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Rice sector

1. Background and key issues

High global prices and rising consumer demand for rice in ACP countries have stimulated intensified government efforts to promote rice production. In some instances highly ambitious targets have been set, with a certain amount of success achieved in expanding production. However, given rapidly expanding demand in some countries, self-sufficiency rates have fallen. This is particularly the case in West Africa, where consumption growth exceeds production growth in many countries, leading to increased imports. Divergent trade policies and national objectives for the expansion of domestic production greatly complicate regional rice trade policy formulation in West Africa.

During 2012/13, global rice prices were “unusually stable” compared to the volatility in other cereals markets. In the EU a managed rice trade regime has been retained, allowing:

- duty-free imports of nine varieties of husked basmati rice from India and Pakistan with no quantitative limits;
- variable duties to be maintained on country-specific tariff-rate quotas (TRQs) for other varieties, with import licences that enable careful management of import volumes and prices.

EU production is further supported by a system of direct aid payments to rice farmers equivalent to €177/tonne (for details see *Agritrade* special report ‘The EU’s agricultural policy toolbox: A sector-by-sector review’, Section 6, 13 December 2011).The use of this sophisticated TRQ system to manage EU rice markets allows imports to grow to meet expanding EU demand, while at the same time sustaining and promoting domestic EU production.

Nevertheless, continued growth in consumption will pave the way for increased

EU rice imports to 2022. ACP exporters, however, are poorly placed to capitalise on this trend, unless by targeting quality-differentiated rice market components. New EU maximum intake levels for cadmium, which is found in rice, could potentially further reduce the commercial attractiveness of the EU market, which has already been substantially eroded by the shift away from price support to direct aid payments in the EU rice sector.

Caribbean rice exports to the EU have fallen substantially following EU rice sector reforms, with Venezuela and regional markets rising in importance. Across the Caribbean, efforts continue to boost rice production, with some success, but often pose challenges in the efficient management of government rice sector support measures.

In the Pacific, efforts continue to boost rice sector investment and production, but with a more cautious approach to linking trade concessions to investment commitments now apparent.

2. Latest developments

Global rice sector developments

Although the global maize and wheat markets in 2012 were strongly affected by drought in the USA, Eastern Europe and Central Asia, global rice production increased for the eighth consecutive year, marginally surpassing 2011 volumes. Once again, production exceeded consumption, increasing the stocks-to-use ratio.

Large government purchases to replenish stocks in Asia, combined with lively purchases of rice by African countries and the price effects of drought on other cereals markets, collectively served to support rice prices during 2012, despite growing global rice stocks. This resulted in a growth of world trade in 2012. Price trends in 2012 fluctuated across varieties, with prices falling in five categories and rising in nine categories monitored by FAO, with this trend continuing into 2013. Overall the EC described global rice markets as being "unusually stable in 2012".

Nevertheless, rice prices over the last year have remained vulnerable to public policy measures in major producing countries (e.g. India, Thailand and China).

"Rice prices last year remained vulnerable to public policy measures in major producing countries"

For example, a farmer-support programme involving stockpiling in Thailand affected rice export levels, while in August 2012 the Indian government began exploring "additional market control measures… to keep domestic prices in check", given fears over production levels (see *Agritrade* article 'Rice prices stable despite possible Indian policy measures', 8 October 2012). Global rice prices began to rise from October 2012, despite the declines in maize prices at this time.

According to FAO, "the preliminary outlook for production in 2013 is positive", with global trade expected to stabilise, following growth of 15% in 2012 compared to the average for 2009–11.

While efforts to boost rice production in Africa enabled a 4.8% increase in 2012, consumption growth continued at a high rate (+3.9%). Per capita consumption in 2012/13 is projected to be 8.6% above the average for the period 2008/09–2010/11, while in major West African markets this expansion of per capita rice consumption has been even more pronounced, with an 18.2% and 15.9% expansion in Côte d'Ivoire and Nigeria since 2008–11.

These trends saw Africa emerge as "an important driver of 2012 trade in rice, taking 13 million tonnes of rice" – 10% more than in 2011, and over one-third of all rice imported globally in 2012 (see Table 1). This was driven by shortfalls in domestic production, pending policy changes and governments efforts to take advantage of relatively favourable prices.

