RICE
RECENT MARKET DEVELOPMENTS AND OUTLOOK

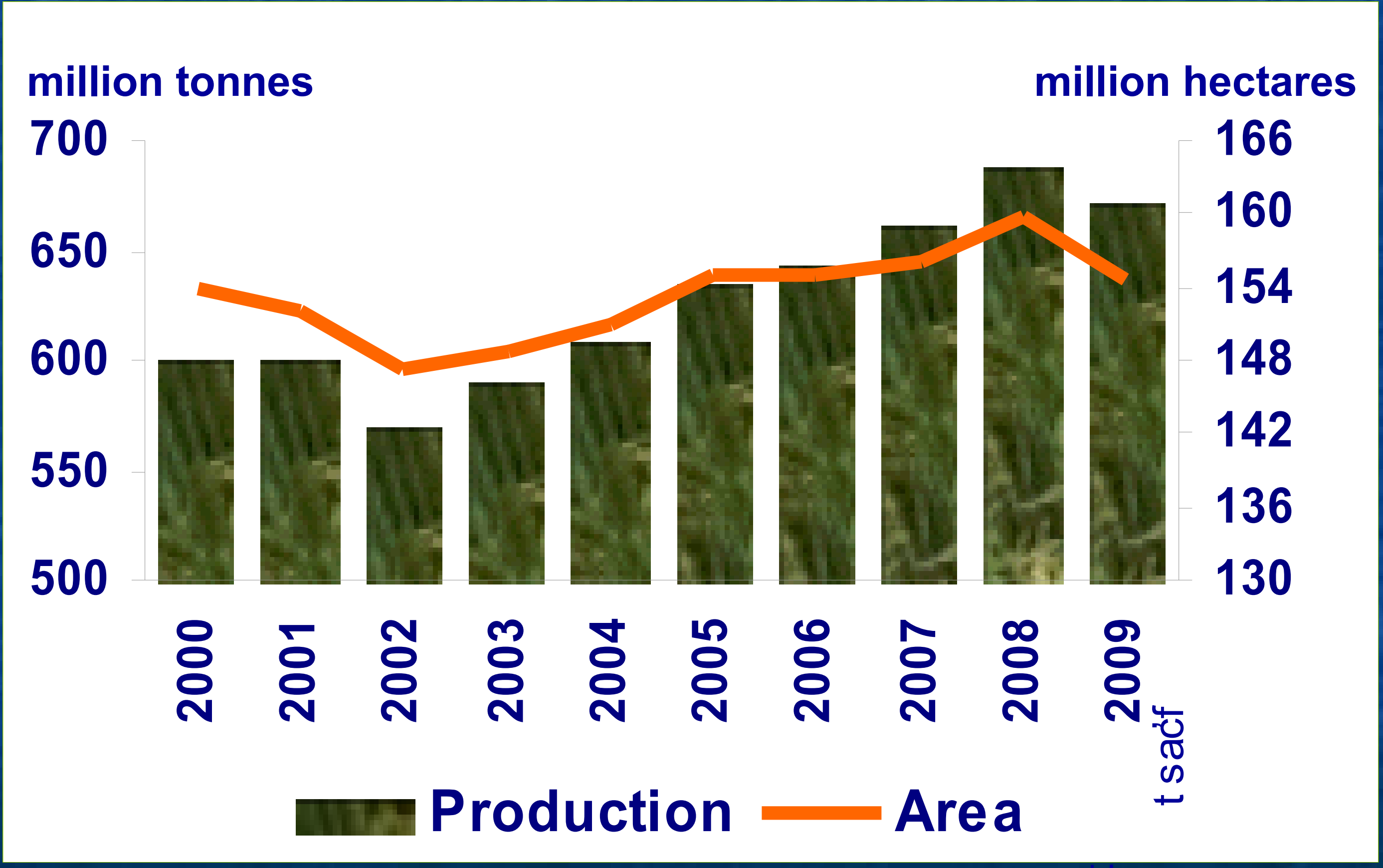
JOINT MEETING OF THE INTERGOVERNMENTAL GROUP ON OILSEEDS, OILS AND FATS, (30TH SESSION) INTERGOVERNMENTAL GROUP ON GRAINS (32ND SESSION) AND INTERGOVERNMENTAL GROUP ON RICE (43RD SESSION)

Santiago, Chile 4-5 November 2009

Rice market situation and prospects in a nutshell

- Global production to drop by 2.3 % to 449 million tonnes (milled rice eq) in 2009, after growing by 4.1% in 2008
- World rice utilization in 2010 to rise by 5 million tonnes; per caput food levels stable around 57.3 kg per year
- Global rice opening inventories to fall in 2010, but from very high levels in 2009
- Rice trade to recover only slightly from a 7 percent drop in 2008 to some 30.5 mn tonnes. A further small increase in rice trade foreseen in 2010.
- Although falling since May 2008, international prices remain high compared with 2007 and relative to other cereals.

Global paddy production to contract in 2009 due to falling area



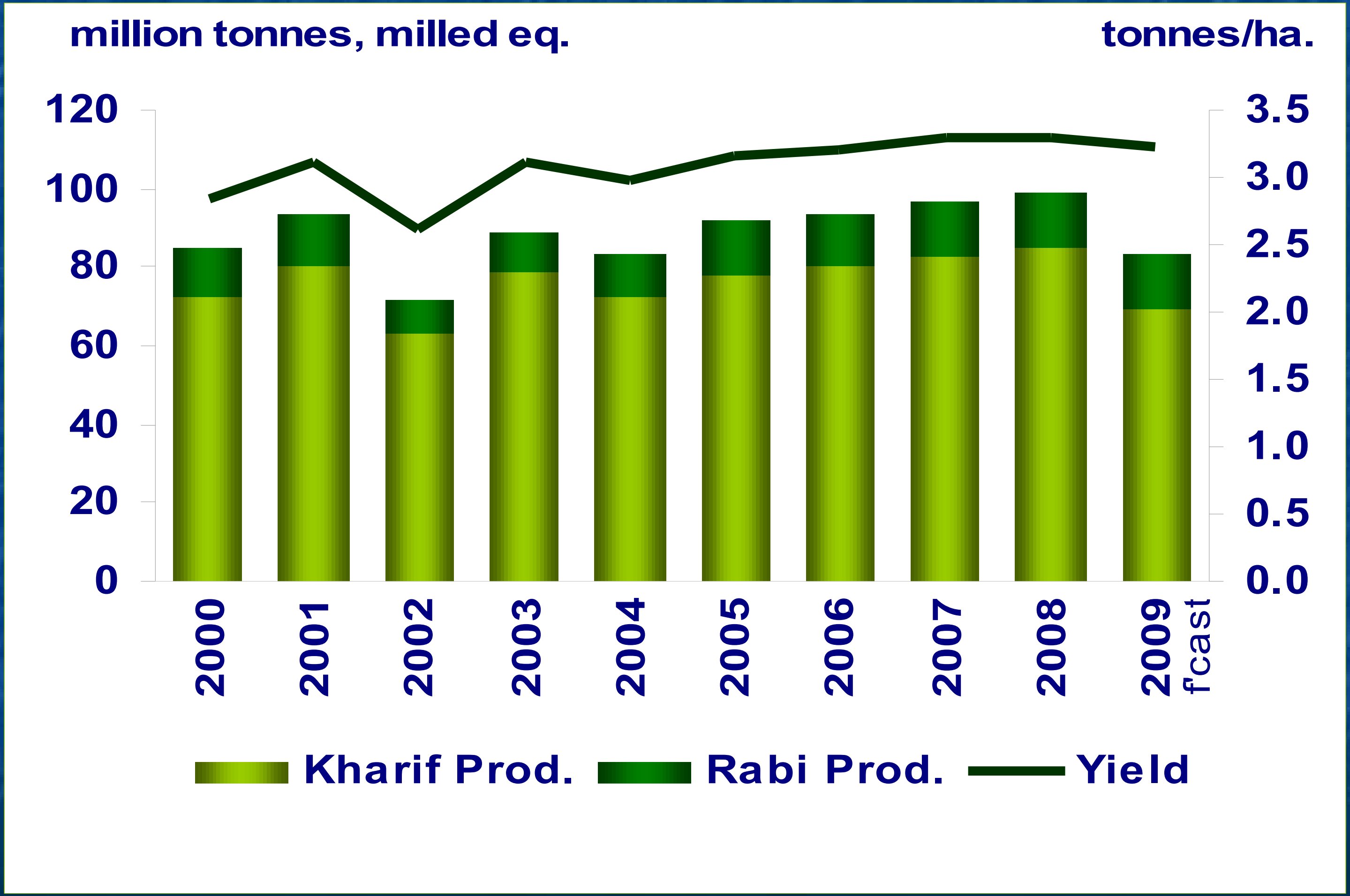
Production in 2009 to fall in several major producing countries, especially India

PADDY RICE	2007	2008	2009 F
	million tonnes, paddy basis		
World	**660.8**	**687.6**	**671.9**
China	187.4	193.4	197.2
India	145.0	148.7	125.6
Indonesia	57.2	60.3	62.6
Bangladesh	43.4	47.0	47.3
Viet Nam	35.9	38.7	39.0
Thailand	32.1	31.6	31.8
Myanmar	31.4	30.5	31.5
Philippines	16.6	17.1	16.7
Brazil	11.3	12.1	12.6
Japan	10.9	11.0	10.7
USA	9.0	9.2	10.0
Pakistan	8.3	10.4	9.6

Production in 2009 to fall in several major producing countries, especially India

