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HIGHLIGHTS

1998 Review

- FAO's current estimate for the 1998 global paddy production is 560 million tonnes, down by 17 million tonnes from the 1997 record output. The fall is largely attributed to weather-related problems that affected crops in the major producing countries, particularly China (Mainland) and Bangladesh. In some other cases, such as Japan and Egypt, lower production was the result of domestic policies designed to limit the area under rice.
- World rice trade in 1998 is estimated to have climbed to an all time peak of 26.8 million tonnes, approximately 8 million tonnes more than shipments effected in 1997 and about 6 million tonnes above the previous high in 1995. The record trade was the combined result of reduced harvests in 1997 and/or 1998 in a number of the major importing countries, attributed to the El Niño-related weather problems, and of simultaneous bumper crops in some of the major exporting countries which made it possible to increase exports to satisfy the exceptionally large demand on the international market.
- International prices of rice from most origins were on an upward trend during most of 1998, sustained by record global import demand mentioned above. Prices soared during the third quarter when floods destroyed rice crops in some exporting and importing countries. However, prices eased towards the end of 1998 mostly as a consequence of the arrival of new crop supplies on the market and receding import demand. The fluctuations are illustrated by movements in the FAO Rice Export Price Index (1982-84=100) which reached a yearly high of 132 points during the July to September months, before declining to 124 points in November and December. Overall, the index averaged 127 points during 1998, similar to the 1997 average.

1999 Outlook

- FAO's forecasts a slight increase of 1 to 2 percent, for the 1999 world paddy production, over the 560 million tonnes estimated for 1998. This is based on the planting intentions in some of the major producing countries in the northern hemisphere and actual planted area and observed growing conditions in countries in the southern hemisphere and along the equatorial belt.
- For 1999, global rice trade is provisionally forecast to decline from the 1998 estimated record by about 5.3 million tonnes to 21.5 million tonnes which, if realised, would still be the second highest on record. This is based on an improved production performance in 1998 and/or the expectation of stepped-up production in 1999 in many of the major importing countries.
- International prices for rice from most origins have generally been on a downward trend since the beginning of the year, pressured primarily by available exportable supplies exceeding import demand. The FAO Export Price Index for Rice (1982-84 =100) averaged 120 points in February, down by 5 points from the previous month. For the rest of 1999, international rice prices are expected to remain subdued primarily due to relatively easy supply and demand situation, assuming normal growing conditions for the rest of the year.
- Global rice stocks at the close of the marketing seasons ending in 1999 are forecast by FAO at about 50 million tonnes, down by 9 percent from the revised closing stocks for the marketing seasons ending in 1998. The bulk of the year-to-year decline is largely accounted for by countries whose production was severely curtailed by weather-related anomalies, particularly China (Mainland), Bangladesh and Indonesia.

Rice Market Monitor

I. Brief Summary of the Rice Situation in 1998¹

I.1 World Paddy Production Estimated Lower in 1998

Harvesting of the 1998 paddy crop is virtually complete and FAO's current estimate for global production is 560 million tonnes, down by 17 million tonnes from the 1997 record output. The fall is largely attributed to weather-related problems that affected crops in the major producing countries, particularly China (Mainland) and Bangladesh. In some other cases, such as Japan and Egypt, lower production was the result of domestic policies designed to limit the area under rice.

I.2 Record Global Rice Trade Estimated for 1998

World rice trade in 1998 is estimated to have climbed to an all time peak of 26.8 million tonnes, approximately 8 million tonnes more than shipments effected in 1997 and about 6 million tonnes above the previous high in 1995. The record trade was the combined result of reduced harvests in 1997 and/or 1998 in a number of the major importing countries, attributed to the El Niño-related weather problems, and of simultaneous bumper crops in some of the major exporting countries which made it possible to increase exports to satisfy the exceptionally large demand on the international market.

Indonesia was the largest importer in 1998 with estimated purchases of 5.8 million tonnes, almost six times the quantity imported in 1997. This was brought about by two consecutive years of reduced domestic output. Shipments into Bangladesh are estimated at 2.5 million tonnes, compared to less than 50 000 tonnes in

1997. The other major importers in 1998 included The Philippines and Brazil with estimated volumes of 2.2 million tonnes and 1.5 million tonnes respectively. Imports by African countries totalled about 4 million tonnes, similar to 1997, with South Africa, Cote d'Ivoire, Senegal and Nigeria as the major importing countries.

