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FAO Rice Market Monitor
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HIGHLIGHTS

- Global paddy output for 2002 is now forecast at 589 million tonnes, up 2 million tonnes from the previous estimate, but still 4 million tonnes lower than the 2001 figure. The improved production outlook partly reflects upward revisions for some Asian countries, following expectations of a timely arrival of monsoon rains and of a less disruptive El Niño than originally foreseen.

- While the possibility of another El Niño still looms over production prospects in a number of countries, specialized climate centres recently predicted a slow evolution towards el Niño conditions by the end of the year that would feature much weaker impacts than experienced in 1997-98.

- Cultivation of the 2002 paddy season is underway throughout countries in the Northern Hemisphere and the season is approaching completion in countries located along the equator and in the Southern Hemisphere. Notable changes to harvest expectations in the latter part of the world include Brazil, where the paddy output forecast has been officially reduced from the previous estimate, and Egypt and Sri Lanka, where it has been raised.

- In the Northern Hemisphere, the 2002 paddy season outlook for a number of countries in Asia has been upgraded since the last report. For instance, expected production in 2002 has been increased for India, Myanmar, Laos and Cambodia. A combination of larger plantings, payoffs from infrastructural investment and improved input usage partly lay behind many of the upturn in prospects. However, the most critical factor underlying the upward revision is the anticipation of favourable monsoon rains and of only a mild el Niño incidence. While paddy production in the United States is officially forecast slightly lower than previously reported, a major development there has been the passing of the new Farm Bill into law.

- Global rice trade in 2002 is forecast at 24.6 million tonnes, some 600 000 tonnes below the previous estimate. The downturn in trade prospects reflects revisions to inflows among countries in Asia, particularly China, and lower anticipated imports to Africa. On the export side, the adjustment mirrored weaker prospects for China, Pakistan and Vietnam.

- Based on current estimates, India is anticipated to displace Vietnam as the second largest supplier on the international rice market, behind Thailand. Competition for market shares, especially in the lower quality rice segment, is set to continue with India most likely to make further inroads. By contrast, reduced availabilities continued to hinder Pakistan and Vietnam's exports, the outlook of which has deteriorated since last report. China's participation in the international rice market is likely to be less active than earlier anticipated and the volume of both its exports and its imports has been reduced.

- The contraction in global ending stocks at the close of the 2001/02 marketing seasons is now foreseen to be larger than reported in the previous RMM. By and large, much of the season draw-down is due to China (mainland), where the fall in production and a deliberate policy to cut low quality rice inventories are expected to result in a further liquidation of stocks.

- International rice prices showed unusual strength in May, reflecting the continuation of the procurement programme in Thailand and a tightening of supplies in Pakistan and Vietnam. Fears that current tensions between India and Pakistan could disrupt the flow of world supplies also helped sustain prices. However, improved prospects for production in Northern Hemisphere countries should weight on international quotations in the next few months.

RICE SITUATION UPDATE AS OF 31 MAY 2002

I. PRODUCTION

Despite uncertainty over weather conditions, global paddy production expectations lifted by Asia, but no recovery yet foreseen in 2002.

Planting of the 2002 main paddy season is underway throughout most countries in the Northern Hemisphere, while the season is approaching completion in countries located around the equator and in the Southern Hemisphere. Global paddy production in 2002 is now forecast at 589 million tonnes, up 2 million tonnes from the previous estimate, but still 4 million tonnes below the 2001 figure. The revision reflects more optimistic expectations of output in some Asian countries led by larger plantings, payoffs from infrastructural investment and improved input usage. However, weather conditions will be the overriding factor in determining the season's final outcome. Although concerns still linger over the prospect of another El Niño, the weather phenomenon blamed for abnormal weather conditions, the timely arrival of monsoon rains in Asia augurs well for the global production outlook.

The 9 May update by the National Oceanic and Atmospheric Administration (NOAA) on el Niño reports an above-normal warming of the sea surfaces in April along most of the equatorial Pacific, which was associated with heavy rainfalls along the coast of Ecuador and northern Peru. However, there was no evidence of a surface and sub-surface temperature anomalies in regions further west. Consistent with other model forecasts, the update predicts a gradual warming in the next few months with a weak-to-moderate El Niño conditions developing by the end of the year, which would rule out the strong effects associated with the phenomenon in 1997-98.

I.1. ASIA

Production outlook for the region raised by over 2 million tonnes.

FAO forecast for paddy production in Asia has been raised from the last report by about 2 million tonnes to 535 million tonnes, which would imply a contraction of 4 million tonnes from the revised output level in 2001. Much of the revision reflects upward adjustments in output estimates of Cambodia, India, Laos and Myanmar, as weather conditions are expected to be more favourable than had been anticipated and the impending monsoon rains have been predicted to be "normal" in India.

