Rice Market Monitor

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C O N T E N T S

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HIGHLIGHTS

- In the Southern Hemisphere and around the equatorial belt, harvesting of the 2001 main paddy season is about to be completed, while in the Northern Hemisphere, planting of the main crops is underway. The outlook for global paddy production 2001 is somewhat mixed. Self-sufficiency programmes in several countries appear to be assisted by a combination of timely seasonal weather, larger plantings and expected payoffs from investments in crop infrastructure and improved input usage. However, in some other countries, owing to drought and policies to curb plantings, production is anticipated to decline. On balance, global paddy output in 2001 is forecast at 595.9 million tonnes, marginally above both the previous estimate and an adjusted previous year's level.

- International rice trade in 2001 has been revised upward since the last report by 0.4 million tonnes to 22.3 million tonnes, marginally below the previous year level. The adjustment is largely attributed to growth in imports by Africa, where domestic consumption is expected to substantially outpace production in 2001. At the same time, large domestic rice surpluses and a tightening of import measures have led to a weakening of import demand in the other regions.

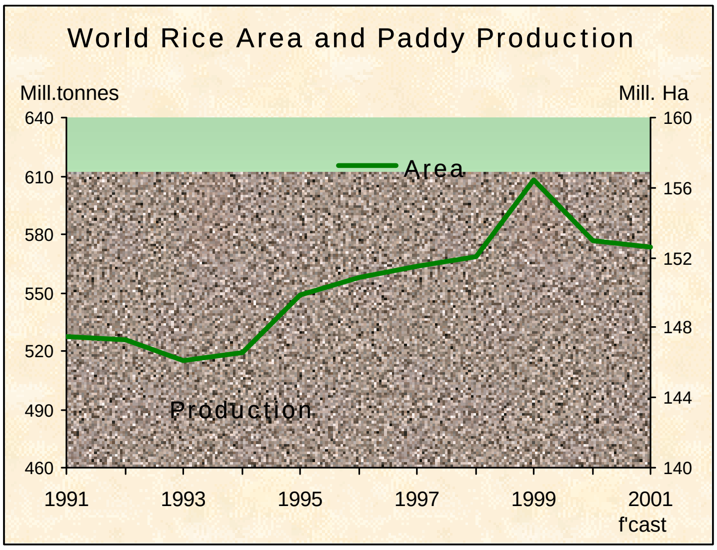
- International rice prices from most origins, which began firming in May, have gained further ground in June. This was reflected in the FAO Export Price Index for Rice (1982-84=100), which had fallen to a 15-year low in April, but steadied in May before increasing by 2 points to 90 points in June. However, the likelihood of a sustained price recovery remains uncertain, owing to India's prospected sale of 3 million tonnes from Government stocks for export and in addition, the arrival onto the market of fresh supplies from the harvest of main paddy crops in several large exporting countries.

- Rice stocks at the close of the 2000/01 country crop seasons are now estimated to fall by approximately 9 million tonnes to 153 million tonnes, a decline of 2 million tonnes more than reported in the last RMM. The bulk of the contraction is anticipated to be concentrated in a few countries, namely China, India and Indonesia.

1. PRODUCTION

GLOBAL PADDY PRODUCTION TO INCREASE MARGINALLY IN 2001

In the Southern Hemisphere and around the equatorial belt, harvesting of the 2001 main paddy season is about to be completed, while in the Northern Hemisphere, planting of the main crops is progressing well under generally favourable conditions. Global paddy production for the 2001/02 season is currently forecast at 595.9 million tonnes, marginally surpassing the level of the previous year – as opposed to the expectation of a small decline in the previous report. However, this figure is still subject to a large degree of uncertainty, since the current estimates assume the continuation of a normal monsoon in Asian countries in the Northern Hemisphere.



1.1 ASIA

Timely Monsoon Rains Bode Well for the Region's Paddy Season

While drought is afflicting paddy cultivation in several countries in Asia, the timely arrival of the annual monsoons has brightened prospects for the continent. On balance, paddy output for the region is forecast to rebound slightly from the previous year, to 543.1 million tonnes in 2001/02.

