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FAO Rice Market Monitor
Basic Foodstuffs Service
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Food and Agriculture Organization of the United Nations

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OVERVIEW

- Following less buoyant assessments of crops in Cambodia, China and Laos, FAO has revised downward its estimate of **global paddy production in 2004**, which now stands at 605 million tonnes. If confirmed at that level, the 2004 season will end with a 4 percent increase in production compared with 2003, with most of the expansion concentrated in China, Indonesia, Japan, Pakistan, the Philippines and Viet Nam. Egypt, Argentina, Brazil, Uruguay, the United States and the European Union are also estimated to have harvested larger crops in 2004. By contrast, a number of setbacks, in the form of floods and droughts, impaired the paddy seasons in Bangladesh, Cambodia, India, Laos, Malaysia, Myanmar, Nepal, Sri Lanka and Thailand, which are all set to experience a contraction. Production in 2004 is also anticipated to fall in Central America, a result of disease problems and drought, but also in Ecuador, Guyana and Peru. Although recovering from the extremely poor outcome in 2003, production in Australia remained well below the levels reached before 2002, when lingering drought problems started affecting the crop.

- According to FAO first forecast, **global paddy production in 2005** should rise by a modest 1.5 percent to 614 million tonnes, a very tentative figure as many countries in the Northern Hemisphere will not start planting their main crops until mid-year. This rather subdued outlook reflects the possible negative impacts of current drought problems also on the crops that will be planted later in the course of the year. In the Southern Hemisphere, where the 2005 paddy season is already well advanced, production prospects are rather mixed, with Indonesia set to witness a decline of 1 million tonnes from the 2004 record, while a recovery is foreseen in Sri Lanka and Malaysia. The outlook remains downcast in Southern Africa but also in Australia, while Brazil and Argentina are heading towards excellent harvests. Assuming normal weather later in the course of the year, production could recover in those Northern Hemisphere countries that were badly affected by unfavourable climatic conditions in 2004. It is noteworthy, however, that the 2005 season has started against the backdrop of mounting uncertainty, arising from the prevalence of drought conditions in some major rice producing countries but also from rising fuel and fertilizer prices, which may erode the positive effects of attractive rice prices on plantings.

- FAO has slightly raised its forecast for **rice trade in 2005** to 25.8 million tonnes, which represents a 3 percent fall from the latest 2004 trade estimate of 26.5 million tonnes. Much of the contraction should reflect reduced **exports** by Thailand, which reached an exceptionally high level in 2004, but also lower sales from Australia, India, Guyana and Uruguay. By contrast, shipments from Argentina, Myanmar, Pakistan, the United States and Vietnam are anticipated to rise. China's rice exports, which are under state control, are also foreseen to rebound somewhat.

- Demand for rice **imports in 2005** is anticipated to remain strong in some of the major Asian markets, in particular Bangladesh, Indonesia and the Philippines, where concerns over possible supply scarcities stemming from past or on-going droughts are mounting. Because of the poor crops harvested in 2004, imports by countries in Central America could be larger. The introduction of a new trade regime and lower tariffs in the European Union is also foreseen to give way to a larger inflow of rice to the Community. By contrast, imports to South American countries are expected to fall, as good crops should be harvested. Shipments to Africa might be deterred in 2005 by rising world quotations and freights and, in some instances, by local currency devaluations and more restrictive import policies. Purchases by the Islamic Republic of Iran and mainland China are also expected to be smaller. However, for imports to be cut in China, the government might have to intervene again this year by releasing supplies from inventories, in view of the high domestic prices prevailing in the country.

- World **rice inventories at the close of the 2004/05 marketing seasons** are estimated at 97 million tonnes, 6 million tonnes smaller than their opening levels, meaning that production in 2004 would, again, be insufficient to cover consumption. Most of the traditional exporters are estimated to dent on their stockpiles in 2004, including China, Egypt, India, Pakistan and Thailand. Among importers, inventories are likely to end lower in Indonesia, Nigeria, to change little in the Philippines and the Islamic Republic of Iran and to increase in Brazil, Japan and the Republic of Korea.

- **World rice prices over the calendar 2004** rose to their highest level since 1998, with the FAO all Rice Price Index (1998-2000=100) averaging 104, up from 82 in 2003. Among the various categories, quotations of the high quality Indica rice rose by 20 - 30 percent compared with 2003. The rise was even stronger in the case of the lower quality Indica while gains were more contained for Japonica and Aromatic rice. **International rice quotations** continued to firm in December and January and have remained steady since then, despite the arrival of fresh rice supplies on the market. The price strength reflected brisk import demand and adverse weather conditions in several major producing countries, which raised concerns over a possible further tightening of market conditions later this year. Counter to the prevailing tendency, US rice prices weakened in recent months, depressed by record rice inventories in the country. Prospects for international prices in the coming months point to a continuation of the current strength at least until mid year, when more will be known over the impact of on-going drought problems on production in China, Indonesia, the Philippines, Thailand and Viet Nam.

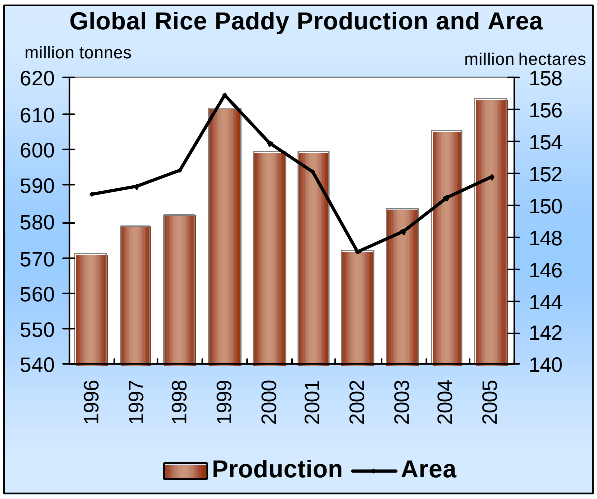
RICE SITUATION UPDATE AS OF 10 MARCH 2005

I. PRODUCTION

REVIEW OF PRODUCTION IN 2004

Despite a series of setbacks that negatively affected crops across all major producing regions, global paddy production set to rise by 4 percent in 2004

