

# Rice Market Outlook

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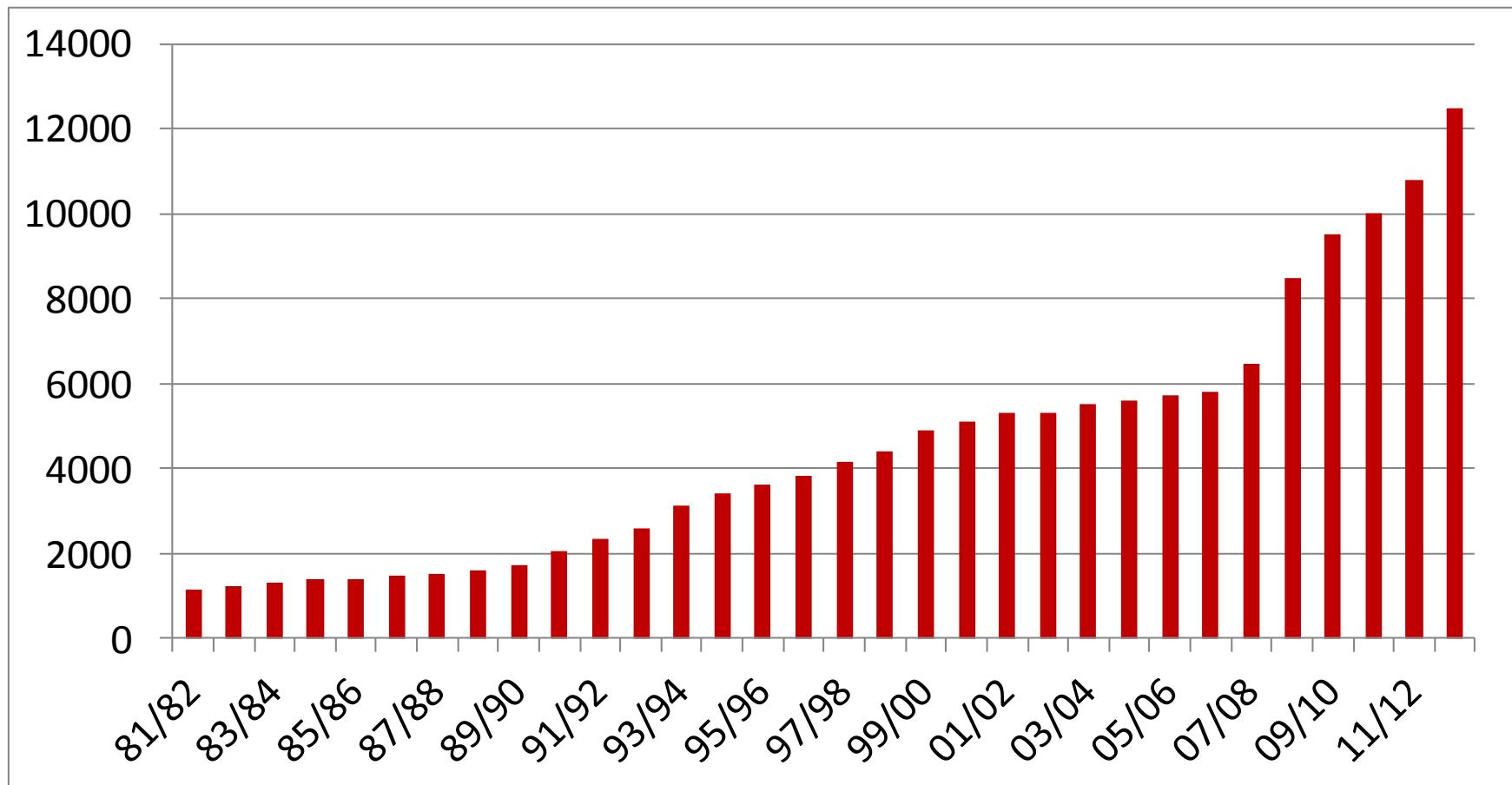
# Renewed Support after 2007 Rice Crisis

- The introduction of Thai Mortgage Scheme at 50% higher than market price
- Double digit annual growth in support prices in Indonesia, China and other rice growing countries.
- Rice self-sufficiency program in the Philippines and Indonesia.
- New support programs and import restrictions in many African nations
- Rapid increase in Indian MSP since 2007



