Rice Market Monitor

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[1] Information is as of September 2000

HIGHLIGHTS

- Overall, global paddy production in 2000 is forecast to decline by 13 million tonnes to 594 million tonnes, about 2 percent less than last season. The contraction reflects a widespread shift towards other crops, induced by the weak rice prices that have prevailed since last year, and weather-related damage in a number of countries.

- The current forecast for rice trade in 2000 remains unchanged at 22.4 million tonnes, in milled equivalent. At this level, international rice trade volume would be 11 percent below last year's and about 19 percent lower than the 1998 peak. Rice trade is expected to improve slightly in 2001 at 23 million tonnes. However, this is still a very tentative forecast.

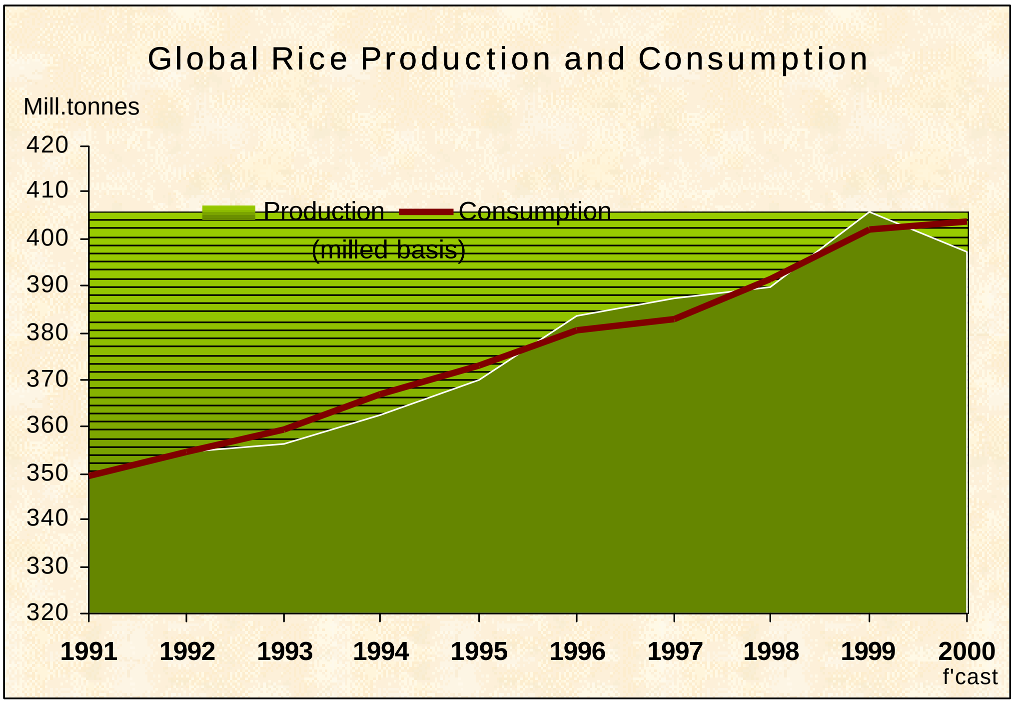
- With plentiful supplies in most of the major importing and exporting countries, international rice prices have remained under downward pressure. The FAO Export Price Index for Rice (1982-84=100), which has been falling since the beginning of the year, declined by a further 1 point to an average of 94 points in September, its lowest average since September 1993. Even the weather- related difficulties faced, of late, by a number of major producing countries have failed to re-invigorate the market. In addition, Indonesia's recent announcement that it will halt rice imports for the remainder of the year has dashed hopes for a price recovery.

- FAO's latest forecast for world rice stocks at the end of the marketing **1999/2000** seasons has been revised upward to close to 62 million tonnes, or 5 million tonnes above their opening levels. However, for the marketing seasons ending in **2001**, utilization might outpace production, which would imply some stock draw-down globally.

1. PRODUCTION

WORLD PADDY PRODUCTION TO FALL BY 2 PERCENT IN 2000

Overall, global paddy production in 2000 is forecast to decline by 13 million tonnes to 594 million tonnes, about 2 percent less than last season. The contraction reflects a widespread shift towards other crops, induced by the weak rice prices that have prevailed since last year, and weather-related damage in a number of countries. Indeed, severe weather disturbances have affected rice crop prospects and supplies in many countries in Asia. In this region, heavy monsoon rains, tropical storms, and typhoons have resulted in floods thereby causing havoc to a number of countries in the Northern Hemisphere, including China (Mainland), India, Bangladesh, Nepal, Cambodia, Thailand, Viet Nam and Laos. In the Southern Hemisphere, the 2000 paddy season has been generally concluded and planting of the 2001 paddy crops has started in a number of countries.



