
# *JUNE 2003*

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***FAO Rice Market Monitor***
Basic Foodstuffs Service
Commodities and Trade Division
Food and Agriculture Organization of the United Nations

**Contact or enquiries**

Facsimile: ++(39-06) 570-54495
Telephone: ++(39-06) 570-54136
E-mail: Concepcion.Calpe@fao.org

Also available on the Internet at the following address:
http://www.fao.org/es/ESC/esce/escb/rice/monitore/ricemone.htm

**HIGHLIGHTS**

- Based on the preliminary harvest results in the southern hemisphere and the planting intentions in the northern hemisphere, overall global rice output in 2003 is tentatively forecast at 396 million tonnes (592 million tonnes in paddy terms), 2 percent higher than the previous year's depressed level. However, this figure is still highly tentative, since the final outcome will depend largely on the timing, extent and distribution of the Asian monsoon rainfall, which has an important bearing on the global outcome.

- In the Southern hemisphere, most countries have already harvested their main 2003 paddy crops. Among Asian countries, official estimates in Indonesia have left production at around the same level as last year. Little change is also anticipated in Sri Lanka, as flooding problems in May dampened the prospects of the second Yala crop. By contrast, excellent growing conditions have boosted expectations in Malaysia. In South America, less than favourable weather conditions have impacted on paddy crops in Ecuador, Peru, Uruguay and Venezuela, where production is now forecast to contract. Earlier expectations of a strong increase also vanished in Brazil where officials now anticipate a paddy outturn similar to last year. By contrast, the official estimate in Argentina signals a 7 percent increase, following a partial recovery in plantings. Some gain is also forecast for Guyana and Colombia. In Southern Africa, latest reports from Madagascar and Mozambique reversed some earlier forecasts of a decline, and the output forecast for the two countries is now positive. On the other hand, drought in Tanzania might lead to a drop in production. In Oceania, a 70 percent production shortfall has been reported in Australia, reflecting reduced water allocation, a consequence of the severe drought prevailing in the country since 2002.

- In the Northern Hemisphere, the season is still to begin. In Asia, most countries are waiting for the monsoon rains to start planting their main crops. In China, the long-term decline in paddy output shows no signs of abating, with production forecast to fall by 2 percent. The contraction, which began in 1998, has been mostly policy-induced, with early-rice and late-rice crops bearing most of the brunt of reform. Output is also forecast to decline in the Chinese Province of Taiwan, reflecting drought during the planting stage and falling domestic prices. Measures tending to address excess supply problems could also depress production in the Republic of Korea and Japan.

- Most other countries in the region are anticipated to record some increase in production, after the setbacks many of them experienced last year. For instance, the provisional outlook for India shows a 13 percent recovery in production despite official warnings that monsoon rains could reach only 96 percent of the long-term average. In Pakistan, ample precipitation in recent months and high domestic prices are expected to bring about a sharp expansion in rice area, resulting in a 12 percent output gain. In Bangladesh, output in 2003 could surpass the record of last year, as efforts to improve the distribution and application of inputs continued. Officials in the Philippines have targeted almost half of the country's rice area with hybrid and certified seed varieties, which, along with more favourable weather conditions, could boost paddy production over last year's bumper crop. Officials in Thailand are also anticipating a strong recovery in the main crop production from the flood-hit level of last year, which would boost the season output to a record level. FAO preliminary forecast for Viet Nam's paddy production points to a small increase from last season. A recently announced liberalization of rice marketing in Myanmar could boost the country's output.

- Countries in the Near East are also likely to experience a strong recovery as the return of the rains in the region will support a sharp expansion in plantings. Growth is also foreseen in Africa, especially in Egypt but also in Nigeria and Ghana. However, civil strife may hinder production in

Burundi, Cote d'Ivoire and Liberia. In Central America, production should expand, especially in Mexico. By contrast, low prices are expected to induce producers in the United States to cut plantings and output.

- Estimates for trade in 2003, at 27.1 million tonnes, point to a one million tonne contraction from the historical record achieved last year. The year-to-year drop mainly reflects smaller deliveries to some of the major rice markets, including the Philippines, Indonesia, the Islamic Republic of Iran and Iraq. The volume flowing to African countries is also forecast to fall somewhat, mainly on account of the Côte D'Ivoire, which continues to face insecurity problems, and Nigeria, which recently introduced minimum import prices for the calculation of duties. Other countries in the region are attempting to slow the flow of rice into their territory. By contrast, a number of countries in Latin America and the Caribbean, including Brazil, Mexico and Cuba are anticipated to raise the volume of their imports.

- As to exports, expectations point to a sharp decline in shipments from India and Australia, following the production setback in the two countries. A decline may also be faced by Uruguay in light of the poor harvest this year. On the other hand, all the other major exporters are likely to improve their performance, including Thailand, Myanmar, Pakistan, the United States and Viet Nam. Food aid could also boost shipments by Japan.

- Carryover stocks at the end of the 2002/03 season are forecast to be drawn down heavily again this year to122 million tonnes, some 28 million tonnes below their opening level and the lowest level for more than two decades. The overall contraction is mostly due to China and India, which are now set to experience reductions of the order of 15 million tonnes and 12 million tonnes, respectively.

- International prices of rice of different origins and varieties have continued strengthening since March. This tendency was reflected in the FAO Total Price Index (1998-2000=100), which climbed to a two-year high. Among the different types of rice traded, international quotations for medium-grain rice experienced the largest increases. The strength was less for the long grain varieties, while there was little change in the price of aromatic rice, as falling quotations for Basmati rice dampened the impact of strengthening fragrant rice prices.

# RICE SITUATION UPDATE AS OF 20 JUNE 2003

## I. CURRENT PRODUCTION AND CROP PROSPECTS

In the southern hemisphere and along the equatorial belt, the 2003 main paddy season is nearing completion, while in the northern hemisphere, the bulk of the crop is yet to be planted pending the arrival of Monsoon rains in Asia.

