

TOWARDS ANOTHER MAJOR CRISIS ON THE WORLD RICE MARKET?

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Market trends

In July and early August, **world rice prices** have hit their highest level in 15 years. India's ban exports of non-basmati rice triggered a wave of panic and raised uncertainties about world rice trade in the months ahead. Some analysts are even talking of possible chaos comparable to the 2008 crisis, as India now plays a major role on the world market. The tipping point could be a situation where world prices are so volatile that importers seek to draw in massive supplies to build up stocks, while exporters may limit contracts for fear of having to obtain supplies on domestic markets at prices above the contractual prices agreed with their customers. This was the speculative context of 2008. Added to this risk of a major crisis is the return of El Niño in 2023, which could further destabilize and aggravate the current situation.

But the worst is never certain. On the supply side, Thailand and Vietnam, the world's 2nd and 3rd largest exporters respectively, for whom this could be a boon, are already anticipating an increase in their exports in 2023, which could partly offset the limitations on Indian exports. Pakistan will return to normal production levels this year and also expects to increase its export supply. Finally, India has already announced that it could relax its restrictive measures in favor of countries whose food security would depend largely on Indian rice. This is an option that could be repeated, following the example of the easing of its policy of restricting exports of broken rice, enacted in September 2022, which even enabled it to reach record exports in 2022. Ultimately, the scale of the current crisis will depend on the stance taken by exporting and importing countries in the coming weeks. Once the initial pre-emptive reactions have passed, players may remember that crises in the rice market rarely last long, and that (downward) price adjustments can be just as brutal. However, export prices are likely to remain firm over the coming weeks until the gradual arrival of the main crops in Asia from the last quarter of 2023.

In July, the OSIRIZ/InfoArroz index (IPO) rose sharply by 15.6 points to 253.3 points (base 100=January 2000) from 237.7 points in June. In mid-August, the IPO index stood firm at 276 points.



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World production

According to the latest FAO estimates, **world rice production** in 2022 fell by 1.6% to 779.4 Mt (517.6 Mt in milled basis), against 792.1 Mt in 2021. South Asian regions were affected by adverse weather conditions, particularly Pakistan, where harvests fell by 30%. By 2023, current estimates indicate an improvement in world production of 1.5% to 788.7 Mt, despite fears of a return of the El Niño weather phenomenon. The recovery of Pakistani production and the stability of Chinese production should offset the expected reductions in India and Thailand. In the United States, production should also recover, returning above its 2021 level.

World trade and global stocks

In 2022, **world rice trade** rose by 7.5%, reaching a record at 56 Mt, or 11% of world production. In 2023, world trade is forecast to decline by 5% to 53 Mt, largely due to lower world production in 2022 in surplus areas. This downward trend is likely to be amplified by India's ban on exports of non-basmati rice, which accounts for a quarter of Indian exports and 11% of world exports. If this ban is prolonged, many importing countries, particularly in sub-Saharan Africa, are likely to be affected, with a drop in consumption. Initial forecasts for world trade in 2024 indicate a further decline to 52.5 Mt. However, part of the reduction in Indian exports will be offset by exports from Thailand and Vietnam, where exportable supplies are satisfactory.

World rice stocks ending in 2022 are estimated to rise by 1% to 197 Mt from 195 Mt in 2021. They represent 38% of world consumption needs, and remain above the average of the last five years. Decrease in Chinese stocks by 2% was largely offset by the improvement in Indian stocks in 2022. However, Chinese reserves remain very large, equivalent to 70% of annual domestic consumption and 50% of world stocks. In the main exporting countries, stocks have increased by 17% in 2022 to 58 Mt, or 30% of world stocks. In 2023, world stocks are expected to decline by 1% to 195.1 Mt, due to the possibility of a drop-off in world production in 2022/2023 and a probably reduction in import demand following the recent increase in world prices.

OSIRIZ Index (IPO 100 = January 2000) & Export Rice Prices (US\$/t FOB – source: OSIRIZ)

	IPO	Usa 2/4	Thai100B	Thai Parb	India5	Viet5	Camb5	Burma5	Uru5	Thai25	Viet25	Pak25	A1Super
2022	194.6	660	430	428	356	418	460	401	533	409	398	362	390
2023*	190.2	726	513	505	452	492	460	533	594	476	473	466	442
JANUARY-MARCH	223.6	722	481	476	428	458	460	485	478	455	438	443	435
APRIL-JUNE	235.5	730	506	499	453	490	460	559	594	469	472	477	431
JUNE	237.7	729	513	501	460	504	460	570	600	474	484	458	434
JULY	253.3	725	561	546	494	535	460	567	618	509	515	487	470
03-jul-23	243.3	725	525	510	480	510	460	570	605	485	490	465	435
10-jul-23	247.5	725	530	515	495	515	460	570	610	480	495	475	440
17-jul-23	250.1	725	535	520	495	525	460	550	620	490	505	495	440
24-jul-23	259.6	725	590	575	500	550	460	565	625	530	530	500	460
31-jul-23	266.1	725	625	610	500	575	460	580	630	560	555	500	475

