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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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(please click on "*Rice*")

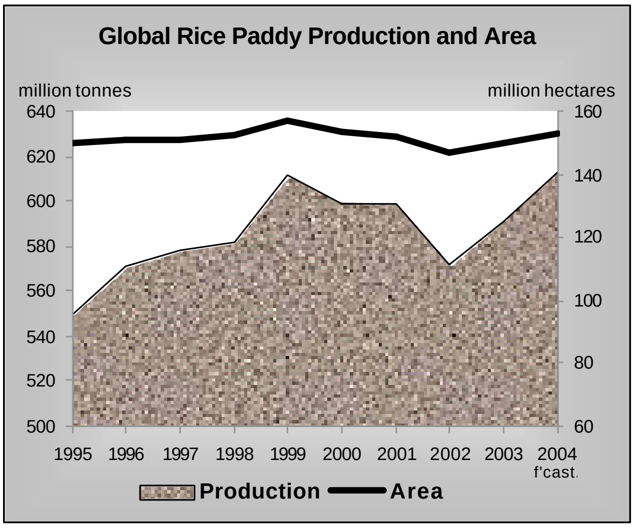
HIGHLIGHTS

- FAO forecast of global paddy production in 2004 has been raised marginally to 613 million tonnes, which would be 21 million tonnes more than last season and the highest level on record. However, at this period of the year, the forecast is still highly tentative, since the season final outcome will be largely influenced by the timing, extent and distribution of the rainfall during the Asian monsoon, just starting.
- In the Southern hemisphere and along the equatorial belt, harvesting of the 2004 main paddy crops is virtually complete. In Asia, excellent results have been reported in Indonesia**,** while erratic rainfall severely impaired the season in Sri Lanka. In southern Africa, production is anticipated to contract in Madagascar and in Mozambique**.** In South America, bumper crops have already been harvested in Argentina, Brazil and Uruguay, but adverse weather conditions have marred prospects in Peru, Guyana, the Dominican Republic and Ecuador. Production in Australia, while recovering, remains well below pre-drought levels.
- In the Northern Hemisphere, the principal producers are anticipated to harvest larger crops in 2004, a reflection of higher prices and of increased government support. Production is set to rise in China, India, Pakistan and Thailand, to recover in Japan and the Republic of Korea, but to fall in Myanmar and Vietnam. Increases in output are foreseen in the major traditional importing countries, in particular Bangladesh, the Islamic Republic of Iran, the Philippines and Nigeria.
- FAO's forecast of volume of trade in calendar 2004 has been raised by 200 000 tonnes from the previous RMM issue and now stands at 25.7 million tonnes, 2.3 million tonnes less than traded in 2003. Most of the revision of the 2004 forecast reflects upward adjustments of exports by mainland China and the United States, which outweighed reductions for Myanmar. From the import angle, the revision follows from higher forecast deliveries to the Philippines, the Islamic Republic of Iran, Iraq and Mozambique which have more than offset reductions for Bangladesh, mainland China and Indonesia.
- Compared with 2003, most of the traditional importers are anticipated to cut their purchases, with the possible exception of the Islamic Republic of Iran, Cote d'Ivoire and mainland China, where they are expected to rise. However, in the case of China, the expected increase is much smaller than previously anticipated, since the Government has given clear signs that the country still has enough reserves to keep its imports within reasonable bounds.
- Regarding exporters, Thailand, and to a much lower extent Vietnam, Argentina, Egypt and Uruguay are anticipated to increase their shipments compared with 2003, with the others major suppliers likely to be constrained by a lack of export availability. Much smaller volumes are likely to be shipped by India, as export subsidies are still suspended, by Myanmar, where no announcement on a lifting of the export ban has yet been made, and by the United States. Exports by China, although still strong in the first quarter, are set to contract sharply in the light of surging domestic prices.
- Aggregate carry-over stocks at the close of the 2003/04 paddy marketing seasons have been revised up to 103 million tonnes. This would still represent more than a 10 percent drop from the 116 million tonnes opening stock level. Again, much of the global contraction should be on account of China. Large reductions are also foreseen in other exporting countries, in particular Australia, Thailand and the United States, but also for importers such as Japan, the Republic of Korea, Nigeria and the Cote d'Ivoire. On the other hand, increased production helped rebuild stocks in Bangladesh, India, Indonesia, the Islamic Republic of Iran, Myanmar and the Philippines. While still tentative, stocks at the end of 2004/05 could experience a further, though smaller, decline to 99 million tonnes.
- International rice prices have continued on an upward trend since December 2003, with the FAO All Rice Price Index (1998-2000=100) surpassing the 100 point threshold in March, for the first time since September 1999. In May, however, the price strength has been tempered by the release of rice from government inventories in Thailand and China, while continued purchase interest was shown by Iraq, the Philippines and Nigeria. The net effect was a one point increase in the FAO All Rice Price Index between April and May to 109.
- Prospects for prices in the next few months are still positive, as import demand should remain strong relative to availabilities at least until August/September, when a number of the northern hemisphere producers will have harvested their main crop. In this respect, information regarding the state of crop development in major producing countries will be felt critically by the market in the coming months, given the low level of stocks estimated to be available.

RICE SITUATION UPDATE AS OF 30 MAY 2004

I. RICE PRODUCTION

Global Paddy Production likely to reach a new high in 2004, but forecast still highly tentative



FAO forecast of global paddy production in 2004 has been raised marginally to an all time high of 613 million tonnes, almost 21 million tonnes more than in 2003. The figure is still highly tentative, since most northern hemisphere countries, which account for the bulk of world production, are just in the process of planting their main crops. In the Southern hemisphere and along the equatorial belt, however, harvesting of the 2004 main paddy crops is virtually complete, with excellent results generally reported.

I.1 ASIA

Favourable outlook for the 2004 paddy crops in most of Asia

Since several Asian countries in the northern hemisphere are still in the process of gathering their 2003 secondary crops, production in 2003 is still subject to revision. Based on the latest estimates, paddy output in the region recovered strongly last season from the weather-induced setbacks that had depressed the sector in 2002. Although based on still highly tentative forecasts, further growth in output is anticipated in 2004, with all the major producers in the region heading towards bumper crops.

Bangladesh's official estimate of output in 2003 has been raised to an all-time record of 39.9 million tones, despite severe floods in the north-eastern regions which caused a loss of 200 000 hectares few weeks before the start of the Boro crop harvest. The positive production performance is partly the result of Government support towards increasing yields through improved input distribution. A further increase in production is projected to take place in 2004, especially if the government confirms the stepping up of subsidies on fertilizer and seeds.