Northern Hemisphere

In ***China*** (Mainland), harvesting of early rice, the first and smallest of the nation's three crops, is underway, and sowing of the intermediate and late crops is in progress. Forecast output for the 2001/02 paddy season has been revised down to 186.0 million tonnes, 2.1 million tonnes less than reported in the May issue of the Rice Market Monitor and 2 million tonnes below the new official production figure of 187.9 million tonnes for the 2000/01 season recently released by China's State Statistical Bureau. Although rice prices have steadily recovered in the first half of the year, plantings are again anticipated to fall as farmers are switching to more remunerative crops. The diversion is also consistent with the current endeavour to reform the cereal policy regime, with several provinces already planning to abolish “protective” support prices and to liberalize domestic marketing. Moreover, serious drought problems that have been gripping the north-eastern provinces could accentuate the decline in paddy output by delaying plantings, but its incidence should be lighter than for winter wheat or maize. In the ***Philippines***, planting of the main season crop is nearing completion. Paddy production for the 2001/02 season is forecast at 12.8 million tonnes, 0.3 million tonnes above the record achieved last season, and 0.3 million tonnes above previous expectation. The official forecast for July-September’s output, the first quarter of the crop year, already points to a 4 percent rise from the same period in 2000, reflecting a strong expansion in area. In ***Thailand***, earlier fears of widespread drought have been dispelled with the arrival of the rainy season, and planting of the 2001/02 main-season crop is progressing well. However, less than normal precipitation are expected to have affected plantings in Northeastern parts, while heavy rains are causing some disruption to the gathering of the 2000/01 second-season paddy crop. Aside from the weather, the Government has recently extended its intervention scheme for rice to include the purchase of fragrant varieties, in a bid to boost domestic prices. In addition, initiatives to improve the productivity and marketing of a number key export commodities, including rice, are being sought. Specific measures include forming alliances with other Governments to strengthen bargaining power in input markets, distributing higher-yielding seeds, introducing a zoning system to manage cultivation more effectively and enhancing information transmission in the production-marketing chain. Earlier, the Government unveiled a crop insurance scheme to assist farmers in managing the risk of natural disasters. For the time being, the country’s official estimate for the main crop suggests an overall paddy output in 2001/02 of 24 million tonnes, unchanged from the last report, and similar to the level achieved last year

In ***Vietnam***, harvesting of the winter-spring paddy crop is nearing completion and planting of the 10th month and summer-autumn crops is underway. Although heavy rain is causing flooding in central and northern provinces, the disruption to harvesting and current plantings is not expected to be significant. Among recent initiatives to support producers, the Government has suspended the collection of taxes on land use for rice and has introduced a minimum support price. In addition, the Government has extended its scheme to stockpile 1 million tonnes of rice by a further six months. Participants in the scheme will be exempt from duties on imported fertilizers and will have preferential access to credit. Overall, these measures are expected to have a positive impact on paddy output in 2001/02. The forecast for that season has accordingly been revised upward by 0.2 million tonnes since the last report to 32.7 million tonnes. In ***Japan***, planting of the sole crop has been completed . Assuming normal weather patterns, the country is anticipated to produce 10.9 million tonnes of paddy in 2001/02, unchanged from the last report, but almost 1 million tonnes below the previous year. The arrival of heavy rains in the ***Republic of Korea*** has provided some relief to the country’s worst drought in almost a century. The rainfall was especially timely since 97 percent of plantings had been completed, which should minimize the negative effects of the drought. Even so, paddy output for 2001/02 has been revised down by 0.1 million tonnes to 7 million tonnes. The situation in the ***Democratic Peoples Republic of Korea*** appears bleaker. Despite, recent rainfall, much of the plantings of the early rice crop, which normally account for 10 percent of the country’s rice production, are reported to have been lost to drought. Although a recent mission from the World Food Programme and FAO has assessed that a campaign to replant rice seedlings has been largely successful, reservoir levels remain very low, leaving little scope for irrigation for both the replanting and the seeding of the country's main rice crop which is currently underway. Accordingly, paddy production in 2001/02 has been lowered to 1.6 million tonnes, 0.1 million tonnes less than the weather-affected crop of the previous year, and approximately half a million tonnes below the 5-year average. In ***Cambodia***, planting of the wet season crop is underway. Owing to a forecast expansion in rice area and measures enacted by the Government to enhance yields, the country is expected to produce a record 4.6 million tonnes of paddy in 2001/02, up 0.6 million tonnes from the previous year. In ***Myanmar***, sowing of the main season crop is in progress. Sustained by expansionary cultivation policies, almost 0.5 million hectares of land have been developed for paddy cultivation since 1999. Such an expansionary stance is expected to be maintained during the current season in which import duties on key inputs have been removed. Consequently, paddy output is put at a record 20.6 million tonnes, up 0.5 million tonnes from the revised estimate for 2000/01 year.

