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HIGHLIGHTS

- FAO’s latest forecast for global paddy output in 1998 is 561 million tonnes, about 17 million tonnes, or about 3 percent lower than the previous year’s revised record level. The reduction is largely attributed to flood-related problems in a number of major rice producing countries in Asia where preliminary indications suggest a high degree of damage in some countries. However, the final outcome will greatly depend on the impact of floods in the affected countries.

- Torrential rains during the period late-June to September in some Asian countries have interrupted the planting progress and/or destroyed crops already in the fields. It is uncertain at the moment as to the extent of the damage since assessment is in progress as the waters continue to recede. China (Mainland) and Bangladesh are the most affected so far and floods have, reportedly, destroyed several million hectares of cropland. Some other countries in the region continue to prepare for the possibility of La Niña-related floods towards the end of the year.

- The forecast for global rice trade in 1998 has been adjusted upwards from the last report by 800,000 tonnes to a new peak of 24.6 million tonnes, which is 5.6 million tonnes more than in 1997 and about 4 million tonnes above the previous record in 1995. The upward revision was mainly brought about by large imports and/or import commitments to date by several of the major importing countries whose output was severely affected by weather-related problems attributed to El Niño or floods.

- International rice prices have remained resilient since the last report. The FAO Export Price Index for Rice (1982-84=100), which has been on the rise since it hit a low of 119 points in November of last year, averaged 132 points in September, similar to August and July. This compares with a level of 123 in September 1997. The continued strength in prices is attributable to concerns about the availability of exportable supplies which was made worse by Vietnam’s re-introduction in August of a partial freeze on new export sales, following large purchases by several countries, including Indonesia, the Philippines, Bangladesh and Brazil.

- FAO’s forecast for global rice stocks at the end of the marketing seasons in 1999 has been reduced from the previous report to about 51 million tonnes, down by 11 percent from the projected closing stocks for the marketing seasons ending in 1998. The decline is largely due to the need to draw down stocks in the wake of flood-related impacts on production, particularly in China (Mainland) and Bangladesh.
GLOBAL VIEW

PRODUCTION

The 1998 Forecast for World Paddy Output is Reduced Further

The impact of floods in a number of rice producing Northern Hemisphere countries in Asia is being assessed as floodwaters recede. The countries most affected include China (Mainland), Bangladesh, India and Japan and preliminary indications show that the damage was quite severe in some countries. In the rest of the countries in the Northern Hemisphere, harvesting is either in progress or about to start. In the Southern Hemisphere and around the equatorial belt, harvesting of the 1998 main season paddy crops is complete and preliminary estimates suggest a fall in production attributed to weather-related problems encountered. Overall, the forecast for global paddy output in 1998 has been revised downwards by 5 million tonnes to 561 million tonnes, about 17 million tonnes, or about 3 percent lower than the previous year's revised record level.

ASIA – As Floods Recede Damage is being Assessed in the Different Countries

The latest forecast for the region’s 1998 paddy output is 513 million tonnes, 6 million tonnes down from the previous forecast and 15 million tonnes less than the revised figure for 1997. Torrential rains during the period late-June to September in some Asian countries interrupted the planting progress and/or destroyed crops already in the fields. The extent of the damage is uncertain at the moment since assessments are being carried out now as the waters recede.

Southern Hemisphere

In Indonesia, the just concluded FAO/WFP crop and food supply assessment mission estimated the 1998 paddy output at 45.4 million tonnes, about 1 million tonnes less than the previous estimate and down from 49.4 million tonnes produced in 1997. The decline is attributed mainly to the El Niño-related drought that caused a reduction in planted area of over 4 percent in 1998 to 10.7 million hectares. A shortage in input supplies, including fertilisers and pesticides, partly related to the country’s economic crisis, also contributed to the production shortfall. In Sri Lanka, harvesting of the Maha (main) paddy crop is complete and, following generally favourable growing conditions and an expansion in area, output is estimated at 1.8 million tonnes or an increase of about 22 percent compared to last year. Harvesting of the Yala crop is in progress and a slight increase in production is also expected. Overall, total paddy output is projected to expand by 14 percent from the previous year to approximately 2.6 million tonnes.

