



# Basmati Rice

“Basmati” is long grain aromatic rice grown for many centuries in the specific geographical area, at the Himalayan foot hills of Indian sub-continent. It is blessed with characteristics extra- long slender grains that elongate at least twice of their original size with a characteristics soft and fluffy texture upon cooking, delicious taste, superior aroma and distinct flavor, Basmati rice is unique among other aromatic long grain rice varieties.

## Latest Updates in International Market

### GLOBAL MARKET OUTLOOK FOR RICE

#### Prospects for Japanese Rice

Over the years Japan has been dependent upon the domestic production of rice instead of importing, but in past few years along with the exports, an increase in imports has been analyzed. The system known as gentan, which was designed to protect farmers from fluctuating prices, now has deteriorated the Japan agriculture sector, where the landowners pocket the government subsidy and keeping the fields left idle. On an average per person, rice consumption has fell down by 38.0% over the past decade owing to decreasing rice supply and growing preference for wheat and meat food. As per the government, gentan system was expected to be ruled out by 2018 that will bring out structural changes in the agricultural industry. The technological advancement in Japan has led to heavy use of drones in spraying rice paddies. Also insect-detecting drones are

#### Prospects for Chinese Rice

China is expected to have largest year ending rice stock all over the world, estimated to be around 75.7 million tons. China consists of 30 million hectare land area under rice cultivation which as compared to India stands at second position, but the use of advanced agriculture equipment and better irrigation facilities has led China to remain at highest rice producing country. Also China accounts for being the largest consumer of rice. It accounts for around 30% consumption of globally produced rice. China is also one of the major producers of hybrid rice. Per hectare hybrid rice production dropped on account of flood occurrences but also there has been notable increase in land area producing hybrid rice. Thus the

under development to be used against white-backed plant-hoppers, an insect harmful to rice fields. Japan recorded 28.0% growth in rice exports and is expected to continue its growth rate backed by the technology adaptation and roll out of gentan system.

### Prospects for Cambodian Rice

Cambodia is one of the major producers and exporter of rice. With the lack of warehouses, processing facilities and logistics around 80% of the surplus rice produced is exported to neighboring countries. Of the total requirement, Cambodia produces 5 million tons rice in surplus. The exports are expected to grow by 15% per annum. China held the largest share among the export countries of Cambodia, supplying majorly the aromatic rice variety. European market would remain stable in 2020 in terms of importing rice from Cambodia. With India, Thailand and Vietnam being the major competitors, Cambodia is now forced develop profitable alternatives such as advanced irrigation technologies, infrastructure development, smart techniques to maintain soil and land fertility and cost effective agricultural strategies.

value of hybrid rice produced remains same. **China is expected to suffer from over stock of hybrid rice, estimated to be around 120 million kg due to declining domestic demand and lower value of exports as compared to total hybrid rice seed supply.**

### Prospects for Indonesian Rice

Indonesia is third largest producer of rice and one of the top importers due to use of non-optimal farming techniques by the farmers that result in limited supply of rice, combined with huge rice consumption by massive population, approx 150 kg. Indonesia imports rice mainly from Thailand, Vietnam and India. Rice imported from Vietnam is of premium quality, and Indonesia produces only medium quality rice. In 2020, it is expected to import 500,000 tons rice from Vietnam. **In order to become rice self-sufficient country, government steps up** by providing subsidized fertilizer and stimulating for the use of advanced technology, and **through campaigns promoting the other staple crops to reduce rice consumption such as 'one day without rice' (each week) campaign.**

## Prospects for United States Rice

U.S. is major exporter of rice, majorly to Mexico, Northeast Asia, Central America, the Caribbean, Canada, the Middle East, the European Union, and Sub-Saharan Africa. Asian aromatic rice such as Basmati and Jasmine rice are majorly imported by the U.S.A. United States accounts 2% of global rice production and 10% of global exports. Major exported rice varieties are rough rice, brown rice, parboiled rice and fully milled rice. There are 1000 of varieties of rice produced worldwide and 20 types of rice are commercially produced in U.S., majorly in states of Texas, Arkansas, Mississippi, California, Louisiana and Missouri. U.S. rice exported is regulated by the agreements between The World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA), and thus it has resulted in spurring rice exports from the United States.

