Rice Market Monitor

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(please click on "*Rice*")

HIGHLIGHTS

- Despite a recent deterioration of prospects for global paddy production this season, a recovery from the 2002 low levels continues to be foreseen, with 2003 global paddy production now forecast to grow by 3 percent to 591 million tonnes. Much of the year-to-year increase would be on account of India, where production is forecast to rise by 18 percent. Sizeable production gains are anticipated in several other Asian countries, in particular Bangladesh, the Islamic Republic of Iran, Myanmar, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam. Those increases will more than offset an expected contraction in China, Japan and the Rep. of Korea.

- Paddy production in Africa is set to rise only modestly in 2003. Favourable rainfall patterns have raised expectations of good harvests in Burkina Faso, Niger, Madagascar, Mali, Mozambique, Nigeria and Senegal, while drought may have impaired crops in Cote d'Ivoire, Ghana, Guinea and Sierra Leone. Production in Egypt, the largest producer in the region is anticipated to remain of the order of 6 million tonnes.

- While the production outlook is generally positive for Central America and the Caribbean, several producers in South America faced setbacks in the course of the season, in particular Brazil, but also Argentina, Peru, Uruguay and Venezuela, which had a negative impact on their production. By contrast, the season is expected to end positively in Colombia and Guyana. In the rest of the world, prospects are mixed, with 2003 production set to fall in Australia, the European Union and the United States, while it could rise somewhat in the Russian Federation.

- The latest FAO forecast for international trade in 2003, at 27.9 million tonnes (milled base), approaches the all time high achieved in 2002. Although large imports are anticipated to be made by Asian countries, they are now expected to fall half a million tonnes short of last year record, on account of smaller shipments to Indonesia, the Philippines, the Islamic Republic of Iran and Iraq. By contrast, Bangladesh and a number of countries in the Near East are forecast to step up rice deliveries. Imports to Africa could fall for the first time since 1999, reflecting a shift in policies in several countries where concern is growing over the impact large imports are having on producers and on foreign exchange reserves. By contrast, demand for rice by South American countries, in particular Brazil but also Colombia, surged in 2003.

- As for exports, the retrenchment of India from the market since July combined with supply constraints faced by Argentina, Australia and Uruguay have offered new opportunities to the other exporters. Shipments from Thailand, for instance, might rise to a level close to the 2001 record, with a big increase in fragrant rice sales anticipated to boost export earnings. A 23 percent anticipated increase in exports by Vietnam would re-position the country as the second largest rice exporter. Likewise, China, Egypt, Pakistan and the United States are expected to improve their performance compared with last year.

- A first tentative forecast of global rice trade in 2004 points to a 6 percent yearly decline to 26.3 million tonnes. The contraction reflects smaller expected deliveries to Bangladesh, Indonesia and the Philippines, as well as Brazil where plantings in the coming 2004 season have been forecast to reach close to record levels. Little change in overall imports by African countries is currently foreseen. Much of anticipated drop in trade would reflect smaller sales by exporters in India, as well as Vietnam and the United States, as some of their traditional markets are forecast to shrink. Supply constraints might also result in lower (food aid) shipments by Japan and the Rep. of Korea. By contrast, exports by Australia, Argentina, Myanmar and Uruguay are expected to rebound.

- Global rice stocks at the end of marketing seasons closing in 2004 are forecast to fall for the fourth consecutive year. The contraction this year is estimated at 20 million tonnes, which would bring the carry-over down to 102 million tonnes. Particularly large declines are expected in India and China, but also in Japan, the Republic of Korea and the United States. An expected decline of imports could also lead to lower stock levels in Indonesia and the Philippines. On the other hand, a good 2003 season might boost rice reserves of Bangladesh, Myanmar, Thailand and Vietnam.

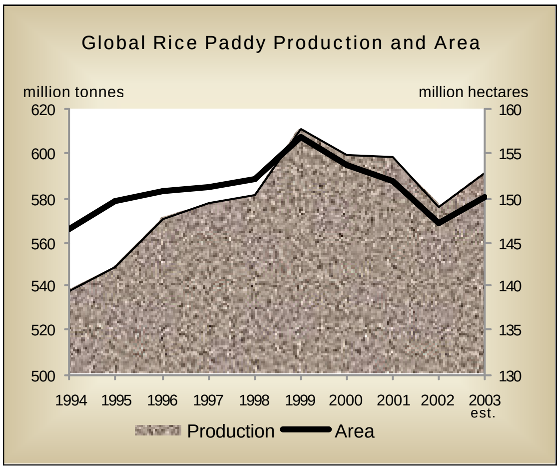
- International rice prices have continued to strengthen, with the FAO all rice price index rising from 85 to 88 between August and October. The rally was most pronounced for the Japonica rice. The price outlook for the coming months continues to be positive, although the arrival of new crops could dampen the upward pressure. As market conditions are likely to remain tight, prices are expected to continue the steady recovery from last year low levels, especially in view of the determination of five of the major exporters belonging to the Council for Rice Trade Cooperation to exchange information and possibly decide on a common export reference price in November.

RICE SITUATION UPDATE AS OF 20 OCTOBER 2003

I. PRODUCTION

Prospects for 2003 Global production scaled down

FAO latest forecast of world paddy production currently stands at 591 million tonnes, 2 million tonnes less than the September forecast but still 3 percent above the poor 2002 season outcome. Most of the revision in the 2003 outlook reflects a severe worsening of prospects in China as well as in Japan, the Republic of Korea and Sri Lanka. On the other hand, generally favourable growing conditions have bolstered production forecasts in Cambodia, India, the Islamic Republic of Iran, Myanmar and Vietnam.



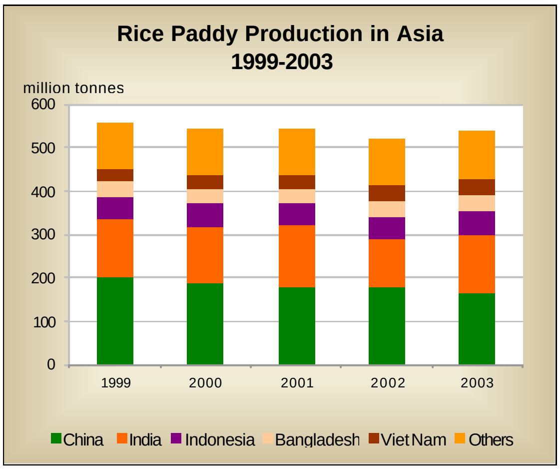
I.1 ASIA

In **Asia**, the main paddy crops are nearing maturation in the northern hemisphere countries, with some already engaged in harvesting. The monsoon patterns has so far been positive at large, purporting a good 2003 season.

