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FAO Rice Market Monitor
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HIGHLIGHTS

- FAO's forecast for world paddy output in 2001 have been raised by 3.4 million tonnes from the previous outlook, mainly on account of upward adjustments in Bangladesh, India and China. At the forecast level of 590.2 million tonnes, global paddy production would be almost 6 million tonnes, or 1 percent below the level harvested in 2000.

- Current estimates of output this season point to a substantial year-to-year contraction in China (Mainland), Egypt, Indonesia, Japan and Pakistan. Declines are also anticipated in South America and, especially, in Central America where several countries were first plagued by drought problems and more recently by hurricanes and flooding. By contrast, sizeable increases in output were recorded in Australia, Bangladesh, India, the Democratic Republic of Korea, Myanmar, the Philippines and the United States, supported by favourable growing conditions this season and, in several cases, by strong government support to the sector.

- World rice stocks at the close of the marketing seasons ending in 2002 are forecast to decline by 17 percent to 136 million tonnes. Although the major exporters are expected to account for the bulk of the year-to-year contraction, in contrast to the last year, stocks are also anticipated to fall in important net-importing countries, including Indonesia, Sri Lanka and Brazil. This difference has strengthened the expectation of a recovery in rice international prices next year.

- Global trade in rice in 2001 is currently forecast to reach 22.8 million tonnes, in milled equivalent, one percent more than last year. Much of increase reflects a surge in import demand by African countries. As for exports, Thailand is anticipated to consolidate its position as the leading world rice supplier, achieving record sales this year. Strong gains are also anticipated to be made by Myanmar, while supply shortages at the end of the year has limited growth in sales by Vietnam. By contrast, shipments from China are anticipated to fall heavily, reflecting reduced supplies.

- International trade in rice is forecast to rise again in 2002, in the light of the crop shortfalls recorded this season by several important rice consuming countries. Increased imports are likely to be made by Indonesia and the Islamic Republic of Iran. China could also step up its purchases, following the country's recent accession to WTO and the drop in domestic rice output and inventories. A rise in international demand for rice should mainly favour those exporters that have gathered good crops in 2001, especially Thailand, India, Myanmar and the United States. By contrast, China, Egypt and Pakistan are likely to reduce their shipments.

- The arrival of freshly harvested crops on the market had a depressing effect on export prices and the FAO Rice Export Price Index fell by 1 percentage point to 88 in September and again in October, to 87. Prices held steady in November. Among competing exporters, prices of the high quality Thai 100%B from Thailand have been sustained by steadfast import demand and the announcement of a resumption of Government procurement purchases. By contrast, a record long grain rice harvest in the United States negatively influenced its prices. As a result, the price differential between similar qualities of rice in Thailand and the United States have narrowed substantially.

- The continued fall in price quotations in 2001 has encouraged several exporting countries to consider more favourably a Thai proposal for concerted action to sustain prices. Although the details of the proposal have not been released, the major exporters, including China, India, Myanmar, Pakistan, Thailand and Vietnam have reportedly adhered to it.

RICE SITUATION UPDATE AS OF 15 NOVEMBER 2001

I. PRODUCTION

World paddy production falls for the second year in a row

Harvesting of the 2001 main paddy crop in the northern hemisphere is well advanced and countries are releasing firmer estimates of the size of their crops. FAO's forecasts for world paddy output in 2001 have been raised by 3.4 million tonnes from the previous outlook, mainly on account of upward adjustments in Bangladesh, India and China. At the forecast level of 590.2 million tonnes, global paddy production would be almost 6 million tonnes, or 1 percent, less than last season.