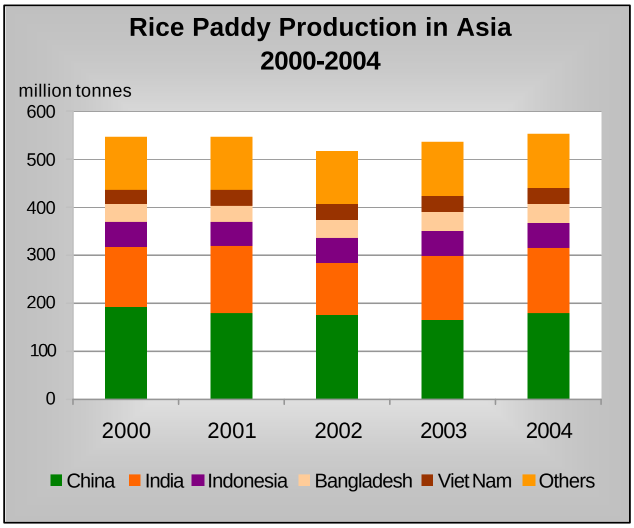
Cambodia also reached a record output in 2003, following an excellent wet season crop. In 2004, a decline from that exceptional performance is anticipated, as yields fall to more normal levels.

Cambodia – Rice Paddy Production by Crop Season (thousand tonnes)

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Wet Season	2,733.0	2,672.6	2,873.9	3,332.9	3,212.3	3,276.0	2,915.9	3,838.0
Dry Season	657.0	742.3	636.0	708.0	813.8	823.1	906.6	873.0
Total	**3,390.0**	**3,414.9**	**3,509.9**	**4,040.9**	**4,026.1**	**4,099.1**	**3,822.5**	**4,711.0**

Source: Ministry of Agriculture, Forestry and Fisheries (MAFF) - Cambodia.

After 4 years of steady contraction, output in mainland **China** is set to rebound by 7 percent compared with 2003, to 177.2 million tonnes, unchanged from the previous forecast. The increase should be triggered by attractive market prices but also by Government new support policies, which include the re-introduction of protective prices for the early and late rice crops, at 1 400 Yuan (US$ 169) per tonne and 1 500 Yuan (US$ 181) per tonne respectively, the designation of specialized grain areas and a reduction of fiscal pressure on farmers. The Government also allocated some Yuan 10 billion (US$ 1.2 billion) to finance direct income payments to grain farmers in 13 provinces, including Heilongjiang, Jilin and Henan, the three most important among the designated grain production bases. Already launched on an experimental basis in the Anhui province in the past two years, about US$ 36 per hectare were transferred as direct payments to farmers that benefited from the scheme.



By contrast, paddy production is expected to decline by about 100 thousand tonnes in the Chinese province of **Taiwan**, due to the severe drought that has affected the southern areas of the island.

In **India**, planting of the main Kharif crop already started in the south, since the monsoon rains due to arrive on 31 May or 1 June reached the country two weeks early. Assuming a normal rainfall distribution in the coming months, production in 2004 could reach 136 million tonnes, up 3 percent from last year. On the policy front, the recently-elected Government has announced it would launch crucial reforms to its agricultural sector, with the pledge to improve farmer incomes and to liberalize the marketing of agricultural products.

In **Indonesia**, the bulk of the 2004 main crop, which has benefited from excellent growing conditions, has already been harvested. Based on this positive outcome, the country is set to achieve the government production target of 53.1 million tonnes, or 2 percent more than last year. Early in May, the Government announced it had allocated Rupiah 1.3 trillion (US$ 149.4 million) to subsidize fertilizers to small farmers. This programme should permit to keep urea retail prices at a low Rupiah 1,050 per kg (US$ 0.11 per kg).

Following the 2003 production shortfall, **Japan** is anticipated to record a partial recovery to 10.7 million tonnes in 2004, assuming normal weather conditions prevail. The country is proceeding along the path of gradually reducing rice output. This year, the rice production adjustment programme will be based on an output target set prefecture by prefecture, rather than on area diversion targets, as it was in the past.

Production is expected to recover in the **Republic of Korea** from the setback experienced last year. The rise is anticipated to stem from a rebounding of yields, while plantings may be discouraged by the reduction in the official procurement prices decided by the government.

In the **Philippines**, the recent reports of damage to paddy crops from Typhoon Nida in May could lead to a downward revision of output in the 2003 season (July 2003-June 2004). Nonetheless, the country is still estimated to have harvested a bumper crop last season, reflecting the rehabilitation of irrigated production systems, an extension of plantings to fallow or rainfed lands and the increased use of hybrid rice seeds. As for the 2004 season, just about to begin, production in the country is expected to keep rising despite prospects of drought-induced delays in planting, mainly because of continued strong support from the Government. In addition to the hybrid seed distribution programme, the National Food Agency recently launched a new procurement strategy aimed at sustaining prices to farmers and encouraging them to market a larger share of their output, by sending mobile procurement teams to distant areas. Procurement prices over the summer crop were reported to have been set at Pesos 20 000 per tonne (US$ 360 per tonne). Farmers drying their own rice and transporting it to the NFA warehouses would be eligible to a supplementary payment of Pesos 150 (US$ 27) per tonne for drying and Pesos 100 (US$ 18) per tonne for transportation.

High prices are expected to also boost rice production in **Pakistan**, which should start gathering its main harvest in September. Production in 2004 is currently forecast at 7.6 million tonnes, up from 7.3 million tonnes last year.

By contrast, in **Sri Lanka**, paddy production this season may dip significantly, as low and erratic rainfall severely impaired the main Maha crop, and may also hinder the second, irrigated, Yala crop, currently at the planting stage, by impeding the replenishment of reservoirs. Considering both crops, total output is anticipated to be of the order of 2.5 million tonnes, or 18 percent below the previous year's level.

Sri Lanka – Rice Paddy Production by Crop Season (thousand tonnes)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Maha	1,457	1,781	1,736	1,781	1,613	1,774	1,895	1,635
Yala	782	911	1,121	1,079	1,082	1,086	1,174	875
Total	**2,239**	**2,692**	**2,857**	**2,860**	**2,695**	**2,860**	**3,069**	**2,510**

Source: Department of Census and Statistics – Sri Lanka;
FAO/WFP Crop Assessment Mission to Sri Lanka (7-26 March 2004).

