

The WTO and International Trade Prospects

Rice

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Executive Seminar
On Agricultural Issues
December 10, 2001

C A T I



CENTER FOR
AGRICULTURAL
BUSINESS
CALIFORNIA STATE UNIVERSITY FRESNO

1. World Rice Market Basics
2. California Rice Industry Basics
3. What have been the benefits from the WTO for California Rice Industry?
4. What potential benefits exist from new Developments?

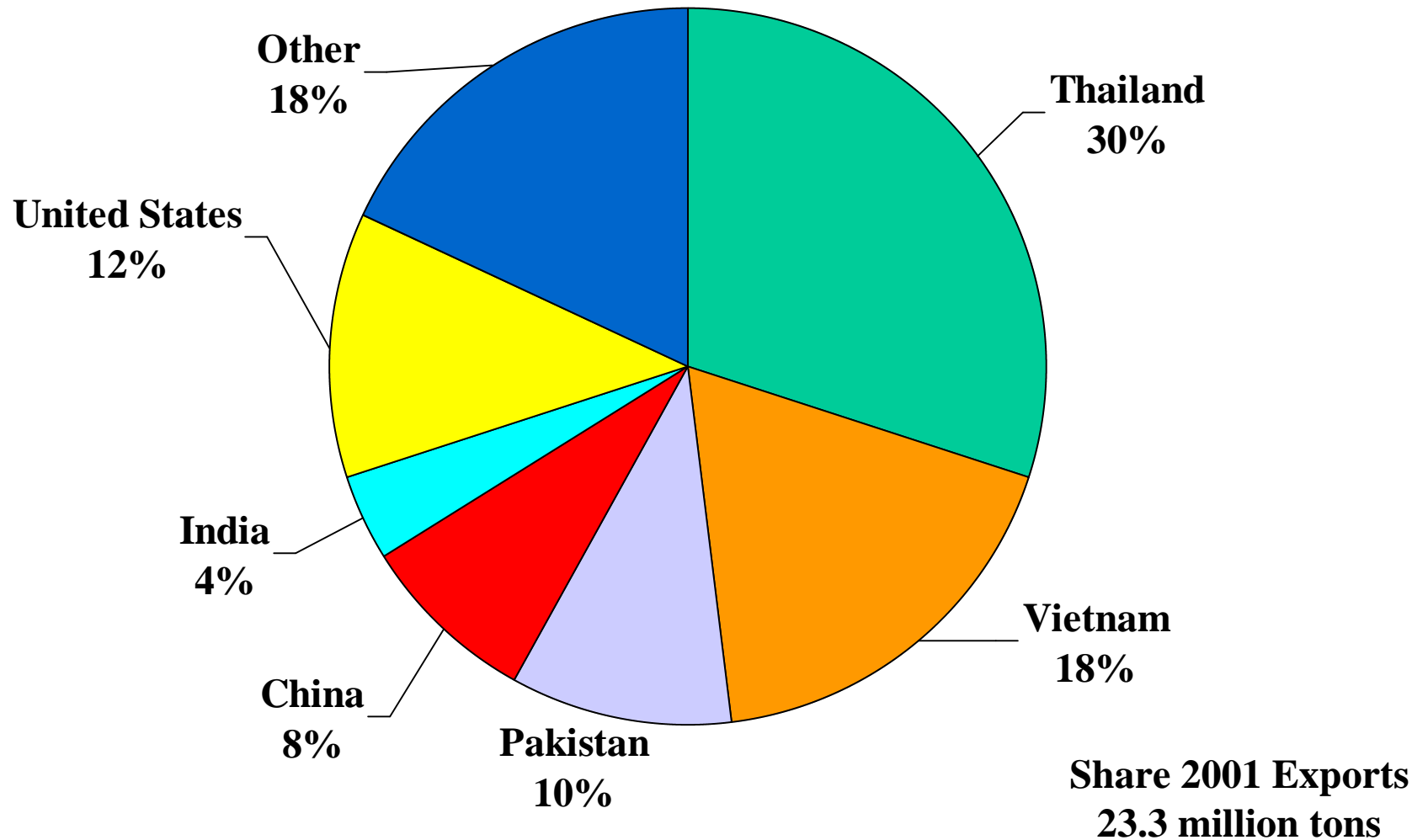
World Rice Market Basics

- **About 90% of the World's Rice is Produced in Asia**
- **Over ½ in a band from Pakistan, South and East through the Philippines**
- **Highly dependent on the timing of the Asian monsoon**
- **Most is consumed where it is produced**