MILLED RICE	2007	2008	2009 F
	million tonnes, milled equiv.		
World	**441.2**	**459.1**	**448.6**
China	128.4	132.5	135.1
India	96.7	99.2	83.7
Indonesia	36.0	38.0	39.4
Bangladesh	28.9	31.3	31.5
Viet Nam	24.0	25.8	26.0
Thailand	21.2	21.0	21.1
Myanmar	19.8	19.2	19.8
Philippines	10.9	11.2	10.9
Brazil	7.6	8.1	8.5
Japan	7.9	8.0	7.8
USA	6.3	6.5	7.1
Pakistan	5.6	7.0	6.4

India – unfavourable monsoon to depress the 2009 Kharif crop

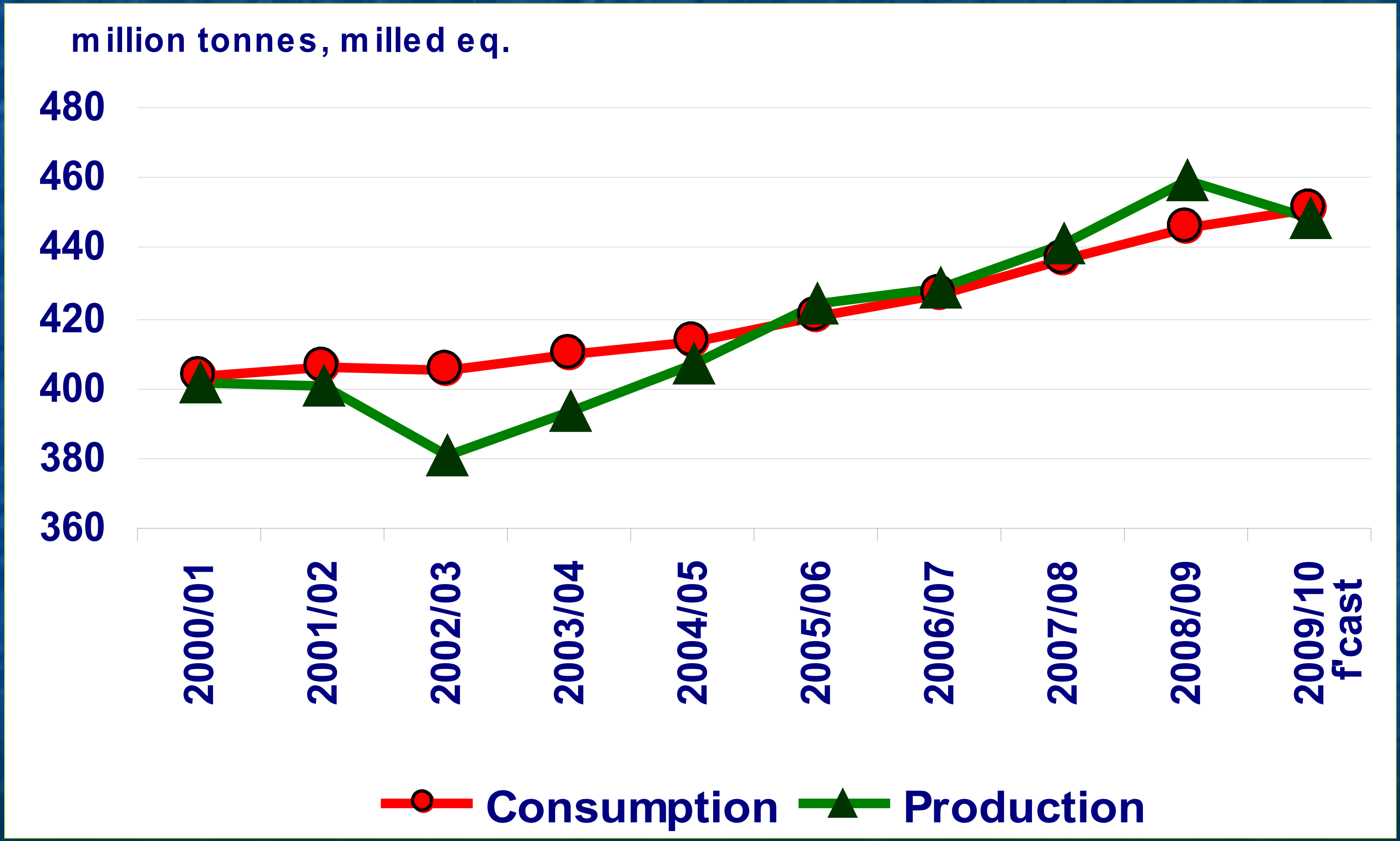


Recent Market Developments and Outlook

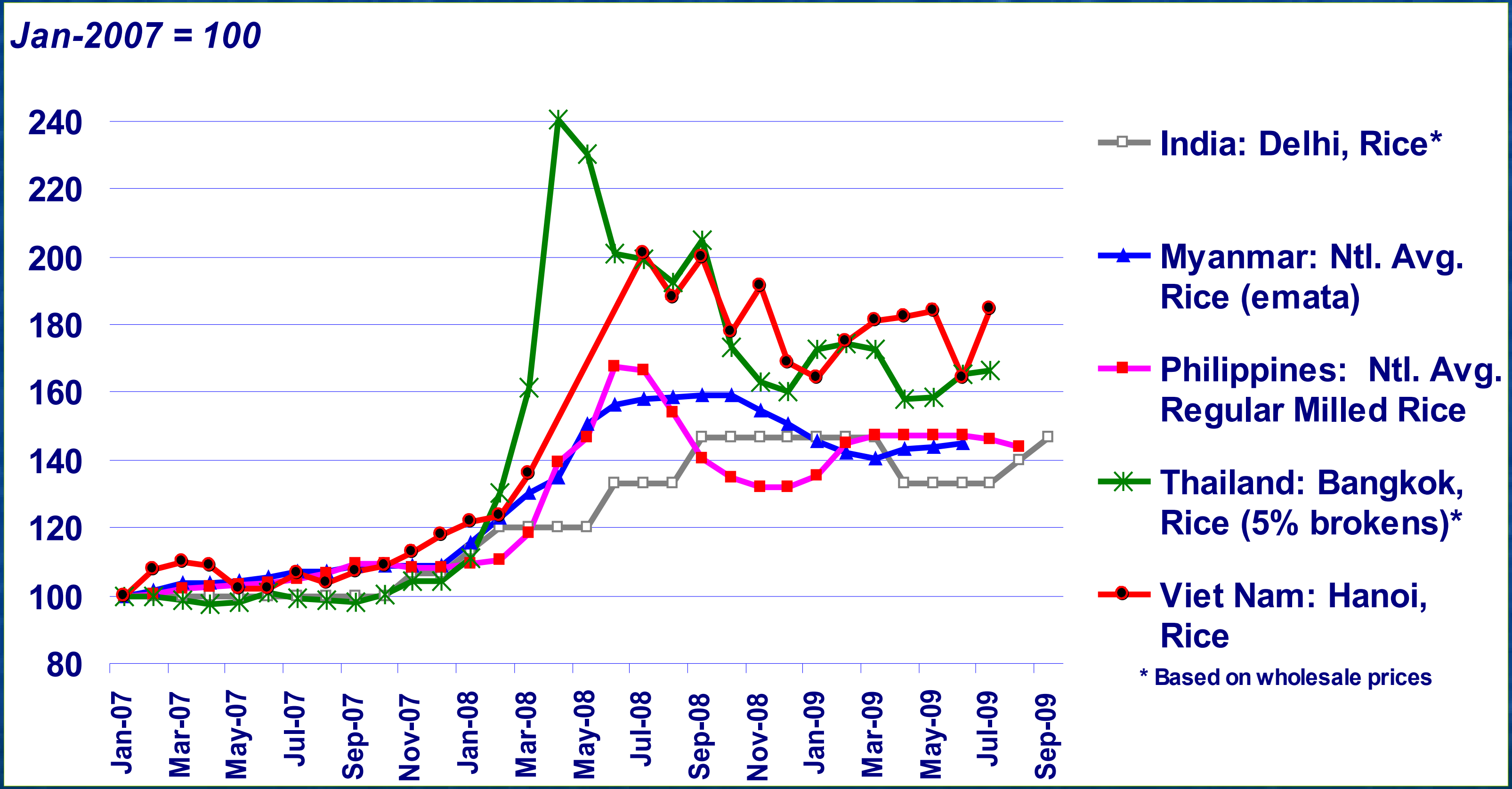
Aside from Africa and Asia, production prospects positive in the other regions

PADDY RICE	2007	2008	2009 F
	million tonnes, paddy basis		
World	**660.8**	**687.6**	**671.9**
Developing countries	636.5	663.2	646.6
Developed countries	24.3	24.4	25.3
ASIA	601.5	623.0	606.4
AFRICA	22.0	25.5	24.1
NORTH AMERICA	9.0	9.2	10.0
CENTRAL AMERICA & C.	2.4	2.5	2.6
SOUTH AMERICA	22.1	23.9	24.8
EUROPE	3.6	3.5	3.9
OCEANIA	0.2	0.0	0.1

