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

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HIGHLIGHTS

- FAO first forecast of global paddy production in 2004 has been set at 613 million tonnes, 22 million larger than last season, and the highest level on record. The figure is highly tentative, since countries in the Northern Hemisphere still have to plant their main crops. So far, the outlook for the Southern Hemisphere countries, where harvesting is underway, is generally positive.

- Much of the increase in production is likely to be concentrated in Asia, in particular in China and India, the two largest rice producers. In China, domestic prices have surged in the past few months prompting the Government to adopt production-enhancing measures, including the re-introduction of protective prices for early rice. Production is also set to rise in Pakistan and Thailand, to recover in Japan and the Republic of Korea, but to fall in Myanmar and Vietnam. Increases in output are mostly foreseen in the major traditional importing countries, in particular Bangladesh, Indonesia, the Islamic Republic of Iran, Malaysia and the Philippines. By contrast, Sri Lanka is heading towards a negative performance.

- Modest gains in production are anticipated in Africa, since the outlook for countries south of the equator is rather grim, with Madagascar likely to experience a contraction. Paddy production could also slide in Mozambique, while it is expected to recover in Tanzania, where a bad crop performance last season is causing serious food shortages this year. In the rest of the region, a wider use of Nerica varieties could help sustain growth, but weather in the next few months will be the critical factor for production.

- Prospects for production in Central America are so far positive, with increases foreseen in Mexico, Costa Rica, Cuba and the Dominican Republic. Production should surge in South America, driven by a sharp recovery in Brazil and large gains in Argentina and Uruguay. In the rest of the world, output should increase in Australia and, especially, in the United States, where output could reach a new record.

- FAO forecast of international rice trade in calendar year 2004 has been downgraded from the previous report to 25.5 million tonnes, which would be 2.5 million tonne smaller than in 2003. The year-to-year contraction reflects anticipation of smaller purchases against a backdrop of rising world prices and freight rates. Most of the traditional importers are anticipated to cut their purchases, with the possible exception of mainland China, which, in recent months, has been active in purchasing rice from neighbouring countries.

- The decline in global trade in 2004 is expected to arise mainly from a drop in supplies in exporting countries, some of which have taken steps to restrict exports. China, India, Myanmar, and the United States are all expected to reduce their shipments. Smaller food aid deliveries from Japan and the Republic of Korea are also anticipated. By contrast, shipments by Thailand and Vietnam but also Argentina, Egypt and Uruguay are anticipated to surge.

- Aggregate carry-over stocks from the 2003/04 paddy marketing seasons are forecast at 102 million tonnes, down from 120 million tonnes last year. Again, much of the contraction should be on account of China, with drops also foreseen in Australia, Egypt, Thailand and the United States. Several major importing countries are also anticipated to end their season with smaller inventories, including the Islamic Republic of Iran, the Philippines and the Republic of Korea. Instead, some rebuilding might take place in India and Myanmar.

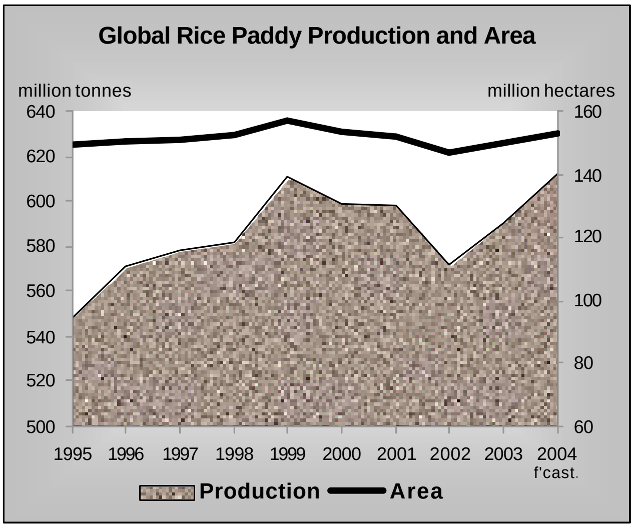
- Although the past few months coincided with the harvest of the main paddy crops in major producing countries, prices of bng grain rice have risen sharply since January, while prices of Japonica and Aromatic varieties tended to weaken somewhat. International rice prices are expected to keep a rising trend in the coming months, especially if China, which will not harvest its early rice crop before June, intensifies its purchases. The pressure would be mitigated, on the other hand, should Myanmar or India announce a lifting of their rice export restrictions.

RICE SITUATION UPDATE AS OF 31 MARCH 2004

I. PRODUCTION

First forecast of global paddy production in 2004 shows 4 percent growth

FAO first forecast of global paddy production in 2004 has been set at 613 million tonnes, 22 million tonnes above the level garnered in the 2003 season, about to be concluded. If confirmed, this would be the highest level of world production on record. The forecast is based on the anticipated outcome of production in southern hemisphere countries, where harvest of the 2004 main crops is underway and, for northern hemisphere countries, on expectations of favourable producer prices and prevailing policy stance of governments. The forecast also assumes the prevalence of normal weather conditions, a critical assumption since a large share of production depends on the course of the monsoon rains in the second half of the year.



Most of the expected growth in 2004 should arise in Asia but also in Latin America and the Caribbean, where the sector is anticipated to experience a strong recovery.

I.1 ASIA

A Moderate Increase in Production Expected in 2004

Overall production is Asia is set increase from 538 million tonnes million tonnes in 2003 to 557 million tonnes in 2004, mainly on account of China and India, the two world largest producing countries. Further sizeable gains are anticipated in Bangladesh, Indonesia, Pakistan, Philippines and Thailand. A recovery is also likely in Japan and the Republic of Korea where the sector was severely affected by adverse weather last season. On the other hand, several countries might face some contraction, in particular, Myanmar, where recent policy changes have increased uncertainty within the sector, as well as Sri Lanka and Viet Nam.

Bangladesh's paddy production estimate in 2003 has been revised downward by about 400 000 tonnes, reflecting an official downgrading of the Aman crop output. Nonetheless, the season ended with a 3 percent increase compared with 2002. Very preliminary forecasts for the 2004 season, which will only start in April-May, with the planting of the Aus and Aman crops, assumes the country will proceed on an expansionary path, which could result in a new record output of 40.5 million tonnes.

Bangladesh – Rice Production by Crop (thousand tonnes, milled basis)

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Aus	1,870	1,875	1,617	1,734	1,916	1,808	1,851	1,830
Aman	9,552	8,850	7,736	10,306	11,249	10,726	11,115	11,500
Boro	7,460	8,137	10,552	11,027	11,921	11,740	12,500	13,029
Total	**18,882**	**18,862**	**19,905**	**23,067**	**25,086**	**24,274**	**25,466**	**26,359**

Sources: Bangladesh Bureau of Statistics, Ministry of Planning.; Asian Development Bank.