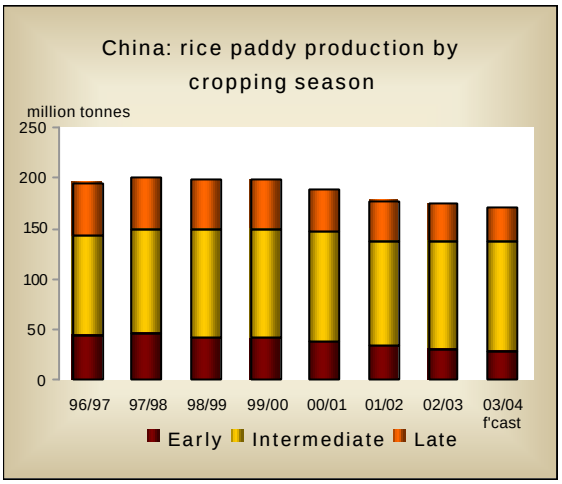
Based on the harvest results in the southern hemisphere so far, and the early indications of planting intentions in the northern hemisphere, overall global rice output in 2003 is tentatively forecast at 396 million tonnes (592 million tonnes in paddy terms), 2 percent higher than the previous year's level. However, this figure is still highly tentative, since the final outcome will depend largely on the timing, extent and distribution of the Asian monsoon rainfall, which has an important bearing on the global outcome.

### *I.1 ASIA*

For those countries situated around the Equatorial Belt, the 2003 main paddy season is about to be concluded, but for the remainder of Asia, the season is just about to begin with the imminent arrival of the monsoon rains.

In **Indonesia**, harvesting of the main-season rice crop is nearing completion and planting of the secondary crop will commence thereafter. Contrasting weather extremes at the beginning of the rice season resulted in some losses to the main crop, but officials are still forecasting overall 2003 paddy production in the order of 51.4 million tonnes, matching the previous season's output. Reflecting excellent growing conditions that have boosted yields, paddy output in **Malaysia** is forecast to increase by 15 percent to a record of 2.4 million tonnes in 2003. Similarly, a bumper Maha paddy crop was recently harvested in **Sri Lanka**. However, reports of severe flooding problems in May have dampened the prospects of the second Yala crop just planted. Overall, the season output forecast for the country remains at 2.9 million tonnes, slightly above last year.

In the northern hemisphere, the long-term decline in paddy output in **China (mainland)** shows no signs of abating, with production forecast to fall by 2 percent from 2002 to 171.1 million tonnes. The contraction, which began in 1998, has been mostly policy-induced, with early-rice and late-rice crops bearing most of the brunt of reform. However, flooding problems which hit Southern states in May might imply further cuts in the production outlook. Output is also forecast to decline in the Chinese Province of Taiwan, reflecting drought during the planting stage and falling domestic prices. Most other countries in the region are anticipated to record some increase in production, after the setbacks many of them experienced last year.




In **Bangladesh**, harvesting of the country's last 2002 crop - the mostly irrigated 'boro' crop has been completed, while planting of the first 2003 Aus crop is underway. More modest growth in output is expected this season than the exceptional 8.5 percent of last year. Nonetheless, assuming good growing conditions and continued efforts to improve the distribution and application of inputs paddy output could reach 39.6 million tonnes, 100 000 tonnes more than in 2002.

In **India**, the production estimate for 2002 has been officially downgraded by a further 1 million tonnes since the last report to 115.4 million tonnes. The revision follows a firmer assessment by the Indian authorities of the effects of the irregular rainfall pattern on the main Kharif and secondary Rabi crops, which particularly affected the northern rice growing states. As for the new season, planting of the Kharif main paddy crop will not start before the arrival of the Southwest Monsoon, in June. Warnings by the India's weather office that monsoon rains could reach only 96 percent of the long-term average does not preclude some recovery in output, especially if spread of the rainfall is favourable. Thus, FAO provisional outlook for in 2003 shows a 13 percent increase in production to 130.0 million tonnes, still substantially below the 139.6 million tonne record harvested in 2001.

The 2003 paddy outlook for **Pakistan** appears promising. Despite some concerns at the beginning of the season over irrigated water availabilities, ample precipitation in recent months March and high domestic prices are expected to bring about a sharp expansion in rice area. Barring a recurrence of poor monsoon rains, paddy output could increase by 12 percent to 7.1 million tonnes in 2003, which would mark a return to a 'normal' level of output in the country.

In the **Philippines**, planting of the main season crop is likely to be concluded in June. Officials have targeted almost half of the country's rice area with hybrid and certified seed varieties, which, along with more favourable weather conditions, could boost paddy production over last year's bumper crop by 2 percent to 13.5 million tonnes.

In **Thailand**, preparations for the 2003 main-season crop are underway. Officials in the country are anticipating a strong recovery in the main crop production from the flood-hit level of last year. This prediction suggests that aggregate production could reach 27.0 million tonnes, which, if materialised, would stand as a record for the country.

In **Vietnam**, harvesting of the country's first 2003, winter/spring, crop is nearing completion while the second, summer/autumn, crop is at the planting stage. The Lua Mua (10th month) rice crop will only commence when the annual monsoon rains will reach the country, normally in June. Despite a shift of marginal lands out of rice cultivation, particularly in the Mekong Delta region, and drought in highland and southern coastal areas, growing conditions of the first crop have been favourable. FAO

preliminary forecast for the country's paddy production stands at 34.2 million tonnes in 2003, slightly above the output of last year.

As part of its ongoing policy reform aimed at expanding paddy production and exports, the Government of **Myanmar** has recently announced a partial liberalization of the country's rice sector. Under a new directive, farmers are no longer required to sell a percentage of their output to authorities at below market prices. Therefore, in the absence of adverse growing conditions, paddy output in 2003 is forecast at 23.5 million tonnes, 3 percent higher than last season's record crop.

In **Japan**, planting of the new season's rice crop is underway. Under the country's rice production adjustment programme, which aims to curb rice surpluses through area cuts, output in 2003 could fall for the third consecutive year to 10.9 million tonnes.