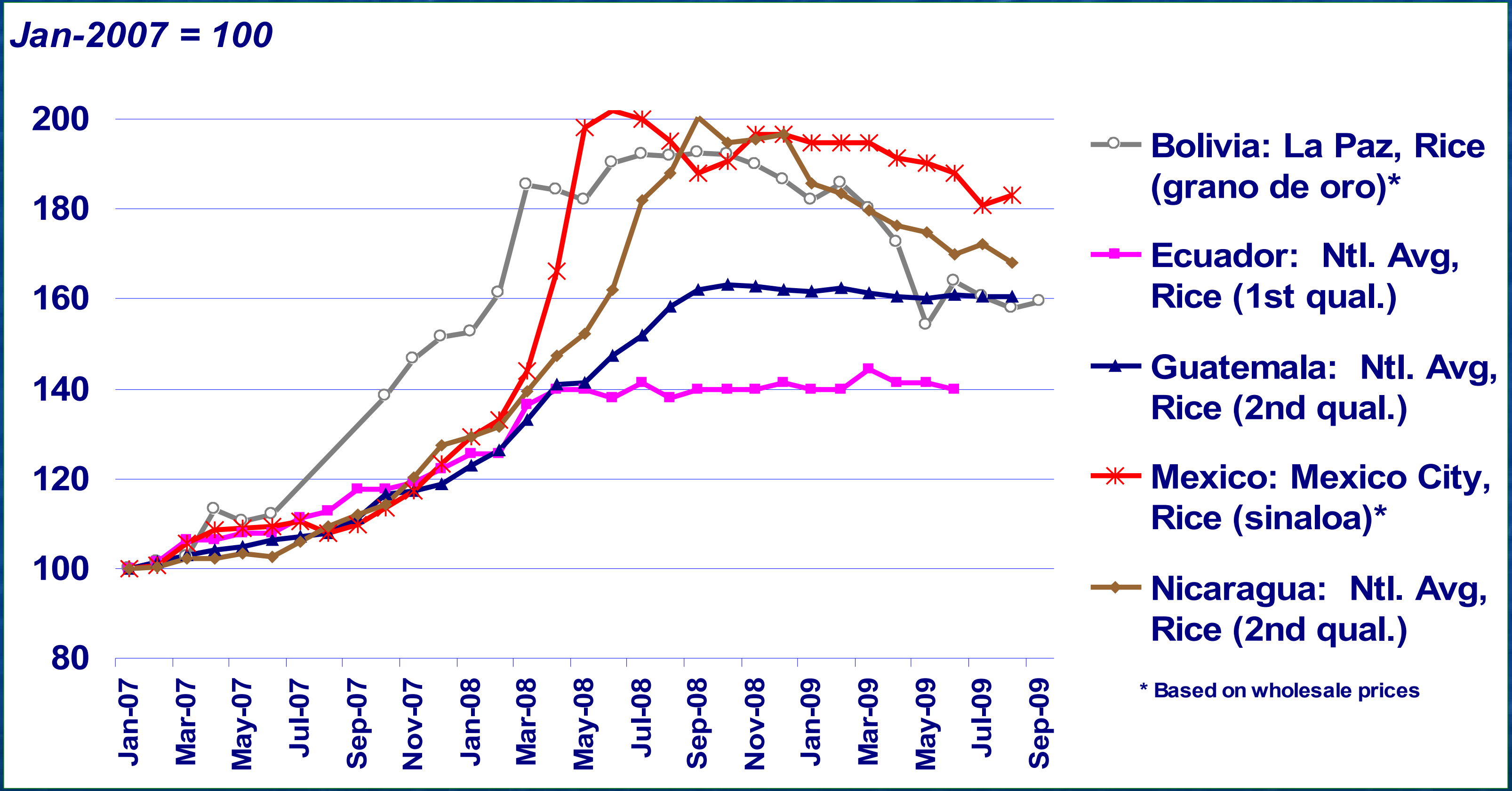
Global rice production may fall short of consumption in 2009/2010



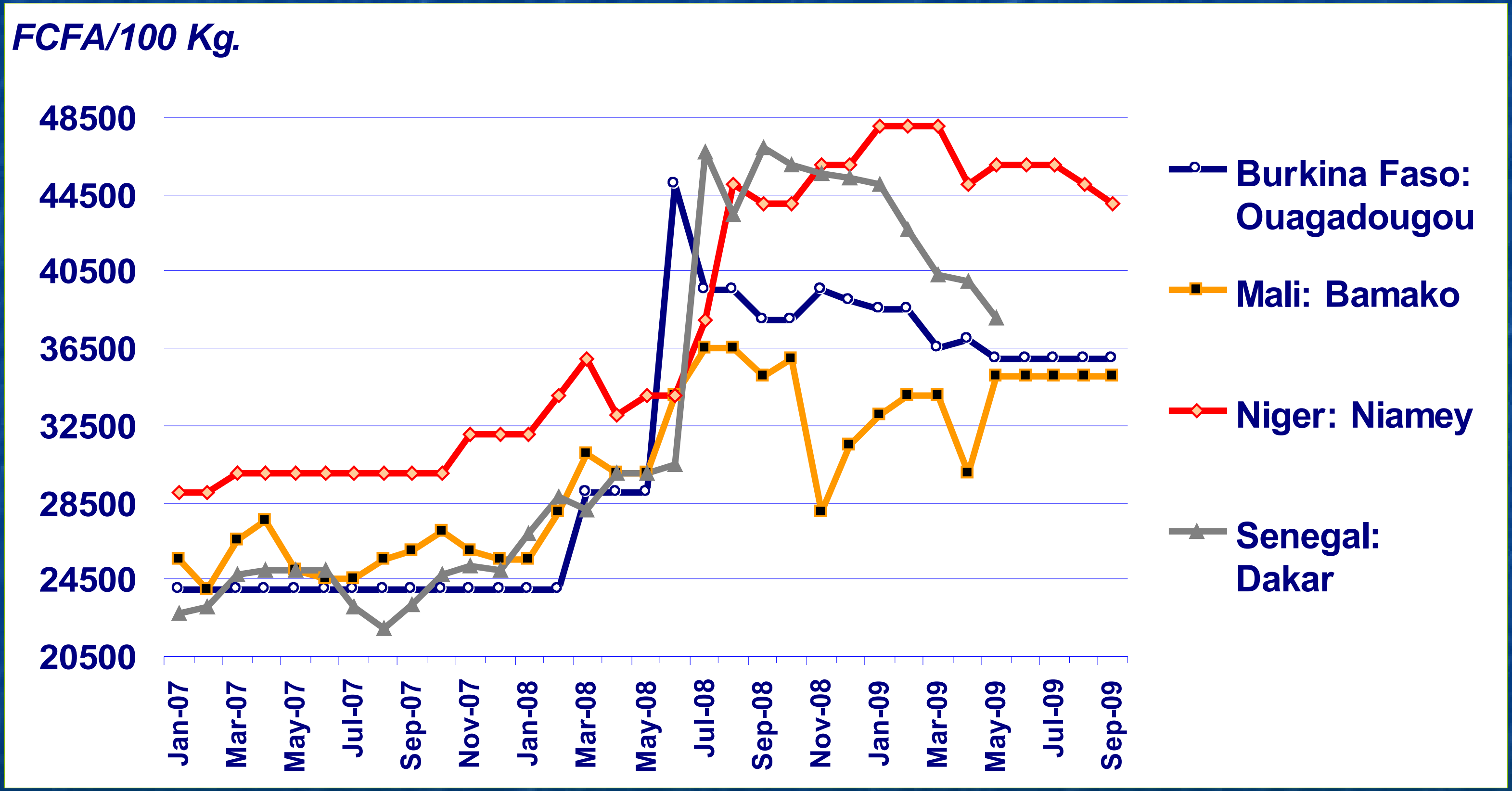
Rice prices remain above 2007 levels in many Asian domestic markets



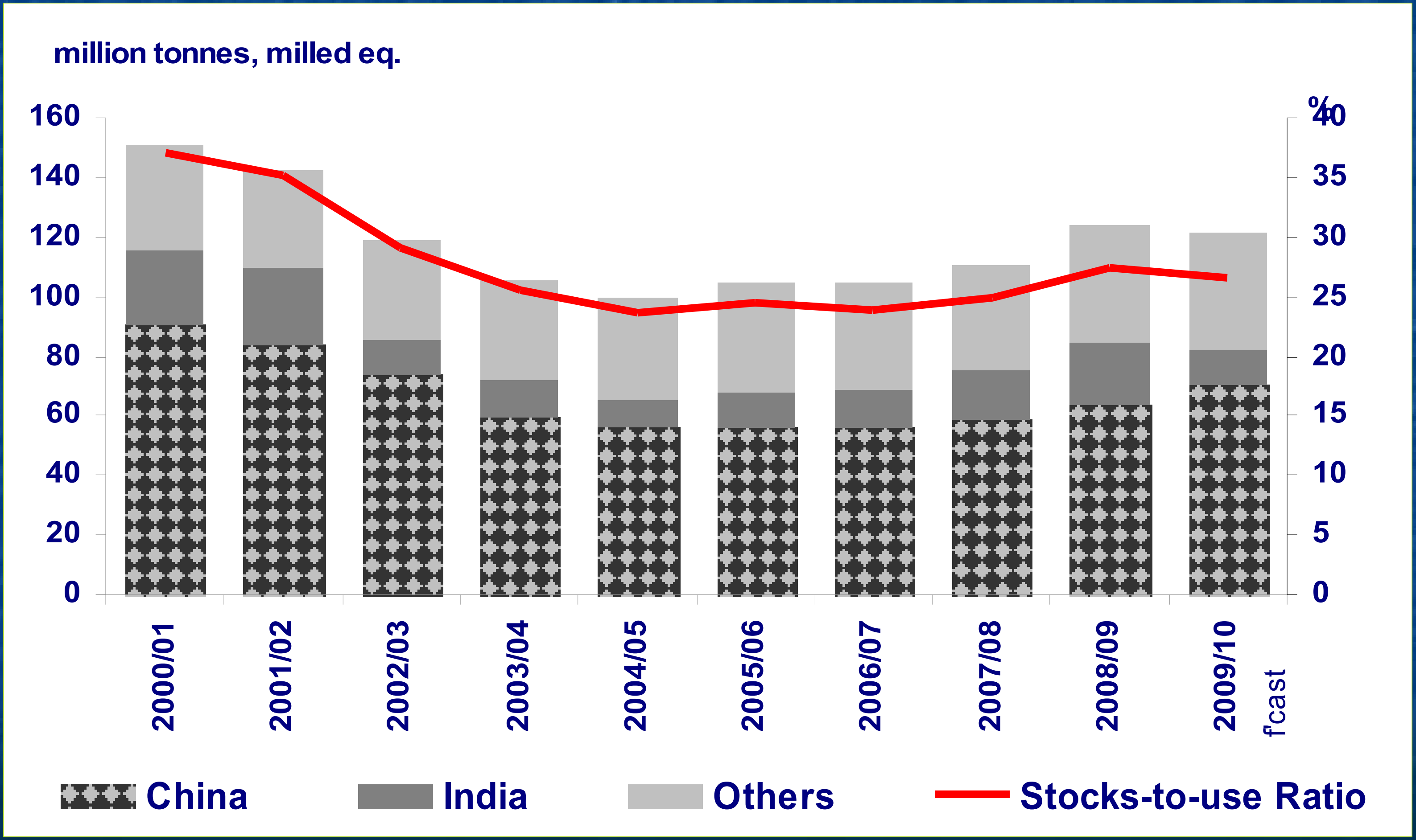
… Also in Latin America and the Caribbean



