Rice Market Monitor

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[1] Information is as of April 2000

HIGHLIGHTS

- Planting of the 2000/01 paddy season is now underway in some of the Northern Hemisphere countries but the bulk of the crop is yet to be planted pending the arrival of Monsoon rains on the Asian continent. In the Southern Hemisphere and around the equatorial belt, this season's main paddy crop is nearing completion. Preliminary assessments point to a likely decline in paddy production in some of the countries following an area switch out of rice cultivation to alternative crops induced by relatively weak prices during the outgoing season. Overall, global paddy production for the 2000/01 season is tentatively forecast to decline from the previous season's all-time high.

- The current forecast for rice trade in 2000 continues to point to a weakening of global import demand for the second consecutive year, after the all-time high established in 1998. Many of the major importing countries have harvested bumper crops last season that have sharply curtailed their need for imports this year. Consequently, FAO's forecast for global rice trade in 2000 has been revised downwards by about 600 000 tonnes from the previous report to 22.4 million tonnes. At this level, international rice trade volume would be 11 percent below last year's and about 19 percent lower than the 1998 peak. However, it would still be the third highest on record.

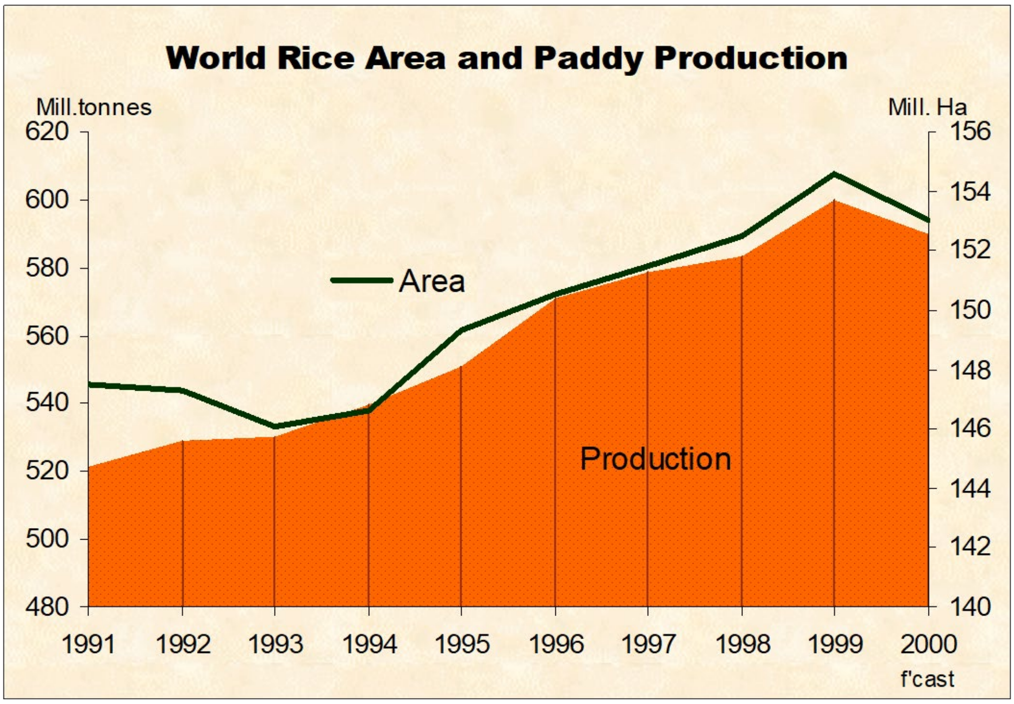
- With plentiful supplies in most of the major importing and exporting countries, international rice prices have been under downward pressure, a tendency which has persisted through April. The FAO Export Price Index for Rice (1982-84=100), which has been falling since the beginning of the year, declined by a further 2 points in April to an average of 100 points, its lowest average since September 1993.

- With bumper harvests in many of the major rice producing countries, total supplies are expected to outweigh utilisation during the 1999/00 season. Therefore, world rice stocks at the close of the marketing seasons ending in 2000 are expected to rise by about 5.6 percent from their opening levels to 60 million tonnes. The stock build-up is mostly expected in the major exporting countries.