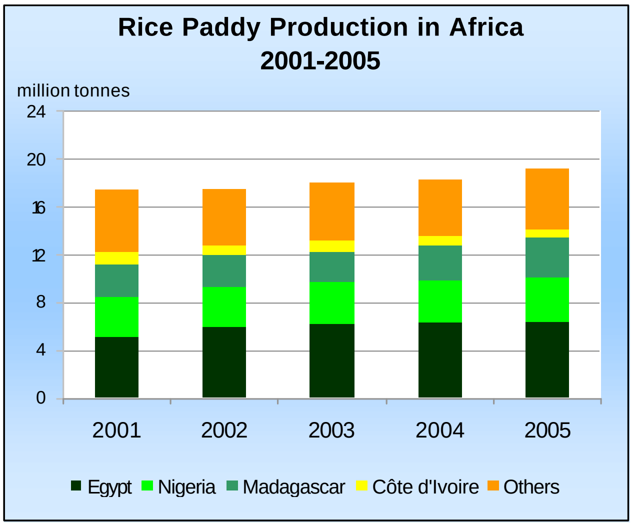
The 2004 paddy season is about to be concluded in the Northern Hemisphere, while in the Southern Hemisphere and along the equatorial belt, the 2005 season is well advanced, as a number of countries have already started gathering their 2005 paddy crops. Since last issue of the FAO Rice Market Monitor, production prospects for the current 2004 paddy season have been subject to sizeable changes, as the effects of weather problems late last year were better quantified. As a result, the FAO estimate of global paddy production in 2004 has been cut down by 5 million tonnes to 605 million tonnes (405 million tonnes in milled rice equivalent), mainly on account of a less buoyant outlook in **Cambodia, mainland China** and **Laos**, which largely offset improved expectations for the **European Union, Mexico, Senegal, Sri Lanka, the United States** and **Viet Nam**. Despite the downward revision, world paddy production would still be 3.8 percent larger than in 2003 and the second highest on record.



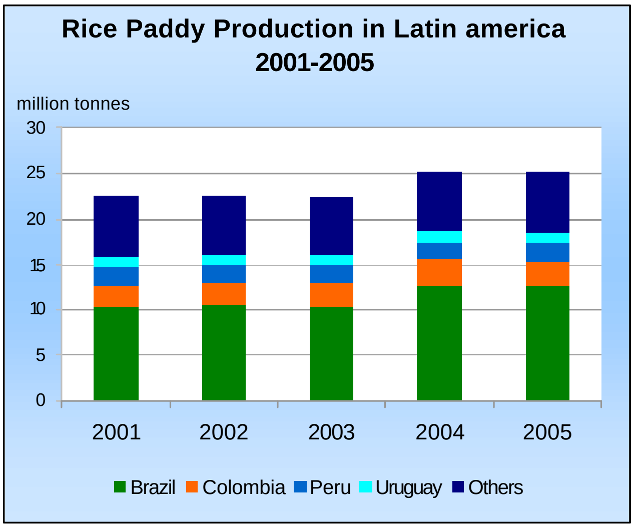
If current forecasts by the Ministry of Agriculture are confirmed, **China** (**mainland**) will end the season with a 12 percent rise in output, much below earlier expectations as severe drought problems in Southern provinces impaired development of the late-season rice crop. The production increase from last year was mainly driven by high market prices and government incentives to producers. An expansion in the area and favourable weather conditions boosted the sector in **Indonesia**. Although **Japan's** rice harvest index was rated as "slightly poor", largely reflecting the passage of three typhoons last autumn, the production is estimated to rise by 12 percent compared with the "extremely poor" 2003 harvest. In the **Republic of Korea,** production also recovered. In **Pakistan**, water shortages and a strong rise in fertilizer prices prevented the country from meeting the Government ambitious production target. Nonetheless, the paddy season yielded 7.5 million tonnes, the second highest performance on record, a reflection of relatively high rice prices. Production in the **Philippines** is also foreseen to rise over the 2004 paddy season (July 2004/June 2005) to 14.4 million tonnes. The increase was concentrated on the third quarter of 2004, while rising input costs and an anticipated recurrence of an El Niño event is set to induce a shift of land out of rice, into cash crops or sorghum over the rest of the season. In **Viet Nam**, the government assessed production at 35.7 million tonnes, 1 million tonne more than in 2003, notwithstanding recurring drought problems. Similarly, paddy production increased in the **Islamic Republic of Iran** and **Turkey**.

In the rest of Asia, the paddy season was affected by a succession of droughts and floods, especially in **Bangladesh**, **Cambodia, India, Laos, Malaysia, Myanmar, Nepal, Sri Lanka** and **Thailand**. Among the countries most affected by inclement weather in 2004, **Bangladesh** is estimated to have lost some 700 000 tonnes of paddy to the floods that hit the country between July and September and, subsequently, to incessant rains. Development of the third, irrigated Boro crop was also impaired by rising petrol and fertilizer prices. An erratic monsoon also marred development of the main Kharif crop in **India**, resulting in a 2 percent decline in production to 127 million tonnes, well below the 136 million tonne government target. The shortfall reflects an erratic monsoon, which marred development of the main Kharif crop. Paddy crops in **Myanmar** were also impaired by floods in 2004. Low producer prices and rising input costs also encouraged farmers to reduced rice plantings over the second, dry, season, in favour of pulses. As a result, output is estimated to have fallen by 4 percent to some 22 million tonnes. In **Thailand,** production in 2004 is set to decline by 7 percent to 25 million tonnes, the lowest level since 1999. Indeed, the principal paddy crop, harvested between November and January, was damaged by floods at the beginning of the season and by an early end of the rains when it was at the reproductive stage. Drought problems also impaired the 2004 second paddy crop, although high prices were reported to have encouraged plantings to exceed government's target. Notwithstanding the production shortfall, the Government has pledged to procure 9 million tonnes of rice from farmers between 1 November 2004 and 28 February 2005. However, because market prices were well above procurement prices, only 2.8 million tonnes were reported to have been procured by end-January by the government agencies, prompting an extension of the scheme until 31 March.

FAO estimates Africa produces some 18.4 million tonnes in 2004, 2 percent more than in 2003, notwithstanding a number of setbacks which affected crops in the region. Much of the increase reflects a positive season in **Egypt,** which continued to experience productivity gains, lifting production to a new record. Elsewhere, paddy crop development was often hindered by desert locusts, cyclones or drought. Nonetheless, production rose in **Madagascar**, **Guinea-Bissau, Nigeria, Senegal** and **Tanzania**. In the latter two countries, much of the gains were associated with the granting of subsidies on fertilizers, while the sector in **Nigeria** benefited from support under the "President Rice Initiative". By contrast, smaller crops were harvested in **Ghana, Chad, Cote d'Ivoire, Mali** and **Mozambique**.



In the region, strong increases in market prices have been reported, reflecting limited production gains and, on the import side, rising international quotations and freight rates compounded, in several instances, by devaluations of the local currency. While these higher prices have brought some relief to domestic producers, they were reported to be causing considerable hardship to consumers, whose diets have come to increasingly depend on rice, especially in urban areas.