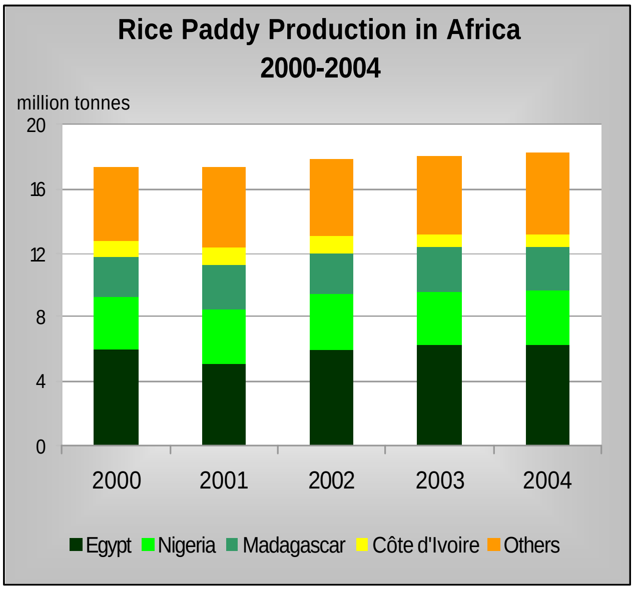
Drought in **Thailand** during the first three months of the year had a negative impact on the 2003 second paddy crop, especially after the Government appealed on farmers in the affected areas to suspend planting to save water. With the arrival of the rains in May, the 2004 paddy season has just started. A smaller increase in output than originally anticipated is currently foreseen, based on predictions of less-than-optimal weather conditions in the on-going wet season. Production in the country is now set to reach 27 million tonnes in 2004, 2 percent up from last year.

In **Vietnam**, the gathering of the winter/spring paddy crop, the first of the three crops that will be harvested in 2004, has been completed with good results. Overall, however, the Government is forecasting a smaller output during the 2004 season, as the positive impact of higher rice prices on plantings could be dampened by sharp increases in input costs, especially fertilizers and fuel. The official forecast of production in 2004 stands at 34.2 million tonnes, 300 000 tonnes less than in the previous year, with part of the decline arising from a diversification out of rice into shrimps or other crops.

In Central Asia, the Government of **Turkmenistan** recently released the estimates of production in the past 2003 season, at 109 500 tonnes, or 37 percent more than in 2002. For the forthcoming 2004 season, the country aims at a 55 percent increase to 170 000 tonnes, in line with the Government plans to boost rice production to 250 000 tonnes by 2010. To support that achievement new land for rice cultivation has been made available in the major rice producing provinces of Doshoguz and Lebap. In addition, farmers willing to join the programme will be guaranteed a minimum purchase price for the rice produced and the supply of quality seed and of credits at preferential interest rates. The increase in output was even more pronounced in **Uzbekistan,** where it rose by 68 percent to 311 200 tonnes in 2003. Further gains are anticipated in 2004.

I.2 AFRICA

Little Change in output currently anticipated in 2004



While the 2004 paddy season is virtually over in most Southern African countries, crops in Egypt and western Africa are at an early stage of development, with some countries still in the process of seeding their crops. For the overall Africa region, rice production in 2004 is tentatively forecast at 18.2 million tonnes, marginally above last year.

In the northern region, production in **Egypt** is forecast at a high 6.2 million tonnes, little changed from last year record level. Domestic prices have been rising lately, despite the relatively large crop reaped in 2003, partly reflecting a strong demand for export.

In western Africa, most of the countries are expected to record some increase in production in 2004, fostered by reduced competition from higher priced imports. In **Mauritania**, however, attacks of stalk borers are endangering prospects, particularly of the walo crop. As a result, production in 2004 might fall short by 11 percent of the level achieved in 2003.

Following an FAO/WFP mission, output estimates in **Cote d'Ivoire** have been revised upward since 2002, suggesting that the internal conflicts had a much smaller impact on paddy production than had been estimated. The country has been assessed to have harvested around 850 000 tonnes in 2003, a level that might be matched this season. This would imply an 18 percent fall from 2000.

Production is projected to increase by 3 percent in **Nigeria**, reaching 3.5 million tonnes. Despite excellent weather last season, only a modest increase in production was achieved, because of fertilizer shortages. Last May, however, the Government renewed its commitment to reach rice self-sufficiency by 2005 and to produce surpluses for export by 2007. To boost production, 2 tonnes of Nerica foundation seed have been procured from the African Rice Centre (WARDA), for multiplication and distribution.

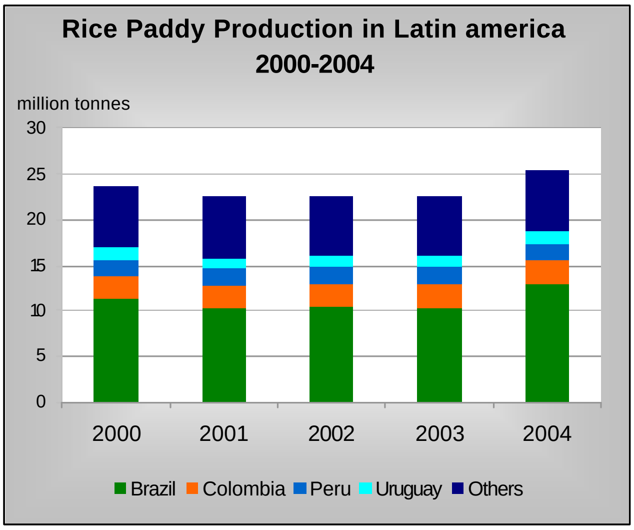
In southern Africa, production is anticipated to contract in **Madagascar** from last year bumper level, reflecting the effects of cyclones Elita and Gafilo, which hit the country in January and February. The cyclone also battered the north eastern region of Antalaha, one of the most important rice producing districts.

A late arrival of rainfall in **Mozambique** deferred plantings by two months, from October to January, and damaged rice in some districts, such as Zambesia. Problems were again faced in March, when heavy rains resulted in flood damage. As a result, the country is anticipated to experience a 10 percent production shortfall in 2004.

I.3 LATIN AMERICA AND THE CARIBBEAN

Good crops harvested in South America, but prospects remain uncertain in Central America and the Caribbean

While the season is virtually over in most of South America, planting of paddy crops is progressing across Central America and the Caribbean.



In South America, most countries are reporting sizeable production gains, as rising prices have stimulated expansions in areas, while generally favourable growing conditions have boosted yields.

In **Argentina,** the official production estimate has been raised to 990 000 tonnes, the highest level since 1999 and 38 percent more than in 2003, reflecting an expansion in both area and yields.

In **Brazil,** the production forecast by CONAB was also revised upward, bringing it to an all time high of 12.9 million tonnes, a 24 percent increase from last year depressed level. The outcome would have been even more positive without the cyclone that hit Santa Catarina, the third major rice producing state, just before harvest, where it caused some 4 percent reduction in local yields, offsetting much of the gains arising from a 7 percent increase in plantings.