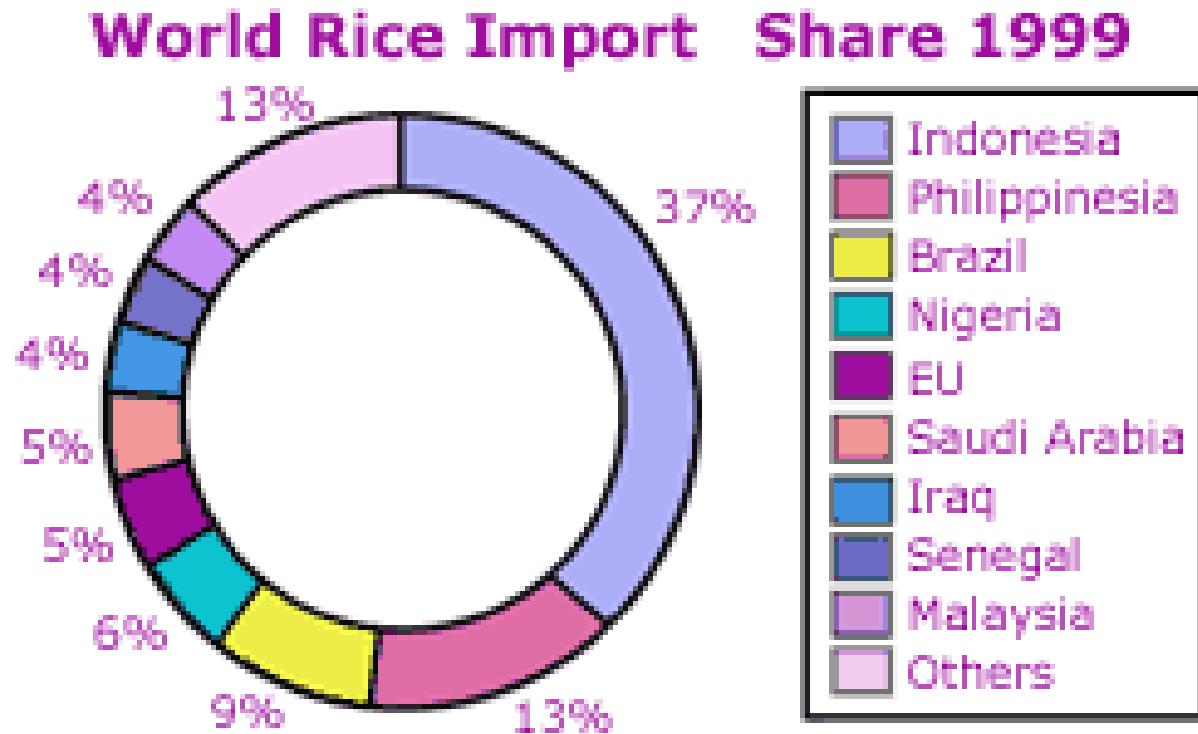
World Rice Market Basics

“The Global Rice Export Market is Highly Concentrated”