Imported rice also very expensive in Western Africa

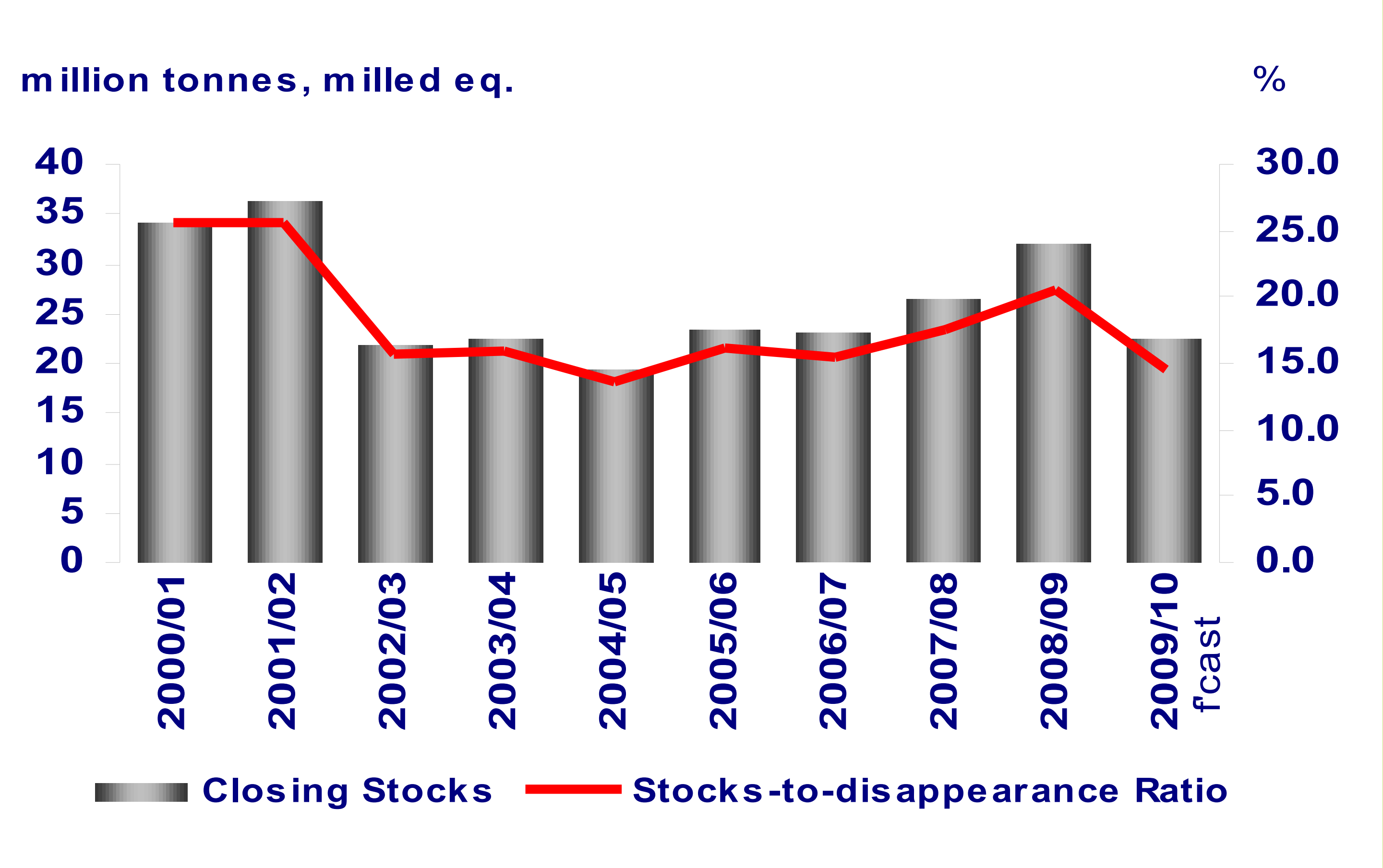


Despite a drawdown, global rice carryover stocks remain adequate in 2010

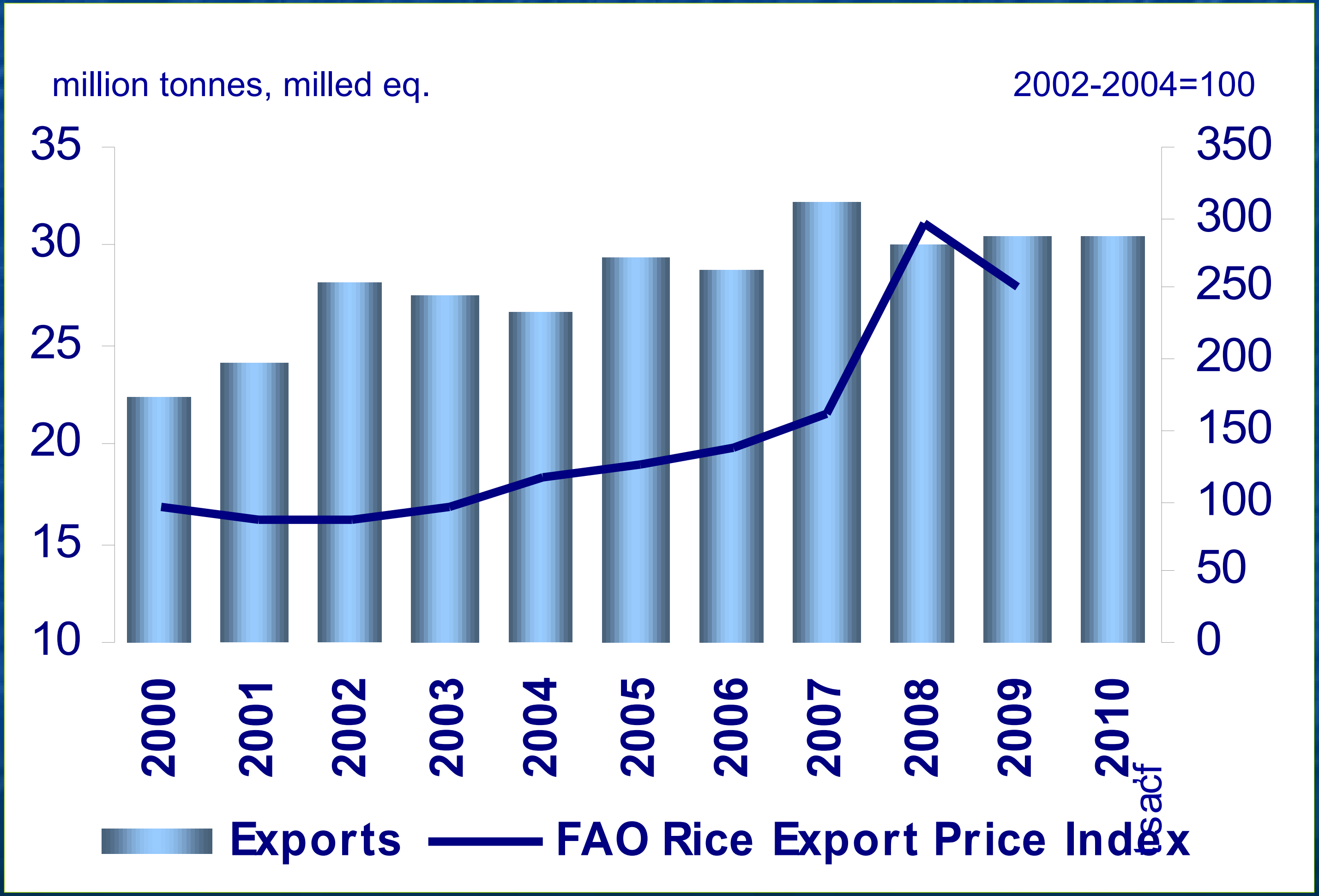


Recent Market Developments and Outlook

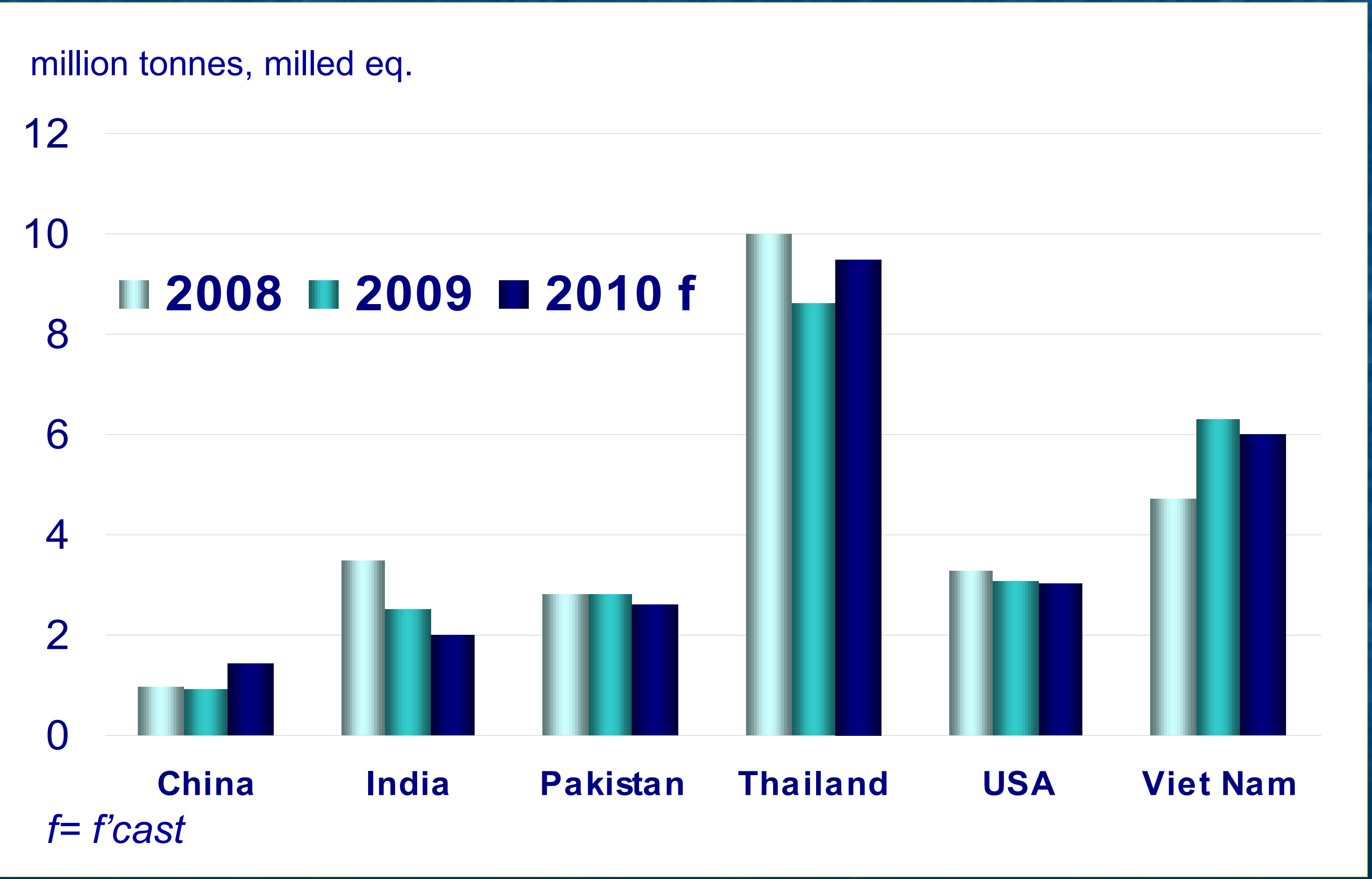
