

# **INDIAN RICE LANDSCAPE:**

## *Trade, Production & Government Intervention in Marketing*

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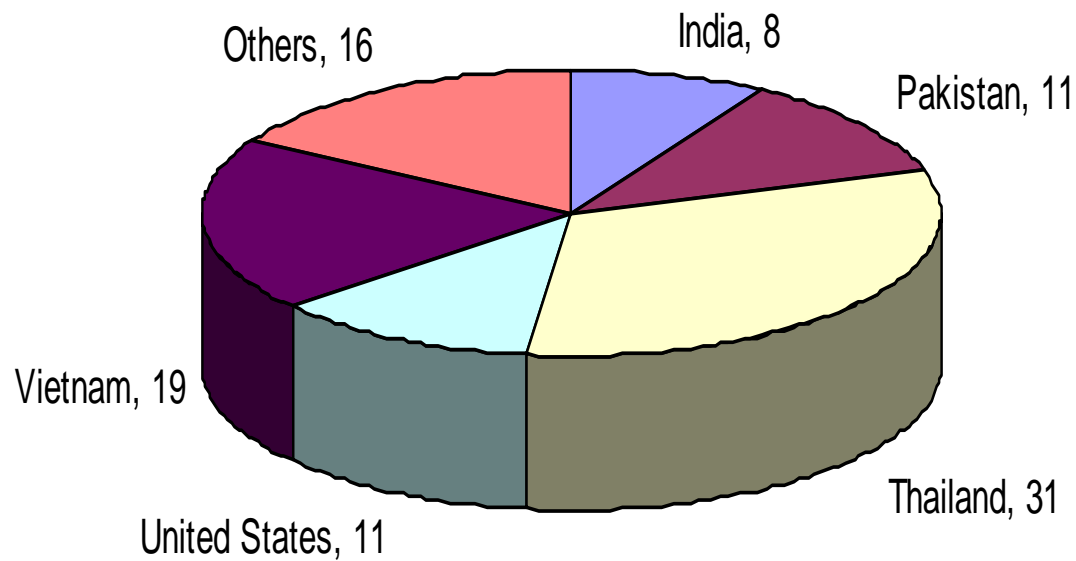
# Focus of the Presentation

- Evolution of India's rice exports over 1990-91 to 2010-11
- Export policy balancing interests of domestic consumers & exporters/farmers
- Trends in domestic production
- Government intervention in rice market
- Domestic Vs Global Food security
- India's delicate balance between exports and domestic consumers
- The way forward

# Rice in World Trade

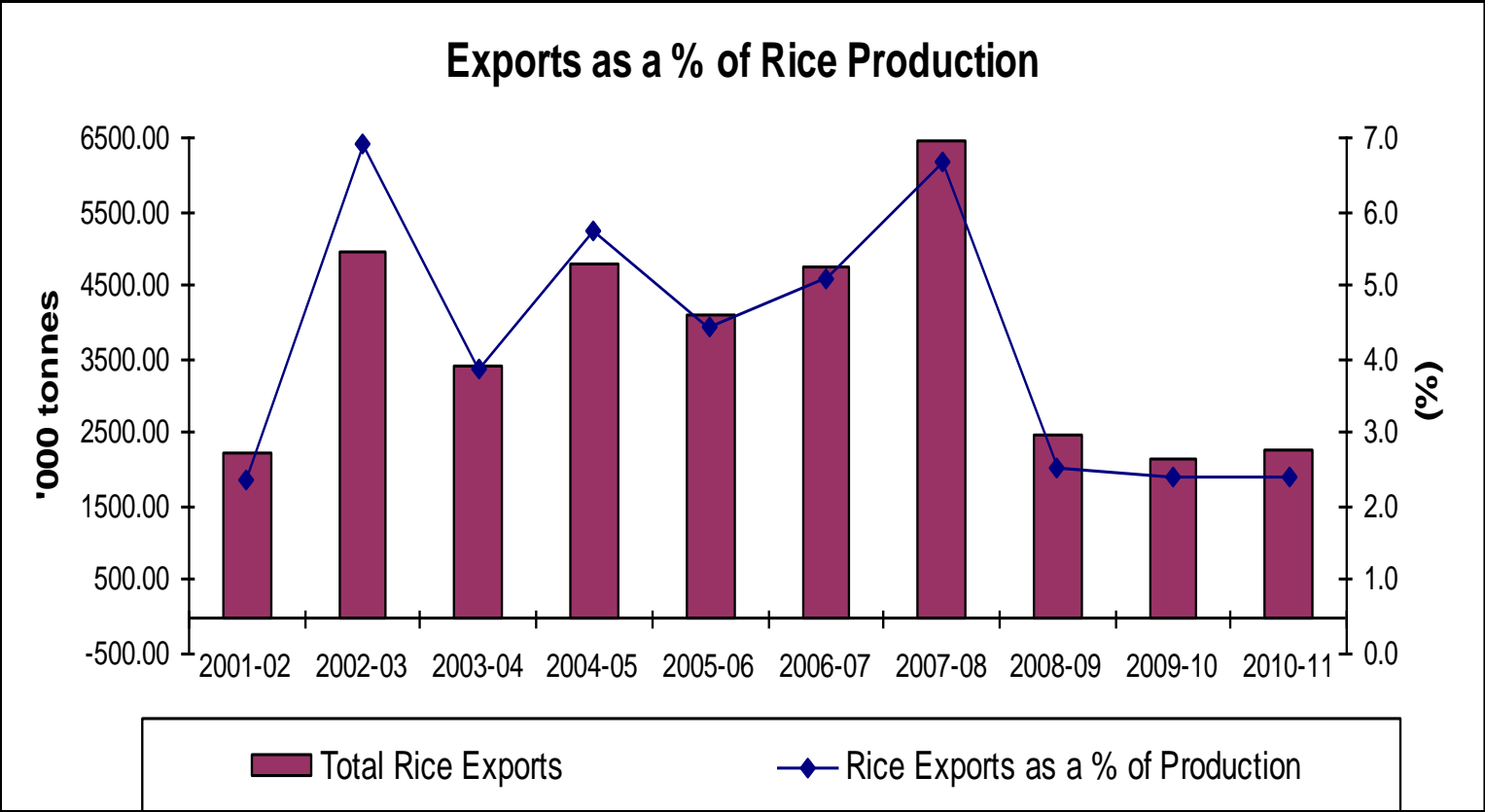
- Rice - a very thinly traded commodity (only 7% of world production being traded)
- Five countries - Thailand, Viet Nam, United States, Pakistan and India) supply more than 80%
- Fragmentation of import markets & wide year-to-year fluctuations
- Amplified effect on world prices of changes in production/consumption

