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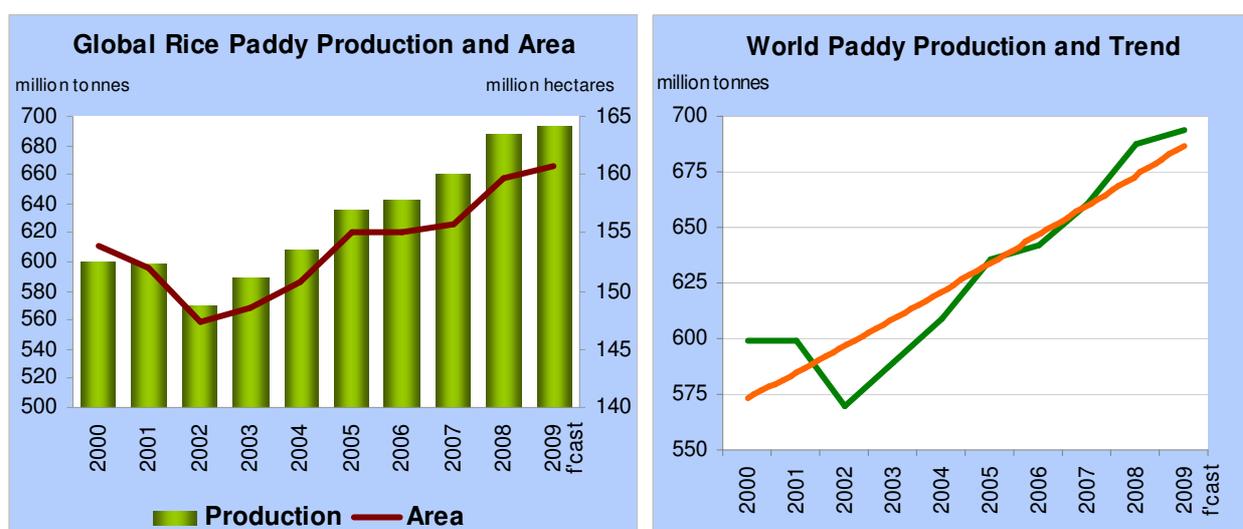
ROUND UP

- FAO's outlook of **global paddy production in 2008** has been revised upwards by 4 million tonnes, now standing at 688 million tonnes (459 million tonnes, milled rice), representing an outstanding 4 percent increase from 2007. The revision principally reflects more buoyant results than previously expected in northern hemisphere countries in Asia, where the recent harvesting of secondary crops has brought the 2008 season to an end.
- Current forecasts for **global paddy production over the on-going 2009 season** point to a mere 0.3 percent expansion to 689 million tonnes (460 million tonnes, milled rice). Despite prospects of virtually no growth, a replication of the 2008 results over the on-going 2009 paddy season would still stand out as an excellent performance. While still subject to much uncertainty, given its dependence on the monsoon, Asia is forecast to gather 623 million tonnes of paddy in 2009, unchanged from the new estimate of output in 2008. Afghanistan, Cambodia, China, Indonesia, the Islamic Republic of Iran, Myanmar, the Philippines, and Vietnam are all anticipated to increase production in 2009, while India, Iraq, Japan, the Republic of Korea, Pakistan, Sri Lanka and Thailand may face a contraction. Recent forecasts of below average monsoon rains in India, in particular, have marred the country's production prospects. The outlook is generally positive in **Africa**, where some 25.6 million tonnes of paddy (16.8 million, milled rice) are forecast to be harvested in 2009, which would replicate the positive outcome of the 2008 season. Production gains are anticipated in Egypt, Ghana, Madagascar, Mali, Mozambique, Nigeria, Uganda and Zambia, offsetting declines in Burkina Faso, Chad, Guinea, Liberia, Niger, Senegal, Sierra Leone and Tanzania. In **Latin America and the Caribbean**, paddy production is forecast to rise by 3 percent to 27.4 million tonnes. In Central America and the Caribbean, expansions are expected in Cuba, the Dominican Republic, Mexico and Panama. The production outlook is mixed in South America, with positive results anticipated in Bolivia, Brazil, Colombia and Venezuela, while erratic climatic conditions and lower price expectations depressed production in Argentina, Guyana, Peru and Uruguay. In the **other regions**, output is anticipated to rise in the European Union (EU) and the United States. Although recovering in Australia, output there remains well short of pre-drought levels.
- **Global rice trade in calendar 2009** is foreseen to rebound by 3 percent to 31.0 million tonnes, owing to both greater supplies in exporting nations and renewed import demand from countries facing shortages and/or high domestic prices. The expansion would be facilitated by a partial easing of the policy restraints that have restricted the flow of supplies on the international market since late 2007 and lower world quotations. Among the largest single rice markets, Brazil, the EU, Iraq, the Islamic Republic of Iran, the Democratic Republic of Korea and Saudi Arabia are expected to step up **imports**. On the other hand, deliveries to Bangladesh, Indonesia, Malaysia, Nigeria and Peru may be cut, even sharply. The expansion in global rice trade is set to be fostered by increased **exports** from Argentina, Egypt, India, Myanmar, Pakistan and Vietnam. By contrast, high domestic prices stemming from the government intervention scheme have eroded sales by Thailand, which, along with Cambodia and the United States, are expected to face sharp declines in sales over calendar 2009.
- Following more buoyant 2008 production estimates, FAO forecasts of **closing stocks** at the end of marketing years in 2009 have been raised to 119 million tonnes in milled rice equivalent, the highest level since 2003 and 10 million tonnes above their opening level. Much of the annual increase in global carry-overs reflects boosted inventories in exporting countries, but reserves in importing countries are also expected to be bolstered in 2009. Based on the current forecasts for global production in 2009 and world utilization in 2010, world carryover stocks in 2010 are forecast to increase further to 124 million tonnes.
- **International rice prices** have followed a downward trend since January this year, reflecting sluggish import demand and, since April-June 2009, the arrival of large 2008 secondary crops. The weakening was reflected in the FAO All Rice Price Index whose January-June average slid to 264 points, 23 points lower than its corresponding 2008 level. However, rice prices diverged across the different market segments, losing more ground in the case of Indica varieties, while prices of both aromatic and medium grain rice were more resilient. Based on the current outlooks and barring major production setbacks and sudden changes in government policies, the world rice market situation appears in a rather comfortable balance, especially in the light of the relatively large world rice reserves built up in the past two seasons. As a result, world rice prices may continue to be under downward pressure in the coming months.

I. PRODUCTION

Virtually no growth in global paddy production expected in 2009

The **2008** paddy season has come to a full close with the harvesting of secondary crops in northern hemisphere countries. Following the release of new official figures, the world paddy production estimate for the complete season has been revised upwards by 4.3 million tonnes, resulting in an even larger global output of 687.5 million tonnes (459 million tonnes in milled equivalent). Confirming the outstanding performance of the season, the global production growth rate for the year now stands at 4 percent, well above the average growth of 1.6 percent in the past ten years, with 27 million tonnes more produced than in 2007.



The adjustment to the 2008 global production estimate principally reflects better crop results than originally foreseen in Asia, where important countries just finished harvesting bumper secondary crops. Revisions mainly concerned: Bangladesh (+2.86 million tonnes to 47.86 million tonnes), Cambodia (+379,000 tonnes to 7.16 million tonnes), China mainland (-1.1 million tonnes to 191.9 million tonnes), Chinese province of Taiwan (-161,000 tonnes to 1.46 million tonnes), India (+2 million tonnes to 149 million tonnes), Japan (+529,000 tonnes to 11 million tonnes) and Thailand (+174,000 tonnes to 31.4 million tonnes). Output was also notably revised in Africa: Ghana (+21,900 tonnes to 302,000 tonnes), Kenya (-10,000 tonnes to 45,000 tonnes), Madagascar (-800,000 tonnes to 4.1 million tonnes), Mozambique (-17,000 tonnes to 206,000 tonnes); in Latin America and the Caribbean: Bolivia (+91,000 tonnes to 380,000 tonnes), Cuba (+36,000 to 436,000 tonnes), Dominican Republic (+42,000 tonnes to 766,000 tonnes), Peru (+75,800 tonnes to 2.77 million tonnes), Venezuela (+190,000 tonnes to 1.36 million tonnes); and in the rest of the world: the CIS Republics (-40,000 tonnes to 1.46 million tonnes) and European Union (+78,000 to 2.63 million tonnes).

Meanwhile, countries along and south of the equatorial line have already harvested their main **2009** paddy crops. In the northern hemisphere, the season is less advanced, as sowing has generally just been completed, with the exception of South Eastern Asian nations where transplanting or seed broadcasting activities have only just begun with the arrival of the monsoon rains. Given that many of the major producers are in early stages of crop development, prospects for the upcoming season remain uncertain. Based on the relatively downbeat forecasts over the

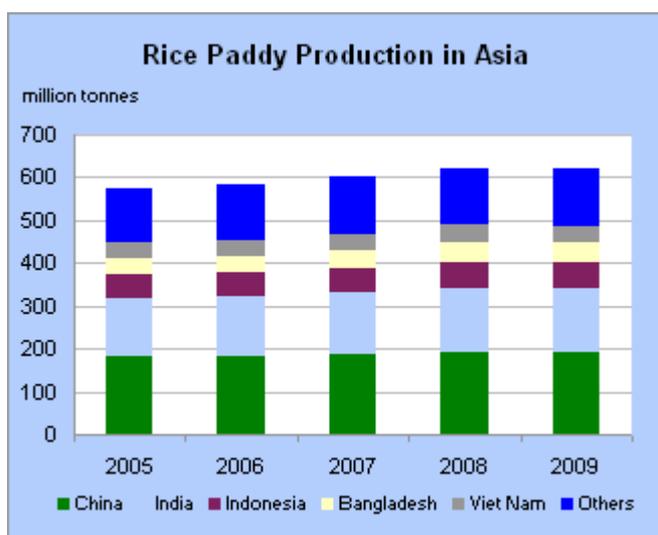
South-East monsoon, global paddy production in 2009 is forecast at 689 million tonnes (460 million tonnes in milled basis), only 1.8 million tonnes above the revised 2008 estimate, equivalent to a marginal 0.3 percent increase. Notwithstanding the lack of significant growth, this would represent an excellent result, given the outstanding outcome of the 2008 paddy season. Plantings over the 2009 season are now set to remain in the order of 160 million hectares; while average yields are anticipated to hover around 4.3 tonnes per hectare.

Although Asia is expected to harvest slightly lower volumes than in 2008, output gains are anticipated in Latin America and the Caribbean, North America and Europe, while Africa may replicate the good 2008 production performance again this season. An upturn in output is also anticipated in Oceania, although production there is to remain well short of pre-drought levels.

A. ASIA

Unfavourable monsoon rain forecasts erase expectation of paddy production growth in the region in 2009

The 2008 season¹ has been completed in Asia with the harvesting of secondary crops in northern hemisphere countries. Based on preliminary crop results, the full season production estimate for the region has been revised upwards, now standing at 622.6 million tonnes (415.6 million in milled rice equivalent), against the 601 million tonnes produced in 2007. High prices coupled



with greater government incentives to producers have translated into an exceptional 4 percent growth in output, driven by both area expansion and yield improvements. Gains were especially evident in Bangladesh, where 2007 paddy production was topped by 4.45 million tonnes. Significant increases were likewise reported in China, Cambodia, Indonesia, Pakistan, Sri Lanka and Viet Nam.

On the other hand, the 2009 season is well advanced in Asian countries situated in the southern hemisphere. In the northern hemisphere, planting of this year's main crop has been already completed or just

commenced upon the arrival of the monsoon rains. Overall production in the continent is currently forecast at 622 million tonnes (415 million tonnes in milled basis), virtually the same as in 2008. At the country level, gains are expected in **Afghanistan, Bangladesh, Cambodia, China mainland, the Chinese Province of Taiwan, Indonesia, the Islamic Republic of Iran, the Philippines, Myanmar and Viet Nam**, while output is anticipated to fall in **India, Iraq, Japan, the Republic of Korea, Pakistan, Sri Lanka and Thailand**.

¹ The 2008 paddy season includes production from southern hemisphere countries, such as Australia, Indonesia or Malaysia, which harvested their main crops from February to June 2008 and their secondary crops from July to October 2008. It also comprises output from northern hemisphere countries, including their 2008 main crops, harvested in the last quarter of 2008, as well as their secondary crops, harvested in the first half of 2009.

The 2009 paddy season is commencing in **Afghanistan** amidst normal rainfall conditions. Notwithstanding the generally positive weather outlook, above average temperatures have been registered since late January, which if sustained could affect water availability for irrigation in the upcoming months. Assuming a return to normal weather conditions, paddy production could recover to 540,000 tonnes (362,000 tonnes in milled rice equivalent), 35 percent above the previous year's drought affected level of 400,000 tonnes.

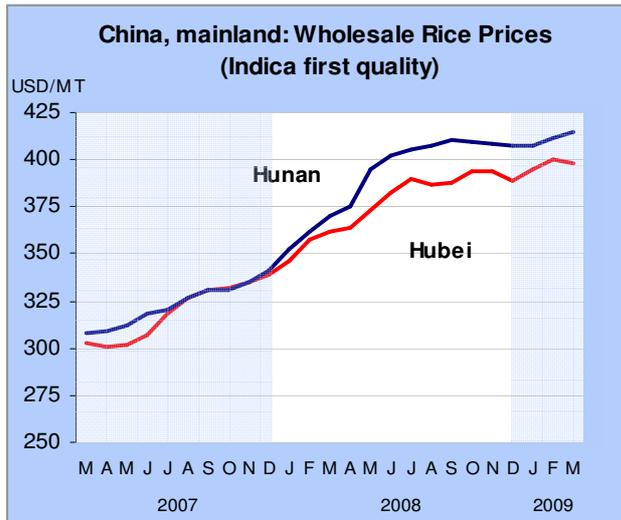
In **Bangladesh**, the 2008 paddy season has come to a close with the harvesting of the Boro crop. According to official accounts, this third and most important crop of the season is to outstrip the government's targeted production of 18 million tonnes, thanks to favourable growing conditions and the launching of government incentives, which were much behind a 6 percent expansion of area. As a result, Bangladesh's 2008 production outlook has been upgraded to a record 47.9 million tonnes of paddy (31.9 million tonnes in milled rice equivalent), 10 percent above 2007 levels. As to the 2009 season, this has just begun with the March-April planting of the smaller Aus crop. Based on expectations of normal crop growing conditions and continued government support, current forecasts point to a 48 million tonne paddy output (32 million tonnes in milled equivalent), slightly above the 2008 season's exceptional outturn.

