CONTENTS

HIGHLIGHTS .......................................................................................................................... 2
GLOBAL VIEW ..................................................................................................................... 3
1. WORLD PADDY PRODUCTION IS FORECAST TO INCREASE SLIGHTLY IN 1999............ 3
   1.1 ASIA – FAVOURABLE OUTLOOK FOR THE 1999 PADDY SEASON ...................... 3
   NORTHERN HEMISPHERE .......................................................................................... 3
   SOUTHERN HEMISPHERE ......................................................................................... 4
   1.2 AFRICA – THE 1999 PADDY SEASON IS GETTING UNDERWAY IN NORTH AND
       WEST AFRICA AND NEARING COMPLETION IN SOUTHERN AFRICA .......... 4
   1.3 LATIN AMERICA – RECORD PADDY OUTPUT ANTICIPATED AS THE SEASON
       COMES TO A CLOSE ......................................................................................... 5
   1.4 DEVELOPED COUNTRIES – HARVESTING OF THE 1999 PADDY CROP
       NEARING COMPLETION IN AUSTRALIA WHILE THE SEASON IS JUST
       GETTING UNDERWAY IN THE UNITED STATES AND THE EC ................. 5

RICE TRADE ..................................................................................................................... 6
2. INTERNATIONAL TRADE - LOWER IMPORT DEMAND CURBS TRADE IN 1999............. 6
   INTERNATIONAL RICE PRICES .......................................................................... 6
3. THE SLIDE IN INTERNATIONAL RICE PRICES CONTINUES ................................... 6

ENDING STOCKS ............................................................................................................ 8
4. ENDING STOCKS ......................................................................................................... 8

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HIGHLIGHTS

• The bulk of this season’s rice crop is still to be planted in most of Asia, pending the arrival of monsoon rains, although planting of paddy for the 1999 season is underway in some of the Northern Hemisphere countries. In the Southern Hemisphere and around the equatorial belt, the 1999 main paddy crop season is nearing completion. Production there is expected to rebound as a result of area expansion and improved growing conditions compared to the previous season. FAO’s forecast for global paddy output in 1999 is for an increase of 1 to 2 percent over last year’s level. This forecast is still tentative and hinges on the timing, extent and distribution of the Asian monsoon.

• Expectations for rice trade in 1999 continue to point to a contraction from last year’s all-time high. Although FAO’s forecast for global rice trade in 1999 has been increased by 300,000 tonnes from the previous report to 21.8 million tonnes, this would still be some 5.8 million tonnes less than the revised record set last year. The year-to-year trade decline reflects an improved production performance in 1998 and/or the expectation of stepped-up production in 1999 in many of the major importing countries whose output in 1997 and/or 1998 was reduced by El Niño-related weather problems.

• The downward pressure on international rice prices continued through April and the FAO Export Price Index for Rice (1982-84=100), which has been on a downward slide since the beginning of the year, declined by 4 points from March to an average of 112 points during the first 4 weeks of April, its lowest level since December 1994. The pressure on prices largely emanates from a weakening of import demand combined with generally abundant export supplies. As a result of this imbalance, competition among exporters has intensified, with positive implications for the lower income rice importing countries.

• FAO’s forecast of world rice stocks at the close of the marketing seasons ending in 1999 has been increased by slightly over 1 million tonnes to 51.4 million tonnes. The increase is largely attributed to an anticipated rise in the stock levels for India following the Government’s upward revision of output in 1998-99. Closing stocks in Indonesia, Sri Lanka and Nepal were also adjusted upwards due to good production estimates.
GLOBAL VIEW

1. WORLD PADDY PRODUCTION IS FORECAST TO INCREASE SLIGHTLY IN 1999

Planting of paddy for the 1999 season is underway in some of the Northern Hemisphere countries while in the Southern Hemisphere and around the equatorial belt, the 1999 main paddy crop season is nearing completion. Production there is expected to rebound from last season’s depressed level due to a combination of larger plantings and improved growing conditions. FAO’s forecast of global paddy output in 1999 is for an increase of 1 to 2 percent over last year’s level. This forecast is still tentative and hinges on the timing, extent and distribution of the Asian monsoon rainfall.

1.1 Asia – Favourable Outlook for the 1999 Paddy Season

Unlike in 1998 when the lingering effects of the El Niño weather phenomenon caused planting delays in several Asian countries, the outlook for the 1999 season is much more favourable. The season is just getting started in the countries of the Northern Hemisphere while it is already quite advanced in the Southern Hemisphere and around the equatorial belt where early indications point to a rebound in production.

