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

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3rd Africa Rice Congress

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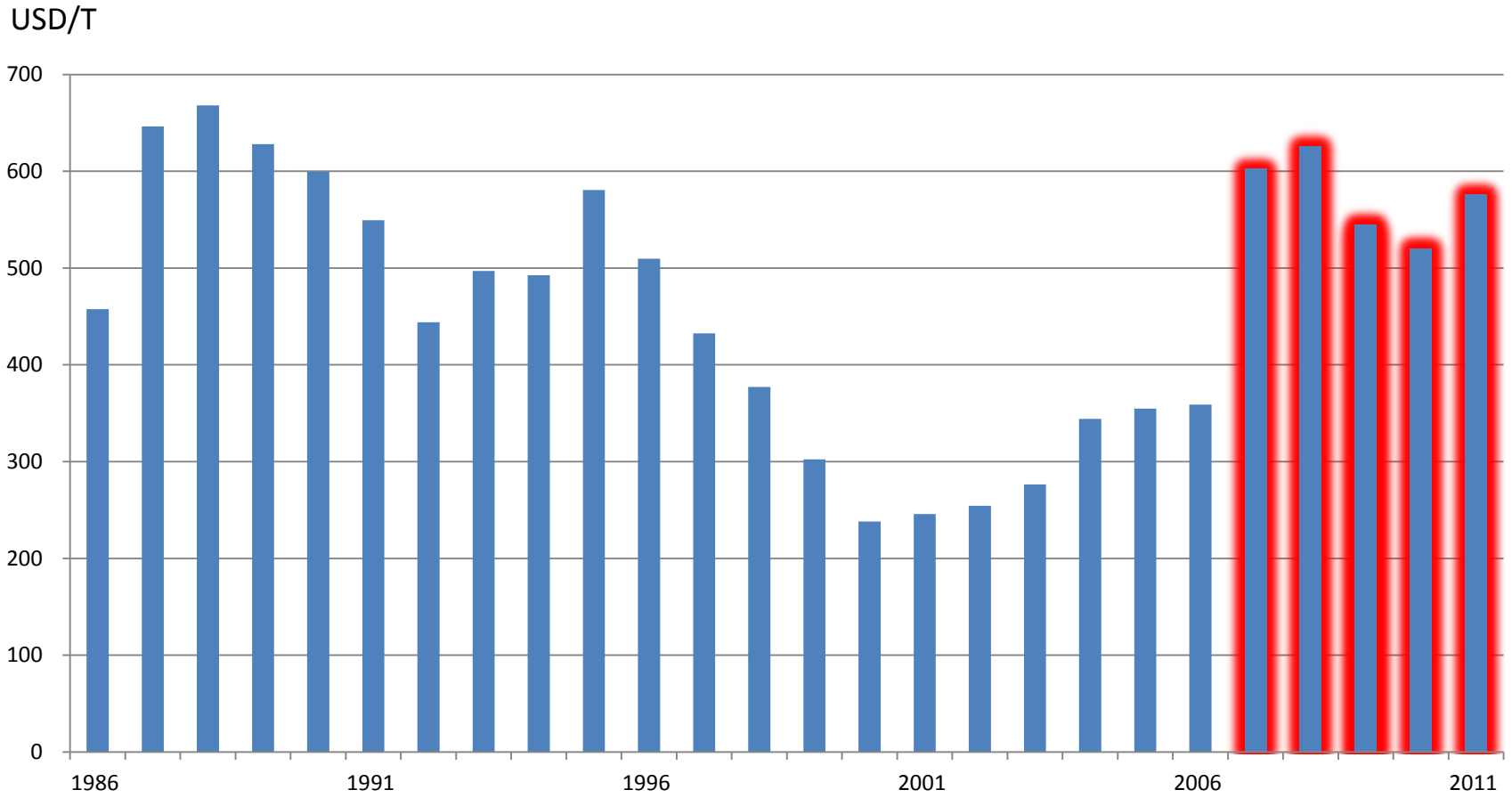
The Importance of Asia in the Global Rice Market