On the export side, a number of countries were able to increase shipments to help satisfy the large international import demand. This was made possible by the bumper crops harvested in several of the major exporting countries in 1997. Exports from Thailand in 1998 are estimated at 6.4 million tonnes, up by over 20 percent from 1997. India shipped close to 4 million tonnes of rice in 1998, compared to about 2 million tonnes in the previous year. Other major exporters included Vietnam, China (Mainland) and the United States with volumes of 3.8 million tonnes, 3.7 million tonnes and 3.1 million tonnes, respectively.

I.3 International Rice Prices

International prices of rice from most origins were on an upward trend during most of 1998, sustained by record global import demand mentioned above. Prices soared during the third quarter when floods destroyed rice crops in some exporting and importing countries. However, prices eased towards the end of 1998 mostly as a consequence of the arrival of new crop supplies on the market and receding import demand. The fluctuations are illustrated by movements in the FAO Rice Export Price Index (1982-84=100) which reached a yearly high of 132 points during the July to September months, before declining to 124 points in November and December. Overall, the index averaged 127 points during 1998, similar to the 1997 average.

¹ Production and Trade figures for 1998 are preliminary estimates

II. First 1999 Rice Outlook

II. 1 A Slight Increase in Global Paddy Output is Expected in 1999

While it is still too early to make a definitive forecast of the 1999 world paddy production, the expectation is for a slight increase of 1 to 2 percent over the 560 million tonnes estimated for 1998. This is based on the planting intentions in some of the major producing countries in the northern hemisphere and actual planted area and observed growing conditions in countries in the southern hemisphere and along the equatorial belt. The final outcome, however, hinges greatly on the timely and normal development of the monsoon in Asia where most of the rice is produced.

Asia – Higher Paddy Production is Anticipated

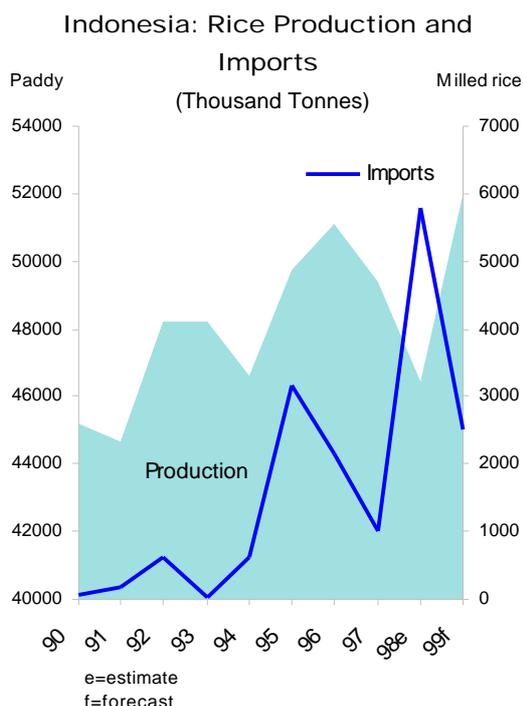
Southern Hemisphere

In the southern hemisphere and equatorial belt of Asia, the 1999 paddy season is well advanced.

In *Indonesia*, the Government target for the 1999 paddy output stands at 52 million tonnes, 12 percent more than the level achieved in 1998. Harvesting of the country's main season crop is in progress and is expected to continue through May. There have been reports of rain interfering with the harvesting process in Java, where most of Indonesia's rice is produced. Overall, however, harvested area and yields are anticipated to be higher than in the previous year when the El Niño-related drought affected the crop. In *Sri Lanka*, gathering of the main season, Maha, crop is underway but output is expected to be smaller than in the previous year as area planted was lower owing to insufficient rainfall.

Northern Hemisphere

In the northern hemisphere, *China* (Mainland) has begun planting of the 1999 early rice crop. In *Vietnam*, where harvesting of the winter-spring crop is underway in some parts of the Mekong Delta, yields could have been affected by the lower than usual water levels available



