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Rice Market Monitor
Trade and Markets Division
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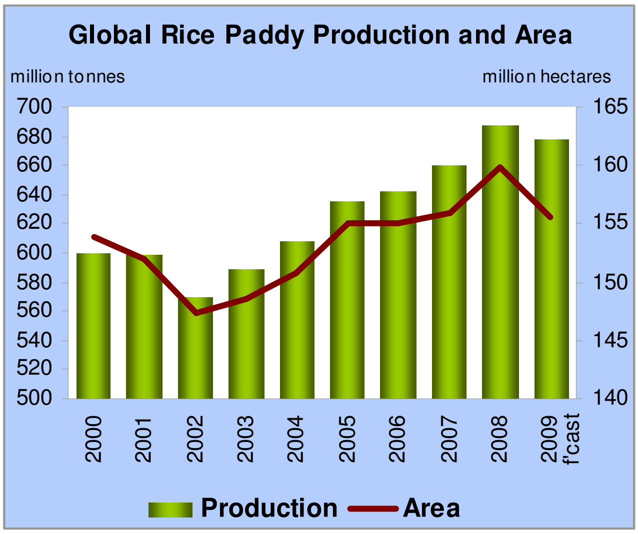
ROUND UP

- FAO's forecast of **global paddy production over the 2009 season** has been lifted by nearly 10 million tonnes to 678 million tonnes, 2 percent below 2008's crop, but still the second highest production on record. The revision to the global production outlook principally reflects better than previously anticipated results in many **Asian countries**, where overall paddy production is now forecast at 612 million tonnes, some 12 million tonnes below 2008. The contraction was mainly caused by adverse weather, especially drought, which particularly hit crops in Bangladesh, India, Pakistan and Nepal. By contrast, very strong gains are expected in China mainland, Indonesia and Myanmar. Production prospects are negative in **Africa,** where 24.5 million tonnes are forecast to be harvested, 3 percent less than the previous year. The decline would be driven by a cut in plantings in Egypt, but also reflect rainfall deficits in Chad, Mauritania, Niger and the United Republic of Tanzania. By contrast, satisfactory growing conditions coupled with continued support to the sector, often under government self-sufficiency programmes, are expected to boost production in the rest of the region, with particular gains anticipated in Madagascar, Mali, Nigeria and Senegal. The 2009 outlook remains favourable in **Latin America and the Caribbean,** where output is estimated to rise by 4 percent to 27.4 million tonnes. A milder hurricane season in Central America and the Caribbean may facilitate some output expansions in Cuba, the Dominican Republic and Panama. In South America, larger 2009 crops were already harvested in Argentina, Bolivia, Brazil, Colombia and Peru, more than offsetting reductions in Guyana, Uruguay and Venezuela. **In the other regions,** production is set to rise in the European Union (EU), the Russian Federation and the United States. Despite a recovery, 2009 paddy production in Australia continues to be constrained by lack of water for irrigation.
- Planting of the 2010 paddy crops is already well advanced in southern hemisphere countries. The season is opening negatively in South America, where drought or excessive rainfall have delayed sowing of the main crops. Likewise, it is feared that drought associated to El Niño may depress crops in Indonesia. Despite expectation of an increase, output in Australia would remain below the highs of the early-2000s. The production outlook is uncertain in southern African countries, where the January and March cyclone period is just starting.
- FAO's estimate of **global rice trade in calendar 2009** has been downgraded, now pointing to a volume of 30.0 million tonnes, marginally below the level traded in 2008. Relatively abundant supplies from 2008 season were behind a cut of **imports** by Asian countries, especially Bangladesh, Indonesia, Malaysia and the Philippines, while shipments to countries in Africa and Latin America and the Caribbean rose. The drop in world rice **exports** was mainly on account of China, Pakistan, Thailand and the United States, while government curbs in India and Egypt also restrained the availability of rice for trade. Despite the world stagnation, exports by Viet Nam surged to a new record in 2009. Argentina, Brazil, Cambodia and Myanmar were also able to step-up shipments.
- **World trade in rice in 2010** is forecast to recover slightly to 30.5 million tonnes. The expansion would be supported by a strong **import** demand from Asian countries, especially the Philippines. Purchases by Brazil and the United States could also rise, while deliveries to African countries might diminish. The 2010 trade recovery would be sustained by increased **exports** by Thailand which look set to rebound, but also by China, Myanmar and Viet Nam, compensating for reduced shipments from Cambodia, the United States and Uruguay.
- **Global rice utilization** in 2010 is projected to expand by 8 million tonnes to 454 million tonnes, with the bulk of this volume, some 389 million tonnes, anticipated to be consumed as food, 1.5 percent more than in 2009. As a result, per caput food consumption is expected remain largely unchanged at 57.3 kilograms, being sustained by government programmes that have helped dampen the effects of stubbornly high prices across regions.
- Following improved 2009 production estimates, the FAO forecast of **world stocks** at the close of the marketing years ending in 2010 has been raised by 6 million tonnes to 123 million tonnes, which represents a 1 percent drop from opening levels. Much of the contraction is expected to stem in the five major exporting countries, which, as a group, are forecast to close the year with a 24 percent draw down to 24.5 million tonnes. Conversely, rice importing countries, such as Indonesia and the Republic of Korea, are expected to build their inventories. Relative to world consumption, global rice reserves appear ample and sufficient to cover roughly 27 percent of utilization in 2010.
- Notwithstanding the arrival into the market of freshly harvested supplies, **international rice prices** strengthened in the last quarter of 2009, reversing a downward trend that had been sustained since May. This was reflected in the FAO All Rice Price Index rising by 15 points to 247 points from September to December. The rebound of world quotations mainly concerned the Indica rice market, with gains particularly evident in lower quality varieties, which gained 49 points over the period. Prices for higher-quality Indica rice also strengthened, while quotations for both Aromatic and Japonica varieties lost ground. On average, rice prices in 2009 fell 42 points below their value in 2008, remaining, however, 92 points above the 2007 average. Prospects for prices in the coming months are uncertain, but with the major exporting countries holding less supply or imposing export restrictions, prices are unlikely to subside before newly harvested crops reach the market in March/April.

INFORMATION UPDATE AS OF 31 DECEMBER 2009

I. PRODUCTION

FAO global production forecasts now pointing to a small contraction from last year's record crop



With the close of calendar year 2009, most Northern Hemisphere countries are about to conclude the harvest of main paddy crops and preparing to plant their secondary crops. On the other hand, countries along and south of the Equator line are already engaged in planting activities for the 2010 campaign.

With the advancement of the season, the global production outlook for 2009[1] has improved, now standing at 678 million tonnes (452 million tonnes, milled basis), nearly 10 million tonnes above the September estimate, reflecting better than previously anticipated prospects in major producing countries in Asia, where crop development was affected by unfavourable climatic conditions. Nonetheless, the production outlook has also improved in Europe, having been instead downgraded in Africa.

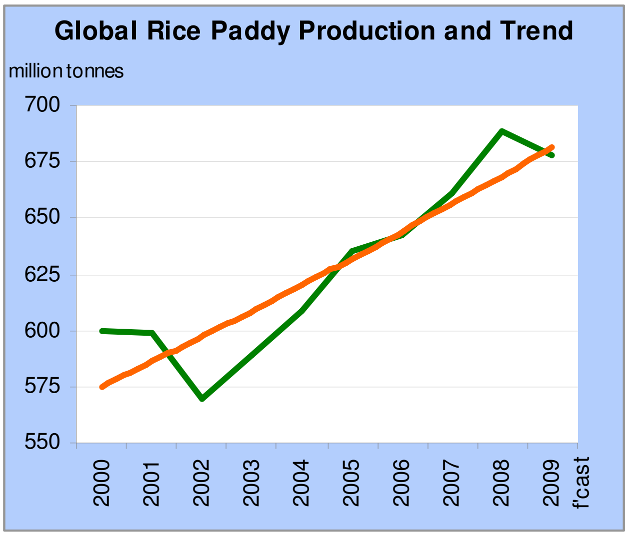
Principal Revision to 2009 Paddy Production Forecasts (millions of tonnes):

	September f'cast		December f'cast		Revision
WORLD	**667.7**		**677.6**		**+9.9**
ASIA	**601.3**		**611.6**		**+10.2**
Bangladesh	48.0	F	45.8	F	-2.2
Cambodia	7.6	G	7.3	G	-0.4
China (Mainland)	194.7	G	195.8	G	+1.1
India	121.5	F	130.8	F	+9.3
Indonesia	62.6	G	63.8	G	+1.3
Iran Islamic Rep.	2.8	F	3.3	F	+0.5
DPR Korea	1.8	F	2.3	G	+0.5
Republic of Korea	6.4	F	6.6	G	+0.2
Nepal	4.2	F	4.0	G	-0.2
Pakistan	8.9	G	9.6	G	+0.6
Philippines	17.5	F	16.7	F	-0.8

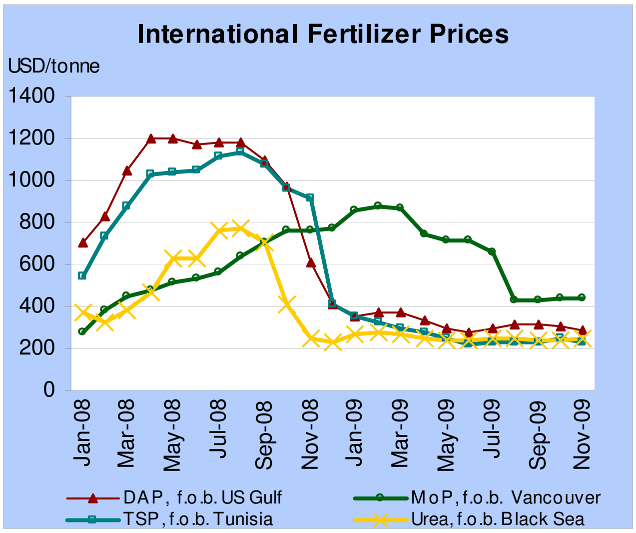
	September f'cast		December f'cast		Revision
Thailand	31.1	F	31.5	G	+0.4
Viet Nam	**39.0**	F	**38.9**	G	**-0.1**
AFRICA	**25.4**		**24.5**		**-0.9**
Egypt	7.0	F	5.7	G	-1.3
Cote d'Ivoire	0.7	F	0.8	F	+0.1
Guinea	1.4	F	1.5	G	+0.1
LATIN AMERICA & CAR.	**27.5**		**27.4**		-0.2
Mexico	0.3	F	0.2	F	-0.1
Argentina	1.2	F	1.4	G	+0.1
Venezuela	1.4	G	1.3	F	-0.1
EUROPE	**3.8**		**4.3**		+0.5
European Union	2.9	F	3.1	F	+0.2
Russian Federation	0.7	F	1.0	F	+0.3

G: Official Figure; F: FAO forecast/estimate.

[1] The 2009 rice production season normally includes rice from the main paddy crops whose harvests fall in 2009, to which rice from all subsequent secondary crops, if any, is added. In the case of northern hemisphere countries, this principle implies that production in 2009 comprises the main rice crop, which is usually collected in the latter part of the year, plus the volume obtained from the successive secondary crops, commonly harvested in the first half of 2010. In the case of southern hemisphere countries, production in 2009 normally comprises rice from the main paddy crops assembled in the first part of 2009, plus rice from the secondary crops, generally gathered in the latter part of 2009. This approach to assess rice production is applicable to any given season.



At the current forecast level of 678 million tonnes (452 million tonnes, milled basis), world paddy output would be 2 percent, or 11 million tonnes, short of the 2008 bumper crop, but would still stand out as the second best season in history. The yearly production decline would stem from a 3 percent contraction of plantings to 156 million hectares, compensated slightly by a 1 percent rise of paddy yields to 4.4 tonnes per hectare. The slide of world production from the exceptional 2008 outcome would be much on account of Asia, where an erratic advancement of the monsoon rains caused a sharp cut in plantings and output.



Production in Africa is also forecast to drop below last year's excellent season outcome, but prospects are positive in North America, Latin America and the Caribbean and Europe. Although improved compared to the previous year, output in Oceania remains low relative to the levels reached in the early 2000s. In general, the progress of the sector in 2009 was a response to relatively favourable paddy prices and falling input costs, especially of fertilizers. In addition, governments remained generally supportive of the sector, often under medium and long term programmes to achieve rice self-sufficiency.

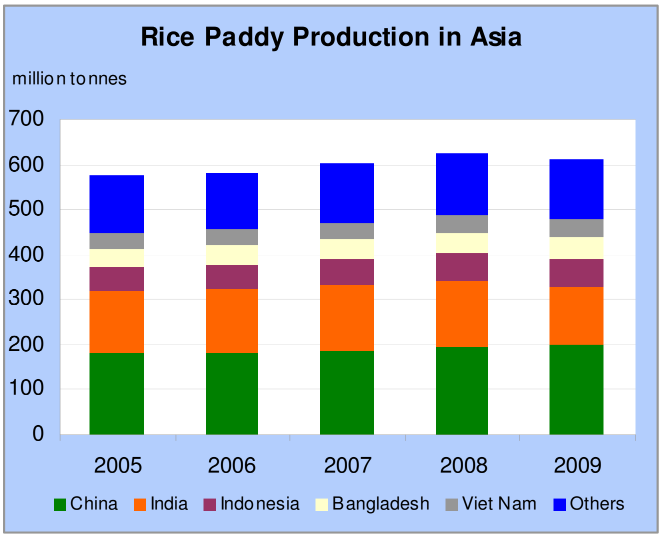
A. ASIA

Although still pointing to a seasonal decline, prospects for Asian paddy crops in 2009 are much improved compared with September

Since the publication of the previous FAO Rice Market Monitor in September, expectations for 2009 production in Asia have substantially improved, with the overall forecast raised by 10 million tonnes to 611.6 million tonnes (408.0 million tonnes, milled basis). At this level, paddy output in the region would still be 2 percent below the previous season's outstanding harvest, reflecting shortfalls in **Bangladesh, Cambodia, India, Iraq, Japan, Nepal, Pakistan,** the **Philippines, Sri Lanka** and **Thailand,** where unfavourable weather in the form of drought and floods have impaired crop development over the season. Output contractions in these countries are expected to be only partly offset by gains in **Afghanistan, China,**

mainland, Indonesia, the **Islamic Republic of Iran, DPR Korea, Republic of Korea, Lao PDR, Malaysia, Myanmar** and **Viet Nam.**

In **Afghanistan,** the 2009 season was concluded with the November harvest of paddy crops. Favourable climatic conditions this year have allowed for an 11 percent expansion in area planted to 200 000 hectares which, coupled with a 3 percent improvement in yields, has brought paddy production to a record 700 000 tonnes (469 000 tonnes, milled basis), 14 percent above the previous year's harvest. The increase in paddy output has been particularly accentuated in the province of Nangarhar, where it is reported to have risen by 70 percent to 320 000 tonnes, owing to use of quality seeds and greater availability of water.



Production prospects are unfavourable in **Bangladesh,** as FAO forecasts 2009 output at 45.76 million tonnes (30.5 million tonnes, milled basis) are down 3 percent from the previous year's outstanding harvest. Following a late onset and erratic pattern of the monsoon rains this season, which depressed plantings, Aman output is estimated to have contracted by 5 percent to 11 million tonnes on a milled basis, while the smallest Aus crop harvested in August is gauged at 1 million tonnes, substantially short of the original 2.5 million tonne objective. Nonetheless, much of the outcome of the season depends on the development of the third and largest Boro crop, presently being planted, which has been targeted at 19 million tonnes (milled basis). To achieve that end, the Government has planned to expand hybrid variety coverage to 27 percent of cultivated land in northern districts and has announced a 36 percent reduction in domestic prices of non-urea fertilizer. This last measure follows a similar initiative undertaken earlier in January when subsidised prices of fertilizers were cut by 55 percent.

Meanwhile, the 2009-2010 public procurement target has been set at 1.5 million tonnes of rice, surpassing the record 1.45 million tonnes procured from the 2008-2009 crop. Since 7 December, 200 000 tonnes of Aman rice are being purchased at a price of Taka 22 per kilo (USD 324 per tonne), while 150 000 tonnes of paddy are to be procured at Taka 14 per kilo (USD 206 per tonne). [2] According to reports, however, public agencies have encountered difficulties in fulfilling their procurement target given that prevailing market prices remain above those set by Government. As a result, a recent decision would have authorities relaxing a prerequisite set at the start of the campaign, requiring millers supplying state agencies to procure at least half of their paddy directly from farmers at the reference prices established. The measure was initially instituted to ensure that producers benefit from the price increase.

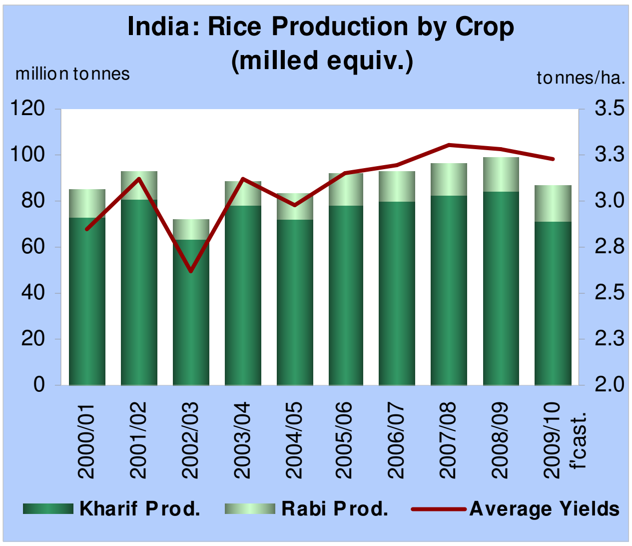
In August, **Brunei Darussalam** began harvesting a first crop cultivated under a government initiative launched earlier this year to raise the country's rice self-sufficiency level. By bringing new land under cultivation of hybrid varieties and upgrading infrastructure, the programme ultimately aims to expand output to 18 000 tonnes by 2015, so as to cover 60

[2] All currency conversions are based on exchange rates as on 1 January 2010.

percent of domestic requirements. For 2009, official forecasts already put paddy production at 8 000 tonnes (5 300 tonnes, milled basis), up from 1 400 tonnes last year.

