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HIGHLIGHTS

- Planting of the 2001 paddy season is underway in some of the Northern Hemisphere countries but the bulk of the crop is yet to be planted pending the arrival of Monsoon rains on the Asian continent. In the Southern Hemisphere and around the equatorial belt, this season's main paddy crop is nearing completion. Following weak prices in the past two years, some countries are expected to lower rice area and to switch to more remunerative crops. Nonetheless, pending additional information and assuming normal seasonal weather patterns, world paddy production in 2001 is expected to decline only marginally from the previous season.
- From the last issue of the RMM, there has been a weakening in the prospects for global rice trade, which is currently forecast at 21.9 million tonnes, down by 0.6 million tonnes compared with last year. The year-to-year decline reflects good 2000 crops as well as policy measures implemented to protect domestic markets in a number of importing countries.
- Apart from a few short-lived reversals, the FAO Export Price Index for Rice (1982-84=100) has continued to follow a declining trend, with the index falling by roughly 6 points since the previous report. While prices have recovered to some extent in recent weeks, it remains to be seen whether this trend reversal will be sustained.
- Global rice stocks at the close of the marketing season ending in 2001 are forecast to fall by about 7 million tonnes from their opening levels, to 154 million tonnes, as production is anticipated to fall short of consumption at the world level. However, the overall contraction to stocks must be viewed with reference to the large stock building that took place in 1998 and 1999.

1. PRODUCTION

WORLD PADDY PRODUCTION TO DECLINE MARGINALLY IN 2001

While in the Southern Hemisphere, the 2001 paddy crops are about to be harvested, planting of the first season crops has just started in some of the Northern Hemisphere countries, and many of the major producing countries in the Asian Continent still await the arrival of the Monsoon rains. Although several countries have signalled an intention to lower the area under rice and to switch to more remunerative crops, others have maintained an expansionary stance. Thus, assuming normal weather conditions during the season, global paddy production is currently estimated at 594.5 million tonnes, marginally lower than the previous season.

1.1 ASIA

The 2001 Paddy Season in Most of Asia Awaits the Arrival of the Monsoon Rains

The 2001 main paddy season is at an advanced stage in some Asian countries but planting of the majority of the crop has yet to start in most of the region, pending the arrival of the monsoon rains. Contrasting trends are emerging. On the one hand, major importing countries are expected to expand area in an endeavour to reach self-sufficiency, while others are conducting policies to curb output, especially of poor quality rice.

Northern Hemisphere

In *China* (Mainland), planting of the early rice crop is nearing completion while it is just started for the semi-late crops. Preliminary forecasts from the country point to a minor contraction in production for these first two rice crops, while little change is envisaged for the third “late” crop. Overall, production might fall by about 2 million tonnes, or one percent from last season. In the *Philippines*, farmers are currently preparing cultivation for the main season crop, the planting of which is expected to continue through to June. Following the introduction of measures to improve efficiency in the production-distribution chain, the Government expects a 2001/02 paddy harvest of 12.5 million tonnes – matching the record achieved last season, despite concern of another incidence of El Niño, the weather phenomenon responsible for drought in the region in 1997 and 1998. In *Thailand*, preparation for the 2001/02 main-season crop is underway. The Government has continued to actively support paddy purchases from farmers, to lift market prices. At the same time, the country is bracing itself for a drought, despite early out-of-season rainfall, and is making provisions for emergency irrigation. However, pending new information, forecast production for 2001 remains close to the previous season’s outcome.

In *Viet Nam*, planting of the 10th month rice crop, the first of the 2001/02 season, is to commence in May, coinciding with the arrival of the annual monsoon rains. Depressed domestic prices have compelled the Government to intervene in the domestic market, by purchasing 1 million tonnes of paddy for storage, while introducing a minimum procurement price. Producers have also called on the Government to look at measures to reduce taxation, which is argued to be stifling margins. In an attempt not to repeat last year’s poor export

performance, the Government is encouraging the production of high quality rice and removing rice from 430,000 hectares of poor performing land. Furthermore, conscious of the regular occurrence of adverse weather, the Government is promoting shorter-maturing rice strains to mitigate the effects of the weather on output. At present, it is too early to assess how producers will respond to the new policy measures, but production is currently anticipated to fall by 200 000 tonnes from the previous year to 32.5 million tonnes.

