsidies on machinery, fuel, seeds and fertilizers and some direct payments. Overall, the funding of these programmes was substantially increased in 2008. In addition, in February 2008, minimum government purchase prices were raised for the first time since 2004, from Yuan 69-72 per 50 kg bag (Yuan 1380-1440 per tonne) to Yuan 70-75 per 50 kg bag (Yuan 1500-1580 per tonne). Since then, they have been raised again to Yuan 77-82 per 50 kg bag.

China: Government Floor Price for Paddy Rice - US\$/tonne				
	2005	2006	2007	2008
Early Indica Rice	192	192	192	207
Japonica Rice	200	200	200	211
Source:USDA Attaché Report				

China: Government Support Programs for grain farmers - in US\$				
	Direct Payment	Seed Subsidy	Machinery Subsidy	Fuel/fertilizer Subsidy
2008	2.0 billion	NA	NA	6.4 billion
2007	2.0 billion	876 million	26.6 million	3.68 billion
2006	1.9 billion	546 million	800,000	1.66 billion
2005	1.7 billion	520 million	400,000	NA
Source:USDA Attaché Report				

In July 2008, the Chinese Central Government Cabinet was also reported to have substantially increased its budgetary funding to GMOs, within the context of a development plan aimed at increasing grain production (including rice) to 500 million tonnes by 2010 and to 540 million tonnes by 2020, up from 440 million tonnes in 2007. The more lenient attitude towards GMOs may have been a reaction to the recent surge in food prices, but it more likely reflects mounting concerns over the growing pressure on the country's productive resources, in particular land and water. It culminated in the official release of two GM modified rice varieties, with bred-in pest and disease resistance and a highly nitrogen-efficient strain, which required half of the usual fertilizer applications to reach high yields.

Estimates of production in 2007 are still subject to revision in **India**, as harvesting of the secondary Rabi crop has just been concluded. Based on the fourth 2007 production advance estimate, about 144.6 million tonnes of paddy (96.43 million tonnes in milled rice equivalent) were gathered last season, with a record output gathered over the dry season Rabi crop. The increase in the Rabi crop is not surprising given the high prices that were being fetched at the time of planting of the crop, between November and February, and the relatively favourable growing conditions that have prevailed since then. At the current forecast, production in 2007 would be 3.3 percent larger than in the previous year.

In **India**, the 2008 monsoon rains, which determine much of the outcome of the paddy season, arrived early, on 31 May, and advanced to cover the full territory by 10 July, five days ahead of normal. Apart from the timing, the precipitation falling over the whole country was well above average until June but has subsided since then in Central and Southern India. As a result, the India Meteorological Department reported a 2 percent national shortfall in the cumulative rainfall between 1 June 2008 and 23 July 2008, compared with the Long Period Average (LPA). The areas most affected by the rainfall deficit were in Central India and the South Peninsula. However, it is too early to foretell whether the implied rainfall pattern will seriously affect the development of standing paddy crops.

INDIA: Seasonal Rainfall from 1st June 2008 to 23rd July 2008		
Regions	Actual Rainfall (mm)	% Departure from Long Period Average
Country as a whole	370.0	-2
Northwest India	320.3	43
Central India	348.1	-15
South Peninsula	219.3	-32
North East India	697.7	3
Source: India Meteorological Department		

Very preliminarily and assuming no major disruption in the weather pattern, the country is set to harvest 147.0 million tonnes of paddy (98.0 million tonnes of milled rice) in 2008, 1.4 percent above the excellent 2007 season outcome. In order to provide incentives to producers and compensate them for rising costs, in June 2008, the Central Government raised the minimum support price (MSP) from Rupee 7 450 per tonne in 2007 to Rupee 8 500 per tonne (USD 196.8) in 2008 for common paddy price, to come into effect on 1 October 2008. A proposal by the Commission for Agricultural Costs (CAPC) to raise the minimum price for the Grade A quality paddy from Rupee 7 750 per tonne to Rupee 10 500 per tonne (USD 243.1) appears to be still under consideration. There is some concern on the consequence of the decision on the India's inflation, as rice has a 2.45 percent weight in the wholesale price index. In addition to the proposed increase in the MSP, the Cabinet Committee for Economic Affairs changed the regime for fertilizer pricing, to base the prices of complex fertilizers on their nutrient content, a change expected to result in a Rupee 1 416 per tonne reduction of their maximum retail price level. The government is also trying to promote the planting of hybrid rice varieties to cover 3 million hectares, as a means to boost production. The area under hybrids in 2007 was in the order of 1 million hectares, a mere 2 percent of total planting.

Indonesia completed in June the harvesting of the main 2008 paddy crop, which accounts for about 60 percent of the season output, and is now growing the secondary crop for harvest between July and October. Based on the first crop results and buoyant secondary crop prospects, the country foresees a record production of 59.877 million tonnes in 2008, which would represent an outstanding 4.8 percent increase above the excellent performance of the sector in 2007. Some government officers have even suggested the possibility to gather 61.0 million tonnes this year, as unusually abundant rains over the dry season, associated with the recurrence of La Niña weather anomaly, have permitted farmers to extend their rice planting in recent months. In order to maintain the production momentum, the government is to launch a paddy intensification programme on 300 000 hectares, in collaboration with the private sector, and to open 40 000 hectares of new land for paddy cultivation. Reflecting renewed efforts to achieve rice self-sufficiency, Bulog, the state rice procurement agency, signed a Memorandum of Understanding with various banking institutions. Under the agreement, the agency will have access to Rupiah 15 trillion (USD 1 641 million) to launch rice production enhancing measures, including the purchase of more than 1 million hectares of land, half of which will be used for training farmers in advanced production techniques.

Particularly dry conditions and extremely high temperatures have prevailed in 2008 in **the Islamic Republic of Iran**, especially since February. The non-irrigated wheat sector has been particularly affected by these conditions, but the irrigated rice fields situated along the Caspian Sea, in Gilan, Golestan and Mazandaran, in the northern part of the country, also suffered. Indeed, lower water availability has likely fostered a cut in planting, which takes place between May and June, while the extreme heat may have depressed yields. As a result, the country's rice crop, which will be harvested between September and October, is now expected to be in the order of 2.6 million tonnes, below previous expectation of 2.9 million tonnes and 7 percent smaller than in 2007. In response to the drought, the nation's parliament allocated 20 trillion rials (USD 2.2 million) to compensate farmers for the associated losses and to promote water-saving measures.

Severe drought conditions have also prevailed in **Iraq** in the past few months, with a 30 percent shortfall in precipitation from normal levels. Availability of water in reservoirs was

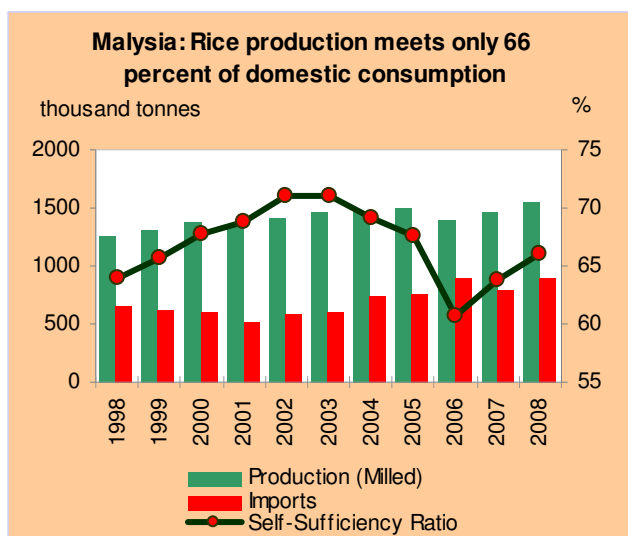
also reported to have fallen substantially from last year, with much of the reduction attributed to the construction of dams in the Islamic Republic of Iran, Syria and Turkey, which are reducing the water flows from those countries. The scarcity has induced the authorities to ration irrigation water among strategic crops, including rice, the production of which is now set to decline by 19 percent to 250 000 tonnes in 2008.

The paddy crop in **Japan** is currently at an early stage of development and will not be ready for harvest until September. According to a June rice planting survey conducted by the Ministry of Agriculture, Fisheries and Forestry, farmers may cut the area under rice by about 4 percent in 2008 to 1.61 million hectares. As a result, production is set to decline to some 10.5 million tonnes of paddy (8.4 million tonnes in husked rice eq.), down from an official 2007 estimate of 10.893 million tonnes (8.7 million tonnes in husked rice eq.). Under the production reduction programme aimed at containing rice production surpluses and amidst surging feed grain prices, the country has devoted 80 percent more land to grow rice for feed use, which is now set to cover 11 300 hectares.

The 2008 rice crop will not be harvested in the **People Democratic Republic of Korea (PDR Korea)** until September. Meanwhile, the country is reported to be facing severe rice shortages, following the heavy flood-incurred losses which reduced production in 2007 by almost a quarter. Prospects for the 2008 paddy season point again to a poor harvest, largely a reflection of extensive shortages of fertilizers and seeds and despite efforts by the Government to mobilize the population to grow rice. Much of the fertilizer scarcity reflects the deterioration of the relationship with the Republic of Korea, which used to supply them to the neighbouring country as emergency assistance, along with rice food aid. Based on a very preliminary forecast, the Democratic Republic of Korea may harvest 2.15 million tonnes in 2008, up 15 percent from the dismal 2007 performance, but still less than the output of 2.5 million tonnes harvested in 2005 and 2006.

Following the damage caused by cyclones to the 2007 paddy crop, the sector in the **Republic of Korea** is expected to undergo a recovery in 2008, barring a major shock recurrence. This season, the country may harvest 6.2 million tonnes, up from 5.9 million tonnes in 2007. Faced with much increased wheat international prices, the government has launched in May some initiatives to foster a substitution of rice for wheat, including the release of 4 000 tonne of imported rice for the processing into noodles at a preferential price of 355 won (USD 0.34) per kilo, which is 46 percent below the normal price level.

Against the backdrop of soaring international rice prices, in May 2008 **Malaysia** implemented a national food security plan, which aims to (i) increase paddy production, (ii) set up a 550 000 tonne buffer stock reserve to cover two to three months of rice consumption, and (iii) subsidize retail rice prices. On the production front, the government re-emphasized its policy drive towards national rice self-sufficiency, with the objective to raise it to at least 86 percent by 2010, up from around 65 percent today. The country continues to rely on a two-pronged strategy to expand production: (i) the development of large-scale, commercial production in selected “granaries” areas by the private sector, with public support to develop drainage and irrigation infrastructure, combined with (ii) the enhancement of productivity in smallholder production areas. Among the various incentives granted to farmers, the government raised the minimum paddy producer price from Ringgit 650 to Ringgit 750 (USD 230) per tonne, and made a transfer of Ringgit 140 (USD 43) per hectare, to mitigate the impact of rising fuel costs. Overall, the government was reported to have doubled its



transfers to paddy farmers to finance basic inputs and farm infrastructure improvements to Ringgit 1.7 billion (USD 550 million). In this context, paddy production over the 2008 season about to be concluded, is expected to be boosted by 5 percent to 2.4 million tonnes (1.552 million tonnes in milled rice equivalent).

