

European Union Rice (EU 27)



Introduction

The European Union, abbreviated as EU, is an economic and political union of 27 European countries. The EU was established on 1 November 1993 by the Treaty on European Union (Maastricht Treaty). The European Union is currently composed of 27 member states.

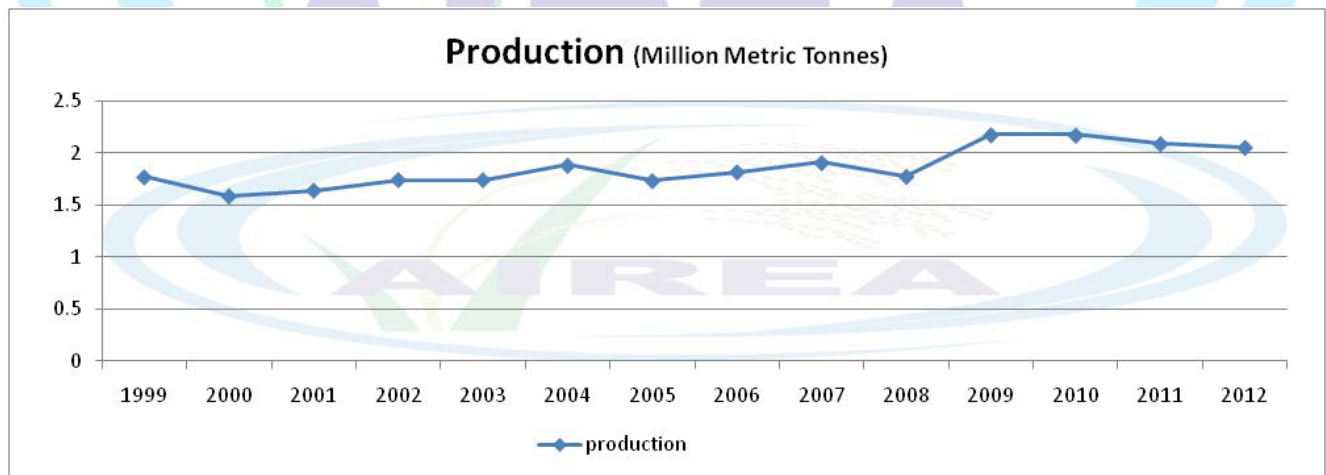
- ✚ Area: 4 326 183 km² and 23 official languages
- ✚ Population: 491 million (July 2008 est.)
- ✚ GDP per capita: \$33,800
- ✚ Agriculture: (2.1 percent of GDP) Products- wheat, barley, oilseeds, sugar beets, wine, grapes; dairy products, cattle, sheep, pigs, poultry; fish
- ✚ Import-commodities: Food and live animals, beverages and tobacco, crude materials, crude oil, inedible except fuels, animal and vegetables oil, fats and waxes, machinery and transport equipment
- ✚ Exports-commodities: spirits, wine, beer, water, cheese, olive oil, bread pastry and cakes, chocolate, other veg. prepared/preserved, coffee, food preparations n.e.s., live horses, pasta and couscous, casein, bulbs and tubers, pork, sugar confectionary, and cocoa powder.

