



Wandile Sihlobo | Chief Economist | Email: wandile@agbiz.co.za

02 October 2024

India has removed the rice export ban, and this is positive for South African consumers.

A few days ago, we commented that India's possible removal of the rice import ban would add further downward pressure on global rice prices, which supports the South African consumer. India has now removed the export ban; thus, it's appropriate that we present an updated version of that note.

- The disruptions in the primary grain supplies always spark fear of food security. Indeed, in July 2023, India sparked fresh concerns about global food security as the world was readjusting from the disruptions caused by the Russia-Ukraine war on global grain supplies and prices. The country placed a ban on the non-basmati white and broken rice. This affected category typically accounted for 45% of the 22 million tonnes of rice that India exports to the global market annually.
- The rationale cited in media articles at the time was that India's government was worried about inflation ahead of the upcoming elections.
- After that official announcement on July 20, 2023, global rice prices rallied in the following months, as many were concerned about possible supply shortages. The worries were not misplaced. India accounts for roughly 26% of global rice production.
- Fortunately, there was a quick adjustment of supply chains, and the world did not necessarily face a major rice shortage. The fact that other notable rice exporters such as Pakistan, Thailand, the US, Vietnam, China, Cambodia, and Myanmar had a good crop in the 2023-24 season also helped to ease the fears over time and to avail the supplies.

Things are now better.

- We are far from that reality today – at least from the rice price levels. The global rice prices have softened notably in recent weeks because of the expected ample global supplies.
- Moreover, at the end of September 2024, India finally eased export restrictions, as above-average monsoon rains are expected to boost crop yields, and there are large global supplies. (India has, however, imposed a minimum export price of \$490 per tonne).

- The rice prices from various origins have moderated significantly from the higher levels we saw last year – currently trading at levels around US\$550 per tonne, compared to levels around US\$650 per tonne at the end of 2023.

Why South Africans focus on global rice production matters

- We paid attention to the rice issue in South Africa throughout this period because of our dependence on rice imports. We rely 100% on imports. We consume about a million tonnes of rice annually. We can't produce rice because of our relatively dry environment; we are generally a semi-arid country.
- Thailand is the leading rice supplier to South Africa, accounting, on average, for 74% of South Africa's rice import volume a year in the past five years. India is the second largest rice supplier to South Africa, boasting an average annual share of 21% over the past five years. Other rice suppliers to South Africa include Pakistan, Vietnam, China, Australia, the US, and Brazil.
- Therefore, this reliance on imports means we should constantly monitor global price developments. Indeed, this time around, the rice price prospects look to continue softening because of the abundant supplies and minimal trade disruptions.
- The International Grains Council forecasts 2024-25 global rice production at 528 million tonnes, up 1% year-on-year.
- There are expectations for a good harvest in India, Vietnam, Thailand, the US, Pakistan, China, India, Bangladesh and Pakistan, amongst others.
- The expansion in area planted and favourable weather conditions are some of the factors behind the optimism about the global rice harvest in the 2024-25 season. Subsequently, the global rice stocks could also lift by 1% from the 2023-24 season to 176 million tonnes.
- All else being equal, one can say that the coming months will likely see much better continuous moderation in global rice prices. Perhaps, if India can boldly lift the restrictions on exports sooner, we may even see more softening in prices.
- This benefits the importers like South Africa. Moreover, the relatively less depreciated domestic currency will also help ease the costs of imported rice. In the case of broader Southern Africa, where the white maize supplies are tight because of the recent mid-summer drought, the easing rice prices and ample supplies provide a better addition to the basket of staples. Still, at the retail level, the actual rice prices may remain relatively higher than some white maize products.
- Indeed, the challenge of tighter white maize supplies in South Africa and the region will likely become an issue through the first quarter of 2025. We expect a recovery from the 2024-25 season due to anticipated La Nina rains. Therefore, the available and relatively affordable global rice supplies come when the region needs them.