The 2002 main paddy season is either complete or nearing completion in countries situated in the Southern Hemisphere and around the equatorial belt, but information concerning quantities harvested is not always available. Despite a temporary faltering, drought possibly related with El Niño appears to have impaired **Malaysia's** secondary crop at the early growing stages. Pending more information on the intensity and length of the phenomenon, the country's 2002 paddy forecast remains unchanged from the previous report. **Sri Lanka** is about to complete the planting of its secondary, Yala, crop. So far, no information has been released regarding planted area or the size of the harvest, but preliminary indications suggest that 2002 output could recover to 2.8 million tonnes, up 200 000 tonnes from the previous RMM estimate. In **Indonesia**, dry weather conditions in recent weeks have facilitated the harvest of the main-season rice crop, but these conditions might prove to be detrimental to the planting of the country's secondary crop. Although some officials forecast paddy output at 52 million tonnes, FAO production figure remains at 48.7 million tonnes. Despite rising input costs, official paddy procurement prices for the 2002 season have been left unchanged at the 2001 level of Rupee 1 519 per kilo (US$ 172 per tonne). In the past few years, low domestic paddy prices relative to other cash crops have been blamed for the decline in the area devoted to rice, which is estimated to have fallen by over 8 percent since 1999.

With the arrival of the monsoon rains, planting of the bulk of the main season rice crops has started in the Northern Hemisphere. In **Bangladesh**, where the 2001 official output estimate for the past 2001 season was recently lowered to 37.8 million tonnes, paddy production in 2002 is currently anticipated to rise to 39.0 million tonnes. The increase is being supported by a wider use of hybrid seeds and incentives to the irrigated sector, which have been behind the steady growth of the irrigated Boro paddy crop since the late 1980s. A fourteenth consecutive year of 'normal' monsoon rains is anticipated in **India**. The country's 2002 paddy output prospects have been upgraded by 1 million tonnes since the last report to 134 million tonnes. However, this would still be some two million less than the record achieved in 2001, reflecting expectations of less favourable yields compared to the relatively high levels achieved last season. In **Pakistan**, the 2001 production is now officially estimated to be in the order of 5.6 million tonnes, slightly down from the last report. With no immediate sign of abatement to the current shortage of irrigated water, official prospects for the country's 2002 paddy season remain bleak, at 5.2 million tonnes, the lowest level since 1994.

Disruptive weather has been reported in the **China's (mainland)** early-rice growing provinces in the Centre and in the South of the country. While this has raised concerns over quality, the estimate of 176.6 million tonnes (paddy) in 2002 remains unchanged from the last report. In **Thailand**, preparation for the 2002 main-season crop is underway. Although recent abundant precipitation across rice producing areas has allayed fears of a severe El Niño developing in the region, some weather disruptions over the course of the paddy season are still anticipated, which could depress output somewhat. The Government has extended its 2001 paddy procurement program of the country's second crop until the end of July this year with intervention prices set well above market levels. Official estimates put total intervention purchases at 4.3 million tonnes. In the **Philippines**, planting of the main season crop is to be concluded in June. The effects of El Niño on the July 2002 /June 2003 paddy season are now forecast to be small since the drought expected to prevail during the fourth quarter of the year would be too late to affect the main crop. In **Vietnam**, planting of the main season (summer-autumn) rice underway is benefiting from a return to normal soil moisture levels in the primary growing delta areas. While doubts still linger over the rice sector's ability to surpass the output level of the previous season, given a shift away from paddy production by some farmers, official estimates continue to point to a rise in output this season. Expectations for **Myanmar's** paddy crops have been revised up by 0.5 million tonnes to 21 million tonnes. The revision reflects reduced likeliness of unfavourable growing conditions and maintained support from the Government to expand production. Official sources in **Laos** are forecasting a record 2.4 million tonnes of paddy output in 2002, up 200 000 tonnes from both last season's record and the figure earlier reported following large scale investments in rice infrastructure, including irrigation. Similarly, a record level of 4.3 million tonnes of paddy for the 2002 season is now officially forecast in **Cambodia**. An expansion of rice acreage together with a foreseeable improvement in yields accounts for a 200 000 tonne upward revision to the previous estimate.

In the **Democratic Peoples Republic of Korea**, the need for a favourable 2002 rice crop has become all the more pressing after an abnormally dry winter is estimated to have significantly reduced wheat, barley and root crops. While good growing conditions have set the main paddy season on track, cuts in electricity supply, necessary for irrigation during the development stage of the paddy crop, are hindering prospects. In a bid to curtail excessive rice stocks, the **Republic of Korea's** Government has set a milled target of 5.2 million tonnes in 2002, about 0.3 million tonnes lower than the amount harvested in 2001. Rice area is targeted to be cut by 1 million hectares over the next three years. Eighty percent of the remaining area will be set aside for high-quality japonica varieties, up 30 percent from the 2001 share. However, the official target is expected to be overshot by 0.2 million tonnes by the end of the 2002 season.