Uruguay is also poised to reap a record crop, mostly on account of exceptional yields, which are set to reach 6.75 tonnes of paddy per hectare.

Recent rains were reported to have brought relief to rice crops in **Paraguay**, the development of which had been hindered by insufficient precipitation.

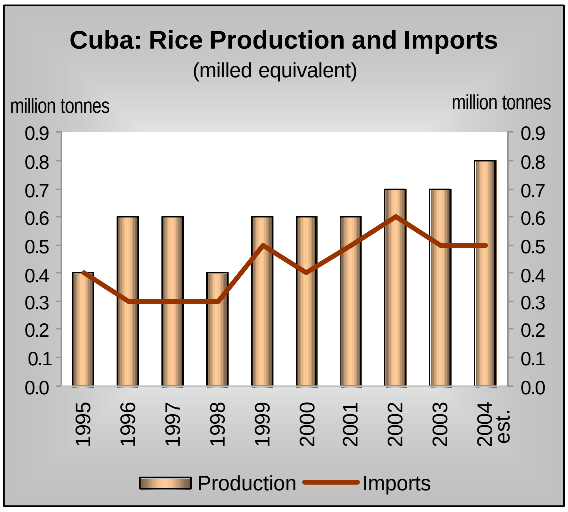
In **Colombia**, cold weather in April caused some delays in the start of the winter crop. Nonetheless, production is expected to increase 2 percent above last year's level, reaching the all time high level of 2.6 million tonnes in 2004, following an increase in plantings driven by relatively high prices since mid-2003.

By contrast, excessive rainfall in **Ecuador** is reported to have caused losses of up to 20 percent in the affected areas. As a result, production this year is anticipated to fall to 1.15 million tonnes, 7 percent down from last year and 150 000 tonnes less than previously forecast.

In **Guyana,** the outlook for the main crop, currently at the harvest stage, has also deteriorated due to persistent precipitation and floods in the Berbice area, which may result in a 100 000 tonne shortfall this season, bringing production down to 2000 levels.

In **Peru,** severe drought problems in Lambayeque have marred output prospects, with production forecast to slide by 15 percent below last year, to 1.8 million tonnes.

Although production in **Venezuela** is anticipated to rise in 2004, prospects have been downgraded because of a lack of rainfall in Guarico, the main irrigated rice-producing area of the country.



In Central America and the Caribbean, planting of the main paddy crops is about to be concluded. Production is projected to increase in **Cuba**, to some 750 000 tonnes, up 5 percent on the previous year's level, despite reports of drought problems in April, when planting for the wet season starts. The rise would be on account of an expansion of rice produced on small private plots, which has been promoted in the past few years under the "People's Rice" programme. Similarly, in **Mexico**, rice output is expected to grow by 2.5 percent, to 250 000 tonnes, a level which is significantly lower than in the late 1990s. By contrast, in **Haiti** and the **Dominican Republic**, torrential rains and flooding in May are estimated to have caused considerable damage to crops. The season prospects in the two countries had already been flawed by drought problems in earlier months. As a result, the 2004 production forecast of the two countries has been reassessed downwards. In the case of the Dominican Republic, production is now forecast to fall by almost 10 percent from last year to 580 000 tonnes, 100 000 tonnes less than previously anticipated.

I.4 OTHER COUNTRIES

Favourable outlook for 2004 seasons in the United States and the EU, but output still well below normal levels in Australia

The season is well underway in the **United States**, with 94 percent of the rice area reportedly planted by end-May, well ahead of last year. The official forecast for this season production has been raised marginally to 9.9 million tonnes, 10 percent above 2003, due to increases in both area and yields.

Production in an enlarged **European Union (EU)** will not differ much from the level achieved before the accession of the ten new members since, of these, only Hungary has a paddy sector of some relevance, yielding about 10 000 tonnes per year. In the EU-15 producing countries official information point to a 1 percent output increase which, based on planting intentions, is projected to take place mostly in Spain and Greece. For the whole EU-25, output is forecast to be some 40 000 tonnes greater than the level achieved in the EU-15 in 2003.

Despite a poor start of the season, **Australia** has harvested a much higher crop in 2004. Yet, pegged at 600 000 tonnes, production did not fully recovered from last year drought-induced shortfall and remained at less than half the level harvested in 2002, again reflecting insufficient water allocations.

II. INTERNATIONAL TRADE IN RICE

International trade in rice set to fall in 2004, a reflection of tight export supplies

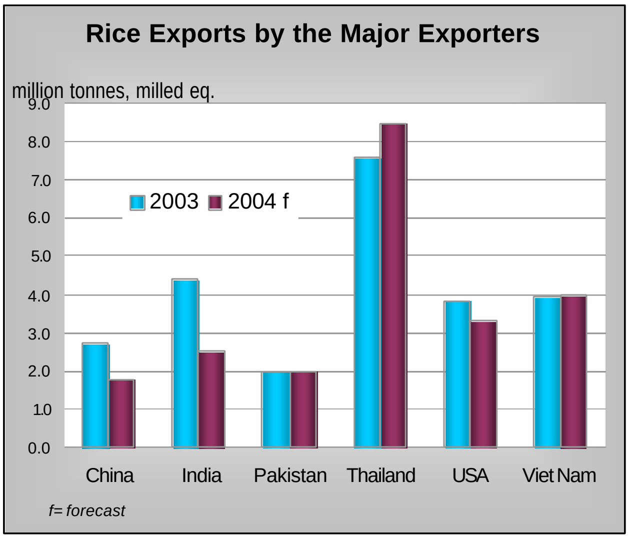
The forecast of international trade in rice in calendar year 2004, which is largely influenced by the outcome of production in the 2003 season, has been raised by 200 000 tonnes from the previous outlook and now stands at 25.7 million tonnes, or 2.3 million tonnes less than in 2003. Most of the revision for the current year trade reflects upward adjustments of exports by mainland China and the United States, while from the import angle, it follows from higher forecast deliveries to the Philippines, the Islamic Republic of Iran, Iraq and Mozambique which have more than offset reductions for Bangladesh, mainland China and Indonesia.

Compared with last year near-record volume, the fall of trade in 2004 reflects mainly a tightening of export supplies, although some major importers also appear to have retrenched from the market, following good harvests in the preceding or on-going seasons.

II.1 Exports

Reduced supply availability and existing export restrictions in India and Myanmar expected to constrain rice trade in 2004

According to current prospects, **China (mainland)** is anticipated to deliver 1.7 million tonnes, down from 2.6 million tonnes last year, reflecting a surge in domestic prices. The export forecast, which is still highly tentative, assumes that the pace of shipments will slow down in the coming months compared with the first quarter, when the country managed to post a 24 percent increase in exports compared with the same period in 2003.



