September 2006

Volume IX - Issue No. 3

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

Contact or enquiries

Facsimile: ++(39-06) 570-54495
Telephone: ++(39-06) 570-54136
E-mail: **Commodity-Queries@fao.org**

Also available on the Internet at the following address:
http://www.fao.org/es/ESC/en/index.html
(click on *"Rice"*)

ROUND-UP

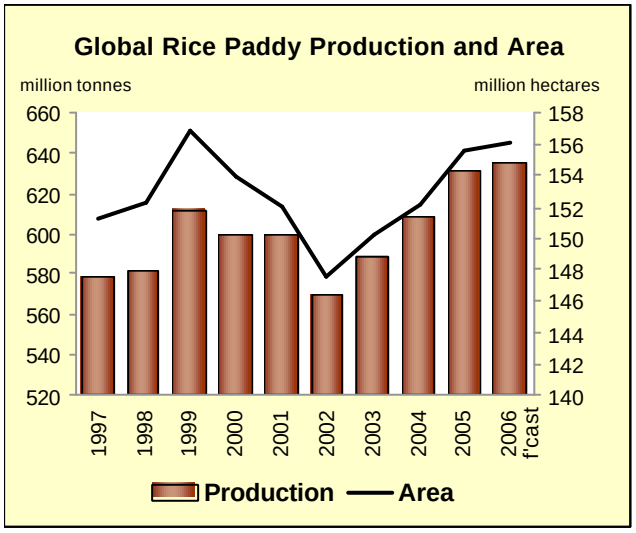
- FAO's forecast for **global paddy production** in 2006 has been downgraded by 2 million tonnes from last report and now stands at 635 million tonnes, marginally above the 2005's level. Much of the downward revision reflects adverse weather conditions, which have led to much less buoyant crop prospects in Bangladesh, China and Nepal.
- **Output in Asia** is now expected reach 576 million tonnes in 2006, 5 million tonnes more than last year. Countries where increases are anticipated include Bangladesh, Cambodia, India, Indonesia, the Philippines, Sri Lanka, Thailand and Vietnam, while output is prospected to fall in China, Japan, the Democratic Republic of Korea, the Republic of Korea, Malaysia, Nepal and Pakistan.
- Normal weather conditions have generally prevailed throughout **Africa**, although less favourable than in 2005. Production in the region is now forecast to reach 21.5 million tonnes, about 0.8 million tonnes more than in 2005. Nigeria is likely to account for much of the increase, but prospect are positive for most countries in western Africa, Madagascar and Egypt. By contrast, production may fall in Kenya and Tanzania.
- In **Central America and the Caribbean**, production in 2006 could rise by 12 percent, despite a looming recurrence of an El Niño episode. In **South America**, the outlook improved for Chile, Ecuador and Peru, but worsened for Brazil and Colombia. Output in the region is now anticipated to fall by 7 percent, with much of the drop imputable to smaller crops in Brazil, Colombia, Peru and Venezuela. In the **rest of the world**, prospects have deteriorated in the United States and the European Union, where production could fall, while this recovered strongly in Australia.
- Although FAO's forecast of **global rice trade in 2006** has been lifted to 28.7 million tonnes, it is still 1.1 million tonnes short of the 2005 record. On the **import side**, the drop would mainly reflect lower shipments to African countries. In Asia, Bangladesh, Japan, the Democratic Republic of Korea and the Philippines may also cut their imports, while larger deliveries are likely to be made to China, the Islamic Republic of Iran, Iraq, the Republic of Korea and Turkey. The temporary suspension of the import ban could also lift rice deliveries to Indonesia. In the other regions, Brazil, the EU and the United States are all seen to purchase more rice this year. Much of the decline in global **export** would be on account of India, but also of Myanmar, Viet Nam, Egypt and the United States, which all faced tight supplies this year, often leading to the imposition of export restrictions.
- **Trade in rice in calendar 2007** may undergo a further contraction of 2.1 percent, to 28.1 million tonnes. However, prospects are still highly tentative, as many countries still have to harvest their 2006 main paddy crops. The anticipated 600 000 tonne slide in **global imports** would mainly originate from contraction of demand by Asian countries, in particular Bangladesh, the Islamic Republic of Iran and the Philippines, while consignments to Africa are foreseen to change little. Larger purchases are likely to be made by the United States and the EU. Much of the decline in **world exports in 2007** is currently foreseen to result from smaller shipments by mainland China, Pakistan, Egypt, the United States and Australia. By contrast, Cambodia, India and Thailand could export more.
- FAO's forecast of **world rice inventories** at the close of the 2006/07 marketing seasons points to a 2 percent increase to 106 million tonnes, confirming a stock rebuilding process globally. China could account for much of the increase despite virtually no gain in production in 2006, as domestic utilization is foreseen to fall. **India and Thailand** may also end their marketing years with larger reserves, while rice carryovers may fall below their opening levels in Bangladesh, Indonesia, Japan and the Republic of Korea.
- The strength that has dominated the rice international market since January persisted over the July to September period, as reflected in the FAO All **Rice Price** Index, which gained one point every month, passing from 108 in June to 111 in September. Price prospects remain buoyant, as export supplies are expected to remain tight in major exporting countries at least until the first quarter next year. Thus, although import demand may weaken in the coming months, when many northern hemisphere countries will have harvested their main crops, international rice prices are likely to remain on the rise, a tendency that a confirmation of a strong El Niño recurrence could further accentuate.

INFORMATION UPDATE AS OF 25 SEPTEMBER 2006

I. PRODUCTION

Prospects for global paddy production in 2006 worsen as both drought and floods impair crops

At this time of the year, all the main 2006 paddy crops have been planted and even harvested along and south of the equatorial line. Paddy grown in the temperate climatic zones in the northern hemisphere is also mostly gathered. As the season is progressing, particular attention should be paid to the rainfall pattern in South Asia, where the monsoon should start receding in September/October. For many countries, those rains constitute the main source of water supplies for growing the second, irrigated, paddy crops that will be sown over the last quarter of the year. Over that period, southern hemisphere countries will also be planting their first 2007 paddy crops. Consequently, a recent warning by various institutions monitoring climatic conditions of a likely strengthening of an El Niño event in the last quarter of 2006 and early 2007 has become a matter for concern. The weather anomaly was already associated with drier-than-average conditions in August in Indonesia, Malaysia and most of the Philippines. A number of countries in Central and South America are also linking the event to a precipitation shortfall last month.

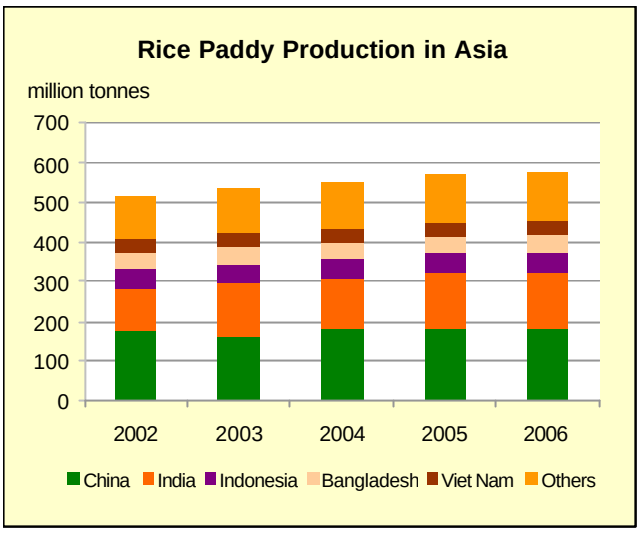


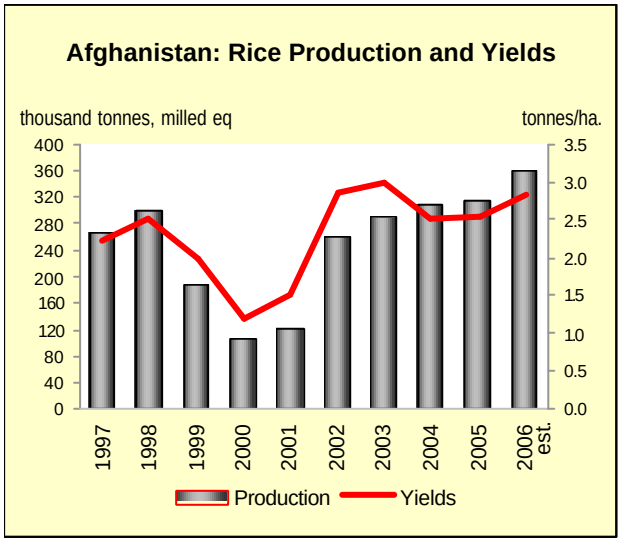
Since the arrival of the monsoon around June, several countries, especially in Asia, have suffered from an erratic rainfall pattern, which has given rise to flooding episodes and lingering dry spells. As a result, FAO has downgraded its outlook for global paddy production in 2006 by 2 million tonnes to 635 million tonnes. At this level, the season would end with an increase of only 0.6 percent compared with the 2005 season outcome. Most of the deterioration of the 2006 outlook is imputable to downward revisions in the production forecast of Bangladesh (-1.5 million tonnes), China (-6.0 million tonnes), Japan (-0.1 million tonnes), The Democratic Republic of Korea (-0.4 million tonnes), Nepal (-0.6 million tonnes), the United States (-0.5 million tonnes), Colombia (-0.4 million tonnes), Cuba (-0.1 million tonnes). Part of those reductions was compensated by more buoyant prospects in Cambodia (+0.5 million tonnes), India (+5.0 million tonnes), Laos (0.1 million tonnes) Pakistan (+0.3 million tonnes), Sri Lanka (+0.2 million tonnes), Thailand (+0.4 million tonnes), Viet Nam (+0.2 million tonnes), Bolivia (+0.1 million tonnes), Ecuador (+0.1 million tonnes) and Peru (+0.2 million tonnes).

