Recent gains in international rice prices amid the coronavirus pandemic, with reference to historic prices

Reflecting surging consumer demand and widespread logistical restrictions amid the coronavirus global pandemic, coupled with sustained drought conditions, as at 8 April benchmark 5% broken white rice in Thailand had increased by US$152 fob Bangkok since the turn of the year, reaching a seven-year high. Rice prices have also firmed in other parts of the world, including in Vietnam, where in late March the government temporarily ceased issuing fresh export licenses in order to prevent further gains in the local market. Cambodia and Myanmar also imposed restrictions on dispatches, while shipments by India have been greatly impeded by logistical constraints and labour shortages.

Despite sharp gains in prices, global availabilities of rice appear ample, and supplies are forecast to exceed demand in 2019/20 and 2020/21. The combination of surging prices and export restrictions amid a broadly comfortable world supply and demand balance has led some to make comparisons with the 2008 rice price crisis. However, while the full impact of the pandemic remains highly uncertain at this time, significant differences exist between the market then and now.
Influence of the coronavirus pandemic on rice, relative to other markets

Unlike in 2008, rice prices have reacted in part to a sudden shift in consumer behaviour. Due to restrictions on the movement of populations, rice purchasing spiked across many parts of the world through March, leading to a sudden uptick in activity from traders looking to re-stock retail outlets. This is partly due to consumer stockpiling of foodstuffs with long shelf lives, such as rice, yet also reflects dramatic changes in consumption patterns away from "eating out" and towards eating at home. A sharp drop in visiting restaurants is likely to be supportive of rice consumption, which is a low cost and easy to prepare food, particularly in the major consuming regions of Asia where dietary changes over recent years towards more wheat, meat and dairy is at least partly linked to growth in the restaurant sector.

As well as drastic changes to consumer habits, the current pandemic has caused significant disruption to global supply chains. While coronavirus-linked logistical constraints have provided some support to all grains and oilseeds markets, rice prices in the period since 1 January have seen some of the strongest gains of any commodity.

Initial gains in rice prices are partly linked to logistical restrictions and a corresponding drop in exports of low-priced supplies from China during February and March. More recently, shipments by Vietnam, the world's third largest rice supplier, were curbed in order to contain local price rises, while a lockdown in India, the world's leading rice exporter, has also severely curtailed shipments. In contrast, dispatches by key exporters of wheat, maize and soyabean, including the EU, US and Brazil, have been relatively less affected.

Rice trade has also been impacted by a shortage of containers, the preferred method of shipping high-value grains, such as basmati or fragrant varieties, following a sharp fall in containerised exports from China.

While rice price gains in 2008 were underpinned by heavy increases in other markets, notably wheat, so far in 2020 the strong uptrend in rice values has been unique. This is likely to be a bearish influence on the rice market over the coming weeks and months, as buyers may potentially switch a portion of demand to more competitively priced foodstuffs.

IGC GOI sub-indices for wheat, maize, soyabean and rice re-based, 1 Jan 2020 = 100

![Graph showing IGC GOI sub-indices for wheat, maize, soyabean and rice re-based, 1 Jan 2020 = 100](image-url)
Drought in Thailand

As well as coronavirus-linked influences, rice prices in Thailand have been underpinned by expectations of a significantly reduced off-season crop due to drought. While Thailand’s exports appear, thus far, to be broadly unaffected by logistical constraints, export prices have been at uncompetitive levels for several months, reflecting a likely sizeable fall in output; on 1 January 2020, Thai 5% broken was trading at premiums of around US$60 over equivalent grades in Vietnam and India. Consequently, buying interest for Thai rice prior to the pandemic had been weak. However, with the current difficulties in obtaining rice from alternative origins, buyers are turning to Thai supplies, further underpinning prices.

World supply and demand

Despite recent price gains, any uptick in global consumption or temporary restrictions in exports will not alter a global supply and demand balance sheet which shows ample availabilities, principally due to heavy stocks in the world’s two leading producers, India and China. Domestic prices have remained broadly stable in China, while in India, despite localised price spikes due to logistical challenges, the government has looked to ensure domestic availabilities by substantially increasing the volume of low-priced grains available through its Public Distribution Scheme. Although exports will likely face continued short-term logistical disruption, full season shipments from both origins are anticipated to exceed volumes dispatched 2019. Furthermore, despite a reduced crop, supplies in Thailand also remain ample due to significantly reduced exports in 2019, while domestic consumption will likely be reduced this year due to a sharp drop in tourism. Accordingly, dispatches could accelerate in the coming months once the market adjusts to recent disruptions.

Therefore, as the global market remains relatively well-supplied, support for firming prices may ease in the coming months, assuming logistical constraints ease in India and China, export restrictions are relaxed in Vietnam and that buyers exhibit normal purchasing patterns. Furthermore, the heavy consumer purchasing seen at the outbreak of the pandemic is likely to have receded following a build-up of household stocks, which could also ease localised demand pressures over the coming weeks.
Nevertheless, there are risks to global food security. In the near term, any prolonged increase in export restrictions or logistical difficulties could increase buyers' concerns. Furthermore, buyers themselves may boost arrivals either through the relaxation of import restrictions or through direct purchases, in order to increase buffer stocks, which may inflate nearby demand and delay any cool down in the market.

Further ahead, a dampening of global economic activity may also have serious repercussions for food security, especially for developing countries – particularly those with a dependency on energy exports for access to foreign exchange, such as Nigeria and Angola. Currency movements may also reduce buyers’ purchasing power, with many emerging market currencies falling against the US dollar since the beginning of the crisis.

There are also risks on the supply side. Ahead of main crop planting in the northern hemisphere, labour shortages or difficulties accessing inputs due to transportation could disrupt fieldwork. However, many producers, including key exporters, are still some months away from main crop planting, while the risk of labour shortages could be eased by governments registering farm labour as key workers.

**Concluding comments**

Recent sharp gains in rice prices are significantly different to those seen during the broader commodities crisis in 2007/08. While values may remain elevated over the coming weeks and months amid changes to consumer behaviour and logistical disruption, particularly if export restrictions are continued or expanded or if buyers look to boost imports, it currently appears unlikely that fob prices will return to levels seen during the rice price crisis. As the market and global supply chains adjust to recent events, trade is anticipated to increase and the fundamentals of supply and demand continue to suggest availabilities are ample. Furthermore, wider macroeconomic concerns, including the collapse in energy prices and reduced purchasing power in key importers in sub-Saharan Africa may see a demand slump and easing price pressure later in 2020.