



Rice Market Monitor

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Announcement

This is the first issue of FAO's Rice Market Monitor, which resumes a service covering the analysis of global rice market developments, suspended about one year ago. While this issue largely follows the traditional format and ways of circulation, the Monitor is expected to evolve over time in terms of coverage, intervals of release, languages and means of dissemination. In particular, increasing use will be made in future of electronic transmission, including through the Internet, of notes in other official languages and of useful pieces of information relevant to global rice market developments, including country policies, research findings, marketing practices, patenting issues, etc. Eventually this service is expected to develop into an Internet network on rice from which all stakeholders in the global rice economy would benefit and to which they could contribute themselves.

As a start, we would like to urge all recipients of this edition who have not yet provided their e-mail address to do so as soon as possible

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HIGHLIGHTS

- Rice trade in 1998 is forecast to expand by 3.2 million tons in 1998 to a new high of 21.6 million tonnes. At that level, trade would exceed the previous 21 million tons record set in 1995.
- For the third time since 1995, Indonesia is poised to be the world's leading rice importer in 1998 following a drought reduced 1997 crop.
- Imports by Bangladesh, which were negligible last year, are forecast to rebound in 1998 following a disappointing Aman harvest.
- International rice prices from most origins strengthened during the month of March.
- The outlook for the 1998 global paddy production is quite uncertain at the moment but FAO is tentatively forecasting a decline of 7 million tonnes from the 572 million tonnes record output estimated for 1997. The final outcome will largely depend on the timely and normal development of the Asian Monsoon yet to commence. In the main rice producing countries of South America, wet and cold weather is reported to be hampering harvesting, which is just beginning, with possible negative effects on yields and quality unless weather conditions improve soon.

RICE MARKET MONITOR AS OF 27 MARCH 1998

I. Review of the rice situation in 1997¹

I.1. Record Paddy Production Estimated for 1997

Harvesting of the 1997 paddy crop is virtually complete in major rice producing countries in the northern hemisphere and FAO's current estimate for world paddy rice production is a record 572 million tonnes, up 2 million tonnes from the previous record in 1996. The increase is largely due to yield improvements in China (Mainland) that led to an estimated record production for the second consecutive year.

I. 2. Global Rice Trade Volume Declines in 1997

International rice trade in 1997 is estimated to have decreased to 18.4 million tonnes, 1.2 million tonnes below the volume traded in 1996 and 2.5 million tonnes less than the 1995 record level. The decline reflected a contraction in the volume purchased by some major importers, which held larger opening stocks following good harvests and large imports during the 1995 and 1996 seasons. Shipments to Indonesia, the leading importer in 1995 and 1996, fell to 1 million tonnes, down from 2.1 million tonnes in 1996 and 3.2 million tonnes in 1995. Imports by the Islamic Republic of Iran dropped by 100 000 tonnes to 1.2 million tonnes. Purchases by China (Mainland) more than halved to 326 000

tonnes, under the combined effect of increased domestic production and limited international supplies in 1997 of the high quality fragrant rice that the country normally imports. Rice purchases by Senegal, one of the major rice importers in Africa, are estimated at 450 000 tonnes, down by about 100 000 tonnes from 1996. By contrast, imports by Brazil are estimated to have risen by 200 000 tons to 1.1 million tonnes, following a production shortfall of about 6 percent.

With regard to exports, the pace of shipments from Thailand picked up dramatically during December and the country's exports are now estimated at about 5.3 million tonnes, only slightly higher than the 1996 figure, but up considerably from earlier expectations. Vietnamese exports for 1997 are estimated at a record 3.5 million tonnes, up from 3.1 million tonnes in 1996, making Vietnam the second largest rice exporter for the second consecutive year. In addition to higher production, competitive pricing of Vietnamese rice has been a key factor in underpinning exports. By contrast, rice shipments from the United States fell to their lowest level in five years, to 2.3 million tonnes, reflecting both a drop in production in 1996 and an increase in domestic consumption in 1997.

¹ Production and trade figures for 1997 are still preliminary estimates and could be subject to changes.