A. ASIA

Much less buoyant outlook for crops in Bangladesh, China and Nepal

The most critical months of the 2006 paddy season for Asia are now past, as the monsoon rains, which arrived in May/June will soon recede in the entire region. In the region, the weather pattern since June has been mixed, as several countries were affected by floods, a normal feature for the period, but also by abnormally dry conditions. Although these setbacks have led to a deterioration of the previously buoyant production prospects, the region is anticipated to harvest 576 million tonnes, 5 million tonnes more than in 2005. Countries expected to record increases include Bangladesh, Cambodia, India, Indonesia, Myanmar, the Philippines, Sri Lanka, Thailand and Vietnam. By contrast, output is prospected to fall in China, Japan, the Democratic Republic of Korea, the Republic of Korea, Malaysia, Nepal and Pakistan.





Despite reduced rainfall over the critical October-April period, paddy production in **Afghanistan** is officially forecast to reach a record 540 000 tonnes in 2006, which would be 15 percent larger than last year. Indeed, the precipitation shortfall was reported not to have limited the availability of water in irrigation canals. The production gain was mainly favoured by an increased use of fertilizers and improved seeds, which boosted yields.

Following an early arrival of the monsoon, rainfall in July was well below normal levels in **Bangladesh**, especially in the northern regions, where near-drought conditions prevailed While, the exceptional dearth of precipitation is likely to have negatively influenced plantings of the rainfed Aman crop, the late arrival of the rains in September is expected to bring some relief to standing crops. They could also contribute to a replenishment of water reserves, critical to the last, irrigated, Boro crop, which is planted in December. Reflecting the various setbacks, the FAO forecast of paddy production in 2006 has been lowered from 42.5 million tonnes to 41.0 million tonnes, which would remain 0.7 million tonnes above the level harvested last season.

In **Cambodia**, the monsoon rains have been particularly abundant since June and during the first half of August, when flooding was reported to have damaged some 7 000 hectares of paddies. At the same time, the rainfall also fostered a sizeable expansion of rice cultivation of the main wet season crop and favoured its development. Accordingly, FAO's production forecast in 2006 has been raised to 6.5 million tonnes, which would represent a 9 percent gain from the already exceptional performance of last year, when the country harvested 6 million tonnes.

In **Mainland China,** the National Grains & Oils Information Centre recently cut its semi-official paddy production forecast from 186 million tonnes to 180.0 million tonnes. This would represent a small contraction from the 2005 production level of 180.6 million tonnes, most of which imputable to the adverse weather conditions which damaged the single rice crop grown in the southern and south-eastern provinces. Indeed, those areas have been battered by eight typhoons since May, which culminated in August with "super-typhoon" Saomei the most violent to have hit the country in 50 years. Further losses were caused by a prolonged drought in the south-western region, affecting, in particular, the province of Sichuan.

China (Mainland) : Paddy Production by Province

	Early Crop		Intermediate Crop		Late Crop		Total	
	2005	2006	2005	2006	2005	2006	2005	2006
	000 tonnes		000 tonnes		000 tonnes		000 tonnes	
China	**31,874**	**32,000**	**114,104**	**113,000**	**34,614**	**35,000**	**180,592**	**180,000**
of which:								
Anhui	1,531	1,450	9,549	9,920	1,428	1,500	12,508	12,870
Guangdong	5,380	5,560	...	...	5,790	5,940	11,170	11,500
Guangxi	5,720	5,720	...		5,284	5,280	11,691	11,800
Heilongjiang	...	..	11,215	11,680	...	...	11,215	11,680
Hubei	2,069	2,020	10,754	10,320	2,530	2,580	15,353	14,920
Hunan	7,344	7,190	7,238	7,370	8,380	8,400	22,962	22,960
Jiangsu	...	..	17,049	16,800	...	...	17,067	16,820
Jiangxi	6,660	6,760	2,665	2,610	7,347	7,280	16,672	16,650
Jilin	...	..	4,733	4,680	...	...	4,733	4,680
Sichuan	...	..	15,030	13,400	...	...	15,057	13,440
Yunnan	...	..	6,023	5,700	...	...	6,463	6,200
Zhejiang	793	770	4,536	4,900	1,119	1,180	6,448	6,850

... not applicable or not available
Source: China National Grains & Oils Information Centre – Analysis and Forecast Division, N. 79 – August 2006

Map of China – Provinces, regions and Municipalities

In the **Chinese Province of Taiwan**, low temperatures last spring together with some localized disease problems were reported to have caused a 2 percent decline in the main rice crop harvested in June-July. Since then, the southern part of the island has been hit by the tropical storm Bopha in August, which may also have impaired the second paddy crop, which is harvested in September. Accordingly, FAO's production forecast in 2006 has been lowered from 1.5 million tonnes in 2005 to 1.45 million tonnes this season.

After a slow advancement of the monsoon in **India**, abundant precipitation in July permitted all states in the country to transplant rice for the main Kharif crop and, as of 31 August, 33.2 million hectares were reported to have been put under paddy, up from 32.6 million hectares in the corresponding 2005 period[1]. Although the cumulative rainfall this season has been, so far, close to its long term average, its temporal and geographical distributions have been erratic and both drought and flooding conditions were reported in several eastern and north-western states. Assuming the monsoon will not withdraw early, FAO forecasts the country to harvest a Kharif paddy crop of 120.0 million tonnes, which would be 3 million tonnes larger than the fourth estimate for last year Kharif crop released by the Government (78.04 million tonnes in milled equivalent). Combined with the secondary Rabi crop,

[1] The area planted to rice under the Kharif crop hovers around 40 million hectares.

the overall paddy production could, as the result, be in the order of 140.0 million tonnes. This would be 2.5 percent above the 2005 fourth government estimate of 136.6 million tonnes.

India – Minimum Support Prices (MSPs) for Paddy Rice				
	Common		Grade 'A'	
	(Rupees/tonne)	(US$/tonne)	(Rupees/tonne)	(US$/tonne)
2002/2003	5 500 [1/]	114	5 800 [1/]	120
2003/2004	5 500	121	5 800	128
2004/2005	5 600	122	5 900	129
2005/2006	5 700	127	6 000	134
2006/2007	6 200 [2/]	136	6 500 [2/]	143

1/ A Special Drought Relief payment of Rs. 200 per tonne is included.
2/ An incentive bonus of Rs. 400 per tonne payable on procurement between 1/10/2006 and 21/03/2007 is included.
Source: Ministry of Agriculture, Department of Agriculture & Cooperation.

The expected increase in production in India would be consistent with more attractive prices: by the end of July, the Central Government was to raise support paddy prices marginally only. However, in September, new increases were announced, which pushed the support prices up by over 8 percent compared with last season, from Rupees 5 700 in 2005 to Rupees 6 200 (US$ 136) per tonne for ordinary paddy varieties and from Rupees 6 000 to Rupees 6 500 (US$ 143) per tonne for the high quality class "A" paddy. The increase, however, falls short of producers' original demand for a support price of Rupees 7 120 (US$ 153) per tonne. The support price hike is likely to boost the area under rice, especially over the second, irrigated Rabi crop, which will start being planted in November. It should also help the government to procure larger volumes of rice for the public distribution system and make up for a shortfall in wheat purchases. In fact, from 1 September to 28 August 2006, 28 million tonnes of rice (milled equivalent) were purchased by the public food agencies, almost 4 million tonnes more than in the same period last season. In 2005, a total 24.6 million tonnes of rice were procured by the Government.

Despite below normal rainfall that have affected ten provinces, the official paddy production forecast in **Indonesia** has been raised by 500 000 tonnes to 54.75 million tonnes, 1 percent above the 54.2 million tonnes gathered in 2005. However, expectations might need to be scaled down should the dry spell persist until the end of the year as currently anticipated by the Meteorological and Geophysics Department. In this connection, the Government has earmarked some Rupiah 4.3 billion (US$ 474 720) to assist farmers affected by the drought.

In the **Islamic Republic of Iran**, paddy output this year is anticipated to rise by 3 percent to 3.4 million tonnes. Under the 2006-2007 Budget Law, Rials 8.1 trillion (US$ 922 million) per year have been allocated to the rice sector, consistent with the government objective to reach self-sufficiency in rice in the next few years. After reports that genetically-modified rice was being cultivated in the country, the authorities in the country have reiterated that GM seeds have not been authorized for commercial release.

The production target in **Japan** has been set at 10.41 million tonnes, which would imply a retrenchment of 930 000 tonnes from the particularly positive outturn in 2005. In July, the country, which remains committed to cutting rice production surpluses, released the 2006 Action Plan for

implementation of agricultural policy reform. Demand side provisions, of particular relevance to the rice sector, hinge on increasing consumer awareness of products containing rice and on their promotion, for instance through the incorporation of such products in school meals three times a week. In addition, rice utilization is to be propped up as an input in the manufacturing food industry. On the supply side, the plan points to a conversion of rice production areas, with yen 160 billion (US$ 1.4 billion) earmarked for the sector.

Torrential monsoon rains in July were reported to have resulted in flooding problems in the **Democratic Republic of Korea**, causing extensive damage to rice and potato crops in the southern part of the country. As a result, paddy production this year could be in the order of 2.2 million tonnes, down from an official estimate of 2.582 million tonnes in 2005. The shortfall is likely to raise the need for emergency supplies, but, because of tensions over the country's nuclear weapons programme, food aid, in particular rice given by the Republic of Korea, might be less forthcoming.

Production in the **Republic of Korea** was also negatively affected by torrential rains in July, which, according to the Government, would contribute to a 2.3 percent contraction in paddy production to 6.27 million tonnes, somewhat less than previously forecast. Meanwhile, as part of the conditions agreed to preserve until 2014 the WTO waiver that allows the country to maintain government controls over rice imports, more foreign rice was reportedly to have become available for sale in retail shops. Previously, most of the imported rice was held off the domestic distribution channels and given away as food aid or used as feedstock

In **Laos**, planting of the main paddy crop was completed in July. So far the season appears to have proceeded regularly and production in 2006 is foreseen to reach some 2.6 million tonnes, up from an official estimate of production in 2005 of 2.568 million tonnes. Although the cultivation of irrigated rice in the dry season increased in the late 1990s, the country continues to depend heavily on rice grown during the monsoon period between June and September (wetland and upland rice).