source: Osiriz/InfoArroz ; *January-July

In **India**, rice prices rose 7% from June. Most of this increase took place before the announcement of a ban on non-basmati rice exports. Since the end of July, quotations for Indian rice have been suspended. The Indian government aims to stabilize domestic prices and ensure domestic supplies at reasonable prices. However, it would be more appropriate to refer as a limitation rather than an export ban. Indeed, easing measures can be expected when governments of importing countries begin to invoke the food security clause, leading the Indian authorities to resume exports in a selective mode, expecting a return to normal during 2024. In July, Indian 5% marked \$ 494/t FOB against \$ 460 in June. Indian 25% rose to \$ 472 from \$ 438.

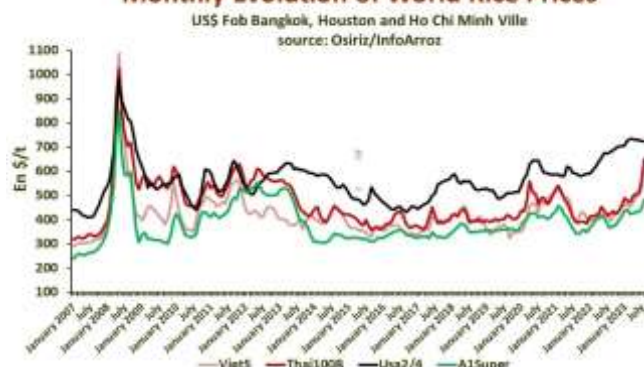
Weekly Evolution of World Rice Prices


In **Thailand**, prices rose by 10% in just a few days and by 30% compared to last year at the same time. Importers have been looking for Thai rice since the announcement of the Indian export ban. This upsurge in external demand is also pushing up domestic prices. However, Thai authorities assure that there are sufficient supplies to meet domestic consumption needs and additional foreign demand. For the first seven months of the year, Thai exports would have reached 4.8 Mt, up 20% from 2022. Exports are currently forecast to reach 8.5 Mt in 2023. However, these estimates could be revised upward depending on how long and how India will implement its restrictive measures. Thailand hopes to regain some of the African markets it had lost to India's aggressive trade policy. The price Thai 100%B rose to \$ 561 against \$ 513 in June. Parboiled rice also rose to \$ 546 from \$ 510. Thai broken A1 Super rose to \$ 470 against \$ 434. At the beginning of August, prices were still firm, marking their highest level for 15 years.

In **Vietnam**, export prices were also impacted by Indian export restrictions, rising by an average of 6% from June. Between mid-July and early August, Vietnamese prices even rose by \$ 100/t, reaching their highest level since 2008. Domestic markets are under pressure and are also seeing price rises. However, the Vietnamese authorities are confident that this is an opportunity to significantly increase exports beyond the traditional markets of the Philippines and China. For the first seven months of the year, Vietnamese exports would have reached 4.85 Mt, up 20%, and expect to export at least 8 Mt, approaching the 2014 record (8.4 Mt). Viet 5% traded at \$ 535, against \$ 504 previously. Viet 25% marked \$ 515 from \$ 484. At the beginning of August, prices held firm.

In **Pakistan**, rice prices also increased significantly by 6%, in a context of strong external demand since the end of June. Most of this increase occurred before India's announcement. In early August, Pakistan in turn suspended quotations due to low exportable supply, pending the new crop that will start arriving in the coming weeks, which is estimated to be 30% higher than the catastrophic 2022 crop. In July, Pak 25% reached \$ 487, against \$ 458 in June.

In **China**, rice consumption is estimated to fall by 2%, due to a reduction in the feed use of broken rice, as it has become less competitive with corn, following the sharp rise in world prices and the ban on exports of Indian

Monthly Evolution of World Rice Prices


broken rice from September 2022. However, China remains the world's top rice importer, with about 5 Mt in 2023, a level that should remain stable in 2024.

In the **United States**, rice prices seem to be disconnected from the Asian markets, even marking a slight decline compared to June. In July, exports are reported to drop significantly to 120,000 t from 245,000 t in June. Nevertheless, external sales are only 1% behind from the same period last year. Crop prospects are good, estimated at 20% above 2022. However, most of this increase will be reflected in exports during 2024. The indicator price for Long Grain 2/4 rice marked \$ 725/t against \$ 729 in June. On the Chicago Board of Trade, paddy rice futures prices were again stable at \$ 340/ton. In early August, futures prices were trending higher at \$ 352.

Daily price of paddy United States and Brazil


In **Mercosur**, export prices rose 3%. Harvest reports indicate a drop-off in Brazilian and Argentinian production due to water shortages. In contrast, Uruguayan production settled at the same level as the previous year. Brazilian exports remain firm and are 15% higher from the same period last year. The Brazilian paddy rice indicative price rose 3.7% to \$ 351/t from \$ 338 in June. In early August, the indicative price remained firm at around \$ 368.