The outlook for 2003 production in **mainland China** has deteriorated by 8 million tonnes since the last report, in the wake of drought problems in the southern provinces and of excessive rains in the north. The adverse weather conditions have exacerbated the effects of a policy drive that has basically left producers exposed to market forces this year. Overall, the season is expected to end with a 5 percent contraction in output from last year to 165.8 million tonnes, with the drop affecting all the three paddy crops, but in particular the late one, which is only grown in the south.

Official forecasts for paddy production in **Cambodia** have been set within a range of 4.2 – 4.5 million tonnes, following a 6 percent expansion in plantings this season. As a result, FAO has raised production for the country this year by 200 000 tonnes, to 4.3 million tonnes.

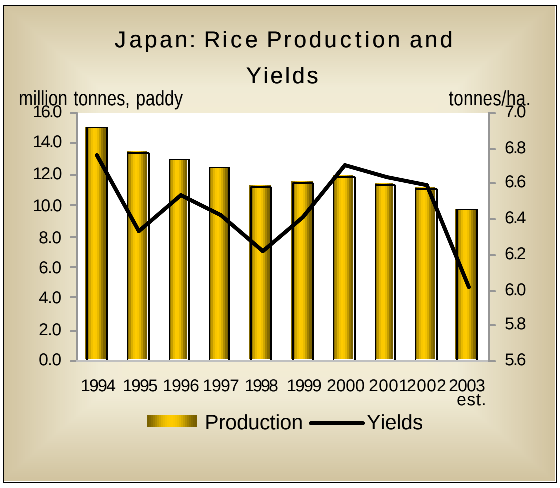
Prospects for **India** were increased by 3 million tonnes from last report to 133.5 million tonnes, following the release by the Government of higher estimates for the main (Kharif) crop. While the monsoon rains are about to die away by mid-September, the overall monsoon rainfall between 1 June and end September across all of India was reported to have been 2 percent above normal, with only 3 of the 36 meteorological sub-divisions reporting below-normal rainfall. As a result, replenishment of reservoirs is proceeding well, which has also heightened the prospects for the secondary, irrigated Rabi crop, now anticipated to be of the order of 21 million tonnes in paddy terms, up from 14 million tonnes last year.



The 2003 season has come to an end in **Indonesia,** where official estimates point to only a marginal increase in paddy production to 51.8 million tonnes, as lingering drought problems eroded the benefits of an early start of the season. With the 2004 season about to commence, the Government has announced a 53.5 million tonne production target, with much of the growth arising from a 2.4 percent increase in cultivation, especially in Kalimantan and Sumatra. Despite calls from producers to raise import protection, the Government has been reluctant so far to raise tariffs, especially as the move could intensify cross-border shipments of rice, which entered the country unrecorded. However, Indonesia remains committed to boosting production and reducing imports, as portrayed by the 13 percent rise in dry paddy support prices in 2003 to Rupees 1 725 per kg (US$ 193 per tonne).

Production in the **Islamic Republic of Iran** has been subject to large upward revisions following consultations with government officials, who estimated the crop at 3.1 million tonnes in 2002 and 3.3 million tonnes in the current season, well above previous FAO estimates. The increases reflected a return to normal weather conditions after three years of drought, but also an intensification of government support to the sector.

Cold temperatures and insufficient sunlight this summer wreaked havoc to the sector in **Japan**. Based on the latest official estimate, paddy production is to fall to a decade low of 9.8 million tonnes, 500 000 tonnes below the previous forecast and 12 percent less than last year.



Similarly, adverse weather conditions hindered the crop in the **Republic of Korea**, leading to a downward revision in output this season from 6.8 to 6.1 million tonnes, the poorest outcome since 1980.

Recent reports on **Myanmar** put production in the country at 24.6 million tonnes, substantially above the earlier forecast of 23.5 million tonnes and an all time high, made possible by good weather conditions. The abolishment last April of producer compulsory sales to the government at low prices might also have encouraged farmers to extend their plantings.

The paddy season already concluded in **Sri Lanka**, where a combination of favourable weather, return to peace conditions and rehabilitation of agricultural infrastructure boosted paddy production in 2003. Based on government latest figures, the estimate of paddy production this season has been lowered somewhat from the previous forecast, to 3.1 million tonnes, which is still 8 percent above the 2002 outturn. The increase reflects a positive outcome of the Maha and Yala crops, which grew by 7 percent and 9 percent to 1.9 million tonnes and 1.2 million tonnes respectively. With the 2004 season about to start, the preliminary forecast for production next season has been set at 3.5 million tonnes.

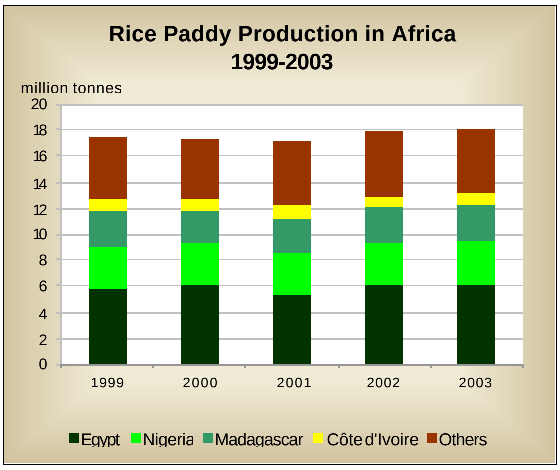
Latest forecast for production in **Viet Nam** was raised by about one million tonnes, to about 34.7 million tonnes, following improved expectations over the main winter/spring crop. At that level, the season would end with an increase of 1.8 percent compared with 2002, all of which triggered by improvements in yields since the area under rice is forecast to decline, partly reflecting the on-going policies to divert marginal lands towards other uses.

