Supply and demand for Mediterranean rice: Prospects for Mediterranean rice producers

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Résumé. *Cet article présente trois aspects de l'économie du riz dans la région méditerranéenne : la demande, les perspectives de production et les principaux atouts ou contraintes qui s'offrent aux producteurs. L'analyse est orientée vers les principaux pays producteurs du bassin méditerranéen : l'Egypte, la France, la Grèce, l'Italie, le Portugal et l'Espagne, et vers les plus importants pays importateurs.*

Abstract. This paper is centred on 3 areas: demand for Mediterranean rice; production prospects in Mediterranean countries for meeting such demand; and the main issues and constraints faced by producers growing rice in the Mediterranean region. It focuses principally on the main rice producing countries in the Mediterranean, namely Egypt, France, Greece, Italy, Portugal, Spain and the main countries consuming and importing rice from these countries.

I – Demand for rice

1. The main commercial markets for rice produced in Mediterranean countries are the EC members. Small quantities are also purchased by the Near East (Libya and Turkey) and Eastern European countries, such as Poland, the Czech Republic, the Slovak Republic and Hungary. The total size of the Eastern European market is relatively small. Some rice is exported to Africa, mainly as food aid. Virtually no rice is exported on commercial terms to the Far East.

1. The EC

2. Rice is not a major staple food in the EC. Its consumption, however, has been rising steadily since the mid-80s reaching a total of 1.5 million tons in milled equivalent in 1994/5. In 1995/96, with the expansion of the EC to include Austria, Finland and Sweden, rice consumption rose to 1.6 million tons (Table 1).

Table 1. EC: Rice consumption (milled equivalent/000 tons)

	Total rice	Indica rice
1985/86	1130.5	...
1986/87	1127.6	...
1987/88	1128.9	...
1988/89	1349.1	420.3
1989/90	1317.8	425.3
1990/91	1405.5	448.7
1991/92	1497.3	534.6
1992/93	1472.1	601.9
1993/94	1498.1	604.6
1994/95	1464.3	568.5
1995/96 (EC-15)	1594.3	629.0

... = Data not available

3. Traditional producers of rice in the EC, such as Italy, Spain, Portugal and Greece consume mainly Japonica rice although small quantities of Indica rice are also consumed. France, which also produces rice, consumes both Japonica and Indica although the popularity of the latter has risen over the years. In

non rice-producing EC countries, however, the preference is for Indica rice. The only exception is Austria where Japonica rice constitutes the main type of rice eaten (Table 2). Between 1988/89 and 1995/96, the consumption of Indica rice in the EC expanded by 50 percent. By contrast, the consumption of Japonica rice stagnated and, until Austria joined the EC in 1995, the consumption of Japonica rice had been declining.

4. Within the EC, the biggest consumers of Indica rice are the United Kingdom, France, and Germany. These three countries provide probably the largest potential market for rice, mainly because of a broadening of food preference in these countries, influenced in part by a growing immigrant population which has rice as its staple food. The Netherlands is also important; albeit a small market for rice because of its relatively smaller population, its demand has risen substantially. In 1995/96, demand for Indica rice in these four countries totalled 503 000 tons, compared to 382 000 tons in 1990/91, a 32 percent rise.

5. Most of the Indica rice consumed in these four countries is imported from outside the EC, mainly from non-Mediterranean producers, such as the United States, Thailand, and India. The importance of these countries as a source of supply vary substantially. India is an important supplier to the UK but not to Germany or France. The United States provides substantial quantities to most of these countries, with the exception of the Netherlands (Table 3). The Netherlands' main sources of rice supplies are Suriname and Guyana because of the special trade arrangements it has with these two countries. Rice imported from Suriname and Guyana via Curaçao (Netherlands Antilles) is exempt from EC's import duty and significant proportions of it are re-exported to other EC countries.