Cambodia, which is preparing for the transplanting of rice seedling for the dry season crop, upgraded production in 2003 to 4.7 million tonnes, 400 000 tonnes more than anticipated and the highest harvest on record. The gain stemmed from a 13 percent expansion in planting and slightly improved yields. However productivity in the country remains relatively low, at around 2 tonnes of paddy per hectare. Little change in production is currently foreseen in 2004, as both the area to rice and yields will again be highly dependent on weather conditions.

Planting of the early rice crop and of the intermediate crop is underway in **China**. The country has witnessed sharp increases in rice market prices in the past two months (a 26 percent rise for Japonica rice and 33 percent rise for Indica Early Crop rice between December and February) which have prompted the central Government to call on provinces to re-establish protective prices, even for early rice, which had been eliminated since 2000[1], and to take a more severe stance to halt the diversion of rice land to other uses. Such efforts, as well as the improved price prospects already triggered a 3 percent expansion of the area under early rice. Assuming normal weather conditions and renewed interest on rice cultivation, production in the country might rebound by 7 percent compared with last year. The central government also announced the allocation of 10 billion Yuan (US $ 1.2 billion) to subsidize grain farmers and other measures aimed at narrowing the rural/urban income growth disparity, including a progressive reduction of the agricultural tax and its elimination within the next five years.

On the other hand, in the **Chinese Province of Taiwan**, water scarcity in dams due to severe drought problems last year has already led to reduced water allocations to rice producers during the first crop, which may result in a 6 percent contraction in output in 2004.`

While planting of the secondary “Rabi” crop is progressing, **India** has released its second official 2003 paddy production estimate, which points to a somewhat less buoyant outcome than previously anticipated. At 131.9 million tonnes, the figure is 1.6 million tonnes smaller than the previous forecast, but would still represent a 21 percent increase from the poor 2002 season The downward revision reflects lower estimates of the Kharif crop in a number of states, including Andhra Pradesh, Karnataka and Maharashtra, where monsoon rainfall was less than optimal. The outlook for 2004 indicates a 3 percent year-to-year increase to 136.0 million tonnes of paddy, assuming a normal pattern of the South-West monsoon that will reach the country in June.

[1] Early paddy rice protective prices were recently reintroduced at Yuan 1 400 (US$ 169) per tonne.

India – Rice Production by Crop (million tonnes, milled basis)

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 1/	2003/04 2/
Kharif	71.32	72.53	72.72	77.48	72.78	79.76	63.66	77.83
Rabi	10.41	10.01	13.36	12.20	12.20	13.32	9.00	10.11
Total	**81.73**	**82.54**	**86.08**	**89.68**	**84.98**	**93.08**	**72.66**	**87.94**

1/ Final.
2/ 2nd advance estimate. As of 17.02.2004
Source: Agricultural Statistics Division, Directorate of Economics & Statistics.

Indonesia recently raised its official paddy production estimates in 2003 to 52.1 million tonnes, up from an earlier figure of 51.8 million tonnes. Expectations for the 2004 paddy season, currently at the main crop harvest stage, have been set officially at 53.1 million tonnes, 2 percent above last year. Realization of this objective will be highly dependent on the opening of 400 000 hectares of new rice lands outside Java, since drought at the end of last year delayed the replenishment of reservoirs, resulting in a late start of the season. More recently, the pace of the harvest in Java, the major producing region, was reported to have been disrupted by excessive precipitation.

After the end of the 2000-2001 long-lasting drought, paddy production in the **Islamic Republic of Iran** fully recovered, even exceeding the pre-drought performance, as producers reacted positively to high government price incentives. Some further modest growth to 3.4 million tonnes is anticipated in 2004.

Japan's rice sector, which was marred last season by adverse weather conditions, is set to recover only partially this year, with production provisionally targeted at 10.7 million tonnes (8.57 million tonnes in husked equivalent). Paddy production control measures are to be implemented this season on the basis of an output target (instead of an area target) by prefecture. Prices, which had rocketed in the wake of the production shortfall, were reported to have fallen back to "normal" levels in recent months.

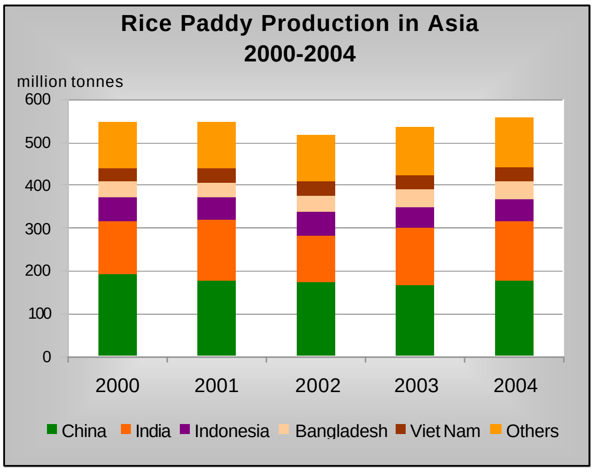
The **Republic Korea** also experienced strong losses last year following the passage of Typhoon Maemi through its rice belt, in the southern provinces. This year, the country is anticipated to witness a recovery to 2002 production levels, although sharp increases in rice production costs have been reported, with negative impacts on producer profitability. To address that problem, the Government is promoting a consolidation of rice farms to improve the competitiveness of the sector.

A similar strategy is currently pursued by **Malaysia**, where the government is putting renewed emphasis on agriculture and opening up to the private sector. Following the release of official statistics, the country's production in 2003 was revised down to 2.145 million tonnes, which still represented a 3 percent year-to-year increase, as excellent growing conditions prevailed last season. As for the on-going 2004 season, which is at the harvesting stage, a modest rise is again anticipated, to 2.2 million tonnes.

By contrast, **Myanmar** is not expected to repeat last season's exceptional performance, which was mainly supported by excellent weather but also by the liberalization of procurement and the abolition of paddy compulsory sales to state agencies in April last year. Large supplies from the

2003 season combined with the six-month ban on exports imposed in January 2004 have reportedly driven down producer prices to below production cost levels. As a result, production this year is anticipated to fall to 23 million tonnes, down from 24.6 million tonnes in 2003.