In April, amid concern over the effect of the bumper crop on the local market, procurement prices for Boro paddy rice were raised to Taka 14 per kilo (USD 204 per tonne), and to Taka 21 and Taka 22 per kilo (USD 307 and 321 per tonne) for regular milled and parboiled milled rice, respectively. Although the official procurement target was set at 1.2 million tonnes, to be purchased locally between May and August 2009, the government recently declared its intentions to expand purchases beyond this limit in order to guarantee reasonable prices to producers. This latest support scheme comes in addition to a 34.24 billion Taka (USD 500 million) economic stimulus package unveiled in mid-April, 58 percent of which has been reserved for agricultural sector incentives, with Taka 15 billion (USD 219 million) allotted to farm subsidies and Taka 5 billion (USD 73 million) for agricultural loan recapitalisation.

On account of a bumper dry-season crop harvested in March, **Cambodia's** 2008 official paddy output estimate has been revised upward to a record 7.16 million tonnes, 6 percent above the 6.72 million tonnes harvested in 2007. Prospects for the 2009 paddy season, which begins with the June planting of the main crop, foresee a sustained 6 percent output growth to 7.6 million metric tonnes (4.86 million tonnes in milled rice equivalent).

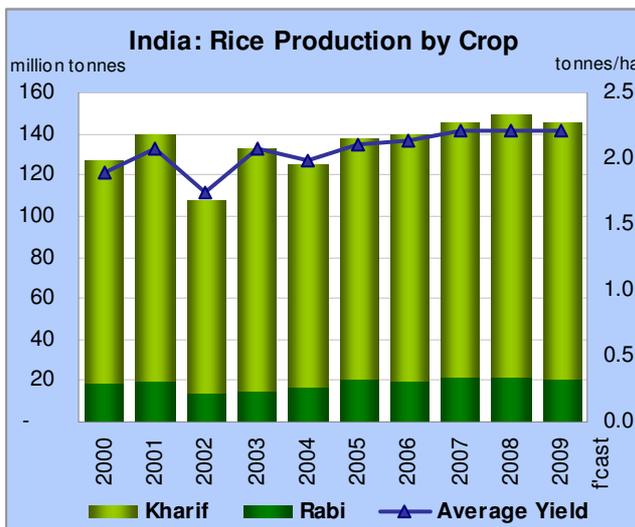
In **China, mainland**, 2008 production figures have been revised downwards to 191.9 million metric tonnes (131.5 on milled basis), implying a 3 percent growth in output from 2007 levels. On the other hand, the 2009 season is underway as plantings of the early and intermediate crops were completed in May. Despite a prolonged drought affecting several rice-growing provinces, the National Grain and Oils Information Centre forecasts this year's paddy output steady at 193 million metric tonnes (132 million tonnes in milled equivalent), with a 1 percent expansion in area planted to around 30 million hectares.

With several million migrant workers being left unemployed as a consequence of the global economic downturn, in February 2009 the Chinese government dedicated the first and main policy document of the year to rural assistance for the sixth consecutive year, prioritising the development of modern agriculture as a means to increase farmer incomes, bridge the rural-urban economic gap and contain the urbanization process. The No. 1 Central Document re-affirmed the principle of grain self-reliance that has been a mainstay of China's agricultural policies, calling on an increased investment in agriculture, greater price support and closer food market



38 per tonne). This would represent a 16 percent increase from the procurement prices already bolstered earlier in January, for the third time in twelve months. High producer prices have also sustained domestic wholesale prices, preventing them from falling back to pre-2008 levels. On the other hand, the Chinese Securities Regulatory Commission approved the launch of the first rice futures in the country at the beginning of the year, with four futures contracts for early rice traded on the Zhengzhou Commodity Exchange on April 20th.

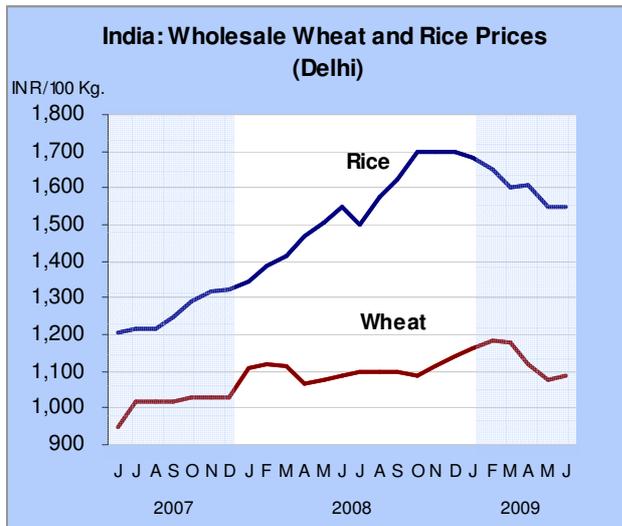
Following damage caused by typhoons to the second 2008 paddy crop, the **Chinese Province of Taiwan** has revised down its 2008 official paddy production estimate to 1.46 million tonnes, limiting the extent of the recovery to 7 percent only, compared with the extremely poor 2007 performance. With fallow farmland being revitalised for rice production this year under a government programme, production in 2009 is expected to expand to 1.6 million metric tonnes of paddy (1.2 million tonnes in milled equivalent).



India has completed the 2008 paddy season with the April-May harvesting of the Rabi crop, estimated to have reached 20.86 million tonnes (13.91 million tonnes in milled equivalent). Results from this secondary crop coupled with revised estimates for the Kharif crop have pushed up the overall production outlook for the 2008 season to 149 million tonnes (99.4 million tonnes, milled rice), 3 percent more than in 2007. Meanwhile, the 2009 season was opened with the early arrival of the south-west monsoon over the Kerala coast on May 23rd. Since then, the advancement of the monsoon has been slow and irregular.

According to the second official forecast by the India Meteorological Department, released on 24 June, the southwest monsoon season (June-September) rainfall may well be below normal, at 93% of the long period average, with a model error of 4 percent. Even more worrying, rainfall predictions for the North and Northwest regions, which account for a large share of production, are particularly bleak at 81 percent of the long period average. Consequently, India's paddy

production forecast in 2009 has been cut to 145.2 million tonnes (96.8 million tonnes of milled rice), which would entail a 2.6 percent retrenchment from last season's record.



With export restrictions still in place on the back of two consecutive bumper harvests, official rice procurement over the 2008-2009 season has reached record levels. By 12 June 2009, 30.21 million tonnes of milled rice had been purchased by the Food Corporation of India (FCI), up about 18 percent from the previous year and well above the annual target of 27.6 million tonnes. Such active procurement would be in line with a planned overhaul of the food distribution system announced by the newly re-elected government, which, under a National Food Security Act, would have 25 kilograms of rice (or wheat) distributed every month to all rural

and urban families below the poverty line at a subsidised price of Rupees 3 (US cents 6) per kilogramme. The measure is of special relevance, given the relatively high cereal prices still prevailing in the country.

The 2009 paddy season is well advanced in **Indonesia**, where harvesting of the main crop and planting of the secondary crop are normally completed by June. According to the first official forecasts, 60.9 million tonnes of paddy (38.4 million tonnes, milled rice) will be produced in 2009, above the last year's bumper crop of 60.3 million tonnes, but short of the 63 million tonnes originally targeted. Nonetheless, at that level, production will be sufficient to allow for a sizeable surplus after domestic market needs have been accounted for. In order to sustain paddy prices, Bulog's procurement target for 2009 has been set at 3.8 million metric tonnes, or 10 percent of production.

In the **Islamic Republic of Iran**, planting activities for the 2009 paddy crop began in May. With more favourable climatic conditions expected this year, following last year's severe drought, FAO production forecasts point to an 8 percent area and yield driven output recovery to 2.8 million tonnes of paddy (1.76 million on milled basis), against the 2.6 million tonnes produced in 2008. Also, the guaranteed paddy producer prices set by the government were strongly increased in 2008. For the Neda and Nemat varieties, for instance, the producer price was raised from Rials 6,050 per kilo (USD 652 per tonne) in 2007 to 10,500 per kilo (USD 1,114 per tonne) in 2008. However, reportedly, official procurement never exceeds 100 000 tonnes, or less than 4 percent of output. Moreover, in the northern producing provinces, the availability of land for paddy cultivation appears to be shrinking, encroached by urbanization, a tendency that may jeopardize the future of production in the country.

Islamic Republic of Iran: Guaranteed Producer Prices for main rice varieties – Rials per kilo				
Rice varieties	2005	2006	2007	2008
Khazar	6,800	6,800	7,350	13,500
Sefid rood	5,800	5,800	6,250	12,000
Neda and Nemat	5,600	5,600	6,050	10,500

By contrast, paddy production in **Iraq** is unlikely to recover from the drought-reduced level of 250,000 tonnes, as salinity problems resulting from diminishing water levels in the Euphrates and Tigris are reported to have discouraged cultivation in some of the major planting areas. Although following requests by the Iraqi government, Turkey agreed to increase downstream river flow by 130 cubic meters per second to 360 cubic meters from a series of hydroelectric dams on the Euphrates as of May 22, according to official assessments this will not suffice to meet irrigation requirements during the summer, a constraint that has even prompted the province of Najaf to ban rice production altogether. As a result, output in 2009 may fall further to 180,000 tonnes.

In **Japan**, official production figures for the 2008 season have been upgraded. According to the Statistical Survey on Crops, 1.63 million hectares were planted last year, yielding 11 million metric tonnes of paddy (8 million tonnes in milled equivalent), or 1 percent above 2007 levels. As for the 2009 crop, planting commenced in April. The current production forecast for the country stands at 10.8 million tonnes of paddy (7.8 million tonnes in milled equivalent), 2 percent less than in 2008 as the paddy area continues to shrink. Japan's rice acreage reduction system has come under close scrutiny this year and a government taskforce was set up to review the country's national rice policy after a key government advisory panel recommended the scheme to be abolished to allow for an export oriented annual rice production of 12 million tonnes (on milled basis).

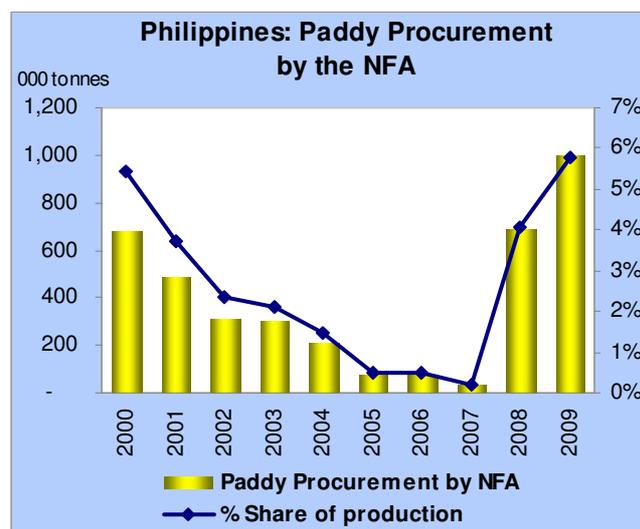
The **Democratic People's Republic of Korea** started planting its 2009 paddy crop in June. Last year, development of the crop was beset by acute shortages of fertilizers, partly stemming from recurring tension over the country's nuclear programme. The recent tightening of the embargo by the international community may preclude any improvement in the input supply situation over the current season. As a result, FAO's 2009 production forecast points to little improvement from last year poor outcome of 1.66 million tonnes.

Assuming a 1 percent continuation in paddy area cuts, the **Republic of Korea** is forecast to produce 6.4 million metric tonnes in 2009, 2 percent below its 2008 output. According to government reports, while production costs in the country increased by 3.7 percent in 2008 reflecting higher fertiliser costs, farmers' incomes rose by 27 percent benefiting from higher local prices and greater production. Prospects for 2009, however, point to a less favourable situation as according to a recent survey, despite a relative drop in consumer prices, consumption of rice across the country has continued declining, resulting in sharply diminished rice sales since November 2008. According to the survey produced by the Korea Rural Economic Institute (KREI), year-on-year sales in April alone are estimated to have dropped by 18.7 percent in producing regions.

The production forecast for **Malaysia** this year remains favourable at 2.45 million tonnes of paddy (1.58 million tonnes in milled equivalent), with a sustained yield driven growth of 3 percent. In the aftermath of the 2008 price surge, the government has allocated an additional RM 5.6 billion (USD 1.6 billion) to the year's agricultural expenditure and established a rice self-sufficiency target of 86 percent in 2010. Meanwhile, the Federal Ministry of Agriculture and Agro-based Industry has revised down its production subsidy for 15% broken rice (ST15), allotting RM 373 million (USD 108 million) to the new scheme effective until September this year. Under the Rice Production Subsidy Programme, millers in the Peninsula are to receive RM 750 (USD 217) per tonne produced, while RM 660 (USD 192) per tonne are to be granted to Sabah and Sarawak producers.

