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World rice production and trade forecasted to hit new records in 2011 International rice prices rebounding

Bangkok, 03 August 2011 - FAO has cut its April forecast of **global paddy production in 2011** by 1.5 million tonnes to 718.3 million tonnes (478.9 million tonnes, milled basis). Nonetheless, at the revised forecast, world paddy production would still be 2.5 percent above the good 2010 outcome, striking a new high.

The seasonal increase would arise from a 1.5 percent expansion of plantings to 164.7 million hectares and a 0.9 percent gain of yields to 4.37 tonnes per hectare, according to the July 2011 issue of FAO's **Rice Market Monitor**, launched today from Bangkok.

Although dependent on the unfolding of the monsoon rains in coming months, FAO's outlook for production in Asia remains favourable. A sizeable increase of production in India is much behind an expected 2.5 percent expansion of output in the region, but larger crop are also anticipated in the rest of the region, in particular in Bangladesh, China, Indonesia, Pakistan, Thailand and Viet Nam. On the other hand, production may fall in Japan and Sri Lanka.

The outlook for production in Africa has been upgraded, now pointing to a 2 percent expansion. The increase primarily reflects expectations of steady growth in western and eastern Africa, while efforts to preserve water may keep output in Northern African countries (mainly Egypt) stable at a relatively low level. A contraction in Madagascar is behind expectations of a slight decline of production in Southern Africa.

Production in Central America and the Caribbean is set to expand by 4 percent, reflecting expected gains in Cuba, the Dominican Republic and Nicaragua, while output may fall in Costa Rica, Mexico and Panama.

As for the 2011 season in South America, which is about to conclude, production prospects have been raised. They now point to a 14 percent recovery from the 2010 contracted level, spearheaded by Brazil, with further increases expected in the other producing countries, except for Ecuador and Peru, which may witness a contraction.

In North America, the outlook for the United States has continued to deteriorate since April, marred both by drought and widespread floods. By contrast, in Europe, positive results are forecast in the EU and in the Russian Federation. In Oceania, Australia is estimated to have harvested this season four times the level gathered in 2010.

Rice trade

FAO's forecast of **2011 world trade in rice** has been upgraded by 1.4 million tonnes since April to 33.2 million tonnes (milled basis). The revision reflects larger than previously anticipated imports by Bangladesh, China, Indonesia, the Islamic Republic of Iran and Nigeria, which more than offset downward revisions in Colombia and the Philippines. On the export side, the adjustment reflects improved delivery prospects for Brazil, India, Thailand and Viet Nam, which outweighed lower forecasts for China and the United States.

At 33.2 million tonnes, trade in rice would be 6 percent larger than in 2010, surpassing the 2007 record. The anticipated growth would be primarily sustained by increased **imports** by Asian countries, many of which are trying to reconstitute stocks and stabilize domestic prices. Countries in Africa, Europe and North America are also expected to buy more, while abundant crops in Latin America and the Caribbean may depress deliveries to the region.

From the supply side, much of this demand is expected to be met by larger **exports** by Thailand, but the recent relaxation of restrictions in India may also boost the country's deliveries. Australia, Argentina, Brazil, Cambodia, Uruguay and Viet Nam are also expected to ship more rice this year, but Egypt, Pakistan and the United States may export less.

Rice prices

Sustained pressure from newly harvested secondary crops slightly depressed **international rice prices** in May, the third consecutive month of decline. The downward price tendency reversed in June and remained positive in July sustained by a strengthening of Indica and Japonica rice prices.

The rebound of prices was mainly in reaction to a growing likelihood of a re-introduction of the rice pledging programme at higher prices in Thailand, which could cut the country's availabilities for export. Prospects for a sharp production cut in the United States also contributed to the renewed strength. Such impacts were somewhat mitigated by an announced relaxation of export restraints in India.

In the coming months, international rice export prices will be influenced by the progress of the 2011 paddy season in northern hemisphere countries and, in particular, by the performance of the south-west monsoon in Asia. Policy actions by governments and exchange rate movements will also play a critical role.

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The July 2011 Rice Market Monitor is available from the web at <http://www.fao.org/economic/est/publications/rice-publications/rice-market-monitor-rmm/en/>

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