But stocks held by the five major rice exporters may drop substantially in 2010



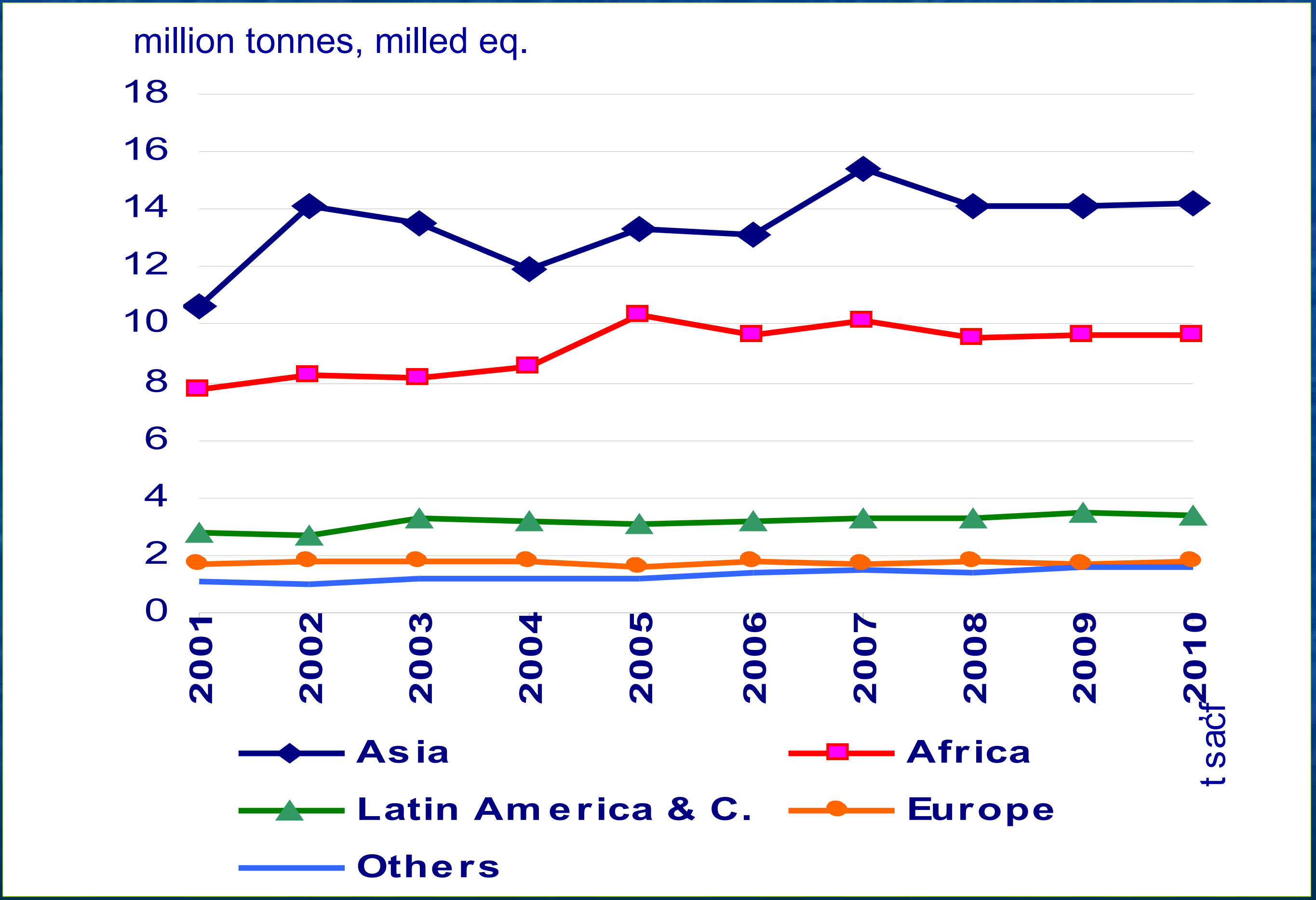
Global rice trade to increase marginally in 2009 and 2010



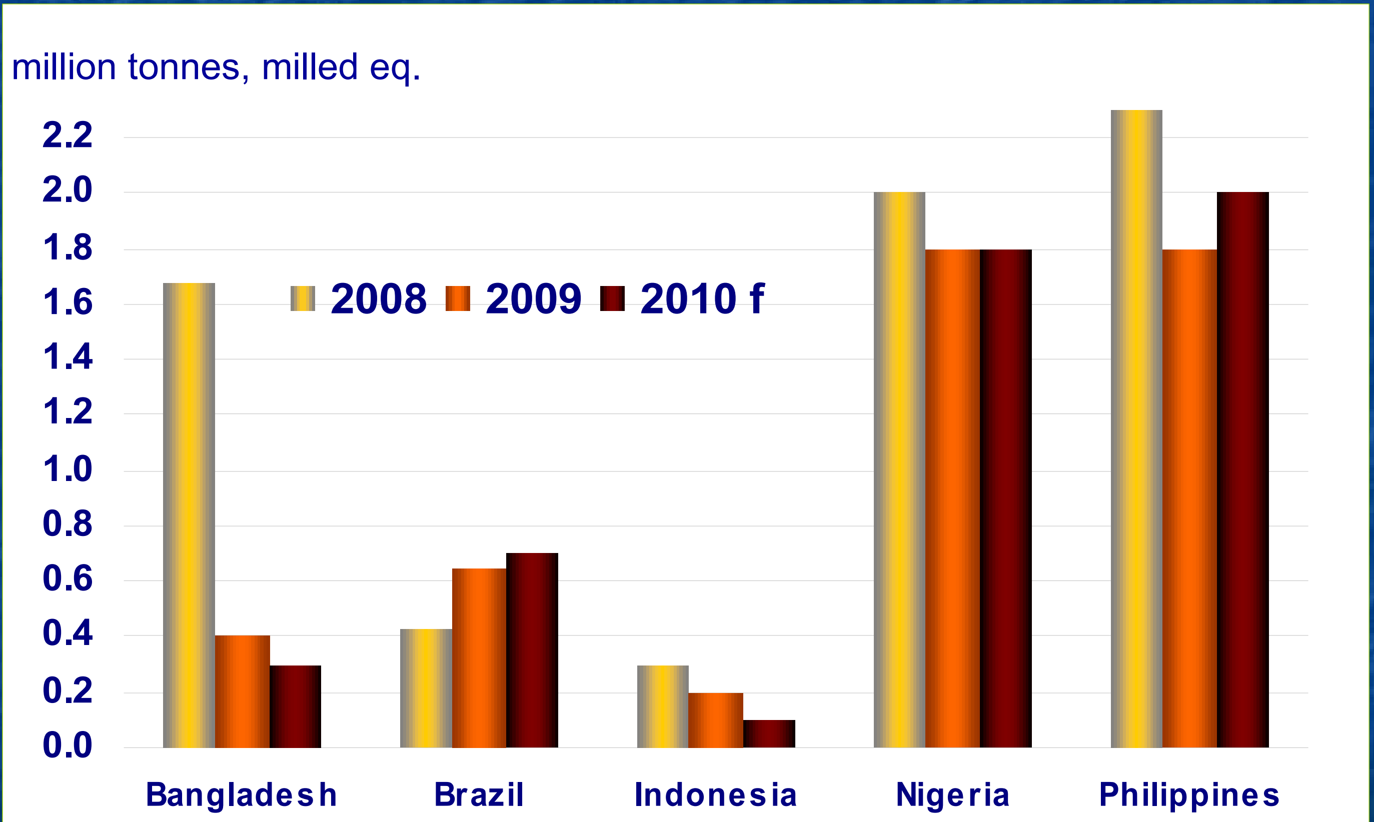
Exports from Thailand to fall in 2009, but likely to rebound in 2010