In Central America and the Caribbean, the season ended negatively in **Costa Rica** and **Panama,** where crops were damaged by an outbreak of a "spinki" mite, but also in **Cuba, Haiti** and **Nicaragua.** In **Cuba**, production is estimated to have fallen by 9 percent in 2004, reflecting the effects of a prolonged drought, especially on the non-State rice sector, which also includes rice grown under the "Arroz popular" programme. Drought conditions have continued to prevail in recent months, preventing the refilling of reservoirs, severely constraining plantings of the second dry season, irrigated crop. By contrast, in the **Dominican Republic**, the sector recovered in 2004, reflecting an expansion in plantings which compensated for the losses caused by heavy rainfall and the passage of hurricane Jeanne. Similarly, a sizeable expansion in plantings boosted production by 14 percent in **Mexico**. Since 2003, the country has been operating a new support programme for agriculture, which, in addition to the Procampo direct payments to producers, established a guaranteed price to producers at Pesos 2 100 (US$ 202) per tonne in 2003.

In South America, the outcome of the season was mixed, with sharp increases experienced in **Argentina, Bolivia, Brazil, Colombia** and **Uruguay**, supported by high prices and favourable growing conditions. On the other hand, production contracted in **Chile**, **Ecuador** and **Peru**, largely because of drought, and in **Guyana**, due to recurring flooding problems.

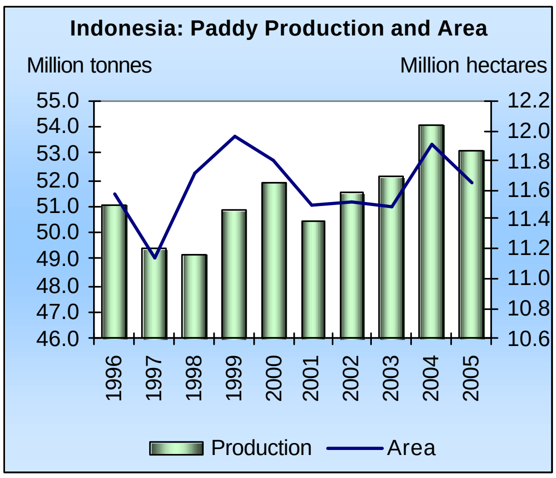
In the rest of the world, production in the **United States** rose by 15 percent to 10.5 million tonnes in 2004, the first time it surpassed the 10 million tonne benchmark. This outcome reflected excellent weather conditions, which sustained an 11 percent expansion in plantings and the sixth year of consecutive improvement in yields. Production also expanded in the 25 member countries of the **European Union** (EU), to 2.84 million tonnes or 6 percent greater than in 2003. Most of the increase was concentrated in Italy and Spain, which recorded sizeable yield improvements but also increased plantings. As a result, both countries are anticipated to exceed their respective national rice base areas, making them subject to a cut in direct payments. According to the latest official estimates, paddy production in the **Russian Federation** rose by over 3 percent to 465 000 tonnes in 2004, despite a 15 percent reduction in the area. The increase in output reflects favourable weather in Krasnodar, where more than 80 percent of the country's rice is produced. Although production recovered in **Australia**, it was still less than half the level harvested in the late 1990s and early 2000s.

I.2. PRODUCTION PROSPECTS IN 2005

Only a modest increase in 2005 global paddy production currently anticipated

FAO very preliminary outlook for production in 2005 stands at 614 million tonnes, only 1.5 percent more than the revised estimate for 2004.

Overall production prospects for countries along and South of the equator, most of which have already planted their main 2005 crops, point to little change from the 2004 season. In Asia, **Indonesia,** one of the countries most affected by the tsunami last December, was assessed to have lost some 80 000 tonnes of paddy to the tidal wave in Sumatra. In January 2005, excessive precipitation caused further damage to paddy crops in southern Sumatra and western Java, which might affect the final outturn of the season, since more than half of the country's annual production is harvested between January and April. As a result, the Government production target in 2005 has been set 1 million tonnes lower than the record 54 million tonnes harvested last year. Production in **Sri Lanka** is anticipated to recover in 2005, as favourable weather conditions have lifted government expectations for the forthcoming Maha crop to 1.9 million tonnes, 16 percent higher than the 2004 drought-affected Maha crop. Despite an on-going dry spell, the outlook is also positive in **Malaysia**.

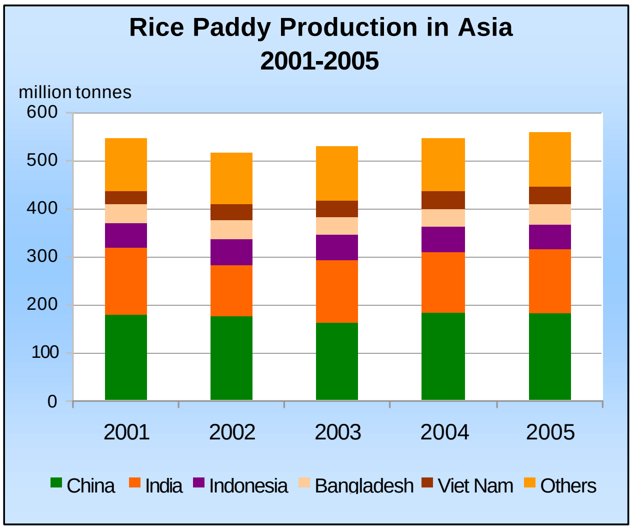


In southern and eastern Africa, **Madagascar** is expected to record a 13 percent growth to 3.4 million tonnes. The country, which is prone to being hit by cyclones between January and April, already witnessed the passage of Cyclone Ernest in January 2005, which caused some limited damage to rice crops in the southern and western parts of the island. Both **Malawi** and **Mozambique** dry spells last February have marred prospects for a recovery from the drought-induced shortfall last season. Prospects are also negative in **Tanzania,** where a slow start of the rainy season in the northern highlands major producing areas is reported to have delayed and depressed rice planting.

In South America, official surveys in **Argentina** currently point to a 4 percent area increase this year, which together with expectations of further yield gains would boost production by 7.5 percent to 1.14 million tonnes. In **Brazil**, CONAB, drawing from its third crop survey, predicted little change in output, as a 3 percent increase in plantings should compensate for a decline of yields, especially in the central and southern regions, where crops have been affected by insufficient precipitation and by salinization problems. Limited water availability for irrigation in **Uruguay** is reported to have resulted in a 10 percent decline in planting, which may depress production to 1.1 million tonnes. In **Ecuador** and **Peru**, dry weather conditions are delaying planting operation of the 2005 crops.