# Indian Paddy MSP (Common Varieties)

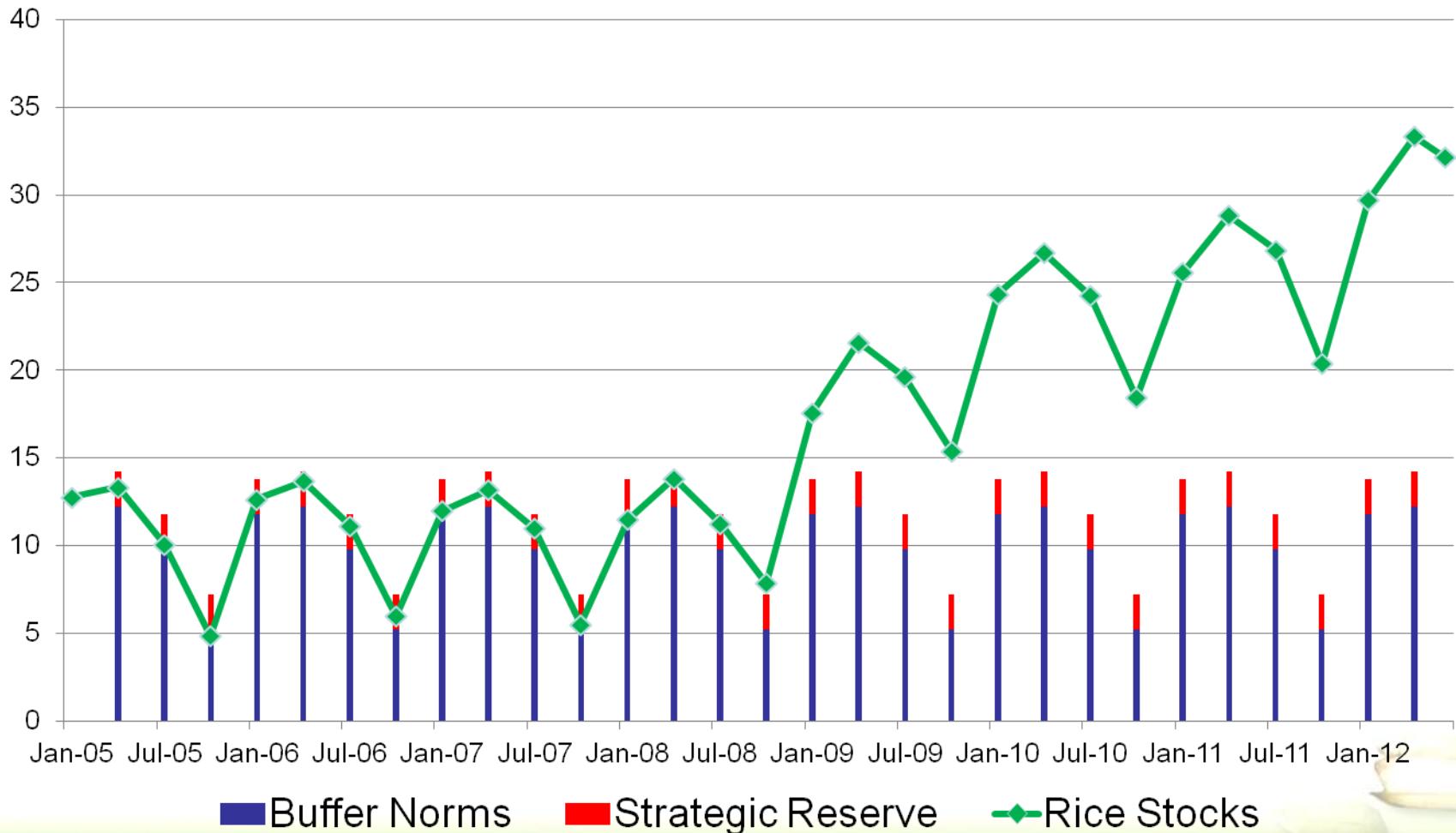
Rupees per ton



# Indian Rice procurement stocks

## actual vs (buffer + strategic reserve)

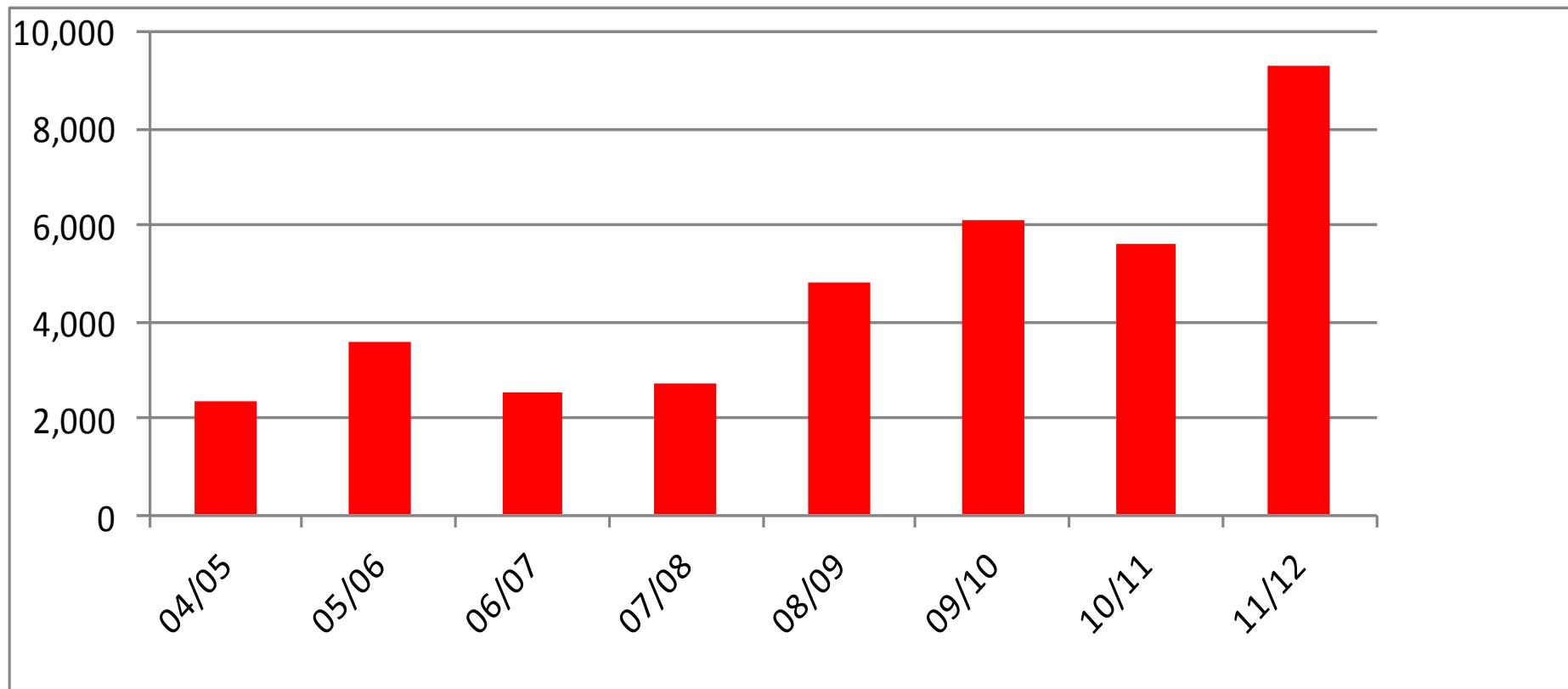
Million metric tons



Data Source: Food Corporation of India

# Thai Rice Inventory

000 MT

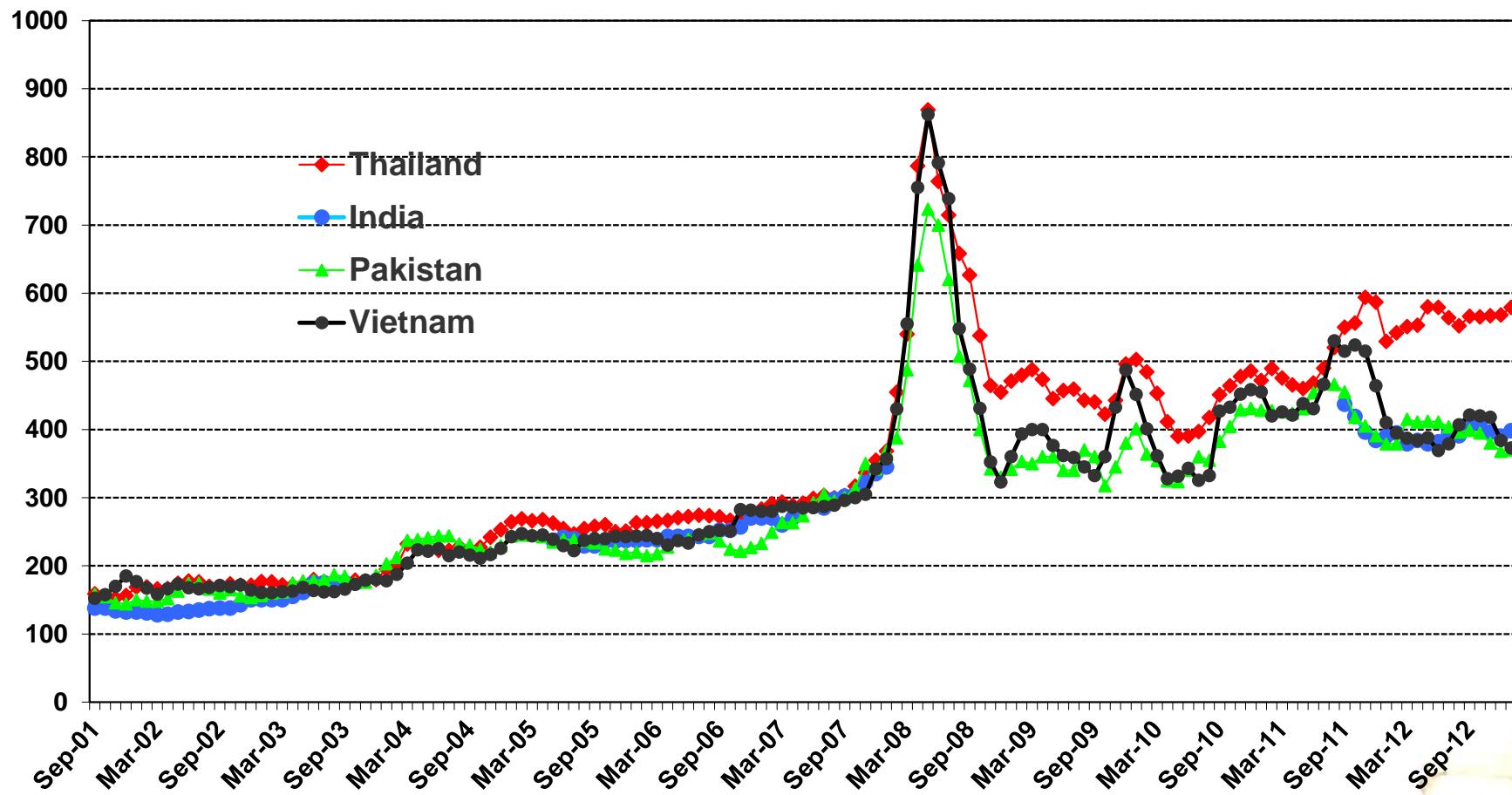


Data Source: USDA

# 25% Broken Rice Prices

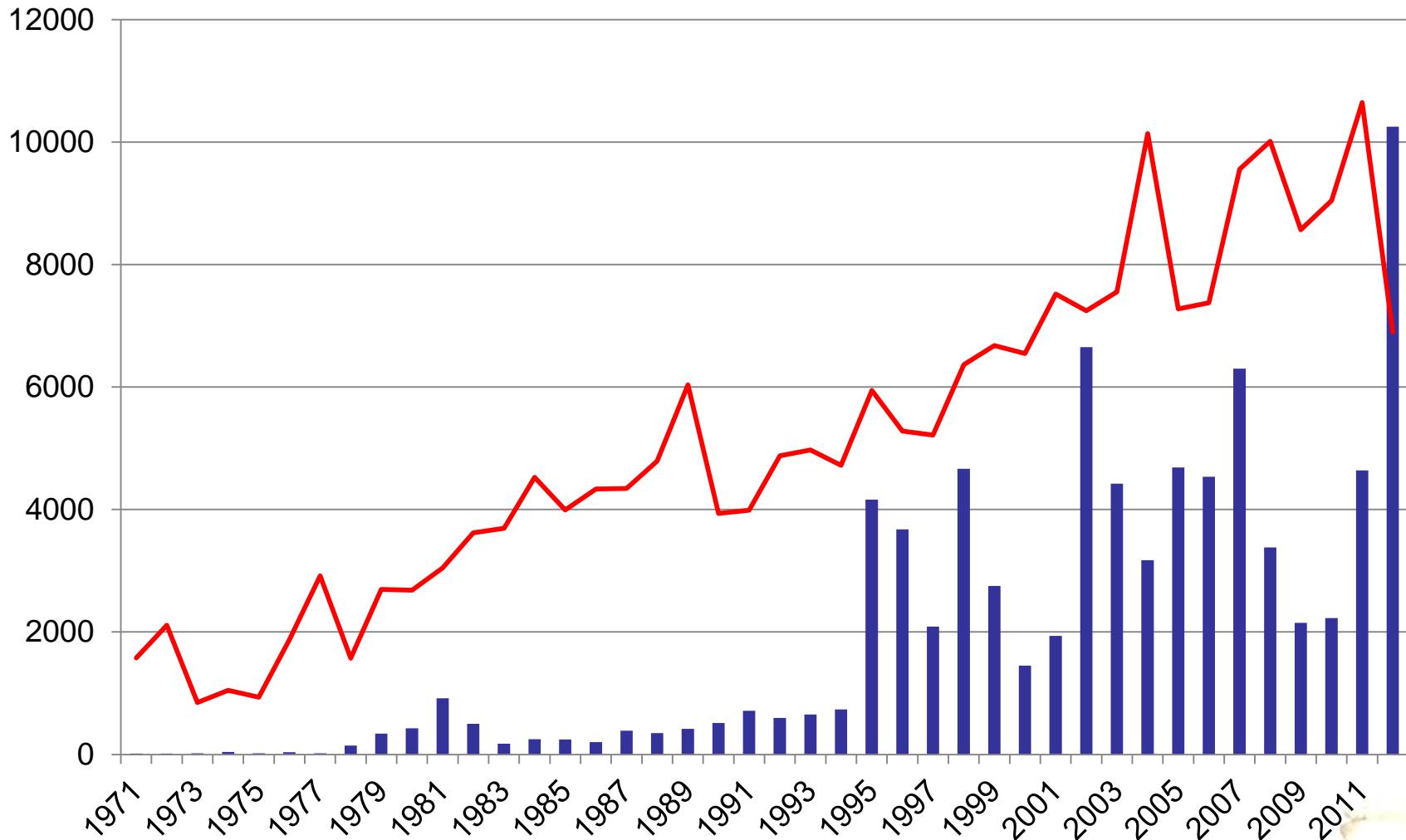
## (January 2001-January 2013)

US\$/ton



# Indian and Thai Rice Exports

000 Metric Tons



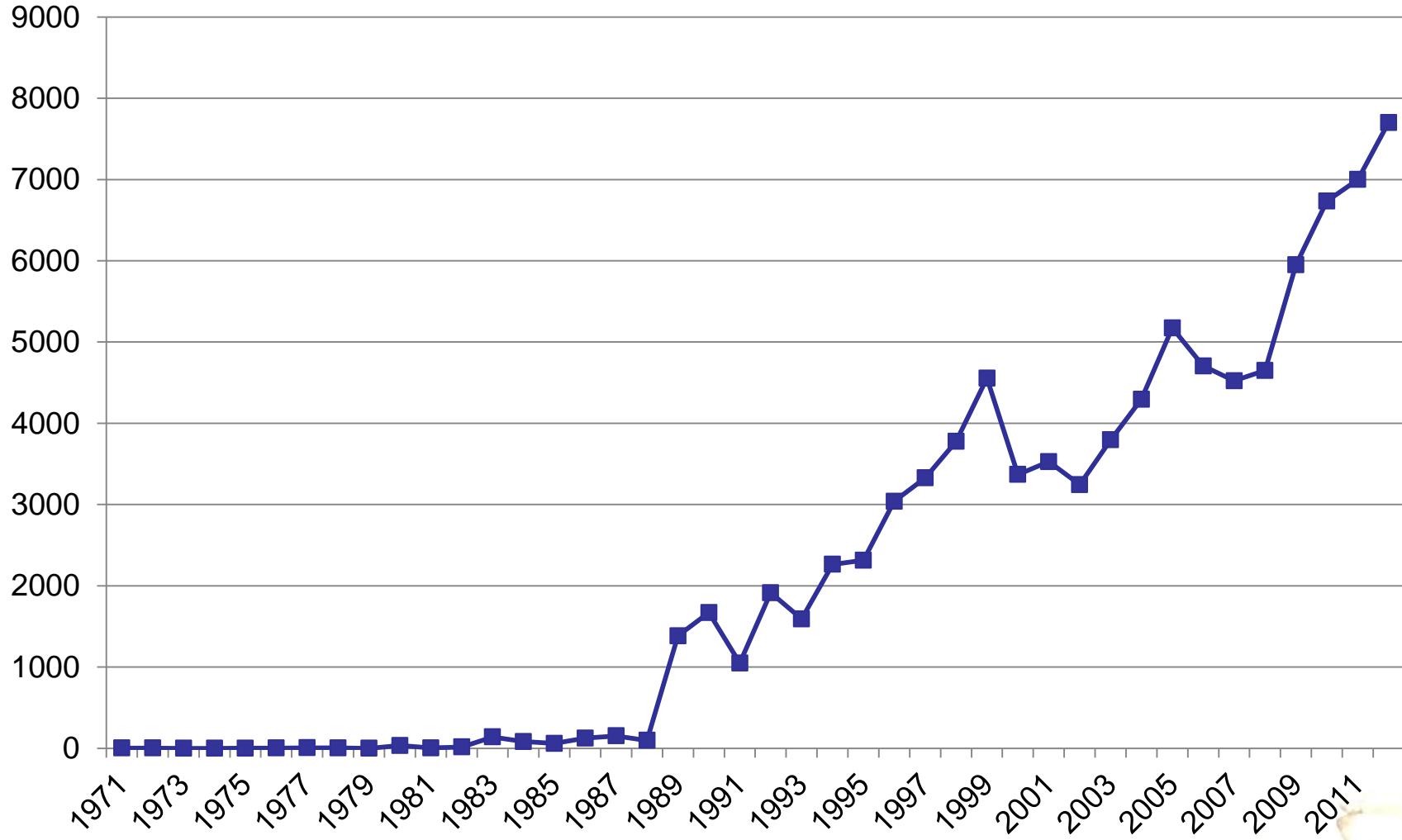
# National Food Security Bill: India

- Plans to cover nearly half of billion plus population
  - 75% of the rural population
  - 46% of the urban population
- Highly subsidized grains for priority households
  - 46% of the rural population
  - 28% of the urban population
  - 7 kilograms of grains per month per person
- Indian rice exports in 2013 may drop to 7 million tons in 2013.