In **sub-Saharan Africa**, the announcement of the Indian export ban seems like déjà vu in 2008. Added to this is Russia's suspension of the Black Sea cereals agreement, which should have an impact on grains markets throughout the African continent. For now, domestic prices remain high, but stable due to a sufficient local supply and abundant imported grain reserves. Prospects for rice production are quite good, thanks to better yields, and imports are expected to fall by 4.4% to 17.7 Mt in 2023, representing 42% of consumption needs.

Rice (millions of tons)									
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Paddy rice								(e)	(p)
World Production	736.4	748.6	752.8	765.3	758.4	780.1	792.1	779.4	788.7
208.2	212.1	211.1	212.7	212.2	210.0	211.9	212.8	208.5	209.3
158.2	156.5	163.7	168.5	172.6	178.3	184.5	194.2	196.2	196.5
70.8	61.0	54.0.9	55.3	59.2	67.7	54.6	54.4	54.0	54.2
51.8	51.8	50.4	54.2	54.5	55.2	55.9	56.8	57.8	58.7
45.0	45.1	42.8	42.8	44.0	43.4	42.7	43.9	42.7	42.9
27.4	27.4	32.4	33.7	32.7	28.3	30.3	33.0	34.4	34.8
28.2	27.7	28.6	29.5	30.4	25.3	25.1	24.9	23.7	23.7
12.1	12.4	10.6	12.3	12.1	10.5	11.2	11.8	10.8	10.0
10.8	10.5	10.7	10.8	10.6	10.5	10.5	10.6	10.4	10.3
Milled rice									
World Exports	45.0	41.3	48.3	48.5	44.3	45.8	52.1	55.9	53.0
India	11.2	10.1	12.5	11.6	9.8	14.5	21.4	22.5	20.4
Thailand	9.8	9.9	11.6	11.1	7.6	5.7	6.1	7.7	8.4
Vietnam	6.6	5.8	5.9	6.6	7.0	6.2	6.5	7.2	7.5
Pakistan	4.1	4.0	3.7	3.9	4.5	4.0	3.9	4.6	3.3
China	0.3	0.5	1.2	2.8	2.6	2.5	2.4	2.2	2.4
United States	3.5	3.5	3.3	3.1	3.1	3.1	2.9	2.2	2.2
Burma	3.1	2.8	3.1	2.7	2.5	2.2	1.8	2.2	2.4
Brazil	0.9	0.6	0.6	1.2	0.9	1.2	0.8	1.4	1.0
Others	5.6	4.1	6.2	5.8	6.3	6.4	6.2	5.9	5.6
World Imports	45.0	41.3	48.3	48.5	44.3	45.8	52.1	55.9	53.0
China	7.1	6.3	5.9	4.5	3.8	3.6	5.1	6.6	5.4
Nigeria	2.2	2.2	2.7	2.3	2.3	2.0	2.0	2.4	2.6
Philippines	2.0	0.8	1.2	2.5	2.8	2.5	3.0	3.9	3.5
European Union	1.8	1.8	2.0	1.9	2.2	2.0	1.9	2.5	2.2
Cote d'Ivoire	1.4	1.4	1.6	1.7	1.4	1.3	1.8	2.0	2.0
Iran	0.8	1.1	1.4	1.3	1.4	1.0	0.9	1.8	1.6
Saudi Arabia	1.6	1.2	1.1	1.2	1.3	1.1	1.2	1.3	1.2
Senegal	1.4	1.1	1.6	1.4	1.0	1.2	1.5	1.9	1.4
Indonesia	1.3	1.3	0.3	2.3	0.4	0.5	0.6	0.5	1.7
Brazil	0.3	0.7	0.8	0.6	0.7	0.9	0.7	0.8	0.9
Japan	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Fed. Russia	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Eastern Asia	16.7	13.4	16.4	17.1	12.8	12.4	16.2	18.3	17.0
Africa	13.8	14.3	17.1	16.7	16.0	16.2	17.6	18.7	17.7
Near & Middle East	8.1	7.3	8.4	8.6	8.5	8.6	8.6	8.6	8.6
Latin America	3.8	4.3	4.4	4.3	4.2	4.9	4.0	4.2	4.4
Developed countries	4.1	3.9	4.2	4.3	5.0	5.7	5.2	6.3	5.8
Stocks ending	175.5	173.6	174.2	177.3	187.0	187.8	195.0	197.0	195.1
China	92.9	98.0	99.0	103.3	105.9	103.9	102.8	100.6	100.0
India	21.5	18.1	19.5	21.7	28.8	32.7	35.6	41.4	42.8
Pakistan	1.1	0.9	0.7	0.8	0.6	0.6	1.1	1.0	0.2
Thailand	16.2	10.7	8.2	5.6	5.4	6.0	8.0	9.9	9.8
Vietnam	3.2	2.8	3.2	3.1	3.0	3.4	3.1	4.2	3.8
United States	1.5	1.5	1.5	0.9	1.4	0.9	1.4	1.3	0.9

Sources: FAO & USDA, 2023