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HIGHLIGHTS

- FAO's forecast for global paddy output in 1998 has been revised downwards by 4 million tonnes to 557 million tonnes. This would be about 20 million tonnes, or approximately 3.5 percent lower than the previous year's revised record level. The downward adjustment is based on the preliminary assessment of the damage caused by floods in a number of rice producing Asian countries in the northern hemisphere . In other parts of the northern hemisphere, harvesting is in progress in some countries and nearing completion in others. In the southern hemisphere and around the equatorial belt, planting of the 1999 paddy crops is well advanced but fields in some countries in Latin America and the Caribbean were seriously damaged by hurricanes "Georges" and "Mitch" that swept across the region during October and November.

- Preliminary flood damage assessment in a number of Asian countries reveals that the damage inflicted to paddy crops was often serious. The latest forecast for the region's 1998 paddy output is 510 million tonnes, close to 4 million tonnes down from the previous expectation and 17 million tonnes less than the revised figure for 1997. Torrential rains from late-June to September in several Asian countries, including China (Mainland), Bangladesh and India interrupted the planting progress and/or destroyed crops already in the fields.

- The forecast for global rice trade in **1998** has been adjusted upwards by 500 000 tonnes to a new peak of 25.6 million tonnes, which is 6.6 million tonnes more than the 1997 estimate and about 5 million tonnes above the previous record in 1995. For **1999**, global rice trade is provisionally anticipated to decline to around 21 million tonnes. This is based on the expectation of an output recovery and reduced import requirements in several of the major importing countries, in particular *Indonesia*, the *Philippines, Bangladesh* and *Brazil,* four of the leading importers in 1998.

- International rice prices from most origins declined in October and November and the FAO Export Price Index for Rice (1982-84=100), which had been on the rise since it had hit a low of 119 points in November of 1997, averaged 124 points in November, down from 129 points in October and 132 points in September. The fall in prices is largely attributed to the lack of substantial new import demand combined with new crop supplies coming on the market.

- FAO's forecast for global rice stocks at the end of the marketing seasons in 1999 has been reduced from the previous report to about 50 million tonnes, down by 11 percent from the closing stocks at the end of the 1998 marketing seasons. Such a draw down in stocks should help countries affected by floods to meet domestic requirements, particularly China (Mainland) and Bangladesh.

GLOBAL VIEW

PRODUCTION

The 1998 Forecast for World Paddy Output is Reduced Further

Based on the preliminary assessment results of the impact of floods in a number of Asian rice producing countries in the northern hemisphere, FAO's forecast for global paddy output in 1998 has been revised downwards by 4 million tonnes to 557 million tonnes, about 20 million tonnes, or approximately 3.5 percent lower than the previous year's revised record level. The countries most affected include China (Mainland), Bangladesh and India. In the rest of the countries in the northern hemisphere, harvesting is in progress in some countries and nearing completion in others. In the southern hemisphere and around the equatorial belt, planting of the 1999 paddy crops is well advanced but some countries in Latin America and the Caribbean encountered crop losses as a result of hurricanes "Georges" and "Mitch" which swept across the region during October and November.

ASIA – The 1998 Paddy Output Forecast is Cut Reflecting Flood Damage Assessment Results

Preliminary flood damage assessment in a number of Asian countries reveals that serious damage was inflicted to paddy crops in different countries. The latest forecast for the region's 1998 paddy output is 510 million tonnes, close to 4 million tonnes down from the previous expectation and 17 million tonnes below the revised figure for 1997. Torrential rains from late-June to September in some Asian countries interrupted the planting progress and/or destroyed crops already in the fields.

Southern Hemisphere

In *Indonesia*, harvesting of the 1998 second season crop continues and the paddy output is currently put at 46.4 million tonnes, down from 49.4 million tonnes produced in 1997. The decline is attributed mainly to the El Niño-related drought that caused a reduction in planted area of over 4 percent in 1998 to 10.7 million hectares. A shortage in input supplies, including fertilisers and pesticides, partly related to the country's economic problems, also contributed to the production shortfall. High prices are expected to boost plantings of the 1999 main season crop currently in progress.