In **Malaysia,** the 2006 paddy season is near conclusion, as harvesting of the secondary crop due around September is approaching. The production forecast in 2006 remains at 2.2 million tonnes, 1.8 percent less than in 2005, reflecting the excessive rainfall that delayed plantings last December, in particular in the northern part of the Peninsula. The government was recently reported to have allocated Ringgit 25 millions (US$ 6.8 million) for investment in drainage infrastructure in the district of Kota Belud, in Sabah, where it plans to convert 10 000 hectares into paddies. The move is consistent with the provisions of the Ninth Malaysia Plan, covering the 2006-2010 period, which pays increased attention to agriculture as an engine of economic growth and as a vehicle for narrowing the urban/rural income disparity. The Ninth Plan also shifts emphasis away from the export-oriented agricultural sector towards food production for the domestic market and, in the case of rice, sets a 2010 self-sufficiency target of 90 percent, substantially above the rate of 72 percent reportedly achieved in 2005. Consistent with the new, higher target, the Minister of Agriculture proposed in September to raise the guaranteed minimum paddy price from the prevailing Ringgit 550 per tonne to Ringgit 650 per tonne.

Planting of the 2006 main, wet paddy, crop in **Myanmar** is still proceeding along the western coast, while it was virtually complete in July in the central and northern areas. Since then, weather conditions have been less than favourable, as below normal rainfall was recorded in many districts in August, subsequently followed by flooding in the Southern Mon state in September. Pending a full

assessment of the damage, the production forecast in 2006 remains at 24.8 million tonnes, which would imply a 1.2 percent rise from last year? The Ministry of Commerce has been reported to be reclaiming 32 000 hectares of land for cultivation of rice and other crops, of which 10 percent were already been distributed, free of charge, to individuals and firms, conditional on their acceptance of government directives on what to grow. In August, the mayor of Rangoon was reported to have restricted the movement of rice out of the Municipality, in reaction to a strong increase of rice retail prices.

Scanty monsoon rains since June in **Nepal** were reported to have caused substantial delays in planting across the country by mid-August. As a result, prospects for paddy production this season have been downscaled to 3.7 million tonnes, compared with a previous forecast of 4.3 million tonnes and 500 000 tonnes less than harvested in 2005.

In **Pakistan**, plantings of IRRI rice are reported to have increased in the Punjab, in the Upper Sindh and Balochistan provinces, compensating for a decline in the lower Sindh, which was affected by reduced availability of canal irrigation water. As a result, FAO has revised upward its forecast production to 8.1 million tonnes, which remains somewhat below the latest government target of 8.53 million tonnes (5.69 million tonnes in milled equivalent), which would be less than the exceptional 8.3 million tonnes harvested in 2005. Although, official procurement mainly concentrates on wheat, the Government announced in July that intervention prices for IRRI-6 paddy had been fixed at Rupees 306 per 40 kg, equivalent to some Rupees 7 650 (US$ 127.4) per tonne for the current 2006 season, slightly up the level of Rupees 300 per 40kg applicable last season.

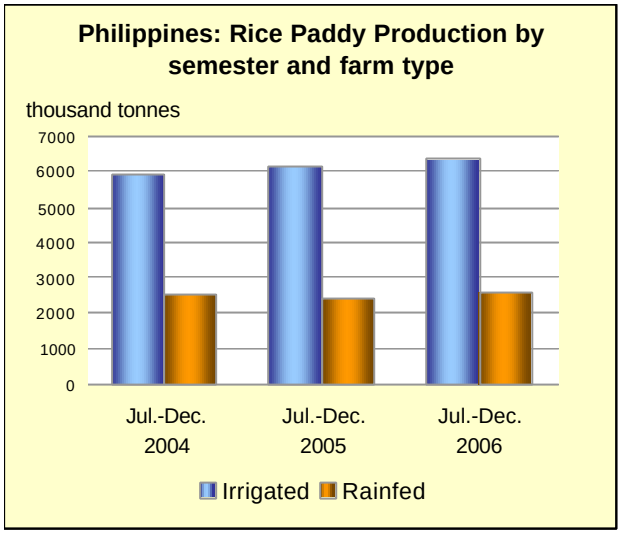
Pakistan – Procurement/Support Prices for Paddy Rice

	Basmati 385		Irri-6 (F.A.Q.) [1/]	
	(Rupees/tonne)	(US$/tonne)	(Rupees/tonne)	(US$/tonne)
2002/2003	9 625	163	5 125	87
2003/2004	10 000 [2/]	174	5 375 [2/]	94
2004/2005	10 375	175	…	…
2005/2006	…	…	7 500	126
2006/2007	…	…	7 650	127

1/ F.A.Q. Fair Average Quality.
2/ Indicative prices announced by the government for 2003/04 crop.
… Not applicable.
Source: Ministry of Food, Agriculture & Livestock.

The Philippines' 2006 paddy season (July 2006 – June 2007) was affected by violent rains and typhoons in July and again in August, when they caused floods and landslides. In the northern province of Luzon, cases of Tungro disease were also reported to have damaged some 12 000 hectares of rice fields. However, according to the Department of Agriculture, production between July and December could register an increase of 3.8 percent from the second semester last year, as the damage caused by typhoons was reported to have been minimal, while abundant rainfall favoured an expansion of plantings in the Cagayan Valley and Western Visayas. Consequently, FAO's production forecast stays at 15.5 million tonnes, 2.6 percent above the excellent 2005 production outcome, although the outlook could worsen amid expectations of a recurrence of an El Niño in coming months. The Government, which pursues the goal to achieve rice self-sufficiency by the end of the decade,

released this year Pesos 2.93 billion (US $ 57.4 million), out of an allocation of Pesos 6 billion, to rehabilitate irrigation infrastructure. The Philippines Institute for Development Studies, however, recently cast doubts on the hybrid rice seed programme, one cornerstone of the government self-sufficiency strategy, by reporting that higher costs and disappointment over hybrid rice yields had led many farmers to withdraw from the programme and to return to traditional local rice varieties.



In **Sri Lanka**, the official estimates of the 2006 main Maha paddy crop, recently released, point to a 6.1 percent increase. As a result, the forecast for the full 2006 season, which also comprises the secondary Yala crop, has been raised to 3.3 million tonnes, from the original figure of 3.1 million tonnes, which would represent a 1.7 percent increase compared with 2005 and an historical record for the country.

In **Thailand**, further upward revisions to the 2005 official production estimate were made, resulting, for the first time, in a level of output surpassing the 30.0 million tonne benchmark. The government also provided an early forecast of the main 2006 crop, which will be harvested in November, of 23.979 million tonnes, representing a 1.9 percent increase compared with the 2005 main crop year. As a result, FAO's production forecast for the full season (inclusive of the secondary paddy crop) has been raised to 30.6 million tonnes.

Domestic prices tended to weaken somewhat in August, as the Government procurement scheme covering the secondary rice crops, launched on 16 March 2006, ended on 31 July 2006[2]. The price slide also reflected the release of rice supplies from government stocks in July and August through tenders. Meanwhile, the sector is looking forward to the terms that will govern the official procurement programme for the 2006 main crop, which will likely start on 1 November 2006, in particular the level of prices that will be paid under the programme.

The FAO forecast of production in **Viet Nam** in 2006 has been raised by 200 000 tonnes and now stands at 36.7 million tonnes, 2.5 percent above the volume gathered in 2005. The adjustment follows the release of an official estimate of the winter/spring crop of 17.6 million tonnes, which is 1.5 percent larger than last year. The government has not yet provided indication regarding the size of the Summer/Autumn crop, the second of the three crops grown in the country, the harvest of which has now been completed, but there have been reports of excessive rains and widespread insect infestation in the Mekong Delta region, which may have impaired the crop.

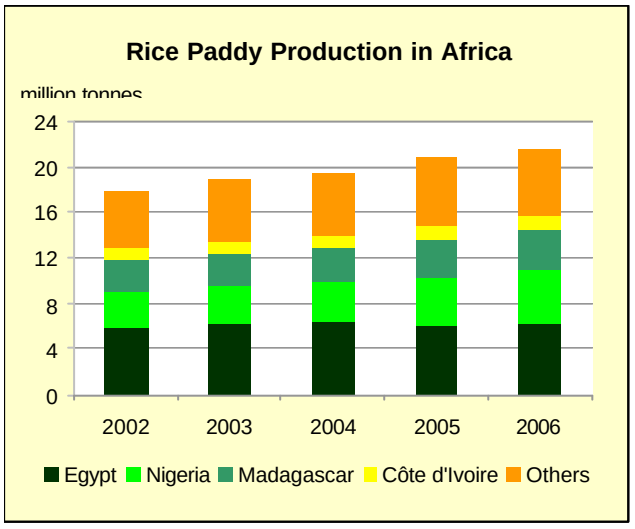
[2] The procurement programme for the main paddy crop ran from 1 November 2005 to 28 February 2006

B. AFRICA

Abundant and generally timely rainfall raises production prospects in Africa

With the arrival of abundant rains in July in western Africa, most countries in the region have planted their 2006 paddy crops. Since then, normal weather conditions have generally prevailed, although less favourable than those witnessed in 2005. Paddy production in Africa is now forecast to reach some 21.5 million tonnes this season, about 0.8 million tonnes or 3.7 percent more than in 2005.

Prospects are positive in *Northern Africa*, where the Ministry of Agriculture and Land Reclamation in **Egypt** revised upward its forecast of area planted to rice in 2006. However, this still points to a slight contraction in plantings compared with 2005, in contrast with private traders' view of an expansion, fostered by high returns and favourable price prospects. Growing conditions over the season have also been reported as excellent. Accordingly, FAO foresees production in the country to reach 6.2 million tonnes, 1.2 percent more than last year.



In *western Africa*, virtually all countries completed the planting of their paddy crops by August, assisted by abundant precipitation in July, which facilitated the seeding/transplanting and establishment of the crop. The favourable rainfall combined with a growing domestic demand is expected to sustain an expansion of the area under rice, fostering a 7 percent expansion of production to 9.8 million tonnes for the sub-region. At the individual country level, **Nigeria** continues to lead the expected expansion, with an anticipated harvest of 4.8 million tonnes, or 600 000 tonnes larger than last year. Increases are also anticipated in **Ghana, Mali, Mauritania** and **Niger**. In **Nigeria**, the Government is reported to have launched a series of new measures to underpin the sector's expansion. In July, the Minister of State for Water Resources announced a Naira 5.8 billion (US$ 44 million) Development Plan in support of the Presidential Initiative on Accelerated Local Rice, to be implemented under partnership with the private sector. According to the Plan, Naira 1.8 billion will be provided by the Government to finance investments in infrastructure, in particular for flood control, the construction of dykes, access roads and drainage, while the remaining Naira 4 billion, for investment in irrigation, mechanization and milling facilities, are expected to originate from the private sector.

