
# *JANUARY 2004*

## *Volume VII - Issue No. 1*



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

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**HIGHLIGHTS**

- As the 2003 rice season is coming to an end, production estimates have become of greater certainty. The latest figures point to a 3 percent increase in global paddy production to 591 million tonnes in 2003 as a favourable monsoon should make output rebound in Asia. The recovery is mainly on account of India, which was affected by unfavourable weather in the preceding season. Increases are also anticipated in Bangladesh, Cambodia, Myanmar, Pakistan, the Philippines and Thailand. By contrast, output tended to stagnate in Indonesia and Vietnam and to fall in China, Japan and the Republic of Korea.

- Little change in Africa's paddy output in 2003 is currently foreseen, as growing conditions have been mixed. Egypt is forecast to reap an excellent crop, with yields set to rise to a new world high. The performance was also positive in Mali and Mauritania but disappointing in Nigeria, where only marginal growth is expected despite Government efforts to boost the sector. Adverse weather and internal conflicts depressed production in the Cote d'Ivoire and Liberia. Drought also seriously impaired crops in Tanzania. Both Madagascar and Mozambique gathered good crops in 2003, but drought at the end of last year might affect negatively output in the forthcoming 2004 season.

- In Latin America and the Caribbean, adverse weather conditions hampered production in 2003 in Brazil and to a lower extent also in Argentina, Ecuador, Paraguay and Uruguay. Crop performance was positive in Colombia, Guyana and most of Central America. The 2004 season started positively in countries located in the southern hemisphere, and may give rise to bumper crops, since substantial increases in plantings have been reported. In the rest of the world, the 2003 has ended with little change in production in Europe, while a drop was recorded by the United States, despite excellent yields, and Australia. Prospects for this country in 2004 remain bleak as only a small recovery is currently forecast from the disastrous 2003 season, due to continuing water shortages.

- International trade in rice in 2004 is currently forecast to reach 26.1 million tonnes, down 2 million tonnes from 2003. Most of the contraction would be on account of smaller imports by countries in Asia and Latin America and the Caribbean, where requirements should be smaller this year. In particular, Bangladesh, the Islamic Republic of Iran, Brazil and Colombia are anticipated to cut purchases. In addition, the imposition of new import restrictions and an intensification of anti-smuggling measures could weight negatively on rice deliveries to Indonesia, Malaysia and the Philippines. By contrast, shipments to China, Iraq, Mexico and the Russian Federation could increase, while those directed to African countries are anticipated to be held back by the expected rise in world prices and growing concerns over the increasing dependence on imports.

- The anticipated drop in global trade in 2004 reflects an anticipated tightening of supplies in major exporting countries. In particular, China is likely to curb exports, especially if producers fail to respond to the Government incitation to produce more. India's temporary export ban and the introduction of a new trade policy are anticipated to cut her deliveries. Supply shortages, on the other hand, are likely to reduce shipments from Japan, the Republic of Korea and the United States. Exports by Myanmar, Pakistan and Egypt are expected to be of the same order as in 2003, while Thailand, Vietnam, Australia, Argentina and Uruguay are in a position to raise theirs.

- Global rice stocks at the close of the 2003 marketing seasons are anticipated to fall by 20 million from their opening levels, to 102 million tonnes. As a result, the stock-to-utilization ratio would deteriorate with reserves at the end of the season expected to cover about 3 months of global utilization, compared with 3.5 months at the end of the 2002 season. Much of the contraction in inventories should be concentrated in China and India.

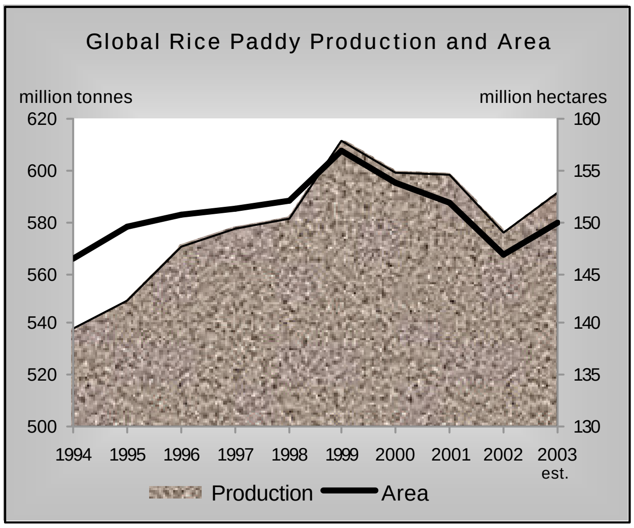
- International rice prices continued on an upward trend, a tendency that dominated all types of rice, but in particular Japonica and aromatic varieties. Prospects for prices in the coming months remain positive, although the strength should be tempered by the withdrawal of Indonesia from the market until mid-June. Nonetheless, tight world export availabilities should keep international prices firm, at least until India or Myanmar's present export bans remain in place.

**RICE SITUATION UPDATE AS OF 31 JANUARY 2004**

# I. PRODUCTION

## Paddy Production Recovers in 2003

Most countries in the Northern Hemisphere have already harvested their main 2003 rice crops, with some in the process of planting their secondary crop. In the Southern Hemisphere, the 2004 season is already well advanced, with the harvests due to start in February or March.




With the season about to conclude, FAO estimate of global paddy in 2003 remains of the order of 591 million tonnes, 15 million tonnes or 2.6 percent more than in the previous season. The partial recovery mainly reflects a return to a normal monsoon in India and, in general, better growing conditions than last year.

## I.1 ASIA

### Favourable Monsoon Rains Lift 2003 Production

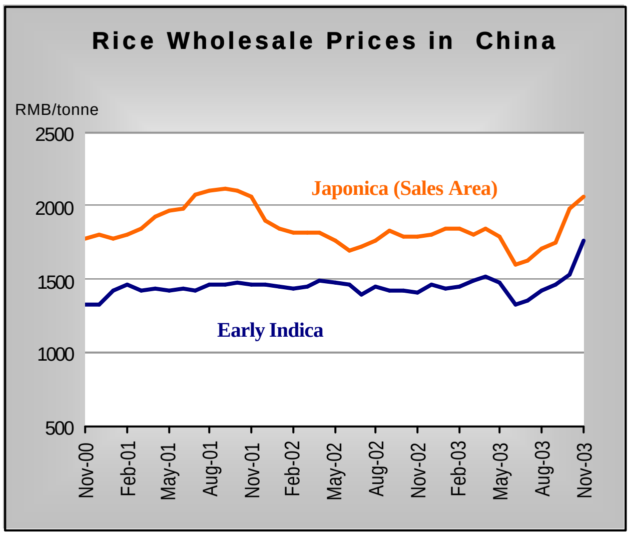
Output in Asia is currently forecast to reach 539 million tonnes, up from 522 million tonnes in 2002, with much of the difference accounted for by **India**, which, this season, benefited from the best monsoon in a decade. Paddy production in the country is expected to rise by 17 percent above the poor 2002 outturn to 133.5 million tonnes, unchanged from the previous forecast, pending an assessment of the losses caused in January by a cyclone that hit the important producing region of Andrah Pradesh. Of particular importance for the high-quality segment of exports, production of Basmati rice is expected to grow from 1.3 million tonnes in 2002 to 1.8 million tonnes this season.