Northern Hemisphere

In China (Mainland), harvesting of the single-rice (autumn) crop is nearing completion and gathering of the late-double crop is just starting. Output, however, is likely to be lower than last year’s due to weather-related problems faced in the early part of the season and floods that have affected Central and Southern China during most of July and August. Reportedly, the floods destroyed several million hectares of cropland, damaged agricultural infrastructure and, in some cases, delayed planting of the late-double crop. Many of the provinces affected, including Jiangsu, Hubei, Anhui and Guangdong, are major rice producing areas. The 1998 paddy output is provisionally forecast to decline by about 9 million tonnes from last year’s record to 191 million tonnes. The final output, however, will largely depend on the impact of the floods on the performance of the autumn crop, which accounts for over 40 percent of total production. In Cambodia, after a delayed arrival, rains during most of September helped alleviate fears of a drastic fall in paddy output. Production is now expected to be similar to last year’s estimated 3.4 million tonnes. In Vietnam, harvesting of the summer-autumn rice crop is nearing completion, but yields are likely to be affected by the dry spell that prevailed during the early part of the season. The drought is reported to have reduced harvested area particularly in the northern and central provinces of the country. Gathering of the main-season crop is barely underway in the north and planting of the same crop in the southern part of the country is nearing
completion. Overall, a slight decline is forecast for the 1998 paddy output. Harvesting of the main season crop in the Philippines is in progress but the early part of the season was conditioned by persistent El Niño-related drought that had depressed plantings. In addition, some parts of the country were affected by floods although the damage inflicted to crops is reported to have been minimal. Planting of the secondary crop is underway in most of the country. Overall, paddy output in 1998 is forecast at 10.8 million tonnes, a slight increase over the 1997 production, which was greatly reduced by drought. However, the final outcome will depend on whether fears of La Niña-related floods later in the year materialise. In Thailand, harvesting of the 1998-99 main-season crop is underway and the Government’s preliminary forecast for total paddy output is a record 22.5 million tonnes, slightly up from the previous year. A quantum leap of about 19 percent from 1997 to 4.1 million tonnes is expected in the production of high-quality Jasmine rice. It accounts for approximately 18 percent of Thai’s total paddy output. The current strong price incentives helped motivate producers to expand rice area. In Japan, harvesting of the 1998 crop is underway and, given a combination of lower area and floods that inflicted some damage to rice paddies, output is now projected to decline by about 11 percent to 11.2 million tonnes. In the Republic of Korea, paddy output in 1998 is forecast at 7 million tonnes, down by 7 percent from the previous year despite a slight increase in area. The lower production is mostly the result of reduced yields attributed to weather-related problems. In the Democratic People’s Republic of Korea, paddy output in 1998 has been negatively affected by a combination of floods and hailstorms during the summer months and inadequate supply of inputs, particularly fertilisers. Production is now forecast at 1.6 million tonnes, down from last year’s already low crop of 1.7 million tonnes and compared to about 4 million tonnes produced in 1990. In Bangladesh, floods that covered most of the country since July started to recede in mid-September in some areas but the monsoon was still active in others. Efforts are underway to assess the damage inflicted on the agricultural industry but preliminary indications from the Ministry of Agriculture, as of mid-September, suggest that at least 2 million tonnes of rice could be lost due to floods, but that the cut could be as high as 3 million tonnes depending on the performance of the Aman (main season) crop to be harvested in November. Planting operations for the Aman crop were affected by the torrential rains, as nurseries, in some places, and transplanted rice, in others, were damaged. In addition, some farmers in the flood-affected areas were unable to plant their crops in time. Although harvesting of the Boro crop had already been completed before the floods, part of the Aus crop, especially the late-planted sections, was affected and output is estimated at 1.6 million tonnes, down by 16 percent from original expectations. In India harvesting of the early-planted main season Kharif rice crop has commenced in some parts of the country. The northern and eastern states received torrential monsoon rains during August but the drop in rice output is expected to be more than offset by production gains in other parts of the country. Generally, the country has once again enjoyed a normal monsoon season and total paddy output for 1998 is tentatively forecast at a record 126 million tonnes, a slight increase from the previous year. In Pakistan harvesting of the paddy crop is underway and preliminary indications point towards a good 1998 season, since the growing conditions were generally favourable and planted area increased by about 4 percent from the previous season to an estimated 2.4 million hectares. Also, the Government provided additional incentives in the form of credit facilities, higher procurement prices and increased availability of inputs. Output is provisionally forecast to increase by 6 percent from 1997 to a record 6.9 million tonnes. In Myanmar, the availability of most inputs during the growing season was reported to be normal apart from
fertilisers, which were in short supply. Harvesting of the main-season crop is just starting and a slight decline in output is anticipated largely due to a smaller area sown.

**AFRICA – Harvesting is Underway in Some Countries but the Outlook is Mixed**

The 1998 paddy output in Africa is now forecast to contract by about 8 percent from the previous year to 15.6 million tonnes. The fall is attributed to both lower area and yields. Most of the decline will be in Egypt, the main rice producing country in the region, where the official policy is to limit rice area with the aim of conserving irrigation water for use in the production of other crops. In some of the other African countries, a reduction in production is likely with a lack of enough inputs depressing yields.