In the rest of Africa, most rice producing countries generally benefited from favourable growing conditions. This was especially the case *in the eastern* part of the continent, where the so-called "long" rains, between March and May, arrived timely, unlike in 2005 when the sub-region was afflicted by severe drought problems. In the case of **Malawi**, the recovery from last year lingering dry spell resulted in an increase of the area under rice by 7 percent and of yields by 108 percent this season. However, insufficient precipitation may have constrained paddy production in **Kenya** and **Tanzania**, where production is anticipated to fall by 10 percent. Production in **Madagascar** is set to reach 3.5 million tonnes, up form 3.4 million tonnes in 2005, despite a series of setbacks that might

have affected the sector negatively. In August, the Government started to release the results of a national agricultural census that has been undergoing since 2004 with financial assistance from the European Union (EU) and the World Bank. Although the census showed little variation in the total cultivated area for the past two decades, the rice sector stood off as being one of the most dynamic, with production growing at a rate exceeding that of population.

For the first time, a regional Rice Congress (Africa Rice Congress) was held in Africa, from 31 July to 4 August 2006 in Dar es Salaam (Tanzania). The Congress, organized by the Africa Rice Centre (WARDA), discussed the major challenges the rice sector faces in the region. Among its various resolutions, the Congress called for a new green revolution in Africa, revolving around rice, in particular Nerica rice.

Resolutions of the First Africa Rice Congress

Dar es Salaam (Tanzania)

31 July - 4 August 2006

- This Congress resolves that, given that Africa has to import almost 50% of the rice it needs and that demand is increasing at the rate of 6% per year, rice should be one of the cornerstones of a Green Revolution for Africa that anticipates the needs of future populations.

- This Congress seeks to transform the low level of available scientific expertise in sub-Saharan Africa where there are only 83 scientists per million people, compared with 1100 scientists per million in industrialized countries and 785 per million in Asia, and the Congress resolves that for the Green Revolution to succeed in Africa, a new capacity-building program focusing on the development of a multi-disciplinary cadre of scientists and extensionists is urgently needed.

- This Congress resolves that to accelerate farmer adoption of New Rices for Africa (NERICA) varieties and other improved technologies, concerted actions by a broad partnership including governments, research institutions, NGOs, the private sector, local, regional and international organizations are needed. The Congress recognizes the value of micro-financing and participatory learning as powerful means both for technology dissemination and for developing appropriate infrastructure to improve access to seeds, fertilizers, mechanization and market systems.

- The Congress is deeply appreciative of the support and hospitality of the Government of the United Republic of Tanzania. It recognizes the role played by the Africa Rice Centre (WARDA), not only in African agriculture and, therefore, in the continent's economic growth but also in providing leadership in rice science and development. Desirous, therefore, of the necessity for the Centre to continue to provide such leadership in rice development in Africa, the Congress resolves and urges all stakeholders to maintain the Centre's identity, as previously resolved by the WARDA Council of Ministers in September 2005 and the National Experts Committee in June 2006, and to strengthen its capacity for the welfare of African rice farmers.

C. CENTRAL AMERICA AND THE CARIBBEAN

Production in 2006 set to expand by 12 percent in Central America and the Caribbean, despite a looming recurrence of an El Niño episode

In June, the **Central America and the Caribbean** region entered the critical hurricane period, which is particularly intense between August and October, but might last till December. Unlike in 2005, when the Caribbean basin was hit by a record of 13 hurricanes, including the devastating tropical storm Stan that killed some 2000 people across Central America, little such activity has been witnessed in the area so far. Despite this relatively calm situation, the National Oceanic and Atmosphere Administration (NOAA) released some warning, in August, on the likeliness of an above-normal number of storms in the Atlantic in 2006. However, the hurricane season is also predicted to be less active than last year.

As of September, production prospects for the on-going 2006 paddy season continue to be generally positive in Central America and the Caribbean, where most countries had completed the planting of the main paddy crops by August, with some already engaged in harvesting. Overall, 2.55 million tonnes are expected to be gathered in the region, compared with 2.27 million tonnes in 2005, with an expected growth of 12.3 percent.

Much of the increase is expected to be on account of a strong recovery in **Cuba**, where the timely arrival of the rains has put an end to three years of drought, facilitating a recovery in plantings and yields. The country is now anticipated to gather 500 000 tonnes, or 36 percent more than the official estimate of 367 600 tonnes in 2005.

Cuba – Rice Paddy Production and Harvested Area by Sector

	1998	1999	2000	2001	2002	2003	2004	2005
	Production (tonnes)							
State Sector	152,203	155,924	122,670	118,814	116,244	76,104	64,120	42,322
Non-State Sector	289,397	403,076	430,130	482,186	575,756	639,696	424,780	325,278
Total Production	441,600	559,000	552,800	601,000	692,000	715,800	488,900	367,600
	Harvested Area (hectares)							
State Sector	55,575	58,482	49,027	38,125	29,869	20,046	19,009	13,608
Non-State Sector	138,344	112,606	151,083	145,730	168,076	184,554	138,817	113,589
Total Area	193,919	171,088	200,110	183,855	197,945	204,600	157,826	127,197

Source: Oficina Nacional de Estadísticas (ONE).

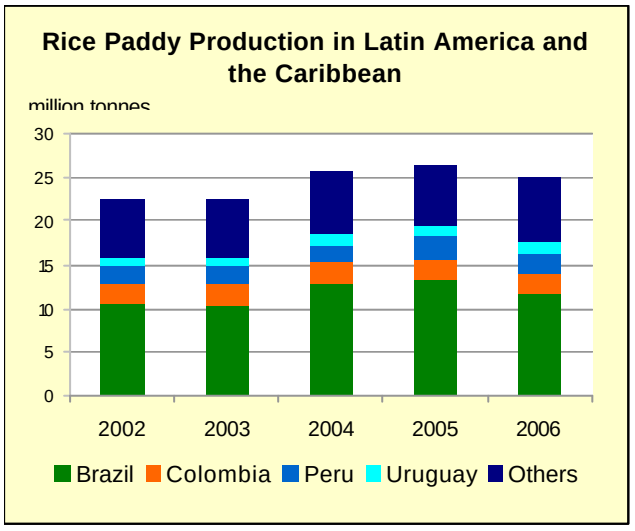
Gains are also expected in the **Dominican Republic, Mexico, Nicaragua** and **Panama**. In the case of the **Dominican Republic,** output is likely to be sufficient to cover domestic needs over the rest of the year, still leaving supplies for stock rebuilding. In **Panama**, the sector is set to recover from an acarus outbreak (Steneotarsonemus spinki), which constrained production in the past two seasons. Producers have agreed to keep prices unchanged, despite rising production costs, after the government promised, in July, to grant them a Balboa 1 million (US$ 1.04 million) credit line for the purchases of basic

inputs. Other measures taken to check a price rise, includes the preferential import of 36 800 tonnes of rice, to be subject to a 3 percent tariff, which started to arrive to **Panama** ports in August. To get access to this special quota, importers needed first to have certified purchases of domestic rice through the National Commodity Exchange.

D. SOUTH AMERICA

The outlook in South America deteriorates slightly, with production seen falling by 6.8 percent in 2006

The 2006 season is over in those countries in South America located in the southern half of the continent, most of which are already preparing to start the 2007 paddy season. However, countries cultivating a paddy crop in the second half of the year, in particular Brazil (north eastern region), Colombia, Ecuador, Guyana, Peru and Venezuela, will have to watch out a possible recurrence of an El Niño event in the coming months. Indeed, on 13 September the NOAA Climate Prediction Centre issued a warning regarding the existence of "weak" El Niño conditions in the Tropical Pacific, likely to continue into early 2007, with the anomaly gaining strength, to develop into a "moderate" El Niño in the coming months.



Meanwhile, there have been a few revisions to the 2006 production prospects, compared to those reported in the June issue of the FAO Rice Market Monitor, as the outlook improved for **Chile**, **Ecuador** and **Peru**, while it worsened for **Brazil** and **Colombia**. Overall, some 22.4 million tonnes are expected to be harvested in 2006 in the region, down from 24.1 million tonnes in 2005, with much of the drop imputable to smaller crops in **Brazil**, **Colombia**, **Peru** and **Venezuela**.

In Argentina, where the 2006 crop was harvested in the first half of the year, production was confirmed in the order of 1.175 million tonnes, an increase of 23 percent from last year fostered by a 3 percent recovery in plantings and a 17 percent rise in productivity. The country is now about to start for sowing the new 2007 crop. Preliminary prospects for the coming rice season in the country are rather subdued as scanty precipitation in the past several months may trigger a contraction in the area planted to rice.

In the first quarter of the year, **Bolivia** was affected by heavy floods and hailstorms, which were reported to have damaged some 163 000 hectares of crop land. Despite those setbacks, paddy production in the country is anticipated to increase by 8.6 percent to 520 000 tonnes in 2006, reflecting the opening of new rice lands in Guarayos and el Beni. Producer prices, however, have suffered a sharp decline in the first months of the year, when the bulk of the rice crops is harvested

In **Brazil**, the 10th crop survey carried out by CONAB confirmed a 12.5 percent cut of production to 11.6 million tonnes, resulting from a sharp reduction in planting this season prompted by a fall in producer prices in 2005. Planting of the 2007 crop already started in the southern States

Official production estimates in **Chile** point to an exceptional performance of the sector this season, underpinned by a 12 percent increase in plantings and a 23 percent gain in yields. As a result, paddy output is set to have grown from 116.8 thousand to 160.3 thousand tonnes, driven by the relatively high prices which have prevailed since last year.

By contrast, a decline is foreseen in **Colombia,** reflecting a shift of land away from rice, especially in the eastern plains (llanos), where rice is cultivated under rainfed conditions. The decline in plantings, estimated in the order of 10 percent, is now foreseen to bring about a 10 percent drop in production to 2.250 million tonnes, the lowest performance of the sector since 1999. To smooth price fluctuations and prevent prices from falling at harvest time, the Government has been providing storage aid, in the order of Pesos 17 000 (US$ 7.2) per tonne, per month. In 2005, some 339 000 tonnes of rice were reported to have been stored with subsidies. Because of the anticipated cut in production this year, the volume benefiting from the storage subsidy is also expected to be smaller, at some 250 000 tonnes.