In **Bangladesh**, the forecast for paddy production in 2003 has been raised by 300 000 tonnes to a record 39.9 million tonnes, on account of a good main Aman crop. In November, the government announced it would buy some 200 000 tonnes of paddy at Taka 8 400 per tonne (about US$ 148 per tonne).

**Cambodia's** production is forecast at 4.3 million tonnes, more than 10 percent above 2002, due to more favourable weather conditions that benefited the wet season crop.

Forecasts for rice production in **China** remain at 165.8 million tonnes. This would imply a 5 percent contraction from 2002 and the fifth consecutive year of declines. The season was impaired by heat waves during the summer in the South and by sudden drops in temperature during the autumn in the North. However, the drop in output is mainly imputable to the policy stance that has prevailed since 2000, which has encouraged farmers to divert land out of grain production. The release of supplies from the large grain buffer stocks held at farms and in Government warehouses helped bridge the gap between production and consumption and kept prices stable. Since July, however, prices have been on the rise, reaching in November levels not seen for the past two years. The Central Government is reported to have reacted to the spree by requesting the major paddy producing provinces to heighten the "protective" producer prices and to enforce more closely the laws preventing agricultural land from being diverted to other uses.

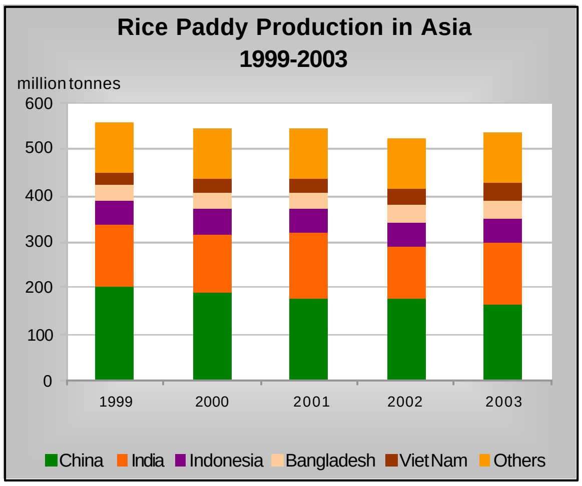
Production in the **Chinese Province of Taiwan** was also adversely affected by extremely high temperatures in 2003. The outlook for production in 2004 is also negative as the local Government reacted to water supply shortages by cutting the area to be cultivated during the main crop, which is currently being seeded.




Partly due to prolonged drought conditions in Java, **Indonesia** again failed to meet Government production target in 2003 and paddy output only grew marginally to 51.8 million tonnes. As for the 2004 season, which is already well advanced, the Government has announced a production target of 53.5 million tonnes. The chances that this target is met are quite high this year, since growing conditions for the main crop that will be harvested between February and May have been excellent so far.

**Japan's** official production forecast for 2003 has been further lowered to 9.7 million tonnes, the lowest level since 1993. Like then, prolonged cold temperatures and poor sunlight during the summer impaired the crop, resulting in a 13 percent contraction from last year and rising domestic prices.

The **Republic of Korea**'s government also reduced the country's paddy production forecast for 2003, which now stands at its lowest level in the decade. The country's crop was hit by prolonged rains and a typhoon, which contributed to a 10 percent shortfall from last year.




Official production prospects in **Myanmar** remain at an all time high of 24.6 million tonnes, despite reports of drought-incurred damage to the main crop in central regions. In June the country announced the liberalization of its rice procurement and marketing systems. Fertilizer subsidies were also eliminated.

Favourable prices in the previous season combined with improved canal water availability and timely rainfalls also boosted paddy production in **Pakistan** to 6.9 million tonnes, 450 000 tonnes more than earlier anticipated and 3 percent above the revised 2002 output level. Producers were reported to have shifted to the higher quality rice cultivation, at the expense of the more common IRRI varieties.

FAO forecast for the **Philippines** is unchanged at 13.5 million tonnes (June/July basis), some 4 percent above the poor outturn of last season. Strong gains in production between June and December were attributed to good weather and to the government Quick-Turn Around programme, which gives incentives to producers to replant or to engage in a supplementary crop. Similar progress is anticipated during the first semester 2004, as water availability should be enough to expand the area under rice. In addition, the government has raised its target of hybrid rice cultivation from 400 000 hectares in 2003 to 600 000 hectares in 2004.

Officials in **Thailand** recently revised production figures for 2002 and 2003. As a result, forecasts for the current season have been lowered to 26.8 million tonnes, up from 25.6 million tonnes last season. The Government opened last November a new round of government procurement aimed at sustaining producer prices at the time of the main crop harvest. The programme has funds allocated to purchase up to 9 million tonnes of paddy up to the end of February.

The official production forecast in **Viet Nam** remains at 34.7 million tonnes, up marginally from a revised 2002 estimate, despite reports of a prolonged drought in the Northern and Central regions. Growing domestic requirements combined with a brisk pace of exports have resulted in a tightening of supply and rising domestic prices, with some relief expected from the arrival of the winter-spring crop between February and March.

In the rest of the region, production in **Turkey** was adjusted downward and is now anticipated to rise only marginally in 2003, to 370 000 tonnes.

Although **Uzbekistan's** forecast was also cut, the country is poised to record an increase of over 70 percent, as the country recovers from last year drought. The progress reflects improved irrigation and a cut in the Government procurement quota, which encouraged farmers to produce more. By contrast, the 2003 production figure in **Kazakhstan** was raised, following reports of a record crop in its major growing region.

FAO also upgraded the production figure for **Turkmenistan** following the release of official statistics, at 80 000 tonnes in 2002 and 109 500 tonnes in 2003, most of which harvested in Dashoguzsky in the North and Labapsky in the Southeast. The country has set a target for production in 2010 at 250 000 tonnes.