Harvest of the wet season paddy crop is in full swing in **Cambodia,** while the dry season paddy is about to be planted. Crop development this year has endured several set backs, as drought affected western provinces at the start of the season and 22 432 hectares of paddy fields were damaged by the passage of typhoon Ketsana. Nonetheless, with area expansions expected to more than compensate for slightly depressed yields, output looks set to expand to 7.25 million tonnes (4.6 million tonnes, milled basis), up 2 percent from a year earlier. Various initiatives are being undertaken to address the lack of milling capacity and storage infrastructure which prevent the export sector from expanding. For example, a recently formed joint venture with Viet Nam is to construct a processing facility and storage infrastructure. Also with support from Viet Nam, a fund of USD 10 million is to be set up through the Rural Development Bank to grant credit to rice millers, adding to the USD 18 million loan facility availed by the Government in November through its state bank to enhance drying and milling capacity in Cambodia's North-West region.

The National Grain and Oils Information Centre has recently upgraded its forecasts of 2009 paddy production in **China, mainland** to 195.8 million tonnes (134.1 million tonnes, milled basis). This would represent a 2 percent expansion from 2008, with much of the increase driven by expanded plantings. In spite of the drought problems which have afflicted several northern and southern provinces, all paddy crops are forecast to end larger: the main intermediate crop being set to grow by 1 percent to 127.3 million tonnes; the early crop by 5 percent to 33.2 million tonnes, and the late crop by 3 percent to 35.3 million tonnes. Meanwhile, the third phase of the super-hybrid rice programme is targeting to achieve yields of 13.5 tonnes per hectare by 2010, which compares to the 12 tonnes per hectare already attained by second generation hybrid varieties. In November 2009, the Ministry for Agriculture's Committee for Biological Safety also announced its safety approval for the cultivation of Bt rice, genetically modified to enhance its resistance to pests. The rice strain is expected to undergo further approval procedures before it can be cultivated on a large-scale commercial basis, a process which may take up to three years.



In **India,** the monsoon period closed on 30 September with a deficient cumulative rainfall equal to 77 percent of the long period average. As a result and compounded by severe floods in Andhra Pradesh and Karnataka, the total area under rice over the main Kharif crop is estimated to have retrenched by 14 percent to some 35 million hectares, with the states of Andhra Pradesh, Bihar, Jharkhand, and Uttar Pradesh particularly affected. In its revised first advanced estimates of the season, the Department of Agriculture and Cooperation assessed the 2009 Kharif production at 107.5 million tonnes (71.65 million tonnes, milled basis), down from 126.9 million tonnes (84.6 million tonnes, milled basis) in 2008. To compensate for part of this 13 million tonne shortfall (milled basis), and given improved water levels in reservoirs, the Government announced its intention to increase the area under the secondary (irrigated) Rabi crop, now at the transplanting stage, to cover 4.733 million hectares, up from 4.705 million hectares in the previous campaign and an average of 4.03 million hectares. On balance, paddy production for the full 2009 season is forecast to reach some 130.8 million tonnes (87.2 million tonnes, milled basis), which would represent a 12 percent contraction from the previous year's record harvest.

Following the August increase to minimum support prices paid to farmers, the Government has approved a bonus of Rupees 500 per tonne of rice procured, bringing prices paid per tonne of common grade and Grade-A rice to Rupee 10 000 (USD 215) and Rupee 10 300 (USD 221) respectively. The move tries to encourage farmers to sell to the state agencies, which need to buy some 26 million metric tonnes this season to meet requirements for the national food distribution scheme and a strategic food grain reserve of 5 million tonnes recently created by authorities. From 1 October to 18 December, government rice procurement was reported to have reached 14 million tonnes, overshooting the 13.6 million tonne purchased over the same period last season. At the same time, an October decision by government approved the release of 500 000 tonnes of rice through open market sales, in an attempt to curb inflationary pressure. A formal notification has also ruled that any purchase of rice above 10 000 tonnes by private agents during the marketing season has to be formally declared to state authorities, while procurement of a volume of 25 000 tonnes or more will require federal government notification. From a longer time perspective, officials have announced an increased budgetary allocation of Rupee 13.5 billion (USD 290 million) to the National Food Security Mission, aiming to raise milled rice production by 10 million tonnes by 2011-2012, through the use of hybrid seeds, improved technologies and better farm management practices.

Located in the southern hemisphere, **Indonesia** has completed the 2009 season with the October harvest of secondary crops. In its third seasonal forecast, the Central Statistical Agency has revised its overall projection of paddy production in 2009 to a record 63.84 million tonnes (40.2 million tonnes, milled basis), 6 percent or some 3.5 million tonnes above the previous year's harvest. Much of this expansion is attributable to the favourable growing conditions prevailing over most of the country, which allowed for a 4.2 percent increase in area planted to 12.84 million hectares. As for the 2010 season, which was opened in October with the planting of the main crop, the government is aiming at a further 5 percent expansion of output to 67 million tonnes, relying predominantly on productivity gains. However, after the budgetary allocations were lowered by 35 percent, subsidies on fertilizers are to be cut, resulting in an average sale price increase in the order of 40 percent. To compensate rice farmers, the government announced it would raise the procurement price paid by the State Logistics Agency (Bulog) by 10 percent, from Rupiah 4 400 (USD 47 cents) to Rupiah 4 840 (USD 51 cents) per kilogram. Although purchases by Bulog only account for a small share of total production: in 2009 they were targeted to reach 3.8 million tonnes, 3.6 million tonnes of which were meant to be delivered at subsidized prices to 18.5 million poor households; the measure would be of particular importance to keep the momentum of paddy production. This is so particularly in view of delays in 2010 crop planting as the arrival of seasonal rains is reported to have been delayed by a month over some areas, a situation that is attributable to the manifestation of an El Niño phenomenon.

Harvest of main 2009 crop was concluded in October in **Japan.** Adding to a foreseen 1 percent contraction in area planted to 1.6 million hectares, cold temperatures and low sunshine duration prevailing over the season are estimated to have depressed yields by some 2 percent to 6.6 tonnes per hectare. As a result, output this year is forecast to decline to 10.7 million tonnes (7.8 million tonnes, milled basis), against the 11.03 million tonnes produced in 2008. The Government is reported to be considering an overhaul of the country's agricultural policy as of 2010. In respects to rice, measures outlined would include the replacement of subsidies paid to producers with a system of direct income support intended to compensate for the difference between production costs and market prices. To these effects, plans would have a base subsidy of Yen 15 000 (USD 162) per square kilometre of rice fields granted to producers who chose to enrol in the programme. To this sum, a variable compensation would be extended when prices decrease, with additional incentives granted to farmers willing to switch to cultivation of other crops or to produce rice for feed or industrial purposes. A budget of 561.8 billion yen (USD 6.1 billion) would be allocated to the implementation of the scheme, which if approved, is scheduled to take off in April this year.

FAO has revised the 2008 production figures for the **Democratic People's Republic of Korea** to 2.02 million tonnes of paddy (1.33 million tonnes, milled basis). On the back of productivity gains, the official estimate implies an 8 percent recovery from 2007's dismal harvest of 1.87 million tonnes (1.23 million tonnes, milled basis). As for the 2009 crop, which was harvested in September, official figures point to a further output expansion to 2.34 million tonnes (1.54 million tonnes, milled basis). Although improved on account of more favourable climatic conditions, production in 2009 remains below pre-2007 volumes, hindered by a severe fertilizer scarcity resulting from the suspension of aid deliveries to the country. Although not officially confirmed, retail rice prices are reported to have risen well above recently set administered prices of 22 and 23 won per kilo, following the revaluation of the national currency on 1 December 2009.

Official estimates have upgraded paddy production in the **Republic of Korea,** overturning earlier expectations of an output decline. In fact, favourable climatic conditions boosted yields to a new record of 7.2 tonnes per hectare this season. As a result, and in spite of a 1 percent contraction in area, paddy output now looks set to reach 6.6 million tonnes (4.9 tonnes, milled basis), up from 6.54 million tonnes in 2008. The arrival of the season's bumper harvest has added pressure on domestic rice prices already weakened by falling domestic demand. This situation has prompted authorities to announce a planned purchase of 370 000 tonnes of rice for the Public Storage System for Emergencies. Conceived as a price stabilisation measure, the scheme would increase allocations to the National Agricultural Cooperative Federation (NACF) and other private processing centres through a preferential loan programme so as to enable them to purchase 15 percent more rice than the previous year, equivalent to 2.33 million tonnes. Meanwhile, Government is also reported to be considering opening a rice futures market.

Notwithstanding damages caused by the passage of typhoon Ketsana, paddy production in the **Lao People's Democratic Republic** is anticipated to increase by 2 percent to 3.1 million tonnes (1.86 million tonnes, milled basis), against the 3.03 million tonnes produced the previous year.

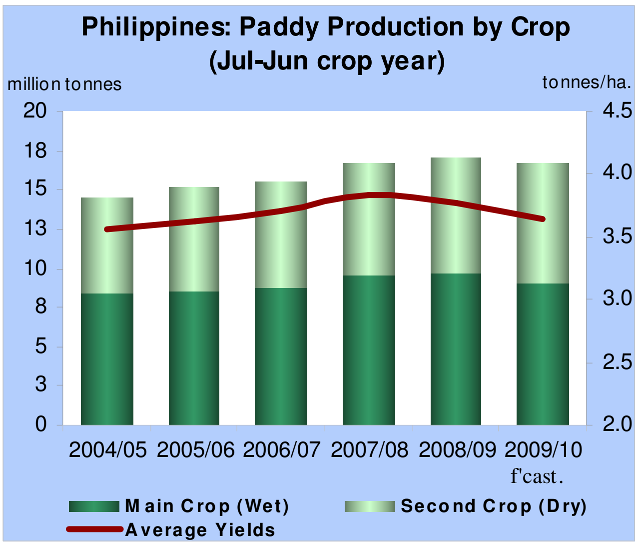
The 2009 paddy season closed in **Malaysia** with positive results. A 3 percent boost in yields is officially forecast to lead to an output expansion of 78 000 tonnes to 2.45 million tonnes

(1.6 million tonnes, milled basis). As to the 2010 season launched in September, with an eye to achieving the 80 percent self-sufficiency target for the year, Government has announced that it will continue projects to bring idle land under rice cultivation. In support of productive activities, RM 700 million (USD 203 million) were also set aside from the 2010 budget to finance fertilizer subsidies and price subsidies. Additionally, RM 220 million (USD 58 million) were allocated to programmes seeking to enhance paddy productivity, while 180 000 farmers are expected to benefit from improved irrigation and drainage infrastructure, for which RM 137 million (USD 40 million) were allocated.

Gathering activities of the main 2009 crop are currently underway in **Myanmar.** Owing to increased area coverage, paddy output this season is anticipated to expand by 3 percent to 31.5 million tonnes (19.84 million tonnes, milled basis). This would imply the full restoration of production from the impact of Cyclone Nargis, which caused heavy losses to infrastructure in the important Irrawady delta region in May 2008.

In **Nepal,** following two consecutive winter-time droughts, the late and erratic pattern to the monsoon rains witnessed this season is expected to result in depressed yields and area retrenchments as planting activities in the country are reported to have been delayed by some three-weeks. Accordingly, FAO forecasts of paddy production in 2009 point to an 11 percent drop in output to 4.0 million tonnes (2.7 million tonnes, milled basis).

In **Pakistan,** the main paddy crop was gathered in November. On the back of lower price expectations and poor weather, paddy plantings this season are estimated to have contracted by 4 percent to 2.85 million hectares. Combined with depressed yields, output is officially forecast to contract from last year's outstanding level by 8 percent to 9.56 million tonnes (6.38 million tonnes, milled basis). Under a five-year economic plan being drafted, the Government would be seeking to increase rice production to 7.5 million tonnes (milled basis) by the year 2015. To achieve this target, fallow land would be brought back under cultivation, fertilizer and seeds distributed as well as packing and grading plants set up in key growing areas. Meanwhile, a new rice procurement mechanism outlined earlier in September has been approved. Under the new framework, the Pakistan Agricultural Storage and Supply Corporation (PASSCO) is to procure supplies from producers only when market prices fall below a set of reference prices. On these bases, up to 1 million tonnes of paddy can be purchased by the state agency for processing on rented facilities and later auction.



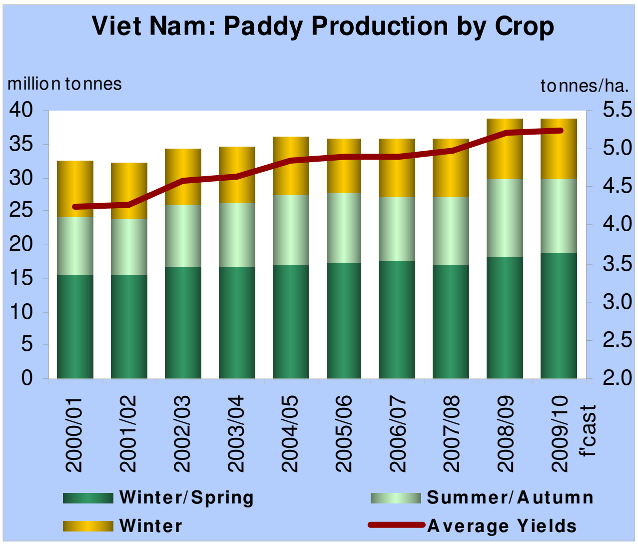
Harvest activities of the 2009 main crop are underway in the **Philippines.** Since the release of the previous issue of the RMM, the production outlook for the country has forgone 800 000 tonnes, as a result of heavy rains and severe flooding. According to the latest assessment by the Department of Agriculture, crop damage from the successive passage of storms and typhoons, in particular Tropical Storm Ketsana and Typhoon Parma, has been particularly pronounced in the regions of Central Luzon and Ilicos, where area and yield losses are forecast to translate in production drops of 22.7 and 20.9 percent respectively. As a result, the main wet-season output is forecast to register a 7 percent year-on-year decline to 9.04 million tonnes. Although these losses may to be partly offset by greater production from the secondary dry crop planted in January, FAO now forecasts paddy output at 16.7 million tonnes (10.9 million tonnes, milled basis). At this level, production would stand 2 percent, or some 370 000 tonnes, below the previous year's harvest.

With the assistance of the Government of Japan, which has donated 26 235 tonnes of fertilizers, the Filipino Government has announced plans to distribute seeds and fertilizers to the worst affected farmers, in addition to extending the hybrid rice seed subsidy into the first quarter of 2010. Moreover, state procurement of paddy is to be increased beyond the million tonne targeted for the year in order to stimulate planting and replenish national buffer stocks. Furthermore, in October an agreement was reached between the Department of Agriculture and the Philippines Stock Exchange outlining the future creation of an agricultural spot market to trade in rice, sugar, corn and coconuts.

The 2009 paddy season was completed in September in **Sri Lanka.** This season, the Maha crop surpassed the previous year's output by 12 percent to 2.38 million tonnes (1.6 million tonnes, milled basis) also on account of area gains registered in the Eastern Province following the cessation of hostilities. However, official assessments have revised production for the secondary Yala crop, now pointing to a 32 percent drop in output due to rainfall deficits and delayed release of water for irrigation. As a result, overall production in 2009 is now estimated to have fallen by 8 percent to 3.6 million tonnes (2.43 million tonnes, milled basis). Meanwhile, the 2010 season was launched with the October planting of the Maha crop, which has been targeted to extend over 700 000 hectares for an overall projected output of 4.01 million tonnes. To assist planting activities, a budget of Rupees 50 billion (USD 447 million) has been allocated to fund fertilizer subsidies over the next two years. Government support to producers under the National Food Production Drive (Api Wawamu Rata Nagamu) aims to reduce reliance on imports by increasing rice production to 3.5 million tonnes by 2011 by bringing abandoned and/or fallow land back under rice cultivation.

In **Thailand** harvest of the 2009 main paddy crops started in November. Although production this season is reported to have been affected by some excessive rainfall pouring in the Southern regions and brown-hopper infestations in northern and north-eastern parts of the country, officials assess 2009 main crop paddy output largely unchanged from a year earlier and in the order of 23.24 million tonnes. Nonetheless, with area under secondary paddy expected to contract, overall production for the year is officially forecast at 31.48 million tonnes (20.8 million tonnes, milled basis), 1 percent below 2008's output.

With the arrival of the main paddy crop in the market, domestic prices had been under heavy downward pressure, a situation that forced the Government to extend its rice mortgage programme up to October 15, to cover an additional 300 000 tonnes of rice from the 2008 secondary crops. Although the mortgage scheme was to be replaced as of 1 October with the price guarantee programme, implementation of the latter took on a slow start, because of the complexity of scheme and the reportedly restrictive moisture content requirements that would have disqualified eligible farmers. As a result, in early November the Government approved a budget of Baht 60 billion (USD 1.8 billion) to fund a set of supplementary measures to be implemented in parallel to the price insurance scheme. Under the framework, the Bank for Agriculture and Agricultural Cooperatives (BAAC) is to receive Baht 20 billion (USD 603 million) to extend credit to millers on preferential interest rates to assist them purchase paddy at the reference prices set by the Ministry of Commerce on a bimonthly basis. A similar amount is to be allocated to fund on-farm mortgage of 2 million tonnes of paddy, while the Public Warehouse Organisation and Marketing Organisation for Farmers are to receive the remaining Baht 20 billion to finance the direct purchase of 2 million tonnes of rice during the harvest.