Table 1: World rice imports and for selected African countries ('000 tonnes, milled equivalent)

	2008–10 average	2011	2012 estimate	2013 forecast
Africa	**9,700**	**11,800**	**13,000**	**12,500**
Côte d'Ivoire	900	1,100	1,200	1,300
Nigeria	2,000	2,400	2,800	2,500
Senegal	800	800	900	800
South Africa	800	900	1,200	1,200
World imports	**30,300**	**36,300**	**37,800**	**37,000**

Source: FAO, Rice Market Monitor, Table 2: World rice imports (milled basis), January 2013, http://www.fao.org/docrep/017/aq144e/aq144e.pdf

EU rice sector developments in 2012/13

In terms of overall EU rice production, despite initial estimates of a 4% decline in EU rice production in 2011/12, revised figures showed a 2% increase in usable production, with this being consolidated in 2112/13. This occurred following a 1% increase in the area under rice, which "reached a new record". While in recent years per capita consumption of rice in the EU27 had been showing steady growth, in 2011/12 overall EU rice consumption fell by 3.6%, with a projected 1.6% recovery in 2012/13.

Table 2: EU rice sector overview ('000 tonnes, milled equivalent)

	2009/10	2010/11	2011/12	2012/13 estimate	2013/14 estimate
Usable production	1,937	1,847	1,885	1,891	1,711
Total domestic EU use	2,532	2,643	2,556	2,595	2,561
Imports	905	980	864	860	900
Exports	209	217	170	150	100

Source: EC, 'EU market rice supply and demand – 2009/10 to 2013/14 (in thousands tonnes, milled equivalent)', EC, 31 May 2013

The EU's rice trade regime has allowed EU rice imports to increase, while at the same time sustaining EU rice production.

"The EU's rice trade regime has allowed imports to increase, while sustaining EU rice production"

The regime accommodated the decline in rice consumption in 2011/12, seeing imports fall by 11.8%. This lower level of imports is projected to be sustained into 2012/13.

However, the overall picture masks divergent trends between production and trade in japonica and indica rice varieties. Since the 2008/09 season, between 61 and 69% of EU rice production has been of the japonica variety, with imports equivalent to between 6 and 7.6% of EU japonica production. EU rice imports are primarily of the indica variety (between 91 and 93%), with imports equivalent to between 114 and 138% of domestic EU production of indica rice. Since 2009/10, EU production of japonica rice has exceeded domestic EU demand, giving rise to increased volumes of EU exports of japonica rice, peaking at 183,000 tonnes in 2010/11 (see *Agritrade* article 'EU rice market developments and prospects', 22 April 2013).

The EU's position as a rice exporter has changed since 2010/11, with exports falling by a projected 54% by 2013/14. This suggests a widening EU rice trade deficit in the coming years.

The EU's rice sector reforms have been successful in expanding the area under rice, while allowing imports to increase in response to growing consumer demand.

Future prospects and emerging issues in the EU rice sector

Continued growth in EU rice consumption is projected, reaching 3.2 million tonnes in 2022, 23% higher than in 2011. EU rice production is projected to increase only gradually to 1.8 million tonnes, with rice imports increasing by over 50% to 1.5 million tonnes by 2022. While this would appear to open up opportunities for ACP rice exporters, the policy shift in the EU to decoupled direct aid payments and elimination of the market prices support function of intervention buying means that the commercial attractiveness of EU markets for traditional Caribbean rice exporters has been greatly reduced. Imports of ACP rice fell from 95,000 tonnes in 2010 to 42,000 tonnes in 2011, despite the granting of full duty-free, quota-free access.

"The EU's rice trade regime has allowed imports to increase, while sustaining EU rice production"

Meanwhile, EU rice producers have been expressing growing concerns over trends in EU trade arrangements for rice, including:

- new rice import quotas agreed under both the EU's Andean Pact and Central American free trade area (FTA) agreements (34,000 tonnes and 20,000 tonnes respectively, but with built-in annual increases in the TRQs);
- the potential rice provisions of an EU–India FTA (India accounts for nearly one-third of EU rice imports) and the scope for similar arrangements under the EU–Vietnam FTA;
- the moves initiated in September 2012 to reinstate Myanmar as a beneficiary of the 'Everything But Arms' (EBA) arrangement. In the first years of the application of full duty-free, quota-free access under the EBA, rice imports from the least developed countries (LDCs) grew rapidly, before stabilising at 99,000 tonnes in 2011/12. The application of duty-free, quota-free

access to Myanmar could initiate an upsurge in rice imports under the EBA.

