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FAO Rice Market Monitor
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HIGHLIGHTS

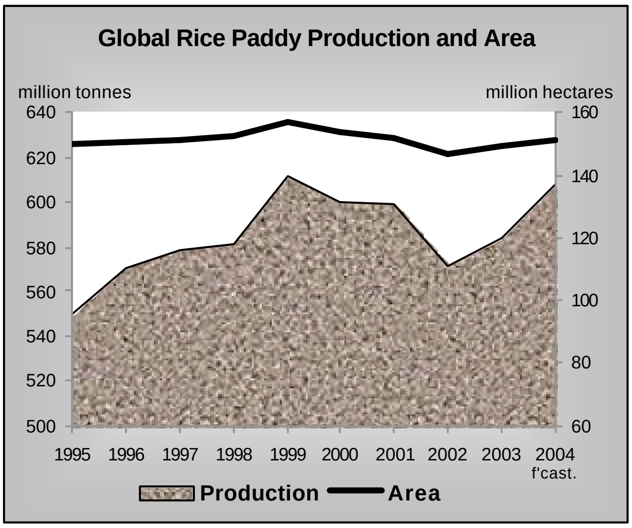
- FAO forecast of global paddy production in 2004 has been lowered to 608 million tonnes, because of adverse weather conditions in several northern hemisphere countries. Estimated world production in the previous 2003 season was also revised downward, as several countries released new, less buoyant estimates of their 2003 crops. Following those changes, forecast production in 2004 still shows an increase of 4 percent, or 24 million tonnes, compared with 2003.
- Much of this yearly increase in production will be due to a strong recovery in China, which has been fuelled by rising market prices and government incentives. The generally improved market conditions are also behind an expected expansion in output in several important producing countries including Indonesia, Thailand, Vietnam, the United States, Brazil and Uruguay. Production is also forecast to rebound in countries such as Japan, the Republic of Korea and Australia, which had experienced a contraction in 2003, when adverse weather conditions prevailed. In Africa, production gains are anticipated in Egypt as well as in Madagascar and Nigeria.
- On the other hand, drought and floods are foreseen to depress production in Bangladesh, India, Malaysia, and Sri Lanka this year. A drop is also anticipated in several western African countries, including Mali, Mauritania and Niger, where paddy fields are being threatened by locust swarms. In Central America, a combination of drought and hurricanes have wreaked havoc in Cuba and the Dominican Republic, with negative impacts on rice crops, while a pest outbreak is anticipated to cause losses in Costa Rica. In the southern cone, adverse weather conditions are also likely to depress production below last year’s levels in Ecuador, Guyana and Peru.
- FAO forecast of International trade in rice in calendar 2004 has been raised further and now stands at 26.5 million tonnes in milled equivalent. Despite the change, trade in 2004 would still be 1.6 million tonnes short of the record 28.1 million tonne traded in 2002 and 2003. Much of the yearly contraction would be on account of Indonesia, the imports of which are unlikely to exceed 1 million tonnes this year, in view of the extension of the import ban till the end of the year. Other countries likely to import less than in 2003 include Bangladesh, pending an assessment of flood-related losses, the Islamic Republic of Iran, Japan, Turkey, Tanzania, Nicaragua, Brazil, Colombia and the Russian Federation. On the other hand, increased rice deliveries to Iraq, the Philippines, Sri Lanka, Oman, Saudi Arabia, Cote d’Ivoire, Nigeria, the Dominican Republic and the United States are currently anticipated.
- On the export side, the decline in global trade in 2004 reflects an anticipated cut of shipments from China, India, Myanmar and the United States, which have faced supply constraints or high domestic prices for most of the year. Reductions in shipments from Japan, the Rep. of Korea, Ecuador and the European Union are also likely. Part of those will be compensated by much larger sales by Thailand and Vietnam but also by Argentina, Egypt and Uruguay, which had enough supplies to take advantage of the higher international prices this year and increase their market shares.
- Following the downward revisions in global production in 2003 and 2004 and the losses to existing reserves caused by floods, world rice inventories at the end of the crop seasons ending in 2005 have been revised downward to 97 million tonnes. This would mean a 6 million tonne contraction from last year. Indeed, world production is expected to still fall short of consumption and the difference will have to be covered from existing reserves. Much of the draw-down from last season should be concentrated in China and India, but also in Bangladesh.
- International rice prices weakened between May and September, reversing the tendency that dominated from March 2003 to May 2004. The declines since May have been particularly pronounced for Japonica rice and Aromatic rice but more contained for Indica rice. In the short term, large supplies from the main crops, which will be harvested in the coming months, are expected to keep international prices under pressure. The impact will be compounded by the absence of Indonesia, the leading rice importer in the 1990s, from the international scene.
- In the medium term and looking into next year, the overall market situation still points to rather tight supplies in a number of traditional exporting countries, which should keep the price strength. In addition, the announcement by the Thai Government, that it will increase procurement prices in November when it will launch its new procurement programme, is likely to provide additional support to world rice quotations.

RICE SITUATION UPDATE AS OF 24 SEPTEMBER 2004

I. RICE PRODUCTION

Global paddy production set to increase in 2004, but less than previously anticipated; 2003 Production estimate also revised downward

FAO is now forecasting global paddy production in 2004 at 608 million tonnes, 4 percent higher than the previous year, but 5 million tonnes less than anticipated in the last report. The downward revision mainly reflects a deterioration of prospects in several major producing countries in the northern hemisphere that were affected by irregular monsoon rains. Moreover, since several of them were still in the process of harvesting their 2003 secondary crops, the unfavourable weather conditions also impaired those crops, leading to a 7 million tonne downward adjustment to the 2003 global paddy production estimate, which now stands at 584.3 million tonnes. The revision was mainly on account of reduced 2003 output figures for Bangladesh, China and India

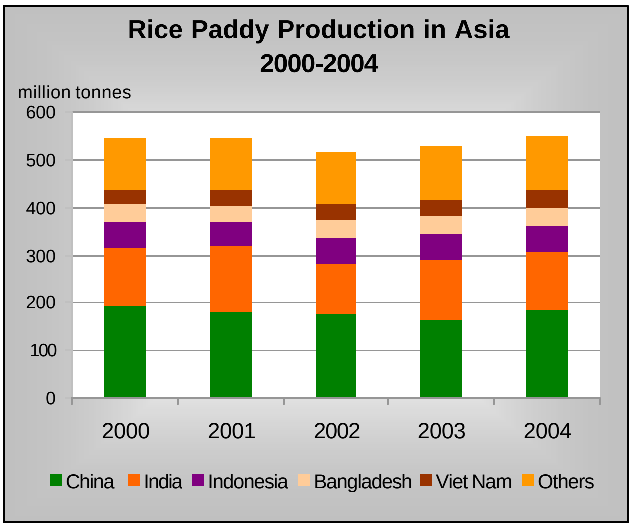


Concern has arisen recently over a possible recurrence of an El Niño event in the coming months, which, if confirmed, could have an impact on paddy production for the remainder of the 2004 season, when many countries would be growing their secondary paddy crops. El Niño could also influence the development of main crops of the forthcoming 2005 season in the Southern Hemisphere and along the equatorial belt, the planting of which has already started. However, it is premature to assume that an El Nino will disrupt crop development patterns, until more evidence is gathered regarding the re-appearance and strength of this weather anomaly.

