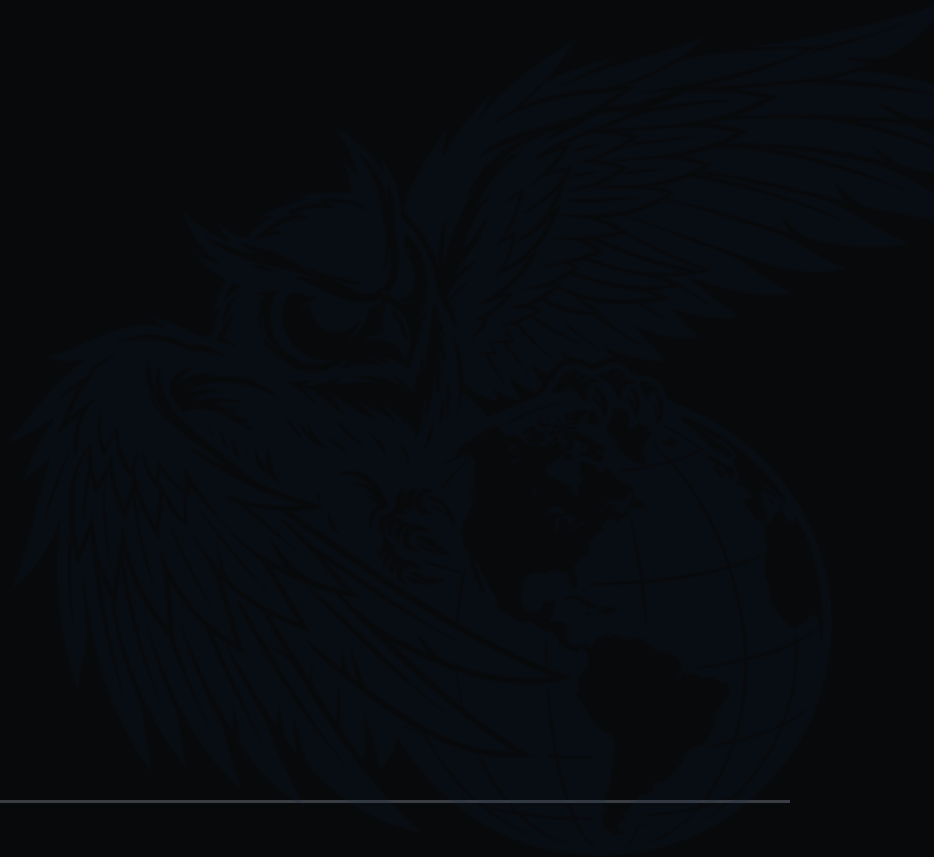

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Choke Points of a Hot Pacific: rice export bans and Panama Canal draft limits

The canal faces a near even chance of a trim before year end, and India's rice risk runs through prices and politics, not stocks

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The canal faces a near even chance of a trim before year end, and India's rice risk runs through prices and politics, not stocks

A historic El Nino threatens two Pacific choke points at once. The Panama Canal has loosened its limits after one spell of near-average rain, but a watershed still in deficit leaves a draft trim before year end close to an even chance, and India's record grain reserves slow but do not rule out a rice export curb driven by food prices and politics.

The canal is the nearer risk and the rice market the larger one if India moves. The Panama Canal Authority raised its Neopanamax draft and restored a daily slot at the end of September on close to average rain, but that rain followed a rainy season that ran a third below average, and the Authority says the deficit persists. We put a draft trim below the current limit before year end at close to even odds, slightly less likely than not, with renewed cuts more likely than not once the dry season sets in. India's rice crop is falling and food inflation is rising; record reserves are a brake on an export curb, not a bar, because India's past curbs were driven by retail prices rather than thin stocks. We judge a new Indian restriction before the end of the year unlikely but more likely than we did a month ago.

