

Africa might ditch Asian rice if prices increase

CAPE TOWN: Thailand and other major rice exporting countries are at risk of losing Africa as a important trading partner if they raise their rice prices. Half of the 10 million tons of rice exported by Thailand last year went to Africa. Nigeria, Benin, Cote d'Ivoire and South Africa were among the main buyers of rice in Africa.

By [Miriam Mannak](#) 4 Aug 2010



Image courtesy of [FreeDigitalPhotos.net](#)
Credit: Suat Eman

"Some Asian governments are considering raising rice prices, mainly in support of their farmers. In Thailand for instance, 80 percent of the population works in agriculture and they therefore form the bulk of the government's voters," says Mozambican-born Miguel Lima, a trading director working for SeaRice Limited

This Swiss company specialises in exporting rice. Lima has been working in the African rice business for the past 25 years.

Earlier this year, the main farmers' association of Thailand - after China the world's biggest rice producer and exporter - asked the government to intervene to increase the price of this crop.

The motivation behind the association's request was the drop in the price of rice over the past few months. Reasons for this include that foreign buyers postpone purchases in expectation of further price cuts.

African countries purchased 1.4 million tons of Thai rice over the first five months of this year, figures by Thailand's government show. Over the same period last year, this amount came close to two million tons. The decline in export volume led to a price decrease.

Thai farmers fear that without government intervention the price will drop further.

"The problem with increasing prices, which came down after they skyrocketed in 2007 and 2008, is that rice producing countries are forgetting about their most important buyers, which are African countries," Lima argues.

"In general people in Africa simply do not have a lot of money to spend," he adds.

"I agree that farmers should earn a decent living, but one should not push the boundaries too far. African consumers will back off if rice becomes too expensive. They will look for other staple foods. That will destroy the market."

According to the Food and Agricultural Organisation (FAO), the average world prices for rice rose by 217

percent between 2006 and 2008. In 2008 rice was 80 percent more expensive, compared to 2007. The price hit a record 1,038 dollars per metric ton in May that year.

Although prices have since come down, uncertainty remains.

One of the problems, Lima noted, is that once someone has changed from rice to another staple food, like millet or cassava, there is usually no turning back.

This is the case "not only because changing these patterns takes a lot of effort, but also because farming and buying grains like millet is a lot cheaper. If people realise this, they usually will not go back to a more expensive staple food."

Moses Adewuyi, director of agro-processing at Nigeria's ministry of agriculture and rural development, agrees with Lima's statements.

"If prices should increase like they did in 2007 and 2008, Nigerian consumers will switch to other staple foods such as cassava, maize, millet, plantain, beans, and yam.

"Nigeria, like other African countries, has plenty of staple foods that are a good substitute for rice if the latter becomes too expensive for the consumer," he says.

"Last year, prices came down in my country," Adewuyi continues. "Today, consumers pay approximately 4 dollars per 50kg bag. In the 2007/2008 financial year, the same bag cost up to 900 dollars. We cannot have history repeat itself."

One of the ways in which Nigeria - an importer of two million tons of rice per annum, of which the bulk comes from Thailand - wants to gear itself against new price hikes is to develop the local rice industry.

Adewuyi told IPS: "We, the government, are planning to increase production so that we are less dependent on the Far East in case Thai rice becomes too expensive."

Nigeria is Africa's largest consumer of rice as well as the continent's main grower of the crop.

"We produce 2.1 million tons of milled or white rice a year and 4.2 million tons of paddy or unprocessed rice that has not been milled," Adewuyi explains.

"We want to increase our output and the quality of our processing plants. I think other governments of African rice-growing countries should do the same."

Duong Phuong Thao, trade officer at Vietnam's department of export and import, defends the call of Asian farmers for government intervention when it comes to the rice price.

Vietnam produces 24.3 million tons of rice per annum, of which approximately eight million tons is exported. About 30 percent of these exports go to Africa.

"Vietnamese farmers currently sell their rice below the cost price, and that is not sustainable for them. We need to think about our farmers too."

Article published courtesy of [IPS Africa](#)

For more, visit: <https://www.bizcommunity.com>