1.1 ASIA

Paddy production is Anticipated to Fall due to Unfavourable Factors

A combination of floods currently affecting several Asian countries and lower planted area is not auguring well for the region's paddy production. As a result, the region's 2000 paddy output is forecast to decline by 11.5 million tonnes to 541 million tonnes.

Northern Hemisphere

In ***China*** (Mainland), harvesting of the single-rice crop is near completion in most parts of the country while gathering of the late-double crop in the South is just starting. Overall paddy production and planted area are forecast to decline this year, a tendency that is consistent with the grain policy to cut production of poor quality varieties launched in 1999. As a result, paddy production for the current season is expected to decline by about 12 million tonnes from last year to 186 million tonnes. In the ***Philippines*** harvesting of the main paddy crop is underway. Despite adverse weather conditions prevailing in recent months, total production is forecast to increase by 200 000 tonnes above last season's 12 million tonnes. In ***Thailand***, harvesting of the main season crop is about to start. Despite severe floods in August and September, total paddy output for the 2000 season is forecast at about 23 million tonnes, unchanged from the previous year. About 645 000 hectares of paddy have been reportedly damaged or destroyed by severe floods in the rice growing areas in the north-east regions. However, weather seems to have favoured rice production in other areas above the flood level, which could compensate for the crop losses elsewhere. In ***Japan***, rice harvesting is underway and will extend into November. A bumper rice harvest is expected following favourable weather conditions. Faced with large stocks, the Government is considering a number of policy options to reduce their size, including stepping up emergency rice aid. In the ***Republic of Korea***, the main rice harvest is underway. Rice production is expected to decline by about 200 000 tonnes to 7.0 million tonnes. The ***Democratic Republic of Korea*** has announced paddy losses of more than 400 000 tonnes due to drought and floods earlier this year. In ***Viet-Nam,*** a loss of about 500 000 tonnes was reportedly provoked by the worst floods in 40 years. The most affected areas are the Mekong Delta provinces of Long An, Dong Thap and An Giang. Heavy rain in the Red and Mekong Deltas areas are likely to delay harvesting of the 10th month rice scheduled for mid October in the North and for late September in the South. Current forecast points to a 10th month paddy crop of around 8.3 million tonnes, or slightly less than last year. Despite the impact of flood damage, total paddy production is forecast at 32 million tonnes, about 300 000 tonnes more than in 1999. This anticipated increase assumes a good winter-spring crop yet to be planted. ***Cambodia*** is also coping with the most serious floods in 70 years, although water has begun receding. Seventeen of the country's 23 provinces were affected and more than 270 000 hectares of rice were damaged or destroyed. Delays in ongoing land preparation, transplanting and planting of the main wet season rice were also incurred. In contrast to widespread flood damage in the river delta, drought in areas such as Kampong Spoe province also destroyed a number of rice nurseries. As a result, the outcome of the 2000 rice season remains highly uncertain. Latest estimates indicate that in ***Laos*** some 45 000 hectares of paddy were damaged by floods in the central and southern parts of the country. In ***India***, following serious drought in a number of western and southern states, severe floods during the monsoon have devastated parts of the country. The majority of the flood-affected regions are rice producing areas, accounting for about 52 percent of total Kharif (monsoon) rice production. The outlook in major rice surplus states of Punjab, Haryana and most parts of Utar Pradesh remains favourable. Rain precipitation has been irregular in Bihar, Madhya Pradesh, West Bengal and Orissa where the rice is rainfed. As a result, the 2000 production may be lower than the current estimate of 133 million tonnes. In late August, the Government announced the minimum support price for paddy for the 2000 marketing year at 5 100 rupees per tonne (US $112 per tonne) for common varieties and 5 400 rupees per tonne (US $118.7 per tonne) for "Grade A" varieties, about 3 percent more than for the previous marketing year. In ***Bangladesh***, the harvest of the Aus crop, the first and smallest of the three paddy crops, was completed in July/August while, for the Aman crop it will not start until November. Current forecast indicates that rice production for the 2000 season would be around 34 million tonnes, almost similar to the previous year. However, the bulk of the 2000 production is subject to the performance of the irrigated Boro crop to be harvested in early 2001. In ***Myanmar,*** gathering of the main monsoon crop will begin in November. The 2000 rice production is forecast at 20 million tonnes, slightly more than last year. In ***Pakistan***, harvesting is underway. Current reports indicate that, because of a reduction in planted area and yields, output could fall to 7.0 million tonnes, some 700 000 tonnes less than in 1999.

