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FAO Rice Market Monitor
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HIGHLIGHTS

- FAO forecast of global paddy production in 2004 has been raised by 3 million tonnes to 611 million tonnes, following improved expectations for China, Indonesia, the Philippines, the United States and Viet Nam, which more than compensated a downgrading of production in Cambodia, Japan, Peru and Thailand. The season outlook also deteriorated in Africa, where crops have been impaired by irregular precipitation and by a locust infestation.

- At the current foreseen level of 611 million tonnes, world paddy production would be 27 million tonnes higher than in 2003 and close to the record achieved in 1999. Much of the yearly increase is expected to be concentrated in Asia, especially in China, but also in Indonesia. Further output gains are anticipated in Afghanistan, the Democratic Republic of Korea, Pakistan, the Philippines and Viet Nam, with a recovery also prospected in Japan and the Republic of Korea. By contrast, adverse weather conditions, in particular drought and floods, may cause output to fall in Bangladesh, Cambodia, India, Malaysia, Myanmar, Nepal, Sri Lanka and Thailand. Overall production in Africa is set to rise, reflecting good crops in Egypt, Madagascar and, to a smaller extent, in Guinea Bissau, Nigeria and Tanzania. However, it could fall in Chad, Cote d'Ivoire, Ghana, Malawi, Mali, Mozambique and Senegal, because of an erratic rainfall pattern this season. In Latin America and the Caribbean, excellent paddy crops were harvested earlier this year in Argentina, Brazil and Uruguay. Production is anticipated to rise also in Bolivia and Colombia, but Chile, Ecuador, Guyana and Peru might experience a decline, mostly because of unfavourable weather conditions. Prospects are also rather bleak in Central America and the Caribbean, where crops have been damaged by drought and hurricanes. In the rest of the world, production is set to reach a new record in the United States. A recovery was also witnessed in Australia, but not sufficient for it to fully recover from the dramatic 2003 drought-induced shortfall. The season is anticipated to end positively in the European Union (EU-25).

- Forecasts for the 2005 paddy season have been released by several countries in the Southern Hemisphere, which have started planting their main paddy crops. Again constrained by a lack of water for irrigation, Australia expects to harvest less than half the levels achieved prior to 2003. The 2005 outlook is also poor in South America, where insufficient rainfall has delayed plantings. Based on early forecasts from the countries, production could fall in Brazil and in Uruguay. On the other hand, production is set to keep rising in Argentina.

- FAO forecast for rice trade in 2004 has been lowered by about 400 000 tonnes, to 26.1 million tonnes, almost 6 percent below the 2003 revised trade estimate. Most of the expected yearly decline reflects limited export availabilities in several of the major exporting countries, particularly China, India, Myanmar, the United States and Pakistan. Part of the above exporters' shortfalls is forecast to be filled through larger exports from Thailand, now set to achieve an all time high of 10 million tonnes, and from Vietnam. Sales by Argentina, Egypt, and Uruguay are also likely to increase. Much of the anticipated contraction in trade in 2004 would be on account of lower imports to three of the most important rice markets, namely Bangladesh, Brazil and Indonesia. By contrast, shipments to most of the other major importing markets are foreseen to increase, including to China Mainland, but also to the Philippines, Saudi Arabia and Sri Lanka. In Africa, Benin, Cote d'Ivoire, Ghana, Mozambique and South Africa are anticipated to import more, while prospects for Nigeria point to little change from last year. Purchases by the Dominican Republic, Peru and the United States are expected to increase.

- Given current 2004 production prospects, FAO first forecast of trade in 2005 points to a yearly decline of about 900 000 tonnes to 25.2 million tonnes. The drop should stem principally from supply constraints in some of the major exporting countries, especially Thailand, India and Uruguay. By contrast, given the favourable production outlook in 2004, exports from China (mainland) in 2005 could bounce back. Increases are also anticipated in Pakistan and the United States, while Viet Nam and Egypt are expected to maintain the high level of exports achieved this year. On the demand side, Brazil, China (mainland), the Islamic Republic of Iran, the Philippines and the United States are all anticipated to reduce their imports in 2005. Nigeria could also purchase less, if the current protective policies become more effective. By contrast, imports to Bangladesh and Indonesia are likely to rebound.

- Improved prospects for global rice production in 2004 has led to a 2 million tonne upward revision in FAO forecast of aggregate stocks at the close of the 2004 crop seasons. Despite the adjustment, world rice inventories would only reach 99 million tonnes, still 4 million tonnes less than in 2003. This means that, for the fifth consecutive year, production would remain short of consumption, with the difference covered with supplies drawn from stocks.

- Rice export prices weakened in recent months, driving the FAO Rice All Price Index (1998-00=100) from 102 in September to 100 in November. Among the various types of rice monitored by FAO, prices of Japonica rice have been the most prone to fall, while quotations for aromatic rice have strengthened since September.

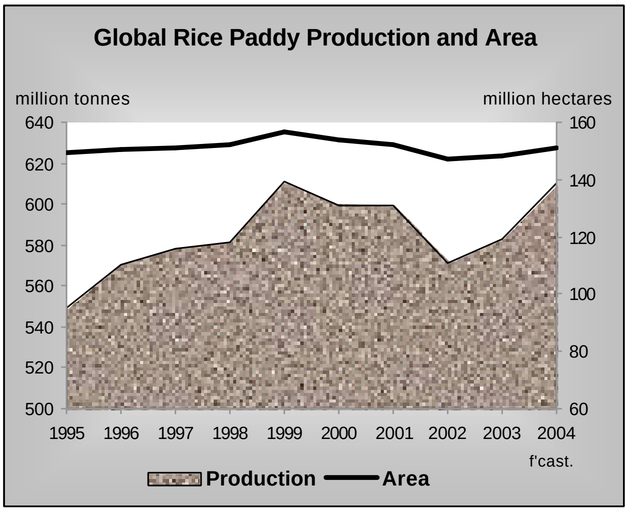
- International rice price prospects in the coming months will depend to a large extent on the size and quality of the harvests currently under progress. However, with production setbacks anticipated in several of the major exporting countries, supplies available for trade in 2005 might be limited. As import demand is anticipated to remain strong, the current world rice price weakness is likely to be only temporary and quotations could regain momentum next year.

RICE SITUATION UPDATE AS OF 30 NOVEMBER 2004

I. PRODUCTION

Improved Prospects in China raise expectations of a near record 2004 paddy season

Most countries in the Northern Hemisphere are now in the process of gathering their principal 2004 paddy crops, but many of them will not conclude the season until well into next year, when the secondary, mostly irrigated, 2004 crops will be harvested. Meanwhile, in the Southern Hemisphere, the 2004 rice seasons are mostly concluded and planting of the 2005 main paddy crops is already in progress.



The outlook for global paddy production in 2004 has been revised upward by 3 million tonnes to 611 million tonnes, mainly on account of expectations of higher crops in China, the major world rice producing country, but also in Indonesia, the Philippines, the United States and Viet Nam. Improved prospects in those countries more than compensated for the scaling down of production forecasts in Cambodia, Japan, Peru and Thailand. Prospects also deteriorated in parts of Africa, where crops have been impaired by irregular and inadequate precipitation and by locust infestations. If confirmed at 611 million tones, world paddy production this season would be 27 million tonnes higher than in 2003 and close to the record achieved in 1999.

