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COMMITTEE ON COMMODITY PROBLEMS

JOINT MEETING OF THE INTERGOVERNMENTAL GROUP ON GRAINS (31ST SESSION) AND THE INTERGOVERNMENTAL GROUP ON RICE (42ND SESSION)

Istanbul, Turkey, 14 – 17 May 2007

FOLLOW-UP TO THE GUIDELINES FOR NATIONAL AND INTERNATIONAL ACTION ON RICE IN 2004-2006

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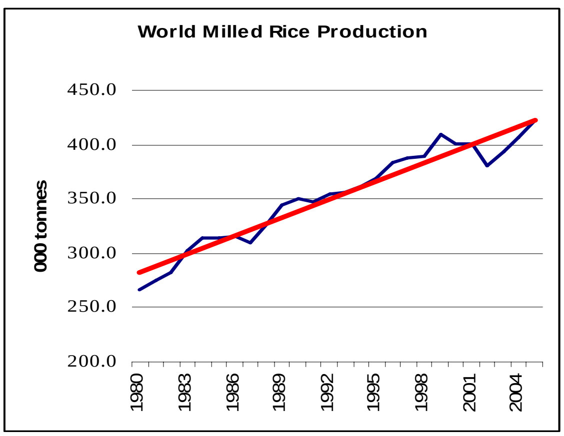
I. INTRODUCTION

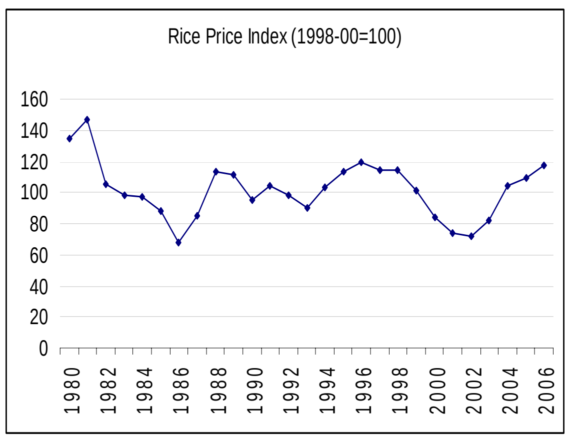
1. The present document reports the major developments in government rice policies that have taken place since the previous IGG Session in February 2004 and assesses progress in complying with the Guidelines for National and International Action on Rice[1]. The information has been drawn from various sources, including replies from governments to the Secretariat's questionnaire.

2. The general environment of the sector in the past three years was one of buoyant global economic growth, but also of strong increases in the prices of basic agricultural inputs and services. In the fastest growth markets, the widening income disparity between urban and rural dwellers increasingly influenced government stance towards agricultural policies. Concern over the potential long term effects of climate changes also intensified, especially in those countries already confronted with shortages of water and an erosion of their agricultural land bases, raising fears that rice supplies might not suffice to cover consumption needs over the longer term. Against this backdrop, many policy makers leaned more forcibly towards self-sufficiency strategies, while scientists renewed their call for a second green revolution to overcome stalling productivity growth.

II. PRODUCTION POLICIES (Guidelines B (i) – B (iv))

3. After three years of contraction, global paddy production returned to a positive growth path over 2003-2005, but remained short of world consumption. The gap was filled by drawing supplies from stocks, resulting in a tightening of the market and higher international prices. However, the pattern of prices was not uniform, with levels dipping in North America and Latin America and the Caribbean from mid-2004 and to end-2005, when, during this time, high prices dominated in much of Africa and Asia. The new context brought about a reversal of attitudes by policy makers, who intensified their interventions, largely focusing on boosting production. A manifested tendency for yield growth to stagnate, especially in the irrigated rice fields, pressure on land and water resources and, in several instances, growing disparities between rural and urban incomes also prompted some governments to revive their support to the sector, both through direct investments in research and infrastructure and market interventions.





[1] Document CCP: CCP:GR/RI - 07/3 -Sup.1 contains the basic text of the Guidelines and Statistical Annexes

A. RICE EXPORTING COUNTRIES

4. Among the major exporters, **Thailand** has intensified its support to the rice sector since 2004, through large purchases under the government mortgage scheme. With procurement prices rising in real terms until 2006/07, when they were cut by the new Government (Annex Table I), the programme has effectively contributed to the stabilization of farmer prices at relatively high levels. Producers also had access to preferential credit loans from the Bank for Agriculture and Agricultural Cooperatives (BAAC).

5. Government assistance to the rice sector in **Viet Nam** is channelled through investment programmes, research and subsidies for the multiplication foundation seeds and mechanization. Market support to paddy producers remains marginal, with minimum producer prices unchanged since 1997 at Dong 1 500 per kg (US$ 95 per tonne).