Likewise in the **Republic of Korea**, production-restrictive measures are in force, orientated towards enhancing the quality, rather than quantity, of rice produced. Authorities have targeted a 5 percent rice acreage reduction, providing direct payments to those farmers registered under the programme. A proposal was also made to cut, official procurement prices by 2 percent. If passed, this would be the first decline in support prices since their introduction. In spite of these measures, 2003 production is forecast to increase slightly over the weather-hit crop of the previous year.

**Near East**: Paddy output in the region is forecast to rebound strongly in those countries that were affected by drought in the past three years, reflecting heavy precipitation that helped them reconstitute water reserves. For instance in the Islamic Republic of Iran, attractive support prices are expected to stimulate an increase in the paddy area and improve the application of inputs, which, combined, could boost production by 4 percent. Officials in Azerbaijan are anticipating a paddy crop 25 percent larger than the previous year's harvest, boosted by good rainfall. Similarly, in Uzbekistan, the authorities are predicting paddy production in the order of 280 000 tonnes, more than 100 000 tonnes above 2002 output.

## *I.2 AFRICA*

Northern Africa: In Egypt, the continent's largest producer, rice continues to be a profitable crop for producers and, although area remains subject to ceilings given constraints on water availability, these are generally not enforced. Hence, paddy production is forecast at 6 million tonnes, similar to last season's record outcome.

Western Africa: Planting of the 2003 paddy crop is underway in several countries in western Africa, which is being supported by the timely arrival of the rainy season, but uncertainties still surround planting intentions in the region.

In **Nigeria**, in a bid to reduce dependency on imported rice, the Government has established a national rice security taskforce, aimed at promoting the adoption of the hybrid Nerica rice alongside other measures to boost production and to enhance rice processing and storage. Accordingly, paddy production in the country could rise to 3.5 million tonnes, an annual increase of 4 percent. The Government recently announced its aim to achieve rice self-sufficiency by 2007, by promoting domestic production and raising protection against imports.

Similarly, in **Ghana**, investments in the country's rice sector are being made to enhance rice self-sufficiency. Barring adverse growing conditions, production could surpass last year's bumper production of 280 000 tonnes.

For other countries in the sub-region, area under rice is forecast to increase in **Benin**, **Burkina Faso** and **Guinea**, which might boost production in these countries to record levels, assuming normal weather conditions. By contrast, civil conflicts prevail in several other rice producing countries, especially Cote D'Ivoire and Liberia which continue to disrupt rice cultivation.

**Southern Africa:** The 2003 paddy season is nearing completion in Southern Africa. In the sub-region's principal producing countries of Madagascar and **Mozambique**, disruptive weather was reported in the first quarter of the year, including flooding associated with Typhoon Fari in **Madagascar**. However, latest reports indicate a general rise in output in all producing areas, especially in the province of Antanarivo. As a result, FAO has raised its estimate of production for the country by 200 000 tonnes to 2.8 million tonnes. In Mozambique, precipitation from tropical cyclone Japhet which hit southern districts early in March might have eased the problems caused by insufficient and erratic rains in those parts of the country. Consequently, paddy production is forecast at 180 000 tonnes, slightly higher than last year's level. Dry conditions were reported in **Tanzania** in early March, especially in the two important rice producing regions of Shinyanga and Mwanza. As the lack of precipitation would have hit the crop at the flowering stage, FAO forecast for production in the country has been adjusted downward to 750 000 tonnes, 30 000 tonnes less than last year.

### *I.3 CENTRAL AMERICA AND THE CARIBBEAN*

The 2003 paddy season is underway in the region, but information on planting intentions is not forthcoming. A moderate recovery is anticipated for several countries in the region, notably **Costa Rica** and **El Salvador** that endured drought in the previous season.

Planting of the main crop is proceeding in the **Dominican Republic**, under favourable weather conditions. Owing to continued Government support, the country could build on last year's record harvest of 740 000 tonnes.

Similarly in **Mexico**, production in 2003 is forecast to strongly recover from the previous year. To arrest the long-term decline in the rice sector, the Government has targeted a 23 percent acreage increase for the country's main paddy crop, providing incentives to farmers to realize the expansion.

### *1.4 SOUTH AMERICA*

Harvesting of the main-season paddy crops is drawing to conclusion in the continent. The official harvest forecast in **Argentina**, points to a 7 percent increase in output this season to 760 000 tonnes, resulting from a partial recovery in plantings. However, prospects have been hindered by the late

sowing of the crop, which is likely to negatively impact yields.

In **Brazil**, strong competition from soybeans has brought about a small contraction in rice area. Despite rising domestic rice prices in the season, which encouraged improved input usage, less than favourable weather resulted in disruption to the crop. Accordingly, officials have lowered the forecast for 2003 rice production since the last report by 500 000 tonnes to 10.6 million tonnes, similar to last year's outcome.

In **Ecuador**, irregular rainfall has hindered paddy crop development, leading to a delay in the harvest. Consequently, rice production is forecast to contract by over 3 percent from the 2002 level.

In **Peru**, the production outlook for the current season also points to a decline. Exceptionally low prices in the country resulted in fewer plantings; while below normal temperatures in northern parts are likely to have depressed yields. These factors could contribute to a 6 percent decline in 2003 output.

Similarly, in **Uruguay**, yields are reported to have been adversely affected by spells of cold weather during the planting and early maturation stages of the crop. As a result, production in the country is forecast to fall to an 8-year low of 900 000 tonnes.

Prospects for the 2003 season in **Venezuela** have deteriorated. Economic instability compounded by a serious drought, has lowered the paddy forecast for the country to 550 000 tonnes, which, as well as being 14 percent below last season's outcome, would stand as the lowest production level since 1990.

Harvesting of the 2003 main paddy crop is underway in **Guyana**. Despite a prolonged dry spell and a pestilence outbreak during the growing season, estimated larger plantings could give rise to an output of 490 000 tonnes, about 10 percent higher than the previous year.

The 2003 paddy outlook for **Colombia** likewise appears promising. Improved access to credit and higher profitability in the rice sector could lead to a record output in the new season.