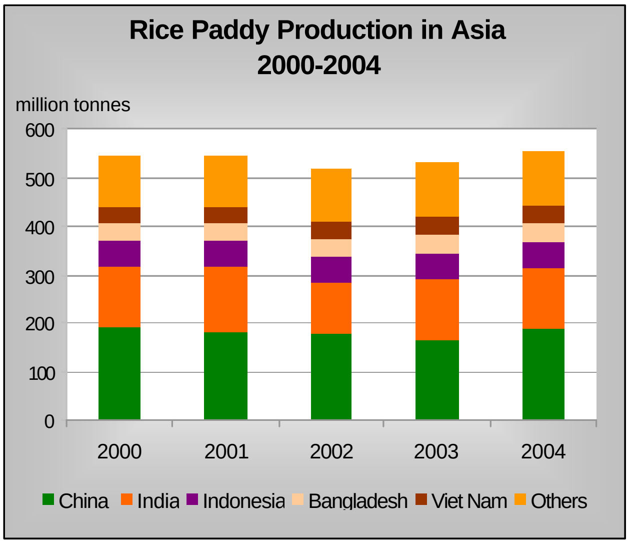
1.1 ASIA

While production in China is set to rebound, setbacks impair the season in many other countries in the region

Most countries in the region have already harvested their main 2004 paddy crops and are now seeding their secondary crops. In the past few months, drought problems have been reported across Asia, especially in southern China, Central Vietnam, northeast Thailand, etc.. Nonetheless, owing mainly to China and Indonesia, some of the largest world rice producing countries, paddy production in Asia is now forecast to reach some 553 million tonnes in 2004, some 3 million tonnes more than previously forecast and 23 million tonnes above last year.

According to a recent joint FAO/WFP crop assessment, scanty and erratic precipitation in **Afghanistan** interrupted the strong recovery in agricultural output witnessed in the past two years. However, a shift of farmers from wheat to rice plantings in the Northeast in response to high prices of rice relative to other crops is expected to sustain a 7 percent increase in paddy production to 465 000 tonnes, 30 000 tonnes more than previously forecast.

Bangladesh reportedly suffered the worst floods in fifteen years between July and September, which caused severe damage to the standing summer crops, including the early season Aus paddy crop and the early-transplanted Aman paddy crop. However, the overall impact on the final production has been assessed to be modest, since a swift implementation of a special relief programme, which included the distribution of seeds and seedlings, sustained some replanting of the affected areas. Moreover, the rainfall should have resulted in a replenishment of reservoirs which will likely foster an expansion of plantings, starting in December, of the irrigated Boro paddy crop. Overall, Bangladesh is still poised to harvest 38.3 million tonnes, a modest 1 percent reduction from last year record.



The impact of the floods brought considerable hardship to people in 39 of Bangladesh's districts. In August, the Government responded by launching a flood assistance programme benefiting 20 million people, for three to four months under its Vulnerable Group Feeding scheme. According to the programme, 4.3 million families will be receiving a monthly allocation of 10 kg of rice. In addition, to check a surge in rice prices, the Government launched open market sales of rice in late October, which immediately dampened the inflationary pressure on prices.

Severe drought last October is believed to have hindered the development of paddy crops in **Cambodia**, especially in the Kompeng Speu Province, with the army and civil forces called to assist in providing irrigation to the standing paddy crops. Pending a field assessment of the damage, FAO has lowered the country 2004 production estimate to 4.5 million tonnes, 200 000 tonnes less than earlier anticipated, but still the second highest level on record after the 4.7 million tonne harvested last season.

According to unofficial local sources, **China mainland** is likely to gather a much higher production this year than previously anticipated, reflecting a more optimistic outlook for the intermediate and late rice crops. Based on the latest forecasts, the country could gather 185.1 million tonnes, 4 million tonnes more than formerly expected, and 15 percent (or 24 million tonnes) above last year. The increase from the 2003 season was prompted by the rise in market prices but also by the reintroduction of incentives to farmers, in the form of tax exemptions, minimum protective prices and, for the first time, of direct payments to grain growers. In addition, the land planted with improved rice varieties was boosted by the incorporation of special rice strains to the list of commodities benefiting from seed subsidies in 13 major grain-producing provincial areas. In November, however, the sector was reported suffering from insufficient rainfall in the Southern Provinces, especially of Guangdong and Guangxi, which may have impaired the development of the secondary late-season crops. So the production forecast could be subject to further revisions.

Cultivation of new "Super Rice Strains" expands in China

After leading research into hybrid rice varieties, China embarked into a first phase of hybrid rice development in the mid-1990s, which has given rise to new "super-rice strains". The new rice varieties, the prototype of which was developed by the International Rice Institute (IRRI) in 1993, yield some 10.5 tons per hectare, compared with an average of 6.5 tonnes per hectare for conventional varieties. The research programme has now entered a third phase, with the objective of lifting yields of the new super-rice strains to 13.5 tonnes per hectare.

The introduction of hybrid rice in the 1970s was an essential factor underpinning yields in China. Hybrid rice strains now cover 14 million hectares, or close to half, of the country's paddy area. According to the Government, the new rice super-yielding varieties will be planted on 4 million hectares in 2005, up from 2.66 million hectares in 2003.

As **India's** monsoon period has ended, the rainfall deficiency between June and September was estimated to have been in the order of 12 percent. The paucity of precipitation is anticipated to have resulted in a 3 percent reduction in the Kharif crop, currently forecast at 107 million tonnes. Part of that crop shortfall is likely to be compensated by increases in the irrigated, secondary Rabi crop, which could reach 20 million tonnes, in paddy equivalent, about 3 percent more than last year. Overall, India's paddy production in 2004 is forecast at some 127 million tonnes, unchanged from the previous estimate but almost 3 million tonnes less than in 2003. The Government recently announced support prices for 2004/05 at Rupee 5600 per tonne for common rice varieties and at Rupee 5900 per tonne for Grade A rice, a gain of Rupee 100 per tonne compared with last year's support levels. The increase in support prices was rather modest in the case of rice, especially if compared with those announced for maize and oilseeds.

Paddy production in **Indonesia** was bolstered this season by excellent growing conditions, improved distribution of basic inputs and an expansion in plantings of more than 400 000 hectares. As a result, output is set to rise to a record 54.3 million tonnes in 2004, about 600 000 tonnes more than previously forecast and a 2.2 million tonne gain from last year. According to the Government, the record harvest should allow the country to achieve rice self-sufficiency.

While the paddy season is about to be completed in **Japan**, the government has lowered the 2004 production forecast by 500 000 tonnes to 10.9 million tonnes, a reflection of the damage caused to the crop by the passage of typhoons. Despite the deterioration of the prospects, the new production forecast would still imply a 12 percent recovery from the poor outcome of last season.

Production forecast in the **Republic of Korea** has been revised upward and, according to the latest official figures, it is now set to rebound to 6 757 thousand tonnes, 12 percent up from the poor 2003 harvest.