Southern Hemisphere

In ***Indonesia***, harvest of the 2000 second paddy crop season is in progress and will continue through December. The 2000 rice production is forecast to reach 52 million tonnes, about 1 million tonne more than last year. A long wet season and only minor incidences of pests and diseases have contributed to this increase. Preparation for the 2001 main rice crop are just underway, for harvesting from February to June, next year. In ***Malaysia***, farmers are also gathering the 2000 second crop and the outlook for the full year points to a positive outcome of about 2.1 million tonnes, close to the five-year average. In ***Sri Lanka***, harvesting of the secondary and irrigated Yala paddy crop is near completion, while the main Maha crop was concluded in March. Total output for the 2000 season is expected to fall because of a drop in the Maha output reflecting unfavourable growing conditions.

1.2 AFRICA

Harvest is On-going in Africa Where A Number of Countries are Expected to Record an Increase in Output

North Africa – In ***Egypt***, the 2000 rice crop is being harvested since mid-August. Production is anticipated to reach 6.2 million tonnes, up from 5.8 million tonnes last year, mainly reflecting a 5 percent increase in plantings and generally favourable growing conditions.

West Africa – The 2000 harvest has started in the sub-region. Crop conditions are mixed, as some countries have benefited from good weather, while others have suffered from a serious lack of precipitation. In some instances, civil unrest continues to disrupt agricultural activities with negative consequences for paddy crops. In ***Nigeria***, the largest rice producer in Western Africa, paddy production is expected to rise slightly above the 3.4 million tonnes achieved last year, reflecting good weather and regular rains. In ***Mali***, output is expected to surge by 10 percent, reflecting abundant rainfall during the season and increased plantings. In ***Sierra Leone***, resurgence of civil disturbances in early May seriously disrupted the critical planting period. Although growing conditions have been good in general, a smaller harvest is anticipated.

Southern Africa - The 2000 season is virtually over in the sub-region. In ***Madagascar***, successive cyclones and tropical storms during the growing season caused severe damage to crops and agricultural infrastructure in the central and northern parts of the east coast, while drought severely reduced food production in the south and central regions. As a result, the 2000 rice production is estimated to have dropped by 17 percent to 2.2 million tonnes. In ***Mozambique***, the other major rice producer and the country most affected by the cyclones in April, the decline in rice production is estimated at 46 000 tonnes from the 186 000 tonnes produced last year.

1.3 LATIN AMERICA AND THE CARIBBEAN

Harvesting in Central America and Planting in South America. A Reduction in Output Anticipated

In Central America, an unusually long and severe summer dry spell (canicula) has affected the 2000 harvests. Damage to the paddy crop has been reported in some areas in ***El Salvador***, where the rice harvest will start in November. Output however is forecast to be about average. ***Nicaragua*** has also suffered from the dry spell, which has damaged some 2 200 hectares of rainfed rice. The bulk of the harvest, which is scheduled for November-December, is forecast to be average. In South America, harvesting of the 2000 paddy crops is virtually completed and the 2001 season is already in progress in some countries. In ***Argentina***, where low rice prices in 1999 discouraged planting, the 2000 paddy plunged to 880 000 tonnes from 1.6 million tonnes last year. Likewise, total paddy output in **Uruguay** declined by some 200 000 tonnes to 1.1 million tonnes. In ***Venezuela***, harvest is underway and a near average crop is anticipated. In ***Brazil,*** estimates of production for 2000 remain unchanged at 11.5 million tonnes, only slightly less than last year.

1.4 OTHER REGIONS

Planting Preparations in Australia are Underway While Harvesting in the US and the EC is in Progress

Oceania – In **Australia**, the 2000 paddy season has been concluded with output estimated at 1.1 million tonnes, compared to last year's 1.3 million tonnes. The 2001 season has already started.