In ***India***, harvesting of the 2000/01 Rabi crop is nearing completion, and the Government has revised the 2000/01 paddy output estimate to 127.6 million tonnes, down 2.3 million tonnes from the previously reported forecast. This adjustment is attributable to a 1 million hectare contraction in the rice area in West Bengal, which arose from insufficient soil moisture to enable plantings. As for the current season, planting of the 2001/02 Kharif crop is well underway, given an earlier than anticipated arrival of the Southwest monsoon. The Government is expecting a normal monsoon for the fourteenth consecutive year, which should be more evenly distributed than that of last year. Against this background, output in 2001/02 is expected to rebound substantially from the below-normal level of the previous year, to 131.0 million tonnes. In ***Bangladesh***, harvesting of the 2000/01 irrigated Boro crop, the last of the season, is complete. As a result, the Government raised the season's output estimate by 1 million tonnes to a record 36.5 million tonnes. This outcome is consistent with the Government's expansionary stance towards paddy cultivation but also reflects very favourable growing conditions last year. A recent budget proposal to subsidise inputs has provided a further boost to production prospects. Paddy production in 2001/02 is currently expected to at least match the 36.5 million tonne record, 1 million tonnes higher than the previous forecast. Planting of the 2001/02 paddy crop in ***Pakistan*** is in progress and is expected to be concluded by the end of July. Severe water shortages have continued to hinder rice cultivation in the country this season and many farmers are reported to have either delayed plantings or have been encouraged by the authorities to switch to less water intensive crops. Although the Government has announced large-scale investments in irrigation infrastructure, this is not expected to benefit the new season crops. As a result, paddy output for the 2001/02 season has been lowered by 0.3 million tonnes to 6.5 million tonnes, which represents a 10 percent fall from a revised previous season's level.

Southern Hemisphere and Equatorial Belt

In ***Indonesia***, harvesting of the main-season rice crop is nearing conclusion and planting of the second-season crop will soon get underway. Owing to better than expected weather conditions, the Government is anticipating a paddy output for 2001 in the order of 51.8 million tonnes. This would represent a record crop for the second successive year, and an upward revision of 1.8 million tonnes since the last report. In ***Sri Lanka***, the Maha (main) paddy crop has been harvested and planting of the Yala crop has also been completed Information regarding rice area is still lacking. In ***Malaysia***, the principal rice crop has been also been gathered, and pending more information on the size of the harvest, a record output of 2.3 million tonnes is anticipated. The Government has recently set a yield target of 5 tonnes per hectare, which is to be realized through investments in irrigation infrastructure. In the past 5 years, yields in the country have averaged approximately 3 tonnes per hectare.

1.2 AFRICA

The 2001 Paddy Season is in Progress in North and West Africa and About to Be Concluded in Southern Africa

North Africa – Planting in ***Egypt***, the main rice producer in the sub-region, is virtually complete. While information regarding planted area is not forthcoming, it is anticipated that production in 2001/02 will be lower than the previous year record, as area ceilings mentioned in the previous report, are expected to have been more actively enforced in the new season Accordingly, the production forecast has been lowered by 0.4 million tonnes to 5.6 million tonnes.