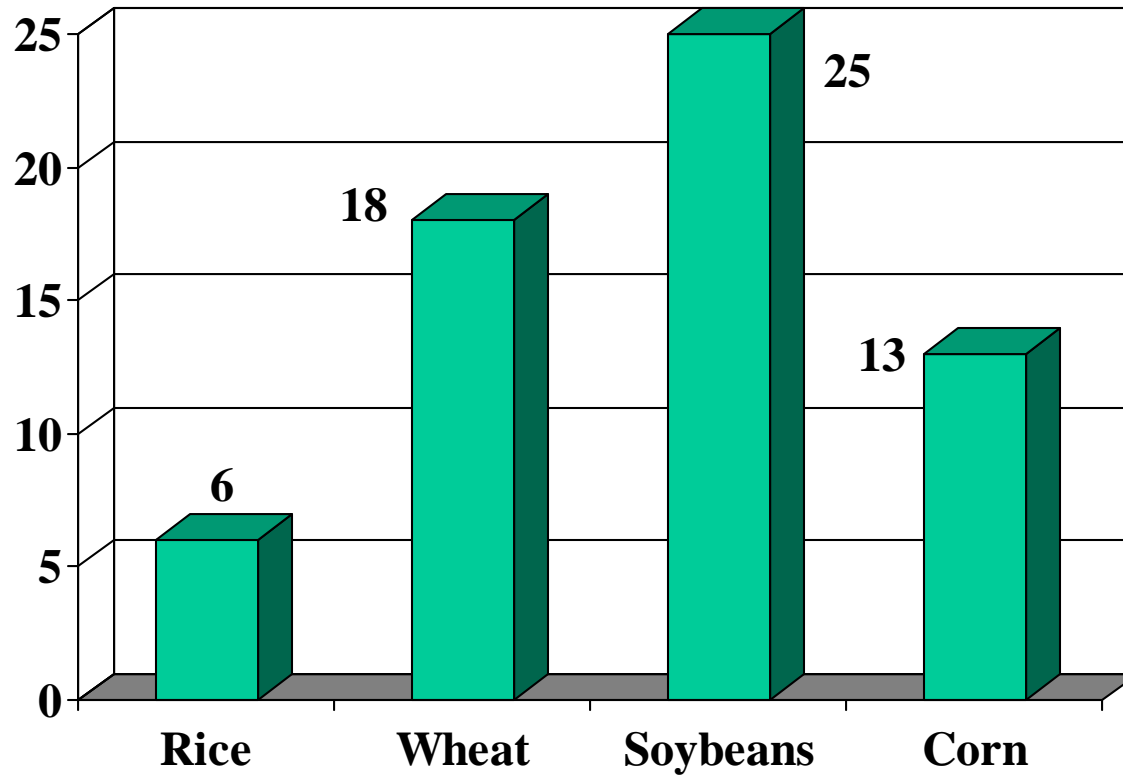
World Rice Market Basics

“Rice Import Market Less Concentrated, but Segmented”



World Rice Market Basics

“The International Market is Thin”



Percent of Production Traded

World Rice Market Basics

Government Policies Also Add to World Price Variability

- Developing Asian countries: adequate rice supplies at low prices for consumers
- Higher income Asian countries: (Japan, Taiwan, and South Korea), protect producers from lower priced imports
- Impact of State Trading Enterprises to accomplish goals