North America – In the **United States**, harvesting is nearing completion in all rice growing states. The 2000 crop is expected to decline by 7.5 percent to 8.7 million tonnes. This significant reduction reflects a switch of land to more lucrative crops in the wake of weak rice prices at planting time. The area planted to rice is estimated to have declined from 1.4 million hectares in 1999 to 1.2 million hectares in 2000.

Europe – In the **EC**, the gathering of the paddy crop is still in progress in ***Italy***. Production in that country is expected to remain about unchanged compared with 1999, although there is some evidence of a shift towards long grain varieties, at the expense of medium grain rice. In ***Spain***, harvest of the main rice crop is virtually completed and preliminary estimates put production at about 760 000 tonnes, or 10 percent less than in the previous season. Overall output for the EC is forecast to decline by 85 000 tonnes to 2.6 million tonnes in 2000.

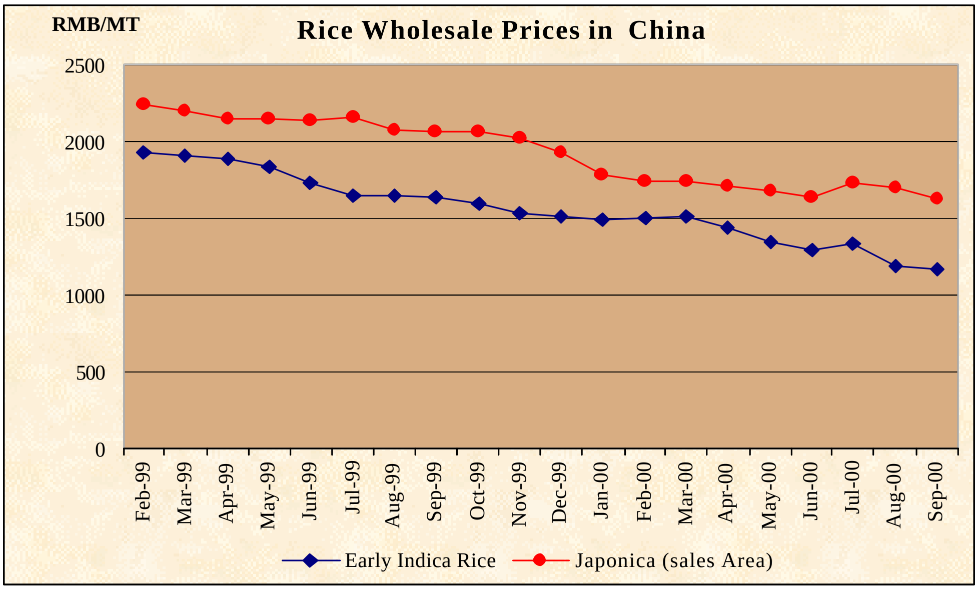
Last June, the EC Commission released a proposal of a reform of the EC rice policy regime in an attempt to address the oversupply problem the Community has been facing since it started implementing its WTO commitments. The proposal considers eliminating public intervention purchases and storage, which are now compulsory when prices fall below a minimum level. The proposal, which has generated considerable discussion in the main producing countries, has not yet been ratified (see Annex).

2. INTERNATIONAL TRADE IN RICE

The Outlook for Rice Trade in 2000 remains unchanged – A slight recovery is expected in 2001

The international rice market continues to suffer from weak import demand for the second consecutive year, as many of the major importing countries have been holding ample supplies following bumper crops in the previous two seasons. The current forecast for global rice trade in 2000 remains unchanged at 22.4 million tonnes in milled rice equivalent. At this level, it would be 11 percent smaller than last year and 19 percent below the 1998 peak. World trade in rice in 2001 is tentatively put at about 23 million tonnes, some 4 percent more than the current forecast for 2000. The increase is based on current prospects for ample export availabilities and the likelihood that several countries currently facing unfavourable weather conditions might need to step up imports to compensate for production shortfalls.