I.2. AFRICA

Investment in West Africa's rice sector and a substantial increase in plantings in Egypt could lead to a record output for the continent in 2002

Planting of the 2002 paddy crop is underway in several countries in northern and western Africa, but uncertainties still surround planting intentions in the region. Although still subject to an area ceiling, rice cultivation in **Egypt** is expected to rise sharply this season, which together with a steady improvement in yields, is anticipated to boost production to over 6 million tonnes. This would be some 800 000 tonnes above last season and half a million tonnes more than previously reported. At 3.5 million tonnes, **Nigeria's** 2002 paddy crop is forecast to surpass the previous year's revised record by 100 000 tonnes. The introduction of the NERICA hybrid (see July 2001 issue of RMM) is likely to contribute to the expected production growth. **Ghana** has recently announced several drives to boost production and to reduce reliance on imported rice. Measures include introducing higher yielding rice varieties and improvements to milling infrastructure. Such initiatives, however, are unlikely to have any immediate impact on prospects for the 2002 paddy season. **Senegal's** 2001 crop has been officially placed at 207 000 tonnes, 13 000 tonnes lower than previously estimated, but 2002 expectations remain unchanged from the last report at 220 000 tonnes. Similarly, **Malawi's** 2001 crop has been raised by

10,000 tonnes to 100,000 tonnes. Prospects for the new season remain good.

In Southern Africa, harvesting of the 2002 rice crops is near completion. In **Madagascar**, excessive precipitation from a recent cyclone has disrupted gathering of the crop, leading to concerns over both the quantity and quality of paddy harvested. However, the country is still on course to reap 2.4 million tonnes of paddy this year, 8 percent below last year's record crop. **Mozambique's** 2002 output has been officially estimated at 168 thousand tonnes, marginally higher than previously anticipated.

I.3. LATIN AMERICA AND THE CARIBBEAN.

Production estimates worsen in South America while paddy crops likely to suffer from drought in Central America

The spectre of El Niño has destabilised Central America's agricultural prospects for 2002. Although there is growing consensus that the current phenomenon is less severe than the one that hit the region between 1997-98, many countries in the region are experiencing either significantly reduced or belated rainfall that is causing disruption to planting of the new season's rice crops. Accordingly, there have been a number of downward revisions to 2002 output forecasts since the last report. For instance, the 2002 crop has been lowered by 9 percent to 300 000 tonnes in **Costa Rica** and by 50 percent in **El Salvador**.

In South America, gathering of the 2002 rice crops is near complete. Expectations of production for the entire region have been downgraded since the previous RMM. Despite favourable weather conditions during maturation and harvesting, official sources in **Brazil** have estimated a paddy crop of 11 million tonnes, 0.5 million tonnes lower than anticipated, but still considerably higher than in 2001. **Argentina's** harvest is now officially put at 680 000 tonnes, slightly higher than last reported but 20 percent down from the 2001 outcome and almost 50 percent down from the 1997 record. Targeted area cuts, a price-induced switch out of rice and macroeconomic instability are responsible for this decline. Low international prices and poor prospects for exports to neighbouring countries have also depressed production in **Uruguay**, the estimate of which remains at 800 000 tonnes, some 20 percent less than in 2001.

I.4. NORTH AMERICA

A return to normal yields lowers output expectations

Planting of the 2002 paddy crop is drawing to a conclusion in the **United States**. The first official estimate of the new crop is in the vicinity of 9.4 million tonnes, 100 000 tonnes lower than previously reported. An anticipated return to normal yields from last year's exceptional performance lies behind the fall in expectations. Long grain output is forecast to decline while japonica production is set to marginally increase. However, a crop of this size would still stand as the second highest on record.

New Farm Bill passed into law

The new United States' Farm Bill was passed into law on 13 May 2002, under the name "The Farm Security and Rural Investment Act of 2002". The bill sets the bases of all federal farm programmes from 2002 to 2007.

The statutory provisions are detailed in the USDA website:

http://www.ers.usda.gov/features/farmbill

Provisions of direct interest to rice under Commodity Programmes include the rice loan rate[1], unchanged at US$ 6.50 per cwt[2] (US$ 143.3 per tonne), and the rice direct payment rate for production flexibility contracts (DP or PFCs), which has been raised. Both are to be maintained constant for the six-year period covered by the new Farm Act.

One major difference from the FAIR ACT is the re-introduction of target prices. These are to be used to calculate counter-cyclical payments to producers whenever the effective[3] producer price falls below the target level. Counter-Cyclical payments (CCPs) replace the emergency transfers that were made to eligible farmers under the Market Loss Assistance Programme between 1998 and 2001[4], to help weather the impact of low prices. The counter cyclical programme has been fixed for the next 6 years, providing a reliable income guarantee[5] to producers that did not formally exist under the *ad hoc* Market Loss Assistance Programme.

Deficiency and counter cyclical payments are paid on only 85 percent of the farmer's base area. In this regard, it is noteworthy that the Bill gives producers the possibility of updating their base area[6] to the 1998-2001 level for the purpose of calculating the deficiency payments under direct and counter cyclical payments.

Main Provisions Applying to Rice

	FAIR ACT		FSRI ACT	
	US$/ cwt	US$ / ton	US$/ cwt	US$/ ton
Direct Payment Rate (PFCs)	2.05	45.2	2.35	51.8
Loan Rate (National Ave.)	6.50	143.3	6.50	143.3
Target Price	-	-	10.5	231.5

Producers are subject to payment ceilings per person, per year of (i) US$ 40 000 for loan deficiency payments, (ii) US$ 65 000 for counter cyclical payments and (iii) US$ 75 000 for marketing loan gains and loan deficiency payments. Producers with gross proceeds exceeding US$ 2.5 million will forfeit their loan deficiency payments.