Similarly, according to the Australian Bureau of Agricultural and Resource Economics, production in **Australia** could be of the order of 430 000 tonnes, or 20 percent less than in 2004. The crop, which started to harvested in February, was hindered for the third consecutive year by drought, so plantings had to be cut by a quarter to 50 000 hectares, while yields also suffered from low temperatures at the beginning of the season.

In the Northern Hemisphere, where the bulk of world rice is produced, the 2005 paddy season is yet to commence, so current FAO forecasts for only modest global production growth are highly tentative, especially given the backdrop of particular uncertainty caused by prevailing drought conditions, rising fuel and fertilizer prices.



Under current prospects, production in 2005 is anticipated to rise in all the major Asian producing countries. In particular, a recovery is anticipated in those that were affected by major weather anomalies in 2004, in particular **Bangladesh, Cambodia, India, Nepal** and **Thailand**, often spurred by the need to rebuild rice domestic reserves. On the other hand, production in the **Islamic Republic of Iran, Pakistan** and **the Philippines** is expected to increase. Indeed, building on its success in achieving self-sufficiency in wheat, the **Islamic Republic of Iran** announced its intention to attain a similar objective for rice. In the **Philippines**, the government remains highly committed to boost production. However, mounting water shortages have been reported, which may dampen growth over the season. In **Viet Nam**, the Government, which has pledged to keep the area under rice stable, is aiming at only a marginal increase of output to 36 million tonnes. Similarly, a modest 1.4 percent gain is anticipated in **mainland China**, to 182.5 million tonnes, as rising input costs may dampen price incentive effects. The country has been reported to be facing severe drought problems, which may have affected the planting of the early crop which is currently at the transplanting stage. Protective prices for early rice have been announced at RMB 1400 (US$ 169) per tonne in 2005, unchanged from last year. By contrast, official forecasts already indicated a retrenchment of production in 2005 in **Japan**, in line with current government policies. Similarly, in the **Republic of Korea**, the Government recently announced the abolition of the public rice procurement programme, which together with an increase in import access, will intensify domestic producers' exposure to import competition and increase the pressure for the sector to be scaled down.

Among African countries located north of the equator paddy production-related activities will not start until April-June. Production is set to recover in **Chad** and **Mali**. Further increases are anticipated in **Egypt, Nigeria** and **Senegal**, while little change is foreseen elsewhere, since a surge in basic input costs, especially fertilizers, may erode the positive impact of attractive domestic prices. In Latin America and the Caribbean, the production outlook is positive in **Colombia**, **Costa Rica, Cuba, Nicaragua** and **Panama**. By contrast, in **Guyana,** the sector, which is highly dependent on exports to the EU market, is likely to be negatively impacted by expectations of falling export prices under the new EU rice policy regime implemented in September 2004. In the **Dominican Republic,** excessive precipitation in December 2004 and January 2005 in the major producing northern regions is likely to delay planting, with negative impacts on production in 2005. Official forecasts in **Mexico** also point to a marginal decline in output.

Based on the USDA production forecast, production is also set to fall in the **United States**, reflecting expectations of lower producer prices and of less favourable growing conditions. Moreover, it is to be seen if the announcement of less generous funding of US government programmes as of 2006 fiscal year will act as a disincentive to paddy cultivation already this year.

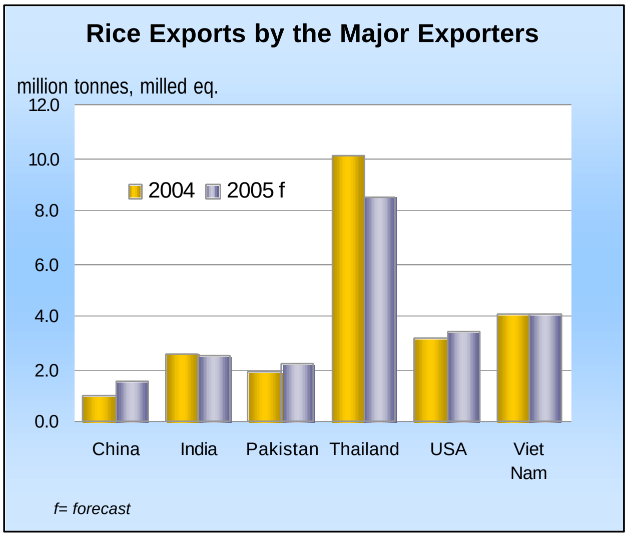
II. INTERNATIONAL TRADE IN RICE

Trade in rice to fall by 3 percent in 2005

Following revisions in the estimates of production in 2004, which determines to a large extent export availabilities and import requirements over the current calendar year, FAO has slightly raised its forecast for rice trade in 2005 to 25.8 million tonnes. This represents a 3 percent fall from the latest 2004 trade estimate, which currently stands at 26.5 million tonnes.

Thailand to account for much of the contraction in global exports

Much of the contraction in rice trade, this year, should arise from a sharp reduction in **Thailand's** exports, from the exceptionally high 10.1 million tonnes shipped in 2004. Given the poor 2004 production outcome and the resulting tightening of prices, the country is anticipated to export 8.5 million tonnes, which would be its second highest performance on record. Sales from **India** might also fall to some 2.5 million tonnes, only marginally lower than last year despite the anticipated contraction in production. Indeed, the expected strength of world prices must enable the country to remain competitive, especially on the parboiled market. Among other sources of supplies, exports from **Uruguay** and **Guyana** may also decline. In the latter, the decline would not only reflect the poor 2004 production, but also lower export prices in the EU, the main destination of Guyana's rice, following the implementation as of September 2004 of the new EU policy regime. **Australia** rice sales will continue to be constrained by very limited domestic availability, following 3 years of below-normal precipitation. **Egypt** is anticipated to keep exports high, at 750 000 tonnes.