Production in the other major rice growing countries in the region remains unchanged from the September report. **Bangladesh** is still set to achieve a record output this year, since the heavy flooding in September only damaged rice fields marginally. In **Thailand**, production is forecast to grow to a record level of 27 million tonnes, as output from the main crop currently under harvest was boosted by favourable weather conditions. With the main crop harvest about to start, the Government already gave details on the intervention programme it will launch in November to sustain prices. This envisages an overall procurement of 9 million tonnes of rice, including 5 million tonnes of fragrant jasmine paddy, 1 million tonne of glutinous paddy rice and 3 million tonnes of ordinary paddy. The announced intervention prices ranged from baht 7 000 per tonne for the fragrant rice to baht 4 500 per tonne for the ordinary paddy. In **Pakistan,** the official forecast remains at 6.5 million tonnes, only slightly above last year and substantially short of the levels achieved between 1998 and 2000. The rather modest outcome of the season is in part due to floods last August, which caused damage to IRRI rice varieties grown in the Sindh region. Prospects for this season output in the **Philippines** have also been maintained at 13.5 million tonnes (July/June), up from 13.0 million tonnes in 2002. Such progress reflects largely the efforts by the Government to expand cultivation in the second half of the year, in an attempt to recoup the El-Niño-related losses incurred in the first 6 months, and the greater use of hybrid and higher-yielding varieties by farmers.

I.2 AFRICA

Slight overall increase in Africa paddy production anticipated in 2003

FAO forecast of paddy production in Africa has been raised by 200 000 tonnes from the previous report to 18.2 million tonnes, a level only 2 percent above last season. This year's output revision reflects higher estimates for Egypt after the forecast of the area planted to rice was officially raised. The country is now set to reap a harvest of 6.0 million tonnes, about the same level as last year. Recently the Government announced it would buy paddy at a price of Egyptian pounds 950 (US$ 156) per tonne, which was considered rather low.

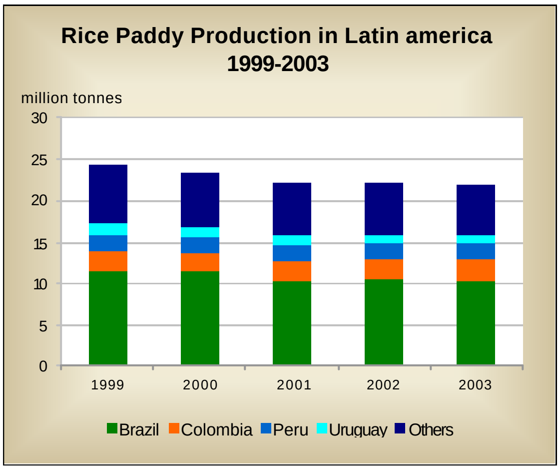


Few changes have been made to production forecasts in the rest of the region. In Western Africa, crops are at the harvesting stage, and a good outturn is anticipated in **Burkina Faso**, **Niger, and Mali**, which benefited from regular and well distributed rainfall this season. Prospects are also positive in **Nigeria**, owing to good rains but also to a Presidential initiative to raise self-sufficiency in rice through a combination of increased tariff protection and dissemination of improved rice varieties, such as Nerica. By contrast, drought impaired crops in **Cote d'Ivoire, Ghana, Guinea, Liberia and Sierra Leone**, which are all expected to face a shortfall this year. In **Senegal**, excessive rainfall last August was reported to have damaged paddy crops in the Fleuve Valley. Nonetheless, output this season is anticipated to grow by 30 percent above the dismal 2002 outcome, while still falling short of the excellent 2001 crop. The country recently launched a new strategy for the agricultural sector development, based on a clear demarcation of the public and private sectors roles, and earmarked about US$ 240 million for investment in rice in the Fleuve Valley over a three year period.

In Southern Africa, the 2003 season has come to an end and plantings of the main 2004 crops are underway in **Madagascar** and about to start in **Mozambique**, although some delays may be incurred in view of the drought presently gripping the two countries. Both of them recorded a positive 2003 season, with paddy production estimated to have risen by 4 percent to 2.8 million tonnes in Madagascar and by 19 percent to 200 000 tonnes in Mozambique. In the later country, the Government reportedly announced it was considering raising rice import duties, in an attempt to shield producers from cheap rice imports, while investing in irrigation and rice processing infrastructure.

I.3 CENTRAL AMERICA AND THE CARIBBEAN

Most countries in Central America and the Caribbean are about to start or are already harvesting their main paddy crops. In general, the season has been favourable with little damage reported from hurricanes or other climatic factors and, overall, production is forecast to rise by 4 percent to 2.4 million tonnes, almost unchanged from the last report. Among the few changes effected, production in **Costa Rica** was slightly revised downward, following the release of official estimate for this season. According to the new figures, production failed to recover fully from the drought-reduced level of last season and is anticipated to remain well below the output reached between 1998 and 2001. Forecast production in **Mexico** was also reduced somewhat after the government provided an estimate of 251 thousand tonnes this season. Although, this would imply a small recovery from last year, the sector continues to be constrained by rising production costs and strong import competition, which has encouraged farmers to leave the land idle or shift to other crops. Although the Government has launched a series of programmes to assist farmers, they have not yet had a positive impact on the sector.

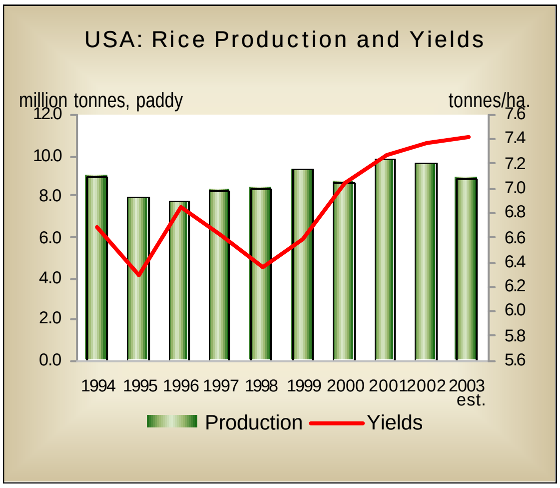


I.4 SOUTH AMERICA

Most countries in South America have harvested their main crop and are preparing for the 2004 season. Overall, the region gathered 19.6 million tonnes this year, about 200 000 tonnes less than in 2002 and almost unchanged from the last report. Estimates point to a contraction in **Argentina, Brazil, Peru, Uruguay** and **Venezuela** this year, reflecting, to a large extent, weather vagaries early this year. By contrast, the season is forecast to end positively in **Bolivia, Colombia, Guyana** and **Paraguay**.