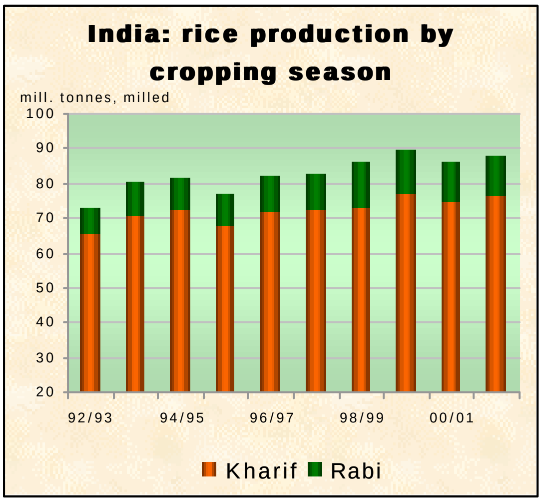
I.1 ASIA

Record crops harvested in Bangladesh, Myanmar, the Philippines and Thailand

FAO's forecast for the region's paddy output in 2001 now stands at 536.7 million tonnes, compared with an earlier forecast of 533.1 million tonnes and a level of 542.7 million tonnes in 2000. Much of the upward revision for 2001 is attributed to **Bangladesh,** where, following the release of official figures, paddy output has been raised to 38.3 million tonnes, an all time high for a country that has seen production jump by some 8 million tonnes in three years. Much of the increase should stem from large increases in the irrigated paddy Boro crop, which, this year, is anticipated to yield a larger output than the main, rainfed, Aman crop.

The forecast for production in **Mainland China** has been raised to 179.7 million tonnes from the previous outlook, following improved yield estimates for the intermediate rice crop, the harvest of which was completed in October. At that level, output would be 4 percent smaller than in 2000, mainly reflecting a 9 percent and 5 percent contraction in the early and intermediate crops respectively. Since the record crop of 1997, the sector has experienced a steady contraction, which was accelerated in 2000, with the elimination of government protective prices for early indica rice.

In **India**, harvesting of the Kharif crop is about to be completed in the northern states of the Punjab and Haryana while it is in progress in the other provinces. Despite the occurrence in September of flooding in Uttar Pradesh, an important rice growing state, forecast paddy production has been raised by one million tonnes to 132 million tonnes, up from a revised estimate for 2000 of 129.4 million tonnes. The adjustment follows the release, in October, of preliminary production estimates by the Directorate of Economics and Statistics, which put the main, rainfed, Kharif crop at 114.6 million tonnes (76.42 million tonnes, in milled equivalent), 3 million tonnes more than last season's Kharif crop.



In **Indonesia**, planting of the main 2002 rice crop is underway, while harvesting of the second 2001 crop is close to completion. Official estimates for 2001 put production at 50.1 million tonnes, marginally lower than the previous forecast. At that level, the season would end with a 3.5 percent contraction from the record output achieved in 2000, despite generally favourable growing conditions. Much of the year-to-year decline is due to the low prices prevailing in the past and current year, which have induced a shift to other crops and discouraged proper input applications. In reaction, the Government country has been reported to be preparing a new rice production programme to assist paddy farmers during the production and marketing phases.

For the third consecutive year, paddy production in the **Islamic Republic of Iran** has been constrained by drought problems, which have reduced the amount of irrigation water that could be allocated to rice. The situation was aggravated in August by torrential rains and flooding that damaged rice crops in the important producing region of Mazandaran, in the Northeast. Expectations for output this season have accordingly been revised downward to 2.2 million tonnes, the lowest level for the last ten years.

Although paddy crops in the **Democratic Republic of Korea** were first hampered by drought from March to May, favourable rainfall from mid-June to end August, a critical period for the country's paddy crop development, and improved availability of inputs have sustained a recovery from the extremely low levels of last year. Estimates from an FAO/WFP mission in September put the crop at 2.1 million tonnes, up from an earlier forecast of 1.8 million tonnes and some 20 percent more than last year.

In the **Republic of Korea,** the paddy harvest is virtually complete, despite the delays incurred from late planting. Based on a Government crop survey in mid-September 2001, paddy production is estimated at 7.4 million tonnes, 3 percent above the 2000 crop and the highest since 1990. Although the Government has already announced a set of measures to sustain producer prices, its action will be constrained by the WTO ceiling on the Aggregate Measurement of Support (AMS), more than 90 percent of which is absorbed by the rice sector.