1. PRODUCTION

WORLD PADDY PRODUCTION COULD FALL SLIGHTLY IN 2000

Although planting of the 2000/01 paddy season is now underway in some of the Northern Hemisphere countries, the bulk of the crop is yet to be planted pending the arrival of Monsoon rains on the Asian continent. Rice area is expected to contract in some major producing countries reflecting the effect of government policies or that of low rice prices relative to alternative crops. In the Southern Hemisphere and around the equatorial belt, this season's main paddy crop is nearing completion and preliminary assessments point to decline in paddy production Overall, global paddy production for the 2000/01 season is tentatively forecast to decline from the previous season's all-time high.



1.1 ASIA

The 2000/01 Paddy Season in Most of Asia Awaits the Arrival of the Monsoon Rains

The 2000/01 main paddy season is well advanced in some Asian countries but the majority is preparing for the onset of the season pending the start of the monsoon rains. The outlook for the 2000/01 paddy output is mixed as some countries strive to increase production while others have instituted policies designed to curb rice output. In addition, low prices of rice relative to other crops could encourage farmers to cut rice area in favour of more remunerative alternatives.

Northern Hemisphere

In ***China*** (Mainland), planting of the early rice crop, the first and smallest of the three rice crops grown in the country, is at an advanced stage and area is foreseen to contract, consistent with the Government's policy of reducing the output of low quality grain. Although it is too early to make an assessment of paddy output for the current 2000/01 season, the expectation is for a decline from last year as the Government is striving to cut total rice area, particularly the low quality type, by about 2 percent. Planting of the main season crop is underway in the ***Philippines*** and is expected to continue through June. Total paddy output is forecast to expand slightly from the previous season. . The Government, however, has recently sounded a warning about the possibility that El Niño-like weather could again affect the country during the course of the year. The Government is also getting increasingly concerned about the post-harvest rice losses which, in some cases, are estimated to be as high as 20 percent, and efforts are being made to improve post-harvest handling of the grain. This is one of several programmes implemented by the Philippines to raise self-sufficiency in rice and, possibly, turn the country into a rice exporter in a few years time. In ***Thailand***, preparation for the 2000/01 main-season crop is underway with the Government forecasting a slight decline in that season's output, on the expectation that rains at planting could be less favourable than last year. Nonetheless, total paddy output in 2000/01 is forecast at 23.3 million tonnes, almost unchanged from the previous season. In ***Japan*** and the ***Republic of Korea***, preparations are underway for the planting of the 2000 rice crop which is expected to start in May. The Government of Japan plans to cut support prices by a further 2.7 percent from 1999 to about 252 yen per kilogram, though the land diversion target will be maintained at 963 000 hectares. In the Republic of Korea**,** the Government has set a paddy production target of about 7 million tonnes in 2000 or 3 percent lower than the actual 1999 output. In ***Cambodia***, farmers are currently transplanting rice seedlings for the main paddy season and the process is reported to be proceeding well. However, information regarding farmers' planting intentions is still lacking. Japan is assisting the country to expand irrigated area by about 20 percent by the 2003. The program aims at increasing rice production.

In ***India***, planting of the Kharif main crop for the 2000/01 season is expected to start in May with the arrival of the Southwest monsoon. However, following the Government's decision to cut fertiliser subsidies, the rate of fertiliser application could go down during the season thereby negatively impacting rice yields. In ***Bangladesh***, planting of the Aus crop, the first and smallest of the three paddy crops for the 2000/01 season, is nearing completion. In the past, the Aus crop accounted for up to 20 percent of Bangladesh's total rice output but its share has been declining over time to about 9 percent last year, as the country has shifted emphasis to the irrigated Boro crop.

The beginning of the 2000/01 paddy season in many other Asian countries, including ***Pakistan*** and ***Myanmar****,* awaits the arrival of the monsoon rains.