Table 2. EC: Indica and Japonica rice consumption 1995/96 [a] (milled)

	Indica consumption		Japonica consumption	
	Total (tons)	***Per caput* kg**	**Total**	***Per caput* kg**
United Kingdom	208,000	3.6	48,186	0.8
France	137,000	2.4	90,000	1.6
Germany	118,000	1.5	62,000	0.8
Portugal	36,000	3.7	109,000	11.1
The Netherlands	40,000	2.6	-	-
Italy	5,000	0.9	300,000	5.2
Belgium /Luxembourg	16,000	1.5	4,000	0.4
Greece	14,000	1.3	38,000	2.9
Spain	10,000	0.3	235,000	5.9
Denmark	8,505	1.6	7,895	1.5
Ireland	3,373	0.9	1,731	0.5
Austria	-	-	48,186	6.0
Finland	2,200	0.4	14,525	2.8
Sweden	30,000	3.4	5,000	0.6
EC	**628,078**	**1.7**	**965,527**	**2.6**

[a] Preliminary

2. The Near East

6. In the **Near East**, Libya and Turkey are the main importers of rice from the Mediterranean producers. Total imports into these two countries are substantial, especially to Turkey, but the quantity they import from Mediterranean producers are relatively small compared to their total purchases. In the case of Turkey, the United States now provides the bulk of its import requirements although Egypt is also a significant supplier to the country.

3. Rice market characteristics

7. The market for Indica rice is not homogenous.

8. In the **United Kingdom**, consumer behaviour tends to be heavily segmented according to ethnic groups. The Asian population consumes mainly milled white rice. South Asians like long grain rice with a higher amylose content and harder gel consistency. Aromatic rice, such as Basmati, fetches a premium in these markets and is growing in popularity, accounting for about one-quarter of the retail rice market

by value. Southeast Asians prefer long grains with a slightly lower amylose content and softer gel consistency and they have less need for cooked rice grains to remain separate. Traditionally, Chinese from Hong Kong prefer a blend of rice with different degrees of amylose content to achieve the desired balanced cooking quality. See Mew from China, a rice with a very high amylose content and, when cooked, tending to be hard, is mixed with softer Thai and Australian rice. Jasmine rice (Dawk Mali) from Thailand, which has a soft consistency, fetches a premium for its fragrance and is often mixed with the Australian and Thai rice to impart the required aroma. In the UK, however, this partiality is somewhat moderated by the manner in which rice is served in restaurants. The delicate mixing of rice gives way to more generalised basic requirements: for steamed rice, the prerequisite is for a softer rice which remains fluffy and separate; for fried rice, a harder consistency is required. In the UK, the consumption of parboiled rice is relatively small and is mainly eaten by non-Asians.

Table 3. Imports by origin of selected countries, 1994 (000 tons milled equivalent)

To:	France [a]	Germany [b]	Netherlands [c]	Turkey	UK	Total
Fom:						
EC						
BEL/LUX	1.5	11.9	21.7		36.4	71.5
Denmark		0.1	0.7			0.8
France		3.2	3.8		8.4	15.4
Germany	1.0		4.8		3.1	8.9
Greece	1.4	0.1				1.5
Italy	99.3	70.3	53.9	6.4	54.3	284.2
Netherlands	3.0	10.7			75.4	89.1
Portugal				2.2	2.8	5.0
Spain	12.2	4.4	0.3	2.1	6.9	25.9
UK	2.7	0.8	0.5			4.0
Others:						
Aruba			5.7			5.7
Australia		0.8	1.8		9.1	11.7
Bulgaria				3.4		3.4
China [d]		0.9	0.6	23.3		24.8
Egypt				27.4		27.4
Fr. Guyana	1.3	6.4				7.7
Guadeloupe	0.1					0.1
Guyana	0.1	1.4	8.1		9.8	19.4
India	11.9	2.7	1.5		40.9	57.0
Madagascar			0.3			0.3
Neth. Antilles	6.0	12.1	116.2			134.3
Pakistan	0.4	0.2		1.3	6.2	8.1
Russia				11.3		11.3
Singapore			0.2			0.2
Sri Lanka	0.1					0.1
Surinam	0.9	9.5	6.5			16.9
Thailand	43.8	20.9	27.5	0.6	4.3	97.1
Turkey		0.1				0.1
USA	42.9	58.2	55.3	193.9	47.7	398.0
Vietnam	0.5					0.5
Others		0.4	0.5	1.7	1.9	4.5
Total	**229.1**	**214.7**	**309.4**	**271.9**	**305.3**	**1 330.4**
of which:						
. **EC**	**121.1**	**101.5**	**85.7**	**10.7**	**187.3**	**506.3**
. Others	**108.0**	**113.2**	**223.7**	**261.2**	**118.0**	**824.1**

[a] Data refer to 1995. Re-exported 63.9 thousand tons; [b] Re-exported 51.4 thousand tons; [c] Re-exported 129.0 thousand tons; [d] Including Taiwan province

9. In **Germany**, Indica rice is preferred although some quantities of Japonica are imported, mainly for the preparation of desserts. Long grain rice accounts for 60 percent of the demand and most of it is sold as milled white rice. Only about 30 percent of the rice consumed is in the form of parboiled rice. Rice of a hard consistency which remains separate when cooked is important for German consumers. Ease of cooking is also a significant consideration and ready-to-cook rice ("boil in the bag") is popular. Length of the kernels is less consequential. For the migrant work force, however, the length of the grain is important.