## Prospects for Vietnam Rice

Vietnam is third largest exporter of rice and by 2020 the total exports are expected to reach 7 million tons on account of growing rice demand from Southeast Asia, majorly from Philippines. Over the past decade Vietnam has increased its rice productivity and profitability and significantly reducing poverty. Government is seen to shift its focus from reducing the poverty towards emphasis on technology usage to eliminate labor intensive farming and thus impacting the growth in productivity of the farmers. The consumption of rice is growing at steady rate as per the slow population growth rate, having domestic milled rice demand estimated to be nearly 2 million tons annually. Vietnam has poor climate condition in months of winter-spring, but the months of May-June are most suitable for cultivation of rice. **Thus Indica rice variety demand produced in Vietnam spur up, boosting the exports of rice.**

## Prospects for Singapore Rice

Singapore had 347,000 metric tons consumption of rice, which was completely imported from Vietnam, Thailand and India. **For many decades Thailand had been major exporter of rice to Singapore but since 2013 India overtook Thailand.** Singapore imports jasmine rice, Vietnamese rice and many others, but Vietnamese rice pose greater competition to supply of other varieties of rice in Singapore due to the use of advanced technology in its production that beats the Singapore standards. **Singaporeans do not have high demand for rice, they prefer various other dishes.** The tourists in Singapore with distinct taste and preference are the major consumers of rice. Therefore the growth in **Singapore travel and tourism industry and food services industry are majorly driving the growth of Singapore rice industry.** Additionally, in recent years the street eateries and restaurants have begun to buy rice, a price efficient alternative to sustain in the era of rising prices, is another factor inducing the demand for rice in Singapore.

# Opportunity for Indian basmati rice exports

## CHINA

China is relatively new market for Indian exporters, despite of this China has already inspected & cleared 5 additional rice mills in India (from the previous 19) for exporting non-basmati rice & the phytosanitary measures have also been updated to include such exports. **If India can continue to prevent pests from infecting, especially the khapra beetle for basmati rice, this can prove to be profitable as well as new routes for basmati also in the long run.**

## UNITED ARAB EMIRATES

Many trading scams have happened with UAE or Dubai as the base of operations, some very recently (like the Al Rawnaq Al Thahbhi General Trading LLC), and hence its credibility is at risk. However, India needs to be extremely cautious too while accepting orders

## JAPAN

Downward adjustment in this region makes it possible export market

## MYANMAR

Improper usage of fertilizers, insufficient irrigation & lack of good infrastructure is affecting Myanmar exports of rice, that too of low quality. Also, it has faced severe backlash from the African market due to the same reason of low quality. This might prove to be an advantage for India in terms of utilizing the African market for trading both rice varieties

## IVORY COAST



Demand in Ivory Coast is expected to increase due to growing consumer class of people, seasonal variability of rains having affected crop plantations as well as decrease in arable land. Also, matching the low local prices via non-basmati varieties can help in maintaining an export channel, but India must be aware of China succeeding the price war for non-basmati as well as restructuring of rice cultivation system in Ivory Coast

## YEMEN



Political conflicts & pests have affected crop production, especially due to high prices of fertilizers & seeds. This could be a good opportunity to market low-priced varieties of non-basmati rice, especially to help the impoverished people living without employment due to the unrest

## UAE



As UAE is already starting to grow seawater rice varieties, a proper and significant rebranding of Basmati rice in this region is the only way to sustain imports of at least this variety

## SAUDI ARABIA



As water is scarce & rice is water-intensive, it is not being cultivated in that region. Moreover, Saudi Arabia is encouraging for abroad investments to import rice and other food crops, representing an opportunity to tap into these investment offers

## CANADA



Growing of a cold-resistant variety is only in the trial stages, and growing rice is still an issue due to high infrastructure costs, hence our differentiation via 8-digit or higher HS Codes should help India stay safe of competition and in continued demand

## HONG KONG



High land prices, lack of effective transport mechanism to major ports are issues faced by Hong Kong farmers. This represents an opportunity for India to export non-basmati rice varieties as Thai rice imports (a staple in this area) are going to be reduced in the coming months.

# FURTHER ADDITIONAL INFORMATION



## Major Producing States



West Bengal (14.97 Mill MT)



Punjab (13.38 Mill MT)



Uttar Pradesh (13.27 Mill MT)



Andhra Pradesh (8.18 Mill MT)



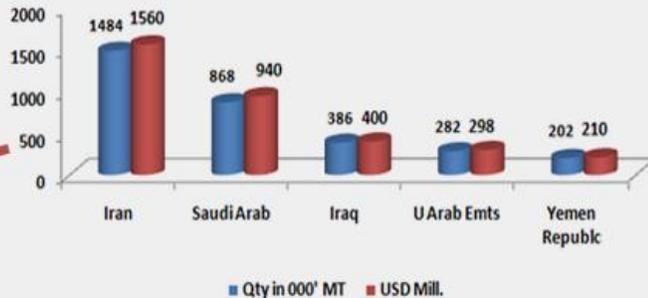
Bihar (7.91 Mill MT)

