

The Changing Asian Rice Economy and its Implications for the Development of the Rice Subsector in West Africa

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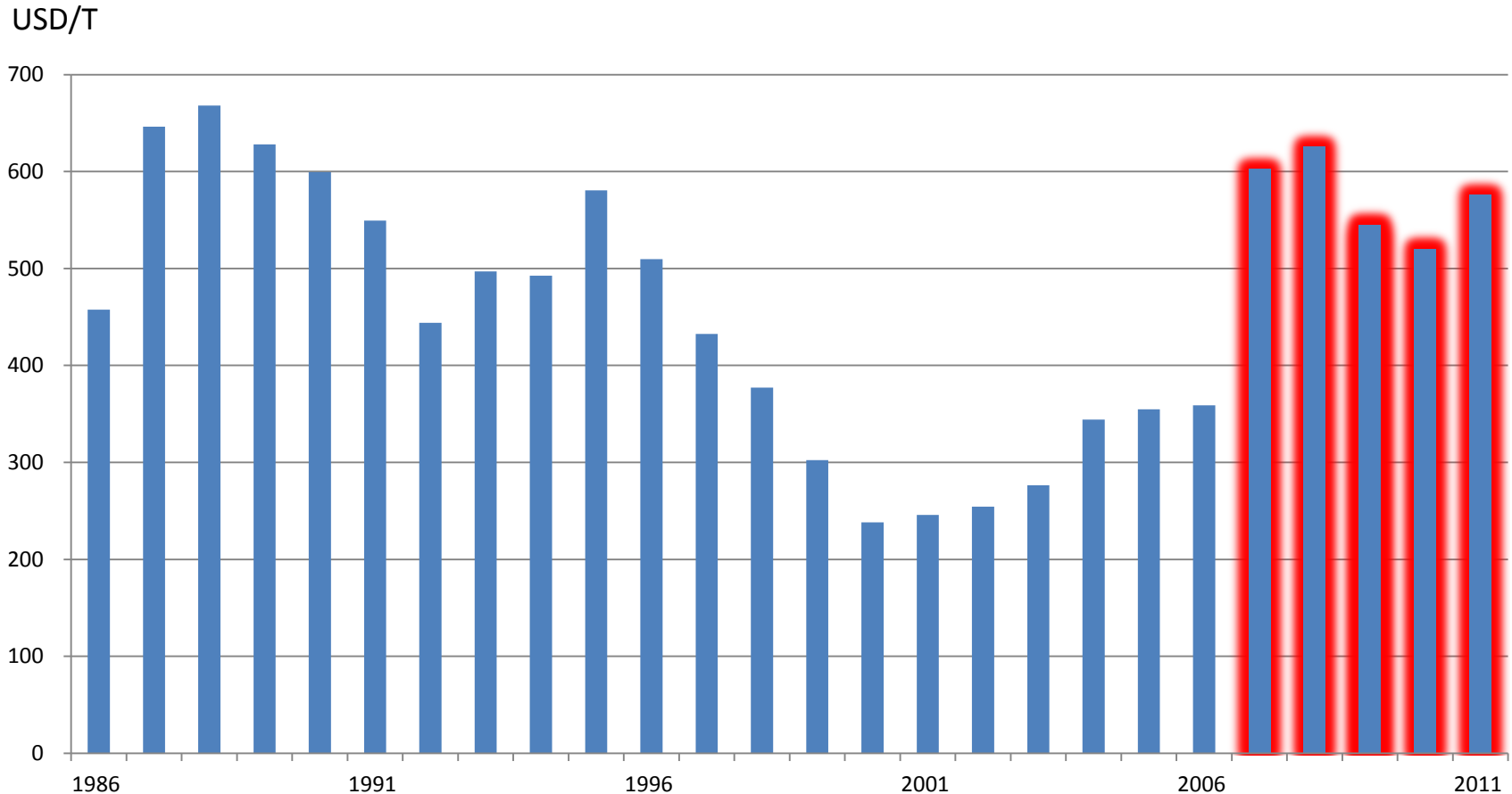
October 2013

The Importance of Asia in the Global Rice Market



Source: FAOSTAT

A Thin, Segmented and Volatile World Rice Market



Thai 5% broken, f.o.b. price adjusted for inflation (2005=100)