II. First 1998 Rice Outlook

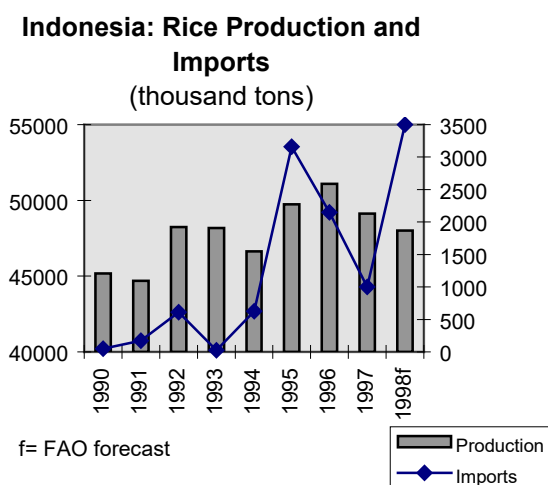
II.1 A slight fall in paddy production forecast in 1998

It is still too early to make a definitive forecast of the 1998 production, as the monsoon in Asia is yet to begin. However, based on the planted area and growing conditions in countries in the southern hemisphere and along the equatorial belt and drawing from planting intentions in some of the major producing countries in the northern hemisphere, FAO is tentatively forecasting the 1998 global paddy output at 565 million tonnes, providing a timely and normal development of the Asian monsoon. At that level, output would be only one percent below the 1997 record.

Asia - A Mixed Outlook for Paddy Production

Southern Hemisphere

In the southern hemisphere and the equatorial belt of Asia, the 1998 paddy production season is advanced, although delayed seeding in some countries will lead to a late harvest.



In *Indonesia*, growing conditions are reported to be generally favourable for the late development of the main season crop. However, harvesting of this crop will be

several weeks late and output could be reduced as planting of this crop, which normally starts in October/November, was delayed by up to 10 weeks due to a lack of moisture as El Niño affected much of the traditional rainfed rice areas. According to the first official estimates, somewhat less than 48 million tonnes of paddy may be produced in 1998, which would be lower than the drought-reduced 49 million tonnes recorded last year. In *Malaysia*, harvesting of the main paddy crop is underway and output in 1998 is likely to be slightly down from the 1997 estimated production of 2.1 million tonnes due to lower area. In *Sri Lanka*, total output is anticipated to expand by 27 percent to 2.8 million tonnes. Harvesting of the Maha crop, the main season crop, is underway and an increase in output is expected as growing conditions have been generally favourable. The Yala season is expected to start early since water reservoirs are full.

Northern hemisphere

In the northern hemisphere, *China's* 1998 paddy season has begun with the sowing of early rice. While heavy rains in the southern parts of the country have affected some of the crop, weather conditions at this time of the year are normally highly variable. Regarding from *Thailand's* second rice crop, high prices have encouraged farmers to seed more land to rice despite the government's warning of a potential shortage of irrigation water. In fact, temperatures have been unseasonably high since February, and with low water reservoirs, concern about the potential impact on production is mounting. Harvesting of this crop begins in late April. In the *Philippines*, preliminary indications suggest a 13 percent drop in this year's secondary crop output to about 4.2 million tonnes, reflecting reduced area sown due to

a lack of adequate water for irrigation. Harvesting of the winter-spring crop is underway in some parts of southern *Viet Nam*, but the dry conditions that have prevailed over the last few weeks may cause some losses. Harvesting of the Kharif (main) crop is complete in *India*. The Rabi crop is in the heading stage and the growing conditions are reported to be favourable. In *Bangladesh*, harvesting of the Boro crop is expected to begin in April. Output from that crop is badly needed to relieve market shortages following a reduced Aman crop, which was affected by bad weather during the period from July to November. As a result, rice prices have been on the rise since December. While paddy production in the country increased by an annual average rate of about 4 percent between 1994 and 1996, sustained by increased input use which boosted yields, bad weather trimmed growth in 1997 to 1 percent. In *Japan*, sowing of the 1998 rice crop has started. For this season, however, the area planted is likely to decrease as the target area of the diversion programme is set at 963 000 hectares, 176 000 hectares more than last year, and support prices have been cut by 2.5 percent to 263 yen per kilogramme.