At the regional level, little change in imports in 2009 or 2010



Bangladesh and Indonesia to cut imports in 2010



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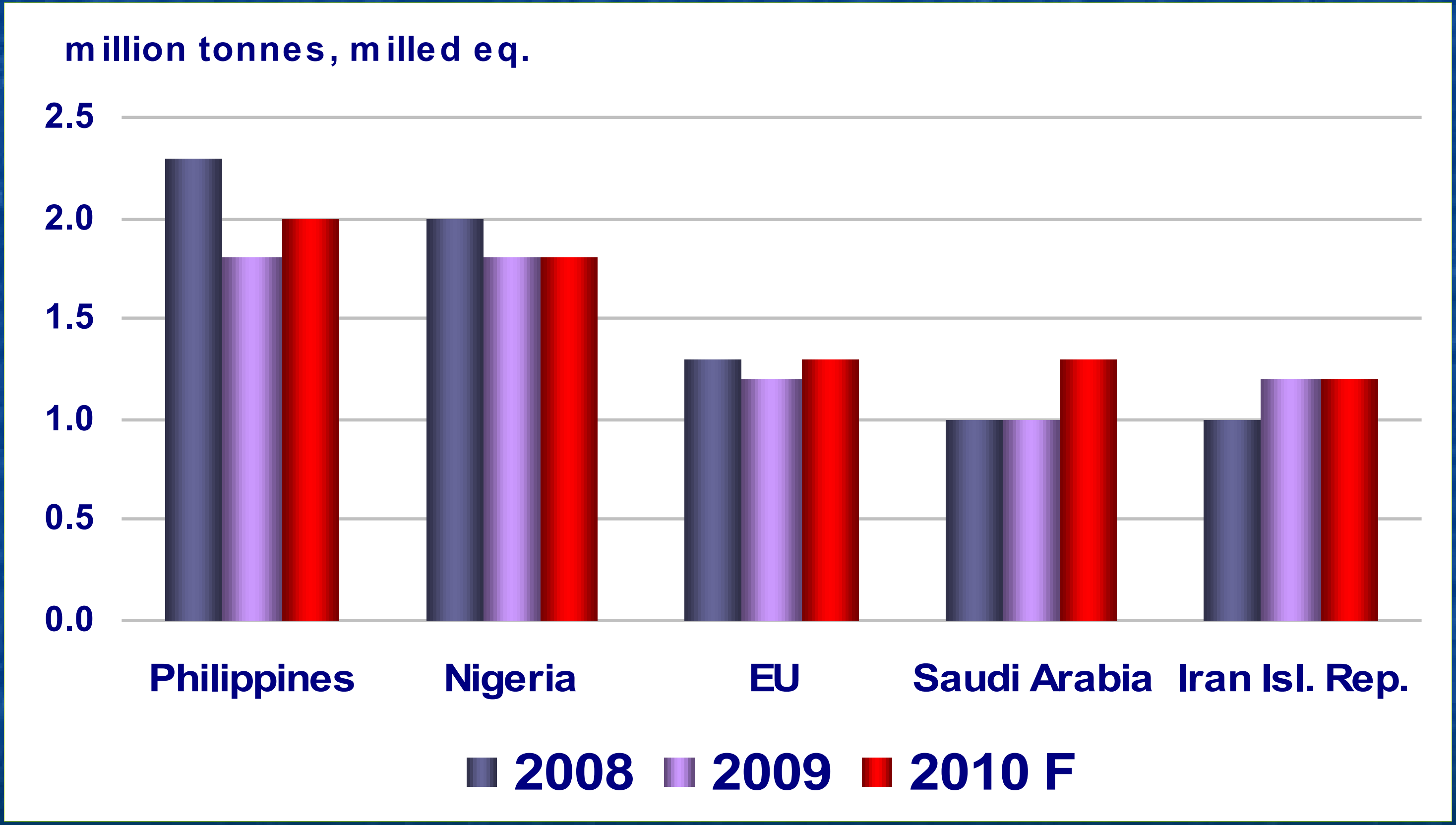
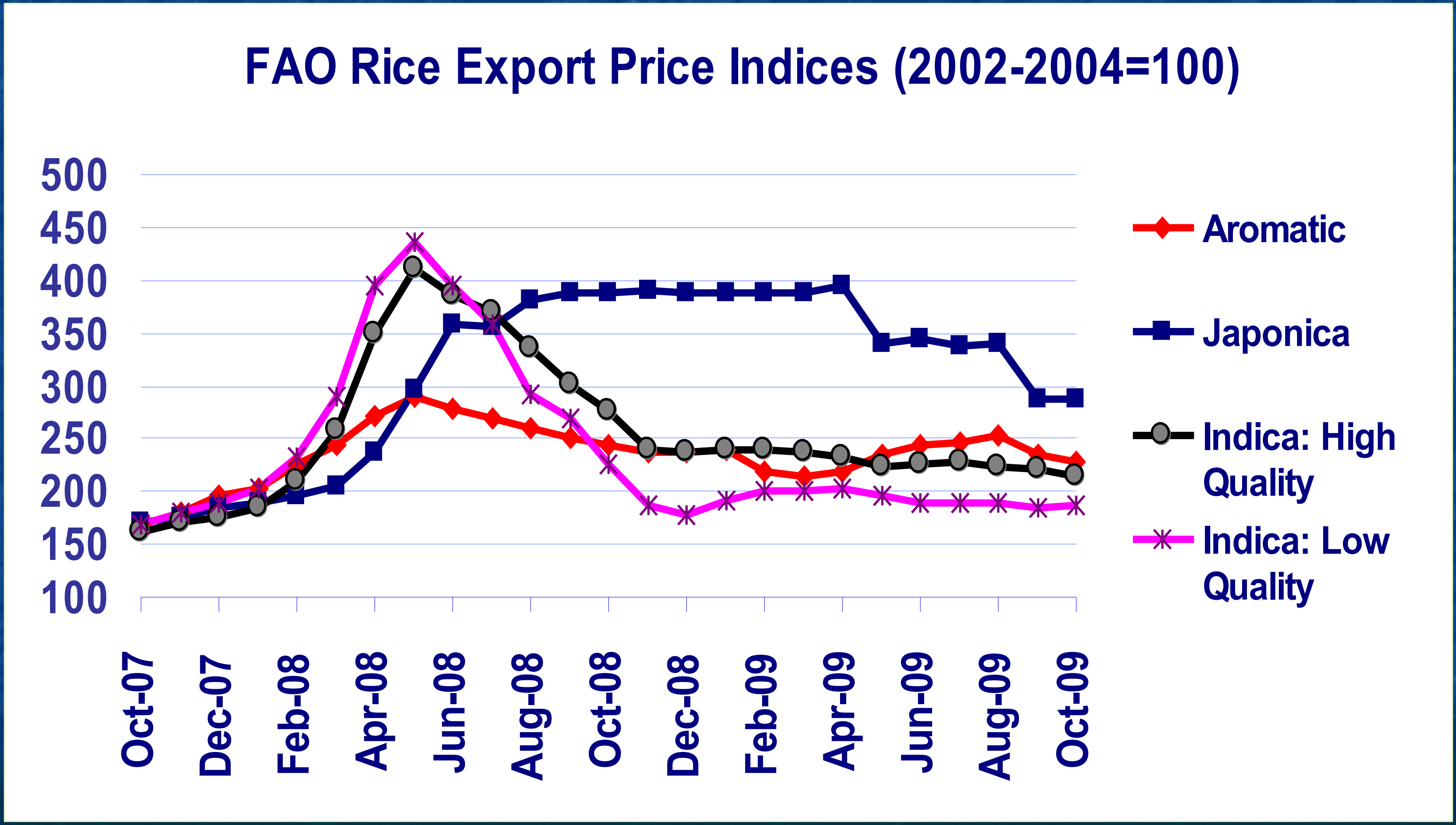
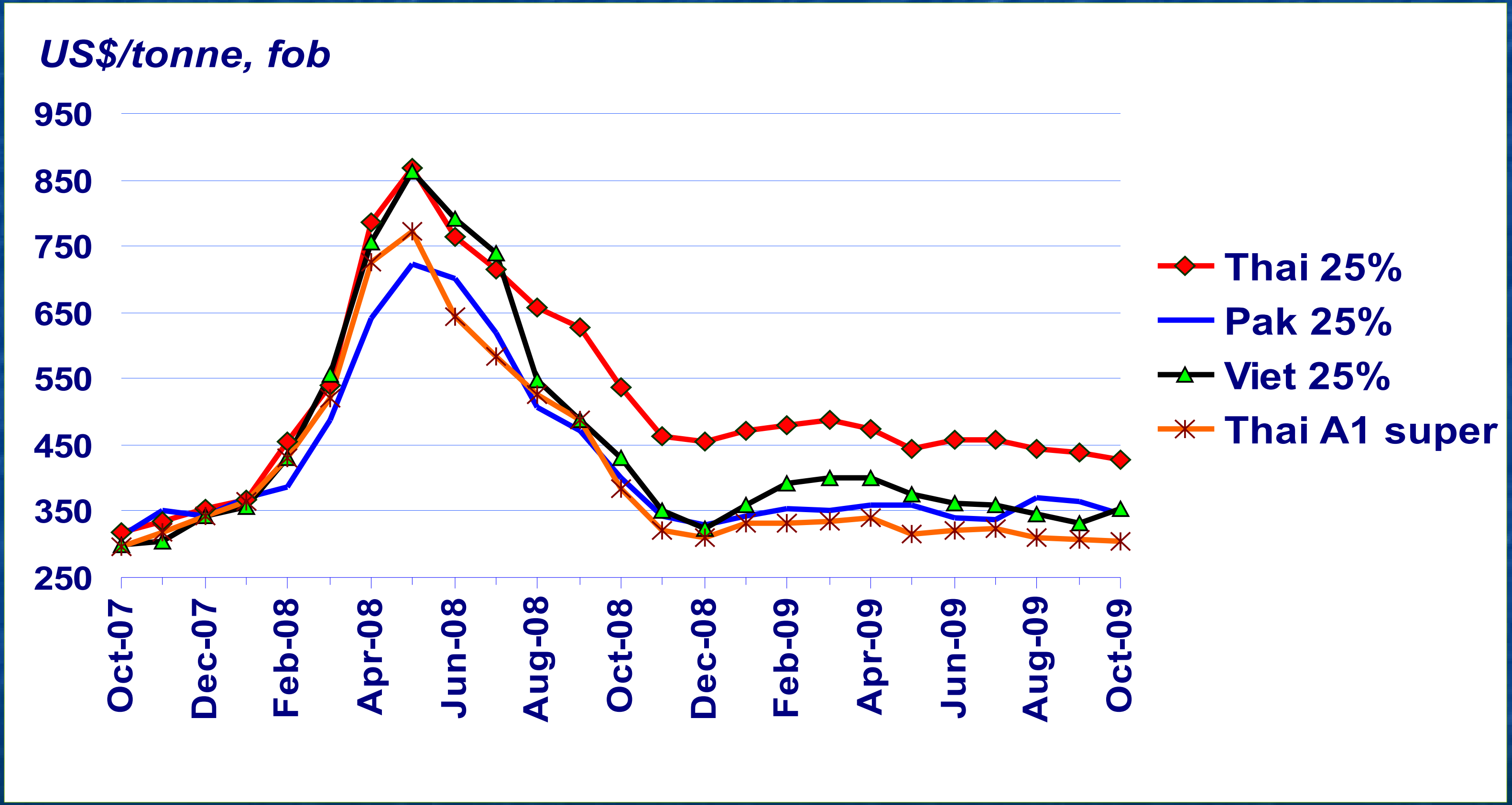
EU and Near East countries gain prominence among rice markets in 2009 and 2010