I.1 ASIA

The region's production outlook is scaled back as adverse weather conditions prevail

The development of rice crops of major Asian producing countries located north of the equator depends critically on the pattern of the monsoon rainfall in July and August. This year, drought followed by torrential rains and floods were reported to have caused considerable damage to crops in several countries over that period. As a result, the region's production is now forecast to be 6 million tonnes lower than previously anticipated. It is noteworthy, however, that impairment to the main paddy crops could still be mitigated through replanting or through an expansion of the secondary, mostly irrigated, crops, as floods would help reconstitute water reserves.



In **Bangladesh**, floods, reported as the worse since 1998, swamped large parts of the territory in July and August, affecting both the harvest of the Aus and the planting of the Aman crops. As a result, paddy production is now anticipated to fall to 38.3 million tonnes, which would be 1 million tonnes below the new 2003 output estimate and substantially less than the 40.5 million tonne originally forecast in last issue of this monitor.

The outlook of production in **China (Mainland)** has improved since last reported, with output currently expected to grow by 20 million tonnes from last year to 180.7 million tonnes. Much of the expected rise can be attributed to rising market prices and to the re-introduction of incentives to producers, including minimum "protective" prices, input subsidies and tax relief. Renewed support to grain producers has come along the liberalization of grain domestic marketing and the lifting of the state procurement monopoly, with private companies now authorized to buy grain directly from farmers.

In **India**, the pattern of the monsoon rains has been erratic so far, with drought and floods impairing crops in many of the country's districts. With the monsoon season about to close, the all India Rainfall index for the season has been 14 percent below normal. Haryana and Punjab, two of the most important rice producing states, were among the most affected states. As a result, the forecast for production in 2004 has been lowered to 127.5 million tonnes, resulting in a 3 million tonne shortfall from last year. Prospects for Basmati rice production are also subdued, with a 20 percent reduction in Haryana, where sowing were reported to have fallen by 49 percent from last year, but also in Pradesh and Punjab, where the area contraction is estimated of the order of 25 percent. On the policy side, the Government has announced the opening of new procurement centres, to facilitate the enforcement of minimum guaranteed prices, and a reduction in administrative controls on domestic marketing and inter-provincial movements.

As for **Indonesia**, the current output forecast has been raised to a record 53.7 million tonnes, which would imply a 1.5 million tonnes, or 3 percent, increase from last year. This good performance reflected both excellent growing conditions and a 400 000 hectare expansion in plantings. Much of the latter reflects optimistic price expectations resulting, *inter alia*, from the import ban imposed earlier this year and recently extended for the remainder of 2004.

Indonesia – Rice Paddy Production by Crop (thousand tonnes)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Dry land	2,785	2,754	2,665	2,692	2,565	2,591	2,759	2,882
Wet land	46,592	46,483	48,201	49,207	47,896	48,899	49,378	50,785
Total	**49,377**	**49,237**	**50,866**	**51,899**	**50,461**	**51,490**	**52,137**	**53,667**

Source: Ministry of Agriculture – Indonesia.

An abundant crop is currently anticipated to be harvested in the **Islamic Republic of Iran**, due to favourable weather in the Northern Mazandaran province. The current outlook indicates a 2 percent year-to-year increase, mainly arising from higher yields. Rice cultivation in the country is subject to area ceilings, to limit irrigation water usage.

In **Japan**, prospects of a strong recovery in production have further improved, as high temperatures and abundant sunlight boosted yields. The country is now anticipated to harvest 11.4 million tonnes, up from 9.7 million tonnes last season.

The area under rice in the **Republic of Korea** is estimated to have fallen by some 15,000 hectares, reflecting both the flood problems that have affected the country in July and expectations by farmers of a lowering in procurement prices. Nonetheless, a strong recovery in yields is estimated to make production rebound to 6.6 million tonnes this year, 600 000 tonnes above the depressed level of last season.

In **Nepal**, a late arrival of the monsoon was reported to have delayed the transplanting of seedlings. Subsequently, the country also faced flooding problems. As a result, output prospects for 2004 have deteriorated, although they only point to a marginal reduction compared to last year.

Pakistan's paddy production in 2004 is anticipated to reach some 7.4 million tonnes, up only slightly from the 2003 level. Indeed, although farmers have responded to the relatively high prices by planting more rice, water shortages in the Sindh region have led to restrictions on irrigation, which are likely to result in yield losses.

In the **Philippines,** production prospects for the 2004 paddy season (July 2004 – June 2005) have deteriorated since the last report by some 400 000 tonnes, as budgetary constraints have restricted the ability of the Government to supply adequate resources to meet the target for hybrid rice planting . In addition, a strong increase in fertilizer prices might depress yields. As a result, production is forecast at 14.2 million tonnes in 2004, marginally higher than in 2003.

The 2004 production forecast in **Thailand** has been raised slightly to 27.1 million tonnes, a 2 percent increase from last season, despite a small drought-induced contraction in the main paddy crop. Indeed, high market prices together with the launching of a new government procurement programme in November, at relatively high procurement prices are anticipated to boost production during the secondary paddy crop. According to recent news, the main crop procurement prices for the 100% rice paddy have been set at Baht 6 600 (US$ 158) per tonne, up from Baht 5 330 per tonne last season.

Thailand – Intervention Price for Paddy Rice 100%								
	1997/98	**1998/99**	**1999/00**	**2000/01**	**2001/02**	**2002/03**	**2003/04**	**2004/05**
Baht / tonne	4175	5000	5280	5280	5330	5330	5330	6600
US $ / tonne	92	138	138	123	122	123	132	158

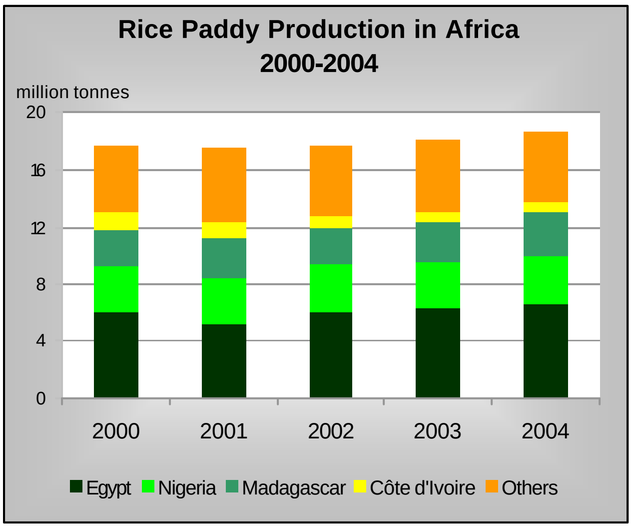
Some production increase is also anticipated in **Turkey** this season, reflecting favourable growing conditions and relatively high prices in 2003, which have encouraged farmers to expand the area under rice.