Following the release of official figures in **Laos,** the country's 2003 paddy production estimate was revised upward to 2.6 million tonnes, a 10 percent increase compared with 2002. The gain was the result of a 13 expansion in the wet season crop, which more than compensated a 78 percent drop in the, smaller, dry season crop, brought about by a shift of irrigated land out of rice towards cash crops. The sector is again forecast to grow in 2004, when production is anticipated to reach 2.7 million tonnes.

According to new government estimates, production in **Malaysia** declined from 2 259 thousand tonnes last year to 2 184 thousand tonnes in 2004. The decline mainly reflected the negative impact of heavy rainfall and floods early this year, along with a small contraction in plantings.

The 2004 paddy season in **Myanmar** is also likely to be impaired by adverse weather conditions, including flooding in August. As a result, a decline in the country's production continues to be forecast, with production set to fall to 22.0 million tonnes, down from 22.9 million tonnes in 2003.

Rice production is anticipated to fall also in **Nepal**, as a late arrival of monsoon rains and, subsequently, heavy flooding seriously lowered yields. The drop in production, together with the severe security problems, has contributed to the manifestation of food shortages in a number of villages.

By contrast, a positive outcome is anticipated this season in **Pakistan**, where production continues to be forecast at 7.4 million tonnes, 2 percent more than last year and a new record.

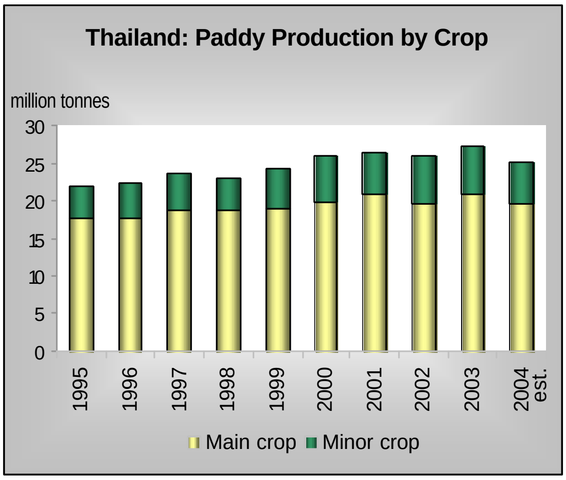
In **the Philippines**, the government is currently preparing to react to a possible recurrence of an El Niño event, which might hit crops in Northern Luzon, Eastern Visayas and Southern Mindanao. Measures to counter the possible shortfalls there include cloud seeding, the distribution of hybrid rice varieties and the enhancement of irrigation infrastructure, including the construction of shallow tube wells, in regions unlikely to be affected by the weather anomaly. Thus, assuming a continuation of the expansionary production policy thrust and limited weather problems during the next few months, paddy production in 2004 (July 2004 – June 2005) is forecast to rise to 14.4 million tonnes, 200 000 tonnes higher than last year and up from an original outlook of 14.2 million tonnes. The government has allocated some Pesos 4 billion (US$ 71 million) to finance rice procurement, of which Pesos 3 billion will be available to purchase rice from the main, wet season crop, currently at the harvest stage. In this connection, the government announced wet season rice will be subject to a minimum support prices of Pesos 10 000 per tonne (about US$178 per tonne) up from Pesos 9 000 per tonne in 2003, with the increase justified by rising production costs, including for fuel and fertilizers.

Philippines – Support Price for Paddy Rice (pesos/tonne)

	1999/00	**2000/01**	**2001/02**	**2002/03**	**2003/04**	**2004/05**
Main (wet) season – September to February	9,000	9,000	9,000	9,000	9,000	10,000
Second (dry) season – March to August	10,000	10,000	10,000	10,000	10,000	

Source: National Food Authority.

Planting of the main 2005 paddy crop is well under way in **Sri Lanka.** According to the government latest estimates, the country harvested 2.5 million tonnes in the 2004 season, the lowest level since 1997, as plantings and crop development were impaired by a prolonged drought. In order to avert steep increases in prices, the government already announced the waiving of a Rupees 9 per kg import duty on IRRI rice to facilitate imports and avert sharp hikes in domestic retail prices.



Drought has reportedly been affecting rice fields in many provinces in **Thailand** since the end of the monsoon period in September. According to the Government, adverse weather conditions depressed production of the main paddy crop, currently assessed at 19.7 million tonnes or 1.2 million tonnes less than in 2003. Drought and the resulting lack of irrigation water is also likely to impair farmers' ability to plant the secondary, irrigated, rice crop, now forecast to fall by some 900 000 tonnes to 5.5 million tonnes. As a result, FAO production outlook for the full 2004 season has been reduced to 25.2 million tonnes, down from a previous forecast of 27.1 million tonnes and the lowest level since 1999.

By contrast, prospects for production in **Vietnam** have improved somewhat from the last report, with the Government now putting the crop at 35.5 million tonnes, some 300 000 tonnes above the previous forecast and an increase of 1 million tonnes from last season. This year positive performance reflects favourable weather conditions, reduced pest incidence and an increased use of hybrid varieties, which contributed to raising yields, compensating for a small contraction in plantings. However, the country is now facing severe drought problems in the Central and Northern regions, which are likely to affect the forthcoming winter/spring crop, the first of the 2005 season. As supplies from that crop are mainly destined to foreign markets, a shortfall could limit the country's export performance next year.

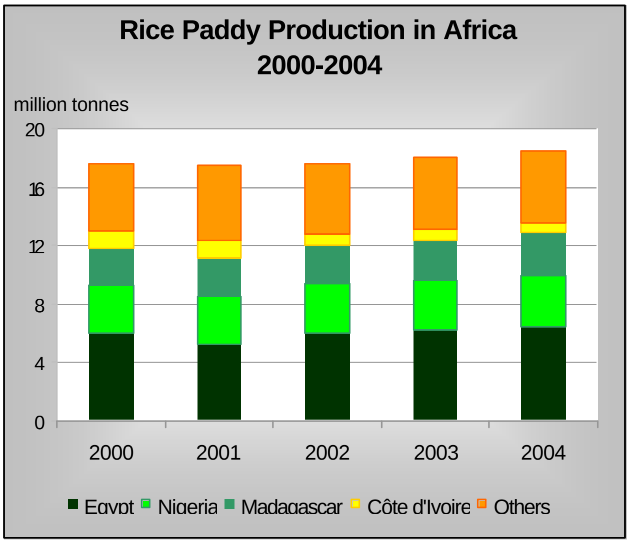
1.2 AFRICA

Only modest gains in production expected in Africa in 2004, as the season has been impaired by erratic rainfall and pest diseases

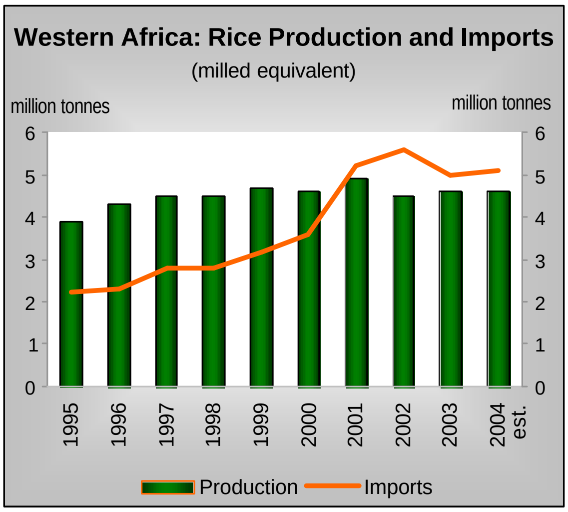
The 2004 season is well over in Southern and Central Africa, where farmers are preparing to plant their 2005 paddy crops. Despite the damage caused by cyclones early this year, **Madagascar** is estimated to have harvested more than 3 million tonnes, 200 000 tonnes more than in 2003, mainly reflecting improved production methods. According to a recent FAO/WFP crop assessment mission, **Angola** harvested 20.6 thousand tonnes in 2004, up 32 percent from the previous year, reflecting abundant and well distributed rainfall in the major producing, central Moxico Province. Production in the **Democratic Republic of Congo** has been officially forecast at 315 thousand tonnes, marginally higher than last year. By contrast, production is estimated to have fallen in **Malawi**, reflecting an inadequate and erratic rainfall pattern this year.