Northern Hemisphere

In China (Mainland), planting of the 1999 early rice, the first and smallest of the three crops, is at an advanced stage. It is, however, too early to gauge the potential quantity of paddy that the country could produce in 1999. It is noteworthy that government efforts to raise output of the high quality rice remain vigorous and it is reported that area devoted to high quality early indica rice in southern China will be increased by 330 000 hectares in 1999 to about 2.7 million hectares. In Vietnam, gathering of the winter-spring paddy crop is in full swing in the south while the process is barely underway in the north. Yields are reported to be lower than last year’s, which is attributed to the lower than usual water availability during part of the growing season. Accordingly, the forecast for the 1998-99 paddy output has been reduced by 400 000 tonnes to 28 million tonnes. Planting of the next crop, summer-autumn, has started in some parts of the Mekong Delta and the prevailing weather conditions are reported to be favourable. In the Philippines, gathering of the secondary crop is almost complete and the overall estimate for the 1998-99 paddy output is 10.2 million tonnes, slightly above the previous season but still below the five-year average of about 10.5 million tonnes, as the season was affected by weather-related problems. Planting of the main season crop is underway and a return to normal output levels of around 11 million tonnes is anticipated assuming growing conditions are favourable. In Thailand, harvesting of the second-season paddy crop is getting started and output is forecast to be about 3 million tonnes, down from 4.8 million tonnes in 1998. Preparation for the 1999 main-season crop is underway with the Government forecasting a production of about 18.9 million tonnes of paddy, up by 3 percent from the 1998 estimate. The overall projection for the 1999 paddy output is 23 million tonnes, up from 21.5 million tonnes in the previous year. However, the eventual size of the harvest hinges on the performance of the main-season crop. In Japan, preparations are underway for the 1999 rice crop and according to the Ministry of Agriculture, Forestry and Fisheries, area to be planted to rice will be similar to last year’s level of about 1.8 million hectares, notwithstanding the lowering of the support price for the 1999 crop from last year’s 263 yen per kilogram to about 259 yen per kilogram. In Cambodia, the Government estimates an output of 3.5 million tonnes for the 1998-99 season, up from 3.4 million tonnes during the previous year, as fears of a critical water shortage and an insect problem reported during the season affected rice production less severely than anticipated.

In India, gathering of the rabi crop is continuing and preliminary indications point towards a bountiful harvest which has prompted the Government to increase the forecast of the 1998-99 paddy output by 3.2 million tonnes to 126.8 million tonnes. Planting of the Kharif main crop for the 1999-2000 season awaits the arrival of the south-
In Bangladesh, fears of output being affected by the drought that has reduced water availability for irrigation are common. The mostly irrigated Boro crop, which is just being harvested, could be impacted. The Aus crop, the first and smallest of the three paddy crops for the 1999-2000 season, is in progress. Historically, the Aus crop accounted for up to 20 percent of Bangladesh’s total rice output, but this share has been decreasing as the country shifts emphasis to the irrigated Boro crop. Overall, a slight increase in output is anticipated in 1999-2000 owing mostly to an expansion in the area.

The beginning of the 1999 paddy season in many other Asian countries, including Pakistan and Myanmar, awaits the arrival of the monsoon rains.

1.2 Africa – The 1999 Paddy Season is Getting Underway in North and West Africa And Nearing Completion in Southern Africa

North Africa - In Egypt, the main rice producer in the sub-region, the planting of rice will soon start. However, there are no indications on planting intentions for the 1999 season, a decision largely dependent on the availability of irrigation water. Based on government policy of conserving irrigation water for alternative crops, the expectation is for lower area and production than in the previous season.

West Africa - The 1999 paddy season is underway in several countries of West Africa, although uncertainties exist as to the area to be put under rice in a number of those countries. In Nigeria, the most important rice producer in western Africa, planting of the 1999 paddy crop is in progress but information on planted area is still lacking. For the previous season, Nigeria’s paddy output is estimated to have declined by about 10 percent to 3.4 million tonnes, despite an 8 percent increase in area. The fall is attributed to a shortage of fertilizers, pesticides and other farm inputs that led to reduced yields. In Sierra Leone, the continued violence and widespread insecurity are again expected to dampen prospects for agricultural production in 1999, including rice. By contrast, in Liberia, an improvement in the general security conditions that is underway might sustain a recovery in paddy output.

Southern Africa - The 1999 paddy season is well advanced in Madagascar, the main rice producing
country in the sub-region, and harvesting of the crop is in progress. Growing conditions have been reported to be generally good. Incidents of the Malagasy Migratory Locusts were reported in different parts of the country but control measures implemented during the latter part of 1998 and the beginning of 1999 were instrumental in reducing their populations. In Mozambique, gathering of the paddy crop is underway in some parts of the country. As growing conditions have been favourable, output is expected to remain close to or even exceed last year’s record of 192 000 tonnes.