Northern Hemisphere

In *China* (Mainland), harvesting of the single-rice (autumn) crop is complete while the gathering of the late-double crop in the southern parts of the country is nearing completion. The 1998 paddy output is provisionally put at 191 million tonnes, about 9 million tonnes less than last year's record largely due to floods that affected Central and Southern China during most of July and August. Reportedly, the floods destroyed several million hectares of cropland, damaged agricultural infrastructure and, in some cases, delayed planting of the late-double crop. In *Cambodia*, harvesting of the rain-season crop is under way and planting of the dry-season crop is in progress. The 1998-99 paddy production is expected to be about 3.4 million tonnes, marginally down from the previous season. In addition to isolated cases of flood damage in Cambodia, there have been reports of localised attacks on rice crops from locusts and bats. In *Vietnam*, harvesting of the summer-autumn rice crop is complete but yields are likely to be affected by the dry spell that prevailed during the early part of the season. The drought is reported to have reduced harvested area particularly in the northern and central provinces of the country. Gathering of the main-season crop is in progress and planting of the winter-spring crop is underway amidst fears of a potential drought during the growing season. The forecast for the 1998 paddy output is currently put at 28.4 million tonnes, a slight decline from last year's revised record. In the *Philippines,* weather-related problems associated with El Niño and La Niña are expected to reduce the 1998-99 paddy output from what had been anticipated originally. Harvesting of the main season crop is in progress and planting of the secondary crop is underway in most of the country. Overall, the forecast for paddy production in 1998-99 has been cut by about 500 000 tonnes to 10.3 million tonnes, which would still be slightly more than the 1997-98 output that was greatly reduced by drought.

In *Thailand*, harvesting of the 1998-99 main-season crop is in progress and an increase in output is expected as strong price incentives motivated producers to expand rice area. However, the outlook for the irrigation-dependent second season rice crop, whose planting begins in January, may be affected by a severe water shortage expected during the dry season months of January to May. The Government has, reportedly, advised farmers to drastically reduce the second-season rice area as water levels in the major reservoirs are about half of what they were at about the same time in 1997. The crop could also suffer from the increased incidence of brown plant hoppers, a pest that thrives in dry conditions. In the meantime, it is reported that the Bank of Agriculture and Co-operatives has set aside over 11 billion baht to support paddy prices through a mortgage system. Under the programme, the participants would use part of their produce as collateral to the Bank to get some cash thereby avoiding selling their entire paddy at harvest time which could have a price depressing effect. The loans would carry an interest rate of 3 percent per annum. In *Japan*, harvesting of the 1998 crop is nearing completion and output is projected to decline by about 11 percent to 11.2 million tonnes, owing to a combination of lower area and floods that caused some damage to rice fields. In the *Republic of Korea*, paddy output in 1998 is estimated at just below 7 million tonnes, compared to 7.5 million tonnes produced the previous year. The lower production is mostly the result of reduced yields attributed to weather-related problems. Contrary to earlier expectations, a combination of relatively favourable weather conditions and international assistance supplying some essential inputs, helped production in the *Democratic People's Republic of Korea*. According to the recently concluded FAO/WFP Crop and Food Supply Assessment Mission to the country, the 1998 paddy output is estimated at about 2.1 million tonnes, up from 1.7 million tonnes produced in 1997 but still lower than the 4 million tonnes produced in 1989. Despite the small improvement in the harvest, the country still has a large food deficit.

In *Bangladesh*, floods that affected most of the country during the period July to September resulted in severe damage to the paddy fields. Based on a recent FAO/WFP crop and food supply assessment mission, total 1998-99 paddy output is estimated at about 26.3 million tonnes, a decline of 2 million tonnes from the previous season. Planting of the Boro crop is barely underway and a campaign has been launched by the Agriculture Extension Department to boost rice area during the season. In *India,* harvesting of the main season Kharif rice crop is proceeding and the nursery sowing and transplanting of the Rabi crop is in progress. However, floods brought by heavy post-monsoon rains interfered with the farming operations in a number of major producing states causing crop damage. Accordingly, the 1998 paddy production has been revised downwards from the previous expectation to about 122 million tonnes, compared to the 1997 revised record of 123 million tonnes. In *Pakistan* harvesting of the paddy crop is well advanced and preliminary indications point towards a bumper 1998 season, owing to favourable growing conditions and an increase in planted area. Also, the Government provided additional incentives in the form of credit facilities, higher procurement prices and increased availability of inputs. Paddy output is provisionally forecast to increase by 15 percent from 1997 to a record 7.5 million tonnes. In *Myanmar,* the availability of most inputs during the growing season was reported to be normal apart from fertilisers, which were in short supply. Harvesting of the main-season crop is in progress and output is forecast at 17 million tonnes, a slight decline from the previous year largely due to a smaller planted area. Land preparation and planting for the next season are underway and a larger area and crop are anticipated.

