2 The operation of the rice market

2.1 Scope and reason of this account

In the previous chapter (1.3 and 1.4) the conclusion was reached that rice prices were a reasonable substitute for complete index numbers for the cost of living. The prices of a single commodity, however, are susceptible to specific influences that would be cancelled out in the average of prices of a whole range of articles commonly used to calculate index numbers for the cost of living. In the following sections therefore a brief outline is given of the characteristics of the rice market in order to provide some point of reference to distinguish influences that have no bearing on price formation in general.

Rice has traditionally been the object of much and varied research. One has only to refer to a few works on the subject to realise that this publication is not the place for an exhaustive treatment (see for example Scheltema 82; three FAO monographs 31, 32 and 33, and the literature consulted for these works; Mears 65; De Vries 110; Wickizer 114; Rice bibliography 77).

With the publisher’s consent the diagrams used in this chapter were taken from the work by Wickizer referred to above and an article by De Vries 111; figures for rice matters in other countries were derived from the Economisch Weekblad voor Nederlandsch-Indië 28 and the cited works by Wickizer, Scheltema and the FAO.

2.2 Yield of the rice harvest determinant

The yield of the main harvest in Java is an important determinant for the price of rice in Java and the encircling regions dependent on Java (an area which becomes steadily larger over time, 2.4.2). Bad harvests or partial failures had a marked influence on rice prices, as described for successive periods in Chapter 3. Exceptionally good harvests also had their effect. But it is not necessary to look only to the extremes to discern the part played by even small fluctuations in the annual harvest on rice prices.

It is only after the reorganisation of the agricultural statistics for foodstuffs in 1920 that it becomes possible, (retrospective to 1916), to determine the influence of the annual harvest with greater accuracy (Annex and Scheltema 83). Thus it becomes apparent that there are instances when the annual averages are to a certain extent influenced by larger or smaller intervals between the timing of the main harvests in successive years and the resultant shifts in the pattern of seasonal price fluctuations.

2.3 Seasonal influences on price formation

In general it may be said that the price level for rice is at its lowest shortly after the main harvest in Java (the period after the harvest in March and June is called ‘panen’). Then follows a period of several months of stability, a tendency strengthened in the last decades before the Second World War by the increasing second harvest in autumn from irrigated land (known as the gadu-harvest; Scheltema 82; Van der Giesen 39 and Annex, Table 1). As the stocks of rice in storage start to run down towards the end of the year, the price of rice rises to reach a peak in the scanty months before the new rice harvest (following the Javanese the scanty months are called ‘patjeklik’). Then, according already to expectations for the new harvest, the price begins to drop in late spring to start another annual cycle (Graph B).

North of the equator the monsoonal pattern is reversed. The dividing line between the two patterns is determined by the latitude at which the monsoonal system changes direction.

For the period 1920-1940, seasonal price fluctuations for padi (rice in the ear) varied by between 12.5 and 30% from the annual average, and for hulled rice between 5 and 20% (Annex). Seasonal variations also occurred in the last century, when the rice trade was still geographically limited (Table 2).

The timing of the wet monsoon in autumn, when the rice is planted, is not consistent. The wet monsoon can be late, by as much as six weeks or more, and in this case the main harvest in the next calendar year shifts and the ‘patjeklik’ becomes correspondingly longer. Statistically, this has the effect that the monthly records of the seasonal price
Graph B
Normal seasonal fluctuations of various rice prices in % of the average year-price (1922-1929)