Sowing of the 2009 Kharif crop is well underway in **Pakistan**. FAO production prospects for the country anticipate a 3 percent contraction to 9.5 million tonnes (6.34 million tonnes in milled basis), against the 9.81 million tonnes produced in 2008's record harvest. This decline in output is expected to arise from a cut in plantings, reflecting less favourable price expectations due to ample domestic supplies and a weakened international demand. Following last year's bumper crop and in an effort to stabilize local rice prices, the Pakistani government extraordinarily ordered the Pakistan Agricultural Storage and Supply Corporation (PASSCO) and the Trade Corporation of Pakistan (TCP) to purchase up to 1.5 million tonnes of Basmati and IRRI rice, or 7 percent of the year's total production. However, the state's intervention has been limited so far. In order to alleviate losses sustained by the heavy winter, a 500,000 tonne procurement campaign was also to be launched by PASSCO in the Sindh Province. Meanwhile, the federal government has announced that it will discontinue part of its fertiliser subsidies this year, as local prices of the input have subsided.²

The 2008 paddy season comes to a close in the **Philippines** with the April-June harvesting of the secondary crop. Notwithstanding damages caused by the passage of tropical storms which particularly affected the growing region of Bicol, output is officially expected to expand to 16.8 million tonnes (11 million tonnes in milled equivalent), up 1 percent from 2007. Meanwhile, the 2009 agricultural season will begin in July. Increased availability of quality seeds and improved irrigation infrastructure are expected to boost production by 2 percent to 17.2 million tonnes of paddy (11.3 million tonnes of milled equivalent). Disbursement of funds under the state's FIELDS programme (fertilizers, infrastructure and irrigation, education, loans and seeds), have boosted expenditure in the agricultural sector, as the Department of Agriculture has allocated up to 40 percent of its nearly-doubled Pesos 41.2 billion budget (USD 880 million), to fund irrigation programmes across the country. In addition, farmers are expected to benefit from 40,000 tonnes of certified seeds distributed for planting during this year's campaign as part of a 10 million Euro grant provided by the European Union to support irrigated rice production in the country.



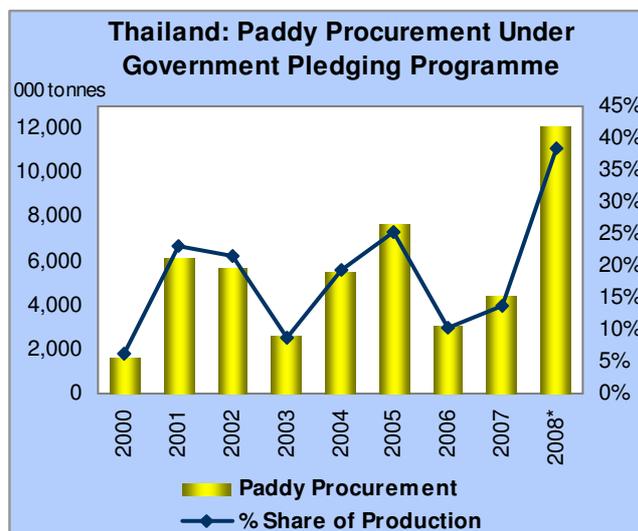
The National Food Authority has set its local paddy procurement target for 2009 at 1 million tonnes, representing a 46 percent increase from last year's exceptionally high procurement of 685,000 tonnes. Although the fertilizer subsidy of Pesos 1,800 (USD 38.37) offered for every 50-kilo bag of paddy sold to the agency has been discontinued, drying and delivery incentives have been increased by Pesos 0.20 each, while the Cooperative Development Incentive has been set at Pesos 0.30 per kilo. This has brought the overall procurement price paid by the NFA to Pesos 17.40 and 17.70 per kilo of clean dry rice delivered to

the agency by single farmers and farmer's organisations respectively (USD 370-377 per tonne).

² Whereas urea and potash subsidies are to remain for the remainder of the fiscal year, the subsidy programme will no longer support di-ammonium phosphate.

Sri Lanka completed the harvesting of its main 2009 Maha crop in May. Despite drought problems afflicting southern parts of the nation, according to official forecasts 2.34 million tonnes of paddy are to be gathered this season, 10 percent up from the previous Maha attainment. Meanwhile, planting activities for the year's Yala crop began in April. Current prospects for this secondary crop are less positive however, as output is expected to be affected by reduced plantings resulting from a late onset of the inter-monsoonal rains and a belated release of water for irrigation. As a consequence, preliminary forecasts for the year point to a 7 percent output contraction to 3.6 million tonnes of paddy (2.45 million tonnes in milled basis).

Thailand completed the 2008 paddy season with the March-April harvesting of the secondary crop, officially expected to reach 7.67 million tonnes of paddy. Although somewhat higher than previously estimated, the crop's production is nearly 1 million tonnes less than what was gathered in 2007, due to a 12 percent cut in plantings as farmers' reaction to less attractive prices. Production results for the 2008 season have accordingly been slightly upgraded, now standing at 31.4 million tonnes. Planting of the 2009 main crop, on the other hand, began in May. According to forecasts released by the Office of Agriculture Economics, the downward trend in area plantings is set to continue, which may depress 2009 paddy output by 1 percent, to 31.1 million tonnes (20.6 million tonnes on milled basis).



The rice purchasing programme for the 2008 main crop was closed by the Thai government on February 28 with 6.1 million tonnes of rice being procured, against the 8 million tonnes originally targeted; procurement of the 2008 secondary crop under the programme started immediately after, on 16 March and is to be run until 31 July. Under the scheme, guaranteed prices per tonne of 5% white rice have been set at Baht 11,800 (USD 350), but the limit per farmer was lowered from Baht 500,000 (USD 14,800) offered under the first round of the scheme to Baht 350,000 (USD 10,400). Although the original programme was set to cover 2.5 million tonnes of the

newly harvested crop, following demands by farmer groups, the mortgage quota was raised in May by 1.5 million tonnes and again in June by an additional 2 million tonnes. As a result, up to 6 million tonnes of paddy from this year's secondary crop would be allowed to be pledged, for an estimated cost of Baht 77 billion (USD 2.3 billion).

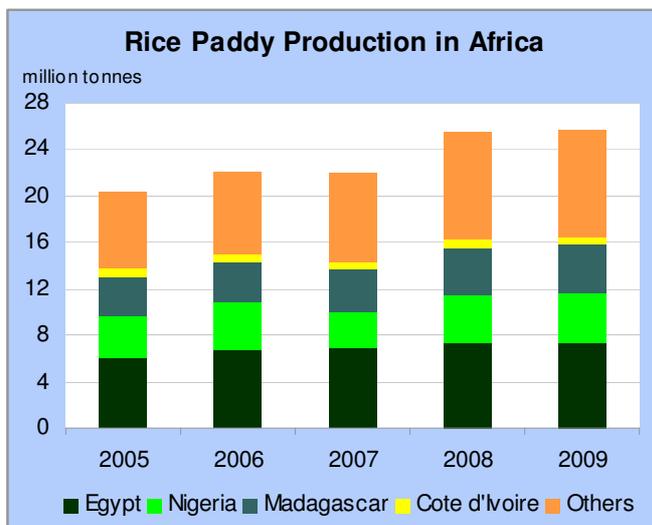
In the light of the implementation of the Asean Free Trade Area, as of 1 January 2010, the Thai authorities have expressed concern over the sustainability of the mortgage scheme. Free trade of rice with neighbouring countries and high procurement prices in Thailand could indeed prompt massive inflows of rice from neighbouring countries, resulting in an attainable budgetary burden for the Thai Government. As a result, the sub-committee on rice policy has been asked to envision a new rice development strategy for the sector. Meanwhile, with an eye to replacing the pledging scheme, a pilot price guarantee programme was approved by Cabinet on June 4, under which 200,000 tonnes of Hom Mali rice from the 2009 crop in north-eastern provinces would be insured under a symbolic premium of 0.01 percent, with a maximum guarantee of Baht 500,000

(USD 14,830) per participant being allowed. The pilot scheme is to run in parallel to the mortgage system for a period of two years.

In **Viet Nam**, harvesting of the main winter-spring crop and planting activities for the summer-autumn crop are completed by June. As current forecasts point to a 1 percent expansion in area planted with slight productivity losses, the country is anticipated to harvest 39 million tonnes of paddy this year (26 million tonnes in milled rice equivalent), up 1 percent from 2008. In order to support the year's first harvest and prevent price drops in local market, the Government requested that state food corporations purchase the newly collected paddy at a price that would guarantee a 30 percent profit to farmers, while up to 2 million tonnes of rice have been instructed to be purchased from the autumn-summer crop. Additional incentives to the sector have also been outlined, with banks being ordered to offer a preferential interest rate to rice businesses, and a VND 7 trillion (USD 394 million) project being unveiled to build new storage infrastructure in the Mekong Delta. In March, the Ministry of Agriculture and Rural Development also submitted a draft food security programme to address hunger, malnutrition and vulnerability to food insecurity in the country by the year 2020. Under the draft scheme, 3.1 million hectares of land would be reserved for rice cultivation for an annual output target of 39-40 million tonnes. Under a different plan, the Ministry has also announced that a revision to land laws to allow land aggregation for large-scale agriculture may be imminent this year.

B. AFRICA

2009 paddy production in Africa foreseen close to the 2008 outstanding outcome



The 2009 season is well advanced in some African countries, particularly in the southern part of the continent where harvesting of the year's main crop is completed in June. Coinciding with the lean period and the onset of the rainy season, planting activities have only just begun in Northern and Western Africa. In 2009, production in the continent is forecast at 25.6 million tonnes (16.8 million tonnes in milled equivalent), virtually unchanged compared with the 25.5 million tonnes produced in 2008. Even maintaining 2009 production at that level would represent a very good result for the region, as 2008

ended up being an exceptionally good season for paddy producers.

Like in 2008, the sector is benefiting this year from renewed policy incentives. In fact, following the high import bills sustained over the past year, many nations have confirmed their commitments to attain rice self-sufficiency through increased support to local rice production. Likewise, a year after its inception, the Coalition for African Rice Development (CARD) has set the target to double rice production in the continent by 2018 with a long-term partnership being established between the Alliance for a Green Revolution in Africa (AGRA) and the Japan International Cooperation Agency (JICA). In its first year of activities, the initiative has supported the compilation of national rice development strategies by twelve African nations, with

a second round of nine countries being expected to begin work on their national strategies this year.³

In ***Northern Africa***, **Egypt** completes planting its main 2009 paddy crop in June. The country is currently forecast to harvest 7.3 million tonnes of paddy, up somewhat from the 7.247 million tonnes gathered in 2008. This minor expansion in output is expected to occur solely from productivity gains, as average yields are anticipated to reach 9.9 tonnes per hectare this year.

In ***Western Africa***, planting of the 2009 paddy crops begins with the arrival of the rainy season in June. As current climate forecasts point to a chance of below average rainfall, production prospects for the sub-region remain virtually unchanged at 11.45 million tonnes of paddy (7.2 million tonnes in milled equivalent). Normal rainfall levels during the season coupled with slight area expansions are anticipated to allow for growth in production in **Cote d'Ivoire, Ghana, Mali and Nigeria**. On the other hand, a decline of yields from last year's buoyant levels may depress production in **Burkina Faso, Chad, Guinea, Liberia, Niger, Senegal and Sierra Leone**.

In **Cote D'Ivoire**, where recent years production figures were lately revised, forecasts for the 2009 season point to a 1 percent yield driven output expansion to 690,000 tonnes of paddy (414,000 tonnes in milled equivalent). With an estimated annual import bill of FCFA 150 billion (USD 326 million), under the Emergency Rice Programme launched by the government last year, the country has set the objective to attain rice self-sufficiency by the year 2012. The programme envisages to boost paddy production through the distribution of inputs, rehabilitation of irrigated and rainfed paddy fields and the acquisition of farming and milling equipment.

Cote d'Ivoire: Paddy Production. Area and Yield											
	Units	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*
Area	000 Ha.	341.5	340.8	340.4	339.9	341.0	353.2	345.0	356.4	358.0	356.0
Yield	Kg/Ha.	1,821	1,861	1,900	1,941	1,974	1,993	2,075	1,701	1,910	1,938
Production	000 MT	621.8	634.2	646.9	659.8	673.0	703.9	715.9	606.3	683.7	690.0
*FAO Forecasts.											

Ghana has launched its three-year Emergency Rice Initiative Project to support 1,677 small holders in northern regions through the distribution of subsidised seeds and fertilisers. The project is expected to benefit from a USD 120 million dollar grant by the United States Agency for International Development (USAID), which is also to fund a similar initiative in three other countries, namely Mali, Nigeria and Senegal. Ghana is currently forecast to gather 315,000 tonnes of paddy, 4 percent more than in 2008.

The 2009 production outlook for **Guinea** points to a 4 percent output contraction to 1.41 million tonnes (940,500 tonnes on milled basis, which would still be the second highest performance on record. Under a three-phased food security strategy outlined earlier this year, the government has been reported to be aiming to increase rice production to 2.35 million tonnes and cutting imports by 85 percent by the year 2018. In its first phase of implementation, the strategy would seek to reduce rice imports by 15 percent by supporting local production in rainfed lowlands and uplands through the provision of 11,686 tonnes of enhanced seeds and the 16,641 tonnes of mineral fertilisers.

³ Countries to have completed their national rice development strategies with CARD support are namely: Cameroon, Ghana, Guinea, Kenya, Madagascar, Mali, Mozambique, Nigeria, Senegal, Sierra Leone, Tanzania and Uganda; while Benin, Burkina Faso, Central African Republic, Cote d'Ivoire, the Democratic Republic of Congo, Liberia, Rwanda, The Gambia and Togo are expected to begin work on their strategies this year.

By contrast, prospects are positive for **Mali** where, albeit below the 2 million tonne output targeted for the year, production is anticipated at 1.7 million tonnes, 6 percent above last year's record harvest. In spite of the positive results of the 2008 agricultural campaign, high rice prices have prevailed across markets in the country. For which, under the year's Rice Initiative the government signed an agreement with the Permanent Assembly of Mali Agricultural Chambers (APCAM) setting procurement prices per kilo of rice at FCFA 250 (USD 544) per tonne and maximum consumer prices at 300 FCFA (USD 652) per tonne. A total of FCFA 8.19 billion (USD 17.6 million) from state funds have been earmarked for the Initiative. Of these, FCFA 6.3 billion (USD 17.6 million) are to be allotted to fertiliser subsidies, 1.05 billion for seeds and FCFA 747 million (USD 1.6 million) for capacity building. The Rice Initiative is also expected to benefit from a FCFA 789 million (USD 1.7 million) grant from the Islamic Development Bank, to strengthen the national seed system and increasing Nerica seed production.

