



### **Statement on Rising Rice Prices**

May 2008

During March and April 2008, rice prices in the global market jumped to record high levels not reached since the 1970s food crisis. Many factors explain the current high price of rice. First of all, since 2002, the global rice production level has fallen short of consumption, requiring continuous recourses to globally held rice stocks to compensate for production shortfall. This has resulted in the decline of world rice stocks to their lowest level since 1976/77 (74.1 million tonnes in 2008).

A compounding factor has been the export ban by major rice exporters. Other factors are the rising price of oil and freight, depreciation of the US dollar, additional pressure on agricultural resources because of biofuel production etc.

The limited scope for increasing rice areas in major Asian producing countries and the absence of major yield-enhancing technological breakthroughs in Asia, together with the low level of global stocks indicate that prices could remain high in the near future.

#### **Vulnerability of Africa to high staple rice price**

In Africa, rice is the fastest growing source of food with an annual growth rate of 5% since 1960. A third of the volume of rice traded globally is sourced for Africa which accounts for only 13% of the world's population. Except for Egypt, Africa is a net importer of rice with Nigeria, South Africa, Senegal and Côte d'Ivoire ranking among the top 10 importers of rice in the world.

With nearly 40% of the total rice consumption of Africa coming from the international market, African national rice economies are more exposed to unpredictable external supply and price shocks than those of other continents. Africa is also by far the most vulnerable continent because of its high prevalence of poverty and food insecurity. The eruption of riots and demonstrations because of rising prices of food, mainly rice, in Burkina Faso, Cameroon, Cote d'Ivoire, Egypt, Senegal, Mali, etc. testifies to this vulnerability.

In view of the present rice export bans by several countries, African countries are not only faced by the problems of affordability of rice but also of its availability in the international market.

## **Options for Africa**

According to the Africa Rice Center (WARDA), based in Cotonou, the option for Africa is to combine emergency responses for the short term with measures favorable to sustainable expansion of Africa's rice supply in the longer term.

### **Short-term palliative measures**

Short-term measures include reduction of customs duties and taxes on imported rice and setting up of mechanisms to avoid speculation in the rice markets. However, governments must be careful at the same time not to undermine incentives for domestic rice production.

The Africa Rice Center is developing with national programs and other partners an emergency initiative to significantly raise rice production in a group of WARDA member countries as of now. This initiative will improve farmers' access to rice seed and fertilizer and expand knowledge on best-bet rice technologies.

### **Medium- to long-term measures**

Africa's potentials for enhanced rice production are multiple and include availability of modern rice technologies, large tracts of land and underutilized water resources. Studies by the Africa Rice Center and its partners have shown that yield gains from 1 to 2 tonnes per hectare can be obtained in irrigated systems and lowlands thanks to the use of integrated crop management practices without any significant increase in production costs.

In the medium- and long-term, tax on all critical inputs, on-farm cost-saving agricultural machinery and equipments and post-harvest technologies for all players along the rice supply chain need to be reduced.

Governments have also key roles to play in facilitating access to financial services and credit for stakeholders in domestic rice sector; increase investment in water control technologies; expand the rice areas under irrigation; increase investment in regional research capacity to support the development of rice varieties resistant to major pests and diseases and sufficiently robust to withstand drought and climate change-induced shocks; and accelerate the pace of investment in rural infrastructure as road, transport, storage facility and communication infrastructure should enhance rice farmers' capacity to response to market signals and improve their access to market.