Despite these developments there are likely to be increased market opportunities in the EU for exports of quality-differentiated rice varieties. Traditional ACP rice exporters (mainly Guyana and Suriname) are seeking to exploit this trend.

Regardless of the recent dramatic decline in exports, after 2016 – with the surplus in EU japonica rice production – EU rice exports are projected to return to the 200,000 tonne level.

In 2012 greater attention was paid to the development of plans regarding new maximum intake levels for cadmium, which is often found in rice. EU rice sector stakeholders have expressed concerns that the European Food Safety Authority maximum tolerable weekly intake level was "half that calculated by the FAO/WHO", with the Codex Alimentarius scientific committee having "rejected a further revision of cadmium levels". It was estimated that the new levels could lead to between 6 and 10% of EU rice production being found non-compliant with the new proposed maximum levels, and was maintained that the new levels would impose "significant additional costs for food business operators". However, there were calls for the EC to lower "the existing maximum cadmium level in rice" and for steps to be taken to "reduce cadmium levels in foodstuffs". ACP rice exporters may need to pay increased attention to this issue if they are to continue to have an export interest on EU markets.

The 2013 round of EU Common Agricultural Policy (CAP) reforms is not expected to bring about any significant change in the EU rice regime.

Rice sector developments in West and Central Africa

Consumer demand for rice in West and Central Africa is growing strongly, reflecting long-terms shifts in dietary patterns.

"Consumer demand for rice in West and Central Africa is growing strongly"

In major markets such as Nigeria and Côte d'Ivoire, per capita rice consumption in 2012/13 was projected respectively at 18.2 and 15.9% higher than the average for 2008–2011. This growing consumer demand potentially increases opportunities for domestic rice production. However, in Ghana urban consumers show a marked preference for imported rice, with perfumed rice growing in popularity and now accounting for 81% of imports.

Across the region governments are encouraging the development of rice production. Impressive production gains have been made in a number of large rice producing economies (Guinea +60% and Mali +82%), while output has doubled and tripled in recent years in countries with smaller levels of rice production. However, low productivity and high processing and marketing costs hamper the competitiveness of local rice on the regional market. As a basis for improving production practices and ensuring comprehensive and coherent rice sector policies (particularly on research and development linked to evolving consumer tastes), stronger organisation of rice producers would appear to be essential across the region. To date, with the exception of Burkina Faso, consistent underattainment of production targets has been apparent.

Table 3: Paddy rice production in West and Central Africa ('000 tonnes)

	2007/09 average	2010	2011 estimate	2012 forecast
Western Africa	**9,600**	**12,900**	**12,200**	**13,100**
Côte d'Ivoire	700	700	700	700
Guinea	1,500	1,600	1,800	1,900
Mali	1,600	2,300	1,700	2,400
Nigeria	3,400	4,500	4,600	4,200
Sierra Leone	700	1,000	1,000	1,100
Central Africa	**500**	**500**	**500**	**500**

Source: FAO, Rice Market Monitor, November 2012

In September 2012 the Economic Community of West African States (ECOWAS) announced the launch of its "regional offensive for sustainable rice production in West Africa" (see *Agritrade* article 'Rice sector trends in West Africa', 23 June 2013). In the context of the final agreement on the ECOWAS/West African Economic Monetary Union (WAEMU) common external tariff (CET), the regional farmers' organisation ROPPA has expressed concern over the low level of tariff protection proposed for rice (10%). The ECOWAS Trade Commissioner, however, states that agreed tariff levels were reasonable and that "agricultural products should not be too protected", with the focus needing to be on improving competitiveness (see *Agritrade* article 'ECOWAS CET finally adopted while producer organisations raise concerns', 22 April 2013).

Although overall rice production in 2012 bounced back strongly from poor 2011 production levels, the situation varied from country to country, with a broadly stable level of production in Central Africa and divergent trends in West Africa.

According to FAO, Burkina Faso, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Senegal and Sierra Leone all harvested larger crops (although in the case of Côte d'Ivoire this has fallen well below targets set in 2008). Particularly strong production growth occurred in Mali (+36%) and Senegal (+61%). In contrast, falls in production occurred in Benin, Chad and Nigeria, where flooding has set back government plans to expand rice production.