West Africa - The 2001/02 paddy season is progressing well in the advent of the rainy season. Many countries in the sub-region are advancing programmes to improve self-sufficiency (See Box). In ***Nigeria***, the Government has re-introduced a 25 percent subsidy on fertilizers, and is promoting higher yielding seed varieties. As a result, paddy growth is expected to continue through to 2001, with output revised upward by 100 000 tonnes since the last report. A forecast expansion in area and yields has resulted in a similar revision to ***Mali's*** paddy output for 2001, which is now forecast to break the previous year's record. Likewise in ***Ghana***, area is forecast to increase. The country has also undertaken a project to improve rice yields and quality. The payoff might again lead to a record paddy crop in 2001 for this country. However, in ***Liberia***, growth in production, led by a reported increase in area, is expected to be constrained by a shortage of inputs and inadequate infrastructure.

A Bumper Crop in Africa?

Researchers in West Africa have developed a new hybrid strain of rice, which according to tests has the potential to vastly improve food security prospects for adopting countries in the region. Named 'Nerica'- 'New Rice for Africa' - research has shown that the variety can produce yields between 50 and 250 percent more than traditional African strains. Furthermore, it is claimed that Nerica does not require fertilisers, has the ability to resist weeds, drought and pests, and can grow quickly in harsh conditions, maturing over a month earlier than conventional seed types. Guinea has recently planted around 5 000 hectares of the new strain, and is expected to sow up to 330 000 hectares with it by 2002. Other countries, which are expected to follow similar experiments, include the Ivory Coast, Togo, Benin and Nigeria.

Southern Africa - Harvesting of the 2001 paddy crops has been completed in ***Mozambique*** and ***Madagascar***, the principal rice producing countries in the sub-region. While information is lacking on the size of the harvest in Madagascar, in Mozambique, the Government has estimated a paddy harvest of 166 000 tonnes, slightly up from the previous year, despite erratic and disruptive weather patterns.

1.3 LATIN AMERICA AND THE CARIBBEAN

Paddy Harvesting is almost Complete and Output in the Region is Set to Fall to its Second Lowest Level in a Decade

Following a major contraction in area, ***Argentina's*** paddy harvest is forecast at 0.7 million tonnes, 9 per cent higher than previously anticipated, but still 0.2 millions down from the last year. Likewise in ***Brazil***, owing to a sharp decline in rice plantings, the Government has estimated a paddy crop of 10.9 million tonnes, again, down by over 0.5 million tonnes from the 2000 season, but higher than previous expectations. ***Uruguay's*** paddy harvest is officially put at almost 1 million tonnes, 16 percent lower than the previous year, following an estimated 1 tonne per hectare drop in yields.

1.4 OTHER REGIONS

Harvesting of the 2001 Paddy Crop is Complete in Australia While in the United States and the EC the Season is in Progress

