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Basic Foodstuffs Service
Commodities and Trade Division
Food and Agriculture Organization of the United Nations

Contact or enquiries

S. Mbabaali
Commodity Specialist
Basic Foodstuffs Service
Commodities and Trade Division

Facsimile: ++(396)5705-4495
Telephone: ++(396)5705-5006
E-mail: Shakib.Mbabaali@fao.org

HIGHLIGHTS

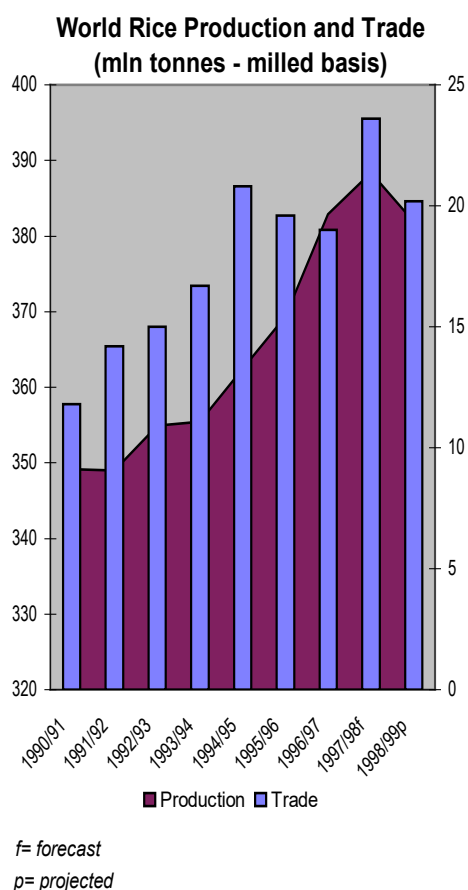
- FAO's latest forecast for global paddy output in 1998 is put at 570 million tonnes, 9 million tonnes, or slightly less than two percent lower than the previous year's revised record level. This is a tentative forecast since the bulk of this season's rice crop is being planted in Asia as the monsoon rains set in. In other countries in the Northern Hemisphere, planting has been completed and growing conditions vary from average to good while in the Southern Hemisphere and around the equatorial belt, harvesting of the 1998 main season paddy crops is complete.
- In Asia, floods in different countries cast uncertainty over the 1998 paddy production. China (Mainland) is the most affected so far and floods have, reportedly, destroyed several million hectares of cropland and, in some cases, delayed planting of the autumn crop. Many of the provinces affected, including Jiangsu, Hubei, Anhui and Guangdong, are major rice producing areas. Some other countries in the region are facing the possibility of La Niña-related floods towards the end of the year.
- The forecast for global rice trade in 1998 has been adjusted upwards from the last report, by 1.5 million tonnes to a new historical peak of about 23.6 million tonnes, up by 4.6 million tonnes or 24 percent from the 1997 estimate and about 3 million tonnes above the 1995 record. The upward revision was largely brought about by large imports and/or import commitments to date by several of the major importing countries whose output was severely curtailed by the El Niño weather-related problems which boosted their import requirements.
- International rice prices from most origins continued on an upward trend through June and July. The increase in prices is partly attributable to the relative strengthening of the Thai baht against the United States dollar and to concerns about the availability of exportable supplies, particularly in light of large purchases by several countries, including Indonesia, the Philippines and Brazil.
- FAO's forecast for global rice stocks at the end of the marketing seasons in 1998 has been adjusted upwards by about 3 million tonnes from the previous report to 56.5 million tonnes, almost unchanged from their opening levels. The increase is largely the result of an upward revision in the 1997 paddy output figures for China (Mainland) and India, the two leading rice stock holding countries in the world.

GLOBAL VIEW

PRODUCTION

A Slight Decline in Forecast for the 1998 World Paddy Output

The bulk of this season's rice crop is being planted in Asia as the monsoon rains set in. In other countries in the Northern Hemisphere, planting has been completed and growing conditions vary from average to good. In the Southern Hemisphere and around the equatorial belt, harvesting of the 1998 main season paddy crops is complete and preliminary estimates suggest a fall in production attributed to weather-related problems encountered during the season. Overall, the forecast for global paddy output in 1998 is put at 570 million tonnes, 9 million tonnes, or slightly less than two percent lower than the previous year's revised record level.