1.3 Latin America – Record Paddy Output Anticipated as the Season Comes to a Close

Unlike the previous season when adverse weather conditions during planting and harvesting in several countries in Latin America negatively impacted on the region’s 1998 paddy crop season, growing conditions for the 1999 have been generally good and record outputs could be achieved in some countries. In Argentina, where paddy harvesting is nearing completion, the production forecast has been increased by 150 000 tonnes from the previous report to an all-time high of 1.45 million tonnes. The rise is attributed to a larger area and higher yields. Similarly in Brazil, output is forecast to recover to some 11.3 million tonnes, which would be a 33 percent jump from 1998. Rice area has increased by 22 percent to 3.9 million hectares this year. Harvesting of the 1999 paddy crop is nearing conclusion in Uruguay, the other big producer in the region, and a record crop of 1.1 million tonnes is anticipated, up by over 30 percent from the previous season. In Guyana, harvesting of the first crop is complete and planting of the second and larger crop will soon be underway. Total 1999 output is expected to reach a record of 600 000 tonnes, stemming from a combination of higher area and yields. By comparison, output for the previous season is estimated at about 530 000 tonnes. In Bolivia, where harvesting of the 1999 paddy crop is well advanced, production is anticipated to match last year’s record output of 300 000 tonnes.

1.4 Developed Countries – Harvesting of The 1999 Paddy Crop nearing Completion in Australia While the Season is just Getting Underway in the United States and the EC

In Australia, the 1999 paddy season will soon be concluded and, given the very favourable growing conditions, an output of 1.35 million tonnes is forecast, up slightly from the previous season and very close to the record established in 1997.

In the United States, planting of the 1999 crop is underway and based on USDA’s March Prospective Plantings report, farmers could plant about 1.5 million hectares to rice, up by over 100 000 hectares from the previous season. Assuming average yields, paddy production would be approximately 9.2 million tonnes. The report, however, warns that at the time the survey was conducted, a private insurance company was offering a very favourable level of coverage to producers in the southern states, a factor that might have influenced farmers’ decisions. However, the coverage level has since been reduced drastically and this might have a big impact on the actual planted area, but this will only be established after the next survey that will be conducted in June.

In the EC, the 1999 paddy season is in progress but information on area to be put under rice is still lacking. However, our current forecasts for area and production are
quite close to the 1998 estimates of about 400,000 hectares for area and 2.7 million tonnes for the output.

**RICE TRADE**

2. International Trade - Lower Import Demand Curbs Trade in 1999

The current forecast for rice trade in 1999 continues to point to a weakening of import demand compared with last year, when international rice trade surged to an all-time high. Although FAO’s forecast for global rice trade in 1999 has been increased by 300,000 tonnes from the previous report to 21.8 million tonnes, this level would still be some 5.8 million tonnes below the revised record hit last year. The contraction should stem from an improved production performance in 1998 and/or the expectation of stepped-up production in 1999 in many of the major importing countries whose output in 1997 and/or 1998 was reduced by El Niño-related weather problems.

Most of the increase in 1999 rice trade, since the last report, reflects an 800,000 tonnes upward revision in Bangladesh’s imports from the previous report, to 1.9 million tonnes, based on the likelihood of a poor Boro crop. On the other hand, purchases by China (Mainland) were lowered by 200,000 tonnes from the last report to 400,000 tonnes, based on imports to date. Anticipated import volumes for several other countries including Sri Lanka, Malaysia and Nepal were reduced by a total of 300,000 tonnes following better production prospects. The 1999 expected import levels for Indonesia, the Philippines and Brazil, all of which were large rice importers last year, were left unchanged from the previous report at 2.5 million tonnes, 1.2 million tonnes and 1 million tonnes, respectively.

On the export side, the expected shipments by India were augmented by 400,000 tonnes from the previous report to 2.5 million tonnes in line with the upward adjustment to its 1998-99 production and anticipated larger rice deliveries to Bangladesh. Projected sales by China (Mainland) were also raised by 300,000 tonnes to about 1.4 million tonnes based on exports to date. However, the slower pace of sales so far in 1999 within the context of weaker global import demand were behind the 300,000 tonnes and 100,000 tonnes reduction in Vietnam’s and Pakistan’s export forecasts to 3.6 million tonnes and 2.2 million tonnes, respectively. Expectations regarding export shipments from the other major exporters were unchanged from previously reported volumes.