Pakistan issued an official estimate of production in 2003 that shows a 600 000 tonnes year-to-year increase in output to 7.3 million tonnes, or close to the levels achieved before the 2001-2002 drought. The positive outcome reflects larger plantings arising from high prices and improved water availability in reservoirs, as most paddy fields are irrigated. Rice plantings for the 2004 season, to start in April-May, could expand further given the high prices currently prevailing in the country. As a result, barring adverse weather conditions, paddy production this season could expand further to 7.6 million tonnes.



The **Philippines** also released very high quarterly estimates of production, which have given rise to an output figure of over 14 million tonnes for 2003 (July-June 2003/04), an all time record. The good performance was attributed to the greater use of certified and hybrid seeds, improved application of basic inputs and favourable weather. According to the Department of Agriculture, paddy production should keep its momentum this season. Accordingly, FAO preliminary forecast has been set at 14.6 million tonnes in 2004, 4 percent above last season.

Insufficient rainfall since September last year in **Sri Lanka** is reported to have caused failure of the “Maha” main paddy crop in several districts, while severely depleting water reserves needed for the secondary “Yala” crop, which is normally planted in April. Pending a more accurate assessment of the impact of the drought, FAO forecasts a 10 percent fall in output to 2.8 million tonnes, this season.

About 240 000 hectares in the northern and north-eastern provinces in **Thailand** have also been suffering from a severe dry spell and authorities were reported advising farmers not to plant a second paddy crop in order to save water. Such developments would mainly affect the 2003 season production outcome, which continues to be officially estimated at 26.8 million tonnes. As for 2004, high domestic prices and continued strong demand for export are anticipated to foster a further expansion in output to 27.5 million tonnes. High domestic prices have undermined the scope of the official intervention programme, which had envisaged procuring some 9 million tonnes of rice from the 2003 main crop and 2.5 million tonnes of paddy from the second 2003 crop. Intervention paddy prices, which were set within the range of Bath 4 800 to 5 250 per tonne (US$ 122 - 133 per tonne) are now below actual market prices of bath 5 600 – 5 700 per tonne (US$ 142 - 144 per tonne)

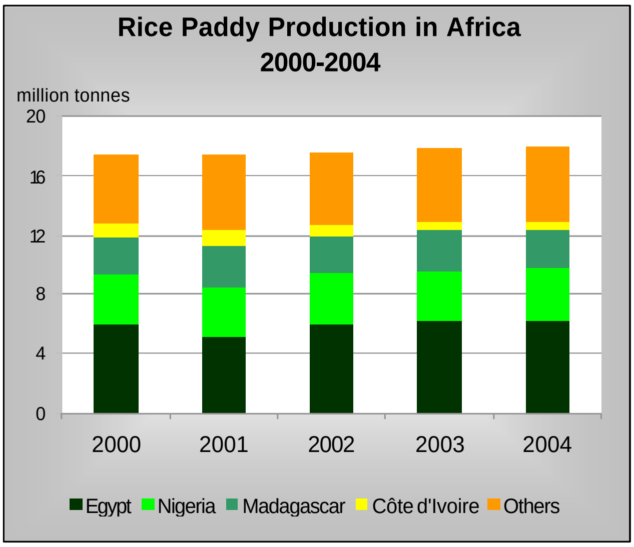
Vietnam’s paddy production estimate for the 2003 season, which is coming to a close, has been lowered slightly to 34.5 million tonnes from the previous forecast and now surpasses output in 2002 by a bare 100 000 tonnes. The lack of substantial growth last season largely reflects the impact of a lingering drought in northern and central provinces. As for the 2004 paddy season, transplanting of seedlings for the main winter/spring crop, which accounts for close to 50 percent of the seasonal output, is underway. Cold temperatures and water scarcities delayed the planting process in northern provinces, while harvesting in the South was reportedly peaking by mid-

March. Early prospects for the crop, which is the main source of supply for exports in the first half of the year, are not buoyant, with a contraction in plantings reported in the Mekong Delta. Overall production this year has been targeted at 34.2 million tonnes by the Ministry of Agriculture, slightly less than the present 2003 output estimate.

I. 2. AFRICA

Marginal increase in production in 2004 currently anticipated

In most of Africa, rice production-related activities are at a stand-still pending the arrival of the rains between May and July. This excludes countries south of the equator, where the 2004 main crops are already at an advanced stage of development.



Overall paddy production in the region in 2003 is confirmed in the order of 17.8 million tonnes, barely 2 percent above the previous season. Most of the increase stemmed from gains in **Egypt, Madagascar** and **Mali**, which gathered bumper crops. By contrast, production fell in **Cote d'Ivoire** and **Guinea**. Production in Africa in 2004 is tentatively forecast at 17.9 million tonnes, a mere 100 000 tonnes above the result in 2003.

As for the 2004 season, **Madagascar** is about to start harvesting its main crop. The country was hit by Cyclone Elita on 28 January and again on 3 February, causing severe damage in the western and south-eastern parts of the country. One month later, the northern part of the country was again battered by Cyclone Gafilo. Pending an assessment of damage to rice crops about to be harvested, the country is forecast to gather about 2.65 million tonnes, down from 2.80 million tonnes last year, a fall which also takes into account the poor start of the 2004 season, over the last quarter of 2003 when generally drought conditions prevailed.

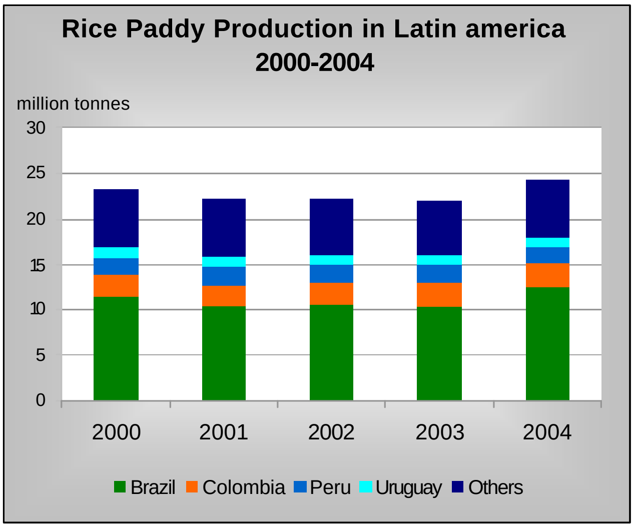
Although the rainfall was abundant in January in **Mozambique**, a long dry spell during the critical October-December period may have affected the paddy crop, especially in the Southern part of the country. However, the crop was reported to be progressing satisfactorily in the North and Central regions. As a result, the country's production in 2004 is currently forecast to decline marginally from the record output last year, to 190 00 tonnes.