In North Africa, **Egypt** official production forecast has been slightly revised downward to 6.4 million tonnes, which would still be 3 percent over last year production outcome. The country is set to achieve further productivity gains, with yields anticipated to reach 9.9 tonnes of paddy per hectare, among the highest in the world.

Rice crops in countries in western Africa are approaching the harvesting stage. However, the worst locust infestation in 15 years is seriously marring the paddy production prospects in **Burkina Faso, Mali, Mauritania, Senegal** and **Chad**. Losses from the outbreak were reported in the order of 15-20 percent in the affected areas. In addition, much of the sub-region also suffered from irregular and scanty rainfall. Accordingly, **Burkina Faso**'s production outlook has been scaled down to some 95 thousand tonnes, about unchanged from last year. The revision was particularly sharp in the case of Chad, which also experienced a lack of precipitation, in addition to the locust invasion. The country is now anticipated to harvest some 88 thousand tonnes, about 30 percent less than in 2003. Although measures to control the locust incidence brought some relief in **Mali**, production there might fall by 7 percent to 900 000 tonnes, reflecting an early end of the rainy season. Prospects have deteriorated also in **Cote d'Ivoire**. Besides the resurgence of conflicts between the north and the south, drought problems were reported in the important rice producing northern region. As a result, FAO has lowered the country's production forecast to 650 000 tonnes, 8 percent less than in 2003 and about half the level produced before the bursting of the civil war. Declines from last year are also foreseen in **Ghana** and, especially, **Mauritania** where the locust incidence was particularly severe. On the other hand, production in **Guinea,** where normal weather conditions have been reported**,** is set to remain at 850 000 tonnes, unchanged from last season.



On the positive side, the Government of **Gambia** is anticipating a 37 percent increase in output, driven by an expansion of plantings, reportedly fostered by the establishment of development projects but also by the provision of tractors and the promotion of Nerica rice varieties. The official forecast for **Guinea Bissau** also points to a sharp rise in production, of about 90 percent, to 126 thousand tonnes, as production fully rebounded from the weather setbacks endured in 2003. Similarly, official forecasts of production in **Niger** pointed to a recovery of the sector, although weather conditions have been less than optimal this season. FAO also anticipates a small increase in output in **Nigeria**, to 3.5 million tonnes. Against the backdrop of the International Year of Rice celebration, the Government has reiterated its intention to bolster the sector to reach self-sufficiency already next year, through the diffusion of Nerica

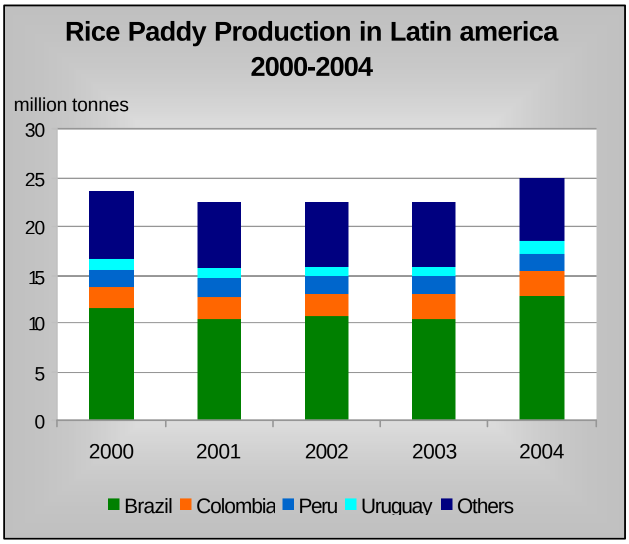


varieties and the launching of a "Nucleus Estate Initiative" (NEI). The programme aims to foster a modernization of rice production systems through the provision of machinery and equipment, seeds and agro-chemicals, improved access to technologies and credit. In this connection, the Government reported in October to have already distributed Naira 7 billion (US$ 54 million) through the Agricultural Co-operative and Rural Development Bank (NACRDB) to small scale farmers to expand rice production.

1.3. LATIN AMERICA AND TH E CARIBBEAN

Excellent crop results in South America contrast with the poor outcome of the 2004 season in Central America

In South America, farmers are now planting their 2005 paddy crops, but some countries are still adjusting production figures for the 2004 season. In **Argentina**, the production outcome has been revised slightly to 1.06 million tonnes, which would imply a 48 percent increase from the 2003 season. A preliminary assessment of plantings by the Government for the forthcoming 2005 crop points to a continuation of the expansionary thrust, with a 4 percent increase in area observed, consistent with expectations of relatively high world prices.



Production in **Brazil** in 2004 continues to be estimated at 12.8 million tonnes, which represented a 23 percent increase from the previous season and an all time high. Based on the first survey on planting intentions conducted in October by CONAB, the country is anticipated to reduce the area under rice in 2005 by 1.7 - 2.9 percent, with output anticipated to fall within a range of 5.0 - 6.5 percent, to 11.98 – 12.17 million tonnes. The slide in plantings in the coming season has been prompted by drought problems in the major producing state of Rio Grande do Sul, which have reduced the availability of reservoir water for irrigation.

Chile confirmed its assessment of the 2004 paddy crop at 119 thousand tonnes, a decline of 15 percent from 2003, arising from a drop in both area and yields. According to the second survey on planting intentions for the 2005 season, farmers are expected to diversify out of rice again next season, possibly moving some land into maize cultivation, in reaction to low rice producer prices.

According to official estimates released in August, rice cultivation in **Colombia** in the current 2004 season rose by 5.5 percent, reversing earlier anticipation by the Government of a contraction. The area increase was driven mainly by a large expansion in the eastern plains region (Llanos orientales). Pending the harvesting of the secondary, winter crop, early next year, FAO has raised the country's production forecast to 2.6 million tonnes, 100 000 tonnes more than the previous season, to reflect the upward revision in plantings.

By contrast, forecast production in **Peru** has been lowered by 200 000 tonnes to 1.8 million tonnes this season, or 16 percent less than in 2003, based on information regarding rice harvested between January and September, which showed a 17 percent drop compared with the same period in 2003. The expected fall in output this season reflects drought problems which have hindered rice cultivation in the northern part of the country, especially in the Piura region, which induced the government to foster a diversification towards less water-dependent crops.

