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HIGHLIGHTS

- The 1999 paddy season is progressing well in the Northern Hemisphere countries under generally favourable conditions, while in the Southern Hemisphere and around the equatorial belt, harvesting of the 1999 main paddy crop season is virtually done. Production in several countries is expected to rebound from last season's depressed level due to a combination of larger plantings and higher yields. A number of countries are anticipating record production. Based on crop estimates in the Southern Hemisphere and the crop progress reports in several countries in the Northern Hemisphere, FAO is tentatively forecasting global paddy output in 1999 to reach an all time high of 582 million tonnes, barring any unforeseen natural calamities.

- International rice trade in 1999 is forecast at 21.8 million tonnes, unchanged from the previous report. At that level, the volume of trade would be about 5.6 million tonnes down from 1998 when international rice trade surged to an all-time high. The anticipated contraction is a function of 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. Nevertheless, the 1999 anticipated trade volume, if realised, would be the second highest on record.

- International rice prices from most origins rebounded during May and June and the FAO Export Price Index for Rice (1982-84=100), which has been sliding since the beginning of the year, increased by 2 points from May to an average of 116 points in June. By comparison, the index was 112 points in April, the lowest average since December 1994. The upturn in rice prices is attributed to the strengthening of the Thai baht against the United States' dollar and the recent presence of the Islamic Republic of Iran, traditionally the leading rice importer in the world, in the market for a purchase of about 300 000 tonnes of high quality rice. In addition, Indonesia's recent signing of a Memorandum of Understanding with the Government of Thailand for 200 000 tonnes of rice has been supportive of prices, especially of lower grades.

- 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 1.2 million tonnes to 52.6 million tonnes. The upward adjustment is largely attributed to a rise in anticipated stock levels in India following the Government's upward revision of the 1998-99 output level. However, global stocks would still be about 2 million tonnes below the closing stocks for the marketing seasons that ended in 1998. Most of the year-to-year stock decline is accounted for by China (Mainland), Japan, and Egypt.

GLOBAL VIEW[1]

1. WORLD PADDY PRODUCTION IS FORECAST TO REACH A NEW RECORD IN 1999

The 1999 paddy season is progressing well in the Northern Hemisphere countries under generally favourable conditions, while in the Southern Hemisphere and around the equatorial belt, harvesting of the 1999 main paddy crop season is virtually done. Production in several countries is expected to rebound from last season's depressed level due to a combination of larger plantings and higher yields. A number of countries are anticipating record production. Based on crop estimates in the Southern Hemisphere and the crop progress reports in several countries in the Northern Hemisphere, FAO is tentatively forecasting global paddy output in 1999 to reach an all time high of 582 million tonnes, barring any unforeseen natural calamities.

1.1 Asia – Timely Monsoon Rains Auguring Well for the Region's Paddy Season

The outlook for Asia's 1999-paddy season is quite bright assuming a normal weather pattern for the rest of the season. The monsoon rains started on time, and in some cases the rains were a bit early, which have helped prevent planting delays and benefited the crops in their early stages of development. Output is forecast to expand by about 6 million tonnes from the previous season to a new record of 529 million tonnes.

Northern Hemisphere

In *China (Mainland)*, harvesting of the 1999 early rice, the first and smallest of the three crops, is underway. However, the weather was very variable during the early part of the season and this could have a negative impact on yields. Overall, the country is expecting an increase in paddy output, compared to the flood-reduced 1998 crop. However, it is still too early for a meaningful forecast of the country's 1999 paddy production since the bulk of its total paddy output is produced from its intermediate and late rice crops, whose planting is in progress. In an effort geared towards improved grain quality, the Chinese Premier recommended a change to the State's grain procurement policy. As it is now, State-owned grain enterprises are obliged to purchase all of the farmers' surplus grain at protective prices, irrespective of the quality. The Premier recommended that inferior quality grains should be taken off the protective price list with a hope that farmers will adjust accordingly, over time, by taking such grains out of their crop mix. In *Vietnam,* gathering of the winter-spring paddy crop is complete in the south. Although yields are reported to be lower than last year's, which is attributed to the lower than usual water availability during some parts of the growing season, total harvested area is estimated at about 1.8 million hectares, up by over 10 percent from the previous season. Accordingly, paddy output is estimated higher by 4 percent at 8.6 million tonnes. In the north, harvesting of the same crop is nearing completion and by the end of June, approximately 97 percent of planted area had been harvested. Consequently, the forecast for the 1998-99 paddy has been raised by 1 million tonnes from the previous report to about 29 million tonnes. Planting of the 10th month and summer-autumn crops is in progress in the south and the prevailing weather conditions are reported to be favourable. The planting pace for summer-autumn is a lot faster than last year and by the end of May, about 1.6 million hectares had been planted, compared to 1.2 million hectares at the same time in 1998. In the *Philippines*, gathering of the secondary crop is complete and the estimate for the 1998-99 paddy output has been increased by 100 000 tonnes from the previous report to 10.3 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. Output from the secondary crop alone is estimated at 5.3 million tonnes or 47 percent up from last year's secondary crop; a factor attributable to