## Share of Major Exporters of Rice, T.E. 2010



Source: Rice Yearbook 2011, USDA

# India's Exports as a % of Rice Production

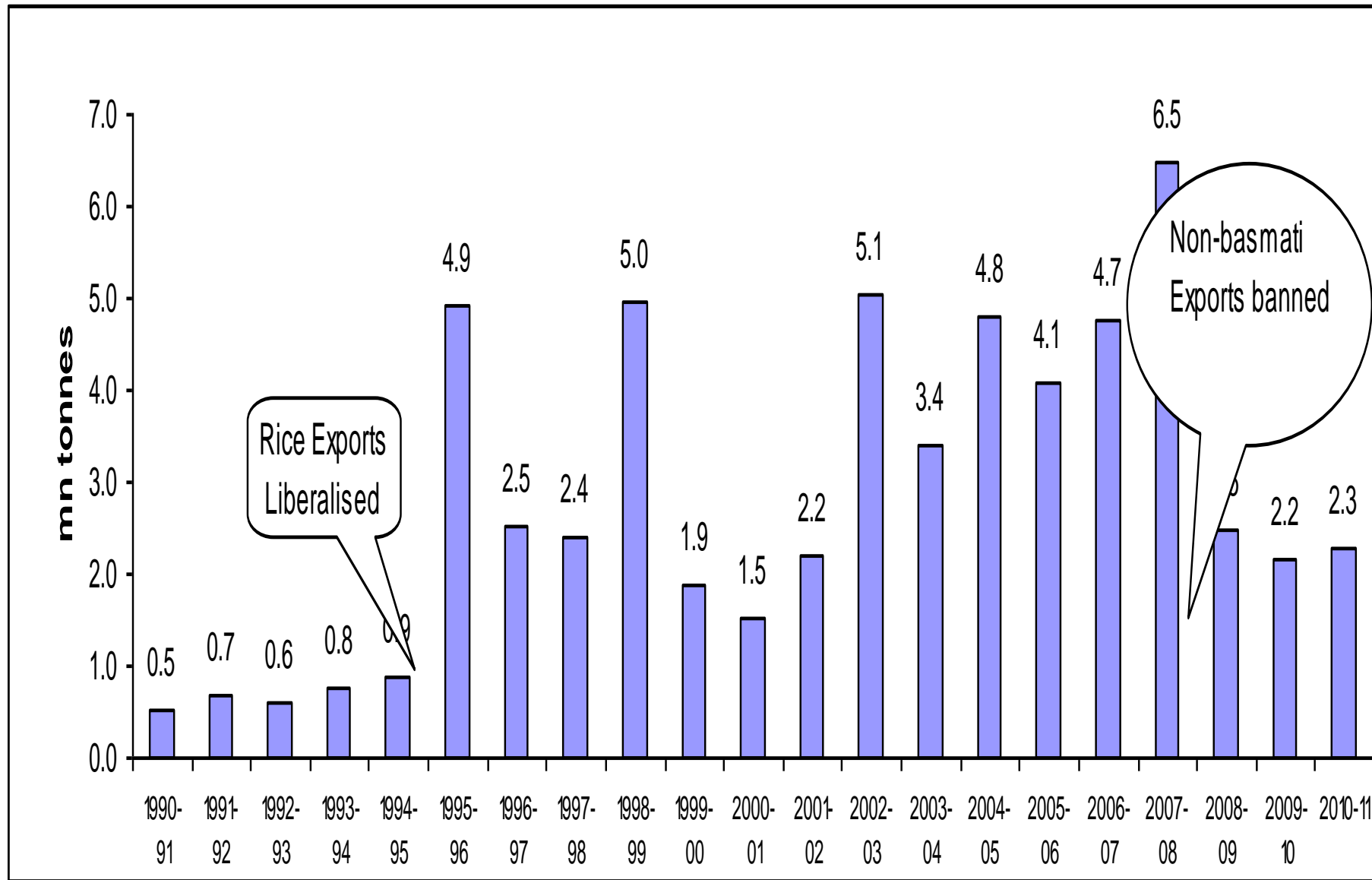


Source: Directorate of Economics & Statistics, Ministry of Agriculture

# India's "Stop-Go" Rice Trade Policy

- Until 1991, exports of common rice subject to canalization, MEP & export quotas.
- 1994- Removal of export bans on non-basmati rice & eliminating the MEP for basmati rice
- 2007-08: Export ban on non-basmati Rice
- 2009: MEP of US\$ 900 on Basmati Rice
- 2010-11 onward: Gradual liberalization of non-basmati rice

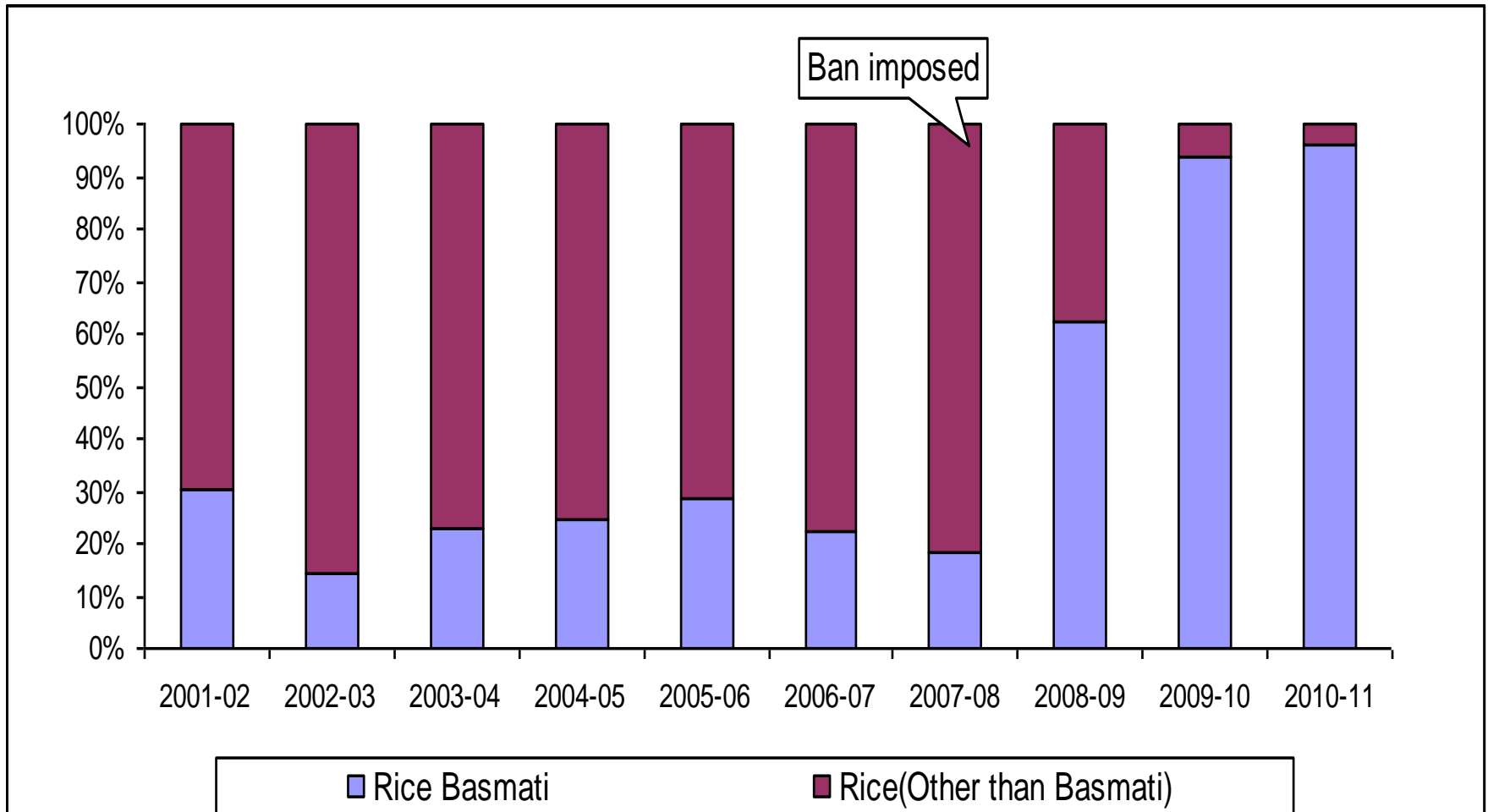
# Direct Impact of Policy on Exports of Rice



