

The rice race

When India lifted a four-year ban on rice export in September last year, not many gave it a chance to regain its lost share in the global market. But it has proved the sceptics wrong and is set to emerge as the top rice-exporting nation this year. What helped India sizzle in the global market this year?



Top exporters

	(in million tonnes)		
	2011	2012*	2013**
Thailand	10.6	6.5	8.0
Vietnam	7.0	7.2	7.0
India	4.6	10.0	6.5
Pakistan	3.4	3.7	4.0
U.S.	3.2	3.3	3.4

Source: USDA

*Estimate **Projection

Thailand's miscalculation

In October last year, Thailand decided to buy paddy from its farmers at \$450 a tonne, up \$130 from the price it had been paying until then. Converted into costs for milling, this worked out to around \$700-750 a tonne, far higher than the prices at which other competing countries offered their rice.

Thailand, which had been the top exporter for 30 years, misread the global market, assuming that by hoarding stocks it could get a higher price. The thinking was, perhaps, based on what had happened in the global market in 2007. Then, India banned rice exports and the prices soared to \$1,000 a tonne.

India turns competitive

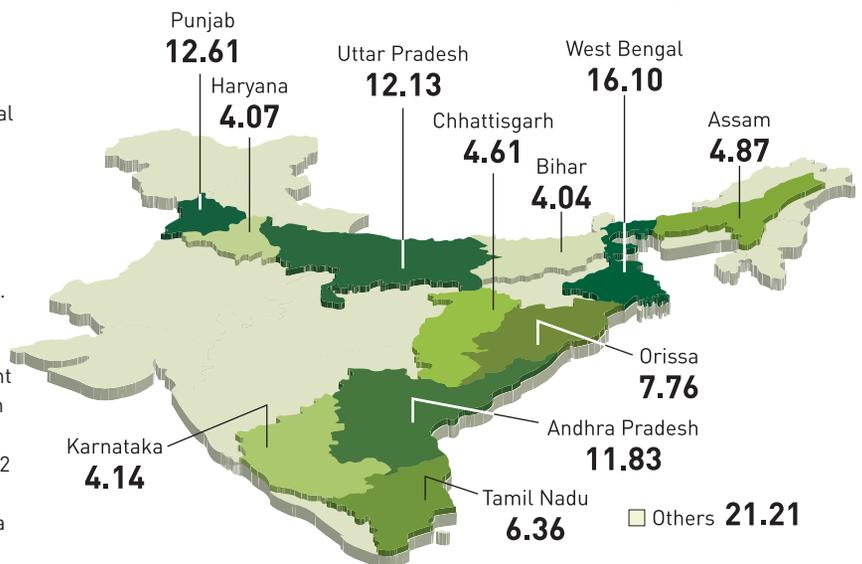
What Thailand failed to take into account was the record crop that countries such as India were set to produce. India's production last year was a record 104.32 million tonnes. It also failed to take into consideration the huge stocks that India had in its central pool.

As on November 1 last year, India had over 26 million tonnes of rice as reserves. This is over three times the 7.2 million tonnes that must be mandatorily kept as stocks by the government to

meet any food emergency. Besides, the government also procured 35 million tonnes of rice from farmers, paying a minimum support price of Rs.1,080 a quintal for common grade paddy. During

States and their share in rice production

(As recorded during 2009-10 in per cent)





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the current marketing season that runs between October and November, the government has set a procurement target of 40 million tonnes.

As a result of all these factors, India turned competitive in the global market. For example, in October, India offered in the global market 5 per cent broken white or raw rice (which has 50 grams of broken grains in a kilogram of rice) at \$430 a tonne. Its 25 per cent broken rice was offered at \$380.

In comparison, Thailand's rates for 5 per cent broken were \$560 and for 25 per cent, \$535. Even Vietnam quoted higher at \$450 and \$415 respectively.

Quality and demand

India's parboiled rice, or the grain got after the paddy is boiled, dried and milled, is in great demand in the North African market. With Thailand pricing itself out, India has made giant strides.

What has helped India in this is the quality of rice it offered. A team from the Indonesian government procurement agency, Bulog, visited Indian facilities in October and found the quality of rice superior to that from other countries.

Not surprisingly, Bulog chose to buy 1.2 lakh tonnes of rice through a

tender it floated early in November.

Modernising mills

Traders say that rice millers, particularly those in Andhra Pradesh, have invested in improving the quality of milling. With exporters finding it lucrative to ship out of Visakhapatnam, Kakinada and Chennai, modern rice milling facilities have sprung around the east coast.

For shipments heading to the Far East, freight charges from the east coast are 10-15 per cent lower than that from the west coast.

Traders say that millers modernised their facilities keeping in mind the demand from Iraq, which is keen on buying fine variety rice. Modernisation has helped exporters from Andhra Pradesh to pip others, especially Pakistan, on quality.

What the future holds

But things could be different next year with Thailand expected to bounce back. The United States Department of Agriculture sees Indian exports slipping to 6.5 million tonnes this year with Thailand and Vietnam staying ahead. But the Food and Agriculture Organisation expects a keen

Area and yield

	Area	Yield
2007-08	43.91	2,202
2008-09	45.54	2,178
2009-10	41.92	2,125
2010-11	42.56	2,240
2011-12	39.47	2,207

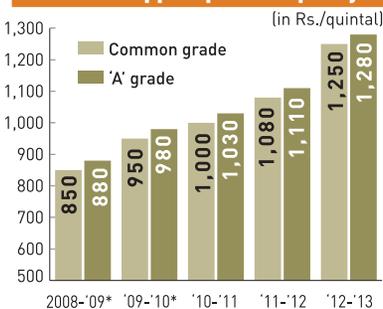
Area in million hectares; yield in kg/hectare

Production pattern (In million tonnes)

	Kharif	Rabi	Total
2007-08	82.66	14.03	96.69
2008-09	84.91	14.27	99.18
2009-10	75.92	13.18	89.09
2010-11	80.86	15.29	95.98
2011-12	91.53	12.79	104.32
2012-13*	85.59		

*First advance estimate

Minimum support price for paddy



*Government paid a bonus of Rs.50 a quintal.

Rice stocks with government

	Jan	April	July	Oct
2010	24.30	26.71	24.26	18.44
2011	25.58	28.80	26.85	20.35
2012	29.71	33.35	30.70	23.37
Buffer norm*	13.8	14.2	11.8	7.2

*effective from April 2005.

competition between India and Thailand for the top slot next year. It should be an interesting duel to watch out for.

Sources: Ministry of Agriculture; Food Corporation of India; Food and Agriculture Organisation; United States Department of Agriculture.