HEADLINE INDICATORS

49.0 ftNEOPANAMAX MAXIMUM DRAFT IN
FORCE SINCE 2026-09-28**84.5 ft**OFFICIAL GATUN LAKE
LEVEL, 2026-09-22**34 percent**CANAL WATERSHED RAINFALL
BELOW AVERAGE, MAY TO
AUGUST 2026**59.6 Mt**INDIA STATE RICE RESERVES
INCLUDING PADDY, 2026-09-01**378-384 USD/t**INDIA 5 PERCENT BROKEN
PARBOILED EXPORT QUOTE,
2026-10-01

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CENTRAL JUDGMENT

The El Nino risk to Pacific trade runs through two policy valves: the Panama Canal Authority's draft and slot limits and New Delhi's rice export rules. Both are open wider today than in August, and both are set by people reading buffers, water in Gatun Lake and grain in Indian warehouses, rather than by the weather alone. The canal buffer is thin and seasonal, so the canal can tighten again before the dry season and is very likely to be tested once it starts. The rice buffer is deep, but India has restricted exports before with full warehouses when retail prices rose, so the variable to watch is domestic food inflation, not stocks. The two choke points share a cause rather than a cargo, and this paper does not measure any direct link between them.

KEY JUDGMENTS

KJ-1	A trim of the Neopanamax draft below its current limit before the end of 2026 is a real possibility, close to even odds though slightly less likely than not, and a binding squeeze remains more plausibly a first-quarter 2027 event. The Authority has just reversed a planned cut on close to average rain, but that rain followed a rainy season well below average, the Authority still reports a deficit, and the dry season usually sets in from mid-December.	MODERATE
KJ-2	Once the dry season starts, a historic El Nino makes renewed draft cuts more likely than not by the end of April 2027, while a return to the 44 feet draft of October 2023 is less likely. That second call rests on a lake level that is below its usual level but far from the 2023 lows on our partial reading, and on lock water-saving measures whose effect we could not measure, so it is the weaker half of the judgment.	MODERATE
KJ-3	India will probably not impose a new restriction on non-basmati rice exports before the end of 2026, but the risk is higher than record reserves alone suggest. India's past curbs followed crop scares and rising retail prices with stocks above the buffer norm, so reserves act as a brake rather than a bar, and food inflation is now rising.	MODERATE
KJ-4	The weekly Reuters quote for Indian 5 percent broken parboiled rice will stay at or below USD 400 a tonne through 31 December 2026, keeping a discount of at least USD 50 a tonne to Thai 5 percent broken rice. Record reserves and the arriving harvest should cap Indian quotes, but the discount to Thai rice has already narrowed in three weeks and the evidence is one weekly price series.	LOW
KJ-5	A new rice export restriction is more likely to come from a smaller Asian exporter than from India, but India remains the larger tail risk by impact if it moves. India supplies about two fifths of world rice trade, so even a low chance of an Indian measure outweighs a likelier move by a small exporter, and the only recent Asian curb we read, Bangladesh's on aromatic rice, is minor in world trade.	LOW

KEY STATISTICS

49.0 feet Maximum authorised draft in the Neopanamax locks, effective 2026-09-28¹	33 slots Total daily transit slots across Neopanamax and Panamax locks, from 2026-10-15¹	84.5 feet Official Gatun Lake water level, 2026-09-22¹³	34 percent Shortfall of watershed rainfall against the historical average, May to August 2026¹⁴
44 feet Neopanamax maximum draft during the drought restrictions, 2023-10-02⁵	144 million-tonnes Industry estimate of India rice output for 2026-27, 2026-09-18⁶	59.6 million-tonnes India state rice reserves including unmilled paddy, 2026-09-01⁶	5.95 percent India consumer food price inflation, year on year, August 2026¹⁶
378-384 USD/t India 5 percent broken parboiled rice export quote, 2026-10-01¹²	460 USD/t Thai 5 percent broken rice export quote, 2026-10-01¹²		