Source: FAOSTAT

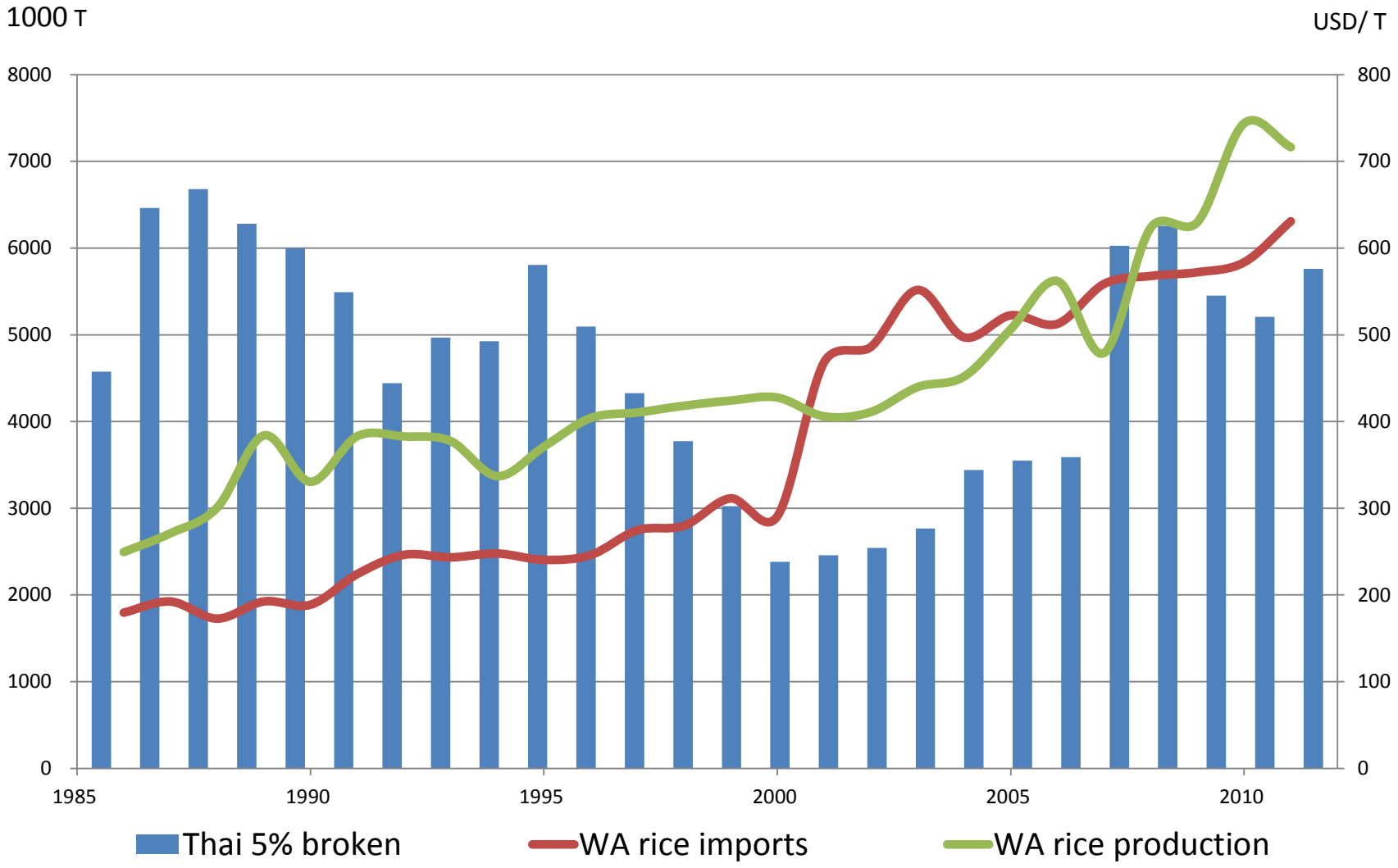
A Thin, Segmented and Volatile World Rice Market



