

Coronavirus-induced export controls could spell higher rice prices for SA

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Although global agriculture has not been hit by the Covid-19 pandemic as hard as other sectors of the economy, the fears and uncertainty about how long the world will grapple with the virus have led to several countries introducing restrictive measures on exports.

Wheat and rice have been the casualties of these new measures. Kazakhstan, Cambodia and Vietnam have introduced export bans on wheat and rice. Leaving the Covid-19 pandemic aside for a moment; the world has sufficient wheat and rice supplies.

In the 2019/2020 production season, global wheat production was 763-million tonnes, up 5% year-on-year and the stocks were at 275-million tonnes, up 4%. In the case of rice, the 2019/2020 global harvest was 499-million tonnes, roughly unchanged from the previous season, with the stocks at 177-million tonnes, up 2%.

This goes to show that the restriction on exports is not because of fears of the scarcity of the commodities, but rather the uncertainty of how long the virus will last. Countries are then making drastic policy decisions to prepare for the worst. But their quest for safety has negative consequences for the countries importing the commodities.

Consider SA, a country that imports about 50% of its annual wheat consumption of 3.4-million tonnes and 100% of its annual rice consumption of 1-million tonnes. Any glitches in the global wheat and rice markets have a direct impact on the local consumer, perhaps more so on rice relative to wheat.

The recent announcements of a ban on rice exports in Vietnam, coupled with logistical challenges in India amid the lockdown resulted in a drastic increase in rice prices over the past few days. Depending on whether prices are sustained at these elevated levels, the South African consumer could be disadvantaged by the trade policy changes implemented in Vietnam, Cambodia and logistics glitches in India, along with other developments.

This is a case even though SA imports very small quantities of rice from the aforementioned countries. About 70% of SA's rice is usually imported from Thailand, with 20% from India and the rest from Pakistan, China and Vietnam, among other countries.

What I will be watching closely in the coming days are developments in Thailand. Any drastic policy changes there could have notable implications on the SA rice market, and also neighbouring countries.

The imports are usually evenly spread across the year, with a slight peak in volumes in the last quarter of each year. On average, about 10% of the imported rice into SA

each year is re-exported to Swaziland, Botswana, Zimbabwe, Lesotho, Namibia and Zambia.

Aside from the Southern African region, other countries that are notable importers of rice in Africa are Benin, Côte d'Ivoire, Nigeria and Senegal. These countries, along with SA, collectively account for 44% of Africa's 2020 rice import forecast of 17.6-million tonnes, according to data from the International Grains Council.

In the case of wheat, I am not as cautious of the current trade conditions as I am in rice. The reason being SA's relative difference in dependency on wheat imports compared to rice, and also due to the encouraging communication from the Black Sea countries.

For example, on April 6, the Ukraine Chair Parliamentary Committee on Agrarian and Land Policy noted that the country's domestic food security is intact with supplies sufficient to meet local and export demand. Hence, they don't envisage export bans of wheat.

As of April 3, SA had imported 42% of the volume of wheat the country intends to bring into our shores within the 2019/2020 season. The total is set to be 1.8-million tonnes. The leading suppliers thus far are Germany, Lithuania, Poland, Latvia, Ukraine, Russia and the Czech Republic. As with rice, it is key that one monitors developments in the wheat market in these countries.

Aside from the aforementioned commodities, SA's food supplies are intact. The restrictions in exports that we are seeing are not necessarily because of a rise of "food nationalism" but rather fear induced by the uncertainty about the time frame of the Covid-19 pandemic.

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