Source: DGCIS

# Increasing Share of Basmati Rice in Rice Exports

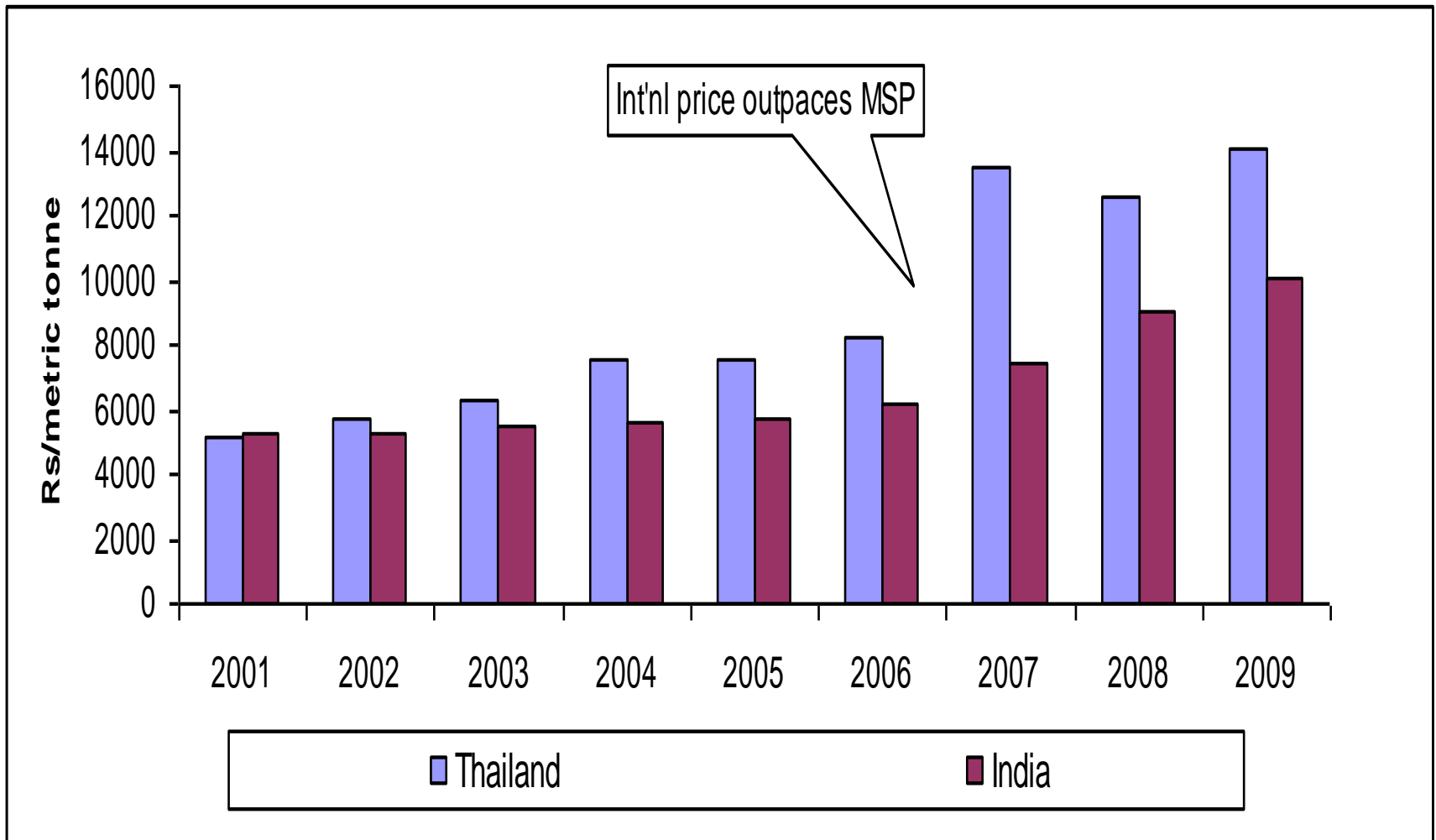
(Due to ban on non-basmati Rice esp after 2007)