10. While rice consumption in **France** has remained relatively constant in recent years after the sharp increase in the early nineties, there has been a definite shift in favour of Indica varieties and a decline in

the use of Japonica rice. In 1995/96 preliminary estimates indicate that about 137 000 tons of Indica rice were consumed compared to 90 000 tons of Japonica varieties. In contrast to the other three Indica rice-eating European countries, French consumers prefer parboiled rice, mainly because of ease of cooking and the emphasis they place on rice that does not stick together when cooked.

11. In the **Netherlands**, consumers' preference for rice is influenced by its long association with its rice-growing colonies. The length of the grain is important, and the long grain varieties produced by Suriname are especially favoured. Consumers buy mainly pre-cooked rice or milled white rice. Very little parboiled rice is consumed and virtually no Japonica rice is eaten.

12. Outside of the EC, **Turkey** is the most important potential market for Mediterranean varieties. Turkey grows some of its own rice but production in recent years has stagnated. Consumption of rice, however, has risen both in total and on a per caput basis. In 1995, per caput consumption was estimated at just under seven kilogrammes per annum, about two kilogrammes more than a decade ago. Total consumption was around 440 000 tons, of which about 75 percent was imported rice. Turkey, therefore, with an annual import level of around 200 000-300 000 tons would represent a significant potential market for Mediterranean rice. The preference in Turkey is for medium grain Japonica rice. Calrose (largely imported) and the locally produced Baldo are some of the more widely preferred varieties, although small quantities of Indica rice are also eaten.

Table 4. Turkey: rice production, consumption and imports (000 tons milled equivalent)

	Production	Consumption[a]	Imports
1987	165	280	159
1988	157	273	91
1989	198	329	221
1990	138	343	191
1991	126	335	133
1992	129	368	292
1993	135	389	289
1994	120	379	196
1995[b]	150	439	375

[a] Total utilization
[b] Preliminary

II – Production prospects in Mediterranean countries

1. Egypt

A. Past production trends

13. Egypt is the largest rice producer in the Mediterranean. Its annual output of paddy in recent years totals over 4.5 million tons grown in an area of around 588 000 hectares (1995) with yields averaging 8.1 tons per hectare. This level of yields would be one of the highest in the world, out-ranking national average yields in the EC, the United States, Japan and China.

14. Rice is cultivated intensively under irrigated conditions. While production grew very slowly throughout the seventies and eighties, fluctuating between 2.2 to 2.7 million tons, since 1990 output has expanded very quickly, largely because the limit placed on land that could be grown under rice has been reduced. As a result of the reduced restriction on land use, the area planted to rice has expanded sharply, increasing by nearly 40 percent between 1986 and 1995. This, seen in the context of the limited availability of arable land (which accounts for only four percent of the total land available in Egypt) and scarce supply of irrigation water, was a remarkable performance. Combined with the rapid improvement in yields—between 1986 and 1995 yields rose from 5.8 tons to 8.1 tons per hectare—total output grew at a rate which outpaced domestic demand (Table 5).

Table 5. Egypt: paddy production 1986-95

	Area 000 ha	Yield ton/ha	Total output 000 tons	Support prices US$/ton
1986	424	5.8	2445	179
1987	413	5.8	2413	236
1988	352	6.1	2132	286
1989	413	6.5	2677	286
1990	436	7.3	3167	250
1991	462	7.5	3448	150
1992	511	7.7	3910	120
1993	539	7.7	4159	120
1994	579	7.9	4583	104
1995	588	8.1	4788	118

15. Today, Egypt has large availabilities of rice for exports. However, while export sales and shipments have risen over the years, the country's full export potential has still to be reached. In 1996, the country reported an export availability of 0.5 million tons. Up until 1995, however, the quantity that the country shipped was relatively small; i.e. lowest at 35 000 tons (1989) and highest 150 000 tons (1995).