Planting of the new season's sole rice crops in Japan and the Republic of Korea is currently taking place. Under **Japan's** ongoing rice production adjustment programme, which aims to curb rice surpluses, over 1 million hectares of rice area have been set aside for diversion, that is 100 000 hectares more than in the previous year. In addition, the Government has recently announced that a further 50 000 hectares would be shifted, in case of an "above normal" paddy production. This measure, combined with a decline of yields back to normal levels, is anticipated to lead to an 8 percent drop in production. In the **Republic of Korea**, consumers with rising incomes are moving away from rice and turning to wheat-based foodstuffs. This trend has exacerbated excess rice supply and has placed domestic rice prices under downward pressure. Under the Uruguay Round Agreement (URA), the country has committed to adopt production-restrictive measures. Accordingly, Government rice policy has been refocused to enhance the quality of the rice produced rather than increasing quantity. Thus, although the Government raised by 4 percent the rice procurement price for the 2001/02 paddy season, it has set a lower procurement ceiling of 828 000 tonnes and announced a 2001/02 paddy production target of 7.1 million tonnes, 1 percent below last year.

With the arrival of the Southwest Monsoon, planting of the Karif main crop is due to commence in **India**. Since irrigation is available to only 45 percent of rice area, prospects for the new season crop will again be largely dependent on the June-September monsoon. Considering that drought conditions hampered rice output in 2000, it is expected that a return to normal weather conditions will help production recover this season. On the other hand, depressed prices might encourage some diversification out of rice, while policy developments will also influence planting decisions. For instance, in the Punjab state, the state authority is encouraging producers to shift towards other crops, particularly cotton. Thus, paddy output is tentatively forecast to reach 133 million tonnes, 3 million tonnes more than last season, but still short of the 1999 record. In **Bangladesh** planting of the rainfed Aus crop, the first and smallest of the three paddy crops, is nearing completion. As the country continues to shift emphasis to the irrigated Boro crop, the contribution of the Aus harvest to total rice output has been falling in the past decade. Last season's record harvest has depressed domestic prices to the extent that total area for the 2001/02 season is anticipated to fall. However, with little scope for diversification, price-induced reductions to planting are likely to be only marginal. Thus, assuming normal precipitation, paddy production for the new season is expected to change little from last year.

Farmers in many other Asian countries, including **Pakistan** and **Myanmar**, also await the arrival of the monsoon rains to start planting. Owing to expected serious water shortages this season, the Government of **Pakistan** has announced severe cuts to irrigation water and is encouraging rice producers to cultivate less water intensive crops. It is anticipated that the water constraint will result delays in planting, albeit of the minor IRRI variety. As a result, the country's production is forecast at 6.8 million tonnes, slightly down from last season. By

contrast, output growth in **Myanmar**, which has relied mainly on land reclamation, is expected to continue through to the 2001/02.

Southern Hemisphere

Harvesting of the 2001 paddy crop is nearing conclusion in the Southern Hemisphere countries. **Indonesia** – the world’s third largest rice producer and the leading importer – is expected to record a small decline in production, after two bumper seasons. Although flooding problems affected newly planted rice fields early this year, the impact on production is expected to be only marginal, although some areas will need to be replanted and quality may be compromised. In **Malaysia**, prospects for the current rice crop appear favourable. The 2001 harvest is expected to rise somewhat, reflecting new initiatives from the Government to boost production and to reduce the country’s dependence on imports. Aside from the long-term policy goal of improving self-sufficiency, the Government is preparing for the impact of joining the Asian Free Trade Area (AFTA), and is taking steps to raise price competitiveness. Recent measures include reviewing the possibility of developing 1 200 hectares for rice cultivation and exploiting scale efficiencies by merging 25 000 hectares of paddy rice under single estate management.