[1] Base for the calculation of marketing loan benefits, defined as the difference between the loan rate and the loan repayment rate (for rice the US-defined prevailing world price) times actual production of each farm. Payable only when the world price falls below the loan rate.

[2] 1 cwt of rice is equal to 45.359 kilogrammes

[3] defined for rice as the sum of 1) the higher of the US defined world price level or commodity loan rate and 2) the direct payment rate

[4] For WTO calculation purposes, the United States classified the Market Loss Assistance Programme within the non-product specific, amber box measures, a classification that has been extended to the CCPs. Because they are estimated to account for less than 5 percent of the value of total agricultural production, under the *de minimis*, they are not included in the actual Aggregate Measure of Support.

[5] CCP = 0.85 {target price- [Max (world price, loan rate) + direct payment rate]} (base contract prod.)
Thus, producers with rice production flexibility contracts will receive counter cyclical payments of up to: 0.85 [231.5 – (143.3 + 51.8)] = US$ 30.94 per tonne of their base contract production, in addition to US$ 44.03 per tonne they receive in the form of direct payments.

[6] Provision also exists for updating the programme payment yields

I.5. EUROPE

Favourable growing conditions in the EC but mixed prospects elsewhere in the region

In the **EC**, the 2002 paddy crop has now been planted. Favourable weather conditions are reported in Italy, the continent's largest producer, while in Spain below normal precipitation should not hinder production, since water supplies in reservoirs remain ample. In both countries, area planted with rice is expected to be close to the previous season, while this is forecast to have declined in France but risen in Greece, owing to favourable producer prices.

The EU has not yet agreed on a new Rice Common Market Regime since the 2000 reform proposal was shelved (the proposal was summarized in the October 2000 issue of the RMM).

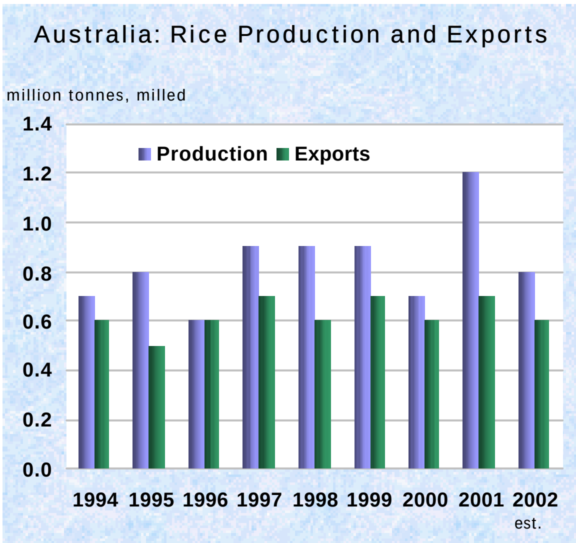
The EU should examine a new draft reform in June 2002. Current proposals by Spain and Italy are said to envisage substantial reductions in intervention prices associated with increased compensatory payments to producers.

Output prospects for **Ukraine** in 2002 have been lowered by 20 percent to 65 000 tonnes since the last report, as yields are forecast to decline. By contrast, the **Russian Federation** appears on course for a favourable outturn in 2002 due to increased local Government support and higher domestic prices for rice.

I.6. OCEANIA

2002 paddy output remains on course to fall by almost a third from previous season.

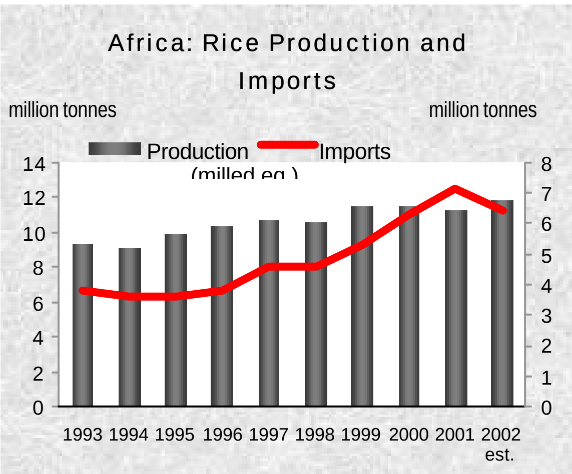
In **Australia**, gathering of the 2002 paddy crop has been slowed by heavy rainfall. However, the country remains on course to harvest 1.2 million tonnes of paddy (0.8 million tonnes in milled equivalent), down from 1.76 million tonnes (1.17 million tonnes in milled equivalent), last year. The contraction has been mainly associated with a fall in plantings caused by water scarcity rather than by poor returns. Indeed, export quotations, which closely influence producer prices given the high share of production that is shipped abroad, held remarkably well in 2001 and 2002.



Fiji's relatively minor paddy crop has been revised downward since the last report, reflecting a steady decline in rice area.

II. INTERNATIONAL TRADE

Increase in rice trade still expected in 2002



Latest FAO forecast points to a 4 percent increase in global rice trade in 2002 to 24.6 million tonnes, 600 000 tonnes below previous expectations.