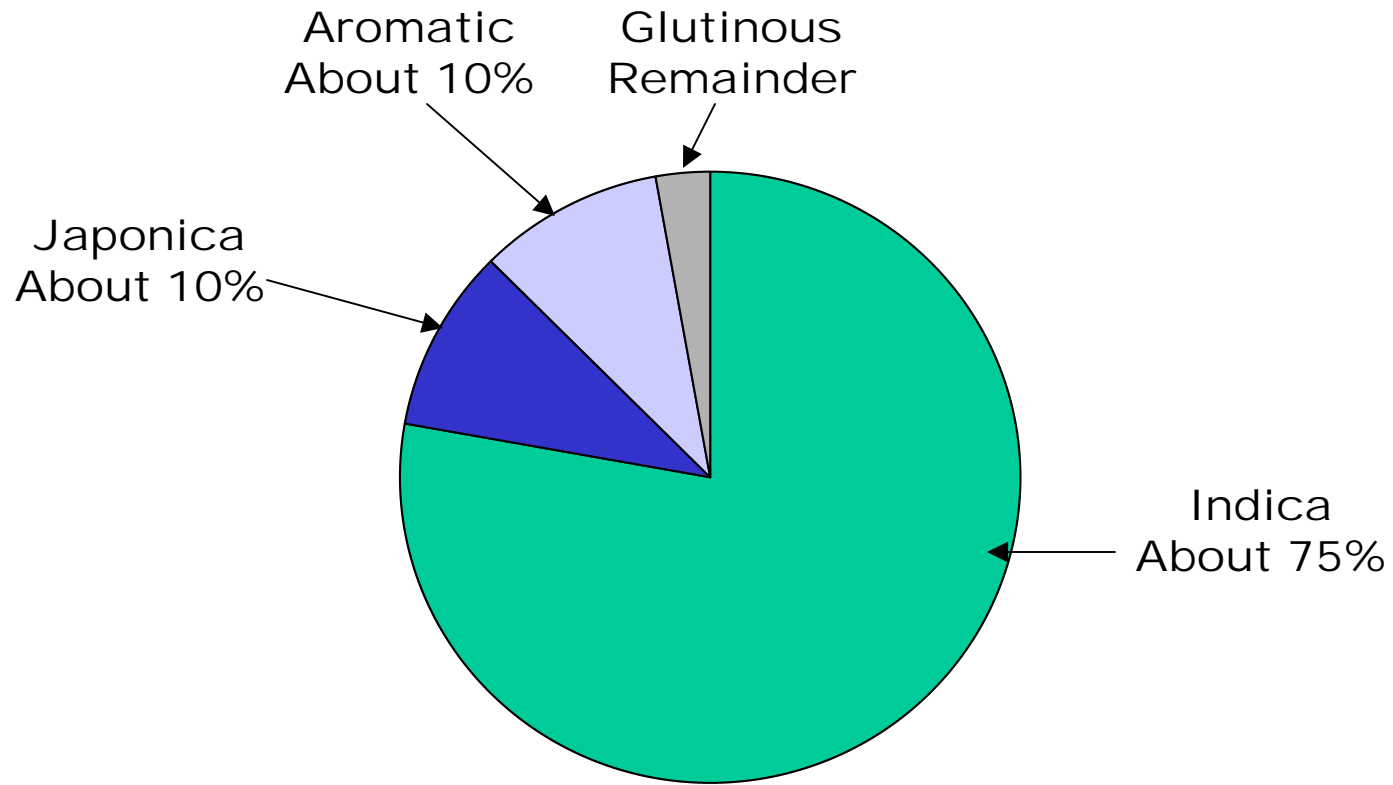
Shift price adjustment to world markets

World Rice Market Basics

The small amount of rice traded, relative to the amount produced provides potential for highly variable world prices resulting primarily from shifts in exportable supplies in the major exporting countries and/or domestic production shortfalls in large consuming countries.

World Rice Market Basics

“The Rice Market is Segmented by Type”



Share of Global Rice Trade

World Rice Market Basics

“The Rice Market is Segmented by Form”

1. Milled
2. Brown
3. Rough

World Rice Market Basics

“The Rice Market is Segmented by Quality”

1. High Quality: U.S., EU, Australia, Egypt
Thailand, China, Argentina and Uruguay
Basmati from India and Pakistan
2. Medium Quality: Thailand, Vietnam, India Parboiled
3. Low Quality: Thailand, Vietnam, China, India and Pakistan

California Rice Industry Basics

- Over 90% of Production Medium Grain (Japonica)
Around 65% of US Total (Arkansas, Louisiana, Mo, TX)
 - About 70% Domestic Use - 30% Exports
- Domestic Use: Food Use (direct consumption and processing)
Accounts for about 75%

Use in beer accounts for about 16%

- Domestic Use has increased substantially in past 20 years
With outlook for stable to modestly increasing (2-2.5%)

California's Rice Industry Basics

We are in World Market for Japonica *

World Trade Volume: 1.5-2.5 million tons

Major Competitors

Northern China
Egypt
Australia
Italy

Major Customers

Japan		95-83%
Turkey		
South Korea		
Jordan		
Canada		
42 others		

- At least for this discussion, not to discount importance of production of other varieties

WTO Impacts on Japonica Rice Market

Uruguay Round Effects

Most Significant for Trade

- Special Rice Clause: Resulting in the Partial Opening of Japanese and South Korean Markets

Little or No Significance for Trade

- Disciplines on internal support
 - Export subsidy disciplines

Long-run Implications for Trade

- SPS rules and regulations (Liberty Link, Golden rice)

WTO Impacts on Japonica Rice Market



WTO Changes to Japanese Rice Policy

- **Open domestic market to imports: 4% of base period consumption in 1995 (1986-88) rising to 8% by 2000.**

Base Period Consumption: 9,475,000 mts.