Based on official USDA forecasts, the outlook for exports by the **United States** has been upgraded to 3.3 million tonnes due mainly to an increase in the sales of long grains varieties. Despite the revision, the expected volume in 2004 would still mean a 500 000 tonnes contraction from last year record performance.

As for **Myanmar**, which has imposed an export ban until June, it is now anticipated to ship a mere 300 000 tonnes, down from a previous outlook of 500 000 tonnes, as there has been no sign that the Government intends to resume trade. Most of the other countries' export forecasts remain unchanged from the last assessment.

In 2004, sales by **India** are anticipated at 2.5 million tonnes, almost 2 million tonnes less than in 2003, based on expectations that the export restrictions imposed to help rebuild rice reserves will be revoked in the second half of the year. However, even that volume might not be achieved, should the lifting of the ban be further delayed. Despite the surge in international rice prices, the resumption of exports also appears conditional on the granting of subsidies, which in the past three years have been provided to exporters by the Food Corporation of India (FCI) through the sale of rice held in its warehouses at prices below market levels and the payment of domestic transport costs and ocean freights. Decision on whether and how the subsidies will be given to exporters once the ban is rescinded is subject to high uncertainty, especially following the decision in 2004 to let exporters purchase rice directly from the market rather than through the FCI.

Exports by **Japan** and **the Republic of Korea** are set to halve, consistent with the production shortfalls faced by the two countries in 2003.

Pakistan is unlikely to have sufficient supplies to sustain a sizeable increase in shipments this year and exports are projected to remain of the order of 2 million tonnes.

By contrast, sales by **Thailand** are expected to rise substantially, sustained by a buoyant demand and the recent tendering of 2 million tonnes of old rice from Government stocks to exporters, which has eased supply scarcity problems. The Government has also announced the possibility to source 1.5 million tonnes rice supplies in neighbouring countries to help meet its export commitments. So far, however, there has been no confirmation of such a trade. Between January and April, the country shipped 2.9 million tonnes of rice, 34 percent above the level recorded in the same period in 2003. For the year as a whole, exports are projected to meet the 8.5 million tonne official target, up from 7.6 million tonnes in 2003 and an all time high.

Larger exports are also anticipated to be made by **Vietnam**, although rice scarcity is likely to limit the extent of the increase to 3 percent only, to a volume of 4 million tonnes. Recently, the Government announced it would facilitate rice trade, through the provision of information services and promotion of high quality rice production for export. The Government is also considering liberalizing rice exports by authorizing all traders, including non-licensed rice exporters, to engage in rice trade. The move also reflects government concern over the signing of contracts by major domestic rice exporting firms in previous months, at prices that now appear rather low.

The forecast for exports by **Egypt** also points to an increase, partly fuelled by a weakening of the domestic currency vis a vis the US Dollar and stronger international prices. Prospects, however, might be impaired by import restrictions in Turkey where the government has been reported to have delayed the issuance of import licenses.

Bumper harvests in **Argentina** and **Uruguay** should also bolster exports from the Mercosur area.

II.2 Imports

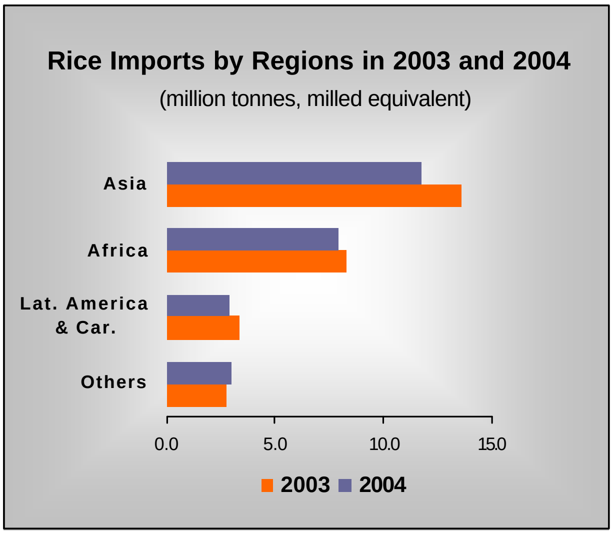
Higher prices and a tightening of import barriers likely to hinder imports in 2004

One of the most important changes in the rice trade scenario concerns **China (mainland),** which in the past few months gained the headlines when Chinese traders were reported actively buying rice from neighbouring countries, particularly Thailand and Vietnam. This frenzy buying was triggered by the surge of China's market prices, which, between February 2003 and February 2004, was of the order of 63 percent for early rice and 54 percent for Japonica rice. In the case of early Indica rice, the increase was particularly manifest in the Southern China provinces, with wholesale prices peaking in March to Yuan 2 560 per tonne, equivalent to US$ 310 per tonne. Several local governments reacted to the spree by releasing old crop supplies from state-owned inventories to relieve pressure on prices, therefore dampening the incentive to import. As a result, the earlier forecast for purchases by the country has been lowered to 800 000 tonnes, which would still represent a three-fold increase from last year.

Following a further upward revision in last season's production, imports by **Bangladesh** were also cut by one third to 400 000 tonnes, down from 1.6 million tonnes last year. The new forecast reflects much higher world prices and the export ban imposed by India, which is Bangladesh's traditional supplier.

Improved production prospects in **Indonesia** have also caused a 500 000 tonnes downward revision of the country's imports to 1.5 million tonnes, or only half the volume taken by the country in 2003. The fall in imports is also the result of a strict enforcement of the import restrictions, which were planned to last until 1 June 2004. However, in May the government announced a one month extension of the ban until July and the decision to reassess its permanence or elimination month-by-month.

The official import forecast by the **Republic of Korea** remains at 228 000 tonnes, up from 200 000 tonnes in 2003. Since the WTO Special Treatment derogation that had allowed the country to maintain quantitative restrictions on rice imports[1] is to expire by the end of the year, the Government of Korea has initiated negotiating the terms of the opening of its rice market with interested WTO members (Argentina, Australia, Canada, China mainland, Egypt, India, Pakistan, Thailand and the United States). The process should be completed before the end of the year.



Forecast deliveries to the **Philippines** have been raised to 950 000 tonnes, close to last year's level, reflecting the high level of purchases already committed this year by the National Food Agency and the announcement that the unused portion of the 310 000 annual import rights allocated to farmers will be covered by the National Food Agency or private traders. Under the WTO agreement, the country is entitled to maintain quantitative restrictions on rice imports until 30 June 2005. Thus, like in the Republic of Korea, the Philippines has embarked in negotiations to define the terms of the opening of its rice market and has already announced its wish to negotiate an extension of the WTO Special Treatment, which would allow the country to keep rice imports under government control.