Production in **Nepal** in 2001 is officially estimated to have risen by 5 percent to 4.2 million tonnes. The increase reflects improvements in yields, mainly supported by favourable growing conditions and a wider diffusion of improved rice varieties.

In **Thailand**, harvesting of the main crop has just started in the central and northern regions under good weather conditions. Latest official estimates showed a 100 000 tonnes increase in the main crop from last season. Paddy production in 2001 is now estimated to match the record 24.2 million tonnes achieved in 1999.

Heavy rains and flooding in the Mekong Delta and central region in **Vietnam** have reportedly delayed plantings of the winter-spring paddy crop, which will be harvested early next year. The floods have also hindered transportation of newly harvested rice onto the market. Paddy production in 2001 has been revised downward to 31.7 million tonnes, one million tonnes less than in 1999, consistent with the current government policy to encourage better quality production and the relaxation of the obligation to grow rice on certain paddy fields.

A number of revisions to the production forecasts have also been made for smaller producers in the region, including **Afghanistan**, **Turkmenistan** and **Tajikistan.** The three countries are expected to experience a contraction in view of the drought and water shortages they have endured for the past two years. In particular, estimates of paddy production in Afghanistan, at 140 000 tonnes, would be less than half the normal output, also on account of the population displacement and disruptions the country is facing.

No changes have been made to the forecasts of the other major rice producers in the region. In **Cambodia,** planting of the main paddy crop, which terminated in October, is estimated to have covered an area of 1 880 000 hectares, 40 000 hectares less than in 2000. The forecast of paddy production for the whole season stays at 4.3 million tonnes, 7 percent above last season, on account of smaller damage to flood this year. Indeed, the paddy area destroyed by the September and October floods was assessed to have been half as large as in 2000, when 400 000 hectares were lost. Excellent growing conditions in the **Philippines** led to some upward revisions in the official production figures. However, flooding caused by typhoon Lingling in early November resulted in rice losses of the order of 85 000 tonnes. In balance, the production estimate for the country remains at 12.8 million tonnes, still an all time high. **Myanmar** paddy production is also confirmed to have reached a record level, boosted by government expansionary policies and excellent growing conditions during the season. Crop prospects continue to be favourable also in **Laos** and **Malaysia,** where higher production is anticipated this season. By contrast, a contraction is expected in **Pakistan** and **Sri Lanka**.

I.2 AFRICA

Good crops gathered in Africa, with the exception of Egypt

In Africa, harvesting of the paddy crop is well advanced in **Egypt**. The official forecast for the country's current harvest has been reduced by nearly 150 000 tonnes to 5 260 thousand tonnes, following a downward revision in the area. At that level, production would be 12 percent lower than in the past year, a reflection of the low prices that have prevailed notwithstanding government intervention to sustain them.

Growing conditions have been generally favourable in western Africa, where harvesting of the crops is in progress. Most countries are expected to record sizeable increases in output this year, including **Ghana**, **Mali**, **Nigeria** and even **Sierra Leone** where the end of war and the return of displaced population to their villages are helping the sector to recover. By contrast, the estimate for the **Côte d'Ivoire** has been reduced by some 50 000 tonnes to 1 055 thousand tonnes, which remains slightly above last year's outcome.

Excellent growing conditions also boosted 2001 output in **Madagascar**, where planting of the 2002 main season crop is about to be completed. Output in 2001 is estimated to have reached 2.6 million tonnes, 13 percent more than in 2000. The size of the crop combined with large imports has exerted a strong downward pressure on domestic prices, causing havoc to the sector.