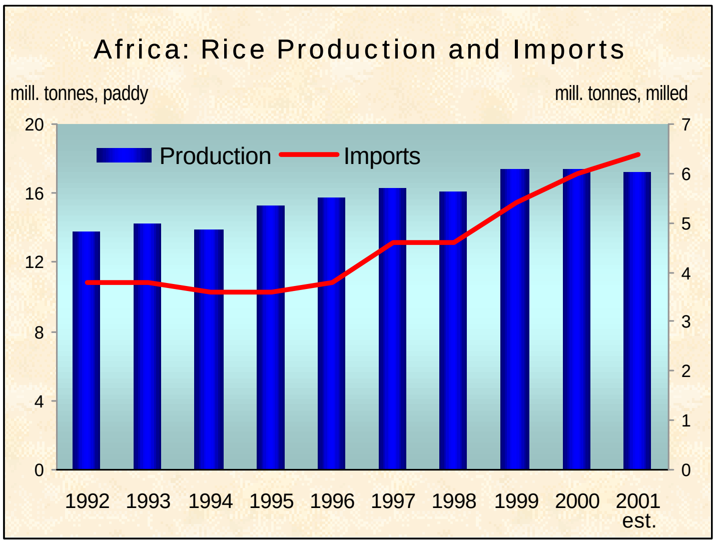
In ***Australia***, gathering of the 2001 crop is soon to be concluded, and authorities have projected an all time record paddy production of 1.8 million tonnes. This exceptional performance size reflects a combination of good weather, which have boosted yields by almost 1.2 tonnes per hectare, and an expansion in the area of 40 percent. In the ***United States***, planting of the new season crop has been completed. An expected return to normal yields and estimated slightly lower plantings have led to a downward revision of 0.5 million tonnes for 2001/02 paddy output since the last report. A tropical storm that landed in the major rice growing states of Texas and Louisiana caused minimal damage to new plantings, while in some parts of California, erratic weather is reported to have disrupted crop progress, without causing major harm. Nevertheless, pending final damage assessments from both episodes, forecasts may be subject to revision. Planting of the 2001/02 paddy crop in the ***EC*** is virtually complete. Weather conditions in the major producing countries in the sub-region have generally been conducive to rice cultivation. Furthermore, with market prices currently above intervention levels, farmers may be willing to expand plantings, despite penalties under the CAP for exceeding area ceilings.

2. INTERNATIONAL TRADE IN RICE

A Brighter Outlook for Trade

International rice trade in 2001 has been revised upward since the last report by 0.4 million tonnes to 22.3 million tonnes, marginally below the previous year level. The adjustment is largely attributed to growth in imports by Africa, where domestic consumption is expected to substantially outpace production in 2001. At the same time, forecast imports by South American and Asian countries have been revised downward, reflecting large rice surpluses in the two regions. In addition, import restrictive measures enacted by a number of governments have further weakened trade prospects.

At the country level, anticipated rice shipments to ***Indonesia***, one of the world's major importers of rice, remain unchanged from the last report at 1.2 million tonnes, with no immediate sign of a recovery. Moreover, pressure is mounting domestically to raise the level of tariffs given both the expectation of another good crop this year and low international prices. In ***Bangladesh***, the upward revision in the 2000 output estimate combined with the recent increase in tariffs has dampened import prospects for 2001. They now stand at 200 000 tonnes, down 100 000 tonnes from previous expectations. To protect the domestic market, the Government has announced a temporary ban of imports at the border with India, where prices are reported to be lower and has proposed in its recent budget to raise tariffs on imported rice to 25 percent. ***Japan*** has now fulfilled its URA commitment on market access of 760 000 tonnes in husked rice equivalent. With ample domestic supplies, it is not expected that imports by the country will exceed that level. Therefore, shipments to the country in 2001 are expected to be in the order of 700 000 tonnes (milled basis), 50 000 tonnes less than previously reported. Despite expectations of a good rice season, the ***Philippines*** have been actively buying rice on the international market during the first few months of the year. Imports by country are currently forecast to rise to 750 000 tonnes in 2001, 50 000 tonnes more than previously anticipated, and 8 percent above last year's level. ***China's*** purchases, mainly fragrant rice varieties, are forecast to reach a 5-year high of 400 000 tonnes in 2001, twice more than previously expected, and twice more than last year. Rice imports by the ***Islamic Republic of Iran,*** through the Government Trading Corporation, have been lowered by 200 000 tonnes to 1 million tonnes in 2001. The revision reflects improved prospects for the country's current rice crop and the new "wait-and-see" policy of the Government, which does not want a repeat of last year's episode, when large imports before harvest time reportedly caused serious difficulties on the marketing of the domestic product. Similarly, ***Saudi Arabia's*** import requirements for 2001 have been cut by 75 000 tonnes to 825 000 tonnes. Forecast deliveries to the other major importers in the region are unchanged from last report, at 1.2 million tonnes for ***Iraq***, 700 000 tonnes for ***Malaysia*** and 550 000 tonnes for the ***Democratic People's Republic of Korea***. The flow of rice into Africa is now forecast at 6.4 million tonnes, up 700 000 tonnes from the revised 2000 estimate and almost 800 000 tonnes more than previously anticipated. Based on shipments to date, forecast imports by ***Nigeria*** and ***Côte d'Ivoire*** have each been raised by 200 000 tonnes. Anticipated rice imports by ***Madagascar*** and ***Senegal*** are also up from the last report, respectively by 120 000 tonnes to 300 000 tonnes and by 20 000 tonnes to 600 000 tonnes in 2001.



