

Understanding curbs on rice exports

Why did the government impose a 20% export duty on par-boiled rice till October 15? What can domestic consumers expect with this move? What has been the reaction of exporters? What is the extent of rice production and export in India?

EXPLAINER

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The story so far:

In a move to check domestic rice prices and ensure domestic food security, the Indian government has prohibited the export of white rice, levied a 20% export duty on par-boiled rice till October 15, and permitted the export of Basmati rice for contracts with value of \$1,200 a tonne or above. The export of broken rice has been prohibited since last September. However, it is allowed on the basis of permission granted by the government to other countries to meet their food security needs and based on the request of their government.

What is the rice production estimate?

According to the third Advanced Estimate of the Department of Agriculture and Farmers Welfare, during the Rabi season 2022-2023, rice production was 13.8% less, at 158.95 lakh tonnes against 184.71 lakh tonnes during Rabi 2021-2022.

Kharif sowing data show that rice is sown on 384.05 lakh hectares this year as on August 25 compared with 367.83 lakh hectares during the same period last year. But, in States such as Tamil Nadu where the Samba crop sowing starts usually in August in the Cauvery delta area, a section of farmers says there will be delayed sowing due to a shortfall in the south west monsoon. Trade and rice millers say that new season crop arrivals will start after the first week of September and that El Nino effects are likely to impact arrivals to some extent. According to M. Sivanandan, secretary of the Tamil Nadu Rice Millers Association, paddy prices that were ₹27 a kg last year this month are at ₹33 a kg now.

What about rice exports?

India is the largest rice exporter globally with a 45% share in the world rice market. Overall rice exports in April-May of 2023



In high demand: Farmers plant rice saplings in a paddy field on the outskirts of Amritsar on June 19. AFP

were 21.1% higher compared with the same period last financial year. In May alone, export of Basmati rice was 10.86% higher than its exports in May 2022. Non-Basmati rice shipments were 7.5% more, despite the government introducing a 20% export duty on white rice and prohibiting the export of broken rice last September.

The shipment of non-Basmati rice has been on the rise for the last three years and the export of Basmati rice in 2022-2023 was higher than the previous year, according to data available on the website of The All-India Rice Exporters' Association. The data shared by the government says that till August 17 this year, total rice exports (except broken rice) were 15% more at 7.3 million tonnes as against the 6.3 million tonnes during the corresponding period last year.

Trade sources add that Thailand expects nearly 25% lower production in 2023-2024; Myanmar has stopped raw rice exports; and the crop is said to be hit in Iraq and Iran as well.

What can Indian farmers expect?

The government has increased the Minimum Support Price (MSP) for rice, and the paddy procured now by rice millers are at a price higher than the MSP. The prices will not decline for farmers. The restrictions on exports will ensure that there is no steep climb in rice prices in the market. When the bench mark price set by the government is high, the farmers will realise better prices, say trade sources. For domestic consumers, though there is a slight increase in rice prices at present, in the long run, availability is secured and prices are not expected to spiral. A clear situation on the arrivals and government policy will be known by mid-September.

What are exporters saying?

Prices of Indian par-boiled rice in the international market is competitive even with the levy of a 20% duty. Countries such as Indonesia, which are rice exporters, are looking at imports (raw rice) now. "International demand is very

high," says a Tamil Nadu-based exporter.

When the global rice market is bullish, it will absorb volume in high prices too. The government should look at classifying rice as common rice and speciality rice for export policy decisions rather than classifying as Basmati and non-Basmati. As many as 12 varieties of rice have Geographical Indication (GI) recognition and these should be insulated from general market interventions, suggests trade policy consultant S. Chandrasekaran.

In the case of Basmati rice, the government should have permitted exports to continue or fixed the minimum value for exports at \$900 a tonne, says Mohit Gupta, a Basmati rice exporter. "Exporters will not buy paddy if there is no demand. This will only affect the farmers," he says. "Since Indian rice quality and the consistency in supply is good, export demand for Indian rice went up. Basmati is a speciality rice and new crop arrivals will start soon and there is no need for restrictions".

THE GIST

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