Southern Hemisphere

In ***Indonesia***, harvesting of the 1999/00 main-season rice crop is in progress and is expected to continue through June. However, total output for the season could fall short of the Government target of 51 million tonnes, because of a reduction in the area and the difficulties caused by rains during harvest time. These same rains are likely to increase the moisture content of the harvested rice, thereby shortening its storage life. Production is currently forecast at 50 million tonnes. In ***Malaysia***, farmers are also gathering the 1999/00 main crop and the outlook is for a relatively stable production of about 2.1 million tonnes, close to the five-year average. In ***Sri Lanka***, harvesting of the Maha (main) paddy crop is nearing completion and output is expected to fall slightly due to generally unfavourable growing conditions. The Yala season is expected to start soon and should benefit from ample water supplies in the irrigation reservoirs.

1.2 AFRICA

The 2000/01 Paddy Season is Getting Underway in North and West Africa And the 1999/00 Season is Nearing Completion in Southern Africa

North Africa - In ***Egypt***, the main rice producer in the sub-region, planting of rice will soon start. However, information is still lacking regarding the farmers' planting intentions for the current season , which are largely dependent on the availability of irrigation water. Presently, it is not yet clear as to how much water will be allocated to rice production.

West Africa - The 2000/01 paddy season is underway in several countries of West Africa, although uncertainties exist as to the area to be put under rice in a number of those countries. The rainy season is reported to have started on time in many countries of the sub-region which should provide a good start to the paddy season. In ***Nigeria***, the largest rice producer in western Africa, the Government eliminated import and value-added taxes on all agricultural inputs in February, a measure expected to boost the use of fertilisers Also, the Government re-introduced, towards the end of 1999, a 25-percent subsidy on fertilisers it had abolished earlier as part of the Structural Adjustment Programme. In ***Sierra Leone***, the country's security situation has gradually improved since a peace agreement was signed in mid-1999, which is expected to auger well for the agricultural sector. However, shortages of inputs and a dilapidated infrastructure may constrain the sector's recovery. In ***Liberia,*** where the general security condition also experienced a steady improvement over the last several months, resettlement programmes and the distribution of basic inputs to farmers have greatly enhanced agricultural production, including paddy output. This trend is expected to persist over the 2000/01 season.

Southern Africa - The paddy season is well advanced in the sub-region but output could be greatly reduced by weather-related problems. The area was hit by Cyclone *Eline* in February, Tropical Storm *Gloria* in March and Cyclone *Hudah* in April, all of which caused flooding and considerable damage to infrastructure, crops and livestock, in addition to loss of human lives. An FAO/WFP Crop and Food Supply Assessment in the affected countries is currently being undertaken and the findings are expected to be reported soon. Preliminary indications suggest that food aid will be essential for the affected countries. In addition to the destruction of crops in the fields, food stocks in storage were also destroyed thereby making people highly exposed to food shortages. In ***Madagascar***, the main rice producing country in the sub-region, flood-related losses added to what was already shaping out to be a sub-optimal paddy season and current expectations are for an appreciable drop in paddy output from the previous year. ***Mozambique,*** the other major rice producer in the sup-region, was, probably, the country most affected by the Cyclones. A number of rice producing areas in the southern and central parts of the country were hit hard by *Eline* and *Gloria* while *Hudah*, in April, mostly affected the northern parts of the country. The overall prospects for paddy output are unfavourable.

1.3 LATIN AMERICA AND THE CARIBBEAN

Harvesting is in Progress and a Reduction in Output is Anticipated

Unlike the previous season, when favourable growing conditions and an area expansion led to bumper harvests in several countries in South America, this season's paddy output is expected to be lower as low prices have triggered an area shift out of rice cultivation to the more profitable crops. In ***Argentina***, rains during the latter part of March interfered with the harvesting thereby causing some delays. In addition to lower area, the crop did not get off to a good start as the moisture content at planting time was inadequate, resulting in poor crop emergence. Based on the information available to date from the Government, paddy output could drop by as much as 43 percent from the previous season. In ***Uruguay***, a fall in area and yields could bring about an output contraction of about 18 percent. The situation is different in ***Brazil,*** where improved yields are expected to offset a 4 percent reduction in area, so the Government is forecasting output close to last year's 11.6 million tonnes.