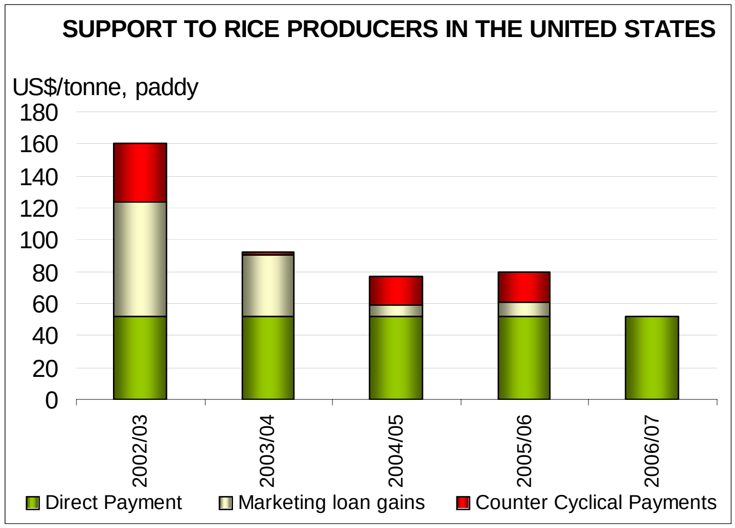
6. In **India**, rice producers benefit from subsidies on fertilizers and irrigation, and access to credit on preferential terms. Although official paddy procurement prices were increased every season, the rise was too modest to bring about a real price increase.

7. **China's** long term rice development strategy remains officially anchored to the principle of self-sufficiency, which, in the light of a shrinking agricultural land base[2], largely relies on furthering productivity gains. In 2004, rice production started to recover, coinciding with a major overhaul in grain policies, which, previously had hinged on reducing surpluses. Production incentives included the reintroduction of "protective" prices for the early-rice and late-rice crops, new subsidies on high yielding seeds and agricultural machinery and modest fixed payments, typically based on historical plantings.

8. Little direct assistance was offered to rice producers in **Pakistan**, except for the provision of subsidized credit to small farmers for purchases of seeds, fertilizers and machinery. In 2006, the Seed Act was amended to allow private firms to engage in seed production. Government minimum paddy prices were redefined as "rescue" prices in 2004, but remain fixed at very low levels.

9. Under "The Farm Security and Rural Investment Act", paddy growers in the **United States** have been entitled since 2002/03 to fixed direct payments, variable marketing loan benefits and counter-cyclical payments, which have kept average receipts close to a target paddy price of US$ 10.5 per cwt (US$ 231 per tonne). Because of favourable market conditions, total programme payments have steadily dropped, from US$ 1.45 billion in 2002/03 to US$ 0.43 billion in 2006/07, with no counter-cyclical or loan benefit payments effected in 2006/07 (Annex Tables II and III).

[2] China's arable land has been shrinking by 800 000 hectares a year for the past ten years.



10. In **Australia,** little government assistance is channelled to the rice. However, in response to exceptionally dry conditions since 2003, producers were offered drought relief assistance, mainly in the form of grants of up to Au$ 5000 (about US$ 4000) and subsidized interest rate loans.

11. Likewise, minimal public support is given to rice sectors in **Argentina** and **Uruguay**. In **Uruguay**, some relief has been provided to indebted rice farmers affected by drought, through the provision of a subsidized loan, repaid by producers through a 5 percent retention on the fob value of their exports.

B. RICE IMPORTING COUNTRIES

12. Among the major importing countries, **Bangladesh** grants some direct support to the sector, mainly in form of investments in rural infrastructure and small subsidies on basic inputs. Market support was limited over the period to some local purchases by the Government, but the increases in procurement prices between 2004 and 2006 were largely eroded by inflation (Annex Table I).

13. A more forceful expansionary policy was put in place by **Indonesia**, largely under the shield of an import ban. ‘Minimum guaranteed prices’ for paddy were raised by 30 percent in 2006, to compensate for rising fuel costs. As of 1 March 2005, their designation changed to a “government reference purchase price” which relieved the Government from its obligation to procure unlimited amounts at the established price. With market prices well above support levels, purchases by the State Agency Bulog fell markedly in 2005.

14. In pursuance of rice self-sufficiency, **the Islamic Republic of Iran** launched, in 2005, a major project for the cultivation of hybrid rice. Rice growers have benefited from significant subsidies on insurance, fertilizers and pesticides, and high guaranteed prices, which preserved their real value.

15. **Japan** launched a major reform in 2005, for implementation in 2007, which implies a fundamental shift from price-support extended to all rice farmers, to income-support directed to specialized, full time “core” farmers[3] only, and promotes a consolidation of scattered land

[3] “Core” farmers are defined as those holding more than 4 hectares in the case of family farms (10 hectares if in Hokkaido) and more than 20 ha for farming organizations.

holdings. Under the new approach, controls over rice production, currently exerted through production ceilings at the prefecture level, would be eliminated in 2008.

16. In March 2005, **the Republic of Korea** National Assembly revised both the Food Grain Management Act and the Rice Income Compensation Act. The new Management Act eliminates the Government Procurement Programme and replaces it with a Public Storage System for Emergency (PSSE), aimed at smoothing seasonal price fluctuations. On the other hand, the new Rice Income Compensation Act introduces fixed direct payments to rice producers at a rate of Won 600 000 (US$ 600) per hectare on their registered area, as well as variable direct payments to compensate farmers for 85 percent of the difference between actual price received and a target price level. For 2005-2007, the target price was set at Won 2 126 per kg (US$ 2 000 per tonne).