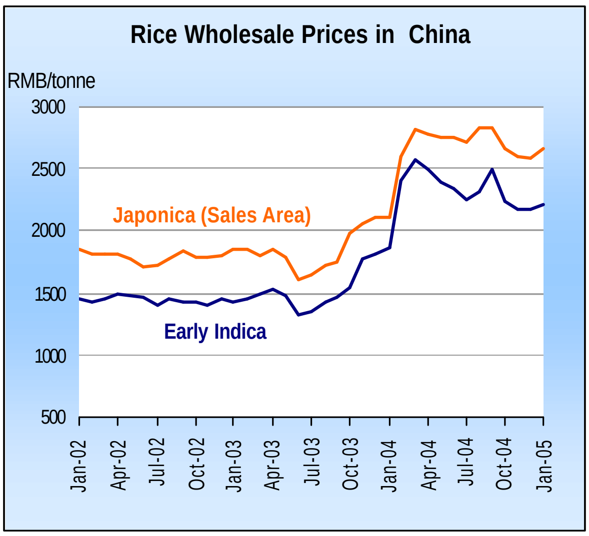


By contrast, FAO foresees shipments from **Viet Nam** to increase slightly to 4.1 million tonne this year. Despite drought problems in recent months, the Winter/Spring crop currently under harvest, which is mostly destined to external markets, appears to have yielded more than last season, which should underpin the country's ability to export, at least in the first half of the year. Indeed, the country already contracted sales for over 2 million tonnes till June. The good 2004 season should allow **Pakistan** to raise its sales abroad, despite a recent hike of import tariffs in its traditional markets of Kenya, Tanzania and Uganda. Exports from **mainland China**, which were severely constrained in 2004 by reduced availabilities, may rebound this year, based on the China's National Grain and Oils Information Centre. However, the 1.4 million tonne semi-official forecast is well below average export volumes, because of the relatively modest production estimate for 2004.

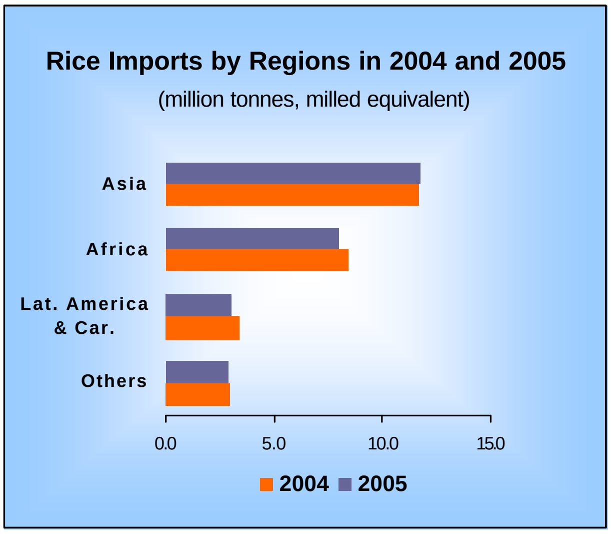
Exports from the **United States** are also set to rise in 2005, sustained by an expected fall in domestic prices, improved access to Central America and the Caribbean and weak competition from Australia. Among the other traditional exporters, **Argentina** may boost shipments, although this might imply it gaining new markets outside the region.

Import demand by traditional importers expected to remain strong, while deliveries to Africa and South America may fall

Import demand is expected to remain strong in some of the major rice importing countries, despite the prevalence of restrictions on trade. In Asia, deliveries to **Indonesia**, in particular, are anticipated to rise to 1.2 million tonnes. Even though the government has extended its ban on rice imports until June, the state trading enterprise Bulog was reported to be considering buying rice on the world market to avert scarcities arousing from a prevailing drought. Similar concerns are anticipated to boost imports to **Bangladesh,** where strong increases in prices have been reported. Fears over an El Nino recurrence in the **Philippines** have also induced the National Food Corporation to contract large purchases in recent months. Overall, the country is forecast to buy 1.1 million tonnes in 2005, up from 1.0 million tonnes last year. According to the Government, imports to the **Republic of Korea** should rise to 226 000 tonnes. Early this year, the Government concluded an agreement with nine WTO country members to retain rice under the WTO "special treatment provision" for another 10 years. In exchange, it pledged to widen progressively the minimum import quota to the equivalent of 7.9 percent of domestic consumption, or 408.7 thousand tonnes, by 2014 and to immediately let 10 percent of imports to be marketed at retail shops. By contrast, imports to **mainland China** are set to fall to some 500 000 tonnes, down from a reported 761 700 tonnes in 2004. However, given the high rice market prices prevailing in the country, this assumes that the government will intervene to cool down the market, for instance by releasing further supplies from government inventories. Lower purchases are also expected to be made by the **Islamic Republic of Iran**.



Current prospects for imports to African countries, also point to an overall contraction, induced mainly by rising world prices and freights rates compounded, in several instances, by the devaluation of domestic currencies. Under the current outlook, declining rice deliveries are expected to be made to **Benin, Cameroon, Madagascar, Nigeria** and **South Africa.** With the implementation of the East Africa Customs Union protocol on 1 January 2005, **Kenya**, **Tanzania** and **Uganda** raised tariffs on rice imports to 75 percent, which is also anticipated to depress their shipments this year.



Most countries in Central America and the Caribbean are anticipated to maintain the relatively high level of imports, in particular those that were affected by weather problems in 2004, in particular **Cuba, Nicaragua** and **Haiti**. By contrast, based on higher inventories and current expectations of an above-average crop, **Brazil** is set to import less this year, with the country also announcing it would engage in exports. **Colombia** recently announced it would reduce the out-of-quota tariff on medium and short grain rice imports from 80 percent to 20 percent. However, this might have only a limited impact on imports, most of which enter the country under the preferential quota system, which is based on a variable levy system, under the Andean Price Band Mechanism.

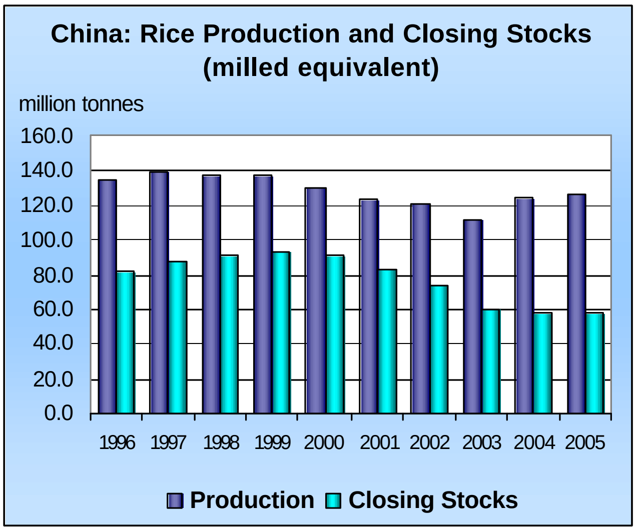
In the rest of the world, the **United States** is expected to cut its purchases, while **Australia** might need to come onto the market to buy at least 100 000 tonnes to cover its domestic needs while at the same time maintained a minimum level of exports.