The 2009 season has come to a close with the October harvest of summer-autumn rice in **Viet Nam**. Some limited damage to crops from heavy rainfall and the passage of typhoon Ketsana are reported. As a result, on account of smaller area under the paddy and some productivity losses the summer-autumn harvest is officially estimated to have contracted by 2 percent to 11.2 million tonnes. As these losses were compensated by a larger winter-spring crop, which is the first in the season to be harvested, overall output is officially forecast to remain virtually unchanged from 2008 at 38.9 million tonnes (26.0 million tonnes, milled basis).

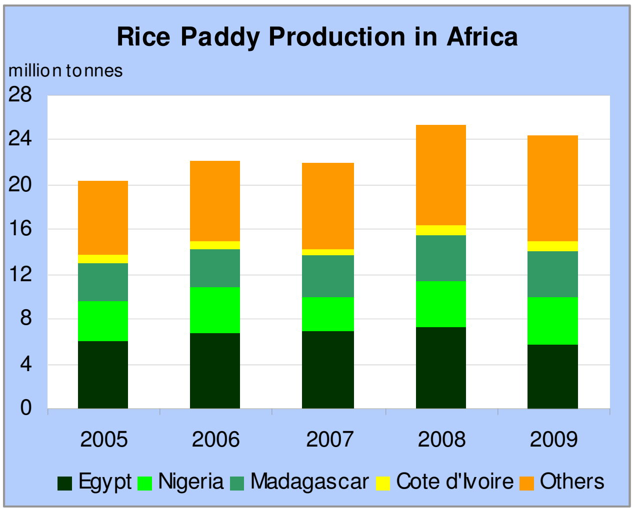
In order to address post-harvest losses arising from poor infrastructure capacity, the Government has initiated work on a VND 7.6 trillion project (USD 415 million) to construct a 4 million tonne storage facility in the Mekong Delta region, further encouraging private investment by extending loans on preferential interest rates and exemptions on land use fees, import duties on equipment and corporate income taxes. Additionally, the first rice exchange market is being set up in Hau Giang province, the second of its kind in the country, with plans to have it expand into futures trading once it becomes fully operational.

B. AFRICA

A sharp contraction in Egypt much behind a 3 percent decline in 2009 paddy production in Africa, while prospects are positive for Western Africa

Total paddy production in ***Africa*** is set to hover around 24.5 million tonnes in 2009 (16.0 million tonnes, milled basis), 3 percent below the record 25.3 million tonnes harvested in the region in the previous season. Much of the slide derives from an expected decline of output in Egypt, which alone accounts for one quarter of the region's total. Prospects are also negative in Eastern Africa, which experienced lingering drought problems. On the other hand, relatively favourable growing conditions combined with continued support from governments engaged in self-sufficiency policies are underpinning production in western and southern Africa.

In ***North Africa,*** harvesting the 2009 crop is underway in **Egypt**. Based on official estimates, FAO has lowered its forecast for the season's harvest to 5.7 million tonnes (3.92 million tonnes, milled basis) to reflect a sharp contraction in area. In fact, on the back of lower prices received by producers and government effort to limit rice cultivation to preserve water resources, estimates point to a 23 percent cut in paddy plantings to 577 000 hectares this season, against 745 000 hectares planted last year.



In **Western Africa,** the overall production outlook is positive, with a 5 percent increase to 11.9 million tonnes (7.5 million tonnes, milled basis) anticipated for the whole sub-region. The sector benefited this season from continued support by governments, several of which have embarked in ambitious rice self-sufficiency programmes, and from an intensification of external financial assistance. In **Benin,** where the harvest of main season paddy has come to a close in December, production is officially forecast at 133 000 tonnes (80 000 tonnes, milled basis), a 34 percent boost from last year's level. The expansion reflects favourable climatic conditions over the crop growth cycle, but also an 18 percent area expansion to 41 000 hectares, led by producers switching from cotton to rice cultivation in the context of various state programmes. For instance, the European Union is financing a new project (Projet d'Appui à la Filière Riz), to bring an additional 1 500 hectares under rice cultivation in the southern regions and boost annual output by 3 000 tonnes.

In **Cote D'Ivoire,** where the main crop was harvested in October, production this season looks set to reach 835 000 tonnes (501 000 tonnes, milled basis), 5 percent above a revised 2008 output of 794 000 tonnes. In June 2008, the country launched a national rice programme aiming to expand output by 200 000 tonnes per year. To date, in addition to restoring irrigation infrastructure and setting up milling and storage structures, the programme is reported to have supported cultivation over 38 900 hectares of irrigated and low-land paddy fields, via fertilizer and seed distribution.

Likewise, paddy production in **Ghana** is officially estimated in the order of 362 000 tonnes (221 000 tonnes, milled basis), up 20 percent from last year's bumper harvest, owing to a 13 percent expansion in area and favourable weather. Much of the gain this season was made possible thanks to the restoration of the Tono, Veda and Aveyime dams. In addition the Government continued to support farming by availing 30 000 tonnes of fertilizers to growers at a 50 percent price subsidy. Banking on increased production in northern regions, authorities have expressed the intention to make the country reach 50 percent self-sufficiency in rice by 2018. To this end, it is also to benefit from a Euro 17.3 million five-year project partly funded by France to put 6 000 hectares under rice cultivation.

Harvesting activities are currently underway in **Guinea**. Notwithstanding a late arrival of the rains at the onset of the season, favourable weather conditions prevailing thereafter over growing regions are expected to boost yields by 4 percent to 1.8 tonnes per hectare. On the basis of this gain, paddy output is officially forecast at 1.53 million tonnes (1 million tonnes, milled basis), 5 percent above 2008's bumper harvest.

Guinea: Paddy Production, Area and Yield										
	Units	2000	2001	2002	2003	2005	2006	2007	2008	2009
Area	000 Ha.	666	601	630	660	724	758	750	847	853
Yield	Kg/Ha.	1,714	1,719	1,729	1,738	1,757	1,767	1,756	1,720	1,797
Production	000 MT	1,141	1,034	1,089	1,147	1,272	1,340	1,317	1,456	1,533
Source: Ministry of Agriculture.										

Following the receipt of official figures, output estimates in **Mali** over the previous 2008 paddy season have been lowered to 1.31 million tonnes (891 million tonnes, milled basis). Despite the downward revision, the 2008 result would still represent a 21 percent year-on-year increase, owing to a 23 percent expansion of plantings to 484 000 hectares. As for the main 2009 crop, which is currently being gathered, an uneven rainfall pattern over much of the country early into the season delayed plantings, thereby depressing yields by 4 percent to 2.6 tonnes per hectare. Nonetheless, owing to the continuing expansion in area, production is anticipated to expand by another 23 percent in 2009, to 1.6 million tonnes (1.1 million tonnes, milled basis).

Planting activities of main season crops began in October in **Nigeria,** one of the largest producers in the region. Notwithstanding some crop damages reported in north-central areas due to dry conditions early in the season, the FAO outlook for paddy production in the country remains positive at 4.3 million tonnes (2.6 million tonnes, milled basis), 3 percent above 2008, mostly on the basis of larger plantings. In June 2008 and in the aftermath of the food price hike, the Government approved the release of Naira 10 billion (USD 68 million) worth of credit from a "Rice Levy Account" to boost rice processing capacity in the country. Authorities have recently announced that funds under the scheme are to be used to construct 17 rice mills across producing states under public-private partnerships, with the public sector providing up to 40 percent of the Naira 1.4 billion cost (USD 9 million) per rice mill to be constructed. It is expected that these new structures will support increased domestic production and reduced reliance on imports by processing as much as 800 000 tonnes annually. Meanwhile, according to official statements the country is to begin negotiations with Thailand to establish a bilateral trade and investment agreement, which would have Thai rice production centres and processing facilities established in Nigerian Free Trade Zones.

The main paddy crop was harvested in November in **Senegal.** Favourable climatic conditions in the form of abundant precipitation over most of the country are expected to translate into a 20 percent boost in yields to 3.9 tonnes per hectare this season. On these basis and coupled with expanded plantings, 2009 output looks set to grow by 24 percent to 509 000 tonnes (356 000 tonnes, milled basis). Although to date paddy production has reached a new record, it is still below the ambitious 750 000 tonnes target set for the year under the National Program for Self-sufficiency in Rice within the GOANA Initiative (Grande Offensive Agricole pour la Nourriture et l'Abondance). The scheme, launched in 2008, aims to bring national output to 1.5 million tonnes of paddy (1 million tonnes, milled basis) by 2012, relying mainly in increased irrigated crop output.

Senegal: Production Objectives under National Program for Self-sufficiency in Rice:			
	2008	**2010**	**2012**
Area (Ha.)	**142,500**	**205,220**	**327,080**
Irrigated	**62,500**	**115,220**	**196,080**
Senegal River Valley	55,000	105,720	175,580
Anambé	7,500	9,500	20,500
Rainfed	**80,000**	**90,000**	**131,000**
Yields (MT/Ha)	**3.8**	**4.5**	**4.6**
Irrigated	**6**	**6**	**6**
Senegal River Valley	6,2	6,2	6,2
Anambé	4.5	3.8	4.3
Rainfed	**2**	**2.5**	**2.5**
Production (MT)	**535,000**	**916,320**	**1,503,980**
Irrigated	**375,000**	**691,320**	**1,176,480**
Senegal River Valley	341,000	655,464	1,088,596
Anambé	34,000	35,856	87,884
Rainfed	**34,000**	**35,856**	**87,884**
Source: National Strategy for the Development of Rice. Ministry of Agriculture.			

In the sub-region, official production forecasts point to further increases in the order of 15 percent to 271 000 tonnes in **Burkina Faso**, of 79 percent to 69 000 tonnes in **Gambia** and 9 percent to 93 000 tonnes in **Togo**, confirming the expansionary drive adopted by west African governments in support of the rice sector. However, **Chad** and **Mauritania** look set to suffer contractions, respectively of 16 percent to 143 000 tonnes and of 33 percent to 67 000 tonnes.

Mainly due to extensive drought problems, the outlook is less buoyant in ***Eastern Africa,*** where aggregate paddy production is expected to decline by 2 percent to 1.78 million tonnes. The main season crop has already been harvested in the **United Republic of Tanzania** and the secondary paddy is now being gathered. Crop development this season was marred by prolonged dryness resulting from the failure of long-rains and low input use. As a consequence, FAO forecasts paddy production at 1.34 million tonnes (871 000 tonnes, milled basis), 3 percent lower than the previous year. On the other hand, planting preparations for the 2010 crop are currently underway. The occurrence of El Nino this year is expected to have a beneficial effect on the region, providing normal to above normal rainfall and respite to crops in drought affected areas. The season is also to benefit from a USD 50 million loan provided by the Republic of Korea to support rice production over 100 000 hectares of land along the Rufiji Basin. The Government has also recently launched a new agricultural policy under the Kilimo Kwanza (Agriculture First) initiative, aiming to increase agricultural production through greater investment and improved use of both land and water resources.

Production estimates in ***Southern Africa,*** where the 2009 season has already been concluded, remain at 4.6 million tonnes, 4 percent more than in 2008. In **Madagascar,** output is estimated to have risen by 2 percent, from the very good performance last season, to 4.2 million tonnes (2.8 million tonnes, milled basis), sustained by yield improvements. Indeed, despite localized drought problems affecting the southern regions, favourable climatic conditions prevailed throughout the season. As for the 2010 paddy crop, which started being planted in November, current climate forecast paint a mixed picture akin to the manifestation of an El Nino event. In this connection, there have been warnings that El Niño may give rise to an early start of cyclone activity this year, which normally hit the country from December to April. In November, several huge storms were already seen approaching the island, but did not result in casualties. Meanwhile, the country is to benefit from an 11.86 million Euro fund provided by European Union through the International Fund for Agricultural Development (IFAD) to support rice production in the country through the 2010-2011 campaigns.

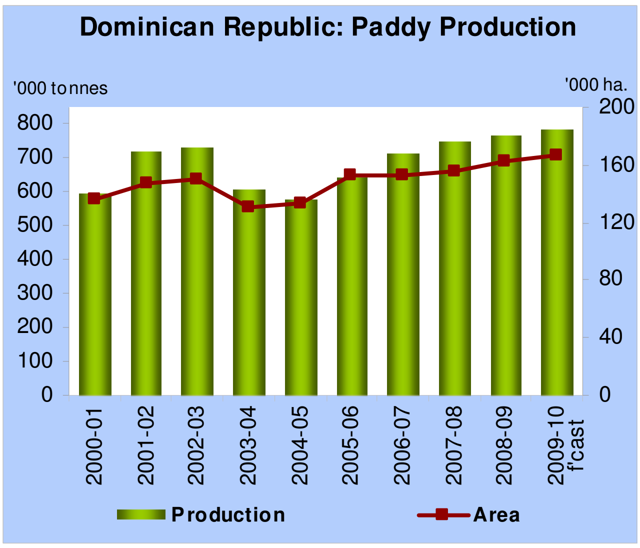
Outstanding results were also reached in **Mozambique,** where the 2009 paddy season was concluded with a near 40 percent jump in output to 260 000 tonnes (173 000 tonnes, milled basis). Between November and April, the country is to get through go the rainy and cyclone-prone period, which coincides with the main paddy crop planting and development phases.

C. CENTRAL AMERICA AND THE CARIBBEAN

Although drought may affect paddy yields in Central America and the Caribbean, on balance, production still expected to rise by 3 percent

The Atlantic tropical storm and hurricane season, which officially comes to a close on 30 November, has been characterised by below average activity in 2009. According to NOAA's Climate Prediction Centre, of the nine named storms formed this season, only three developed into hurricanes, the fewest since 1997. The low hurricane incidence, attributed to the attenuating influence of the recurring El Niño event, is also being associated with reduced precipitation levels across the area, affecting standing crops in several countries. As a result, FAO's forecast for production in the region has been downgraded, now standing at 2.58 million tonnes (1.7 million tonnes, milled basis), which is still 3 percent above the level in 2008. Much of the expected increase is a reflection of the positive results anticipated in Cuba and the Dominican Republic, the largest producers in the region.

In **Cuba,** gathering activities of the wet season crop were completed in December. An 11 percent expansion in paddy plantings this year is forecast to lift paddy production to 500 000 tonnes (334 000 tonnes, milled basis), up from 436 000 tonnes in 2008, when tropical storms inflicted damage to crops. In its efforts to raise the nation's rice self-sufficiency level, the Government recently clinched an accord with its Vietnamese counterpart, for the provision of technical assistance to boost rice production through 2009-2015, and a separate agreement with Japan, to support Cuba's certified seed production.



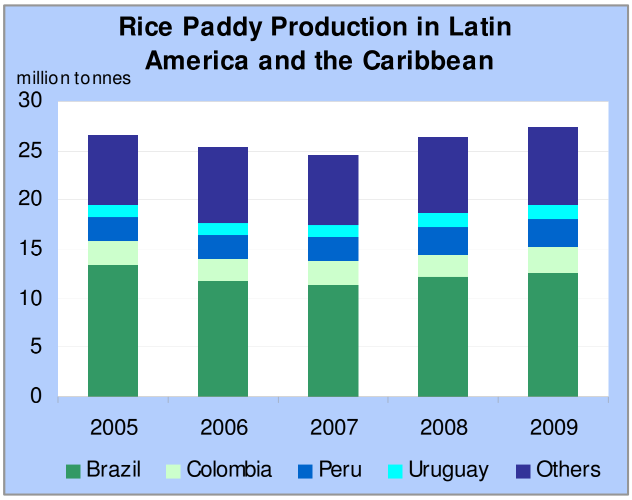
In the **Dominican Republic**, the 2009 season comes to a close with the December harvest of secondary winter crops. Largely on the back of increased area, output this season looks set to expand by 3 percent to 788 000 tonnes (520 000 tonnes, milled basis). Despite climatic problems, paddy production in the country steadily expanded over the past decade, registering a 37 percent increase in the past five years alone. Much of this success is being accredited to the national warehouse receipt programme and the proceedings of the National Rice Commission, which brings together the major sector stakeholders, including government, producer and industry representatives, with the objective to coordinate productive activities in the country.

In **El Salvador,** the bulk of the 2009 crop was gathered in November. In addition to drought problems experienced in June and July, the country was battered by Hurricane Ida on 7-8 November, which also affected neighbouring Nicaragua. According to preliminary assessments, the hurricane caused extensive damage to crops and infrastructure, also affecting rice fields. Pending a more thorough assessment of the extent of damages, paddy production in the country remains officially forecast at 41 000 tonnes (27 000 tonnes, milled basis).

The production outlook for **Mexico** has been downscaled based on an 8 percent retrenchment in area planting and yield losses caused by unfavourable climatic conditions. Although a prolonged drought has prevailed over much of the country in July, rice producing areas have been little affected; crop damage was instead reported in the state of Tabasco from heavy November rainfall and ensuing flooding. FAO's production forecast for the country now stands at 200 000 tonnes of paddy (133 000 tonnes, milled basis), down 15 percent from last year.

D. SOUTH AMERICA

Despite a poor start of the season, production in South America up by 4 percent in 2009, with larger crops harvested in virtually all countries



The 2009 paddy season is over in South America, where several countries are already engaged in the planting of the 2010 main paddy crop. Although some producing zones suffered from drought at the onset of the 2009 season, the impact was limited and the area under rice expanded, sustained by favourable expectations over prices. As a result, paddy production is estimated to have grown by almost 4 percent to 24.8 million tonnes in 2009, with increases recorded by virtually all countries, except Guyana and Venezuela, which may face a contraction.