1995 Import Access: 379,000

2000 Import Access: 758,000

But

WTO Impacts on Japonica Rice Market



WTO Changes to Japanese Rice Policy

- **Japan implemented rice tariffication on April 1, 1999**
Above minimum access imports subject to 341 yen per kilogram duty
Imports increasing by only 0.4% per year up to 7.2% in 2000

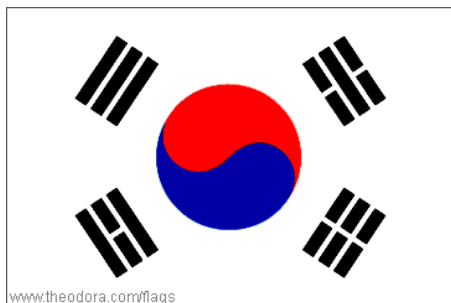
JFY Minimum Access

Previous Regime: 758,000

With Tariffication: 682,000

Still highly significant relative to pre-UR closed market

WTO Impacts on Japonica Rice Market



WTO Changes to South Korean Rice Policy

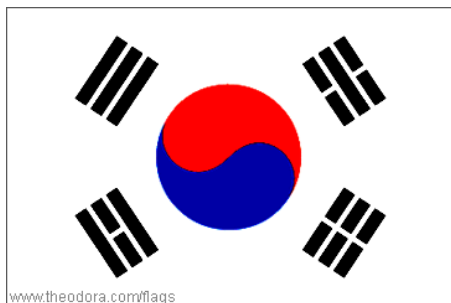
- **Open domestic market to imports, 1 to 2% of base period consumption years 1-5; rising to 4% by end of 10 year implementation period.**

1995/96 Import Access: 51,000 mts

2004/05 Import Access: 205,000 mts

But

WTO Impacts on Japonica Rice Market



WTO Changes to South Korean Rice Policy

Since 1995, China has dominated Korean rice winning nearly all government controlled rice tenders. MMA imports filled with low quality rice disbursed for non-direct consumption.

California Rice Industry Gains

- **U.S. share of Japanese imports substantial (virtually all from California)**

JFY 1995	47.4%	193,715
JFY 1996	46.2%	215,134
JFY 1997	50.1%	272,557
JFY 1998	47.7%	301,898
JFY 1999	47.9%	312,826
JFY 2000	48.3%	330,273

- **Over 50% of California total exports (418,000 –576,000 mts. milled)**
 - **Politics, not competitiveness, may underpin market share**
 - **Problems: exchange rates; SBS vs. OMA imports**