Planting of the 2005 new crop is well advanced in **Uruguay**, where 80 percent of the foreseen area for the coming season was reportedly planted by mid- November. According to the latest forecasts, cultivation might fall by only 10 percent compared with 2004, rather than the original 20 percent reduction foreseen, since recent precipitation put an end to the drought and allowed a replenishment of reservoirs, thereby encouraging farmers to resume rice seeding.

In Central America and the Caribbean, most countries are in the process of harvesting the first of their paddy crops, with a second one due for collection in spring next year. **Costa Rica** is set to gather 200 000 tonnes this season, 6 percent lower than in 2003, as the damage to crops caused by a rice mite outbreak have been estimated by the National Rice Corporation (CONARROZ) in the order of 40 000 tonnes. The same pest outbreak was reported in **Panama,** where it was attributed a 14 percent drop in yields. A contraction in production this season continues to be anticipated for **Cuba**, and the **Dominican Republic**, reflecting both drought and flooding problems which have affected the two countries in the course of the season. An erratic rainfall pattern was also reported to have depressed the sector in **Nicaragua,** where production is now forecast to fall by 10 percent to 242 thousand tonnes, down from a previous official figure of 307 thousand tonnes. By contrast, prospects are positive in **Mexico**, where production is set to rise by 5 percent to 274 thousand tonnes.

1.4. REST OF THE WORLD

Record crop in the United States but production still well below normal in Australia

With the bulk of the 2004 crop in the **United States** already harvested, the USDA November 1st forecast put the crop at a record high of 10.3 million tonnes, 14 percent more than last season and some 300 000 tonnes above previous expectations. Much of the yearly increase was prompted by an expansion in the area, fostered by relatively high prices in 2003 and anticipation of further price increases this year. The revision in the 2004 production forecast was on account of better prospects for yields, now set to reach new high in Arkansas, Mississippi and Missouri. Much of the yearly production increase is foreseen to correspond to long grain rice, the output of which could reach 7.6 million tonnes, while for medium grain and short grain rice, output has been estimated at 2.6 million tonnes and 154 thousand tonnes respectively.

The 2004 paddy season in **Australia** ended several months ago and production is confirmed at 535 000 tonnes, 37 percent above the outcome of the 2003 season crop, which was dramatically affected by the worst drought in 100 years. Nevertheless, the 2004 crop remains substantially below normal. As for the 2005 paddy season, now at the seeding stage, prospects by the Australian Bureau of Agricultural and Resource Economics (ABARE) have been marred by the threat of a recurrence of an El Nino event, which could again reduce the rainfall and hence the allocation of irrigation water to farmers. Based on Abare’s November forecast, of 559 000 tonnes, paddy production in the forthcoming 2005 season is unlikely to be much above this season’s outcome.

Excellent growing conditions together with a modest increase in plantings have boosted production expectations in **the European Union** (EU-25) to 2 753 thousand tonnes, or some 80 thousand tonnes more than in 2003. The bulk of the gain is anticipated to originate in Italy and Spain, the two major producing members, with Spain likely to exceed its maximum base areas, making it subject, again this season, to sizeable penalization on producer compensatory payments. The problem of remaining within the area ceilings should be less stringent for Spain as of next season, since unlike other member countries, Spain's national rice base area was increased under the 2003 reform.

EU-15 National Rice Base Areas as of		
	Pre - 2003 Reform	Post - 2003 Reform
	Hectares	Hectares
Italy	239 259	217 622
Spain	104 973	113 200
Portugal	34 000	25 000
Greece	24 891	20 500
France	24 500	19 346
Guyana	5 500	3 883
Total EU-15	433 123	399 551

Source: EU Commission

Forecast production in the **Russian Federation** has been revised upward to some 500 000 tonnes, up from a previous 420 000 tonnes, following the release by the Russian authorities of the new legumes and grain crop estimates for this season. If confirmed, rice production would have recovered by about 11 percent from the poor 2003 rice crop.

II. INTERNATIONAL TRADE

As prospects deteriorates, international rice trade in 2004 likely to fall by 5 percent compared with 2003

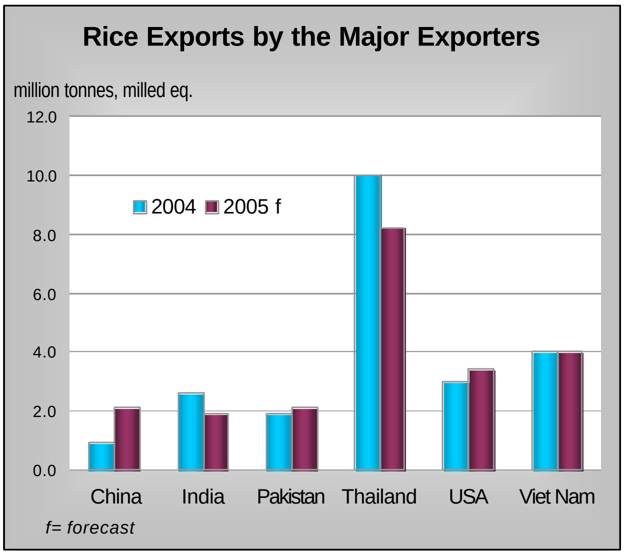
As increasing information on actual rice flows becomes available, FAO forecast for rice trade in 2004 has been lowered by about 400 000 tonnes, to some 26.1 million tonnes. On the demand side, imports by **Bangladesh** have been revised downwards from 800 000 tonnes to 655 000 tonnes, following the release of official forecasts. Import prospects for **Iraq, DR of Korea**, **Singapore**, **Cote D'Ivoire, Ghana, Madagascar** and **Nigeria**, which are mostly derived from the trade by destination records of major exporters, were also scaled down. By contrast, forecast imports by **Brazil**, **Costa Rica, the Islamic Republic Iran, Peru** and **Saudi Arabia** were raised.

On the supply side, a number of major changes have been made to the 2004 outlook. The first relates to **China (Mainland)**, which, according to performance from January to October, is foreseen to export 850 000 tonnes in 2004, substantially less than the 1.4 million tonne previously forecast. Similarly, sales from **India**, which had attained some 1.8 million tonnes between January and July, are anticipated to reach some 2.6 million tonnes by December, 200 000 tonnes less than the earlier forecast, since tight supplies may have constrained availabilities during the rest of the year. USDA also pointed to a less buoyant export performance by the **United States**, with the 2004 forecast cut by 9 percent to 3 million tonnes on anticipation of slower pace of sales in the last quarter. Shipments from **Japan** and **Myanmar** were also reduced. On the other hand, drawing from its export record for the first ten months, the outlook for **Thailand** deliveries in 2004 has been raised by 800 000 tonnes to an all time high of 10.0 million tonnes.