Harvesting of **Sri Lanka’s** principal rice crop – the rainfed Maha crop – is nearing completion and planting of the secondary dry season Yala crop is underway. While ample rainfall in the growing season suggests that the 2001 Maha harvest will closely match the above average level attained in the previous year, the outlook for the forthcoming Yala crop is less favourable. Depressed producer prices, labour shortages and rising costs are likely to adversely influence planting decisions. However, owing to food security aspirations and with little scope in the short term for shifting towards more remunerative crops, the negative effect to the sector may be less pronounced. The Government has also identified some options to alleviate the problems facing the sector, such as introducing higher yielding seed strains.

1.2 AFRICA

The 2001 Paddy Season is Commencing in North and West Africa while the Season is Concluding in Southern Africa

North Africa – The Government of **Egypt** –the main rice producer in the region– has set aside an upper bound of 1.1 million Feddans (roughly 462 000 hectares) for rice production. While the established ceilings have been largely exceeded in previous years, poor pre-season prices may facilitate compliance this season, as farmers shift to more profitable crops, such as maize. Given constraints on water availability, paddy output growth is largely dependent on productivity improvements. Therefore, higher yielding varieties, faster maturing strains and improvements in irrigation infrastructure are currently being promoted. On balance, output is forecast to remain close to the record achieved in 2000.

West Africa - Preparations for the 2001/02 paddy season are underway in the major rice producing countries of West Africa. While uncertainties surround planting intentions in the

region, the rainy season is reported to have started on time in *Nigeria* and the *Cote d'Ivoire*, providing an encouraging start to the new paddy crops. However, civil conflicts prevail in several other rice producing countries in the sub-region. With few prospects for peace, cultivation of rice continues to be destabilized in these countries. For instance, in *Sierra Leone*, planting of the new season crop is expected to begin in May, but it is feared that the resurgence of civil unrest will again hinder rice cultivation. In *Liberia*, the area under rice has been reported to have expanded. However, growth in production should be rather limited owing to seed and fertilizer shortages, lack of infrastructure and expected high post-harvest losses.

Southern Africa - The 2001 paddy crop season is well advanced in Southern Africa, but erratic and disruptive weather patterns are causing uncertainties over output in the sub-region. In *Madagascar*, ample precipitation during January, followed by below average rainfall in the months of February and March, have resulted in warnings of yield reductions. Nonetheless, the country is currently expected to experience a recovery, from the drought-induced production shortfall in 2000. In *Mozambique*, torrential rains earlier in the year have damaged crops and infrastructure in the central provinces with 48 000 hectares of crops estimated to have been lost. At the same time, in southern parts, a lack of precipitation during crop maturation is affecting yields. Unless the weather problems persist for an extended period, the impact on the rice crops should not be as large as observed last season, to the extent that a general recovery in paddy production is anticipated.

1.3 LATIN AMERICA AND THE CARIBBEAN

Harvesting is in Progress and a Reduction in Output is Anticipated

Depressed prices and rising costs have afflicted **Argentina's** rice sector, and following the announcement in the previous report that area has undergone a significant contraction, paddy output in Argentina is now forecast to fall to 640 000 tonnes in 2001, which represents a 29 percent reduction from the previous year. In **Brazil**, an expectation of significant yield increases through advances in seed technology, higher investments and favourable weather, are likely to partially offset the impact of the reported reduction in area. As a result, production in Brazil for the 2001 season is forecast to decrease by around 5 percent from the previous year to 10.8 million tonnes. Smaller plantings are also expected in **Uruguay**, so output has been adjusted down by 16 percent to 920 000 tonnes. In the rest of the region, paddy production in **Mexico** is expected to decline due to a cut in area and, to a lesser extent to a decline in yields, following a lowering of basic applied inputs.