# I.2 AFRICA

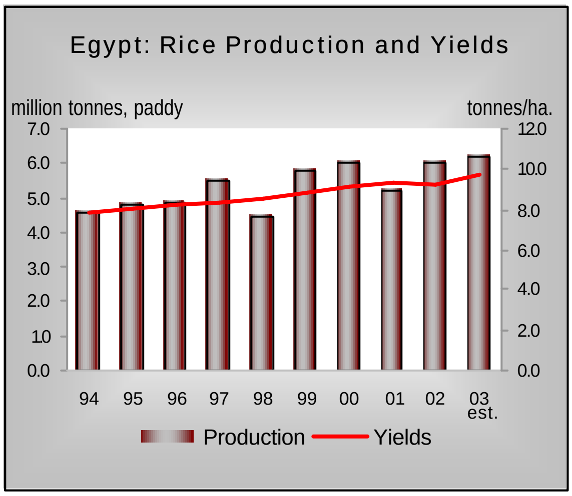
## Mixed Growing Conditions Have Prevailed

Aggregate paddy production in **Africa** is currently estimated to reach 17.8 million tonnes in 2003, modestly up from 17.6 million tonnes in the previous season, as growing conditions were mixed, with a generally favourable outcome in Northern Africa and Western Africa contrasting with shortfalls in the rest of the region.

In North of Africa, **Egypt** is forecast to reap a bumper crop of 6.2 million tonnes this season, up from an original forecast of 6.0 million tonnes. The increase has taken place despite a 2.5 percent contraction in plantings, since the introduction of high-yielding short cycle rice varieties has helped the country boost yields to a world record of 9.7 tonnes per hectare, besides sharply reducing the crop water requirements.

In Western Africa, countries have harvested their main 2003 paddy crops. In general, rains have been abundant, even causing floods in certain areas. There were some exception, however, as a prolonged drought afflicted the **Cote d'Ivoire** and **Ghana**, which constrained planting and crop development in several areas.

Among the major producing countries, the **Cote d'Ivoire** is currently anticipated to harvest some 500 000 tonnes, 200 000 tonnes less than last season and 300 000 tonnes below the previous forecast. The sector has been impaired by civil war in the North and Centre, resulting in the displacement of local and migrant workers, in addition to insufficient precipitation since May.



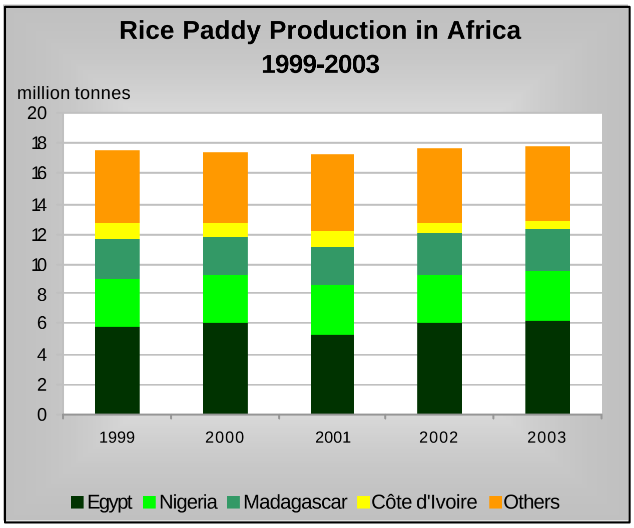

**Liberia** was also afflicted with civil war problems and the expected fall in output is now likely to be of the order of 30 percent, substantially larger than earlier foreseen.

In **Mali**, new government estimates showed slightly lower figures for 2003 production than had been anticipated but they also reduced output in 2002. As a result, the sector is foreseen to experience a 36 percent increase from a dismal output last year, reflecting abundant and well distributed rainfall and improved availability of quality seeds.

Production in **Mauritania** is also foreseen to rise in 2003, sustained by abundant rains this year, with the increase currently estimated at 30 percent.

FAO has revised down its forecast of production in **Nigeria**, the largest producer in the sub-region, by 100 000 tonnes to 3.4 million tonnes, following reports of heavy flooding and pest outbreaks in important producing areas. This would imply only a marginal increase could be achieved compared with 2002, despite the ambitious government objectives to reach self-sufficiency.

By contrast, in central Africa, drought problems constrained the 2003 season in **Tanzania,** with the contraction in production estimated at some 16 percent.




In southern Africa, plantings of the forthcoming 2004 crops began last November generally under insufficient rainfall conditions. A lack of precipitation and reduced ground water availability following a poor rainy 2002-2003 season may have affected plantings of the 2004 new crop in the central and Southern areas of **Mozambique**. In **Madagascar**, rains in early January were reported to have brought some relief to the Southern parts of the country which had also been hit by drought at planting time. However, in both countries, the outcome of the already completed 2003 season was positive with a record harvest officially reported.

## I.3 NORTH AMERICA

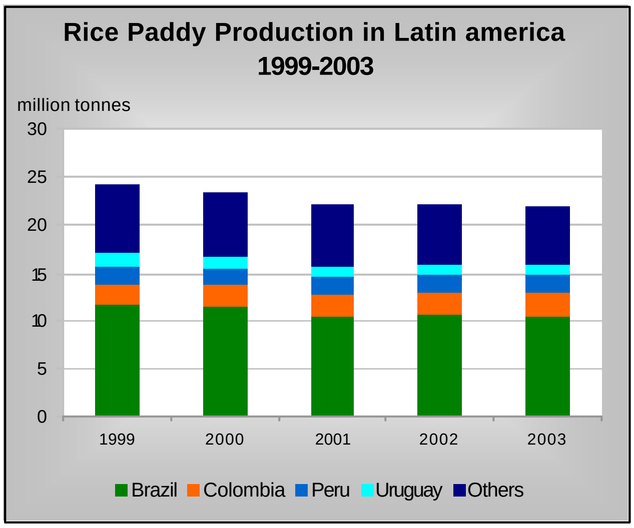
### Low Prices and Bad Weather at Planting Depresses Production

Latest USDA estimate of the **United States'** 2003 production was slightly raised to some 9 million tonnes. This would imply a 6 percent contraction from 2002 production level, a consequence of reduced plantings in all reporting states, in particular Louisiana, which more than offset progress in yields. The fall affected output of both long and medium grain rice output, which declined by 5 percent and 9 percent respectively while a 79 percent increase was recorded in the case of short grain rice, but from a low basis since it accounts for only 1 percent of the country's total output.