I.3 CENTRAL AMERICA AND THE CARIBBEAN

After drought earlier this season, paddy fields in much of Central America and the Caribbean are adversely impacted by hurricanes

In most of Central America and the Caribbean, harvesting of this year's crop will linger until the end of the year. First plagued by severe drought, several countries in the sub-region were recently hit by flooding arising from heavy rains or hurricanes, at a time which coincided with the bulk of harvesting activities. Particularly affected were **Mexico**, **Nicaragua, Panama** and **El Salvador**, which will all experience sizeable reduction in output compared with last season. Pending an assessment of the impact on paddy crops of hurricane Michelle, which hit **Cuba** on 4 and 5 November, the production estimate for the country remains unchanged at a low 300 000 tonnes. Counter to the tendency prevailing in the sub-region, the **Dominican Republic** is expected to harvest a bumper crop, reflecting to a large extent the utilization of the high-yielding rice variety "Prosequia 4" over some 80 percent of the planted area.

I.4 SOUTH AMERICA

Planting of the new 2002 paddy crops hindered by adverse weather conditions

In South America, the 2001 paddy season is mostly over and nearly all countries have completed or are about to complete planting of the 2002 paddy crop. Heavy rainfall in October delayed somewhat the fieldwork in preparation of the 2002 season in parts of Brazil and caused some damage to early-planted crops in Argentina and Uruguay.

As the 2001 crops have been fully harvested in most of the region, a number of governments have reviewed their estimates of production for the season. In **Bolivia,** these have been cut by nearly 40 000 tonnes from the previous report, resulting in a 7 percent annual drop. In **Ecuador**, the 2001 crop was gauged at 1.4 million tonnes, marginally above the past season. The new output figures for **Peru** also entailed a 100 000 tonnes reduction from the previous forecast. However, unlike for most countries in the region, the new estimate for 2001 would be a record high.

Several countries have carried out field surveys to assess producer planting intentions for the forthcoming 2002 season. In **Argentina**, estimates from the Ministry of Agriculture confirmed that the declining trend will persist next year, with the area expected to contract from 134 000 hectares in 2001 to 125 000 hectares in 2002, as farmers have faced extremely poor returns since 1999. A fall in cultivation in the current season already entailed a 17 percent drop in output to 750 000 tonnes in 2001.

Unlike in neighbouring countries, In **Brazil**, government domestic purchases have supported producer prices in 2001. According to the October crop survey by CONAB, these should have a positive impact in the next season and plantings are forecast to rise by between 1.0 percent to 2.6 percent in 2002. In addition, a 5 percent gain in yields is currently anticipated, resulting in an expected hike in output of 6 - 8 percent to 11.0 - 11.2 million tonnes.

Although **Uruguay** also recorded a drop in the rice area and production in 2001, good growing conditions have lifted yields above the level originally expected, leading to a slight upward revision in output. Planting of the new crop in November progressed under less than optimal conditions because of heavy rainfall. This combined with poor economic incentives may result in a further contraction in output in 2002.

I.5 DEVELOPED COUNTRIES

Excellent crop harvested in Australia and the United States in 2001

An assessment, as of 15 October, of the crop currently being harvested in **Japan** resulted in an upward revision in the paddy production forecast to 11.3 million tonnes, mainly reflecting higher than expected yields following good weather conditions since July. Nonetheless, at the new forecast level, output would fall short by nearly 500 000 tonnes of the level achieved in 2000, a reflection of the paddy land diversion programme implemented by the Government.

Harvesting of the rice crop in the **United States** was declared virtually complete by end October. Following an upward adjustment in yields, the crop estimate for 2001 has been raised to 9.5 million tonnes, nearly 10 percent above the previous season's level. All of the year-to-year increase would be on account of a 26 percent expansion in long grain rice production, which would more than compensate a fall in medium and short grain rice output.

Estimates for the 2001 rice crop in **Australia**, which ended in June, confirmed the achievement of an exceptionally high output. Planting of the 2002 season is virtually over, with area estimated to have fallen by 10 percent. Assuming yields equal the average in the last three years, production could reach 1.5 million tonnes in 2002, falling short by 256 000 tonnes of the 2001 output record.