Colombia: Subsidies on Rice Storage

	Dry Paddy stored	Average length of storage	Subsidy per tonne	Total Storage Subsidy	Total Storage Subsidy
	tonnes 000	months	Pesos per tonne	Pesos Million	US$ Million**
2002	149.2	3.9	12,231	7,082	3.2
2003	268.5	2.2	12,654	7,144	2.6
2004	337.6	4.3	13,500	19,660	7.3
2005	339.0	4.5	17,000	21,598	9.2
2006*	250.0	4.5	17,000	19,125	8.4

* Estimates

** Converted at exchange rates prevailing on 1 January of year shown

Source: Colombia, Observatorio Agrocadenas: Arroz - Informe de Coyuntura, First quarter 2006

Unlike for Colombia, production prospects in **Ecuador** have improved since the last report and the country is now foreseen to harvest a volume close to that of last year, of 1 365 000 tonnes.

The amount of rice harvested between January and May in **Peru** was reported to have increased by close to 10 percent compared the same period in 2005. However, the Ministry of Agriculture is predicting a contraction in rice output over the June-August period, as farmers planting intentions indicated a possible 1.8 percent drop in the area, the effects of which might be compounded by low temperatures in the northern coast, in Lambayeque. As a result, FAO now forecasts production in the country to be in the order of 2.4 million tonnes, 2.7 percent below last year, but 200 000 tonnes above earlier expectations. A medium term plan for converting 15 000 hectares of rice fields, in the northern coast, into export crops was recently presented by the Ministry of agriculture, as the sector is facing water and environment constraints, especially along the Pacific.

In **Uruguay**, the 2006 paddy season ended positively, with a 6 percent increase, as record yields of more than offset a 3 percent fall in the area. The sector is now looking forward to the planting of the 2007 crops, starting in October, which might be constrained by the low level of water in reservoirs. Given the uncertainty regarding the possible impact of the drought on production next season, producers and millers agreed to postpone negotiations to determine jointly the level of paddy price that will prevail next season.

E. REST OF THE WORLD

Prospects for paddy production deteriorate in the United States and in the EU

In the September issue of its rice outlook report, the USDA revised downward the forecast of production in the **United States,** reflecting less buoyant expectations over yields in the long grain rice sector. Based on the most recent outlook, production could fall by 13 percent to 8.8 million tonnes, the lowest level since 2000, driven by a drop in the area, part of which could be compensated by productivity gains. All states were foreseen to face a decline in output, except California and Missouri where record yields were achieved. The drop in output would affect long grain rice varieties.

On 18 August, the USDA announced that traces of Liberty Link 601 (LL-601) rice, an unapproved genetically modified (GM) long grain rice had been detected in grain bins in Arkansas and Missouri. Following USDA's warning, GM material was also found in US rice imported into the European Union (EU), triggering the imposition, by the EU and Japan, of temporary bans on long grain rice imports from the United States (see trade section). Apart from its direct consequences for the sector, the case has brought into discussion the real ability of the system to keep GM and non-GM products segregated along the marketing channels.

After several years of drought which heavily constrained rice cultivation in **Australia**, the 2006 crop posted a strong recovery, with production estimated at 1.05 million tonnes, up from 323 000 tonnes in 2005. While planting of the 2007 crop is about to start in October, it is clear that the recovery is not going to be sustained as below average winter rainfall will constrain the availability of irrigation water in 2007. According to the latest (13 September) ABARE forecast, the water shortfall will limit the area that can be put under rice to 45 000 hectares, 57 percent less than in 2006. As a result, ABARE has cut its 2007 production forecast from 900 000 tonnes to 400 000 tonnes, which would represent a 62 percent decline from the 2006 season outcome.

The outlook for production in the **EU** has slightly worsened since the last report, as crops in the principal rice growing countries (Italy, Spain, Greece, Portugal and France) are now estimated to add up to 2.550 million tonnes, compared with a previous forecast of 2.577 million tonnes. At the new expected level, production would be 5.2 percent less than last season, a contraction imputable to drought conditions in spring that constrained plantings.

II. INTERNATIONAL TRADE IN RICE

A. TRADE IN 2006

The forecast of global trade in 2006 is raised as Indonesia reopens its market to imports, but is still 1.1 million tonnes short of the 2005 record

The FAO forecast of rice trade in 2006 has been lifted by about 200 000 tonnes, following the announcement that **Indonesia** will authorize some rice imports before the end of the year. Apart from Indonesia, the import forecasts were raised for **Bangladesh** (+100 000 tonnes), **Cuba** (+40 000 tonnes), **Senegal** (+50 000 tonnes), while they were revised downward in the case of **Brazil** (-100 000 tonnes), **the Philippines** (-150 000 tonnes) and **Sri Lanka** (-30 000 tonnes).

As for exports, the 2006 forecasts have been subject to several downward adjustments since the last report, especially for **China** (-100 000 tonnes), **India** (-900 000 tonnes), **Myanmar** (-100 000 tonnes) and **Viet Nam** (-200 000 tonnes). These revisions mostly reflected the export performance of the individual countries so far into the year, combined with reports of supply tightness that may constrain shipments in the last quarter. On the other, prospects improved for **Brazil** (+160 000 tonnes), **Egypt** (+100 000 tonnes), **Pakistan** (+600 000 tonnes), **Thailand** (+200 000) and the **United States** (+400 000 tonnes).

A temporary suspension of Indonesia's import ban lifts 2006 trade forecast

At the new level of 28.7 million tonnes, **global imports in 2006** would be 1.1 million tonnes short of the record achieved in 2005, with much of the decline imputable to smaller deliveries to ***African countries***, in particular **Nigeria,** but also **Cameroon, Cote d'Ivoire, Guinea, Madagascar, Mozambique** and **Senegal**. In general, the drop of imports in the region reflected the excellent crops that were harvested in 2005.

On the whole, imports by ***Asian countries*** are set to increase by 1 percent in 2006 to some 13.4 million tonnes, sustained by larger deliveries to **China, Indonesia, the Islamic Republic of Iran, Iraq, the Republic of Korea** and **Turkey**. According to the latest forecasts, rice shipments to **Indonesia**, a large part of which enter the archipelago unrecorded, could rise from 600 000 tonnes to 800 000 tonnes. Officially Imports have been prohibited since 2004, with the exception of rice shipped as food aid and special rice (glutinous rice, finely ground ordinary and sticky rice, rice for steaming for diabetics, japonica rice and rice seedlings), unless derogations are obtained from the Department of Trade, based on information from the Central Bureau of Statistics. Following evidence that retail prices were rising, while public stocks had fallen to record low levels, the Government announced in August that it would relax the ban and authorize Bulog, the state logistic agency, to import 210 000 tonnes of rice between 1 September and the end of the year. A similar opening to imports was announced in September 2005. According to an official forecast, **Turkey** will likely purchase 452 000 tonnes in 2006, 72 percent more than last year. The surge was facilitated by lower import tariffs since November 2005, although restrictions, in the form of domestic rice purchasing

requirement[3], continued to be applied. The system has been challenged by the United States, resulting in the establishment of a WTO panel in February 2006.

On the other hand, **Bangladesh, Japan, the Democratic Republic of Korea** and **the Philippines** are expected to end the year with a smaller level of imports

In the *rest of the world*, purchases by **Brazil** and **the United States** are foreseen to end higher compared with 2005, while they are likely to fall in **Mexico, Panama, the Dominican Republic, Peru** and **Russia.**

As the end of 2006 is approaching, rice exports are constrained by tight supplies in major exporting countries

Global rice exports this year are set to decline by 4 percent to 28.7 million tonnes, or 1.1 million tonnes less than the 2005 record level. Much of the decline would be on account of **India**, which is unlikely to replicate the outstanding performance of last year. Exports are also foreseen to fall in **the Republic of Korea, Myanmar, Viet Nam, Egypt** and **the United States**, mostly reflecting a dearth of supplies, which has led to the imposition of export restrictions in Myanmar, Viet Nam and Egypt. Part of the above export shortfalls is expected to be compensated by larger shipments from **Cambodia, China, Japan, Sri Lanka, Argentina, Brazil** and **Australia**. Exports from both **Thailand** and **Pakistan** are currently forecast to remain close to last year's level.

Sales by **mainland China** are anticipated to surge to 1.1 million tonnes by the end of the year, 100 000 tonnes less than previously anticipated, but 64 percent more than in 2005. Between January and August, shipments from the country ran 53 percent ahead of last year.

Between January and May, **India** shipped 1.7 million tonnes of rice only, 31 percent less than in the corresponding period in 2005. The recent increase in minimum procurement prices, which is likely to result in more expensive local supplies, could make it even more difficulty for the country to keep with last year's pace of shipments. Consequently, India's export forecast has been lowered by 600 000 tonnes to 3.5 million tonnes, which would represent a 1.5 million tonne slide compared with last year.

Export prospects have also worsened in **Myanmar,** after the Government was reported to have suspended the release of export licenses in May, in an attempt to stall a tendency for domestic prices to rise. As a result, sales from the country may fall to 100 000 tonnes in 2006, less than half the level of 220 000 tonnes shipped in 2005.

On the other hand, prospects have been raised by 600 000 tonnes for **Pakistan**, which had already exported 2.4 million tonnes between January and August, 7.5 percent more than in the first eight

[3] **Turkey's** tariff rates were cut last November from 32 percent to 20 percent in the case of paddy rice, from 34 percent to 25 percent in the case of husked rice, while rates were left unchanged at 43 percent on milled rice.

months in 2005. By end December, the country is expected to ship 3.5 million tonnes, slightly more than last year's record.

A lack of storage facilities appears to have led **Sri Lanka** to approach India last July to negotiate the sale of some 50 000 tonnes paddy rice, equivalent to some 32 000 tonnes of milled rice. The selling price was reported to be particularly low, at Rs 12 per kg (US$115.6 per tonne), well below the level paid to farmers of Rs. 16.50 per kg (US$ 160 per tonne) for "Nadu" paddy and Rs.17.50 per kg (US$169 per tonne) for "Samba" paddy.