Notwithstanding adverse weather and epidemics, **Vietnam** harvested a larger Spring-Winter paddy crop compared with last year, reflecting the increased use of high-yielding rice strains. As a result, the country is now expected to gather an overall 35.2 million tonnes in the course of the season, 1 million tonnes more than originally forecast and about 2 percent above last year.

I.2 AFRICA

Output in Africa expected to rise by 3 percent above last year but locusts threatens crops in several countries in western Africa

The production forecast for Africa has been raised by 400 000 tonnes from last report, to 18.6 million tonnes, which would imply a 3 percent increase compared with 2003. Much of the upward revision is on account of **Egypt** and **Madagascar**. According to unofficial local sources, the cyclones Elita and Gafilo that hit **Madagascar** in January and February caused paddy losses of the order of 362 000 tonnes, but notwithstanding the damage, production is estimated to have reached some 3 million tonnes in 2004, or 200 000 tonnes more than last year, reflecting improved production methods and better access to inputs.



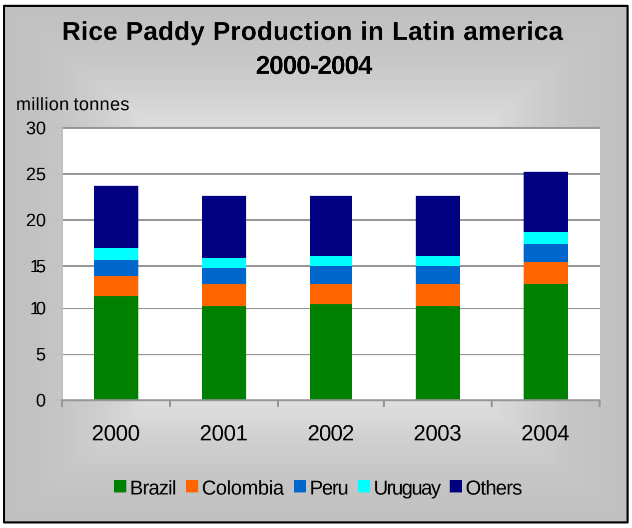
Much of this year expansion in the region's production is expected to be on account of **Egypt,** which is set to harvest 6.5 million tonnes, 5 percent more than last season, sustained by a 2 percent extension of plantings and further productivity gains. Based on the latest estimates, yields in the country might reach a world record of 10.1 tonnes per hectare.

In Western Africa, locusts are currently threatening crops across the Sahel region, in **Burkina Faso, Mali, Mauritania, Niger** and **Senegal** with some damage already reported. As a result, forecast production this year has been lowered somewhat in those countries. Overall, little, if any, production growth is foreseen in the sub-region in the course of this season, except in **Nigeria**, where a modest increase may be fostered by the President "Rice Initiative" and the dissemination of Nerica rice varieties.

I.3 LATIN AMERICA AND THE CARIBBEAN

Strong production gains confirmed in South America while prospects worsen in Central America and the Caribbean

Within Latin America and the Caribbean, the 2004 season has been completed in the southern cone, while in most of Central America and the Caribbean, paddy crops are at advanced stage of development or close to harvest time.



In South America, a re-assessment of the 2004 crops by national authorities resulted in some upward revisions of production in **Argentina**, **Chile and Uruguay**, but in a downgrading in **Brazil.** Based on the latest forecasts, **Argentina, Bolivia, Brazil, Colombia** and **Uruguay** may witness rather strong increases in output compared with 2003**, Chile, Ecuador, Guyana** and **Peru** is expected to experience a fall.

In **Argentina,** production is estimated to have reached 1 million tonnes, up 39 percent from last year, reflecting a positive response of plantings to high prices, and favourable growing conditions, which boosted yields.

Despite a small downward revision, production in **Brazil** is estimated to have grown sharply to 12.8 million tonnes from last year poor harvest, with strong increases reported in Rio Grande do Sul and Mato Grosso. To promote agriculture, the Government is about to launch a new agricultural plan for 2004/05, which should hinge on the traditional credit and marketing support instruments but also on new mechanisms to provide financing at the different stages of the commodity chain.

Earlier forecasts of a significant increase in the paddy output in **Colombia** have been confirmed so far. To protect producers from a sudden fall in market prices, the government has again resorted to a number of stabilization measures, including the introduction of a minimum producer price of Pesos 70 000 per 125 kg bag (US$224 per tonne) and a US$ 5 / tonne / month contribution to millers to keep supply in stores, applicable from 15 July to 30 September. In addition, a 30 percent levy on imports from Venezuela was introduced for one year.

Peru's output forecasts for the 2004 has been revised upward to 2 million tonnes, following the lower than expected damage caused by drought in Lambeque. Based on the latest figures, the contraction would be of the order of 6 percent, much smaller than earlier anticipated. The government recently announced that producer rice sales made since April are to be subject to taxation, following the introduction of a 4 percent value added tax on milled rice sales.

In Central America and the Caribbean, paddy crops have been hit by adverse weather conditions and, recently, by the passage of hurricanes. Following a deterioration of prospects, production is set to fall in **Costa Rica**, **Cuba** and the **Dominican Republic**. By contrast, as the crop season is progressing, the outlook has improved for **Mexico**, where output is forecast to grow to 300,000 tonnes in 2004.

In **Costa Rica,** forecasts have been adjusted downward following information of damage to rice crops caused by a rice mite named *steneotarsonemus spinki*, a pest that appeared recently in the country for the first time. Production forecasts currently point to a decrease of 6 percent compared with 2003. The outlook for **Cuba** also deteriorated since the last report, and shows now to a 10 percent annual reduction, owing to the worse drought in a decade which has prevailed for most of the season, and, more recently to the passage of hurricanes.

I.4 OTHER COUNTRIES

Production outlook remains favourable in the EU and the USA, while production estimate in Australia stays well below normal

In the **United States**, some 59 percent of the area planted had been harvested by mid-September. USDA's latest forecasts point to a one million tonne increase in production from last season, to a record 10.1 million tonnes. Much of the increase reflects a strong expansion in planting in California, coupled with significant yield gains.

Following larger than expected increases in area in Greece, and Portugal, the production forecast for the **European Union (EU-25**) has been raised to 2.7 million tonnes this season, which would be 1.5 percent more than last season. In anticipation of the bumper crop, the Commission has increased the amount of production eligible for intervention from 100,000 to 145,000 tonnes, while the intervention price will be cut by 50 percent as of 1st September, when the new domestic and trade policy regime will be implemented.

Estimates on 2004 production in **Australia** have also been slightly revised downward but, at 535 000 tonnes, still point to a small year-to-year increase from the dismal 2003 crop. This would still be some 50 percent below the average of the past five years, as cold temperature at the critical reproductive crop phase, from mid-January to early February, depressed yields.