As the 2010 season opens, there has been some deliberation about the possible impacts of the on-going el Niño event, which is anticipated to extend its influence over the region until April 2010, often coinciding with the development cycle of the main rice crop. Drought is already being felt in parts of the continent, which together with the reduced sunshine / light intensity and higher temperatures generally associated with El Niño phenomenon could negatively influence crop planting and yields, especially against the backdrop of less buoyant price prospects. Thus, initial indications for production in South America in 2010 are rather downbeat, especially if compared with the excellent 2009 performance.

Official estimates of the 2009 paddy production in **Argentina** have been upgraded since September and now stand at 1.35 million tonnes (920 000 tonnes, milled basis), 9 percent more than in 2008. The excellent season outcome, the best in the decade, was achieved on the back of a 12 percent expansion of planting and in spite of a prolonged drought, which depressed paddy yields by 3 percent to 6.6 tonnes per hectare. Meanwhile, planting activities for the 2010 campaign, which was launched in September, are reported to have incurred delays due to heavy precipitation registered in November. Despite these difficulties, positive price expectations are officially foreseen to boost the area under rice by 6 percent to 217 000 hectares, which may give rise to an output of 1.4 million - 1.5 million tonnes.

The 2009 season has concluded positively in **Bolivia,** with output officially estimated to have risen by 20 percent to 457 000 tonnes (314 000 tonnes, milled basis), sustained by a 13 percent increase in area planted but also by a recovery of yields. The bountiful harvest is reported to have caused difficulty to producers, who could not find an outlet for their product. The situation has prompted the Government to announce plans to stimulate exports to stabilise prices, a challenging task, given the oversupply which is also manifesting in the rest of the region. Prospects of falling prices are likely to affect negatively plantings over the 2010 paddy campaign that was launched in October. While a severe drought has been affecting several regions of the country, heavy rains over the main rice producing areas have also been reported to have caused delays in planting activities.

Output in **Brazil** is also estimated to have expanded in 2009, by over 4 percent to 12.6 million tonnes, supported by increases in both area and yields. As the country is already engaged in the 2010 paddy season, CONAB's third crop survey, conducted between 16 and 20 November 2009, points to a possible drop of production in the coming season. Indeed, the early arrival of the seasonal rains, especially in the most productive southern state Rio Grande do Sul, hindered crop planting activities, which is likely to result in a smaller area coverage, especially as farmers are expected to switch to soy crops in several other growing states. As a result, and with rice yields foreseen to decline from the 2009 record, paddy production in 2010 has been forecast at 12.0 million tonnes, 5 percent below the 2009 bumper harvest of 12.6 million tonnes (8.4 million tonnes, milled basis).

Brazil Paddy Production by Region in 2009 and 2010 (for Brazil: 2008/09 and 2009/10 paddy seasons)

	Area (000 ha)			**Yields (kg/ha)**			**Production (000 tonnes)**		
	2009	**2010**	**Var %**	**2009**	**2010**	**Var %**	**2009**	**2010**	**Var %**
Total	**2909**	**2851**	-2.0	**4332**	**4215**	-2.7	**12603**	**12016**	-4.7
North	387	392	1.3	2421	2416	-0.2	936	946	1.1
Northeast	720	720	0.0	1493	1590	6.5	1076	1146	6.5
Centre-West	420	380	-9.5	2995	3046	1.7	1258	1157	-8.0
South East	83	77	-6.6	2609	2532	-3.0	216	196	-9.4
South	1299	1281	-1.4	7018	6690	-4.7	9116	8572	-6.0

Source: CONAB – Third Planting Survey – December 2009

The 2009 season comes to a close in February in **Colombia** with the harvest of secondary winter crops. Official assessments currently see the area under paddy expanding by 9 percent over the season to 486 000 hectares, which would bring overall paddy production to 2.62 million tonnes (1.8 million tonnes, milled basis), up 10 percent from the previous year. Although rice growers had benefited from high rice prices in 2008, these have followed a steep downward trend over the past twelve months, passing from Pesos 1 133 320 (USD 560) in November 2008 to 732 000 (USD 361) in November this year. The situation has prompted

Government to extend to 31 December 2009 the storage incentive scheme, originally intended to end in October, and to add payment of minimum prices to producers set under the scheme as a prerequisite to receive the public monthly retribution. Meanwhile, in order to support growers cope with production costs, an October ministerial decree has also set to zero import duties on main production inputs.

Production prospects for the 2009 season are unfavourable in **Guyana,** where gathering of secondary paddy crops is underway. Owing to an estimated 8 percent retrenchment in paddy plantings, output in the country is forecast to contract to 470 000 tonnes (305 000 tonnes, milled basis), 7 percent below the 507 000 tonnes gathered from the 2008 bumper crop. In September, the Government announced that it would allocate GYD 400 million (USD 2 million) to support the country's rice sector cope with high production costs. To these effects, funds are to be used to finance subsidised fertilizers and to construct twelve drying facilities across the country.

Paddy production in **Peru** rose by 4 percent to 2.9 million tonnes (1.98 million tonnes, milled basis) in 2009. Much of this increase reflects a 6 percent area expansion to 400 000 hectares, triggered by positive price expectations. Weary of further income destabilising effects from excessive production, authorities have recommended to keep area under the 2010 crop, sown in January, within a 340 000 hectare limit, or 15 percent lower than in 2009. However, as growers are reported continuing to switch to rice cultivation over other crops, current assessments foresee yet another expansion of area coverage for the upcoming season. In the northern Lambayeque region, continued area expansions are, however, reported to have led to soil salinity problems.

In **Uruguay,** the area covered by the 2009 crop was constrained by a lack of water availability caused by severe drought problems at the beginning of the season. As a result, paddy production is officially estimated to have declined by 3 percent to 1.3 million tonnes (901 000 tonnes, milled basis) in 2009. Meanwhile, sowing of the 2010 crop is completed in December. According to a survey of planting intentions, coverage under rice looks set to remain virtually unchanged at 161 800 hectares. However, the heavy precipitation recorded over the month of November has caused some concern, as it has reportedly delayed planting activities, which may also negatively affect yields.

With the harvest of secondary summer crops in October, the 2009 season has come to a close in **Venezuela.** Production prospects for the country have deteriorated due to drought conditions developing over key producing areas. As a consequence, FAO's forecast of paddy production in 2009 has been downgraded, now pointing to a 6 percent contraction to 1.3 million tonnes (893 000 tonnes, milled basis). The Government has announced that it is to allocate Bolivares Fuertes 37.2 million (USD 17 million) worth of credit to construct wells and irrigation systems in the Guárico region to rehabilitate 3 500 hectares of land suffering from rainfall deficits. In pursuit of its self-sufficiency objectives, the Government would also be planning to increase to 50 000 hectares the area under rice in the state of Apure by the year 2014. For the upcoming 2010 season, which started with the sowing of main winter crops in October, the plan would have 9 000 hectares brought under cultivation in the state.

E. NORTH AMERICA, EUROPE AND OCEANIA

Record crop expected in the European Union and the Russian Federation

In ***North America*,** since the release of the previous issue of the RMM, the **United States** forecast of paddy production in 2009 has been upgraded. Based on larger plantings, assessed in December in the order of 1.26 million hectares, output in the country is expected to reach 9.9 million tonnes (6.98 million tonnes, milled basis), up 7 percent from 2008. The production gain arises from an expected 30 percent boost of medium and short grain varieties, on account of larger area coverage in southern producing states, while long-grain output is anticipated to fall slightly. While delays in plantings were already reported in the upper Delta producing states of Arkansas, Mississippi and Missouri, harvesting activities have also been slowed in those states by excessive rainfall, a situation that may impair yields.

On 4 December, a federal court in Missouri ordered Bayer CropScience LP to pay USD 2 million dollars in compensatory damages to two local farmers for losses endured as a result of contamination from genetically modified Liberty Link rice (LLRICE601) during experimental field trials in 2006. The verdict is the first of a series of trials against the biotechnology firm holding it responsible for found presence of its rice strain in several states, which eventually led a number of countries to impose temporary restrictions on US rice exports. On another front, the US rice industry announced the development of a non-genetically modified aromatic rice variety, called "Jazzman", having traits similar or close to those characterising Thai Jasmine rice, but yielding three times as much as the latter. Although the impact of the breakthrough will depend on its adoption by local farmers, it may have important repercussions on purchases by the United States, which normally import more than 300 000 tonnes of fragrant rice from Thailand.

In ***Europe*,** paddy output in the **EU-27** zone in 2009 has been upgraded to 3.1 million tonnes (2.2 million tonnes, milled basis), 22 percent more than in 2008. The expansion was achieved mainly on the back of an 11 percent overall area expansion. Output in the largest producer in the region, Italy, is now estimated to have surpassed the previous season's level by some 23 percent, reaching 1.64 million tonnes, sustained by yield improvements and greater coverage. Owing to abundant water availability, plantings in Spain are also reported to have risen by 24 percent in 2009, boosting output to 889 000 tonnes, 224 000 tonnes above last year's drought-affected harvest. Although France, Hungary and Romania are estimated to also have increased the size of their crops, Greece and Portugal are expected to incur a contraction.

Elsewhere in Europe, the estimate of paddy production in the **Russian Federation** has been raised to 1 million metric tonnes of paddy (667 000 tonnes, milled basis), up 36 percent from the previous year and the highest volume ever. The record output level would be achieved on the back of a 17 percent expansion in area and a 16 percent gain in yields, estimated in the order of 5.4 tonnes per hectare. Much of the success of the campaign is being attributed to Government support provided in the form of seed subsidies and, especially, to the protective measures designed to diminish reliance on imports. To these effects, a November 2009 Resolution raised import duties on rice and derived products from Euro 70 to Euro 120 per tonne, applicable from December 2009 to September 2010. On the other hand, paddy production in the **Ukraine** is officially forecast unchanged from last year at 105 000 tonnes (70 000 tonnes, milled basis).

In ***Oceania*,** the 2009 paddy season in **Australia** was closed with a small recovery in paddy output to 63 000 tonnes (42 000 tonnes, milled basis), as cultivation was again constrained by prolonged drought and reduced water availability for irrigation. Meanwhile, planting of the 2010 crop was completed in November. Although below average precipitation and high temperatures over the main producing region of New South Wales persisted through the spring, greater water allocations in Murrumbidgee and Murray Valley have provided a more positive outlook for the upcoming season. In fact, officials now estimate that area planted under rice is to extend over 18 600 hectares, up from 8 000 hectares in 2009. Assuming average yields, output in 2010 is preliminarily forecast at 165 000 tonnes, substantially larger than the 2009 crop, but still well below average production.

II. INTERNATIONAL TRADE IN RICE

A. TRADE IN 2009

Global rice trade estimate in 2009 little changed from 2008

Since the September release of the Rice Market Monitor, FAO's estimate of world rice trade in 2009 has been cut by nearly 700 000 tonnes to 30.0 million tonnes, on a milled rice basis. As a result, global trade would fall marginally below the level in 2008, remaining substantially short of the 2007 record of 32.0 million tonnes. The decline of global trade in 2009 principally reflected lower rice imports by Asian countries, consistent with the excellent production gathered over the 2008 paddy season, much of which was marketed and consumed in calendar 2009. This served to more than offset renewed demand by countries in Africa and Latin America and the Caribbean over the calendar year. The implementation of export curbs by some important suppliers alarmed about the possibility of running short of supplies also restrained the availability of produce for trade.

Principal Revisions to 2009 International Trade in Rice (millions of tonnes):

2009 IMPORTS						**2009 EXPORTS**					
	September f'cast		**December f'cast**		**Revision**		**September f'cast**		**December f'cast**		**Revision**
WORLD	**30.7**		**30.0**		**-0.7**	**WORLD**	**30.7**		**30.0**		**-0.7**
China (Mainland)	0.4	F	0.3	F	**-0.1**	Cambodia	1.5	F	1.9	F	**+0.4**
Cote d'Ivoire	0.9	F	0.8	F	-0.1	China (Mainland)	0.9	F	0.8	F	-0.1
European Union	1.5	F	1.2	F	-0.3	Egypt	0.6	F	0.5	F	-0.1
Iran Islamic Rep.	1.2	F	1.3	F	+0.1	India	2.8	F	2.5	F	-0.3
Iraq	1.1	F	0.9	F	-0.2	Korea Rep.	0.1	F	0.0	F	-0.1
DPR Korea	0.9	F	0.6	F	-0.3	United States of America	3.2	G	3.1	G	-0.1
Mali	0.0	F	0.1	F	+0.1	Viet Nam	6.5	F	6.0	F	-0.5
Mexico	0.5	F	0.6	F	+0.1						
Niger	0.2	F	0.3	G	+0.1						
Philippines	2.4	G	1.8	G	-0.6						
Thailand	0.2	F	0.4	F	+0.2						
Viet Nam	0.2	F	0.5	F	+0.3						
Yemen	0.7	F	0.6	F	**-0.1**						

G: Official Figure; F: FAO forecast/estimate.

Imports in 2009

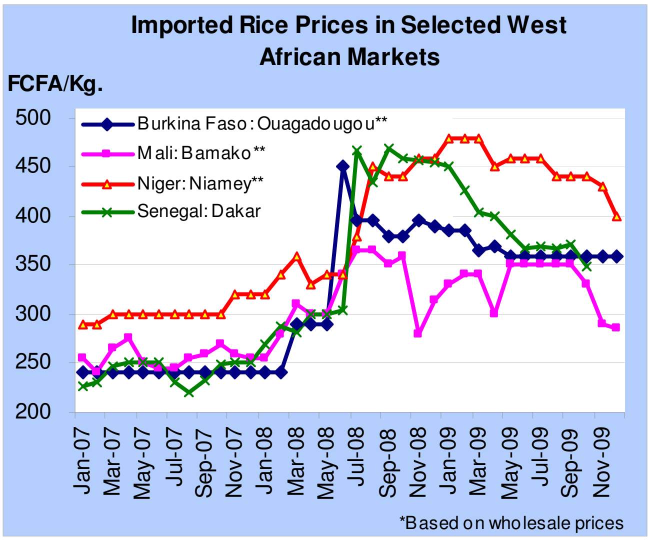
Larger imports by countries in Near-East Asia, Africa and Latin America compensate for falling deliveries to the Far East

Mainly reflecting the positive results from the 2008 paddy season, ***Asian countries*** are estimated to have cut the volume of their purchases by 4 percent to 13.6 million tonnes in 2009. The decline in deliveries mostly mirrored a reduction of shipments to **Bangladesh,** which took delivery of 400 000 tonnes, down 76 percent from the 1.7 million tonne volume purchased in 2008. Consignments to **China, mainland** are seen largely unchanged from the 300 000 tonnes low recorded in 2008, mostly on account of reduced purchases of Thai fragrant rice. Similarly, shipments to the **Democratic People's Republic of Korea** are estimated to have remained in the order of 600 000 tonnes. On the other hand, a bumper 2009 crop in **Indonesia** was behind a 20 percent reduction in deliveries to 240 000 tonnes. Thanks to 2009 production gains, **Malaysia** was also able to reduce its purchases by 10 percent from the high level registered in 2008 to 900 000 tonnes.

Meanwhile, imports by the **Philippines** are gauged in the order of 1.78 million tonnes, 24 percent below the record 2.34 million tonnes procured in 2008. Of these, 1.6 million tonnes were sourced from Viet Nam via a government-to-government deal and a subsequent tender, while the balance was imported by private traders. Imports by **Sri Lanka** are also estimated to have fallen by 28 percent to 60 000 tonnes in 2009. Late on the year, however, concerns over supply shortfalls on weather related problems led the Government to announce that it was to allow 50 000 tonnes to be imported free of duty until 15 January 2010, in order to boost domestic stocks and avert potential price hikes in local markets. By contrast, purchases by **Japan** and the **Republic of Korea** are estimated to have risen to 700 000 tonnes and 307 000 tonnes, respectively, on expectation that both countries fulfilled their WTO minimum import quota commitments.

Production setbacks ensuing from insufficient precipitation, instead, led to greater purchases by Near-Eastern countries. This was the case of **Afghanistan,** where deliveries are estimated to have risen by 50 percent to 300 000 tonnes. Likewise, shipments to the **Islamic Republic of Iran** reached 1.3 million tonnes, up 30 percent from a year earlier given supplies shortfalls from a drought reduced 2008 crop. Consecutive drought-impaired seasons also fostered greater purchases by **Iraq** during the calendar year, where they are estimated to have topped 2008 deliveries by 20 percent to 900 000 tonnes. On the other hand, imports by **Saudi Arabia** remained large and in the order of 1 million tonnes, sustained by the maintenance of a government subsidy on imports to traders.

In spite of the large crops harvested in 2008, ***African countries*** are estimated to have purchased 9.6 million tonnes in 2009, up 2 percent from a year earlier and accounting for 32 percent of global trade. As domestic prices failed to subside to their pre-2008 levels in many countries, deliveries to the continent over the year were sustained by the continuation of government incentives instituted to contain food inflation, including through import tax exemptions. This was the case in **Ghana** where the suspension of the import duty on rice is estimated to have facilitated a 37 increase in deliveries to 540 000 tonnes in 2009. Under a similar initiative, imports are estimated to have risen by 27 percent to 280 000 tonnes in **Guinea**. Greater demand also led to an expansion in purchases by **Cape Verde, Benin, Gambia, Kenya, Mali, Niger** and the **United Republic of Tanzania.** Shipments to **South**



Africa reached 900 000 tonnes, up 13 percent from a year earlier. Although **Cote d'Ivoire** also eliminated custom taxes on rice in the first quarter of the year; deliveries to the country registered a 6 percent decline to 800 000 tonnes in 2009. Similarly, consignments to **Nigeria,** the largest importers in the region, are estimated to have fallen by 10 percent to 1.8 million tonnes. On the back of production gains and larger reserves, **Burkina Faso, Cameroon, Guinea Bissau, Liberia, Mozambique, Senegal, Sierra Leone** and **Togo** are also estimated to have cut the volume of their purchases.