16. Egypt grows both Japonica and Indica rice and exports them in various forms: milled, parboiled white rice and Camolino rice. Major buyers of Egyptian rice include Near East countries, such as Jordan, Lebanon, Libya, Saudi Arabia, Syria, Tunisia and Turkey and Eastern European countries, such as the Czech Republic, Romania and the EC. Among these the largest buyers are Syria and Turkey, and in 1996 also Jordan. In essence, the market for Egyptian rice corresponds very closely to the market for rice produced by the EC. In Turkey, however, Egypt competes mainly with the United States.

17. Rice production in Egypt is subsidised, especially in terms of water supplies. Costs of production have risen over the years, doubling between 1990 and 1995. For 1995, it was estimated that cash production cost per hectare of rice in Egypt, excluding costs of land[1], irrigation water and other imputed costs, was US$ 694 (2353 Egyptian pound) per hectare or US$ 85 per ton.

18. It is difficult to compare the competitiveness of the country's production costs with those of other countries, largely because the methods used in their calculation differ. However, it would appear that the cash costs of producing rice in Egypt compare favourably with the costs incurred by its competitors. In 1987/89, the cash expenditure for growing rice in Egypt was US$ 78 per ton. The cash costs per ton of rice in Italy and Portugal (which also did not include irrigation costs) in the same period were US$ 272 and 284 per ton, respectively. Also, in the same period, the United States reported a cost of US$ 141 per ton, an estimate which also excluded any estimate of the general irrigation charges incurred by the Government (Yap, 1991).

B. Future prospects

19. Egypt has the potential to increase its exports above the levels of the past. Largely because of the rapid expansion in yields and the area made available for rice cultivation, output of rice in the country has expanded beyond the quantities needed for domestic consumption. However, whether Egypt is producing the variety of rice demanded in the international market has to be explored further. Demand for the variety of Japonica produced in Egypt is limited; the EC consumes such varieties but has a surplus of its own Japonica rice; Japan and the Republic of Korea, the two newly opened markets for rice following the Uruguay Round Agreement on Agriculture eat Japonica rice but require a different variety. Moreover, whether Egypt could compete effectively with other exporters would depend to some extent on the policies adopted by them. The United States rice sales in Turkey had significant support through its Export Enhancement Programme in recent years; in the EC exports of rice benefit from export subsidies. Both of these competing countries are required to cut down on their export subsidies under the WTO regulations but whether these reductions would benefit Egypt would depend heavily for which countries the EC and the United States would cut back its future export support programmes for rice.

III – The EC

A. Past production trends

20. The EC (comprising Italy, Spain, France, Greece, Portugal in order of the size of their production) is the second most important rice producer in the Mediterranean. Total production of paddy rice in the EC is around 2.2-2.4 million tons annually. Since the spurt in its output in 1990/91, there has been relatively little growth in its total output of rice. Average yields have not risen but have fluctuated between 5.8-6.4 tons per hectare in most years since the mid-80s. The total area under rice has also not expanded significantly. What has changed is the increased emphasis placed on the production of Indica rice (Table 6).

21. This is largely because the EC, while a surplus producer of Japonica rice, does not produce sufficient quantities of Indica rice to meet its needs. To encourage a larger output of Indica rice, a production subsidy for its planting was introduced in 1987/88. The amount extended was as high as 330 ECU per hectare in the first year of its implementation, but, over the years, the subsidy was gradually reduced and finally in 1994/95 this system of support was terminated.

Table 6. Production of paddy in the EC (000 tons) [a]

Years	Total	Japonica	Indica	Indica production subsidy/ha ECU
1988/89	1981.8	1834.8	147.0	330
1989/90	1983.3	1901.9	81.4	330
1990/91	2392.7	2157.3	235.4	300
1991/92	2291.0	1830.8	460.2	250
1992/93	2200.5	1737.3	463.2	200
1993/94	1982.7	1713.7	269.0	200
1994/95	2125.9	1730.1	395.9	-
1995/96[b]	2476.1	1709.0	467.1	-

[a] EC's classification for rice (mm):

		Long Grain B Indica	Japonica		
			Long Grain A	Medium Grain	Round Grain
Brown rice	Length	> 6.0	> 6.0	< 6.0	< 5.2
	Length/Width	> 3.0	< 3.0	< 3.0	< 2.0