Paddy production in the **EC** is estimated to have almost recovered, with output reaching 2.6 million tonnes, unchanged from the previous forecast, but some 80 000 tonnes more than last year. The increase reflects moderate growth in Italy, Portugal and Spain, which have more than offset a contraction in France and Greece. Although, on average, yields recovered, excessive heat in August and hailstorms in October damaged the quality of the rice harvested in Italy. In Spain, producers will face, again this year, severe penalties for having surpassed the area ceilings established under the Common Agriculture Policy.

II. INTERNATIONAL TRADE

Growing evidence of an expansion in rice trade in 2001

As the end of the year approaches, there is growing evidence that international trade in rice in 2001 will exceed the level achieved in 2000. FAO trade forecast for 2001 now stands at 22.8 million tonnes, 400 000 tonnes more than earlier anticipated and 1.3 percent above the estimate for 2000.

Most of the change in the 2001 trade forecast reflects upward revisions in imports by **Bangladesh,** to 450 000 tonnes, and by **Indonesia**, to 1.4 million tonnes. At that level, Indonesia would remain the world leading rice importer, but the volume of rice delivered to the country would be the smallest since 1997. Estimates of rice shipments to **the Côte d'Ivoire** and **Nigeria** have also been raised to 1.1 million tonnes each. By contrast forecast imports by **Mainland China, South Africa and Sri Lanka** were cut somewhat from the previous outlook.

Regarding exports, the forecast for **China (Mainland)** has been lowered to 1.8 million tonnes, based on a volume of 1.44 million tonnes shipped between January and October. The revised export figure would imply a reduction of over 1 million tonnes with respect to 2000, consistent with the substantial contraction in output the country experienced in the past and current years. Sales from **Vietnam** were officially lowered to 3.7 million tonnes, amid flood problems in the Mekong Delta, which delayed the arrival of supplies to the market, pushing local prices above those offered by other exporting countries. By contrast, forecast sales by **Myanmar** in 2001 have been put at 500 000 tonnes, as the country had already shipped 400 000 tonnes in the first ten months of the year. At the forecast level, Myanmar exports would be the highest since 1995, much in line with Government objectives to promote the rice sector. Similarly, **Pakistan** export forecast has been raised to 2.0 million tonnes, about unchanged from last year. The new forecast assumes rather small sales from the country in November and December, reflecting in part rising shipping costs, through the application of war-risk insurance premium, and unstable currency exchange rates, which are deterring potential customers. Finally, rice sales by **Thailand** are now estimated to surge to a new record of 7.2 million tonnes, reflecting dynamic sales since August and reduced competition from China, Pakistan and Vietnam. Exports from **India** are expected to reach 1.5 million tonnes, since the pace of shipments remains subdued, despite competitive pricing.

Further expansion in rice trade foreseen in 2002

Early indications are for the volume of global rice trade to rise by 2 percent to 23.3 million tonnes in 2002. This would be about 300 000 tonnes more than previously anticipated.

Among traditional importers, **Indonesia** is expected to increase purchases, following the rather disappointing 2001 paddy season. The Government is reportedly considering a proposal to raise border protection, which, if implemented, could dampen the increase. The earlier forecast for imports by the country has been raised by some 400 000 tonnes to 2 million tonnes, which would be substantially above the 1.4 million tonnes currently estimated for 2001. **China's** rice purchases are also likely to surge, with the preliminary forecast set at 1.0 million tonnes, following the 5 percent and 4 percent fall in output experienced in 2000 and 2001 respectively. For illustration, a smaller percentage contraction in output in 1993 and 1994 had caused imports to soar to 2 million tonnes in 1995. Although such a hike took place within a different policy context, recent developments could again facilitate some increase in purchases next year, in particular the country accession to WTO on 10 November 2001. According to the terms of the WTO Agreement, in 2002 Mainland China would allow entry to up to 4 million tonnes of rice (2 million tonnes in long grain rice and 2 million tonnes in short and medium grain rice) subject to a low 1 percent import duty, half of which should be allotted to private sector importers. However, it remains to be seen whether these preferential quotas will be issued by the Government already in 2002, since a mechanism for assignment of the quota still has to be designed. Moreover, although domestic prices for rice have been recovering this year, they still appear too low, under present international price conditions, to warrant such a large inflow of imports.