Source: Directorate of Economics & Statistics, Ministry of Agriculture



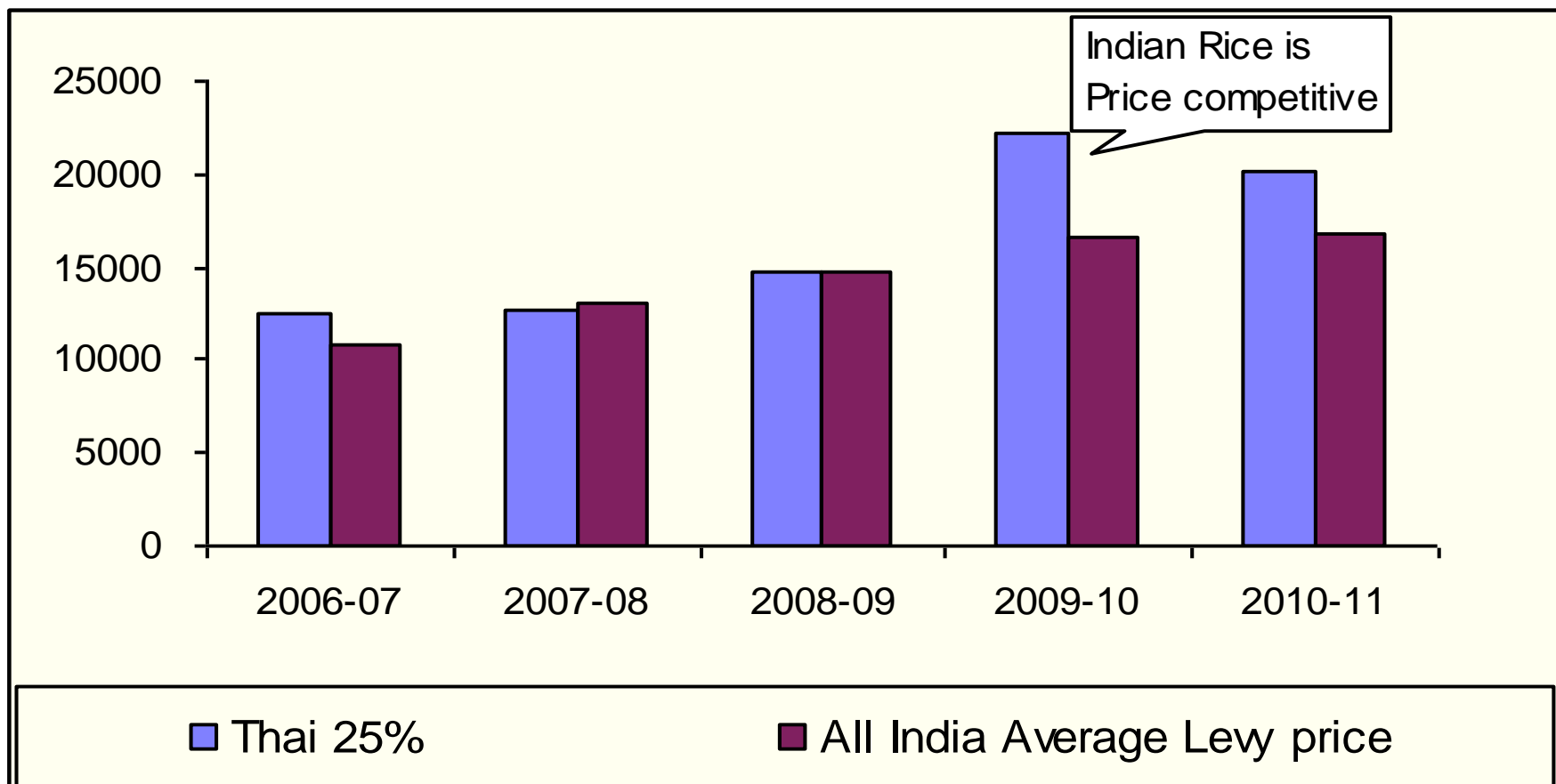
## MSP lower than Int'l Price of Paddy



Source: FAOSTAT, DES, Ministry of Agriculture

\* US\$ Converted to Rupees as per the annual average exchange rate

# Is Indian Rice Export competitive?



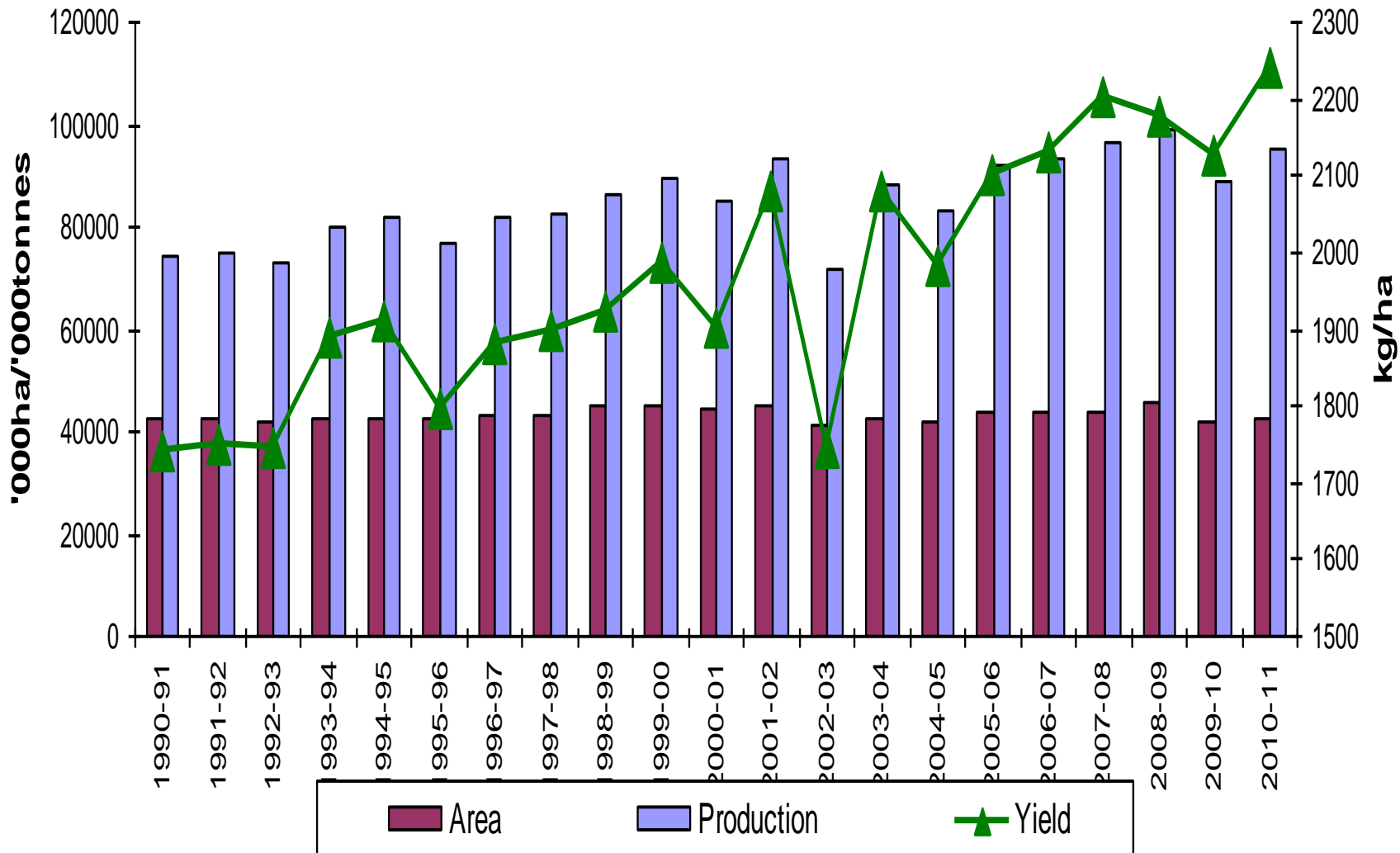
Source: World Bank and Ministry of Consumer Affairs, Food & Public Distribution

Note: USD Converted to Rupees as per the annual average exchange rate

All India Average Levy Price has been calculated by weighing levy Prices in Top Five States with their shares in procurement of rice.

Levy Price is imposed by FCI on FAQ (Fair Average Quality) Rice with 25% broken component.

## Trend in Area, production & Yield of Rice

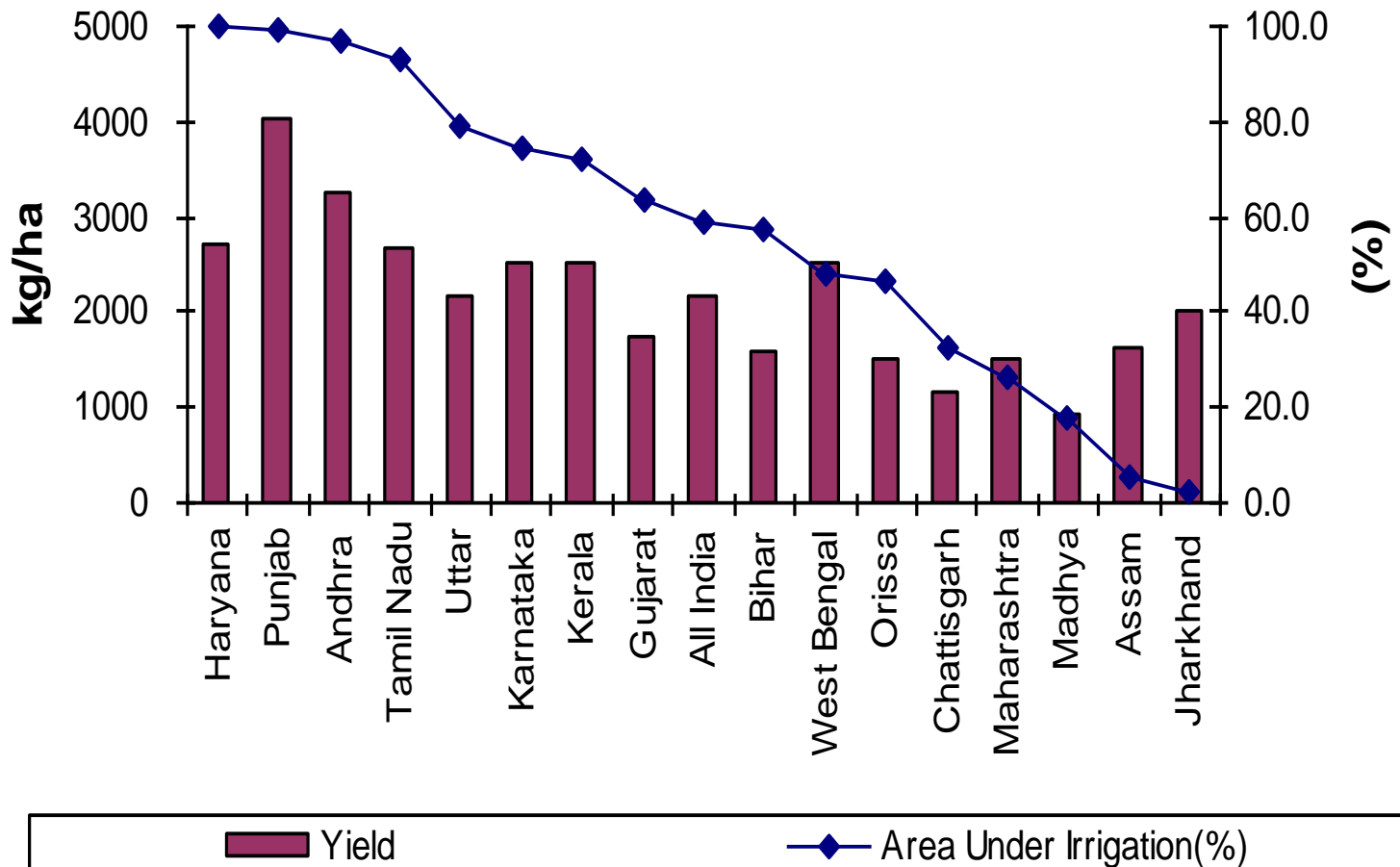


Source: DES

# Yield

- Paddy yield level in China TWICE that of India.
- Only 3% of the area under hybrid seeds in 2009 in contrast to China at 60%
- Yield increased at a rate of 1.47% p.a. during 2000-01 to 2010-11 as compared to 1.36% during 1990-91 to 1999-00
- Wide differences in yield levels across states
- Punjab, Haryana, Andhra Pradesh and Tamil Nadu have high yields.
- All the eastern states except West Bengal have much lower productivity levels

## Yield & Irrigated Area



Source: DES

# Low Productivity of Rice in Eastern India

(Kg/ha)