## I.4 CENTRAL AMERICA AND THE CARIBBEAN

### Production Growth Generally Positive

Most countries in Central America and the Caribbean have harvested their main 2003 crop and preliminary estimates of output are generally positive. Among the main producers in the sub-region, a recovery of 15 percent was reported in **Costa Rica**, where producers responded to relatively favourable prices by increasing plantings. In **Mexico**, the rise was of the order 10 percent to 261 000 tonnes, up from an original estimate of 251 000 tonnes. A good harvest was also gathered by **Panama** and **Cuba**. In the latter, official estimates of output showed a growth of almost 9 percent to 315 000 tonnes, of which some 80 percent produced by individual farmers and 20 percent at State farms. Latest official estimates in **Nicaragua** also pointed to 7 percent increase from last season, to a new record of over 300 000 tonnes. By contrast, production estimates in the **Dominican Republic** indicate a fall of about 8 percent from the bumper 2002 season.




## I.5 SOUTH AMERICA

### The 2004 Season Starts Positively

Most countries in South America have or are about to conclude their 2003 season, with some areas already in the process of harvesting the early 2004 crops. Estimates for 2003 in **Argentina** have been raised, following an upward revision in the area. As a result, the country is estimated to have gathered the same level of production as in 2002, despite adverse weather at the onset of the season. As for the new 2004 season, the area planted to rice by the end of December was reported to have risen by 25 percent from last year under the stimulus of high prices, which pre-empts a substantial rise in output. Likewise, surveys by the Ministry of Agriculture in **Brazil** pointed to a 7 percent increase in planting intentions in the forthcoming 2004 season, which combined with normal weather conditions, could give rise to a 13 percent gain from the poor 2003 crop. Prospects for the 2004 crop in **Uruguay** are also positive, as high prices are reported to have stimulated a large expansion in plantings and raised expectations of a bumper crop in excess of 1.1 million tonnes.

## I.6 OCEANIA

### Production in 2004 likely to remain below pre-drought levels in Australia

Estimates of **Australia's** output by ABARE remain at a bleak 391 000 tonnes in 2003, reflecting one of the worst drought in memory. Early forecasts for the new 2004 crop show only a partial recovery to 587 000 tonnes, resulting from greater water allocations to farmers, still some 50 percent short of the level achieved in 2002.

## I.7 EUROPE

### A new rice policy to be implemented in September 2004 in the EU

Harvest of paddy crops in Europe was completed by October last year, while planting of the new crop will not start until March/April. Based on preliminary estimates, the **European Union** (EU) is set to have harvested 2.6 million tonnes in 2003, unchanged from 2002. All member countries recorded some moderate increase in output, with the exception of Italy where yields were depressed by high temperatures and drought last summer. Despite prospects for heavy detractions from area payments, Spanish producers again exceeded their planting entitlements of 104 973 hectares by 12 percent in 2003. At the beginning of the 2004/05 rice marketing season in September, the EU will implement the new rice policy regime, which will entail a 50 percent reduction in the intervention price to US$ 150 per tonne. Such a cut will be associated with strong increases in compensatory payments to producers.

In the **Russian Federation**, preliminary estimates by the Ministry of Agriculture signal a 9 percent drop in output in 2003.

# II. INTERNATIONAL TRADE

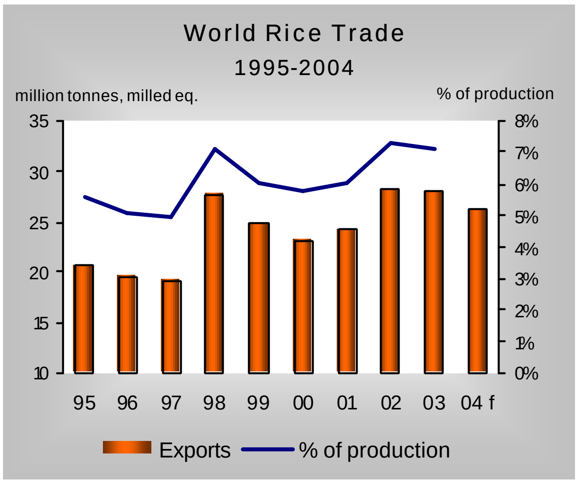
## II.1 Rice Trade in 2003

### Rice Flows in 2003 Likely to Approach the 2002 Record Volume

FAO estimate of global rice trade in 2003 has not been changed since the last report, as it remains at 28 million tonnes, on a milled rice basis, only marginally below the all time high achieved in 2002. This would bring the share of production traded on the world market to 6.5 percent, down from 7.3 percent in 2002.

Although unchanged at the aggregate level, several offsetting changes have been made, which were largely based on new Government official trade forecasts or derived from partner trade data. With respect to imports, 2003 rice flows to **Indonesia**, the **Philippines**, **Cuba** and **Brazil** have been cut from their previous forecasts, while these were raised for **Bangladesh**, the **Islamic Republic of Iran**, **Benin, Senegal** and **South Africa**.

On the export side, shipments from **India**, **Pakistan** and the **United States** have been revised upward, which offset some reductions in **Myanmar** and **Viet Nam**. The revision for **Myanmar** reflects information on shipments reported by the USDA, which showed that the country had only shipped about 385 000 tonnes between January and October 2003, less than half the volume that had been exported in the same period in 2002.




| **Myanmar – Monthly Rice Exports (metric tonnes)** | | | | | | |
|---|---|---|---|---|---|---|
| | **2002** | | | **2003** | | |
| | **Milled** | **Paddy** | **Brokens** | **Milled** | **Paddy** | **Brokens** |
| Jan. | 102,863 | 23,666 | 1,605 | 16,841 | 0 | 14,844 |
| Feb. | 82,875 | 32,102 | 509 | 61,348 | 0 | 21,144 |
| Mar. | 138,663 | 37,862 | 8,690 | 80,976 | 0 | 943 |
| Apr. | 68,009 | 20,718 | 805 | 57,688 | 0 | 1,150 |
| May | 72,658 | 11,946 | 4,317 | 46,158 | 79 | 2,684 |
| Jun. | 75,406 | 5,521 | 3,567 | 8,060 | 411 | 2,804 |
| Jul. | 33,032 | 1,343 | 1,320 | 17,175 | 154 | 32,005 |
| Aug. | 47,340 | 5,590 | 33,413 | 330 | 1,315 | 2,344 |
| Sep. | 57,440 | 2,870 | 19,354 | 1,869 | - | 7,651 |
| Oct. | 78,762 | 1,865 | 27,485 | 3,111 | - | 2,137 |
| Nov. | 12,582 | - | 2,298 | | | |
| Dec. | 26,951 | - | 6,925.15 | | | |
| **Rice Totals:** | 796,581 | 143,483 | 110,288.15 | 293,556 | 1,959 | 87,706 |
| **Others** | 11,726 * | - | - | | | |
| **Grand Totals:** | 808,307 | 143,483 | 110,288.15 | 293,556 | 1,959 | 87,706 |