Based on non-official local sources, the **Russian Federation** may face a small contraction in production to 420 000 tonnes this year, down from 450 000 tonnes in 2003. A similar situation in **Ukraine** is foreseen, with output forecast at 81 000 tonnes, marginally below last season.

II. INTERNATIONAL TRADE IN RICE

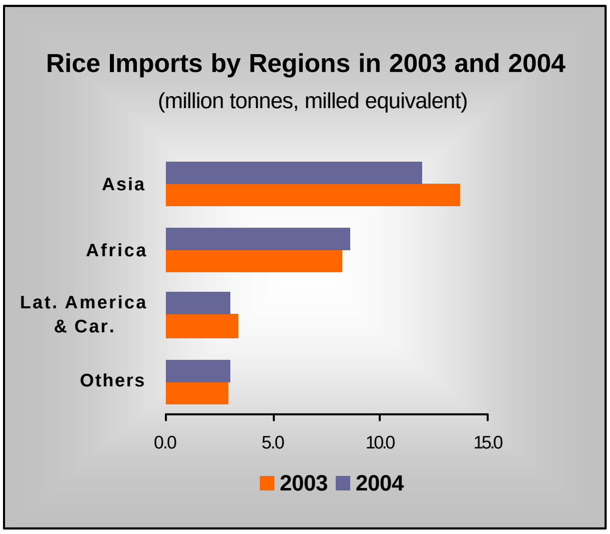
Global international trade still set to contract in 2004, but less than previously anticipated

Global rice trade in 2004 is now forecast to reach 26.5 million tonnes in milled rice equivalent, about 800 000 tonnes more than last foreseen, but 6 percent less than the 28.1 million tonnes traded in 2002 and 2003. Most of the revision reflects upward revisions in 2004 exports from **Brazil, Egypt, India, Thailand** and **Uruguay**, while on the import side, purchases of **Nigeria** and of some of the Caribbean countries were set higher than anticipated, more than offsetting a downward adjustment of purchases by Indonesia.

II.1 Imports

Sustained imports by African and Near East countries unlikely to fully offset a drop of shipments to Asia

The higher forecast for global trade in 2004 partly reflects larger anticipated deliveries to African countries, which intensified their purchases in recent months. As a result, imports to the region are foreseen to reach some 8.6 million tonnes, up from a previous forecast of 8.0 million tonnes and 300 000 tonnes more than last year. The revision was mostly on account of **Nigeria**, which could take some 1.6 million tonnes in 2004, 300 000 tonnes more than previously anticipated, but also of **Benin, Ghana, Senegal** and **South Africa**. As a result, imports to all those countries would be larger than in 2003, in spite of the much higher international prices. Subdued rice production performance coupled with a fast-growing demand, often associated with urbanization, has continued to spur rice imports to the region.



In Asia, upward revisions were made to imports by **Bangladesh, Malaysia** and **the Philippines.** In the case of **Bangladesh**, imports were doubled to 800 000 tonnes, still less than half the level imported in 2003, pending a firm assessment of the flood impacts on the crop and on-farm stocks. Shipments to the **Democratic Republic of Korea** were also raised to 700 000 tonnes as both Japan and the Republic of Korea have confirmed their commitment to keep supplying the country with rice food aid this year.

Negotiations over the liberalization of the rice market in the Republic of Korea

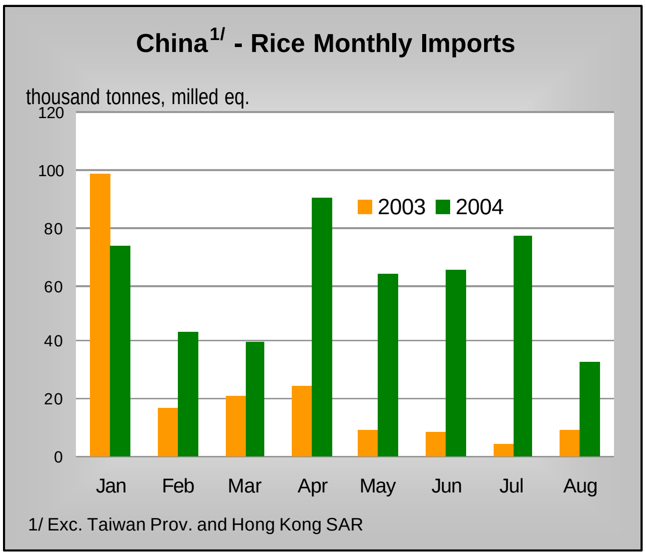
Under the 1994 WTO Agreement, the Republic of Korea was exempted from introducing a tariff rate import system for rice under the WTO "special treatment provision" and established, instead, a minimum import quota of 51 307 tonnes in 1995, which was progressively increased to 205 228 tonnes in 2004 (corresponding to 4 percent of the national consumption in the base period 1986-88).

Since the right to maintain the special treatment provision will expire by the end of 2004, unless agreed with WTO interested mmembers, the Republic of Korea has engaged in bilateral consultations with Australia, Argentina, Canada, China, Egypt, India, Pakistan, Thailand and the United States over the opening of its domestic rice market.

Although several rounds of negotiations have been conducted since May, no agreement has been reached so far, with the Government of the Republic of Korea aiming at maintaining a minimum access quota of 4 percent of base period consumption, while most of the negotiating partners have expressed their preference for the introduction by the Republic of Korea of a rice tariff system or for a widening of the quota.

Like the Republic of Korea, the Philippines is negotiating the retention of the rice minimum import access regime with trading partners.

By contrast, shipments to **Indonesia** were lowered to 1 million tonnes, sharply down compared with 2003, following the extension of the rice import ban, which was due to be lifted in August, until December. The country, which has been a leading market in the 1990s, claims to have achieved a surplus this year, which should render imports in the coming months largely unnecessary.



Purchases by **mainland China** for January-August were reported to have increased by 155 percent to 485.1 thousand tonnes, as a surge in domestic prices made imports particularly attractive. For the full 2004, forecast imports remain at 800 000 tonnes, compared with less than 300 000 tonnes last year. The strong pace of deliveries is not anticipated to continue in the last quarter, since abundant supplies from the 2004 early and intermediate crops, soon to be harvested, will alleviate the need for external purchases.

Forecast imports by the **Islamic Republic of Iran** now stand at 600 000 tonnes, 100 000 tonnes less than in 2003, reflecting the larger domestic supplies available this year.

Rice deliveries to **Turkey** this year are estimated at 350 000 tonnes, which is somewhat below the 385 300 tonnes officially reported to have been imported in 2003. Rice imports into the country continue to be subject to licensing requirements and to import duties of 45.5 percent for milled and 38 percent for paddy, with the granting of licenses conditional on domestic purchases of rice. In September, a new import regime was announced, for implementation from 1 November 2004 to 31 July 2005, which allows up to 300 000 tonne imports of rice, in milled equivalent, at rates of duties of 32 percent for paddy, 34 percent for husked and 43 percent for milled rice. Such imports can only be made by rice producer groups or traders buying from them. In addition, the Turkish Grain Board is eligible to import another 50 000 tonnes of milled rice, for market stabilization purposes.