The recent political upheaval in **Thailand** has added uncertainty regarding the continuation of the previous government production and export policies. However, the outlook for Thai exports has been raised by 200 000 tonnes to 7.5 million tonnes, as targeted by the Government and about the same level as last year. Supplies in the country are reportedly tight, but newly harvested rice will reach the market in November. Moreover, large public stocks might be released before the bulk of the forthcoming harvest, to free storage space, which would ease the current market tightness.

Shipments from **Viet Nam** are also anticipated to be smaller. Over the first eight months of 2006, they amounted to 3.8 million tonnes, 6 percent less than in the same period last year. Given the problems that have affected the summer/autumn crop, the Government might be more adamant in keeping actual exports within its 5 million tonne official target. This would imply a 200 000 tonnes retrenchment compared with last year exceptional performance and a 200 000 tonne cutback from the previous forecast.

Outside Asia, **Egypt's** export outlook improved after the Government announced it would authorize the export of milled rice as of 1 October 2006. Apparently, the import prohibition on husked rice remains. All types of rice were banned for export from 1 July to 15 September, reflecting concerns over rising domestic prices. The country is now foreseen to ship 1 million tonnes in 2006, or 100 000 tonnes less than last year.

The latest USDA outlook of September has raised the export forecast for the **United States** by 400 000 tonnes to 3.7 million tonnes in calendar 2006, even after taking into consideration the possible negative impact of the finding of unauthorized GMO rice on US rice shipments. The new forecast would still imply a 4.2 percent contraction compared with 2005. The GMO discovery may hinder sales to the EU and Japan. Japan first reacted to the finding by imposing a suspension of US long grain rice imports, later converted into a requirement for testing of all types of US rice, while the EU has imposed that imports of long-grain rice from the United States be certified as free of the Liberty Link Rice 601 by an accredited laboratory, with the onus of the certification falling on USA exporters.

Although **Brazil** faced a much tighter supply and demand situation domestically this year, it has continued to sell rice abroad. It is now expected to export 300 000 tonnes of rice in the course of 2006, about 28 000 tonnes more than last year, but somewhat below the 400 000 tonne foreseen by IRGA (Rio Grandense Institute of Rice).

The export forecasts of the other two major exporters in South America, namely **Argentina** and **Uruguay**, remain unchanged at 390 000 tonnes and 760 000 tonnes respectively, representing sizeable increases compared with last year.

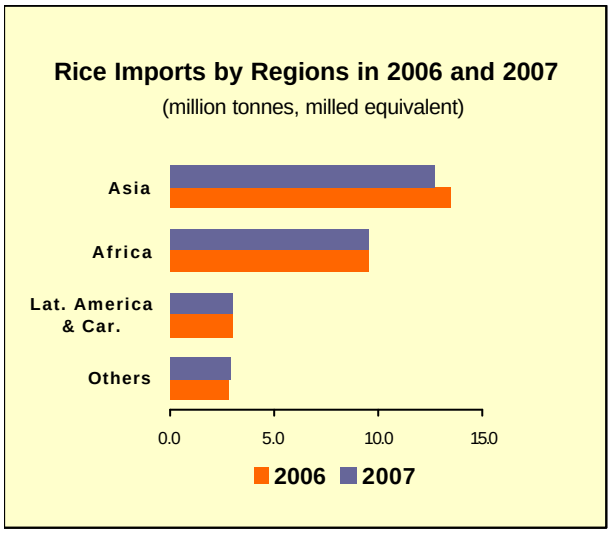
The progress was even more outstanding in the case **Australia**, which is anticipated to sell some 400 000 tonnes in 2006, up from an estimated 60 000 tonnes in 2005.

B. TRADE IN 2007

Trade in rice may undergo a further drop in 2007

The FAO first outlook for trade in calendar 2007, which is derived, to a large extent, from production forecasts in 2006, points to a 2.1 percent decline, to 28.1 million tonnes. However, prospects are still highly tentative, as many countries still have to harvest their 2006 main paddy crops.

Lower imports by Asian countries expected to drive down trade in 2007



The anticipated 600 000 tonne slide in **global imports next year** would mainly originate from a 5 percent contraction of demand by ***Asian countries***. Several of the major traditional importers in the region are now foreseen to cut their shipments, in particular **Bangladesh, the Islamic Republic of Iran and the Philippines**, a reflection of the larger rice crops expected in 2006. In July, the **Philippines** finalized the process of negotiations with nine WTO trading partners[4], after reaching an agreement with India. The WTO waiver, which had expired in June 2005, allows the country to maintain restrictions on rice imports by the private sector. As a result, the National Food Authority, a state- trading company, holds a virtual monopoly on rice importation to the country. The likely re-imposition of a ban on imports in **Indonesia** next year may also depress rice deliveries to that market to some 600 000 tonnes. However, much will depend on the weather pattern in the coming months, as a resurgence of a strong El Niño would have major implications for the region. Purchases by the **Republic of Korea** are seen to decline next year, reflecting the abnormally large purchases that the country had to make over 2006 to fulfil its minimum market access import obligations for 2005 and 2006. Under the latest agreement to extent the WTO import waiver, the Republic of Korea should let some 266 000 tonnes of rice enter its territory next year, subject to a 5 percent import duty. The volume should be expanded every year, by enlarging the MFN quota, available to all WTO member countries

[4] Argentina, Australia, Canada, China, Egypt, India, Pakistan, Thailand and the United States

Republic of Korea: Rice Minimum Access Quota - Milled Rice, tonnes							
Calendar Year	Total	MFN Quota	Total Country Specific Quota	Country Specific Quota			
				United States	China	Thailand	Australia
2005	225,575	20,347	205,228	50,076	116,159	29,963	9,030
2006	245,922	40,694	205,228	50,076	116,159	29,963	9,030
2007	266,269	61,041	205,228	50,076	116,159	29,963	9,030
2008	286,616	81,388	205,228	50,076	116,159	29,963	9,030
2009	306,963	101,735	205,228	50,076	116,159	29,963	9,030
2010	327,310	122,082	205,228	50,076	116,159	29,963	9,030
2011	347,657	142,429	205,228	50,076	116,159	29,963	9,030
2012	368,004	162,776	205,228	50,076	116,159	29,963	9,030
2013	388,351	183,123	205,228	50,076	116,159	29,963	9,030
2014	408,698	203,470	205,228	50,076	116,159	29,963	9,030
Source: USDA quoting Republic of Korea Ministry of Agriculture and Forestry							

The volume shipped to **Iraq** is now seen to remain in the order of 1.2 million tonnes, while it may rise in the case of the **Democratic Republic of Korea**, where food shortages appear to be looming after the negative 2006 paddy season. Deliveries to the country will likely be in the form of food aid.

Rice consignments to countries in ***Africa*** are currently foreseen to remain very close to the 2006 current forecast, of 9.5 million tonnes. Imports by **Nigeria**, which the Government wanted to ban as of 2007, are expected to continue flowing into the country, although a tightening of controls may contribute to lower them by 100 000 tonnes to 1.7 million tonnes. The Government seems to have realized that its plan to impose an import ban on rice would not be consistent with the country's WTO obligations. Nonetheless, it has still some leeway for raising the level of protection as import tariffs were bound at WTO at 150 percent, with the possibility to add a supplementary 80 percent for administrative purposes. In 2005, rice imports were subject to a 50 percent tariff, plus a 50 percent additional levy, and other surcharges. In addition, to avert an underestimation of their value, rice imports are subject to a minimum price, depending on the country of origin.

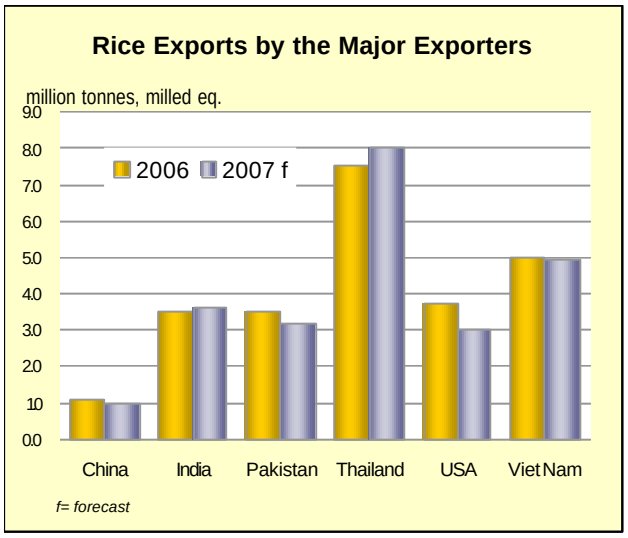
In ***North America***, the **United States** rice import outlook points to a 50 000 tonne increase in purchases in 2007, to 575 000 tonnes, reflecting high expected domestic prices and rising consumption.

Imports to ***Latin America and the Caribbean*** are also anticipated to remain very close to last year level, although the lingering of a current drought in the southern part of the continent could substantially alter this outlook, by boosting import requirements. On the other hand, imports by **Mexico** might rise, as the country announced it would lift the anti-dumping duties that it has been imposing on imports of long grain rice from the United States since June 2002. The move follows the rejection of Mexico's appeal by a WTO panel in November 2005.

In ***Europe***, lower duties following the implementation of the new import regime, together with strong domestic prices may elicit a 100 000 tonnes increase of imports by the **European Union** to 900 000

tonnes in 2007. The new import rules, which have been laid down in Council Regulation No 797/2006 of 22 May 2006, establishes that husked rice imports (CN Code 1006 20) are subject to a duty of € 30 per tonne, € 42.5 per tonne or € 65 per tonne depending on the volume of imports, as derived from import certificates submitted by member countries. Similarly, imports of milled and semi-milled rice (CN Code 1006 30) would be charged a duty of €145 or €175 also depending on the volume of imports[5], as derived from import certificates. As for broken rice, falling under the CN code 1006 40 00, imports are subject to a fixed duty of €65 per tonne. Imports of husked Basmati rice falling within CN Codes 1006 20 17 and 1006 20 98 qualify for a zero rate of duty, if belonging to EU recognized Basmati varieties[6] .