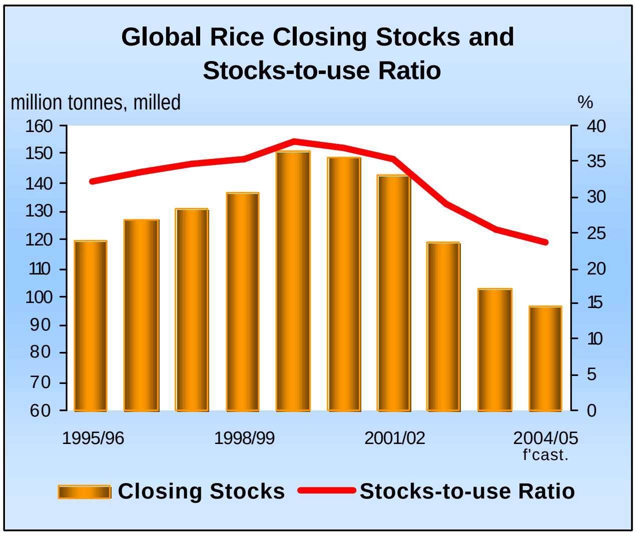
Imports to the **European Union** are set to rise to almost 1 million tonnes. EU's tariffs on imports of milled and husked rice were sharply reduced last September to € 65 and € 175 per tonne respectively, following a 50 percent cut in the official paddy procurement price. Ensuing negotiations with some trading partners led the EU to agree to further tariff cuts as of 1 March 2005. According to the agreement, husked rice imports will be subject to a tariff which will vary according to the actual level of rice imported given a reference import level originally set at 431 678 tonnes (or 215 839 tonnes every six months). Effective imports will be reviewed 10 days before the end of each semester running from 1 March to 31 August and from 1 September to 28 February. Whenever the volume imported in the semester exceeds by more than 15 percent the volume of reference (or 248 215 tonnes), the bound rate of € 65 per tonne comes into effect. If it falls below the reference volume by more than 15 percent (or 183 463 tonnes), the rate will be lowered to € 30 per tonne. Finally, within the two limits (between 183 463 tonnes and 248 215 tonnes) an average tariff rate of € 42.5 per tonne will be applied.

Imports to the **Russian Federation** are expected to remain in the order of 470 000 tonnes this year, despite the recent announcement that the country will impose a tariff of € 70 per tonne for nine months. This replaces the previous tariff of 10 percent, which until January was also subject to a minimum value of € 30 per tonne.

III. CLOSING RICE INVENTORIES

Rice Stocks still falling in 2005



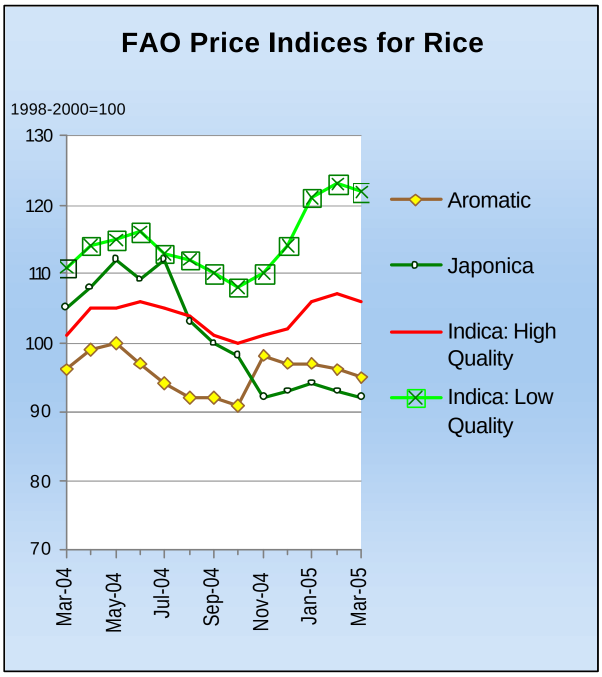


World rice inventories at the close of the 2004/05 marketing seasons are estimated at 97 million tonnes, slightly lower than the previous estimate of 99 million tonnes. The revision mainly reflects the deterioration of the 2004 production prospects in **China**, which may require a larger draw down of stocks in 2005 than previously anticipated. Compared with their opening levels, global inventories would be six million tonnes smaller, meaning that production in 2004 will be insufficient to fully meet consumption and that supplies would have to be pulled out from existing reserves to cover the gap. Most of the traditional exporters are estimated to dent on their stockpiles over the 2004 season, including **China, Egypt, India, Pakistan** and **Thailand**, although **Viet Nam** might keep them close to their opening levels and the **United States** raise them to a record 1.4 million tonnes. Among importers, inventories are likely to end lower in **Indonesia, Nigeria,** to change little in **the Philippines** and the **Islamic Republic of Iran** and to increase in **Brazil, Japan** and **the Republic of Korea.**

As a result of the decline in global rice inventories, the stock-to-utilization ratio, which gives an indication of the capacity of reserves to compensate for unexpected production shocks, deteriorated slightly in 2004 compared with 2003, with the ratio falling to 24 percent, down from 25 in 2003.

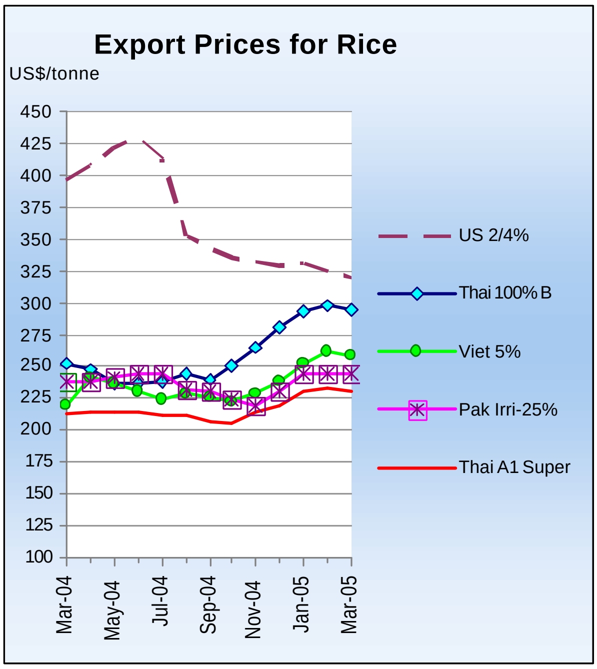
IV. INTERNATIONAL RICE PRICES

World Prices in 2004 have reached their highest level since 1998



International rice prices recorded further gains in 2004, with the FAO all Rice Price Index (1998-2000=100) averaging 104 for the whole year, the highest level since 1998 and 22 points more than in 2003. Among the various categories, quotations of the high quality Indica rice rose by 20 - 30 percent compared with 2003. The rise was even stronger in the case of the lower quality Indica rice, with prices of Thai A1 Super rising by US$ 56 per tonne or 37 percent between 2003 and 2004. Gains were more contained in the case of Japonica and Aromatic rice.

