

Thai rice hits a new record

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BANGKOK, Thailand — Rice prices in Thailand, the world's top exporter, surged to \$1,000 (U.S.) a tonne on Thursday as concerns about food security first triggered by a handful of Asian export bans spread as far as the United States.

This week's five per cent jump takes prices to nearly three times their level at the start of the year, intensifying fears of social unrest in Asia as millions of the region's poor find themselves struggling to pay for staple goods.

The surging price of fuel and food, which some analysts attribute to panic buying by both consumers and governments rather than a dire shortage of supply, has so far sparked riots in Africa and Haiti, but not Asia.

Having started with India's imposition of export curbs to protect domestic supplies last year, the crisis was felt in the United States this week, with major retailers saying they had started to notice signs of panic buying.

Sam's Club, a unit of retail giant Wal-Mart, said on Wednesday it was capping sales of 20-pound (9 kg) bulk bags of rice at four bags per customer per visit to prevent hoarding.

The previous day, rival Costco Wholesale Corp. said it had seen increased demand for items such as rice and flour as customers, worried about global food shortages, stocked up.

“Everywhere you see, there is some story about food shortages and hoarding and tightness of supplies,” said Neuman Coleman, an analyst and rice broker in Brinkley, Arkansas.

In Bangkok, some traders said Thai 100-per cent B grade white rice, the world's benchmark, could hit \$1,300 a tonne due to unsated demand from number-one importer the Philippines, which fell well short of filling a 500,000 tonne tender last week.

Manila said on Thursday it had increased the size of another tender on May 5 to 675,000 tonnes from 500,000 tonnes, putting yet more heat under the price of a grain that for decades moved sedately between \$200 and \$300 a tonne.

There is also a big question mark over Iran and Indonesia, two countries that normally buy as much as 1 million tonnes of Thai rice each year but which have bought nothing so far in 2008 because of the soaring prices.

Indonesia's trade minister said on Thursday her country can meet domestic demand for rice this year, avoiding the risk of social unrest, thanks to a bumper rice harvest, curbs on rice exports and subsidies for the poor.

“If the production of rice is as planned for this year, I think we can feel pretty okay that it's going to be stabilized,” Mari Pangestu said in an interview.

Even though some analysts say the price, part of a wider global rally in crop prices, is based on jittery governments rather than fundamentals, Thailand's top exporters say the world is now set for an era of expensive food.

"Prices will remain firm for the rest of the year," Chookiat Ophaswongse, head of the Rice Exporters Association in Bangkok, told Reuters.

Asian rice prices could rise another 10-15 per cent as African importers step up buying, but the market might be set for a sharp fall nearer year's end, a grains trader said on Thursday.

"You might not see a correction in prices in the next two to three months. But when crops kick in, you could see a 30 to 40 per cent correction in prices towards the end of the year," said Vijay Iyengar, managing director of grains trader Agropcorp International Pte Ltd.

Rice futures on the Chicago Board of Trade climbed 2.5 per cent on Wednesday to an all-time high of \$24.85 per hundredweight.

However, grain futures tumbled four per cent to a five-month low due to expectations of a large global wheat crop in 2008.

With the northern hemisphere harvest only two months away, officials said planting had started well in Western Australia after good rains, while India said a record harvest and bulging government stocks meant no imports were needed this year.

China's top wheat-growing provinces of Henan and Shandong were also looking at a bumper winter harvest after recent rains, the Xinhua news agency said.

Brazil became the latest country on Wednesday to suspend rice exports, following in the footsteps of India and its close rival for the mantle of world number-two supplier, Vietnam.

However, Thailand, which accounts for nearly a third of all rice traded globally, reiterated that it would not impose any curbs, saying it had enough stocks to meet its export commitments.

"We don't need to restrict Thai exports because in the next few months, a new crop will come out and we have enough stock for the Thai people and also for exports, according to the agreements that we have signed," government spokesman Wichianchot Sukchotrat told reporters in Kuala Lumpur.

The Asian Development Bank and free-trade advocates have criticized the export curbs as an overreaction that has distorted the market.

"If we restrict trade, we're simply going to add food scarcity to the already large problems of food shortages that exist in different countries," EU Trade Commissioner Peter Mandelson said.

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