* export shipments not covered elsewhere

Source: USDA

## II.2 Outlook for Trade in 2004

### Supply Constraints and Import Restrictions likely to lower rice trade in 2004

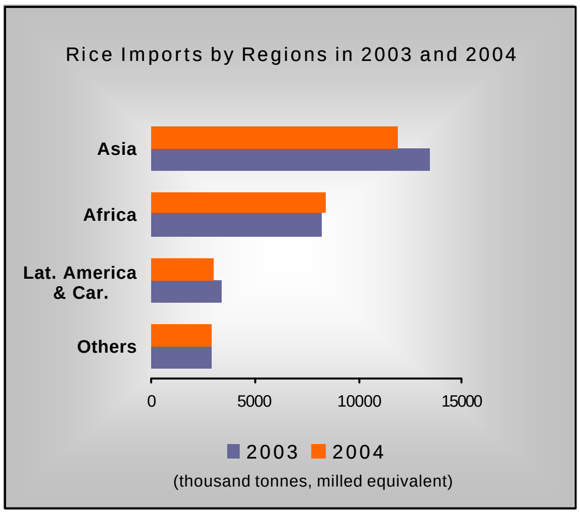
FAO currently forecasts world rice trade to fall by 7 percent in 2004 to 26 .1 million tonnes, almost 2 million tonnes below the high levels achieved in 2002 and 2003 and slightly less than anticipated in the last report. The year-to-year contraction reflects reduced global export availabilities coupled with a retrenchment of some major importers from the market, which might be partly fuelled by stronger international prices.

## Imports in 2004

According to the current FAO outlook, shipments to Asian countries could fall by more than 10 percent in 2004. In particular, **Indonesia** is poised to reduce imports from 3 million tonnes to 2 million tonnes, consistent with FAO expectation of high production outturn in the new 2004 season. In January 2004, Indonesia's Government also passed a decree banning private sector imports during the critical period surrounding the harvest (from 20 January to June) and, during the eligible period, imposed them to be shipped through designated ports by authorized importers. In addition, the Government is again considering the possibility of raising the current level of the tariff from 430 rupiah to 510 rupiah per kilo. In **the Philippines**, the closure of trading bonded warehouses and stiffer controls to curb the amount of rice imported illegally into country were recently announced, which would also contribute to lower shipments. Tough measures against rice smuggling were also passed in October last year by **Malaysia.** Deliveries to **Bangladesh**, the **Islamic Republic of Iran** and the **Philippines** are also foreseen to be smaller, in the light of the good crops harvested in those countries in 2003. By contrast, rice flows to **Iraq** might rebound. Tighter supplies in mainland **China** might also result in larger purchases, although these are expected to remain well short of the 5.32 million tonne 1 percent tariff rate quota that the country has committed to open in 2004 under its WTO obligations. The official import forecast in the **Republic of Korea** has been set at 228 000 tonnes, marginally above the 2003 level and largely in line with the WTO minimum market access quota. Imports by the country, which are mainly conducted through public tenders, were reported in December to have been delayed by the imposition of a ceiling price, set equal to the internal domestic target price.

Imports by African countries are anticipated to hover around 8.4 million tonnes in 2004, marginally above the 2003 level, as much of the dynamism shown in recent years might be stifled by higher world prices. Concerns over rising imports have also deepened in the region and several governments have taken action to slow the rice inflows.

Imports by countries in Latin America and the Caribbean might fall in 2004. The drop would mainly stem from reduced demand by **Brazil**, following a recovery in production this year. Larger expected domestic availability in **Colombia** could also result in smaller imports, while an increase is anticipated in the case of **Mexico**, notwithstanding the imposition of antidumping duties on rice from certain US exporting firms.



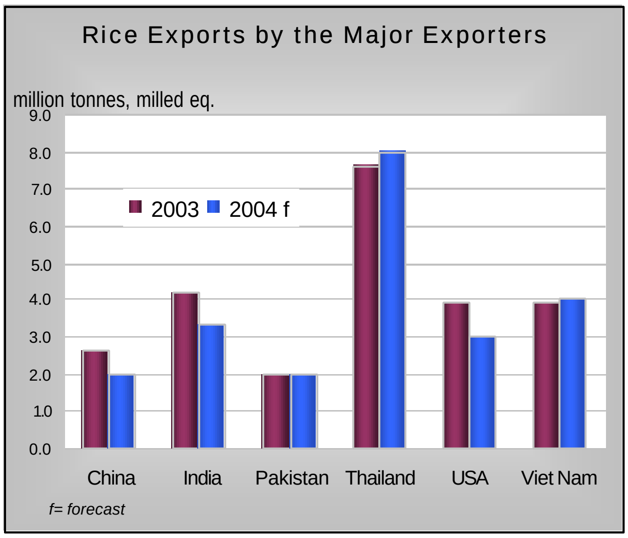

In the rest of the world, the **European Union** is anticipated for the moment to keep imports around 700 000 tonnes. However, a number of developments make forecasting for the Union rather difficult this year, including the new rice policy that will be implemented as of September, which may well result in lower domestic prices and import levies. In addition, enlargement as of May 2004 will raise the membership of EU from 15 to 25 countries. Lastly, as of 1 April 2004, the EU will restrict the duty abatement of Euro 250 per tonne it had granted to imports of husked Basmati from India and Pakistan. According to the new rules, hybrid Basmati varieties (mainly the Pakistan Super Basmati and Indian Basmati Pusa) will cease to get the exemption and only pure Basmati rice varieties[1] will be eligible. Imports of Basmati rice by the EU have risen from 205 426 tonnes in 2000/01 (September/August) to 276 377 tonnes in 2002/03.

Rice purchases by the **Russian Federation** in 2004 are currently forecast to rise by some 50 000 tonnes to 470 000 tonnes, largely in response to the anticipated crop shortfall of 2003. Last August, the Government made the prevailing 10 percent duty subject to a minimum value of US$ 33 per tonne for a period of 9 months.

[1] Only five Indian traditional Basmati varieties (Basmati 217, Basmati 370, dehraduni, taraori, ranbir) and two indigenous Pakistani varieties (Basmati 370 and kernel) retained the duty concession.

## Exports in 2004

The two million tonne drop in global trade forecast for 2004 reflects, smaller shipments from several traditional exporters where export availabilities appear tight this year.