# Vietnamese Rice Exports

000 Metric Tons



# **Self-Sufficiency Drive in the Philippines and Indonesia**

- 2007/08 crisis prompted both these countries to pursue self-sufficiency.
- Two-pronged approach to achieve rice self-sufficiency
  - various domestic programs have been rolled out to expand rice production
  - citizens have been urged to move away from rice to other staples.
- Philippines: Expand production through improved productivity
- Indonesia: Expansion of rice area; improve irrigation infrastructure



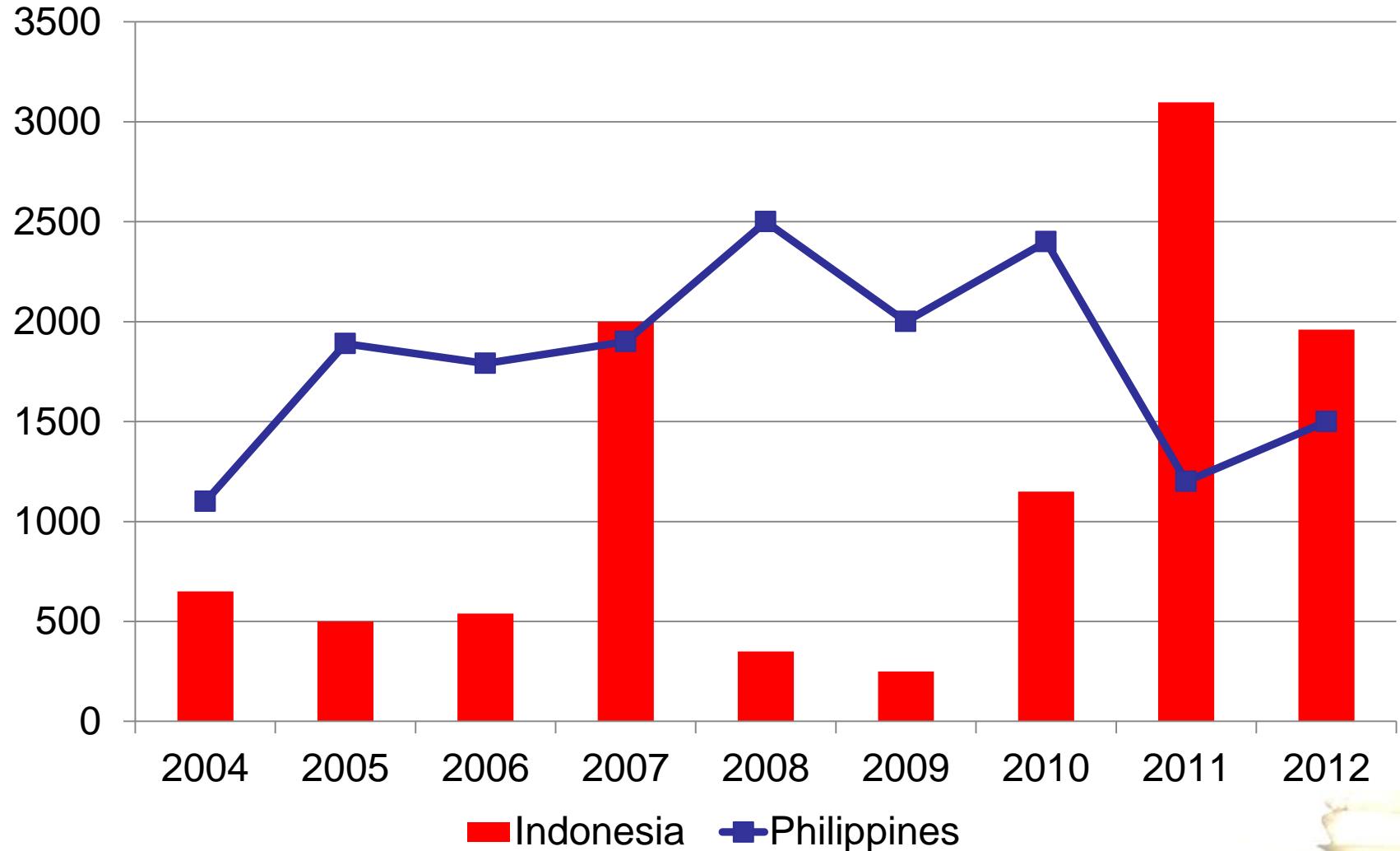
# Rice Sector Policy in Indonesia (2011)

Policy	Description of policy
<b>Production policy</b>	
<b>Fertilizer subsidy</b>	Farmers managing less than 0.5 ha of land receive only 40% of the subsidy. The total amount of organic fertilizer subsidy allocation is 835,000 tons (IDR 584,500 million).
<b>Price support</b>	\$0.59 per kilogram for rice; \$0.39 per kilogram for dry paddy.
<b>Food subsidy for rice price increase</b>	Bulog sells subsidized rice to poor families at \$0.177 per kilogram. The market price for medium rice is \$0.813 per kilogram.
<b>Import policy</b>	
<b>State trading</b>	Bulog purchases grain for price stabilization, delivers rice to the poor via the Raskin program, and manages food stocks.
<b>Tariff</b>	The import duty on rice is \$50 per ton.



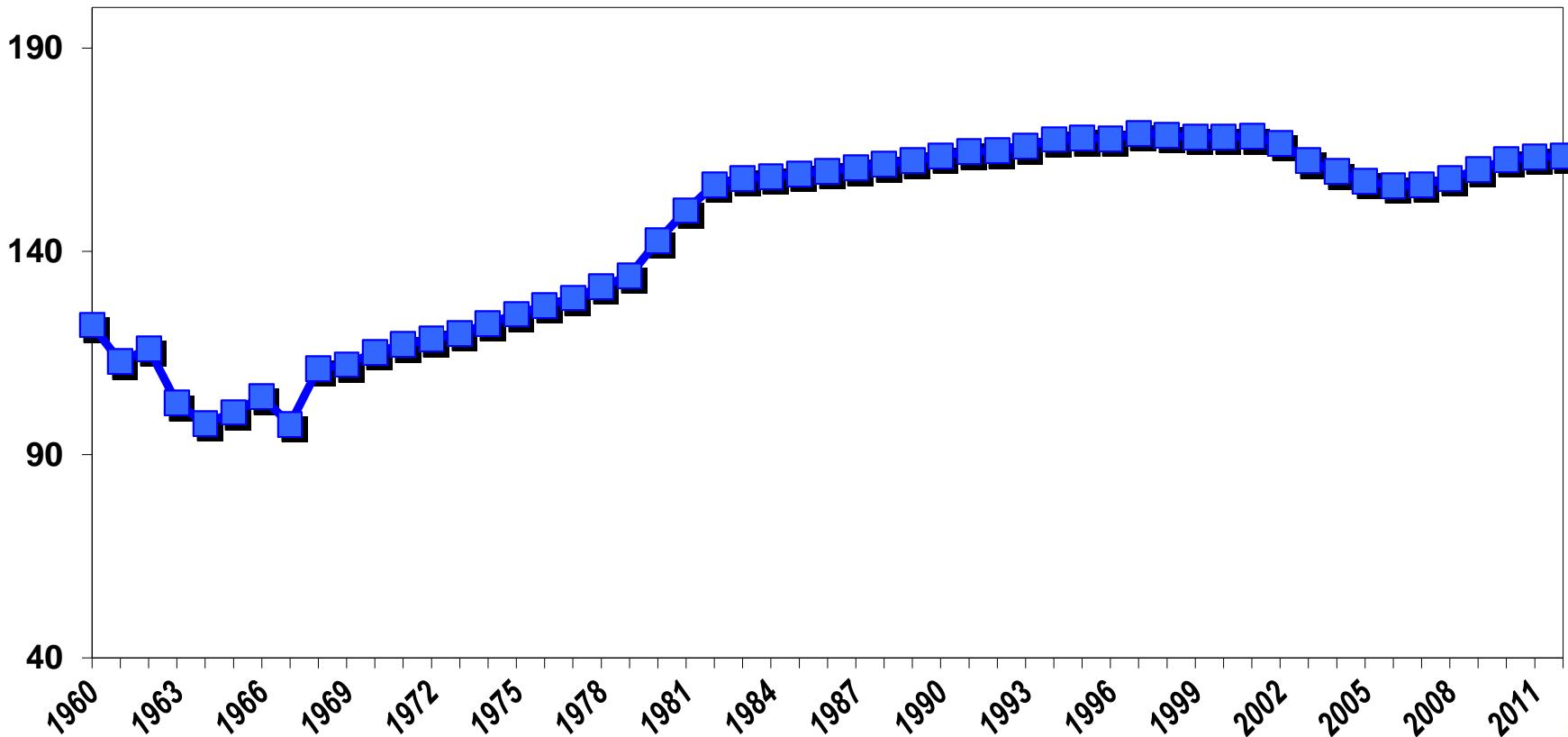
# Rice Importers

000 MT

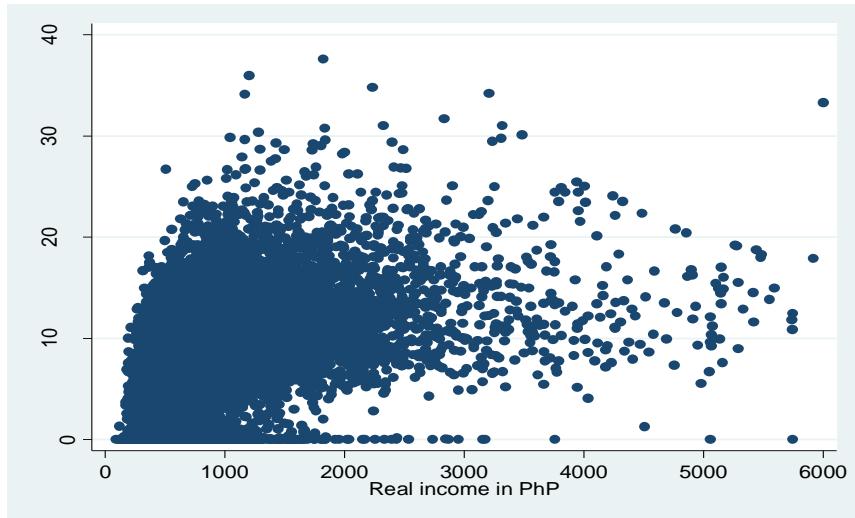
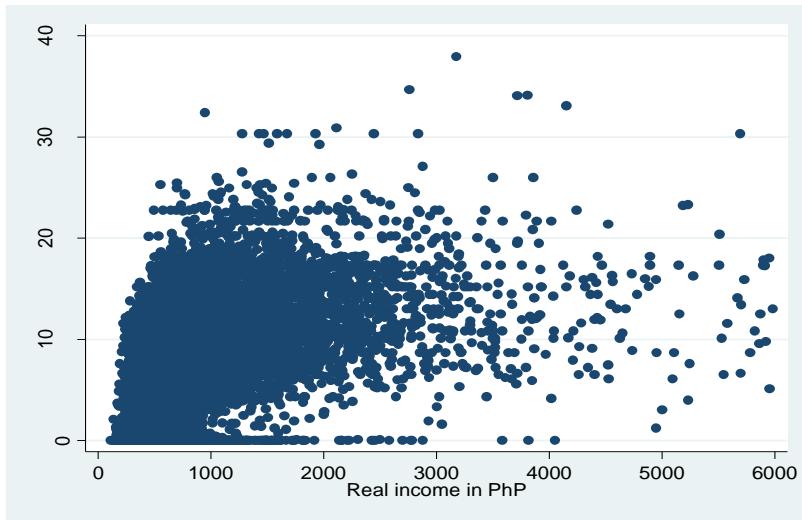


