



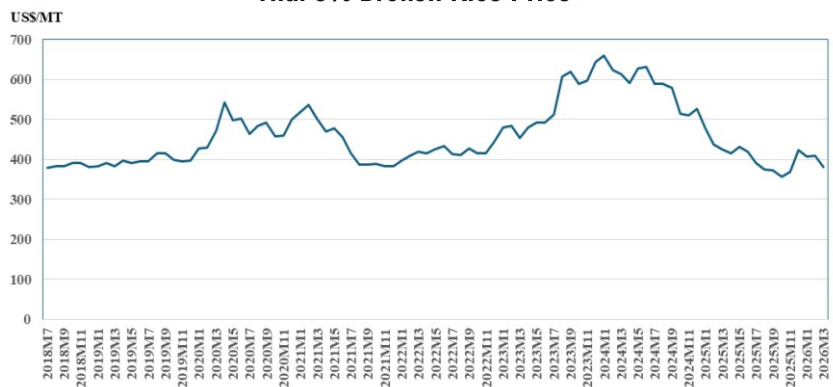
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Convergence of Conflict and Climate: Rising Risks in the Global Rice Market



Global rice prices are beginning to move in response to a convergence of man-driven and climate-driven uncertainties. Current prices, which are at multi-year lows following a decline of more than 40 percent since September 2024 after the removal of India's export ban on non-basmati rice, appear to be short-lived. The ongoing crisis in the Middle East threatens fuel and fertilizer availability and raises input costs critical to rice production. This is particularly significant given that nitrogen fertilizer production is highly energy-intensive. Natural gas accounts for nearly 70–80 percent of urea production costs, and any sustained increase in energy prices directly transmits into higher cultivation costs and potential reductions in fertilizer application rates. Meanwhile, nature appears

Thai 5% Broken Rice Price



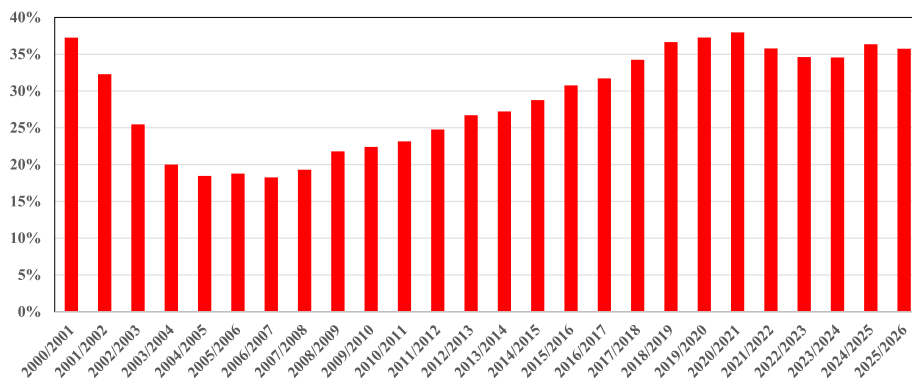
Data Source : World Bank Pink Sheet

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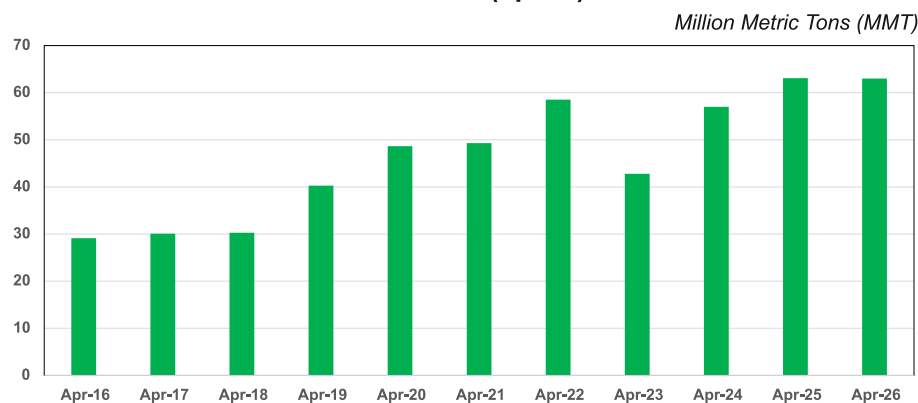
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Global Rice Stock-to-Use Ratio



