
THE INTERNATIONAL

RICE TRADE



JULIAN ROCHE

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Preface



At present there is a paradox in the availability of information about the rice market. For specialists, there is a plethora of reports from the US Department of Agriculture (USDA), the Food and Agriculture Organisation of the United Nations (FAO), and commercial reports available from companies such as Jacksons (London Rice Brokers' Association) in the UK and Tom Slayton Associates in the USA. These reports concentrate on national production and export statistics, and market developments in the short term. They are aimed at the international rice community itself. By comparison, discussions of rice for general readership tend to focus on the physical composition of the plant and some mention of its widespread Asian consumption. Rice is an impenetrable subject, even though it is one of the most important commodities in the world.

This book seeks to redress the balance. It is aimed at the analyst, the trader or the student of commodity markets in general, who has always found that there was never one central source on which to rely in advancing knowledge of the international rice market. *The International Rice Trade* brings together information from a wide variety of international sources and includes discussion of the elusive companies who ply this trade. It should be of especial use to companies peripheral to the market such as grain and freight companies, as well as to all students of inter-

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national affairs in general and to governments and other agencies concerned with vital international food distribution questions.

The book has been arranged in a sequence designed for a reader with no previous knowledge of rice. Hence there are sections on the physical characteristics of the plant, its history, and then the analysis of production, consumption and trade.

Julian Roche

Introduction



Le riz est aux cereales ce que l'or est aux metaux.

Anon

Rice is very important to the world. It is the world's third largest crop in terms of annual harvest weight, and the largest in terms of the number of people that it feeds. Over 110 countries produce rice worldwide, and 90% of production is in Asia; 90% also is produced by developing countries. Over half the world's population uses rice, and wants to use rice, as its major source of calories. The overwhelming percentage, over 95%, is eaten within the country of production and not often transported far – even in the 1990s – and so under 5% of world production enters the world market. Export supplies fluctuate from year to year because most of the rice is rain-fed, and therefore subject to climatic variation.

The international market is further complicated by the existence of a huge number of traded varieties and qualities of rice. World trade in rice increased from 6.4 to 10.3m tonnes between 1961 and 1978 and has grown to over 12m tonnes since, but it has never exceeded 5% of total rice production and is currently a lower percentage than in the 1970s.

It is therefore unsurprising that the world rice market is a 'thin', segmented, imperfect market in which governments and a few trading companies are the key actors: indeed it has been suggested that the most significant property of the international rice market is its use as a mechanism for resolving failures and conflicts amongst domestic policies. This

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compares dramatically with other grain markets, particularly that for wheat. The 'thinness' of the market is evidenced by the small volume of trade relative to production, the limited number of buyers and sellers, and the relatively unpredictable level as well as sources of demand.

The market is dominated by institutional arrangements, for example concessional sales, government-to-government contracts, and other forms of market intervention. World prices link supply and demand internationally, and domestic prices do so internally, but the numerous national support programmes for rice prices often prevent national market prices from reflecting world market conditions. However, trade on the world market does affect the world rice economy. In Asia, where rice is the predominant staple food, decisions on imports and exports of rice are particularly politically sensitive and economically important. In Africa, up to 36% of consumption is imported and the levels of rice imports, as witnessed so tragically in Somalia, can make the difference between life and death for whole populations. In South America, the financing of imports of rice has become a critical political and economic issue. In Europe and the United States, rice is steadily increasing its role in diet, with its domestic political importance slowly following the consumption curve.

The consequences of this market 'thinness' are uncertainty and instability that can produce significant short-term price movements. Modelling the international rice market, as economists have observed, appears to have been an exercise in frustration and although Grainger's 1969 econometric causation model was followed by a few others, one does not see rice traders consulting their spreadsheets before engaging in trades. If they wanted accurate forecasts, they would probably ask for the monsoon weather conditions next season, rather than econometrics.

Information on the world rice trade is scarce, largely because of the failure to establish international rice commodity markets. Although the situation is gradually improving – the FAO aims to set up a rice intelligence organisation – many developing exporters still do not have access to the type of trade information and market analysis essential for efficient planning of production, trade and pricing strategies. Exporters, especially those with small and occasional amounts of rice to reach the market, have difficulties in finding buyers. Importers do not necessarily have sufficient knowledge of market conditions to buy at the best available prices.

Yet there is no commodity more important in the world. The sooner the FAO establishes its system, and the sooner there is an international rice commodity market, the sooner world trade in rice can expand. With increased incomes, more might be able to be set aside for the food aid and development projects that are so desperately needed, especially in Africa.