1.4 OTHER REGIONS

Harvesting of The 2000 Paddy Crop Nears Completion in Australia but Planting is just Getting Underway in the United States and the EC

Oceania - In ***Australia***, the 2000 paddy season will soon be concluded and, according to the Australian Bureau of Agricultural and Resource Economics, output could contract by over 20 percent from the previous season to about 1.1 million tonnes. This is largely attributed to a decline in area planted as concerns about the availability of irrigation water induced a shift out of rice cultivation.

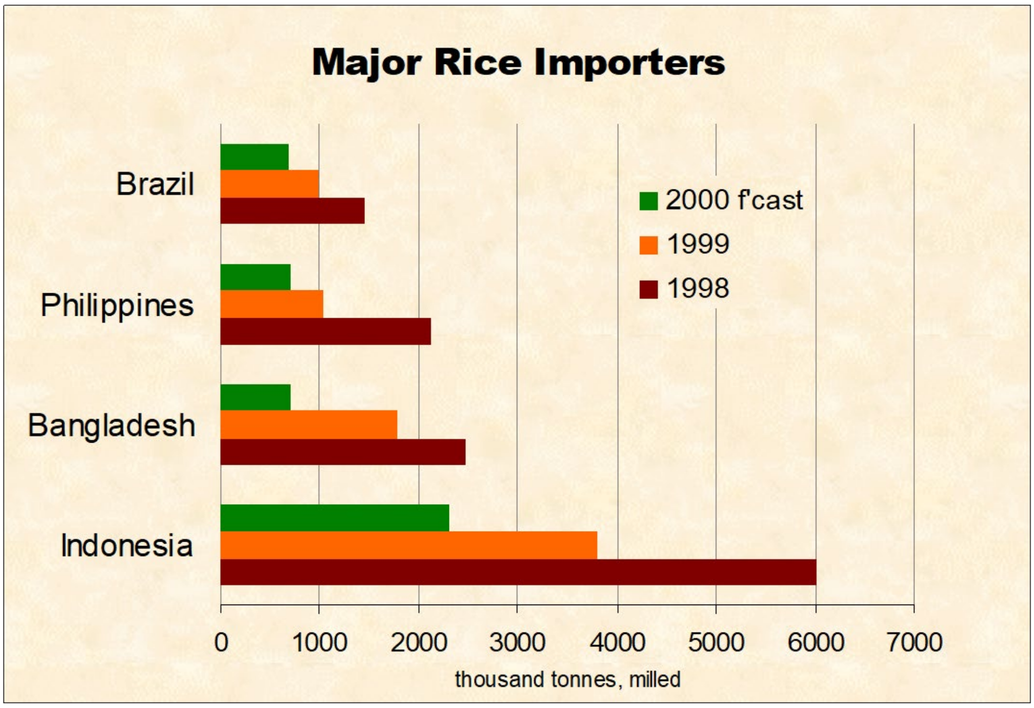
North America - In the ***United States***, planting of the 2000/01 crop is underway and, based on USDA's March Prospective Plantings report, farmers could cut the area under rice to about 1.38 million hectares, down by over 5 percent from the previous season. This contraction is mostly blamed on a substantial drop in rice prices in the preceding season that has fostered a farmers' switch to the more lucrative alternatives. Assuming the same yields as last year, paddy production would fall to 9.1 million tonnes. The report, however, warns that not much rice had been planted by the time of the survey and that drastic weather changes or a shift in relative prices could still greatly influence plantings. The next survey will be conducted in June.

Europe - In the ***EC***, the 2000 paddy season is in progress. Drought conditions have stricken the southern parts of Portugal and Spain, which may depress plantings. Rice area in Italy, the largest producer in the EC is expected to be similar to last year's, although producers have voiced their concern over falling market prices. Overall, output for the EC is forecast to decline from the previous year's level.