In ***Central America and the Caribbean,*** rice shipments remained largely unchanged from 2008 at 2.3 million tonnes. At a country level, however, imports are estimated to have risen in **Costa Rica** to 115 000 tonnes, in **Nicaragua** to 170 000 tonnes and, modestly, in **Cuba** to 570 000 tonnes. Conversely, purchases by both **Jamaica** and **Panama** returned to more normal levels after last year's high to 70 000 and 71 000 tonnes, respectively.

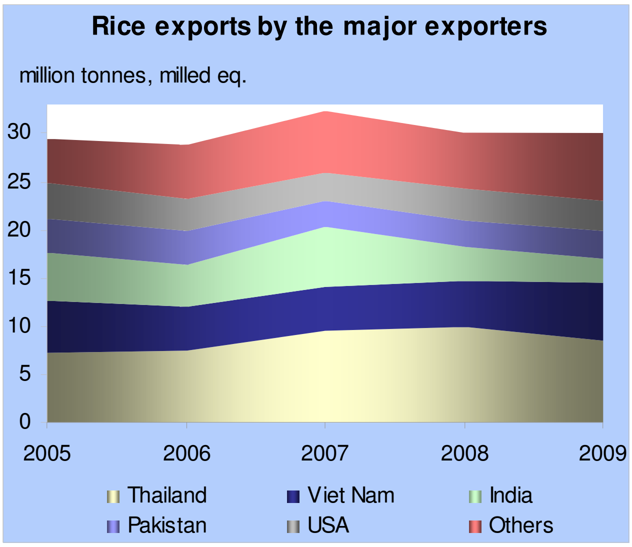
Overall imports by ***South American*** countries, instead, rose by 31 percent to 1.24 million tonnes in 2009. Of these, 650 000 tonnes were destined to **Brazil,** some 220 000 tonnes more than in 2008**,** accounting for over half of rice shipped to the region. Nonetheless, a substantial increase in purchases was also recorded in **Colombia** where they may reach 190 000 tonnes, up 73 percent from 2008. Over the year, authorities implemented several measures, including increased sanitary controls and border surveillance, to contain inflows to the country as the arrival of a bumper 2009 harvest put considerable downward pressure on domestic prices. In light of negative production prospects, **Venezuela** is now estimated to have purchased 120 000 tonnes, representing a 48 percent rise from a year earlier. Adding to the agreements reached with Argentina and Ecuador for the provision of supplies over the year, a deal with Guyana struck in October secured an additional 10 000 tonnes of paddy and 40 000 tonnes of milled rice for the country. By contrast, following larger crops, **Bolivia** and **Peru** cut imports, respectively by 77 percent and 39 percent to 10 000 and 90 000 tonnes.

Elsewhere in the world, purchases by the **United States** in 2009 are officially estimated to have risen by 8 percent to 700 000 tonnes. In **Australia**, they look set to reach 200 000 tonne, 17 percent more than in 2008, to compensate for another below average crop. In ***Europe,*** aggregate shipments to the **European Union** are estimated to have fallen by 7 percent to 1.2 million tonnes. In particular, demand for more expensive basmati rice dropped, as total imports of the high quality variety from India and Pakistan, which in husked form enjoy duty free access, registered a near 40 percent year-on-year decline to 225 400 tonnes from September 2008 to August 2009. Meanwhile, as a reflection of higher seasonal import duties on rice, shipments to the **Russian Federation** are gauged in the order of 260 000 tonnes, down 3 percent from a year earlier.

European Union: Husked Basmati Rice Imports by State (tonnes)									
From 1 September to 31 August	**From India**			**From Pakistan**			**Total**		
	2006/07	**2007/08**	**2008/09**	**2006/07**	**2007/08**	**2008/09**	**2006/07**	**2007/08**	**2008/09**
Total EU	**285,037**	**269,106**	**180,342**	**38,567**	**99,073**	**45,049**	**323,604**	**368,179**	**225,390**
Belgium	19,445	13,285	10,099	-	12,184	7,180	19,445	25,469	17,279
Bulgaria [1]	-	-	-	25	-	-	25	-	-
Czech Republic	-	-	-	22	-	-	22	-	-
Denmark	-	40	60	-	-	-	-	40	60
Germany	23,253	26,045	7,601	1,249	4,312	1,850	24,502	30,357	9,451
Greece	1,079	887	696	96	384	145	1,175	1,271	841
Spain	10,724	9,465	837	3,611	19,706	5,835	14,335	29,171	6,672
France	28,392	45,121	15,751	2,411	4,036	998	30,803	49,156	16,749
Italy	26,326	18,999	16,238	5,987	8,906	3,183	32,313	27,905	19,421
Netherlands	34,218	47,763	44,830	2,751	3,956	3,955	36,969	51,719	48,785
Austria	28	80	38	-	-	-	28	80	38
Poland	-	-	242	-	-	-	-	-	242
Portugal	2,208	2,112	145	-	250	-	2,208	2,362	145
Sweden	1,365	1,592	499	2,298	3,241	803	3,663	4,833	1,302
United Kingdom	137,998	103,717	83,306	20,117	42,099	21,099	158,116	145,816	104,405
Source: EU Commission, based on issued import certificates communicated by member states; [1]Data since 01/01/2007									

Exports in 2009

Viet Nam's market share increases, largely at the expense of India and Thailand



Despite the expected stagnation of global rice trade in 2009, exports from individual countries underwent major changes with respects to 2008. Over the year, **Viet Nam** stood out as a major source of supplies with its export share estimated to have risen from 16 to 20 percent. Ample supplies and competitive prices compared to other origins supported a surge in deliveries by the country, which are estimated to have reached 6.0 million tonnes, up 27 percent from 2008. At this level, shipments by the country stand as the largest on record and well above the initial annual export target of 5 million tonnes. Gains were also registered in **Cambodia** where 1.9 million tonnes are gauged to have been shipped abroad, some 300 000 tonnes more than in 2008. An output recovery from damages caused by cyclone Nargis along with competitive prices also allowed **Myanmar** to expand its market share in 2009, with exports gauged at 800 000 tonnes which compares with the 200 000 tonnes shipped a year earlier.

Rice exports from other main suppliers contracted over the year. This was the case of **China, mainland,** where shipments followed a particular slow pace, despite the abolition of export taxes in June. As a result, FAO lowered its export estimate by a further 100 000 tonnes to 800 000 tonnes, 17 percent below the previous year and the lowest level since 2005.

In **India,** despite an initial easing of export restriction on non-basmati rice, which allowed for 950 000 tonnes to be exported under government-to-government deals in the fiscal year ending in March 2009, negative production prospects from an erratic and weak monsoon this season, triggered a renewal of export restraints. As a consequence, its deliveries in 2009 are estimated to have fallen by 29 percent to 2.5 million tonnes, the lowest since 2001. Shipments by the country were mainly supported by sales of high quality varieties to Near Eastern markets, particularly of Pusa 1121 rice. However, deliveries of the latter are reported to have been affected by allegations surfacing later in the year, but eventually dismissed, of found presence of arsenic, cadmium and lead on consignments to the Islamic Republic of Iran.

Despite abundant supplies from a bountiful 2008 harvest, shipments by **Pakistan** also stagnated around 2.8 million tonnes, rather than increasing as originally expected. The poor performance has been accredited by industry officials to uncompetitive prices resulting from government interventions in the export market. Early in 2009, public trading enterprises had undertaken a large purchase drive at set intervention prices in order to avert price drops from the harvest of a bumper crop. Although the supplies were intended for eventual auction, much of the rice procured remained unsold. In fact, an October tender for 25 000 tonnes of super basmati from the 2008-2009 crop issued by the Trading Corporation of Pakistan is reported to have received no bids, forcing the agency to re-launch the procedure in January 2010.

Exports by **Thailand** also contracted over the year. Much of this drop has been imputed to the implementation of the rice mortgage programme, which kept export prices in the country uncompetitive compared to other origins. Keeping domestic prices profitable to producers through several extensions of the pledging scheme also precluded any large public stock release, thereby creating artificial tightness in its market. As a result, exports by the country are officially estimated to have dropped to 8.6 million tonnes in 2009, 14 percent below the previous year, but still 100 000 tonnes above the lower end of the industry’s annual target.

Since first introducing a full export ban in March 2008, **Egypt** has retained restrictions on overseas sales of rice. Consequently, 2009 shipments by the country are estimated to have remained in the order of 500 000 tonnes, unchanged from a year earlier. However, in October, the Government announced a new rice export policy, with the objective of separating the issuance of trade licenses from state tenders to supply the public rationing system, a procedure that was introduced in February 2009 with the renewal of export restrictions. Under the new framework, Government would seek to cap rice exports to 100 000 tonnes per month, with the objective to keep the overall export volume in the order of 500 000 – 600 000 tonnes. Tenders to grant export licences to traders are to be carried out on a closed envelope basis and a 34 000 tonnes maximum offer. The system would also rely on variable export taxes based on prevailing domestic and international market prices.

In South America, shipments by **Argentina** registered a strong increase over the course of the year. Banking on the positive harvest results and greater demand from Brazil, along with trade agreements with other countries in the region, exports by the country are officially assessed to have expanded to 488 000 tonnes, 59 percent above deliveries in 2008. Shipments by **Brazil** also recorded gains in 2009, standing 27 percent above the previous year's deliveries at 650 000 tonnes. Likewise, **Guyana** is estimated to have stepped up its rice shipments by 25 percent to 245 000 tonnes, with part of this volume being accounted for in an October agreement reached with Venezuela to provide 10 000 tonnes of paddy and 40 000 tonnes of white rice to the country. On the back of a bumper crop, **Peru** is also estimated to have exported 20 000 tonnes of rice over the course of the year, while shipments by **Uruguay** remained steady at 800 000 tonnes.

Exports by the **United States** in calendar 2009 are officially estimated at 3.1 million tonnes, down 5 percent from a year earlier.

B. TRADE IN 2010

A slight increase in global trade in rice forecast in 2010

Based on current expectations for the 2009 paddy crop, FAO has raised its forecast of global rice trade for calendar year 2010 by some 150 000 tonnes to 30.5 million tonnes. At the current forecast level, volumes traded would stand nearly 450 000 tonnes, or 1 percent, above shipments in 2009. The 2010 expansion is expected to be fuelled by strong import demand from Asian countries, several of which will need to compensate for production shortfalls arising from poor 2009 harvests.

Principal Revisions to 2010 International Trade in Rice (millions of tonnes):

2010 IMPORTS						2010 EXPORTS					
	September f'cast		December f'cast		Revision		September f'cast		December f'cast		Revision
WORLD	**30.3**		**30.5**		**+0.2**	**WORLD**	**30.3**		**30.5**		**+0.2**
Bangladesh	0.4	F	0.6	F	**+0.2**	Egypt	0.5	F	0.4	F	-0.1
Brazil	0.5	F	0.8	F	+0.4	India	2.0	F	1.8	F	-0.2
China (Mainland)	0.5	F	0.4	F	-0.1	Indonesia	0.0	F	0.1	F	+0.1
Cote d'Ivoire	0.9	F	0.8	F	-0.1	Pakistan	2.6	F	2.8	F	+0.2
European Union	1.5	F	1.1	F	-0.4	Thailand	9.0	F	9.2	F	+0.2
Iraq	1.2	F	1.1	F	-0.1	United States of America	3.2	G	3.1	G	-0.1
DPR Korea	0.9	F	0.5	F	-0.4	Viet Nam	6.0	F	6.1	F	**+0.1**
Mexico	0.5	F	0.6	F	+0.1						
Philippines	1.8	F	2.4	F	+0.6						
Saudi Arabia	1.3	F	1.0	F	-0.3						
Viet Nam	0.2	F	0.5	F	+0.3						
Yemen	0.7	F	0.6	F	-0.1						

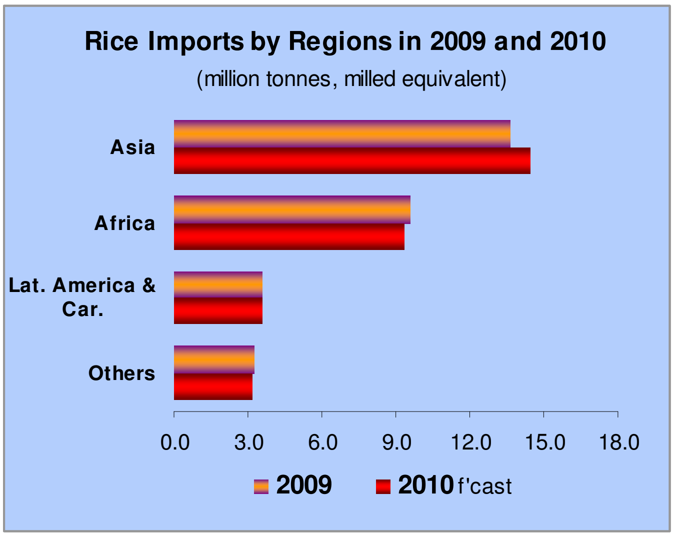
G: Official Figure; F: FAO forecast/estimate.

Imports in 2010

Larger purchases by Asian countries to drive world rice trade up

Much of the projected growth in world rice trade in 2010 is expected to be fostered by larger imports by ***Asian countries,*** which are forecast to absorb 14.5 million tonnes of rice, equivalent to 47 percent of globally traded volumes. The 6 percent rebound in deliveries to the continent compared to the previous year would stem from greater imports by **Bangladesh,**

India, Iraq, Nepal, Sri Lanka and specially the **Philippines,** all of which need to compensate for domestic production setbacks endured during the 2009 paddy season. Greater demand from **China, mainland** and the **United Arab Emirates,** would also contribute to this increase. By contrast, mirroring anticipated output gains, imports by **Afghanistan, Indonesia,** the **Democratic People's Republic of Korea,** the **Islamic Republic of Iran** and **Turkey** are expected to diminish.



With domestic production prospects marred by late and deficient monsoon rains this season, **Bangladesh** is forecast to import 600 000 tonnes of rice in 2010; although 50 percent above the previous year's level of purchases, this volume is still low if compared to deliveries of well over 1 million tonnes sustained in 2007 and 2008. According to official statements, the country is considering the purchase of 200 000 tonnes from Myanmar through government-to-government channels. In order to ensure sufficient domestic availability of the product, as part of the measures taken to ease recent pressure on domestic rice prices, the Government has also re-imposed an export ban on all non-aromatic and aromatic rice effective until June 2010.

Imports by **China, mainland,** the bulk of which generally consists of high quality fragrant varieties, are forecast steady and in the order of 400 000 tonnes. At this level, they stand well below the volume allowed under the preferential 1 percent tariff-rate import quota, which the National Development and Reform Commission has kept unchanged for 2010 at 5.32 million tonnes.

Notwithstanding the bleak outlook for the 2009 paddy season, FAO forecasts **India's** imports in 2010 to remain relatively insignificant relative to the overall country's supplies, in the order of 100 000 tonnes. This volume is expected to comprise private sector's purchases as, in a bid to boost domestic supplies and curb inflation, on 14 October the 70 percent import duty on milled and semi-milled rice was suspended until 30 September 2010. Although in the same month three public trading companies launched tenders for a total of 30 000 tonnes, signalling perhaps the country's intentions to carry out large public purchases, these were cancelled as bidding prices proved too high. Indeed, given the prevailing level of prices on international markets, imports of large quantities of supplies are unlikely, especially as the country is able to resort, instead, to the existing large domestic reserves. This assumes, however, that the secondary 2009 Rabi crop now in the ground will not be subject to major setbacks, as this would exacerbate concerns over domestic availability and inflation.

On greater domestic rice production, **Indonesia** is anticipated to continue cutting imports to 100 000 tonnes, down from the 240 000 tonnes bought in 2009 and 300 000 tonnes in 2008. Abundant domestic supplies from the 2008 paddy crop had already led Government to cut its annual import quota of glutinous rice from 102 000 tonnes to 48 000 tonnes. According to official statements, the quota is to be maintained at a similar level in 2010.

Based on the anticipated recovery in domestic production, imports by the **Democratic Republic of Korea** are forecast to drop by 100 000 tonnes to 500 000 tonnes over the year. The bulk of these deliveries are expected to be contracted on commercial basis or via government-to-government channels, as prospects for a resumption of food aid deliveries to the country remain uncertain.

Imports by **Malaysia** are forecast to remain largely unchanged in 2010 and in the order of 900 000 tonnes. Of this volume, 150 000 tonnes may originate from Pakistan as the two countries have recently signed a memorandum of understanding to enhance bilateral cooperation. Meanwhile, officials have recently affirmed that the system of approved permits, which regulate rice imports in the country, is to remain in place as a means to ensure that domestic prices remain stable and at affordable levels.

With a bleak production outlook resulting from deficient rainfall this season, **Nepal** is also expected to step-up rice purchases. These are forecast to rise 100 000 tonnes above 2009 deliveries to 250 000 tonnes. However, in view of restrictions in place on non-basmati rice exports in India, its traditional supplier, Nepal may have to approach different providers to meet its requirements.