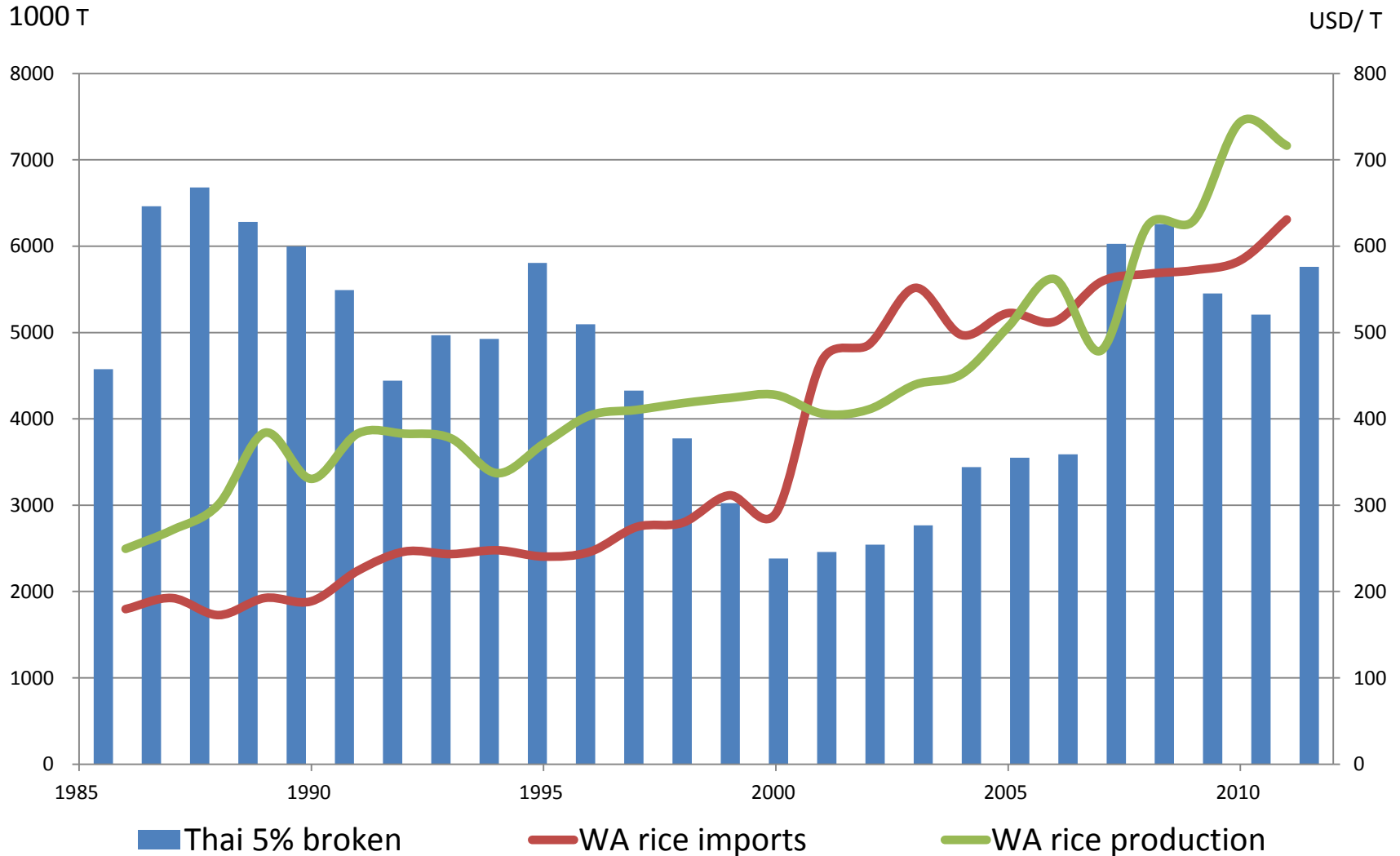
Source: USDA & IMF data

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3rd Africa Rice Congress
21-24 October 2013, Yaoundé, Cameroon