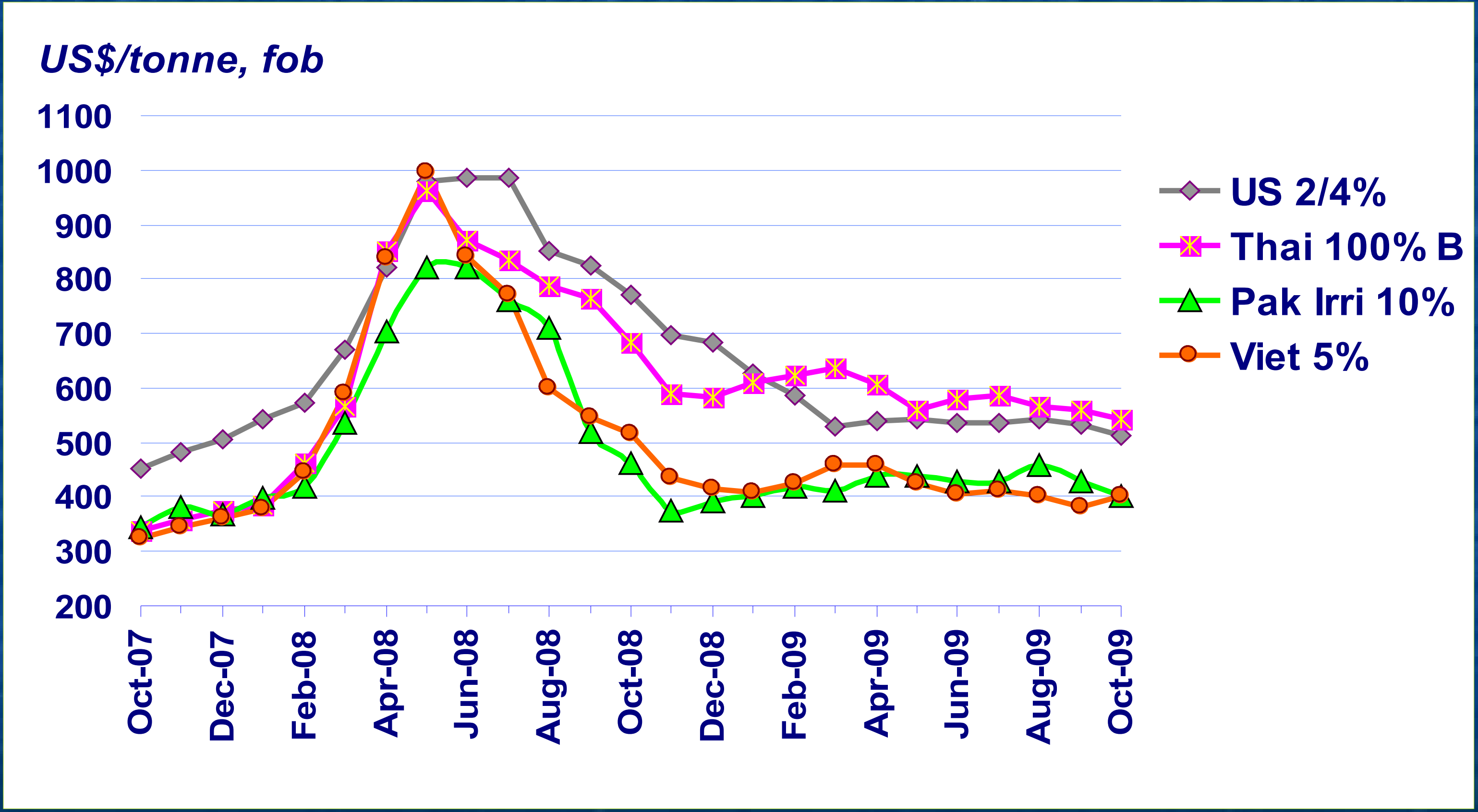
Prices of all rice have fallen but Japonica and aromatic rice still high