Most of the revision reflects changes in the expected inflows to countries in Asia, the world's largest importing region, and in the anticipated shipments to Africa. On the export side, the change mirrors reduced sales from China,Vietnam and Pakistan, all of which face tighter exportable supplies this year.

II.1. IMPORTS

Low international prices and concerns over production shortfalls are prompting some countries into reviewing their rice import policies

Beginning with **Asia**, the **Philippines** has authorised additional rice imports pending a better assessment of the intensity of El Niño, which is predicted to affect the country later this year. The decision to implement that decision will largely hinge on a crop appraisal to be conducted in July. Based on the volumes already contracted by the Philippine Government under its WTO-bound tariff rate quota of 390 000 tonnes and a possible production shortfall, the prior FAO import forecast for the country remains at 0.6 million tonnes, down from 0.85 million tonnes in 2001. Although according its engagements with WTO, the country is not committed to liberalize trade in rice before 2004, the current Government is considering letting private traders to be the sole responsible for rice imports already this year or in 2003. Weather concerns have led officials in **Indonesia** to set import requirements this year at 3 million tonnes, identical to the previously reported level but twice the volume brought in 2001. Faced with serious foreign exchange constraints, the country is mostly engaging in counter trade deals, to exchange other goods for rice. Meanwhile, it is also considering implementing a new import mechanism to protect producers from low import prices, through the application of seasonal tariffs. **Sri Lanka's** forecast rice imports for 2002 have been cut by half to 70 000 tonnes, reflecting more optimistic harvest prospects this season. Despite concerns over **Malaysia's** 2002 production outcome, forecast imports have been lowered, but only by 40 000 to 600 000 tonnes as overall domestic supplies are estimated to be large. By contrast, the worsening of crop prospects in the **Democratic Republic of Korea's** has raised expected imports by 50 000 tonnes to 600 000 tonnes in 2002, which remain somewhat below last year. **China's** (mainland) imports in 2002 have been lowered to 500 000 tonnes. So far, there has been no sign that the country will enter the market to purchase large volumes notwithstanding its WTO commitment to allow up to four million tonnes of rice at the preferential 1 percent import duty. Moreover, domestic prices still seem too low to make imports attractive. By contrast, the **Chinese Province of Taiwan** has already issued tenders to start filling the 145 000 tonnes WTO minimum access quota. In the rest of Asia, forecast rice shipments to the **United Arab Emirates** have also been adjusted up, from 265 000 tonnes to 350 000 tonnes, reflecting increased consumption requirements and stock replenishment. **Uzbekistan** has confirmed its intentions to import about 100 000 tonnes of rice during 2002. The country, which normally procures medium grain rice from the United States under a preferential conditions, is reported to be considering switching to long grain rice, given the variety's currently low relative price.

In **Africa**, prospects for rice imports to the region have been revised downward from the last RMM. **Ghana's** import requirements are now forecast at 170 000 tonnes, 40 000 tonnes less than previously reported. Similarly, deliveries to **Cameroon** and the **Comoros** were lowered by 50 000 tonnes, overall.

Elsewhere, few changes to prior expectations have been made. Forecast imports by the **Russian Federation** have been reduced from last report by 20 000 tonnes, while official data put **Norway's** forecast imports in 2002 fractionally higher then previously reported. On the policy front, historically low export prices in the **United States** are prompting fears of an import surge in **Brazil** this year. As a result, a proposal to treble the Mercosur external tariff to 35 percent is currently being examined. On the other hand, the **EC** is presently considering the option of raising customs duties on husked rice from the United States by 100 percent as of 18 June 2002, in the context of the steel dispute.

II.2. EXPORTS

Rice of Indian and Thai origin look set to dominate global supplies in 2002.

With regard to exports, much of the downward revision in global trade reflects reduced expectations of exports from **Vietnam**, where the Government recently lowered its sale target by 300 000 tonnes to 3.5 million tonnes. Short supplies and intense price competition have undermined the country's original expectations, especially as rice shipments made in the first five months of the year were 30 percent smaller than those recorded in the same period last year. Similarly, in **Pakistan**, reduced supplies and a sharp decline in non-Basmati rice sales have depressed export prospects for the country. As a result, these have been lowered by 100 000 tonnes to 1.4 million tonnes, substantially below the revised volume of 2.3 million tonnes shipped in 2001. Shipments from **China (mainland)** are now forecast at 1.5 million tonnes, down from the previous RMM figure of 2.0 million tonnes. Facing a tightening of supplies after several years of falling output, sales by the country during the first four months of the year dropped by over 24 percent to 438 000 tonnes.

This contrasts with **Thailand's** performance between January and May, which showed a 10 percent year-to-year increase, notwithstanding the relatively high domestic prices resulting from the Government intervention scheme. Current FAO forecast puts the country's exports in 2002 at a record 7.6 million tonnes, an upward revision of 100 000 tonnes since the last report. There have also been changes to the country's domestic export policy. Shipments of 'Hom Mali' fragrant rice, from now on, are to be regulated more closely and export licenses only be granted if the rice complies to a minimum 92% purity standard.