Despite these production gains, the West and Central African regions remain dependent on rice imports (mainly from Thailand, but increasingly Vietnam) for almost half of their consumption. FAO suggest that by 2012/13 imports of rice in Nigeria, Côte d'Ivoire and Senegal will have increased by 29% compared to the average for the period 2008–11.

In 2012 Burkina Faso, Chad, Gambia, Liberia, Mali, Madagascar, Niger and Senegal all expanded their rice imports, either in response to production shortfalls or in an effort to take advantage of favourable prices. In the case of Nigeria, however, scheduled increases in import tariffs also drove a large-scale increase in rice imports in 2012.

Summary of the main rice sector policy measures adopted in 2012

In the course of 2012, governments in West Africa adopted the following rice sector policy measures:

Nigeria:
• May: a benchmark price of US$699/tonne was set for customs valuation for the second and third quarters of 2012;
• October: the government announced the application of a 10% duty and 100% levy on imports of husked and milled/semi-milled rice from 1 January 2013; and the establishment of a seed distribution programme to help with post-flood recovery.

Mali:
• June: the suspension of VAT and import duties on rice was extended until August, with ceiling prices for rice at wholesale and retail level being established at US$621 and 670 respectively.

Ghana:
• October: the guaranteed price for the 2012/13 season was raised by 25% to Ghanaian cedi 50/85kg bag (US$307/tonne).

Côte d'Ivoire:
• April: ceiling prices were instituted for rice imports, ranging from US$585 to 881/tonne depending on varieties;
• August: import duties and taxes on rice were suspended for 3 months;
• September: the government announced a US$3.9 billion programme to distribute inputs, improve yields and rehabilitate infrastructure for rice and cocoa growers.

While FAO expects Nigerian rice imports to decline in 2013, the US Department of Agriculture (USDA) expects a substantial increase. There remains considerable uncertainty as to the actual rice sector trade position in Nigeria, with policy measures expected to lead to an expansion of smuggling (see *Agritrade* article 'Rice imports surge as higher tariffs imminent', 15 April 2013). The Rice Millers, Processors and Dealers Association of Nigeria (RiMIDAN) claims that the activities of rice smugglers are "undermining government's policies and programmes directed at boosting local food production". The Nigerian Federal Parliament has called for more effective action to curb rice smuggling (see *Agritrade* article 'Benin rice sector aspirations and regional trade realities', 6 April 2013).

The Nigerian Minister of Agriculture maintains that government policies have encouraged investment in rice production, with new locally produced high-quality varieties now appearing on the Nigerian market. Government plans include a progressive increase in rice import duties, culminating in a complete ban on rice imports by 2015. The policy aim is to establish "the full industrial capacity to mill internationally competitive quality rice". Nigerian farmers' representatives maintain that it is possible to achieve national self-sufficiency if the current "poor access to inputs such as fertiliser and credit facilities" can be addressed. Plans are in hand to extend technical assistance to farmers' cooperative groups to provide a vehicle for the management of working capital loans to address the current situation.

The problem of smuggling is likely to become increasingly complicated in the ECOWAS context, with Benin aiming for rice self-sufficiency by 2015 and to export to the regional market thereafter. According to USDA, already "an estimated 75% of the [rice] production in northern Benin leaves the country as traders from Niger and Nigeria offer higher prices and faster cash payments." Other sources suggest that "approximately two-thirds of locally grown rice paddy is sold to Nigerian traders", with this in part reflecting the preference of Beninese consumers for imported fragrant rice over local varieties. In addition, it is reported that "Nigerian traders buy much of the imported rice", nearly half of which is informally traded into Nigeria (approximately 100,000 tonnes out of the 200,000 tonnes imported into Benin), although only 50,000 tonnes of rice exports are officially recorded.

Looking beyond Nigeria, Benin, Burkina Faso, Cameroon and Niger are all forecast to import more rice in 2013. Furthermore, the introduction of duty exemption in Liberia in January 2013 is projected to increase the country's rice imports, while Ghana's rice imports are expected to stabilise.

"Rice tariffs vary considerably across West and Central Africa, posing challenges for regional market integration"

Given that rice tariffs vary considerably across West and Central Africa, this poses challenges for regional market integration, particular in the context of efforts to pursue self-sufficiency in rice.