# Indonesian Per Capita Rice Utilization

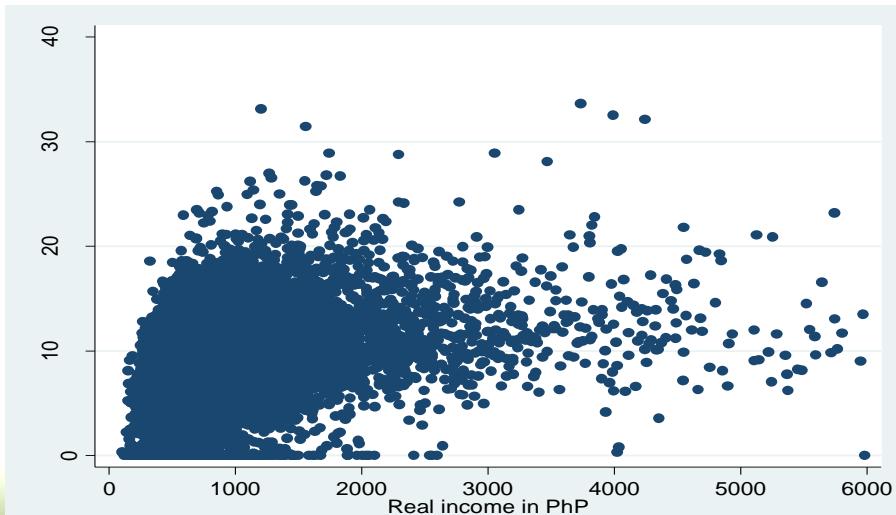
Kilogram/year



# Monthly Per Capita Income and Rice Consumption (Rural Households in the Philippines)



2000



2003

2006



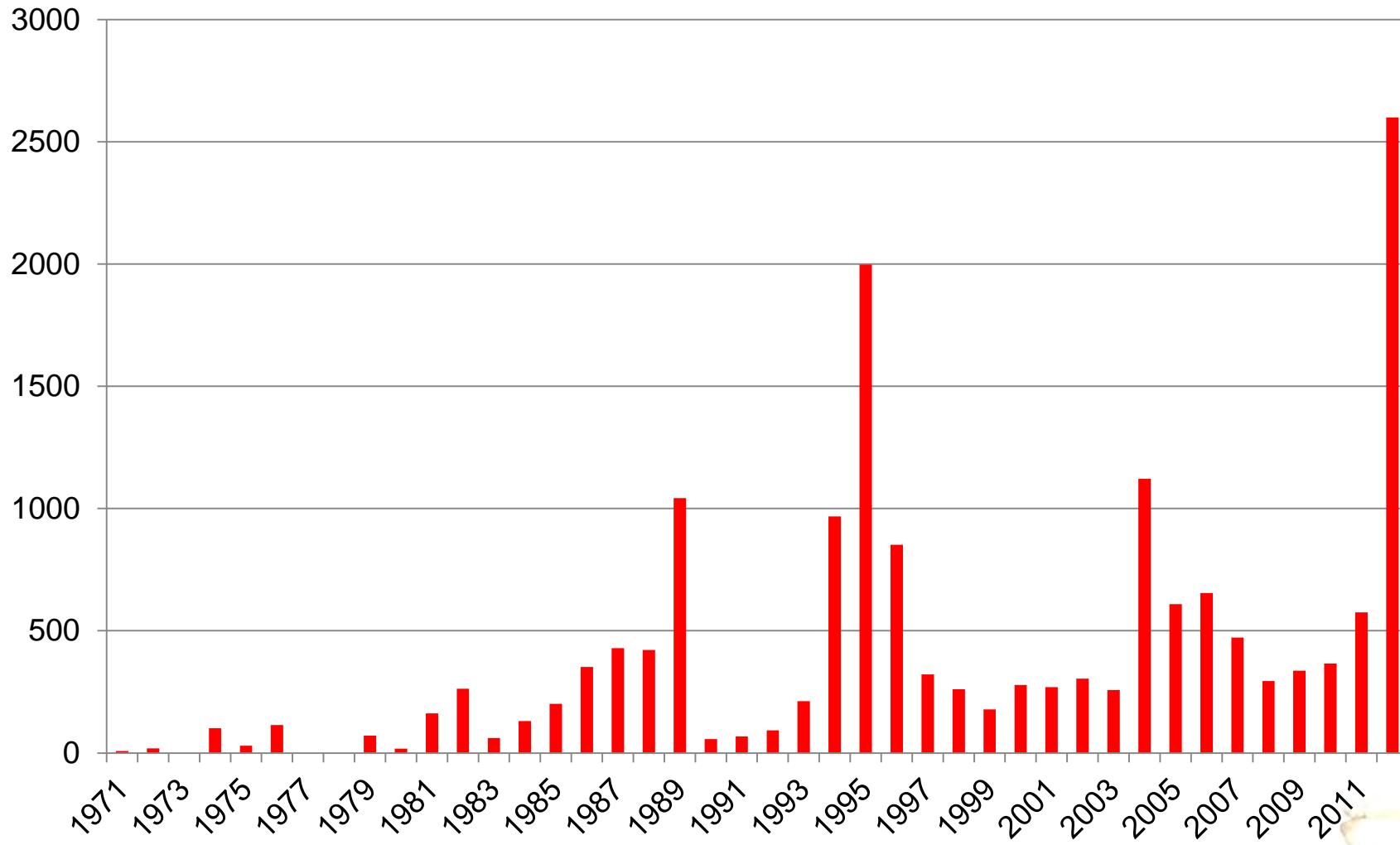
# Implications of Self-Sufficiency Policy

- Restricts the use of land for more profitable use (rubber and palm production in Indonesia).
- Slows down structural transformation and efficiency of rice production
- Higher prices for the domestic consumers
- Greater volatility in the world market