**Northern Africa**

In Egypt, harvesting of the 1998 rice crop is underway and the Government has forecast an 18 percent reduction in output to 4.5 million tonnes. Given the favourable growing conditions and sufficient and timely availability of inputs during the growing season, yields are expected to set yet a new record of over 8.5 tonnes per hectare, but area planted to rice contracted by 21 percent from 1997.

**Western Africa**

Harvesting of the 1998 paddy crop has started in some countries and is about to commence in others but civil strife in some countries made it difficult for the farming activities to proceed normally. Growing conditions have been generally favourable in several countries across the region despite a few isolated weather-related problems. In Nigeria, the most important rice producing country in western Africa, paddy harvesting is in progress and, although planted area is estimated to have increased by about 200 000 hectares from 1997, a shortage of fertilisers, pesticides and other farm inputs is expected to result in reduced yields and the Government is tentatively forecasting a 12 percent reduction in production to 3.4 million tonnes.

**Eastern Africa**

Over the last ten years, paddy production in the region has fluctuated between a high of about 910 000 tonnes in 1990 and a low of 585 000 tonnes in 1992. In Tanzania alone, output for 1998 is provisionally estimated at about 1 million tonnes, up significantly from 550 000 tonnes produced in 1997. This is largely attributed to abundant rainfall during the growing season together with a 12 percent rise in area.

**Southern Africa**

Land preparation for the 1999 paddy season in the sub-region will soon be underway. Output from the 1998 crop turned out better than had been originally expected. The impact on rice production from the locust infestation in Madagascar, which accounts for over 90 percent of the sub-region’s rice production, was not as bad as had been originally feared and output is estimated at about 2.2 million tonnes, a decline of 12 percent from the previous year. In Mozambique, the other main producer in the sub-region, a 6 percent increase in output is estimated to 190 000 tonnes, following the generally favourable growing conditions.

**SOUTH AMERICA – Preparing for the 1999 Paddy Season**

Harvesting of the 1998 paddy crop is complete in the region and a combination of reduced harvested area and a drop in average yields, due to El Niño weather-related problems, resulted in lower rice output of 16 million tonnes compared to 17.7 million tonnes in 1997. Preparation for the 1999 paddy season is beginning in some countries, but at the moment, there is no indication as to the planting intentions.

**DEVELOPED COUNTRIES – Harvesting in the US and the EC in Progress as Australia Prepares for the 1999 Season**

In the United States, harvesting of the 1998 paddy crop is well advanced and by the end of September about 70 percent of the crop had been gathered or was nearing completion in
Arkansas, Louisiana, Mississippi and Texas. In California, harvesting is in its early stages since the crop was planted late due to a cold and rainy spring. Total paddy output for the United States has been adjusted upwards by about 100 000 tonnes from the previous report to 8.2 million tonnes based on new information of better yields than had been expected.

Harvesting of the 1998 paddy crop in the EC is in progress after generally favourable growing conditions. Based on new information, production is forecast to increase slightly from 1997 to about 2.8 million tonnes. Most of the expansion in output is expected to be in Italy, which accounts for over 50 percent of total EC rice production.

In Australia, preparations for the 1999 paddy season are underway and preliminary indications suggest that planted area will be reduced by about 14 percent from 1998 to 120 000 hectares, a consequence of lower irrigation water supplies. Based on average yields, output would be about 1 million tonnes or about 30 percent less than the 1998 estimate.

**TRADE**

*The Forecast for 1998 World Rice Trade is Raised to Yet a New Record*

The forecast for global rice trade in 1998 has been adjusted upwards from the last report by 800 000 tonnes to a new peak of about 24.6 million tonnes, which is 5.6 million tonnes more than the 1997 estimate and about 4 million tonnes above the previous record in 1995. The upward revision was mainly brought about by larger imports and/or import commitments to date by several of the major importing countries whose output was severely curtailed by the El Niño weather-related problems. The floods that devastated several Asian countries is another factor behind the trade adjustment. Import estimates for Bangladesh were raised by 600 000 tonnes from the previous report to 1.6 million tonnes based on shipments to date. The devastating floods that affected most of the country and inflicted considerable damage to the rice crops were also a factor behind the higher import forecast. It should be noted that some of the import requirements will be met by food aid. The final import volume will depend on the severity of the damage which is currently being assessed. Indonesia’s expected rice imports in calendar year 1998 were raised by 200 000 tonnes to a record 5.2 million tonnes based on the results of the FAO/WFP September crop assessment mission to the country that revealed lower production in 1998 than originally thought. Some of its import needs are being supplied under preferential terms, particularly from the Government of Japan which is to lend rice to Indonesia which the country is to return, at a future date, in kind or to reimburse in cash. In addition, Japan is providing Indonesia with financial grants and loans that would enable it to purchase additional rice from the international market. Rice purchases by the Philippines in 1998 were also adjusted upwards by 450 000 tonnes to 2 million tonnes based on contracted volumes to date. Some of the rice is, reportedly, imported as a precautionary measure against the potential effects of La Niña-related floods expected during the last quarter of the year. On the other hand, expected rice imports by several countries including China (Mainland), the EC, India, Cambodia, Ghana and Kenya were reduced by a combined total of 450 000 tonnes based on new information. African countries in general are forecast to import less rice in 1998 owing to the continent’s record production in 1997.