Asia – Floods in Different Countries Cast Uncertainty over the 1998 Paddy Production

Southern Hemisphere

In *Indonesia*, the 1998 paddy output is estimated at about 46.3 million tonnes, down from 49.4 million tonnes produced in 1997. The decline in production is attributed to the El Niño-related drought that affected many rice producing areas. It resulted in planting delays and in a reduction in planted acreage of over 4 percent from 1997 to 10.7 million hectares estimated for 1998. A shortage in input supplies, including fertilisers and pesticides, partly related to the country's economic crisis also contributed to the production shortfall. In *Sri Lanka*, harvesting of the Maha (main) paddy crop is complete and, following generally favourable growing conditions and an expansion in area, preliminary estimates suggest an increase in output. Preparations are underway for the Yala season and the availability of ample water supplies in the irrigation reservoirs will benefit the rice crop. Overall, total paddy output is projected to expand by 27 percent from the previous year to 2.8 million tonnes.

Northern Hemisphere

Harvesting of the summer rice crop in *China* (Mainland) is nearing completion and the output will likely be less than last summer's crop due to weather-related problems during the early part of the season and floods that have affected Central and Southern China during most of July. The floods have, reportedly, destroyed several million hectares of cropland and, in some cases, delayed planting of the autumn crop. Many of the provinces affected, including Jiangsu, Hubei, Anhui and Guangdong, are major rice producing areas. The 1998 paddy output is provisionally forecast to decline by about 2 million tonnes from last year's record to 198 million tonnes. The final output, however, will largely depend on the impact of the floods on the performance of the autumn crop, which accounts for over 40 percent of total production. In *Vietnam*, harvesting of the

summer-autumn rice crop is underway but yields will likely be affected by the dry spell that prevailed during the early part of the season. Planting of the main-season crop is in progress and rain during the better part of June was beneficial to the crops in most parts of the country, although it was reported to be in excess in some areas in the northern part of the country. Worries about the possibility of La Niña later on in the year are beginning to surface. Harvesting of the secondary crop is complete in the *Philippines* and preliminary indications suggest a drop in output from the previous year following a lack of adequate water for irrigation, which had depressed plantings and reduced yields. Planting of the main season crop is nearing completion, but the beginning was hampered by persistent El Niño-related drought conditions. There is a possibility of floods, caused by La Niña, to hit the *Philippines* before the end of the year and the impact on crops would depend on their severity and the crops' stage of development. Overall, paddy output in 1998 is forecast at 10.5 million tonnes, a slight increase over the 1997 production.

In *Thailand*, harvesting of the second-season paddy crop is virtually complete and output is estimated at about 4.4 million tonnes, slightly more than originally forecast by the government, as high prices encouraged many farmers to increase land under paddy despite the government's warning of a potential shortage of irrigation water. Total paddy production for the 1997-98 cropping season is estimated at 22.4 million tonnes, similar to 1996-97. Planting of the 1998-99 main-season crop is underway and the government's preliminary forecast for paddy output is about 23 million tonnes, up by 3 percent from the previous year. The current strong price incentives will likely motivate producers to expand rice area. However, the final result hinges heavily on the performance of the main-season crop, which accounts for over 80 percent of the total output. In addition, concerns of possible La Niña-related floods later in the year are beginning to surface. The decision by the Government to control inland shrimp farming is expected to be beneficial to rice production in the medium-term. In *Japan*, planting of the 1998 crop is nearing completion and about 960 000 hectares will be diverted out of rice under the area

diversion programme, an increase of 176 000 hectares from the previous year. Accordingly, paddy output is projected to decline by about 10 percent to 11.3 million tonnes.

In *Bangladesh*, floods are reportedly a problem in over 50 percent of the countries 64 districts especially in the northern and central regions. Luckily, harvesting of the Boro crop had been over and the Aus crop harvest is nearing completion. However, planting operations for the Aman (main season) crop are being hindered by the torrential rains. The original anticipation was for a slight increase in total rice area, which, together with higher yields, would lead to a 2 percent increase in output from 1997 to 28.5 million tonnes in 1998. However, with the onset of floods, the final outcome will largely depend on the extent of damage inflicted to the rice crops. In *India* planting of the main season Kharif rice crop is nearing completion in some parts of the country, particularly in the northern provinces of Punjab, Haryana and Uttar Pradesh, while progress in other parts is being hampered by the inconsistency of the monsoon which has been weak through most of July. It has been especially unsatisfactory in Andhra Pradesh, which accounts for over 10 percent of the total Kharif crop output. However, the overall expectation is for a normal monsoon season for the 11th consecutive year. Total paddy output for 1998 is tentatively forecast at 125 million tonnes, unchanged from the previous year, assuming a normal progression of the monsoon season. Planting of the 1998 paddy crop in *Pakistan* is underway and preliminary indication point towards a good crop since water reservoirs are currently full and the prevailing prices are favourable. Also, the Government has provided additional incentives in the form of credit facilities and increased availability of inputs. Harvesting of the second-season rice crop is complete in *Myanmar* and planting of the main-season crop is in progress. The availability of most inputs is reported to be normal apart from fertilisers which seem to be in short supply.