By contrast, forecast purchases by several countries in Africa, in particular the **Côte d'Ivoire, Madagascar, Senegal** and **Nigeria** have been revised downwards since, under current expectations of stronger world prices next year, imports could become less attractive to these countries.

Following the positive export performance this year, forecast rice shipments from **Thailand** in 2002 have been raised to 7.3 million tonnes, which would be a new record. The country is indeed expected to take advantage of reduced supplies from other major exporters, especially China and Pakistan. The bumper 2001 harvest and competitive pricing could also boost sales from **India** in 2002, now forecast at 2.1 million tonnes, 600 000 tonnes above the level expected to be sold in 2001. Exports from **Japan** have been raised, on account of expected large shipments in the form of food aid. **Myanmar** exports in 2002 are now anticipated to reach 700 000 tonnes, especially if the Government continues to promote increases in production. By contrast, forecast sales by **Mainland China** have been lowered, as the country's supplies appear to have tightened considerably. Similarly, shipments from the **Chinese province of Taiwan,** which have usually hovered around 100 000 tonnes, have been considerably reduced in view of the relatively high domestic prices and the restrictions on subsidized exports it will face, following its accession to WTO. **Vietnam**'s official export forecast now stands at 4 million tonnes, slightly less than last reported.

III. INTERNATIONAL PRICES

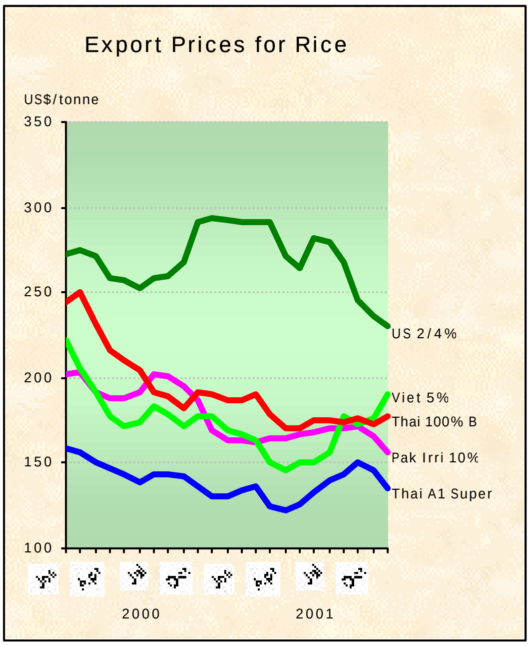
World rice prices remain depressed

The arrival of freshly harvested crops on the market had a depressing effect on export prices and the FAO Rice Export Price Index fell by 1 percentage point to 88 in September and again in October, to 87. Prices held steady in November. The slide observed since September affected to the same extent high and low quality rice.