[b] Preliminary estimate

22. As a result of the encouragement given to the production of Indica rice and its increasing demand, production of this rice rose in the EC (especially in Spain and Italy), peaking in 1991/92 at 463 200 tons. Since then, output of Indica rice has largely fallen because Spain, the biggest producer, had been hit by drought for three successive years. Although the reduced output from Spain was partially off-set by Italy's expanded production, the cultivation of Indica rice in the EC falls still significantly short of demand. In 1994/95, the Indica deficit in the EC-12 was estimated at about 358 000 tons; with the inclusion of Sweden (Austrian and Finnish consumers eat mainly Japonica), the deficit in the EC rose to 365 000 tons in 1995/96 (Table 7). Hence, despite the increased production of Indica rice in the EC, the size of the Indica deficit in the EC has remained very large, and little has changed from the situation prior to the introduction of the production subsidy for this rice because the growth in demand outpaced the increase in production. As a result, the EC has remained a net importer of Indica rice.

Table 7. Estimated rice surplus/Deficit in EC countries, 1995/96 (000 tons)[a]

	Indica	Japonica
Spain	- 10.0	- 46.9
Greece	78.2	- 2.3
France	- 114.6	- 40.9
Italy	140.6	338.9
Portugal	- 32.1	- 37.4
Denmark	- 8.5	- 7.9
Germany	- 118.0	82.0
Ireland	- 3.4	- 1.7
Netherlands	- 46.0	-
Belgium/Luxembourg	- 15.9	- 4.0
UK	- 208.0	- 55.2
Austria	-	- 46.2
Finland	- 2.2	- 14.5
Sweden	- 28.0	- 4.0
Total deficit/Surplus[b]	**- 365.0**	**15.8**

[a] Preliminary
[b] Note that the total deficit or surplus in the EC is not equal to the sum total of individual countries' deficit or surplus because of intra-EC trade, which allows some of the individual deficits to be met from within the EC.

Table 8. EC's intra and extra trade in Indica rice (000 tons)

	Extra EC		Intra EC	
	Import	Export	Import	Export
1988/89	305.1	-	303.9	265.6
1989/90	337.4	4.3	345.9	302.3
1990/91	277.4	-	387.8	349.2
1991/92	255.4	4.0	390.8	347.6
1992/93	241.3	-	451.6	412.9
1993/94	436.4	-	406.9	393.2
1994/95	427.9	14.9	369.2	423.9
1995/96	490.0	64.2	396.4	457.5
Annual rate of growth	**7.0%**	**-**	**3.9%**	**8.6%**

23. The production trend for Japonica rice differed substantially from that observed for Indica rice. Output of Japonica rice in most years was below the record reached in 1990/91 when some 2.2 million tons were produced. By 1995/96, output of Japonica rice totalled only 1.7 million tons, nearly 0.5 million tons less than what it was in 1990. This cutback in Japonica production, has helped to reduce its surplus in the Community to some 152 500 tons in 1994/95. By 1995/96, with the inclusion of Austria, which consumed mainly Japonica rice, the surplus of Japonica rice was reduced even further to just under 16 000 tons.

B. Future prospects

Land availability and the EC rice reforms

24. Prospects for future increases in output of rice in the EC, assuming a constant level of technology and little change in yields, would depend upon the availability of land that could be brought under rice. In this context, the rice policy regime under which producers in the EC have to operate, especially the arrangements provided under the new EC Rice Reforms introduced in late 1995, would have an important influence on the production potential of the rice sector.

Table 9. The EC's rice reforms

	Intervention price[a] (ECU/ton)	Compensatory aid (ECU/ha)					
		Italy	Spain	France	Portugal	Greece	French Guyana
94/95	309.60						
95/96	373.84[b]						
96/97	351.00						
97/98	333.45	106.00	111.44	96.35	106.18	131.27	131.80
98/99	315.90	212.00	222.89	192.70	212.36	262.55	263.60
99/2000	298.35	318.01	334.33	289.05	318.53	393.82	395.40
Quota area (ha)[c]	n.a.	239,259	104,973	24,500	34,000	24,891	5,500

Source: EC Official Journal (various issues); ONIC- MRH nº 507, 22 December 1995; Informazioni Risiere - Riforme, OCM.

a Starting in 1996/97; the buy-in price will remain unchanged at 94% of the intervention price for Indica rice and 90% for Japonica rice.