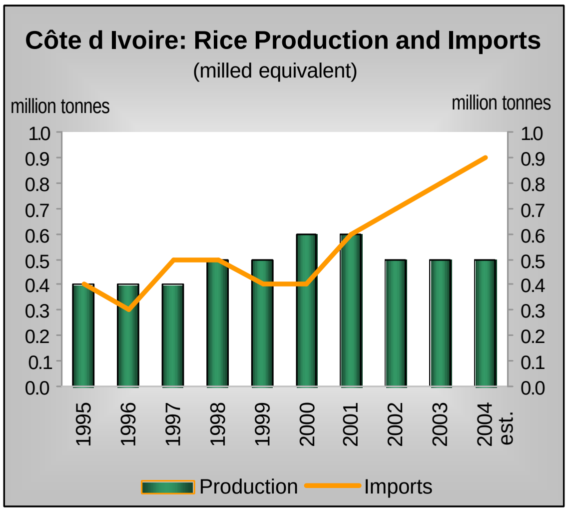
Following confirmation of the 2004 production shortfall, **Sri Lanka**'s imports have been revised upward to 190 000 tonnes, part of which could be made under emergency relief shipments.

FAO forecasts of imports by **Iraq**, and the **Islamic Republic of Iran** were also raised to 700 000 tonnes and 1.2 million tonnes, respectively, while retained[2] imports by **Saudi Arabia** were officially set at 865 000 tonnes this year, up from 813 000 tonnes in 2003.

[1] The country **deferred tariffication** under the "Special Treatment" provisions of Annex 5 of the Agreement on Agriculture
[2] Imports excluding re-exports

Overall rice imports to African countries are anticipated to fall somewhat compared with last year. Much of the decline would be on account of **Nigeria**, where shipments might drop from 1.5 to 1.3 million tonnes, since the country is reported to have tightened its controls against illegal rice inflows. Higher world prices could also prompt a decline in imports from **Kenya, Senegal, South Africa** and **Tanzania**.

By contrast, following a revision in recent years figures, imports by **Cote d'Ivoire** are set to rise by some 15 percent to some 900 000 tonnes, as an outcome of the shortfall in the domestic crop. Official import forecasts in **Mozambique** point also to an annual 5 percent increase to 252 000 tonnes.



The Government of **Egypt** has announced the possibility that the country purchases 100 000 tonnes of rice this year, a move that has coincided with the announcement in May of a cut in the rice import duty from 20 percent to 1 percent, following the rise of domestic prices.

In Latin America and the Caribbean, smaller overall imports are forecast compared to last year, with some increase in shipments to the **Dominican Republic** and in **Peru**. Such increases will more than offset the expected retrenchment of **Brazil**, following the increased availability in this country.

In the rest of the world, purchases by the **United States** are projected to remain close to the same level as last year.

In the **EU**, a revision of the trade statistics has been undertaken to take account for the enlargement of the EU to include ten new members. Since, for statistical purposes, the EU is considered as a single "country", adjustment have been made to exclude what will be assessed as intra-trade among the 25 EU members (and therefore be excluded from the international trade aggregate) from May 2004 on-wards. As a result of such adjustments, the EU-25 rice imports were estimated of the order of 880 000 tonnes in 2004, up from 674 000 tonnes in 2003 for the EU-15.

As of 1 September 2004, a new rice policy regime is to be implemented in all EU member countries, which will entail a 50 percent cut of the intervention price to € 150 (US$ 178) per tonne. The reduced intervention prices will lead to much lower import duties since, based on the 1994 Uruguay Round Agreement, the duty-paid import price cannot exceed by more than a given percentage the EU intervention price[3]. The cut in the standard duties will erode the benefits of those exporters to the EU that enjoyed from preferential access agreements and were subject to reduced import tariffs. To address those issues, the EU is in the process of negotiating new rice access arrangements under Article 28 of the WTO Agreement. Among the affected countries are Pakistan and India, whose exports of Basmati rice to the EU benefited from a €250 per tonne duty abatement. This concession was already withdrawn as

[3] 80 percent for husked Indica; 88 percent for husked japonica; 163 percent for milled Indica; 167 percent for milled Japonica.

of 31 March 2004 on imports of hybrid Basmati varieties, including “Pusa” rice from India and “super basmati” from Pakistan.

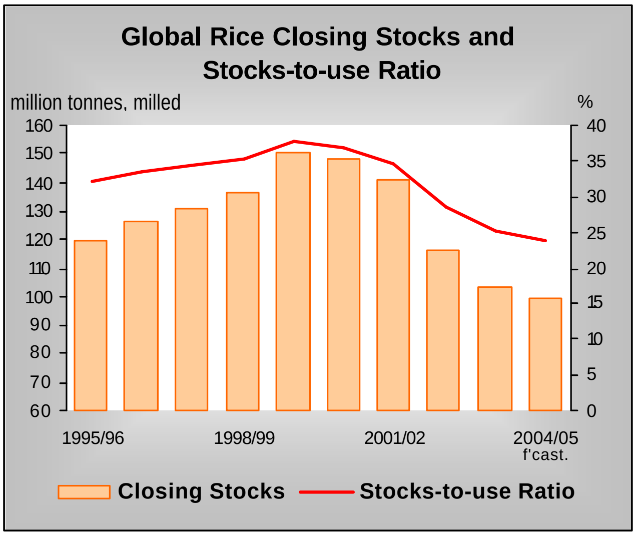
III. RICE STOCKS

Stocks set to fall by 11 percent at the end of the 2003/04 seasons – Another contraction anticipated by the end of 2004/05

The estimate of world rice inventories at the close of the 2003/04 marketing seasons has been revised upward from 101.7 million tonnes to 103.4 million tonnes, which would still mean an annual contraction of 11 percent from the previous year and the fourth in a sequence of yearly declines. To a large extent the changes sprang from new estimates for Indonesia, following an upward revision in the official 2003 production estimate. Following several adjustment to the pattern of rice utilization in **China mainland**, the level of the country’s stocks at the end of the 2003 season has been lowered somewhat to 61 million tonnes, a 12-13 million tonnes drop from the previous year, reflecting the need for the country to draw further from its reserves to meet consumption requirements. This was recently confirmed by the auctioning of 1.01 million tonnes by the government of the Heilongjiang Northern Province last March to ease pressure on prices. The Government in **Thailand** also launched a tender to sell 1.7 million tonnes from inventories built-up under its intervention purchases in 2001, 2002 and 2003. Overall, rising exports from the country should result in lower carry-overs in the country at the end of the 2003 season, unless imports of rice from neighbouring Laos, Cambodia and Myanmar are actually made. Among the other major exporters, rice inventories are set to end smaller in the **United States**, while export restrictions should help **India** and **Myanmar** to rebuild their reserves somewhat.

