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# The Price Trap:
# Oversupply and Export Competition in Global Rice Trade

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## The Price Trap: Oversupply and Export Competition in Global Rice Trade

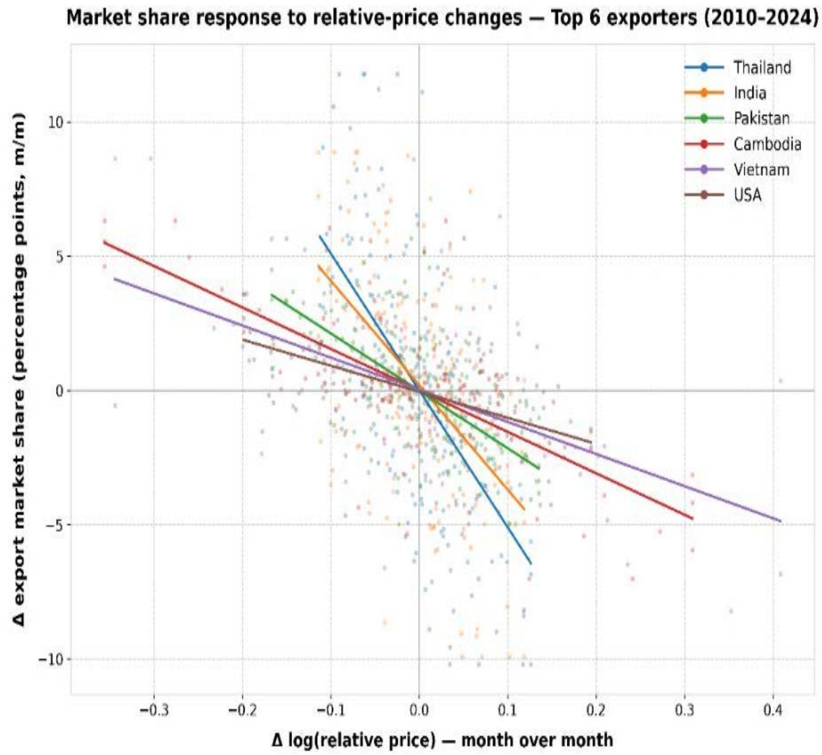
- World rice prices have fallen sharply in 2025 under the weight of record supplies and stocks. Across Asia, rice growers are grappling with thin or negative margins. Barring a major supply shock, the coming year may bring even lower prices. It is nearly a predictable outcome.
- This is already spurring aggressive price cuts by leading exporters to maintain market share and clear stockpiles. The greatest risk is a continued price war among leading exporters – a "race to the bottom" that could push rice values to multi-year lows. In a glut, the exporter that cuts earlier tends to capture market share, while late cutters suffer steeper price declines with weaker demand response. The reality for the rice trade is that you cannot catch demand when the market is rapidly falling.
- However, aggressive pricing strategies, if not mitigated by other policy interventions, often carry unintended side effects in terms of lowering farming incomes, increasing fiscal burdens, eroding exports quality, and amplifying market distortions. Falling into such a price trap may undermine long-term food security. Persistently low prices can discourage farmers from planting rice, leading to supply shortfalls later. With the market cycle at a historic high supply, a downshift has been anticipated. But the question is: **How long will it last and what will the global rice trade landscape be like after it shifts?**