***AFRICA* – Harvesting is Well Underway in Some Countries While Planting of the 1999 Crop is in Progress in Others**

Africa's paddy output in 1998 is forecast to contract by about 8 percent from the previous year to 15.6 million tonnes. The fall is attributed to a reduction both in area and yields in some major producing countries. Most of the decline will be in Egypt where the official policy is to limit rice area with the aim of conserving irrigation water for use in the production of other crops. In some of the other African countries, a reduction in production is likely with yields depressed by a lack of inputs.

Northern Africa

In Egypt, harvesting of the 1998 rice crop is nearing completion and the Government has forecast an 18 percent reduction in output to 4.5 million tonnes. While area contracted by 21 percent from 1997, record yields of over 8.5 tonnes per hectare due to the favourable growing conditions and sufficient and timely availability of inputs during the growing season mitigated the decline.

Western Africa

Harvesting of the 1998 paddy crop is progressing well in most of the countries in the region, but civil strife in some countries makes it difficult for farming activities to proceed normally. Growing conditions have been generally favourable in several countries across the region despite a few isolated weather-related problems. In Nigeria, the most important rice producing country in western Africa, paddy harvesting is reported to be proceeding at a normal pace. However, the shortage of basic inputs, particularly fertilisers, during the growing season could lead to a 12 percent drop in output to 3.4 million tonnes, despite a 200 000 hectares increase in area above 1997.

Eastern Africa

In Tanzania, planting of the 1999 paddy crop is nearing completion, but information concerning seeding intentions is still lacking. For the previous season, paddy output in Tanzania is provisionally estimated at about 1 million tonnes, up significantly from 550 000 tonnes produced in 1997. This is largely attributed to abundant rainfall during the growing season together with a 12 percent rise in area.

Southern Africa

Planting of the 1999 paddy season crop is well advanced in the sub-region although uncertainties exist as to the area under rice in a number of countries. In general, the 1998 crop turned out better than had been expected originally. The impact on rice production from the locust infestation in Madagascar, which accounts for over 90 percent of the sub-region's rice harvest, was less severe than originally feared with output falling by only 12 percent to 2.2 million tonnes. In Mozambique, the other main producer in the sub-region, a 6 percent increase in output is estimated to 190 000 tonnes, following the generally favourable growing conditions.

***LATIN AMERICA & THE CARIBBEAN* – A Mixed Outlook for the 1999 Paddy Season**

Planting of the 1999 paddy crop is well advanced in several countries in South America and nearing completion in Brazil, Argentina and Uruguay. The prevailing weather conditions are reported to be generally favourable. Harvesting of the crop is expected to start towards the end of February/beginning of March and a higher output than in 1998 is anticipated in all three countries as high prices are expected to lead to increases in area. For instance, in Brazil, the Government anticipates a 30 percent boost to output from this year's 8.5 million tonnes The outlook is less favourable in Central America and the Caribbean. The hurricanes, "Mitch" and "Georges" that swept across Central America and the Caribbean brought with them torrential rains and high-force winds which resulted in widespread flooding and considerable damage to paddy fields. Preliminary indications are that the destruction was quite severe in some countries, but its quantification awaits the detailed assessment which is currently being carried out. In Central America, Nicaragua and El Salvador were the most affected rice producing countries. In Nicaragua, based on the information available to-date, over 15 000 hectares of rice area or the equivalent of almost 40 000 tonnes of paddy were destroyed by the hurricane, or 25 percent of annual production. In El Salvador, the damage is estimated at about 13 000 tonnes or 20 percent of the annual output. In the Caribbean, Cuba, Haiti and the Dominican Republic are some of the countries affected by hurricane "Georges" but the details on its impact are still scanty. In the Dominican Republic, the Government has reportedly designed programmes aimed at facilitating input delivery and credit supplies particularly to small and medium farmers to help them cope with the hurricane-induced difficulties.

***DEVELOPED COUNTRIES* – Harvesting in the US and the EC is Complete and in Australia the Planting of the 1999 Season Crop is Advancing**

In the *United States*, harvesting of the 1998 paddy crop is complete in all states and production is estimated at 8.2 million tonnes, almost unchanged from the previous year despite a 5 percent increase in area. The drop in average yield was due to several factors, including excessive rains in Arkansas during harvesting, hot and dry spells across the southern rice belt during the early part of the season and the cold and rainy spring that delayed the start of the season in California.

Harvesting of the 1998 paddy crop in the *EC* is complete. Based on reports of reduced yields in Italy, which accounts for over 50 percent of EC rice production, the estimate of total EC output has been lowered by 160 000 tonnes from the previous expectation to 2.7 million tonnes, a slight decline from 1997. The lower yields are a consequence of insufficient rainfall during the summer.