Data Source : PSD Online

Trends in FCI Rice Stocks (April 1):2016-2026



Data Source: FCI and compiled from various published sources

Fortunately, this is occurring at a time when global rice stocks are at comfortable levels, with the stock-to-use ratio close to 36 percent. This is nearly double the level seen during the 2007-08 rice crisis, when prices surged to US\$1,000 per metric ton. More importantly, the world's largest exporter, accounting for around 40 percent of global trade, is currently holding an estimated 63 million metric tons (MMT) of rice as of April 1, 2026—nearly five times its buffer norm of 13.6 MMT. India's April stocks have more than doubled in the past decade from 29 MMT in 2016 to 63 MMT in 2026. Stock levels in other rice-growing countries in Asia are also comfortable. While these stocks provide resilience, their effectiveness depends on timely and coordinated policy actions.

poised to unleash its power in the form of an El Niño event during the upcoming kharif season, with the risk of below-normal rainfall, prolonged drought, and extreme heat across Asia's major rice-growing regions. Historically, El Niño events have been associated with rice yield reductions of 2–5 percent in South and Southeast Asia, with more severe episodes leading to losses of up to 8–10 percent due to water stress during critical growth stages such as panicle initiation and grain filling. Together, these pressures are increasing upside risks to global rice prices and heightening concerns over supply stability.

Box 1: Key Messages

- Global rice prices are at multi-year lows but face significant upside risks
- Risks are driven by a convergence of geopolitical tensions and El Niño conditions
- Global stocks are high, but policy responses will determine price stability
- India's export policy will be the single most important stabilizing factor.
- Southeast Asian import behaviour may amplify price volatility

The key question then becomes whether the market will be able to withstand a potential supply shock over the next two seasons (the 2026/27 wet and dry seasons) by drawing down its record carryover stocks. The answer largely depends on India's response to the market. During the COVID period, India played a pivotal role in stabilizing global rice prices by more than doubling its exports—from 9.8 MMT in 2019 to 22 MMT in 2022. As a result, global rice prices declined during the COVID period, even as prices of most other grains increased sharply. India's actions will be decisive in shaping global rice food security in the coming months. This is further reinforced by the structural concentration of global rice trade, where the top five exporters account for nearly 80–85 percent of total exports, making the market highly sensitive to policy shifts in a few key countries. To better understand the range of possible market responses under these emerging risks, a scenario-based assessment is presented below.

Scenario Analysis: Best, Worst, and Likely Outcomes

If the impact of conflict and El Niño on production remains minimal in the coming kharif season, the market could face further downward pressure, with prices potentially declining even from current low levels. However, if there is a production shortfall in key rice-

producing countries in the region, the price response is not necessarily automatic. In such a scenario, several outcomes are possible depending on the actions and reactions of major market players. Rice export policy in India is also heavily influenced by wheat stock levels. FCI wheat stocks, as of April 1, 2026, stand at a comfortable 21.8 MMT—about 85% higher than last year's 11.8 MMT at the same time—providing short-term policy flexibility. However, slow procurement in 2026, which is about 69% lower than last year (1.53 MMT vs. 5 MMT) during the first two weeks of the April–June procurement period, due to unseasonal rains affecting both the quantity and quality of wheat, is a cause for concern. If procurement remains significantly lower, it could influence policy decisions on rice, similar to what was observed in 2023 when India imposed non-basmati rice export ban because of low wheat stocks.

Best-Case Scenario: Supply Stress and Market-Led Adjustment

The best-case scenario assumes that countries refrain from panic-driven responses to potential production shortfalls and avoid trade-distorting measures such as export restrictions and excessive import accumulation. Instead, allowing market fundamentals to guide price formation would help maintain stability in global rice markets. Given current stock levels, such an outcome would likely result in only a moderate increase in prices, estimated in the range of 10–20 percent.