Among South American countries, imports by ***Brazil*** have been lowered by some 200 000 tonnes to 600 000 tonnes in 2001 to reflect the likely release of supplies from Government stocks. At that level, imports by the country will be at their lowest in a decade. As for other regions, ***Mexico's*** rice purchases remain at 440 000 tonnes, while in Europe, shipments to the ***EC*** and the ***Russian Federation*** have been lowered by 115 000 tonnes and 50 000 tonnes respectively to a level of imports similar to last year.. The adjustment to the Russian

Federation's prospects reflects the recent imposition of seasonal import tariffs. Quotas on rice imports are also being considered, but they are likely to come into force in the following year.

As for exports in 2001, the forecast for ***Thailand*** has been adjusted upward, since the last report, by 400 000 tonnes to 6.6 million tonnes, almost matching the record achieved in 1999. The revision reflects improved shipment prospects to Africa. Likewise ***Vietnam's*** rice exports have been raised by 500 000 tonnes, to 4 million tonnes. Policy initiatives, such as a removal of export quotas and the setting up of an export credit fund, suggest that the country may register its second best export performance on record. By contrast, prospects for ***China's*** exports have been lowered by 1 million tonnes from the last report to 2 million tonnes, the lowest level since 1997. Although the country still dispose of large rice stocks, output last season appears to have been substantially less than earlier anticipated, which may negatively influence Government decision regarding exports. In ***India***, pricing of the previously reported sale of 3 million tonnes from Government stocks for export, has been finalised at Rs 5650 (US$ 120) for white rice and Rs 6000 (US$ 128) for parboiled rice, delivery at Port City basis. Despite the additional costs necessary to bring these supplies to export locations, these prices could be attractive enough to enable exporters to compete on world markets, given the current strengthening of international rice quotations. Furthermore, to suppress growing fears over quality, the Government is not expected to administer its normal first-in,first-out policy on the selling of the stocks and has lowered the minimum purchase requirements from 10 000 tonnes to 2 000 tonnes. On balance, exports by the country have been raised by 200 000 tonnes to 1.5 million tonnes. Similarly, anticipated shipments by ***Pakistan*** have been revised upward by 100 000 tonnes since the last report. The revision follows higher than expected export availabilities from the past season and, to a lesser extent, from Government stocks. However, the current forecast of 1.9 million tonnes is unlikely to be exceeded, since domestic supplies are reported to be exceptionally tight.

In other regions, significant revisions have been made for ***Brazil***, which is now forecast to export 150 000 tonnes from Government rice stocks in 2001. With ample supplies in the South American region, sales by ***Argentina*** have been lowered by 50 000 tonnes to an all-time low of 200 000 tonnes. Forecast shipments by other major exporting countries remain more or less unchanged form the last report, at 450 000 tonnes for ***Egypt***, 2.7 million tonnes for the ***United States*** and 710 000 tonnes for ***Australia***.

3. INTERNATIONAL PRICES

Prices Strengthen During the Month of June

International rice prices from most origins that began firming in May, have gained further ground in June. Accordingly, the FAO Export Price Index for Rice (1982-84=100) which had fallen to a 15-year low in April, steadied in May before increasing by 2 points to 90 points in June.

