



RICE INDUSTRY

19 February 2020

INDUSTRY OUTLOOK

Rice production in India stood at 116.4 MT in FY19 as compared to 112.9 MT in FY18 (~3% y-o-y growth), contributing 39% to the overall food grain output of 284.9 in FY19¹. The country also has the largest area under the rice cultivation, with 437.9 Lakh hectare of land as on FY18. Haryana is India's top basmati rice exporting state, with a CAGR of three per cent during 2016-19, shipping \$2.4 billion in FY19. Gujarat was second in FY19, with \$1.1 billion and a CAGR of 47 per cent during 2016-19. Other major contributors are Delhi, West Bengal and Andhra. Iran was the leading importing country for Basmati rice from India followed by Saudi and UAE. Nepal, Yemen, Senegal and Bangladesh are other major destinations for Indian rice but have showed a dip in shipment this financial year². India is also in discussion with Brazil for rice export enhancement as Brazil is a big consumer of food grain, including rice and wheat.



INDUSTRY RISK

Rice production in 2019 downgraded and now pointing to a small output contraction from the 2018 record, much of which concentrated in Brazil, China, India and the US. Rice export in 2019 has fallen across the globe, with a major dip emerging from West Asia, due to geopolitical tensions. India's rice exports in 2019 fell 18.1 % from a year ago to their lowest in eight years as demand moderated from key Asian and African buyers due to higher prices. Rice shipments from India slipped by more than a quarter to 5.5 million tonnes between April and November 2019, from 7.5 million tonnes in the year-ago period. In value terms, exports dropped 19% to \$3.8 billion from \$4.7 billion during the same period³. The US-Iran standoff and the recent coronavirus outbreak in China are

among factors which, it is thought, could pull down Indian rice exports further. Of the 4.4 million tonnes of basmati rice shipped by India in 2018/19 fiscal year, Iran accounted for 1.4 million tonnes. The Indian Rice producers fear that rice exports to Iran might decline which is going to drag down both the country's basmati and non-basmati rice exports. Beside the drop in exports to Iran, non-basmati rice exports to Europe have also fallen, with trade bodies citing higher pesticide residues in shipments from India as a factor behind reduced purchases from the European Union⁴.



FOOTNOTES

1. USDA, Foreign Agricultural Service.
2. 'US-Iran tensions, coronavirus to pull down rice exports by 20%: Report (6 February 2020) Business Standard https://www.business-standard.com/article/economy-policy/us-iran-tensions-coronavirus-to-pull-down-rice-exports-by-20-report-120020601254_1.html
3. 'India's rice exports fall sharply as sanctions delay payments from Iran'(26.01.2020) The Sunday Gurdian.
4. 'India's rice exports fall sharply as sanctions delay payments from Iran'(26.01.2020) The Sunday Gurdian.

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