17. Strategy in the **Philippines** to achieve rice self-sufficiency mainly rests on the rehabilitation of irrigation infrastructure and on the dissemination of high yielding and hybrid rice varieties. The subsidy of almost 50 percent on the price of improved rice seeds will be withdrawn in 2007. Minimum paddy support prices were slightly increased in 2004/05 but have been left unchanged since then.

18. In **Malaysia**, the government continued to invest in drainage infrastructure and the promotion of specialized rice production zones. The Ninth Five Year Development Plan, covering the 2006-2010 period, places agriculture as an engine of economic growth, shifting emphasis away from export-oriented agriculture to domestic food production. For rice, the 2010 self-sufficiency target stands at 90 percent, up from the previous target of 65 percent. Consistent with the new approach, producer support prices, which were kept unchanged for the past ten years, were raised by 12.5 percent in 2006/07.

19. In ***Africa***, a growing number of governments are reacting against rising dependency on rice imports. Sub-Sahara African countries, in particular, have been actively involved in the African Rice Initiative, launched in March 2002 by the Africa Rice Centre (WARDA), and have begun promoting the dissemination of Nerica rice varieties. Subsidies on basic inputs and machinery were offered in **Nigeria, Senegal** and **Tanzania**. Various projects were launched to promote inland-valley and irrigated rice production, often with external funding from other developing countries, including China, India and Viet Nam. In addition, several Rice "Observatoires" have been established in the region under the auspices of the Agriculture Ministries, to raise market transparency.

20. **Nigeria** embraced a forceful expansionary stance with the implementation, in 2004, of the "Presidential Initiative on Rice Production, Processing and Export". The programme includes plans to develop flood controls, access to roads and drainage infrastructure and allocates large funds for the mass reproduction of Nerica rice seedlings. Similarly, in May 2005, **Senegal** adopted a programme to achieve rice self-sufficiency by 2010.

21. In January 2005, **Economic Community of West African States**[4] (**ECOWAS)** agreed to harmonize their agricultural policies by adopting ECOWAP, the West Africa Regional Agricultural Policy, which gives prominence to food sovereignty and food security and calls for regional complementarity. Governments embracing ECOWAP agreed to devote 10 percent of their budget to agriculture, while relying on the private sector to promote the development of the sector.

22. In ***Latin America and the Caribbean***, **Costa Rica** has raised support paddy prices since 2003, largely preserving their real value. **Mexico** continued to give a fixed payment per hectare to rice growers under the Procampo programme, as well as incentives on investments and subsidies on electricity under the Alianza programme. Since 2003, it has assisted rice farmers in negotiating call and put options on the futures market as a means to stabilize prices. **Brazil** operated various

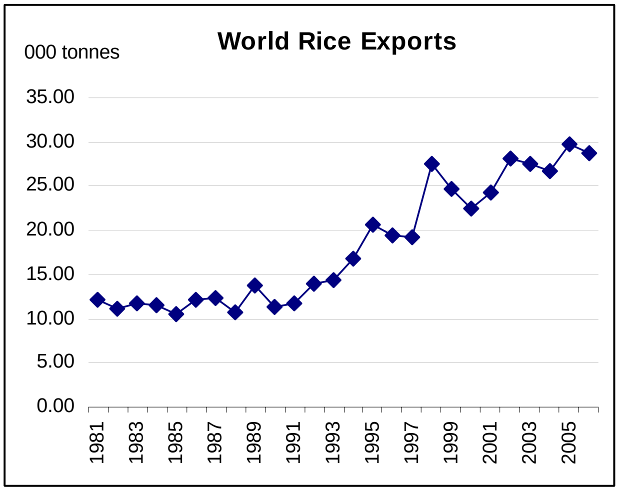
[4] Benin, Burkina, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo

programmes to support paddy growers, including pledging schemes which provided a minimum price to farmers, albeit at relatively low levels. In 2005, producers were also granted tax relief to help them cope with low domestic prices and competition from imports. **Colombia, Ecuador** and **Panama** continued to support paddy producer prices through “absorption programmes”, under which traders had to buy locally-produced rice at a minimum price, in order for them to obtain import licenses. In **Colombia**, access to credit also improved markedly over the period. In 2005, the **Dominican Republic** created a renewable fund of Pesos 121 million (US$ 4.3 million) under a national warehouse receipt programme (“Programa Nacional de Pignoración), to finance storage costs born by rice producers and millers at harvest time. Similarly, in 2005, **Peru** announced the introduction of a “warrant”mechanism to enable producers to use rice stocks as collateral to obtain credits from the bank. Also in 2005, the country established a National Rice Council, composed of government and private sector representatives with the remit of coordinating action on rice. In 2006, against the backdrop of the new free-trade-Agreement with the United States, **Colombia** announced the launching of the “Agro-Ingreso Seguro”, to sustain incomes of producers, especially of sensitive products such as rice. The programme complements other schemes giving access to subsidized loans on rice investments. In 2006, **Guyana** established a financial facility to provide working capital and facilitate investments in the rice sector. The project falls under a €24 million development project, shared with Suriname, which the EU-financed to compensate them for the foregone value of preferential access to the EU market following the 2003 reform. In 2006, **Honduras** supplied small producers, for the first time, with free fertilizers and seeds, through a “technological production bonus” programme, launched with the 2006-2010 Strategic Plan for the Development of the Food and Agricultural Sector.

