What can we learn from the 2007/08 rice crisis?

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Outline of presentation

• What caused the world rice crisis of 2007-08?
• Why did domestic prices increase in some Asian countries but not in others during the world rice crisis of 2007-08?
• How did farm prices and marketing margins respond during the crisis?
• Is another rice crisis looming on the horizon?
What caused the world rice crisis of 2007-08?

- Rice market fundamentals were not the cause
- Production was steadily rising
World rice production (milled terms)
What caused the world rice crisis of 2007-08?

- Rice market fundamentals were not the cause
- Production was steadily rising
- Stocks had been stable for several years
Beginning world rice stocks

Million Tons

What caused the world rice crisis of 2007-08?

- Rice market fundamentals were not the cause
- Production was steadily rising
- Stocks had been stable for several years
- Trade was very strong in the second half of 2007 and the first half of 2008
World rice trade

Million Tons

What caused the world rice crisis of 2007-08?

• Price fluctuations in wheat and maize markets arguably had an impact on the rice market, but it was through policies, not through producer and consumer substitution between the different cereals.

• Politics and policies were the fundamental drivers of the crisis in 2007-08.
Why did domestic rice prices increase in some countries but not in others?

- Trade restrictions (in particular govt. controls on quantities traded) insulated some countries from the crisis on world markets (China, India, Indonesia).
- Prices surged in Thailand and Bangladesh because govt. does not control quantities traded.
- Viet Nam and the Philippines are special cases. They control quantities traded but were involved directly in the trades that sent world prices soaring in March and April 2008.
How did farm prices respond during the crisis?

• If retail prices increased, farm prices generally increased as well – markets are reasonably well integrated.
Rice prices in the Philippines

Chart showing real 2010 pesos per kg of milled rice for farm and retail markets from January 2005 to November 2010. The chart highlights a significant spike in retail prices in 2008.
Rice prices in Thailand
Rice prices in Bangladesh
How did marketing margins respond during the crisis?

• Marketing margins increased substantially during the crisis in the Philippines and Thailand, although this did not happen in Bangladesh.
Rice marketing margins in the Philippines
Differential marketing margins for rice and white corn in the Philippines
Rice marketing margins in Thailand
Rice marketing margins in Bangladesh
Is another rice crisis looming on the horizon?

- World market wheat and maize prices surged starting in the second half of 2010.
- World market rice prices have so far been relatively stable.
Weekly price index for rice, wheat and maize, January 2010 to present

Jun 2010=100

Wheat US Hard Red Winter (f.o.b Gulf)  Maize US Yellow (Gulf)
Rice Thailand  White Rice 100% (f.o.b Bangkok)
Is another rice crisis looming on the horizon? Similarities and differences with 2007-08

- Wheat and maize prices surged
- Rice market fundamentals are sound
- But the policies so far have been different
- How long before wheat prices drag rice prices along with them?
Ratio of world rice to wheat prices, 1982 – 2011
I look forward to your thoughts
World rice prices, 5% brokens FOB Bangkok, 2000 – 2011

U.S. dollars per metric ton
Is another rice crisis looming on the horizon?

• There were some recent increases in domestic rice prices in some large countries, but prices now seem more stable.
Rice prices in Viet Nam

Million Real Dong / tonne

Jan-08, Feb-08, Mar-08, Apr-08, May-08, Jun-08, Jul-08, Aug-08, Sep-08, Oct-08, Nov-08, Dec-08, Jan-09, Feb-09, Mar-09, Apr-09, May-09, Jun-09, Jul-09, Aug-09, Sep-09, Oct-09, Nov-09, Dec-09, Jan-10, Feb-10, Mar-10, Apr-10, May-10, Jun-10, Jul-10, Aug-10, Sep-10, Oct-10, Nov-10, Dec-10, Jan-11, Feb-11

Viet Nam - Dong Thap - Rice (25% broken milled) - Retail
Rice prices in India

Thousands Real Indian Rupees / Ton

- India - Chennai - Rice - Retail
- India - Delhi - Rice - Retail
Rice prices in Indonesia

Million Real Rupiah / tonne

- Indonesia - National Average - Rice - Retail