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EEC rice producers' prospects facing rapidly changing EU rice-market characteristics and increased world competition

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In the world's food-producing regions, rice is a staple food-crop, which feeds approximately half of the world's population. Around 95 percent of world production and consumption occurs in developing countries. In order to meet the projected-year 2025 demand of about 780 million tonnes, the current level of the world's rice supply (580 million tonnes) should be expanded by 34 percent. Most of this increase in rice production should come from developing countries. The world rice-market has a high degree of instability because only a very small proportion of the total output is traded (3-4 percent), of which some 80 percent is offered by developing countries. For many countries, especially those in the Far East region, rice export is an important source of foreign exchange.

Rice is not a staple food-crop in Europe and occupied only 424 thousand hectares or 0.3 percent of the world rice-area in 1997. EU rice production accounts for only 0.6 percent of the world level. Despite this insignificant contribution to world rice-production, the importance of rice is steadily increasing in both the EU and in the European region overall in terms of export earnings and domestic consumption. Cultivated under irrigation conditions, the rice grown in Europe is represented overwhelmingly by the Japonica sub-species. Although supported during the last decade, Indica rice production still lags behind the region's needs.

Economic reform packages in the former, centrally planned economies contributed to the severe contraction of the rice production in the sub-region. The various currency devaluations – stemming from macroeconomic and structural reform in the CEE countries – resulted in a sharp price increases for imported agricultural inputs, which in turn eroded the incentive to raise rice output. High production costs, coupled with the lack of support from the government, hampered rice cultivation in the CEE region. Thus, investment in rice production became insignificant if not nonexistent. On the global level, the dramatic reduction in world prices in the late 1980s and early 1990s – brought about by the competition for market share among rice exporters – has further eroded the incentive to produce rice in importing countries. Of those countries, the CEE sub-region had been gaining prominence.

The CEE region (the Russian Federation and Ukraine not included) is an insignificant rice-producing region in terms of its share in both world rice-production and the amount of foreign-currency earnings brought into the region by this commodity. Since the beginning of the CEE countries' transition periods, rice production decreased almost three times, from 165 630 tonnes in 1990 to its current level of 60 269 tonnes. The sharp decrease in rice production was due to a significant reduction in the harvested area, i.e. from 74 111 hectares in 1990 to 17 747 hectares in 1997. Rice yields of 3.3 tonnes per ha (paddy equivalent) in the CEE region are comparable with the world average of about 3.8 tonnes per ha in 1997. This figure is lower, however, than its level reached during the Communist era, when rice was given significant support and importance by the state. There is still a great potential to increase rice productivity in the three accession countries (Hungary, Poland and the Czech Republic), since the yields per hectare still remain far below the EU average 1997 level of 6.4 tonnes per ha. This huge drop in rice production in the sub-region was offset by the increase in imports made to satisfy consumer demand. The quantity imported in 1997 was six times greater compared to the quantity imported in 1990 (from 1 778 tonnes in 1990 to 10 957 tonnes in 1997). Currency earnings from rice exports are minor, at least for this period.

With the general trend of diet diversification taking place throughout the continent, rice consumption in Europe is going up. Moreover, the consumption model has become more homogeneous from southern Europe (rice producers) to northern Europe (rice importers). According to prospective FAO estimates, total rice consumption in Europe is expected to rise, and thus domestic supply is also expected to increase in order to meet a significant portion of domestic demand. CEE producers have to compete on the European and world markets with both EU producers and third exporters. The latter have a distinctive competitive advantage in terms of both cost of production and product diversification.

In light of their forthcoming integration into the EU single market, those CEE rice-producing countries that intend to improve their rice production should take into account the refined and diversified preferences of EU consumers when developing their respective production policies. The development of rice-based dishes and new, higher value-added products is related to the higher average incomes in the EU and other developed countries. There is an increased willingness on the part of EU consumers to pay more for product varieties of high quality, including rice dishes. To meet these consumer preferences, the processing industry is looking to develop new rice-based convenience foods and ready-made dishes.

The likelihood that greater sophistication in the EU rice market will take place and that Europeans increasingly will buy rice, either in small packages or partially cooked and ready-to-serve, opens up new investment opportunities in CEE rice-producing countries. Since most rice at present is sold in bulk, investment in new technologies for milling, storing, packaging and marketing is crucial. New trading arrangements and partnerships between CEE countries and the EU should be encouraged. For example, millers within the EU, who currently enjoy advanced technology for milling, sorting and packaging, may find it attractive to investigate joint-venture opportunities with CEE rice-producing countries, where advanced processing-technologies undoubtedly will have to be adopted.

Steps will have to be taken to grow those varieties preferred by CEE and EU consumers. Therefore, a greater awareness of these consumers' demand patterns and preferences needs to be generated in order to keep pace with the rapidly changing characteristics of rice demand, and thus increase profits. For example, organic rice production could be one niche of the market with promising prospects for CEE producers.

With the help of the EU's recently reduced levels of protection, which are in compliance with WTO regulations, third countries are expanding their market share in EU rice markets. Though they are key suppliers for the EU markets, CEE rice producers must face the fierce competition of a large number of suppliers and varieties offered. Their capacity to compete effectively with third suppliers is hampered by the wide range of preferences that exists among certain EU consumers. The European producers (either EU or CEE) offer no diversity to these EU consumers. For example, some 95 percent of Indica rice produced in the EU is Thaibonnet (out of a total of 13 varieties). Cooperative networking among rice researchers throughout Europe should be strengthened by working together to improve the milling yields of long-grain varieties and enhance their agronomic characteristics (e.g. earliness, productivity and resistance to cold, blast and shattering).

Sustainable rice production in Europe, especially in the East, needs a new orientation, new strategies and an unprecedented commitment from national policy makers. In addition, this kind of production requires the collective effort of all the stakeholders involved in rice development: researchers, extension services, seed producers, service providers, farmers, traders, millers and processors. Information on rice and its production factors and technologies are essential for constructive efforts towards sustainable rice development. Advances in various areas should be worked out and shared among researchers and further disseminated to farmers for their widespread adoption. These areas include: (i) the creation of New Plant Type rice with an increased production potential of 25-50 percent over the current yield potential; (ii) the successful development and use of hybrid rice; (iii) the concept and approach of crop management, particularly integrated pest management and integrated plant nutrition management and (iv) the leaf-color chart for guiding the application of nitrogen fertilizers.

Not only should the EU and CEE countries broaden their product mix by cultivating more varieties of the much-demanded Indica rice, but they should also strive to bring down costs to more competitive levels vis-à-vis imported rice. In this way they could gain a greater share of their own domestic Indica-rice market. Currently, the cost of production is substantially higher for the EU and CEE producers compared to those in Southeast Asia and the United States. To gain and preserve a reasonable market share in their own markets, the EU and CEE rice producers must become competitive. Additional efforts should be made with regard to rural infrastructure development, input supply and credit availability, and upgrading the production and marketing knowledge of farmers. It is also very important for government policies regarding agricultural development to be defined clearly and for adequate resources to be allocated in order to support those activities identified in the policies.