Given significant crop damages caused by the successive passage of storms, FAO's forecast of imports by the **Philippines** have been upgraded to 2.4 million tonnes, surpassing the record purchases made in 2008. By December 2009, the bulk of this volume had already been contracted. However, instead of recurring to government-to-government channels as done in 2008, the National Food Authority launched four large tenders in November and December 2009 to purchase a total of 2.05 million tonnes of 25 percent broken rice, to be delivered between January and May 2010. A budget of Pesos 15.3 billion (USD 333 million) was allocated to cover three of the four large auctions. Nonetheless, as prices offered at the second tender were well above those secured in a smaller November bidding, authorities amended the terms of the last tender by increasing the allocated budget by 21 percent and delaying the delivery date to the second quarter of 2010. Even so, with the back-to-back auctions drawing increasingly higher offered prices, total awarded bids amounted to 1.82 million tonnes, falling short of the initial planned volume of over 2 million tonnes.

Meanwhile, in spite of the coming into effect of ASEAN's Free Trade Area (AFTA) on 1 January 2010, the Philippines has not yet concluded its negotiations with Thailand over compensatory measures to be granted in exchange for a delay of reduction of rice import tariffs. The main issue of contention has been the volume of the tariff-free quota offered by the Philippines. In October, the latter had initially put forward an annual allocation of 50 000 tonnes, refused by Thailand on grounds that it stood well below the average annual delivery of 360 000 tonnes sustained over recent years. While issues related to Thailand's ability to supply the Philippines beyond this preferential level have also surfaced, the two parties may be nearing an agreement, under which the Philippines would be allowed to maintain its import tariff on rice as a highly sensitive product at 40 percent through 2014, reducing it only thereafter.

Under a separate development, on 9 November 2009, a decision by the Philippines Court of Appeals has reversed a temporary restraining order on the use of genetically modified Liberty Link rice 62 (LLRice62) in place since September 2007. The measure would allow the Department of Agriculture and the Bureau of Plant Industry to proceed in the import deregulation procedure sought by Bayer CropScience since 2007.

Under current prospects of a poor 2010 Maha crop, purchases by **Sri Lanka** are forecast to reach 80 000 tonnes, up 20 000 tonnes from 2009. In November, the Government already approved the importation of 50 000 tonnes of rice on preferential terms to mitigate price increases in domestic markets. The contingent is to be imported free of duty until January 15, and is to be marketed at fixed retail prices. Meanwhile, officials from Pakistan have requested that Sri Lanka expand its zero tariff rate quota for rice under the Free Trade Agreement between the parties from the current 6 000 tonnes to 100 000 tonnes.

The coming into force of the ASEAN Free Trade Area as of 1 January 2010 has also prompted **Thailand** to look into measures to regulate rice inflows from neighbouring countries. Authorities are particularly concerned that foreign rice could be attracted by the relatively high Thai prices arising from public support schemes, as well as mix with local produce, thereby affecting the quality of exportable supplies. Measures outlined so far include greater border surveillance and strict sanitary controls on pesticide use and on presence of genetically modified seeds. Requirements would also have importers registered and import plans with detailed product information submitted to authorities. FAO currently anticipates imports by the country to reach 300 000 tonnes in 2010, originating mainly from Cambodia but also Laos and Myanmar. This compares with an estimate of 400 000 tonnes in 2009.

With positive results expected from the 2009 harvest, imports by **Afghanistan** are forecast to drop by 13 percent to 260 000 tonnes. Likewise, improved domestic supplies are behind an anticipated 100 000 tonne cut of imports by the **Islamic Republic of Iran** to 1.2 million tonnes. Over the course of the year, purchases of foreign rice may be further depressed by the November 2009 increase of tariffs from 21 percent to 41 percent. Consignments to the **United Arab Emirates** are forecast to rise to 600 000 tonnes, up 20 percent from the 500 000 tonnes imported a year earlier. Meanwhile, purchases by **Saudi Arabia** are expected in the order of 1 million tonnes, unchanged from 2009. Traders in the country will no longer benefit from the Saudi Riyals 1 000 (USD 267) per tonne subsidy on rice imports. The provision was rescinded by a November decision, which also requires retailers to keep consumer prices unchanged at last year's level of USD 1350 per tonne.

Africa is expected to remain a key destination of world rice trade in 2010. However, deliveries to the region are forecast to decline by 3 percent to 9.3 million tonnes, the lowest level since 2004. This reduction would reflect both production gains registered over the 2009 season, as well as the reinstitution of duties and taxes in various countries, which had been maintained since 2008 due to prevailing high prices. For instance, in **Ghana** imports are forecast to fall by 4 percent to 520 000 tonnes, following the re-imposition of domestic protection. Effective from 1 January 2010, a Government decision has reinstated import duties on rice and other food products to 20 percent, the level held prior to their suspension. A similar initiative has been announced by **Gambia,** which is reportedly mulling a reintroduction of a 5 percent sales tax on imported rice, suspended on the aftermath of domestic price surges. Deliveries to the country in 2010 are forecast in the order of 135 000 tonnes, down 7 percent from a year earlier. Imports are also anticipated to be cut in **Benin,** to

240 000 tonnes, **Burkina Faso,** to 190 000 tonnes, **Guinea,** to 235 000 tonnes, **Madagascar,** to 90 000 tonnes and **Mozambique,** to 340 000 tonnes**.**

By contrast, domestic supply shortfalls are likely to foster greater purchases by **Chad, Cameroon, Guinea Bissau, Kenya** and **Niger.** Amongst the largest importers in the region, **Senegal** is forecast to cut deliveries by 3 percent to 825 000 tonnes, while **South Africa** and the **Cote D'Ivoire** are anticipated to maintain their imports around 900 000 tonnes and 800 000 tonnes, respectively. Shipments to **Nigeria,** one of the largest world markets for rice, are also forecast unchanged from 2009 at 1.8 million tonnes.

Rice shipments to countries in ***Central America and the Caribbean*** are foreseen to remain steady in 2010 in the order of 2.3 million tonnes. From these, owing to favourable production results, deliveries to **Cuba** could fall by 5 percent to 540 000 tonnes. In late January, the country is to receive a rice consignment from Venezuela as the first commercial transaction undertaken under the Unitary System of Regional Compensatory Payments (SUCRE) subscribed by a number ALBA member states in October 2009, as a unit of account for regional commercial exchanges.[3] The mechanism, officially in place in January 2010, is expected to promote regional trade flows by providing a payment system to reduce reliance on the US dollar, eventually leading to the adoption of a single currency. On the other hand, deliveries to **Mexico** are expected to rise by 7 percent to 640 000 tonnes. In early December 2009, the authorities announced the suspension of testing requirements imposed on 10 November on milled rice imports from US suppliers over found presence of mycotoxins and traces of genetically modified traits. In **Panama,** imports are expected to fall by 7 percent to 66 000 tonnes. Elsewhere in the region, imports by **Costa Rica** and **Nicaragua** are forecast to remain at 115 000 tonnes and 170 000 tonnes, respectively.

Aggregate imports by countries in ***South America*** are projected to expand by 3 percent to 1.3 million tonnes. Given current expectation of a poor 2010 paddy crop in **Brazil**, the country is likely to be responsible for much of the expected increase in the sub-region, with purchases anticipated in the order of 800 000 tonnes, up from the 650 000 tonnes in 2009. By contrast, imports by **Colombia** are expected to return to more normal levels following the intensification of Government controls. Purchases by the country are currently forecast in the order of 130 000 tonnes, down 32 percent from 2009. Likewise, abundant supplies should allow **Peru** to cut purchases to 40 000 tonnes, while, on unfavourable production prospects, deliveries to **Venezuela** are expected to remain in the order of 120 000 tonnes.

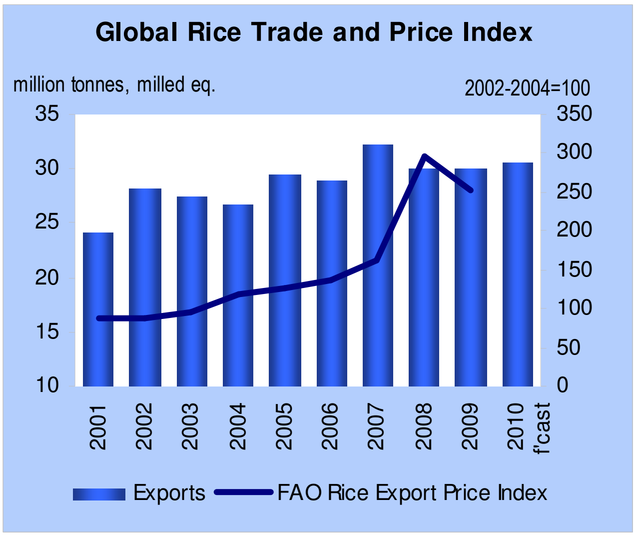
Elsewhere, on larger domestic availability, imports by **European Union** countries are forecast to decline for a second consecutive year to 1.1 million tonnes, down 100 000 tonnes from 2009. Effective until 31 March 2010, husked and milled/semi-milled rice consignments to the region will attract the lower range import duties of Euro 42.5 per tonne and Euro 145 per tonne, respectively. Similarly, purchases by the **Russian Federation** are expected to decline by 23 percent to 200 000 tonnes on account of a record 2009 paddy harvest and the recent increase of import duties on rice and derived products. Until 10 September 2010, a tonne of imported rice will be liable to a Euro 120 duty, instead of the Euro 70 per tonne charged previously. Meanwhile, an agreement reached on 27 November has given way for the creation of a Euroasian Economic Community (EurAsEc) Customs Union, comprising Belarus, Kazakhstan and Russia. With the approval of a common tariff regime largely based on the Russian tariff structure, effective as of 1 January 2010, along with a customs code,

[3] Subscribers to the mechanism are namely Bolivia, Cuba, Ecuador, Honduras, Nicaragua and Venezuela.

operational from 1 July 2010, the new entity paves the way for the creation of a common economic space in the region. Meanwhile, imports by the **United States** are officially forecast to rise by 5 percent to 735 000 tonnes.

Exports in 2010

Increased exports by China, Myanmar and Thailand to sustain expansion in global rice trade in 2010



Based on the current outlook for the 2009 paddy season, global rice exports are forecast to rise by 1 percent to 30.5 million tonnes in 2010. This expected gain would be facilitated by good crops in some traditional exporting countries, particularly **China, Myanmar** and **Thailand**, which are expected to compensate for reduced supplies from other export origins, namely **Cambodia, India** and **Uruguay.** However, the continued imposition of export restraints, especially by India and Egypt, will limit the extent of the expansion of rice trade.

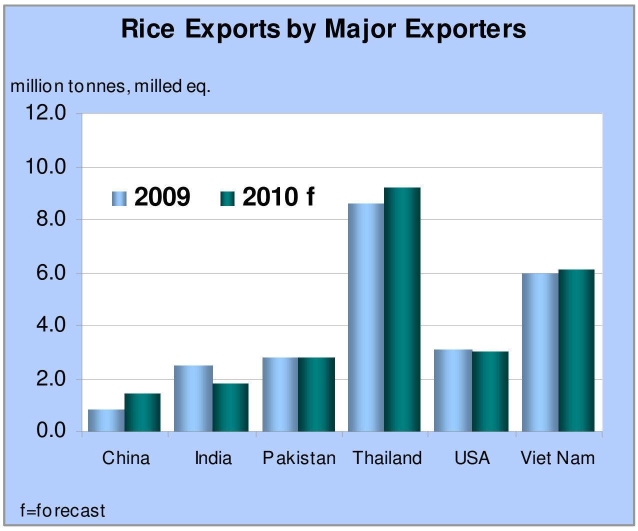
Shipments by **Cambodia** are anticipated to drop by 16 percent from last year's high to 1.6 million tonnes. Of this volume, traders are aiming to export up to 50 000 tonnes of Jasmine rice to European markets early in 2010, duty-free, under the EU "Everything but Arms" initiative.

In line with expectations of a bumper 2009 rice harvest, exports by **China, mainland** are anticipated to recover, especially given suspension of export taxes that were temporarily imposed in 2008. Shipments by the countries are anticipated to increase by 75 percent from the depressed 2009 level to a more normal level of 1.4 million tonnes. In recent years, the destinations of Chinese rice exports have changed, with Asian countries, in particular Japan, accounting for a larger share.

In light of the poor 2009 season and the resulting anticipated contraction of output, **India** is likely to maintain the export ban on non-basmati rice varieties for most of calendar 2010. The authorities already announced the suspension of the exception that had permitted some sales of non-basmati rice under government-to-government deals to low-income developing countries in 2009, reflecting growing concerns over domestic rice availability. As a result, India is foreseen to ship 1.8 million tonnes, down from an estimate of 2.5 million tonnes in 2009, most of which would correspond to premium rice varieties, including Basmati and Pusa 1121 rice. Those sales, however, remain subject to a minimum export price level and to an export tax. Moreover, in early December, a decision excluded the 12.5 percent foreign commission from the floor price of exportable varieties. This would result in an effective enforcement of the minimum export price of USD 900 dollars per tonne, which would serve as the basis for the calculation and application of the commission. This would come at a time when premium exports by the country are likely to be impacted by the withdrawal of import incentives by some of its main near-eastern markets, namely the Islamic Republic of Iran and Saudi Arabia, as in November the former raised its import duty on rice to 41 percent and the latter withdrew subsidies on rice imports. Meanwhile, a December notification has allowed for up to 10 000 tonnes of organic non-basmati rice to be exported annually.

Under the expectation that another bumper crop is to gathered in 2010, **Indonesia** may find itself in a comfortable supply situation, which would allow it to step-up exports of premium rice to 100 000 tonnes in the course of the year. On abundant supply and active demand from Africa, **Myanmar** is also anticipated to accelerate its deliveries to 1 million tonnes, up 25 percent from 2009's already high level of 800 000 tonnes and the largest volume since 2002.

Despite an unfavourable 2009 paddy season, **Pakistan** is anticipated to maintain the size of its external rice sales at 2.8 million tonnes, unchanged from 2009. Although not strictly comparable, this forecast appears to be short of the industry's own expectations, which would have 1.2 million tonnes of Basmati rice and 2.3 million tonnes of IRRI rice sold over the fiscal year (1 July 2009 - 30 June 2010). Of the latter, 300 000 tonnes would correspond to parboiled rice shipments to African countries, about ten times the level exported in the previous fiscal year. Such performance would be facilitated by the extension, on 25 November 2009, by the State Bank of Pakistan of a 100 percent credit facility to rice exporters for a period of 270 days, up from the 85 percent previously granted. The measure aims at assisting exporters in their domestic rice procurement activities.



Much of the expansion in 2010 global import demand is expected to be met by **Thailand,** which look sets to export 9.2 million tonnes over the year, some 650 000 tonnes more than in 2009. Ample supplies from the 2009 paddy season and government stocks accumulated from previous seasons' pledging programme are expected to facilitate this recovery. According to official statements, authorities would be planning to release between 2 to 3 million tonnes from public rice inventories via government-to-government channels over the year. For instance, negotiations with both China and Malaysia to supply a combined 250 000 tonnes of glutinous and 5 percent white rice, respectively, have already been initiated. The country is also anticipated to boost its sales of parboiled rice, particularly in Africa, much as a result of India's retreat. Indeed, Thai millers are reportedly adapting their processing facilities to shift to parboiled rice production, in order to cater for the growing world demand.

Consistent with the positive 2009 production results, **Viet Nam** is anticipated to increase its deliveries beyond the 2009 record of 6.0 million tonnes to 6.1 million tonnes in 2010. The country already secured orders for around 1.3 million tonnes from the Philippines, by offering on average the lowest bidding prices during four tenders held between November and December 2009. The Government is reported to be considering abandoning the rice export quota system, in favour of a system of managed export licences. Under a current proposal, exporters would be granted trade licences based on proof of access to storage and milling facilities.[4] The new system, which may come into effect in 2010 if approved, also considers establishing fixed producer prices to guarantee a minimum profit for rice farmers.

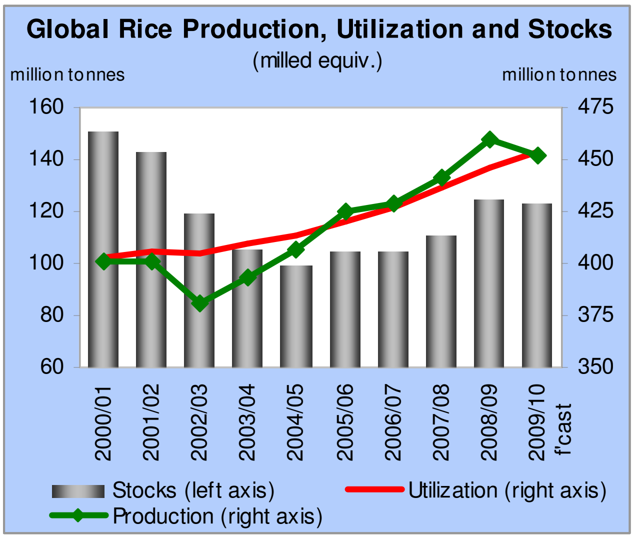
Exports by **Egypt,** which reached an all time high of 1.2 million tonnes in 2007, before falling to an estimated 500 000 tonnes in 2008 and 2009, are forecast to decline to 400 000 tonnes in 2010. The recent cuts reflect the tightening of restrictions on rice production and exports, with the objective to conserve water resources. Under a new framework introduced in October 2009, Government seeks to maintain annual rice exports between 500 000 and 600 000 tonnes. However, traders will no longer have to supply state rationing agencies to secure export licenses, but will instead be granted permits for a fixed maximum volume through state tenders. Effective from 1 December, consignments abroad are also liable to a reduced export tax of Egyptian pounds 1000 per tonne (USD 185).