23. As of September 2004, rice producers in the **European Union** have been exposed to a new policy regime, which entailed a 50 percent cut in intervention prices to € 150 per tonne (US$ 178), 88 percent of which compensated through a direct payment. In the 2006/07 paddy season, this was broken down into a single payment of € 102 per tonne, “decoupled” from production but subject to certain land conservation and environmental obligations, and a rice specific aid of € 75 per tonne (both calculated on a national historical base area and yield).

III. TRADE POLICIES (GUIDELINES C (i) to C (viii))

24. Sustained import demand boosted volumes of rice trade in 2005 and 2006. Despite rising production, the surge resulted in rising domestic prices in several major exporting countries, raising fears of domestic shortages and strongly influencing export policies. Much of the trade gain was prompted by large deliveries to African countries, where imports now represent on average, as much as 42 percent of domestic utilization.



A. EXPORT MEASURES

25. Under its supportive producer price policy, **Thailand** export prices were pushed above those of competitors, which eroded the country's competitive edge but also contributed to the firmness of world quotations. **India's** subsidized sales were discontinued in 2004 as were some import duty rebates in 2006. However, the Government supported initiatives by the Basmati Export Development Council to establish laboratories for DNA characterization. **China's** policies on rice exports have been largely unchanged since 2004, with the government exerting full control over exports. Reflecting the tightening of domestic market conditions, the volumes shipped since 2004 have been substantially reduced. In 2005 and 2006, **Pakistan** failed to provide a 50 percent subsidy on freight that had been granted to exporters. Since January 2004, **Myanmar** has curbed exports, largely to contain soaring domestic prices. By contrast, in 2005, **Cambodia** reported to have liberalized rice exports. In 2004, **Viet Nam** allowed the private sector to export rice alongside State-controlled agencies. However, only State trading firms were given access to subsidized credit to purchase paddy from farmers, to tax rebates and to trade promotion funds. Those incentives, however, were withdrawn when the market situation tightened, which *de facto* barred exports intermittently, except through government- to-government deals. A landmark development for Viet Nam was its accession to the WTO in January 2007. Responding to rising domestic prices, **Egypt** imposed a temporary ban on exports from 1 July to 30 September 2006. In November 2005, to dampen inflation**, Argentina** suspended the refunding of a 4.5 percent tax on rice (and other product) exports.

26. Among developed countries, the **United States** has refrained from paying direct export subsidies under the Export Enhancement Program since 1997, while the **European Union** is reported to have exported 127.7 thousand tonnes in 2002/03 using refunds, entailing an outlay of €24.5 million. Both quantities and values were within the WTO agreed ceilings of 133.4 thousand tonnes and € 36.8 million respectively. Information for more recent years was not available.

B. IMPORT MEASURES

27. On the import side, numerous countries intervened either to shield their rice sectors from external competition, through import bans or increased in tariffs, or to facilitate imports to ease domestic supply constraints. Trade policy reforms were also implemented by the European Union, while regional agreements are paving the way for major changes in market access to a number of markets in Africa and Latin America and the Caribbean.

28. Following liberalization of the rice market in the early 1990s, **Bangladesh** has mostly used import measures to stabilize domestic prices. To dampen increases in market prices, it has lowered the rice import duty repeatedly since 2003 also exempting importers from the payment of the ‘letter of credit margin’. These trade measures, however, were not sufficient to prevent rice domestic prices from rising, partly because of high international quotations.

29. In January 2004, **Indonesia** announced it would implement a seasonal ban on rice imports around the critical harvest period, but the repeated extension of the ban rendered it virtually permanent till the end of 2006. In 2005, a Presidential Instruction established that Bulog would be authorized to import rice only when market prices exceeded Rupiah 3500 per kilo (US$ 348 per tonne) or when stocks held by the Agency fell short of 1 million tonnes. Because of low inventories and soaring domestic prices, the Ministry of Trade authorized Bulog to import limited quantities in 2005 and again in 2006.

30. Between 21 March 2004 and 20 March 2005, **the Islamic Republic of Iran** applied a 4 percent import duty on rice, supplemented by a 96 percent Commercial Benefit Tax (CBT). As of March 2005, the duty and the CBT were merged and the entire levy was raised to 150 percent. In October 2006, the country banned basmati rice imports for two months, after the country harvested a bumper rice crop.

31. On 23 November 2005, **Republic of Korea** ratified an earlier agreement that allows it to retain government control over rice imports until 2014. In exchange, the country agreed to increase the 5 percent tariff quota every year, by enlarging the MFN quota by about 20 000 tonnes a year, from 225,575 tonnes in 2005 to 408,698 tonnes in 2014. Over the period, specific country quotas will stay at 116,159 tonnes for China, 50,076 tonnes for the United States, 29,963 tonnes for Thailand and 9,030 tonnes for Australia.