Production prospects for **Nigeria** continue to be positive, with 4.3 million tonnes (2.6 million tonnes on milled basis) expected to be reaped in 2009, 3 percent more than in 2008. With the objective of bringing annual paddy production to 10 million tonnes, the federal government is to begin disbursing N10 billion (USD 67 million) this year to support local rice processing under a concessionary credit scheme outlined last year. In addition, a total of N42 billion (USD 282 million) have been allotted for the procurement of 405,000 tonnes of fertilisers to be distributed at a 25 percent subsidy to farmers for the year's campaign. As the country looks at the agricultural sector as a means to mitigate the impact of the economic downturn and declining oil revenue, the government is also sustaining large-scale commercial farming schemes in the country. To these effects, a memorandum of understanding has been signed with a Thai-owned conglomerate under which N160 billion (USD 1 billion) would be invested for rice cultivation over 1 million hectares of land across 10 states.⁴

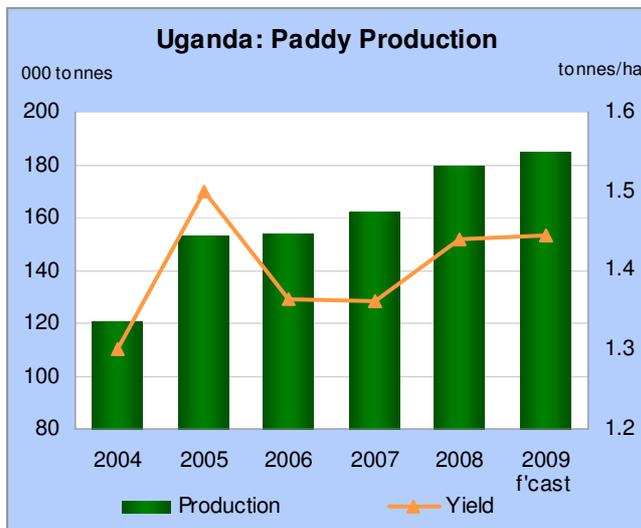
In **Senegal**, less favourable climatic conditions are forecast to lead yields to return to more normal levels, pushing paddy production to 350,000 tonnes (245,000 tonnes in milled equivalent), 5 percent below 2008. Likewise, slight area retrenchments coupled with diminished yields are forecast to reduce paddy production in **Sierra Leone** by 6 percent to 1.5 million tonnes (900,000 tonnes on milled basis).

In **Eastern Africa**, production figures for the 2008 season in **Kenya** have been downgraded to 45,000 tonnes, implying a 4 percent reduction in output from the already drought-affected 2007 season. As precipitation deficits have continued on the back of two failed rainy seasons, little change is anticipated this year given that water scarcity problems have also been reported in the Mwea Irrigation Scheme in Central Province. Aiming to become a net food exporting country by the year 2012, the government has however recently announced a stimulus package of Sh3 billion (USD 39 million) under its budgetary allocations for 2009, which is to support irrigated agriculture in the country. Similarly, several programmes have been launched to give rice farmer access to credit for the purchase of basic inputs this year. A WFP run programme, on the other hand, is assisting small producers in the marketing of their product.

Tanzania begins harvesting its main paddy crop in June. Prolonged dryness and delayed arrival of the March-May long rains may affect crops at a key stage of development. The delayed onset of rains has reportedly particularly affected the upland rice growing regions of Arusha,

⁴ The concerned states would namely be: Adamawa, Anambra, Benue, Bayelsa, Kano, Kaduna, Katsina, Kebbi, Ogun and Taraba.

Kilimanjaro, Shinyanga and Tanga. As a consequence, FAO production forecasts for the country foresee a 3 percent output contraction to 1.34 million tonnes of paddy (871,000 tonnes in milled equivalent).



In **Uganda**, paddy production has steadily expanded over the past five years, passing from 120,000 tonnes in 2004 to 180,000 tonnes in 2008. Production prospects for 2009, point to a continued area driven growth of 3 percent, with total output reaching 185,000 tonnes (123,400 tonnes in milled basis). As the country's annual rice import bill is estimated to have reached Shs132 billion (USD 60 million), a programme funded by USAID is to support rice production and marketing in northern and eastern regions with an eye to cutting imports and raising annual paddy production to 250,000 tonnes. Under a different scheme,

a USD 6 million grant provided by the Japan International Cooperation Agency (JICA) will finance the construction of a research centre in the district of Wakiso, to focus mostly on the study of hybrid Nerica varieties. Moreover, according to official statements, the country has also begun exporting 200 tonnes of upland rice seed to Benin, with subsequent sales expected to other African nations.

In *Southern Africa*, production figures for the 2008 paddy season in **Madagascar** have been downgraded to 4.1 million metric tonnes, which would still be 14 percent above 2007. Meanwhile, the 2009 season is well advanced since harvesting of the main crop is completed in June. Notwithstanding damages caused by the passage of three cyclones and a tropical storm in the first half of the year, paddy production in the country is forecast to increase by 2.4 percent to 4.2 million tonnes (2.8 million tonnes in milled equivalent).

Mozambique completed harvesting its main 2009 crop in May. Delayed and irregular rainfall was recorded in central and southern regions, but the country was not affected by the passage of a major cyclone and enjoyed generally favourable weather conditions. As a result, the country is poised to collect a record paddy harvest of 250,000 tonnes, 21 percent above 2008 production. This season's crop is the first to be produced under the three year national Food Production Action Plan through which the government aims to eliminate the country's grain deficit, further reducing its dependence on imports.

C. CENTRAL AMERICA AND THE CARIBBEAN

Reduced incidence of hurricanes to facilitate paddy production growth

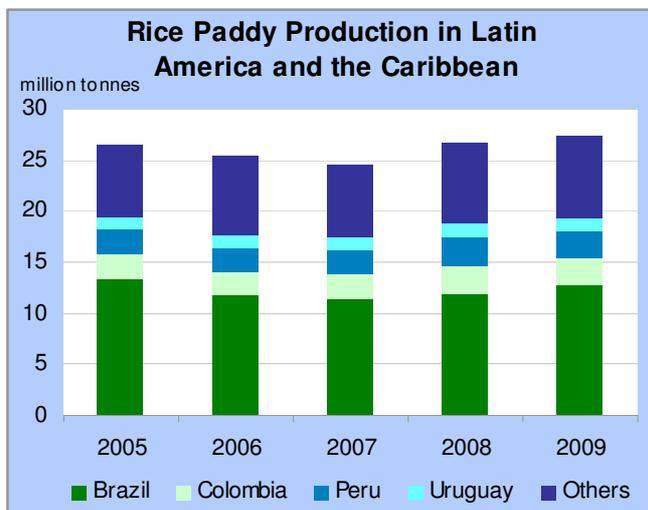
Planting of the year's main paddy crop is well underway in Central America and the Caribbean, having begun with the arrival of the April-May rains. With the hurricane season in the Atlantic forecast to be milder this year, the production outlook for the region remains favourable with 2.67 million tonnes of paddy expected to be produced, 3 percent more than in 2008. In particular, prospects for the 2009 season in **Cuba** point to a recovery in production from damages caused by the passage of tropical storms in 2008. The country is currently forecast to produce 460,000 tonnes of paddy (307,000 tonnes on milled basis), a 6 percent increment from last year's poor harvest.

Despite abundant rains reported to have caused flooding problems in the Northern producing provinces in February, the **Dominican Republic** is anticipated to expand rice production by 3 percent to 788,000 tonnes of paddy. In an effort to mitigate the effects of the economic crisis in the country, the government has extended the exemption of income tax payments by the agricultural sector, which had first been implemented last year to alleviate damages caused by tropical storms Noel and Olga. Prospects are also positive in **Mexico** and **Panama**, where output is anticipated to rise by 3 percent to 330,000 tonnes and by 5 percent to 315,000 tonnes, respectively.

D. SOUTH AMERICA

Favourable production prospects for the region as a whole, in spite of mixed performances

The 2009 paddy season is about to be concluded in several major South American countries, which finished harvesting their main annual crops in June. Notwithstanding erratic climatic conditions prevailed in various locations, overall production in the region is set to expand by almost 3 percent this year to 24.7 million tonnes (16.6 million tonnes in milled equivalent). The expansion would arise from large gains in **Brazil**, but also in **Bolivia**, **Colombia** and **Venezuela**. These would largely compensate contractions in **Peru**, due to less attractive producer prices, as well as in **Argentina** and **Uruguay**, which experienced drought problems.



In **Argentina**, harvesting of the 2009 paddy crop is nearly complete. Notwithstanding a 5 percent increase in area plantings, late and insufficient rainfall this season are expected to impair yields by some 7 percent. The prolonged drought has particularly affected the rice growing regions of Corrientes and Entre Rios where an estimated 11,000 hectares, equivalent to 7 percent of paddy plantings, have been lost. As a result, production for this season is forecast to decline to 1.22 million tonnes of paddy (829,600 tonnes in milled basis), 2 percent below 2008 levels.

Harvesting of the 2009 crop was completed in March in **Bolivia**. The country is set to expand paddy output by 20 percent to 457,000 tonnes this season, driven by both yield gains and a 13 percent growth in plantings. This boost in production came in spite of the lack of fuel availability in the country which reportedly prevented plantings from expanding further. In response, in November a government decree deregulated the direct purchase and transport of diesel, allowing small agricultural producers to acquire up to 400 litres to use in harvest proceedings.

Brazil's production outlook for 2009 remains favourable, despite above average precipitation and erratic weather pattern in several southern producing states. According to figures released by CONAB, the country is to collect 12.7 million tonnes of paddy this year (8.5 million tonnes on milled basis), up 6 percent from the previous season. Reflecting expanded plantings in the high yielding southern state of Rio Grande do Sol, where average yields during the season reached a record 7.15 tonnes per hectare, rice productivity in the country as a whole was boosted to 4.4 tonnes per hectare, 4 percent above last year's.

Harvesting of the main summer crop begins in June in **Colombia**. With an estimated area planted of 460,000 hectares, the 2009 production outlook for the country remains largely unchanged at 2.6 million tonnes, nearly 100,000 tonnes above 2008 output. Producers have benefited of high domestic prices in recent seasons, which despite rising input costs, have sustained the sector's profitability. Since the start of the 2009 season, in March, prices for green paddy rice have still exceeded the high levels witnessed last year. In May 2009, they stood at Colombian Pesos 893,442 (USD 436 per tonne), still 3 percent above May 2008

Colombia: Green Paddy Prices 2000 – 2009 (000s Pesos / Tonne)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
January	406	448	484	524	618	559	573	629	656	1,081
February	405	521	485	574	637	555	575	636	721	977
March	411	549	485	591	625	572	579	643	813	899
April	417	537	492	601	621	576	596	645	830	894
May	421	518	513	603	611	576	621	645	868	893
June	419	518	520	608	587	571	644	644	1,110	
July	399	492	513	594	574	563	643	640	1,164	
August	397	475	490	536	547	556	638	638	922	
September	403	479	490	535	519	560	656	640	951	
October	420	481	492	553	520	564	667	643	1,095	
November	431	483	497	579	521	567	651	646	1,133	
December	434	482	505	594	537	571	629	648	1,111	
Source: Fedearroz.										

According to official estimates, area planted in **Peru** reached 378,000 hectares in 2008, 12 percent above the previous year's levels and 18,000 hectares above the ceiling recommended by producer organisations to keep the market stable. As a result, the country's 2008 production outlook has been revised upwards to 2.77 million tonnes of paddy (1.88 million tonnes in milled equivalent), against the 2.46 million tonnes produced in 2007. Prospects for the 2009 season, instead, point to a slight decline in area planted to 370,000 hectares driven by less attractive price expectations following last year's outstanding harvest. Production for the year is forecast at 2.7 million tonnes, 3 percent below 2008, but still well above the 2005-2008 average of 2.5 million tonnes.

In **Uruguay**, a serious drought during summer crop planting has led to an estimated 5 percent area reduction to 160,300 hectares in 2009. However, on account of a timely return of the rainfall, yields appear not to have been much affected, registering on average a 2 percent increase to 8.0 tonnes per hectare. As a result, output in 2009 may reach 1.29 million tonnes, 3 percent below the bumper crop of 1.33 million tonnes collected in 2008, but still the second highest crop on record.

Venezuela's 2008 production prospects have been revised upward. According to official estimates, 1.36 million tonnes of paddy were produced during last year's campaign, 30 percent more than in 2007. Forecasts for the 2009 season point to a more contained growth of 3 percent to 1.4 million tonnes (983,600 tonnes in milled basis). In response to concerns over potential rice shortages in local markets, compulsory production quotas of regulated products were increased in late February 2009. Accordingly, all public and private millers are required to have at least 80 percent of their output corresponding to the quality of rice subject to price regulations. In order to ensure compliance, an order was introduced in March to keep under government control, for a period of up to 90 days, the contravening rice-processing mills. In a successive measure, in April the Government stepped up its incentives to farmers by raising support producer prices by 29 percent, from Bolivar Fuerte 0.72 per kilo to Bolivar Fuerte 0.93 per kilo of type A paddy and from Bolivar Fuerte 0.71 per kilo to Bolivar Fuerte 0.92 per kilo of type B paddy (USD 429 and USD 434 per tonne). Aiming to compensate for variations and increased costs of production and replacing the subsidy scheme introduced in 2007 and active throughout 2008, the measure is to be effective as of August 2009.