Stocks may diminish in **Japan**, following the Government’s efforts to reduce availabilities, and in the **Republic of Korea**, owing also to the recent policy change aimed at increasing market orientation. Among African importers, some depletion of reserves is expected to occur in **Cote d’Ivoire Nigeria** and **Tanzania**, while across Latin America, stocks were down in **Brazil** and **Peru**.

As for stocks at the close of the on-going 2004/05 seasons, there is still considerable uncertainty, since the bulk of the 2004 crops are at the planting stage. Based on expectations of a moderate recovery in global production in 2004 and steady growth in world rice utilization, global carry-over inventories could fall another 4 million tonnes from their opening levels. **China** is likely to account again for much of the drop, as the production leap anticipated this season would not be sufficient to cover the rise in requirements, especially if, as expected, the country refrains from stepping up imports. Stocks in **Thailand** could also continue to fall, reflecting the sharp rise in exports anticipated this year. By contrast, assuming **India** sticks to its current trade policy, it might be successful in raising its end-of-season reserves. On the other hand, smaller imports could lead to some depletion of stocks in **Indonesia**.

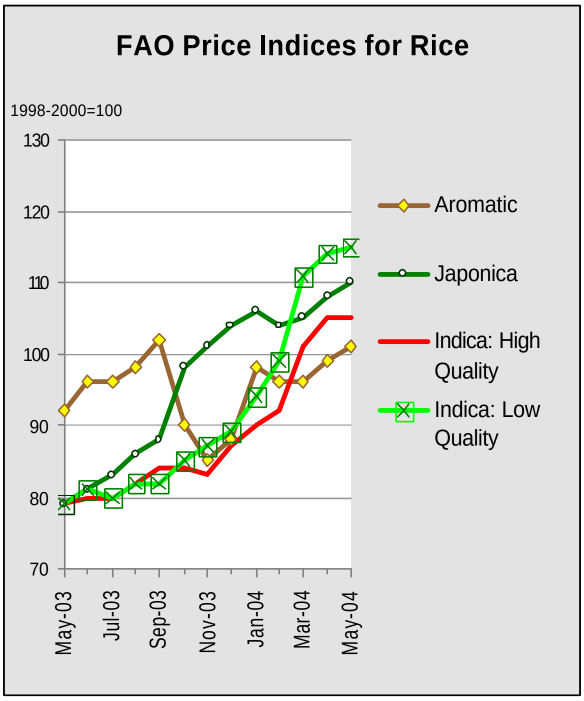


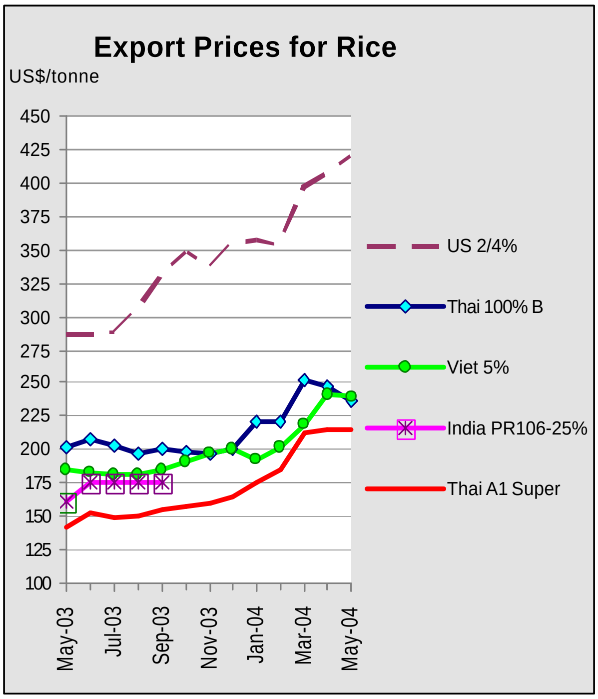
The continuous draw-down of global rice inventories will mean that the stock-to-use ration (which provides some indication as to how much of the foreseen consumption could be met just before the opening of a new season through existing reserves) will further decline, from 29 percent at the end of 2002 to 24 percent at the end of 2004.

IV. INTERNATIONAL RICE PRICES

World rice prices continue on an upward trend

International rice prices have continued on an upward trend since December 2003, with the FAO All Rice Price Index (1998-2000=100) surpassing the 100 point threshold in March, for the first time since September 1999. The rise in the first five months of 2004 has been most pronounced for low and high quality Indica rice, which, in the absence from the market of exporters such as India and Myanmar, has shown increasing signs of scarcity. In May, however, the price strength has been tempered by the release of rice from government inventories in Thailand and China, which have, respectively, contributed to a rise of export supplies and a drop of import demand. On the other hand, while Indonesia has remained out of the market, continued purchase interest was shown by Iraq, the Philippines and Nigeria. The net effect was a one point increase in the FAO All Rice Price Index rose between April and May to 109. The release of government stocks in Thailand depressed all rice quotations in the country, which declined in May compared with April, while export prices in the United States, Pakistan and Vietnam held steady or even rose.





On a year-to-year basis, however, prices have posted important gains. For instance, in May 2004, the Thai 100%B was quoted at US$ 236 per tonne, 17 percent above the May 2003 level. The increase was even more pronounced for the US 2/4% long grain rice, which was priced 46 percent higher, at US$ 420 per tonne, in May 2004 compared with US$ 287 per tonne a year earlier. As a result, the price gap between the high quality rice sourced in Thailand and the United States has widened, compared with one year ago.

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											
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
April	248	407	241	231	n.a.	223	239	215	463	486	504
May	236	420	239	223	n.a.	223	240	215	470	523	492
2003 Jan.-May	200	231	175	174	153	163	166	145	229	356	406
2004 Jan.-May	236	387	219	216	n.a.	203	226	201	463	471	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.

Prospects for prices in the next few months are still positive, as import demand should remain strong relative to availabilities at least until August/September, when a number of the northern hemisphere producers will have harvested their main crop. In this respect, information regarding the state of crop development in major producing countries will be felt critically by the market in the coming months, given the low level of global stocks estimated to be available. Bad weather in countries such as China mainland, India, the Philippines or Bangladesh, for instance, would have much stronger consequences than in previous years, when the world rice situation was less tight.