Bihar	1270	Punjab	3953
Jharkhand	1711	Haryana	2841
Orissa	1578	A.P.	3112
Assam	1802	T.N.	2943

All India Rice yield: 2181kg/ha (2010-11)

# ***Second Green Revolution in Eastern India***

- Eastern Region of the country comprising of Bihar, Jharkhand, Eastern UP, Chhattisgarh, Orissa and West Bengal.
- 56% area under rice but 48% of total rice production
- Productivity levels (except West Bengal) among the lowest in India,
- Rice productivity not only low (1.1 to 2.5 tons/ha) but also fragile.
- Relative advantage for sustainable production of rice - High rainfall, unexploited good quality ground water aquifers

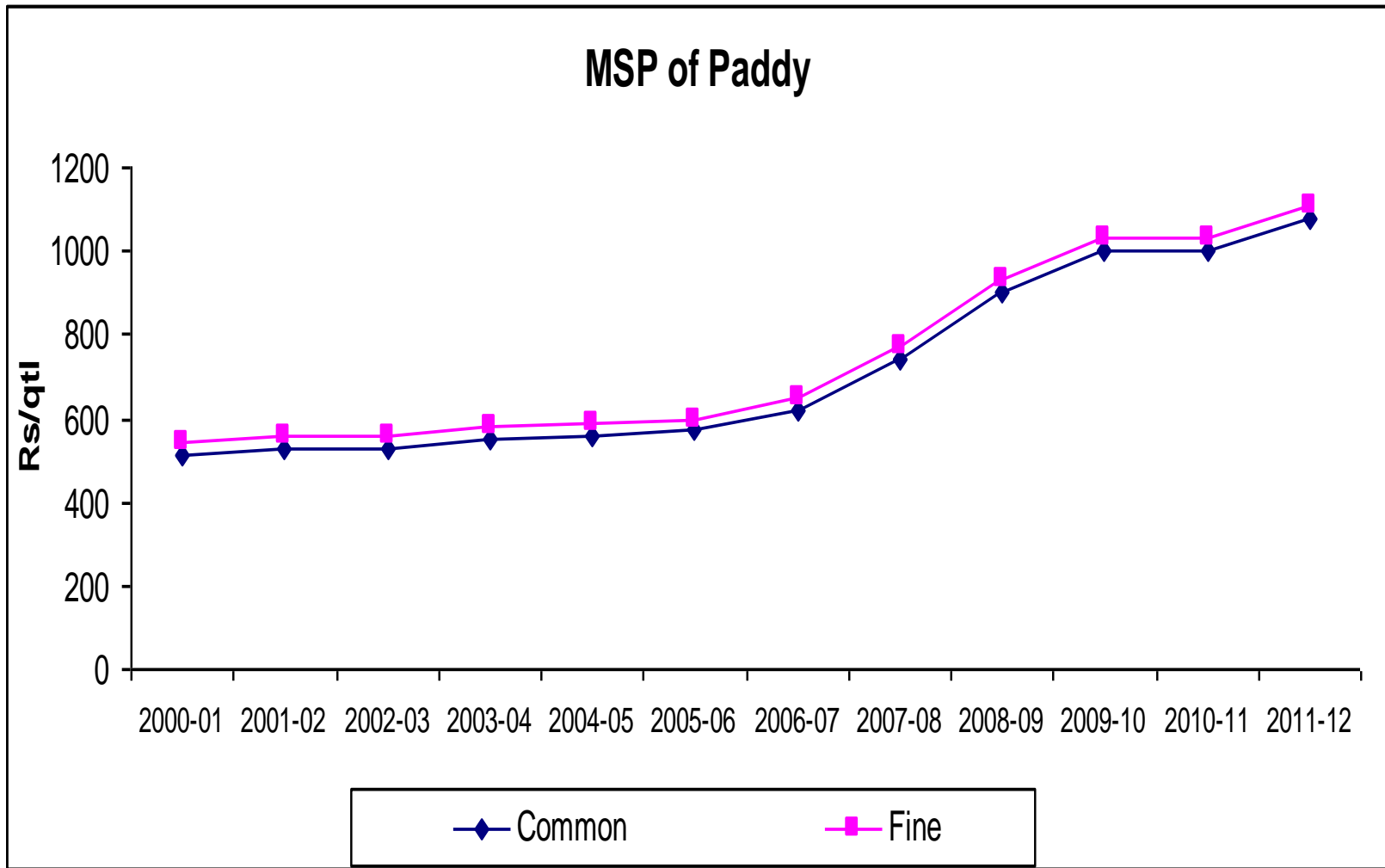
# ***National Food Security Mission***

- A Centrally Sponsored Scheme, 'National Food Security Mission' in August 2007.
- Increase the production of rice by 10 million tonnes by the end of the Eleventh Plan (2011-12)
- Covers 142 districts of 15 States
- Allocations for NFSM-Rice have been Rs 3862 million, Rs 4725 million and Rs 4065 million in 2008-09, 2009-10 and 2010-11 respectively.



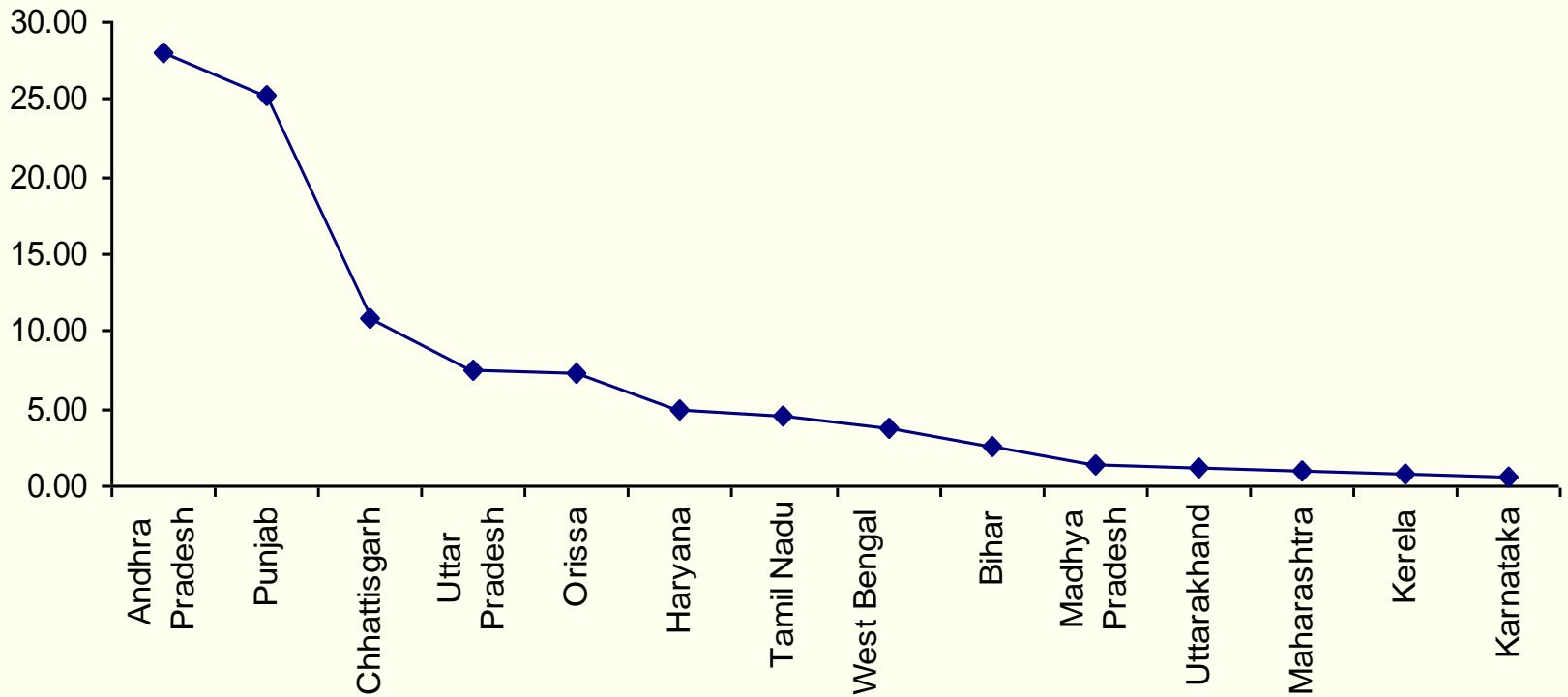
# Government Intervention in the Rice Market

