

# The Impact of Oil Price Shock on Rice Prices in Asean Area: A Framework

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[https://doi.org/10.35609/gcbssproceeding.2020.11\(112\)](https://doi.org/10.35609/gcbssproceeding.2020.11(112))

## ABSTRACT

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The conditions of the world rice market and the domestic rice market are unstable markets and are heavily influenced by external factors. There are many factors that can affect the price of unhulled rice and rice at the farm level, one of which is the effect of the integration of world and domestic rice markets. Thus the events or shocks that occur on the world market will affect the conditions of the domestic rice market. External factors affecting rice trade include petroleum. Oil as one of the factors influencing changes in the demand and supply of various traded commodities because of its vital role. Oil price fluctuations are often used as a benchmark for the stability of world trade conditions. Research specifically on the impact of rice was carried out by Chintia (2013) which states that oil price shocks cause domestic rice prices to have a fluctuating pattern and have an increasing trend, but domestic rice prices always fluctuate on trend. An attractive characteristic of the domestic rice price is that it is always above the world rice price. This occurs because rice is a commodity that has many interventions by the government in maintaining domestic rice price stability and maintaining the purchasing power of the public as consumers and farmers as producers. In the short term, the domestic rice price is influenced by the domestic rice price itself, the imported rice price, and the world crude oil price. In the long run, the domestic rice price is influenced by world rice prices, imported rice prices, and rice production. This paper will discuss the framework for the impact of oil shocks on rice prices in the ASEAN region. This framework is the basis for the stages in conducting further research

**Keywords:** Impact, Rice, oil price, Rice, ASEAN