Although the estimate of world trade in 2000 has not changed from last report, a number of revisions have been made at the country level. On the import side, estimates for ***Bangladesh*** have been cut by 200 000 tonnes to 500 000 tonnes in the light of the large supplies currently held in the country following two bumper seasons. ***China's*** imports have also been officially lowered by 50 000 tonnes to 200 000 tonnes. Expectations of a reduced 2000/01 rice output have not reversed the prevailing tendency for domestic prices to fall. ***Indonesia*** recently announced its intention to suspend imports for the rest of the year. As a result, the country's forecasts for 2000 imports have been cut by 100 000 tonnes to 2.2 million tonnes. At that level, shipments into the country would be 42 percent lower than last year, adding to the bearish overall 2000 trade outlook. Imports by ***Guinea*** and ***Saudi Arabia*** were also cut by 150 000 tonnes, overall. By contrast, purchases by ***Madagascar*** have been raised from 90 000 tonnes to 310 000 tonnes, in the light of the poor season. Despite the woes endured by the country this year, most of the imports are expected to be made on commercial terms, with only a limited volume provided as food aid. Current import forecasts for ***Sri Lanka*** have also been adjusted upward following the negative outlook for production. Based on trade records for the first half of the year, shipments to the ***Russian Federation*** have been raised by 100 000 tonnes to 600 000 tonnes, the highest level since 1992. ***India's*** imports have also been adjusted upward following the announcement, last May, of a Government decision to purchase 50 000 tonnes from ***Myanmar***.



Source: China Grain Market Monthly Report, National Grain and Oils Information Centre Analysis and Forecast Department

Exports from ***Viet-Nam*** have been cut by 200 000 tonnes from 4 million tonnes anticipated in the last report, as the sluggish international rice market situation and the severe weather conditions are making it difficult for the country to maintain the expected pace of exports. Based on the last reported performance, ***India***'s exports were also revised downwards by 200 000 tonnes from 1.5 millions tonnes, since domestic prices remain un-competitive on the international market. Despite the stepping up of the food aid and credit programmes in the ***United States***, expected shipments from the country were further adjusted downward, reflecting a poor demand from its traditional customers in Latin America and the Caribbean. By contrast, shipments from ***China*** (mainland) have been raised by 500 000 tonnes to 3.1 million tonnes. At that level, the country's share of the rice international market would reach 14 percent, up from 11 percent in 1999. Forecast sales from ***Thailand*** have been maintained at the Government targeted level of 6 million tonnes, although this will imply a stronger pace of exports during the rest of the year.

World rice trade in 2001 is tentatively forecast to increase to about 23 million tonnes. Most of the largest rice importers are expected to raise their purchases, including ***Indonesia***, the ***Islamic Republic of Iran***, ***Nigeria*** and ***Saudi Arabia***. Shipments into ***Iraq*** and the ***Democratic Republic of Korea*** might also surge, to offset the production shortfall this season. The increase in trade will be met mostly through larger sales by ***Thailand and Vietnam***, while exports from the ***United States*** might remain close to this year's level. Despite the prospects for a lower 2000 rice output, ***exports of China*** might keep on rising with large supplies drawn down from stocks.

3. INTERNATIONAL PRICES

Ample Exportable Supplies in Some Countries and Limited Import Demand Continue to Pressure Rice Prices Downwards

Despite the weather-related difficulties currently faced by major exporters, the international rice market continues to be oversupplied and international rice prices have remained under downward pressure through September.

WORLD PRICE INDICES FOR RICE

		FAO INDICES		
		Total	Quality	
			High	Low
January-December Averages		1982-84 = 100		
1993		100	102	92
1994		114	118	104
1995		129	124	146
1996		136	136	136
1997		127	129	120
1998		127	128	126
1999		114	115	110
1999	September	112	114	107
	October	107	109	100
	November	107	108	102
	December	105	106	99
2000	January	106	107	100
	February	106	108	98
	March	102	105	93
	April	101	104	89
	May	96	100	86
	June	96	100	85
	July	96	99	88
	August	95	98	87
	September	94	96	86