during part of the growing season. In total, area planted to the winter-spring crop is estimated at 2.7 million hectares (1.75 million hectares in the south and 950 000 hectares in the north), or 86 percent of the original target. Encouraged by the high prices that prevailed at planting time, farmers in *Thailand* did not heed the Government's call to drastically reduce the dry season rice area because of water shortages, a warning that was also issued and largely ignored last year. The drought has turned out to be less severe than originally feared due to the arrival of some rain towards the end of January and beginning of February and this might eventually boost output above that anticipated by the Government, but still be less than the level realised last season. However, the gathering of the crop is barely underway and it is still too early to have a clear indication of the likely yields. Harvesting of the second-season crop is in progress in the *Philippines* amidst reports of flood damage to rice crops in some parts of the country. Planting of the main season crop starts in April. Collecting of the dry season crop is in progress in *Myanmar* and planting of the main season crop is expected to commence in April, assuming normal weather conditions. The paddy production estimate for 1998-99 is 17.8 million tonnes, up from 16.7 million tonnes in the previous year. The change is attributed to an increase in area to 5.9 million hectares. In *Cambodia*, fears of a critical water shortage and an insect problem reported during the

season affected rice production less severely than originally thought. A joint FAO/WFP Crop and Food Supply Assessment Mission that took place during January 1999 estimated the main season paddy output at 2.88 million tonnes, up by 8 percent from the previous year. Overall, output during the 1998-99 season is estimated at 3.5 million tonnes, compared to 3.4 million tonnes during the previous year. Planting of the 1999 rice crop in *Japan* is expected to start in May. The rice production adjustment area for the year has been set by the Ministry of Agriculture, Forestry and Fisheries at 960 000 hectares, the same level as last year.

In *India*, harvesting of the 1998 Kharif crop is virtually complete and the Rabi crop is in the heading stage. Paddy production for the 1998-99 season is forecast at 123.5 million tonnes, similar to the previous year. Planting of the Kharif main season crop awaits the arrival of the South-West monsoon and the outcome will be influenced largely by the timing, distribution and extent of the rains. There are reports of a price hike for fertilisers, which could have serious implications on their application to rice fields and, ultimately, result in lower yields. In *Bangladesh*, floods that affected most of the country during the period July to September severely damaged the paddy fields and the FAO/WFP crop and food supply assessment mission carried out during the latter part of 1998 confirmed the harm done. The total 1998-99 paddy output is estimated at 26.7 million tonnes, a decline of about 2 million tonnes from the previous season. Planting of the Aus crop is underway. Overall, a slight increase in output is anticipated in 1999-2000 owing mostly to an expansion in the area.

Africa – Planting Intentions for the 1999 Season in North and West Africa are Still Uncertain but the Season is Well Advanced in Southern Africa

North Africa – Preparation for the 1999 paddy season is underway in *Egypt* but there is no clear indication as to the size of the area to be planted to rice, a decision that is usually dependent on the availability of irrigation water. For 1998, the paddy crop is estimated at 4.6 million tonnes from an area of about 500 000 hectares, compared to 5.5 million tonnes and an area of 650 000 hectares in 1997. The

Government has a policy of reducing rice area with the aim of conserving irrigation water for use in the production of alternative crops.

West Africa – While land is being prepared for the planting of the 1999 paddy crop in West Africa, information on the planting intentions for the respective countries is scarce. Harvesting of the 1998 paddy in the region is complete. Civil strife in some countries made it very difficult for farming activities to proceed normally. In *Nigeria*, the biggest rice producing country in western Africa, the 1998 output is estimated at 3.4 million tonnes or 11 percent lower than in the previous year. The decline is attributed to drought during July and August in the central and south-western parts of the country together with a shortage of basic inputs, particularly fertilisers, during the growing season that might have affected yields.

Southern Africa – The 1999 paddy season in the sub-region has so far benefited from favourable growing conditions and the expectations are for a better crop than in the previous season. In *Madagascar*, the major paddy producer in the area, harvesting is expected to start towards the end of March/beginning of April. So far, there has been no reports of the African Migratory Locusts whose swarms were instrumental to the fall in production during the previous season.

South America – Excellent Growing Conditions Could Lead to Record Crops

Harvesting of the 1999 paddy crop has started in some countries of the region. Growing conditions have been generally good and record outputs could be achieved in some countries, in sharp contrast to the previous season when El Niño-related weather anomalies hit the crops. The expected increased production is partly a reflection of area expansion prompted by relatively high prices at planting time. In *Argentina*, paddy gathering is in progress and the production forecast is a yield-induced all-time high of 1.3 million tonnes, up from 1 million tonnes produced last year. In *Brazil*, the rice area increased by 22 percent to 3.9 million hectares in 1999. Assuming average yields, output is forecast to recover to some 11.3 million tonnes, which would be a 33 percent leap from

1998. Harvesting of the 1999 paddy crop is under way in *Uruguay*, the other big producer in the region, and a record crop of 1.1 million tonnes is anticipated, up by over 30 percent from the previous season.