I.5 NORTH AMERICA

Based on the United States' assessment of crop progress, 92 percent of the land under rice had been harvested by 19 October, being almost complete in all producing states except in the State of California. According to the latest USDA estimate, production this season should be of the order of 8.9 million tonnes, slightly above the previous estimate but still below the 9.6 million tonnes harvested in the preceding season. A contraction in plantings is responsible for the decline from last year's record output, since yields achieved in the current season are estimated at a record high.



I.6 EUROPE

Harvesting of the rice paddy crops is about to be concluded in most countries in Europe. Production prospects in the European Union (EU) remain at 2.4 million tonnes, down from 2.6 million tonnes in 2002. The contraction reflects a drop of output in Italy and Spain, the two countries most affected by excessive heat and drought this summer. The production shortfalls less severe than some had prospected, but the adverse weather conditions are reported to have lowered the quality of the grain harvested, with possible negative consequences on milling rates. While the new rice policy regime is to be introduced on 1 September 2004, when the new 2004/05 season starts, the limits for intervention purchases this season have been set at 100 000 tonnes, subject to revisions by the European Commission.

In the rest of the region, production has been raised substantially in **Bulgaria** after the government doubled its estimates of output last year to 18 000 tonnes, the higher level in the decade. Accordingly, FAO forecast for 2003 has been increased to 23 000 tonnes.

Similarly, output in the **Russian Federation** this season is forecast at 530 000 tonnes, up 40 000 tonnes from the previous forecast and from last season outcome. The revision reflects a 10 percent reported increase in plantings in the territory of Krasnodar, which normally accounts for some 80 percent of the country's output.

I.7 OCEANIA

Planting of the new 2004 season rice crop already started in **Australia**. Despite heavy rains in July and August in New South Wales, where most of the production is concentrated, Abare's September forecast for production in 2004 was lowered to 440 000 tonnes. However, a recent assessment of the situation by the rice industry gives a more optimistic outlook for next year production, within a range of 750 000 – 900 000 tonnes in New South Wales alone. If confirmed, the news would still point to a shortfall compared to the pre-drought levels, but much smaller than currently prospected by Abare.

FAO RICE CONFERENCE
12-13 February 2004
FAO, Rome

FAO is pleased to announce an international rice conference to celebrate the

INTERNATIONAL YEAR OF RICE

Information will be made available at the following FAO website:

www.rice2004.org

II. INTERNATIONAL TRADE IN 2003

World Trade in Rice in 2003 close to record levels

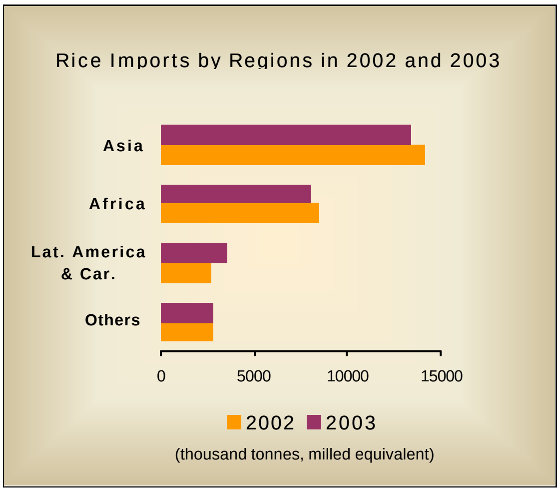
With the end of the calendar year approaching, there is growing evidence that the volume of rice trade in 2003 might come close to the record achieved in 2002. According to the latest FAO estimate, trade in rice could reach some 27.9 million tonnes, only 200 000 tonnes smaller than last year and the second-largest volume on record.

The new 2003 trade forecast is some 200 000 tonnes above the precedent FAO outlook. Much of the difference reflects the raising of imports by Bangladesh, which more than offset some downward revisions for the Islamic Republic of Iran and Iraq. As for exports, the upward adjustment was on account of larger shipments from the Republic of Korea, following the announcement that the full rice aid deliveries committed with the Democratic Republic of Korea would be completed within the current year.

II.1 IMPORTS

Large imports by Latin America and Caribbean countries sustain the rice international market in 2003

According to the latest FAO forecasts, imports by Asian countries could fall by 4 percent to 13.5 million tonnes, with most of the yearly decline concentrated in Indonesia, the Islamic Republic of Iran, Iraq and the Philippines.



Following the upward revisions to production in the 2002 and current seasons, forecast purchases by the **Islamic Republic of Iran** have been reduced from 700 000 to 500 000 tonnes, which would stand as the lowest level in the decade. Likewise, imports by **Iraq** are now anticipated at some 700 000 tonnes, 400 000 tonnes less than in 2002 and down from a previous forecast of 1 million tonnes. The revision reflects mainly a strong fall in rice shipments from Vietnam to Iraq this year, which does not appear to have been offset by other exporters.

Imports by **Indonesia** continue to be forecast at 3.3 million tonnes, still relatively high although 6 percent less than in 2002. The Government is considering proposals for additional tariff and non-tariff protection as of January next year. In the past two years, it already opted for a tightening of non-tariff measures on rice, with the introduction of stiffer inspection requirements in 2001 and a ban on imports to Java in 2002.

Despite the relaxation of the import monopoly by the National Food Authority (NFA) early this year, imports by the **Philippines** are expected to fall by 14 percent to 1.1 million tonnes. The right to import rice was only extended to producer cooperatives, which, although entitled to bring 300 000 tonnes, only imported 200 000 tonnes. Thus, the bulk of the rice trade continues to be conducted under the authority of the NFA.

Unlike the preceding countries, **Bangladesh** is anticipated to step up imports this year to, at least, 1.2 million tonnes, twice as much as in 2002 and 500 000 tonnes more than anticipated in the last report. The revision follows the release of statistics that indicated that about 1 million tonnes entered the country between January and June. However, given the excellent 2002 season, the expected bumper harvest in 2003 and the on-going export restraint by neighbouring India, the pace of Bangladesh's imports is likely to have slowed down considerably in recent months. Official sources also pointed to an annual increase in shipments to **Jordan, Oman, Saudi Arabia, Syria** and **Turkey**.