Africa – Growing Conditions are Generally Favourable in Most Countries

Northern Africa

In Egypt, the main rice producing country in the sub-region, planting of the 1998 rice crop is complete both in the northern and southern areas. Although there is no official indication of the area seeded to rice, the expectation is for a reduced rice acreage, consistent with the Government's aim of conserving irrigation water for use in the production of other crops.

Western Africa

Planting of the 1998 paddy crop is in progress and nearing completion in several countries of West Africa following the onset of regular rains. Growing conditions have been generally favourable in most countries across the region although details are still lacking regarding area planted to rice. In Nigeria, the most important rice producing country in western Africa, planted area is estimated to have increased by about 200 000 hectares from 1997. However, a shortage of fertilisers, pesticides and other farm inputs is expected to lead to reduced yields and the government is tentatively forecasting a 12 percent reduction from the 1997 revised production to 3.4 million tonnes.

Eastern Africa

Over the last ten years, paddy production in the region has fluctuated between a high of about 910 000 tonnes in 1990 and a low of 585 000 tonnes in 1992. Rice harvesting is nearing completion in Tanzania, the major rice producing country in the region, and output for 1998 is provisionally estimated at about 650 000 tonnes, similar to last year's production.

Southern Africa

Gathering of the 1998 paddy crop is virtually complete in the region. Output by Madagascar, which accounts for over 90 percent of the region's rice output, is estimated at about 2.2 million tonnes, a decline of 12 percent from the previous year. The contraction is attributed to a reduction in yields as a result of the infestation of locusts, reported to be the worst in 40 years. In addition, control operations were largely inadequate due to insufficient availabilities of pesticides. In Mozambique, following the generally favourable growing conditions, output is

estimated at 190 000 tonnes, a 6 percent increase from 1997.

South America – Lower Output due to El Niño Weather-Related Problems

Harvesting of the 1998 paddy crop is complete in most countries in the region and paddy output is estimated at 15.9 million tonnes, compared to 17.7 million tonnes produced in 1997. The decline is the result of a combination of a 4 percent reduction in rice-harvested area to 5.1 million hectares and a 9 percent drop in average yields to about 3 tonnes per hectare due to El Niño. In Brazil, the region's largest rice producer, area dropped by about 3 percent from an already lower area in 1997 to 3.4 million hectares in 1998, the lowest in over 10 years. In addition, heavy rains and abnormally low temperatures led to a decline in yields. As a result, paddy output is estimated at 8.5 million tonnes, an 11 percent drop from 1997. Similar weather problems also affected paddy seasons in Argentina and Uruguay, the other notable producers in the region. In Argentina, it is estimated that out of the 239 000 hectares planted to rice, only 204 000 hectares were harvested. In addition, yields are estimated to have declined by 13 percent from the previous year to 4.7 tonnes per hectare resulting in total paddy production of slightly less than 1 million tonnes, a 17 percent fall from 1997. In Uruguay, flood-related damages are estimated to have resulted in an 18 percent reduction in paddy output from 1997 to about 850 000 tonnes in 1998.

Developed Countries - Little Change in Output is Expected

In the *United States*, planting of the 1998 paddy crop is complete and crop conditions in the five major producing states are reported to vary from good to excellent. Harvesting of early-planted rice in Texas and Louisiana is under-way. Based on a 5 percent expansion in area planted to rice and a modest increase in yields, the forecast for total paddy output in the United States has been adjusted upwards from the previous report to 8.6 million tonnes, compared to 8.1 million tonnes produced in 1997. The larger rice area has been triggered by favourable rice prices relative to alternative crops.

The 1998 paddy crop season in the *EC* is reported to be progressing well under

favourable growing conditions. Both harvested area and production are forecast to be similar to last year's levels of about 420 000 hectares and 2.7 million tonnes, respectively.