- Through Price and procurement policies
- Sets MSP at farmer front
- At the same time, subsidy to farming inputs
- On the output front via its procurement, stocking and distribution policies



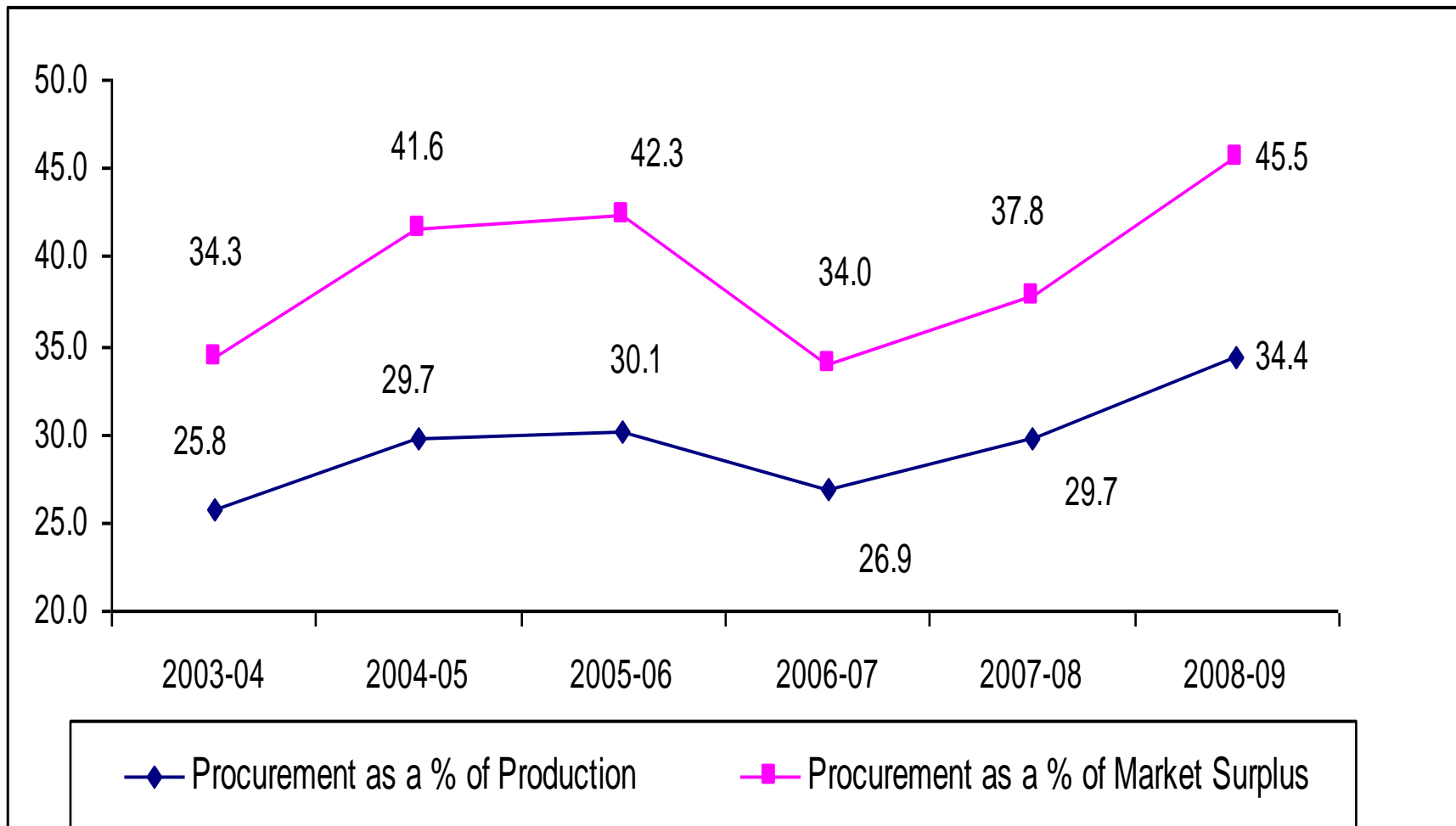
Source: Directorate of Economics & Statistics, Ministry of Agriculture