**World Export Price Summary (17-Oct-2025)**

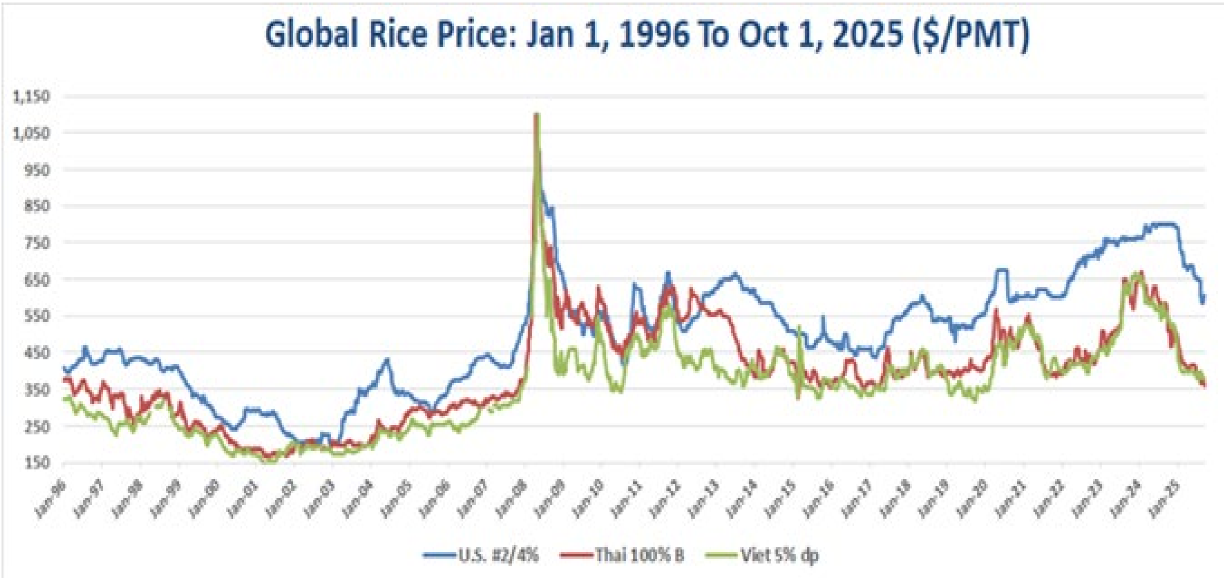
| Country and Specification | Today (USD/t) | 1 Year Ago (USD/t) | 5 Years Ago (USD/t) | 1 Year Change (USD/t) | 5 Year Change (USD/t) |
|---|---|---|---|---|---|
| Thailand 100% B | 345 | 525 | 470 | -180 | -125 |
| Vietnam 5% d.p. | 370 | 535 | 475 | -165 | -105 |
| Pakistan 5% d.p. | 335 | 480 | 410 | -145 | -75 |
| India 5% broken | 360 | 455 | 380 | -95 | -20 |
| USA #2 / 4% LG | 600 | 800 | 595 | -200 | 5 |
| Uruguay 5% broken | 485 | 770 | 600 | -285 | -115 |

Source: TRT

**Global Oversupply and Competition for Market Share. Thailand 2025 Story.** A convergence of record output and export competition has made 2025 a buyers' market for rice. Global production is projected to hit a high of 541 MMT milled rice, while end of year stocks swell to 187 MMT. The world stock-to-use ratio now exceeds 34%, far above the 20% level considered balanced – a clear sign of oversupply on par with the 1980s glut. Such lofty stock-to-use levels typically lead to price collapse, and indeed international prices have been sliding. By August 2025, Thai/Vietnamese/Indian export quotes for 5% broken rice had fallen by roughly one-third from their early-2024 peak[1]. Prices are down more than $200 per metric ton from a year ago, touching multi-year lows as exporters underbid each other for sales[1].




Rice is not alone, with massive oversupply also in the wheat market, along with many other key food grains. This leads to a price trap: with so much rice available, buyers can afford to wait or bargain hard, while sellers are under pressure to keep cutting prices to move shipments. Lowering prices has often been used by major rice exporters as a strategy to maintain or expand their market share. Empirical evidence from the past 15 years[2] shows that this works well in normal times, especially for Thailand and India. However, in a falling market when all exporters are cutting prices, the effectiveness of price cuts can become limited. The Thai market is a vivid example of falling into the price trap, when Thai quotes were $30-$40 PMT higher than the other Asian exporters, the demand for Thai exports fell behind by 25% on the year. The Thai rice industry now has prices $30-$40 PMT lower than many of the major exporters, but demand will take time to return. As a result, many in the trade are showing great concern as stocks are increasing with a new crop now coming upon them. India and Vietnam are now on the opposite spectrum with their prices going from being cheaper in early 2025, to relatively higher; correspondingly, demand for their exports in later 2025 is getting weaker. Vietnamese exports are also highly affected by the Philippines rice import ban, as Vietnam is the largest supplier of rice to the Philippines.




