

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Possible Trade Interruptions for South Africa's Rice Supply Chain due to COVID-19 Impact

**Country:** South Africa - Republic of

**Post:** Pretoria

**Report Category:** Grain and Feed

**Prepared By:** Dirk Esterhuizen

**Approved By:** Kyle Bonsu

**Report Highlights:**

South Africa has to import rice to meet local demand as rice production is insignificant in the country. As a result, any trade restrictions introduced by exporter countries, due to COVID-19, will put the rice supply chain under pressure. Currently, India, the world's largest rice exporter, have stopped signing new export contracts amid a nationwide lockdown and Vietnam introduced a rice export quota. India's decision on rice exports would have a definitive impact on South Africa as it supply about 20 percent of local rice consumption. In addition, world rice prices have soared upwards. Therefore, a prolonged COVID-19 situation would cause major interruptions in South Africa's rice supply chain.

## Introduction

The President of South Africa announced a 21-day national lockdown that started on Friday March 27, 2020, but later extended it to last until the end of April. Regulations regarding the movement of people and goods during this time were published on March 25, 2020 and can be accessed [here](#). According to the regulations, the food supply system is an essential sector that needs to remain uncompromised and functional. South Africa is self-sufficient in most agricultural value chains, but has to import rice to meet the local demand as no production of the commodity is possible within the country, due to its high-water requirement. As a result, any trade restrictions introduced by exporter countries, due to COVID-19, will put South Africa's rice supply chain under pressure.

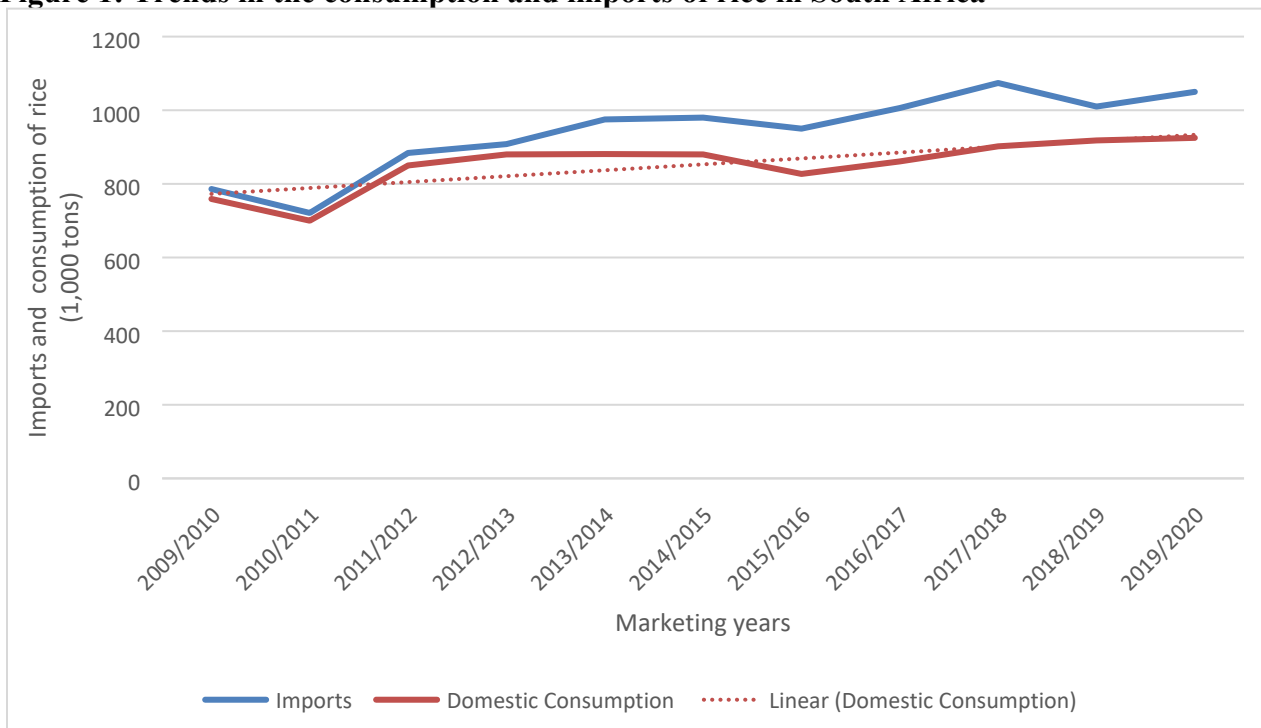
## Rice

India, the world's largest rice exporter, have stopped signing new export contracts amid a nationwide lockdown, as labor shortages and logistics disruptions hampered the delivery of even existing contracts. Despite India's large inventory of rice and no formal ban on rice exports, the lockdown has disrupted the entire supply chain. In addition, the Vietnam government introduced trade restrictions in the form of a rice export quota. This was done to ensure sufficient domestic food supply during the country's COVID-19 lockdown. Vietnam is the world's third largest rice exporters after Thailand and India. As a result, foreign buyers began sourcing white and parboiled rice from Thailand. Thailand has not enforced a lockdown and has no ban on rice exports.

Corn, in the form of a meal, wheat products and rice are the three major starches consumed in South Africa. The annual per capita consumption of corn is the highest at 90kg/person, followed by wheat (55kg/person) and then rice (15kg/person). Consumers substitute rice, wheat and corn products based on price and taste preferences. However, the demand for corn and wheat products is relatively price inelastic, diminishing major shifts in consumption due to price movements. This makes the rice market in South Africa extremely price sensitive. More than 90 percent of rice consumed in South Africa is parboiled with the balance made up primarily of the Basmati variety. South Africa's rice consumption has grown by about 3 percent per annum the past 10 years to almost 1.0 million tons (see also Figure 1). A rising middle class has led to increased rice consumption.

In 2019, South Africa imported almost 1.0 million tons of rice at a value of US\$448 million, marginal less than the 1.1 million tons of rice at a value of US\$518 million South Africa imported in 2018. Thailand and India, together, supply more than 95 percent of South Africa's rice demand with Thailand's contribution more than 75 percent (see also Table 1). Vietnam and China are tied at third spot with a contribution of 2% each.

**Figure 1: Trends in the consumption and imports of rice in South Africa**



**Table 1: South Africa imports of rice (metric tons)**

Countries	2018 (1,000 tons)	2019 (1,000 tons)
Thailand	799	745
India	215	183
Others not Listed	61	39
<b>Grand Total</b>	<b>1,075</b>	<b>967</b>

**Source:** Trade Data Monitor

For now, Vietnam’s policy to introduce a rice export quota is not a major concern from an availability perspective, due to its small relative share of South Africa’s rice imports. However, India’s challenges to export rice would have a definitive impact on local rice availability as India supply about 20 percent of South Africa’s rice imports. In addition, world rice prices have soared upwards to the news of Vietnam’s export quota and India’s labor complications, to seven years’ highs. Coupled with a significant depreciation of South Africa’s exchange rate has resulted in a rapid rise in the import parity price of rice. The South African Rand depreciated by 25 percent against the United States Dollar since January 2020. Mainly two factors contributed to the depreciation of the Rand, namely the impact of COVID-19 and Moody’s downgrade of South Africa credit rating to junk status.

For the lockdown period, retailers in South Africa are not allowed to increase the price of essential food items, including rice. Therefore, in a prolonged COVID-19 situation, the availability of rice could become a problem, as the rice value chain in South Africa will not be able to fully absorb a significant increase in prices.

**Attachments:**

No Attachments.