In the *Russian Federation*, the 1998 paddy output estimate has been revised down by 100 000 tonnes to 300 000 tonnes based on new information that suggests lower area than originally foreseen.

In *Australia*, the 1999 paddy season is well advanced and current indications suggest that irrigation water supplies might not be as limiting as originally expected. The Government is expecting planted area to be 147 000 hectares, a slight increase from the previous season. Assuming average yields, output would be about 1.25 million tonnes.

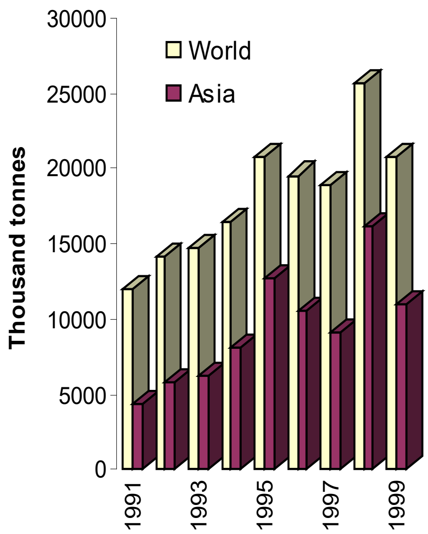
TRADE

The 1998 World Rice Trade Forecast Reached a New High

The forecast for global rice trade in 1998 has been adjusted upwards by 500 000 tonnes from the previous expectation to a new peak of 25.6 million tonnes. This would be 6.6 million tonnes more than the 1997 estimate and about 5 million tonnes above the previous record in 1995. The upward revision was mainly brought about by larger imports and/or import commitments to date by several of the major importing countries whose output was severely curtailed by the El Niño weather-related problems. At the same time, record crops in some of the major exporting countries have made it possible to increase shipments to satisfy the large demand on the international market.

The forecast for *Indonesia's* rice imports in calendar year 1998 has been lifted by 300 000 tonnes to a record 5.8 million tonnes. Some of the country's import needs are being supplied on special terms, particularly from the Government of Japan through rice loans to be returned, at a future date, in kind or in cash. Japan also provides Indonesia with financial assistance that would enable it to purchase additional rice from the international market. In addition to the 600 000 tonnes of food aid committed earlier in the year, Japan announced, in October, an extra 400 00 tonnes of rice aid to Indonesia. The package includes a long-term rice loan of 200 000 tonnes and another loan in yen for purchasing 200 000 tonnes of rice from the international market.

Rice Imports in the 1990s: World and Asia



1998 estimated
1999 forecast

The expected rice imports by the *Russian Federation* were raised by 120 000 tonnes to 320 000 tonnes based on reports of lower output. Most of the imports will be supplied in the form of food aid from different donor countries. The *Philippines'* rice purchases in 1998 were also adjusted upwards by 40 000 tonnes to 2.24 million tonnes based on contracted volumes to date. There are reports that the Government is planning to abolish the rice import monopoly enjoyed by the National Food Authority in 1999 and allow the participation of the private sector through a mechanism yet to be determined. The forecast for rice imports by several countries including Kuwait and Ghana was adjusted upwards by a combined total of 140 000 tonnes. On the other hand, expected rice imports by Colombia were reduced by about 100 000 tonnes to 225 000 tonnes based on government estimates. African countries in general are forecast to import less rice in 1998 owing to the continent's record production in 1997.

On the export side, the forecast for rice shipments from China (Mainland) in 1998 has been increased by 700 000 tonnes from the previous expectation to 3.2 million tonnes based on exports to-date. During the first ten months of the year, a total of about 2.9 million tonnes of rice were shipped out of China, most of it destined for Indonesia. Anticipated exports from *Vietnam* have been raised by 100 000 tonnes to a record 3.8 million tonnes as exports for the first 11 months of 1998 are estimated at over 3.5 million tonnes, similar to the total for the whole of 1997. The Government has been monitoring rice exports during the year and implemented temporary freezes on rice shipments on different occasions with the aim of ensuring domestic food security. The expected shipments from *Japan* were also adjusted upwards by 100 000 tonnes owing to additional food aid shipments to Indonesia. The forecast for rice shipments out of *Thailand* for 1998 remained unchanged at 6.2 million tonnes. Exports during the first ten months of 1998 are estimated at slightly over 5.2 million tonnes, only marginally lower than Thailand's total shipments for the whole of 1997.

On the other hand, the 1998 expected rice shipments from *India* were cut by 400 000 tonnes to 3.1 million tonnes based on the Government's downward revision of the 1997 paddy production. In addition, prices for Indian non-Basmati rice are currently less competitive compared to Thailand's and Vietnam's.