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

Source: USDA & IMF data

The Growing Importance of Rice in West Africa

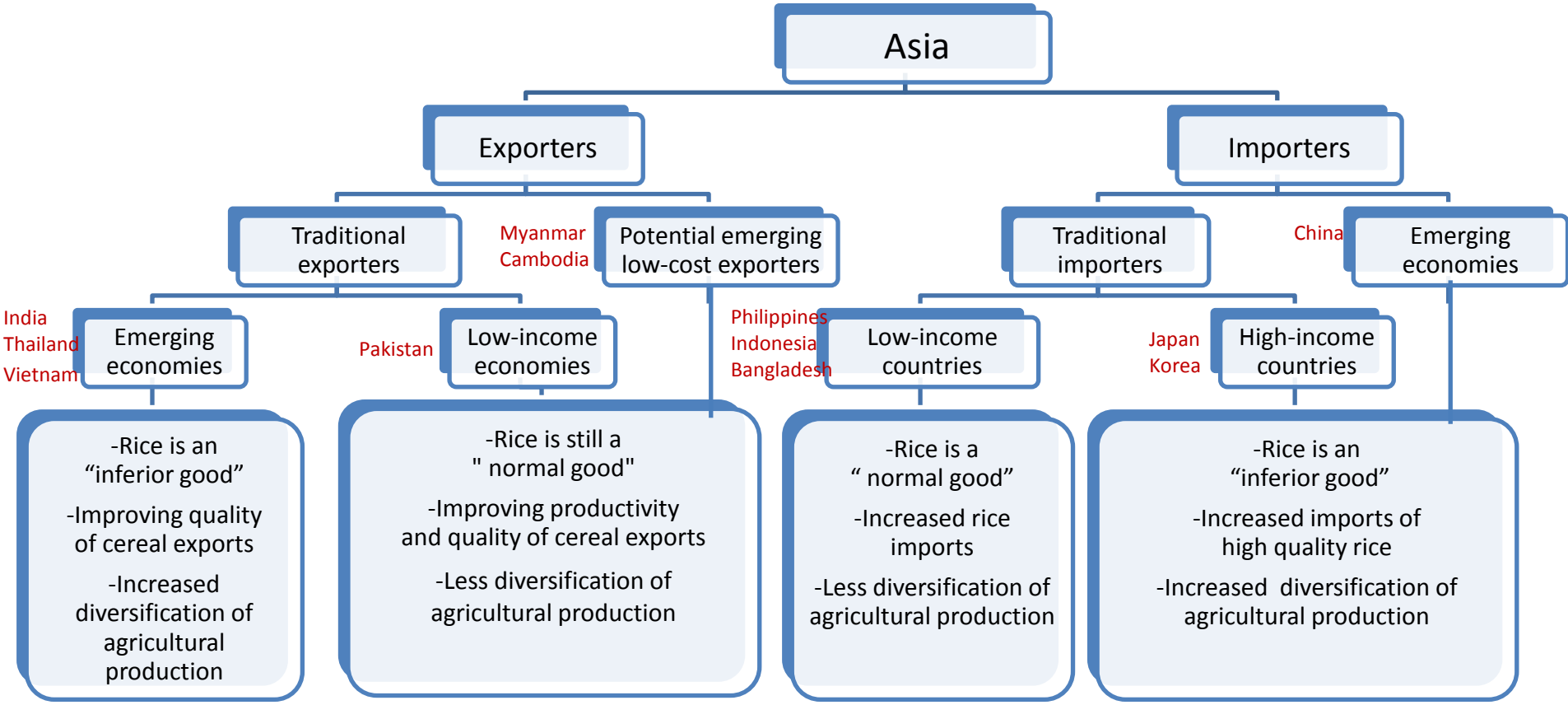


Source: FAOSTAT, USDA & IMF data

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

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Yield (T/h…				
…d price of rice (…				
Energy/input cost…		…5	19…	
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…

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Reduction of consumption and exports from emerging Asian economies like China

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

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Increased maritime freight rates between Asia and WA

Perspectives of the World Rice Markets

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

Perspectives of the World Rice Markets

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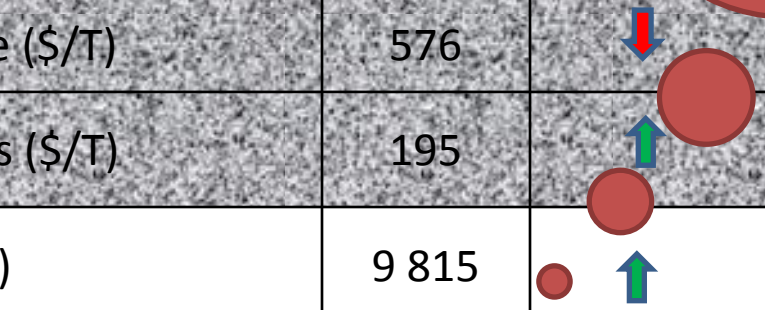
Expansion of output from potential low-cost producers (Myanmar and Cambodia)



Perspectives of the World Rice Markets

	Asia		West Africa	
				Trend
Consumption p (kg/year)				
Producti				
Area (100				
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

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	Current	Trend	Current	Trend
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Energy/Input cost…		…5	19…	
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Thus, WA cannot just rely on expected future high world rice prices BUT rather focus on improving competitiveness

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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 !!!