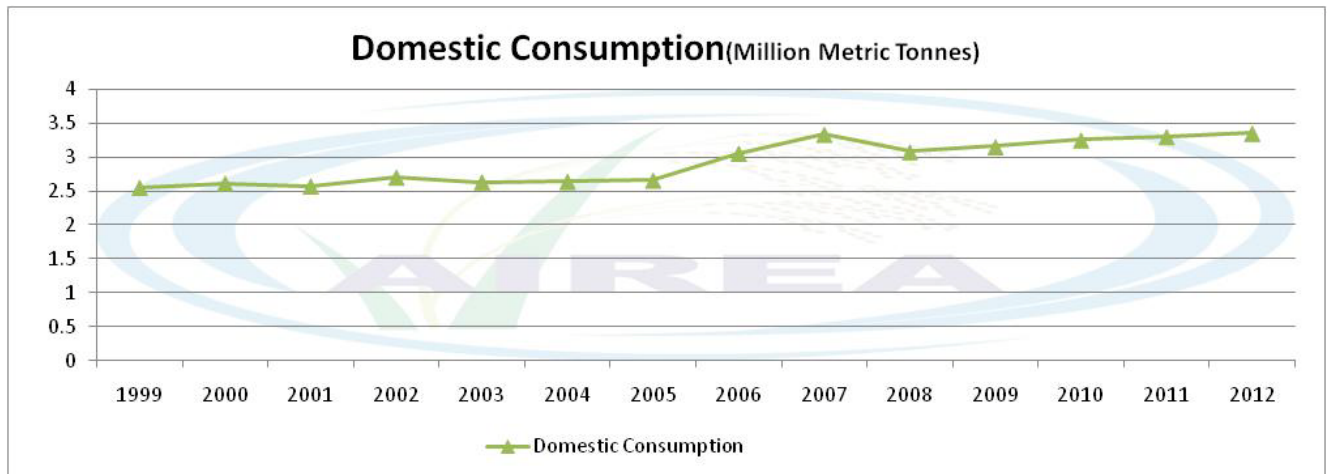
Production/Consumption

- The USDA has lowered its forecast for EU27 rice production by about 4% to 2.01 million tons in 2011-12, from 2.1 million tons in 2010-11, mainly due to lower rice acreage. The US agency has also lowered its forecast for 2012-13 rice production for the EU nations by about 3% to 1.95 million tons as acreage is expected to decline to 465,000 hectares from 480,000 hectares in 2011-12.
- The rice consumption in EU27 in 2011-12 and 2012-13 will remain at 3.3 million tons, on par with rice consumption in 2010-11.
- The maintenance of EU rice production levels and expansion of exports reflects the effectiveness of EU rice sector policy measures in equipping EU rice farmers to take advantage of rising global rice prices. In effect, high world market prices, a growing consumer awareness of quality-differentiated rice and EU support policies are sustaining EU rice production at record levels.
- The large majority of rice production in the EU is concentrated in a few Member States, namely Italy, Spain, Greece, Portugal, France, Romania, Bulgaria and Hungary. EU internal rice production contributes to alleviate EU's dependency on rice imports.
- Spain accounts for 30 percent of the rice production in the EU is the EU's second largest rice producer, after Italy (50 percent). Both countries account for approximately 80 percent of EU rice production. Portugal's rice production represents about 6 percent of total EU-27 rice production.
- The main rice producing regions in Spain include Andalucía, Extremadura, Cataluña, Comunidad Valencia, Aragón and Navarra. In Portugal, rice production is mainly located in the Alentejo and central region.
- In most of the rice growing areas, rice production provides environmental benefits, since rice can be grown in salty soils. In certain areas with high salinity risk, rice cultivation is the only way to keep sea salt water away from the land, by cultivating in rice flooded conditions. Rice cultivation in the Iberian Peninsula implies the use of heavy machinery to level soil. This, combined with the extended use of