Planting of the main paddy crop is about to be concluded in **Tanzania**. Following the 2003 poor cereal harvests, the country is facing serious food shortages. The situation is expected to improve somewhat over the current season, reflecting a more normal pattern of rainfall during the main crop growing cycle. As a result, the country is presently anticipated to harvest 750 000 tonnes, 100 000 tonnes more than last year.

I.3. CENTRAL AMERICA AND THE CARIBBEAN

Positive prospects for production in 2004

In Central America and the Caribbean, most countries are harvesting their second 2003 paddy crops, while planting of the 2004 crops should start around April, with the arrival of the rains. In 2003, the region gathered around 2.3 million tonnes of paddy, about unchanged from the preceding year. A 6 percent increase in 2004 to 2.4 million tonnes is currently foreseen.



In general, producers in the sub-region are expected to react to high international prices by expanding plantings in the coming season. Among the major producers, **Costa Rica** could raise production by 15 percent to 300 000 tonnes. Similarly, increases are anticipated in **Cuba**, **Nicaragua** and **Panama,** while a recovery is likely in the **Dominican Republic**, where excessive rainfall and flooding late last year caused large losses to the 2003 main crop. **Mexico** is also expected to respond positively to the introduction of a "target income" programme by the Federal Government in July last year. Under the programme, rice producers should receive on their marketed output the difference between a standard market price and the targeted level, currently set at Pesos 2100 per tonne, equivalent to some US$ 200. As a result, production in the country is expected to rise by about 11 percent to 280 000 tonnes.

1.4. SOUTH AMERICA

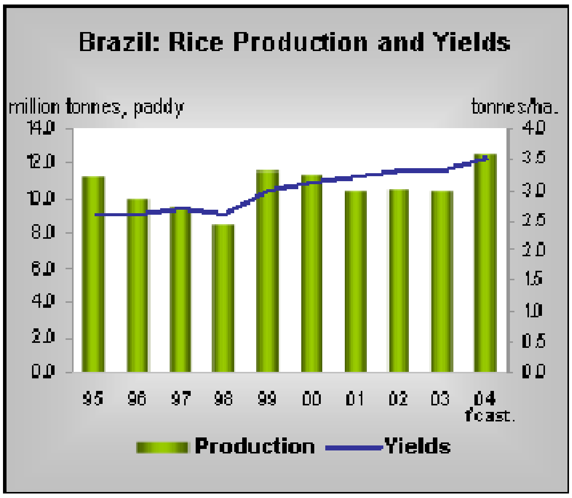
Production to rebound sharply in 2004

In South America, most countries are already in the process of reaping their paddy crops. In general growing conditions have been reported to be excellent, which has given rise to prospects of bumper harvests across the continent.

According to the latest estimates, 2003 paddy production in South America dropped by only 1 percent, to 19.7 million tonnes, as the outcome of the season was less negative than originally foreseen. Eventually, both **Argentina** and **Uruguay** managed to harvest about the same quantities as in 2002, while **Brazil**, the country most affected by adverse weather, only underwent a 2.5 percent contraction to 10.4 million tonnes. Large increases, on the other hand, were recorded in **Colombia**. Compared with the previous report, upward revisions were made to the 2003 production estimates of **Bolivia**, **Peru** and **Venezuela**.

In 2004, the region is anticipated to harvest 21.9 million tonnes of rice, 11 percent more than in 2003, reflecting a return to normal growing conditions and the effect of high prices last year, which stimulated planting. A sharp gain is foreseen in **Argentina**, where production could reach 940 000 tonnes, following a 29 percent increase in the area. **Bolivia** is also anticipated to record some increase, as favourable growing conditions prevailed. In **Brazil,** the latest February crop survey by CONAB detected large increases in rice plantings in the two major rice producing

States (Rio Grande do Sul and Mato Grosso). Overall, the area under rice is estimated to have increased by 12 percent from 3.2 to 3.6 million hectares, consistent with the high prices received by farmers in the preceding season. This expansion of plantings combined with favourable growing conditions has raised expectations of a bumper harvest in the country, in the order of 12.5 million tonnes, or 20 percent more than last year. **Uruguay** also faces similar positive conditions, which might boost output to 1.1 million tonnes. **Colombia** is anticipated to record some increase. By contrast, the season in **Ecuador, Peru** and **Suriname** might be impaired by drought conditions in the first quarter of the year.



I.5. NORTH AMERICA

New Rice Production Record Forecast

The 2004 season is still to start in the **United States.** Based on USDA projections, production in the coming season could reach a new record of 9.8 million tonnes, under the influence of the high prices prevailing in the country, which should stimulate interest in rice cultivation.

1.6. OCEANIA

Output to remain well short of “normal” levels

Australia is in the process of harvesting its 2004 paddy crop. Insufficient water availability, following one of the worse drought in memory, has constrained plantings again this year to well below the 150 000 hectares normally planted to rice. Nonetheless, the area could be expanded from 38 000 hectares in 2003 to 65 000 hectares this season. As a result, production is anticipated to reach some 600 000 tonnes, up from 391 000 tonnes in 2003, but still short of the 1.4 million tonnes that the country gathered on average between 2000 and 2002.

1.7. EUROPE

Mixed Production Prospects

In the **European Union,** the impact of the introduction of the new rice policy regime in September, when the 2004 season starts, is subject to much uncertainty, especially since the reform will bring about increased “decoupled” payments but also a halving of intervention prices. On a preliminary basis, production is forecast in the order of 2.7 million tonnes, little changed from 2003.

According to the **Russian Federation’s** official statistics, the country gathered 448 000 tonnes in 2003, down 9 percent from the previous year, in the wake of adverse weather conditions. Assuming a return to normal weather conditions, a recovery is anticipated in 2004.

By contrast, the outcome of the 2003 season was positive in **Ukraine**, where production has been estimated by the government at 84 000 tonnes, 15 percent more than in 2002. A similar level is expected in 2004.