African countries are forecast to cut their rice imports to an aggregate 8.0 million tonnes, down from 8.5 million tonnes in 2002, which, if confirmed, would interrupt five years of steady increases. Most of the decline this year would be on account of smaller deliveries to **Nigeria**, consistent with the current policy stance of the country, but also to **Cameroon, Ghana** and **Guinea.** A drop in imports by **Senegal** is also anticipated based on shipments reported between January and August. On the other hand, the flow of supply to the **Cote D'Ivoire** is anticipated to remain of the order of 1.1 million tonnes, close to the level of the past two years, in spite of the troubled political situation facing the country. Rice shipments to **Benin** and **Libya** are anticipated to rise substantially.

While imports by Asian and African countries are forecast to drop, they are expected to surge by 30 percent in Latin America and the Caribbean, underpinned by larger purchases by **Colombia** and, especially, **Brazil**. Imports by the latter are anticipated to double to 1.2 million tonnes, the highest level since 1998, in response to the 2003 production shortfall. Moreover, to relieve pressure on domestic prices, the government recently announced it would reduce, over the last quarter, the tariffs on imports from non-Mercosur suppliers from 11.5 percent to 4.0 percent. Deliveries to **Mexico** are also expected to rise, despite the imposition, early this year, of anti-dumping duties on rice exported by a number of US firms.

II.2 EXPORTS

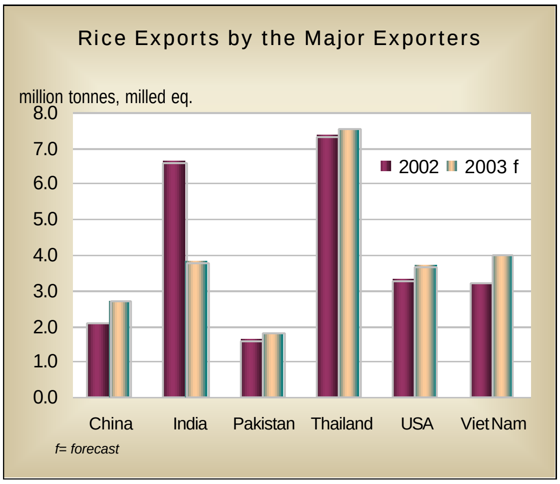
India's Retrenchment from the Market Opens New Opportunities for the Other Major Exporters

Prospects for global exports in 2003 have been raised by about 200 000 tonnes since last report, on account for larger expected deliveries by the Republic of Korea. Few changes have been made to the other countries' export outlook.

Based on current expectations, a decline in sales by **India** is the major factor underlying the expected decline in global rice exports. The country is forecast to ship 3.8 million tonnes in 2003, down from 6.6 million tonnes last year. Faced with shorter supplies from the 2002 poor harvest and dwindling rice inventories, prices have been raised and restrictions on sales of rice for export introduced by mid-year, which have considerably slowed down the pace of shipments.

Reduced supplies also constrained exports by **Australia**, which are forecast to tumble to a 25 year low, but also by **Argentina** and **Uruguay**. This year, in Australia, the local Government of New South Wales, where most of the country's rice is grown, decided to extend until 2009 the monopoly on rice exports held by the Rice Marketing Board on behalf of the rice grower's co-operatives. This "single desk" trading arrangement has been associated in the past years with a lack of transparency, with little information released on the actual rice transactions or destinations, and is one of the themes that were included for consideration in the Agenda for the Doha negotiations.

Exports by **Myanmar**, on the other hand, are set to remain of the order of 900 000 tonnes, about unchanged from last year, with much uncertainty arising from the reform implemented last summer, which abolished the Government trade monopoly and put rice trade in the hand of private firms.



All other major exporters are predicted to gain a wider share of the international market. This is the case of **Thailand**, whose exports are currently forecast to come close to the record it achieved in 2001, in spite of a strengthening of the local currency. Especially noteworthy in 2003 is the emphasis on quality rice exports, as reflected in a two-fold increase in the sales of "Hom Mali" jasmine fragrant rice in January-September.

Likewise, **Vietnam** is expected to deliver 23 percent more rice this year, with exports set at 4.0 million tonnes. If realized, Vietnam would re-position itself as the second largest rice exporting country, a status it had lost in favour of India in 2002.

In spite of falling production in the past three years, **China** is expected to ship 30 percent more than last year, with a substantial share destined to African countries. Sales by **Pakistan** are also set to rise, although they are likely to remain short of the performance before drought affected the sector in 2001 and 2002.

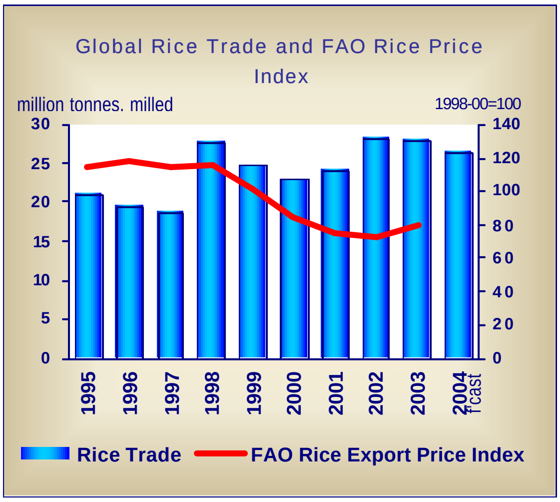
Exports from **Egypt** have been lowered somewhat from the previous outlook, on the base of reported shipments in the first half of the year. However, at 650 000 tonnes, they would still be 40 percent above last year.

Finally, exports by the **United States** are poised to hit a new record at 3.7 million tonnes, with much of growth driven by the buoyant demand in Latin America and the Caribbean.

III. RICE TRADE IN 2004

International Rice Trade likely to fall in 2004

FAO first forecast of global rice trade next year points to a contraction of close to 6 percent to 26.3 million tonnes. However, this is highly tentative as much of the trade in 2004 will be influenced by the outcome of the 2003 paddy crops in Asia, just about to be harvested.