Several Major exporting countries may face supply constraints in 2007



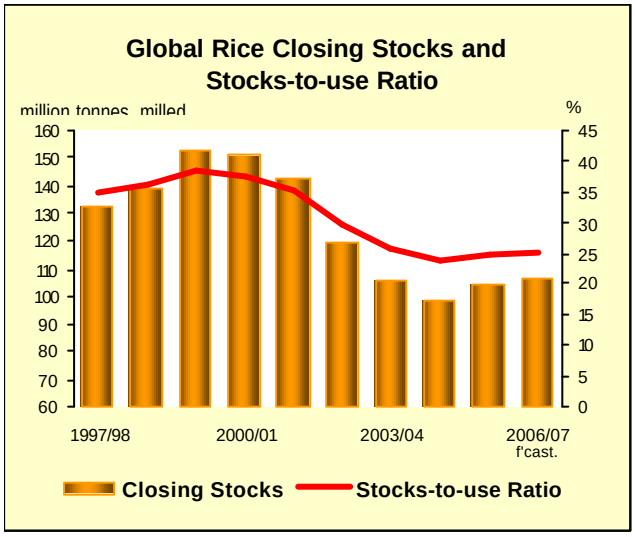
Much of the expected decline in **world exports in 2007** is currently foreseen to result from smaller shipments of rice by the **United States**. USDA's forecast show a decline of 700 000 tonnes to 3 million tonnes next year, reflecting mainly the poor 2006 crop prospects, which may constrain availabilities and raise domestic prices. The USDA also appears to have incorporated into its forecast, the possible negative impact of the restrictions imposed by several importing countries against long grain rice imports from the United States, following findings of the LLRice 601 in rice shipments. Although that effect will likely be limited, the case appears to have brought into discussion the possibility of keeping GM and non-GM products segregated along the marketing chain. Exports from **Australia** are also foreseen to be cut back, under the current expectation of a sharp contraction in rice planting next season. Reduced sales by **mainland China**, **Pakistan** and **Egypt** are also anticipated. By contrast, **Cambodia**, **India** and **Thailand** could export more next year, if current expectations of a good 2006 paddy season are confirmed. Exports of Basmati rice from **India**, however, might be affected by a recent decision by exporters to establish a minimum export price level, to prevent firms from undercutting each others prices.

[5] Compared with an annual reference volume 443 678 tonnes in 2006/07 (1 September-31 August)
[6] Basmati 217, Basmati 370, Basmati 386, Kernel(Basmati), Pusa Basmati, Ranbir Basmati, Super Basmati, Taraori Basmati (HBC-19) and Type-3 (Dehradun)

III. STOCKS

China to underpin world rice inventories at the close of the 2006/07

World rice inventories at the close of the 2006/07 marketing seasons are expected to rise to 106 million tonnes, up from an estimated 104 million tonnes in 2005. **China** could account for much of the increase despite virtually no gain in production in 2006, a reflection of a falling domestic utilization. On the other hand, based on the positive 2006 production prospects, **India** and **Thailand** might end the season with a sizeable increase in stocks. In **Thailand**, much of the increase is likely to affect publicly-owned inventories, if the Government, as expected, will again procure large quantities under its 2006 rice pledging programme. The recent political turmoil has, however, raised much uncertainty as to the fate of the existing government stocks. By contrast, in **Indonesia**, the combination of fast increasing domestic utilization, stagnating production and banned imports is likely to result in a sizeable decline in the country's carry-over. Because of limited growth in 2006 production, **Bangladesh** may also experience a drop in stocks. Rice inventories may also end lower in **Japan** and the **Republic of Korea**.



The increase in carry-over stocks would result in a higher **rice stock-to-use ratio**, an important indicator of global food security, which would pass from 24.9 percent in 2005 to 25.2 in 2006.

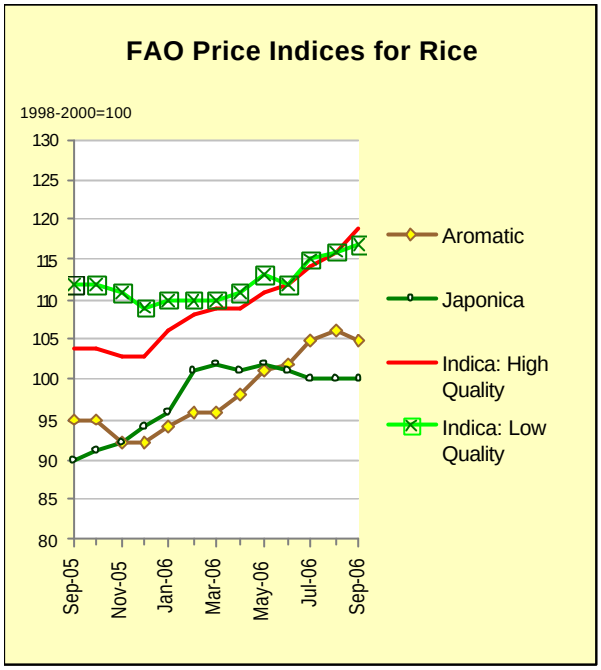
IV. INTERNATIONAL PRICES

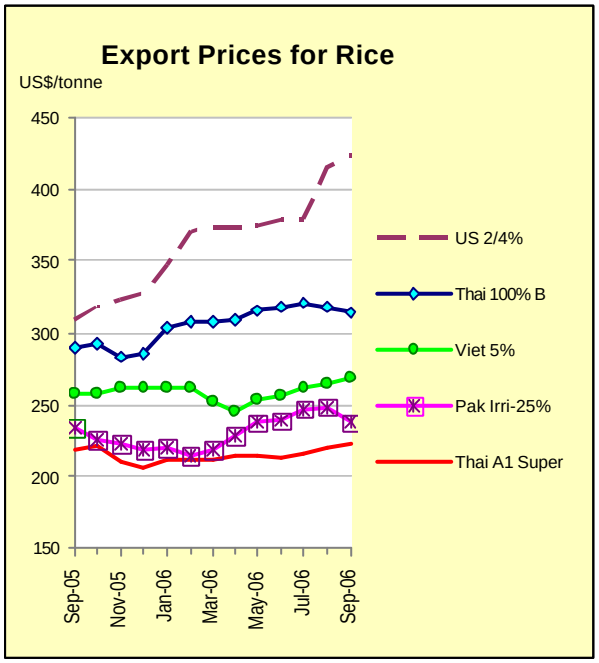
Tight supplies and policies in exporting countries keep international prices on the rise

The strength that has dominated the rice international market since January persisted over the July to September period, as reflected in the FAO All Rice Price Index, which gained one point every month, passing from 108 in June to 111 in September.

Much of the continued firmness reflected developments in exporting countries, where supplies were generally tight. In the United States, prices remained on the rise, reaching in September levels not seen in many years, as the USDA's scaled down the outlook of the 2006 crop. Indeed, the finding of unauthorized GM rice in commercial shipments only triggered a short-lived price slump in the immediate aftermath of the news release, in mid-August. Viet Nam's rice quotations also grew stronger, lifted by a robust demand and limited supplies, a trend evident since June; in India, export prices, which have been fairly stable since April, were underpinned by the announcement, in September, of increases in the domestic procurement prices. On the other hand, the availability of

freshly harvested supplies tended to depress somewhat prices in Pakistan and Egypt in September, after two months of relatively high quotations. Thai rice was also priced lower in August and September, after the government procurement, bearing on the 2005 second paddy crop, ended on 31 July. On the import side, demand by African countries subsided in September, after several months of large purchases. However, continued demand by countries in the Near East and the Philippines and, since August, the announcement that Indonesia would be granting some licenses for imports this year have provided renewed vigour to the market.





Regarding price prospects in the coming months, the political upheaval in Thailand has raised a number of uncertainties regarding the fate of the large rice inventories in the hand of the government and on the procurement programme for the main 2006 crop, which is normally launched on 1st November, with the provision to purchase up to 9 million tonnes from farmers. In general, however, the world rice market situation is expected to remain tight until the end of the year, reflecting constraints in major exporting countries. For instance, according to the government 5 million tonne export target, Viet Nam only has 500 000 tonnes left to sell between September and December, well short of the 1.1 million tonnes it shipped over the same period last year. Although lifting its temporary ban on rice exports as of 1 October, Egypt maintained restrictions on husked rice sales abroad. The higher support price in India and limited supplies from the single crop in China will also tend to make rice from these countries dearer. Thus, although import demand may weaken in the coming months, when many northern hemisphere countries will have harvested their main crops, international rice prices are likely to remain on the rise, a tendency that could become particularly marked should there be confirmation of a strong El Niño recurrence.

FAO Rice Price Indices						
		All	Indica		Japonica	Aromatic
			High	Low		
		1998-2000 = 100				
2001		**74**	**74**	**74**	**76**	**69**
2002		**72**	**73**	**75**	**67**	**74**
2003		**82**	**79**	**81**	**82**	**91**
2004		**104**	**101**	**110**	**104**	**96**
2005		**103**	**104**	**115**	**92**	**94**
2005	September	101	104	112	90	95
	October	101	104	112	91	95
	November	101	103	111	92	92
	December	101	103	109	94	92
2006	January	103	106	110	96	94
	February	105	108	110	101	96
	March	106	109	110	102	96
	April	106	109	111	101	98
	May	108	111	113	102	101
	June	108	112	112	101	102
	July	109	114	115	100	105
	August	110	116	116	100	106
	September	111	119	117	100	105
2005	Jan.-Sep.	103	105	116	93	94
2006	Jan.-Sep.	107	112	113	100	100