## India's Export of Basmati

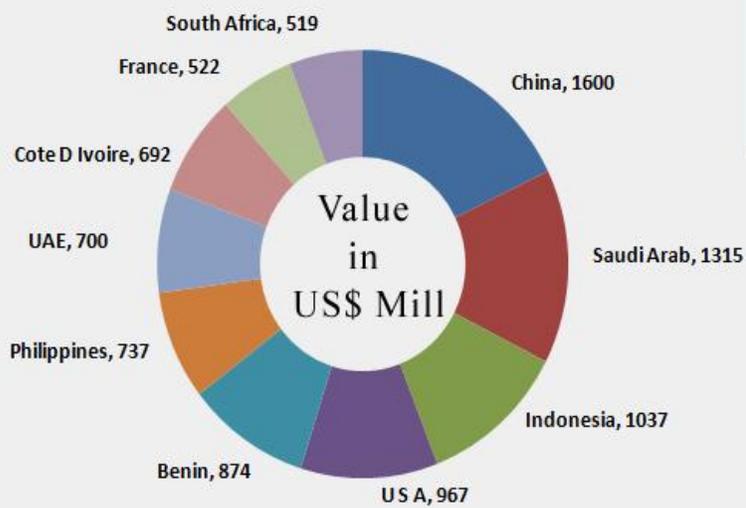
Export of Basmati Rice from India is 4415 Thousand MT, valuing USD 4723 Mill. during 2018-19



**MAJOR DESTINATIONS**



## Top Rice Importer Countries



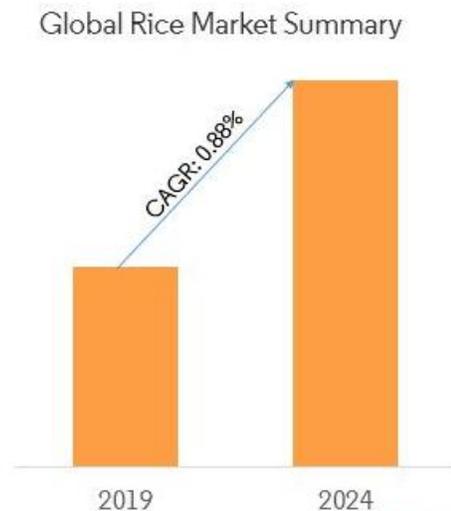
### Key highlights

- The rice market is projected to register a CAGR of 0.88% during the period 2019-2024.
- The biggest export market for Indian basmati rice remains uncertain. Iran may not start importing from India this year until a political resolution is in place. Since US economic sanctions on Iran, India stopped importing crude oil from Iran.
- In 2020, price of the Indian long grain high quality white rice expected to be lower than Vietnam rice.
- Export of rice (except seed quality and other rice in husk) is free, subject to condition circulated by DGFT. Import of seeds is restricted. Whereas, import of rice for human consumption is permitted through State Trading Enterprises.
- Pakistan is all set to improve its trade relations with Iran. The recent visit of the parliamentary delegation of Pakistan to Iran discussed increase of trade between both the countries to its true potential. As a result, Iran bought around 20,000 tons of rice from Pakistan.
- On the basis of rice variety, japonica rice accounted for largest market share in with 87.2% of total rice production. Over the forecast period japonica rice is expected to continue their dominance in the rice production. Further, imports of aromatic rice have increased the market share and are expected to grow at a CAGR of 1.8%.
- Indonesia:- Downward adjustment in production due to conditions being favourable for dry-season rice rather than wet-season (which is Indian rice's season) provide opportunity for us to export off-season

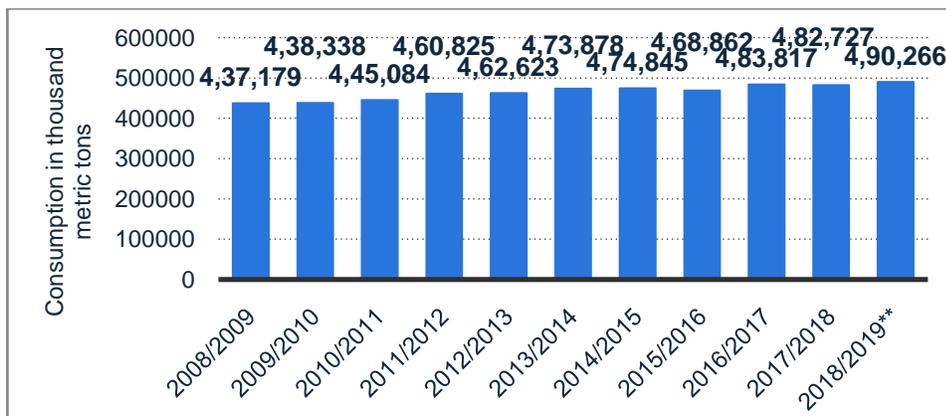
- Philippines:- Recent lift of import quotas as well as strong domestic demand shows good opportunity for India to export here, however the Rice Tariffication Law might provide some hindrance, which can be prevented by 8-digit and above specification
- Japan:- Downward adjustment in this region makes it a possible export market
- Islamic Republic of Iran:- Recent floods have downgraded the harvest output, signaling a fresh need for imports in order to refill stocks, thereby providing an opportunity

## GLOBAL DOMINANCE OF RICE AS STAPLE FOOD

The rice market is projected to register a CAGR of 0.88% during the forecast period (2019-2024). Rice is the staple food of more than half of the world population, with more than 700 million metric tons produced annually at a global level. Most of the rice is grown and consumed in the Asian region, from Pakistan in the west to Japan in the east. Rice is the second-most important cereal crop after maize in the world. It is a crop that ensures food security in many of the developing countries of the East Asia and the Southeast Asia regions. Therefore, rice being the most consumed cereal grain globally, the growth of the rice market is expected to increase.