The current Nigerian ban on rice imports over land borders is in part a response to the lack of harmonised rice sector trade policies.

Rice sector developments in Southern and Eastern Africa

In Southern and Eastern Africa, Madagascar is by far the largest consumer and producer of rice, with rice being the single most important agricultural sector. While production increased significantly between 2003 and 2010, in the past two seasons poor rains have resulted in a 17% decline in production since 2010. A number of efforts to develop the country's rice sector have been implemented since 2009, but these have been undermined by the political crisis and the resultant suspension of international cooperation and funding.

Elsewhere significant efforts are being devoted to expanding production, particularly in the regions of the Horn and the East African Community (EAC).

Rice production more than doubled in Ethiopia between 1997 and 2010, with significant gains in productivity and area under cultivation since 2006. In 2009 a national rice development strategy was launched with the aim of increasing rice production eightfold by 2019.

"Significant efforts are being devoted to expanding production, particularly in the Horn and EAC"

Similar efforts to boost rice production are under way in the EAC. Tanzania is the largest EAC rice producer, with around 80% of production. A 64% increase in land under rice took place between 1997 and 2010, with production doubling, and a self-sufficiency ratio of 84.5% being reported in 2010. Tanzanian rice yields, however, remain low by regional standards and vulnerable to poor rains. This has meant that despite the launching of a national rice sector development strategy in 2010, production for 2012 reportedly fell some 23% below the already poor production levels attained in 2011 – the smallest harvest since 2004, driving a dramatic increase in Tanzanian rice imports in recent years.

At the policy level, USDA has raised concerns over "inefficiencies along the rice value chain", which it is held may

Table 4: Paddy rice production for Southern and Eastern Africa and for selected countries ('000 tonnes)

	2007–09 average	2010	2011 estimate	2012 forecast
Eastern Africa	**1,800**	**2,200**	**2,000**	**1,700**
Tanzania	1,300	1,700	1,500	1,100
Southern Africa	**4,400**	**5,200**	**4,800**	**4,500**
Madagascar	4,000	4,800	4,300	4,000
Mozambique	200	300	300	300

Source: FAO, Rice Market Monitor, Table 1: World rice imports (milled basis), January 2013, p. 33, http://www.fao.org/docrep/017/aq144e/aq144e.pdf rice value chain", which it is held may limit production expansion in Tanzania to slightly below national consumption levels, despite Tanzania's potential to supply wider regional rice markets (based on the Tanzanian area devoted to rice and the attainment of Rwandan level yields). This is partly attributed to the disincentive to the development of regional rice supply chains arising from the government's periodic introduction of rice export bans on national food security grounds.

Particular opportunities for trade with Kenya are seen to exist, since in Kenya only 20% of national needs are met from domestic production, while consumption has been increasing at 12% per annum in recent years. Nevertheless, the Kenyan national rice development strategy has aspirations to increase rice production by 138% by 2018, with the bulk of this expansion based on expansion and rehabilitation of existing irrigated rice projects.

In Rwanda, expanding rice production is accorded a high priority, with substantial progress having been made. Between 1997 and 2009 the area under rice increased by a reported 346%, with yield increases of 60%, resulting in a tenfold expansion of production. The policy aim is to attain rice self-sufficiency by 2015–17. However, intensive mono-cropping of rice is increasing pests and diseases to "alarming levels", according to some reports.

In Uganda between 1997 and 2010, rice production grew by 162%, with rice production by 2010 covering 70% of the national requirement of 200,000 tonnes. This expansion was based on the release of improved rice varieties since 2002. Yet, demand is growing rapidly at 3.2% per annum.

Some common challenges faced in rice production across Eastern Africa

Common problems identified across many areas of Eastern Africa which need to be addressed include:

- poor access to improved seed varieties;
- lack of awareness of enhanced rice farming practices, particularly in preventing the emergence of increased pest and disease risks and in post-harvest handling to reduce losses;
- lack of sustainable strategies for farmer organisation and service delivery;
- lack of investment in increased irrigation to reduce vulnerability to droughts;
- lack of access to credit and investment capital;
- current inadequacies in marketing and business linkages along rice supply chains;
- lack of harmonised quality standards to facilitate regional trade;
- trade policy uncertainties linked to periodic use of export and import restrictions

There would appear to be considerable scope for the development of regional trade, with USDA analysis highlighting the wide variety of rice types produced in East Africa for different market components.