Africa - planting intentions still uncertain in North and West Africa while the 1998 paddy season well advanced in Southern Africa

North Africa - In *Egypt*, field preparation for planting of the 1998 paddy crop is underway, but there is no clear indication as to how much area will be planted to rice, a decision that is usually dependent on the availability of irrigation water. The Government is planning on reducing the rice area in the medium term. However, this would not necessarily affect total production, as the impact of smaller area could be compensated by the use of new varieties that could increase average yields by up to 40 percent. This effort aims at conserving irrigation water for use in the production of other crops.

West Africa - While land is now being prepared for the planting of the 1998 season rice crop, the full planting intentions of west African countries are not known. In *Nigeria*, there are reports of a serious shortage of some inputs, especially fertilizers. In *Guinea*, annual rice production is expected to be boosted in the medium-term by more than 50 percent from a national average of 600 000 tonnes through a major expansion programme. Yields from the project area have been increased up to 4 times the national average of 1.5 tonnes per hectare. The project is working with an increasing number of local farmers who are hoping to bolster their incomes by applying the new technology.

Southern Africa - Despite a late start of rains in *Madagascar*, which delayed the transplanting of rice in some areas, favourable rains were received in most parts of the island in December and January. The area planted to rice and other cereals may be somewhat reduced as a result of the delayed start of the season. While precipitation received in February will be beneficial to crops, the major threat to the 1998 crops to be harvested in March/April is the persistence of swarms of African Migratory Locust in several regions of the country. Locust movements are currently reported in the southern and south-western parts of the country but also in western and central major rice growing areas. Aerial and ground control operations are in progress, but there are reports of limited availability of insecticides. However, given the potential impact of locusts on crops, harvest prospects are uncertain and crop losses could be substantial. In *Mozambique*, paddy crops continue to benefit from favourable conditions in most parts of the country. Despite initial concerns over a possible

El Niño-induced drought, rains started early in September in the southern areas, gradually reaching the central and northern major agricultural provinces. However, there were reports of a few localized cases of flooding, but harvesting is expected to start soon.

In South America El Niño-Related Floods Continue to Disrupt the 1998 Rice Season

The 1998 paddy season in South America is well advanced and harvesting is underway in several countries, although the season has been plagued by El Niño related weather problems. Paddy output in *Argentina* will not be as high as anticipated due to heavy rains attributed to El Niño that have flooded an estimated 5 percent of the rice area and has favoured the development of fungal and other diseases. Paddy production is now forecast at 1.2 million tonnes, 100 000 tonnes less from that anticipated earlier. In *Brazil*, the region's largest rice producer, harvesting is underway in the central and southern parts of the country and total output is expected to increase marginally to about 9.9 million tonnes following an increase in the area planted. In *Uruguay*, the 1998 paddy crop is being gathered and output is expected to be slightly above last year's record of 1.03 million tonnes, also reflecting an expansion in the area. *Venezuela*, which has emerged as an exporter in recent years, is likely to maintain its output at about last year's level of close 640 000 tonnes. In *Peru* floods affected the rice crops during the growing season and output is expected to fall below the 1.3 million tonnes harvested last year.

Developed countries - Mixed production forecasts

In the *United States*, USDA's report on farmers' planting intentions indicates that about 1.3 million hectares of rice will be planted in 1998, slightly up from the previous year. Production is tentatively forecast at 8.4 million, an increase of 4

percent from the 1997 estimate. Sowing of the rice crop normally starts around March/April.

In the *EC*, planting of the new season rice crop has just begun. In *Italy*, the largest rice producer in the region, weather conditions are generally normal for planting and the area under to rice in 1998 is not expected to be much different from the 234 000 hectares in 1997. For 1998, the proposed intervention price for paddy in the EC is 315.90 ECUs per tonne, down from 333.45 ECUs per tonne the previous year.

In *Australia*, the 1998 paddy crop is reported to be maturing and early harvesting in March is expected in some areas with the bulk set to begin in April. However, as a result of significantly lower water allocations in New South Wales, where virtually all the rice is grown, area seeded to rice declined by 16 percent to about 140 000 hectares. Such a reduction is anticipated to lead to a contraction of paddy production of 14 percent to 1.2 million tonnes this season. A few isolated cases were reported where crops had to be dried and baled for hay due to insufficient irrigation water.