In South America, exports by **Argentina** are forecast to fall by 8 percent to 450 000 tonnes in 2010. The country has reportedly reached an agreement to supply Venezuela with 100 000 tonnes of husked rice and 25 000 tonnes of milled rice in 2010. As for **Brazil**, the country's deliveries may return to a more normal level of 500 000 tonnes, from last year's high of 650 000 tonnes. Likewise, exports by **Uruguay** may decline by 13 percent to 700 000 tonnes.

Deliveries by the **United States** are officially set to slide by 2 percent to 3.05 million tonnes. Trade, however, could be boosted by the lifting, on 16 December 2009, of the requirement for pre-payment of agricultural product sold to Cuba through third-party agents. In fact, the Consolidated Appropriations Act for 2010 has been signed into effect, providing an interpretation of legal texts that would allow for direct payment to be made upon delivery of rice to Cuba. The measure is expected to facilitate trade with the Caribbean island which according to industry assessment could reach 400 000 to 600 000 tonnes annually.

III. RICE UTILIZATION

Only a slight increase in per caput rice consumption expected in 2010



Relying on supplies from the 2009 paddy season, global rice utilization in 2010, comprising use of rice for food, feed and other-end uses, is forecast to expand by some 8 million tonnes to 454 million tonnes on milled basis. Nearly 90 percent of this volume is anticipated to be consumed as food over the year, with rice for human consumption amounting to 389 million tonnes, up 1.5 percent from the 383 million tonne estimate of the previous season. On the other hand, the small quantity of world rice used for animal feed, is forecast to remain largely

[4] More specifically, the proposal would require traders demonstrate that they can store at least 5 000 tonnes of rice and mill 10 tonnes of rice per hour.

unchanged from 2009 at 12 million tonnes; while volumes committed to other end-uses, including use of rice for seed, industrial uses and post-harvest losses look set to increase by 4 percent to 53 million tonnes.

Based on the current forecast, per caput food consumption is expected to rise marginally to 57.3 kilograms per year, which compares to 57.2 kilos in 2009 and 56.9 kilograms in 2008. This level would reflect a 1 percent increase in average rice consumption per person in developed countries, to 12.6 kilos, and a steady intake of 68.6 kilos per person in developing countries. The relatively stable pattern of per caput rice consumption confirms the limited responsiveness of consumers to price changes.

The stability of global rice intake has also been facilitated by the stepping up of government support to low income households. Programmes such as food distribution schemes or open market stock releases have served to partly dampen the effects of persistently high prices across all regions. Indeed, from a survey of 46 countries, in over half of them, the latest available price remains 25 percent or above the level sustained two years earlier. However, given the heavy financial weight of such schemes on government coffers, initiatives such as that announced by Indonesia**,** which is to increase allocations to its food-diversification programme to promote consumption of other staples, might become more common as a less costly food security strategy.

At a regional level, average rice consumption in Asia is expected to remain steady at 83.5 kilograms. Similarly, per caput consumption in Africa is anticipated unchanged at 22.2 kilos. Sub-regionally, however, while greater availability of supplies combined with easing prices might foster a 1 percent increase in average consumption in West Africa to 35.7 kilograms, the opposite is the case for Central parts of the continent where per caput consumption looks set to decline by 3 percent to 9.8 kilos. Average rice consumption in Eastern Africa and Southern African is expected to remain stable at around 10.1 and 27.2 kilograms per person. On the other hand, per caput food consumption is anticipated to rise by 3 percent to 11.4 kilos in North America and to 5.2 kilos in Europe. Rice consumption in Latin America and the Caribbean in 2010 is forecast virtually unchanged at 30.0 kilograms per person.

Monthly Retail Prices of Rice in Selected Markets:

		Latest available quotation in 2009 :		*Latest available quotation compared to:**			
Asia		*Month*	*USD/Mt*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Thailand: Bangkok**	Rice (5% broken)	Nov	487	0%	-3%	-5%	48%
Pakistan- Karachi	Rice (irri)	Dec	391	0%	0%	-11%	46%
India: Delhi	Rice	Dec	493	5%	15%	5%	44%
Myanmar- Ntl. Avg.	Rice	Oct	335	3%	9%	-2%	43%
Viet Nam: Hanoi	Rice	Dec	544	19%	22%	16%	40%
Philippines: Ntl. Avg.	Well Milled Rice	Oct	718	-2%	-3%	0%	31%
Nepal: Kathmandu	Rice (coarse)	Aug	440	-8%	-6%	-15%	28%
Sri Lanka: Colombo	Rice (white)	Dec	546	3%	1%	-2%	16%
China: Hubei**	Rice (Indica first quality)	Nov	391	-3%	-3%	-1%	8%
Bangladesh: Ntl. Avg.	Rice (coarse)	Dec	318	16%	16%	-15%	-9%
Bhutan: Gelephu	Rice (white)	Nov	350	20%	23%	25%	-
North Africa		*Month*	*USD/Mt*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Egypt: Ntl. Avg.	Rice	Aug	537	12%	0%	-16%	23%
Western Africa		*Month*	*USD/Mt*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Ghana: Accra	Rice (imported)	Jul	1,082	14%	14%	33%	60%
Burkina Faso:							
Ouagadougou**	Rice (imported)	Dec	775	0%	0%	-8%	50%
Senegal: Dakar	Rice (imported)	Oct	786	-6%	-13%	-24%	40%
Cape Verde: Santiago	Rice (imported)	Oct	1,166	-2%	0%	11%	38%
Mauritania: Nouakchott	Rice (imported)	Nov	892	19%	18%	20%	24%
Chad: N'Djamena	Rice (imported)	Nov	991	-2%	-1%	-18%	16%
Mali: Bamako**	Rice (imported)	Dec	614	-19%	-19%	-10%	12%
Niger: Niamey	Rice (imported)	Nov	701	-21%	-23%	-31%	-
Central Africa		*Month*	*USD/Mt*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Democratic Republic of the Congo: Kinshasa	Rice (imported)	Dec	1,131	0%	5%	26%	78%
Cameroon: Yaundé	Rice	Sep	986	-3%	-4%	1%	44%
Eastern Africa		*Month*	*USD/Mt*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Somalia: Mogadishu	Rice (imported)	Nov	897	15%	25%	-19%	135%
Djibouti: Djibouti	Rice (Belem, imported)	Sep	698	-2%	-20%	-21%	67%
Burundi: Bujumbura	Rice	Nov	1,063	7%	-4%	12%	62%
Rwanda: Kigali	Rice	Dec	1,084	-5%	5%	-7%	57%
Uganda: Kampala**	Rice	Dec	928	8%	14%	32%	49%
United Rep. of Tanzania:							
Dar es Salaam**	Rice	Dec	956	14%	25%	11%	34%
Southern Africa		*Month*	*USD/Mt*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Malawi: Lilongwe	Rice	Nov	1,251	-3%	-5%	-5%	75%
Mozambique: Maputo	Rice	Dec	709	7%	29%	12%	45%
Madagascar: Ntl. Avg.	Rice (local)	Dec	528	6%	9%	-8%	-4%
Central America and the Caribbean		*Month*	*USD/Mt*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Costa Rica: Ntl. Avg.	Rice (first quality)	Aug	1,290	12%	9%	9%	47%
Nicaragua: Ntl. Avg.	Rice (second quality)	Oct	956	-3%	-5%	-14%	46%
Guatemala: Ntl. Avg.	Rice (second quality)	Nov	1,045	0%	0%	-2%	36%
El Salvador:							
San Salvador	Rice	Oct	1,217	-10%	-14%	-15%	30%
Mexico: Mexico City**	Rice (sinaloa)	Dec	750	-5%	-14%	-17%	32%
Dominican Republic:							
Santo Domingo	Rice (first quality)	Nov	1,234	-1%	-5%	-5%	26%
Honduras: Tegucigalpa**	Rice (second quality)	Dec	836	0%	-5%	-19%	19%
Haiti: Port-au-Prince	Rice (imported)	Dec	1,088	3%	3%	-20%	-2%
Panama: Panama City	Rice (first quality)	Dec	1,036	-4%	-4%	-4%	-4%
South America		*Month*	*USD/Mt*	*3 months earlier*	*6 months earlier*	*1 year earlier*	*2 years earlier*
Uruguay: Ntl. Avg.	Rice	Dec	919	-4%	-6%	-8%	53%
Ecuador: Ntl. Avg.	Rice	Nov	830	-1%	-7%	-6%	11%
Colombia: Bogotá**	Rice (first quality)	Oct	846	-17%	-28%	-33%	11%
Brazil: Ntl. Avg.	Rice	Dec	1,007	-6%	-6%	-14%	8%
Bolivia: La Paz**	Rice (grano de oro)	Dec	940	-2%	-5%	-16%	3%
Peru: Lima	Rice (corriente)	Dec	834	-8%	-8%	-15%	-9%

** Price comparisons were made on nominal local currency units.*
*** Wholesale prices.*

Percentage price decrease
Percentage price increase

IV. CLOSING STOCKS

Global rice reserves forecast to end lower in 2010, but still remaining at a comfortable level.

Following the more optimistic outlook for paddy output from the 2009 season, the forecast of global rice carry-overs at the close of individual countries' marketing years in 2010 has been revised upwards by 6 million tonnes to 123 million tonnes, on milled rice basis. Much of the revision to the global stock forecast was on account of Asian countries, with the most important upgrades corresponding India, Myanmar, Thailand and Viet Nam. At the current forecast level, world rice reserves in 2010 are expected to fall 1.6 million tonnes below their opening level, while still standing out as the second highest stockpile since 2002 and sufficient to cover roughly 27 percent of world rice consumption in 2010.

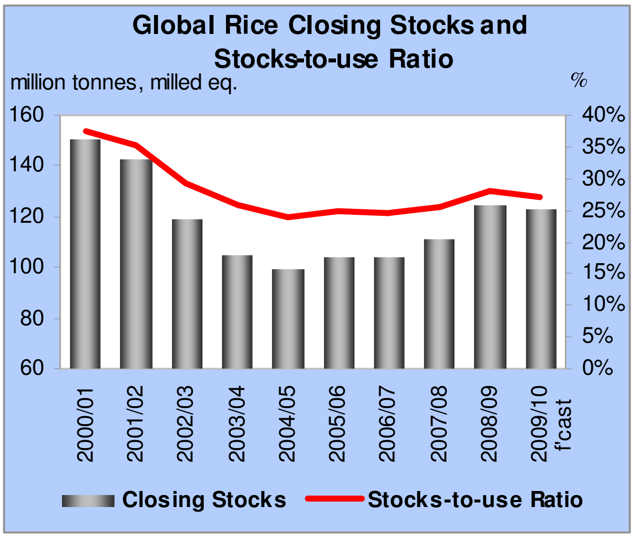
Principal Revisions to 2009-2010 Closing Stocks (millions of tonnes):

	September f'cast		December f'cast		Revision		September f'cast		December f'cast		Revision
WORLD	**117.4**		**123.0**		**+5.6**	Philippines	2.5	F	2.6	F	+0.1
ASIA	**110.2**		**116.4**		**+6.2**	Saudi Arabia	0.3	F	0.1	F	-0.2
Bangladesh	6.0	F	5.6	F	-0.4	Thailand	4.5	F	5.3	F	+0.8
China (Mainland)	70.0	F	70.2	F	+0.2	Viet Nam	3.0	F	3.8	F	+0.8
India	11.0	F	13.6	F	+2.6	**AFRICA**	**3.2**		**2.8**		**-0.4**
Iran Islamic Rep.	0.3	F	0.5	F	+0.1	Egypt	1.4	F	0.9	F	-0.5
Korea Rep.	0.9	F	1.1	F	+0.1	**EUROPE**	**0.6**		**0.5**		**-0.1**
Myanmar	2.8	F	4.8	F	+2.1	European Union	0.6	F	0.5	F	-0.1

G: Official Figure; F: FAO forecast/estimate.

The expected contraction in world rice reserves is forecast to mainly concern **developing countries,** where aggregate stocks are projected to fall by 2 percent to 119 million tonnes. By contrast, after three years of reductions, **developed countries** are anticipated to end the marketing year with a 12 percent boost of inventories to somewhat less than 4 million tonnes.

Seen from a trade status perspective, rice carryovers in **exporting countries** are expected to incur a 2 million tonne drop to 101 million tonnes, mainly on account of India, which is anticipated to draw nearly 8 million tonnes from its reserves. Despite the magnitude of the withdrawal, rice inventories in **India** are forecast to hover around 14 million tonnes at the end of the country's 2009/10 season, on 30 September 2010. About half this volume is expected to be carried by the Government, which has launched an active procurement campaign since harvesting activities of the 2009 main paddy crop commenced. From 1 October to 18 December 2009, public procurement agencies had already purchased 14 million tonnes, surpassing the record of the previous season by 3 percent. Carry-over stocks are also forecast to fall in **Viet Nam** mostly on account of the large volumes it is expected to export over the year. Similarly, rice holding by **Myanmar** and **Pakistan** may decline. On the other hand, under current prospects of a bumper crop, stocks in **China, mainland** are forecast to rise by about 10 percent to 70 million tonnes. Likewise, rice inventories in the **United States** are officially anticipated in the order of 1.4 million tonnes, 42 percent higher than their opening level and the largest level held in over 20 years. Reserves held by **Thailand** are forecast unchanged from a year earlier and in the order of 5.3 million tonnes.



Stocks carried over in 2010 by **importing countries** as a group are anticipated to follow a different direction, a reflection of both production gains as well as efforts made to reconstitute public reserves. Overall inventories held by these countries are forecast to register a 3 percent gain to 22 million tonnes compared with a year earlier. Nonetheless, likely production shortfall may require that a number of countries, such as **Bangladesh,** withdraw rice from its inventories to meet domestic requirements. On the back of greater public procurement, stocks in the country are anticipated to close around 6 million tonnes, 3 percent lower than their opening level.

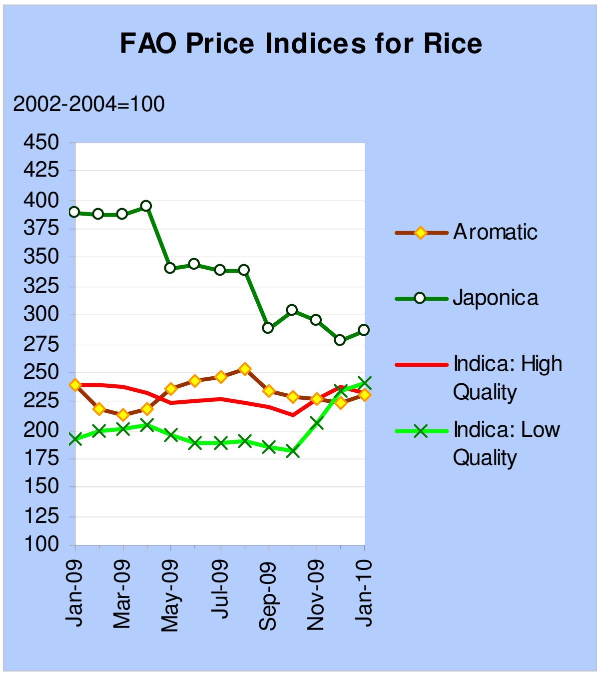
Recently, government officials in Bangladesh have urged fellow members of the South Asian Association for Regional Cooperation (SAARC) to render operational the agreed upon Food Bank, which is to act as a regional food security reserve by housing 241 580 tonnes of rice and wheat for utilization in times of production shortages or emergencies. Under separate a regional initiative, members of the Association of South East Asian Nations (ASEAN), along with China, the Republic of Korea and Japan have agreed to transform the East Asian Emergency Rice Reserve into a permanent facility after its February 2010 pilot-phase is completed. The scheme, initially established on a trial basis in 2004 to contribute to regional food security and price stability in cases of emergency, encompasses ASEAN's Emergency Rice Reserve (AERR), established in 1979 with a total 87 000 tonnes of rice of emergency stocks and an additional contribution of 250 000 tonnes of rice by Japan and, as of early 2009, 300 000 tonnes pledged by China.

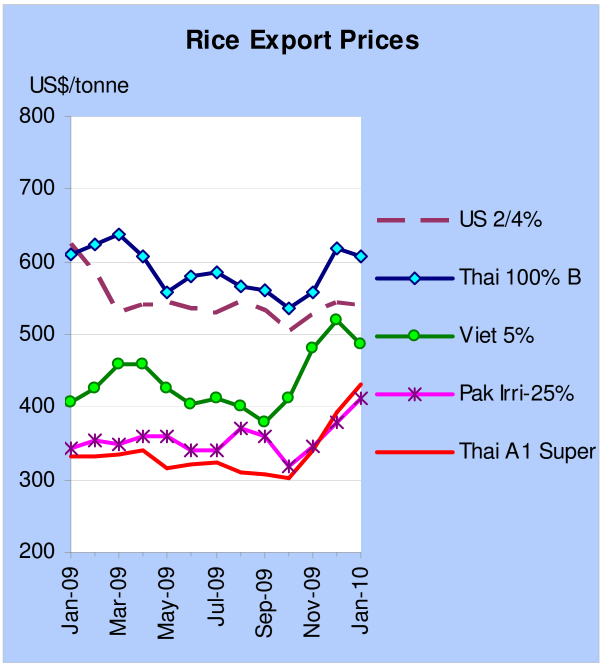
Earmarked quantities under East Asian Emergency Rice Reserves (tonnes) :					
Brunei	3,000	Myanmar	14,000	Rep. of Korea	
Cambodia	3,000	Singapore	5,000	Japan	250,000
Indonesia	12,000	Thailand	15,000	China	300,000
Laos PDR.	3,000	The Philippines	12,000		
Malaysia	6,000	Viet Nam	14,000	**Total :**	**637,000**

In **Indonesia**, Government announced earlier in the year that it would create a fund of Rupiah 1 trillion (USD 106 million) to double public rice holding in 2010 to a total of 1 million tonnes from increased domestic procurement, as a precautionary measure to mitigate potential production losses caused by adverse weather factors. Accordingly, rice reserves in the country are forecast to close with a 26 percent gain to 4.4 million tonnes. Rice stocks are also anticipated to close with a 16 percent boost to 1.0 million tonnes in the **Republic of Korea**, as faced with declining prices and reduced demand due to changing consumption patterns, the Government has announced that it is to step-up domestic purchases over the year allocating 370 000 tonnes of rice to the country's emergency rice reserve. Meanwhile, mirroring production losses endured from the passage of successive storms this season, the **Philippines** is anticipated to end the marketing year with a 6 percent decline in inventories to 2.6 million tonnes. Amongst other major rice importers, closing-stocks are expected to rise in the **United Arab Emirates, Brazil** and the **European Union.** Conversely, the **Islamic Republic of Iran, Japan, Malaysia, Nigeria** and **Saudi Arabia** are all forecast to close the marketing year with smaller reserves.