At the beginning of May 2008, tropical cyclone Nargis swept through the Bay of Bengal, causing severe casualties and destruction in five divisions and states¹ in **Myanmar**. At the time, farmers were

preparing for the launching of the 2008 paddy season, which takes place in June with the onset of the monsoon rains. Nargis caused a tidal wave across the low-lying Irrawady delta, reportedly destroying 980 000 hectares of paddy fields. Although efforts have been made to supply the affected farmers with seeds, draught buffaloes and equipment, the rehabilitation of the affected areas, which accounts for about 65 percent of the country paddy production, is proceeding slowly, which will impair rice cultivation in 2008. As a result, FAO anticipates production over the 2008 season to fall by 8 percent, or 1.9 million tonnes, to 27.7 million tonnes.

Pakistan started planting its 2008 paddy crop in April, a timeline that tends to give exporters a competitive edge, as newly harvested rice becomes available for trade in September, instead of November/December in the rest of the sub-region. Pakistan normally exports some 50 percent of its domestic production. In 2007, the country harvested 8.334 million tonnes of paddy (5.559 million tonnes of milled rice), 2 percent higher than in 2006 but short of the official target. The outlook for 2008 is more optimistic, with output expected to increase by 4 percent to some 8.7 million tonnes (5.8 million tonnes of milled rice), driven by positive price expectations, which are reported to have fostered an expansion of rice cultivation at the expense of cotton. In order to dampen the negative impacts of very high fertilizer prices, in particular, DAP fertilizers, the government is reported to have allocated RS 11 billion on DAP subsidies and to have abolished the General Sale Tax on urea. To overcome local scarcity problems, the private sector was also allowed to import 300 000 tonnes of urea from Saudi Arabia. At the same time, recent increases in the price of diesel may offset some of the positive effects of the fertilizer subsidies.

Despite low temperatures and flooding, which negatively affected crops in the first quarter in 2008, **the Philippines** is estimated to have gathered 16.8 million tonnes over the 2007 season (July 2007-June 2008), 8.4 percent more than in 2006. Based on farmer planting intentions, on expectations of an early arrival of the rainfall, high paddy prices and the provision of subsidized rice seeds, production between July and September (corresponding to the first few months of the 2008 paddy season), is set to rise by 9.5 percent compared with the same period last year. For the full 2008 season, just starting, the country is forecast to gather 17.6 million tonnes, a 4.7 increase from 2007 and a new record. To sustain the expansion,

¹ Ayeyawaddy, Bago, Kayin, Mon and Yangon,

cultivation of hybrid rice continues being promoted through the provision of 50 percent subsidy on hybrid seed prices. A subsidy of Pesos 250 per bag of fertilizer is also to be granted. In order to preserve the rice land basis, in May, the Government introduced a two year ban on sales of irrigated fields, alluvial plains and areas above 500 meters of altitude. In addition, the NFA is reported to have intensified the pace of local paddy purchases, at a price of Pesos 17 per kilo (USD 387 per tonne), with the objective to procure 10 percent of domestic production. To help consumers, the NFA is reported to have distributed 14.5 million of 50-kilo bags of rice, or 725 000 tonnes, at Pesos 18.25 per kilo, over the first semester of 2008, with another 28 million bags planned for distribution in the second half of the year. Overall, the NFA is expected to incur a loss of Pesos 18 billion this year through the operation of the consumer rice subsidy programme.

With the harvesting of the secondary 2008 Yala crop, due between August and September **Sri Lanka's** 2008 paddy season will be concluded. Despite heavy losses to the main Maha crop caused by heavy rains since November last year and further monsoon flood problems in June 2008, production over the season is expected to recover by 3 percent to 3.2 million tonnes. Much of the rebound has been sustained by the high prices prevailing since early 2008, which particularly boosted the cultivation of the Yala crop, despite rising production costs. The expansion of the Yala rice area, originally targeted to be 60 percent larger than in 2007, was facilitated by favourable weather in the wet zone and abundant water availability in reservoirs in the dry zone. However, shortages of rice seeds were reported to have constrained the expansion. Insufficient availability of subsidized fertilizers combined with floods problems in the south west region in June may also have limited the production increase this year.

In **Thailand**, paddy production in the already concluded 2007 season has been revised upwards and is now estimated at 32.1 million tonnes, 2.5 million tonnes or 8 percent more than in the previous year. The bulk of the increase was concentrated over the secondary crop, as farmers reacted to the attractive market conditions by expanding the area under rice, an increase facilitated by an early arrival of the rains, which raised the availability of water in dams. In order to avert downward pressure on prices from the bumper crop, the government launched a new round of intervention purchases covering the 2007 second paddy crop. Under the secondary rice crop pledging programme, which runs from 15 June to 30 September, paddy, producers can sell their paddy rice to the Bank for Agriculture and Agricultural Cooperatives (BAAC) at very attractive prices varying between Baht 12 800 (USD 385) and Baht 14 000 (USD 420) per tonne, depending on the quality. According to the BAAC, the volume pledged by farmers could vary from 500 000 tonnes, if market prices outpace the mortgage scheme price levels, to 2.5 million tonnes in case they fall below them.

Thailand: Paddy Procurement Prices under the Government Pledging Programme – White Rice Paddy				
	2006/07		2007/08	
	Main Crop	Second Crop	Main Crop	Second Crop
100% Grade	6500	6600	6700	14000
5% Grade	6400	6500	6600	13800
10% Grade	6300	6400	6500	13600
15% Grade	6100	6200	6300	13200
25% Grade	5900	6000	6100	12800

Source: Thai Ministry of Commerce

Along with the approval of the new intervention programme, the rice trading zones which had been introduced by the previous government were lifted. The measure, introduced to avoid a mixing of rice from different areas so as to heighten its quality, had prevented farmers from 19 provinces in the Northeast and three provinces in the North from selling their rice outside of their zones. It had raised considerable unrest, as farmers claimed the restrictions on rice movements were resulting in lower producer prices. In a simultaneous move, the government also abolished the “Blue Flag Cheap Rice Scheme” introduced in May, under which five kilo packs of government-owned rice were sold at Baht 120 per pack (USD 0.72 per kilo) in selected distribution points. Meanwhile, farmers have already planted rice for the 2008 main season. Barring major setbacks and provided prices remain attractive, paddy production in 2008 may reach 32.3 million tonnes, a slight increase from 2007.

Turkey has been facing very severe drought problems since the beginning of the year with rainfall reported to have fallen to a fraction of normal levels, especially in the western and central parts of the country. The water shortfall is predicted to affect also crops that are irrigated, including rice, the production of which was already impaired last year by insufficient precipitation. As a result, paddy production in 2008 may decline to 600 000 tonnes, 7 percent below the depressed 2007 level, with some compensation offered to the most affected farmers. Since 2005, cereal producers have been eligible to a price premium on their marketed produce. In the case of paddy, the bonus has been raised from Turkish lira 30 per tonne in 2005, to Turkish lira 60 per tonne in 2006 and Turkish lira 90 per tonne in 2007.

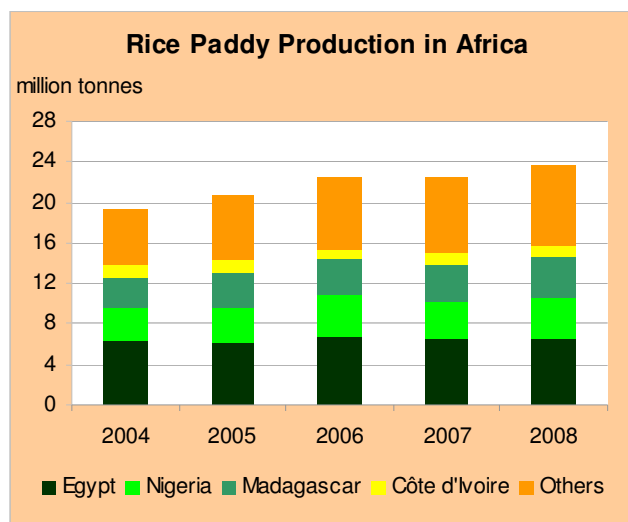
The 2008 paddy season in **Viet Nam** started with the Winter/Spring crop, which was harvested from April to June. Despite very low temperatures in January in the northern part of the country, current estimates point to an excellent first crop of 18.028 million tonnes, 5.9 percent larger than the 2007 winter/spring crop. Before concluding the 2008 season, the country still has to gather the summer/autumn and 10th Month paddy crops, which together account for about 50 percent of a season production. Assuming a normal crop development for the rest of the year, paddy production in 2008 is forecast to hover around 37 million tonnes, 3.2 percent more than last season.

Viet Nam: Paddy rice production, by crop

	Winter/Spring	Summer /autumn	10th Month crop	Total
2000	15,562	8,612	8,356	32,530
2001	15,474	8,324	8,306	32,104
2002	16,720	9,189	8,539	34,448
2003	16,823	9,401	8,345	34,569
2004	17,074	10,440	8,636	36,150
2005	17,332	10,436	8,065	35,833
2006	17,530	9,715	8,582	35,827
2007	17,024	10,112	8,732	35,868
2008 f.cast	18,028	10,200	8,800	37,028

B. AFRICA

Favourable weather conditions and government support may give rise to a 5 percent increase in Africa's paddy production in 2008



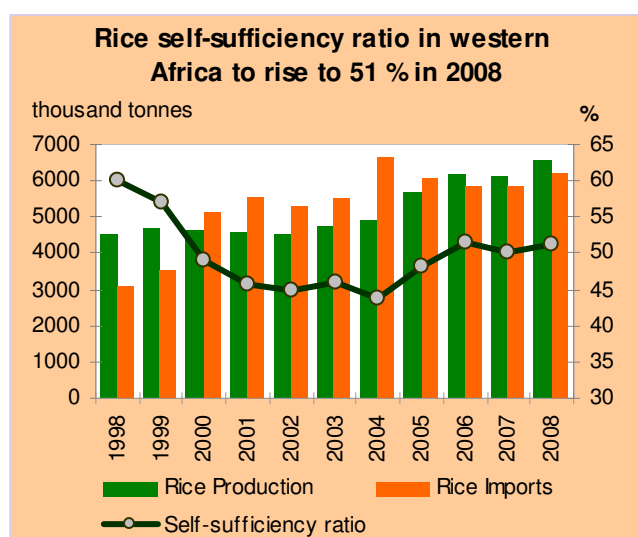
Paddy crops in Africa are at a various stage of development: far more advanced in countries south of the equator line, while they are at an early stage of development in the Northern Hemisphere, which include countries located in the northern and western Africa sub-regions. Overall, the region is expected to grow 23.7 million tonnes of paddy in 2008, about 1.2 million tonnes, or 5 percent more than in 2007. Part of the expected increase would be fostered by policy incentives introduced earlier this year in response to the surge in world rice prices. In

addition, an *Emergency Rice Initiative for Africa* was launched in June 2008 to assist, initially, eleven rice-growing countries in four major areas, to improve their access to seed, fertilizer, technologies and post-harvest/marketing. The initiative was a joint undertaking by the Africa Rice Centre (WARDA), Food and Agriculture Organization of the United Nations (FAO), IFDC, Catholic Relief Services (CRS) and International Fund for Agricultural Development (IFAD). It is to operate under the framework of the FAO Soaring Food Prices Initiative. Many governments in the region have also put in place a set of measures to mitigate the impacts of high prices on consumers, for instance through a reduction or waiving of import tariffs, the imposition of retail price ceilings, the release of rice stocks, etc. By containing the rises on domestic rice prices, these measures have often hindered the transmission of high world prices to producer prices, limiting the response by farmers, who, often, are bearing the brunt of soaring input costs. This illustrates an important dilemma policy makers are facing when attempting to address the contrasting consumer and producer interests.