In particular, **China** is forecast to export 2 million tonnes, down from 2.6 million tonnes last year. The contraction could be even more pronounced should producers fail to respond to the Government incitation to raise plantings.

Shipments from **India** are also set to fall by as much as 1 million tonnes, to about 3.2 million tonnes, following the suspension of sales for export by the Food Corporation of India (FCI) in August 2003. In addition to the prevailing export ban, a Rupees 300 per tonne rise in FCI rice selling prices to exporters was announced for the January-March quarter, which brought them up to Rupees 7600 per tonne and at Rupees 7800 per tonne respectively for raw and parboiled rice. It is noteworthy, however, that the export mechanism might be seriously overhauled following the decision by the Government, in January 2004, to allow traders to purchase rice and wheat not only from FCI stocks but also directly from farmers.

The 2003 production shortfalls in **Japan** and **the Republic of Korea** are anticipated to halve the two countries'rice deliveries in 2004, most of which will continue to be channelled under food aid programmes.

Exports by **Myanmar** are currently foreseen to remain of the order of 500 000 tonnes. Rice trade was liberalized in April 2003, with the abolishing of the export monopoly that was held by the Myanmar Agricultural Produce Trading (MAPT) agency. However, recently a six month export ban was announced, applicable as of 1 January 2004.

Exports from **Pakistan** in 2004 are expected to remain of the order of 2 million tonnes this year. However, the country is expected to lose most of the remunerative EU Basmati market, following the withdrawal of the duty abatement on Hybrid Basmati rice, which makes up the bulk of Pakistan Basmati sales to the EU.

Relatively ample export availabilities in **Thailand** are expected to boost the country's shipments to a new record of 8 million tonnes. Last November, the government launched one of its largest tenders, to sell to exporters 800 000 tonnes of publicly held rice, it had bought under its intervention programme.

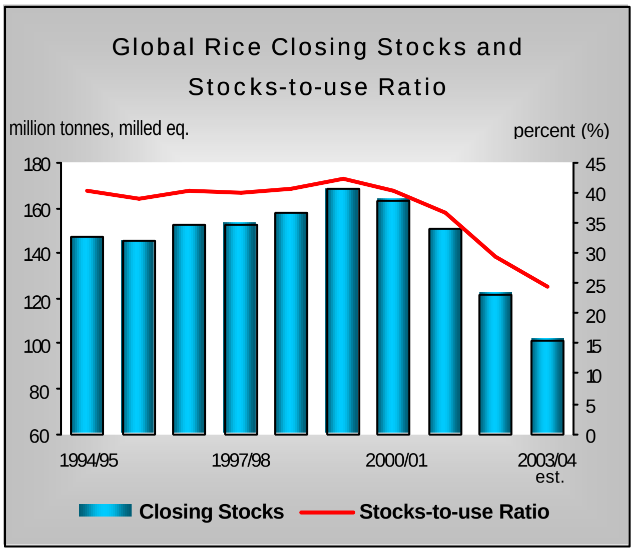
Exports by **Viet Nam** are now set to rise to 4 million tonnes. Current export availabilities have been reportedly limited pending the arrival onto the market of the winter-spring crop, a paucity which is delaying shipments.

Among the other major exporters, **Egypt** is set to sell 680 000 tonnes in 2004, slightly above last year. Improved outlook for production in 2004 in **Argentina**, **Uruguay** and **Australia** should also provide the basis for a strong recovery of exports from these countries. By contrast, the latest official forecast for the **United States** points to a 22 percent contraction from last year, a reflection of reduced supplies and expectations of continuing strong domestic prices.

# III. RICE STOCKS

## Global Rice Stocks to Fall Again

FAO forecast for world rice stocks at the close of the marketing seasons ending in 2004 has been lowered somewhat from the last issue and now stand at 101.6 million tonnes, 20 million tonnes below their opening level. The stock draw-down reflects the recurrence of an imbalance between global production and global utilization in 2003, since the former is estimated to have covered only 95 percent of the latter.




The gap resulted in a deterioration of the rice stock-to-utilization ratio, which fell from 29.5 percent to 24.3 percent. This basically means that the estimated level of closing stocks would be sufficient to cover about 3 months of global rice consumption, compared with 3.5 months at the end of the 2002 season.

The expected decline in global rice inventories reflects, to a large extent, developments in the two major producing countries, namely China and India. In the first case, **China's** closing stocks are estimated to have been drawn by 17.5 million tonnes from the beginning of the 2003 season. Similarly, end-of-season inventories in **India** are anticipated to decline by 1 million tonnes to 12.9 million tonnes, the lowest level in the decade. The drop would have been larger, should the Government have failed to ban exports in August. The move reflected concerns about the dwindling size of government rice stocks held by the FCI, which were reported to have dipped to 10.8 million tonnes by 1 December 2003, half the level of one year earlier. Among the other major exporting countries, carry-over stocks might also end lower in **the United States**, while they are expected to rise in **Myanmar** and **Argentina** and remain substantially unchanged in **Egypt**, **Thailand** and **Viet Nam**.

The rice stock pile held by importing countries could also dwindle by the end of the season. This would be the case in **Indonesia** and the **Islamic Republic of Iran**. A decline is also anticipated in **Japan** and **the Republic of Korea**, since the two countries are unlikely to respond to the 2003 production shortfall by importing beyond their WTO obligations. Growing domestic utilization together with limited shipments from abroad are also expected to lower stocks in the **Philippines**. By contrast, closing inventories in **Bangladesh** could rise following the favourable harvest and large imports in 2003.

# IV. INTERNATIONAL PRICES

## Prices Continue to Strengthen

Prices have continued to firm since November, as reflected by the FAO Rice Price index (1998-2000=100), which rose from 93 in November to 96 in December and to 101 in January. Underlying this strength are reported shortages in exporting countries that are experimenting delays in crop arrival or logistic transportation problems. In addition, the absence of India from the market has left importers with one less possible source of supplies.

Since November, the index for high quality Indica rice moved up 6 points. All the prices that compose the index firmed except for rice 5% broken from Viet Nam, which was priced US$ 5 per tonne lower than in November. By contrast, the price of the higher quality Thai 100% B reached US$ 221 per tonne in January, up from US$ 197 per tonne last November. Rice from the United States was also priced much higher, reaching US$ 357 per tonne in January, a level not seen since March 1999. However, the steepest increase was for Pakistan IRRI 10%, which rose by US$ 34 per tonne in the past three months, reflecting very tight supplies in that country.