II. INTERNATIONAL TRADE

International trade in rice forecast to contract by some 2.5 million tonnes

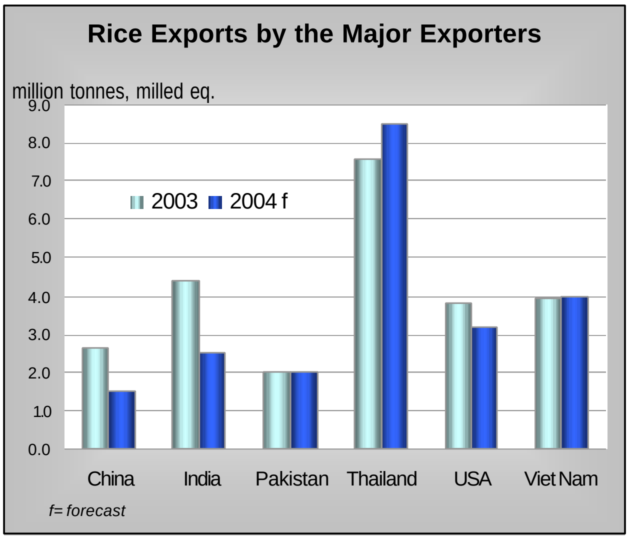
FAO forecast of international rice trade in calendar year 2004, which is largely influenced by the outcome of production from the 2003 paddy season, has been downgraded by 0.6 million tonnes compared with the previous report to 25.5 million tonnes, reflecting signs of growing supply tightness in exporting countries. The current forecast would imply a 2.5 million tonne contraction from the relatively high performance of 2003.

II.1. EXPORTS

A further tightening of global export supplies anticipated

The lowering of the 2004 forecast mainly reflects a worsening of export prospects for China and India, which more than offset some upward revisions for Thailand, Cambodia, Egypt, the United States and Uruguay.

A recent surge of domestic prices in **mainland China** is evidencing an increasing tightening of supplies and marring export prospects for the country, where rice exports are still subject to a government monopoly. The forecast for this year shipments has accordingly been cut by 500 000 tonnes to 1.5 million tonnes, substantially less than the 2.6 million tonnes exported last year. In **India**, steps have already been taken by the Food Corporation of India (FCI) to temporarily suspend sales for exports, pending an assessment of FCI buffer stocks, which were heavily depleted in the past two years. Logistical transportation problems, due to a shortage of railway wagons also contributed to the suspension of exports. The ban coincided with the passing of new regulations, which will allow exporters to purchase rice directly from farmers rather than exclusively through the FCI. Sales from the country are currently prospected to hover around 2.5 million tonnes, down from 4.4 million tonnes in 2003. In January, **Myanmar** also prohibited exports for six months. As a result, the country's exports are forecast at 500 000 tonnes, little changed from last year but well below the country's potential. **United States'** shipments are expected to drop from 3.8 million tonnes to 3.2 million tonnes, constrained by high domestic prices and falling availabilities. Limited supply should also restrain sales from **Australia** to 200 000 tonnes, or about one third of "normal" levels. Similarly, exports from **Japan** and the



Republic of Korea, the bulk of which corresponds to food aid, are anticipated to be smaller following last season's production shortfalls and dwindling stocks.

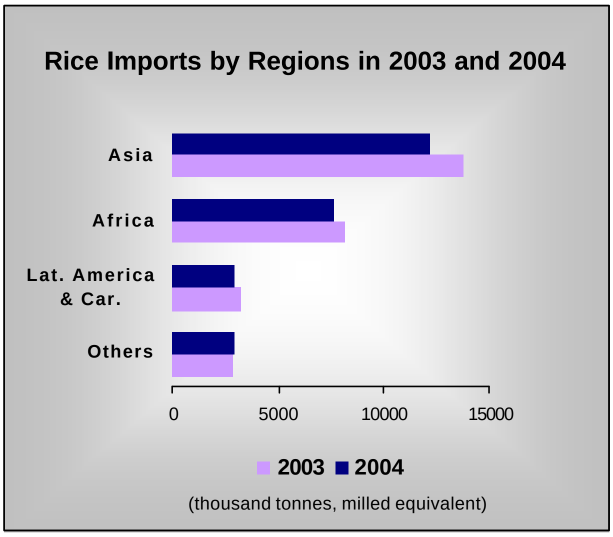
Shipments from **Pakistan** should remain of the order of 2 million tonnes, especially if the government maintains transportation subsidies. Like some other major exporters, the country is currently facing a very tight supply situation and has been reported to have approached India to purchase Irri rice to meet it export commitments. On the other hand, sales by **Thailand** and **Viet Nam**, the two major rice exporters, are officially foreseen to increase to 8.5 million tonnes and 4.0 million tonnes, respectively. **Vietnam's** export performance will depend critically on the size of the winter/spring crop currently at the harvest stage. Scarcity of supplies already prompted the Government to advise exporters to refrain from signing new contracts requiring deliveries before the next harvest, in June. In the rest of the world, favourable crops and higher international prices should boost shipments by **Argentina**, **Uruguay** and **Egypt**.

II.1. IMPORTS

High prices and freight rates likely to dampen imports

The lowering of the 2004 global import forecast reflects a number of adjustments that take into account the prospects of higher prices and freight rates and of reduced needs in those countries that revised their latest season production estimate upward. At the same time, imports by China were raised, following news of an intensification of trans-border movements of rice into the country.

Imports by <u>Asian countries</u> are now anticipated to fall from an overall 13.8 million tonnes in 2003 to 12.1 million tonnes this year, which is slightly more than envisaged in the January issue of the RMM. Since then, numerous changes have been made to this year import forecasts, as more consolidated information was gathered on the latest crop situations. The most salient of these changes was the much higher import forecast for **China (mainland)**. This was raised from a previous 400 000 tonnes to at 1.2 million tonnes, or four times the volume taken in 2003 and the highest level since 1995. Domestic prices in the country have been subject to strong increases, reflecting a much tighter supply situation after four years of steady contraction in production and depletion of stocks. As a result, Chinese traders have intensified their purchases in neighbouring Vietnam and Thailand, a pattern that may persist until June, when China will start harvesting its early rice crop. Based on its WTO obligation, the import quota this year should be set at 5.32 million tonnes, half for long grain and half for short and medium grain rice. By contrast, several traditional importers are anticipated to reduce their purchases compared with last year, often in reaction to the international price spree. Likewise, **Iraq**, where control over food grain procurement passed from the World Food Programme to the Iraq's Ministry of Trade as of 1st April, is anticipated to import 1.0 million tonnes, up from 700 000 tonnes last year. Given the drought problems that it is facing, **Sri Lanka** is also likely to buy more, especially after the Government removed the prior authorization requirement to rice imports.