[1] As of June 1999.

larger planted area, better weather conditions, improved irrigation services and distribution of inputs. Planting of the main season crop is winding down and a return to normal output levels of around 11 million tonnes is anticipated, assuming normal growing conditions. This is based on reports of more area being planted to rice, the Government's commitment to increase farmers' access to irrigation and credit facilities and the expanded use of high-yielding varieties. In *Thailand*, harvesting of the second-season paddy crop is nearing completion, although the process was somehow interrupted by heavy rains in some areas, and a paddy output of over 4 million tonnes is expected, which would be much above earlier expectations as the crop benefited from unusual rainfall during March and April. Planting of the 1999 main-season crop is in progress and the Government is forecasting a production of about 18.9 million tonnes of paddy, up by 3 percent from the 1998 estimate. In *Japan*, farmers are planting the 1999 rice crop, which according to the Ministry of Agriculture, Forestry and Fisheries, should cover about 1.8 million hectares, unchanged from last year, notwithstanding the lowering of the support price from 263 yen per kilogram in 1998 to about 259 yen per kilogram this year. In the *Republic of Korea*, the rice area in 1999 is expected to remain around the previous season level of 1.1 million hectares. Based on average yields, paddy output is thus forecast at 6.9 million tonnes. Reports from the *Democratic People's Republic of Korea* indicate that rains have been below normal and the drought has started affecting the rice paddies. In *Cambodia*, farmers continue to transplant the 1999-2000 wet season crop under generally favourable conditions. The Government is provisionally forecasting an expansion in rice area and production. In *Myanmar*, planting of the main season crop is on going but its not yet clear as to how much area will be put under rice.

In *India*, harvesting of the rabi crop is virtually complete and the Government's preliminary estimate for the 1998-99 paddy output is about 127 million tonnes, up by 3 million tonnes from the previous season. Planting of the Kharif main crop for the 1999-2000 season is underway with the timely arrival of the southwest monsoon. The Government is expecting yet another normal monsoon for the eleventh consecutive year. Against that background, together with adequate supplies of fertilisers and seeds, the country could be headed for a record crop. The Indian Commission for Agricultural Costs and Prices has, reportedly, recommended to the Government an increase in Minimum Support Prices (MSP) for the 1999-2000 paddy season. On the average, the Commission recommended a raise of about Rs 250 per tonne from the previous season to about Rs 4,550 per tonne. However, the recommended hike for MSPs for pulses and groundnuts was 4 to 6 times the increase for paddy; a factor that is geared towards encouraging farmers to allocate less land to rice and more to these other crops. However, Punjab and Haryana, two of the major rice producing states have expressed dissatisfaction with the Commission's recommendations and are pleading for higher MSPs. In *Bangladesh*, harvesting of the mostly irrigated Boro crop is complete and output is estimated at about 9.3 million tonnes or 15 percent above the 1997/98 Boro crop, reflecting mainly an expansion in the area. In addition, expanded use of hybrid seeds, orchestrated by the Government after last year's floods, contributed to the higher output. Such an increase has partly offset the flood-inflicted losses of last summer and led to an upward revision of the estimate for the country's 1998-99 paddy output by about 300 000 tonnes to 28 million tonnes, only a fraction less than the previous season's outcome. Harvesting of the Aus crop, the first and smallest of the three paddy crops for the 1999-2000 season, is expected to begin in July. Planting of the 1999 paddy crop in *Pakistan* is in progress and is expected to be concluded by the end of July although information regarding area to be planted is still lacking.