b In 1995/96 the ECU green rate was realigned with its financial rate. Previously the green rate was about 20 percent higher than the financial rate. This realignment has given rise to the apparent increase in intervention price in ECU terms. For example, the 1994/95 intervention price of 309.6 ECU/ton at the "switch-over" coefficient of 1.207509 is approximately equivalent to 373.84 ECU/ton in 1995/96.

c If the quota area is exceeded by a member state, a penalty in the form of reduced compensatory aid, will be imposed. The penalty will be progressive depending on the extent to which the maximum quota area is exceeded:

Excess	Penalty
0 to < 1%	3 times the excess
1 to < 3%	4 times the excess
3 to < 5%	5 times the excess
5 to < 6%	6 times the excess

25. Under the Rice Reforms, the EC will reduce the intervention price for paddy by a total of 15 percent over the period 1996/97 to 1999/2000. Farmers will be assisted in the form of compensatory aid based on the area of the rice cultivated, but a ceiling is set on the size of the area under rice which would benefit from compensatory aid. The combined maximum quota area of all the producers totals 433 133 hectares. EC producers exceeding the quota assigned to them pay a penalty in the form of reduced compensation. This could place a limit on the total area that would be brought under rice cultivation, but the impact would vary from country to country.

26. In the case of Spain, the quota area would probably still provide for considerable expansion in plantings from current levels as the country's total area planted to rice has never reached the quota size. Portugal would also have some flexibility in expanding its area from current year's levels. By contrast, for Italy, France and Greece current plantings have already reached the maximum quota size. Overall, a net expansion in plantings could still be possible in the EC as the total area under rice at its largest was less than 370 000 hectares.

27. The distribution of "area expansion" potential will help the EC to meet its own deficit in Indica rice, at least partially. This is because Spain was the largest producer of Indica rice until drought in the recent years caused a temporary setback to the steady expansion in the production of this rice. If the entire quota area in Spain was to be planted under Indica rice, the EC Indica deficit could be eliminated. This, together with the surplus production of Japonica rice in the EC, now brought well under control, indicate that the EC rice situation could approach a situation of self-sufficiency.

28. Although the production potential of EC producers would permit the existing demand of EC rice consumers to be met under normal weather conditions and maximum plantings, EC rice producers face a number of constraints.

C. Constraints

a] Reduced protection

29. Following the Agreement on Agriculture reached at the Uruguay Round, the "protection" to the EC market is expected to be reduced sharply. In addition to the scheduled reduction of its import duties on rice by 36 percent by year 2000, the establishment of a ceiling "duty-paid import price" for rice means that the actual duties to be paid on imported rice could be lower than the stipulated rate. For example, in December 1995, the import duty on husked long grain rice from third countries was 388 ECU per ton but the effective actual rate was 342 ECU per ton, as the application of the full duty of 388 ECU would have resulted in a duty paid import price which exceeded the legal ceiling (Yap, 1995; Yap, 1996).

Figure 1: EC - Rice market surplus and deficit

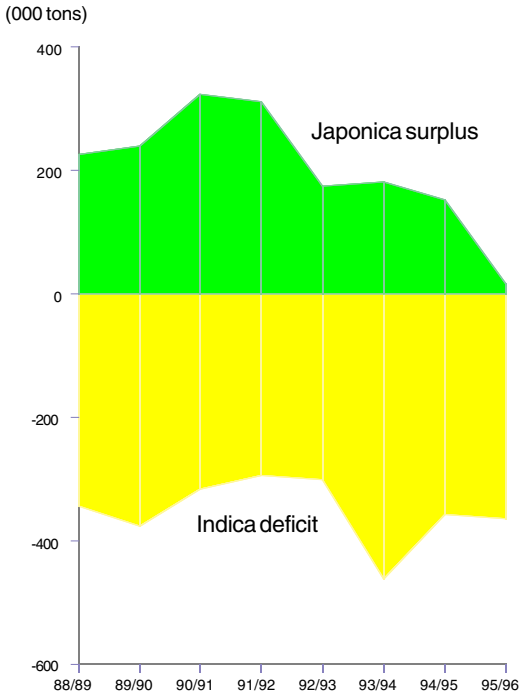

Table 10. EC's import duties under the GATT agreement[a]