2. INTERNATIONAL TRADE IN RICE

Lower Import Demand Curbs Trade in 2000

The current forecast for rice trade in 2000 continues to point to a weakening of global import demand for the second consecutive year after an all-time high was established in 1998. Many of the major exporting and importing countries have harvested bumper crops, reducing their need for imports. Consequently, FAO's forecast of global rice trade in 2000 has been revised downwards by about 600 000 tonnes from the previous report to 22.4 million tonnes in milled equivalent. At this level, the volume of rice trade would be 11 percent below last year's and about 19 percent lower than the 1998 record. However, it would still be the third highest on record. As was the case in 1999, most of the decline in global rice trade will be concentrated in Asia. In addition to increased domestic production, some of the importing countries have implemented policies geared towards limiting imports with the aim of protecting local producers from the low world prices.



Most of the reduction in the 2000 world rice trade forecast, since the last report, reflects a 300 000 tonnes cut in ***Bangladesh*'s** imports to 700 000 tonnes. The country enjoyed a bumper 1999/00 season and has continued to cut imports. In addition, expected purchases by ***Indonesia***, the world's leading rice importer, have been revised downwards by 200 000 tonnes to 2.3 million tonnes, compared to an estimate of 3.8 million tonnes in 1999. In addition to larger domestic supplies, policy measures are currently constraining imports. Increased domestic production is also underlying a 200 000 tonnes cut in the ***Philippines'*** anticipated import shipments to 700 000 tonnes. On the other hand, forecast purchases by ***Iraq*** were raised by 200 000 tonnes from the last report to 900 000 tonnes, based on the upward revision of the United Nations oil-for-food programme. In ***India***, the Government has introduced an import tariff rate of 80 percent on broken rice, effective from 1st April, 2000, in reaction to increased imports of broken rice from Pakistan. The Government also has imposed import tariffs on other agricultural commodities.

Many of the countries that were able to step up export shipments during the last couple of years, when import demand was exceptionally high, will have to contend with much reduced import demand this year. This is especially true for the high cost producers. Against this background, the expected shipments by ***India*** were cut by 200 000 tonnes from the previous report to 1.5 million tonnes, as India's rice is having difficulty competing with rice from other origins. Within the context of weaker global import demand, projected sales by ***Vietnam*** were lowered by 300 000 tonnes from previous expectations, to 4 million tonnes. Export forecasts from ***Pakistan, Argentina*** and ***Uruguay*** were also revised downwards by a combined 100 000 tonnes. Expectations regarding export shipments from the other major exporters, including ***Thailand*** and the ***United States,*** were unchanged from previously reported volumes.

3. INTERNATIONAL PRICES

Ample Exportable Supplies and Limited Import Demand Continue to Pressure Rice Prices Downwards

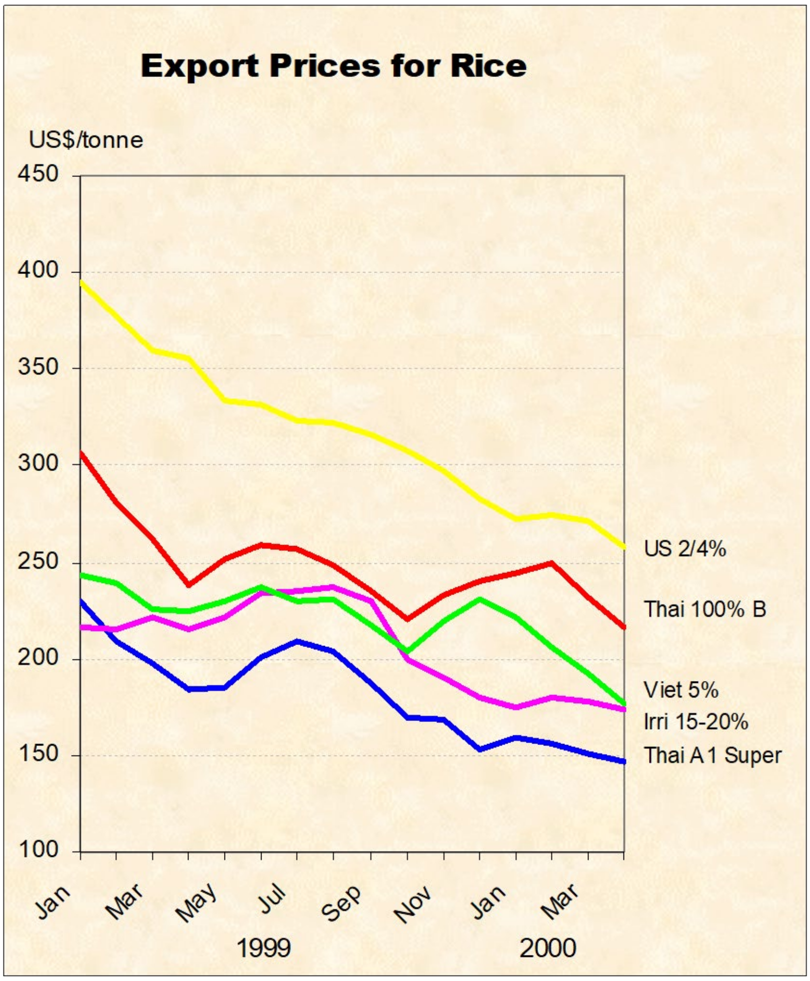
The current situation of the international rice market can be described as one of oversupply. As a result, international rice prices have remained under downward pressure through April.