The anticipated decline mainly reflects smaller deliveries to major importers, some of which are expected to gather good crops in the current season, including Bangladesh and the Philippines. In addition, imports could be cut substantially in Indonesia if the country manages to achieve the production target of 53 million tonnes next year, which it could not accomplish in 2003, largely because of el Niño-related drought problems. Likewise, as production in Brazil has been recently forecast to surge in 2004 to close to record levels, the country is forecast to cut significantly its purchases next year. By contrast, African countries are anticipated to keep overall imports at around 8 million tonnes, little changed from the level expected in 2003, since a prospected 100 000 tonne drop in rice shipments to Nigeria could be compensated by small and widespread increases in the rest of the region. Few changes are currently foreseen.

As for exports, Thailand is anticipated to ship a volume close to this year's high level, given the bumper crop which the country expects to harvest in 2003. By contrast, exports from Vietnam are forecast to fall in view of the expected weakening of import demand in two of its traditional markets, namely Indonesia and Iraq. Reduced import requirements in South America would also have a depressing effect on sales from the

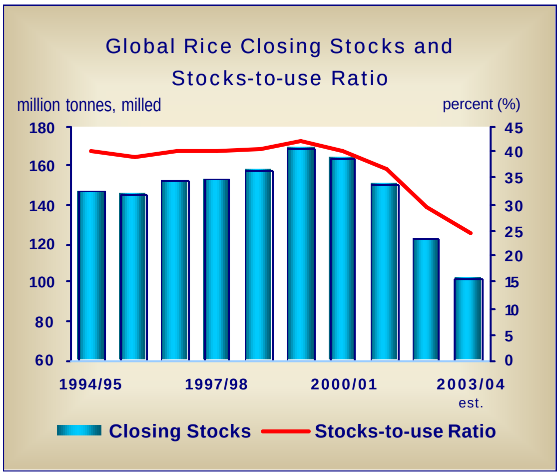
United States. On the hand, the tightening of stocks might constrain export availabilities in China and India, both of which are currently foreseen to cut their shipments abroad. Likewise, the 2003 production shortfall in will limit Japan and the Republic of Korea's ability to maintain their food aid shipments at this year high levels.

By contrast, Argentina, Myanmar and Uruguay could witness an increase in sales, as production in those countries recovers. This would be also the case of Australia, although exports by the country are still likely to remain substantially below pre-drought levels.

IV. STOCKS

Fourth consecutive fall in global rice carry-over stocks

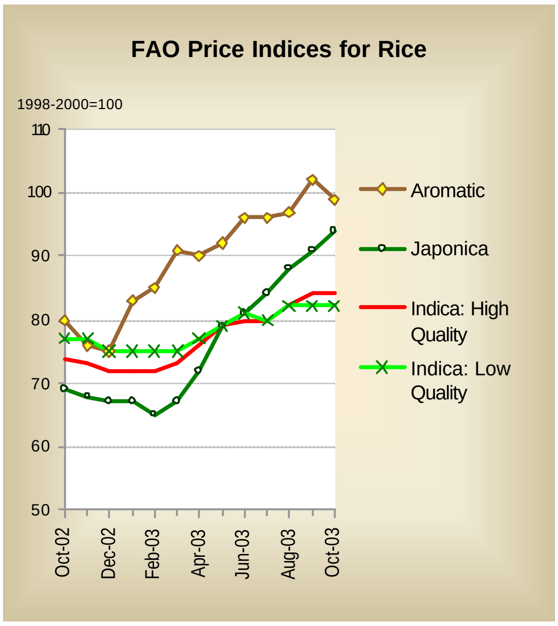
For the fourth consecutive year, global rice stocks are forecast to fall, as consumption is again foreseen to outpace production worldwide. World rice inventories at the close of the crop seasons ending in 2004 are now forecast at 102 million tonnes, down 20 million tonnes from their opening level and 2.5 million tonnes less than the previous FAO forecast.



Developments in China and India continue to be the major factor underlying the worsening of the global stock situation. The deterioration of the production outlook of China in 2003 meant that larger supplies than anticipated in the last report would need to be released from inventories to meet domestic requirements. As a result, China is now anticipated to draw 17 million tonnes from its rice reserves, 3 million tonnes more than earlier anticipated, which would bring the estimated size of its stocks down from 78 million to 61 million tonnes. Despite the recovery in production and the expected fall in exports next year, India might also record a 2 million tonne drop in stocks to 12 million tonnes, the lowest level in the decade. Sizeable reductions are also attributed to Japan and the Republic of Korea, where the poor crops this season will need to be supplemented by supplies from their stockpile. In both countries, the governments already started releasing rice from inventories to check a surge in prices. Large exports could also result in falling rice inventories in the United States. Some major importers are also expected to face a decline in their reserves, especially Indonesia and the Philippines. By contrast, carry-over stocks could increase from their opening level in Bangladesh, Myanmar, Thailand and Vietnam a reflection of the good 2003 crops they are expected to harvest.

V. INTERNATIONAL PRICES

International rice prices have continued to rally since August and the FAO Export Price Index (1998-00=100) rose from 85 in August, to 87 in September and 88 in October. The strength affected all rice categories, except for the lower quality Indica rice, the index of which remained at 82 since August. The upward price pressure softened somewhat in October, as crops started to reach the markets in several important exporting countries.