Southern Hemisphere

In *Indonesia*, harvesting of the main-season rice crop is nearing conclusion and planting of the second-season crop will soon get underway. The Government forecast for paddy output in 1999 is about 48.7 million tonnes, up by 200 000 tonnes from the previous season. In contrast to last year, rains, associated with the La Niña phenomenon, have been plentiful and beneficial to the crops.

Indonesia: Paddy Production and Harvested Area

	1995	1996	1997	1998e	1999f
	Thousand tonnes				
Total Production	49744	51102	49377	48472	48663
Wetland	46806	48188	46592	45711	46082
Dryland	2938	2913	2785	2761	2581
	Thousand hectares				
Total area	11439	11570	11141	11613	11494
Wetland	10081	10251	9882	10354	10327
Dryland	1358	1318	1259	1260	1167
Source: Directorate General of Food Crops and Horticulture					
e = estimate, F = forecast					

In *Sri Lanka*, harvesting of the Maha (main) paddy crop is complete but there were reported crop losses and quality deterioration due to heavy rains during part of the harvesting period. Planting of the Yala crop is virtually done. The Government had targeted a paddy output of over 3 million tonnes for 1999 but there have been indications that production might be about 2.8 million tonnes.

1.2 Africa - The 1999 Paddy Season is in Progress in North and West Africa and Virtually Done in Southern Africa

North Africa - In *Egypt*, the main rice producer in the sub-region, planting is virtually complete. However, information regarding planted area is still missing.

West Africa - The 1999 paddy season is well in progress with the onset of rains. The rainy season started with generally above normal rains, but there was a reduction in precipitation in several countries during the first half of June. Although the outlook for most of the growing season is generally favourable, rain is needed soon in some countries to prevent potential negative impacts on yields. In *Mali*, rice area is estimated at about 390 000 hectares, almost unchanged from the previous year. Assuming favourable growing conditions, the Government is forecasting a 14 percent jump in yields to 2 tonnes per hectare, provided farm inputs are not limiting. In some countries of the region, civil strife is expected to continue to disrupt farming activities.

Southern Africa - Harvesting of the 1999 paddy crop has been completed in *Madagascar*, the main rice producing country in the sub-region. 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 done. 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 – Paddy Harvesting is almost Complete and Record Output is Expected

The 1999 paddy season has had very favourable growing conditions compared to the previous year when adverse weather conditions during planting and harvesting in several countries in Latin America negatively impacted on the region's 1998 paddy crop season. As the season nears to a close, indications from some countries suggest a high likelihood of record output.

In *Argentina*, harvesting of the paddy crop has been completed, the production estimate has been increased by about 200 000 tonnes from the previous report to an all-time high of 1.6 million tonnes. The rise is attributed to a larger area and record yields of about 5.7 tonnes per hectare. The estimated output in *Brazil* has also been raised modestly from the previous report to 11.4 million tonnes, which would be a 34 percent jump from 1998, reflecting both a rebounding of yields and a 16 percent rise in the area to 3.7 million hectares. In *Uruguay*, the Government has estimated the harvest at a record of 1.2 million tonnes, or 40 percent more than in the previous season, a consequence of higher area and yields. On the other hand, the Government in *Bolivia* has estimated paddy output at 210 000 tonnes, or 30 percent lower than the previous season, due to lower area.

1.4 Developed Countries – Harvesting of the 1999 Paddy Crop is Complete in Australia While in the United States and the EC the Season is in Progress

In *Australia*, the 1999 paddy season has been finalised and the growing conditions were very favourable. Accordingly, the Government has estimated an all-time high output of about 1.4 million tonnes, slightly more than the previous record established in 1997. It is reported that the State of New South Wales, where most of Australia's rice is produced, has developed a short-grain rice variety, Opus, specifically targeted for export to the Japanese market. About 10 000 tonnes of the Opus variety is expected to be produced this year.

In the *United States*, planting of the 1999 paddy crop is complete. Crops are reported to be in a good condition and the pace of development is said to be above the five-year average. Assuming favourable growing conditions for the rest of the season, USDA is anticipating a record output of about 9.4 million tonnes, 11 percent up from the previous season, mostly due to larger area. Researchers at the Louisiana State University have, reportedly developed a rice variety, IMI, that is herbicide resistant. Seed production of the same variety is expected to be stepped up in the year 2000 so as to enable commercial production in 2001. That increases the number of herbicide resistant rice varieties that will be available to the American farmers for commercial production to three, in addition to Roundup Ready and Liberty Link.