Worst-Case Scenario: Supply Stress and Policy Distortion

The worst-case scenario would involve simultaneous production shortfalls in India, Indonesia, and the Philippines, coupled with coordinated policy responses that exacerbate global market tightness. In this context, India may impose restrictive measures on rice exports short of a complete ban, while Indonesia and the Philippines respond through panic-driven stockpiling and excessive imports beyond normal requirements. Such responses are often influenced by precautionary hoarding behaviour, where governments import beyond actual consumption needs to hedge against uncertainty, inadvertently tightening global supply. Such a convergence of supply shocks and trade-distorting policy responses could significantly amplify global market instability. Under these conditions, a doubling of rice prices from current levels is a plausible outcome.

Most Likely Scenario: Regional Supply Stress and Precautionary Stockpiling

The most likely scenario involves a moderate production shortfall in India, driven primarily by rising fertilizer costs and elevated fuel prices. However, the adverse effects of

El Niño on Indian rice production are expected to remain limited, largely due to the widespread availability of supplemental irrigation among farmers. According to recent forecasts by the India Meteorological Department, rainfall is projected to be below normal in the western and central regions, while parts of the northeast, southern states, and Chhattisgarh are likely to receive normal to above-normal precipitation.

Box 2: Scenario Outcome Summary

- **Best Case (10–20% price increase):**
Market adjustment without trade restrictions or panic buying
- **Most Likely Case (30–50% increase):**
Moderate supply stress + Southeast Asian precautionary stockpiling
- **Worst Case (100% or more increase):**
Simultaneous production shocks + export restrictions + panic imports

The greater concern on the supply side lies in Southeast Asia, particularly among major rice-importing countries such as Indonesia, Malaysia, and the Philippines. These middle-income economies, which collectively import more than 11 million metric tons (MMT) of rice annually, are expected to engage in precautionary stockpiling to safeguard domestic food security. Given that rice has relatively low substitutability in Asian consumption patterns and exhibits inelastic demand, even moderate supply tightening can translate into disproportionately large price increases. Such behaviour could significantly tighten global supply in the export market. Under this scenario, international rice prices could increase sharply, with a likely rise in the range of 30–50 percent.

Opportunity for Importing Countries

Given the current atypical situation—driven by geopolitical tensions and the likelihood of a super El Niño—importing countries may consider initiating early discussions with major exporting nations to secure supply arrangements for the next 8–12 months. These agreements could be structured either at pre-negotiated prices or through flexible pricing mechanisms to be determined at a later stage. Such forward arrangements would help importing countries avoid panic-driven procurement and excessive stockpiling, thereby reducing the risk of triggering sharp price spikes similar to those witnessed during the 2007 food crisis.

Opportunity for Telangana Rice

Telangana, as one of India's major rice-surplus states, is well positioned to benefit from emerging uncertainties in the global rice market. By strategically channeling its exportable surplus during periods of price strength, the state can capture premium returns while simultaneously contributing to the food security of rice-importing developing countries. Given that Telangana's surplus primarily consists of long-grain regular milled and parboiled rice, export strategies can be tailored accordingly. Southeast Asian importers, such as Indonesia, Malaysia, and the Philippines, represent suitable markets for milled rice, while West African countries, particularly Nigeria, offer strong demand for parboiled rice.

Conclusion

The global rice market stands at a critical juncture, shaped not only by emerging supply-side risks from conflict and climate variability but, more importantly, by the policy choices of key market participants. While current stock levels provide a strong buffer against potential shocks, they are not a guarantee of stability. Experience from past crises underscores that market disruptions are often amplified not by production shortfalls alone, but by uncoordinated and reactive policy interventions.

In this context, the path ahead will depend on whether major exporters and importers act with restraint and foresight. Transparent trade policies, avoidance of export restrictions, and calibrated import strategies will be essential to maintaining confidence in global markets. India, in particular, will continue to play a pivotal role given its dominant position in global rice trade and substantial public stockholding. Policy coordination, improved market intelligence, and investment in climate-resilient and resource-efficient rice production systems will be critical to sustaining long-term stability. For surplus-producing regions such as Telangana, the evolving market environment presents a strategic opportunity. By aligning export timing and market selection with global price movements, the state can enhance farm incomes while contributing constructively to global food security.



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