2.1. TRADE IN 2004

Limited export availabilities constrain trade in rice in 2004

At FAO latest figures of 26.1 million tonnes, global rice trade would be almost 6 percent below the 2003 revised trade estimate. Most of the expected decline reflects limited supply availabilities in several of the major exporting countries, which have constrained their ability to trade. In particular, **China** is set to reduce rice deliveries to some 850 000 tonnes, or one third of the volume shipped in 2003. Similarly, **India** might sell 2.6 million tonnes, substantially less than the 4.4 million tonnes of last year, with shipments of ordinary milled rice particularly affected by the withdrawal of export subsidies. Given the export ban in place since January, rice flows from **Myanmar** are also likely to have fallen to a mere 150 000 tonnes, consisting mainly of informal, border transactions with Bangladesh and China. Relatively high domestic prices are estimated to have negatively affected exports from the **United States** in 2004**.** Tight supplies in **Pakistan** are likely to result in lower sales. Part of the above exporters' shortfalls are forecast to be filled by larger exports from **Thailand,** now set to achieve an all time high of 10 million tonnes, or 38 percent of overall trade, and from **Vietnam,** where shipments might reach 4 million tonnes. Sales by **Argentina, Egypt**, and **Uruguay** are also likely to increase, as abundant rice supplies have allowed them to take advantage of the more favourable price conditions this year.

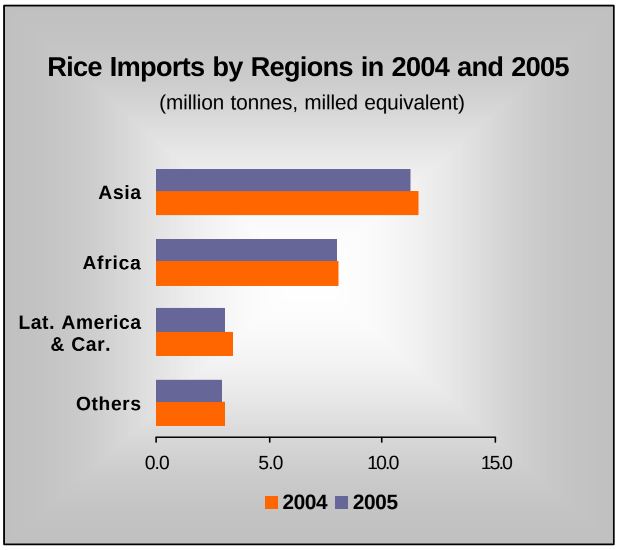


Much of the anticipated contraction in trade in 2004 would be on account of lower deliveries to three of the most important rice markets, namely **Bangladesh, Brazil** and **Indonesia**. In **Indonesia**, imports are anticipated to fall from 2.5 million tonnes to 1.0 million tonnes, since imports have been barred for most of the year. **Brazil** is also estimated to reduce its purchases, now put at 850 000 tonnes, compared with 1.1 million tonnes last year. Similarly, the latest official forecast for imports to **Bangladesh**, at 655 000 tonnes, is almost 1 million tonnes less than in 2003. Imports by the **DR of Korea, Nicaragua** and **Tanzania** are also anticipated to be smaller than last year. By contrast, shipments to most of the other major importing markets are foreseen to increase. This applies to **China Mainland**, which is set to purchase 750 000 tonnes this year in reaction to high domestic prices, close to three times the volume reported in 2003, but also to the **Philippines, Saudi Arabia** and **Sri Lanka**. Imports to Africa are forecast to reach 8.1 million tonnes (or 31 percent of the expected global volume of trade), slightly up from last year, with across the board increases in imports anticipated, in particular to **Benin, Cote d'Ivoire, Ghana, Mozambique** and **South Africa**. Current prospects for **Nigeria** point to little change from last year. With the country aiming at boosting production, rice imports this year have been subject to a surcharge of 10 percent, in addition to the prevailing 100 percent tariff. Increased purchases are anticipated to be made by the **Dominican Republic, Peru** and the **United States.** Imports to the **EU-25**, which lowered tariffs on husked and milled rice as of September 2004, are forecast at 880 000 tonnes.

2.2. TRADE IN 2005

Another contraction in world rice trade foreseen in 2005

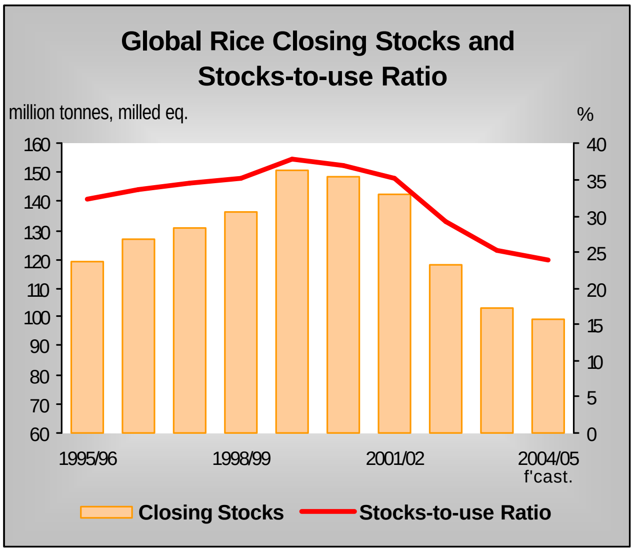
Trade in calendar 2005 will be heavily influenced by the outcome of the 2004 paddy seasons in Northern Hemisphere countries. Based on current production prospects, FAO' first forecast of trade in 2005, at 25.2 million tonnes, points to a decline of about 900 000 tonnes from the level expected in 2004. The drop should stem principally from supply constraints in some of the major exporting countries, especially **Thailand, India** and **Uruguay**. In the case of **India**, the possibility of re-introducing export subsidies is still under Government consideration. In absence of such government assistance and given the poor 2004 production prospects, shipments might fall to 1.9 million tonnes in 2005, consisting mainly of Basmati and parboiled milled rice, as has been the case in 2004. Sales by **Guyana** could also be hindered by increased competition on the EU market following the implementation, since September 2004, of a new common external tariff structure. By contrast, given the favourable production outlook in 2004, exports from **China** (mainland) in 2005 could bounce back to 2.0 million tonnes. Increases are also anticipated in **Pakistan** and the **United States,** while **Viet Nam** and **Egypt** are expected to maintain a level of exports similar to the relatively high levels they might achieve this year.



On the demand side of the international market, **Brazil**, **China (mainland), the Islamic Republic of Iran, the Philippines** and **the United States** are all anticipated to reduce their imports in 2005. Although overall shipments to Africa are still prospected to exceed 8 million tonnes, **Nigeria** could also purchase less, if the current protective government policies become more effective. By contrast, imports to **Indonesia**, which will be much influenced by the outcome of the crops harvested early next year, may rebound somewhat, under the assumption of a return to more normal, less favourable weather conditions. Among the other principal rice importers, shipments to **Bangladesh** are also set to rise, given the poor 2004 production outlook, while for to the enlarged **EU-25,** they are currently forecast at 950 000 tonnes, 8 percent more than in 2004.

III. GLOBAL RICE STOCKS

Despite improved production prospects, global rice stocks still anticipated to fall from their opening level



Improved prospects for global rice production in 2004 has led to a 2 million tonne upward revision in FAO forecast of aggregate stocks at the close of the 2004 crop seasons. Despite the adjustment, world rice inventories would only reach 99 million tonnes, still 4 million tonnes less than in 2003. This means that, for the fifth consecutive year, production would remain short of consumption, with the difference covered with supplies from stocks.