E. NORTH AMERICA, EUROPE AND OCEANIA

Positive paddy production outlook in Australia, the European Union and the United States

In **Oceania**, **Australia** completed harvesting its 2009 paddy crops in May. Notwithstanding a recovery in area planted to 9,000 hectares due to greater availability of water for irrigation, this remains well below the 100,000-180,000 hectares cultivated before 2005. In addition, above average temperatures registered during January and February are estimated to have impaired yields by 18 percent. Excessive rains in an experimental cultivation in northern New South Wales were also reported to have wiped out the first trial year's harvest. As a result, the country is forecast to gather 66,000 tonnes of paddy during this season which, while 267 percent above 2008's drought-stricken minimal output, still well below pre-drought production levels. In 2009, the Pacific archipelago of **Vanuatu** was reported to have launched its first local rice production project.

In **Europe**, the **European Union's** 2008 outlook has been revisited. Production for the EU-27 is set to have reached 2.63 million tonnes, 5 percent below 2007 levels owing to unfavourable weather conditions and substitution of rice with other crops. Forecasts for the 2009 season, on the other hand, point to a 10 percent growth in output to 2.88 million tonnes of paddy, as a result of area expansions in Italy and Spain, the largest producers in the zone. Area recoveries are particularly anticipated in Spain where, total area is projected at 116,500 hectares, 21 percent above the drought-affected levels of 2008. Likewise, according to a sector survey, in Italy a 7 percent expansion of plantings is also expected, concerning especially the short-grain round and long-grain japonica varieties. Prospects are also positive for the remaining EU rice-growing countries (Bulgaria, Greece, Hungary, Portugal and Romania), excepting France, where output may contract by 6 percent. Elsewhere in Europe, the **Russian Federation** and the **Ukraine** are anticipated to maintain paddy production steady at 740,000 and 105,000 tonnes respectively.

In *North America*, planting of the 2009 paddy crop in the **United States**, starting in April, has been delayed by excessive rain last May in the Delta producing states of Arkansas, Mississippi and Missouri, particularly affecting the long grain rice varieties. As a result, by 7 June, only 90 percent of the national rice crop was reported to have emerged, against a 2004-2008 average of 94 percent. The USDA's 11 June forecast sees production rising in 2009 to 9.98 million tonnes of paddy (7.04 million tonnes in milled equivalent), the highest level since 2005. This 8 percent expansion in output is expected to arise from an increase of as much as 10 percent of the long-grain output but also from a 1 percent increase for the medium-grain rice crop. However, firmer forecasts will only become available when the National Agriculture Statistics Service (NASS) releases its first survey-based estimate of the 2009-2010 crop in its August Crop Production report.

II. TRADE

International trade in rice forecast to recover in 2009, sustained by renewed import demand and abundant export supplies

Following the release of new government figures, the FAO estimate of world trade in rice during the 2008 calendar year has been downgraded by 812,000 tonnes to 30.0 million tonnes. At that level, trade in 2008 would be 7 percent smaller than the record witnessed in 2007.



As to 2009, FAO anticipates a 3 percent recovery with trade reaching 31.0 million tonnes, about 1 million tonnes more than in 2008. This upturn is expected to stem both from greater availability of supplies in exporting nations and from a recovery of external demand from countries where concern over shortages and lingering high prices are still leading attempts to stabilise domestic supplies through import. At the same time, several traditional importing nations, which harvested bumper crops in the first half of the calendar year, are expected to reduce their purchases.

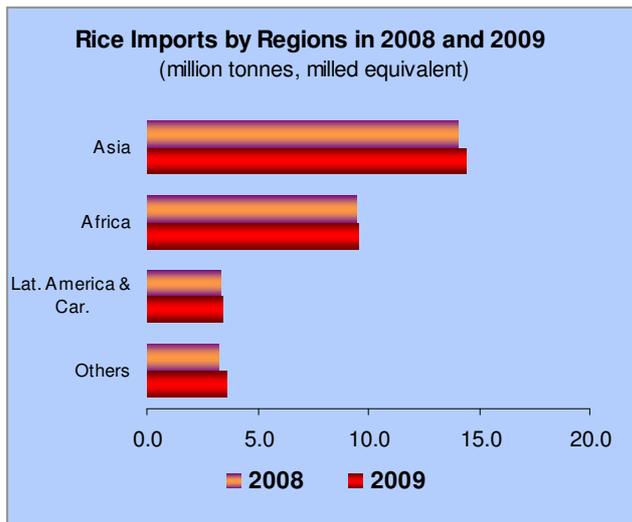
A. RICE IMPORTS

Softening international prices to facilitate an increase in global rice imports in 2009

Global rice imports in 2009 are forecast to rebound to 31.0 million tonnes, against the 30.0 million tonnes recorded in 2008, remaining still short of the record 32.3 million tonnes traded in 2007. Much of the increase this year is likely to be fuelled by greater imports by countries in Asia, but also in all the other regions. The revival of import demand is being facilitated by the decline in world rice prices, which, however, remain high compared with their pre-crisis levels. The renewed import demand often reflects tight domestic market situations, which have given way to very slow reduction of domestic prices from their 2008 highs. Against this backdrop,

several governments have extended the tariff exemptions that were granted in 2008, to facilitate imports also this year.

Overall shipments to **Asia**, which absorb nearly half of global trade in rice, are anticipated to rise by 2 percent to 14.4 million tonnes. Although greater deliveries are expected to China, the Islamic Republic of Iran, Iraq, Myanmar, the Philippines and Saudi Arabia, historically key importing countries that harvested bumper crops this season are likely to cut theirs, including Bangladesh, Indonesia, Malaysia and Sri Lanka.



In the aftermath of heavy crop losses caused by successive floods and the passage of cyclone Sidr, **Bangladesh** imported 1.7 million tonnes in 2008, much of which was constituted by private sector commercial imports, while a government-to-government deal struck with India supplied 500,000 tonnes of rice. A much different situation prevails this year, as the record crops harvested over the 2008 season may help Bangladesh to buy 400,000 tonnes only in 2009, less than a quarter of what it imported in 2008. The sharp decline is likely to stem from both reduced private and public sector imports. In the latter case, large domestic

availabilities and the need to sustain producer prices are encouraging the Government to acquire locally the rice it needs for its food distribution system.

Deliveries to **China mainland** are forecast to recover to 400,000 tonnes in 2009, against the 296,000 tonnes imported last year. However, purchases of Thai fragrant rice, which constitute the majority of its imports, have been particularly hindered so far.

Rice imports by the **Islamic Republic of Iran**, which were particularly slow in the first half of the year, are anticipated to accelerate over the second half. Overall, they may increase from 1.0 million tonnes in 2008 to 1.2 million tonnes this year, much of which is expected to be arranged under bilateral government deals. For instance, the country has recently engaged in talks with the Government of Thailand, its major source of supplies. Also, after abolishing its import tariff on Pakistani rice in mid 2008, the Islamic Republic of Iran is seeking to enhance bilateral trade ties with its neighbour.

Similarly, deliveries to **Iraq** are forecast to increase by 57 percent in 2009 to 1.1 million metric tonnes. According to statements by the Iraqi Grain Board, 330,000 tonnes of rice are to be delivered to the country in the upcoming months, purchased by the agency for distribution under the country's food rationing system.

Imports by **Indonesia** are forecast to fall to 100 000 tonnes, below the already low level of 300 000 tonnes purchased in 2008. Steady production gains over the past ten years have enabled the country to meet its self-sufficiency objective and even to propose itself as a supplier of high-quality rice to the international market. Nevertheless, the Government has renewed the Memorandum of Understanding on rice imports with the Vietnamese counterpart, which maintains Indonesia's option to purchase up to 1 million tonnes of rice from Viet Nam between

2010 and 2012. In line with its WTO commitments, **Japan** is anticipated to increase purchases in 2009 to 700,000 tonnes of milled rice. Of these, 200,000 tonnes are expected to be delivered from Thailand, after the resumption of tenders which had been suspended last year when aflatoxin-tainted rice had been discovered in Thai deliveries.

Imports by the **Democratic People's Republic of Korea** are forecast at 900,000 tonnes, 38 percent above 2008's level, driven by a shortfall in domestic supplies. The country's decision to stop receiving assistance from the United States and growing tensions with the Republic of Korea and Japan may lead to an increased dependence on commercial channels to source supplies.

Meanwhile, forecast for purchases by the **Republic of Korea** are set at 307,000 tonnes, 7 percent above 2008 levels. Under its WTO obligations, the country is required to import the equivalent of 8 percent of domestic consumption until 2015. However, the Government is reported to be considering abandoning the WTO "Special Treatment" provision on rice imports for full tariffication ahead of schedule, as the depreciation of the Korean currency coupled with increased prices in the international market have rendered the scheme too costly to run.

Rice under the ASEAN Free Trade Area* (AFTA)

Under the Common Effective Preferential Tariff Scheme (CEPT), the group of ASEAN-6 countries (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) have committed to lower all intra-regional import duties to 0-5 percent and to eliminate non-tariff barriers to Asean intra-trade by the year 2010. In light of their later accession to the scheme, Cambodia, Lao PDR, Myanmar and Viet Nam may delay the full implementation of the free trade area until 2015. For all products, except for those included in the highly sensitive list, the ASEAN-6 members have to complete the process of tariff reduction to 0-5 percent by 2010, while the more recent four ASEAN members have been granted until 2015 (or 2018 in the case of sensitive products) to complete the process.

As far as rice is concerned, only **Malaysia, the Philippines and Indonesia** have classified the product as "highly sensitive". Based on the Protocol on the "Special Arrangement for Sensitive and Highly Sensitive Products", this gives these countries flexibility in determining the final tariff rates rice is to attract. More specifically, at the end of the phase-in period, scheduled to begin in 2010 at the latest, these three countries will have the flexibility to determine the tariff rate charged on rice imports from other Asean members, although this will be subject to a ceiling of 20 percent in the case of Indonesia and Malaysia, while the Philippines will be allowed to negotiate a different final tariff rate, within the CEPT framework. According to the special provisions ruling the highly sensitive products, Malaysia, the Philippines and Indonesia will have to eliminate all quantitative restrictions and non-tariff barriers by 1 January 2010. On the other hand, the only provision in the Protocol specified for state trading enterprises (thus, of relevance to Bulog in Indonesia, Bernas in Malaysia and the NFA in the Philippines) requires them to give preference to rice from other Asean countries when sourcing imports.

* Unlike other regional trade agreements, the ASEAN Free Trade Area has not been associated with a Common External Tariff (CET) zone, which means individual Asean members still may apply diverging tariff rates to imports from non-member countries.

Ample stock levels and good prospects for the forthcoming season are expected to translate into diminished purchases by **Malaysia**, currently forecast to import 900,000 tonnes of milled rice, 10

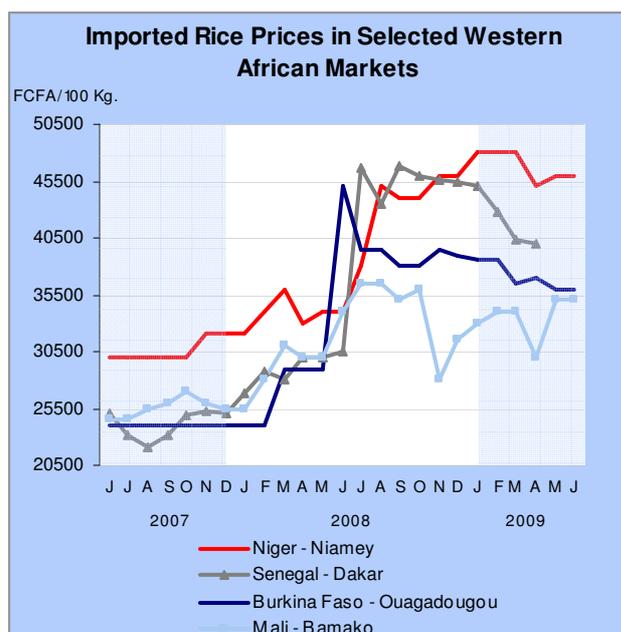
percent less than in 2008. A shortfall in availability of widely consumed ST15 rice on local markets, nonetheless, has prompted the Government to accelerate its import and propose to ban its sale in urban hypermarkets, so as to secure greater availability in rural areas. Although the country designated rice as a “highly sensitive product” under Asean, as of 2010, it is to give free market access to rice originating from other Asean members, subject to a 20 percent tariff.

Notwithstanding increased production in 2008 and positive expectations over 2009 crops, the **Philippines** is expected to step up purchases this year to 2.41 million tonnes, 3 percent above the record 2.3 million tonnes imported in 2008. Resorting to government-to-government contracts rather than to a bidding process, as was done during the previous season, by February the country had already sourced 1.5 million tonnes of its requirements through a deal struck with Vietnam. In May, however, the National Food Authority was given standby authority to purchase up to 2 million tonnes in order to build-up the country’s rice reserves, with an additional 400,000 tonnes of milled rice approved for purchase by the private sector. The NFA, which generally maintains full control over rice imports made to the country, is to purchase the designated amount on behalf of private traders for a service fee of Pesos 2 per kilogram. With the coming into effect of the ASEAN Free Trade Area (AFTA) in January 2010, the Philippines’ Government has begun deliberating on the tariff rate it is to apply to rice under its commitments to the regional grouping. Reacting to the prospect of increased import competition, civil society and farmer groups have requested that the Government reconsider lowering tariff rates, now set at 40 percent, until national rice self-sufficiency, targeted for the year 2013, has been achieved.

Imports by **Saudi Arabia** are currently forecast to rise by 30 percent to 1.3 million tonnes in 2009, part of which is likely to be used to beef up national reserves. On the other hand, reflecting the positive results of the previous, **Sri Lanka** may cut its purchases by an exceptional 78 percent to 20,000 tonnes. Deliveries to **Thailand** are currently forecast at 200,000 tonnes for the 2009 calendar year. High domestic prices under the rice-pledging programme are reported to have prompted a surge in illegal imports into the country. As these are feared to further multiply with the coming into effect of the ASEAN Free Trade Area, when tariffs on rice imports will be cut to 0, the Thai Government has announced its plans to implement regulatory measures, such as strict sanitary controls, increased border surveillance and, possibly, lowering the maximum amount of rice that can be imported by a single person from 1 tonne to 100 kilograms.