The Growing Importance of Rice in West Africa

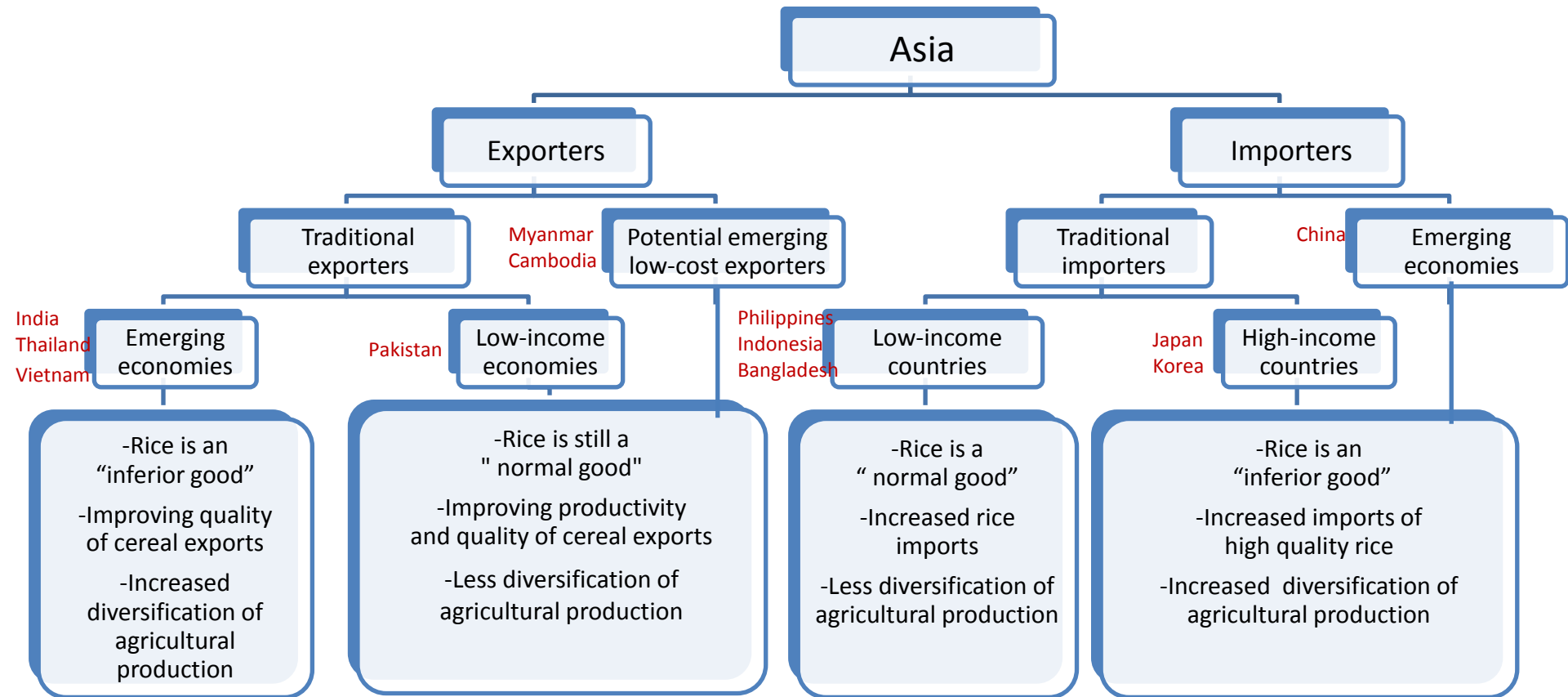


Source: FAOSTAT, USDA & IMF data

Structural Change and Emerging Trends in Asia

- **Structural change**
 - Increased income
 - Urbanization
- **... leading to diversification of diets**
 - Decreased per capita consumption of rice
 - Increased per capita consumption of fruits, vegetables and meat
- **... and diversification of production into higher value crops**
 - Increasing competition between rice & other crops for water and land
 - Falling cereal prices relative to inputs costs
 - Diminishing returns to modern varieties
 - Declining TFP of rice

Agricultural Trends in Asia



Perspectives of the World Rice Markets

	Asia		West Africa	
	Current	Trend	Current	Trend
Consumption per capita (kg/year)	80	↑	37	↑ ↑ ↑
Production (1000 T paddy)	650 055	↑	13 079	↑ ↑
Area (1000 ha)	145 543	↓	6 365	↑ ↑
Yield (T/ha)	4.5	↑ ↑	2.1	↑
World price of rice (\$/T)	576	↓	576	↓
Energy/input costs (\$/T)	195	↑	195	↑ ↑
Net Trade (1000 T)	9 815	↑	- 5 175	↓











Source: FAOSTAT, USDA & IMF data

Perspectives of the World Rice Markets

	Asia		West Africa	
	Current	Trend	Current	Trend
Consumption per capita (kg/year)				↑ ↑
Production (10 ⁶ T)			↑ ↑	
Area (10 ⁶ ha)				↓
Yield (T/ha)				
Rice price (US\$/T)				↓
Energy/input cost (US\$/T)	15		195	↑ ↑
Net Trade (1000 T)	9 815	↑	- 5 175	↓

The changing structure of the rice economy in Asia suggests scope for greater rice production/self-sufficiency in West Africa...