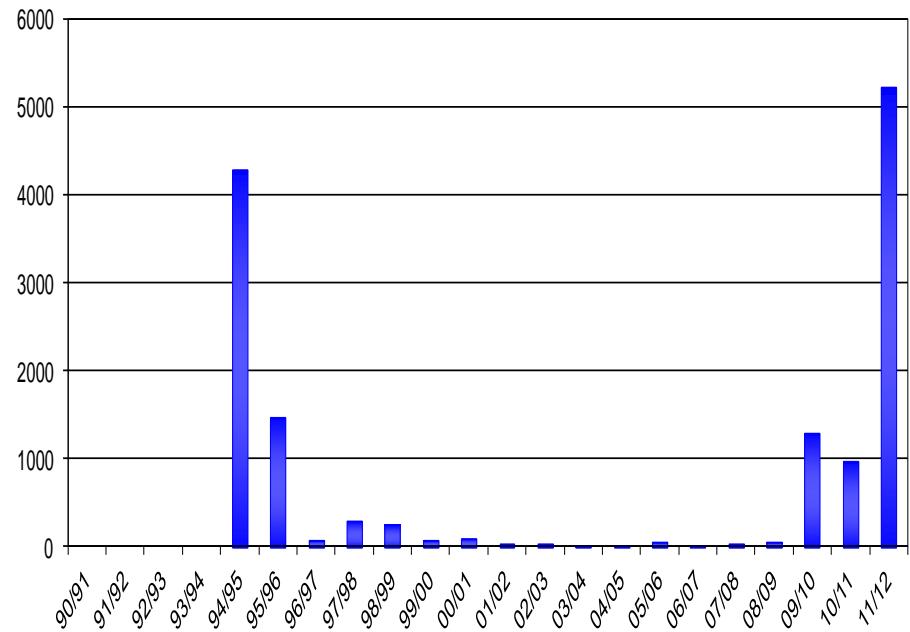
# Chinese Rice Imports

000 Metric Tons



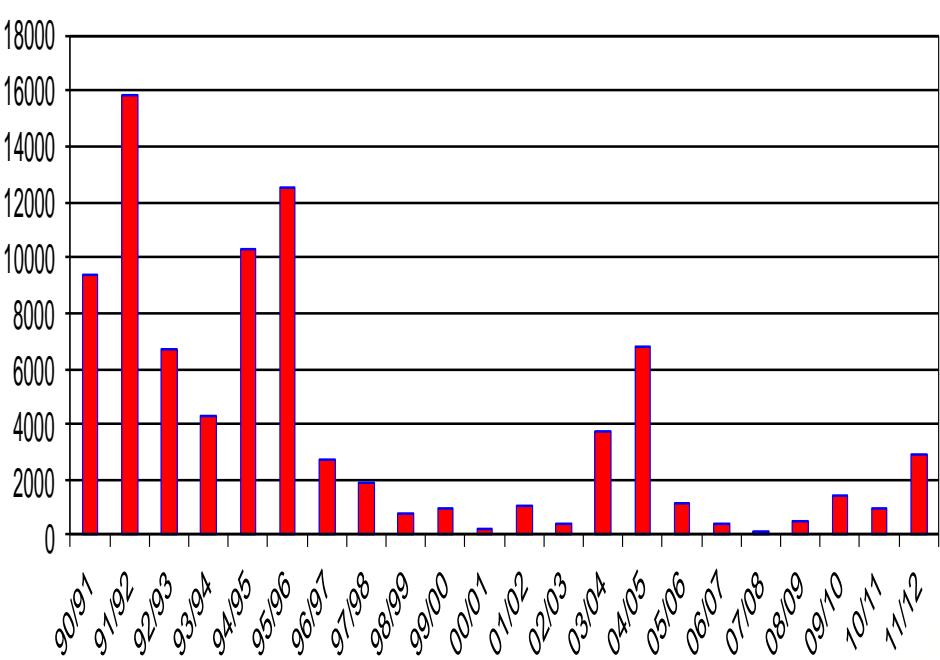
# Chinese Corn and Wheat Imports

000 Metric Tons



Corn

000 Metric Tons

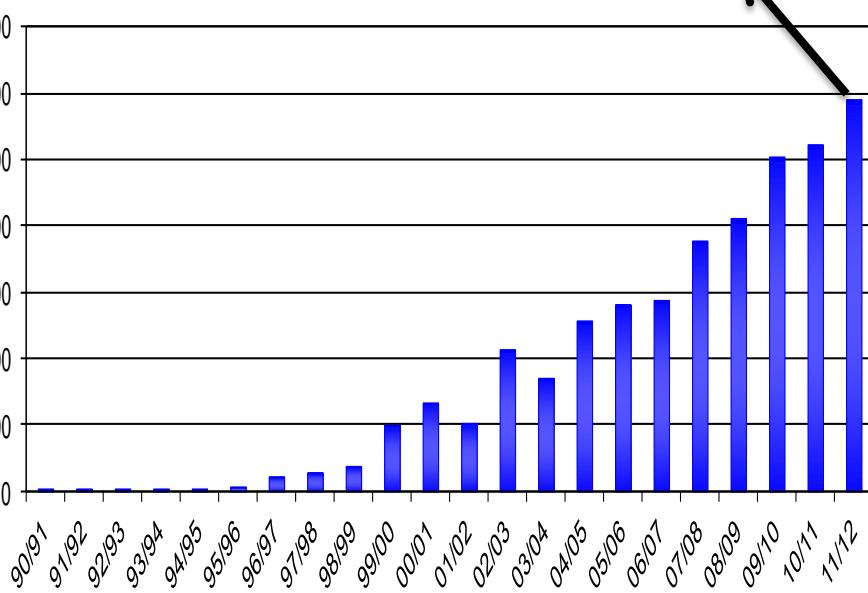


Wheat

# Chinese Soybean and Cotton Imports

000 MT

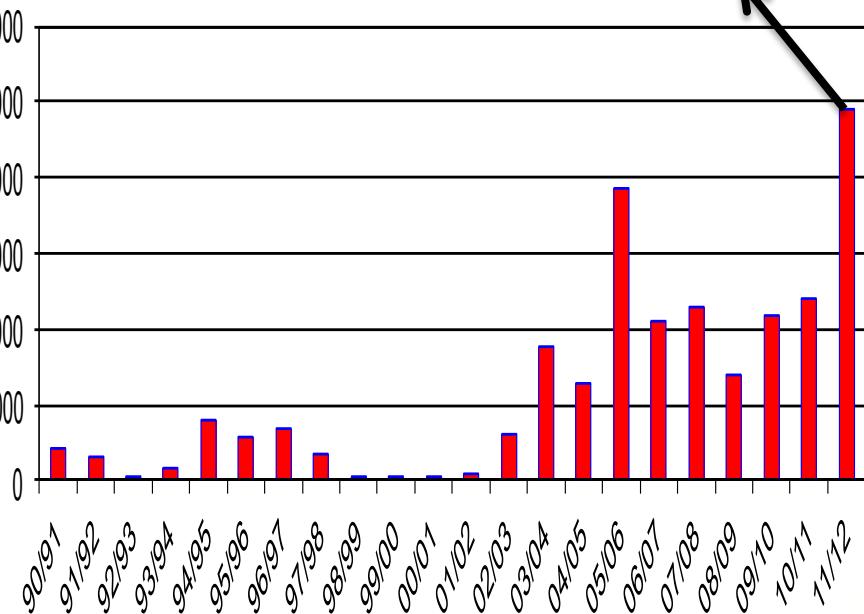
62% of total imports



Soybean

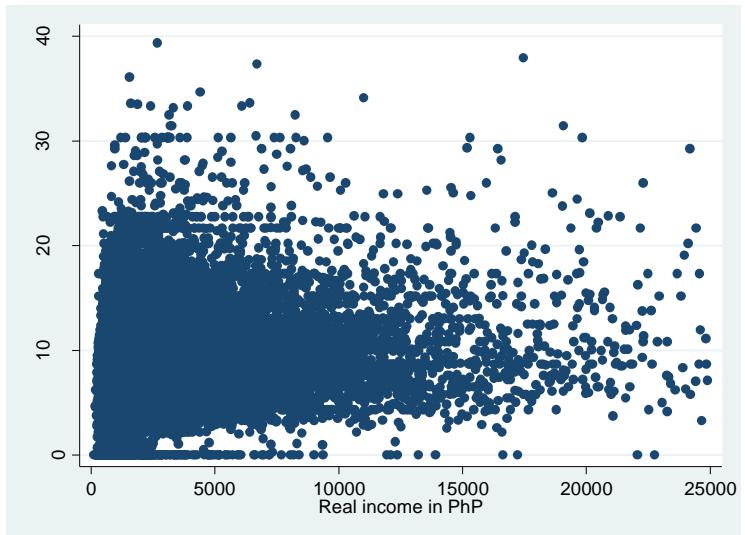
000 Bales

55% of total imports

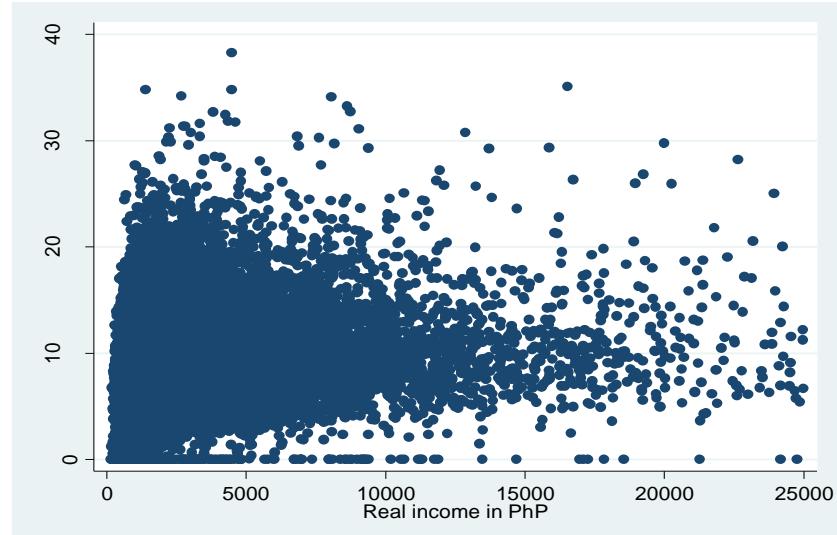


Cotton

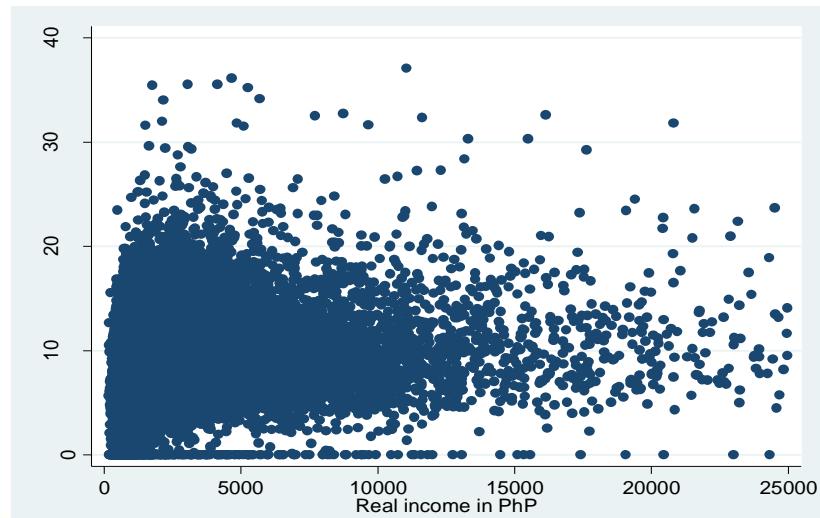
# Monthly Per Capita Income and Rice Consumption (Urban Households in the Philippines)



2000



2003



2006



# **Short-Term Outlook**

- Market may be range bound in the next few months.
- Possibility of some weakening in rice prices if Thailand decides to aggressively off load some of its mortgage stocks
- Indian exports will fall this year.
- Monsoon holds the key to what will happen to rice prices in the second half of the year



# Going Forward



# Changing Rice Consumption

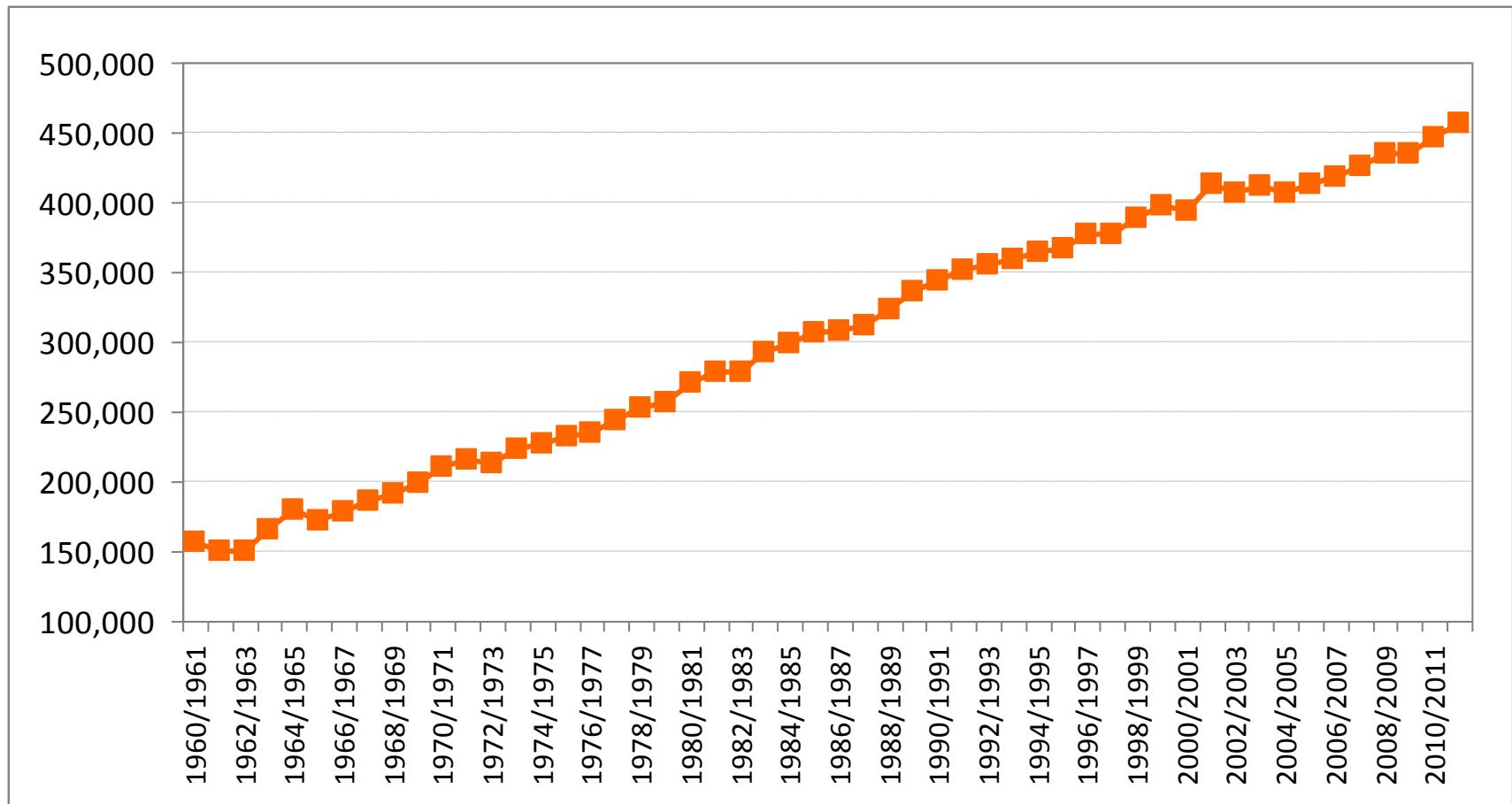
- Income growth
- Urbanization
- Super market revolution in Asia
  - Rice (7% in Delhi, 50% in Beijing, starting in Dhaka)

(Source: Thomas Reardon)



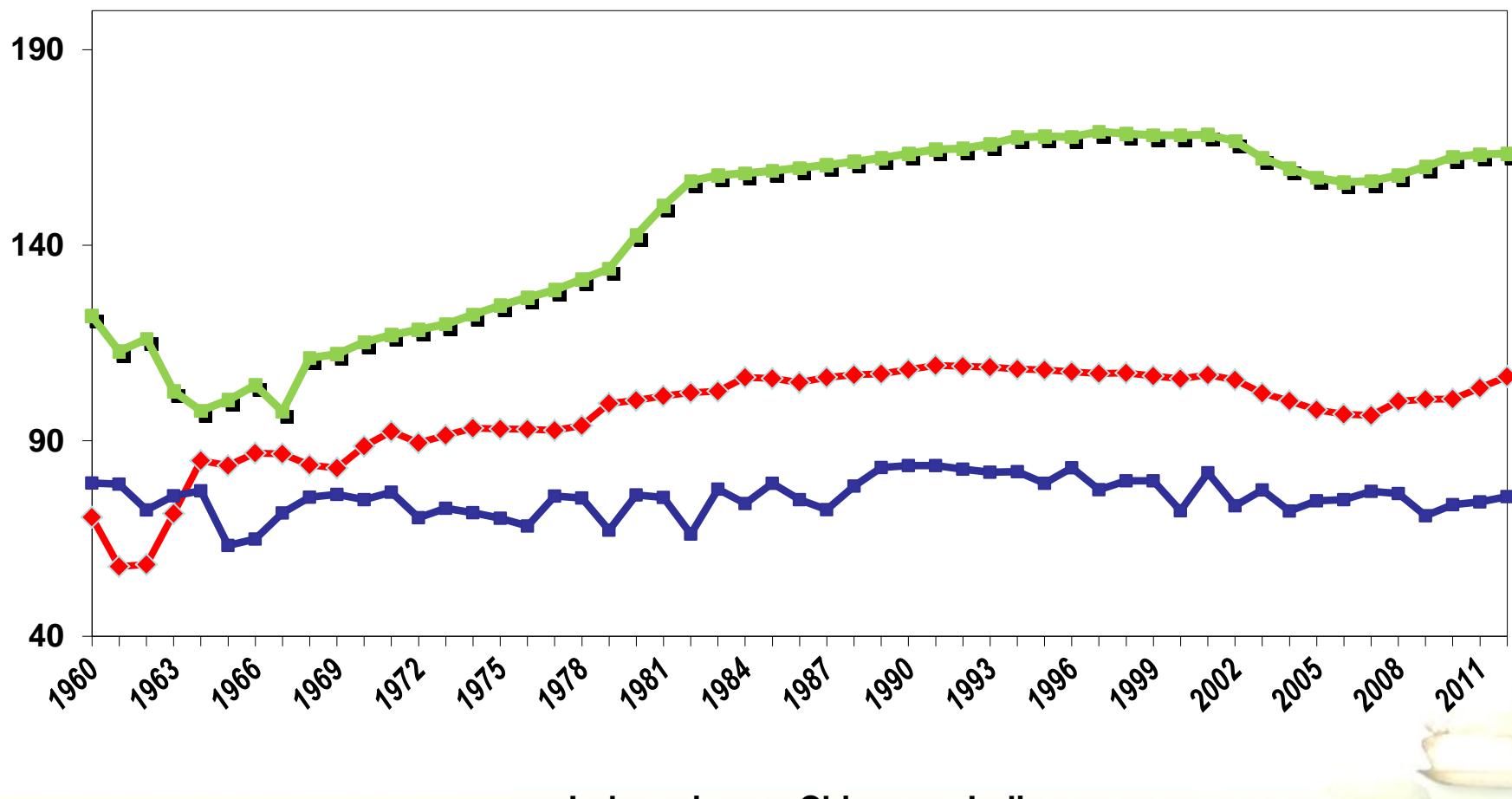
# Slowdown in Global Rice Consumption?