Alongside Thailand, **India's** rice exports have been upgraded by 100 000 tonnes since the last report to 3.6 million tonnes of rice in 2002, as traders have benefited from very low sale prices. In this connection, the Government recently announced changes to the structure of its grain subsidization policy. Rice exporters will face full prices when purchasing supplies from public stocks and will be reimbursed for post delivery expenses at a later date, rather than having these costs deducted at source. At the same time, the country in considering further measures to stimulate exports, including counter-trade and food aid. Other revisions in forecasts include the **Chinese Province of Taiwan**, where shipments to meet pre-WTO contracted sales of subsidized rice have been increased by 70 000 tonnes to 90 000 tonnes. On the basis of sales to date, shipments by the **United Sates** have also been adjusted upward by 50 000 tonnes since the last report, as the sharp fall in export prices has considerably enhanced exporters' competitiveness. However, this does not consider the possibility that major trading partners, notably the EC, implement countervailing actions in response to the raising of steel tariffs in the United States. Likely measures include the raising of tariffs on long-grain rice.

Argentina's rice export activity appears uncertain. A rice export tax introduced earlier in the year is to be applied retrospectively, to any advance sales announced prior to the tax's effective date. In protest, export operations have been temporarily halted. It remains to be seen how this disruption might affect Argentina's rice exports for 2002, which remain forecast at 300 000 tonnes. Similarly, exports from the other major exporters, including Australia, Myanmar and Uruguay remain unchanged from last report.

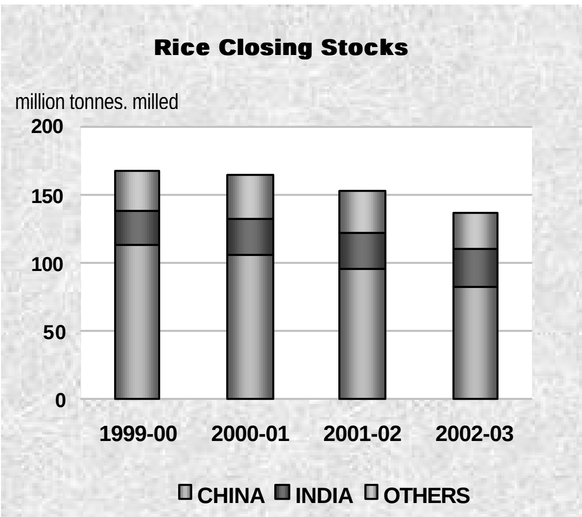
III. RICE STOCKS

Rice stocks at the close of the 2001/02 country crop seasons are forecast to fall to 150 million tonnes compared with a previously estimated level of 152 million tonnes.

China (mainland) is anticipated to withdraw 13 million tonnes by the end of the season, 2 million tonnes more than estimated in the last report. Rationalisation and the decision to get rid of poor quality rice held in public stocks explain in part the estimated large drawdown. However, the main reason underlying the drop is the need to bridge the gap between production and consumption. This situation is likely to recur again this season, which would contribute to a further contraction in global rice inventories by the end of the 2002/03 season. Since 1999, the country is estimated to have cut its rice reserves by over 30 million tonnes.

Further reductions from the last report are anticipated in Japan (100 000 tonnes), Thailand (70 000) tonnes and the United

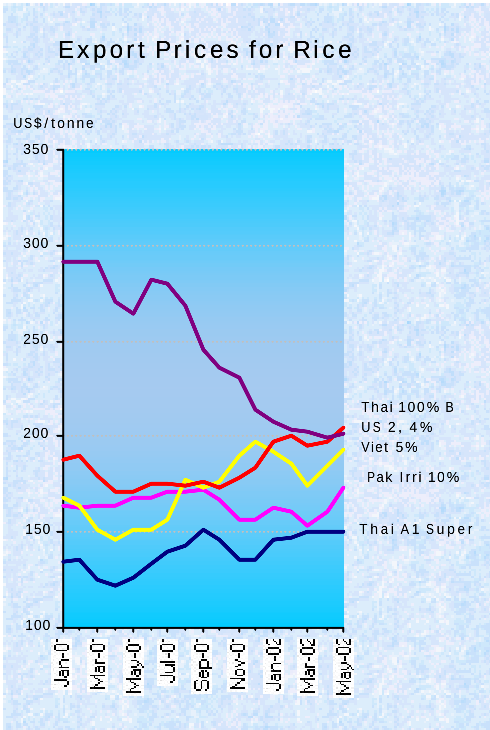
States (60 000 tonnes). On the other hand, the downward revision in exports in Vietnam should boost the country's rice ending inventories by 300 000 tonnes.



Based on current forecasts, both exporting and importing countries are likely to end their 2001/02 seasons with smaller rice carryovers. Given the very low prices that have been dominating rice markets in recent years, the decline might well reflect economic considerations, whereby only the minimum stock necessary for ensuring continuity of supplies is being kept in most countries. A major exception to this trend is India, where purchases made to sustain producer prices have led to record high inventories.

