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Alisher Mirzabaev and
Jeremy Zwinger

The Price of Plenty: **India's Rice Surplus and Global Market Effects**

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Authors: Alisher Mirzabaev and Jeremy Zwinger

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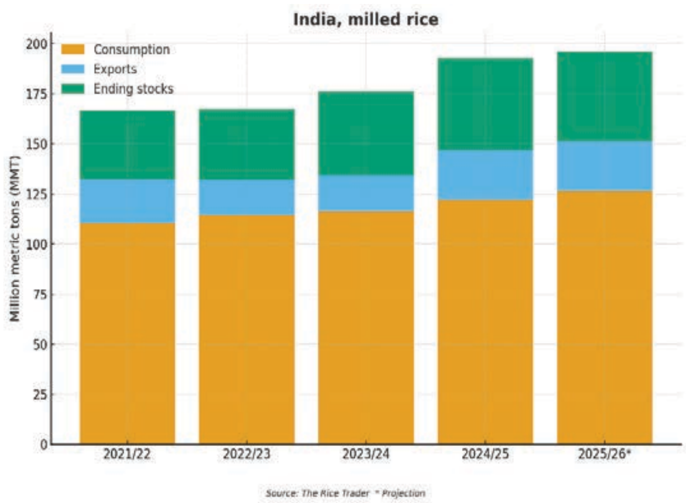
- India’s public rice reserves are currently nearly *three times* the official buffer norms, creating high warehousing and fiscal strains.
- This oversupply situation in India will have massive global effects on the rice industry.
- Following the end of India's export ban in 2024, prices in the rice market have already fallen by about $200 per metric ton, with challenges now emerging to find buyers even at these reduced prices.

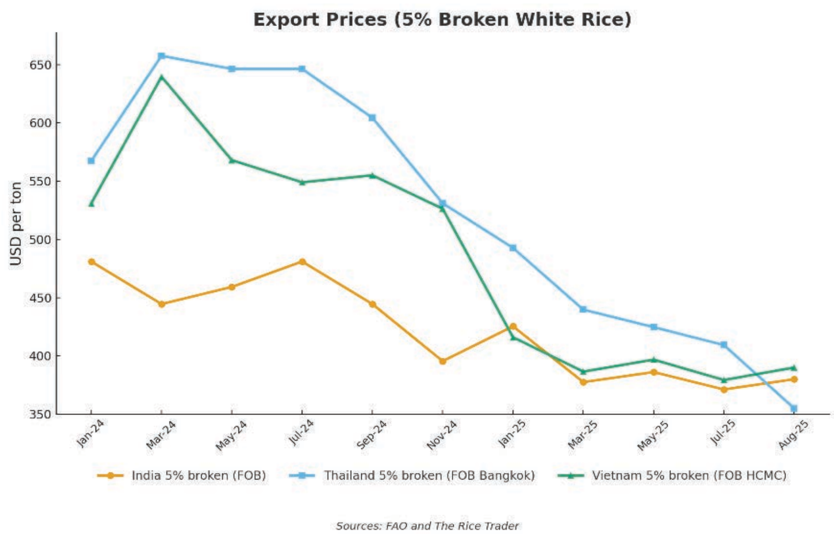


India’s Record Rice Supply and Storage Strains: India’s government-held rice stocks have reached 37.9 million metric tons (MMT) by August, 2025[1] (about *three times* the official buffer norm of 13.5 MMT for July 2025)[2]. Record harvests (150 MMT of milled rice in 2024/25)[1] and minimum support price (MSP) procurement are primary causes. Public agencies now procure ~50–55 MMT of rice each year under the MSP[3]. This glut secures food supply but strains storage, with warehouses in key states overflowing[4]. The government even diverted 5.2 MMT of rice for ethanol to free space under its Ethanol Blended Petrol (EBP) Programme[5] – a development to watch carefully in relation to the 20% ethanol blending policy[5]. In the meantime, without rapid stock reduction, fresh Kharif paddy arrivals in October could overwhelm capacity, creating a storage crisis. With stocks at record highs and a new bumper harvest coming, potentially exceeding domestic utilization by 30 MMT[1], the oversupply situation in India will have massive global effects on the rice industry. **The key question is where India will sell its ballooning stocks and at what price.**