In *Australia*, harvesting of the rice crop has been completed and output is estimated at about 1.3 million tonnes of paddy, about 100 000 tonnes higher than originally anticipated due to

the favourable growing conditions that led to slight increase in yields. Nevertheless, output was down by 7 percent from the previous year as area planted to rice declined by 16 percent from 1997 to about 140 000 hectares, largely due to a substantial reduction in water allocation in New South Wales where most of Australia's rice is grown.

TRADE

New Record Projected for 1998 due to Large Purchases by the Major Importing Countries

The forecast for global rice trade in 1998 has been adjusted upwards from the last report, by 1.5 million tonnes to a new historical peak of about 23.6 million tonnes, up by 4.6 million tonnes or 24 percent from the 1997 estimate and about 3 million tonnes above the 1995 record. The upward revision was largely brought about by large imports and/or import commitments to date by several of the major importing countries whose output was severely curtailed by the El Niño weather-related problems which boosted their import requirements.

Indonesia's expected rice imports were increased by 1 million tonnes from the previous report to 4.5 million tonnes due to a bigger fall in the 1998 paddy production than originally anticipated. During the first 6 months of the year, Indonesia is estimated to have imported over 3.2 million tonnes of rice, over 3 times the total that was imported during the whole of 1997. Taiwan Province of China is reported to have joined Japan in offering a rice loan of 200 000 tonnes to Indonesia with an option of either paying back in cash or through a barter deal. There are reports that Indonesia might also engage in barter deals or deferred payment arrangements with Vietnam. Rice purchases by the *Philippines* in 1998 were also adjusted upwards by 350 000 tonnes to 1.55 million tonnes based on contracted volumes to date. However, the final import figure will largely depend on whether the country will be affected by La Niña-related floods during the last quarter of the year, in which case additional rice may need to be imported. Import estimates for *Bangladesh*

were raised by 500 000 tonnes from the previous report to 1 million tonnes based on shipments to date. Large quantities of rice were imported during the first four months of the year when supplies were tight and domestic prices had risen, a result of lower output from the Aman crop. On the other hand, expected rice imports by the *Islamic Republic of Iran* were reduced by 300 000 tonnes from the previous report to 900 000 tonnes due to good production prospects. Imports by China (Mainland) were lowered by 100 000 tonnes to 300 000 tonnes based on import data to date. In *Brazil*, the Government has taken steps to facilitate increased rice imports by lowering the tariffs on brown and milled rice originating from non-MERCOSUR member countries from the 1998 rate of 21 percent to 13 percent and 15 percent, respectively. Rice imports in 1998 are forecast to increase by 46 percent from the adjusted 1997 level to 1.2 million tonnes. A higher share of Brazil's 1998 rice import requirements will come from non-MERCOSUR sources, including the United States, Thailand and Vietnam, since Argentina and Uruguay, its traditional suppliers also experienced production shortfalls.

On the export side, the forecast for rice shipments out of *Thailand* for 1998 was raised by 400 000 tonnes from previous expectations to 6 million tonnes due to consistently high demand on the international market and a good output from the second-season crop. Exports during the first half of 1998 are estimated at over 3 million tonnes, compared to about 2.3 million tonnes during the same period in 1997. In *Vietnam*, rice exports had been temporarily suspended in mid-April to ensure domestic food security in the midst of a drought that affected much of the country. The

Government lifted the freeze on new export sales effective July 1, 1998 but reintroduced an export tax of one percent to certain grades of rice. Expected export figures were increased by 200 000 tonnes from previous anticipations to the Government target of 4 million tonnes based on shipments to date. During the first half of the year, Vietnam shipped close to 3 million tonnes, compared to less than 2 million tonnes during the same period in 1997. The export quota for the period July to September is 600 000 tonnes and the decisions about export amounts for the remainder of the year will be made in September after reviewing the yields from the summer-autumn crop. Anticipated shipments out of *India* were increased by 200 000 tonnes from previous expectations to 2.4 million tonnes based on an upward revision to its 1997 paddy output. *China's* (Mainland) 1998 projected rice exports were also revised upwards by 500 000 tonnes from the previous report to 2.2 million tonnes based on exports to date and a revision

to its 1997 production. During the first half of 1998, *China's* shipments amounted to over 1.2 million tonnes compared to 940 000 tonnes during the whole of 1997. Anticipated exports from the *Taiwan Province of China* were also increased by 150 000 tonnes from earlier expectations to 250 000 tonnes based on intentions of providing a 200 000 tonnes rice loan to Indonesia.