MMT



# Per Capita Rice Utilization

Kilogram/year

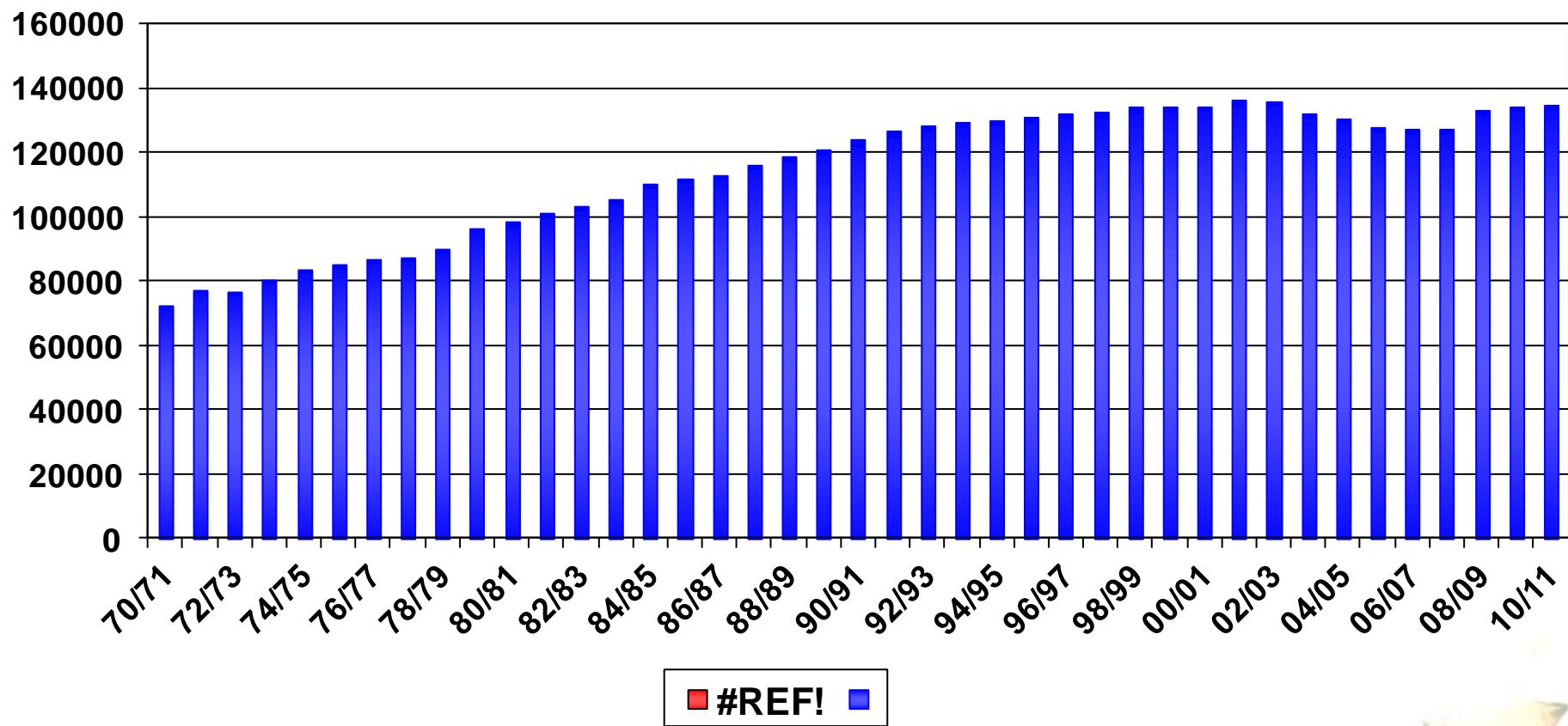


— Indonesia    ◆ China    — India

Data Source: USDA, UN

# Total Chinese Rice Consumption

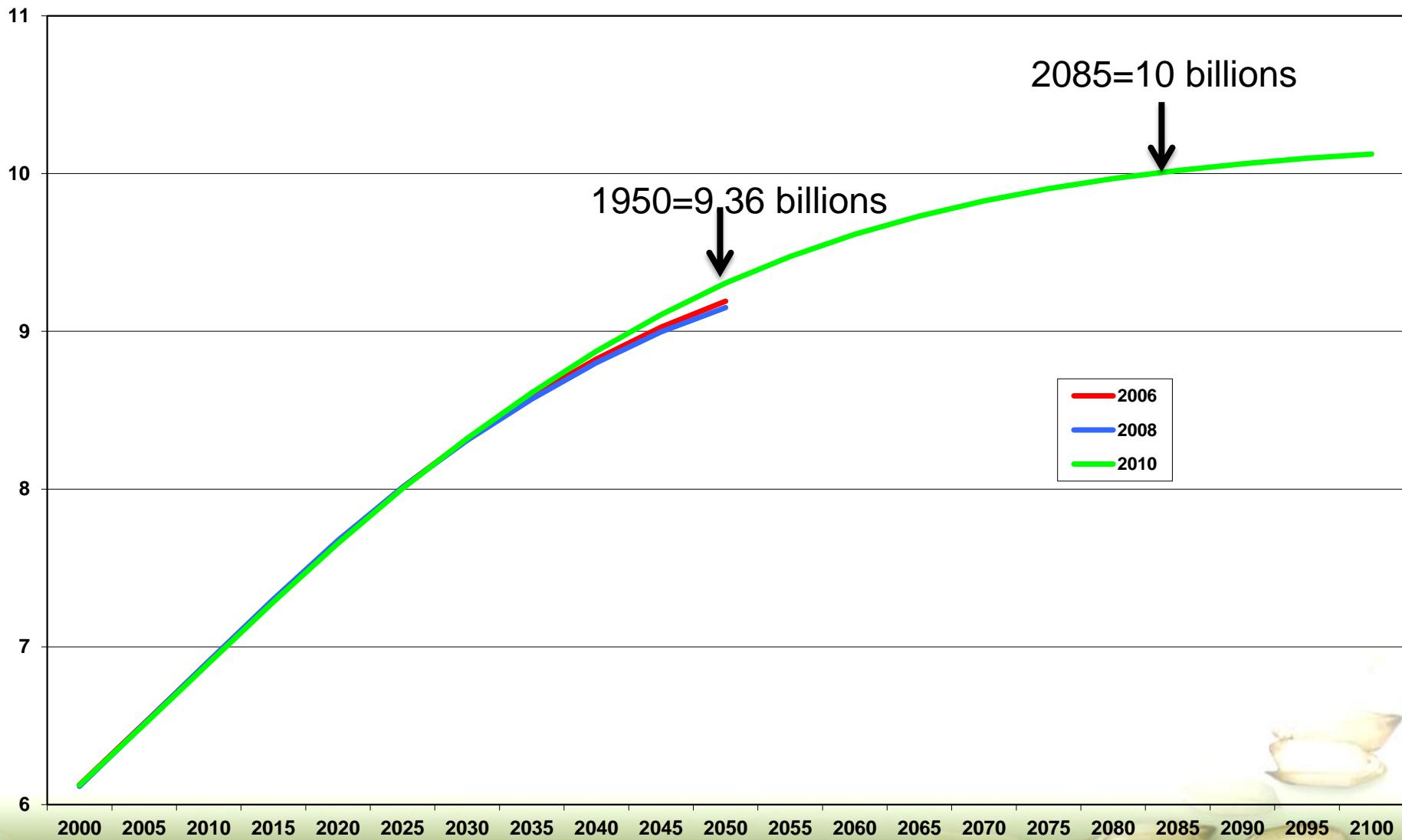
000 MT



# World Population Prospects

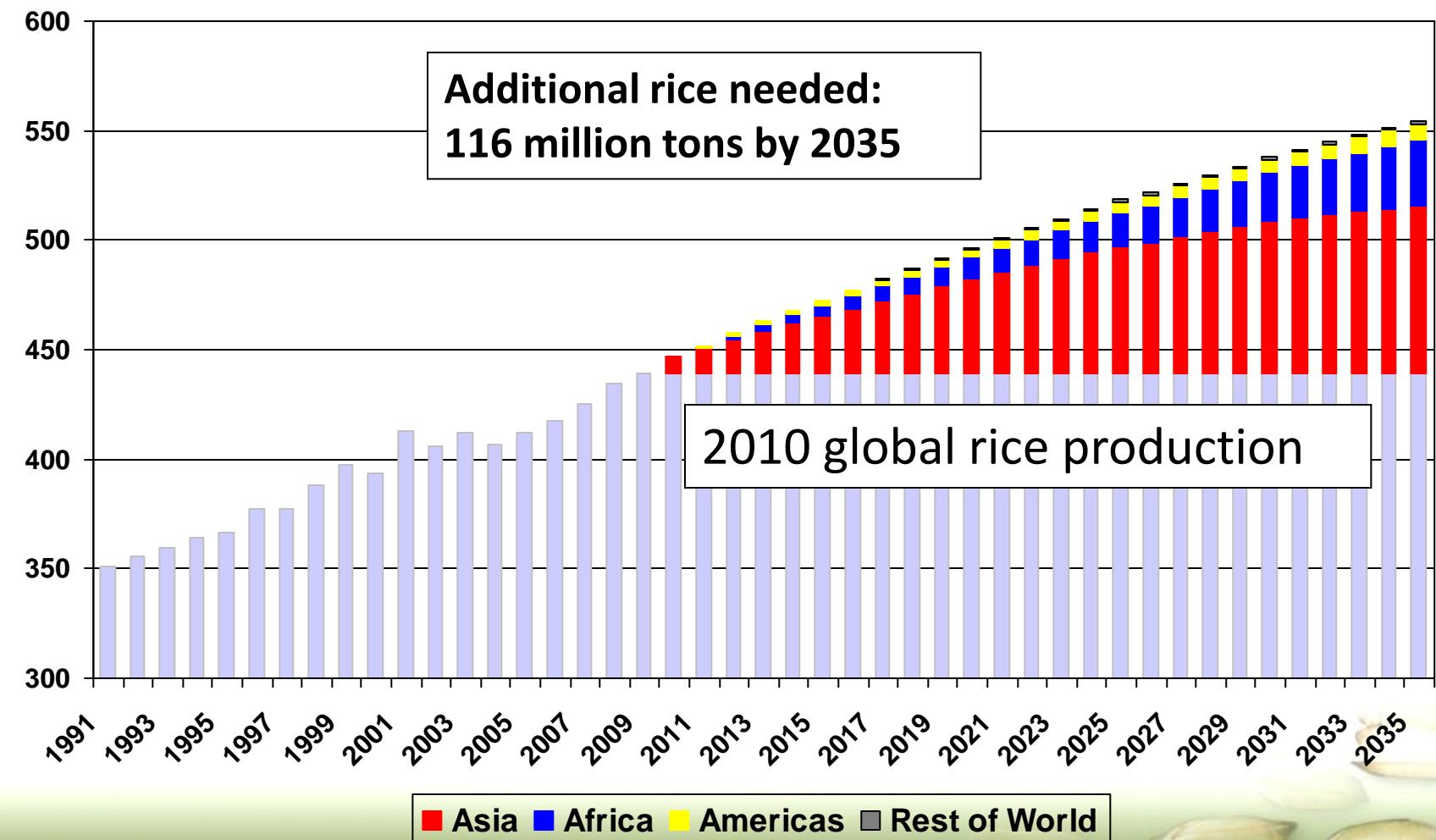
## 2006, 2008, 2010 standard (medium) variants