Scope and method

METHOD

This revision reads the Panama Canal Authority announcements and advisories of August and September 2026, the Authority's Gatun Lake water indicator report of 22 September 2026, trade press on the canal, the NOAA Climate Prediction Center ENSO discussion of September 2026, Reuters reporting on the Indian rice crop, reserves and weekly export prices to 1 October 2026, the India consumer price release for August 2026, the FAO Food Price Index release for August 2026, and reporting on India's rice export curbs of 2022 and 2023, read between 2026-09-29 and 2026-10-08. It compares the current canal limits with the restrictions of the 2023 drought and the current Indian position with the conditions under which India restricted rice exports in 2022 and 2023. Probabilities in the Outlook are the author's own judgment and are not anchored to a computed base rate. No client-attributable material is used.

SECTION 01 • ASSESSMENT

The canal eased, but the deficit remains

The summer squeeze has been partly reversed on one spell of rain.

On 28 September 2026 the Panama Canal Authority set the maximum authorised draft in the Neopanamax locks at 49.0 feet, or 14.94 metres, effective immediately, and announced 10 daily Neopanamax transits for a total of 33 daily slots across both lock sets from 15 October 2026.¹

The Authority attributed the change to close to average precipitation in the watershed and to water-saving measures in the locks, while stating that a water deficit persists in the watershed.¹¹

The Authority reported in August 2026 that watershed rainfall from May to August ran 34 percent below the historical average and inflows 44 percent below normal, and warned that El Nino could strain water reserves in the January to April 2027 dry season.¹⁴

On 20 August 2026 the Authority cut Neopanamax slots to 9 a day from 3 September and Panamax slots to 23 a day from 15 September, and postponed draft steps of 48.0 feet and 47.5 feet to 2 September and 1 October 2026.³

The Authority's water indicator report gave an official Gatun Lake level of 84.5 feet on 22 September 2026.¹³

UNKNOWN: how the 22 September lake level compares with the seasonal norm, and the Authority's own projection to the end of the year, were not read legibly for this draft; nor were watershed rainfall totals for September and October.

ASSESSMENT • MODERATE CONFIDENCE

A further trim before the dry season is close to an even chance, slightly less likely than not, rather than unlikely. The Authority's reversal shows it reads the recent rain as enough for now, but a season to date a third short, a stated deficit and a historic El Nino leave little margin if October and November rain falls short.

SECTION 02 • ASSESSMENT

The dry season is the real test

A strong El Nino matters most when the rains stop.

The NOAA Climate Prediction Center discussion of 10 September 2026 reported a Nino-3.4 anomaly of 1.8 °C and gave a 75 percent chance of a historic event, exceeding previous events since 1950, in October to December 2026.⁸

In the 2023 drought the canal held a Neopanamax draft of 44 feet against a normal peak of 50 feet, cut Neopanamax transits from 10 to 9 a day, and planned 31 total daily transits from 1 November 2023 against a normal 36 to 38.⁵

gCaptain reported in August 2026 that the current restrictions remained far less severe than those of the 2023 and 2024 drought.⁴

UNKNOWN: how much water the Authority will carry into the dry season, and whether its water-saving measures in the locks change the draft it can hold at a given lake level compared with 2023. The call that a return to the 44 feet of October 2023 is less likely depends on both.

ASSESSMENT • MODERATE CONFIDENCE

Renewed draft and slot cuts become more likely than not between January and April 2027, but a return to the 44 feet draft of 2023 is less likely. The El Nino forecast points to a dry season below normal, while the current limits are milder than in the last drought, a reading that would change if the lake level entering January proves low.

SECTION 03 • ASSESSMENT

India's harvest falls and its curbs follow prices, not stocks

Full warehouses have not stopped India before.