**INTERNATIONAL RICE PRICES**

3. The Slide in International Rice Prices Continues

The downward pressure on international rice prices continued through April and the FAO Export Price Index for Rice (1982-84=100), which has been on a downward slide since the beginning of the year declined by 4 points from March to an average of 112 points during the first 4 weeks of April. At this level, the index registered its lowest average since December 1994.

The pressure on prices largely emanates from weaker import demand and generally ample export availabilities. As a result, the international rice market has become very competitive, a development that should benefit the lower income rice importing countries.
WORLD PRICE INDICES FOR RICE

<table>
<thead>
<tr>
<th>January-December Averages</th>
<th>FAO Indices</th>
<th>Total</th>
<th>Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1982-84 = 100</td>
<td>High</td>
</tr>
<tr>
<td>1992</td>
<td>110</td>
<td>111</td>
<td>103</td>
</tr>
<tr>
<td>1993</td>
<td>100</td>
<td>102</td>
<td>92</td>
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<tr>
<td>1994</td>
<td>114</td>
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<td>1998</td>
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<td>1998 April</td>
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<td>1998 May</td>
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<tr>
<td>1999 March</td>
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</tr>
<tr>
<td>1999 April</td>
<td>112</td>
<td>114</td>
<td>106</td>
</tr>
</tbody>
</table>

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.

A similar fall in prices was observed in all the other major exporting countries in Asia, including Vietnam, India and Pakistan. In an effort to stabilise prices, authorities in Pakistan introduced a system of quoting a minimum export price for the different varieties on a weekly basis. The prices are decided upon by representatives from the Pakistan Export Promotion Bureau and the Rice Export Association.

For the rest of the year, international rice prices are expected to remain subdued primarily due to exportable supplies exceeding import demand, assuming normal growing conditions for the rest of 1999. However, given the thinness of the international rice market, any factor pointing towards reduced output in one of the major importing or exporting countries could reverse the whole picture.

Export Prices for Rice

<table>
<thead>
<tr>
<th>Type</th>
<th>Effective Date</th>
<th>Latest</th>
<th>1 week ago</th>
<th>1 month ago</th>
<th>1 year ago</th>
<th>Average (82-84)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thai 100B</td>
<td>23/04/99</td>
<td>234</td>
<td>238</td>
<td>254</td>
<td>326</td>
<td>236</td>
</tr>
<tr>
<td>Thai 35%</td>
<td>23/04/99</td>
<td>194</td>
<td>196</td>
<td>208</td>
<td>247</td>
<td>213</td>
</tr>
<tr>
<td>Thai A1 Super</td>
<td>23/04/99</td>
<td>180</td>
<td>183</td>
<td>193</td>
<td>198</td>
<td>174</td>
</tr>
<tr>
<td>Viet 5%</td>
<td>23/04/99</td>
<td>224</td>
<td>224</td>
<td>227</td>
<td>300</td>
<td>n.a.</td>
</tr>
<tr>
<td>India 25%</td>
<td>23/04/99</td>
<td>…</td>
<td>230</td>
<td>235</td>
<td>245</td>
<td>n.a.</td>
</tr>
<tr>
<td>Pak 15-20%</td>
<td>01/04/99</td>
<td>213</td>
<td>220</td>
<td>225</td>
<td>…</td>
<td>220</td>
</tr>
<tr>
<td>US 2/4% Long</td>
<td>23/04/99</td>
<td>357</td>
<td>357</td>
<td>357</td>
<td>412</td>
<td>393</td>
</tr>
</tbody>
</table>

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

... not available
n.a. not applicable
4. Ending Stocks

FAO’s forecast of world rice stocks at the close of the marketing seasons ending in 1999 has been increased from the previous report by slightly over 1 million tonnes to 51.4 million tonnes. The increase is largely attributed to a rise in anticipated stock levels in India following the Government’s upward revision of the 1998-99 output level. Closing stocks in Indonesia, Sri Lanka and Nepal were also adjusted upwards due to good production prospects. However, global stocks would still be almost 4 million tonnes below the closing stocks for the marketing seasons that ended in 1998. Over 70 percent of the year-to-year stock decline is accounted for by China (Mainland), Japan, and Egypt. Japan has policies in place that aim at reducing the country’s stocks over time. In addition, its imports are driven by its WTO commitments and, therefore, a fall in its stock levels would have little or no impact on international trade and prices. The anticipated decline in China’s (Mainland) stocks is attributed to domestic supply problems associated with floods that affected the country’s 1998-99 output. In Egypt, the expected stock reduction is a function of the Government’s policy of limiting rice area that led to a fall in domestic production. The impact of lower stocks in these two exporting countries on international trade and prices is being outweighed by a 20 percent anticipated contraction in import demand, from last year’s all-time high, together with ample exportable supplies from many of the other major exporters.