in billion

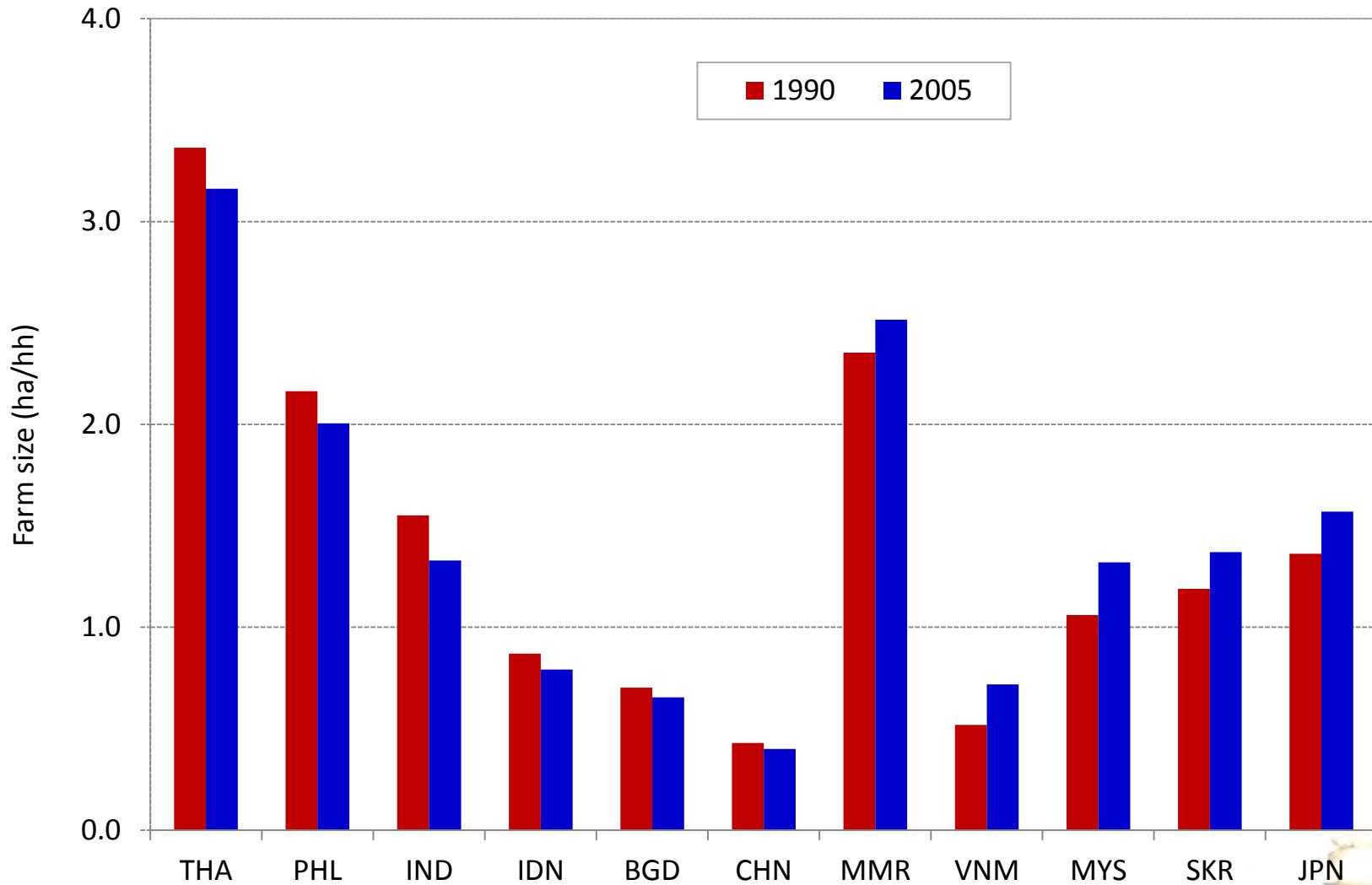


# Global Rice Needs

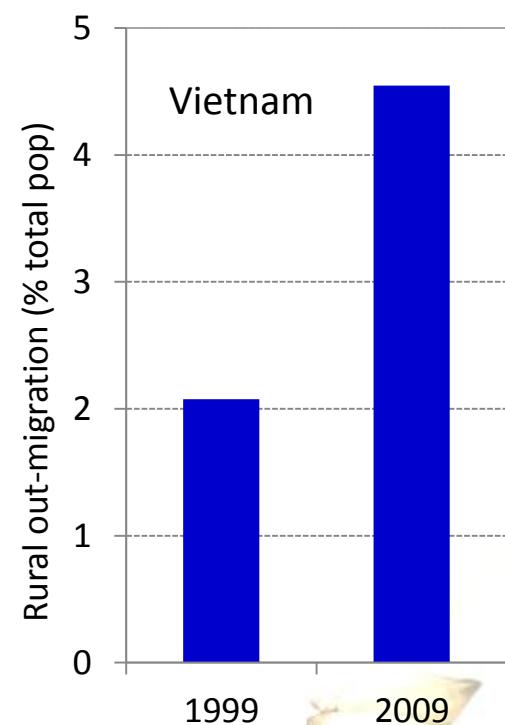
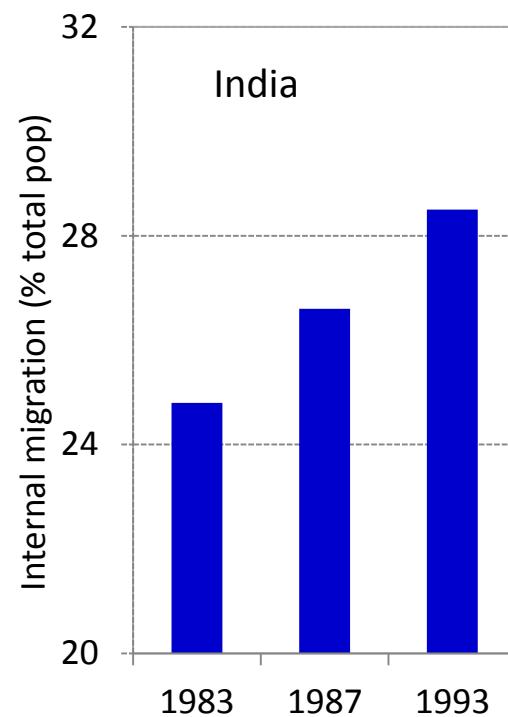
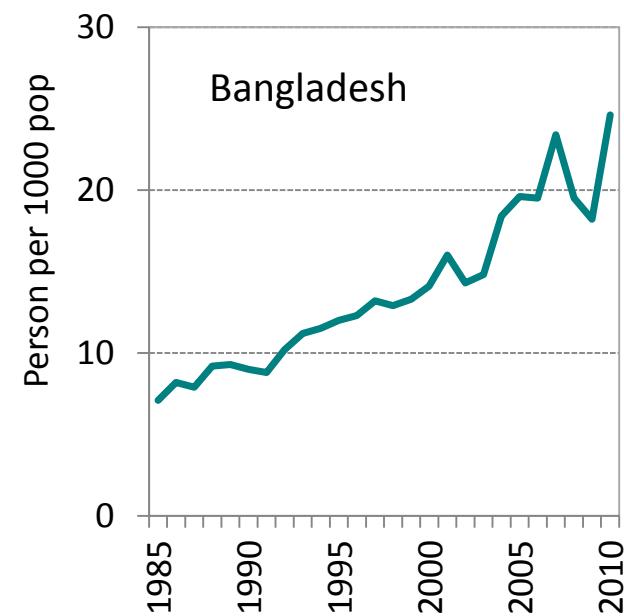
Million tons milled rice



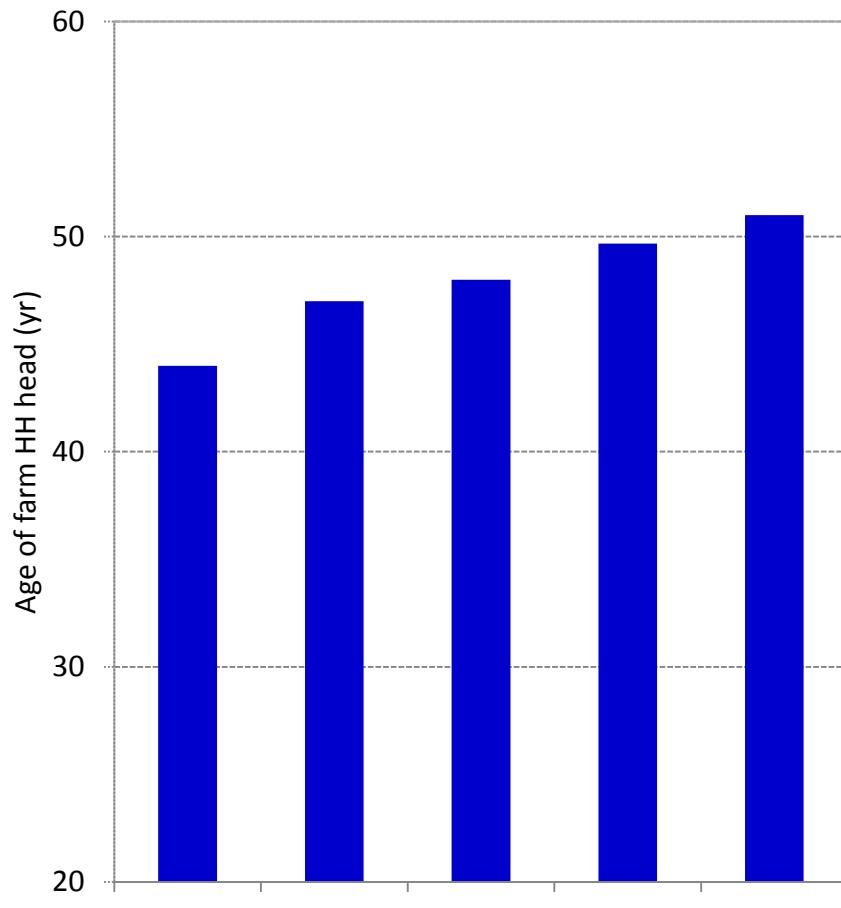
# Trends in farm size in Asia, 1990-2005