II. 2. Rice Trade Expected to Recover to a Record Level in 1998

The forecast for world rice trade in 1998 is an all-time high of 21.6 million tonnes which, if realized, would be 600 0000 tonnes above the previous record achieved in 1995. The forecast is mostly based on reports of unfavourable growing conditions in some major importing countries along the equatorial belt and in the southern hemisphere that already had experienced delays in planting. These countries are likely to suffer from substantial reductions in the yields of their 1998 main-season crop. These developments, together with the production shortfalls already experienced in 1997, are likely to boost rice import demand substantially above those of the previous years.

Most of the year-to-year increase in trade should be accounted for by Indonesia whose imports are forecast at some 3.5 million tonnes. A currently prolonged drought in 1997, associated with the El Niño weather phenomenon, reportedly affected over 400 000 hectares of paddy fields leading to a shortfall in the 1997 production and a corresponding increase in import requirements for 1998. Rice import purchases for the first two months of 1998 alone are estimated at about 900 000 tonnes, surpassing the estimate for the whole of 1997, and imports for March are estimated at 500 000 tonnes. Domestic prices have risen sharply in the wake of Indonesia's large currency devaluation. To curb price increases, the Government has stepped up its campaign to discourage hoarding. The Government also is, reportedly, planning to increase rice supplies to the domestic market at subsidized prices starting in April, most of which are expected to be imported. Brazil is anticipated to purchase 1.2 million tonnes in 1998, up 100 000 tonnes from the 1997 estimate, to meet growing domestic demand, as no appreciable production gains are expected in 1998. Imports by Bangladesh are also likely to be stepped up as recent reports have indicated that output from the Aman crop has been negatively affected by bad weather and that supplies are currently tight. The Government has exempted rice imports from the 2.5 percent import tax. Purchases by China (Mainland) are not expected to be much different from the 1997 level. Although demand for high quality rice exists in China, importers are reported to be reluctant to increase supplies of such rice to the domestic market as a rise in the tariff is likely to reduce their profitability. Imports by the Philippines are anticipated at about 1 million tonnes, some 10 percent higher than in 1997.

On the export side, Thailand, the leading rice exporter, is anticipated to export 5.6 million tonnes of rice in 1998 based on current estimation of export availabilities

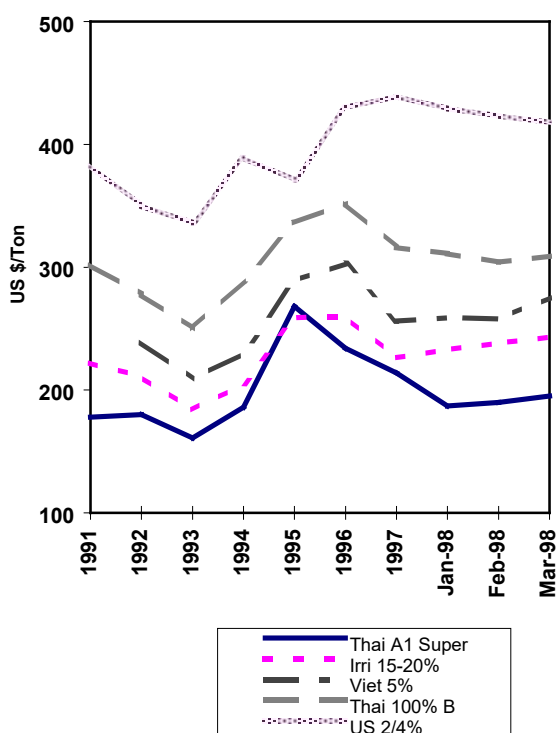
and expectations of higher import demand, especially from Asian countries. Shipments out of Thailand for the first two months of the year totalled over 1.2 million tonnes, significantly up from about 700 000 tonnes during the same time in 1997. In Viet Nam, it is estimated that existing commitments for export supplies up to May 1998 total about 2.5 million tonnes, almost double the amount that was shipped during the first five months of 1997. The fast pace of exports has prompted the Government to impose a temporary freeze on new export sales. Viet Nam is forecast to ship a record 4 million tonnes in 1998. Exports from India are, generally, less price competitive than those from Viet Nam and Pakistan. However, given the good 1997 rice season and favourable world prices, India's exports are forecast at 2 million tonnes, up from 1.6 million tonnes in 1997 but still less than half the record of 4.2 million tonnes shipped in 1995. Following a record production in 1997, exports by Pakistan, which like India sells both the premium priced basmati and lower quality rice, are forecast to establish a new record of 2 million tonnes. Shipments out of China (Mainland) are also expected to increase to 1.7 million tonnes, the highest in four years, primarily due to its record 1997 paddy output.