Developed Countries – The 1999 Paddy Season is Winding Down in Australia While the Seasonal Preparations are just Starting in the United States and the EC

In *Australia*, the 1999 paddy season progressed under very favourable growing conditions and harvesting of the crop is ongoing albeit at a slower pace than in the previous two seasons. The current forecast is for an output of 1.35 million tonnes, up slightly from the previous season.

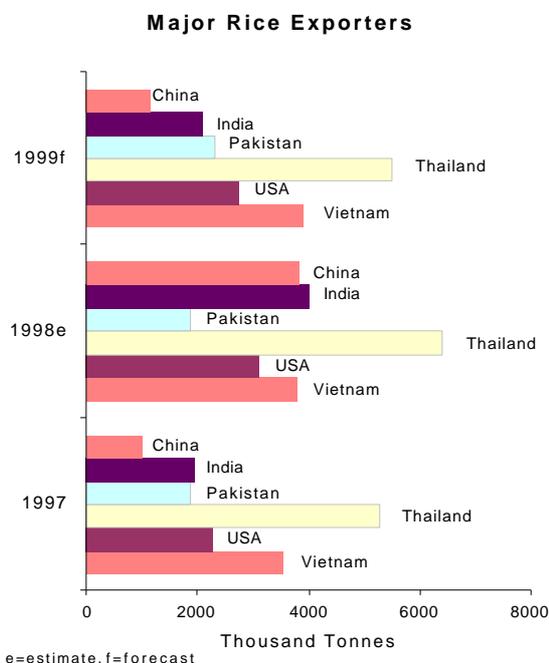
In the *United States*, USDA’s report on farmers’ planting intentions indicates a rice area of slightly more than 1.3 million tonnes, unchanged from the previous season. Production is, however, tentatively forecast to increase by about 5 percent to approximately 9 million tonnes, reflecting a return to average yield levels. Planting of the rice crop usually starts around March/April.

In the *EC*, the 1999 paddy season is getting underway but information on area to be put under rice is still lacking. The current production estimate for the 1998 crop stands at slightly over 2.6 million tonnes, almost identical to the 1997 revised figure.

II.2 A Decline in Global Rice Trade is Forecast for 1999

For 1999, global rice trade is provisionally forecast to decline from the 1998 estimated record by about 5.3 million tonnes to 21.5 million tonnes which, if realised, would still be the second highest on record. This is based on an improved production performance in 1998 and/or the expectation of stepped-up production in 1999 in many of the major importing countries whose output in 1997 and/or 1998 was reduced by El Niño-related weather problems. *Indonesia*, which imported an estimated record 5.8 million tonnes in calendar year 1998, is anticipated to import about 2.5 million tonnes in 1999 as its production is expected to rebound from the lows of the two previous seasons. Moreover,

the Government is reported consider imposing a tax on rice imports in 1999 to protect domestic producers. Import shipments by *Bangladesh*, the second largest importer in 1998 with 2.5 million tonnes are expected to fall to around 1 million tonnes barring any major weather problems that could reduce output. Imports by the *Philippines* are forecast at 1.2 million tonnes, one million tonnes less than last year. *Brazil*, another major importer in 1998, is anticipated to cut its purchases by 500 000 tonnes to about 1 million tonnes, owing to better production prospects. Improved production is of paramount importance for *Brazil* given the current economic and currency problems the country is experiencing, which might constrain its imports.



On the export side, *Thailand* is projected to ship 5.5 million tonnes in 1999, down by almost 1 million tonnes from the estimate for 1998. Export shipments from *India*, the second largest exporter in 1998, are expected to fall by 50 percent to about 2 million tonnes. *China* (Mainland) is expected to ship about 1 million tonnes in 1999, compared to 3.7 million tonnes last year. This sharp fall is attributed to reduced output in 1998 and the anticipated decline in global import demand during the year. On the other hand, *Vietnam*, the second largest exporter in the world, has set a target of 3.9 million tonnes in 1999, which if realised would exceed the 3.8 million tonnes exported last year and a record volume.

The Government is to allow shipments of 3 million tonnes during the first six months of the year and the remaining 900 000 tonnes during the later half of the year. The forecast for the *United States'* rice export volume is about 2.8 million tonnes, down by 10 percent from 1998, as many of the South and Central American countries, the traditional customers of the United States' rice, are expected to import less.