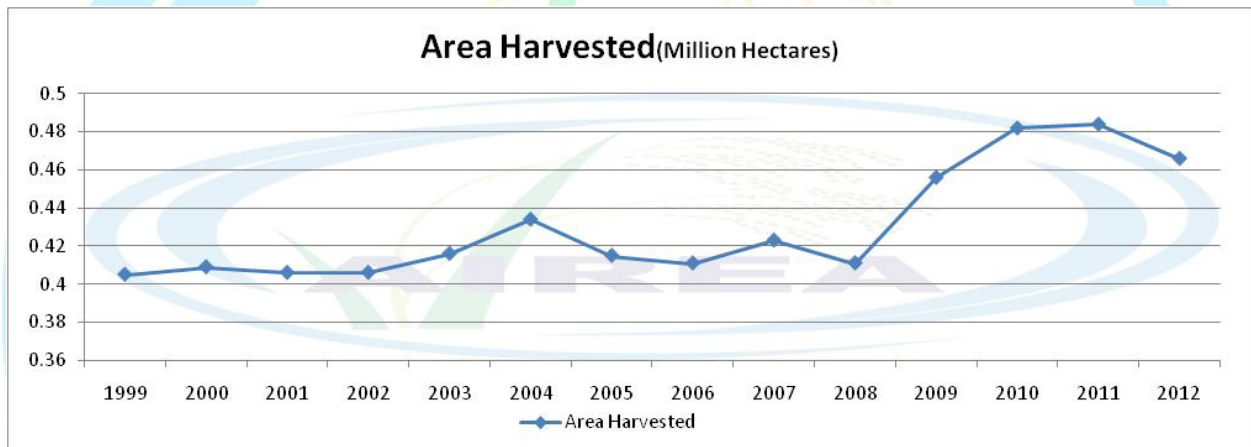
certified seed, fertilizers, herbicides and pesticides makes Iberian Peninsula's rice production input intensive. Each year's area planted to rice depends strongly on the amount of water available.

- Area planted to rice can vary from zero, if there is no dam water stored, up to the maximum irrigated land available for rice plantings. While water availability in Andalucía, the major rice producing region with over 30 percent of the rice area in Spain, allowed for maximum planting levels in MY2012/13, a decline in rice plantings has taken place in other areas such as the Navarra and Aragon where enough water supplies were not guaranteed. Extremadura, Spain's second largest rice growing region, has registered a marginal decline on plantings of about 5 percent, with farmers switching from rice to corn, whose water requirements are lower. This has resulted in an overall decline of about 6 percent in rice area in Spain, with production expected to fall accordingly. Normal yields are anticipated despite the drought conditions in Aragon and the impact of the apple snail presence in the Ebro Valley plantings.
- In Portugal, area planted to rice has followed an upward trend over the last five years, due to its higher profitability compared to other irrigated crops such as corn. According to Portugal's National Statistics Institute, a stable area compared to MY 2011/12 is projected for MY 2012/13 since water availability, in the Alentejo region in particular, would not allow for further area increases. Spain's national average yield stands at nearly 8 MT of paddy per hectare while in Portugal rice yields are somewhat lower, standing around 6 MT of paddy per hectare. While traditionally Japonica varieties have obtained higher yields than indica, certain indica varieties, namely Puntal, reach very good output levels too.
- According to the latest official estimates Spain's rough rice production in MY 2012/13 could reach 863,000 MT. Rice plantings and emergence progressed without problems. Official Portuguese Statistics indicate production at 181,000 MT. The dry and sunny weather continues to favor rice crop development in both Spain and Portugal. Pest incidence during summer will be critical to determine final yields.
- Italy is the leading rice producer in the European Union with approximately 50 percent of the total EU-27 harvest. Although Italy accounts for less than 1 percent of global production, it is currently the fourth-largest rice-exporting country after Thailand, United States, and India (counting intra-EU trade).





- For 2012/13 region's rice area is estimated to decline about 5% to 451,000 hectares, including: 308,000 hectares of japonica (down about 3%) and 143,000 hectares of indica (down about 9% from last year). Rice area is down mostly in Romania (-13%), Bulgaria (-27%), and Greece (-24%) while it's higher in Portugal (+6%) and France (+5%).



Policy & Price Trends

The EU's ability to grant export subsidies, especially on wheat, became limited by WTO export subsidy limit commitments with the implementation of the WTO Uruguay Round Agreement on Agriculture. As a part of that Agreement, GATT signatories committed to reduce the level of budgetary expenditure on export subsidies by 36 percent and the volume of subsidized exports by 21 percent over the six year period between July 1, 1995 and June 30, 2001. The WTO Ministerial meeting in Hong Kong in December 2005 agreed that all forms of agricultural export subsidy should be phased out by the end of 2013, with a substantial part already realized by 2010.