III. 3. International Rice Prices Strengthen

International prices for rice from most origins have trended upwards during the first three months as expectations for record import requirements in 1998 continue and concerns about sufficient export availabilities begin to surface. The FAO

Export Price Index for Rice (1982-84=100) averaged 124 points in March, up from 123 points in February, but still below the level reached in March of last year.

EXPORT PRICES FOR RICE



Following the steep decline of Thai rice prices in the second half of 1997, partly due to the sharp devaluation of the baht in that period, prices recovered during the first three months of 1998. The rise was supported by strong import demand and the recent strengthening of the Thai baht against the United States dollar. The price quotes for Thai 100B averaged US\$308 per tonne in March, an increase of US\$4 per tonne from the February average of US\$304 per tonne. Prices of fully broken rice (Thai A1 Super), also rose by US\$4 per tonne from their February average to US\$194 per tonne. Prices of Vietnamese rice experienced an even sharper boost than those for Thai rice as the Government is attempting to slow down the pace of rice exports and has introduced a temporary freeze on new contract sales beyond May 1998. Export prices from Pakistan have also remained

firm. By contrast, in the United States, export prices for long grain rice continued to weaken reflecting lower import demand from the South and Central American countries, which are traditionally the main customers of United States', as they are harvesting or will soon start harvesting their own crops.

WORLD PRICE INDICES FOR RICE			
	FAO Indices		
	Total	Quality	
		High	Low
January-December Averages	1982-84 = 100		
1991	115	117	109
1992	110	111	103
1993	100	102	92
1994	114	118	104
1995	129	124	146
1996	136	136	136
1997	127	129	120
March	131	133	126
April	126	129	117
May	128	132	116
June	130	132	121
July	130	132	121
August	125	127	121
September	123	124	119
October	121	123	114
November	118	121	112
December	122	123	119
1998			
January	124	126	115
February	123	126	115
March	124	126	120

Source: FAO

N.B.-The FAO indices are calculated using the Laspeyres formula. In this table, two groups representing "High" and "Low" quality rice are shown.

- The Rice Export Price Index is calculated for 15 export prices.

EXPORT PRICES FOR RICE (f.o.b. US\$/ton)						
Type	Effective Date	Quote	1 week ago	1 month ago	1 year ago	Average (82-84)
Thai 100B	27/03/98	306	310	305	320	236
Thai 35%	27/03/98	234	236	230	258	213
Thai A1 Super	27/03/98	193	195	189	233	174
Viet 5%	27/03/98	300	280	262	256	n.a.
India 25%	27/03/98	245	245	240	250	n.a.
Pak 15-20%	27/03/98	256	252	240	230	220
US 2/4% Long	27/03/98	418	418	423	451	393

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

... not available

n.a. not applicable

II. 4. Lower Ending-Stocks Projected for 1998

FAO's forecast for global rice stocks at the end of the marketing seasons in 1998 is about 54 million tonnes, 2.4 million tonnes lower than their opening levels. All of the expected decline should be concentrated in the developing countries, especially in Asia and South America, as a result of the 1997 production shortfalls and again poor

1998 main season crops. Of the Asian countries, Indonesia is anticipated to take most of the brunt of the stock decline. Lower stocks are also expected in India due to a projected increase in rice exports. By contrast, stocks in Japan are likely to increase to their highest level in the last ten years as a result of declining domestic consumption as well as rice imports under its Uruguay Round commitments.