An interesting development in recent years, which has taken particular prominence this year is the multiplication of initiatives linking Asian countries to the Africa rice sector, through the provision of technical assistance, as well as large investments made by Asian governments and private investors in rice cultivation.

In *Northern Africa*, **Egypt** already planted the 2008 paddy crop, which is now at the stage of fertilization. In this respect, severe fertilizer shortages are being reported, which may affect yield performance. In addition, although there is still no information on the area planted, farmers may have reacted negatively to the restrictions imposed on exports, which have had a depressing effect on prices, and shifted to other crops. Pending more details on the pattern of the season, FAO is forecasting production to be in the order of 6.6 million tonnes, 1 percent above the 2007 outcome, but still short of the 6.8 million tonnes harvested in 2006.

In *Western Africa*, the rainy season, which starts around April, strongly influencing paddy crop development, has been characterized by above normal precipitation in wide swathes of the sub-region, although certain zones suffered from a rainfall deficit, in particular the central and north-eastern parts of Nigeria, east of Niger and Chad. By mid July, the African Centre of Meteorological Applications for Development (ACMAD) reported that the agro-climatic conditions were satisfactory. However, to reach good results, a late withdrawal of the rains will be desirable in certain areas, so as to allow late planted crops to complete their growing cycle. From now until the new crops are harvested, which corresponds to the lean period, countries will be particularly vulnerable, as shortages are likely to arise in parts of the sub-region, given the small size of grain reserves that were built after the poor 2007 season and the reduced volume of imports this year.



In addition to the favourable rainfall pattern prevailing so far, policy measures taken to address the surge in rice prices could also support an expansion of paddy output this season. More specifically, government actions, focusing particularly on the provision of seeds, fertilizers and other inputs at subsidized prices but also on the rehabilitation of irrigation infrastructure, have been launched in **Benin, Ghana, Mauritania, Mali, Nigeria and Senegal**. They should contribute to a 6.4 percent forecast increase of output in western African countries as a whole to 10.4

million tonnes. The largest absolute gains are expected in **Mali and Nigeria**, but progress is also anticipated in **Cote d'Ivoire, Ghana, Guinea and Sierra Leone**. In the case of **Mali**, which may experience a 20 percent increase in production to 1.3 million tonnes, much of the boost would result from an expansion of plantings over the dry-season crop, fostered by the provision of FCFA 95.2 billion (USD 230 million) under the Rice Initiative, plus FCFA 11.4 billion (USD 28 million) to subsidize basic inputs and agricultural equipment. The increase in output in the sub-region would help it cover 51 percent of domestic needs, compared with 50 percent last year. For several countries that have included rice self-sufficiency among their medium term objectives, considerable efforts will be needed in the coming years to boost output and reduce their reliance on imports, especially in a context of strong increases in consumer demand. Countries aiming at achieving self-sufficiency in the medium term figure **Cote d'Ivoire, Nigeria and Senegal**. With the immediate purpose to boost production, amidst soaring import prices, **Senegal** launched in April, a new plan "Grande offensive agricole pour la nourriture et l'abondance" (Goana). Likewise, in May, **Côte d'Ivoire** announced a programme to revitalize production, with the immediate purpose to develop 39 000 hectares of in-land valley rice, and the ultimate goal to cover the country's needs by 2011.

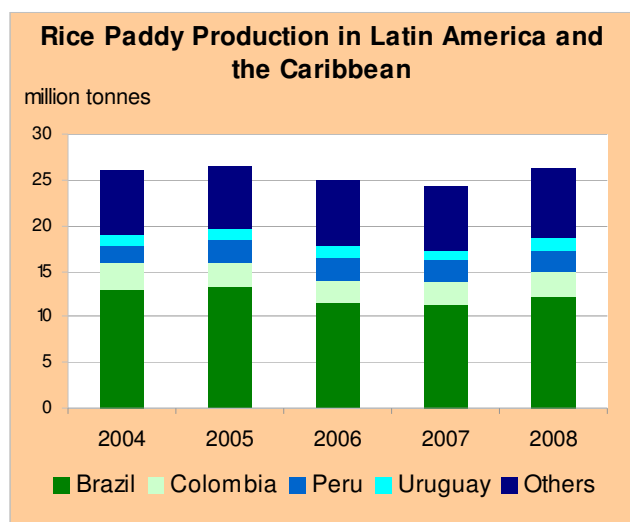
In *eastern Africa*, harvesting of the 2008 secondary crops started in May. In **Tanzania**, some moisture stress was reported to have affected these crops, unlike the main one, which benefited from favourable rainfall early this year. Sustained by good results over the main growing season, output is forecast to have increased by close to 3 percent to 1.45 million tonnes. Despite requests for lowering the external tariff to relieve pressure from prices, the

sector has continued to benefit from a relatively high 75 percent import tariff protection within the framework of the East Africa Community. By contrast, crops in **Kenya** are reported to have been affected by localized drought problems, but also by the occurrence of blast disease, which is estimated to have caused a 20 percent loss in output. Production prospects have therefore been lowered to 55 000 tonnes, which would imply no growth compared with 2007.

Among Southern African countries, **Madagascar** has been battered, early this year, by cyclones Fame and Ivan. After February, however, no major tropical storm has been reported to have caused damage, a big improvement from last year, when six cyclones hit the island. Favourable growing conditions, together with support from the government under Madagascar Action Plan, are therefore anticipated to lift production to 4.0 million tonnes this year, about 400 000 tonnes or 11 percent more than in 2007. About half of the expected increase is expected to stem from larger cultivation of rice over the secondary crop after the authorities launched in 14 regions a special programme to expand the area under rice by 70 000 hectares, by making subsidized seed available for that purpose. Like in Madagascar, cyclones are not reported to have caused damage to crops so far this year in **Mozambique**. As a result, the production outlook remains positive, as the country is expected to harvest 223 000 tonnes, or 14 percent more than last year. To sustain an expansion over the next few years, the government launched in June a major agricultural programme, as part of a national Green Revolution Strategy. According to the plan, budgetary allocation to agriculture is to be raised from 4 percent to between 6 and 10 percent, starting next season.

C. LATIN AMERICA AND THE CARIBBEAN

Paddy output set to expand by 8 percent in 2008, sustained by a 7 percent gain in yields



The latest 2008 production estimate in Latin America and the Caribbean (LAC) stands at 26.3 million tonnes, which improves the previous forecast by 200 000 tonnes and brings it to the par of the record achieved in 2005. Compared with the 2007 season, the region would stage a remarkable increase of 8 percent, virtually all of which concentrated in the southern part of the continent, in particular in Argentina, Brazil, Colombia and Uruguay. The outlook for countries in Central America and the Caribbean is positive, though much less buoyant. The bulk of the increase in LAC stems from

much improved prospects over yields, which are now expected to rise by 7 percent to 4.6 tonnes of paddy per hectare. Instead, the area expansion was modest, at barely 1 percent, largely a reflection of high prices of other competing commodities, which have limited the shift into rice.

In *Central America and the Caribbean*, the rainy and hurricane season started on 29 May with the formation of tropical storm Alma over the Pacific facing the coast of **Nicaragua**, followed by Storm Arthur in the Atlantic basin, which brought heavy rains in **Belize**, **Guatemala** and **Mexico**. Paddy production in the sub-region is now forecast to grow by 4.5 percent to 2.58 million tonnes, sustained by sizeable gains in **Cuba**, **Mexico** and **Nicaragua**, while the official outlook points to a contraction in the **Dominican Republic**.

Production in **Cuba** is set to increase to 480 000 tonnes, 9 percent above the 2007 official estimate of almost 440 000 tonnes. Confronted with rising import prices, the government announced a new strategy aimed at raising production to meet half of the nation's needs by 2015. To reach that end, the authorities have launched a campaign to encourage farmers to cultivate some of the old rice fields that have been abandoned and announced the rehabilitation of nine state farms. Most of the rice currently produced comes from the family and cooperative sectors, with barely 11 percent grown in state farms. As a result, much of the Government distribution system, which guarantees 3 kilo of rice per month per person to all Cubans through the ration system, relies principally on imports by Alimport, the state importing enterprise.

Cuba: Paddy Production								
	2000	2001	2002	2003	2004	2005	2006	2007
Total	552,800	601,000	692,000	715,800	488,900	367,600	434,200	439,600
State Sector	122,670	118,814	116,244	76,104	64,120	42,322	50,364	47,532
Non-state Sector	430,130	482,186	575,756	639,696	424,780	325,278	383,836	392,068
Source: Cuba Oficina Nacional de Estadísticas								

After three years of steady progress, the 2008 production prospects are negative in the **Dominican Republic** where the official forecast points to a 4.4 percent contraction in output to 714 000 tonnes. Soaring input and financial costs combined with weak producer prices have eroded the sector profitability, resulting in a 7 percent expected cut in plantings. Concerned with the rise in world food prices, in May 2008, the Government announced it would establish a National Council for food security to enhance agriculture.

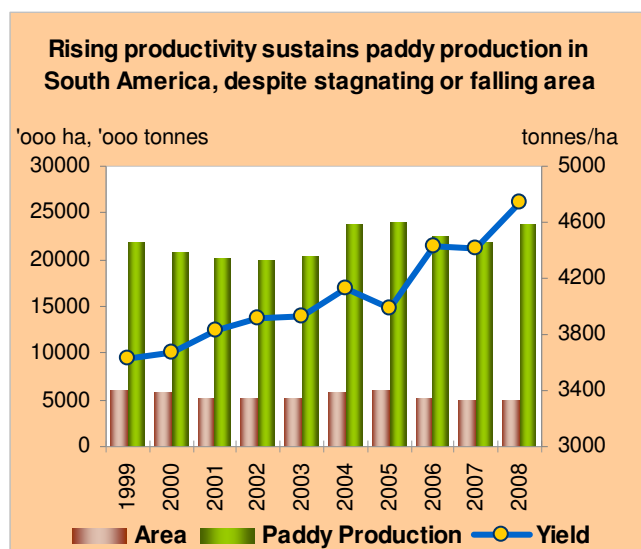
Excessive rains in June and July associated with tropical storm Arthur are reported to have caused important crop losses in **Guatemala**, wiping away earlier expectations of an increase in paddy production. As a result, this is now forecast to remain in the order of 30 000 tonnes, unchanged from the poor level harvested in 2007.