By contrast, **Bangladesh** is anticipated to cut them from 1.6 million tonnes last year to 600 000 tonnes, following the excellent harvests reaped in 2003, notwithstanding a recent reduction of taxes on rice imports[2]. Deliveries to **Indonesia** are expected to be of the order of 2 million tonnes, unchanged from last report but 1 million tonnes less than in 2003. The year-to-year decline is consistent with the recently tightening of import restrictions, which included a ban on deliveries from January to June. The country is still likely to import over that period through Bulog, the state procurement agency, to help stabilize domestic rice prices after they surged by 25 percent. In March 2004, the **Islamic Republic of Iran** announced the opening of rice imports to the private sector, which will be subject to high tariffs (100 percent ad-valorem tariff plus a discretionary duty of Rial 1 500 per kg, equivalent to about US$ 190 per tonne). The high tariff together with improved domestic availability are anticipated to reduce the need for external purchases, now forecast in the order of 500 000 tonnes. Reduced flows of food aid from major donors are likely to affect negatively rice deliveries to the **Democratic Republic of Korea,** which may fall to about 500 000 tonnes, down from 700 000 tonnes in 2003. Recently, the Government of the **Philippines** released its first forecast of imports for the year, which at 600 000 tonnes, would be 36 percent below the revised estimate of 935 000 tonnes last year. The drop reflects the excellent outlook for the 2003 paddy season combined with higher international prices and an intensification of controls to deter smuggling.

In Africa, overall rice imports are anticipated to fall for the second consecutive year, to 7.6 million tonnes, down from 8.1 million tonnes in 2003. Much of the decline should be on account of the **Cote d'Ivoire**, where the security situation has again worsened, but also of **Nigeria** and **Senegal,** which are foreseen to face rising import prices (including shipping costs). **Tanzania's** official forecast also points to declining imports in 2004. However, the Government was recently reported to have reacted to the drought gripping the country by extending the cutback of import duties, due to be suspended in February, in an attempt to stimulate imports and avert serious food shortages. **Ghana** and **Madagascar** are also forecast to react to the production shortfalls by stepping up rice deliveries.

In Latin America and the Caribbean, a number of countries are in the process of negotiating Free Trade Agreement with the United States, including **Panama**, **Colombia**, and the **Dominican Republic**. The United States already entered into free trade agreements last December with **El Salvador**, **Guatemala**, **Honduras** and **Nicaragua**, which set the bases for a phasing out of duties on rice imports over 18 years.

Shipments to countries in the region are anticipated to decline from 3.3 million tonnes to 3.0 million tonnes, mainly reflecting smaller purchases by **Brazil.** According to the latest official forecasts, overall shipments to the country might drop from over 1 million tonnes in 2003 to 550 000 tonnes this year, reflecting the expectations of a bumper 2004 crop, together with a ban on unhusked rice imports from Asia in reaction to the Avian influenza outbreaks and the return to the Mercosur common external tariff that had been temporarily curtailed at the end of last year. By contrast, shipments to the **Dominican Republic** and **Peru** are foreseen to increase substantially, to compensate for smaller domestic supplies. In the first country, the government

[2] In July 2003, the Government cut the tariff on rice imports from 25 percent to 7.5 percent and, in December 2003, also abolished a 25 percent tax on mandatory letter of credit. As they stand now, rice imports are subject to the 7.5 percent ad-valorem duty, a 3 percent advance income tax and a development surcharge of 3.5 percent.

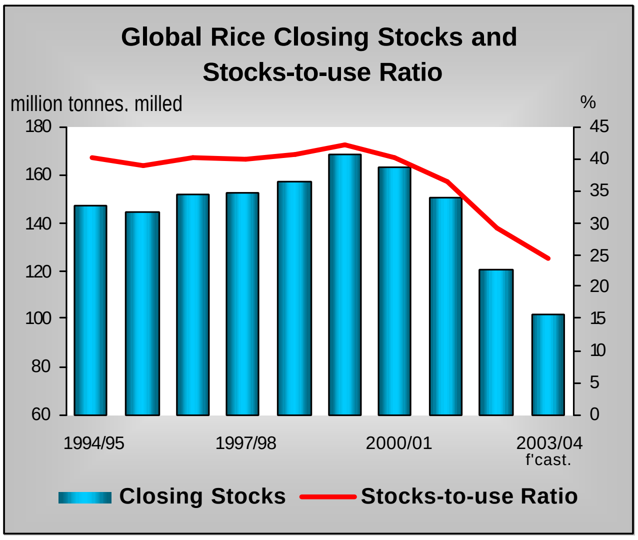
import forecast this year has been set at 122 000 tonnes, the highest level on record. **Colombia** might also step up its purchases this year to some 100 000 tonnes. As of January 2004, rice imports will no longer be subject to prior approval by the Ministry of Agriculture nor to the requirement of prior purchases of domestically produced rice, under the "crop absorption" scheme. Instead, the country will rely on a Public Agricultural Tender Mechanism, whereby traders will need to purchase an "import right" through the National Agricultural Exchange, which will commit them to buy certain quantities from the next crop on the domestic market at pre-determined prices. The basic provisions of the tender will be determined by a National Rice Council that will decide on the minimum relation between domestic purchases and imports (originally set at five tonnes of dry paddy of domestic purchases for one tonne of imports), the basic reference price for domestic purchases (set at the import parity price level at consumer centres, including the payments of tariffs). The Council will also make recommendations on the maximum volume of imports that will be eligible to the payment of duties under the Andean Price Band Mechanism (volume established at 180 000 tonnes for 2004), although this cannot be set below the WTO minimum access commitment of 75 118 tonnes, in milled equivalent. Volumes allowed will need to enter the country before 14 July, when the main rice harvest begins. Imports beyond the established quota will be permitted, but will be charged the full tariff of 80 percent.

In the rest of the world, deliveries to the **United States** are anticipated to be larger, attracted by high domestic prices. The **Russian Federation** is also foreseen to step up its purchases, especially since the 10 percent tariff would no longer be subject to a minimum value of € 30 per tonne as of 20 March. Imports to the **EU** are provisionally forecast to remain of the order of 700 000 tonnes, although the halving of intervention prices as of September 2004 might result in much lower variable import duties during the last four months of year.

III. RICE STOCKS

Global carry over stocks down

Since global rice utilization is again anticipated to outstrip production, global rice stocks are forecast to fall to 102 million tonnes at the close of the marketing seasons ending in 2004, down from 120 million tonnes last year, but unchanged from the previous report.