World Prices to remain on an upward trend in 2005



Prices have remained on a rising trend since November 2004, with the index reaching 106 in January and February, 5 points more than last November and 3 points more than last December. The strength reflected adverse weather conditions in several major producing countries, which raised fears over the possible tightening of market conditions in the coming months. Within the high quality Indica rice segment, the price of Thai 100%B rice rose from US$ 265 per tonne last November to US$ 298 per tonne in February, but fell back to US$ 294 per tonne in the first half of March. The Thai A1 Super quotations also gained about US$ 20 over the period, also losing US$ 4 per tonne in the two weeks of March. In contrast with most other origins, price quotations for rice from the United States fell in the past four months, in the wake of a 2004 bumper harvest and rising domestic inventories. International rice prices are expected to keep rising in the coming months, as supplies in several of the major exporting countries appear rather tight. The increase might be sharper for fragrant rice, reflecting fears of Hom Mali crop failure in the northern provinces of Thailand. Quotations for rice from the United States, however, could continue to fall in the coming months, pressured by large domestic inventories and a slackening of demand in South America. This would mean a further narrowing of the price differential between rice from the United Stated and rice from the traditional Asian exporters.

FAO Rice Price Indices

		All	Indica High	Indica Low	Japonica	Aromatic
		1998-2000 = 100				
2000		**84**	**84**	**83**	**83**	**89**
2001		**74**	**74**	**74**	**76**	**69**
2002		**72**	**73**	**75**	**67**	**74**
2003		**82**	**79**	**81**	**82**	**91**
2004		**104**	**101**	**110**	**104**	**96**
2004	March	105	101	111	105	96
	April	108	105	114	108	99
	May	109	105	115	112	100
	June	109	106	116	109	97
	July	109	105	113	112	94
	August	105	104	112	103	92
	September	102	101	110	100	92
	October	101	100	108	98	91
	November	101	101	110	92	98
	December	103	102	114	93	97
2005	January	106	106	121	94	97
	February	106	107	123	93	96
	March *	106	106	122	92	95
2004	Jan.-Mar.	104	94	101	119	96
2005	Jan.-Mar.	106	107	122	93	96

Source: FAO

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

* Two weeks only.

EXPORT PRICES FOR RICE

	Thai 100% B 1/	U.S. 2/4% Long grain	Viet 5%	Thai 25%	India 25%	Viet 25%	Pak 25%	Thai A1 Super 2/	U.S. 2/4% Medium Grain 3/	Pak Basmati 4/	Thai Fragrant 100%
	US $/tonne, f.o.b.										
2000	**207**	**271**	**183**	**172**	**232**	**159**	**163**	**143**	**289**	**418**	**428**
2001	**177**	**264**	**166**	**153**	**185**	**148**	**148**	**135**	**256**	**332**	**275**
2002	**197**	**207**	**187**	**171**	**140**	**168**	**159**	**151**	**219**	**366**	**306**
2003	**201**	**284**	**183**	**176**	**163**	**167**	**175**	**151**	**310**	**357**	**449**
2004	**244**	**372**	**224**	**225**	**n.a.**	**212**	**230**	**207**	**420**	**468**	**443**
2004											
March	253	397	219	232	n.a.	204	238	213	452	449	495
April	248	407	241	231	n.a.	223	239	215	463	486	504
May	237	421	237	224	n.a.	222	241	215	471	523	484
June	237	429	231	223	n.a.	225	244	215	474	n.a.	443
July	238	413	224	223	n.a.	215	244	211	463	n.a.	400
August	244	352	229	228	n.a.	220	232	212	389	n.a.	386
September	240	341	225	224	n.a.	216	231	207	375	n.a.	370
October	250	335	222	227	n.a.	211	224	205	366	479	382
November	265	332	228	242	n.a.	217	220	215	331	457	435
December	280	329	238	253	n.a.	226	230	220	331	455	424
2005											
January	293	330	253	265	n.a.	243	244	230	325	460	433
February	298	324	261	269	n.a.	247	245	234	309	453	437
March *	294	320	258	265	n.a.	244	245	230	311	450	426
2004 Jan.-Mar.	231	370	205	209	n.a.	190	218	191	460	449	498
2005 Jan.-Mar.	295	325	257	266	n.a.	245	245	231	315	454	432

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

1/ White rice, 100% second grade, f.o.b. Bangkok. 2/ White broken rice. 3/ F.A.S. basis. 4/ Basmati ordinary, f.o.b. Karachi.

* Two weeks only.

WORLD PADDY PRODUCTION

	2003	2004 (estimated)	2005 (forecast)
	million tonnes		
WORLD	**583.3**	**605.2**	**614.5**
Developing countries	560.1	579.1	589.5
Developed countries	23.2	26.1	25.0
ASIA	**530.2**	**547.1**	**556.6**
Bangladesh	38.8	38.3	39.8
Cambodia	4.7	4.1	4.5
China	162.3	181.5	184.1
of which Taiwan Prov	1.6	1.5	1.6
India	130.5	127.5	131.0
Indonesia	52.1	54.1	53.1
Iran, Islamic Rep. of	3.3	3.4	3.5
Japan	9.7	10.9	10.6
Korea Rep. of	6.0	6.8	6.7
Myanmar	22.9	22.0	22.0
Pakistan	7.3	7.5	7.6
Philippines	14.2	14.4	14.6
Sri Lanka	3.1	2.6	3.0
Thailand	27.2	25.2	26.5
Viet Nam	34.5	35.7	36.0
AFRICA	**18.0**	**18.4**	**19.1**
North Africa	**6.2**	**6.4**	**6.4**
Egypt	6.2	6.4	6.4
Sub-Saharan Africa	**11.8**	**12.0**	**12.7**
Western Africa	7.4	7.3	7.6
Côte d'Ivoire	0.7	0.7	0.7
Guinea	0.9	0.9	0.9
Mali	1.0	0.7	0.9
Nigeria	3.4	3.5	3.7
Central Africa	0.4	0.4	0.4
Eastern Africa	0.9	1.0	0.9
Tanzania	0.6	0.7	0.7
Southern Africa	3.1	3.3	3.7
Madagascar	2.8	3.0	3.4
Mozambique	0.2	0.2	0.2
CENTRAL AMERICA	**2.6**	**2.5**	**2.6**
Cuba	0.7	0.7	0.7
Dominican Rep.	0.6	0.6	0.6
Mexico	0.3	0.3	0.3
SOUTH AMERICA	**19.9**	**22.7**	**22.5**
Argentina	0.7	1.1	1.1
Brazil	10.4	12.8	12.8
Colombia	2.5	2.7	2.7
Peru	2.1	1.8	2.0
Uruguay	0.9	1.3	1.1
NORTH AMERICA	**9.1**	**10.5**	**9.9**
United States	9.1	10.5	9.9
EUROPE	**3.3**	**3.4**	**3.3**
EU 2/	2.7	2.8	2.7
OCEANIA	**0.4**	**0.6**	**0.4**
Australia	0.4	0.5	0.4