In the other regions, rice deliveries to **Cuba** have been raised to 600 000 tonnes to compensate for the drought-induced production shortfall, resulting in a 50 000 tonne annual increase. Similarly, imports were augmented to a 500 000 tonne record in the case of the **United States** and to some 700 000 tonnes in the case of **Brazil**, far less than the 1.1 million tonnes that entered the country in 2003. On the other hand, purchases by the **Russian Federation** were adjusted downward to 400 000 tonnes, reflecting a slow pace of deliveries up to July, or 12 percent less than in 2003.

The 2004 import forecast for the enlarged **European Union (EU-25)** remains at 880 000 tonnes, or 200 000 tonnes more than last year. However, there is considerable uncertainty associated with the application, as of 1 September, of a new import regime that entails much lower tariffs. Indeed, under the "Margin of Preference import duty calculation" system for rice, the lowering of the intervention price would have resulted in a sharp cut in the applied levies. To counter this, the EU Commission recently agreed to apply, on a temporary basis, a duty of € 65 per tonne on husked rice and € 175 per tonne on milled rice. These are much lower than previously applied, since husked medium grain rice imports, faced a € 264 per tonne duty before the implementation of the reform. At the same time, the Commission agreed to allow free-of-duty imports of Basmati rice from India and Pakistan, even in the case of the Pusa and Super Basmati varieties, which had originally been excluded from the duty exemption.

European Union – Rice Import Duties to Third Countries as of 1 September 2004*

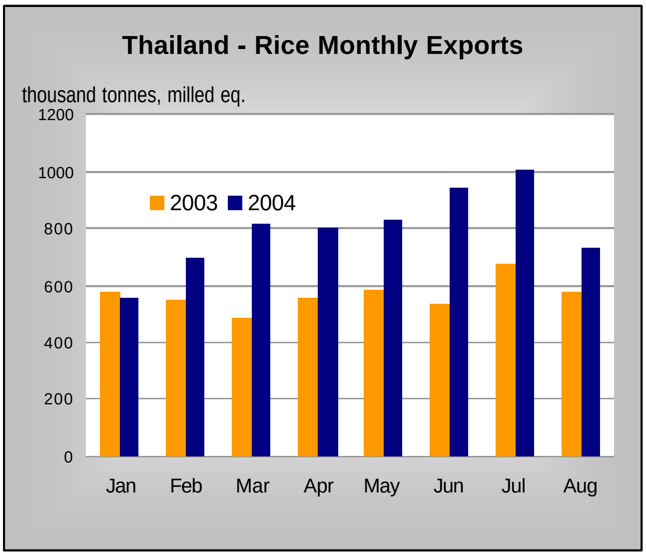
	Paddy Rice	**Husked Rice**	**Milled Rice**	**Rice, Brokens**
Euro / tonne	211	65	175	128
US $ / tonne	262	81	205	159

* Pending a revision of the Council of Ministers rule N. 1785/2003. The date limit for - revision is 30 June 2005

II.2 Exports

Limited supply availability and government-imposed restrictions constrain global exports in 2004

Rice exports in the past few months have been dominated by strong sales from Thailand, while activity in the other major exporting countries has been rather subdued.



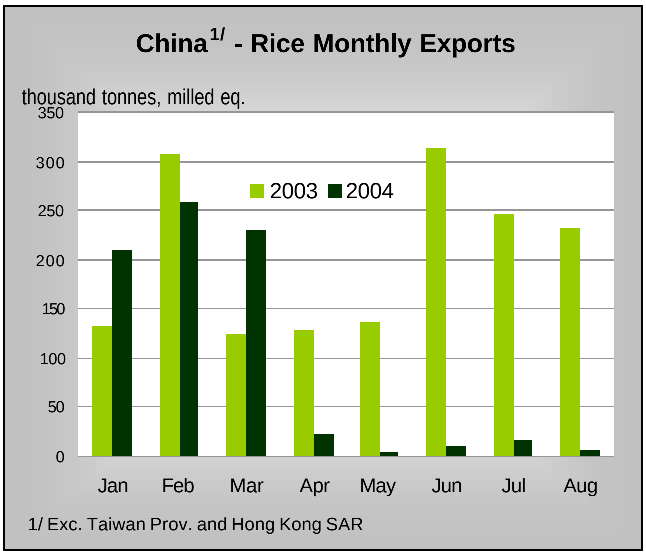
Indeed, several major exporting countries continue to face supply constraints and, in some cases, government-imposed export restrictions. **Thailand** has been an exception, since large stocks built-up by the Government in 2002 and 2003 through its large rice procurement programmes have offered additional sources of supplies for export this year. Following record sales in July, the country is now set to ship 9.2 million tonnes, 700 000 tonnes more than previously anticipated and 21 percent above last year.

As some IRRI rice shipments, especially parboiled, continued to be reported on top of the high quality Basmati rice, exports by **India** were also lifted to 2.8 million tonnes, which would be 36 percent less than in 2003. Although the Government is currently considering the re-introduction of subsidies to rice exporters, they are unlikely to be granted in the course of the year given the currently low level of stocks held in government-owned stores. Regarding the new export policy, it is still uncertain whether only exports of rice supplied through the Food Corporation of India would be eligible to exports refunds, once these are reinstated, or whether these would be extended also to the exports of rice procured by the trader directly from farmers or millers.

Forecast deliveries from **Vietnam** have not changed since last report and are still anticipated to be of the order of 4 million tonnes, only slightly more than last year, but somewhat above the 3.8 million tonne target set by the Government. In July, concerns about domestic availabilities induced the government to suspend registration of new export contracts. While the ban on new export deals was in principle lifted by the end of September, minimum export prices have been reportedly introduced. In the case of the 5 percent broken grade rice, they were set at US$ $225 a tonne, FOB Saigon, which compares with actual export prices in the country of US$ $224 a tonne in July and US$ $229 a tonne in August.

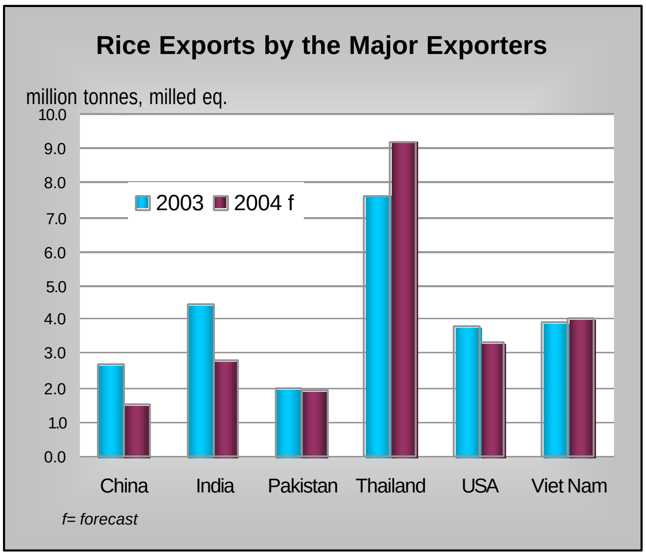
Exports by **Myanmar** have been lowered and are now expected to halve to some 200 000 tonnes this year, as few sales from the country have been witnessed so far, despite the reported relaxation of the import ban that was imposed in January.