### State-wise %Share in Total Procurement of Rice in 2010-11



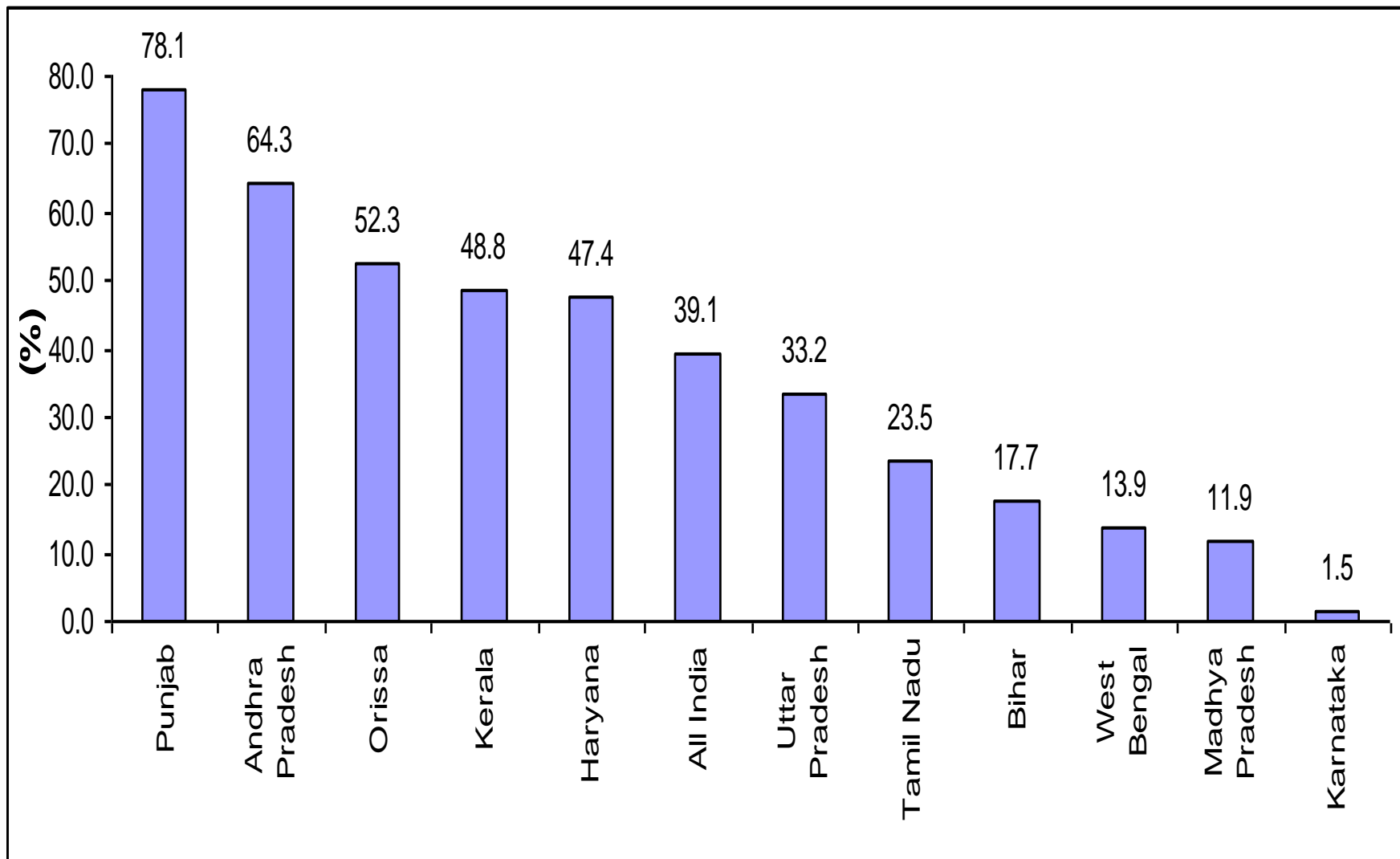
Source: DES

# Procurement as a % of Rice Production & Market Surplus



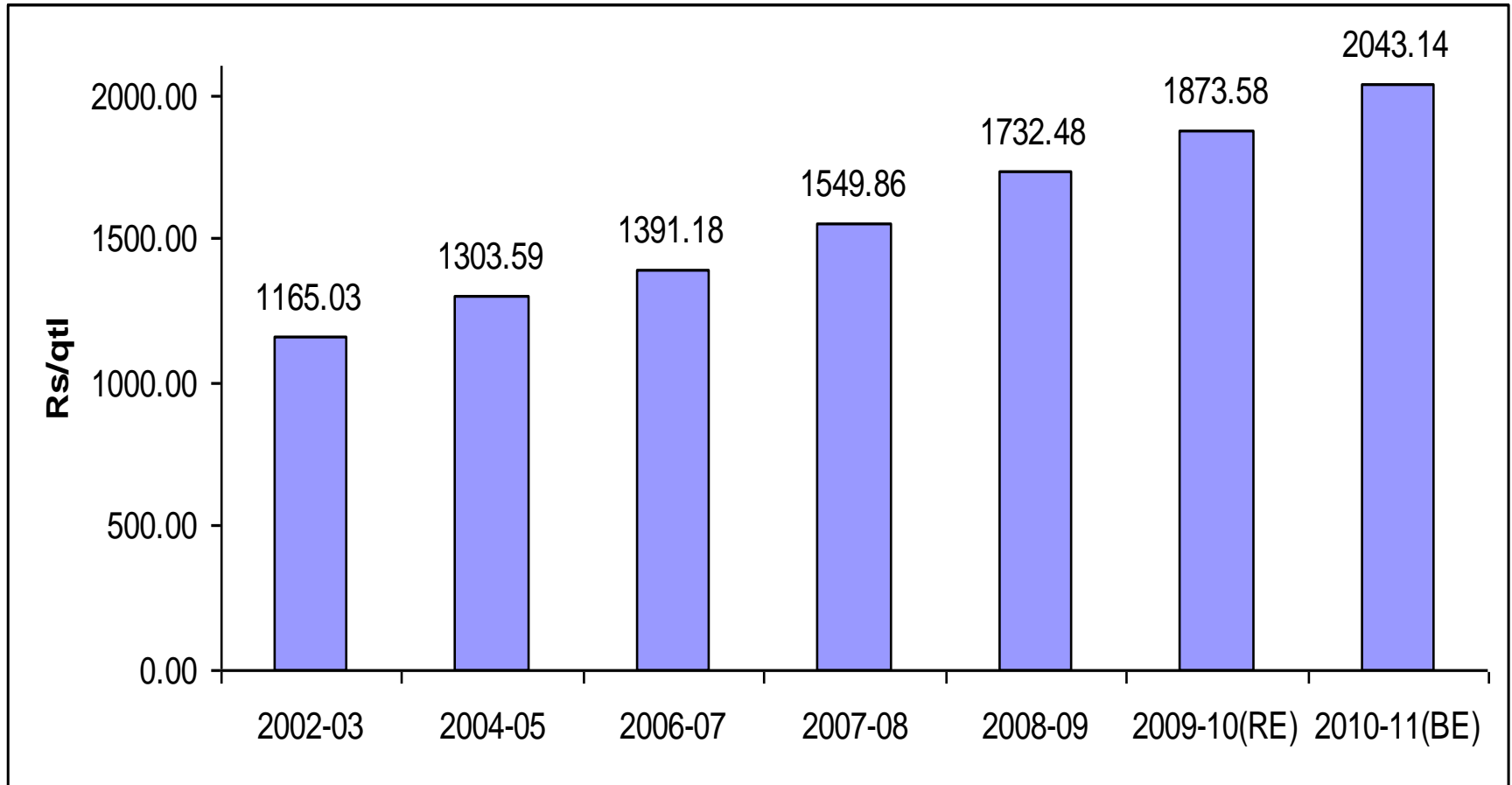
Data Source: Directorate of Economics & Statistics, Ministry of Agriculture

## State- wise Procurement as a % of Market Surplus (T.E 2008-09)



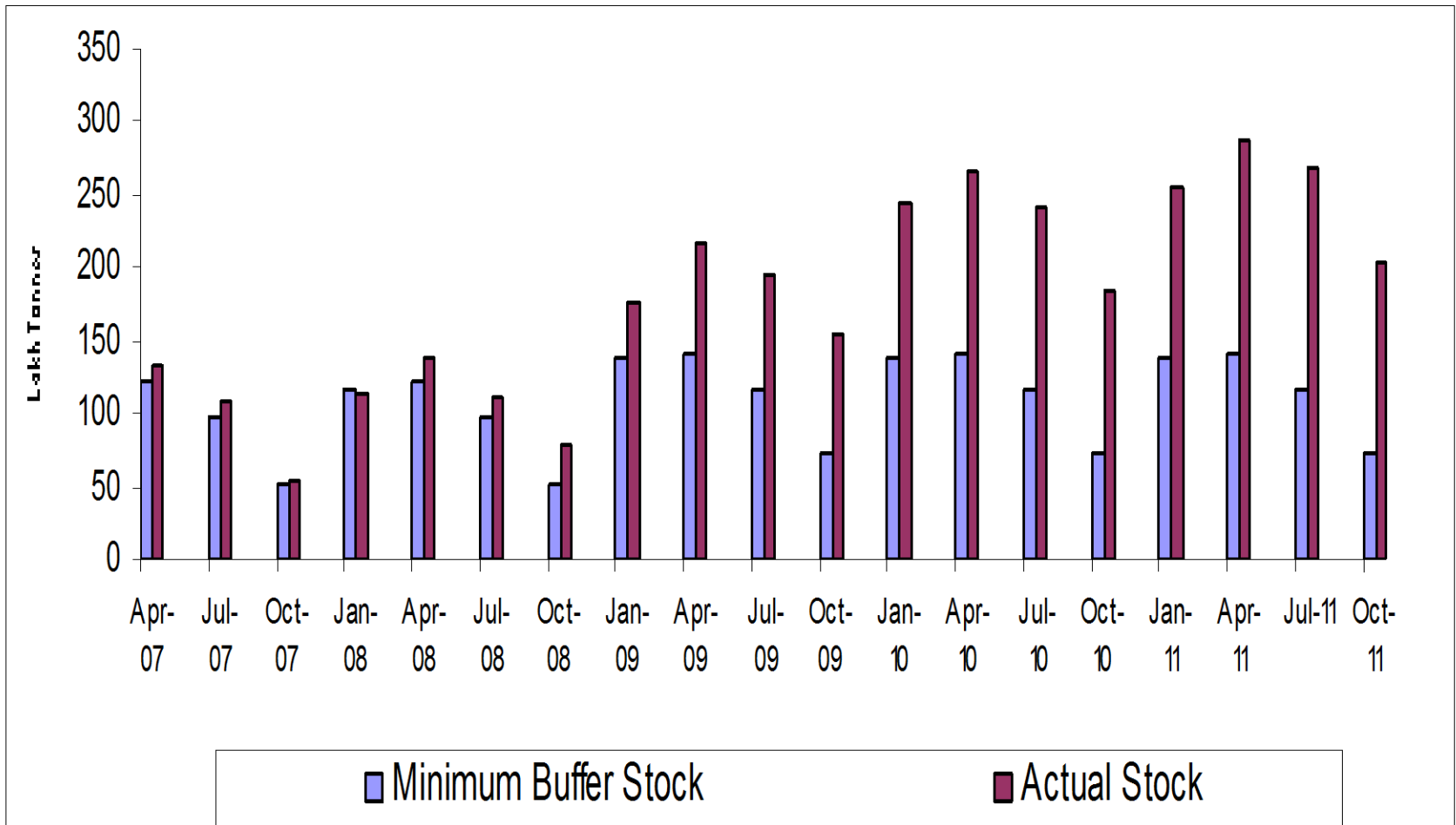
Source: Agricultural Statistics at a Glance, 2010