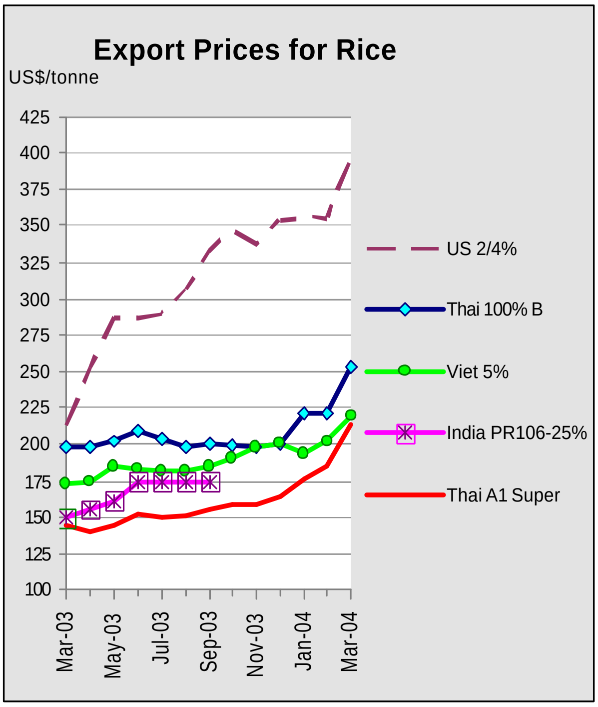
China should, again, account for most of the contraction, with the country end-of-season inventories expected to shrink from 78 million tonnes to 62 million tonnes. Concern over the rise in domestic prices recently prompted the Government to release supplies from its inventories and the north-eastern province of Heilongjiang was reported to have sold 1 million tonnes from its stocks in a tender, to be followed up by a further 1.5 million tonne sale. Currently there is great uncertainty about the true level of the country's rice inventories, a large share of which is held by farmers for saving and food security purposes. As for rice public stocks, the Central Government policy in the late 1990s called on provincial government in rice-surplus producing provinces to permanently hold 6-month of the province consumption needs. Governments from rice-deficit provinces, on the other hand, were asked to keep 3-month of their requirements in stocks. However, it is feared that the high opportunity cost of holding such grain combined with four consecutive year of production declines have dented substantially the country's rice reserves. Other exporting countries are anticipated to end their marketing season with lower inventories, in particular **Australia, Egypt, Thailand** and the **United States**. Rice stocks could diminish in some major importing countries, **including the Islamic Republic of Iran and the Philippines**, partly because of reduced imports prospects, as well as in **Japan**, the **Republic of Korea**, following last season production shortfalls.

By contrast, the 2003 bumper crop in **India** combined with smaller exports this year should help sustain an increase in closing inventories. As of 1st November, reserves appeared particularly scanty, with the FCI rice stock pile reported at a dismal low level of 5.7 million tonnes, compared with 20.5 million tonnes a year before. Export restrictions in **Myanmar** could also help a rebuilding of stocks, while little change in carryovers is currently forecast in **Vietnam**.

IV. RICE INTERNATIONAL PRICES

International rice prices keep rising

Rice prices recovered strongly over most of 2003, as reflected in the FAO all Rice Price Index (1998-2000=100) which averaged 82 for the whole year, up from 72 in 2002. The strength persisted in the first few months of 2004 as growing supply tightness in major exporting countries was evidenced. In March 2004, the index reached 109, the highest level since January 1999, and 8 points above the value reached last January.



Although the past few months coincided with the harvesting of the main paddy crops, prices have followed a rising trend, as several major importers were in search of rice. Within the high quality Indica rice segment, the price of Thai 100%B rice rose from US$ 221 per tonne in January to US$ 253 per tonne in March, with an even stronger increase reported for rice from Pakistan. As for the lower quality Indica, the Thai A1 Super quotations passed from US$ 176 to US$ 213 per tonne over the period, sustained by the withdrawal of Myanmar and India from the market.

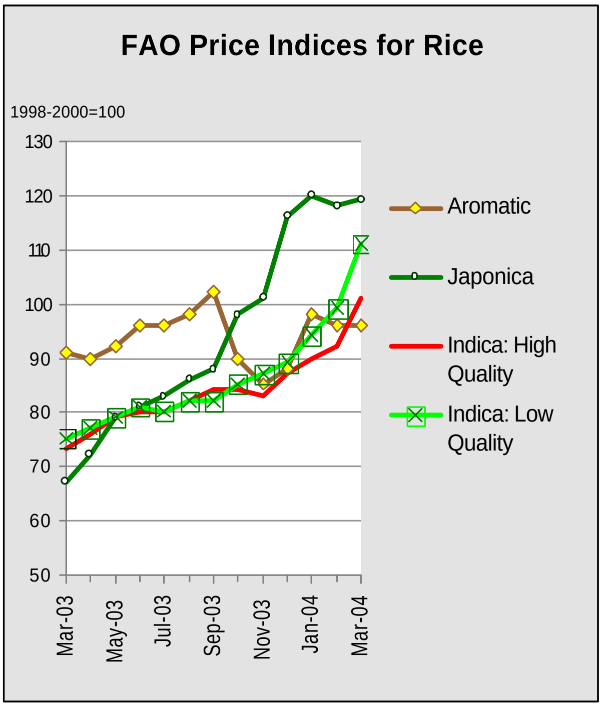
However, prices for medium grain and fragrant rice weakened slightly between January and March, with the Japonica rice and the Aromatic price sub- indices losing 1 point and 2 points, respectively. International rice prices are expected to increase further in the coming months, especially if China, which will not harvest its early rice crop before June, intensifies its purchases.

The pressure would be mitigated, however, should Myanmar or India lift their rice export restrictions.

		All Rices	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**	**81**	**83**	**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	83	96
	August	85	82	82	86	98
	September	86	84	82	88	102
	October	89	84	85	98	90
	November	90	83	87	101	85
	December	96	87	89	116	88
2004	January	101	90	94	120	98
	February	102	92	99	118	96
	March	109	101	111	119	96
2003	Jan.-Mar.	73	72	75	66	86
2004	Jan.-Mar.	104	94	101	119	96

***Source** : FAO*

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



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**	**310**	**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	195	n.a.	178	203	176	471	449	510
February	221	355	202	200	n.a.	188	212	184	457	449	488
March	253	397	219	232	n.a.	204	238	213	452	449	495
2003 Jan.-Mar.	201	205	172	175	150	161	159	148	205	369	377
2004 Jan.-Mar.	232	370	205	209	n.a.	190	218	191	460	449	498

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.