1.4 OTHER REGIONS

Harvesting of the 2001 Paddy Crop Nears Completion in Australia but Planting is Just Getting Underway in the United States and The EC

In *Australia*, the expected harvest from the 2001 paddy crop is still on course to register a record of 1.75 million tonnes. In the *United States*, planting of the 2001/02 crop is underway and based on the USDA, rice area is expected to increase by 1 per cent from a revised previous year's total. Concerns over recurrent power shortages in the major growing region of California, necessary for irrigation, and concerns over reduced demand by millers, have dampened output expectations for the 2001/02 rice crop. In the *EC*, the 2001/02 paddy season is in progress. In *Spain*, such has been the abundance of rainfall that crops over the next three seasons can be sufficiently irrigated. To take advantage, producers are further planning to introduce new high-yielding seed strains. However, their ability to expand planting will be constrained by the area ceilings under the Common Agricultural Policy. On the other hand, the EC Commission's proposal to reform its rice policy regime, which should have been implemented in 2001/02, has been temporarily shelved owing to opposition by member countries to the abolition of the intervention system.

2. INTERNATIONAL TRADE IN RICE

Weak Import Demand Hinders Trade Expansion

Prospects for global rice import demand have significantly weakened, consequently the forecast for world rice trade in 2001 has been revised downward by 1.5 million tonnes to 21.9 million tonnes from the last report. The drop in international demand appears to be fuelled by policy measures instituted by a number of importing countries to increase self-sufficiency and to protect domestic markets.

The bulk of the revision in global rice imports stems from lower forecasts for *Indonesia*, where a weakening of the local currency is likely to discourage shipments by the private sector. The country has also announced that no official imports would be made this year by Bulog, the country's state trading agency, in light of large opening stocks and depressed domestic prices. As a result, total anticipated imports by the country now stand at 1.2 million tonnes, 600 000 tonnes less than previously forecast and 800 000 tonnes below 2000. Import prospects for *Bangladesh* have been lowered from 500 000 tonnes to 300 000 tonnes, following a recent tariff increase from 10 percent to 15 percent and abundant harvests last season. Similarly, following two bumper rice seasons, *Sri Lanka's* rice purchase forecast for 2001 has been cut to 100 000 tonnes, half the level previously anticipated. In *Nigeria*, rice imports for 2001 have also been lowered by 200 000 tonnes to reflect the increase in the tariff from 50 percent to 75 percent. With additional surcharges on imports, the effective duty rate on rice lies in the region of 85 percent. However, uncertainties regarding rice output this year have kept the pace of imports high in the first few months of the year. Other significant sources to the overall revision in trade include *Syria*, where imports have been lowered by 80 000 tonnes to 150 000 tonnes. In addition, owing to a larger than expected 2000/01 crop, *Russia's*

expected demand has been revised downward by 50 000 tonnes to 350 000 and by a combined 90 000 tonnes for *Senegal* and *South Africa*.

For other importing countries, little change is expected that would lift global import demand. For instance, forecast purchases by the *Islamic Republic of Iran* remain the same at 1.2 million tonnes, while for *Malaysia* they stand at 700 000 tonnes. However, this figure may be subject to some revision should the country's authorities accept a barter deal proposal from Thailand to exchange crude oil for rice. Despite significant increases in domestic rice production, the *Philippines* continues to resort to imports to meet domestic requirements. Recently, the National Food Authority (NFA) has procured, or has announced intentions to procure some 500 000 tonnes of rice from international markets, mainly Viet Nam, to fulfill an expected shortfall in supplies during the pre-harvest period between July and September. Overall, the country is still expected to import 700 000 tonnes, unchanged from last report and the same level as in 2000. *Mexico* has recently announced the lifting of a seven-year ban on imports of Thai rice, but it is unlikely that the measure will have an immediate impact on its purchases. Because of a severe drought, *Cuba* is expected to import more than 400 000 tonnes of rice in the current year. In contrast, import expectations by *Colombia* have been raised to 130 000 tonnes, based on the recent granting of import licenses.