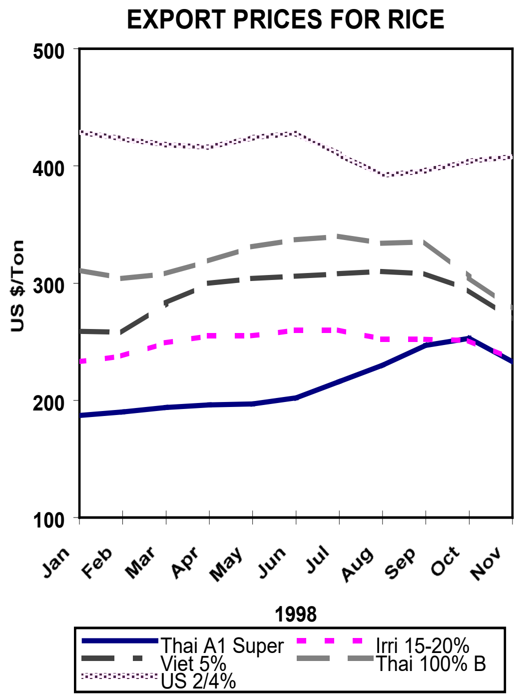
For **1999**, global rice trade is provisionally forecast to decline from the 1998 projected record by about 5 million tonnes to around 21 million tonnes. This is based on the expectation of higher production in many of the major importing countries whose output in 1997 was reduced by El Niño-related weather problems. Increased production, and therefore lower imports, may materialise particularly in *Indonesia*, the *Philippines, Bangladesh* and *Brazil,* four of the leading importers in 1998.

INTERNATIONAL PRICES

Export Prices Edge Lower as the Year Ends

International rice prices from most origins declined in October and November and the FAO Export Price Index for Rice (1982-84=100), which had been on the rise since it had hit a low of 119 points in November of 1997, averaged 124 points in November, down from 129 points in October and compared 132 points in September. The fall in prices is largely attributed to depressed new import demand as most countries have already covered the bulk of their current import needs. In addition, new crop supplies in major exporting countries contributed to the downward pressure on prices.

In Thailand prices for both high and low quality rice fell substantially in November, unlike during the period from August to October when prices for high quality rice decreased while prices for low quality rice rose. The price of the lower quality fully broken rice (Thai A1 Super) dropped in November by US$ 20 per tonne from its October average to US$ 233 per tonne. Over the same period, price quotes for Thai 100B averaged US$ 278 per tonne in November, down by US$ 27 per tonne from the October average and compared to the annual high of US$ 340 per tonne established in July when import demand peaked amidst uncertainties surrounding export availabilities. In addition to the pressure from new crop supplies, intense competition amongst the major exporters contributed to the contraction of prices of most grades from Vietnam, India and Pakistan which fell at varying degrees during October and November. In the United States, prices for No. 2/4 percent broken rice averaged US$ 408 per tonne in November, up slightly from the October average but down considerably from mid-year levels. The relative weakness of the United States' rice prices is partly due to the lower than expected new import demand during the last few months from its traditional main customers in the South and Central America.



WORLD PRICE INDICES FOR RICE				
		FAO Indices		
		Total	Quality	
			High	Low
January-December Averages		1982-84 = 100		
1991		115	117	109
1992		110	111	103
1993		100	102	92
1994		114	118	104
1995		129	124	146
1996		136	136	136
1997		127	129	120
	November	119	122	112
	December	123	124	119
1998	January	124	126	115
	February	124	127	115
	March	124	126	120
	April	127	128	123
	May	128	130	123
	June	130	132	123
	July	132	134	128
	August	132	132	133
	September	132	131	136
	October	129	127	137
	November	124	122	128

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.*

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	27/11/98	282	277	286	278	236
Thai 35%	27/11/98	248	246	253	232	213
Thai A1 Super	27/11/98	234	234	248	200	174
Viet 5%	27/11/98	255	260	287	263	n.a.
India 25%	27/11/98	243	234	248	236	n.a.
Pak 15-20%	27/11/98	241	230	247	223	220
US 2/4% Long	27/11/98	…	407	407	434	393

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

CARRYOVER STOCKS

Ending Stocks in 1999 Could be Quite Tight

FAO's forecast for global rice stocks at the end of the marketing seasons in 1999 has been reduced from the previous report to about 50 million tonnes, down by 11 percent from the projected closing stocks for the marketing seasons ending in 1998. The decline is largely due to the need to make up for crop losses due to floods in order to meet domestic requirements, particularly in China (Mainland) and Bangladesh, two of the major rice stock holding countries.