For 1999, global rice trade is, very provisionally, forecast to decline from the 1998 projected record by about 10 percent to 15 percent as production in many of the major importing countries is expected to recover from the lower levels of 1997 precipitated by El Niño-related weather problems. Increased production, and therefore lower imports, may materialise particularly in *Indonesia*, the *Philippines* and *Brazil*.

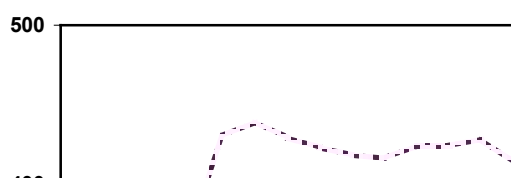
INTERNATIONAL PRICES

Export Prices Hold Firm due to Continued High Import Demand and the Uncertainty Surrounding Export Supplies

International rice prices in 1998 continued on an upward trend through June and July from most origins. As a result, the FAO Export Price Index for Rice (1982-84=100), which has been on the rise since it hit a low of 119 points in November of last year, averaged 130 points in June and July, up from 128 points in May. The increase in prices is partly attributable to the relative strengthening of the Thai baht against the United States dollar and to concerns about the availability of exportable supplies, particularly in light of large purchases by several countries, including Indonesia, the Philippines and Brazil. In addition, exportable supplies are being constrained by the typhoon damage to *India's* Kendla port, through which about 60 percent of the country's rice exports are channelled. A number of vessels are reportedly waiting for loading at Kakinada, a smaller port than Kendla.

In Thailand, prices in July 1998 registered their highest levels since the devaluation of the Thai baht in July 1997. Price quotes for Thai 100B averaged US\$ 341 per tonne in July, up by

EXPORT PRICES FOR RICE



US\$ 4 per tonne from the June average and compared to the July 1997 average of US\$ 337 per tonne. Prices of fully broken rice, (Thai A1 Super), increased by US\$12 per tonne from their June average to US\$ 214 per tonne in July. In the United States, most prices rose in June but fell slightly in July largely due to less than expected import demand during the month of July from South America and Central American countries, its traditional main customers. Quotes for United States No. 2/4 percent broken rice averaged US\$ 413 per tonne in July, down by US\$15 per tonne from the June average and compared to US\$ 447 per tonne in July 1997. Export prices from Vietnam and Pakistan have remained firm due to increased import demand and limited export availabilities.

In the next few weeks, rice export prices are expected to be influenced by the development of the Asian monsoon and crop conditions in countries in the northern hemisphere.

	FAO Indices		
	Total	Quality	
		High	Low
January-December Averages	1982-84 = 100		
1991	115	117	109
1992	110	111	103
1993	100	102	92
1994	114	118	104
1995	129	124	146
1996	136	136	136
1997	127	129	120
July	130	132	121
August	125	127	121
September	123	124	119
October	121	123	114
November	119	122	112
December	123	124	119
1998 January	124	126	115
February	124	127	115
March	124	126	120
April	127	128	123
May	128	129	123
June	130	132	123
July	130	132	127

Source: FAO

N.B.-The FAO indices are calculated using the Laspeyre formula. In this table, two groups representing "High" and "Low" quality rice are shown.
- The Rice Export Price Index is calculated for 15 export prices.

WORLD PRICE INDICES FOR RICE

EXPORT PRICES FOR RICE (f.o.b. US\$/ton)						
Type	Effective Date	Quote	1 week ago	1 month ago	1 year ago	Average (82-84)
Thai 100B	24/07/98	335	338	343	325	236
Thai 35%	24/07/98	254	255	261	250	213
Thai A1 Super	24/07/98	218	217	213	216	174
Viet 5%	24/07/98	320	300	300	245	n.a.
India 25%	24/07/98	250	250	242	250	n.a.
Pak 15-20%	24/07/98	235	220
US 2/4% Long	24/07/98	407	412	427	445	393

Source: International rice brokers, rice merchants and national sources.

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n.a. not applicable

CARRYOVER STOCKS

The Forecast for Ending Stocks in 1998 gets Adjusted Upwards

FAO's forecast for global rice stocks at the end of the marketing seasons in 1998 has been adjusted upwards by about 3 million tonnes from the previous report to 56.5 million tonnes, almost unchanged from their opening levels. The increase is largely the result of an upward revision in the 1997 paddy output

figures for China (Mainland) and India, the two leading rice stock holding countries in the world. However, stocks are projected to decline in Indonesia, the Philippines and Brazil where the El Niño-related weather problems affected the 1997 and/or 1998 paddy output. A reduction in stocks is also expected in Pakistan due to the anticipated increase in exports.