By contrast, the outlook is positive in **Mexico**, where paddy production is anticipated to rise by 10 percent to 320 000 tonnes, the highest level since 2000. The outcome could be even brighter if the sector succeeds in expanding plantings over the season from the current 70 000 hectares to 100 000 hectares, as announced by the industry. The sector is indeed expected to benefit from a series of short term incentives this year, in the form of a tariff exemption on nitrogen and chemicals imports used in the manufacturing of fertilizers, and preferential credit conditions granted to 500 000 small farmers. In addition, the authorities have promised to modernize the irrigation systems serving 214 000 hectares by the end of the year. Wholesalers also accepted to purchase rice locally before turning to imports. In return, the Government

and local producers reached an agreement last May to keep the price of domestic rice 10 percent below the price of imported rice, to help contain the rise of domestic prices.

Official production forecasts in **Nicaragua** point to 17 percent recovery compared with the poor 2007 season, when crops were hit by disease and insect outbreaks, followed by flooding. If achieved, the 323 000 tonne expected output would be the highest in a decade. Much of the progress would be supported through government incentives, in particular the certified seed programme under which USD 6 million are to be allocated to the purchase of quality seeds to be delivered to small agricultural producers, including rice growers. The programme, which targets 180 000 small producers in 2008, compared with 120 000 in 2007, will be complemented with the supply of other basic inputs, such as fertilizers and herbicides. In exchange for each tonne of certified seeds received, farmers are requested to give back two tonnes of commercial grains. In addition, the Government is expected to render a new Bank for agricultural Development operative by the third quarter of 2008, with the mandate to promote the transformation into more value-added products.

In the rest of the sub-region, production is set to increase also in **El Salvador, Haiti, Honduras** and **Panama**. In **Panama**, the rise would be facilitated by the granting of USD 100 million to finance loans to rice farmers, as well as technical assistance and improvements of irrigation systems.



Most countries in **South America** have concluded or are about to conclude the 2008 paddy season. Overall, production in the sub-region is estimated to have risen by 8.2 percent to 23.735 million tonnes from the reduced 2007 outcome. Growing conditions have been favourable in most parts, which together with an expansion of plantings in the highly productive south region of **Brazil**, have raised average paddy yields in South America to a record 4.78 tonnes per hectare. However, gains are expected in almost all countries in the region, with the possible exceptions of **Bolivia** and **Chile**. Particularly large increases are

foreseen in **Argentina, Brazil, Colombia, Uruguay** and **Venezuela**.

According to official estimates, rice cultivation in **Argentina** expanded by over 10 percent in 2008, which together with a 3.6 percent increase in yields to some 6.8 tonnes per hectares is expected to lift production from 1.08 million tonnes in 2007 to 1.25 million tonnes this season.

For the second successive year, paddy production in **Bolivia** has been hampered by excessive rainfall and other adverse climatic events, which led the government to proclaim a situation of national disaster in February 2008. The country has been battered, between December 2007 and March 2008, by abnormal weather conditions, associated to La Niña. The period virtually corresponds to the full period of development of the paddy crops, which are put in the ground in October/November. As a result, rice is reported to have been the most affected among all

crops, with production in 2008 now anticipated to slip by 13 percent from the already poor 2007 season, to 289 000 tonnes, the lowest performance since 2002.

In **Brazil**, CONAB's tenth official crop assessment, conducted in July, upgraded its previous forecast of paddy production in 2008 to 12.284 million tonnes, which represents a 8.6 percent gain from the drought reduced crop in 2007. The increase was largely concentrated in the Southern States, reflecting improved weather conditions as well as attractive prices, to which producers responded by expanding plantings.

High producer prices and government support are estimated to have boosted production in **Colombia** by 7 percent to almost 2.6 million tonnes. Partly influenced by reduced rice imports, paddy prices were reported to have risen steadily since August last year, reaching Pesos 1 221 012 (USD 685) per tonne in July 2008, twice their level in July 2007.

Colombia: Average Paddy Producer Prices (000 Pesos per tonne)									
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Jan.	406	448	484	524	618	559	573	629	657
Feb.	405	521	485	574	637	555	575	636	721
Mar	411	549	485	591	625	572	579	643	813
Apr	417	537	492	601	621	576	596	645	830
May	421	518	513	603	611	576	621	645	868
Jun	419	518	520	608	587	571	644	644	1110
Jul	399	492	513	594	574	563	643	640	1221
Aug	397	475	490	536	547	556	638	638	
Sep	403	479	490	535	519	560	656	640	
Oct	420	481	492	553	520	564	667	643	
Nov	431	483	497	579	521	567	651	646	
Dec	434	482	505	594	537	571	629	648	
Source: FEDEARROZ									

Paddy production in **Peru** is set to expand by 3 percent to 2.5 million tonnes in 2008, supported by abundant rainfall in the northern part of the country that encouraged farmers to cultivate more rice this season. Abundant precipitation and improved access to basic inputs and machinery are also reported to be boosting plantings in the Amazonas. Producer prices have been supportive, as in May 2008, paddy was quoted Soles 1180 (USD 425) per tonne, 50 percent more than their level in May 2007. This compares with per unit production costs (inclusive of financial charges) reported to be in the range of Soles 970-1230 (USD 350-443) per tonne in June 2008.

Based on a May Survey, **Uruguay** expanded the area by 16 percent to 168 300 hectares over the 2008 paddy season, which boosted production by 16.1 percent to 1.330 million tonnes. The excellent yields achieved of 7.9 tonnes per ha, virtually matched the performance in 2007.

E. Rest of the world

Improved production prospects in the United States

In *Oceania*, rice production in **Australia** fell by 88 percent from the poor 2007 season to a mere 19 000 tonnes, a historical low as severe irrigation water shortages prevented farmers from cultivating the crop. Although still early, in its Quarterly Report of June 2008, ABARE gave a first forecast of paddy production in 2009, at 253 000 tonnes, as 30 000 hectares are expected to be put under rice. However, planting over that season will much depend on the amount precipitation falling in the next few months over New South Wales, the main producing state. According to the Australian Bureau of Meteorology, New South Wales' rainfall since March 2008 has been below average as well as short of the levels recorded in the same months in 2007. The Bureau set the probability of accumulating at least average rainfall in the June to August period at some 50 percent.

In *North America*, 27 percent of the rice crop was reported to have reached the heading stage in the United States by 20 July 2008, compared with 43 percent in the same period last year, pointing to delays in crop development in all the main producing regions. However, the official USDA forecast released on 14 July 2008, the first based on a survey of actual plantings, upgraded its previous production outlook by almost 600 000 tonnes to 9.3 million tonnes, which represent a 3.8 percent increase from the previous season.

On 22 May 2008, the 2007 US Farm Bill, known as the “Food, Conservation and Energy Act of 2008” was turned into law, as both the House and the Senate secured a two-third majority vote necessary to override a veto by President Bush. The new law, which comes into effect as of 1 October 2008 for five fiscal years, sets a ceiling on spending of USD 307 billion over the five year period. Of particular relevance to commodity producers is a new optional “Average Crop Revenue Election” (ACRE) programme, which aims at protecting farmers against low yields and price falls, based on the average annual market price levels in 2006 and 2007. However, producers enrolling in ACRE will have to forgo parts of their rights to existing support programmes, including 20 percent of direct payments and 30 percent of marketing loans.

In *Europe*, prospects have deteriorated in **the European Union (EU)**, which is now foreseen to harvest 2.612 million tonnes of paddy, almost 5 percent less than in 2007. Much of the contraction reflects a reduction in Italy and Spain, the two principal producing states in the Union. In the case of Spain, it is attributed to drought problems that constrained spring planting, while in Italy, it was mainly caused by a shift towards other crops. Despite the cut, Italy is reported to have expanded the area under Indica long grain varieties, while severely cutting plantings of medium and Japonica long grain varieties. A production decline is also anticipated in Hungary. Prospects are more buoyant in Greece and Portugal, which may record some modest increases, while in France production is anticipated to remain virtually unchanged.

On 26 May 2008, the EU Commission presented its latest “Health Check” reform proposal, which has, among its aims, the elimination of “coupled payments” to farmers and the ending of intervention purchases. For rice, the Health Check Plan envisages a phasing out of coupled aid payments over three years, before their complete termination in 2012. The cuts are to be fully compensated by increases in the decoupled aid payment. For instance, in the case of

Italy, which is the largest EU producer, the coupled payment would be lowered from € 453 per hectare in 2008 and 2009 to € 227 in 2010 and 2011, before its complete termination in 2012. The cuts would be fully offset by increases in the decoupled payments in the Single Payment Scheme, which pass from € 616 per hectare in 2008 and 2009 to € 843 in 2010 and 2011 and to € 1 069 by 2012. The Commission's proposal also suggests bringing the rice intervention system to an end.

EU: Coupled Payment to Rice Producers under EU's Commission Health Check Proposal				
	Base Areas	2008	2009	2010 and 2011
	ha	(€ per hectare)		
Bulgaria	4 166	345.255	345.255	172.627
Greece	20 333	561.000	561.000	280.500
Spain	104 973	476.250	476.250	238.125
France	19 050	411.750	411.750	205.875
Italy	219 588	453.000	453.000	226.500
Hungary	3 222	232.500	232.500	116.250
Portugal	24 667	453.750	453.750	226.875
Romania	500	126.075	126.075	63.037

II. INTERNATIONAL TRADE IN RICE

A. TRADE IN 2008

High prices depress world rice trade in 2008

Reflecting the recent revisions made to the estimates of production in 2007, much of which is traded and consumed over 2008, and less stringent conditions on exports, FAO has raised its forecast of rice trade this year to 30.2 million tonnes, which is about 1.4 million tonnes higher than anticipated last April. This would still represent a 3 percent decline from the 31.3 million tonnes traded in 2007, a reflection of the export curbs imposed by several of the major exporters and of the high world prices prevailing since the beginning of the year, which have tended to depress import demand.

On the import side, the main trade outlook revisions corresponded to: Bangladesh (+200 000 tonnes), Indonesia (-200 000 tonnes), Islamic Republic of Iran (+100 000 tonnes), Iraq (+150 000 tonnes), Malaysia (+200 000 tonnes), the Philippines (+600 000 tonnes), Sri Lanka (+100 000 tonnes), Yemen (+160 000 tonnes), Nigeria (+100 000 tonnes) and Brazil (-100 000 tonnes). As for export forecasts, the principal changes concerned: Cambodia (+600 000 tonnes), India (+300 000 tonnes), Japan (+100 000 tonnes), Myanmar (-400 000 tonnes), Pakistan (+100 000 tonnes), Thailand (+400 000 tonnes), Viet Nam (+500 000 tonnes), Egypt (-350 000 tonnes), and Brazil (+150 000 tonnes).