"There appears to be considerable scope for the development of regional trade in Eastern Africa"

For example, Kenyan growers are reportedly producing "a high-yielding and non-aromatic variety for the Ugandan market, as well as for the 'mixed' rice (lower quality) market in Kenya". Kenya is thus involved in the regional rice export trade, although it also requires a national import quota of 300,000 tonnes at a reduced duty (35%), which is below the agreed EAC CET. The granting of national reduced duty quotas can be seen as complicating free trade in rice within the EAC (given fears that can arise over the origin of traded rice) and the development of regional rice supply chains.

The reduced duty quota forms part of the EAC trade regime for rice, which has had a CET of 75% in place since 2005. This high tariff is maintained because locally milled rice is at present uncompetitive with imports, and faces quality challenges. Given the reduced production in 2012 and a consequent increase in rice import requirements in 2012/13 (150,000 tonnes), Tanzania is seeking a similar duty exemption.

These special national exemptions to the EAC CET undermine efforts to promote the free flow of rice across the EAC region and can be seen as undermining the development of intra-regional supply chains.

Beyond the EAC, in Mozambique at least 64% of expanding rice consumption is met from imports, although sustained efforts are under way to expand domestic production. Most rice production in the country is for household consumption, with only around 10% being marketed. Expanding and integrating smallholder production into commercial networks is accorded a high priority. In 2012 Mozambique enjoyed a record rice harvest, although poor weather conditions in 2013 are forecast to hold back continued growth in production.

A major development in the region in 2012 was the reported surge in South African rice imports (up by one-third). While this reflects rising South African consumption of rice, with high prices for rice substitutes such as corn and wheat, it could also reflect a growing transit trade to neighbouring Southern African Customs Union (SACU) and Southern African Development Community (SADC) countries.

It was also reported in 2012 that experimental production of rice in Namibia had been successfully initiated. Further investment in the production, processing, storage and marketing of rice is now expected.

Rice sector developments in the Caribbean and the Pacific

In the Dominican Republic – the Caribbean region's largest rice producer – output growth of 2% to 850,000 tonnes (561,000 tonnes, milled basis) is foreseen, "reflecting continued expansions in [the] area planted to paddy". At the policy level the government of the Dominican Republic is reported to be planning to "overhaul the national warehouse receipts programme (Programa Nacional de Pignoración), amid concerns over its financial sustainability". The Dominican government allocated US$21 million of the 2013 budget to the scheme, with the aim of providing "price stability at harvest time".

Neighbouring Haiti is estimated to have harvested "115,000 tonnes (77,000 tonnes, milled basis) in 2012, 4% less than in 2011". Haitian imports are expected to be "around 370,000 tonnes, largely stable if compared to 2012". Although traditionally Haiti has sourced its rice from the USA, a new government-to-government agreement with Vietnam is expected to provide up to 300,000 tonnes of rice annually on preferential terms. This could compound the disruptions to the intra-regional rice trade in the Caribbean that occurred after the earthquake in Haiti in 2010.

> *"Since the initiation of EU rice sector reforms, Venezuela has become the major export market for Guyanese rice"*

This would primarily affect Guyana where, according to press reports, rice production in 2012 will increase by 4.5% compared to 2011 production levels, which were themselves 11% above levels in 2010. This will enable an expansion of Guyanese rice exports in 2012 to 334,000 tonnes. However, these exports will not go to traditional EU markets, where exports have been on a downward trend since the initiation of EU rice sector reforms. Venezuela is now the major export market for Guyanese rice, accounting for approximately 60% of total rice exports. Efforts continue to maintain exports to traditional markets in the EU and to neighbouring CARICOM countries such as Jamaica and Trinidad.

Guyana's government has aspirations to increase rice production to 500,000 tonnes by 2015, and is introducing an aromatic rice variety as part of a strategy to target niche markets, since aromatic varieties can attract prices three to five times higher than standard rice prices.

According to the WTO Secretariat, Suriname's rice production increased by 43.5% between 2005 and 2011 on a fairly steady basis. Rice is the most important agricultural crop in Suriname, with a Rice Commission having been established in 2010 to boost production and exports. However, yields have recently been affected by fertiliser shortages attributed to shortcomings in government-run fertiliser distribution programmes.