Perspectives of the World Rice Markets

	Asia			
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Consumption per capita (kg/year)	80			
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Yield (T/ha)	4.5		2.1	
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Net Trade (1000 T)	9 815		- 5 175	

Reduction of consumption and exports from emerging Asian economies like China

Perspectives of the World Rice Markets

	Asia		West Africa	
	Current	Trend	Current	Trend
Consumption per capita (kg/year)	80	↑	37	↑ ↑ ↑
Production (1000 T paddy)	650 055	↑		↑
Area (1000 ha)	145 543			
Yield (T/ha)	4.5			
World price of rice (\$/T)	576	↓		↓
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Net Trade (1000 T)	9 815	↑	- 5 175	↓

Increasing imports from low-income countries like the Philippines, Indonesia and Bangladesh

Perspectives of the World Rice Markets

	Asia		West Africa	
	Current	Trend	Current	Trend
Consumption per capita (kg/year)	88	↑	88	↑
Production (1000 T paddy)	9815	↑	5175	↓
Area (1000 ha)	4.3	↑	4.3	↑
Yield (T/ha)	4.3	↑	4.3	↑
World price of rice (\$/T)	576	↓	576	↓
Energy/input costs (\$/T)	195	↑	195	↑ ↑
Net Trade (1000 T)	9 815	↑	- 5 175	↓

Increased maritime freight rates between Asia and WA

Perspectives of the World Rice Markets

	Asia		West Africa	
	Current	Trend	Current	Trend
Consumption per capita (kg/year)				↑ ↑
Production (10 ⁶ T)			↑ ↑	
Area (10 ⁶ ha)				↓
Yield (T/ha)				
Rice price (US\$/T)				↓
Energy/input cost (US\$/T)	155		195	↑ ↑
Net Trade (1000 T)	9 815	↑	- 5 175	↓

... BUT there still will be important competitive pressures from Asia.

Perspectives of the World Rice Markets

	Asia		West Africa	
	Current	Trend	Current	Trend
Consumption per capita (kg/year)	80			
Production (1000 T paddy)	650 055			
Area (1000 ha)	145 543			
Yield (T/ha)	4.5			
World price of rice (\$/T)	576		576	
Energy/input costs (\$/T)	195		195	
Net Trade (1000 T)	9 815		- 5 175	

Expansion of output from potential low-cost producers (Myanmar and Cambodia)

Perspectives of the World Rice Markets

	Asia		West Africa	
				Trend
Consumption per capita (kg/year)				↑ ↑
Production				↑
Area (1000 ha)				↑ ↑
Yield (T/ha)		↑	2.1	↑
World price of rice (\$/T)	576	↓	576	↓
Fuel and energy costs (\$/T)	195	↑	195	↑ ↑
Net Trade (1000 T)	9 815	↑	- 5 175	↓

Decreased relative price of rice to input cost likely to:

- 1) spur higher costs of intensification
- 2) restrain regional trade (fuel costs)

Perspectives of the World Rice Markets

	Asia		West Africa	
	Current	Trend	Current	Trend
Consumption per capita (kg/year)				↑ ↑
Production (10 ⁶ T)			↑ ↑	
Area				↓
Yield (T/ha)				
Rice price (US\$/T)				↓
Energy/Input cost (US\$/T)	155		195	↑ ↑
Net Trade (1000 T)	9 815	↑	- 5 175	↓

Thus, WA cannot just rely on expected future high world rice prices BUT rather focus on improving competitiveness

Implications for the Future Competitiveness of West Africa

- **Increasing farm-level productivity**
 - Scope for productivity increase vary across ecologies (irrigated, lowland, and upland) – TFP vs yield
 - Improving lowlands would offer a favorable environment for expansion of rice production
- **Decreasing per-unit costs throughout the value chain**
 - Off-farm transaction costs and transports costs in WA remain among the highest in the world
 - Need to increase consistent supply of paddy to medium & large scale millers by improving contractual linkages between farmers and millers
- **Improving product quality and market segmentation**
 - Higher quality locally produced rice fetches a premium (up to 20%) over imported rice in some countries
 - Need to improve post-harvest operations by improving contractual linkages between smallholders and processors as well as wholesaling functions

THANK YOU !!!

MERCI !!!