### *1.5 NORTH AMERICA*

In the United States, the bulk of the 2003 paddy crop had been planted, although there have been reports of some delays in the major growing state of California. The latest USDA forecast puts production at just over 9 million tonnes, down almost 6 percent from the 2002 level, reflecting a sharp fall in long-grain plantings. The fall in the overall paddy area was mainly induced by the unattractive producer prices.

### *1.6 EUROPE*

The 2003 paddy season is getting underway in the EU. An overall area expansion is tentatively forecast, mostly on account of larger anticipated plantings in Italy. Production is forecast to recover in those member states affected by drought last year, namely France Portugal and Spain. Accordingly, aggregate output for the EU is currently forecast at 2.7 million tonnes, up 2.4 percent from 2002.

### *1.7 OCEANIA*

Gathering of the 2003 rice crop is almost complete in Australia. Officials are still anticipating a harvest of just 370 000 tonnes, down over 70 percent from the 2002 level, and one of the lowest harvests on national record. The expected contraction reflects steep reduction in water allocations, brought about by drought, which subsequently led to unprecedented area cuts.

## II. INTERNATIONAL TRADE IN RICE

FAO forecast of international trade in rice in 2003 has been raised by 300 000 tonnes from the last report to 27.1 million tonnes, which would result in a contraction from the previous year of 1 million tonnes. The year-to-year drop mainly reflects expectations of a sharp decline in exports by India and Australia, following the production setback in the two countries, while on the import side, it would follow from smaller deliveries to some of the major rice markets, including the Philippines, Indonesia, the Islamic Republic of Iran and Iraq.

In **Asia**, imports by **Bangladesh** have been officially forecast at 502 000 tonnes in 2003, some 40 000 tonnes below last year and some 100 000 tonnes less than previously anticipated. The decline is consistent with the bumper crop harvested by the country in 2002.

The forecast for **Indonesia**'s rice deliveries in 2003 remains at 3.4 million tonnes, 100 000 tonnes less than last year. However, much will depend on the production outcome this season. Despite its pledge towards rice self-sufficiency, the country has failed to achieve its paddy production target of 53 million tonnes in the past three years and has continued to rely extensively on the international market. Imports are made by both Bulog, a government agency, and the private sector, subject to a tax of 430 rupiah per kilo (about US$ 50 per tonne). In January 2003, the status of Bulog was changed into a state trading enterprise, which is to operate according to commercial principles. In particular, the agency, which is also responsible for the distribution of cheap rice to special and poverty groups, is to be a self-financing enterprise, making profits from trading in basic food commodities.

Following a 17 percent increase in its WTO minimum market access quota, **the Republic of Korea** has committed to import around 180 000 tonnes of rice in 2003, a move which should mainly benefit China, which has traditionally filled the bulk of the quota. The Republic of Korea, which opted in 1995 not to convert its rice import barriers into their tariff equivalents, is due to start negotiating the introduction of a new import regime in 2004.

Because of less buoyant expectations for production than anticipated, imports by the **Philippines** have been raised by 100 000 tonnes to 1.1 million tonnes. This would be less than the 1.3 million tonnes that were estimated to have been imported in 2002, but significantly more than the country's target of 800 000 tonnes. Part of the rice imports will be undertaken by rice farmer organizations under new and tight trade guidelines passed this year. However, the National Food Agency is anticipated to continue to be responsible for a large share of overall imports.

Last March, **Sri Lanka**'s restored the level of its rice import tariff to Rupees 7 per kilo, which had been lowered to Rupees 5 per kilo at the end of 2002 to check high domestic prices. The move is anticipated to have a negative impact on imports, which were reduced from an original estimate of 90 000 tonnes to 60 000 tonnes.

Overall shipments to **Near East countries** are forecast to fall by close to 400 000 tonnes in 2003, to some 4.6 million tonnes. Much of the decline reflects expectations of reduced shipments to **Iraq**, currently forecast at 1.0 million tonnes, 200 000 tonnes less than last year, and to the **Islamic Republic of Iran**, whose purchases might fall from 1.0 million tonnes in 2002 to 700 000 tonnes this year. However, based on newly released official forecasts, a number of countries in the region are anticipated to raise their purchases, including **Jordan**, **Oman**, **Syria**, and **Turkey**. Officials in **Saudi Arabia** are also forecasting an increase in rice deliveries from 786 000 tonnes in 2002 to 835 000 tonnes this year, which is less than the previous FAO forecast of 1.0 million tonnes.

Similarly, the flow of rice into **Africa** is expected to dry up by 500 000 tonnes, to 7.8 million tonnes. Part of the drop would be on account of the **Côte D'Ivoire**, which continues to face insecurity problems, and **Nigeria**. The latter country introduced new import procedures last February, in an attempt to limit under-invoicing practices. Under the new system, all charges on imported rice would be calculated on a minimum price of US$ 230 per tonne plus a US$ 40 per tonne freight. Under the recently announced domestic rice production programme, Nigeria's Government reportedly considered the possibility of introducing a rice import ban by 2007. Rice imports had already been prohibited between 1986 and 1995, after which they had been replaced by high tariffs. Other governments in the region have also attempted to slow the inflow of foreign rice into their country, which, for Africa as a whole, doubled between 1995 and 2002. For instance, **Ghana** raised the tariff on rice from 20 percent to 25 percent in February. The country is anticipated to purchase 400 000 tonnes of rice this year, down from 500 000 tonnes last year. Among the other major importers in the region, **Cameroon** officially set imports this year at 248 000 tonnes, 20 percent less than in 2002. Government forecast for imports by **Senegal,** at 650 000 tonnes also suggests a drop compared with last year. By contrast, the authorities of **Libya** forecast a 45 percent increase over last year, to more than 160 000 tonnes.