FAO Rice Price Indices

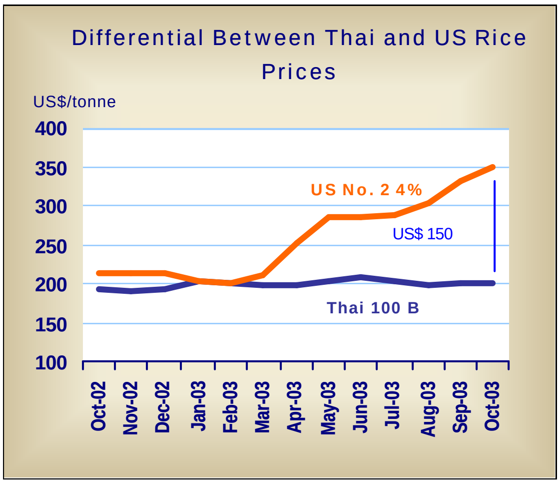
		All	Indica High	Indica Low	Japonica	Aromatic
			1998-2000 = 100			
1998		**115**	**117**	**115**	**113**	**113**
1999		**101**	**99**	**101**	**105**	**98**
2000		**84**	**84**	**83**	**83**	**89**
2001		**74**	**74**	**74**	**76**	**69**
2002		**72**	**73**	**75**	**67**	**74**
2002	October	74	74	77	69	80
	November	73	73	77	68	76
	December	72	72	75	67	75
2003	January	73	72	75	67	83
	February	72	72	75	65	85
	March	73	73	75	67	91
	April	76	76	77	72	90
	May	80	79	79	79	92
	June	82	80	81	81	96
	July	83	80	80	84	96
	August	85	82	82	88	97
	September	87	84	82	91	102
	October *	88	84	82	94	99
2002	Jan.-Oct.	72	73	75	67	74
2003	Jan.-Oct.	80	78	79	79	93

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.

* Four weeks only.

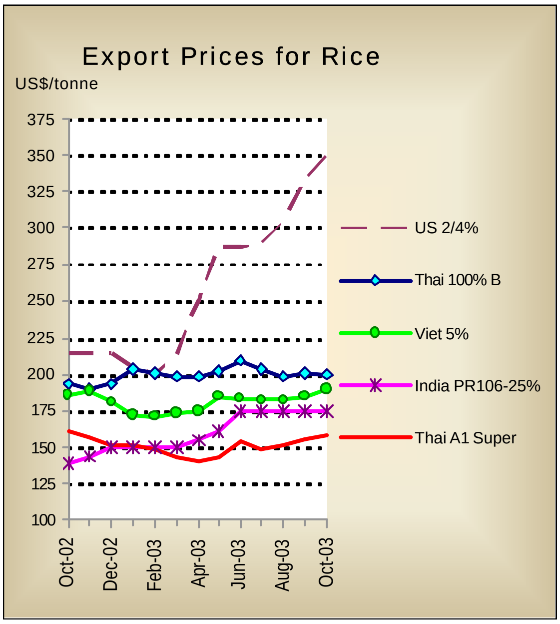
Within the **high quality Indica rice** categories, the price of the United States long grain N.2.4% has surged by US$44 to US$349 per tonne since August, reflecting a tightening of supplies in the United States. By contrast, a release of high quality supplies from stocks by the Government in Thailand dampened the upward pressure on prices and the increase was rather moderate for the Thai 100%B, which moved up only US$1 per tonne over the three month period. These price movements have led to a restoration of the price premium that the United States quality rice usually holds and which had almost disappeared at the beginning of the year.



By contrast, the prices of the **lower quality rice** have remained stable since August, as illustrated by the level of the FAO sub-index for that category, which remained constant at 82. This stability, however, reflected diverging tendencies, as prices of Pakistan rice fell sharply in October with the arrival of the new crop, while prices in Thailand and Viet Nam strengthened.

The FAO **Japonica Price Index** trended upward, moving from 84 in August to 94 in October. The strength reflects the opening of several import tenders by Japan and the Republic of Korea. In addition, the crop shortfalls in those two countries this year might have intensified the perception of an impending tightening of supplies for Japonica rice.

The **Aromatic Rice Price Index** strengthened by two points between August and October, reflecting an increase of US$ 10 per tonne for the India Basmati and US$15 for the Thai fragrant rice.



The price outlook for the next few months continues to be positive as current prospects confirm a tightening of market conditions. Moreover, major exporters appear intentioned to avoid a repeat of the 2001 and 2002 situation when strong competition among suppliers led to tumbling world prices. In this connection, the Council for Rice Trade Cooperation, composed of China, India, Pakistan, Thailand and Vietnam, is to meet in November to discuss and exchange information on rice market prospects and possibly decide on a common export reference price.

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**	**140**	**168**	**159**	**151**	**219**	**366**	**306**
2002											
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	193	215	181	172	150	164	153	151	209	341	308
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
June	209	287	183	180	175	164	178	153	298	n.a.	486
July	203	289	182	176	175	162	179	149	309	n.a.	482
August	198	305	182	172	175	162	187	151	309	n.a.	488
September	201	333	185	176	175	166	185	155	n.a.	n.a.	543
October *	199	349	190	179	175	172	175	159	n.a.	n.a.	503
2002 Jan.-Oct	199	206	188	171	139	168	160	151	219	370	306
2003 Jan.-Oct	201	272	180	175	164	164	173	149	258	356	453

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.
* Four weeks only.

WORLD PADDY PRODUCTION

	2001	2002 (estimated)	2003 (forecast)
	million tonnes		
WORLD	**598.6**	**576.0**	**591.0**
Developing countries	572.1	550.3	568.1
Developed countries	26.4	25.7	22.9
ASIA	**544.4**	**521.9**	**538.4**
Bangladesh	36.4	38.2	39.6
Cambodia	4.1	3.8	4.3
China 1/	179.3	176.3	167.5
India	139.6	113.6	133.5
Indonesia	50.5	51.5	51.8
Iran, Islamic Rep. of	2.0	3.1	3.3
Japan	11.3	11.1	9.8
Korea Rep. of	7.5	6.7	6.1
Myanmar	21.9	22.8	24.6
Pakistan	5.8	6.3	6.4
Philippines	13.1	13.0	13.5
Sri Lanka	2.7	2.9	3.1
Thailand	26.5	25.9	27.0
Viet Nam	32.0	34.1	34.7
AFRICA	**17.3**	**17.9**	**18.2**
North Africa	**5.3**	**6.0**	**6.0**
Egypt	5.2	6.0	6.0
Sub-Saharan Africa	**12.0**	**11.9**	**12.1**
Western Africa	7.6	7.4	7.6
Côte d'Ivoire	1.1	0.8	0.8
Guinea	0.8	0.8	0.8
Mali	0.9	0.9	1.0
Nigeria	3.3	3.4	3.5
Central Africa	0.4	0.4	0.4
Eastern Africa	1.1	1.1	1.0
Tanzania	0.8	0.8	0.7
Southern Africa	3.0	3.0	3.2
Madagascar	2.7	2.7	2.8
Mozambique	0.2	0.2	0.2
CENTRAL AMERICA	**2.2**	**2.3**	**2.4**
Mexico	0.2	0.2	0.3
SOUTH AMERICA	**19.9**	**19.8**	**19.6**
Argentina	0.9	0.7	0.7
Brazil	10.4	10.6	10.4
Colombia	2.3	2.3	2.5
NORTH AMERICA	**9.8**	**9.6**	**8.9**
United States	9.8	9.6	8.9
EUROPE	**3.2**	**3.2**	**3.0**
EC 2/	2.6	2.6	2.4
OCEANIA	**1.8**	**1.3**	**0.4**
Australia	1.8	1.3	0.4