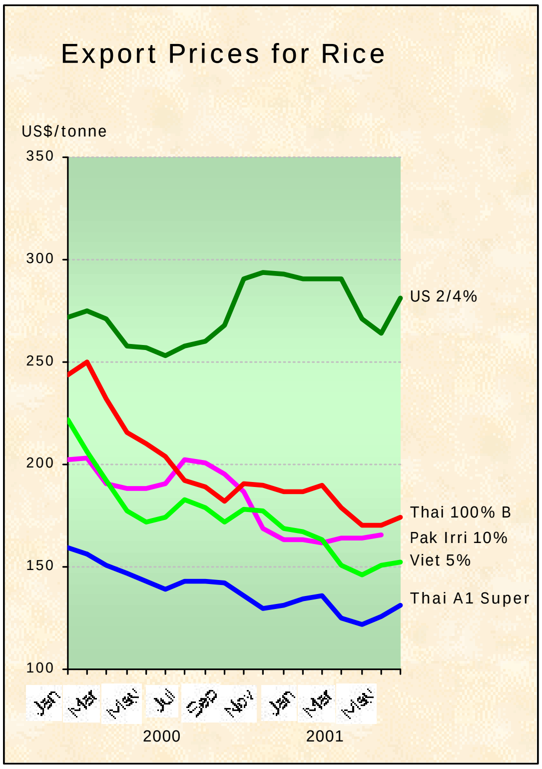
WORLD PRICE INDICES FOR RICE				
		FAO INDICES		
		Total	Quality	
			High	Low
January-December Averages		1982-84 = 100		
1994		114	118	104
1995		129	124	146
1996		136	136	136
1997		127	129	120
1998		127	128	126
1999		114	115	110
2000		98	101	89
2000	June	96	100	85
	July	96	99	88
	August	96	98	87
	September	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	88	91	77
	May	88	91	79
	June	90	92	81

***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 recent upturn in rice prices is attributed to several factors. Notably, the market appears to have tightened, as demand for many grades has surged in recent weeks, particularly for higher quality varieties such as parboiled rice in Africa. In addition, the recent strengthening of the Thai Baht against the United States dollar has pushed up prices to some extent. The price of the high quality, Thai 100B, averaged US$ 174 per tonne in June, up US$ 4 per tonne from May – a slight recovery from its lowest level in two decades. The recovery in the price of US No.2/4 long grain rice has been more pronounced, increasing by US$ 17 per tonne from May to an average of US$ 281 per tonne in June. Prices of lower quality grades from various origins also averaged higher in June. For instance, current quotations for the Thai A1 Super (fully broken rice) have been in the order of US$ 131 per tonne, compared to an average of US$ 126 in the previous month.



The prospect for a sustained price recovery remains uncertain since global import demand still appears to be weak. At the same time, the coming into the market of additional supplies from India would preclude a major price strengthening, especially as the harvesting of main paddy crops in several large exporting countries is either completed or nearing completion.

EXPORT PRICES FOR RICE (f.o.b. US$/tonne)						
Type	Effective Date	Latest	1 week ago	1 month ago	1 year ago	Average (82-84)
Thai 100B	22/06/200	174	175	170	197	236
Thai 35%	22/06/200	145	147	142	158	213
Thai A1 Super	22/06/200	133	133	129	138	174
Viet 5%	22/06/200	150	150	155	180	n.a.
India 25%	22/06/200	...	...	214	240	n.a.
Pak 10%	22/06/200	...	...	170	196	n.a.
US 2/4% Long Grain	22/06/200	286	286	264	253	393

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

4. STOCKS

A Greater Contraction Foreseen in Global Ending Stocks for 2001

Rice stocks at the close of the 2000/01 country crop seasons are estimated to fall by approximately 9 million tonnes to 153 million tonnes, 1 million tonnes less than previously reported. The contraction is anticipated to be concentrated in a few countries. China is likely to be responsible for over 70 percent of the draw-down. Rice inventories in India are also anticipated to fall by 1.9 million tonnes, a reflection of the country's reduced 2000 rice crop. The majority of the decline is likely to be effected by producers and other private sector agents, while Government stocks are forecast to remain relatively high. Indonesia's ending stocksare set to fall since the country has openly declared an intention to meet domestic rice requirements through production and its existing stocks rather than through imports, in an endeavour to support domestic prices.