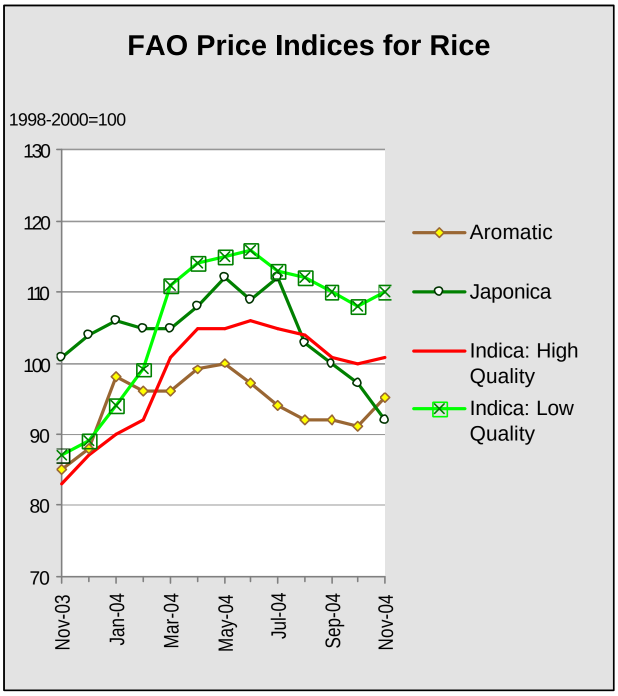
Compared with their opening levels, end-of-season inventories are anticipated to drop in **Bangladesh, India, Thailand, Senegal, Ecuador** and **Peru,** reflecting the currently poor 2004 production prospects. They could also end lower in **China, Nigeria** and **the EU.** By contrast, a number of countries are expected to increase their reserves, especially **Brazil, the Islamic Republic of Iran, Japan, the Republic of Korea** and **the United States.** Stocks are anticipated to remain close to last year levels in **Egypt, Myanmar** and **the Philippines**.

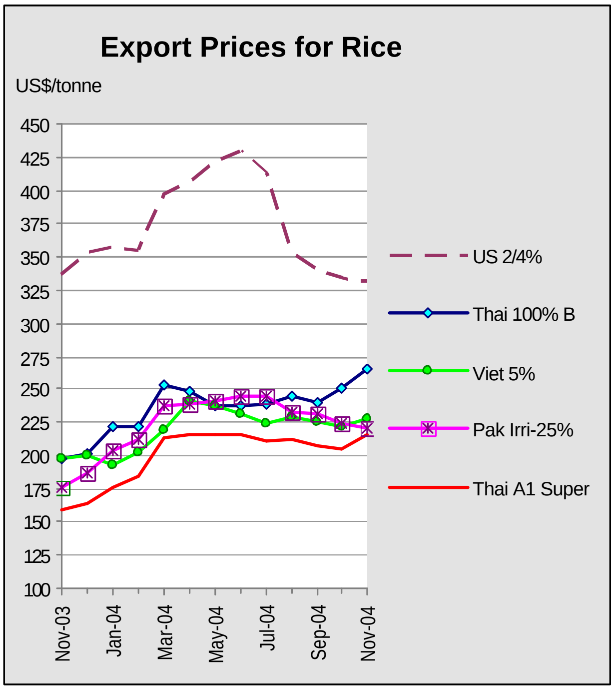
IV. INTERNATIONAL PRICES

Further declines in international rice prices observed since September

The declining trend of International rice prices initiated in August continued over the past two months, driving the FAO Rice All Price Index (1998-00=100) from 102 in September to 100 in November. From the four major rice categories monitored by FAO, prices of Japonica rice have been the most prone to fall, with the index sliding from 100 to 92 over the three month period. As for Indica rice, prices fell in October, with part of the losses recouped in November. On the other hand, quotations for aromatic rice have strengthened by 3 points since September.

Within the Indica, higher quality, market, rice from different origins followed contrasting directions. United States' rice quotations weakened, especially for parboiled rice, prompted by expectations of large production gains this season. Similarly prices for Indica rice from Pakistan fell substantially, reflecting to some extent a weakening of the local currency relative to the US$, but also the absence of new deals with Sri Lanka and other traditional markets in Eastern Africa. In contrast, Thai Indica rice prices rose, mainly supported by the announcement of the new government procurement programme at higher support price levels.





Prices for Indica, lower quality rice followed a similar pattern, with rice from Pakistan losing ground since September, while export quotations for Thai or Vietnamese rice either firmed or remained steady.

Japonica rice prices have been bearish since August, on expectations of good crops in the United States as well as in the Republic of Korea, Japan and Egypt. The launching of several import tenders by Japan and the Republic of Korea in October and November failed to reverse the tendency.

Aromatic rice prices, on the other hand, have strengthened since September, reflecting concerns about drought in Thailand and the announcement that the country will increase support prices of fragrant rice varieties by 11 percent to Baht 10 000 (US$ 254) per tonne. Basmati rice prices from Indian origin also strengthened, but quotations of Basmati from Pakistan dropped over the two months, as newly harvested supplies reached the market.

Prospects for international rice prices in the coming months are uncertain and will depend to a large extent on the size and quality of the harvests currently under progress. However, with production setbacks anticipated in several of the major exporting countries, availability for trade in 2005 is likely to be limited. As import demand is likely to remain strong, especially since the impact of high freight rates might be tempered by the softening of the US$ relative to local currencies, the world rice price weakness is expected to be only be temporary and quotations are likely to bounce back.

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											
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	237	421	237	224	n.a.	222	241	215	471	523	484
June	237	429	231	223	n.a.	225	244	215	474	n.a.	443
July	238	413	224	223	n.a.	215	244	211	463	n.a.	400
August	244	352	229	228	n.a.	220	232	212	389	n.a.	386
September	240	341	225	224	n.a.	216	231	207	375	n.a.	370
October	250	335	222	227	n.a.	211	224	205	366	479	382
November	265	332	228	242	n.a.	217	220	215	331	457	435
2003 Jan.-Nov.	201	277	182	175	163	166	174	150	296	356	450
2004 Jan.-Nov.	241	376	223	223	n.a.	211	230	206	428	470	445

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.

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 November	90	83	87	101	85
December	93	87	89	104	88
2004 January	97	90	94	106	98
February	98	92	99	105	96
March	105	101	111	105	96
April	108	105	114	108	99
May	109	105	115	112	100
June	109	106	116	109	97
July	109	105	113	112	94
August	105	104	112	103	92
September	102	101	110	100	92
October	101	100	108	97	91
November	100	101	110	92	95
2003 Jan.-Nov.	81	79	80	81	92
2004 Jan.-Nov.	104	101	109	105	95