Reuters reported on 18 September 2026 that the Rice Exporters Association expects India's rice output to fall by about 10 million tonnes, or nearly 6.5 percent, from last year's 154 million tonnes, the largest drop since 2009-10, with monsoon rainfall 15 percent below normal, and put state rice reserves, including unmilled paddy, at a record 59.6 million tonnes on 1 September 2026 against a target of 10.3 million tonnes for 1 October.⁶

Reuters reported on 1 October 2026 that industry officials expect India's rice production to fall this year for the first time in a decade, and a Mumbai trader said crop conditions were worsening.¹²

In September 2022 India banned broken rice exports and imposed a 20 percent duty on some non-basmati rice exports after paddy area fell 5.62 percent on poor rains in some states.¹⁵

In July 2023 India prohibited exports of non-basmati white rice, with the government citing retail rice prices up 11.5 percent over a year, when India supplied more than 40 percent of world rice trade.⁹

India's consumer food price inflation rose to 5.95 percent in August 2026 from 5.52 percent in July.¹⁶

UNKNOWN: the retail inflation of cereals and of rice for August and September 2026, the government's first advance estimate of the kharif rice crop, the central pool stock level at the time of the 2023 ban, and the calendar of state elections in early 2027 were not read for this draft. Retail rice inflation is the variable that most directly drove the 2023 decision.

ASSESSMENT • MODERATE CONFIDENCE

A new Indian curb before the end of the year remains less likely than not, but the risk has risen with the crop estimates and food inflation. Record reserves give New Delhi tools short of a curb, such as open market sales, yet India has curbed exports with stocks above the norm when retail prices rose, so the trigger to watch is retail cereal inflation and a weak official crop estimate, not the stock figure.

SECTION 04 • ASSESSMENT

The price signal

Indian quotes are climbing and the gap to Thai rice is closing.

Reuters reported on 11 September 2026 that India's 5 percent broken parboiled rice was quoted at USD 371 to 377 a tonne, against USD 488 for Thai and USD 440 to 445 for Vietnamese 5 percent broken rice.⁷

Reuters reported on 1 October 2026 that India's 5 percent broken parboiled rice was quoted at USD 378 to 384 a tonne, its highest since July 2025, against USD 460 for Thai 5 percent broken rice.¹²

The FAO All Rice Price Index rose 0.5 percent in August 2026.¹⁰

UNKNOWN: whether the narrowing of the discount to Thai rice reflects Indian strength or Thai weakness was not settled by the sources read.

ASSESSMENT • LOW CONFIDENCE

Indian quotes are likely to stay at or below USD 400 a tonne through the end of the year, with the discount to Thai rice narrowing but holding above USD 50 a tonne. The discount fell by about USD 35 a tonne in three weeks, so a faster rise in Indian quotes on crop fears could breach the cap, and the evidence is one weekly series.

SECTION 05 • ASSESSMENT

Where the rice tail risk sits

The likeliest restriction and the costliest one come from different places.

Bangladesh halved previously approved aromatic rice export volumes and set a minimum export price of USD 1.60 a kilogram, according to the Reuters report of 11 September 2026.⁷

India supplied more than 40 percent of world rice trade when it banned non-basmati white rice exports in July 2023.⁹

UNKNOWN: the policy positions of Pakistan, Myanmar, Thailand and Vietnam were not read for this draft, and no source measured the share of Pacific grain or rice flows that transits the Panama Canal, so this paper makes no claim on a direct link between the two choke points.

ASSESSMENT • LOW CONFIDENCE

A restriction is more likely to come from a smaller Asian exporter than from India, but an Indian measure would carry by far the larger impact on world prices. Smaller exporters carry thinner buffers, while India's share of world trade means a low chance of an Indian minimum export price still outweighs a likelier curb elsewhere.