32. Likewise, in 2006, the **Philippines** finalized the process of negotiations to extend the WTO waiver that expired in June 2005, allowing restrictions on private sector rice imports to be kept up to 2012. As a result, the National Food Authority will maintain a virtual monopoly on rice imports.

33. In August 2004, **Turkey** introduced a quota system that requires traders to purchase rice locally at predetermined prices as a pre-condition to obtain import licenses. Imports were also subject to a duty of 32 percent for paddy, 34 percent for husked rice and 43 percent for milled rice on imports. Tariffs were subsequently lowered to 20 percent in the case of paddy to 25 percent in the case of husked rice, while milled rates were left unchanged.

34. In ***Africa***, several countries resorted to trade measures to counter surges in domestic prices, especially in 2004 and 2005, mainly by temporarily waiving import duties. For instance, **Guinea** allowed duty-free imports of rice in the last quarter of 2003 and first quarter of 2004 and in 2005 lowered the overall duties applied on imports from 16.7 percent to 12.1 percent. After raising tariffs to 20 percent in 2004, **Madagascar** eliminated them in July 2005 alongside a cut in value added tax. Large purchases for subsidized distribution were also negotiated by the Government in 2004 and 2005. **Cape Verde** liberalized rice imports in 2005, after the closure of EMPA, the state trading Agency, and opened them to the private sector, subject to a 5 percent import duty, but exempted from the value added tax.

35. On the other hand, **Nigeria** actively used trade policies, introducing in 2004, a 10 percent rice development tax, in addition to the prevailing 100 percent tariff, and applying reference prices for the estimation of duties[5]. In November 2005, Nigeria harmonized its tariffs to comply with the provisions of the ECOWAS Common External Tariff (CET), but kept rice as an exception, reducing the tariff from 110 percent to 50 percent only (instead of 10 percent under the CET) and imposing an additional 50 percent “special” tariff. Officially, Nigeria banned <u>milled</u>

[5] at US$ 365 per tonne for milled rice originating from Thailand and at US$ 335 per tonne if originating from India

rice imports as of 2006, although the government continued to release special licenses for its importation.

36. In January 2006, **ECOWAS Heads of States** agreed implementing a Common External Tariff starting January 2008, with a one year transition up to 31 December 2007. The CET adopted by ECOWAS was that of the West African Economic and Monetary Union[6] (WAEMU), which had already been applied by those ECOWAS countries belonging to the WAEMU since 1 January 2000. Under the WAEMU CET, rice attracts a custom duty rate of 10 percent, a 1 percent statistical fee and a solidarity tax of 0.5 percent if imported from third countries[7]. Application of the WAEMU framework would imply a strong cut in protection for Nigeria[8]. The impact would be lighter for the other ECOWAS countries, where rice attracts already low rates of duty (Gambia: 0 percent, Ghana: 20 percent; Guinea: 10 percent; and Sierra Leone: 15 percent).

37. Under the **Eastern African Custom Union** (EAC), which came into force in January 2005, **Kenya, Tanzania** and **Uganda** raised the common external tariff on rice imports from 35 percent to the highest of either a 75 percent *ad-valorem* duty or US$ 200 per tonne. In July 2005, however, **Kenya** was allowed to delay the application of the new tariff on rice imports from Pakistan for a period of 24 months.

38. In ***Latin America and the Caribbean***, several countries raised restrictions on neighbouring countries imports on phytosanitary grounds or tightened quality controls. This was the case in **Peru,** which took steps in 2005 to intensify quality controls over imported rice, and in **Colombia,** which restricted imports from Ecuador, allegedly as a prevention against the Avian Flu virus. In February 2006, **Brazil** also hindered the movement of rice from Uruguay into its territory.

39. Countries also proceeded in strengthening regional and sub-regional agreements, with rice often placed on the exception list. Of particular importance was the Free Trade Agreement sealed in 2006 by the **United States** with **Peru** and **Colombia**, both of which designated rice as a sensitive product requiring longer transition periods for full market opening. As a result, Colombia was granted a period of 19 years to eliminate rice tariffs, starting from a base level of 80 percent. In the case of Peru, the transition was shorter, to last 17 years, and the base tariff set lower, at 52 percent.

40. A further major development was the CAFTA-DR-US regional free trade agreement signed between **Costa Rica, the Dominican Republic, El Salvador, Honduras, Guatemala, Nicaragua** and the **United States,** which formally began implementation in 2006. As of early 2007, all the members had ratified the agreement, except for Costa Rica and the Dominican Republic. All the Central American partners to the Agreement designated rice as a strategic product, subject to a ten year grace period during which no reduction in ad-valorem tariffs will be effected. Over the implementation period, the six Central American and Caribbean countries will grant free access to rice from the United States, which over the first year will amount to an overall 283 000 tonnes (milled equivalent). The preferential quota will be increased, in most cases by 2 percent per year in the case of paddy rice and by 5 percent per year in the case of milled rice, until tariff elimination is completed over the 18-20 year implementation phase.