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	**571.9**	**583.2**	**610.6**
Developing countries	546.1	560.1	584.7
Developed countries	25.8	23.2	25.9
ASIA	**517.7**	**530.2**	**552.8**
Bangladesh	37.8	38.8	38.3
Cambodia	3.8	4.7	4.5
China	176.3	162.3	186.7
of which Taiwan Prov	1.8	1.6	1.6
India	109.0	130.5	127.5
Indonesia	51.5	52.1	54.3
Iran, Islamic Rep. of	2.9	3.3	3.4
Japan	11.1	9.7	10.9
Korea Rep. of	6.7	6.0	6.8
Myanmar	22.8	22.9	22.0
Pakistan	6.7	7.3	7.4
Philippines	13.0	14.2	14.4
Sri Lanka	2.9	3.1	2.5
Thailand	26.1	27.2	25.2
Viet Nam	34.4	34.5	35.5
AFRICA	**17.6**	**18.0**	**18.5**
North Africa	**6.0**	**6.2**	**6.5**
Egypt	6.0	6.2	6.4
Sub-Saharan Africa	**11.6**	**11.8**	**12.1**
Western Africa	7.2	7.3	7.3
Côte d'Ivoire	0.8	0.7	0.7
Guinea	0.8	0.9	0.9
Mali	0.7	1.0	0.9
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	3.3
Madagascar	2.6	2.8	3.0
Mozambique	0.2	0.2	0.2
CENTRAL AMERICA	**2.7**	**2.6**	**2.4**
Cuba	0.7	0.7	0.8
Dominican Rep.	0.7	0.6	0.7
Mexico	0.2	0.3	0.3
SOUTH AMERICA	**19.8**	**19.8**	**22.6**
Argentina	0.7	0.7	1.1
Brazil	10.6	10.4	12.8
Colombia	2.3	2.5	2.6
Peru	2.1	2.1	1.8
Uruguay	0.9	0.9	1.3
NORTH AMERICA	**9.6**	**9.0**	**10.3**
United States	9.6	9.0	10.3
EUROPE	**3.2**	**3.3**	**3.4**
EU 1/	2.6	2.7	2.8
OCEANIA	**1.3**	**0.4**	**0.6**
Australia	1.3	0.4	0.5

WORLD IMPORTS OF RICE

	2003	2004 (estimated)	2005 2/ (forecast)
	million tonnes, milled		
WORLD	**27.7**	**26.1**	**25.2**
Developing countries	23.4	21.6	20.8
Developed countries	4.3	4.5	4.4
ASIA	**13.5**	**11.6**	**11.3**
Bangladesh	1.6	0.7	1.0
China	0.4	0.9	0.5
of which Taiwan Prov.	0.1	0.2	0.2
Indonesia	2.5	1.0	1.2
Iran, Islamic Rep. of	0.9	0.7	0.7
Iraq	0.8	1.0	1.0
Japan	0.7	0.7	0.7
Malaysia	0.6	0.6	0.6
Philippines	0.9	1.0	0.9
Saudi Arabia	0.8	0.9	0.8
Sri Lanka	0.0	0.2	0.1
AFRICA	**8.0**	**8.1**	**8.0**
Côte d'Ivoire	0.8	0.8	0.8
Nigeria	1.5	1.5	1.3
Senegal	0.6	0.7	0.7
South Africa	0.8	0.8	0.8
CENTRAL AMERICA	**1.8**	**1.9**	**1.9**
Cuba	0.6	0.5	0.5
Mexico	0.5	0.5	0.5
SOUTH AMERICA	**1.4**	**1.3**	**0.9**
Brazil	1.1	0.9	0.7
Colombia	0.0	0.1	0.0
NORTH AMERICA	**0.7**	**0.7**	**0.7**
Canada	0.3	0.3	0.3
United States	0.4	0.4	0.4
EUROPE	**1.8**	**1.9**	**1.8**
EU 1/	0.7	0.9	1.0
Russian Fed.	0.5	0.4	0.5
OCEANIA	**0.4**	**0.4**	**0.3**

WORLD EXPORTS OF RICE

	2003	2004 (estimated)	2005 2/ (forecast)
	million tonnes, milled		
WORLD	**27.7**	**26.1**	**25.2**
Developing countries	23.2	22.3	21.1
Developed countries	4.4	3.8	4.1
ASIA	**21.6**	**20.3**	**19.3**
China	2.7	0.9	2.1
of which Taiwan Prov.	0.1	0.0	0.1
India	4.4	2.6	1.9
Myanmar	0.4	0.2	0.3
Pakistan	2.0	1.9	2.1
Thailand	7.6	10.0	8.2
Viet Nam	3.9	4.0	4.0
AFRICA	**0.6**	**0.8**	**0.8**
Egypt	0.6	0.8	0.8
SOUTH AMERICA	**1.2**	**1.6**	**1.5**
Argentina	0.2	0.4	0.5
Guyana	0.2	0.2	0.2
Uruguay	0.6	0.8	0.6
NORTH & C. AMERICA	**3.9**	**3.1**	**3.4**
United States	3.8	3.0	3.4
EUROPE	**0.2**	**0.2**	**0.1**
EU 1/	0.2	0.2	0.1
OCEANIA	**0.2**	**0.2**	**0.2**
Australia	0.2	0.2	0.2

FOOTNOTES:
Totals computed from unrounded data.
1/ EU-15 until 2003, EU-25 from 2004.
2/ Highly tentative.

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

	CHINA 2/ 3/ (Oct./Sep.)						INDIA 2/ (Oct./Sep.)					
	2002/2003		2003/2004 prelim.		2004/2005 f'cast		2002/2003		2003/2004 prelim.		2004/2005 f'cast	
	(......... thousand tonnes ....)						*(......... thousand tonnes ....)*					
Opening Stocks	83350	F	73690	F	60170	F	26400	F	12000	F	12400	F
Production 1/	120876	G	111252	G	127932	*	72660	G	87000	G	85000	F
Imports	405	G	900	F	450	F	30	F	50	F	50	F
Total Supply	204631		185842		188552		99090		99050		97450	
Domestic Use	128291		124762		127057		82690		84050		85050	
Exports	2650	G	910	F	2060	F	4400	F	2600	F	1900	F
Closing Stocks	73690	F	60170	F	59435	F	12000	F	12400	F	10500	F

	PAKISTAN 2/ (Nov./Oct.)						THAILAND 2/ (Nov./Oct.)					
	2002/2003		2003/2004 prelim.		2004/2005 f'cast		2002/2003		2003/2004 prelim.		2004/2005 f'cast	
	(......... thousand tonnes ....)						*(......... thousand tonnes ....)*					
Opening Stocks	550	F	340	F	490	F	3400	F	3540	F	1990	F
Production 1/	4479	G	4848	G	4936	F	17250	G	18034	G	16682	F
Imports	0	F	0	F	0	F	7	G	7	F	7	F
Total Supply	5029		5188		5426		20657		21581		18679	
Domestic Use	2731		2798		2866		9537		9591		9379	
Exports	1958	G	1900	F	2100	F	7580	G	10000	F	8200	F
Closing Stocks	340	F	490	F	460	F	3540	F	1990	F	1100	F

	UNITED STATES 4/ (Aug./Jul.)						VIET NAM 2/ (Nov./Oct.)					
	2002/2003		2003/2004 prelim.		2004/2005 f'cast		2002/2003		2003/2004 prelim.		2004/2005 f'cast	
	(......... thousand tonnes ....)						*(......... thousand tonnes ....)*					
Opening Stocks	1216	G	829	G	761	G	4500	F	4900	F	4900	F
Production 1/	6536	G	6396	G	7228	G	22976	G	23024	G	23679	G
Imports	458	G	500	G	460	G	7	F	6	F	6	F
Total Supply	8210		7725		8449		27483		27930		28585	
Domestic Use	3521		3634		3787		18693		19030		19585	
Exports	3860	G	3330	G	3334	G	3890	G	4000	F	4000	F
Closing Stocks	829	G	761	G	1328	G	4900	F	4900	F	5000	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.