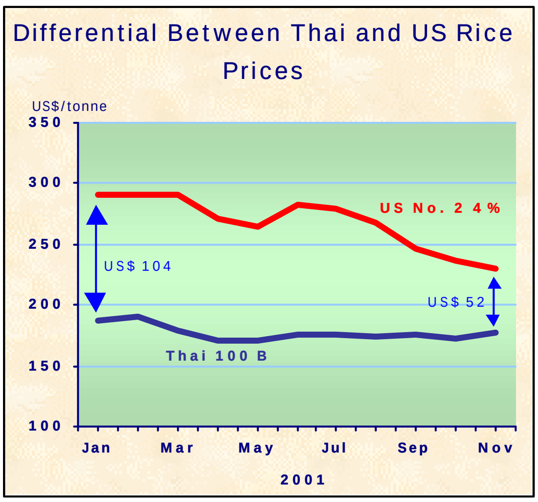
WORLD PRICE INDICES FOR RICE

January-December Averages		FAO INDICES: All	FAO INDICES: Quality High	FAO INDICES: Quality Low
		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	November	95	98	84
	December	94	97	84
2001	January	94	97	84
	February	94	97	84
	March	91	94	79
	April	87	90	77
	May	88	90	79
	June	88	91	81
	July	91	93	83
	August	89	90	87
	September	88	88	88
	October	87	87	88
	November	87	87	87

***Source**: FAO*
N.B.-The FAO indices are calculated using the Laspeyre formula.
The Rice Export Price Index is calculated for 15 export prices.



Among competing exporters, prices of the high quality Thai 100%B from Thailand have been sustained by steadfast import demand and the announcement of a resumption of Government procurement purchases. However, the retreat of African customers depressed prices of both the Thai A1 Super and parboiled rice in November. Vietnam's rice quotations rose, but only because of the limited arrival of new supplies to the market in the wake of flooding in the Mekong Delta. Myanmar rice was also quoted higher in November. By contrast, Pakistan prices faltered as potential importers were discouraged by fears of delay in deliveries. Prices from India have also become particularly attractive, as supplies from the new crop has added pressure to the market. Reports of a record crop of long grain rice in the United States negatively influenced its prices. As a result, the price differential between the Thai 100%B rice and the US 2/4 % long grain rice has narrowed to US$ 52 per tonne, compared with US$ 104 per tonne in January.



Seen from a longer time perspective, rice prices have been falling over the last twelve months by close to 10 percent, reaching their lowest level since 1987. The unabated slide has recently favoured the resurrection of a proposal to form an exporter alliance to prevent price undercutting, which will soon be considered by Thailand, Vietnam, China, Myanmar and Pakistan.

A marked recovery in prices is not expected to take place during the rest of the year, since many countries will not come to the market to buy, having just filled with storage space with newly harvested rice. However, the price trend could well turn positive next year, given the expected tightening of market conditions. On the one hand, several traditional exporters will face supply constraints. On the other, reduced inventories in a number of importing countries could boost import demand.

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	30/11/2001	183	183	173	185	236
Thai 35%	30/11/2001	152	152	147	148	213
Thai A1 Super	30/11/2001	134	134	140	127	174
Viet 5%	30/11/2001	192	192	183	171	n.a.
India PR 106 25%	30/11/2001	132	132	132	224	n.a.
Pak 10%	30/11/2001	156	155	157	165	n.a.
Pak Basmati ordinary	30/11/2001	n.a.	370	350	370	631
US 2/4% Long Grain	30/11/2001	230	230	230	297	393

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

IV. RICE STOCKS

End of Season rice inventories expected to fall in both exporting and importing countries

World rice stocks at the close of the marketing season ending in 2002 are forecast to fall by 17 million tonnes to nearly 139 million tonnes. Although the major exporters are expected to account for the bulk of the year-to-year contraction, stock are also expected to fall in importing countries, in contrast to last year.

Among exporters, stocks in Mainland China are estimated to fall by 11 million tonnes from last year, to 95 million tonnes. At that level, the country would account for 69 percent of all carryovers. A marked drop could also be recorded by Pakistan, under the current expectations of falling 2001 production, a factor that could also negatively influence stocks in Egypt. On the other hand, larger exports in 2002 would diminish the size of closing inventories in India, Thailand and Vietnam. By contrast, stocks are expected to rise in the United States, as a result of the bumper 2001 crop and subdued exports next year, and in Australia. As for importing countries, a substantial contraction in stocks is anticipated in Indonesia, and to a lesser extent also in Sri lanka and Brazil following the poor 2001 paddy crop. Smaller forecast imports could also lead to reduced inventories in a number of African countries.