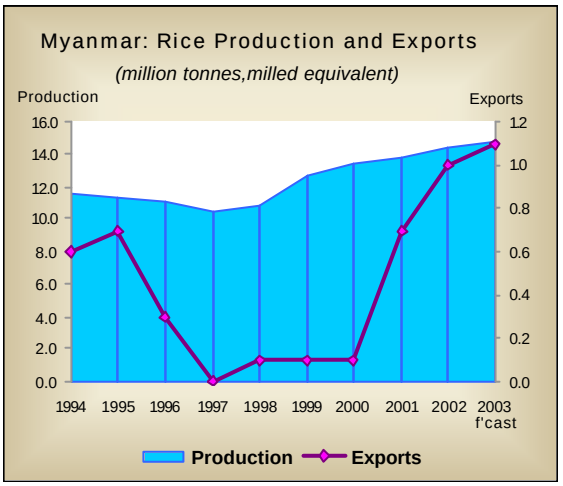
Rice imports to **Latin America and the Caribbean countries** are currently anticipated to reach 3.3 million tonnes, half a million tonnes more than earlier anticipated and 600 000 tonnes above the level in 2002. The change for 2003 reflects an upward revision in imports by **Brazil**, which are now forecast to surpass 1 million tonnes, following the disappointing crop just harvested. Import forecasts for the other countries in the region remain unchanged from the last report, with a 10 percent annual increase anticipated for **Cuba** and **Mexico,** two of the major importers in the region, to some 600 000 tonnes each.

In the rest of the world, few amendments have been made to the major players' imports. According to the official forecast by the **United States**, purchases should reach some 400 000 tonnes, similar to last year. Likewise, those by the **European Union** are set to remain in the order of 700 000 tonnes. By contrast, shipments to the **Russian Federation** could dip from the official level of 441 600 tonnes in 2002 to 350 000 tonnes this year, reflecting the expected elevation of tariff protection. Indeed, in April, the Russian Government

Commission for Protective Trade Measures recommended to add, on top of the normal ad-valorem duty of 10 percent currently applied, an import charge of 0.03 euros per kg on all types of rice, for a period of nine months.

As to rice exports in 2003, most of the 1 million tonne drop foreseen this season would be imputable to **India**, following the very bad crops it harvested last season. Although the country still holds large stocks, the tightening of supply induced the Food Corporation of India (FCI) to raise, in May, the minimum price at which it sells rice for export by U$ 15 per tonne. As a result of the move, India is no longer the cheapest source of rice, a development likely to affect the country's exports negatively. Consequently, India's shipments are anticipated to fall from the record 6.6 million tonnes in 2002 to 4.0 million tonnes this year, half a million tonnes less than previously forecast. Contradicting earlier expectations, exports from **Uruguay** might also contract in view of the production shortfall the country experienced again this year. The current forecast puts its shipments at close to 600 000 tonnes, 50 000 tonnes less than previously expected. Similarly, very thin supply should halve sales from **Australia**, which were heavily curtailed already in 2002.

By contrast, exports by **Thailand,** the leading rice exporter, are anticipated to rise from 7.3 million tonnes last year to 7.5 million tonnes in 2003, as the country recovers some of the markets it had lost to India. Reduced competition from the latter should also boost exports by **Vietnam**, which, unlike in 2002, holds sufficient quality supply to remain competitive. Current FAO forecast puts shipments from the country at 3.9 million tonnes, up from 3.2 in 2002. During the first quarter of this year, it had already shipped 1.4 million tonnes, twice as much as in the same period in 2002. Sales from **Pakistan** have also been raised from the previous report to 1.9 million tonnes, or 300 000 tonnes more than last year, reflecting a relatively good performance in the first four months of 2003. Exports by **Myanmar** are also anticipated to rise to 1.1 million tonnes, 16 percent above last year and 400 000 tonnes more than previously anticipated. The new rice trade policy announced by the Government on 23 April gives private traders the right to engage in rice export operations, subject to a 10 percent tax and a 50 percent sharing of profits with the Government. However, the new policy assigns considerable powers to the Myanmar Rice Trading Committee, to be established with representatives of the Government and the private sector.




Official forecasts for exports by the **United States** were also raised to a new record level of 3.6 million tonnes, a large share of which will continue to be shipped in the form of paddy rice. Food aid shipments should also boost exports by **Japan**.

# III. STOCKS

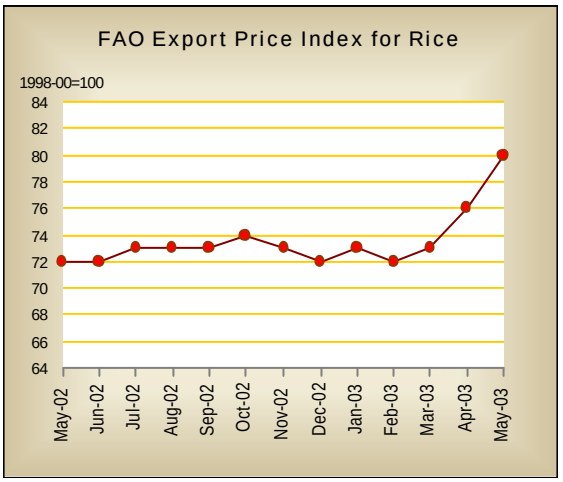
World rice inventories at the end of the marketing seasons in 2003 have been revised downward from the last report from 123 million tonnes to 122 million tonnes, some 28 million tonnes below their opening level and the lowest level for more than two decades. The overall contraction is mostly due to **China** and **India**, which are now set to experience reductions of the order of 15 million tonnes and 12 million tonnes, respectively.

The downward revision in closing stocks in 2003 was brought about by a lower official estimate for the **United States** and expectations of smaller carryovers in countries that harvested poor crops in 2002, namely **India**, the **Republic of Korea** and **Japan**.