	Base rate of duty[b] 1995	Bound rate of duty[b] 2000
Rice in the husk (paddy)		
- for sowing	12%	7.7%
- others	330 ECU/ton	211 ECU/ton
Husked rice	413 ECU/ton	264 ECU/ton
Semi-milled or wholly milled whether or not polished or glazed	650 ECU/ton	416 ECU/ton
Broken rice	200 ECU/ton	128 ECU/ton

a The "import duty paid price of rice" should not exceed 80% of the intervention price in the case of Indica and 88% for Japonica.
b These are expressed in financial ECUs.

b] Preferential treatment for rice imports

30. In addition, imports of certain types of rice, such as Indian Basmati and Pakistan Basmati, are allowed to be imported at reduced tariffs; Indian Basmati husked rice pays some 250 ECU less while the rate applied on Pakistan Basmati is reduced by 50 ECU per ton. In compensation to third country exporters to the EC for the ascension in 1995 of Austria, Finland and Sweden to the Union, 63 000 tons of milled rice (of which 21 455 tons are allocated to Thailand, 38 721 tons to the United States and the remainder to others) are allowed annually into the EC duty free. In addition, 20 000 tons of husked rice will be allowed into the EC at a fixed duty of 88 ECU per ton. In a separate agreement with Thailand, the EC will also open an annual import quota for broken rice at an import duty reduced by 28 ECU per ton. These provisions together with the special preferential treatment given to rice imports from ACP countries indicates that EC producers in the future will face considerable competition from third country exporters in their domestic market.

c] Increasing preference for imported rice

31. Moreover, the increasing preference in some of the northern EC countries for Indica rice from different third countries because of the ethnic origins of rice consumers, together with the growing and broadening of tastes for different ways to prepare rice, place EC rice at a distinct disadvantage. While a number of different varieties of Indica exist in the EC (Artiglio, Bluebelle E, Dedalo, Graldo, Icaro, Idra,

Lemont, Mida, Pegaso, Portal, Rea, Star and Thaibonnet) about 95 percent of the Indica produced in the EC is Thaibonnet (L 202). This limits the EC's capacity to compete effectively with other third country suppliers given the wide range of preferences that exist among the EC consumers for different Indica varieties.

D. Measures for consideration

32. There would be a need to grow more of the varieties of Indica rice demanded by the populace and to bring the prices of EC rice down to a range that would be competitive with imported rice to gain a greater share of its own domestic market for Indica rice. This is especially important as the intervention price for paddy will be reduced in the next few years under the new EC Reform package. To improve on its competitiveness, the cost of producing rice would have to be brought down. In Italy, total costs per hectare were estimated at US$ 3188 or US$ 543 per ton; in Portugal, it is about US$ 2107 per hectare or US$ 376 per ton. Similar information on costs of production is not available for the other EC countries, but it is estimated that in Greece and Spain, rice production costs represent about 75 percent and 70 percent, respectively, of the prices obtained by producers. Based on these and the intervention price paid for paddy rice in the respective countries, rice production costs in Spain would be around US$ 337 per ton. These are substantially higher than the costs incurred by many Asian rice exporters.

33. One possibility for increasing sales of EC rice is to look further afield for markets outside of the EC, principally countries that eat Mediterranean rice such as Turkey, Libya and Eastern Europe. However, the need to bring down costs to more competitive levels becomes even more important as other suppliers to these countries—including the Asian exporters, Egypt and the United States—are frequently lower-cost producers.

IV – Conclusion

34. The market for rice is expanding in many countries, especially those in the EC, where Mediterranean producers have played an important part as a supplier of such rice. The expansion in demand in these countries stems from a variety of factors. They include the increasing willingness of people to try new foods, the conscientious attempts of some to cut down the consumption of meat products and to consume greater quantities of alternative "healthier less meat-based diets" and the existence of different ethnic groups with their prevailing rice diets.

35. Although a growing market for rice exists in these countries, the number of suppliers is large and competition among them is keen. Over the next few years, especially with the reduced levels of protection in the EC in compliance with the WTO regulations, third countries' share, especially of the EC market, is expected to expand. Thus, for Mediterranean rice producers, especially in the EC, to succeed in selling rice, they will have to be more competitive. Costs of production will have to be brought down. Steps would have to be taken to grow the varieties preferred by consumers; and in this, a greater awareness of consumers' demand patterns and preferences will have to be generated. In brief, demand for Mediterranean rice will have to be boosted and Mediterranean rice producers will need to keep in tune with the fast-changing characteristics of demand.

Note

1. Suitable arable land is a limited commodity in the country, and therefore the cost of land will be high.

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