According to USDA, the government of Jamaica intends to continue with its efforts to develop rice production, with the aim of supplying 15% of national needs (some 100,000 tonnes). This involves placing an initial 500 acres under rice, with a further 1,500 to be developed. It should be noted that in 2008 similar plans were launched, to produce up to 25% of national requirements. Currently an agreement exists to purchase 60,000 tonnes of rice per annum from Guyana.

In the Pacific the principal development in the rice sector in 2012/13 was the announcement in Papua New Guinea (PNG) of the abandonment of plans to create a de facto rice import monopoly, as part of a major rice investment scheme.

> *"The PNG government has abandoned plans to create a de facto rice import monopoly as part of a major rice investment scheme"*

In November 2012 the Minister of Agriculture rejected proposals to create a monopoly import arrangement linked to the planned major investment. This followed "growing opposition from parliament and the business community" – particularly from the main rice sector company, Trukai Industries.

In April 2013, press reports in the Philippines indicated that efforts were under way to negotiate a PNG–Philippines cooperation agreement that would provide support to rice sector development in exchange for access by the Philippines to PNG's fishing grounds. According to Filipino officials, a technical cooperation agreement would open up "opportunities for Filipino rice millers, farm machinery makers, hybrid rice seed breeders and manufacturers of other agriculture technology".

Elsewhere in the Pacific, the Fijian Ministry of Agriculture announced in September 2012 that it was seeking technical assistance from China to boost rice production from the current low level of 7,600 tonnes. Local analysts have expressed scepticism over the initiative, pointing out that before the regime launched its last rehabilitation effort Fiji "consistently produced over 14,000 tonnes of rice a year".

3. Implications for the ACP

Reducing global rice price volatility by improving information flows

Given the vulnerability of international rice markets to public policy measures in major rice producing nations, ACP governments need to keep a close eye on policy development. The Agricultural Market Information System (AMIS) initiative, launched in the context of the G20, could potentially play a useful role in calming markets, particularly if major rice producers such as India and Thailand actively participate in the information sharing exercise.

A managed trade regime to sustain and promote rice production

The EU experience highlights the role that trade policy can play in sustaining and promoting rice production while maintaining openness to imports to meet expanding consumer demand. ACP governments seeking to promote rice production can potentially learn from this experience, in terms of reconciling the promotion of increased national production with the need to meet rising consumer demand.

However, this will first require the creation of efficiently functioning regional markets that are transparently and accountably managed. This is essential if investment in the development of rice production and intra-regional rice supply chains is to take place. Progress in this regard currently varies greatly across ACP regions.

It will of course also require the adoption of harmonised approaches to addressing production constraints that undermine regional price competitiveness and processing and marketing constraints that undermine the acceptability of regionally produced rice for regional consumers. This could build on existing programmes such as the Coalition for Africa Rice Development (CARD) initiative.

Reviewing best practice

Taking into account the different approaches to rice sector development being adopted in Africa, a comparative evaluation of these experiences could provide valuable insight into the most effective ways of promoting competitive rice production. The CARD initiative could potentially provide a framework for such a comparative review.

In regions such as East Africa, experience to date suggests that heavy government involvement in actual crop production may not produce good results. However, where farmers play a leading role in organising themselves and engaging in first-stage processing and associated marketing activities, schemes tend to enjoy greater success. This suggests that the state could play more of a facilitating role, with a focus on regulating private sector business operation so that the interests of both consumers and existing primary producers are respected.

Getting to grips with intra-regional rice trade flows

To the extent that growing South African imports of rice reflect an expansion of the transit trade to neighbouring countries, this could potentially give rise to intra-regional trade conflicts, as governments in neighbouring countries seek to develop local production to meet growing local demand. This will need to be closely monitored, particularly when governments are negotiating tariff concessions in the context of retail sector investment by South African-based companies.

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About this update

This brief was updated in September 2013 to reflect developments since June 2012. Other publications in this series and additional resources on ACP–EU agriculture and fisheries trade issues can be found online at http://agritrade.cta.int/.

The Technical Centre for Agricultural and Rural Cooperation (CTA) is a joint ACP—EU institution active in agricultural and rural development in African, Caribbean and Pacific (ACP) countries. Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management.

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