In **Turkey**, a Cabinet decision in 2008 implemented a concessionary measure to contain domestic food inflation, allowing the Turkish Marketing Organisation (TMO) to import up to 100,000 tonnes of rice free of duty. Although the preferential arrangement was limitedly used by the Organization which only purchased 31,000 tonnes in 2008, the remainder of 100,000 tonne quota may still to be imported by August this year. Purchases by the country are currently forecast at 150,000, down from 200,000 tonnes in 2008.

Africa is expected to remain a key destination of rice imports in 2009, as deliveries to the continent are forecast to increase by 2 percent to 9.6 million tonnes, compared with 9.4 million tonnes in 2008. Notwithstanding the large crops harvested in 2008 and first half of 2009 and falling international prices, rice in many African countries continues to be expensive relative to their pre-2008 levels. As domestic rice prices continue to hover above their levels of one year ago, several governments have renewed the measures it introduced last year to facilitate the purchase of foreign supplies, so as to contain consumer prices. On the other hand, lingering high world prices are expected to constrain rice imports by several countries in the region.



Most African countries are anticipated to maintain or step up rice imports in 2009. In particular, in **Cote d'Ivoire**, they may increase by 6 percent to 900,000 tonnes in 2009. In order to curb consumer price hikes, all custom taxes on rice were suspended throughout the first quarter of the year. Similarly, reacting to the lingering high domestic prices of the commodity, in March the Government of **Guinea** announced its intentions to step-up its purchases and to import 450,000 tonnes of rice to sell at subsidised prices. Pending a re-introduction of the import tariff on rice eliminated last year, expected to occur in July, shipments to **Ghana** are forecast to rise by 37 percent to 540,000 tonnes in 2009. The liberalised trade regime of the country has been blamed for

depressing local rice production, for which, after introducing a measure that would have all public educational and health institutions procure their rice locally, the Government is reported to be considering a review of its tariff system, to offer domestic producers larger protection against imported rice. Purchases are anticipated to rise by 6 percent to 900,000 tonnes in the case of **Senegal**, and by 50 percent to 150,000 tonnes in the case of **Tanzania** over the calendar year. Similarly, following less buoyant production prospects, imports by **Madagascar** may increase somewhat to 100,000 tonnes. With no native production of the crop and in order to accommodate a rising food demand from the country, **South Africa** is expected to increase purchases by 13 percent to 900,000 tonnes.

On the other hand, good crops and improved stocks from the previous year's harvest may lead to declines in deliveries to **Burkina Faso, Guinea Bissau, Liberia, Niger** and **Sierra Leone**. Reflecting the positive outlook for this paddy season, increased availability of domestic supplies are also forecast to depress purchases by **Nigeria**, the continent's largest importer, by 10 percent to 1.8 million tonnes. Ample reserves from last year's surge in imports coupled with the depreciation of the Naira, which has rendered prices of imported rice more expensive, are further expected to curb shipments to the country.

In **Latin America and the Caribbean**, rice imports in 2009 are forecast to rise to 3.5 million metric tonnes, 3 percent above the 3.35 million tonnes purchased in 2008. Of these, 2.3 million tonnes are anticipated to be delivered to Central America and the Caribbean, with larger purchases expected from **Costa Rica, Cuba, Haiti** and **Nicaragua**. Imports by **Jamaica** and **Panama**, by contrast, are anticipated to decline. Shipments to South American countries may also surge by 8 percent to 1.14 million tonnes, much as a reflection of increased purchases by **Brazil**, officially expected to import 650,000 tonnes and, to a lesser extent, by **Colombia** which, to compensate for diminished supplies from Ecuador, in January renewed an annual concession of duty free imports for 75,118 tonnes of paddy. Meanwhile following a positive harvest, shipments to **Bolivia** are expected to return to more normal levels, falling by 54 percent to 20,000 tonnes. Likewise, two consecutive bumper crops should also allow **Peru** and **Venezuela** to cut their international purchases, respectively by 72 percent and 44 percent, from their exceptionally high levels last year, bringing them down to 40,000 tonnes and 100,000 respectively.

In the *other continents*, **Australia**, which harvested only one third of domestic requirements this year, is anticipated to step-up imports by 17 percent to 200,000 tonnes. Likewise, deliveries to the **European Union** may reach some 1.5 million metric tonnes, 16 percent above 2008. From 1 March 2009 and until 31 August 2009, imports of husked rice and milled or semi milled rice have been subject to a duty of Euro 42.5 per tonne and Euro 145.0 per tonne respectively, compared with Euro 65.0 and Euro 175.0 per tonne applied from 1 March 2008 to 28 February 2009.

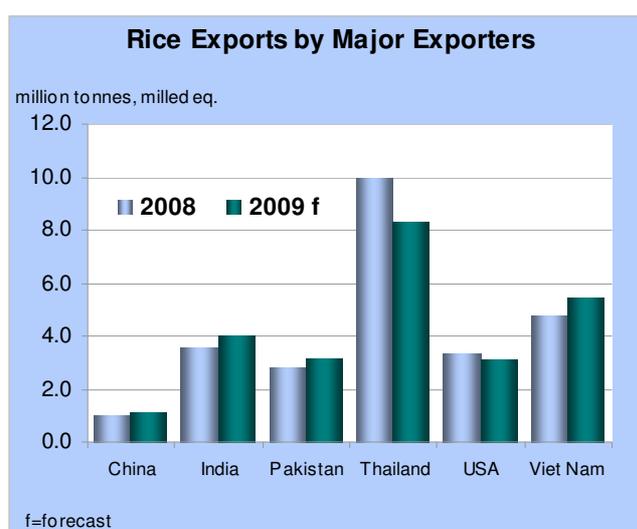
European Union - Applied Tariff Rates On Rice Imports (Euro Per Tonne)										
	2004/05		2005/06		2006/07		2007/08		2008/09	
	1 Sep-28 Feb	1 Mar-31 Aug								
Paddy	211	211	211	211	211	211	211	211	211	211
Husked ^{1/}	65	42.5	42.5	65	42.5	65	65	65	65	42.5
Semi or wholly milled	175	175	145	145	145	145	145	175	175	145
Brokens	128	128	65	65	65	65	65	65	65	65

Source: EU Commission.
1/ Excluding basmati.

The **United States** is officially forecast to import 700,000 tonnes of rice, 8 percent above 2008 and 50,000 tonnes more than previously estimated. On the other hand, **Russia** is forecast to reduce purchases by 3 percent to 260,000 tonnes, following a stepping up of border protection. In an effort to prevent domestic prices from sliding and further area reductions, the country has more than doubled its seasonal import duty tariff on all rice and derived products, applied from 15 February to 15 May, from Euro 70 to Euro 160 per tonne.

B. RICE EXPORTS

Large availabilities among exporting countries should allow global rice trade to rebound in 2009



International trade in rice is forecast to rise by 3 percent, or 1 million tonnes, to 31.0 million tonnes in 2009, sustained by much ampler supply availability in the traditional exporting countries. The increase is unlikely to be sufficient to allow for a full recovery to the 2007 record volume of trade. Indeed, measures implemented to sustain producer prices, as is the case in Thailand, or to contain domestic consumer price increases, as applied in Egypt or India, continue to constrain the volume of exports and, hence, the extent of the trade recovery in 2009. While of a much lesser importance as world rice suppliers, Bangladesh and other minor

trade players have also extended their restrictions on external rice sales, a sign that the 2008 food scare has still to subside.

Speculation related to possible changes in policies is also influencing the pattern of trade, as several countries are delaying their purchases on expectations of reduced government intervention in exporting countries and of the fall in world prices that could ensue. Much uncertainty is related to the position of India, which has continued to hold supplies away from the international market, in an endeavour to rein domestic inflation. Nonetheless, based on the current outlook, shipments from **India**, along with **Brazil, Egypt, Myanmar, Pakistan** and **Vietnam**, are anticipated to increase compared with 2008, more than offsetting reduced sales by **Cambodia, Thailand** and the **United States** in 2009. The fall in exports is likely to be particularly pronounced in the case of Thailand, the world leading rice exporter.

On account of a record 2008 harvest, **Cambodia's** sales during the 2009 calendar year have been upgraded to 1.3 million metric tonnes. Notwithstanding the revision and official statements that would have 2 million tonnes from the year's production earmarked for export, the country is expected to endure a 13 percent decline in deliveries from last year's 1.5 million tonne level due to staunch competition from other major exporters in the region. By improving milling capacity and expanding sales to new markets, the country is hoping to re-consolidate its export position by the year 2010.

Exports by **China mainland** are forecast to rebound to 1.12 million tonnes in 2009. Although 400,000 tonnes lower than previously estimated, deliveries by the country remain 14 percent above 2008 levels, driven by increased purchases by Japan and the Republic of Korea, as well as greater demand from African countries. Following the November 2008 decision to lower export duties on rice to 3 percent, on June 22 the Chinese Government announced their elimination. Effective as of July 1, the measure seeks to shore up the export industry in the country.

In **India**, ample domestic supplies from this year's bumper crop, coupled with record local procurement to cover welfare needs, have put pressure on state granaries, which, by 1 May 2009, already held 21.4 million tonnes of rice. In view of this, following the elimination of export duties and the lowering of minimum export prices for basmati rice early this year, the country continued easing the restrictions on rice exports it imposed in 2008. In May 2009, the Government allowed for the export of up to 1 million tonnes of non-basmati rice to 21 African countries. Deliveries are to be carried out by state-run trade firms, on condition that at least a quarter of consignments corresponds broken rice and that supplies be sourced from various states. Under a scheme approved in January, the State Trading Corp of India was already authorised to export 55,000 tonnes of non-basmati rice on humanitarian grounds by April; however procedural hurdles and slow responses from the importing countries had reportedly delayed deliveries.

Notwithstanding much anticipation for the lifting of export restrictions as soon as federal elections were completed, it is unclear as to when these measures might be rescinded given the newly re-elected Government's requisite to abide by its electoral commitments. In fact, while the ban on wheat futures trading was lifted in May, the prohibition has been retained for rice because, despite restrictions and two consecutive bumper harvests, rice prices in local markets have still to subside. The recent degradation of the India's monsoon rains forecasts may further deter the lifting of the trade restrictions, especially as domestic prices have not yet returned to their 2007 level. However, according to reports, a new export policy is under consideration by the Government which would allow non-basmati exports by substituting the current regime with a three-tier classification of rice, or namely: basmati rice, high-value non-basmati varieties and fair average quality rice, used by the public distribution system. While exports for the latter category would continue to be banned, basmati and high-value non-basmati varieties would be

deemed exportable while being subject to both a minimum export price and a quantitative cap. Nevertheless, uncertainty as to the unfolding of the monsoon rains which will determine next season's performance, together with the planned overhaul of the food distribution system, might relieve pressure on the federal Government to implement this new regime in the near future and encourage it to instead to take stock of its rice reserves and assure affordable rice supplies to the local population. Pending a full return of the country to the international market, forecasts for exports in 2009 remain at 4 million tonnes, which implies an 13 percent expansion in sales from 2008, likely to stem from increased demand for Pusa and Pusa 1121 following inclusion of these two varieties into the basmati category in 2008.

Amid favourable production, **Indonesia** is set to resume rice exports this year after a 16-year hiatus. After harvesting a bumper crops, in May 2009, the Government has lifted the ban on private sector exports and allowed private companies, in partnership with the State Logistics Agency (Bulog), to export up to 100,000 tonnes of premium grade rice to other Asian nations. This is far less than an export figure of 1 to 2 million tonnes of average and premium grade rice that had been originally announced. Indeed, concern over the effect of this measure over the stability of domestic supply led exports to be restricted to high quality rice only, leaving the surplus of the more popular medium quality crop for reserve build up. Accordingly, the country is currently forecast to export only 60,000 tonnes during the year.

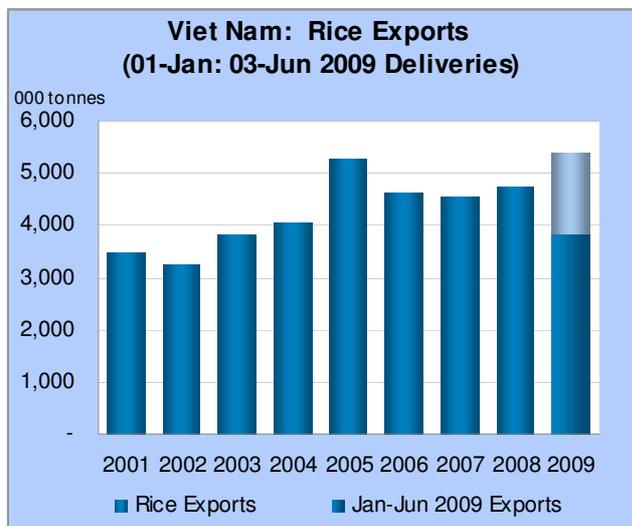
Myanmar's exports are expected to rebound to 700,000 tonnes in 2009, the highest level since 2002 and 500,000 tonnes more than the sales carried out last year. In the aftermath of cyclone Nargis, the country had imposed an export ban to impede shortfalls in the local market. Since the ban was lifted in November 2008, competitive pricing of for the 25 percent broken rice have allowed for a fast-paced growth in export, driven by strong demand from African countries. According to reports, 500 000 tonnes are to be delivered to African nations this year, the remainder being destined to Bangladesh under a deal struck in 2008.

Official sources have downgraded **Pakistan's** 2008 rice exports to 2.83 million tonnes, against the 3.0 million previously estimated. As for shipments in 2009, these are forecast to surge by 13 percent to 3.2 million tonnes, as rice from the country remains particularly competitive. However, higher domestic prices accredited to a government intervention scheme aimed at preventing price slumps after the bumper crop was harvested, are said to have eroded sales at the beginning of the year and, notwithstanding an anticipated recovery of Basmati exports between April and June, may impede the country from nearing the 4 million tonne surplus it targeted to export this year. Moreover, sales of non-basmati varieties may be compromised by the expiration of the preferential import tariff on rice granted by Kenya, as it is not yet clear whether the preferential arrangement, which lowers to 35 percent the 75 percent import duty applicable under the East African Community's Common External Tariff, will be extended beyond its June 30 expiration. Kenya is the largest market for Pakistani Irri-6 rice, accounting for 6 percent of shipments in 2008, totalling 170,000 tonnes.