WORLD IMPORTS OF RICE

	2002	2003 (estimated)	2004 3/ (forecast)
	million tonnes, milled		
WORLD	**28.1**	**27.9**	**26.3**
Developing countries	24.0	23.8	22.1
Developed countries	4.1	4.1	4.1
ASIA	**14.1**	**13.5**	**12.4**
Bangladesh	0.5	1.2	0.6
China 1/	0.4	0.5	0.6
Indonesia	3.5	3.3	2.5
Iran, Islamic Rep. of	1.0	0.5	0.5
Japan	0.7	0.7	0.7
Malaysia	0.6	0.5	0.5
Philippines	1.3	1.1	0.9
Saudi Arabia	0.8	0.8	0.9
Sri Lanka	0.1	0.1	0.0
AFRICA	**8.5**	**8.0**	**8.0**
Côte d'Ivoire	1.0	1.1	1.1
Nigeria	1.8	1.5	1.4
Senegal	0.7	0.7	0.7
South Africa	0.6	0.6	0.7
SOUTH AMERICA	**0.8**	**1.5**	**1.0**
Brazil	0.6	1.2	0.7
Peru	0.0	0.0	0.0
NORTH & C. AMERICA	**2.6**	**2.7**	**2.8**
Mexico	0.5	0.6	0.6
EUROPE	**1.8**	**1.8**	**1.8**
EC 2/	0.7	0.7	0.7
OCEANIA	**0.3**	**0.4**	**0.3**

WORLD EXPORTS OF RICE

	2002	2003 (estimated)	2004 3/ (forecast)
	million tonnes, milled		
WORLD	**28.1**	**27.9**	**26.3**
Developing countries	24.0	23.2	22.6
Developed countries	4.2	4.7	3.7
ASIA	**22.4**	**21.9**	**20.8**
China 1/	2.1	2.7	2.3
India	6.6	3.8	3.5
Myanmar	0.9	0.9	1.2
Pakistan	1.6	1.8	1.8
Thailand	7.3	7.5	7.5
Viet Nam	3.2	4.0	3.8
AFRICA	**0.5**	**0.7**	**0.6**
Egypt	0.5	0.7	0.6
SOUTH AMERICA	**1.2**	**1.2**	**1.5**
Argentina	0.2	0.2	0.4
Uruguay	0.7	0.6	0.7
NORTH AMERICA	**3.3**	**3.7**	**2.9**
United States	3.3	3.7	2.9
EUROPE	**0.3**	**0.2**	**0.2**
EC 2/	0.3	0.2	0.2
OCEANIA	**0.4**	**0.2**	**0.3**
Australia	0.4	0.2	0.3

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.)		
	2001/2002	2002/2003 prelim.	2003/2004 f'cast
	(......... thousand tonnes ....)		
Opening Stocks	106460 F	92900 F	78092 F
Production 1/	122901 G	120876 G	114778 *
Imports	376 G	500 F	550 F
Total Supply	229737	214276	193420
Domestic Use	134769	133484	130485
Exports	2068 G	2700 F	2300 F
Closing Stocks	92900 F	78092 F	60635 F

	INDIA 2/ (Oct./Sep.)		
	2001/2002	2002/2003 prelim.	2003/2004 f'cast
	(......... thousand tonnes ....)		
Opening Stocks	25000 F	26400 F	14000 F
Production 1/	93080 G	75720 G	89000 F
Imports	10 F	30 F	50 F
Total Supply	118090	102150	103050
Domestic Use	85090	84350	87550
Exports	6600 F	3800 F	3500 F
Closing Stocks	26400 F	14000 F	12000 F

	PAKISTAN 2/ (Nov./Oct.)		
	2001/2002	2002/2003 prelim.	2003/2004 f'cast
	(......... thousand tonnes ....)		
Opening Stocks	970 F	550 F	230 F
Production 1/	3882 G	4228 G	4300 G
Imports	0 F	0 F	0 F
Total Supply	4852	4778	4530
Domestic Use	2699	2748	2650
Exports	1603 G	1800 F	1800 F
Closing Stocks	550 F	230 F	80 F

	THAILAND 2/ (Nov./Oct.)		
	2001/2002	2002/2003 prelim.	2003/2004 f'cast
	(......... thousand tonnes ....)		
Opening Stocks	1800 F	2500 F	2500 F
Production 1/	17558 G	17170 G	17874 F
Imports	1 G	0 F	0 F
Total Supply	19359	19671	20374
Domestic Use	9532	9671	10074
Exports	7327 G	7500 G	7500 F
Closing Stocks	2500 F	2500 F	2800 F

	UNITED STATES 4/ (Aug./Jul.)		
	2001/2002	2002/2003 prelim.	2003/2004 f'cast
	(......... thousand tonnes ....)		
Opening Stocks	887 G	1219 G	829 G
Production 1/	6738 G	6536 G	6174 G
Imports	413 G	459 G	501 G
Total Supply	8038	8214	7504
Domestic Use	3861	3525	3875
Exports	2958 G	3860 G	2848 G
Closing Stocks	1219 G	829 G	781 G

	VIET NAM 2/ (Nov./Oct.)		
	2001/2002	2002/2003 prelim.	2003/2004 f'cast
	(......... thousand tonnes ....)		
Opening Stocks	4020 F	4500 F	4900 F
Production 1/	21324 G	22720 G	23125 G
Imports	2 F	2 F	2 F
Total Supply	25346	27222	28027
Domestic Use	17606	18322	18927
Exports	3240 G	4000 F	3800 F
Closing Stocks	4500 F	4900 F	5300 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.