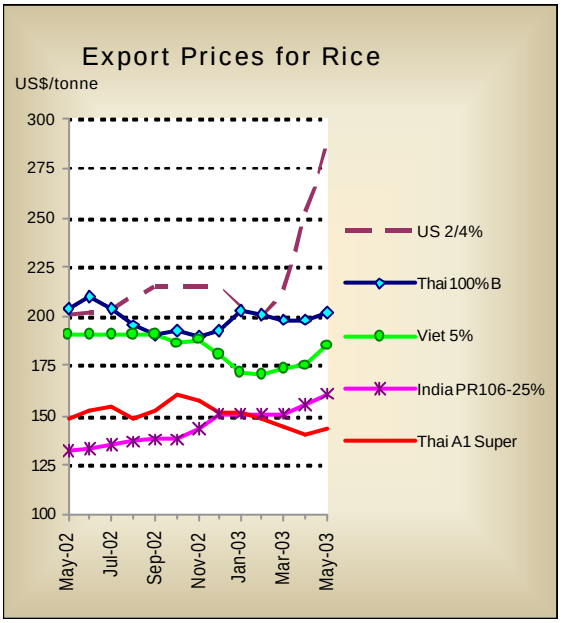
There is still considerable uncertainty regarding the level of rice stocks at the close of the 2003 season, since they will mainly depend on the outcome of this season's main paddy crops in Asia, the bulk of which have not yet been planted. However, based on current expectations of a moderate recovery in global output and steady growth in utilization, a 19 million tonnes drawdown in world rice inventories to 103 million tonnes is currently foreseen. **China**, which is estimated to hold about 60 percent of global stocks, would again account for much of the contraction given the expected drop in production this season. Similarly, an exceptionally low harvest in **Australia** should result in a sharp decline in end-of-season inventories in that country. Carry-over levels in **India** could also fall if the FCI policy to sustain international sales is maintained. **Indonesia's** efforts to curb the level of imports may also result in lower closing rice inventories in 2004. Other countries may experience a drop in stocks, including **Japan**, under its programme to cut paddy production and increase rice utilization.

# IV. PRICES

International prices of rice of different origins and varieties have continued strengthening since the last report. This tendency was reflected in the FAO Total Price Index (1998-2000=100), which climbed to a two-year high, averaging 80 in May, 4 points above April and 7 points above March.



A combination of short export availabilities in several major exporting countries and strong international demand has fuelled the rise in international rice prices over the period. For example, export quotations in the United States, Pakistan and Vietnam were up sharply, lifted by the launching of food aid tenders for Iraq, during a time when export supplies were limited, but also because of surging demand for commercial imports. On the other hand, quotations from Thailand firmed, especially for fragrant rice, while export prices in India were raised by the FCI.




Among the different types of rice traded, international quotations for medium-grain rice experienced the largest increases, with the FAO Japonica index rising to 77 points, 12 points higher than the March average. This was mostly on account of strong demand to fill the tenders that were opened by Japan and by the Chinese Province of Taiwan and reduced availabilities in the United States and Australia, which consequently pushed up prices, especially that of the US No.2, 4% medium grain rice by US$ 80 per tonne since March.

| FAO Rice Price Indices | | | | | | |
|---|---|---|---|---|---|---|
| | | All | Indica | | Japonica | Aromatic |
| | | | High | Low | | |
| | | 1998-2000 = 100 | | | | |
| **1998** | | **115** | **117** | **115** | **113** | **113** |
| **1999** | | **101** | **99** | **101** | **105** | **98** |
| **2000** | | **84** | **84** | **83** | **83** | **89** |
| **2001** | | **74** | **74** | **74** | **76** | **69** |
| **2002** | | **72** | **73** | **75** | **67** | **74** |
| **2002** | May | 72 | 73 | 75 | 67 | 71 |
| | June | 72 | 74 | 77 | 64 | 75 |
| | July | 73 | 74 | 77 | 68 | 78 |
| | August | 73 | 73 | 75 | 67 | 80 |
| | Septembe | 73 | 74 | 76 | 67 | 83 |
| | October | 74 | 74 | 77 | 69 | 80 |
| | Novembe | 73 | 73 | 77 | 68 | 76 |
| | Decembe | 72 | 72 | 75 | 67 | 75 |
| **2003** | January | 73 | 72 | 75 | 67 | 83 |
| | February | 72 | 72 | 75 | 65 | 85 |
| | March | 73 | 73 | 75 | 65 | 91 |
| | April | 76 | 76 | 77 | 72 | 90 |
| | May | 80 | 79 | 79 | 77 | 92 |
| **2002** | Jan.- | 70 | 72 | 73 | 67 | 68 |
| **2003** | Jan.- | 75 | 74 | 76 | 69 | 88 |

***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.*

As for high-quality Indica, quotations from all origins have risen, but in varying degrees. For instance, since March, Thai 100% B prices rose by an average of only $US 4 dollars, while quotations for US No.2, 4% long-grain surged by US$ 75, in the wake of large purchases by Brazil and strong demand to cover aid commitments . These price developments have re-established the large differential that the United States quotations, in the past, had tended to hold over the Thai high quality rice. More moderate increases were registered for Vietnam 5% and Pakistan Irri 10% quotations. Overall, such price movements resulted in the FAO High Quality Indica Price Index climbing by 6 points between March and May.

The upward price momentum was not as strong for the lower quality rice, as illustrated by the FAO Low Quality Indica Price Index, which increased just 4 points between March and May. With supply in abundance, quotations from Thailand for 100% broken rice fell, but the decline was more then compensated for by a strengthening of prices of 25% broken rice in Vietnam, Pakistan and India.

Turning to the aromatic market, fragrant rice quotations rose to levels not seen since 1999, reflecting a tightening of supplies together with the government procurement policy in Thailand. By contrast, international basmati prices remained subdued, falling by 9 percent in Pakistan and rising only slightly in India. The net effect of these developments was to lift the FAO Aromatic Price Index by 1 point to 92 points.