Over the second part of the year, trade in rice is expected to intensify, as exporting countries after harvesting good crops, are less adamant about curbing exports. Countries in Africa and

the Near East, which were discouraged to purchase earlier this year by very high prices, are also expected to become more active buyers in the coming months, as prices are showing signs of weakening, especially because many of them have exhausted their reserves.

Rice imports in 2008

A sharp drop in imports by Indonesia contributes to lowering trade in 2008, despite huge imports by the Philippines

Much of the expected contraction in world rice imports in 2008 would arise from lower purchases by Asian countries, now set to decline to 14.3 million tonnes, down from 15.0 million tonnes in 2007. Smaller imports are expected to be made in particular by Bangladesh, Indonesia, the United Arab Emirates and Yemen, which would more than compensate for larger deliveries to Iraq, the PDR of Korea, Malaysia, the Philippines and Sri Lanka.

Bangladesh is now expected to import 1.2 million tonnes in 2008, down from 1.4 million tonnes last year. Much of the decline reflects the excellent results of the Boro crop harvested early this year, which has more than fully compensated for the poor Aus and Aman crops. The newly harvested supplies have removed much pressure on the Government to procure rice internationally for its distribution system and, instead, the authorities are reported to be buying rice locally. **China (mainland)** is set to import 500 000 tonnes of rice, this year, little more than in 2007. As of June, rice imports were reported to have fallen by 9 percent, but they are expected to peak up in the second part the year, as declining prices would make foreign rice more attractive to traders, especially as domestic prices are rising.

The 2008 record crop is expected to limit the need for imports by **Indonesia** to 300 000 tonnes this year, sharply down from the 1.7 million tonne estimate in 2007. The success in raising output even led to Government to announce the country would soon turn into a net rice exporter. In April 2008, new regulations were issued, which confirmed existing restrictions on rice imports. In particular, imports of regular rice (HS code 1006.30.90.00), with max 25 percent broken are not allowed one month before and two months after the main harvesting period. Bulog retains a monopoly on such imports, subject to the approval by the Ministry of Trade. Subject to the issuance of an import permit by the Ministry of Trade, the private sector can engage in rice imports of non-standard qualities, such as iron-fortified rice, rice suitable to Japanese or Indian restaurants, rice seeds, rice not produced locally for further processing, etc.

Faced with soaring world prices, **the Islamic Republic of Iran** delayed its purchases of foreign rice in the first half of 2008. In some cases, some deals could not materialize as banks had difficulty handling letters of credit because of trade sanctions. Amidst a surge in domestic prices, which in May had more than doubled year-on-year for local varieties, and given the poor prospects for the 2008 drought-stricken wheat and rice crops, the country is expected to intensify the pace of rice imports in the coming months. For the full calendar 2008, these are forecast to reach 1.0 million tonnes, virtually unchanged from 2007. Imports will be facilitated by the recent bilateral agreement with Pakistan, which exempts rice from this country from the payment of the 150 percent import duty.

In **Iraq**, limited availability of rice in stock following smaller purchases over 2007 is expected to constrain the country to step up its purchases in 2008 to 950 000 tonnes, up from 750 000 tonnes in 2007. Iraq has been one of the few countries that bought rice (50 000 tonnes from Viet Nam) when world prices were at their peak of over USD 1000 per tonne FOB. Much of these imports are needed to build up supplies and guarantee the delivery of 3kilo of subsidized rice per person, per month, to a population of 30 million. In 2008, more decisional and financial autonomy was given to the Department of Trade, which can now decide on tenders of up to USD 50 million and rely on a USD 500 million revolving fund at the Trade Bank of Iraq.

Faced with mounting rice shortages from the poor 2007 production and amid poor crop prospects for the 2008 season, the **People's Democratic Republic of Korea (PDR Korea)** will need to fill the gap by stepping up rice imports over 2008, to at least 650 000 tonnes, up from 400 000 tonnes in 2007. However, because of prevailing political tension with the Republic of Korea, which has been the principal provider of rice food aid in recent years, supplies may have to be sourced in China and additional rice channelled as food aid through the World Food Programme (WFP).

Malaysia was among those countries that reacted to the rise in world prices by accelerating and raising the size of its rice international purchases, with the aim of building up a buffer rice reserve. As a result, the country is now anticipated to buy 1 million tonnes of rice, 25 percent more than in 2007 and an all time record. In order to secure the desired supplies, the government even offered to exchange palm oil for rice in barter deals. This constituted another example of the recent drift towards more managed international rice trade, which has seen an intensification of government interventions, both on the export and import sides.

Among all importers, the **Philippines** have played an important role in the first half of the year by launching massive import tenders, most of it through the state National Food Authority (NFA), which exacerbated the tendency for prices to rise. Despite reports of good production results, external supplies were needed to dampen inflationary pressure and to rebuild reserves. Private traders, mainly food companies and farmer associations, were also granted the right to import some 200 000 tonnes of rice, but offers have fallen short of the allowance. As of July 2008, the first month of the lean period that lasts until September, the Philippines had already contracted 2.4 million tonnes in purchases, but imports by the end of 2008 may reach as much as 2.7 million tonnes, the highest volume on record.

Rising world prices and difficulties to secure international supplies are expected to depress purchases by **Saudi Arabia**, one of the major traditional rice buyer, to 900 000 tonnes, down from 1.1 million tonnes last year. The dependence of the country on rice imports in the context of soaring world prices has raised government concern and is encouraging private Saudi investors to invest in rice production projects in countries such as the Philippines, Thailand and Indonesia in Asia, but also in African countries, such as Senegal and Sudan as a means to secure some guaranteed sources of supplies. In the short term, Saudi Arabia is containing the impact of higher import prices of Basmati Rice by granting a subsidy of USD 266 per tonne on imported basmati rice.

Sri Lanka, which had waived the duty on rice imports from mid-October to end December 2007, on 1 January 2008 re-introduced the tariff on rice imported by private traders. The

waiver was extended on rice imported by government enterprises. Although the press discussed extensively the possibility that Japan exported 200 000 tonnes of rice to Sri Lanka, to help contain a surge in food inflation, little more than 5 000 tonnes were reported to have been delivered as of July. For the full 2008, imports are expected to rise to 200 000 tonnes over 2008, up from 88 000 tonnes last year, with much of the increase expected to be used to rebuild national rice reserves.

Imports of rice by **Turkey** are currently expected to amount to some 200 000 tonnes in 2008, up from 167 000 tonnes in 2007. The supplies will be necessary to compensate for the second consecutive drought-induced decline in production in 2007 and 2008. Turkey's import duties have been maintained at their 2007 level of 34 percent for paddy, 36 percent for husked rice and 45 percent for milled rice. However, the preferential rates, of respectively 20 percent, 25 percent and 43 percent granted to traders buying locally produced rice under a crop absorption programme were suspended in 2007, when the programme was abolished following a WTO panel ruling. Since 19 October 2006 import duties have been calculated based on minimum reference prices, which were set at USD 340 per tonne for paddy, USD 425 per tonne for husked rice and USD 570 per tonne for milled rice.

High world prices in 2008 are expected to depress overall rice purchases by *African countries* to 9.3 million tonnes, 4 percent less than in 2007 and little changed from the previous forecast. This assumes that many countries that were absent from the market over the first part of the year will return to the international arena to buy in the coming months, as several of them have exhausted their reserves. Much of the drop in rice imports in the region is foreseen to arise from smaller deliveries to **Cameroon, Egypt, Guinea, Senegal, South Africa** and **Tanzania**. By contrast, **Nigeria** is anticipated to step up its purchases by 200 000 tonnes to 1.9 million tonnes, an increase that would be facilitated by the lifting, in May 2008, of the rice import duties of over 100 percent.

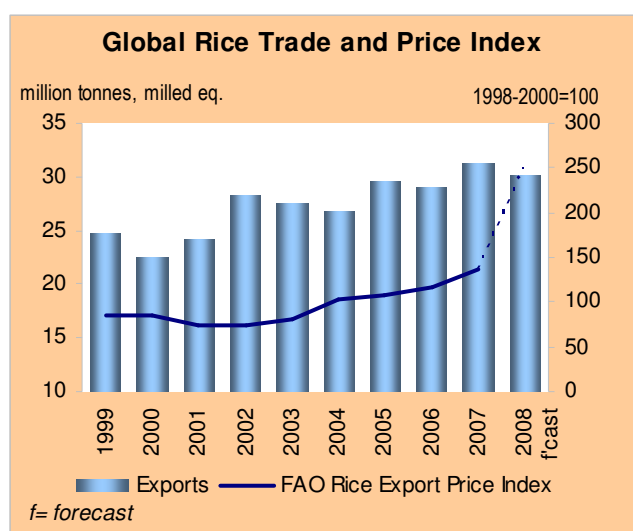
Despite good 2008 crops, imports by countries in *Latin America and the Caribbean* are expected to remain in the order of 3.4 million tonnes, most of which directed to Central America and the Caribbean, which may take 2.3 million tonnes in 2008, a marginal decline from the previous year. In the sub-region, increased deliveries to **Haiti, Jamaica** and **Panama** are indeed expected to be more than compensated by declining imports by **Costa Rica, Mexico** and **Nicaragua**. Deliveries to South American countries, at 1.1 million tonnes are also expected to change little compared with 2007. **Bolivia**, normally a self-sufficient country, is however expected to buy 70 000 tonnes to compensate for the 2008 production shortfall. By contrast, difficulties to secure supplies from neighbouring countries may result in smaller imports by **Colombia**. Purchases by **Brazil**, the largest market in the region, are set to remain in the order of 700 000 tonnes.

In the other regions, the United States' official import forecast points to an all-time high of 750 000 tonnes, 7 percent above last year. Similarly, imports by **Australia**, at 171 000 tonnes, would represent a 42 percent increase and an historical record. Purchases by the 27 member countries of the **European Union** are also forecast at a record 1.3 million tonnes, sustained by growing domestic demand, especially of basmati husked rice. The increase is expected despite the imposition of the highest tariff bands of € 65 for husked rice, and € 175 per tonne for milled rice since September 2007 until 31 August 2008. Imports of Basmati rice were also more expensive this year, and even though this type of rice can be imported from Pakistan or

India free of duty, the imposition by India of a USD 200 per tonne export tax and rising world quotations have meant much increased import prices.

Rice exports in 2008

Exporter's policies continue to shape trade in 2008



With the arrival of new crops between March and May, exporter supplies have much improved compared with the situation they faced earlier this year, resulting in less stringent conditions on exports and a 1.4 million tonne upward revision in the forecast of world exports to 30.2 million tonnes. This would still be 1.1 million tonnes less than in 2007, with much of the contraction imputable to the behaviour of several countries, that have restricted the movement of rice out of their territory. The most important among these are **India, Egypt** and, to a smaller extent, **Viet Nam**. However,

many other nations, including some traditional rice importing countries, have also imposed some curbs on exports, including **Bangladesh, Burkina Faso, Guinea, Indonesia, Liberia, Madagascar, Malaysia, Mali, and Tanzania**.