41. In March 2005, the **European Union** completed the 2003 rice policy reform by adopting a new import mechanism for setting import duties, which resulted in substantially lower rates for husked rice and, in September 2005, for milled/semi-milled rice and brokens (Annex Table IV). Under the new system, husked rice imports attract three possible tariff rates (€30, €42.5, €65 per

[6] Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Togo and Senegal
[7] WAEMU countries also levy a common value-added tax rate of 18 percent, payable at the port of entry plus a service fee of 6 percent or 12 percent, depending on the customs classification. Overall, tariffs on imported rice to the WAEMU countries range from 35 percent to 45 percent. Provisions exist for safeguard action.
[8] Nigeria's total tariff approximates 110 percent (50 percent tariff, 50 percent additional levy of dutiable value, a 7 percent surcharge)

tonne) and milled and semi-milled rice two different rates (€145 or €175 per tonne), depending on prior imported volumes and established reference levels. The tariff rate on broken rice was also sharply reduced while for paddy rice it remained unchanged at the high level of €211 per tonne (Annex Table V). As part of the reform, recognized husked Basmati Rice varieties from India and Pakistan were given duty-free access to the Union.

42. In June 2003, the **Russian Federation** set rice import duties at 10 percent, subject to a minimum value of € 30 per tonne, which was subsequently raised to € 70 per tonne in April 2005 and to €120 per tonne in February 2007. In addition, in December 2006, the country banned rice imports on phytosanitary grounds.

43. Upon finding traces of genetically modified[9] rice on shipments from the United States, **several countries** banned imports from the country, and later, required the country to certify rice consignments to be GM-free.

IV. INTERNATIONAL FOOD AID POLICIES (GUIDELINES C (i) to C (viii))

44. Shipments of rice food aid declined from 1.5 million to 1.2 million tonnes between 2003 and 2005 (Annex Table VI). The drop reflected diminished contributions from China and, especially, the United States, while Japan and the Republic of Korea largely maintained theirs. The reduction in food aid shipments together with rising volumes of trade resulted in a falling share of food aid in trade from 5.4 percent in 2003, to 3.9 percent in 2005.

45. The main food aid beneficiary was the Democratic Peoples Republic of Korea, which received 400 000 - 500 000 tonnes of rice. In 2003 and 2004, Iraq and Indonesia ranked second and third among leading recipients, and were replaced in 2005 by Niger and the Philippines. Food aid remains extremely concentrated, recipient-wise, as the three largest beneficiaries accounted for 69 percent, 65 percent and 58 percent of total donations in 2003, 2004 and 2005, respectively.

46. Rice food aid provided through triangular transactions fell from 143 000 tonnes in 2003 to less than 121 000 tonnes in 2005 (Annex Table VI). Japan replaced the United States as the major financial source of these transactions in 2004, while the main donor in 2005 was the European Commission.

V. CONSUMPTION (GUIDELINES A (ii) to A (viii))

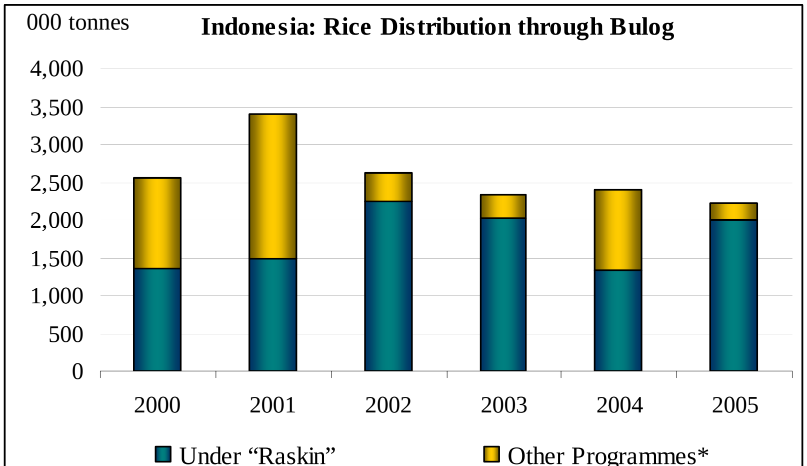
47. Rice remains one of the few food commodities subject to government wholesale or retail price controls and to public distribution programmes, especially in Asia. **Bangladesh** substantially raised the volumes channelled under the Public Distribution System in 2004/05, and in 2005/06, when it launched a large flood relief programme. The government also engaged in open market sales to counter strong increases in retail prices in late 2004, early 2005 and again in the last quarter of 2006.

