**Volatility in rice prices projected to continue (demand and supply factors)**

<https://business.inquirer.net/229515/volatility-rice-prices-projected-continue>

The international rice market is experiencing shrinking stocks among exporters due to problems with harvest and cash crop factors. Along with rising demand from population growth, global prices could be driven up if politicians in Asian governments decide to experiment with rice policies.

Even efforts to reduce reliance on foreign supplies of rice and achieve self-sufficiency among importing countries did not slow the upward trend in the volume of grains traded worldwide. The current trade volume now makes up almost 9 percent of global production, as compared with less than 7 percent during the 2008 rice crisis and 3.5 percent in 1990.

Over the past several years, record global output has managed to keep prices stable despite a steady decline in the stocks of the top five rice exporters — India, Thailand, Vietnam, Pakistan and the United States. However, strong demand growth of nearly 14 percent from 418.5 million tons in 2006-2007 to 475.5 million tons in 2016-2017 has reduced the five countries’ combined inventories from 41 million tons in the crop year 2012-2013 to 28 million tons in 2016-2017.

In the coming years, although demand is expected to continue rising, there might be uncertainty in the global rice market contributed by India and China due to their sheer size and focus on domestic food security. In addition, there might be even greater price volatility introduced into the market when politicians fiddle with domestic and trade policies to support farmers and achieve greater domestic price stability.

1a. Explain whether the price elasticity of demand for rice is price elastic or inelastic. (2)

1b. Illustrate with a diagram, explain why price of rice can be stable. (3)

1b. Based on the extract, assess whether demand or supply factors are more important in influencing the price of rice in the global market. (7)