The upward revision in world trade particularly reflects improved export prospects for **Cambodia**, now forecast to ship 1.5 million tonnes of rice, or 400 000 tonnes more than in 2007. Although the government lifted in May a two month export ban it had imposed on 27 March 2008, it simultaneously imposed the requirement to register all rice transactions exceeding 100 tonnes, as a means to keep the outflow of rice under control.

Although **China** took action to slow the pace of rice exports in January 2008 by suspending a 13 percent tax rebate and imposing a 5 percent export tax, by May it had shipped 650 000 tonnes of rice, about 20 percent more than between January and May 2007. For the full 2008, exports are anticipated to reach 1.5 million tonnes, up from 1.3 million tonnes in 2007. China's exports of rice are still fully under the control of the Government, unlike imports, which are mainly conducted by private traders.

India has not yet lifted the ban on non-Basmati rice exports it introduced in March 2008. Moreover, it subsequently imposed a minimum export price of USD 1000 per tonne on basmati rice shipments, plus a tax of a Rupee 8 000 (some USD 200) per tonne. Recently, after harvesting a bumper Rabi paddy crop, there have been signs that the export curbs could be relaxed somewhat, although they are unlikely to be removed completely before November, when the decision will be reviewed on the base of the results of the 2008 main paddy crop. Despite the ban and other restrictions, prospects for India's exports in calendar 2008 have been raised by 300 000 tonnes to 2.3 million tonnes, well short of the 5.3 million tonnes

exported last year. While about 1 million tonnes are set to correspond to basmati rice, the remaining non-basmati rice sales would be those negotiated under government-to-government deals, with countries such as Bangladesh, Bhutan and Nepal, the conditions of which (including prices) are often kept confidential. In addition, the authorities are considering a broadening of the definition of Basmati rice to include the “Pusa 1121” high yielding, long grain, aromatic rice variety. Although not genetically related to the traditional basmati varieties², Pusa 1121 rice has made considerable inroads on the fragrant rice export market and has therefore been particularly affected by the decision to ban non-basmati rice exports.

Japan recently gained the headlines, when the country was allowed to release about 300 000 tonnes of the rice it had imported under the WTO minimum import quota, to ease the prevailing tightness on international markets. As a result, the country is now anticipated to ship 400 000 tonnes of rice, double the amount in 2007, even though this might need to be revised downwards if the initiative does not come through. The government, which is estimated to hold 1.5 million tonnes of imported rice in public warehouses, already agreed to supply Philippines with 140 000 tonnes of milled round grain and 60 000 tonnes and milled long grain rice at a price of USD 900 per tonne, delivered basis. This compares with USD 940 per tonne, delivered basis, under the deal signed with Viet Nam in June for the delivery of 600 000 tonnes. Japan’s release of rice imported under the WTO minimum quota is one among a number of international initiatives proposed to thwart the world rice soaring prices.

Myanmar, which, early this year, was expected to return on the international stage as an exporter of 600 000 tonnes, is now forecast to ship only 200 000 tonnes in 2008, reflecting the heavy rice losses caused by Cyclone Nargis.

In April, **Pakistan** was reported to be considering imposing a ban on rice exports, as rice (and wheat) domestic prices registered strong rises. Instead, the government agreed with exporters not to ban nor impose taxes on rice exports and opted instead to apply a minimum price on foreign sales, at the following levels:

- Super Basmati rice: USD 1 500 per tonne, fob
- Basmati rice: USD 1 300 per tonne, fob
- Long grain rice: USD 1 000 per tonne, fob
- Irri-6 rice: USD 750 per tonne, fob

As part of the conditions agreed with the Government to avoid a ban on exports, the Rice Exporter Association of Pakistan (REAP) agreed to supply utility stores with 200 000 tonnes of rice and to hold 300 000 tonnes as a strategic reserves. Failure to meet those conditions led the government in July to threat to prohibit exports. In spite of the minimum export prices, Pakistan is expected to sell 3.0 million tonnes of rice to foreign markets in 2008, 17 percent more than in 2007. This still falls short of the high volumes shipped in 2005 and 2006, when exports surpassed 3.4 million tonnes. Between January and June, the country had already shipped 2.380 million tonnes, which was 48 percent more than in the same period in 2007. The tightening of the conditions for exporting rice, and against a background of scant wheat supplies, the pace of rice exports may indeed slow down over the coming months

² Dehradn, Ranbir, Taraori.

Thailand, one of the few major unrestricted sources of rice supply for international buyers, exported 6.144 million tonnes between January and June, up 47 percent from the same period in 2007. By the end of 2008, shipments are expected to be in the order of 10.2 million tonnes, which would be an all time record. This would imply a slower pace of sales until the end of 2008, especially if the operation of the rice pledging programme sustains prices to levels much superior to those prevailing in competing countries, in particular Viet Nam or Pakistan.

As the recently harvested winter/spring paddy crop has turned to be a bumper crop, **Viet Nam** authorities, which had forbid private traders to sign new contracts since mid-March, lifted the restriction by mid-June. In the meantime, Viet Nam State trading enterprises continued to conclude deals on a G-to-G basis, so the country reported to have exported 2.514 million tonnes in the first six months of the year, 5.3 percent more than in the same period in 2007. Given the relatively abundant supplies gathered from the winter/spring crop and optimistic prospects for the summer/autumn crop, FAO forecasts exports at 4.5 million tonnes, virtually the same as in 2007, and higher than the 4.0 million tonne export target set by the Government.

Since June 2008, when exports of rice by private traders were allowed to resume, the authorities in **Viet Nam** issuing export permits have periodically announced a floor price below which the transaction would be scrutinized and possibly turned down. The floor prices are part of a new set of regulations passed in March 2008 to prevent local traders from incurring losses on their contracts in a context of fast rising world prices. The floor level, fixed by the Viet Nam Food Association based on the domestic price situation and on other exporting countries' fob quotations, has been changed periodically, falling from USD 800 per tonne in June to USD 650 per tonne by end-July for milled rice, 5% broken. In July, the government also announced its intention to introduce, for the first time, a variable excise on rice exports, at 8 different levels, depending on the fob price. According to the proposal, exports will be subject to a tax varying from Dong 500 000 (USD 30) per tonne, if fob prices are between USD 600 and less than USD 700 per tonne, up to Dong 2.9 million (USD 175) per tonne, if fob prices surpass USD 1300 per tonne.

Among non-Asian exporters, exports from the **United States** may increase by 15 percent to 3.5 million tonnes, sustained by strong import demand and relatively competitive US rice prices.

In 2007, **Egypt** reacted to prevailing wheat shortages that were fostering a move of consumers towards rice by imposing an EGP 200 (USD 37) per tonne tax on rice exports in October. This was subsequently raised to EGP 300 (USD 55) in March 2008, when exporters were also asked to refrain from selling rice abroad. As the call was disregarded, the government opted for banning exports also in March, a decision extended first until September 2008 and then until April 2009, as domestic inflation continued to cause unrest. Reflecting those restrictions, exports from Egypt in 2008 are estimated to fall from the record 1.2 million tonnes shipped in 2007 to 500 000 tonnes in 2008, the volume estimated to have been shipped or contracted before the introduction of the ban.

In LAC, the good 2008 paddy crop should enable **Brazil** to ship 350 000 tonnes of rice, an all time record, notwithstanding the prohibition to export rice drawn from Government stocks.

Brisk world import demand is expected to boost exports from **Argentina** and **Uruguay** to 500 000 tonnes and 850 000 tonnes, respectively, with both countries expected to make further inroad in markets outside of LAC, in particular in Europe, the Near East and Africa, to fill part of the gaps left by India and Egypt. By contrast, export restrictions in **Ecuador** may result in a 70 percent drop of sales to 30 000 tonnes. **Guyana** also indicated a lower level of exports this year.

Although of limited influence to the world market, several minor exporters or traditional net-importing have also taken steps to prevent rice from being exported. For instance, on 6 May 2008, **Bangladesh** announced it would ban external sales of rice, with the exception of aromatic rice, for six months. The **Chinese province of Taiwan** suspended from 1 April 2008 for an indeterminate period all allocations of rice as food aid, justifying the move by a scarcity of supplies following a poor outcome of the 2007 paddy crop. **Indonesia** also introduced restrictions on rice exports in April 2008. Accordingly, exports of most rice types and qualities can be undertaken only by Bulog, subject to the approval of the Ministry of Trade, and only when domestic prices fall below a given threshold and stocks held by the government reach a minimum of 3 million tonnes. Because of the granting of subsidies to both rice producers and consumers, **Malaysia** banned exports of rice in May 2008. Rice was one among ten different items³ that received similar treatment. In Africa, restrictions on exports have been imposed in **Mali, Guinea, Liberia, and Burkina Faso**. In May, both **Madagascar** and **Tanzania** temporarily banned rice exports.

B. TRADE IN 2009

Little change in world trade anticipated in 2009

The still very tentative forecast of international rice trade in 2009, at 30.0 million tonnes, points to a volume slightly lower than that expected for 2008. However, unlike in 2008 when exporters' policies substantially shaped the volume and pattern of trade, in 2009 these are expected to reflect primarily importers' needs, and to be less constrained by exporting countries' policies.

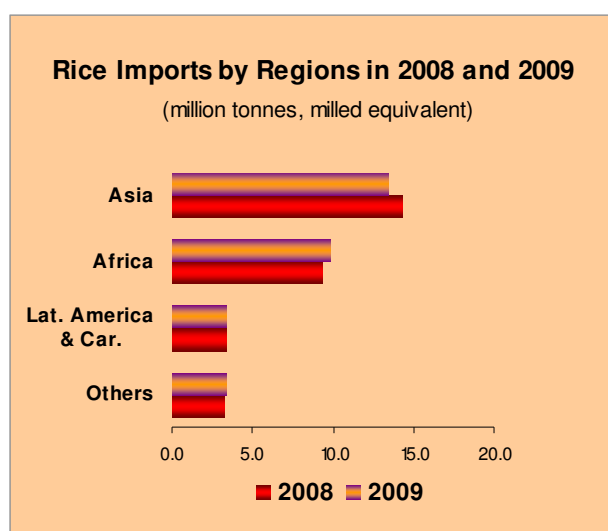
Rice imports in 2009

Reduced imports to Asian countries to be compensated by larger deliveries to African countries

Reflecting bumper crops in 2008 and positive prospects for early crops in 2009, imports by **Asian countries** are set to decline by 7 percent to 13.4 million tonnes, largely on account of much reduced purchases by **Bangladesh, Malaysia and the Philippines**, but also **Sri Lanka**. By contrast, imports by countries in the Near East, including the **Islamic Republic of Iran, Iraq, Saudi Arabia, the United Arab Emirates and Yemen**, are anticipated to rebound from their relatively low levels in 2008. Much of the shortfall is expected to be compensated by

³ together with sugar, flour, cooking oil, chicken, fertilizers, diesel, gas, steel and cement.

rising imports to **African countries**, which may take 9.8 million tonnes, up from the current 2008 forecast of 9.3 million tonnes. In 2008, many countries in the region reduced the level of import protection, for instance by waiving the payment of tariff and other duties, as a means to contain the transmission of high world prices onto consumers. It is not clear whether these measures will be maintained also next year, so the current outlook is still subject to much uncertainty. The anticipated increase of imports is likely to be widespread across many countries, in particular **Angola, Benin, Cote d'Ivoire, Senegal and south Africa**. By contrast, a decline is anticipated in **Madagascar and Mozambique**.