Prospects of exports from **Pakistan** have also been revised downward by 100,000 tonnes to 1.9 million tonnes in 2004, since the country's shipments fell by some 18 percent the first eight months of 2004, compared with the same period in 2003. The forecast would imply a small contraction from the 2003 level, officially estimated at 1958 thousand tonnes. The anticipated decline in 2004 would be mainly on account of smaller non-basmati rice shipments, the supplies of which were rather tight due to the relatively small IRRI rice crop harvested last year.



According to the latest outlook exports of **China** (**mainland**) are expected to shrink to 1.3 million tones, or 400 000 tonnes less than anticipated in the last report. In the first eight months of the year, the country reportedly sold 762 thousand tonnes, or 53 percent less than shipped over the same period in 2003. Moreover, exports since April have virtually halted. However, the activity might resume as supplies from the early and intermediate crops start reaching the market in October. This would be a political decision, given that rice exports are under the exclusive authority of the Government.

Rice shipments from **Japan** (all of which in the form of food aid) may reach 500 000 tonnes this year, which would be 100 000 tonnes less than the 2003 estimate, as the country has accepted to keep providing in-kind support to the Democratic Republic of Korea. Similarly, the **Republic of Korea** is expected to export some 200,000 tonnes this year to the Democratic People's Republic of Korea, as food aid, from its own supplies, although it is likely to make further purchases for direct delivery to the country.

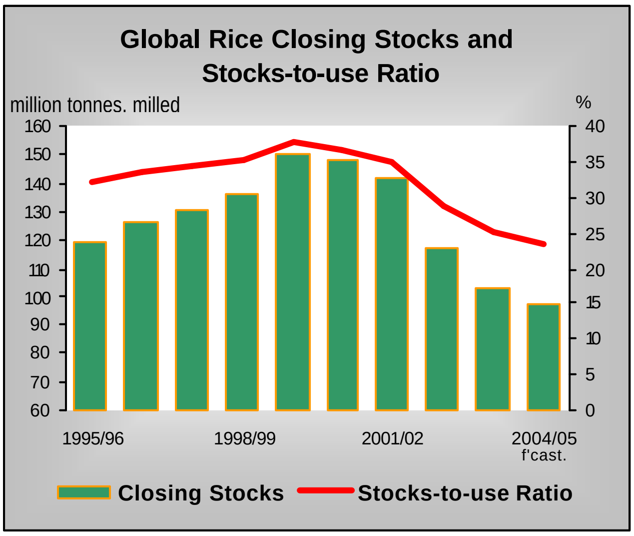


Outside of Asia, limited supplies and relatively high domestic prices in the **United States** are constraining the size of exports in 2004, which are currently forecast at 3.3 million tonnes, or 13 percent less than last year. Faced with a bumper harvest, **Brazil** has engaged in exporting rice this year, and is now expected to ship about 100 000 tonnes, the highest volume in more than two decades. Forecast exports by **Uruguay** have been also raised and are now anticipated of the order of 800 000 tonnes a 28 percent increase 2003 and close to the 2001 record. Similarly, deliveries by **Egypt** have been raised by 50 000 tonnes to 750 000 tonnes. This would be 28 percent more than the 586 000 tonnes shipped in 2003, reflecting strong sales to countries in the Near East.

III. RICE STOCKS

Global rice inventories to fall for the fifth consecutive year

World rice inventories at the end of the crop seasons ending in 2005 are now forecast to be of the order of 97 million tonnes, 2 million tonnes less than foreseen in the previous report. The revision reflects the deterioration of the 2004 production outlook in several countries but also the losses incurred by farmers that were affected by floods. Compared with their opening level, stocks are forecast to contract by 6 million tonnes, as world production should still fall short of consumption, with the difference covered from existing reserves. Much of the draw-down from last season should be concentrated in mainland **China** and **India**, but also in **Bangladesh**.



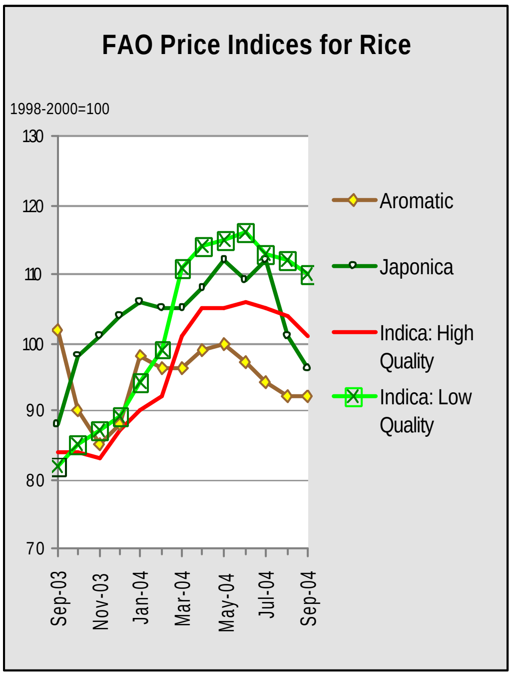
As a result of the decline in the size of the carry-over inventories, the stock-to-use ratio is anticipated to deteriorate from 25 percent at the close of 2003 crop years to 24 percent at the close of the 2004 crop years.

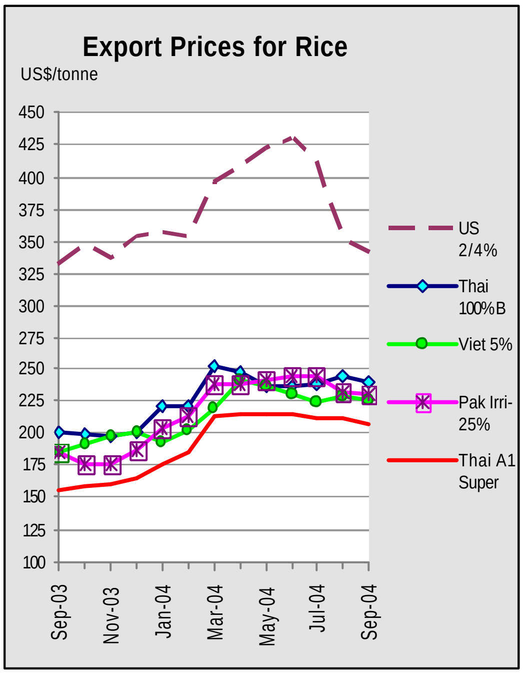
IV. INTERNATIONAL RICE PRICES

World rice prices lose momentum as new crop supplies reach the market

International rice prices weakened in the past three months, as the FAO-All Rice-Price Index (1998-2000=100) dipped 8 points to 101 between May and September, reversing the tendency for the index to rise that dominated from March 2003 to May 2004. The declines were most pronounced for Japonica rice and Aromatic rice, which lost 6 points and 8 points respectively. The drop was much smaller in the case of Indica high and low quality rice price indices, which fell only 4 and 5 points respectively between May and September.