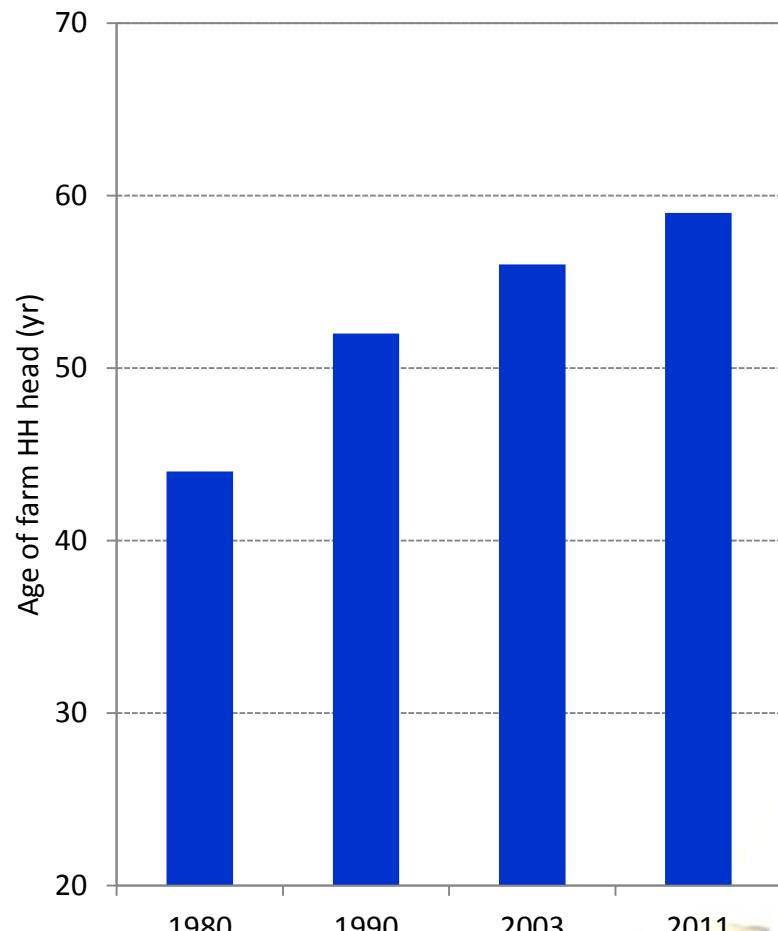
# Rural out-migration in Asia



# Age of farm household head in Asia

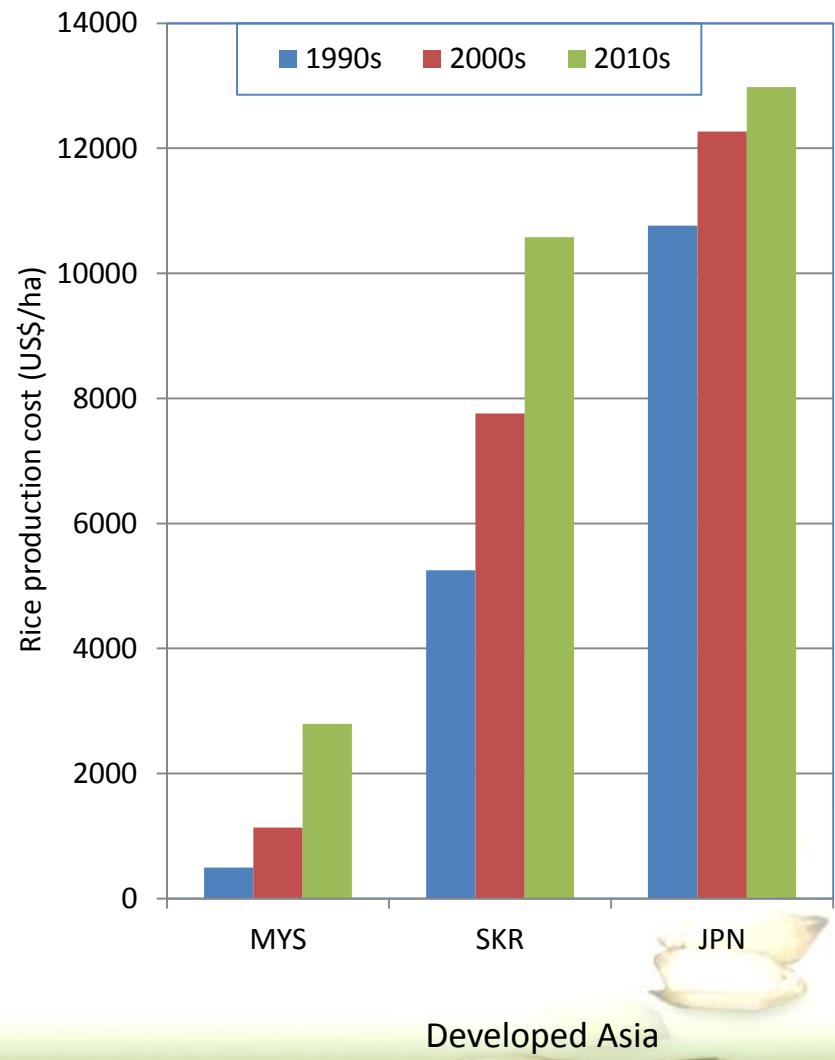
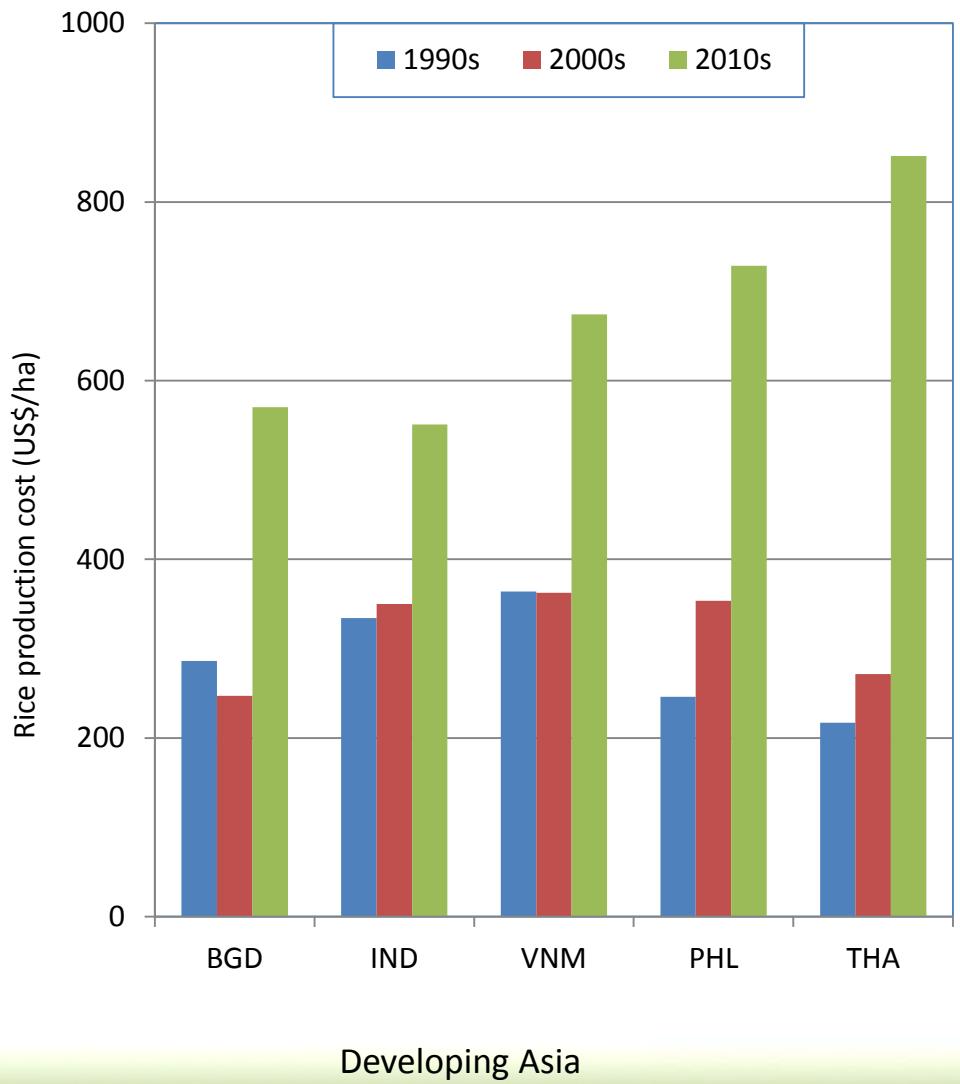


Bangladesh

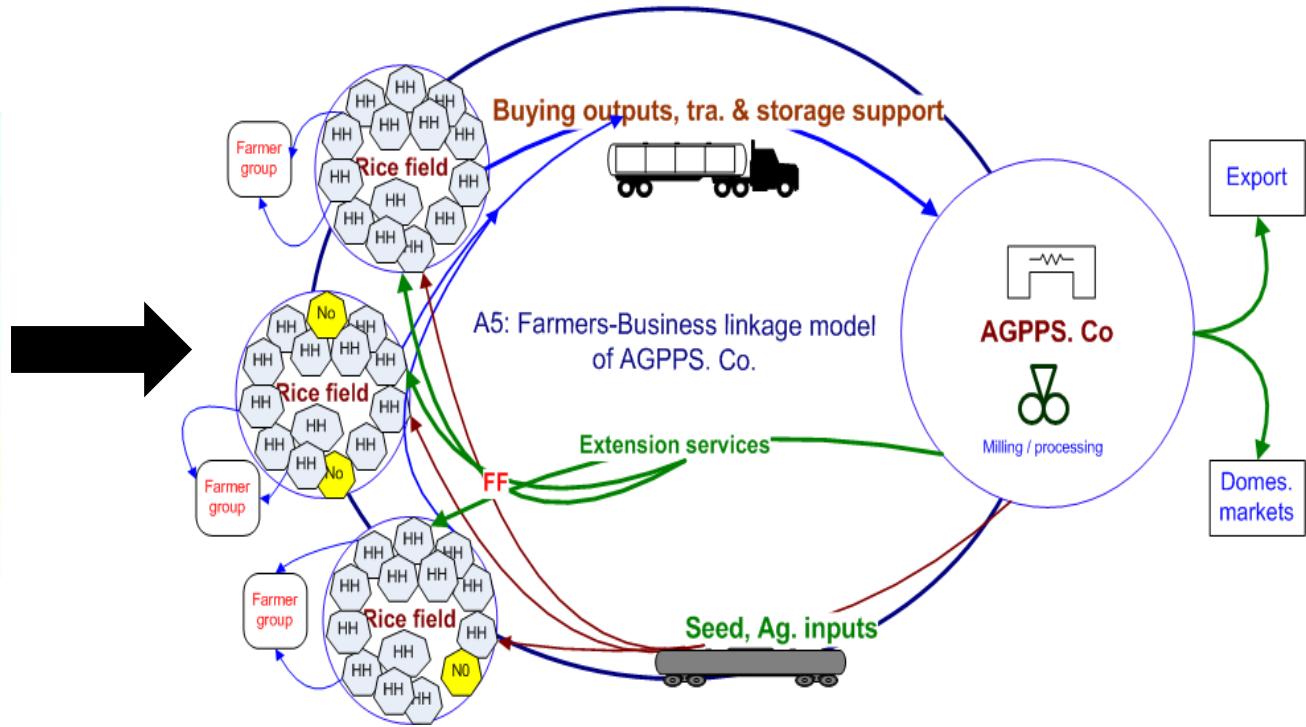
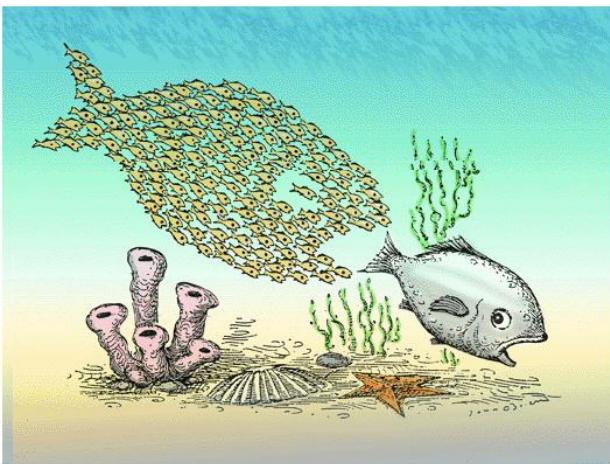


Philippines

# Rice production cost in Asia



# Large Rice Field Model in Vietnam



- large fields enough (from 50-500 ha)
- Farmers are voluntary to participate
- Availability of input dealers and enterprises (exporters) to buy farmer product thru contract farming
- Efficiency: (1) Reduced costs of production; (2) Increase rice productivity and quality ; (3) Improve profits for farmers....;

Source: Pham van Du, Department of Crop Production-MARD

# Key Messages

- Global rice consumption remains strong
  - 115 million tons additional rice will be needed in the next 20 years.
- Greater productivity growth is necessary but not sufficient for food security.
- Self-sufficiency should not be pursued at all costs.
- Traditional farm programs (price support, input subsidies)
  - High cost
  - Cripple the market
  - Restrict farmers to diversify
  - Create inefficiency in the supply chain



# Key Messages

- Going forward, the govt. policies should focus on:
  - Direct income transfer to the farmers
  - Introduction of some form of revenue safety net
  - Support the development and dissemination of risk reducing technologies
- Self-sufficiency should not be pursued at all costs.
- Greater productivity growth+ strong global rice market are essential for food security

# Rice Price & Market Blog

<http://irri.org/irri/our-people/blogs/rice-price-and-market-blog>

## Rice price and market blog

Keeping rice prices affordable for everyone – including the poorest rice consumers – is an underlying aim for IRRI.

In this blog, our economic and policy experts will share their expertise and views on issues related to rice prices, the supply and demand of rice, and rice market and policy issues. Key contributors include economist **Dr. Samarendu Mohanty**, who heads IRRI's [Social Sciences Division](#) and regularly contributes articles on the rice market to [Rice Today: Rice Facts](#).



### Latest Slides on Rice Supply and Demand



#### Weather and politics rule the rice market

Wednesday, November 02, 2011

Written by [Sam Mohanty](#)

The floodwater that is causing havoc in Bangkok had earlier ripped through the central part of Thailand, inflicting damage on millions of hectares of rice. Preliminary estimates indicate that more than a quarter of Thailand's wet-season rice crop (5 to 7 million tons of paddy rice) has been lost to flood damage.

[Read more...](#)