## Economic Cost of Rice (Rs/qtl)



Source: Economic Survey, 2010-11

# Minimum Buffer Stock and Actual Stock of Rice

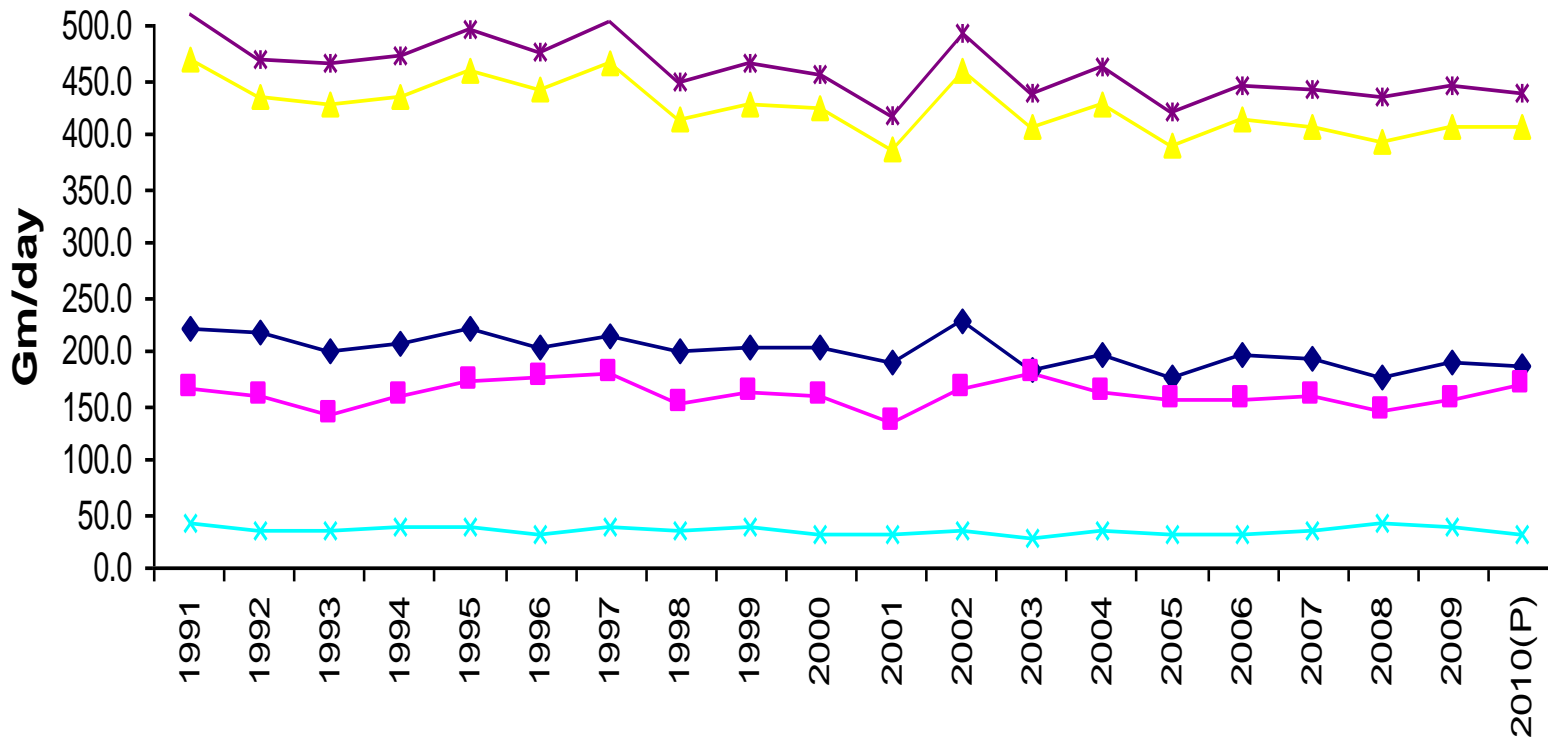


# Effect of Govt Interventions

- Operation of market forces severely handicapped
- State procurement & levies on milled rice corner a majority of rice production/market surplus
- NFSB, 2011 further would enhance procurement requirements
- High food subsidy

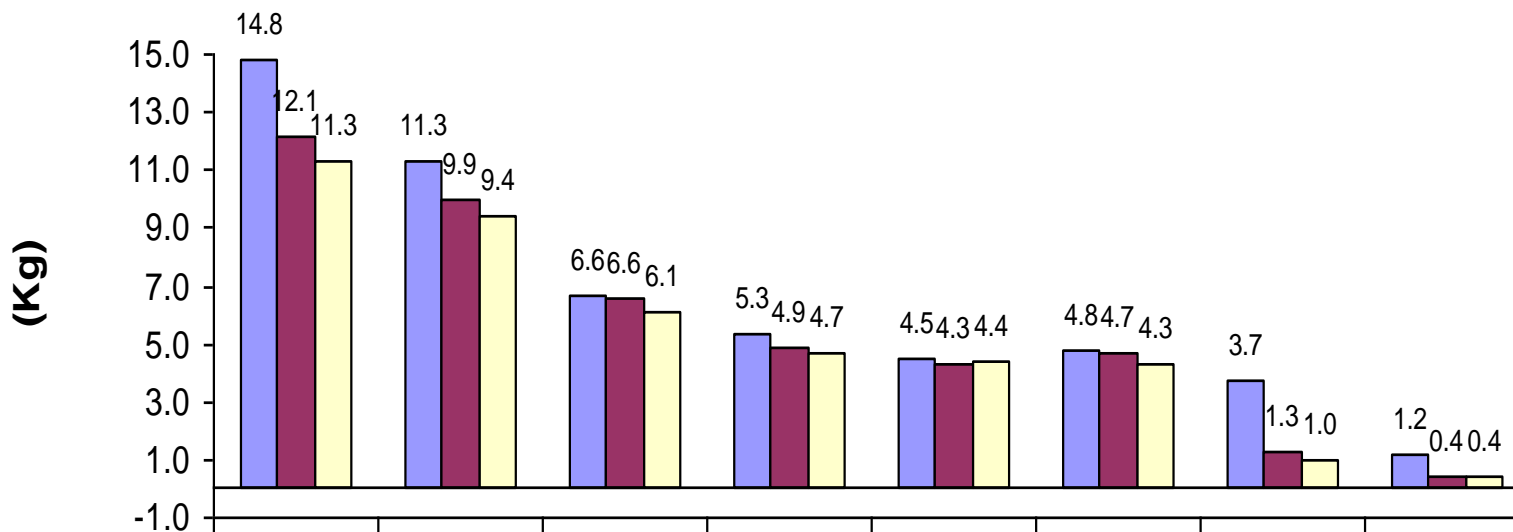


# Per capita net availability



Source: DES

# Per capita consumption of Cereals, Rice, Wheat & Coarse cereals



	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
	Total Cereals		Rice		Wheat		Coarse Cereals	
■ 1983-84	14.8	11.3	6.6	5.3	4.5	4.8	3.7	1.2
■ 2004-05	12.1	9.9	6.6	4.9	4.3	4.7	1.3	0.4
■ 2009-10	11.3	9.4	6.1	4.7	4.4	4.3	1.0	0.4

Source: NSSO

# The Way Forward

- Promoting competition devoid of policy-induced distortions
- Gradual shift of rice and other water guzzling crops from North-Western India to Eastern States
- India's "stop-go" rice export policy - uncertainty in the international market
- Switch to income policy to help the poor
- Liberating rice exports
- Domestic & Global Food Security