WORLD PRICE INDICES FOR RICE				
		FAO INDICES		
		Total	Quality	
			High	Low
January-December Averages		1982-84 = 100		
1993		100	102	92
1994		114	118	104
1995		129	124	146
1996		136	136	136
1997		127	129	120
1998		127	128	126
1999		114	115	110
1999	April	112	114	106
	May	113	115	109
	June	115	115	114
	July	116	116	115
	August	116	116	114
	September	112	114	107
	October	107	109	100
	November	107	108	102
	December	105	106	99
2000	January	106	107	100
	February	106	108	98
	March	102	105	93
	April	100	103	89

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

The FAO Export Price Index for Rice (1982-84=100) has been falling since the beginning of the year and has declined by a further 2 points to an average of 100 points in April. At this level, the index registered its lowest average since September of 1993. As a result of the supply and demand imbalance, the international rice market has become very competitive, a development that should benefit the lower income rice importing countries.

Between March and April, the price for Thai 100B fell by US$16 per tonne to US$ 216 per tonne, the lowest level in over six years. Prices continued to slide despite the Government’s intervention to reverse the direction.



Although prices of the lower quality fully broken rice (Thai A1 Super) dropped by US$4 to US$147 per tonnes in April, a level not seen since 1990, the reduction was much smaller in comparison to the higher quality grades. This is attributed to a slow down in milling activity and to the rise in demand from the domestic animal feed processors who continue to take advantage of the low prices to increase the use of low quality rice in their feed rations. Diminished import demand also dragged prices from other Asian origins down during April.

In the United States, the market has been generally quiet with little activity and given the fact that supplies in the United States are at a record level, prices continued to fall further. The Price for the high quality No. 2/4 percent broken rice averaged US$258 per tonne in April, down from US$271 per tonne in March and its lowest average since September of 1987. The rice industry in the United States is hoping that the country's different food aid programmes will help it dispose of part of its record supplies since commercial import demand, relative to the available supplies, seems inadequate.

EXPORT PRICES FOR RICE (f.o.b. US$/ton)						
Type	Effective Date	Latest	1 week ago	1 month ago	1 year ago	Average (82-84)
Thai 100B	28/04/2000	203	215	224	234	236
Thai 35%	28/04/2000	166	172	180	194	213
Thai A1 Super	28/04/2000	146	149	147	180	174
Viet 5%	28/04/2000	177	175	186	224	n.a.
India 25%	28/04/2000	232	232	238	n.a.	n.a.
Pak 15-20%	14/04/2000	172	175	180	211	220
US 2/4% Long	28/04/2000	258	258	264	357	393

Source: International rice brokers, rice merchants and national sources.
... not available
n.a. not applicable