## Global Consumption of Rice has Shown Constant Increase



Global consumption of rice has seen a slight increase over the last several years. In the 2018/2019 crop year, about 490.27 million metric tons of rice was consumed worldwide, up from 437.18 million metric tons in the 2008/2009 crop year.

## Out of the total rice consumption, global Basmati rice consumption is expected to increase by 5.7%

The size of the global rice industry is approximately US\$275 billion, of which, Basmati industry accounts for US\$5.8 billion (2.1%). Global Basmati Rice consumption market is led by Middle East and Middle East is the largest region consumption market, accounting for about 27.08% of global consumption of Basmati Rice.

India accounts for around 72% of Basmati rice produced, 28%. Basmati Rice coming from Indian origin has been able to capture 76.57% of Basmati Rice market as against Pakistani and Kenyan Basmati rice.

**The worldwide market for basmati rice is anticipated to rise to US\$17.74 bn by 2022, proliferating at a robust CAGR of 11.0% during the period from 2017 to 2022. In 2023 the consumption of Basmati Rice is estimated to be 17613.7.9 K MT.**

## WHAT WOULD DRIVE BASMATI EXPORTS IN 2020?

Rice is a staple crop for 70% of the world and thus the demand for rice is expected to continue to grow over the forecast period. The food security concerns all over the world is driving the growth of the India rice industry, which by exporting rice to various countries is contributing towards global food security. Global market is expected to witness significant growth on account of rising applications, so in the next few years, Basmati Rice consumption will show a trend of steady growth. In 2023 the consumption of Basmati Rice is estimated to be 17613.7.9 K MT.

Basmati rice is increasingly becoming the choice across consumer groups mainly because of its superior taste and aroma that is highly pleasing to the senses. This gives India huge potential of exporting Basmati rice around the world. Basmati Rice downstream is wide and recently Basmati Rice has acquired increasing significance in various fields of Direct Edible and Deep Processing. Globally, the Basmati Rice market is mainly driven by growing demand for Direct Edible. Direct Edible accounts for nearly 94.72% of total downstream consumption of Basmati Rice in global. Basmati grains contain about 0.09 ppm of this aromatic chemical compound naturally, a level that is about 12 times more than non-basmati rice varieties, giving basmati its distinctive spicy fragrance and flavour. This natural aroma is also found in cheese, fruits and other cereals. It is a flavoring agent approved in the United States and Europe, and is used in bakery products for aroma.

The requirement for particular rice like Basmati rice is enormously developing in Europe, particularly in Germany and the Netherlands, with the enhanced rice usage, which is estimated to prosper the market development. Also, tricyclazole is the fungicide implemented to save the food crops, involving rice crops, from blast disease, and the European Union is estimated to minimize the remaining limit of this fungicide. Also, strict rules abided by the European Union to minimize the tolerance level of tricyclazole fungicide are estimated to grow the basmati rice export from India.

### **Rising disposable income is benefiting the basmati rice market**

Although Basmati represents a small part of India's US\$221 billion agriculture industry, it offers India, its leading producer, high product visibility in the world market. The export demand for basmati rice is projected to improve further in the near future, adding considerably to the market's growth. Across several parts of the world, rising disposable income is benefiting the basmati rice market. Consumers are increasingly spending liberally on premium quality grains, lentils and spices for a fulfilling eating experience.

### **Increasing awareness about health ill-effects of consuming polished rice might work as deterrent**

On the flip side though, high price of basmati rice over other rice variants is a key challenge to the market's growth. Basmati rice remains a premium grain not affordable by the average consumer. In addition, increasing awareness about health ill-effects of consuming polished rice on an everyday basis is leading consumers to switch to unpolished rice varieties. This is challenging the growth of basmati rice market to some extent.

## **Its sad news for Basmati rice in its most traditional market: Iran**

- ***Iran's Basmati Rice Production Hits New High***

It is the first time in many years that Iran declared self-sufficiency of basmati rice production. This would save basmati rice imports worth 1.1 billion dollars. Iran's basmati rice production projected at 2.9 to 3 million tons. The average demand of 83 million people in the country sums up to three million tonnes for a year.

