

Rising Rice Prices and India's Export Ban Threaten Food Security in Southeast Asia

IG indrastra.com/2023/10/rising-rice-prices-and-indias-export.html

~~IndraStra Global Sunday, October 01, 2023 (2023-10-01T03:40:00-04:00) Edit this post~~

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The imposition of **an export restriction on non-basmati rice by India**, which came into effect on July 20, had far-reaching repercussions within the global rice market. The effects were particularly pronounced in the case of Thai white 5% broken rice, which serves as a critical benchmark in Asia. Its prices skyrocketed to an astonishing high, reaching a peak not witnessed in over 15 years, as they surged past the \$650 per ton mark. This surge represented a substantial 50% increase from the comparatively modest \$400 per ton price observed at the close of November. India's decision to curtail its non-basmati rice exports

exerted a profound influence on the dynamics of the international rice trade, triggering significant price fluctuations and impacting stakeholders across the globe.

Although prices have retreated slightly since August, experts anticipate that within six months to a year, they could reach \$700 to \$750 per ton, with the possibility of exceeding \$1,000 per ton if additional stressors emerge. Moreover, the full impact of El Niño's extreme weather patterns is yet to be realized, with effects expected to manifest at the end of this year or early 2024. Even a minor decline in production, ranging from 5% to 10%, could further increase prices and exacerbate food security.

While the Philippines primarily sourced its rice imports from Vietnam, there was a noticeable uptick in rice price inflation, climbing from 4.2% in July to a concerning 8.7% in August. President Ferdinand Marcos Jr. took swift action in response to this alarming trend by imposing price freezes on both regular and well-milled rice varieties, aiming to mitigate inflationary pressures. Meanwhile, on a global scale, India's export ban had widespread repercussions as other nations sought alternative rice suppliers, such as Thailand and Vietnam. This shift in demand dynamics led to a remarkable surge in export quotations from these two countries, reaching their highest levels since 2008, a development that was reported by the USDA.

El Niño's influence on Southeast Asia's climate patterns, characterized by drier conditions, has historically coincided with or preceded periods of rice price inflation, as highlighted by BMI, a Fitch Solutions company. Record-breaking temperatures have already taken a toll on Southeast Asia's crops, leading to rice price increases even in countries like Thailand, a major producer. Vietnam and Thailand, both significant rice producers, faced lower yields, particularly affecting paddy farmers like Pairat Puritang in Thailand's Khon Kaen province, who expressed uncertainty about breaking even this year due to unpredictable rainfall patterns and drought.

The severity of El Niño's effects remains uncertain, but it is anticipated to be "very strong" by the end of the year, potentially resulting in more frequent droughts and heatwaves. These conditions are expected to affect significant rice cultivation zones, leading to a decline in rice production, especially during the winter and spring seasons. The Rice Department and Kasikorn Research Center predict a 5.6% to 6% reduction in rice yields in Thailand compared to the previous year, translating to a drop in output of 25.1 million to 25.6 million tons. Depending on the extent of El Niño, production could plummet even further.

C. Peter Timmer, John D. Black Professor of Development Studies (At Large) at Harvard University, emphasizes that the next six weeks will be crucial in understanding the severity of the rice crisis and El Niño's prolonged impact. It will also provide insights into the strategies significant rice producers such as Thailand and Vietnam adopt. The ongoing challenges have affected rice production and the availability of rice in the market. Consumers in

Malaysia and Indonesia have faced shortages of local rice, with prices soaring and making it difficult for families to maintain their dietary standards.

The escalating costs of rice pose a grave threat to food security in Southeast Asia, where a substantial portion of the population resides at or below the poverty threshold. Rice stands as a fundamental dietary staple and a lifeline for those facing economic hardship. As economies grapple with the repercussions of the COVID-19 pandemic, addressing the mounting rice crisis is paramount. Timmer underscores the significance of rice as the "*food of the poor*" in regions like Asia and Africa, highlighting how soaring prices could potentially trigger widespread hunger. The situation remains dynamic and uncertain, with the spotlight firmly fixed on the ensuing weeks to gauge how Southeast Asia navigates this intricate and pressing crisis, one that carries profound implications for the vulnerable and the broader regional economy.

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