IV. INTERNATIONAL PRICES

International rice prices strengthened in May 2002 as reflected in the FAO price index that rose from 90 in April to 91 in May. The continuation of the procurement programme carried out by the Government of Thailand and a tightening of supplies in Pakistan and Vietnam lay behind the rise, which was even more pronounced for the low quality rices. In addition it is likely that fears that the tensions currently in act between Pakistan and India could disrupt the flow of world supplies also helped sustain prices.



Among the high quality types, the Thai 100% B surpassed the US$ 200 per tonne benchmark for the first time in two years, being quoted US$ 204 per tonne in May. Although the United States long grain 2/4 percent also recovered in May, at US $ 201 per tonne, they fell for the first time below Thai quotations for similar qualities. For comparison, this same rice was quoted US$ 264 per tonne in May 2001. Rices from India, Vietnam and especially Pakistan also shared the upward tendency in prices.

WORLD PRICE INDICES FOR RICE				
		FAO INDICES		
		All	Quality	
			High	Low
January-December Averages		1982-84 = 100		
1995		129	124	146
1996		136	136	136
1997		127	129	120
1998		127	128	126
1999		114	115	110
2000		98	101	89
2001		90	91	84
2001	May	88	90	79
	June	88	91	81
	July	91	93	83
	August	89	90	87
	September	89	89	88
	October	88	89	88
	November	88	88	87
	December	88	88	90
2002	January	91	90	92
	February	90	90	91
	March	89	89	89
	April	90	89	91
	May	91	90	93

***Source**: FAO*
N.B.-The FAO indices are calculated using the Laspeyre formula.
The Rice Export Price Index is calculated for 15 export prices.

Prospects in the next few months, while subject to political uncertainty, remain rather subdued, as the production outlook of countries in the Northern Hemisphere has improved. Developments in market fundamentals will continue to weigh heavily on the market and might even encourage countries such as Thailand and Vietnam, which have intervened actively to sustain domestic prices, to review their policies.

EXPORT PRICES FOR RICE (f.o.b. US$/tonne)

Type	Effective Date	Latest	1 week ago	1 month ago	1 year ago	Average (82-84)
Thai 100B	31/05/2002	208	206	200	172	236
Thai 25%	31/05/2002	177	175	171	146	n.a.
Thai 35%	31/05/2002	173	168	167	143	213
Thai A1 Super	31/05/2002	150	150	148	128	174
Viet 5%	31/05/2002	196	196	189	154	n.a.
Viet 25%	31/05/2002	175	175	172	136	n.a.
India PR 106 25%	31/05/2002	132	132	132	236	n.a.
Pak 10%	31/05/2002	178	178	168	168	n.a.
Pak 25%	31/05/2002	168	168	158	152	n.a.
Pak Basmati ordinary	31/05/2002	n.a.	366	360	310	631
US 2/4% Long Grain	31/05/2002	202	202	198	264	393

Source: International rice brokers, rice merchants and national sources.
n.a. not available

WORLD PADDY PRODUCTION

	2000	2001 (estimated)	2002 (forecast)
	million tonnes		
WORLD	**598.8**	**592.8**	**589.2**
Developing countries	573.5	566.5	563.9
Developed countries	25.3	26.3	25.3
ASIA	**544.9**	**538.8**	**535.1**
Bangladesh	37.6	37.8	39.0
Cambodia	4.0	4.1	4.3
China 1/	189.8	178.7	178.3
India	127.3	136.1	134.0
Indonesia	51.9	49.6	48.7
Iran, Islamic Rep. of	2.0	1.9	2.0
Japan	11.9	11.3	11.0
Korea Rep. of	7.2	7.5	7.3
Myanmar	21.3	21.3	21.0
Pakistan	7.2	5.6	5.2
Philippines	12.5	13.1	13.0
Sri Lanka	2.9	2.7	2.8
Thailand	25.6	25.3	24.6
Viet Nam	32.5	32.0	32.3
AFRICA	**17.4**	**17.2**	**18.0**
North Africa	**6.0**	**5.3**	**6.1**
Egypt	6.0	5.2	6.1
Sub-Saharan Africa	**11.4**	**11.9**	**11.9**
Western Africa	7.3	7.5	7.7
Côte d'Ivoire	1.0	1.1	1.0
Guinea	0.9	0.8	0.8
Mali	0.7	0.8	0.8
Nigeria	3.3	3.4	3.5
Central Africa	0.4	0.4	0.4
Eastern Africa	1.0	1.1	1.0
Tanzania	0.8	0.8	0.8
Southern Africa	2.6	2.9	2.7
Madagascar	2.3	2.6	2.4
Mozambique	0.2	0.2	0.2
CENTRAL AMERICA	**2.5**	**2.3**	**2.3**
Mexico	0.4	0.2	0.3
SOUTH AMERICA	**21.0**	**19.8**	**19.9**
Argentina	0.9	0.9	0.7
Brazil	11.4	10.4	11.0
Colombia	2.3	2.1	2.1
NORTH AMERICA	**8.7**	**9.7**	**9.4**
United States	8.7	9.7	9.4
EUROPE	**3.2**	**3.2**	**3.3**
EC 2/	2.5	2.6	2.6
OCEANIA	**1.1**	**1.8**	**1.2**
Australia	1.1	1.8	1.2