- ***Iran Disappointed with Indian Government***

The end of oil imports from Iran to India has created tension among the two countries. Since Iran expected India to be more resilient to US pressure and has expressed disappointment in India for taking up US orders so easily. As a result of this displeasure, Iran will stop import of basmati rice and other food products from India. Iran advised India to take actions that meet the interests of both countries.

- ***Pakistan and Iran Strengthen Ties***

Pakistan is all set to improve its trade relations with Iran. The recent visit of the parliamentary delegation of Pakistan to Iran discussed increase of trade between both the countries to its true potential. Iran bought around 20,000 tons of rice from Pakistan in 2018. Rice has the major share in Pakistan's export basket. Rice worth two billion dollars is exported every year and this value will increase to five billion in the next five years.

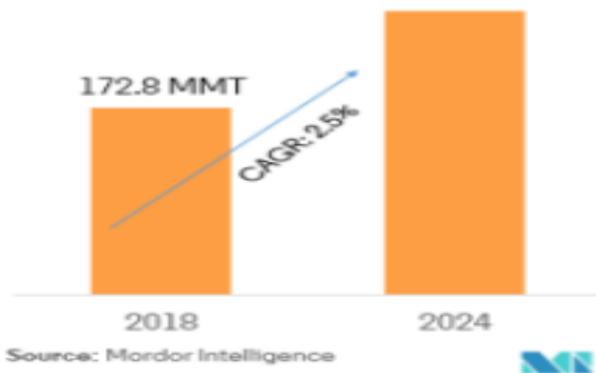
**In conclusion, the exporters and farmers will have to bear the consequences of the trade relations between the nations. Current harvest season of paddy fetched low prices to basmati growers and farmers are bearing current impact of Iran sanctions.**

The Pakistan government is making efforts to enhance policies to increase production and quality of basmati rice. With Iran partnership strengthening, Pakistan basmati rice exporters may reap benefits this year.

## BASMATI RICE: THE INDIAN STORY

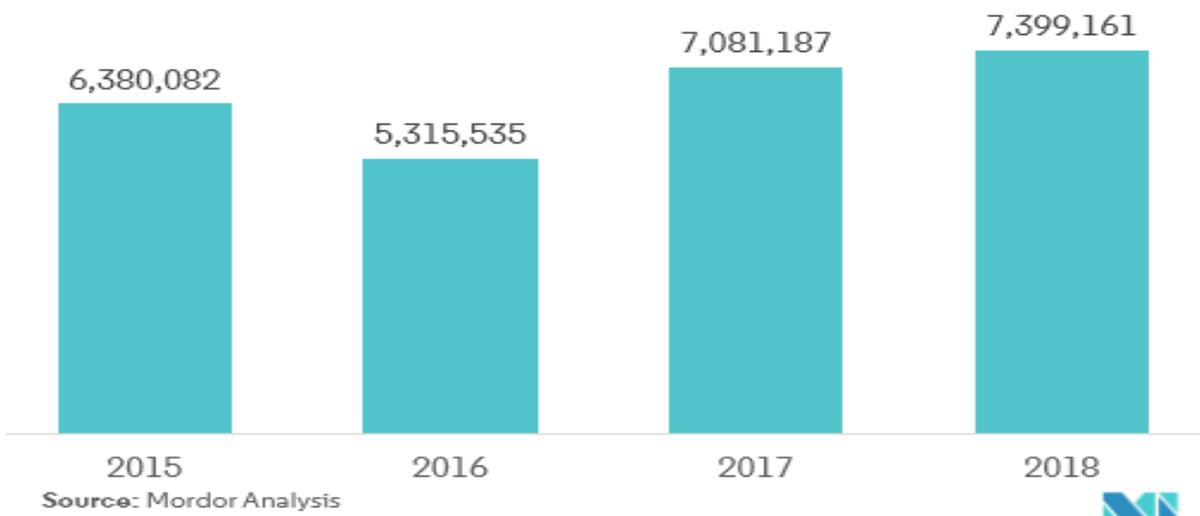
Basmati rice enjoys an excellent position among all the other rice varieties in the world market due to its excellent taste, delicious taste and distinctive flavor. Rice is an important part of Middle Eastern cuisine and is considered a staple in many countries. Basmati rice is extensively used in a number of dish-like rice-based dishes, which contain low rice, meat, sauces and dried fruits.