Prospects for countries in **Latin America and the Caribbean** do not show major changes, although **Colombia, Costa Rica, the Dominican Republic Mexico and Nicaragua** may need to import more, compensating for possible declines in **Brazil, Ecuador and Jamaica**. In **other parts of the world**, Australia may need to import less rice next year, although this assumes a recovery of production to more normal levels in 2009. By contrast, the **United States'** official forecast points to a slight increase in rice purchases next year, to 775 000 tonnes, consistent with the prevailing tendency for import to rise. An

increase is also foreseen in the **European Union**, which is anticipated to import 1.5 million tonnes in calendar 2009, 200 000 tonnes more than expected in 2008. Given the current strong pace of imports, it is likely that the variable import duties over the first half of the new marketing year, from 1 September 2008 to 31 March 2009, will remain at their highest levels, but given the limited scope for production growth, these are unlikely to deter imports. Besides the tariffs, the EU also imposes tight phytosanitary conditions. Following the 2006 upheaval caused by the finding of unauthorized GMO rice traces in US rice shipments, there has been much pressure on the Commission to review its policy, especially as it is becoming increasingly difficult to find GM-free sources of supplies, especially for maize and soybean. While the problem is less acute for rice, this might not hold true for long given the progressive opening to GMO rice varieties by countries such as Bangladesh or China, which may soon grow GM rice on a commercial basis.

Rice exports in 2009

Export restraints expected to be lifted in 2009 under the expectation of ample world supplies

Given the current outlook, which points to record crops in 2008 and large export availabilities in 2009, traditional exporting countries are expected to relax by next year some of the restrictions that are hindering trade this year. However, this is still subject to much uncertainty as it precludes any major setback over the current monsoon season that could substantially downgrade the current positive outlook of production of the Northern Hemisphere countries.

Against this background, world exports are anticipated to be in the order of 30.0 million tonnes, slightly below the expected 2008 level.



Among the major exporters, **India** is forecast to ship 3.5 million tonnes, up from 2.3 million tonnes in 2008 but still short of the 5.5 million tonnes exported in 2007. The Government has announced its preparedness to review its export restraints in November, at the closure of the monsoon season. It is important to note, however, that the country's trade policy will not only depend on the domestic rice situation but also on the size of its wheat crop and on wheat international prices. **Egypt** could also step up its rice deliveries in 2009, but, as for India, the decision to lift the export ban in

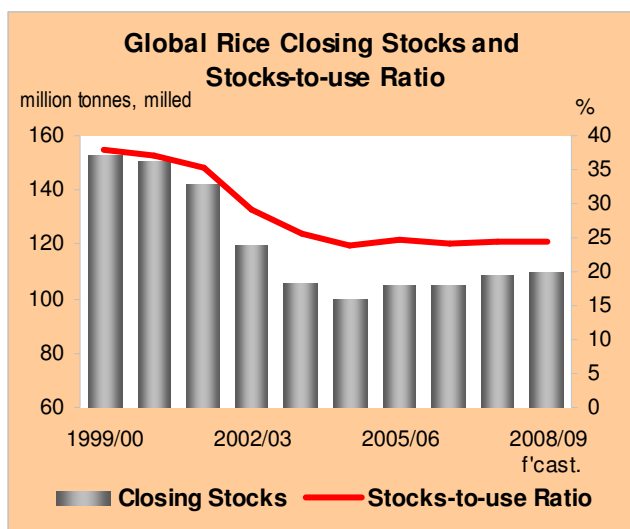
April 2009, as announced, will hinge on the wheat market situation. Given current positive prospects for rice production, exports from **Pakistan** and **Viet Nam** are forecast to increase in 2009 to 3.1 million tonnes and 4.6 million tonnes, respectively. By contrast, some contraction is currently anticipated for **Thailand**, now forecast to ship 9.0 million tonnes, 12 percent less than in 2008. The decline could be even more pronounced if the high levels of intervention prices applied on the secondary 2007 crop are extended to the first round of 2008 season intervention, in November 2008. By sustaining domestic prices, the decision could, indeed, well erode some of the country's export edge. Similarly, less attractive world prices may reduce sales from **Argentina, Brazil, Cambodia, China** and **the United States**.

III. RICE STOCKS

More buoyant crop prospects in 2008 boost the forecast for 2009 world opening stocks

Following the more buoyant prospects for production over the 2008 season, FAO's forecast of world rice inventories at the close of the 2008 marketing seasons has been raised by about 4.0 million tonnes to 110 million tonnes. The revision mainly reflects upward adjustments in **India, Indonesia, the Philippines, Thailand and Viet Nam**. These more than compensated for lower forecasts for **Bangladesh, the Republic of Korea, Japan** and, especially, **Myanmar**. There were only few and minor revisions outside of the Asian region.

At the current forecast of 110 million tonnes, global rice reserves in 2009 would be 1.7 percent larger than their opening level of 108 million tonnes, sustained by the relatively good 2008 production prospects. All of the increase is anticipated to be in the developing countries, while rice reserves in the developed countries are set to diminish again this year, from 3.0 million tonnes in 2008 to 2.5 million tonnes in 2009. At the regional level, the increase would largely be confined to Asia and Africa.



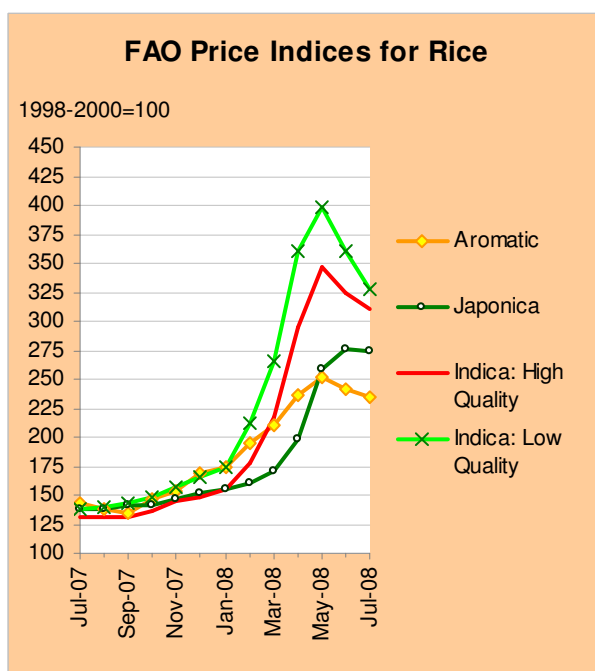
From a trade status perspective, much of the stock-piling is forecast to be concentrated in the **major exporting countries**, with sizeable increases anticipated in **China, India, Thailand** and **Viet Nam**. The export ban should also allow **Egypt** to boost inventories. Reserves in **Pakistan** are not expected to change much. By contrast, in the United States stocks may fall for the fourth consecutive year, this time by 17 percent. The heavy losses to both rice already harvested and in the ground following the passage of cyclone Nargis could constrain **Myanmar** to lower its reserves

by 1 million tonnes to an estimate 4 million tonnes. Among **major importers**, **Bangladesh, the Philippines** and **Japan** are foreseen to end the season with lower inventories. Of special relevance, stocks in **Indonesia** are forecast to increase by 18 percent to over 3 million tonnes, reflecting the two excellent crops harvested in 2007 and 2008 and positive production prospects for 2009.

At the newly forecast level of 110 million tonnes, global rice stocks would cover 24.5 percent of world rice utilization in 2009, up from a 24.4 percent **stock-to-use ratio** in 2008.

IV. INTERNATIONAL PRICES

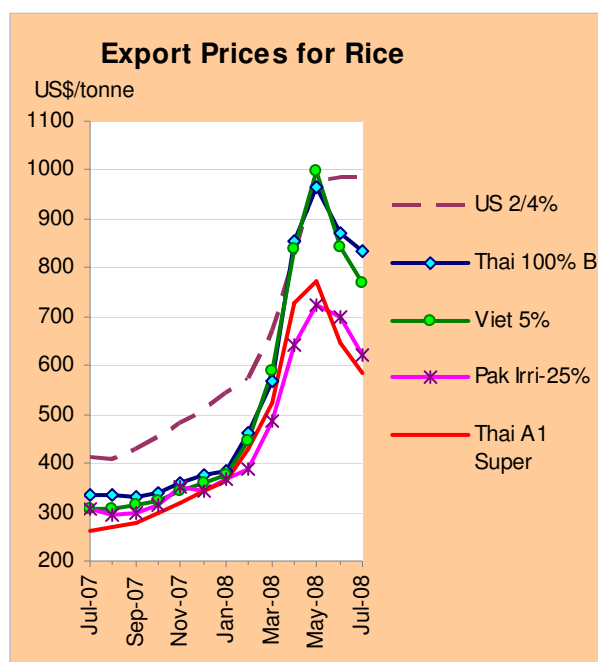
International rice prices start falling



After rising to new highs in May 2008, rice export prices have shown signs of weakening in June and July, with the arrival of the first 2008 rice paddy crops in the Southern Hemisphere and of the secondary 2007 crops in the Northern Hemisphere. The turnaround was reflected in the FAO all rice price index, which, by July 2008, had lost 9 percent from its May 2008 peak. The slide concerned mainly the lower quality and higher quality Indica rice, which lost 18 percent and 10 percent respectively from May. The drop was less pronounced for the Aromatic rice variety, the index of which lost 7 percent. By contrast, Japonica rice prices, which had risen much less than the other types of rice, continued to gather strength, gaining 7 percent since May. Despite the recent weakness, export prices

remain high compared with their values at the beginning of the year, with the All Rice Price

Index 82 percent above its January 2008 value. In the first seven months of 2008, the index average was 94 percent higher than in January-July 2007.



The recent tendency for prices to lose steam affected all the principal rice exporting countries with the exception of the **United States**, where prices, in particular of Japonica rice varieties, have registered further gains since May. Prices in **Thailand** fell, despite the effect of the rice government intervention programme, as import demand showed a tendency to slow down. The benchmark Thai 100% B rice was quoted USD 835 per tonne, 13 percent less than the peak of USD 963 in May 2008. Since January 2008, the quotation has averaged USD 705 per tonne, more than double the average of USD 326 in January-July 2007. However, All rice qualities and varieties, including the fragrant rice Hom Mali, have shown a tendency to decline in the past two months. Export Prices in

Pakistan and **Viet Nam** have followed similar trends.