Prices of Lower Quality Indica approaching 2007 levels



Higher graded Indica Rice: Thai rice has outpriced US rice

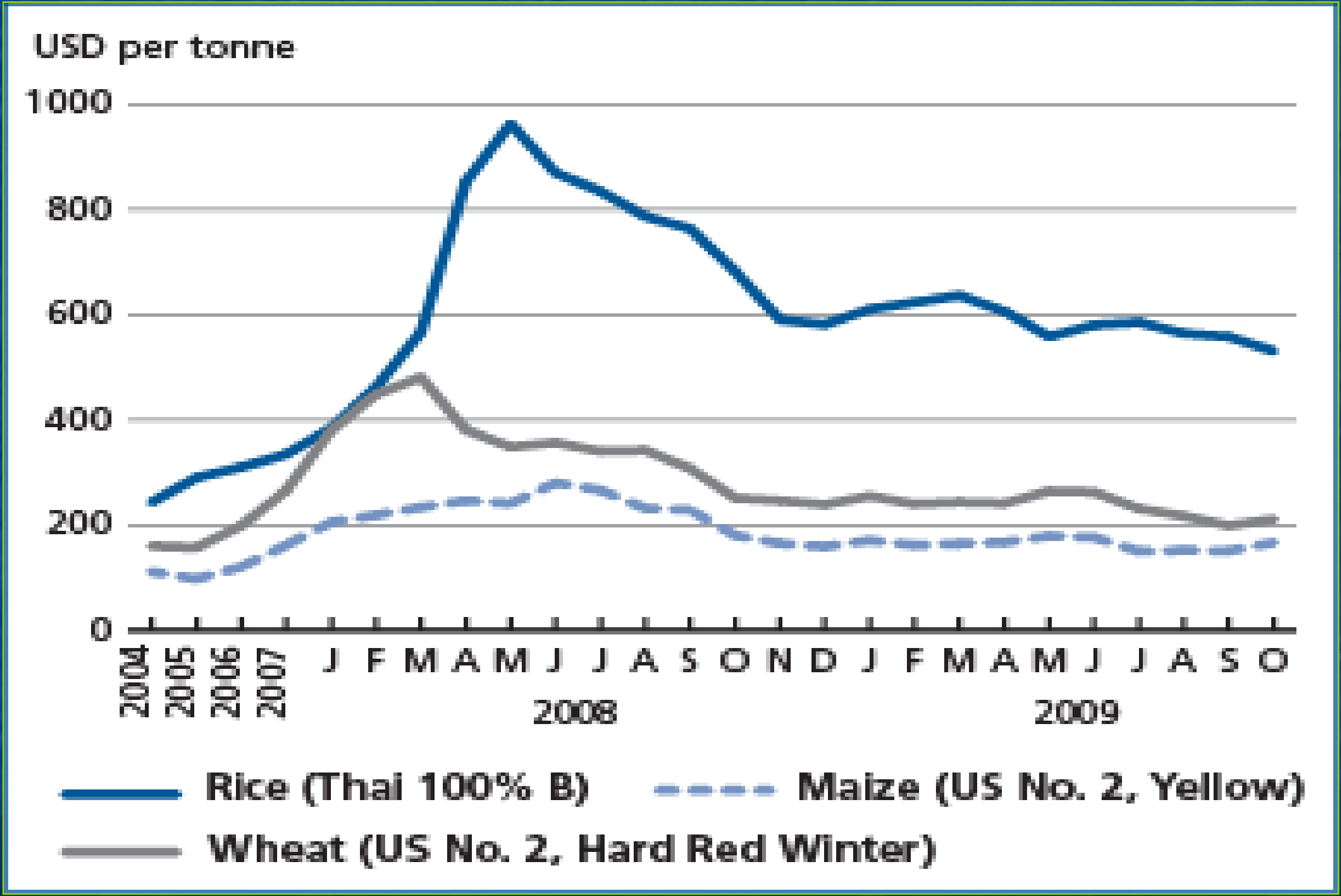


Uncertainties & Challenges

SHORT TERM

- Weather, esp. El Niño, and other natural events
- Policies, esp. India and Thailand, but also ASEAN, EBA
- Macro economic environment and other key factors (GDP growth, employment, exchange rates, freights, petroleum prices, etc.)
- Wheat market

The differential between rice and cereal prices still well-above pre-2007 levels



Uncertainties & Challenges

MEDIUM TERM

- Policy environment – Return to self sufficiency policies? Also, regional trade agreements and WTO Doha Round
- Resources: land, water, labour, capital – Land and water grab?
- Climate Change
- Technology – a new green / agronomic revolution?

GM rice in the commercial, regulatory and advanced R&D pipeline

Developer:	Product name:	Event name/genes:	Trait:	Unique identifier:
Rice events authorised in at least one country but not yet commercialised anywhere				
Bayer CropScience	LibertyLink	LLRICE62 *	Herbicide tolerance (to glufosinate)	ACS-OSØØ2-5
Rice events in the regulatory pipeline in at least one country				
n/a (China)	n/a	Bt63 * #	Insect resistance	n/a
n/a (China)	n/a	KMD1 * #	Insect resistance	n/a
n/a (China)	n/a	Xa21 * #	Disease resistance (against leaf blight)	n/a
n/a (Iran)	n/a	B827 * #	Insect resistance	n/a
Rice events at advanced stages of R&D				**Possible commercialisation**
IRRI (Philippines)	Golden Rice 1	n/a	Crop composition (beta-carotene cont.)	2011
Bayer CropScience	n/a	n/a	Herbicide tolerance	2011-13
Bayer CropScience	n/a	n/a	Insect resistance	2011-13
n/a (China)	n/a	Bar68-1	Herbicide tolerance (to glufosinate)	2012
IRRI (Philippines)	Golden Rice 2	n/a	Crop composition (beta-carotene cont.)	2012
n/a (India)	n/a	CP iORF-IV	Virus resistance	2012
n/a (India)	n/a	RTBV-ODs2	Virus resistance (to tungro bacilliform)	2012
n/a (India)	n/a	chi11 tlp	Disease resistance	2013
n/a (India)	n/a	cry1Ac	Insect resistance	2013-15
n/a (India)	n/a	cry1Ab, cry1C & bar	Insect resistance	2013-15
n/a (India)	n/a	Glyoxalase I and II	Abiotic stress tolerance (to salinity)	2015+
n/a (India)	n/a	Osmotin	Abiotic stress tolerance (to drought)	2015+
n/a (Indonesia)	n/a	Bacillus thuringiensis **	Insect resistance	2015+
n/a (Pakistan)	n/a	Bacillus thuringiensis **	Insect resistance	2015+

Source: Alexander J. Stein and Emilio Rodriguez-Cerezo. *The global pipeline of new GM crops - Implications of asynchronous approval for international trade*. European Commission: Joint Research Centre. Institute for Prospective Technological Studies.

F A O
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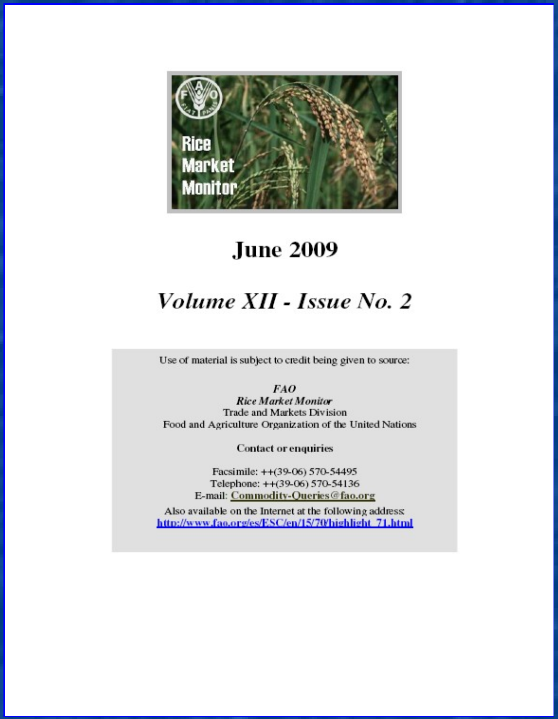
More extensive information in the FAO Rice Market Monitor and Food Outlook



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Food and Agriculture Organization of the United Nations

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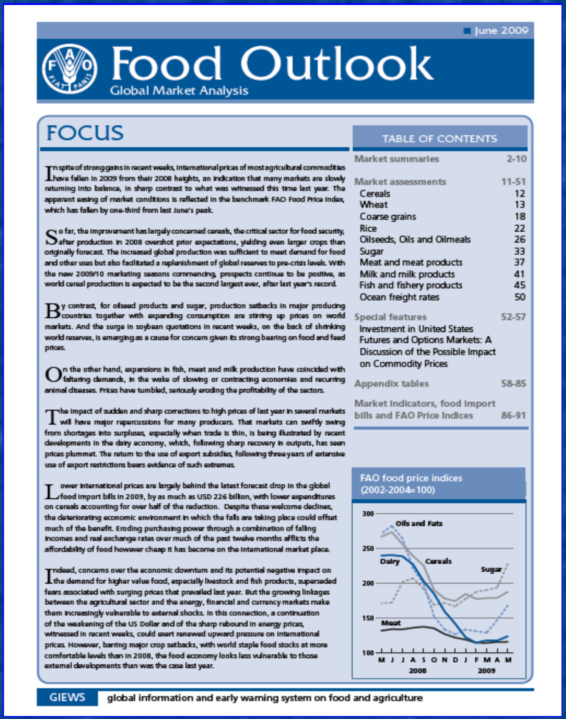

June 2009

Food Outlook

Global Market Analysis

FOCUS

In spite of strong gains in recent weeks, international prices of most agricultural commodities have fallen in 2009 from their 2008 heights, an indication that many markets are slowly returning into balance, in sharp contrast to what was witnessed this time last year. The apparent easing of market conditions is reflected in the benchmark FAO Food Price Index, which has fallen by one-third from last June's peak.

So far, the improvement has largely concerned cereals, the critical sector for food security, after production in 2008 overshot prior expectations, yielding even larger crops than originally forecast. The increased global production was sufficient to meet demand for food and other uses but also facilitated a replenishment of global reserves to pre-crisis levels. With the new 2009/10 marketing seasons commencing, prospects continue to be positive, as world cereal production is expected to be the second largest ever, after last year's record.

By contrast, for oilseed products and sugar, production setbacks in major producing countries together with expanding consumption are stirring up prices on world markets. And the surge in soybean quotations in recent weeks, on the back of shrinking world reserves, is emerging as a cause for concern given its strong bearing on food and feed prices.

On the other hand, expansions in fish, meat and milk production have coincided with faltering demands, in the wake of slowing or contracting economies and recurring animal diseases. Prices have tumbled, seriously eroding the profitability of the sectors.

The impact of sudden and sharp corrections to high prices of last year in several markets will have major repercussions for many producers. That markets can swiftly swing from shortages into surpluses, especially when trade is thin, is being illustrated by recent developments in the dairy economy, which, following sharp recovery in outputs, has seen prices plummet. The return to the use of export subsidies, following three years of extensive use of export restrictions bears evidence of such extremes.

Lower international prices are largely behind the latest forecast drop in the global food import bills in 2009, by as much as USD 226 billion, with lower expenditures on cereals accounting for over half of the reduction. Despite these welcome declines, the deteriorating economic environment in which the falls are taking place could offset much of the benefit. Eroding purchasing power through a combination of falling incomes and real exchange rates over much of the past twelve months afflicts the affordability of food however cheap it has become on the international market place.

Indeed, concerns over the economic downturn and its potential negative impact on the demand for higher value food, especially livestock and fish products, superseded fears associated with surging prices that prevailed last year. But the growing linkages between the agricultural sector and the energy, financial and currency markets make them increasingly vulnerable to external shocks. In this connection, a continuation of the weakening of the US Dollar and of the sharp rebound in energy prices, witnessed in recent weeks, could exert renewed upward pressure on international prices. However, barring major crop setbacks, with world staple food stocks at more comfortable levels than in 2008, the food economy looks less vulnerable to those external developments than was the case last year.

TABLE OF CONTENTS

FAO food price indices (2002-2004=100)

GIEWS global information and early warning system on food and agriculture

World Food Situation

at http://www.fao.org/worldfoodsituation/

This portal offers latest information on food commodity prices, supply and demand and factors that affect world food markets

Thank you

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