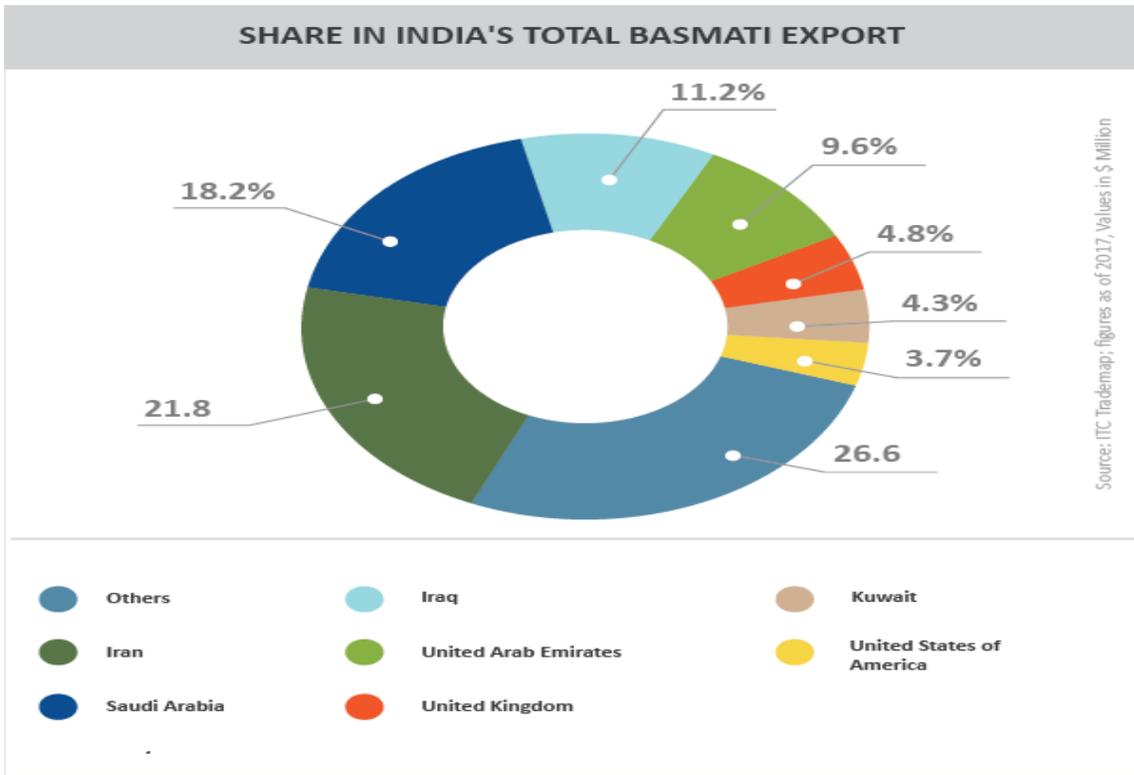
India Rice Market – Summary



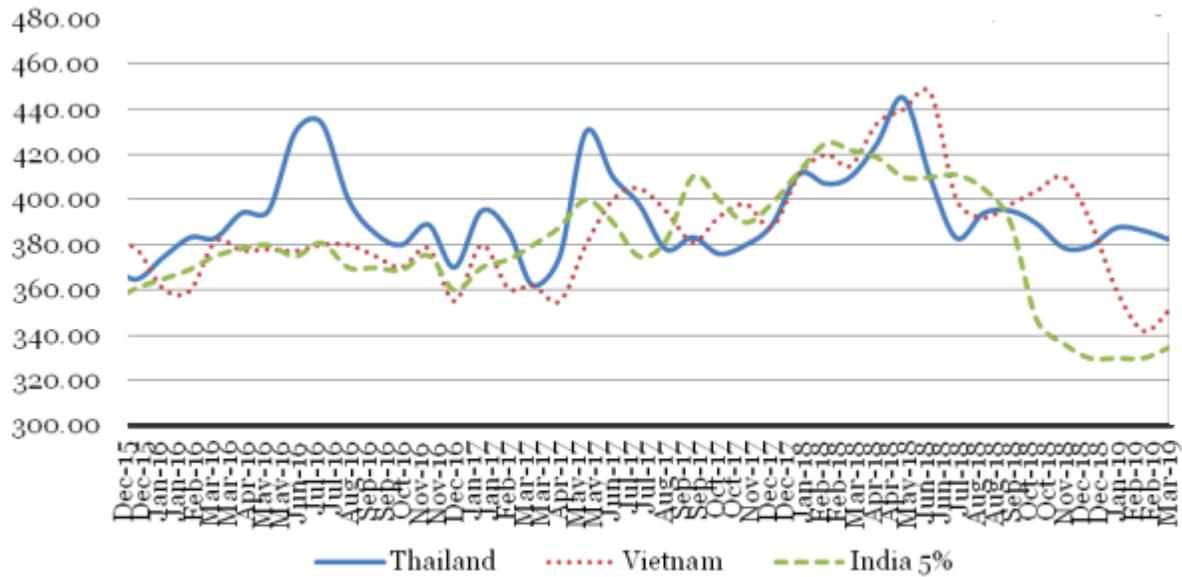
**Indian Basmati Rice Market will register a CAGR of +6% over the forecast period 2019-2025.**

Export Value in USD thousand (2015 - 2018)





#### Domestic and International Price Movement for Long White Rice 25% Broken



Source: Oryza(A website on rice)

In the month of Mar, 2019, price of the Indian long grain high quality white rice was lower than Vietnam rice.