| 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.* | | | | | | | | | | |
| **1998** | **315** | **413** | **288** | **258** | **243** | **255** | **241** | **215** | **412** | **492** | **460** |
| **1999** | **253** | **333** | **228** | **215** | **237** | **204** | **206** | **192** | **405** | **486** | **397** |
| **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** | **135** | **168** | **159** | **151** | **219** | **366** | **306** |
| **2002** | | | | | | | | | | | |
| May | 204 | 201 | 191 | 174 | 132 | 173 | 163 | 149 | 206 | 362 | 285 |
| June | 210 | 202 | 191 | 178 | 133 | 168 | 175 | 152 | 208 | 371 | 326 |
| July | 204 | 203 | 191 | 177 | 135 | 166 | 174 | 154 | 231 | 377 | 362 |
| August | 195 | 210 | 191 | 170 | 137 | 168 | 166 | 149 | 231 | 390 | 344 |
| September | 191 | 215 | 191 | 170 | 138 | 171 | 160 | 152 | 213 | 396 | 353 |
| October | 193 | 215 | 186 | 174 | 138 | 170 | 165 | 161 | 231 | 397 | 325 |
| November | 190 | 215 | 188 | 171 | 143 | 172 | 156 | 157 | 221 | 348 | 313 |
| December | 190 | 215 | 188 | 171 | 143 | 172 | 156 | 157 | 221 | 348 | 313 |
| **2003** | | | | | | | | | | | |
| January | 203 | 204 | 172 | 177 | 150 | 161 | 156 | 151 | 213 | 369 | 337 |
| February | 201 | 200 | 171 | 176 | 150 | 161 | 160 | 149 | 197 | 369 | 355 |
| March | 198 | 212 | 173 | 172 | 150 | 162 | 162 | 144 | 204 | 369 | 438 |
| April | 198 | 251 | 175 | 171 | 155 | 163 | 175 | 140 | 249 | 336 | 442 |
| May | 202 | 287 | 185 | 173 | 161 | 168 | 178 | 143 | 284 | 336 | 460 |
| **2002** Jan.-May | 199 | 203 | 185 | 169 | 142 | 168 | 152 | 148 | 215 | 355 | 269 |
| **2003** Jan.-May | 200 | 231 | 175 | 174 | 153 | 163 | 166 | 145 | 229 | 356 | 406 |

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

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

Tentatively, prospects for international rice prices over the coming months remain positive, since supplies available for export have come under pressure in the face of resurgence in international demand, particularly by Brazil and some countries in Africa. However, beyond this period, the price outlook will be influenced by the status of paddy crops in Northern Hemisphere countries. However, given the limited supply available in stocks world-wide, the impact of any news reporting adverse paddy growing conditions would have a particularly strong effect on international rice quotations.

**WORLD PADDY PRODUCTION**

| | 2001 | 2002 (estimated) | 2003 (forecast) |
|---|---|---|---|
| | *million tonnes* | | |
| **WORLD** | **598.6** | **578.7** | **592.5** |
| Developing countries | 572.2 | 553.0 | 568.2 |
| Developed countries | 26.4 | 25.7 | 24.2 |
| **ASIA** | **544.4** | **524.4** | **539.4** |
| Bangladesh | 36.4 | 39.5 | 39.6 |
| Cambodia | 4.1 | 3.7 | 4.1 |
| China 1/ | 179.3 | 176.5 | 172.7 |
| India | 139.6 | 115.4 | 130.0 |
| Indonesia | 50.5 | 51.4 | 51.4 |
| Iran, Islamic Rep. of | 2.0 | 2.7 | 2.8 |
| Japan | 11.3 | 11.1 | 10.9 |
| Korea Rep. of | 7.5 | 6.7 | 6.8 |
| Myanmar | 21.9 | 22.8 | 23.5 |
| Pakistan | 5.8 | 6.3 | 7.1 |
| Philippines | 13.1 | 13.2 | 13.5 |
| Sri Lanka | 2.7 | 2.9 | 2.9 |
| Thailand | 26.5 | 25.9 | 27.0 |
| Viet Nam | 32.0 | 34.1 | 34.2 |
| **AFRICA** | **17.3** | **17.9** | **18.2** |
| **North Africa** | **5.3** | **6.1** | **6.0** |
| Egypt | 5.2 | 6.0 | 6.0 |
| **Sub-Saharan Africa** | **12.0** | **11.9** | **12.2** |
| Western Africa | 7.6 | 7.5 | 7.6 |
| Côte d'Ivoire | 1.1 | 0.8 | 0.8 |
| Guinea | 0.8 | 0.8 | 0.9 |
| Mali | 0.9 | 0.9 | 0.9 |
| Nigeria | 3.3 | 3.4 | 3.5 |
| Central Africa | 0.4 | 0.4 | 0.4 |
| Eastern Africa | 1.1 | 1.0 | 1.0 |
| Tanzania | 0.8 | 0.8 | 0.8 |
| Southern Africa | 2.9 | 3.0 | 3.1 |
| Madagascar | 2.7 | 2.7 | 2.8 |
| Mozambique | 0.2 | 0.2 | 0.2 |
| **CENTRAL AMERICA** | **2.3** | **2.3** | **2.4** |
| Mexico | 0.2 | 0.2 | 0.3 |
| **SOUTH AMERICA** | **19.9** | **19.8** | **19.7** |
| Argentina | 0.9 | 0.7 | 0.8 |
| Brazil | 10.4 | 10.6 | 10.6 |
| Colombia | 2.3 | 2.4 | 2.4 |
| **NORTH AMERICA** | **9.8** | **9.6** | **9.0** |
| United States | 9.8 | 9.6 | 9.0 |
| **EUROPE** | **3.2** | **3.2** | **3.3** |
| EC 2/ | 2.6 | 2.6 | 2.7 |
| **OCEANIA** | **1.8** | **1.3** | **0.4** |
| Australia | 1.8 | 1.3 | 0.4 |