California Rice Industry Gains

Recent Sales in South Korea

November 15,000 mts. #1 grade medium @ \$278.75 CIP*

December 22,250 mts. #3 grade short @ \$250.00

Promising: Out of 142,520 ton market 26%

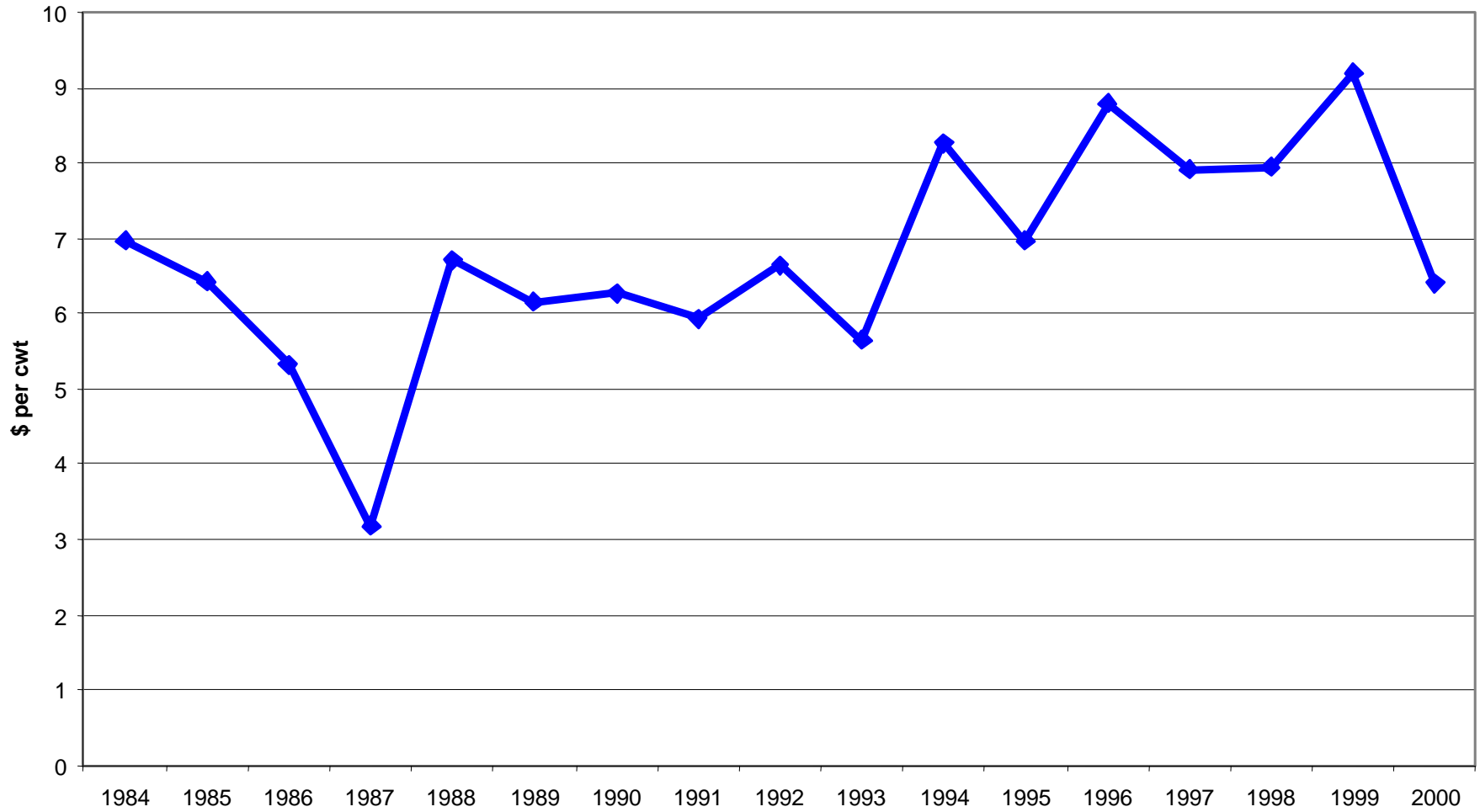
* Carriage and Insurance Paid to onboard truck