Actual quotations, however, did not follow a consistent pattern, with parboiled rice strengthening, on account of strong demand by Nigeria, South Africa and countries in the Near East. Subdued import demand generally tended to depress prices in the United States, with high quality Indica rice (US N.2 4%) dropping by US$ 80 per tonne to US$ 341 per tonne between May and September. Prices were also under downward pressure in Viet Nam and Pakistan. Quotations in Thailand held better despite the arrival of second crop supplies on the market and the softening of the Baht relative to the US currency, reflecting very strong sales over the period.





Despite the slow down in the price recovery, prices in September were substantially higher than one year ago, with the FAO All Price Index up 15 points in September 2004 from the September 2003 level. The increase has been much stronger for the Indica lower quality rice, which gained 28 points, year-to-year, while the Japonica (medium grain) rice varieties exhibited the smallest gain, with an increase of only 8 points. The particular strength of the lower quality rice prices reflects the dynamism of imports by developing countries in Africa and Asia, which continue to be the driving force underpinning import demand. This tendency, however, is likely to falter in the coming months, if Indonesia remains out of the import market. On the other hand, demand for medium grain may rebound somewhat when EU countries resume their purchases in September, when the reduction in import tariffs will be implemented.

More generally, in the short term, large supplies from the main crops, which will be harvested in the coming months, are expected to keep international prices under pressure. The impact will be compound by the absence of Indonesia's import demand. In the medium term and looking into next year, the overall market situation still points to very tight supplies in a number of locations, especially in those countries that have scaled down their rice inventories. In addition, the announcement by the Thai Government, that it will increase procurement prices by US$ 24.5 per tonne, to US$ 154 per tonne for 100% white rice paddy, when it will launch its new procurement programme in November, is likely to provide additional support to world rice quotations.

EXPORT PRICES FOR RICE

	Thai 100% B 1/	U.S. 2/4% Long grain	Viet 5%	Thai 25%	India 25%	Viet 25%	Pak 25%	Thai A1 Super 2/	U.S. 2/4% Medium Grain 3/	Pak Basmati 4/	Thai Fragrant 100%
	US $/tonne, f.o.b.										
1999	**253**	**333**	**228**	**215**	**237**	**204**	**206**	**192**	**405**	**486**	**397**
2000	**207**	**271**	**183**	**172**	**232**	**159**	**163**	**143**	**289**	**418**	**428**
2001	**177**	**264**	**166**	**153**	**185**	**148**	**148**	**135**	**256**	**332**	**275**
2002	**197**	**207**	**187**	**171**	**140**	**168**	**159**	**151**	**219**	**366**	**306**
2003	**201**	**284**	**183**	**176**	**166**	**167**	**175**	**151**	**310**	**357**	**449**
2003											
September	201	333	185	176	175	166	185	155	n.a.	n.a.	543
October	199	348	191	179	n.a.	173	175	158	419	n.a.	485
November	197	337	198	178	n.a.	179	176	159	448	n.a.	429
December	201	354	200	180	n.a.	180	186	164	463	n.a.	450
2004											
January	221	357	193	195	n.a.	178	203	176	471	449	510
February	221	355	202	200	n.a.	188	212	184	457	449	488
March	253	397	219	232	n.a.	204	238	213	452	449	495
April	248	407	241	231	n.a.	223	239	215	463	486	504
May	237	421	237	224	n.a.	222	241	215	471	523	484
June	237	429	231	223	n.a.	225	244	215	474	n.a.	443
July	238	413	224	223	n.a.	215	244	211	463	n.a.	400
August	244	352	229	228	n.a.	220	232	212	389	n.a.	386
September	240	341	225	224	n.a.	216	231	207	375	n.a.	370
2003 Jan.-Sep.	201	263	179	175	163	163	173	148	258	356	448
2004 Jan.-Sep.	238	386	222	220	n.a.	210	231	205	446	471	453

Sources: Jackson Son & Co. (London) Ltd. and other public sources.

1/ White rice, 100% second grade, f.o.b. Bangkok. 2/ White brokens rice. 3/ F.A.S. basis. 4/ Basmati ordinary, f.o.b. Karachi.

FAO Rice Price Indices

		All	Indica		Japonica	Aromatic
			High	Low		
		1998-2000 = 100				
1999		**101**	**99**	**101**	**105**	**98**
2000		**84**	**84**	**83**	**83**	**89**
2001		**74**	**74**	**74**	**76**	**69**
2002		**72**	**73**	**75**	**67**	**74**
2003		**82**	**79**	**81**	**83**	**91**
2003	September	86	84	82	88	102
	October	89	84	85	98	90
	November	90	83	87	101	85
	December	93	87	89	104	88
2004	January	97	90	94	106	98
	February	98	92	99	105	96
	March	105	101	111	105	96
	April	108	105	114	108	99
	May	109	105	115	112	100
	June	109	106	116	109	97
	July	109	105	113	112	94
	August	104	104	112	101	92
	September	101	101	110	96	92
2003	Jan.-Sep.	79	78	79	77	92
2004	Jan.-Sep.	104	101	109	106	96

