



Economics and the International Year of Rice

By the end of the 1990s, global rice production had reached 400 million tonnes in milled equivalent. Developing countries account for 95 percent of this total, and China and India alone for more than 50 percent.

Global trade in rice grew at 7 percent a year throughout the 1990s, to reach 25 million tonnes. Again developing countries account for most of this figure, with 83 percent of total exports and 85 percent of total imports.

Rice has a key role in food security, and so it is subject to much government intervention aimed at supporting domestic rice producers. Trade measures are also widely used to protect domestic rice markets.

Although there is considerable scope for liberalization of the rice market, governments are often reluctant to loosen their control over the sector because of its importance for food security, income generation and political stability.

EXPORTERS AND IMPORTERS

Developing countries are the main players in world rice trade, with shares of 83 percent of total exports and 85 percent of total imports. The concentration is particularly high on the export side, since five countries (Thailand, Viet Nam, China, the United States and India) supply about



THE SITUATION

Throughout the 1990s, global rice production was expanding at rates that were marginally higher than those of population growth. By the end of the decade, it had reached some 400 million tonnes in milled equivalent. Developing countries account for 95 percent of this total, and China and India together are responsible for more than half of global output.

World trade in rice expanded at an average rate of 7 percent a year during the 1990s, to reach about 25 million tonnes. Despite such dynamic growth, the international rice market remains thin, accounting for only 5 to 7 percent of global output. Unlike the markets for other bulk commodities, the international rice market is segmented into a large number of varieties and qualities. Ordinary *Indica* rices are the most commonly traded, and accounted for some 80 percent of international flows at the end of the 1990s. These are followed by aromatic (Basmati and fragrant rices) at 10 percent, and medium and glutinous rices at 9 percent and 1 percent, respectively. International prices for rice have been under strong downwards pressure since 1997–1998, reflecting sustained growth in production combined with weak overall demand.

FIGURE 1. Global rice production and consumption

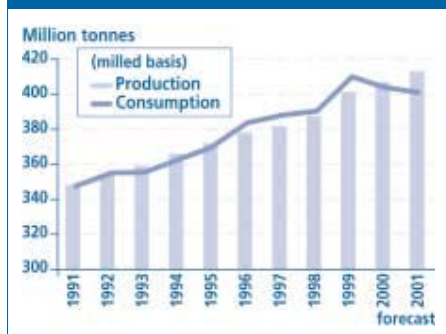


FIGURE 2. Major rice producers (1998–2000)

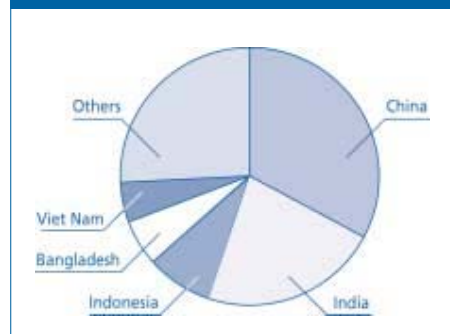


FIGURE 3. Major rice exporters and export shares (1998–2000)

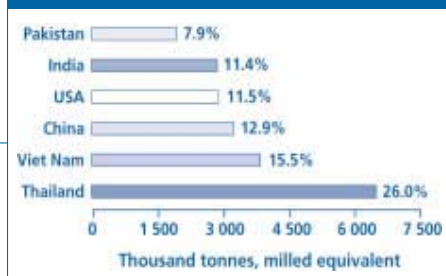
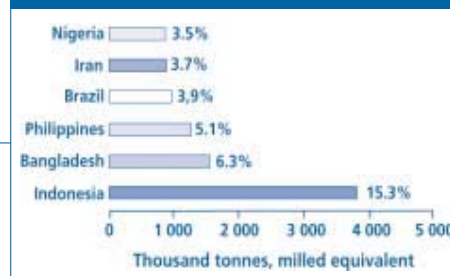


FIGURE 4. Major rice importers and import shares (1998–2000)



three-quarters of the trade. This contrasts with the fragmentation of import markets and the wide year-to-year variations in purchases made by individual countries.

In the 1990s, Brazil, Indonesia, Saudi

Arabia, Iraq and the Islamic Republic of Iran were among the major destinations for the rice trade. At the same time, imports by African countries surged, providing a major stimulus to trade.



PRODUCER PROTECTION

Because of its key role for food security, rice is one of the commodities that remains widely subject to government intervention.

In developing countries, support to producers is mainly channelled through research in improved or hybrid rice varieties, investments in irrigation, preferential credits, extension and the distribution of improved seed.

In developed countries, much assistance to the sector is conveyed through direct payments to producers and through minimum prices. Governments also take action to stabilize market prices through procurement purchases, management of stocks, and trade measures.

In general, the involvement of the public sector in paddy processing and rice distribution to consumers has become more limited.

However, a few governments still demand that millers purchase paddy at a pre-determined price and establish the mark-up at each stage of the marketing chain, while others are directly

involved in rice distribution at fixed retail prices.

Trade measures are widely used to protect domestic rice markets. As well as the relatively high tariffs that are bound by the World Trade Organization (WTO), rice imports are often subject to special safeguards in countries' schedules.

The role of state firms in managing international rice flows is also important, although such firms no longer hold monopoly privileges and now share the functions to trade with the private sector.

Many commercial transactions are conducted through government-to-government deals. Restrictions on exports of paddy or husked rice are frequent, reflecting an endeavour to promote domestic rice processing.

Many governments maintain minimum food reserves for food security. In addition, those countries that are engaged in rice distribution schemes and producer price support usually hold large rice inventories in public stores.

FIGURE 5. Global rice trade volume and share in global production

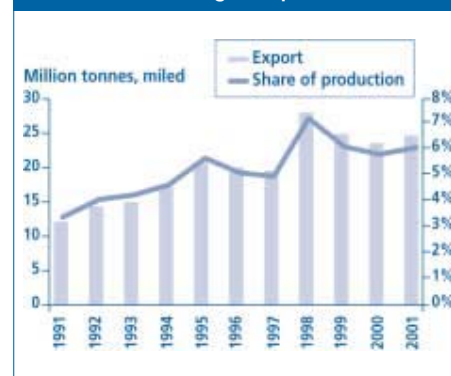
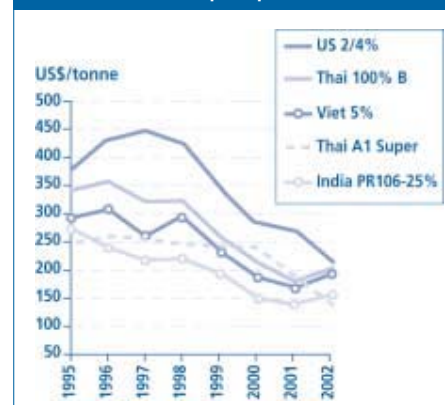


FIGURE 6. Export prices for rice



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THE FUTURE

Because rice continues to be one of the most protected traded commodities, it presents considerable scope for further market liberalization. However, because of its importance for food security, income generation and political stability, governments are often reluctant to loosen their control over the sector. Moreover, rice is at the core of the concepts of food security and multi-functionality that a number of countries are promoting for consideration in the ongoing round of multilateral trade negotiations.



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