Meanwhile, contrasting forces will draw the pattern of prices, with additional strength expected should India and Myanmar carry on with their export restrictions. The surge of crude oil prices could also exert some upward pressure on export rice quotations, as higher production and marketing costs are passed along the rice chain. Other factors, however, will tend to dampen the price strength. For instance, China has given clear signs that the country still has enough reserves to keep its imports within reasonable bounds. The possibility that Indonesia refrains from importing for a longer period than originally foreseen would also contribute to cooling the market.

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**	**81**	**83**	**91**
2003	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	93	87	89	104	88
2004	January	97	90	94	106	98
	February	98	92	99	104	96
	March	105	101	111	105	96
	April	108	105	114	108	99
	May	109	105	115	110	101
2003	Jan.-May	75	74	76	70	88
2004	Jan.-May	103	98	106	107	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.

WORLD PADDY PRODUCTION

	2002	2003 (estimated)	2004 (forecast)
		million tonnes	
WORLD	**572.2**	**591.7**	**613.0**
Developing countries	546.5	568.6	587.2
Developed countries	25.8	23.1	25.4
ASIA	**517.8**	**538.4**	**555.7**
Bangladesh	37.8	39.9	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	6.4
Myanmar	22.8	24.6	23.0
Pakistan	6.7	7.3	7.6
Philippines	13.0	14.1	14.6
Sri Lanka	2.9	3.1	2.5
Thailand	26.1	26.6	27.0
Viet Nam	34.4	34.5	34.2
AFRICA	**17.8**	**18.1**	**18.2**
North Africa	**6.0**	**6.2**	**6.2**
Egypt	6.0	6.2	6.2
Sub-Saharan Africa	**11.7**	**12.0**	**12.0**
Western Africa	7.4	7.5	7.6
Côte d'Ivoire	1.0	0.8	0.8
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	**2.7**	**2.6**	**2.7**
Mexico	0.2	0.2	0.3
SOUTH AMERICA	**19.8**	**19.8**	**22.6**
Argentina	0.7	0.7	1.0
Brazil	10.6	10.4	12.9
Colombia	2.3	2.5	2.6
NORTH AMERICA	**9.6**	**9.0**	**9.9**
United States	9.6	9.0	9.9
EUROPE	**3.2**	**3.2**	**3.3**
EU 2/	2.6	2.6	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**	**25.7**
Developing countries	23.8	23.7	21.3
Developed countries	4.2	4.3	4.4
ASIA	**14.2**	**13.6**	**11.8**
Bangladesh	0.5	1.6	0.4
China 1/	0.3	0.4	1.0
Indonesia	3.5	3.0	1.5
Iran, Islamic Rep. of	1.0	0.7	0.7
Japan	0.7	0.7	0.7
Malaysia	0.6	0.6	0.5
Philippines	1.3	0.9	1.0
Saudi Arabia	0.8	0.8	0.9
Sri Lanka	0.1	0.1	0.2
AFRICA	**8.4**	**8.3**	**8.0**
Côte d'Ivoire	0.7	0.8	0.9
Nigeria	1.8	1.5	1.3
Senegal	0.8	0.6	0.6
South Africa	0.7	0.8	0.8
SOUTH AMERICA	**0.8**	**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**	**1.9**
EU 2/	0.7	0.7	0.9
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**	**25.7**
Developing countries	23.9	23.1	21.7
Developed countries	4.2	4.9	4.0
ASIA	**22.4**	**21.9**	**19.7**
China 1/	2.1	2.7	1.8
India	6.6	4.4	2.5
Myanmar	0.9	0.4	0.3
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 AMERICA	**3.3**	**3.9**	**3.4**
United States	3.3	3.8	3.3
EUROPE	**0.3**	**0.2**	**0.2**
EU 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/ EU-15 until 2003, EU-25 in 2004.
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	90,580 F	83,350 F	73,690 F
Production 1/	122,901 G	120,876 G	114,778 *
Imports	340 G	402 G	950 F
Total Supply	213,821	204,628	189,418
Domestic Use	128,399	128,288	126,488
Exports	2,072 G	2,650 G	1,760 F
Closing Stocks	83,350 F	73,690 F	61,170 F

INDIA 2/ (Oct./Sep.)

	2001/2002	2002/2003 prelim.	2003/2004 f'cast
	(......... thousand tonnes	...........)	
Opening Stocks	25,000 F	26,400 F	12,000 F
Production 1/	93,080 G	72,660 G	87,940 G
Imports	10 F	30 F	50 F
Total Supply	118,090	99,090	99,990
Domestic Use	85,090	82,690	84,990
Exports	6,600 F	4,400 F	2,500 F
Closing Stocks	26,400 F	12,000 F	12,500 F

PAKISTAN 2/ (Nov./Oct.)

	2001/2002	2002/2003 prelim.	2003/2004 f'cast
	(......... thousand tonnes	...........)	
Opening Stocks	970 F	550 F	340 F
Production 1/	3,882 G	4,479 G	4,871 G
Imports	0 F	0 F	0 F
Total Supply	4,852	5,029	5,211
Domestic Use	2,699	2,731	2,791
Exports	1,603 G	1,958 G	2,000 F
Closing Stocks	550 F	340 F	420 F

THAILAND 2/ (Nov./Oct.)

	2001/2002	2002/2003 prelim.	2003/2004 f'cast
	(......... thousand tonnes	...........)	
Opening Stocks	1,810 F	2,400 F	2,100 F
Production 1/	17,558 G	17,250 G	17,626 G
Imports	1 G	7 G	7 F
Total Supply	19,369	19,657	19,733
Domestic Use	9,642	9,977	9,583
Exports	7,327 G	7,580 G	8,500 G
Closing Stocks	2,400 F	2,100 F	1,650 F

UNITED STATES 4/ (Aug./Jul.)

	2001/2002	2002/2003 prelim.	2003/2004 f'cast
	(......... thousand tonnes	...........)	
Opening Stocks	887 G	1,216 G	829 G
Production 1/	6,718 G	6,536 G	6,369 G
Imports	412 G	459 G	448 G
Total Supply	8,017	8,211	7,646
Domestic Use	3,846	3,522	3,684
Exports	2,955 G	3,860 G	3,262 G
Closing Stocks	1,216 G	829 G	700 G

VIET NAM 2/ (Nov./Oct.)

	2001/2002	2002/2003 prelim.	2003/2004 f'cast
	(......... thousand tonnes	...........)	
Opening Stocks	4,020 F	4,500 F	4,900 F
Production 1/	21,416 G	22,976 G	23,024 G
Imports	2 F	2 F	2 F
Total Supply	25,438	27,478	27,926
Domestic Use	17,698	18,688	19,026
Exports	3,240 G	3,890 G	4,000 F
Closing Stocks	4,500 F	4,900 F	4,900 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.