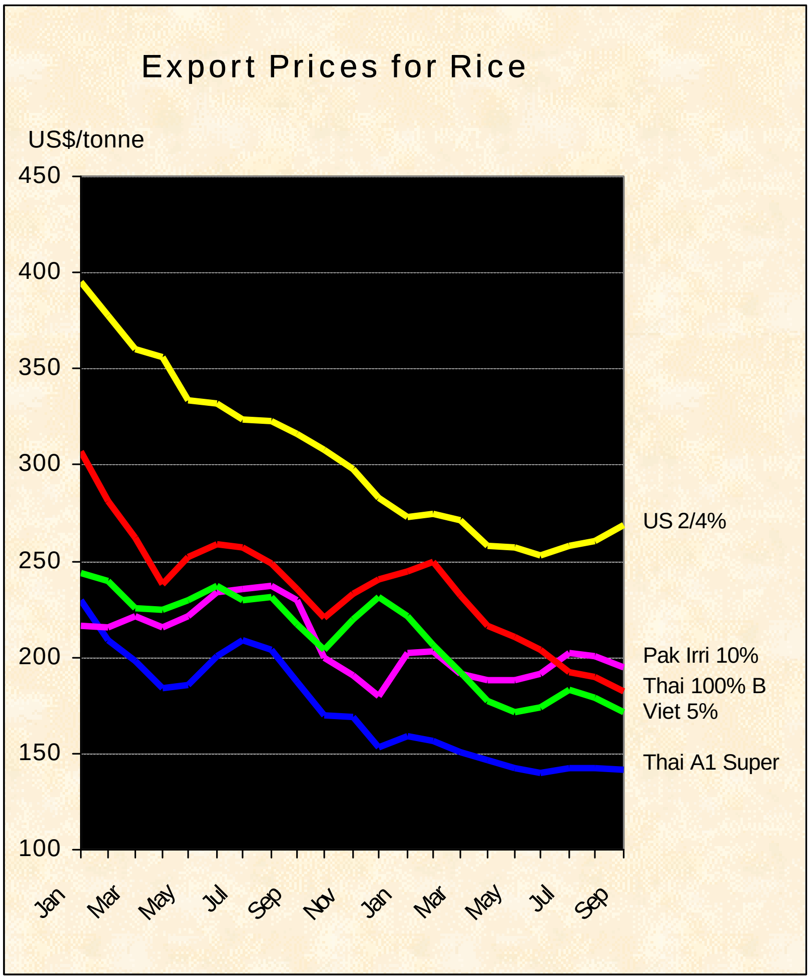
Source: *FAO*

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.

The FAO Export Price Index for Rice (1982-84=100) has been falling since the beginning of the year and has declined by a further one point to an average of 94 points in September. At this level, the index registered its lowest average since September of 1993. As a result of the supply and demand imbalance, traded rice has become very competitive, a development that should benefit the lower income rice importing countries.

Between August and September 2000, the price for Thai 100%B fell by US$ 7 per tonne to US$ 182 per tonne, the lowest level in thirteen years. Prices continued to slide despite the Government's intervention to reverse the direction.

In June, the prices of the lower quality fully broken rice (Thai A1 Super) dropped to a historical low not seen since 1990, at US$ 139 per tonne due to a lack of demands. Since then, the prices have eased with minor fluctuations between July and September when they remained stable around US$ 143-142 per tonne.



In the United States, prices for the high quality No. 2/4 percent broken rice averaged US$ 268 per tonne in September, down from US$ 316 per tonne observed at the same period last year, but up slightly from US$ 260 per tonne in August.

In early July, grain traders were expecting rice prices to firm up due to improved demands from Indonesia and the Philippines. However, because of Indonesia's recent decision to halt rice imports for the rest of the year and uncertainties regarding the Philippines' imports, hopes for a recovery in prices have dwindled.

In reaction to the very bearish international price situation, ***Thailand*** and ***Vietnam*** are considering the possibility of establishing a mechanism to sustain prices. In that connection, the two countries signed, in September, an agreement to jointly market low grade rice, in an attempt to prevent each from undercutting the other's prices in international transactions. ***China*** is considering joining the initiative.

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	29/09/2000	190	178	182	213	236
Thai 35%	29/09/2000	155	149	156	179	213
Thai A1 Super	29/09/2000	139	138	148	166	174
Viet 5%	29/09/2000	172	169	177	196	n.a.
India 25%	29/09/2000	220	220	220	245	n.a.
Pak 10%	29/09/2000	196	190	197	205	n.a.
US 2/4% Long	29/09/2000	275	275	258	308	393

Source: International rice brokers, rice merchants and national sources.
... not available
n.a. not applicable
1/ Please note that the series has changed as prices for Pakistan's Irri 15-20% are no longer available.