***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 Fraarant rice.

EXPORT PRICES FOR RICE

	Thai White 100% B Second grade	Thai Parboiled 100%	U.S. Long Grain 2,4%	Viet 5%	Thai 25%	India 25%	Viet 25%	Pak 25%	Thai A1 Super 1/	U.S. California Medium Grain 2/	Egypt Short Grain, Grade 2,6% 178 Camolino	Pak Basmati Ordinary	Thai Fragrant 100%
	US $/tonne, f.o.b.												
2001	**177**	**194**	**264**	**166**	**153**	**185**	**148**	**148**	**135**	**267**	**204**	**332**	**275**
2002	**197**	**194**	**207**	**187**	**171**	**140**	**168**	**159**	**151**	**271**	**279**	**366**	**306**
2003	**201**	**196**	**284**	**183**	**176**	**163**	**167**	**175**	**151**	**370**	**291**	**357**	**449**
2004	**244**	**247**	**372**	**224**	**225**	**n.a.**	**212**	**230**	**207**	**493**	**317**	**468**	**443**
2005	**291**	**285**	**319**	**255**	**259**	**236**	**239**	**235**	**219**	**418**	**327**	**473**	**404**
2005													
September	290	287	309	258	258	229	240	234	218	441	326	475	401
October	293	286	318	258	260	236	240	225	221	474	315	475	395
November	283	275	324	261	250	236	243	223	211	507	312	488	383
December	286	276	327	262	251	237	243	218	206	507	339	500	388
2006													
January	303	286	346	261	263	237	244	220	212	507	341	500	408
February	307	289	370	261	263	238	245	215	212	507	348	500	423
March	308	290	373	252	265	238	240	218	212	491	358	500	436
April	309	290	373	246	267	243	231	228	215	485	361	500	442
May	316	296	375	253	271	243	237	238	215	498	357	513	467
June	318	299	379	256	272	243	233	239	213	507	373	525	479
July	321	311	379	262	274	243	245	247	216	507	… 3/	525	511
August	318	311	415	265	274	243	250	248	220	507	… 3/	525	520
September	314	308	423	269	272	252	252	237	222	507	358	525	515
2005 Jan.-Sep.	292	287	318	253	261	235	239	240	221	392	328	469	409
2006 Jan.-Sep.	313	298	381	258	269	242	242	232	215	502	357	513	467

Sources: Jackson Son & Co. (London) Ltd. and other public sources.

1/ White broken rice. 2/ No. 1, maximum 4-percent brokens, sacked, California mill. This series replaces the U.S. medium grain No.2, 4% the quotations of which have been missing since September 2005. 3/ Not quoted.

WORLD PADDY PRODUCTION

	2004	2005 (estimated)	2006 (forecast)
	million tonnes		
WORLD	**608.0**	**631.7**	**635.4**
Developing countries	581.9	605.9	611.1
Developed countries	26.1	25.8	24.2
ASIA	**548.4**	**570.8**	**575.7**
Bangladesh	37.7	40.3	41.0
Cambodia	4.2	6.0	6.5
China	180.5	182.1	181.5
of which Taiwan Prov.	1.4	1.5	1.5
India	124.7	136.6	140.0
Indonesia	54.1	54.2	54.8
Iran, Islamic Rep. of	3.1	3.3	3.4
Japan	10.9	11.3	10.4
Korea Rep. of	6.7	6.4	6.3
Myanmar	23.7	24.5	24.8
Pakistan	7.5	8.3	8.1
Philippines	14.5	15.1	15.5
Sri Lanka	2.6	3.2	3.3
Thailand	28.5	30.0	30.6
Viet Nam	36.2	35.8	36.7
AFRICA	**19.4**	**20.8**	**21.5**
North Africa	**6.4**	**6.2**	**6.2**
Egypt	6.4	6.1	6.2
Sub-Saharan Africa	**13.0**	**14.6**	**15.3**
Western Africa	8.1	9.1	9.8
Côte d'Ivoire	1.2	1.2	1.2
Guinea	0.9	1.0	1.0
Mali	0.7	0.9	1.0
Nigeria	3.5	4.2	4.8
Central Africa	0.4	0.4	0.4
Eastern Africa	1.2	1.4	1.3
Tanzania	0.9	1.0	0.9
Southern Africa	3.3	3.6	3.8
Madagascar	3.0	3.4	3.5
Mozambique	0.2	0.2	0.2
CENTRAL AMERICA	**2.3**	**2.3**	**2.5**
Cuba	0.5	0.4	0.5
Dominican Rep.	0.6	0.6	0.7
Mexico	0.3	0.3	0.3
SOUTH AMERICA	**23.3**	**24.1**	**22.4**
Argentina	1.1	1.0	1.2
Brazil	12.8	13.2	11.6
Colombia	2.7	2.5	2.3
Peru	1.8	2.5	2.4
Uruguay	1.3	1.2	1.3
NORTH AMERICA	**10.5**	**10.1**	**8.8**
United States	10.5	10.1	8.8
EUROPE	**3.4**	**3.4**	**3.3**
EU	2.8	2.7	2.6
OCEANIA	**0.6**	**0.3**	**1.1**
Australia	0.5	0.3	1.0

FOOTNOTES:

Totals computed from unrounded data.

1/ Highly tentative.

WORLD IMPORTS OF RICE

	2005	2006 (estimated)	2007[1/] (forecast)
	million tonnes, milled		
WORLD	**29.8**	**28.7**	**28.1**
Developing countries	25.4	24.4	23.6
Developed countries	4.3	4.3	4.5
ASIA	13.3	13.4	12.7
Bangladesh	1.0	0.7	0.5
China	1.0	1.3	1.3
of which Taiwan Prov.	0.1	0.2	0.2
Indonesia	0.6	0.8	0.6
Iran, Islamic Rep. of	1.1	1.2	1.0
Iraq	1.0	1.2	1.2
Japan	0.8	0.7	0.8
Malaysia	0.8	0.8	0.8
Philippines	1.8	1.7	1.4
Saudi Arabia	1.0	1.1	1.1
Sri Lanka	0.1	0.0	0.0
AFRICA	**10.6**	**9.5**	**9.5**
Côte d'Ivoire	0.9	0.9	0.9
Nigeria	2.3	1.8	1.7
Senegal	0.9	0.8	0.9
South Africa	0.8	0.7	0.8
CENTRAL AMERICA	**2.3**	**2.2**	**2.2**
Cuba	0.7	0.7	0.7
Mexico	0.5	0.5	0.5
SOUTH AMERICA	**0.8**	**0.8**	**0.8**
Brazil	0.5	0.6	0.5
Peru	0.1	0.1	0.1
NORTH AMERICA	**0.7**	**0.9**	**0.9**
Canada	0.3	0.3	0.3
United States	0.4	0.5	0.6
EUROPE	**1.6**	**1.6**	**1.6**
EU	0.8	0.8	0.9
Russian Fed.	0.4	0.3	0.3
OCEANIA	**0.4**	**0.4**	**0.4**

WORLD EXPORTS OF RICE

	2005	2006 (estimated)	2007[1/] (forecast)
	million tonnes, milled		
WORLD	**29.8**	**28.7**	**28.1**
Developing countries	25.5	24.1	24.7
Developed countries	4.3	4.6	3.5
ASIA	**22.9**	**21.6**	**22.0**
China	0.7	1.1	1.0
of which Taiwan Prov.	0.0	0.0	0.0
India	5.0	3.5	3.6
Myanmar	0.2	0.1	0.1
Pakistan	3.5	3.5	3.2
Thailand	7.5	7.5	8.0
Viet Nam	5.2	5.0	4.9
AFRICA	**1.1**	**1.0**	**1.0**
Egypt	1.1	1.0	1.0
SOUTH AMERICA	**1.7**	**1.9**	**1.9**
Argentina	0.3	0.4	0.4
Guyana	0.2	0.2	0.2
Uruguay	0.7	0.8	0.8
NORTH AMERICA	**3.9**	**3.7**	**3.0**
United States	3.9	3.7	3.0
EUROPE	**0.2**	**0.2**	**0.2**
EU	0.2	0.2	0.2
OCEANIA	**0.1**	**0.4**	**0.1**
Australia	0.1	0.4	0.1

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

	CHINA 2/ 3/ (Oct./Sep.)			INDIA 2/ (Oct./Sep.)		
	2004/2005	**2005/2006** prelim.	**2006/2007** [5/] f'cast	**2004/2005**	**2005/2006** prelim.	**2006/2007** [5/] f'cast
	(..... thousand tonnes .....)			*(..... thousand tonnes .....)*		
Opening Stocks	59180 F	56000 F	57305 F	13000 F	9000 F	11000 F
Production 1/	123723 G	124777 G	124359 *	83130 G	91040 G	93338 F
Imports	659 F	920 F	920 F	50 F	82 F	50 F
Total Supply	183562	181697	182584	96180	100122	104388
Domestic Use	126864	123262	122454	82139	85622	88288
Exports	698 F	1130 F	1030 F	5041 *	3500 F	3600 F
Closing Stocks	56000 F	57305 F	59100 F	9000 F	11000 F	12500 F

	PAKISTAN 2/ (Nov./Oct.)			THAILAND 2/ (Nov./Oct.)		
	2004/2005	**2005/2006** prelim.	**2006/2007** [5/] f'cast	**2004/2005**	**2005/2006** prelim.	**2006/2007** [5/] f'cast
	(..... thousand tonnes .....)			*(..... thousand tonnes .....)*		
Opening Stocks	650 F	150 F	200 F	3200 F	3800 F	5200 F
Production 1/	5023 G	5547 G	5403 F	18892 G	19889 G	20257 F
Imports	1 F	1 F	1 F	8 G	1 F	1 F
Total Supply	5674	5698	5604	22100	23690	25458
Domestic Use	2049	1998	2124	10763	10990	11458
Exports	3475 G	3500 F	3200 F	7537 G	7500 F	8000 F
Closing Stocks	150 F	200 F	280 F	3800 F	5200 F	6000 F

	UNITED STATES 4/ (Aug./Jul.)			VIET NAM 2/ (Nov./Oct.)		
	2004/2005	**2005/2006** prelim.	**2006/2007** [5/] f'cast	**2004/2005**	**2005/2006** prelim.	**2006/2007** [5/] f'cast
	(..... thousand tonnes .....)			*(..... thousand tonnes .....)*		
Opening Stocks	761 G	1211 G	1369 G	4900 F	4700 F	4250 F
Production 1/	7462 G	7108 G	6136 G	24112 G	23873 G	24479 F
Imports	424 G	541 G	556 G	14 F	14 F	14 F
Total Supply	8647	8860	8061	29026	28587	28743
Domestic Use	3942	3765	3969	19126	19337	19543
Exports	3494 G	3726 G	3080 G	5200 G	5000 F	4900 F
Closing Stocks	1211 G	1369 G	1012 G	4700 F	4250 F	4300 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.
5/ Highly tentative.