**WORLD IMPORTS OF RICE**

| | 2001 | 2002 (estimated) | 2003 3/ (forecast) |
|---|---|---|---|
| | *million tonnes, milled* | | |
| **WORLD** | **24.1** | **28.1** | **27.1** |
| Developing countries | 20.2 | 24.1 | 23.2 |
| Developed countries | 3.8 | 4.0 | 4.0 |
| **ASIA** | **10.9** | **14.2** | **13.3** |
| Bangladesh | 0.4 | 0.5 | 0.5 |
| China 1/ | 0.3 | 0.4 | 0.4 |
| Indonesia | 1.5 | 3.5 | 3.4 |
| Iran, Islamic Rep. of | 0.8 | 1.0 | 0.7 |
| Japan | 0.6 | 0.7 | 0.7 |
| Malaysia | 0.5 | 0.6 | 0.5 |
| Philippines | 0.8 | 1.3 | 1.1 |
| Saudi Arabia | 0.8 | 0.8 | 0.8 |
| Sri Lanka | 0.1 | 0.1 | 0.1 |
| **AFRICA** | **7.8** | **8.4** | **7.8** |
| Côte d'Ivoire | 1.1 | 1.0 | 0.9 |
| Nigeria | 1.7 | 1.8 | 1.7 |
| Senegal | 0.7 | 0.7 | 0.7 |
| South Africa | 0.5 | 0.6 | 0.6 |
| **SOUTH AMERICA** | **1.0** | **0.8** | **1.4** |
| Brazil | 0.7 | 0.6 | 1.1 |
| Peru | 0.1 | 0.0 | 0.0 |
| **NORTH & C. AMERIC** | **2.3** | **2.6** | **2.6** |
| Mexico | 0.5 | 0.5 | 0.6 |
| **EUROPE** | **1.6** | **1.7** | **1.6** |
| EC 2/ | 0.7 | 0.7 | 0.7 |
| **OCEANIA** | **0.4** | **0.4** | **0.4** |

**WORLD EXPORTS OF RICE**

| | 2001 | 2002 (estimated) | 2003 3/ (forecast) |
|---|---|---|---|
| | *million tonnes, milled* | | |
| **WORLD** | **24.1** | **28.1** | **27.1** |
| Developing countries | 20.2 | 23.9 | 22.5 |
| Developed countries | 4.0 | 4.2 | 4.6 |
| **ASIA** | **18.5** | **22.5** | **21.2** |
| China 1/ | 2.0 | 2.1 | 2.1 |
| India | 1.9 | 6.6 | 4.0 |
| Myanmar | 0.7 | 1.0 | 1.1 |
| Pakistan | 2.3 | 1.6 | 1.9 |
| Thailand | 7.5 | 7.3 | 7.5 |
| Viet Nam | 3.5 | 3.2 | 3.9 |
| **AFRICA** | **0.7** | **0.4** | **0.6** |
| Egypt | 0.7 | 0.4 | 0.6 |
| **SOUTH AMERICA** | **1.5** | **1.2** | **1.2** |
| Argentina | 0.4 | 0.2 | 0.3 |
| Uruguay | 0.8 | 0.6 | 0.6 |
| **NORTH AMERICA** | **2.6** | **3.3** | **3.6** |
| United States | 2.5 | 3.3 | 3.6 |
| **EUROPE** | **0.2** | **0.3** | **0.3** |
| EC 2/ | 0.2 | 0.3 | 0.3 |
| **OCEANIA** | **0.6** | **0.4** | **0.2** |
| Australia | 0.6 | 0.4 | 0.2 |

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

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

| | CHINA 2/ 3/ (Oct./Sep.) | | | INDIA 2/ (Oct./Sep.) | | |
|---|---|---|---|---|---|---|
| | **2001/2002** | **2002/2003** prelim. | **2003/2004** f'cast | **2001/2002** | **2002/2003** prelim. | **2003/2004** f'cast |
| | *(..... thousand tonnes .....)* | | | *(..... thousand tonnes .....)* | | |
| Opening Stocks | 106490 F | 92920 F | 78200 F | 26400 F | 26700 F | 14700 F |
| Production 1/ | 122901 G | 120981 G | 118388 * | 93080 G | 76910 G | 86671 F |
| Imports | 376 G | 400 F | 400 F | 10 F | 30 F | 50 F |
| Total Supply | 229767 | 214301 | 196988 | 119490 | 103640 | 101421 |
| Domestic Use | 134779 | 134001 | 132788 | 86190 | 84940 | 86421 |
| Exports | 2068 G | 2100 F | 2100 F | 6600 F | 4000 F | 3000 F |
| Closing Stocks | 92920 F | 78200 F | 62100 F | 26700 F | 14700 F | 12000 F |

| | PAKISTAN 2/ (Nov./Oct.) | | | THAILAND 2/ (Nov./Oct.) | | |
|---|---|---|---|---|---|---|
| | **2001/2002** | **2002/2003** prelim. | **2003/2004** f'cast | **2001/2002** | **2002/2003** prelim. | **2003/2004** f'cast |
| | *(..... thousand tonnes .....)* | | | *(..... thousand tonnes .....)* | | |
| Opening Stocks | 970 F | 550 F | 100 F | 1800 F | 2500 F | 2400 F |
| Production 1/ | 3882 G | 4228 G | 4736 F | 17558 G | 17170 G | 17874 F |
| Imports | 0 F | 0 F | 0 F | 1 G | 0 F | 0 F |
| Total Supply | 4852 | 4778 | 4836 | 19359 | 19671 | 20274 |
| Domestic Use | 2699 | 2778 | 2836 | 9532 | 9771 | 9974 |
| Exports | 1603 G | 1900 F | 1900 F | 7327 G | 7500 F | 7500 F |
| Closing Stocks | 550 F | 100 F | 100 F | 2500 F | 2400 F | 2800 F |

| | UNITED STATES 4/ (Aug./Jul.) | | | VIET NAM 2/ (Nov./Oct.) | | |
|---|---|---|---|---|---|---|
| | **2001/2002** | **2002/2003** prelim. | **2003/2004** f'cast | **2001/2002** | **2002/2003** prelim. | **2003/2004** f'cast |
| | *(..... thousand tonnes .....)* | | | *(..... thousand tonnes .....)* | | |
| Opening Stocks | 887 G | 1219 G | 714 G | 4020 F | 4500 F | 4900 F |
| Production 1/ | 6738 G | 6507 G | 6228 G | 21324 G | 22720 G | 22811 F |
| Imports | 413 G | 432 G | 454 G | 2 F | 2 F | 2 F |
| Total Supply | 8038 | 8158 | 7396 | 25346 | 27222 | 27713 |
| Domestic Use | 3874 | 3835 | 3935 | 17606 | 18422 | 18613 |
| Exports | 2945 G | 3609 G | 2754 G | 3240 G | 3900 F | 4000 F |
| Closing Stocks | 1219 G | 714 G | 707 G | 4500 F | 4900 F | 5100 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.