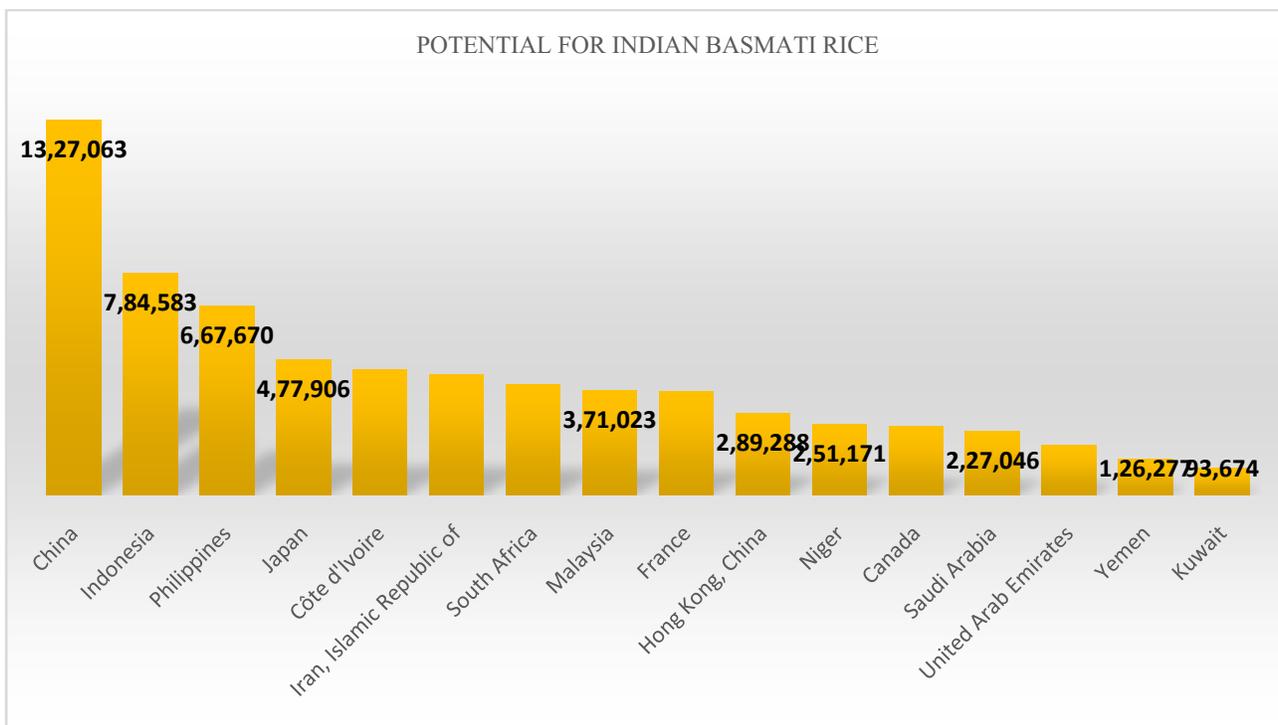
Export Policy: Export of rice (except seed quality and other rice in husk) is free, subject to condition circulated by DGFT

Import Policy: Import of seeds is restricted. Whereas, import of rice for human consumption is permitted through State Trading Enterprises

Import Duty

Exim Code	Item Description	Policy	Bound Duty	Standard Duty	Applied Duty
1006 10 10	Of Seed Quality	<i>Restricted</i>	80	80	80
1006 10 90	Other	<i>Import allowed through FCI</i>	80	80	80
1006 20 00	Husked (brown) Rice		80	80	80
1006 30 10	Rice, parboiled		70	70	70
1006 30 20	Basmati rice		70	70	70
1006 30 90	Other		70	70	70
1006 40 00	Broken rice		80	80	80

Source: Directorate General of Foreign Trade (DGFT), Department of Revenue and World Trade Organization (WTO)



### Competing countries analysis for Newer destinations for Indian Basmati Rice

Top 15 Destination Countries	India's share in Destination Country's Imports	Unit Price (India) - USD/tonne	Average Tariff (India) - in %	FLP India (USD/tonne)	competing countries	Share of L2 in Destination Country's Imports	Unit Price of competing countries	Average tariff	FINAL LANDING PRICE
South Africa	27.8	618	0	618	Thailand	64.6	431	0	431
South Africa					United Arab Emirates	2	621	0	621
South Africa					Hong Kong, China	1.5	511	0	511
South Africa					Pakistan	0.7	856	0	856
South Africa					Malaysia	0.6	535	0	535
Malaysia	8.1	912	0	912	Thailand	51.1	437	20	524.4
Malaysia					Vietnam	26.4	524	20	628.8
Malaysia					Cambodia	8.6	857	20	1028.4
Malaysia					Pakistan	3.8	622	20	870.8
Malaysia					Myanmar	1.5	352	20	492.8
Yemen	65.2	883	0	883	Thailand	19.8	403	0	403
Yemen					Pakistan	9.8	734	0	734
Yemen					Korea, Republic of	1.8	1077	0	1077
Yemen					United Arab Emirates	1.6	842	0	842
Yemen					China	0.8	870	0	870
France	6	1446	22	1764.12	Italy	30.4	995	0	995
France					Thailand	15.6	1167	22	1423.74
France					Cambodia	15.3	836	11.8	934.648