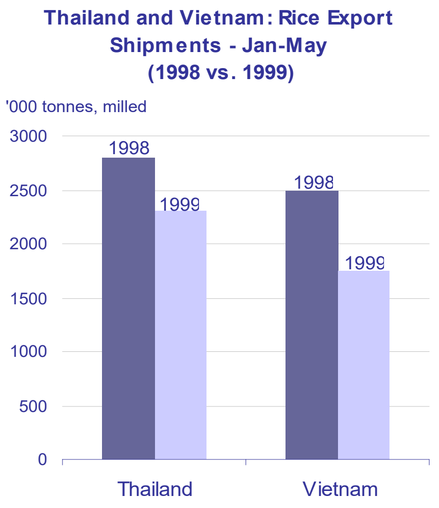
In the *EC*, the 1999 paddy season is in progress and harvesting is expected to start in late August/beginning of September. The expectation is for output to be close to last year's official estimate of about 2.6 million tonnes.

RICE TRADE

2. A 20 PERCENT DROP FROM LAST YEAR'S RECORD IS ANTICIPATED

International rice trade in 1999 is forecast at 21.8 million tonnes, unchanged from the previous report. At that level, the volume of trade would be about 5.6 million tonnes down from 1998 when international rice trade surged to an all-time high. The anticipated contraction is a function of improved production performance in 1998 and/or the expectation of stepped-up production in 1999 in many of the major importing countries whose outputs in 1997 and/or 1998 were reduced by El Niño-related weather problems. Nevertheless, the 1999 anticipated trade volume, if realised, would be the second highest on record.

Although the forecast for international rice trade has not changed at the global level since the last report, there have been substantial changes at the individual country level, particularly on the import side. Anticipated imports by *Bangladesh* have been reduced by 400 000 tonnes from the previous report to 1.5 million tonnes. The adjustment was prompted by the 15 percent higher output from the just harvested Boro crop, compared to last year. Purchases by *China (Mainland)*, mostly high quality rice, were lowered by 100 000 tonnes from the last report to 300 000 tonnes, based on imports to date. Expected imports by *Brazil* were also reduced by 200 000 tonnes to 800 000 tonnes, based on its good harvest. On the other hand, import shipments by *Indonesia* were adjusted upwards by 500 000 tonnes to 3 million tonnes. The expected increase in the 1999 paddy output would need to be supplemented with enough imports to meet the local demand and maintain a reasonable level of stocks. Expected import volume by *Nigeria* was also adjusted upwards by 120 000 tonnes to 420 000 tonnes based on imports to date. During the first five months of the year, the country was the biggest importer of Thai rice with a total of 241 000 tonnes. The 1999 expected import level for the *Philippines*, which was one of the large rice importers last year, was left unchanged from the previous report at 1.2 million tonnes.



Expectations regarding export shipments from the major exporters were unchanged from previously reported volumes. *Thailand*, the world's leading rice exporter, shipped out a total of 2.3 million tonnes of rice during the period January to May 1999, down by about 17 percent from the level for the same period in 1998.

In the light of weak demand on the international market, compared to last year, the *US* Rice Producers Association and the US Rice Federation are urging the Government to increase its use of rice as food aid. Likewise, rice growers in *Argentina* are, reportedly, searching for alternative markets to absorb some of its exportable supplies, since Brazil, its traditional customer and Mercosur partner, is expected to import less following a rebound in its domestic production.

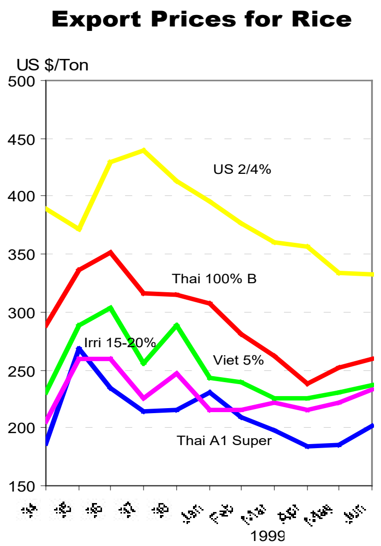
In *India*, the Government has designed a new classification that distinguishes between the traditional and hybrid basmati varieties. This is largely aimed at eliminating the confusion that Indian basmati faces in some international markets, particularly Saudi Arabia.