[9] Liberty Link 601 (LL-601)

BANGLADESH: Government rice domestic procurement and distribution (000 tonnes)				
	2002/03	2003/04	2004/05	2005/06
	July/June	July/June	July/June	July/June
Procurement	816.3	827.7	897.4	944.0
Gov. Imports	0	0.0	72.0	0.0
Public Distribution	760.8	627.9	1102.0	1009.0
Priced	316	145.5	389.0	226.0
Non-Priced	444.8	482.4	713.0	783.0
Source: Bangladesh Food Situation Report				

48. In 2004, **India** enlarged the monthly allocation of rice (and wheat) to the "poorest-of-the poor", from 25 kg to 35 kg, and raised by 5 million the number of families who could benefit from the programme. At the same time, the Food Corporation of India did not raise the price at which it distributed rice to 'Above-Poverty-line'(APL) and "Below-Poverty Line"(BPL) households and has not done so in the past three years.

49. Rice in **Indonesia** is distributed by Bulog under the "Raskin" (Rice for the Poor) programme, for emergency relief and for stabilizing prices through open market sales. Between 2003 and 2005, over 2 million tonnes of rice, where distributed by the organization, much of which under the Raskin programme.



*Other programmes include rice distribution to civil servants and the army, open market sales and emergency relief

50. In April 2004, **Japan** amended its law for Stabilization of Supply and Demand and Prices of Table Food, which liberalized wholesale and retail rice distribution. In July 2006, it released the 2006 Action Plan for implementation of agricultural policy reform, which included various provisions promoting domestic rice consumption.

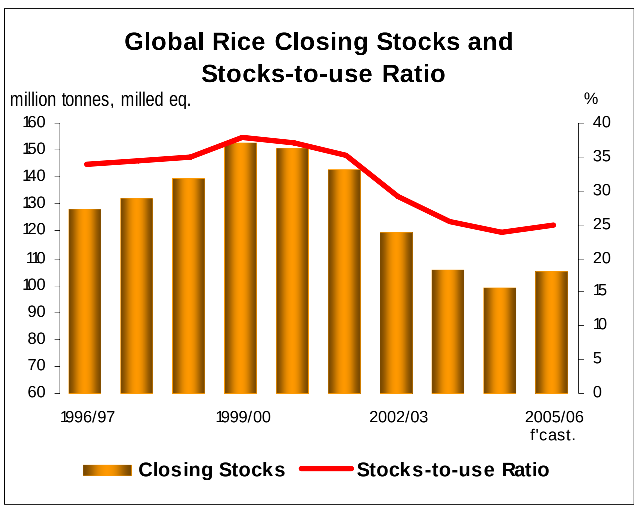
51. The **Islamic Republic of Iran** has maintained large consumer price subsidies on essential food products including rice. Under the 2006-2007 Budget Law, Rials 8.1 trillion (US$ 888 million) were allocated to the rice sector, which compares with an outlay of barely Rials 42 billion (US$ 24 million) in 2000.

52. In **Madagascar**, the Government imported large amounts of rice during mid 2004 to early 2005 to contain domestic price increases, and then distributed them at prices below their import parity level. However, relief to consumers was limited as uncertainties regarding import policies depressed purchases by private traders.

53. In **Costa Rica,** where rice is the only food still subject to price controls, consumer price ceilings for milled rice with 20 % brokens were raised from Pesos 264 – 282 (US$ 0.6) per kilo in 2004 to Pesos 321 (US$ 0.7) in 2005 and to Pesos 361 (US$ 0.7) in 2006. **In Venezuela,** 45 percent of all marketed rice was reported to be sold through the government-owned Mercal chain at subsidized prices.

VI. RICE RESERVES (GUIDELINES E (i) to E (iv))

54. After five years of steady declines, world rice carry over stocks rebounded in 2005, reflecting largely the ending of adjustment processes in the major producing countries, especially **China** and **India**. The recovery was also led by **Thailand** where purchases conducted under the paddy mortgage scheme swelled public rice inventories, also constraining exports. Although largely oriented to stabilizing domestic market prices, Thailand's stocks and their subsequent release appear to have contributed to stabilizing both domestic and world prices. Despite record procurement purchases by the Food Corporation (FCI), **India** was not always able to keep the size of the buffer stocks above the desired minimum. For instance, FCI reserves fell to 4.84 million tonnes at the close of the 2004/05 (as of 1st October), well below the government target of 6.5 million, but, in 2005, the minimum level of buffer stock to be carried over the next season was cut to 5.2 million tonnes. **Indonesia's** import restrictions since 2004 resulted in falling inventories, constraining Bulog's ability to conduct market operations to keep retail prices from soaring.



55. Similarly, **African** countries had low reserves to use in price stabilization, especially in 2004 and 2005, when many faced scarcity and rising retail prices. In **Latin America and the Caribbean**, governments do not hold buffer stocks, but several of them encourage the private sector, mainly producers and millers, to store rice, as a means of stabilizing post harvest prices.

56. At the regional level, the **Association of South East Asian Nations (Asean+3[10])** reviewed the operation of a pilot project East Asian Emergency Rice Reserve (EAERR), which was put in place in 2004 for a 3-year trial. The regional emergency reserve grew from some 85 000 tonnes in 2003 to 300 000 tonnes in 2006. The possibility to keep the Reserve on a permanent base will be reviewed by 2008.