As for exports, the forecast for *Thailand* – the world's largest rice supplier – remains at the Government targeted level of 6.2 million tonnes, lower than the 6.6 million tonnes achieved in 2000. Following a deterioration of import prospects in its major markets, *Vietnam's* rice exports have been revised downward by 500 000 tonnes, to 3.5 million tonnes, substantially less than the Government's 4.0 million tonne target. However, the country's recent removal of export quotas, in response to an easing of food-security concerns, may provide a boost to exports. As the Government still wishes to play an active role in the market, it will continue to enforce minimum prices and to appoint exporters to conduct external trade. Negotiations also appear to be underway between *Thailand* and *Vietnam*, on the revival of last year's agreement to sell 200 000 tonnes of rice at a minimum price. Aside from the question of the agreement's conformity with the WTO Agreements, there are uncertainties about whether the scheme could become operational. Based on information on shipments to date, prospects for *China's* exports have been lowered by 400 000 tonnes to 3 million tonnes. Similarly, in light of an anticipated contraction in output, the forecast for *Pakistan's* has been cut to 1.8 million tonnes. Export forecasts for *Egypt* remain at 500 000 tonnes. However, the recent economic difficulties faced by Turkey – Egypt's second largest customer – may lead to a worsening of current export prospects. Shipments from the *United States* are forecast at 2.7 million tonnes, unchanged from the last report and marginally down from last year. Anticipated shipments by *India* have been revised downward by 400 000 tonnes to 1.3 million tonnes – the same level as last year, pending more information on the Government's intentions regarding the disposal of its large rice inventories. Although the country has authorized the sale of 2 million tonnes of rice from Government stocks for export, the minimum sale prices remain too high for Indian rice to compete on world markets. It should also be seen whether low-priced sales from the Government to exporters for shipments abroad would be compatible with the general WTO provisions on export subsidies.

3. INTERNATIONAL PRICES

With the Prevalence of Ample Exportable Supplies and Subdued Import Demand, Rice Prices Continue to Slide on a Long-term Downward Trend With Few Signs of Respite.

Apart from a few short-lived reversals, the FAO Export Price Index for Rice (1982-84=100) has continued to follow a declining trend, falling from 94 in February to 89 in April. The fall in the index reflects substantial decreases in almost all of the major price quotations since the last report. The continued weakness has led several Governments to implement measures to prop up prices, especially in exporting countries, where public interventions have helped stabilize international prices in recent weeks. However, the possibility of a solid price recovery is still slim.

| WORLD PRICE INDICES FOR RICE | | | | |
|------------------------------|-----------|---------------|---------|-----|
| | | FAO INDICES | | |
| | | Total | Quality | |
| | | | High | Low |
| January-December Averages | | 1982-84 = 100 | | |
| 1995 | | 129 | 124 | 146 |
| 1996 | | 136 | 136 | 136 |
| 1997 | | 127 | 129 | 120 |
| 1998 | | 127 | 128 | 126 |
| 1999 | | 114 | 115 | 110 |
| 2000 | | 98 | 101 | 89 |
| 2000 | April | 101 | 104 | 89 |
| | May | 96 | 100 | 86 |
| | June | 96 | 100 | 85 |
| | July | 96 | 99 | 88 |
| | August | 96 | 98 | 87 |
| | September | 94 | 96 | 86 |
| | October | 97 | 100 | 86 |
| | November | 95 | 98 | 84 |
| | December | 94 | 97 | 84 |
| 2001 | January | 94 | 97 | 84 |
| | February | 94 | 97 | 84 |
| | March | 91 | 94 | 79 |
| | April | 89 | 92 | 77 |

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.

