

High Rice Cost Creating Fears of Asia Unrest

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HANOI — Rising prices and a growing fear of scarcity have prompted some of the world's largest rice producers to announce drastic limits on the amount of rice they export.

The price of rice, a staple in the diets of nearly half the world's population, has almost doubled on international markets in the last three months. That has pinched the budgets of millions of poor Asians and raised fears of civil unrest.

Shortages and high prices for all kinds of food have caused tensions and even violence around the world in recent months. Since January, thousands of troops have been deployed in Pakistan to guard trucks carrying wheat and flour. Protests have erupted in Indonesia over soybean shortages, and China has put price controls on cooking oil, grain, meat, milk and eggs.

Food riots have erupted in recent months in Guinea, Mauritania, Mexico, Morocco, Senegal, Uzbekistan and Yemen. But the moves by rice-exporting nations over the last two days — meant to ensure scarce supplies will meet domestic needs — drove prices on the world market even higher this week.

This has fed the insecurity of rice-importing nations, already increasingly desperate to secure supplies. On Tuesday, President [Gloria Macapagal Arroyo](#) of the Philippines, afraid of increasing rice scarcity, ordered government investigators to track down hoarders.

The increase in rice prices internationally promised to put more pressure on prices in the United States, which imports more than 30 percent of the rice Americans consume, according to the United States Rice Producers Association. The price that consumers pay for rice has already increased more than 8 percent over the last year.

But the United States is fortunate in also exporting rice; poor countries ranging from Senegal in West Africa to the Solomon Islands in the South Pacific are heavily dependent on imports and now face higher bills.

Vietnam's government announced here on Friday that it would cut rice exports by nearly a quarter this year. The government hoped that keeping more rice inside the country would hold down prices.

The same day, India effectively banned the export of all but the most expensive grades of rice. Egypt announced on Thursday that it would impose a six-month ban on rice exports, starting April 1, and on Wednesday, Cambodia banned all rice exports except by government agencies.

Governments across Asia and in many rice-consuming countries in Africa have long worried that a steep increase in prices could set off an angry reaction among low-income city dwellers.

“There is definitely the potential for unrest, particularly as the people most affected are the urban poor and they're concentrated, so it's easier for them to organize than it would be for farmers, for example, to organize to protest lower prices,” said Nicholas W. Minot, a senior research fellow at the International Food Policy Research Institute in Washington.

Several factors are contributing to the steep rise in prices. Rising affluence in India and China has increased demand. At the same time, drought and other bad weather have reduced output in Australia and elsewhere. Many rice farmers are turning to more lucrative cash crops, reducing the amount of land devoted to the grain. And urbanization and industrialization have cut into the land devoted to rice cultivation.

In Vietnam, an obscure plant virus has caused annual output to start leveling off; it had increased significantly each year until the last three years.

Until the last few years, the potential for rapid price swings was damped by the tendency of many governments to hold very large rice stockpiles to ensure food security, said Sushil Pandey, an agricultural economist at the International Rice Research Institute in Manila.

But those stockpiles were costly to maintain. So governments have been drawing them down as world rice consumption has outstripped production for most of the last decade.

The relatively small quantities traded across borders, combined with small stockpiles, now mean that prices can move quickly in response to supply disruptions.

At the same time, prices set in international rice trading now have an increasingly important effect on prices within countries. This has been particularly true in an age of Internet and mobile phone communications when even farmers in remote areas can learn about distant prices and decide whether their own buyers are giving them a fair price.

Even before governments imposed restrictions this week, trading companies in exporting nations had become increasingly reluctant to sign contracts for future delivery as they wait to see how high prices will go.

“The market has pretty much ground to a halt for the past few weeks,” said Ben Savage, the managing director for rice at Jackson Son & Company, a commodities trading firm in London. Soaring prices are already causing hardship across the developing world.

In a crumbling covered market in an old neighborhood of Hanoi, Cao Minh Huong, a ceramics saleswoman, said that rising food prices, especially for rice, were forcing her to change her diet. “I’m spending the same amount on food but I’m getting less,” she said.

Together with rising prices for other foods, like wheat, soybeans, pork and cooking oil, higher rice prices are also contributing to inflation in many developing countries. Retail rice prices have already jumped by as much as 60 percent in recent months in Vietnam, trailing increases in wholesale prices but leading a broader acceleration in inflation.

Prime Minister Nguyen Tan Dung of Vietnam announced Wednesday that the government’s top priority now was fighting inflation. Overall consumer prices are more than 19 percent higher this month than last March. . The inflation rate has nearly tripled in the last year.

Rice is unusual among major agricultural commodities in that most of the major rice-consuming countries are self-sufficient or nearly so. Only 7 percent of the world’s rice production is traded across international borders each year, according to figures from the [United Nations](#) Food and Agriculture Organization in Rome.

Nguyen Van Bo, the president of the Vietnam Academy of Agricultural Sciences, which oversees government farm research institutes, said in an interview that the government expected rice production to rise further by 2010 despite the rapid expansion of residential housing and factories into what had been prime rice-growing land. But the government needs to train farmers to alternate corn with rice to defeat rice pests like the virus, he said.

Vietnam, Egypt and India all limited rice exports last year, but the limits were much less drastic and were imposed much later in the year, after much more rice had been shipped.

The government of Thailand, the world's largest rice exporter followed by Vietnam, has not yet limited exports. But a national debate has started in Thailand over whether to do so ,and Thai exporters have already practically stopped signing delivery contracts, Mr. Savage said.

Even before Friday's export restrictions by Vietnam and India, bids for commonly traded grades of Thai medium-grain rice had doubled this year to \$735 a metric ton. Vietnamese medium-grain rice had almost doubled to more than \$700 a ton, with most of the increase coming in the last four weeks. Bids jumped as much as \$50 a ton on Friday.

Governments have been reluctant to tell farmers to sell their rice at low fixed prices, for fear that farmers would hoard rice or not bother to grow as much as they could. On Friday, China, which is virtually self-sufficient in rice, raised the minimum prices for rice and wheat that it guarantees to farmers.