INTERNATIONAL RICE PRICES

3. PRICES STRENGTHEN THROUGH THE MONTH OF JUNE

International rice prices from most origins rebounded during May and June and the FAO Export Price Index for Rice (1982-84=100), which has been sliding since the beginning of the year, increased by 2 points from May to an average of 116 points in June. By comparison, the index was 112 points in April, the lowest average since December 1994. The upturn in rice prices is attributed to the strengthening of the Thai baht against the United States' dollar and the recent presence of the Islamic Republic of Iran, traditionally the leading rice importer in the world, in the market for a purchase of about 300 000 tonnes of high quality rice. In addition, Indonesia's recent signing of a Memorandum of Understanding with the Government of Thailand for 200 000 tonnes of rice has been supportive of prices, especially of lower grades.

The price for Thai 100B averaged US$259 per tonne, up by US$7 per tonne from May and compared to a five-year low April average of US$238 per tonne. Prices of the lower quality grades from various origins also averaged higher in May and June. The price of Thai 35% was US$219 per tonne in June, up by US$14 per tonne from May. The price of fully broken rice (Thai A1 Super) averaged US$ 201 per tonne, compared to US$185 in May.



WORLD PRICE INDICES FOR RICE

		FAO Indices		
		Total	Quality	
			High	Low
January-December Averages		1982-84 = 100		
1992		110	111	103
1993		100	102	92
1994		114	118	104
1995		129	124	146
1996		136	136	136
1997		127	129	120
1998		127	128	126
1998	April	127	128	123
	May	128	130	123
	June	130	132	123
	July	132	134	128
	August	132	132	133
	September	132	131	136
	October	129	127	137
	November	124	122	128
	December	124	123	125
1999	January	125	126	123
	February	120	121	116
	March	116	118	110
	April	112	114	106
	May	114	115	109
	June	116	116	114

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 rise in prices was observed in most of the other major exporting countries in Asia during May and June. In Pakistan, the increase is partly attributable to reports that the available exportable supplies might not be as much as anticipated as exports to Afghanistan are reported to be much more than originally thought.

However, monthly average export prices in the United States have continued to slide due to a combination of limited new import demand and expectations of a record crop in 1999. The price of the United States No. 2/4 percent broken rice averaged US$332 per tonne in June, down by US$2 per tonne from May. Although the price differential between the high quality Thai 100B and the comparable United States No. 2/4 percent broken rice has narrowed in comparison with earlier months, the gap would need to contract further in order for the US rice to be competitive in the high quality markets outside Latin America and the Caribbean.

EXPORT PRICES FOR RICE (f.o.b. US$/ton)

Type	Effective Date	Latest	1 week ago	1 month ago	1 year ago	Average (82-84)
Thai 100B	25/06/99	255	261	258	343	236
Thai 35%	25/06/99	218	220	210	261	213
Thai A1 Super	25/06/99	203	205	191	213	174
Viet 5%	25/06/99	238	238	233	300	n.a.
India 25%	25/06/99	230	230	225	242	n.a.
Pak 15-20%	25/06/99	…	235	223	…	220
US 2/4% Long	25/06/99	337	330	324	427	393

Source: International rice brokers, rice merchants and national sources.
... not available
n.a. not applicable

ENDING STOCKS

4. STOCKS ADJUSTED UPWARDS

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 1.2 million tonnes to 52.6 million tonnes. The upward adjustment is largely attributed to a rise in anticipated stock levels in India following the Government's upward revision of the 1998-99 output level. However, global stocks would still be about 2 million tonnes below the closing stocks for the marketing seasons that ended in 1998. Most of the year-to-year stock decline is accounted for by China (Mainland), Japan, and Egypt. Japan's policy of limiting domestic production aims at reducing the country's stocks over time. The anticipated decline in China's stocks is attributed to domestic supply problems associated with the floods that affected the country in 1998-99. In Egypt, the expected stock reduction should be in line with Government's policy of limiting rice area that led to a fall in domestic production. Smaller carry-over inventories in these two exporting countries are not expected to lift international prices as the reduction is being outweighed by a 20 percent anticipated contraction in global import demand, together with ample exportable supplies from many of the other major exporters.