4. STOCKS

Global Stocks are forecast to rise by the end of the 1999/2000 season but a sharp contraction is anticipated for 2000/01

FAO's latest forecast for world rice stocks at the end of the marketing **1999/2000** seasons has been revised upward to close to 62 million tonnes, or 5 million tonnes above their opening levels. However, for the marketing seasons ending in **2001**, global stocks are expected to plummet by 10 percent to approximately 55 million tonnes, as utilization is likely to outpace production. Most of the contraction is likely to originate in China, where the Government is actively pursuing the policy of reducing rice inventories and the financial losses that have been associated with their holding.

ANNEX

EC's Commission Proposal For A New Rice Policy Reform

Since the implementation of the 1996/97 reform of the EC rice policy regime, the EC rice market has been in a general excess supply situation, with intervention stocks surging to 625 000 tonnes in June 2000, about 130 000 tonnes above their opening level in 1999/2000. Increases in both production and imports have contributed to the surpluses, in the face of static domestic rice consumption and the URA constraints on subsidized exports.

On 7th June 2000, the EC Commission released a new proposal for a rice policy reform, for implementation in the 2001/2002 crop season, aimed at lessening the rice excess supply. The proposal centred on an abolition of the support intervention prices, bringing to an end the system of mandatory intervention purchases and stocks. Instead, support to the market when prices are low is to be provided through aids to private storage. The elimination of the support price would be compensated through an increase in the area payments to the same level as for the crops falling under the arable crop policy regime. As for these crops (mainly grains and oilseeds), rice would be subject to compulsory set-aside.

The elimination of the rice intervention price may also have important implications for imports because of the current procedure used for the estimation of the duty on milled and husked rice imports, applied since July 1995 with the implementation of the URA. Import duties on husked and milled rice are derived as the difference between a ceiling price, calculated as a percentage of the effective buying-in intervention price[2], and a reference representative c.i.f. import price.

In the absence of a rice intervention price, the above method for the estimation of the duty would no longer be applicable. This might imply that imports of husked and milled rice are charged the WTO bound tariffs, as is presently the case for paddy and broken rice. However, that change would be the object of negotiation under Article XXVIII of GATT 1994 (Modification of Schedules) with the interested WTO partners.

[2] 188% for husked Japonica rice; 180% for husked indica rice; 267% for milled Japonica rice; and 263% for milled indica rice.

EC's CURRENT RICE REGIME	EC's COMMISSION PROPOSAL
Production Policy:	
▪ 1999/2000 support intervention price: 298.35 Euro/tonne for paddy rice	▪ Support intervention price to be abolished in 2001/2002
▪ Mandatory intervention purchases. By June 2000, intervention stocks had reached 625 000 tonnes (Japonica 393,000 tonnes, Indica 232,000 tonnes)	▪ Public intervention system to be abolished and replaced with private storage aids.
▪ Compensatory area payments: 52.65 Euro/tonne times the average regional yield. On average, 328.98 Euro/hectare were paid to EC rice producers in 1999/2000	▪ Payments to be raised to 63 Euro/tonne (same level as for grains).
▪ No provision for compulsory set-aside	▪ Rice to be subject to compulsory set-aside. The application of the 10% set-aside currently in place for grains would lower production by an estimated 150,000 tonnes.
Import Regime:	
▪ From July 1995, imports of paddy rice and brokens subject to WTO bound tariff rates (211 Euro/tonne for paddy and 128 Euro/tonne for brokens in 2000/01);	▪ No change
▪ Under footnote 7 of the US/EU Blair accord, the duty-paid import price for husked indica and japonica rice cannot exceed by more than 80% and 88% respectively the effective buying-in price for intervention for those qualities. For milled japonica and indica rice, the difference cannot be more than 167% and 163% respectively.	▪ In absence of an intervention price, the current method to estimate import duties is no longer applicable. It is not clear whether their removal will imply that WTO bound tariff highly would apply, as they do now for paddy and broken rice.
▪ Currently husked indica rice imports are subject to a duty of about 207 Euro/tonne.	▪ WTO bound tariff for husked rice is 264 Euro/tonne in 2000/01, thus higher than currently applied. Likely to be the object of negotiation under Article XXVIII of GATT 1994 (Modification of Schedules).
▪ Basmati rice imports are subject to a reduction of Euro 250/tonne of the applicable duty.	▪ Also subject to re-negotiation with the interested parties, principally India and Pakistan.
Export regime:	
▪ Subsidized exports subject to quantity and value ceilings	▪ No change