WORLD PADDY PRODUCTION

	2002	2003 (estimated)	2004 (forecast)
		million tonnes	
WORLD	**571.4**	**590.5**	**612.8**
Developing countries	545.8	567.4	587.5
Developed countries	25.7	23.1	25.3
ASIA	**517.7**	**538.1**	**556.8**
Bangladesh	38.2	39.5	40.5
Cambodia	3.8	4.7	4.7
China 1/	176.3	167.5	178.8
India	109.0	131.9	136.0
Indonesia	51.5	52.1	53.1
Iran, Islamic Rep. of	3.1	3.3	3.4
Japan	11.1	9.7	10.7
Korea Rep. of	6.7	6.0	6.7
Myanmar	22.8	24.6	23.0
Pakistan	6.7	7.3	7.6
Philippines	13.0	14.0	14.6
Sri Lanka	2.9	3.1	2.8
Thailand	25.6	26.8	27.5
Viet Nam	34.4	34.5	34.2
AFRICA	**17.5**	**17.8**	**17.9**
North Africa	**6.0**	**6.2**	**6.2**
Egypt	6.0	6.2	6.2
Sub-Saharan Africa	**11.5**	**11.6**	**11.6**
Western Africa	7.1	7.1	7.2
Côte d'Ivoire	0.7	0.5	0.5
Guinea	0.8	0.8	0.8
Mali	0.7	1.0	1.0
Nigeria	3.4	3.4	3.5
Central Africa	0.4	0.4	0.4
Eastern Africa	1.1	0.9	1.0
Tanzania	0.8	0.7	0.8
Southern Africa	2.9	3.1	3.0
Madagascar	2.6	2.8	2.7
Mozambique	0.2	0.2	0.2
CENTRAL AMERICA	**2.3**	**2.3**	**2.4**
Mexico	0.2	0.3	0.3
SOUTH AMERICA	**19.9**	**19.7**	**21.9**
Argentina	0.7	0.7	0.9
Brazil	10.6	10.4	12.5
Colombia	2.3	2.5	2.6
NORTH AMERICA	**9.6**	**9.0**	**9.8**
United States	9.6	9.0	9.8
EUROPE	**3.2**	**3.2**	**3.3**
EC 2/	2.6	2.7	2.7
OCEANIA	**1.3**	**0.4**	**0.6**
Australia	1.3	0.4	0.6

WORLD IMPORTS OF RICE

	2002	2003 (estimated)	2004 3/ (forecast)
		million tonnes, milled	
WORLD	**28.1**	**28.0**	**25.5**
Developing countries	24.0	23.7	21.3
Developed countries	4.1	4.3	4.3
ASIA	**14.2**	**13.8**	**12.1**
Bangladesh	0.5	1.6	0.6
China 1/	0.3	0.4	1.4
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	0.6	0.5
Philippines	1.3	0.9	0.6
Saudi Arabia	0.8	0.8	0.8
Sri Lanka	0.1	0.1	0.1
AFRICA	**8.5**	**8.1**	**7.6**
Côte d'Ivoire	1.0	1.1	0.8
Nigeria	1.8	1.5	1.3
Senegal	0.8	0.6	0.6
South Africa	0.6	0.8	0.8
SOUTH AMERICA	**0.7**	**1.4**	**1.0**
Brazil	0.6	1.1	0.6
Peru	0.0	0.0	0.1
NORTH & C. AMERICA	**2.5**	**2.6**	**2.7**
Mexico	0.5	0.5	0.5
EUROPE	**1.8**	**1.7**	**1.8**
EC 2/	0.7	0.7	0.7
OCEANIA	**0.3**	**0.4**	**0.4**

WORLD EXPORTS OF RICE

	2002	2003 (estimated)	2004 3/ (forecast)
		million tonnes, milled	
WORLD	**28.1**	**28.0**	**25.5**
Developing countries	23.9	23.1	21.5
Developed countries	4.2	4.9	4.0
ASIA	**22.4**	**22.0**	**19.6**
China 1/	2.1	2.6	1.5
India	6.6	4.4	2.5
Myanmar	0.9	0.4	0.5
Pakistan	1.6	2.0	2.0
Thailand	7.3	7.6	8.5
Viet Nam	3.2	3.9	4.0
AFRICA	**0.5**	**0.6**	**0.7**
Egypt	0.5	0.6	0.7
SOUTH AMERICA	**1.2**	**1.1**	**1.5**
Argentina	0.2	0.2	0.4
Uruguay	0.7	0.6	0.7
NORTH & C. AMERICA	**3.3**	**3.9**	**3.3**
United States	3.3	3.8	3.2
EUROPE	**0.3**	**0.2**	**0.2**
EC 2/	0.3	0.2	0.2
OCEANIA	**0.4**	**0.2**	**0.2**
Australia	0.4	0.2	0.2

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

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

	CHINA 2/ 3/ (Oct./Sep.)			INDIA 2/ (Oct./Sep.)		
	2001/2002	**2002/2003** prelim.	**2003/2004** f'cast	**2001/2002**	**2002/2003** prelim.	**2003/2004** f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Opening Stocks	106460 F	92880 F	78130 F	25000 F	26400 F	12000 F
Production 1/	122901 G	120876 G	114778 *	93080 G	72660 G	87940 G
Imports	340 G	402 F	1350 F	10 F	30 F	50 F
Total Supply	229701	214158	194258	118090	99090	99990
Domestic Use	134749	133427	131123	85090	82690	84990
Exports	2072 G	2601 F	1500 F	6600 F	4400 F	2500 F
Closing Stocks	92880 F	78130 F	61635 F	26400 F	12000 F	12500 F

	PAKISTAN 2/ (Nov./Oct.)			THAILAND 2/ (Nov./Oct.)		
	2001/2002	**2002/2003** prelim.	**2003/2004** f'cast	**2001/2002**	**2002/2003** prelim.	**2003/2004** f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Opening Stocks	970 F	550 F	310 F	1810 F	2400 F	2100 F
Production 1/	3882 G	4479 G	4871 G	17558 G	16938 G	17762 G
Imports	0 F	0 F	0 F	1 G	7 G	7 F
Total Supply	4852	5029	5181	19369	19345	19869
Domestic Use	2699	2761	2831	9642	9665	9739
Exports	1603 G	1958 G	2000 F	7327 G	7580 G	8500 G
Closing Stocks	550 F	310 F	350 F	2400 F	2100 F	1630 F

	UNITED STATES 4/ (Aug./Jul.)			VIET NAM 2/ (Nov./Oct.)		
	2001/2002	**2002/2003** prelim.	**2003/2004** f'cast	**2001/2002**	**2002/2003** prelim.	**2003/2004** f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Opening Stocks	887 G	1216 G	829 G	4020 F	4500 F	4900 F
Production 1/	6718 G	6536 G	6324 G	21416 G	22976 G	23024 G
Imports	412 G	459 G	476 G	2 F	2 F	2 F
Total Supply	8017	8211	7629	25438	27478	27926
Domestic Use	3846	3522	3853	17698	18688	19026
Exports	2955 G	3860 G	3048 G	3240 G	3890 G	4000 F
Closing Stocks	1216 G	829 G	728 G	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.