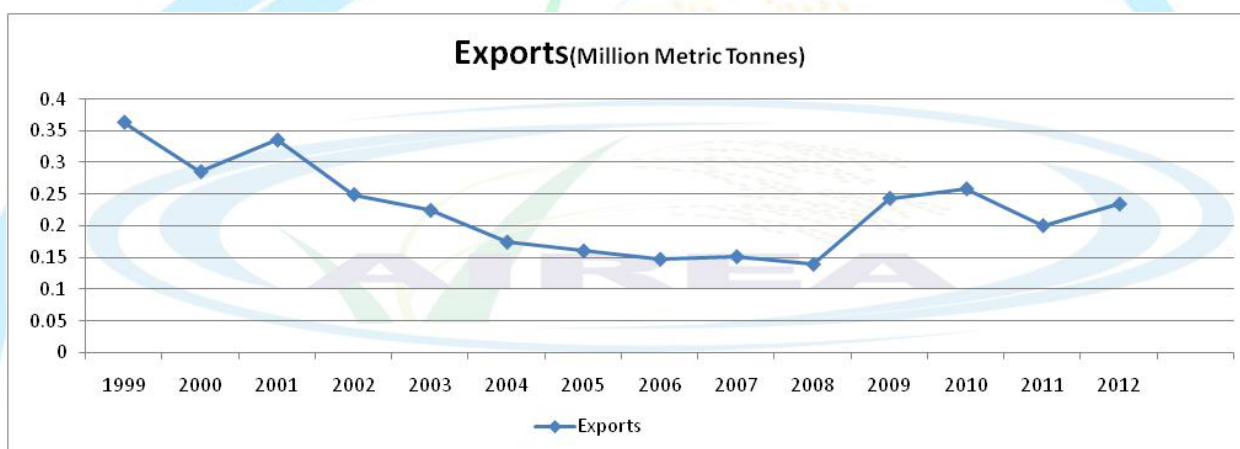
Within these constraints, the European Commission may fix refunds which enable EU exporters to compete on the lower priced world market. These may also be fixed by tender. No export refunds have been granted on grains since September 2006 and grain-based processed products since 2007.

While rice prices have fallen back from the high average prices of 2008 and 2009, they have remained significantly above historical price levels, with the price in 2010/11 between 61% and 71% higher than the average prevailing in 2006/07.

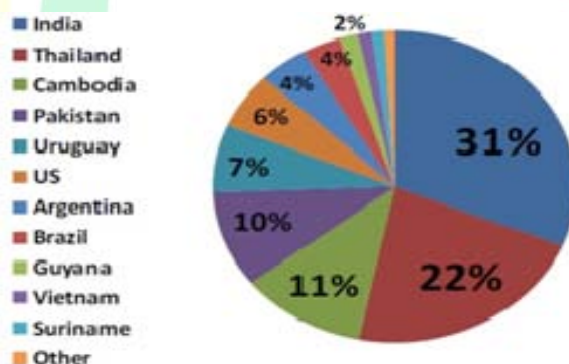
In 2011, global trade in rice reached record levels. In 2012, however, global trade is forecast to decline and to affect prices. In the last 5 months of 2011, the US Department of Agriculture (USDA) estimated global rice prices at levels 22.4% (for long-grain rice) and 23.8% (short-grain) above the corresponding period in 2010. At the beginning of 2012, prices began to decline: January prices were 8.7% (long-grain) and 7.8% (short-grain) below the corresponding period in 2011.