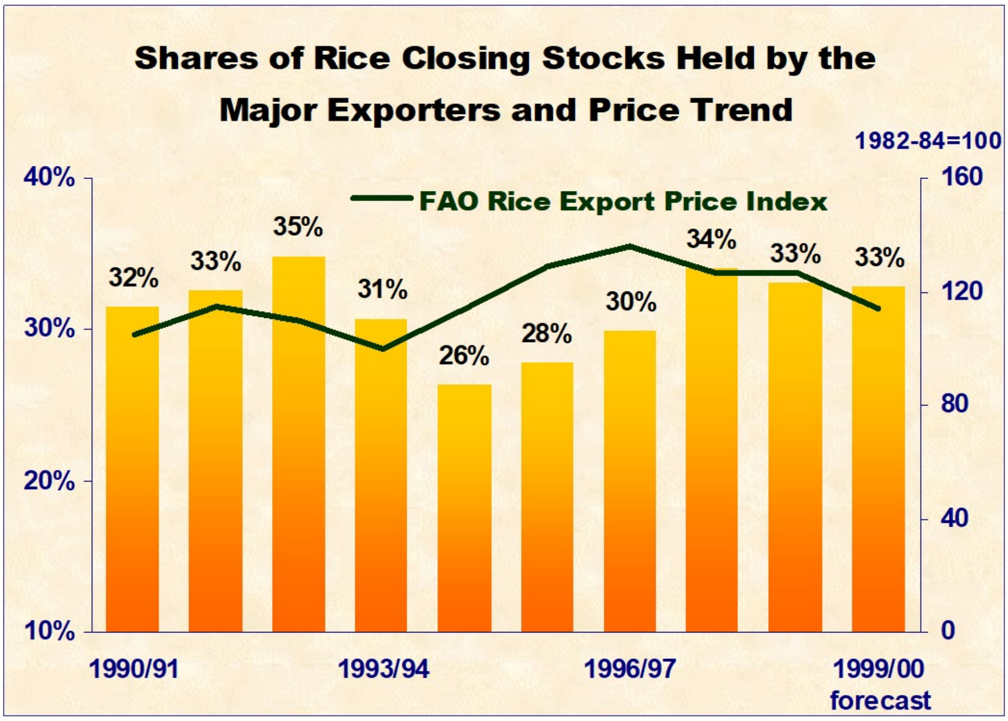
The low prices at the International market have prompted some countries to implement measures to shield their domestic producers. In Indonesia, the Government is to institute yet another measure designed to prevent domestic prices from falling too low, thereby hurting farmers. The Government will be buying a total of 5 million tonnes of paddy rice from producers during 2000 at above market prices. This is seen as an alternative to the producers' suggestion of raising the 30 percent duty that was introduced in January, a move that would be in breach of the agreement between Indonesia and the International Monetary Fund.

For the rest of the year, a recovery in international rice prices is not expected , assuming normal growing conditions in 2000. However, given the thinness of the international rice market, any factor pointing towards an appreciable reduction in output in one of the major importing or exporting countries could reverse the whole picture.

4. STOCKS

Global Ending Stocks Projected to Expand in 2000

With bumper harvests in many of the major rice producing countries, total supplies are expected to outweigh utilisation during the 1999/00 season. Therefore, world rice stocks at the close of the marketing seasons ending in 2000 are expected to expand by about 5.6 percent from their opening levels to 60 million tonnes. A stock build-up is mostly expected in the major exporting countries which are facing lukewarm import demand on the international market since many of the major importers have had good crops. India, Pakistan, Thailand, Vietnam and the United States are all forecast to register an increase in ending stocks. However, rice stocks in China (Mainland) and Japan are anticipated to contract, in line with government policy. Some of the importing countries whose stocks are forecast to expand include Bangladesh, the Philippines, Indonesia and Brazil.


Shares of Rice Closing Stocks Held by the Major Exporters and Price Trend
1982-84=100
FAO Rice Export Price Index
40%
30%
20%
10%
160
120
80
40
0
32%
33%
35%
31%
26%
28%
30%
34%
33%
33%
1990/91
1993/94
1996/97
1999/00 forecast