II. 3 International Rice Prices Weaken

International prices for rice from most origins have generally been on a downward trend since the beginning of the year, pressured primarily by exportable supplies exceeding import demand. The FAO Export Price Index for Rice (1982-84 =100) averaged 120 points in February, down by 5 points from the previous month. In comparison, the Index was 124 points in February of 1998 and the annual average for the whole of 1998 was 127 points.

WORLD PRICE INDICES FOR RICE			
	FAO Indices		
	Total	Quality	
		High	Low
January-December Averages	1982-84 = 100		
1992	110	111	103
1993	100	102	92
1994	114	118	104
1995	129	124	146
1996	136	136	136
1997	127	129	120
1998	127	128	126
1998 February	124	127	115
March	124	126	120
April	127	128	123
May	128	130	123
June	130	132	123
July	132	134	128
August	132	132	133
September	132	131	136
October	129	127	137
November	124	122	128
December	124	123	125
1999 January	125	125	123
February	120	121	116

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.

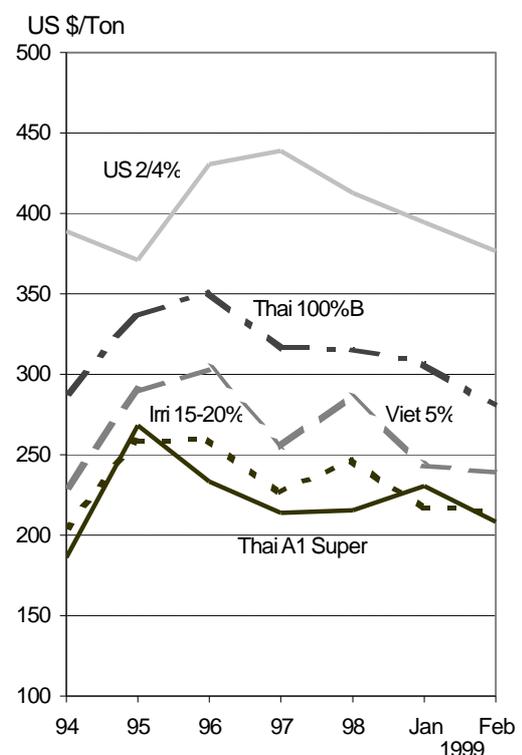
- The Rice Export Price Index is calculated for 15 export prices.

The price quotes for Thai 100B averaged US\$281 per tonne in February, down by US\$26 per tonne the previous month. Prices for the lower quality grades have also been on the decline. Thai A1 Super averaged US\$209 per tonne in February, down from US\$230 per tonne in January. A similar trend was observed during the first two months of 1999 in all the other major exporting countries in Asia, including Vietnam, India and Pakistan.

In the United States, the market has also been generally quiet due to lack of activity. Prices for high quality No. 2/4 percent broken rice averaged US\$377 per tonne in February, down from US\$395 per tonne in January. By comparison, the price was US\$423 per tonne at the same time in 1998 and the average for the whole of 1998 was US\$413 per tonne.

For the rest of 1999, international rice prices are expected to remain subdued primarily due to relatively easy supply and demand situation, assuming normal growing conditions for the rest of the year.

Export Prices for Rice



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	26/02/99	280	274	296	305	236
Thai 35%	26/02/99	232	220	243	230	213
Thai A1 Super	26/02/99	209	203	223	189	174
Viet 5%	26/02/99	233	241	241	262	n.a.
India 25%	26/02/99	240	n.a.
Pak 15-20%	26/02/99	222	...	215	240	220
US 2/4% Long	26/02/99	361	381	385	423	393

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

... not available

n.a. not applicable

II. 4 A Decline in Stocks Projected for 1999

Global rice stocks at the close of the marketing seasons ending in 1999 are forecast by FAO at about 50 million tonnes, down by 9 percent from the revised closing stocks for the marketing seasons ending in 1998. The bulk of the year-to-year decline is largely accounted for by countries whose production was severely curtailed by weather-related

anomalies, particularly China (Mainland), Bangladesh and Indonesia. The final outcome, however, will also be influenced by the performance of the secondary crops to be harvested in early 1999. In addition, given the expectations of lower prices during most of 1999, some countries could choose to increase imports to rebuild stocks to more comfortable levels.