FAO Rice Price Indices					
	All	Indica		Japonica	Aromatic
		High	Low		
1998-2000 = 100					
2003	81	79	81	81	91
2004	102	101	110	96	96
2005	107	104	115	107	94
2006	117	114	114	127	102
2007	137	131	139	140	136
2007 July	136	131	138	138	143
2007 August	136	131	140	138	138
2007 September	138	131	143	141	134
2007 October	142	136	148	142	146
2007 November	149	144	157	146	154
2007 December	157	149	166	153	169
2008 January	164	156	175	156	175
2008 February	184	177	212	161	195
2008 March	217	217	265	171	211
2008 April	280	294	360	199	237
2008 May	326	346	399	258	252
2008 June	313	325	360	276	242
2008 July	298	311	327	275	234
2007 Jan.-Jul.	131	126	131	136	127
2008 Jan.-Jul.	254	261	300	214	221

Source : FAO

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

Rice international prices may remain under downward pressure over the next few months, especially in the context of weakening wheat prices. The slide may be limited, however, by the current policies in place in Thailand and Viet Nam, which will keep them from falling below a floor level. In addition, several importing countries, in Africa and the Near East are expected to return to the market to contract new purchases, providing additional strength to the market and limiting the extent of the price fall. Prices, however, will also be strongly influenced by the pattern of the monsoon in the Northern Hemisphere Asian countries as well as by developments regarding Egypt and India's export restrictions.

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 2,5% 178 Camolino	Pak Basmati Ordinary	Thai Fragrant 100%
	<i>(US \$/tonne, f.o.b.)</i>												
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
2007	335	332	436	313	305	292	294	290	275	557	404	677	550
2007													
July	337	332	412	305	303	285	287	305	261	529	396	788	546
August	336	332	409	306	300	298	289	295	269	535	401	710	548
September	332	328	430	313	303	302	296	300	279	576	401	650	546
October	338	346	452	324	317	305	300	314	297	584	393	713	568
November	358	360	481	342	336	322	305	350	318	584	444	740	587
December	376	381	506	360	355	335	342	342	342	584	469	850	611
2008													
January	385	389	544	377	368	345	357	369	365	590	479	888	643
February	463	490	572	444	455	n.a.	430	388	431	595	490	1040	748
March	567	607	671	588	540	n.a.	555	488	522	595	587	1100	837
April	853	874	820	838	787	n.a.	755	641	727	758	n.a.	1100	1104
May	963	1037	978	996	869	n.a.	863	723	772	926	n.a.	1100	1210
June	870	937	985	843	764	n.a.	791	700	645	963	n.a.	1100	1096
July	835	872	985	770	715	n.a.	739	620	583	1036	n.a.	1100	1021
2007 Jan.-Jul.	326	319	421	301	293	271	284	269	256	546	392	638	534
2008 Jan.-Jul.	705	744	794	693	643	n.a.	641	561	578	780	519	1061	951

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.

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

WORLD PADDY PRODUCTION			
	2006	2007	2008
		(estimated)	(forecast)
	<i>million tonnes</i>		
WORLD	641.8	657.7	667.7
Developing countries	617.1	633.4	643.7
Developed countries	24.7	24.3	24.0
ASIA	581.1	598.1	604.8
Bangladesh	41.0	43.0	44.0
Cambodia	6.3	6.7	6.8
China	183.3	187.0	187.3
of which Taiwan Prov.	1.6	1.5	1.6
India	140.0	144.6	147.0
Indonesia	54.5	57.2	59.9
Iran, Islamic Rep. of	2.6	2.8	2.6
Japan	10.7	10.9	10.5
Korea Rep. of	6.3	5.9	6.2
Myanmar	30.6	30.0	27.7
Pakistan	8.2	8.3	8.7
Philippines	15.5	16.8	17.6
Sri Lanka	3.3	3.1	3.2
Thailand	29.6	32.1	32.3
Viet Nam	35.8	35.9	37.0
AFRICA	22.5	22.5	23.7
North Africa	6.8	6.6	6.6
Egypt	6.8	6.5	6.6
Sub-Saharan Africa	15.7	16.0	17.1
Western Africa	9.8	9.8	10.4
Côte d'Ivoire	1.1	1.0	1.1
Guinea	1.3	1.4	1.5
Mali	1.1	1.1	1.3
Nigeria	4.0	3.9	4.0
Central Africa	0.4	0.4	0.4
Eastern Africa	1.6	1.8	1.9
Tanzania	1.2	1.4	1.5
Southern Africa	3.8	3.9	4.3
Madagascar	3.5	3.6	4.0
Mozambique	0.2	0.2	0.2
CENTRAL AMERICA	2.5	2.5	2.6
Cuba	0.4	0.4	0.5
Dominican Rep.	0.7	0.7	0.7
Mexico	0.3	0.3	0.3
SOUTH AMERICA	22.4	21.9	23.7
Argentina	1.2	1.1	1.3
Brazil	11.7	11.3	12.3
Colombia	2.3	2.4	2.6
Peru	2.4	2.5	2.5
Uruguay	1.3	1.1	1.3
NORTH AMERICA	8.8	9.0	9.3
United States	8.8	9.0	9.3
EUROPE	3.5	3.6	3.5
EU 2/	2.6	2.7	2.6
OCEANIA	1.1	0.2	0.0
Australia	1.0	0.2	0.0

FOOTNOTES:

Totals computed from unrounded data.

1/ Highly tentative.

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

WORLD IMPORTS OF RICE			
	2007	2008	2009^{1/}
		(estimated)	(forecast)
	<i>million tonnes, milled eq.</i>		
WORLD	31.3	30.2	30.0
Developing countries	26.4	25.4	24.9
Developed countries	4.9	4.8	5.1
ASIA	15.0	14.3	13.4
Bangladesh	1.4	1.2	0.7
China	1.0	1.0	0.9
of which Taiwan Prov.	0.1	0.1	0.1
Indonesia	1.7	0.3	0.3
Iran, Islamic Rep. of	1.0	1.0	1.2
Iraq	0.8	1.0	1.0
Japan	0.7	0.7	0.7
Malaysia	0.8	1.0	0.8
Philippines	1.8	2.7	1.7
Saudi Arabia	1.1	0.9	1.1
Sri Lanka	0.1	0.2	0.1
AFRICA	9.7	9.3	9.8
Côte d'Ivoire	0.8	0.8	0.9
Nigeria	1.7	1.9	1.9
Senegal	1.0	0.8	1.0
South Africa	1.0	0.8	0.9
CENTRAL AMERICA	2.4	2.3	2.4
Cuba	0.7	0.7	0.7
Mexico	0.6	0.5	0.6
SOUTH AMERICA	1.1	1.1	1.0
Brazil	0.7	0.7	0.6
Peru	0.1	0.1	0.1
NORTH AMERICA	1.0	1.1	1.1
Canada	0.3	0.3	0.3
United States	0.7	0.8	0.8
EUROPE	1.7	1.8	2.0
EU 2/	1.1	1.3	1.5
Russian Fed.	0.2	0.2	0.2
OCEANIA	0.4	0.4	0.4

WORLD EXPORTS OF RICE			
	2007	2008	2009^{1/}
		(estimated)	(forecast)
	<i>million tonnes, milled eq.</i>		
WORLD	31.3	30.2	30.0
Developing countries	27.8	26.0	26.0
Developed countries	3.5	4.2	4.0
ASIA	24.9	23.8	23.6
China	1.4	1.5	1.5
of which Taiwan Prov.	0.0	0.0	0.1
India	5.3	2.3	3.5
Myanmar	0.0	0.2	0.2
Pakistan	2.6	3.0	3.1
Thailand	9.6	10.2	9.0
Viet Nam	4.5	4.5	4.6
AFRICA	1.2	0.5	0.6
Egypt	1.2	0.5	0.6
SOUTH AMERICA	1.9	2.1	2.1
Argentina	0.4	0.5	0.5
Guyana	0.3	0.2	0.2
Uruguay	0.8	0.9	0.9
NORTH AMERICA	3.0	3.5	3.3
United States	3.0	3.5	3.3
EUROPE	0.2	0.2	0.3
EU 2/	0.2	0.2	0.2
OCEANIA	0.1	0.1	0.2
Australia	0.1	0.1	0.2

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

	CHINA 2/ 3/ (Oct./Sep.)			INDIA 2/ (Oct./Sep.)		
	2006/2007	2007/2008	2008/2009 ^{5/}	2006/2007	2007/2008	2008/2009 ^{5/}
	prelim.			prelim.		
	(..... thousand tonnes)			(..... thousand tonnes)		
Opening Stocks	56085 F	56360 F	57665 F	11600 F	13200 F	17000 F
Production 1/	125616 G	128155 G	128391 *	93350 G	96430 G	98000 F
Imports	612 F	610 F	575 F	50 F	50 F	50 F
Total Supply	182313	185125	186631	105000	109680	115050
Domestic Use	124597	125930	126381	86500	90380	93550
Exports	1356 F	1530 F	1460 F	5300 *	2300 F	3500 F
Closing Stocks	56360 F	57665 F	58790 F	13200 F	17000 F	18000 F
	PAKISTAN 2/ (Nov./Oct.)			THAILAND 2/ (Nov./Oct.)		
	2006/2007	2007/2008	2008/2009 ^{5/}	2006/2007	2007/2008	2008/2009 ^{5/}
	prelim.			prelim.		
	(..... thousand tonnes)			(..... thousand tonnes)		
Opening Stocks	150 F	300 F	200 F	5500 F	4350 F	3800 F
Production 1/	5438 G	5559 G	5803 F	19623 G	21250 G	21383 G
Imports	1 F	1 F	1 F	200 G	150 F	100 F
Total Supply	5589	5860	6004	25323	25750	25283
Domestic Use	2717	2660	2704	11416	11750	11883
Exports	2573 G	3000 F	3100 F	9557 G	10200 F	9000 F
Closing Stocks	300 F	200 F	200 F	4350 F	3800 F	4400 F
	UNITED STATES 4/ (Aug./Jul.)			VIET NAM 2/ (Nov./Oct.)		
	2006/2007	2007/2008	2008/2009 ^{5/}	2006/2007	2007/2008	2008/2009 ^{5/}
	prelim.			prelim.		
	(..... thousand tonnes)			(..... thousand tonnes)		
Opening Stocks	1370 G	1266 G	835 G	4700 F	4750 F	4500 F
Production 1/	6239 G	6314 G	6556 G	23896 G	23924 G	24679 G
Imports	663 G	735 G	751 G	300 F	200 F	200 F
Total Supply	8272	8315	8142	28896	28874	29379
Domestic Use	4062	3994	4029	19616	19874	20179
Exports	2944 G	3486 G	3422 G	4530 G	4500 F	4600 F
Closing Stocks	1266 G	835 G	691 G	4750 F	4500 F	4600 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.