Faced with growing competition from other rice sources and high domestic prices, **Thailand** is currently forecast to ship 8.3 million metric tonnes, below the lower end of its annual 8.5 million tonne target and 17 percent less than in 2008. High export prices, stemming from the government rice intervention programme, have hindered exports, which by May 2009 stood at 3.6 million tonnes, 30 percent below the corresponding period in 2008. Under the second round of the price-pledging scheme, the Government is set to procure 6 million tonnes of rice at a price of Baht 11,800 per tonne (USD 350); though slightly lower than the price set under the first-crop programme, the procurement prices were reported to exceed prevailing market levels by a 20-30

percent margin. On the other hand, the Ministry of Commerce opened bidding on state stockpiles on 6 May 2009 to cover 3.04 million tonnes via open tenders and an additional 760,000 tonnes through the Agricultural Futures Exchange of Thailand. However, low bidding prices led to a reduction of the targeted release to 2.6 million tonnes. The sale has given rise to much controversy as final bids which closed with an average price of Baht 14,000 per tonne, 15 percent lower than market prices, entailing an important financial loss to the public sector after storage costs had been considered. As a consequence, after keeping the release of stock piles on hold, on June 17 the Prime Minister cancelled the auction and the Thai Commerce Ministry was asked to negotiate the contract withdrawal with the 17 exporters that had won the bids.

Viet Nam is poised to surpass the 5 million tonne export target it has set for 2009. Excellent harvest results combined with competitive prices have led exports to surge to record levels and, by May 2009, cumulative deliveries had reached 3.17 million metric tonnes, a 42 percent increase year-on-year. With 73 percent of the year's total target of 3.65 million tonnes already committed for consignment during the first half of the year, in February concern over the stability of local prices led the Vietnam Food Association (VFA) to defer contracts for new shipments until July this year. However, by late April, the measure was lifted amid concern over a slump in international prices over Thailand's decision to auction state stockpiles and an anticipated return of India to the export market, allowing traders to negotiate deals for shipments for the second half of the year. In light of the bumper crop and ample stock levels, the VFA has further announced its intentions to request that the year's export target be raised to 5.2 million metric tonnes, while the private sector has recently rallied to have the target raised to 6 million metric tonnes. The country is currently forecast to increase deliveries by 14 percent to 5.4 million tonnes in 2009.



Because, according to Viet Nam's Ministry of Agriculture and Rural development, diminished demand due the economic downturn has seriously affected the export industry, the Government has recently announced its intentions to tighten its export management procedures. While the current system assigns regional rice export quotas in accordance to production volumes and requires that rice exporters register their contracts with the Vietnam Food Association to receive clearance for loading, proposed plans would introduce mandatory licenses for domestic operators, standardised storage systems, transparent finances, and

maintenance of sufficient reserves. Meanwhile, in order to encourage greater rice exports this year, the Government is reported to have abolished the provincial export quota system.

In **Egypt**, the export ban introduced in 2008 to prevent domestic prices from further increasing, was due for suspension in April this year. On account of lingering high prices on local markets, the ban was renewed by the Trade and Industry Ministry in February 2009. Under the renewed scheme, however, companies are allowed to export rice on condition that an equivalent amount is sold to the General Authority for Supply Commodities, which runs the national food subsidy programme. In addition, duties levied on rice exports were increased from LE 300 (USD 55) to LE 1000 (USD 182) per tonne. Although the modified ban was initially extended for an

indefinite period, the Government subsequently announced its intentions to discontinue the export ban on all rice as of October this year. As a result of these moves, Egypt is currently expected to export 800,000 tonnes of rice in 2009, up from 500,000 tonnes in 2008.

In South America, **Argentina** is forecast to expand its exports by 59 percent in 2009 to 488,000 tonnes. Despite having its deliveries hindered by the devaluation of the currency of Brazil, its major export partner, Argentina is likely to compensate for losses by re-directing part of its sales to Venezuela. The two countries have in fact signed a deal through which 60,000 tonnes of rice are to be delivered during the year. After having harvested a bumper 2009 production, deliveries by **Brazil** have been upgraded to 600,000 tonnes, 17 percent above the record 512,000 tonnes exported in 2008. **Ecuador's** exports are forecast to recover to 70,000 tonnes as a March decision by Government rescinded the export ban imposed in June 2008 aimed at containing domestic prices following the failure of its main harvest. Meanwhile, **Uruguay** is expected to keep exports steady at 800,000 tonnes.

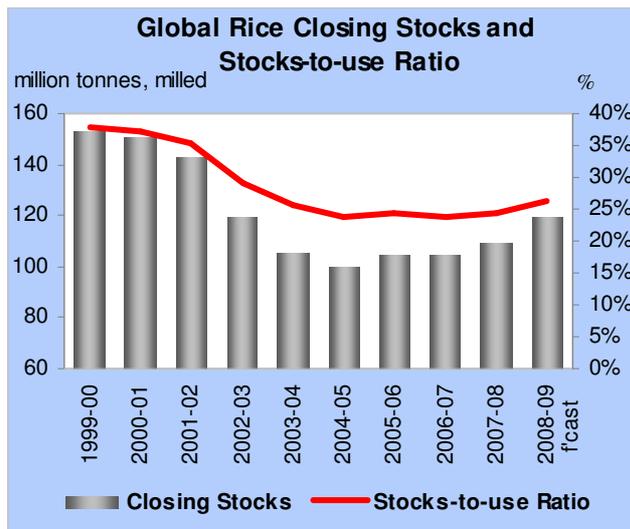
Official sources have revised down 2008 exports by the **United States** to 3.29 million tonnes. Prospects for 2009 sales have also slightly deteriorated, as sales from the country are expected to be affected by sluggish import demand, competitive prices offered by Asian and South American exporters, as well as by the relaxation and eventual lifting of export restrictions by Egypt. As a result, current forecasts point to an export volume of 3.1 million tonnes in 2009, 6 percent down from the previous year. Seeing Cuba as the largest potential market, the US rice sector has been rallying to have restrictions under the trade embargo on the Caribbean island eased. To these effects, a bill was introduced before the Senate in February which, establishing a trade promotion fund, would override the obligation of pre-payment for deliveries, facilitating both direct cash payments and bank transfers to exporters.

III. CLOSING STOCKS

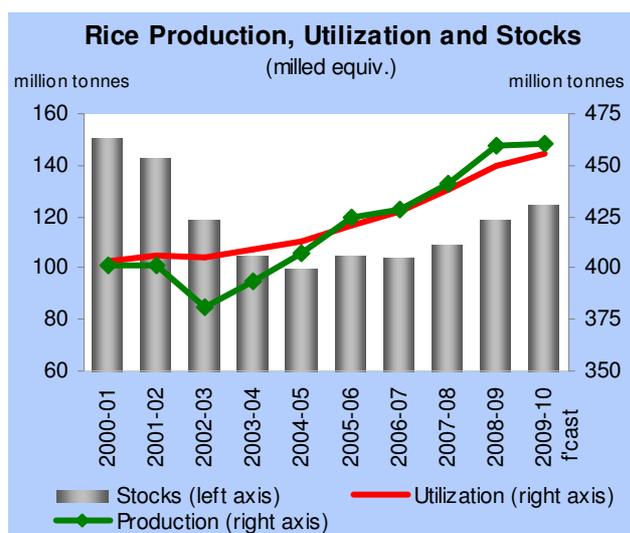
Global rice inventories in 2009 to reach their highest level since 2003, with further increase expected in 2010

Reflecting the positive changes to 2008 production figures, FAO forecasts for world carryover in 2009 have been revised upwards to 119 million tonnes, 10 million tonnes above their opening level and the highest since 2003. With total rice utilisation in 2010 projected in the order of 455 million tonnes, the upwards revision has resulted in a higher global **stock-to-use ratio**, now estimated at 26.1 percent. Global reserves at this level would cover 3.1 months of planned world rice utilisation, with per caput annual consumption estimated at 57.2 kilograms. Although still preliminary and based on the current prospects for global production in 2009, world rice carryovers in 2010 could undergo further increases to 124 million tonnes.

Confirming the trend reported in the previous edition of the monitor, in the aftermath of the global price hike, the 2009 build up of world reserve is to be undertaken by **developing nations**, which are anticipated hold 116 million tonnes of rice at the close of the 2008-09 marketing years, 10 percent above the preceding season. By contrast, rice reserves held by **developed countries** may decline by 5 percent to 3.1 million tonnes. At a regional level, Asia is to account for much of the increase in global carry-over stocks; although larger inventories are also anticipated in Africa, in Latin America and the Caribbean and Europe. Reduced closing stock inventories are anticipated in North America and Oceania in 2009.



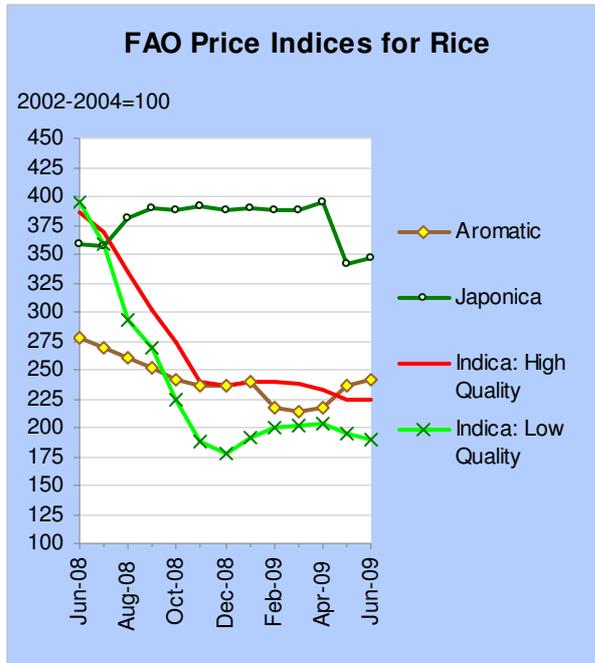
From a trade perspective, food security concerns are expected to lead **importing countries** to continue reconstituting rice reserves as was done during the previous season, further expanding them by 15 percent to slightly more than 21 million tonnes, their highest level since 2001. In Asia, bumper crops should allow for a reconstitution of stocks, particularly in **Bangladesh** where they may reach 6 million tonnes, 1.1 million tonnes above their opening level. Larger inventories are also anticipated in **Indonesia**, where rather than exporting a large surplus expected from this season's harvest, the Government has decided to allocate the bulk of the surplus to beef up national reserves. Rice carry-overs in the country are forecast at 3.4 million tonnes, up 21 percent from 2008. Similarly, sizable increases are anticipated in **Malaysia** and **Sri Lanka** while, in the **Philippines**, little change is forecast, with inventories set to remain around 2.1 million tonnes. Elsewhere in the world, carry-over stocks are anticipated to increase in **Saudi Arabia**, **Nigeria**, **Senegal**, **Peru** and **Venezuela**; while declines are foreseen in **Brazil**, the **Islamic Republic of Iran** and **South Africa**.



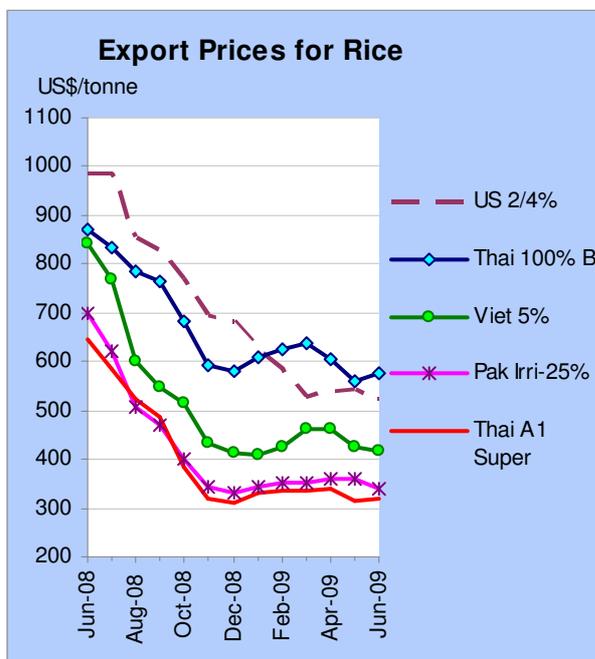
The increase in global stocks in 2009 is likely to be concentrated in **exporting countries**, supported in some instances by large government procurement programmes aimed at stabilising domestic prices. Exporting countries' rice reserves are forecast at 98 million tonnes, 8 percent above 2008 levels. **China**, which alone accounts for 53 percent of global rice carry-overs, is anticipated to boost inventories by 9 percent to 63.4 million metric tonnes. This 5.2 million tonne increase is in line with the Government's decision to raise budgetary support for reserve build-up of key commodities by 60 percent to a total of 178.1 billion (USD 26 billion) in 2009. In **India**, record purchases for public distribution programmes coupled with limited shipments abroad due to export restrictions are also anticipated to bolster stocks by 14 percent to 18.5 million tonnes. As part of its electoral commitments, the newly re-elected Government has announced a plan to provide 25 kilogram of rice to families below the poverty line at subsidised prices. This plan, which is to fall under a Food Security Act framework, would indeed require the Indian Government to increase the size of its inventories. **Egypt** is also anticipated to boost its reserves by 30 percent to 1.4 million tonnes. Similarly, lower exports in **Thailand** combined with large domestic procurement under the price-pledging programme, which could reach the 12 million tonne mark by the end of the programme, is expected to translate into an 18 percent increase in carry-over stocks to 4.7 million tonnes. By contrast, rice inventories in the **United States** are forecast to close 21 percent lower at 741,000 tonnes. Decreased stocks are also expected in **Cambodia** and **Myanmar**.