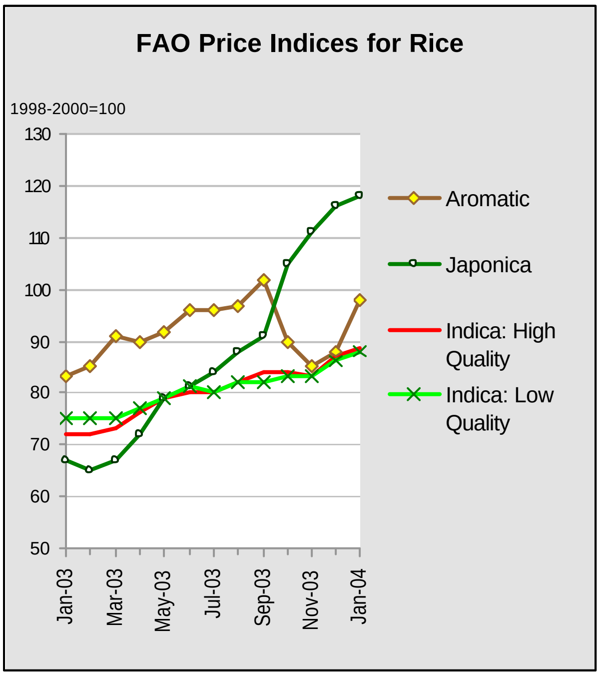
**FAO Rice Price Indices**

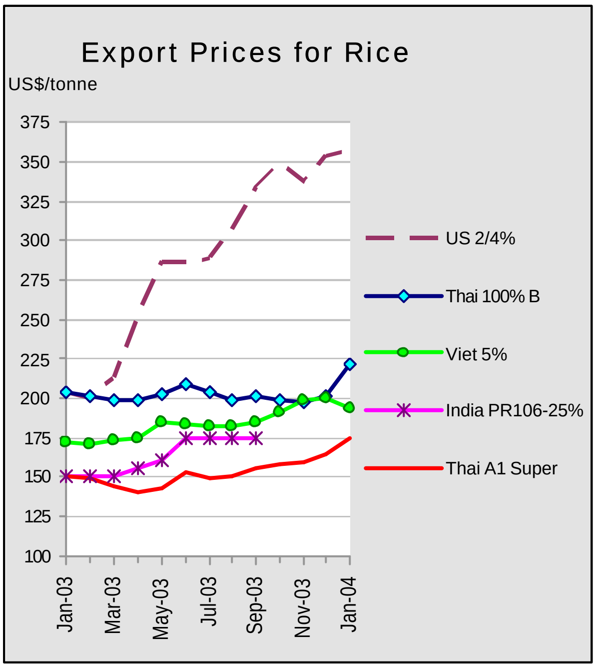
| | | All | Indica | | Japonica | Aromatic |
|---|---|---|---|---|---|---|
| | | | High | Low | | |
| | | 1998-2000 = 100 | | | | |
| **1999** | | **101** | **99** | **101** | **105** | **98** |
| **2000** | | **84** | **84** | **83** | **83** | **89** |
| **2001** | | **74** | **74** | **74** | **76** | **69** |
| **2002** | | **72** | **73** | **75** | **67** | **74** |
| **2003** | | **82** | **79** | **80** | **85** | **91** |
| **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 | 98 |
| | September | 87 | 84 | 82 | 91 | 102 |
| | October | 91 | 84 | 85 | 105 | 90 |
| | November | 93 | 83 | 87 | 111 | 85 |
| | December | 96 | 87 | 89 | 116 | 88 |
| **2004** | January * | 101 | 89 | 94 | 119 | 98 |
| **2003** | Jan. | 73 | 72 | 75 | 67 | 83 |
| **2004** | Jan. * | 101 | 89 | 94 | 119 | 98 |

***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.*

* Three weeks only.




Prices of the lower quality Indica rice were also under upward pressure as reflected in a 7 point rise in the corresponding price index. Again, most of the strength stemmed from higher quotations for rice from Thailand and Pakistan, while prices of Viet Nam rice dipped somewhat.

The medium rice and aromatic rice markets also showed signs of a tightening with an 8 points and 13 points increases in the respective FAO indices between November and January. In the case of the medium grain, the rise coincided with a series of tenders issued by Japan in November, December and January.

The outlook for prices in the coming months remains positive, although the strength should be tempered by the withdrawal of Indonesia from the market until mid-June. Nonetheless, tight world export availabilities should keep international prices firm, at least until India or Myanmar’s export bans remain in place.

| 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.* | | | | | | | | | | |
| **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** |
| **2003** | **201** | **284** | **183** | **176** | **166** | **167** | **175** | **151** | **31** | **357** | **449** |
| **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 | 348 | 191 | 179 | n.a. | 173 | 175 | 158 | 419 | n.a. | 485 |
| November | 197 | 337 | 198 | 178 | n.a. | 179 | 176 | 159 | 448 | n.a. | 429 |
| December | 201 | 354 | 200 | 180 | n.a. | 180 | 186 | 164 | 463 | n.a. | 450 |
| **2004** | | | | | | | | | | | |
| January * | 221 | 357 | 193 | 194 | n.a. | 177 | 203 | 175 | 470 | 449 | 513 |
| **2003** Jan. | 203 | 204 | 172 | 177 | 150 | 161 | 156 | 151 | 213 | 369 | 337 |
| **2004** Jan. * | 221 | 357 | 193 | 194 | n.a. | 177 | 203 | 175 | 470 | 449 | 513 |