57. Rice contributions to the International Emergency Food Reserve (IEFR), operated by the World Food Programme (WFP), while rising from less than 193 thousand tonnes in 2003 to 232 thousand tonnes in 2005, have remained well short of the recommended minimum of 500 000 tonnes (Guideline E (iii)). Contributions to the Protracted Relief and Recovery Operations (PRRO), also operated by the World Food Programme, followed a similar path (Annex Table V).

VII. CONCLUSIONS

58. There were few major changes in rice policies in 2004-2006, most of which took place in high-income countries such as Japan, the Republic of Korea and the European Union. Reforms mainly proceeded along the lines established in previous years, focusing on decoupling support from production and enhancing the sector's competitiveness.

59. Many countries remain officially committed to high levels of rice self-sufficiency. However, amid rising market prices, there was less need for government interventions to underpin producer prices and, where maintained, minimum producer price levels rarely kept pace with inflation. In some instances they had no real bearing: either they were announced purely for indicative purposes or responsibility for procurement by state marketing agencies was downgraded. On the other hand, several countries reacted to the rise in fertilizer and energy costs by scaling-up input subsidies. Of special relevance, however, is the increased public effort to disseminate improved rice varieties, including high yielding hybrids or Nerica, often promoting lower input-using technologies. At the institutional level, there was a distinct move for governments to sponsor the constitution of Rice Specialized Committees bringing together the main rice stakeholders, for consultation on rice matters, and "rice market observatories" to enhance market transparency. Governments also availed themselves of alternative instruments to stabilize producer revenues, including risk management tools, using rice policies to lift rural incomes, with the stated objective to close the rural/urban income gap.

60. Those countries that could not afford budgetary transfers generally resorted to trade policy measures to stabilize domestic prices. This stance was followed by many importing countries, which introduced import bans, raised import duties or employed other import restrictions to keep producer prices above world levels. In particular periods, however, they also resorted to trade measures to dampen rises in consumer prices, for instance by granting licenses to import duty-free. Because of relatively strong world quotations, such moves were not always effective. Recourse to restrictions was even more pronounced among exporting countries, which repeatedly banned exports or cut export incentives, also to prevent domestic prices from rising. The 2004-2006 triennium was therefore particularly intense in government border trade measures, which also included free trade regional agreements.

61. Large rice distribution programmes continued to be run by several Asian countries, with the tendency to focus them more on the most vulnerable segments of the population but, generally, there was little direct intervention on the consumer side.

62. Several of the policy developments since 2003 have been consistent with the Guidelines for National and International Action on Rice, in particular:

[10] the 10-member Association of Southeast Asian Nations (ASEAN) composed of the Philippines, Indonesia, Brunei, Cambodia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam plus China, Japan and the Republic of Korea

- Incentives to rice production have been scaled up, which has contributed to bringing global production back to its long run trend and closer in line with world consumption requirements (Guidelines A (ii) a))
- Governments have promoted less resource-intensive technologies in rice production (Guidelines F (i))
- A number of high-income, high-cost producing countries facing surpluses have adopted production-control and consumption-enhancing measures, with some also reducing outlays to producers (Guidelines A (ii) a))
- World rice reserves have been rebuilt, providing a higher degree of global food security. Initiatives such as the EAERR also set the basis for a closer collaboration among Asian countries to cope with emergencies (Guidelines E (iii))
- Numerous initiatives have been launched both by developed and developing countries to assist least developed countries in enhancing their rice production (Guidelines A (ii) e))

63. However, some policy measures have given rise to concern, in particular:

- The intense use of import prohibitions, export bans and other restrictions to trade, which have created much uncertainty to the international rice economy, running counter the basic WTO principles
- The much reduced level of global rice inventories, which may give rise to higher price instability
- The diminished flow of food aid in rice, even at a time when many countries faced serious supply deficits (Guidelines C (vii))
- The limited contributions made to the WFP International Emergency Reserve, which have fallen well short of the 500 000 tonnes recommended minimum (Guidelines E (iii))

64. In the light of the above, the Group might wish to:

- Invite producing countries to design policies within a longer time framework, taking into due consideration factors such as climate changes, resource erosion as well as social and demographic changes likely to have profound implications for their rice economies.

- Recommend governments to provide rice farmers with better access to credit and to look into the possibility of promoting risk-management tools to reduce price uncertainty.

- Recommend producing countries to refrain from using trade policies in a manner that disrupts the normal flow of trade. In the case of exporters, ensure interventions do not jeopardize their status as a dependable and reliable source of supplies.

- In view of the renewed momentum of the Multilateral Trade Negotiations, invite governments to participate actively in the discussions, to ensure food security objectives are duly taken into consideration.

- Call for increased multilateral and bilateral assistance to developing countries, to help them raise paddy productivity where economically and environmentally sustainable.

- Invite members of the IEFR to increase their in-kind or monetary contributions to the reserve with the view to ensure timely and adequate rice availabilities for emergency food aid purposes.

65. Finally, the Secretariat would also like to ask the Group to consider whether the Guidelines for National and International Action on Rice still represent a suitable framework to assess government rice polices, given that most of the major players in the rice economy are now members of the WTO.