SECTION 06 • DECISION

Decision

Decision	Owner	Trigger	Pre-authorized action
Treat a Panama draft trim before year end as a live risk	Supply chain desk lead	The Authority announces any Neopanamax draft below 49.0 feet	Reissue the canal outlook and raise the dry-season scenario weight
Track India's rice curb risk through retail prices	Supply chain desk lead	India's cereals retail inflation rises for a second month or the official kharif estimate falls below the industry estimate	Raise claim C-2 and open a rapid brief on Asian rice importers
Respond to any Indian rice export measure	Supply chain desk lead	India announces any export duty, minimum export price or ban on non-basmati rice	Open a rapid brief on Asian rice importers and competing exporters
Watch smaller Asian exporters	Markets desk lead	A second Asian exporter restricts rice exports	Add the exporter to the outlook indicators and review claim C-2

SECTION 07 • OUTLOOK

Outlook

Baseline. The canal holds near its current limits through October and November, with a trim to the draft before year end close to an even chance, then trims draft and slots once the dry season starts. India keeps rice exports open, Indian quotes firm modestly into the harvest and the discount to Thai rice narrows but holds.

Deterioration. October and November rain falls short, the Authority cuts draft and slots before the end of the year, and a weak official kharif estimate with rising retail cereal prices pushes New Delhi toward a minimum export price or duty before state elections, lifting Asian rice prices.

Stabilization. The El Nino peaks and fades faster than forecast, late rains carry the canal into the dry season with a smaller deficit, and India's reserves and harvest keep food inflation and export prices flat.

Claim C-1. The maximum authorised draft in the Panama Canal Neopanamax locks in effect on 28 December 2026 is 49.0 feet or more. Probability 0.55. Resolves on 2026-12-28 from Hellenic Shipping News: YES if the latest Panama Canal Authority draft advisory reported on or before 28 December 2026 sets a Neopanamax maximum authorised draft of 49.0 feet, 14.94 metres, or more that is in effect on that date; NO if the draft in effect on that date is below 49.0 feet. Horizon 90 days. The Authority has just raised the draft on close to average rain and the late rainy season can still add water. Against that, a season to date a third below average, the stated deficit and a historic El Nino make a trim before year end nearly as likely as not.

Claim C-2. India announces a new ban, export duty or minimum export price on non-basmati rice exports between 9 October 2026 and 28 December 2026. Probability 0.15. Resolves on 2026-12-28 from Reuters: YES if Reuters reports that the Government of India has announced a new prohibition, export duty or minimum export price applying to non-basmati rice exports in the window; NO otherwise. Horizon 90 days. Record reserves, a forecast of record exports and quotes below competing origins argue against a curb. India's past curbs came with stocks above the norm when retail prices rose, and food inflation is now rising, so the risk is above where reserves alone would put it.

Claim C-3. Total daily transit slots across the Neopanamax and Panamax locks in effect on 28 December 2026 are 32 or more. Probability 0.65. Resolves on 2026-12-28 from Container News: YES if the latest Panama Canal Authority slot allocation reported on or before 28 December 2026 provides 32 or more total daily transit slots in effect on that date; NO if it provides fewer. Horizon 90 days. The Authority is moving to 33 slots in mid-October and has adjusted slots gradually. A cut of more than one slot before the dry season would need a sharp rain failure late in the rainy season.

Indicators.

- Panama Canal Authority advisories on draft and daily slots
- The official Gatun Lake level against its seasonal norm, and the Authority's dry-season projection
- Watershed rainfall for October and November against the historical average
- The NOAA Climate Prediction Center October and November ENSO discussions
- India's first advance estimate of the kharif rice crop
- India's retail inflation for cereals and for rice in the September and October releases
- Weekly Indian, Thai and Vietnamese rice export quotes
- Any export measure by Bangladesh, Pakistan, Myanmar, Thailand or Vietnam

SECTION 08 • SCORECARD

Scorecard

- CLM-2026-283: Advanced toward NO, not resolved. The Authority postponed the 47.5 feet draft step and on 28 September 2026 set the Neopanamax draft at 49.0 feet, with total daily slots moving from 32 to 33 on 15 October 2026, so neither trigger is met as of this draft.¹
- CLM-2026-284: Advanced, not resolved. The Neopanamax maximum draft stood at 49.0 feet on 28 September 2026 and Gatun Lake at 84.5 feet on 22 September 2026, the starting points for the value on 15 February 2027, which falls in the dry season; this draft judges a return to the 44 feet of October 2023 by then less likely.^{1,13}

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