MSP Procurement & Fiscal Implications: India’s Minimum Support Price (MSP) policy – the minimum assured price to protect farmers against sharp decline in farm-gate price for rice (currently about 262 USD per ton[6]) – has led the government to act as buyer of last resort. This intervention has propped up farm incomes and kept domestic prices stable. However, it comes at a fiscal cost: the economic cost of rice, i.e. procurement and handling, now equals about 470 USD per ton, inflating the food subsidy bill[7]. The FY 2025 food subsidy was budgeted at about 23.2 billion USD but may overshoot due to excessive stockholding[7].

Export Policy Change & Global Price Impacts: After a series of export restrictions in 2022–23, India reversed course as the rice stocks grew. By March 2025, India lifted the last rice export ban. The result was a surge of Indian rice onto world markets – with projected exports of ~23.5 MMT in 2025[1]. India alone shipped over 14.7 MMT until end of August 2025, dwarfing Thailand (4.7 MMT) and Vietnam (6.0 MMT) in the same period[1]. This aggressive push has dramatically softened global prices.

Asian export prices (5% broken) have fallen ~30% from their early-2024 peak[1]. By end of August 2025, Indian 5% rice was ~$380/ton, higher than Thai (~$355) but lower than Vietnamese (~$390) quotes[1]. As India returned as a *leading price-setter*, global rice prices hit multi-year lows in 2025. Importing countries (especially in Africa and Asia) benefited from cheaper rice, easing food import bills. But rival exporters saw their competitive position erode. The price drop has squeezed farmer margins in many Asian countries.



Key Implications:

- India's rice supply is crowding out others from price-sensitive markets. For example, African importers are switching back to Indian rice.
- High-level of stocks, strained warehousing capacities, and incoming new harvest in India will put further downward pressure to global rice prices.
- Other key suppliers are responding by diversifying: Thailand and Vietnam are targeting niche premium markets but having challenges to sell even at reduced price levels.
- New entrants like South American exporters are also expanding – Brazil, Uruguay, etc., have leveraged competitive pricing to make inroads (e.g. in Mexico, traditionally a U.S. market). The global export landscape is thus shifting under the weight of India's supply surge.

Short-Term Outlook: Globally, rice supplies are abundant, and prices are expected to stay low into 2026, barring a major shock. The world rice stock-to-use ratio now exceeds 34%, one of the highest levels in modern times[1]. Today's level signifies extreme oversupply. With world production at record highs (2024/25 output ~541 MMT[8]) and carry-out stocks swelling, the market has a large cushion. Big importers (Philippines, Indonesia) have scaled back purchases, for protecting their domestic producers and after having built reserves during earlier periods. This weak demand further dampens any short-term price rally. The key concern for stakeholders across the board, including growers, governments, industry groups, and international organizations, is the impact of sustained low prices. How will governments respond? Will subsidy programs increase to support growers, or will policy adjustments be made to stabilize the market? Most importantly, what will be the implications for farmer livelihoods and rural communities? These questions remain critical as the sector navigates this uncertain period.

Sources: [1]The Rice Trader, 25.08.2025; [2]Ministry of Consumer Affairs, Food and Public Distribution (MCAFPD), 22.07.2025; [3]USDA (2025); [4]Business Standard, 27.06.2025, [5]Reuters, 26.06.2025;[6]DFPD-MCAFPD; [7]Ricenews, 26.08.2025; [8]FAS-USDA

About the Authors:

Alisher Mirzabaev is a Senior Scientist in Policy Analysis and Climate Change at the International Rice Research Institute (IRRI). His research spans rice agri-food systems, rice markets, economics of land degradation and climate change with over 100 scientific publications.

Jeremy Zwinger is the President and CEO of The Rice Trader, Farm & Trade, Inc., and the International Commodity Institute. He is also the founder of the World Rice Conference, and an esteemed market analyst in the global rice industry, with a background in agricultural economics.