California Rice Industry Gains

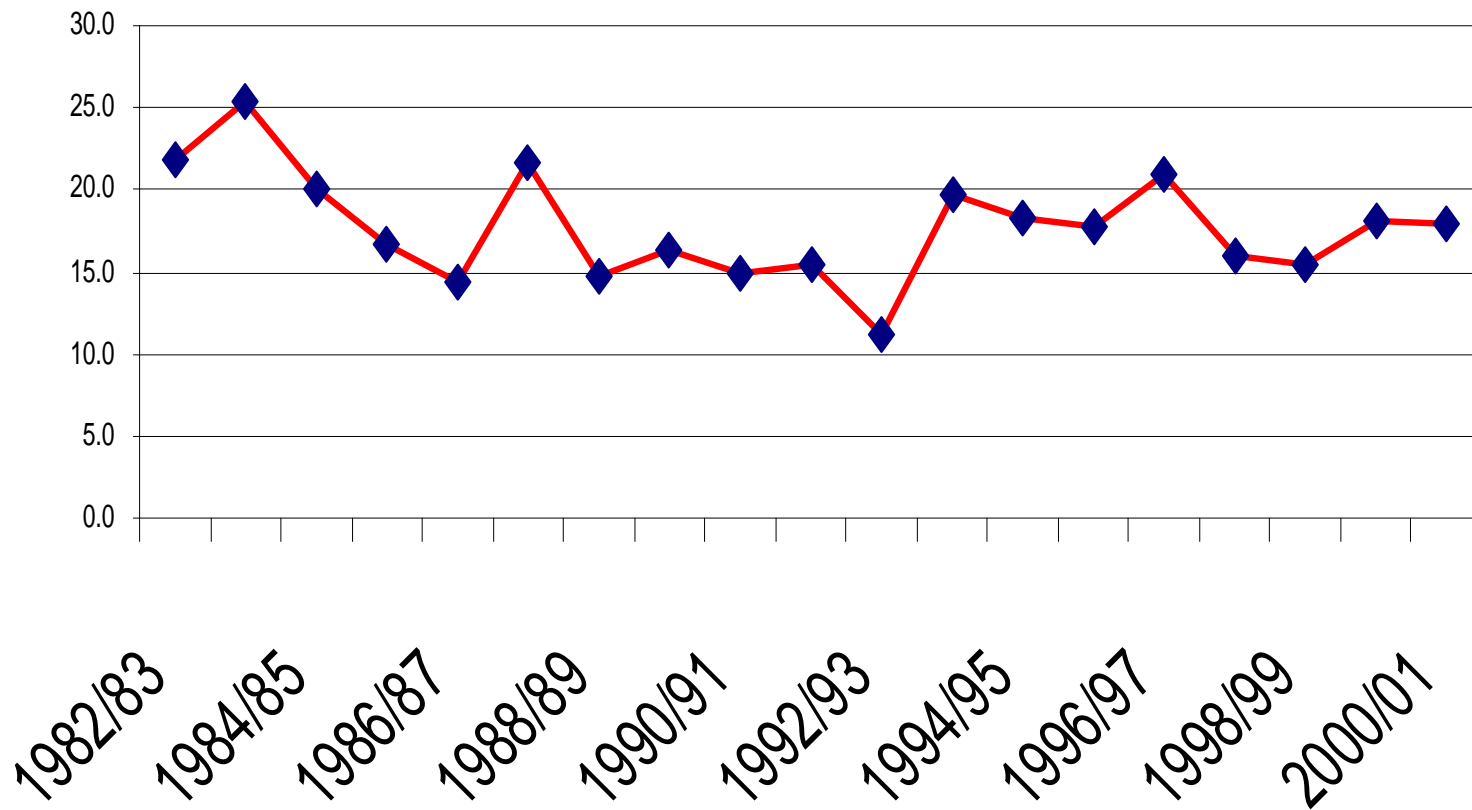
Empirical Assessment

- Difficult with limited observations 5/6 years
- Consensus projections suggest long-run 7% increase in prices above model baseline prices
 - Positive effects for California rice prices relative to others from additional imports by Japan
 - Time will tell

California Rice Market Price Received by Farmers Rough Rice



U.S. Medium/Short Grain Exports
Million Cwt. Rough Equivalent



Potential California Rice Industry Gains

Accession of China and Taiwan

China: December 11

2.66 mil mt rising to 5.32 million 2004

1/2 Japonica

Unlikely TRQ will be even close to full

Little if any U.S. imports

Taiwan: Jan 1

144,720 mt market

May be substantial U.S. imports of Japonica

Perhaps 50%

Further increases in Market Access Opportunities?

Korea, for example, has said rice is off the table

Potential California Rice Industry Gains

Problems Remain for Trade

- Combat over Food Aid and Export Credits
About 20% of Total Rice Exports and Declining
 -
- Turkey – import duties, quantitative import controls
and seasonal import bans
 - Competition from subsidized production
 - Sanctions reform: Iran, Iraq, Cuba
- Markets like Jordan are small, limited growth and increasing competition
 - What mischief will become of Global Rice Pool?

Domestic Issue May Plague Profitability

Power, Water, Environment, Yield Variability, Farm Program Benefits