France					Spain	14	1364	0	1364
France					Belgium	4.9	1446	0	1446
Kuwait	91.5	1269	0	1269	Thailand	2.8	930	0	930
Kuwait					Australia	2	1342	0	1342
Kuwait					Pakistan	1.6	875	0	875
Kuwait					Vietnam	0.8	765	0	765
Kuwait					United States of America	0.5	1381	0	1381
Canada	21	1266	0	1226	United States of America	40.9	824	0	824
Canada					Thailand	29.6	1024	0	1024
Canada					Pakistan	3.4	1203	0	1203
Canada					Vietnam	1.8	698	0	698
Canada					Italy	0.8	1203	0	1203
Niger	1.8	592	10	651.2	Thailand	67.9	544	10	598.4
Niger					China	11.1	603	10	663.3
Niger					USA	9.2	2321	10	2553.1
Niger					Pakistan	8.2	552	10	607.2
Niger					Japan	1.8	1063	10	1169.3
Hong Kong, China	0.5	1311	0	1311	Thailand	64	1033	0	1033
Hong Kong, China					Vietnam	16.2	625	0	625
Hong Kong, China					China	6.3	792	0	792
Hong Kong, China					Cambodia	4	806	0	806
Hong Kong, China					Australia	2.8	858	0	858
Germany	6	1499	22	1828.78	Italy	28.8	963	0	963
Germany					Belgium	15.7	1326	0	1326
Germany					Netherlands	14.1	1207	0	1207
Germany					Cambodia	8.3	664	11.8	742.352

Germany					Myanmar	6.9	439	11.8	490.802
Iran, Islamic Republic of	80.8	1,058	26.00%	1333.08	Pakistan	14.10%	965	26.00%	1215.9
					Singapore	1.40%	558	26.00%	703.08
					Thailand	1.40%	457	26.00%	575.82
					Turkey	1.10%	996	26.00%	1254.96
					U.A.E	0.80%	1078	26.00%	1358.28
Saudi Arabia	79.8	1,059	0.00%	1059	U.S.A	6%	937	3.20%	966.984
					Pakistan	5.60%	777	3.20%	801.864
					Thailand	3.60%	741	3.20%	764.712
					Australia	3.10%	749	3.20%	772.968
					Vietnam	1.00%	741	3.20%	764.712
Indonesia	13.4	412	5.30%	433.836	Thailand	37.30%	486	5.30%	511.758
					Vietnam	34.80%	470	5.30%	494.91
					Pakistan	13.00%	432	5.30%	454.896
					Myanmar	1.50%	363	5.30%	382.239
					Australia	0.10%	4798	5.30%	5052.294
Philippines	6.1	615	49.60%	920.04	Thailand	48.20%	421	34.70%	567.087
					China	4.20%	529	49.60%	791.384
					Vietnam	38.10%	415	34.70%	559.005
					Myanmar	0.50%	57	34.70%	76.779
					Pakistan	2.90%	378	49.60%	565.488
China	42	420	60.30%	673.26	Viet Nam	46.2	510	4620.00%	24072
					Thailand	31.8	565	6030.00%	34634.5
					Pakistan	9.1	425	0.00%	425
					Cambodia	7.7	755	4620.00%	35636
					Lao People's Democratic Republi	2.4	515	0.00%	515
Côte d'Ivoire	18.2	446	10.00%	490.6	China	10.00%	377	10.00%	414.7

					Vietnam	10.00%	633	10.00%	696.3
					thailand	10.00%	502	10.00%	552.2
					Myanmar	10.00%	446	10.00%	490.6
					Pakistan	10.00%	381	10.00%	419.1
Japan	0.2	1546	251.10%	5428.006	U.S.A	54.50%	910	252.20%	3205.02
					Thailand	23.10%	963	252.20%	3391.686
					China	11.00%	876	252.20%	3085.272
					Australia	10.80%	832	36.20%	1133.184
					Pakistan	0.20%	1444	252.20%	5085.768
United Arab Emirates	78	857	0.00%	857	Pakistan	11.60%	816	0.00%	816
					Vietnam	4.40%	570	0.00%	570
					Thailand	2.80%	521	0.00%	521
					Australia	1.10%	1246	0.00%	1246
					U.S.A	1.00%	1245	0.00%	1245