WORLD IMPORTS OF RICE

	2000	2001 (estimated)	2002 3/ (forecast)
	million tonnes, milled		
WORLD	**23.0**	**23.7**	**24.6**
Developing countries	19.4	20.0	20.8
Developed countries	3.5	3.7	3.8
ASIA	**11.7**	**11.3**	**12.9**
Bangladesh	0.5	0.4	0.2
China 1/	0.2	0.3	0.6
Indonesia	2.0	1.5	3.0
Iran, Islamic Rep. of	1.1	1.0	1.2
Japan	0.7	0.6	0.7
Malaysia	0.6	0.6	0.6
Philippines	0.8	0.9	0.6
Saudi Arabia	0.4	0.8	0.8
Sri Lanka	0.0	0.1	0.1
AFRICA	**6.3**	**7.1**	**6.4**
Côte d'Ivoire	1.0	1.1	0.9
Nigeria	1.2	1.6	1.2
Senegal	0.5	0.6	0.6
South Africa	0.5	0.6	0.6
SOUTH AMERICA	**0.9**	**1.1**	**1.0**
Brazil	0.7	0.7	0.7
Peru	0.1	0.1	0.1
NORTH & C. AMERICA	**2.1**	**2.3**	**2.3**
Mexico	0.4	0.5	0.5
EUROPE	**1.5**	**1.6**	**1.6**
EC 2/	0.6	0.7	0.7
OCEANIA	**0.4**	**0.3**	**0.4**

WORLD EXPORTS OF RICE

	2000	2001 (estimated)	2002 3/ (forecast)
	million tonnes, milled		
WORLD	**23.0**	**23.7**	**24.6**
Developing countries	18.8	19.6	20.4
Developed countries	4.2	4.1	4.1
ASIA	**17.4**	**18.1**	**19.0**
China 1/	3.1	2.0	1.6
India	1.5	1.6	3.6
Myanmar	0.1	0.6	0.7
Pakistan	2.0	2.3	1.4
Thailand	6.6	7.5	7.6
Viet Nam	3.5	3.5	3.5
AFRICA	**0.4**	**0.8**	**0.9**
Egypt	0.4	0.8	0.9
SOUTH AMERICA	**1.6**	**1.3**	**1.1**
Argentina	0.5	0.3	0.3
Uruguay	0.7	0.6	0.5
NORTH AMERICA	**2.9**	**2.6**	**2.8**
United States	2.8	2.6	2.8
EUROPE	**0.2**	**0.2**	**0.2**
EC 2/	0.2	0.2	0.2
OCEANIA	**0.6**	**0.7**	**0.6**
Australia	0.6	0.7	0.6

FOOTNOTES:
Totals computed from unrounded data.
1/ Including Taiwan Province.
2/ Fifteen member countries.
3/ Tentative.

RICE : Estimated Supplies and Utilization in the Main Exporting Countries. (National Crop Years)

	UNITED STATES (Aug./Jul.)			THAILAND 2/ (Nov./Oct.)		
	1999/00	**2000/2001** prelim.	**2001/2002** f'cast	**1999/00**	**2000/2001** prelim.	**2001/2002** f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Open.Stocks	694	867	887	1400	1660	1800
Production 1/	6504	5939	6668	16002	16953	16751
Imports	319	339	407	1	0	0
Tot.Supply	7517	7145	7962	17402	18613	18551
Domestic Use	3847	3570	3848	9172	9292	9321
Exports	2803	2688	2817	6570	7521	7600
Clos.Stocks	867	887	1297	1660	1800	1630

	CHINA 2/ 3/ (Jan./Dec.)			PAKISTAN 2/ (Nov./Oct.)		
	1999/00	**2000/2001** prelim.	**2001/2002** f'cast	**1999/00**	**2000/2001** prelim.	**2001/2002** f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Open.Stocks	113160	112902	106490	570	1080	940
Production 1/	137363	130109	122474	5156	4802	3750
Imports	245	275	640	0	0	0
Tot.Supply	250768	243286	229604	5726	5882	4690
Domestic Use	134793	134792	134814	2630	2680	2790
Exports	3073	2004	1590	2016	2262	1400
Clos.Stocks	112902	106490	93200	1080	940	500

	VIET NAM 2/ (Nov./Oct.)			TOTAL		
	1999/00	**2000/2001** prelim.	**2001/2002** f'cast	**1999/00**	**2000/2001** prelim.	**2001/2002** f'cast
	(......... thousand tonnes ....)			*(.......... million tonnes ....)*		
Open.Stocks	1400	3100	4020	117.2	119.6	114.1
Production 1/	20940	21698	21324	186.0	179.5	171.0
Imports	2	2	2	0.6	0.6	1.0
Tot.Supply	22342	24800	25346	303.8	299.7	286.2
Domestic Use	15765	17311	17546	166.2	167.6	168.3
Exports	3477	3469	3500	17.9	17.9	16.9
Clos.Stocks	3100	4020	4300	119.6	114.1	100.9

Footnotes:
Totals computed from unrounded data.
For the forecast year figures refer to export availabilties and import requirements.
1/ Milled basis.
2/ Rice trade data refers to the calendar year of the second year shown.
3/ Including Taiwan province.