***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.

WORLD PADDY PRODUCTION

	2002	2003 (estimated)	2004 (forecast)
	million tonnes		
WORLD	**572.1**	**584.3**	**607.9**
Developing countries	546.3	561.1	581.8
Developed countries	25.8	23.2	26.1
ASIA	**517.8**	**531.1**	**550.1**
Bangladesh	37.8	39.2	38.3
Cambodia	3.8	4.7	4.7
China	176.3	162.3	182.2
of which Taiwan Prov	1.8	1.6	1.6
India	109.0	130.5	127.5
Indonesia	51.5	52.1	53.7
Iran, Islamic Rep. of	3.1	3.3	3.4
Japan	11.1	9.7	11.4
Korea Rep. of	6.7	6.0	6.6
Myanmar	22.8	24.6	23.0
Pakistan	6.7	7.3	7.4
Philippines	13.0	14.1	14.2
Sri Lanka	2.9	3.1	2.5
Thailand	26.1	26.6	27.1
Viet Nam	34.4	34.5	35.2
AFRICA	**17.6**	**18.0**	**18.6**
North Africa	**6.0**	**6.2**	**6.5**
Egypt	6.0	6.2	6.5
Sub-Saharan Africa	**11.6**	**11.8**	**12.1**
Western Africa	7.2	7.4	7.4
Côte d'Ivoire	0.8	0.7	0.7
Guinea	0.8	0.9	0.9
Mali	0.7	1.0	0.9
Nigeria	3.4	3.4	3.5
Central Africa	0.4	0.4	0.4
Eastern Africa	1.1	0.9	1.0
Tanzania	0.8	0.7	0.8
Southern Africa	2.9	3.1	3.3
Madagascar	2.6	2.8	3.0
Mozambique	0.2	0.2	0.2
CENTRAL AMERICA	**2.7**	**2.7**	**2.6**
Cuba	0.7	0.7	0.7
Dominican Rep.	0.7	0.6	0.6
Mexico	0.2	0.3	0.3
SOUTH AMERICA	**19.8**	**19.8**	**22.7**
Argentina	0.7	0.7	1.0
Brazil	10.6	10.4	12.8
Colombia	2.3	2.5	2.6
Peru	2.1	2.1	2.0
Uruguay	0.9	0.9	1.3
NORTH AMERICA	**9.6**	**9.0**	**10.1**
United States	9.6	9.0	10.1
EUROPE	**3.2**	**3.2**	**3.2**
EU 1/	2.6	2.7	2.7
OCEANIA	**1.3**	**0.4**	**0.6**
Australia	1.3	0.4	0.5

WORLD IMPORTS OF RICE

	2002	2003 (estimated)	2004 2/ (forecast)
	million tonnes, milled		
WORLD	**28.1**	**28.1**	**26.5**
Developing countries	23.8	23.7	22.1
Developed countries	4.3	4.4	4.4
ASIA	**14.2**	**13.7**	**11.9**
Bangladesh	0.6	1.6	0.8
China	0.3	0.4	1.0
of which Taiwan Prov.	0.1	0.1	0.2
Indonesia	3.5	2.5	1.0
Iran, Islamic Rep. of	0.9	0.7	0.6
Iraq	1.1	1.1	1.2
Japan	0.7	0.7	0.7
Malaysia	0.6	0.6	0.6
Philippines	1.3	0.9	1.0
Saudi Arabia	0.8	0.8	0.9
Sri Lanka	0.1	0.0	0.2
AFRICA	**8.4**	**8.2**	**8.6**
Côte d'Ivoire	0.7	0.8	0.9
Nigeria	1.8	1.5	1.6
Senegal	0.8	0.6	0.7
South Africa	0.7	0.8	0.8
CENTRAL AMERICA	**1.9**	**1.9**	**2.0**
Cuba	0.6	0.6	0.6
Mexico	0.5	0.5	0.5
SOUTH AMERICA	**0.8**	**1.4**	**1.0**
Brazil	0.6	1.1	0.7
Colombia	0.1	0.1	0.1
NORTH AMERICA	**0.7**	**0.7**	**0.7**
Canada	0.3	0.3	0.3
United States	0.4	0.5	0.5
EUROPE	**1.8**	**1.8**	**1.9**
EU 1/	0.7	0.7	0.9
Russian Fed.	0.5	0.5	0.4
OCEANIA	**0.3**	**0.4**	**0.4**

WORLD EXPORTS OF RICE

	2002	2003 (estimated)	2004 2/ (forecast)
	million tonnes, milled		
WORLD	**28.1**	**28.1**	**26.5**
Developing countries	24.0	23.3	22.3
Developed countries	4.2	4.8	4.2
ASIA	**22.4**	**22.1**	**20.4**
China	2.1	2.7	1.5
of which Taiwan Prov.	0.1	0.0	0.1
India	6.6	4.4	2.8
Myanmar	0.9	0.4	0.2
Pakistan	1.6	2.0	1.9
Thailand	7.3	7.6	9.2
Viet Nam	3.2	3.9	4.0
AFRICA	**0.5**	**0.6**	**0.8**
Egypt	0.5	0.6	0.8
SOUTH AMERICA	**1.2**	**1.2**	**1.6**
Argentina	0.2	0.2	0.4
Guyana	0.2	0.2	0.2
Uruguay	0.7	0.6	0.8
NORTH & C. AMERICA	**3.3**	**3.9**	**3.4**
United States	3.3	3.8	3.3
EUROPE	**0.3**	**0.2**	**0.2**
EU 1/	0.2	0.2	0.2
OCEANIA	**0.4**	**0.2**	**0.2**
Australia	0.4	0.2	0.2

FOOTNOTES:
Totals computed from unrounded data.
1/ EU-15 until 2003, EU-25 in 2004.
2/ Tentative.

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

	CHINA 2/ 3/ (Oct./Sep.)			INDIA 2/ (Oct./Sep.)		
	2002/2003	2003/2004 prelim.	2004/2005 f'cast	2002/2003	2003/2004 prelim.	2004/2005 f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Opening Stocks	83350 F	73690 F	60170 F	26400 F	12000 F	12400 F
Production 1/	120876 G	111252 G	124904 F	72660 G	87000 G	85000 F
Imports	405 G	950 F	950 F	30 F	50 F	50 F
Total Supply	204631	185892	186024	99090	99050	97450
Domestic Use	128291	124262	125829	82690	83850	84950
Exports	2650 G	1460 F	2060 F	4400 F	2800 F	2000 F
Closing Stocks	73690 F	60170 F	58135 F	12000 F	12400 F	10500 F

	PAKISTAN 2/ (Nov./Oct.)			THAILAND 2/ (Nov./Oct.)		
	2002/2003	2003/2004 prelim.	2004/2005 f'cast	2002/2003	2003/2004 prelim.	2004/2005 f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Opening Stocks	550 F	340 F	490 F	2450 F	2500 F	1500 F
Production 1/	4479 G	4848 G	4936 F	17250 G	17626 G	17940 F
Imports	0 F	0 F	0 F	7 G	7 F	7 F
Total Supply	5029	5188	5426	19707	20133	19447
Domestic Use	2731	2798	2866	9627	9433	9547
Exports	1958 G	1900 F	2100 F	7580 G	9200 F	8400 F
Closing Stocks	340 F	490 F	460 F	2500 F	1500 F	1500 F

	UNITED STATES 4/ (Aug./Jul.)			VIET NAM 2/ (Nov./Oct.)		
	2002/2003	2003/2004 prelim.	2004/2005 f'cast	2002/2003	2003/2004 prelim.	2004/2005 f'cast
	(......... thousand tonnes ....)			*(......... thousand tonnes ....)*		
Opening Stocks	1216 G	829 G	758 G	4500 F	4900 F	4900 F
Production 1/	6536 G	6369 G	7040 G	22976 G	23024 G	23465 G
Imports	458 G	505 G	460 G	7 F	6 F	6 F
Total Supply	8210	7703	8258	27483	27930	28371
Domestic Use	3521	3683	3818	18693	19030	19471
Exports	3860 G	3262 G	3397 G	3890 G	4000 F	4000 F
Closing Stocks	829 G	758 G	1043 G	4900 F	4900 F	4900 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.