Source: TRT

**Aggressive pricing strategies often carry unintended side effects.** Perhaps the most direct impact of low export prices (absent adequate compensation) is on farmers. When export prices are down, farmgate prices usually fall in tandem unless buffer mechanisms exist. This can reduce farmers' incomes and profitability, leading to rural distress. For example, by mid-2025, as global rice prices fell sharply, farmers across Asia voiced concerns that the prices millers offered for paddy were sometimes even below production costs. In the Philippines, the government imposed an import ban to protect local farmers[3]. The Thai government had to step in with billions of baht in support schemes to quell discontent[4]. In India, whenever there's an oversupply and prices threaten to fall below minimum support price (MSP), the government is forced to procure more to support farmers – ending up with excess stocks. If such support didn't exist, millions of smallholder farmers could face losses, possibly exit rice farming, or protest en masse. Thus, a country might gain market share at the expense of its farming community's well-being, unless it has strong safety nets. This trade-off becomes a socio-political issue: farmer lobbies are powerful in all these countries, and sustained low prices can trigger political backlash. Another key related factor to watch is that in 2025, India and Vietnam's domestic wholesale rice prices stayed above their international export quotes; while Thailand's wholesale prices remained below its export prices – influencing the parameters of any future price competition[2].

Subsidies, procurement, and stockholding can steady farm incomes and calm domestic markets, but they also load treasuries with persistent costs and shrink future policy space. India's food subsidy alone is about ₹2.03 trillion (US$24–25 billion) in FY2025–26, reflecting the budgetary weight of MSP procurement, storage, and distribution[5]. Thailand's 2011–14 rice-pledging program ultimately booked losses of up to THB 500 billion (about US$15.8 billion at current exchange rate), a fiscal hangover that took years to unwind[6]. In downcycles, subsidy-backed price cuts may also pressure quality and reputations; taken together, these forces entrench a race-to-the-bottom dynamic: prices are reduced to make sales now, margins and planting incentives erode next, and treasuries pay again later to rebuild buffers and confidence. Such burdens can constrain future policy space, e.g., if a government runs up debt from a rice scheme, it may hesitate to intervene next time, potentially leaving farmers high and dry or letting the market crash. The current market is one that needs great leadership, to say the least, and the current situation is much more complicated than is really being fully understood.


**Policy outlook and long-term implications**. A decade of rice price ups and downs has shown that having sufficient stocks can help steady market volatility. However, stocks cannot fix underlying structural factors leading to market volatility. Moreover, in countries where ample stocks were available, they cushioned the 2023 price spike, yet the resulting excessive stock holding is currently straining public budgets. During the current time of global oversupply, expanding storage capacities needs to be used as a bridge to reform, not a substitute: the key forces that move market share are cost-competitiveness, credibility, and product branding. Competing purely on price works in normal times, but unevenly. Where demand is available and logistics can scale, temporary discounts buy volume; where specifications, contracts, or lack of demand bind, cutting price mainly reduces margins. And when everyone cuts together, relative prices barely move. That means market shares don’t change, they just eat away margins.

Credibility matters as much as cost-competitiveness. Predictable and well-calibrated regulations guiding export and import trade policies create trust and partner confidence. Differentiation reduces exposure to price wars: Thailand’s Hom Mali, Vietnam’s fragrant and premium long-grain, and branded fortified or organic lines, for example, can create earnings that can cross-subsidize bulk white rice. For importers, pragmatic buffer stocks, diversified suppliers and steady, investment-driven, cost-competitive yield gains reduce shock exposure. Regional “soft coordination”: sharing production and stock data, pacing reserve releases, pre-arranging mutually binding G2G supply, will help keep panic at bay when weather or policy shocks hit.

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Rice markets move in cycles. Periods of oversupply are not new, and they are followed, sooner or later, by phases when supplies tighten. The global conversation will shift with the cycle: from clearing surpluses to managing shortages. There is now a need to invest in making the national rice sectors and global rice trade more resilient against such swings.

**A key lesson from the current situation is that** both exporting and importing counties need to use stocks and trade policies to stabilize today, but a long-term approach requires investing in cost-competitiveness, policy predictability, information transparency, and product differentiation – so that farmers keep more of each export dollar, consumers face less volatility, and trade stays open when the next shock arrives.


Sources:

[1]The Rice Trader; [2]Data source: FAO; [3]DA, 07.10.2025; [4]Bloomberg, 20.02.2025; [5]Ricenews, 26.08.2025;[6]The Nation, 13.12.2021;



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