Exports / Imports

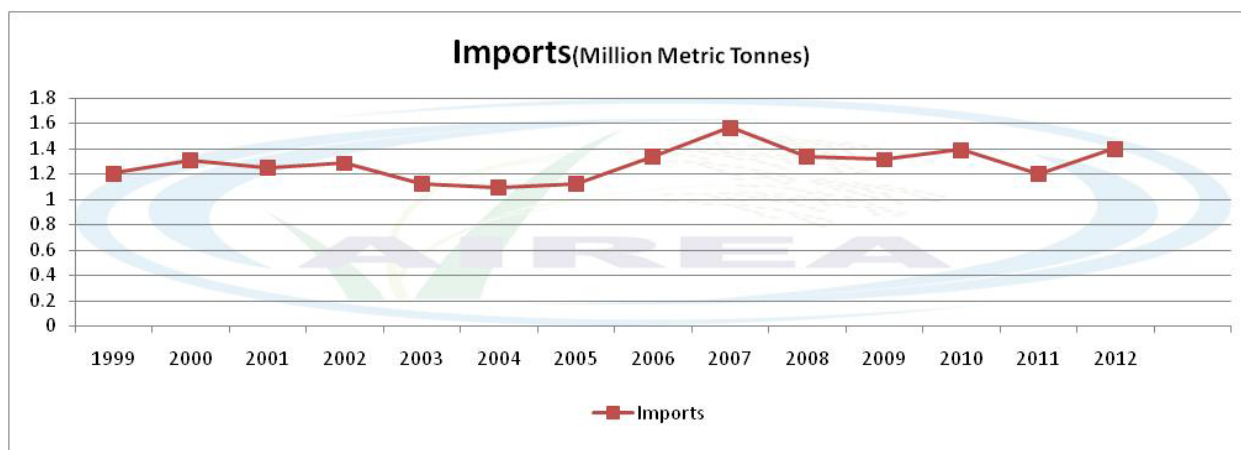
- The Euro Stat released its October 25, 2012 Rice Market Situation Report. The report projects lower production due to lower rice area with higher imports but lower rice exports for the 2012/13 crop year compared to a year earlier. Highlights of the report show that issued rice import licenses are down about 4% in 2012/13 compared to 2011/12 while rice export licenses are down about 30% for the same period due to a 85% decline in husked rice exports.



- Rice imports in EU 27 are expected to decrease by about 5% to 1.4 million tons in 2011-12, from 1.475 million tons in 2010-11, while it raised the forecast for 2012-13 rice imports by about 7% to 1.5 million tons from the previous year.
- EU rice imports in 2012/13 are projected to be up about 4% to 900,000 tons, including: 70,000 tons japonica (-6%) and 830,000 tons indica (+5%). Most imports are for husked/brown rice (52%) or milled rice (46%). Most rice is imported from: India (31%), Thailand (22%), Cambodia (11%), Pakistan (10%), Uruguay (7%), the U.S. (6%), Argentina (4%), Brazil, (4%), Guyana (2%), Vietnam, Suriname, and others



1 Breakup of rice imports to EU27 by country



Market Year	Production (MMT)	Domestic Consumption (MMT)	Imports (MMT)	Exports (MMT)	Area Harvested (MHa)
1999	1.768	2.544	1.207	0.364	0.405
2000	1.584	2.608	1.31	0.286	0.409
2001	1.639	2.567	1.254	0.336	0.406
2002	1.741	2.697	1.288	0.25	0.406
2003	1.741	2.627	1.125	0.225	0.416
2004	1.88	2.636	1.095	0.175	0.434
2005	1.731	2.651	1.124	0.161	0.415
2006	1.817	3.052	1.34	0.148	0.411
2007	1.906	3.334	1.568	0.152	0.423
2008	1.773	3.075	1.339	0.14	0.411
2009	2.176	3.15	1.317	0.244	0.456
2010	2.172	3.25	1.391	0.259	0.482
2011	2.09	3.3	1.206	0.201	0.484
2012	2.054	3.35	1.4	0.235	0.466

Compiled by AIREA