On the export side, the forecast for rice shipments out of Thailand for 1998 was raised by 200 000 tonnes from previous estimates to 6.2 million tonnes due to consistently high demand on the international market and a good output from the second-season crop. Exports during the first eight months of 1998 are estimated at slightly over 4.3 million tonnes, compared to about 3.2 million tonnes during the same period in 1997. Exports of Thailand’s high quality fragrant rice are also expected to expand owing to higher output. Anticipated shipments from India were increased by 500 000 tonnes from the previous forecast to 3 million tonnes based on prospects for yet another record crop. The forecast for Australia’s export shipments was also increased by about 100 000 tonnes to 700 000
tonnes, a consequence of bumper harvests for two consecutive years. Export volumes from China (Mainland), Japan, Myanmar and Suriname were raised by a combined 300 000 tonnes. On the other hand, the 1998 expected rice shipments from Vietnam were lowered by 300 000 tonnes to 3.7 million tonnes based on the decision by the Government to control rice exports with the aim of ensuring domestic food security. The revised forecast, if realised, would still be a new record for Vietnam. The projected export figure from the United States is unchanged at 3 million tonnes, an increase of over 30 percent from the previous year.

For 1999, global rice trade is provisionally forecast to decline from the 1998 projected record by about 15 percent to 20 percent as production in many of the major importing countries is expected to recover from the lower levels of 1997 precipitated by El Niño-related weather problems. Increased production, and therefore lower imports, may continued to shift to the lower quality rice, prices of fully broken rice, (Thai A1 Super), increased by US$17 per tonne from their materialise particularly in Indonesia, the Philippines, Bangladesh and Brazil, four of the leading importers thus far in 1998.

INTERNATIONAL PRICES

Export Prices for Lower Quality Rice Grades Reach Highest Levels in More than 2 years
International rice prices have remained resilient since the last report and the FAO Export Price Index for Rice (1982-84=100), which has been on the rise since it hit a low of 119 points in November of last year, averaged 132 points in September, similar to August and July, but up considerably compared to 123 in September 1997. The continued strength in prices is attributable to concerns about the availability of exportable supplies with Vietnam announcing a freeze on new export sales, particularly in light of large purchases by several countries, including Indonesia, the Philippines, Bangladesh and Brazil. Prices could have edged higher during recent months, had it not been for Thailand and India whose expected record shipments have been instrumental throughout the year in keeping a lid on prices. The other factor that has prevented a price rise comparable to the levels established in 1995 when the previous peak in international rice trade was set is the devaluation of the baht in Thailand, the world’s leading rice exporter. continued to shift to the lower quality rice, prices of fully broken rice, (Thai A1 Super), increased by US$17 per tonne from their In Thailand, although the September prices for high quality rice fell slightly as the demand August average to US$ 247 per tonne in September, the highest in over 2 years. Export prices from India and Pakistan have remained firm due to increased import demand and limited export availabilities. In the United States, prices for the No. 2/4 percent broken rice averaged US$393 per tonne in September, only marginally up from August but down from US$ 410 per tonne in July and US$428 per tonne in June and compared to US$ 447 per tonne in July 1997. The relative weakness of the United States’ rice prices is partly due to the lower than expected new import demand, during the last few months, from its traditional main customers in the South and Central America.
In the next few weeks, rice export prices are expected to be influenced by the details from the Asian floods whose damage is currently being assessed in the affected countries.

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Source: International rice brokers, rice merchants and national sources.

... not available
n.a. not applicable
WORLD PRICE INDICES FOR RICE

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Source: FAO

N.B.-The FAO indices are calculated using the Laspeyre formula. In this table, two groups representing "High" and "Low" quality rice are shown.

- The Rice Export Price Index is calculated for 15 export prices.

CARRYOVER STOCKS

The Forecast for Ending Stocks in 1999 gets Reduced due to Floods in Asia

FAO’s forecast for global rice stocks at the end of the marketing seasons in 1999 has been reduced from the previous report to about 51 million tonnes, down by 11 percent from the projected closing stocks for the marketing seasons ending in 1998. The decline is largely due to the need to supplement output damaged by floods in order to meet domestic requirements, particularly in China (Mainland) and Bangladesh, two of the leading rice stock holding countries in the world.