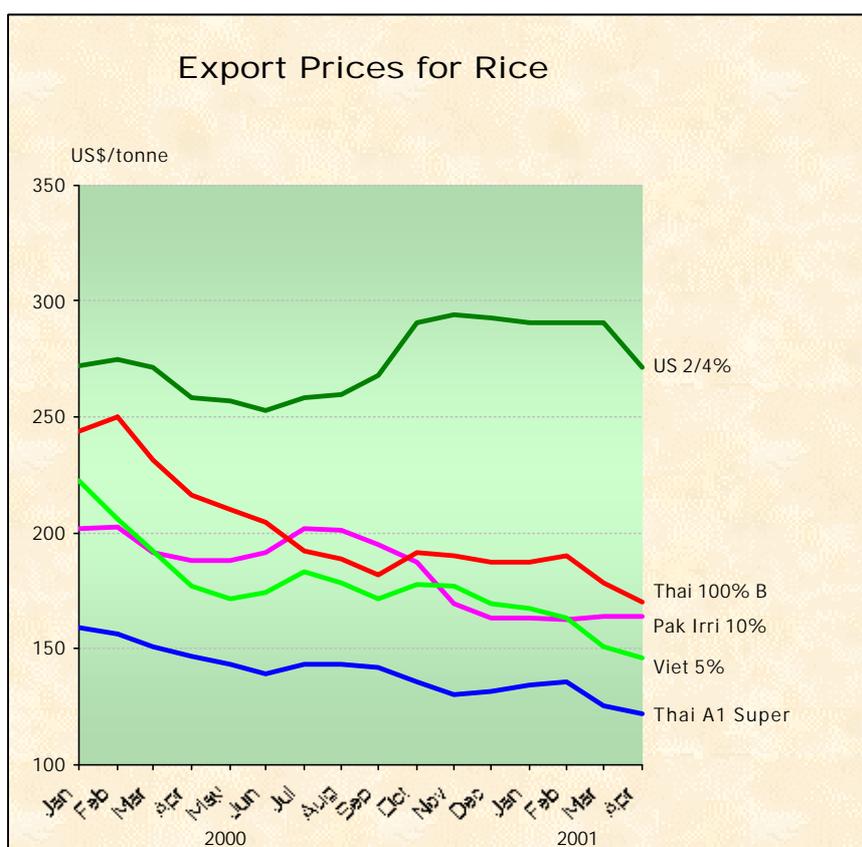
- The Rice Export Price Index is calculated for 15 export prices.

Prices of the Thai 100B, high quality rice, have been supported by large government purchases in Thailand and have remained in the order of US\$ 170 per tonne, relatively unchanged from the end of last month. Prices of low quality rice, as represented by the Thai A1 Super, have also held relatively well. A notable exception to the recent firming, has been the 7 percent decline, between March and April, in the price of US No.2/4 long grain rice. Although a deterioration in regional import demand is partly to blame, the price slide also reflects physical considerations, since high quality rice was reported to be in short supply in the United States.

| 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 | 27/04/200 | 172 | 170 | 171 | 203 | 236 |
| Thai 35% | 27/04/200 | 140 | 139 | 136 | 166 | 213 |
| Thai A1 Super | 27/04/200 | 122 | 123 | 119 | 146 | 174 |
| Viet 5% | 27/04/200 | 143 | 146 | 148 | 177 | n.a. |
| India 25% | 27/04/200 | 214 | 214 | 214 | n.a. | n.a. |
| Pak 10% | 27/04/200 | 165 | 163 | 163 | 187 | n.a. |
| US 2/4% Long | 27/04/200 | 264 | 264 | 291 | 258 | 393 |

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

Tentatively, prospects for prices in the second half of the year may brighten somewhat. Indeed, many large producers have signalled an intention to reduce acreage, which may curtail overall excess supply and, thereby, provide a boost to prices. However, under the continued prospects of weak global import demand, the possible arrival onto the international market of supplies from India would preclude any possibility of a sustained price recovery.



Global Ending Stocks Set to Contract in 2001, but Surplus Remains Relatively High

Global rice stocks at the close of the marketing season ending in 2001 are forecast to fall by about 7 million tonnes from their opening levels, to 154 million tonnes. This compares with an estimate of an 8 million tonne decline in the previous report. This slight revision is mainly due to Viet Nam, where expectations of reduced exports this year have resulted in higher inventories at the close of the season. The global contraction in stocks must be viewed with reference to the strong build-up that took place in the course of the 1998 and 1999 seasons. China accounts for the bulk of the expected contraction in global rice inventories this season. Closing stocks are also expected to shrink in *India* and in *Indonesia*. In the former country, the draw-down should stem from a reduced 2000 crop, while in the latter, the contraction is expected to result chiefly from lower imports.