V. INTERNATIONAL PRICES

Strong rebound of world rice prices in the last quarter of 2009





In spite of the arrival, since November, of new crop supplies in major exporting countries, international rice prices began to strengthen in the last quarter of 2009, reversing a falling trend that had characterized the market between May and October. The renewed vigour in the last part of the year was reflected in the FAO All Rice Price Index (based on 2002-2004 price average) rising from 232 points in September and October to 241 in November and to 247 in December. The rebound was particularly evident for lower quality Indica rice with high percentage of brokens, the index of which passed from 185 in September to 234 in December, but was also manifest for Higher-quality Indica rice, which had its corresponding Index moving from 221 to 238 points over the period. On the other hand, sluggish import demand tended to depress prices of both Aromatic and Japonica rice varieties, which both lost 10 points to 224 and 278 points between September and December, respectively. On a calendar year basis, the FAO All Rice Price Index averaged 253 in 2009, 42 points below its value in 2008, but still 92 points above 2007.

International rice prices continued rising in the first three weeks of January, supported by sustained gains in the low-quality Indica market but also by a recovery of Japonica and Aromatic quotations. As a result of these positive price trends, the January average of the FAO All Rice Price Index reached 251 points, 4 points above its December value.

Growing evidence that India's main Kharif crop was poised to face losses due to an irregular monsoon was the first factor sustaining international rice prices in recent months, followed in October by news of flood damage in the Philippines. However, the major development underpinning world prices was the launch of four large tenders by the Philippines' National Food Authority in November and December 2009, to purchase more than 2 million tonnes of 25 percent broken rice. The news that would have India entering the market to buy various million tonnes of rice further supported prices in the latter part of the year.

From an origin perspective, **Thai** quotations registered strong gains in the last quarter of 2009. Notwithstanding plans to replace the rice mortgage scheme with a minimum price guarantee programme already over the 2009 paddy season, a weak domestic market prompted the authorities to extend the mortgage scheme in October, in addition to launching a supplementary programme to purchase 2 million tonnes of white rice and an on-farm mortgage to cover another 2 million tonnes of aromatic rice. Despite the holding an estimated 6-7 million tonnes of rice in public stocks, the Government has abstained from releasing supplies in the market other than by opting for gradual offloads, preferably via government-to-government channels. As a result, in December, the benchmark Thai 100% B rice was quoted at USD 618 per tonne, 10 percent above its September value and its highest level since March 2009. Likewise, with increased demand from the Philippines' November and December tenders, Thai A1 Super prices also gained 28 percent between September and December, closing at USD 394 per tonne.

The price strength particularly concerned quotations of rice from **Viet Nam**, which until September had been falling, remaining below competing origins. However, despite comfortable supply position, strong import demand from the Philippines lifted Viet Nam prices for 25% broken rice by nearly 50 percent from USD 332 to USD 488 per tonne between September and December. Export prices also strengthened in **Pakistan,** where IRRI 25% broken was traded at USD 380 per tonne in December, up 6 percent from three months earlier. By contrast, since the September lowering of minimum export prices, quotations for Basmati rice in **India** have subsided by 3 percent to USD 1493. Meanwhile, in the **United States,** relatively large supplies coupled with a slowing import demand triggered a fall of export quotations in September and October. Despite their recovery in November and December, the US Long Grain 2,4, which vies with the highest quality Indica rice, has been consistently cheaper than in Thailand for most of 2009 and, in December, it was quoted at USD 544 per tonne, 12 percent lower than Thai prices, partly reflecting the weakening of the US Dollar over the last quarter of 2009.

Prospects for world rice prices in the next few months are subject to much uncertainty. Given relatively short supplies in Pakistan, reduced availability in Viet Nam, which already committed to deliver large volumes to the Philippines, the maintenance in Thailand of policies geared towards keeping producer prices high and continued export restrictions in India and Egypt, a subsiding of the recent price strength is unlikely to be witnessed before March/April, when more will be known about the size of the new crops heading to the market.

FAO Rice Price Indices		All	Indica		Japonica	Aromatic
			High quality	Low quality		
		2002-2004 = 100				
2005		**125**	**124**	**128**	**127**	**108**
2006		**137**	**135**	**129**	**153**	**117**
2007		**161**	**156**	**159**	**168**	**157**
2008		**295**	**296**	**289**	**315**	**251**
2009		**253**	**229**	**197**	**341**	**232**
2009	January	270	240	192	389	239
	February	270	240	200	388	218
	March	269	238	201	388	214
	April	271	232	204	394	218
	May	251	224	195	341	236
	June	252	225	189	344	243
	July	251	227	189	338	247
	August	251	223	190	339	253
	September	232	221	185	288	234
	October	232	213	182	304	228
	November	241	227	207	295	227
	December	247	238	234	278	224
2010	January *	251	233	241	286	231
2009	Jan.	270	240	192	389	239
2010	Jan. *	251	233	241	286	231

***Source**: FAO*

N.B. - The FAO Rice Price Index is based on 16 rice export quotations. "Quality" is defined by the percentage of broken kernels, with high (low) quality referring to rice with less (equal to or more) than 20 percent brokens. The Sub-Index for Aromatic Rice follows movements in prices of Basmati and Fragrant rice.

* Three weeks only.

RICE EXPORT PRICES

	Thai White 100% B Second grade	Thai Parboiled 100%	U.S. Long Grain 2,4%	Thai 5%	Viet 5%	Thai 25%	Viet 25%	Pak 25%	Thai A1 Super 1/	U.S. California Medium Grain 2/	Egypt Short Grain, Grade 2,5% 178 Camolino	Pak Basmati Ordinary	Thai Fragrant 100%
						(US $/tonne, f.o.b.)							
2005	**291**	**285**	**319**	**285**	**255**	**259**	**239**	**235**	**219**	**418**	**327**	**473**	**404**
2006	**311**	**300**	**394**	**304**	**266**	**269**	**249**	**230**	**217**	**512**	**353**	**516**	**470**
2007	**335**	**332**	**436**	**325**	**313**	**305**	**294**	**290**	**275**	**557**	**404**	**677**	**550**
2008	**695**	**722**	**782**	**682**	**614**	**603**	**553**	**498**	**506**	**913**	**n.a.**	**1077**	**914**
2009	**587**	**619**	**545**	**555**	**432**	**460**	**384**	**351**	**329**	**1019**	**765**	**937**	**954**
2009													
January	611	664	625	577	407	471	360	342	332	1102	n.a.	1100	876
February	624	677	586	595	425	480	393	353	333	1075	n.a.	900	879
March	637	666	529	608	460	488	400	350	335	1123	n.a.	900	880
April	606	604	540	568	460	473	400	360	341	1208	n.a.	900	888
May	559	575	544	529	426	445	377	360	316	1202	760	1060	901
June	581	612	537	551	405	457	362	340	320	1150	780	1100	916
July	586	632	530	556	413	459	359	340	323	1067	767	1100	956
August	565	586	544	532	400	443	345	370	310	948	762	1100	972
September	560	616	532	530	380	440	332	360	306	895	762	838	1022
October	535	581	504	504	412	422	360	318	303	849	762	750	1060
November	558	593	528	527	481	443	432	345	338	816	782	750	1083
December	618	622	544	588	520	496	488	380	394	794	742	750	1009
2010													
January *	608	623	540	576	487	506	455	412	430	772	652	817	1022
2009 Jan.	611	664	625	577	407	471	360	342	332	1102	n.a.	1100	876
2010 Jan. *	608	623	540	576	487	506	455	412	430	772	652	817	1022
% Change	-0.5	-6.1	-13.6	-0.1	19.6	7.5	26.4	20.8	29.5	-29.9	n.a.	-25.8	16.7

Sources: Jackson Son & Co. (London) Ltd., Thai Department of Foreign Trade (DFT) and other public sources.

1/ White broken rice. 2/ Up to August 2005 U.S. medium grain No.2, 4%; since September 2005 onwards No. 1, maximum 4-percent brokens, sacked, California mill.

Note: Please note that data may have been subject to revision due to temporary unavailability and/or late publishing of weekly price quotations.

* Three weeks only.

WORLD PADDY PRODUCTION

	2007	2008 (estimated)	2009 (forecast)
		million tonnes	
WORLD	**660.8**	**688.2**	**677.6**
Developing countries	636.5	663.9	652.1
Developed countries	24.3	24.3	25.6
ASIA	**601.5**	**623.8**	**611.6**
Bangladesh	43.4	47.0	45.8
Cambodia	6.7	7.1	7.3
China	187.4	193.4	197.2
of which Taiwan Prov.	1.4	1.5	1.4
India	145.0	148.7	130.8
Indonesia	57.2	60.3	63.8
Iran, Islamic Rep. of	3.3	3.2	3.3
Japan	10.9	11.0	10.7
Korea Rep. of	6.0	6.5	6.6
Myanmar	31.5	30.5	31.5
Pakistan	8.3	10.4	9.6
Philippines	16.6	17.1	16.7
Sri Lanka	3.1	3.9	3.6
Thailand	32.1	31.7	31.5
Viet Nam	35.9	38.7	38.9
AFRICA	**22.0**	**25.3**	**24.5**
North Africa	**6.9**	**7.3**	**5.7**
Egypt	6.9	7.3	5.7
Sub-Saharan Africa	**15.1**	**18.0**	**18.8**
Western Africa	8.9	11.3	11.9
Côte d'Ivoire	0.6	0.8	0.8
Guinea	1.3	1.5	1.5
Mali	1.1	1.3	1.6
Nigeria	3.2	4.2	4.3
Central Africa	0.4	0.4	0.4
Eastern Africa	1.8	1.8	1.8
Tanzania	1.4	1.4	1.3
Southern Africa	3.9	4.4	4.6
Madagascar	3.6	4.1	4.2
Mozambique	0.2	0.2	0.3
CENTRAL AMERICA	**2.4**	**2.5**	**2.6**
Cuba	0.4	0.4	0.5
Dominican Rep.	0.7	0.8	0.8
Mexico	0.3	0.2	0.2
SOUTH AMERICA	**22.1**	**23.9**	**24.8**
Argentina	1.1	1.2	1.4
Brazil	11.3	12.1	12.6
Colombia	2.4	2.4	2.6
Peru	2.5	2.8	2.9
Uruguay	1.1	1.3	1.3
NORTH AMERICA	**9.0**	**9.2**	**9.9**
United States	9.0	9.2	9.9
EUROPE	**3.6**	**3.4**	**4.3**
EU	2.8	2.6	3.1
OCEANIA	**0.2**	**0.0**	**0.1**
Australia	0.2	0.0	0.1

WORLD IMPORTS OF RICE

	2008	2009 (estimated)	2010 1/ (forecast)
		million tonnes, milled eq.	
WORLD	**30.1**	**30.0**	**30.5**
Developing countries	25.4	25.1	25.7
Developed countries	4.7	4.9	4.8
ASIA	14.1	13.6	14.5
Bangladesh	1.7	0.4	0.6
China	0.7	0.8	0.9
of which Taiwan Prov.	0.1	0.2	0.2
Indonesia	0.3	0.2	0.1
Iran, Islamic Rep. of	1.0	1.3	1.2
Iraq	0.8	0.9	1.1
Japan	0.6	0.7	0.7
Malaysia	1.0	0.9	0.9
Philippines	2.3	1.8	2.4
Saudi Arabia	1.0	1.0	1.0
Sri Lanka	0.1	0.1	0.1
AFRICA	**9.5**	**9.6**	**9.3**
Côte d'Ivoire	0.9	0.8	0.8
Nigeria	2.0	1.8	1.8
Senegal	0.9	0.9	0.8
South Africa	0.8	0.9	0.9
CENTRAL AMERICA	**2.3**	**2.3**	**2.3**
Cuba	0.6	0.6	0.5
Mexico	0.6	0.6	0.6
SOUTH AMERICA	**1.0**	**1.2**	**1.3**
Brazil	0.4	0.7	0.8
Peru	0.1	0.1	0.0
NORTH AMERICA	**1.0**	**1.0**	**1.1**
Canada	0.3	0.3	0.3
United States	0.7	0.7	0.7
EUROPE	**1.8**	**1.7**	**1.6**
EU 2/	1.3	1.2	1.1
Russian Fed.	0.3	0.3	0.2
OCEANIA	**0.4**	**0.5**	**0.5**

WORLD EXPORTS OF RICE

	2008	2009 (estimated)	2010 1/ (forecast)
		million tonnes, milled eq.	
WORLD	**30.1**	**30.0**	**30.5**
Developing countries	26.4	26.5	26.8
Developed countries	3.7	3.6	3.6
ASIA	**24.1**	**23.7**	**24.5**
China	1.0	0.9	1.5
of which Taiwan Prov.	0.1	0.1	0.1
India	3.5	2.5	1.8
Myanmar	0.2	0.8	1.0
Pakistan	2.8	2.8	2.8
Thailand	10.0	8.6	9.2
Viet Nam	4.7	6.0	6.1
AFRICA	**0.5**	**0.5**	**0.4**
Egypt	0.5	0.5	0.4
SOUTH AMERICA	**2.0**	**2.4**	**2.1**
Argentina	0.3	0.5	0.5
Guyana	0.2	0.2	0.2
Uruguay	0.8	0.8	0.7
NORTH AMERICA	**3.3**	**3.1**	**3.1**
United States	3.3	3.1	3.1
EUROPE	**0.1**	**0.2**	**0.3**
EU 2/	0.1	0.1	0.2
OCEANIA	**0.1**	**0.1**	**0.1**
Australia	0.1	0.1	0.1

FOOTNOTES:

Totals computed from unrounded data.

1/ Tentative.

2/ Excluding intra-trade.

RICE : Supply and Utilization in Main Exporting Countries. (National Crop Years)

	CHINA 2/ 3/ (Oct./Sep.)			INDIA 2/ (Oct./Sep.)		
	2007/2008	2008/2009 prelim.	2009/2010 5/ f'cast	2007/2008	2008/2009 prelim.	2009/2010 5/ f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Opening Stocks	56345 F	58260 F	63700 F	12300 F	16700 F	21200 F
Production 1/	128429 G	132513 G	135145 *	96690 G	99150 G	87200 F
Imports	389 F	450 F	550 F	50 F	80 F	100 F
Total Supply	185163	191223	199395	109040	115930	108500
Domestic Use	125881	126673	127645	88812	92230	93100
Exports	1022 F	850 F	1450 F	3528 *	2500 F	1800 F
Closing Stocks	58260 F	63700 F	70300 F	16700 F	21200 F	13600 F

	PAKISTAN 2/ (Nov./Oct.)			THAILAND 2/ (Nov./Oct.)		
	2007/2008	2008/2009 prelim.	2009/2010 5/ f'cast	2007/2008	2008/2009 prelim.	2009/2010 5/ f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Opening Stocks	400 F	350 F	700 F	4350 F	4150 F	5300 F
Production 1/	5559 G	6954 G	6377 F	21250 G	20952 G	20840 G
Imports	1 F	1 F	1 F	150 F	400 F	300 F
Total Supply	5960	7305	7078	25750	25502	26440
Domestic Use	2781	3805	3828	11631	11632	11940
Exports	2829 G	2800 F	2800 F	9969 G	8570 G	9200 F
Closing Stocks	350 F	700 F	450 F	4150 F	5300 F	5300 F

	UNITED STATES 4/ (Aug./Jul.)			VIET NAM 2/ (Nov./Oct.)		
	2007/2008	2008/2009 prelim.	2009/2010 5/ f'cast	2007/2008	2008/2009 prelim.	2009/2010 5/ f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Opening Stocks	1266 G	942 G	974 G	4800 F	4350 F	4200 F
Production 1/	6344 G	6515 G	6979 G	23974 G	25830 G	25943 F
Imports	764 G	614 G	672 G	200 F	500 F	500 F
Total Supply	8374	8071	8625	28974	30680	30643
Domestic Use	4084	4104	4142	19904	20480	20743
Exports	3348 G	2993 G	3102 G	4720 G	6000 F	6100 F
Closing Stocks	942 G	974 G	1381 G	4350 F	4200 F	3800 F

Symbols:
G Official figure
* Unofficial figure
F FAO estimate/forecast

Footnotes:
Totals computed from unrounded data.
1/ Milled basis.
2/ Rice trade data refer to the calendar year of the second year shown.
3/ Including Taiwan province.
4/ Rice trade data refer to the August/July marketing season.
5/ Highly tentative.