

### International grain markets

Over recent months, there have been many stories about global grain prices increasing, in part because of Russia's invasion of Ukraine and the disruption to grain supplies from the Black Sea region. As the International Grains Council chart below illustrates, so far the global rice market has not been seriously affected by these developments. This is because in general there is little substitution between wheat and rice. They are used to make different products, and rice is not normally used in animal feed markets which are mainly users of maize, along with a smaller proportion of wheat.



### Rice Market Specifics

Nevertheless, the rice market is not without disruptions, even if they are less extreme. In October, the Indian government intervened to tax exports and ban the export of broken rice (which is used as an animal feed material). The basmati crop has had challenges which means that prices are very firm (basmati is a major part of the UK rice market). Drought in Europe means that availability of medium and round grain rice from Italy and Spain is much reduced and prices higher (the EU is the other major supplier to the UK market). Rice from the USA, traditionally the source of rice for Chinese restaurants, is also more expensive in response to crop conditions there.

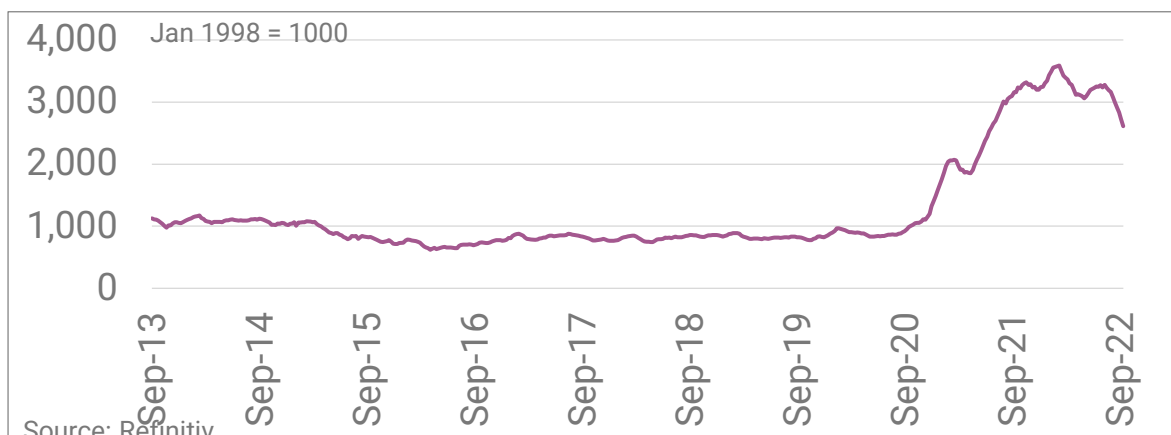
	Nov 2021(\$US)	Nov 2022 (\$US)	Change (\$US)	Change (%)
India Basmati	850	1011	+ 161	+ 19%
Pakistan Basmati	695	999	+ 304	+ 44%
Indian non basmati	354	390	+ 36	+ 10%
Thai 100% B	383	429	+ 46	+ 12%
USA Long Grain	620	794	+ 174	+ 28%
Italy Indica (long grain)	690	820	+ 130	+ 19%
Italy Arborio	870	2000	+1,130	+130%

SELECTED RICE PRICES ON THE WORLD MARKET, IN \$US PER METRIC TONNE (EXCLUDING SHIPPING COSTS)

Regrettably these origins are not easily substitutable. The qualities of rice vary; basmati can only be sourced from India and Pakistan. Risotto rice from Italy has a quality that cannot be easily replicated from other origins. Businesses often have their own traceability programmes and long term commitment to growers which make it more difficult simply to switch suppliers. Therefore there are cost and supply issues to work through in the coming period.

**Shipping and Currency**

Shipping costs and reliability were severely impacted by the covid 19 pandemic in 2020-21, with freight rates from the far east especially affected. Although lower, today's rates are still well above the longer term level.



CHINA CONTAINERIZED FREIGHT INDEX

Furthermore, the weakness of sterling, down by around 10% against the US dollar over the past twelve months (see below), compounds these price issues amplifying the inflationary impact on costs. To put this into context, a rice priced at US\$800 per tonne would have cost £666 per tonne using last year's exchange rate of \$1.35. At an exchange rate of \$1.15 per it would cost £782. The movement in exchange rates has amplified the base price increase outlined above.



Data from Refinitiv · Disclaimer

\$ US TO £ STERLING EXCHANGE -10% YEAR-ON-YEAR

### Energy and other costs

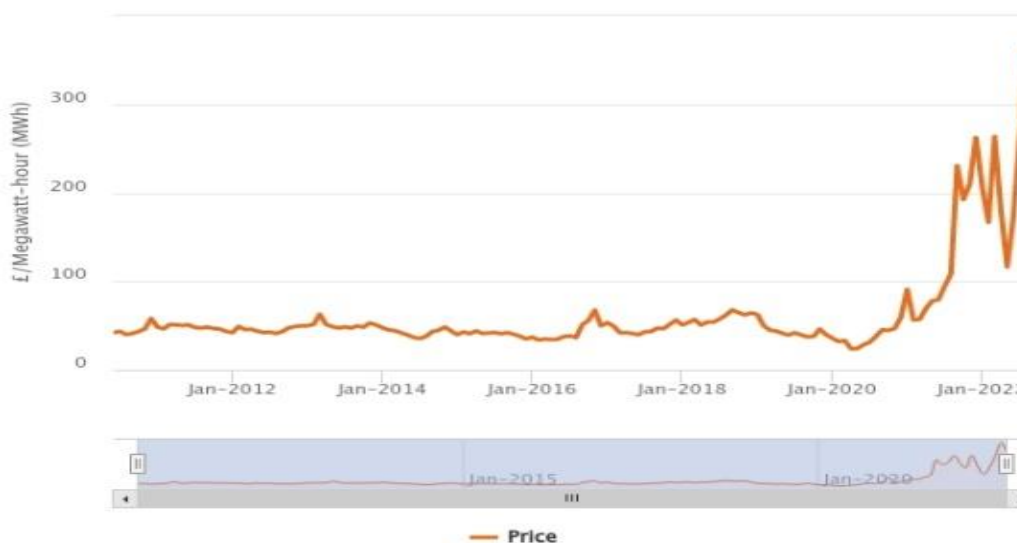
The rice sector is also exposed to the same challenges as others. The cost of energy (in particular electricity used to mill rice and gas to pre-cook microwaveable rice packs) is several times higher, even after the UK government’s business support package which runs until the end of March 2023 (see UK government charts below). Packaging and delivery costs, along with wages are much higher. Closer to customers, it is very obvious that the restaurant, pub and catering sector (which uses a lot of rice) is facing challenges as it is subject to the same cost pressures noted above and customers rein in their spending to manage their own household budgets.

Gas Prices: Day Ahead Contracts – Monthly Average (GB)



Information correct as of: November 2022

Electricity Prices: Day Ahead Baseload Contracts – Monthly Average (GB)



Information correct as of: November 2022



### **Authenticity**

In an environment where costs are being squeezed, less scrupulous operators will look for opportunities to cut corners. If rice appears very cheap, it might be a great deal but it is also possible that the provenance is not what it should be. For nearly 20 years the UK has had a code of practice which specifies varieties which can be labelled as basmati which is regularly updated – most recently in the summer of 2022. There is also very clear guidance on the labelling of Italian risotto rices. Details are available at: [Members Documents | The Rice Association](#).