WORLD IMPORTS OF RICE

	2003	2004 (estimated)	2005 3/ (forecast)
	million tonnes, milled		
WORLD	**27.7**	**26.5**	**25.8**
Developing countries	23.3	21.8	21.3
Developed countries	4.3	4.7	4.5
ASIA	**13.5**	**11.7**	**11.8**
Bangladesh	1.6	0.6	1.0
China	0.4	0.9	0.7
of which Taiwan Prov.	0.1	0.2	0.2
Indonesia	2.5	1.0	1.2
Iran, Islamic Rep. of	0.9	0.7	0.6
Iraq	0.8	1.1	1.1
Japan	0.7	0.7	0.7
Malaysia	0.6	0.7	0.6
Philippines	0.9	1.0	1.1
Saudi Arabia	0.8	0.9	0.8
Sri Lanka	0.0	0.2	0.0
AFRICA	**8.0**	**8.4**	**8.0**
Côte d'Ivoire	0.8	0.8	0.8
Nigeria	1.5	1.5	1.3
Senegal	0.6	0.7	0.7
South Africa	0.8	1.0	0.9
CENTRAL AMERICA	**2.0**	**2.1**	**2.1**
Cuba	0.6	0.6	0.6
Mexico	0.5	0.5	0.5
SOUTH AMERICA	**1.4**	**1.3**	**1.0**
Brazil	1.1	0.9	0.7
Peru	0.0	0.1	0.1
NORTH AMERICA	**0.7**	**0.8**	**0.7**
Canada	0.3	0.3	0.3
United States	0.4	0.5	0.5
EUROPE	**1.8**	**1.9**	**1.8**
EU 2/	0.7	0.9	1.0
Russian Fed.	0.5	0.5	0.5
OCEANIA	**0.4**	**0.4**	**0.4**

WORLD EXPORTS OF RICE

	2003	2004 (estimated)	2005 3/ (forecast)
	million tonnes, milled		
WORLD	**27.7**	**26.5**	**25.8**
Developing countries	23.2	22.5	21.7
Developed countries	4.4	3.9	4.1
ASIA	**21.6**	**20.5**	**19.8**
China	2.7	1.0	1.5
of which Taiwan Prov.	0.1	0.1	0.1
India	4.4	2.6	2.5
Myanmar	0.4	0.2	0.3
Pakistan	2.0	1.9	2.2
Thailand	7.6	10.1	8.5
Viet Nam	3.9	4.1	4.1
AFRICA	**0.6**	**0.8**	**0.8**
Egypt	0.6	0.8	0.8
SOUTH AMERICA	**1.2**	**1.7**	**1.6**
Argentina	0.2	0.4	0.4
Guyana	0.2	0.2	0.2
Uruguay	0.6	0.8	0.7
NORTH AMERICA	**3.9**	**3.2**	**3.4**
United States	3.8	3.2	3.4
EUROPE	**0.2**	**0.2**	**0.2**
EU 2/	0.2	0.2	0.2
OCEANIA	**0.2**	**0.2**	**0.2**
Australia	0.2	0.2	0.2

FOOTNOTES:

Totals computed from unrounded data.

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

2/ Highly tentative.

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

CHINA 2/ 3/ (Oct./Sep.) — (......... thousand tonnes ....)

	2002/2003		2003/2004 prelim.		2004/2005 f'cast	
Opening Stocks	83350	F	73690	F	60170	F
Production 1/	120876	G	111252	G	124395	F
Imports	405	G	912	F	650	F
Total Supply	204631		185854		185215	
Domestic Use	128291		124728		126120	
Exports	2650	G	956	F	1460	F
Closing Stocks	73690	F	60170	F	57635	F

INDIA 2/ (Oct./Sep.) — (......... thousand tonnes ....)

	2002/2003		2003/2004 prelim.		2004/2005 f'cast	
Opening Stocks	26400	F	12000	F	12400	F
Production 1/	72660	G	87000	G	85000	F
Imports	30	F	50	F	50	F
Total Supply	99090		99050		97450	
Domestic Use	82690		84050		84450	
Exports	4400	F	2600	F	2500	F
Closing Stocks	12000	F	12400	F	10500	F

PAKISTAN 2/ (Nov./Oct.) — (......... thousand tonnes ....)

	2002/2003		2003/2004 prelim.		2004/2005 f'cast	
Opening Stocks	550	F	340	F	490	F
Production 1/	4479	G	4848	G	4977	G
Imports	0	F	0	F	0	F
Total Supply	5029		5188		5467	
Domestic Use	2731		2832		2877	
Exports	1958	G	1866	G	2150	F
Closing Stocks	340	F	490	F	440	F

THAILAND 2/ (Nov./Oct.) — (......... thousand tonnes ....)

	2002/2003		2003/2004 prelim.		2004/2005 f'cast	
Opening Stocks	3400	F	3540	F	1950	F
Production 1/	17250	G	18034	G	16682	F
Imports	7	G	7	F	7	F
Total Supply	20657		21581		18639	
Domestic Use	9537		9516		9039	
Exports	7580	G	10114	G	8500	G
Closing Stocks	3540	F	1950	F	1100	F

UNITED STATES 4/ (Aug./Jul.) — (......... thousand tonnes ....)

	2002/2003		2003/2004 prelim.		2004/2005 f'cast	
Opening Stocks	1216	G	829	G	761	G
Production 1/	6536	G	6420	G	7329	G
Imports	458	G	500	G	429	G
Total Supply	8210		7749		8519	
Domestic Use	3521		3658		3913	
Exports	3860	G	3330	G	3334	G
Closing Stocks	829	G	761	G	1272	G

VIET NAM 2/ (Nov./Oct.) — (......... thousand tonnes ....)

	2002/2003		2003/2004 prelim.		2004/2005 f'cast	
Opening Stocks	4500	F	4900	F	4900	F
Production 1/	22976	G	23024	G	23812	G
Imports	7	F	6	F	6	F
Total Supply	27483		27930		28718	
Domestic Use	18693		18975		19618	
Exports	3890	G	4055	G	4100	F
Closing Stocks	4900	F	4900	F	5000	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.