IV. INTERNATIONAL PRICES

International prices continue sliding, but diverging trends manifested across the various market segments



In light of a greater availability of supplies following the harvesting in May 2009 of large 2008 secondary crops in major producing countries, rice export prices have generally assumed a downward direction since the beginning of the year. This situation has been reflected by the FAO All Rice Price Index, which averaged 252 points in June 2009, compared with the 270 points recorded in January 2009. However, price trends have been mixed across the different market segments. While the slide in prices has been particularly evident in higher quality Indica, whose index lost 16 points since the beginning of the year, a sustained pace of purchases allowed for a strengthening of Low-quality Indica quotes, which began subsiding back to its January levels only in May. On the other hand, renewed



demand for Basmati and Hom Mali varieties particularly from Near East countries has supported the Aromatic Rice Price index, which reversed its downward trend in April and ended 3 points higher in June, compared to its January value. Meanwhile, prospects of diminished output from water-strained California and Australia have upheld medium grain prices. The Japonica index, however, declined substantially in May after Egypt eased its export restrictions, which allowed for a revival of deliveries from the country. As a result of these diverging trends, on average the January-June Index slid to 264 points, 23 points lower than its corresponding 2008 value, but still 107 points above the level in June 2007.

Seen from an origin perspective, Thai prices held steadfast through March 2009, owing to the launch of the second price-pledging scheme, set to procure 6 million tonnes from the 2008 secondary crop at Baht 11,800 (USD 350) per tonne. This trend was however quickly inverted after the April announcement and subsequent tender of 2.6 million tonnes of rice from Thai Government stocks. In line with this, prices for benchmark Thai 100% B dropped by 6 percent in April and again by 8 percent in May to USD 557 per tonne. The delayed and subsequent

cancellation of Thai stock release has, however, overturned this trend, allowing for a 3 percent strengthening of quotes in June. By contrast, low demand prolonged the downward trend of export prices in the United States, which nonetheless recovered following two large sales to Iraq in March and April. Meanwhile, exports restrictions imposed in February preventing new deals from committing deliveries before July this year underlay the strength of Vietnamese prices during the February to April period. Prices took a downward turn in April following the lifting of such restrictions and the decision by the Vietnam Food Association to lower minimum export prices for 5 % broken to USD 430-440 per tonne from the USD 460 per tonne held since 16 February 2009.

International rice prices in the coming months will be significantly influenced by the performance of the monsoon rains which will determine the output level of main season paddy crops in many leading exporting countries. In that context, India's recent downgrading of rainfall forecasts stands out as a matter for concern, also because the pattern of the monsoon will likely be a decisive factor in the decision making process concerning the lifting of remaining export restraints. Based on the current outlook, however, global rice supply appears ample relative to projected world demand. Thus, barring major production setbacks and new disruptions arising from sudden changes in government policies, the world market situation now appears in a rather comfortable balance, especially in the light of the relatively large world rice reserves built up in the past two seasons.

FAO Rice Price Indices					
	All	Indica		Japonica	Aromatic
		High quality	Low quality		
2002-2004 = 100					
2004	118	120	120	117	110
2005	125	124	128	127	108
2006	137	135	129	153	117
2007	161	156	159	168	157
2008	295	296	289	315	251
2008 June	370	386	395	358	278
July	352	369	359	357	269
August	329	335	293	381	260
September	313	302	269	389	252
October	291	275	225	388	242
November	269	239	188	391	237
December	265	237	178	388	237
2009 January	270	240	192	389	239
February	270	240	200	388	218
March	269	238	201	388	214
April	271	232	204	394	218
May	251	224	195	341	236
June *	252	224	190	347	242
2008 Jan.-Jun.	287	299	325	247	252
2009 Jan.-Jun.	264	233	197	375	228

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 broken. The Sub-Index for Aromatic Rice follows movements in prices of Basmati and Fragrant rice.

* Two weeks only.

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 2,5% 178 Camolino	Pak Basmati Ordinary	Thai Fragrant 100%
	<i>(US \$/tonne, f.o.b.)</i>												
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
2006	311	300	394	266	269	247	249	230	217	512	353	516	470
2007	335	332	436	313	305	292	294	290	275	557	404	677	550
2008	695	722	782	614	603	n.a.	553	498	506	913	n.a.	1077	914
2008													
June	870	937	985	843	764	n.a.	791	700	645	963	n.a.	1100	1096
July	835	872	985	770	715	n.a.	739	620	583	1036	n.a.	1100	1021
August	787	826	853	599	658	n.a.	548	508	525	1061	n.a.	1100	943
September	764	776	826	546	626	n.a.	489	472	487	1119	n.a.	1100	899
October	683	670	770	517	538	n.a.	431	400	385	1113	n.a.	1100	835
November	591	584	698	434	464	n.a.	352	342	320	1102	n.a.	1100	810
December	582	597	683	414	454	n.a.	323	330	310	1102	n.a.	1100	820
2009													
January	611	664	625	407	471	n.a.	360	342	332	1102	n.a.	1100	876
February	624	677	586	425	480	n.a.	393	353	333	1075	n.a.	900	879
March	637	666	529	460	488	n.a.	400	350	335	1123	n.a.	900	880
April	606	604	540	460	473	n.a.	400	360	341	1208	n.a.	900	888
May	559	575	544	426	445	n.a.	377	360	316	1202	760	1060	901
June *	576	600	522	415	455	n.a.	365	340	320	1163	770	1100	917
2008 Jan.-Jun.	684	722	761	681	630	345	625	551	577	738	713	1055	940
2009 Jan.-Jun.	602	631	558	432	469	n.a.	383	351	330	1146	765	993	890

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

1/ White broken rice. 2/ Up to August 2005 U.S. medium grain No.2, 4%; since September 2005 onwards No. 1, maximum 4-percent broken, sacked, California mill.

Note: Please note that data may have been subject to revision due to temporary unavailability and/or late publishing of weekly price quotations.

* Two weeks only.

WORLD PADDY PRODUCTION			
	2007	2008	2009^{1/}
	(estimated)	(estimated)	(forecast)
	<i>million tonnes</i>		
WORLD	660.5	687.5	689.3
Developing countries	636.1	663.1	664.0
Developed countries	24.3	24.4	25.3
ASIA	601.2	622.6	622.5
Bangladesh	43.4	47.9	48.0
Cambodia	6.7	7.2	7.6
China	187.4	193.4	194.7
of which Taiwan Prov.	1.4	1.5	1.5
India	145.0	149.0	145.2
Indonesia	57.2	60.3	60.9
Iran, Islamic Rep. of	3.3	2.6	2.8
Japan	10.9	11.0	10.8
Korea Rep. of	6.0	6.5	6.4
Myanmar	31.5	30.5	31.5
Pakistan	8.3	9.8	9.5
Philippines	16.6	16.8	17.2
Sri Lanka	3.1	3.9	3.6
Thailand	32.1	31.4	31.1
Viet Nam	35.9	38.6	39.0
AFRICA	22.0	25.5	25.6
North Africa	6.9	7.3	7.3
Egypt	6.9	7.2	7.3
Sub-Saharan Africa	15.1	18.2	18.3
Western Africa	8.9	11.5	11.5
Côte d'Ivoire	0.6	0.7	0.7
Guinea	1.3	1.5	1.4
Mali	1.1	1.6	1.7
Nigeria	3.2	4.2	4.3
Central Africa	0.4	0.4	0.4
Eastern Africa	1.8	1.8	1.8
Tanzania	1.4	1.4	1.3
Southern Africa	3.9	4.5	4.6
Madagascar	3.6	4.1	4.2
Mozambique	0.2	0.2	0.3
CENTRAL AMERICA	2.5	2.6	2.7
Cuba	0.4	0.4	0.5
Dominican Rep.	0.7	0.8	0.8
Mexico	0.3	0.3	0.3
SOUTH AMERICA	22.1	24.1	24.7
Argentina	1.1	1.2	1.2
Brazil	11.3	12.1	12.7
Colombia	2.4	2.6	2.6
Peru	2.5	2.8	2.7
Uruguay	1.1	1.3	1.3
NORTH AMERICA	9.0	9.2	10.0
United States	9.0	9.2	10.0
EUROPE	3.6	3.5	3.8
EU	2.8	2.6	2.9
OCEANIA	0.2	0.0	0.1
Australia	0.2	0.0	0.1

FOOTNOTES:

Totals computed from unrounded data.

1/ Tentative.

WORLD IMPORTS OF RICE			
	2007	2008	2009^{1/}
	(estimated)	(estimated)	(forecast)
	<i>million tonnes, milled eq.</i>		
WORLD	32.3	30.0	31.0
Developing countries	27.5	25.4	25.8
Developed countries	4.8	4.6	5.2
ASIA	15.6	14.1	14.4
Bangladesh	1.4	1.7	0.4
China	1.0	0.7	0.9
of which Taiwan Prov.	0.1	0.1	0.1
Indonesia	1.8	0.3	0.1
Iran, Islamic Rep. of	1.1	1.0	1.2
Iraq	0.8	0.7	1.1
Japan	0.6	0.6	0.7
Malaysia	0.8	1.0	0.9
Philippines	1.8	2.3	2.4
Saudi Arabia	1.2	1.0	1.3
Sri Lanka	0.1	0.1	0.0
AFRICA	10.1	9.4	9.6
Côte d'Ivoire	0.8	0.9	0.9
Nigeria	1.9	2.0	1.8
Senegal	1.0	0.9	0.9
South Africa	1.0	0.8	0.9
CENTRAL AMERICA	2.3	2.3	2.3
Cuba	0.7	0.7	0.7
Mexico	0.6	0.5	0.5
SOUTH AMERICA	1.1	1.0	1.1
Brazil	0.7	0.4	0.7
Peru	0.1	0.1	0.0
NORTH AMERICA	1.0	1.0	1.0
Canada	0.3	0.3	0.3
United States	0.7	0.7	0.7
EUROPE	1.7	1.8	2.0
EU	1.1	1.3	1.5
Russian Fed.	0.2	0.3	0.3
OCEANIA	0.4	0.4	0.5

WORLD EXPORTS OF RICE			
	2007	2008	2009^{1/}
	(estimated)	(estimated)	(forecast)
	<i>million tonnes, milled eq.</i>		
WORLD	32.3	30.0	31.0
Developing countries	28.9	26.3	27.5
Developed countries	3.5	3.7	3.5
ASIA	25.8	24.0	24.5
China	1.4	1.0	1.2
of which Taiwan Prov.	0.0	0.1	0.1
India	6.2	3.5	4.0
Myanmar	0.0	0.2	0.7
Pakistan	2.6	2.8	3.2
Thailand	9.6	10.0	8.3
Viet Nam	4.6	4.7	5.4
AFRICA	1.2	0.5	0.8
Egypt	1.2	0.5	0.8
SOUTH AMERICA	2.0	2.0	2.4
Argentina	0.4	0.3	0.5
Guyana	0.3	0.2	0.2
Uruguay	0.8	0.8	0.8
NORTH AMERICA	3.0	3.3	3.1
United States	3.0	3.3	3.1
EUROPE	0.2	0.1	0.2
EU	0.2	0.1	0.1
OCEANIA	0.1	0.1	0.1
Australia	0.1	0.1	0.1

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

	CHINA 2/ 3/ (Oct./Sep.)			INDIA 2/ (Oct./Sep.)		
	2007/2008	2008/2009	2009/2010 ^{5/}	2007/2008	2008/2009	2009/2010 ^{5/}
		prelim. (..... thousand tonnes	f'cast		prelim. (..... thousand tonnes	f'cast
Opening Stocks	56345 F	58275 F	63480 F	12300 F	16200 F	18500 F
Production 1/	128429 G	132520 G	133423 *	96690 G	99370 G	96800 F
Imports	389 G	490 F	590 F	50 F	50 F	50 F
Total Supply	185163	191285	197493	109040	115620	115350
Domestic Use	125866	126655	127228	89312	93120	93850
Exports	1022 G	1150 F	1455 F	3528 G	4000 F	4100 F
Closing Stocks	58275 F	63480 F	68810 F	16200 F	18500 F	17400 F
	PAKISTAN 2/ (Nov./Oct.)			THAILAND 2/ (Nov./Oct.)		
	2007/2008	2008/2009	2009/2010 ^{5/}	2007/2008	2008/2009	2009/2010 ^{5/}
		prelim. (..... thousand tonnes	f'cast		prelim. (..... thousand tonnes	f'cast
Opening Stocks	400 F	350 F	440 F	4350 F	4000 F	4700 F
Production 1/	5559 G	6543 G	6337 F	21250 G	20776 G	20588 F
Imports	1 F	1 F	1 F	150 F	200 F	200 F
Total Supply	5960	6894	6778	25750	24976	25488
Domestic Use	2781	3254	3278	11781	11976	12188
Exports	2829 G	3200 F	3100 F	9969 G	8300 F	8200 F
Closing Stocks	350 F	440 F	400 F	4000 F	4700 F	5100 F
	UNITED STATES 4/ (Aug./Jul.)			VIET NAM 2/ (Nov./Oct.)		
	2007/2008	2008/2009	2009/2010 ^{5/}	2007/2008	2008/2009	2009/2010 ^{5/}
		prelim. (..... thousand tonnes	f'cast		prelim. (..... thousand tonnes	f'cast
Opening Stocks	1266 G	942 G	741 G	4800 F	4350 F	4400 F
Production 1/	6345 G	6515 G	7036 G	23969 G	25767 G	26013 F
Imports	764 G	608 G	704 G	200 F	200 F	200 F
Total Supply	8375	8065	8481	28969	30317	30613
Domestic Use	3983	4318	4222	19899	20517	20813
Exports	3450 G	3006 G	3102 G	4720 G	5400 F	5100 F
Closing Stocks	942 G	741 G	1157 G	4350 F	4400 F	4700 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.