**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.
* Three weeks only.

**WORLD PADDY PRODUCTION**

| | 2001 | 2002 (estimated) | 2003 (forecast) |
|---|---|---|---|
| | *million tonnes* | | |
| **WORLD** | **598.7** | **576.1** | **591.2** |
| Developing countries | 572.2 | 550.4 | 568.1 |
| Developed countries | 26.4 | 25.7 | 23.1 |
| **ASIA** | **544.5** | **522.3** | **538.8** |
| Bangladesh | 36.4 | 38.2 | 39.9 |
| 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 | 9.7 |
| Korea Rep. of | 7.4 | 6.7 | 6.0 |
| Myanmar | 21.9 | 22.8 | 24.6 |
| Pakistan | 5.8 | 6.7 | 6.9 |
| Philippines | 13.1 | 13.0 | 13.5 |
| Sri Lanka | 2.7 | 2.9 | 3.1 |
| Thailand | 26.5 | 25.6 | 26.8 |
| Viet Nam | 32.1 | 34.4 | 34.7 |
| **AFRICA** | **17.3** | **17.6** | **17.8** |
| **North Africa** | **5.3** | **6.0** | **6.2** |
| Egypt | 5.2 | 6.0 | 6.2 |
| **Sub-Saharan Africa** | **12.1** | **11.5** | **11.6** |
| Western Africa | 7.6 | 7.1 | 7.1 |
| Côte d'Ivoire | 1.1 | 0.7 | 0.5 |
| Guinea | 0.8 | 0.8 | 0.8 |
| Mali | 0.9 | 0.7 | 1.0 |
| Nigeria | 3.3 | 3.4 | 3.4 |
| Central Africa | 0.4 | 0.4 | 0.4 |
| Eastern Africa | 1.1 | 1.1 | 0.9 |
| 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** | **2.3** |
| 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** | **9.0** |
| United States | 9.8 | 9.6 | 9.0 |
| **EUROPE** | **3.2** | **3.2** | **3.2** |
| EC 2/ | 2.6 | 2.6 | 2.6 |
| **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** | **28.0** | **26.1** |
| Developing countries | 23.9 | 23.7 | 21.7 |
| Developed countries | 4.1 | 4.3 | 4.4 |
| **ASIA** | **14.1** | **13.5** | **11.9** |
| Bangladesh | 0.5 | 1.4 | 0.6 |
| China 1/ | 0.3 | 0.4 | 0.6 |
| Indonesia | 3.5 | 3.0 | 2.0 |
| Iran, Islamic Rep. of | 1.0 | 0.7 | 0.5 |
| Japan | 0.7 | 0.7 | 0.7 |
| Malaysia | 0.6 | 0.5 | 0.5 |
| Philippines | 1.3 | 1.0 | 0.9 |
| Saudi Arabia | 0.8 | 0.8 | 0.9 |
| Sri Lanka | 0.1 | 0.1 | 0.0 |
| **AFRICA** | **8.5** | **8.3** | **8.4** |
| Côte d'Ivoire | 1.0 | 1.1 | 1.1 |
| Nigeria | 1.8 | 1.5 | 1.5 |
| Senegal | 0.8 | 0.7 | 0.8 |
| South Africa | 0.6 | 0.8 | 0.8 |
| **SOUTH AMERICA** | **0.8** | **1.4** | **1.0** |
| Brazil | 0.6 | 1.1 | 0.7 |
| Chile | 0.1 | 0.1 | 0.1 |
| **NORTH & C. AMERICA** | **2.6** | **2.7** | **2.7** |
| 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** | **28.0** | **26.1** |
| Developing countries | 24.0 | 23.1 | 22.3 |
| Developed countries | 4.2 | 4.9 | 3.8 |
| **ASIA** | **22.4** | **21.8** | **20.4** |
| China 1/ | 2.1 | 2.6 | 2.0 |
| India | 6.6 | 4.2 | 3.3 |
| Myanmar | 0.9 | 0.5 | 0.5 |
| Pakistan | 1.6 | 2.0 | 2.0 |
| Thailand | 7.3 | 7.6 | 8.0 |
| Viet Nam | 3.2 | 3.9 | 4.0 |
| **AFRICA** | **0.5** | **0.7** | **0.7** |
| Egypt | 0.5 | 0.7 | 0.7 |
| **SOUTH AMERICA** | **1.2** | **1.1** | **1.4** |
| Argentina | 0.2 | 0.2 | 0.4 |
| Uruguay | 0.7 | 0.6 | 0.7 |
| **NORTH AMERICA** | **3.3** | **3.9** | **3.0** |
| United States | 3.3 | 3.9 | 3.0 |
| **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 | 92880 F | 78130 F |
| Production 1/ | 122901 G | 120876 G | 114778 * |
| Imports | 340 G | 405 F | 550 F |
| Total Supply | 229701 | 214161 | 193458 |
| Domestic Use | 134749 | 133431 | 130823 |
| Exports | 2072 G | 2600 F | 2000 F |
| Closing Stocks | 92880 F | 78130 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 | 89005 F |
| Imports | 10 F | 30 F | 50 F |
| Total Supply | 118090 | 102150 | 103055 |
| Domestic Use | 85090 | 83950 | 86905 |
| Exports | 6600 F | 4200 F | 3250 F |
| Closing Stocks | 26400 F | 14000 F | 12900 F |

**PAKISTAN 2/** (Nov./Oct.)

| | 2001/2002 | 2002/2003 prelim. | 2003/2004 f'cast |
|---|---|---|---|
| | (......... thousand tonnes | | ...........) |
| Opening Stocks | 970 F | 550 F | 310 F |
| Production 1/ | 3882 G | 4478 G | 4600 F |
| Imports | 0 F | 0 F | 0 F |
| Total Supply | 4852 | 5028 | 4910 |
| Domestic Use | 2699 | 2765 | 2710 |
| Exports | 1603 G | 1953 F | 2000 F |
| Closing Stocks | 550 F | 310 F | 200 F |

**THAILAND 2/** (Nov./Oct.)

| | 2001/2002 | 2002/2003 prelim. | 2003/2004 f'cast |
|---|---|---|---|
| | (......... thousand tonnes | | ...........) |
| Opening Stocks | 1810 F | 2400 F | 2100 F |
| Production 1/ | 17558 G | 16938 G | 17762 F |
| Imports | 1 G | 0 F | 0 F |
| Total Supply | 19369 | 19338 | 19862 |
| Domestic Use | 9642 | 9658 | 9762 |
| Exports | 7327 G | 7580 F | 8000 F |
| Closing Stocks | 2400 F | 2100 F | 2100 F |

**UNITED STATES 4/** (Aug./Jul.)

| | 2001/2002 | 2002/2003 prelim. | 2003/2004 f'cast |
|---|---|---|---|
| | (......... thousand tonnes | | ...........) |
| Opening Stocks | 887 G | 1216 G | 829 G |
| Production 1/ | 6718 G | 6536 G | 6324 G |
| Imports | 412 G | 459 G | 492 G |
| Total Supply | 8017 | 8211 | 7645 |
| Domestic Use | 3846 | 3522 | 3853 |
| Exports | 2955 G | 3860 G | 3080 G |
| Closing Stocks | 1216 G | 829 G | 712 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/ | 21416 G | 22976 G | 23124 F |
| Imports | 2 F | 2 F | 2 F |
| Total Supply | 25438 | 27478 | 28026 |
| Domestic Use | 17698 | 18688 | 19126 |
| Exports | 3240 G | 3890 F | 4000 F |
| Closing Stocks | 4500 F | 4900 F | 4900 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.