

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 2012-13
- Export policy balancing interests of domestic consumers & exporters/farmers
- Trends in domestic production
- Government intervention in rice market
- The way forward

Rice in World Trade

- Rice - a very thinly traded commodity (only 9% of world production being traded)
- Five countries - Thailand, Viet Nam, United States, Pakistan and India) supply close to 81 %
- Fragmentation of import markets & wide year-to-year fluctuations
- Amplified effect on world prices of changes in production/consumption

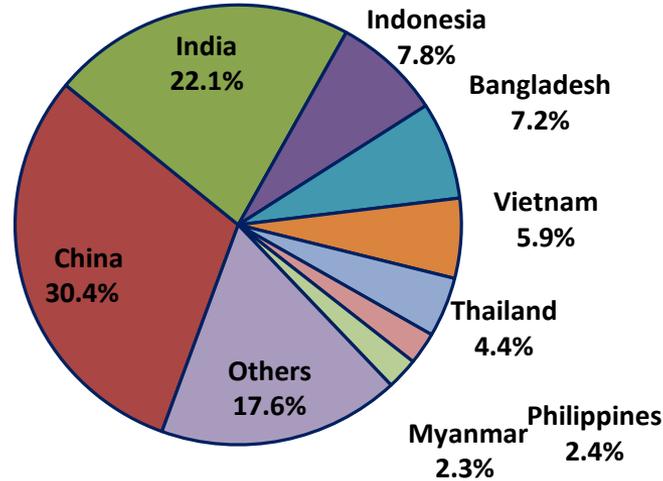
Global Scenario of Rice in terms of Production , Export and Import Million Ton

Year	Production	Export	Import
2002-03	377.5	27.6	27.6
2003-04	391.5	27.3	27.3
2004-05	401.4	29	29
2005-06	418.4	29.1	29.1
2006-07	420.3	31.9	31.9
2007-08	432.3	29.6	29.7
2008-09	449.1	29.4	29.4
2009-10	440.9	31.5	31.5
2010-11	449.2	36.2	36.2
2011-12	465.8	39.1	39.1
2012-13	471.9	39.4	36.5
2013-14	477	42.6	40
2014-15	475.5	42.6	40.1
2014-15 TE	474.8	41.5	38.9

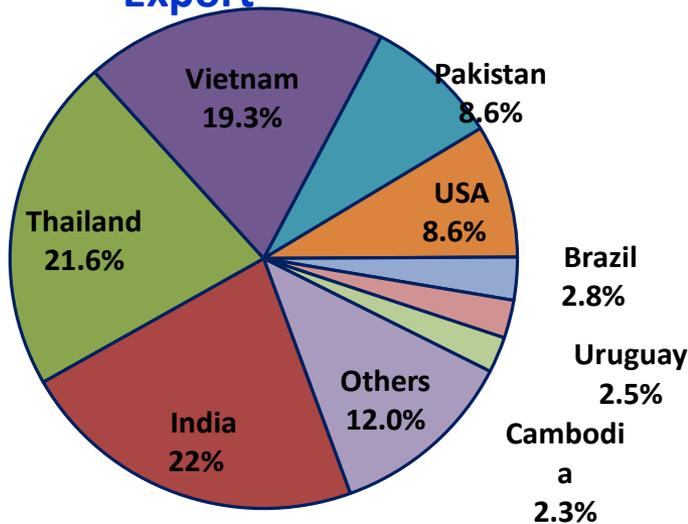
Source :- USDA

Production ,Export and Import of Rice TE- 2011-12

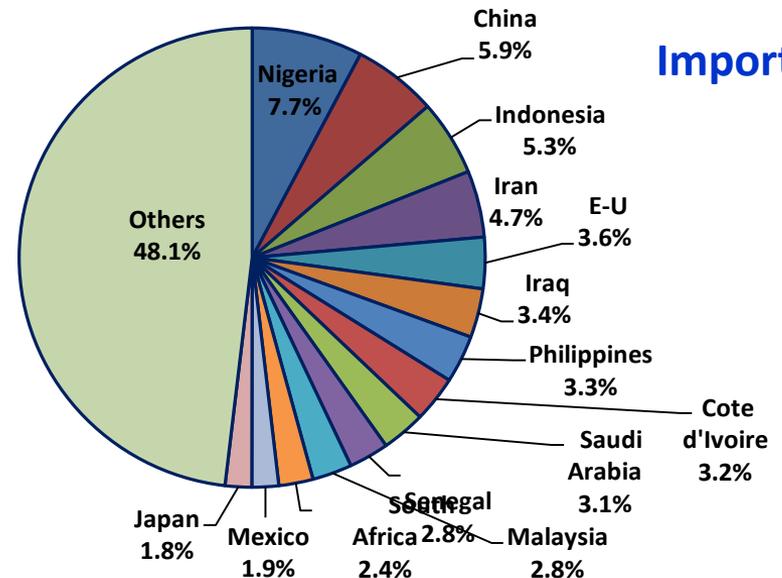
Production



Export

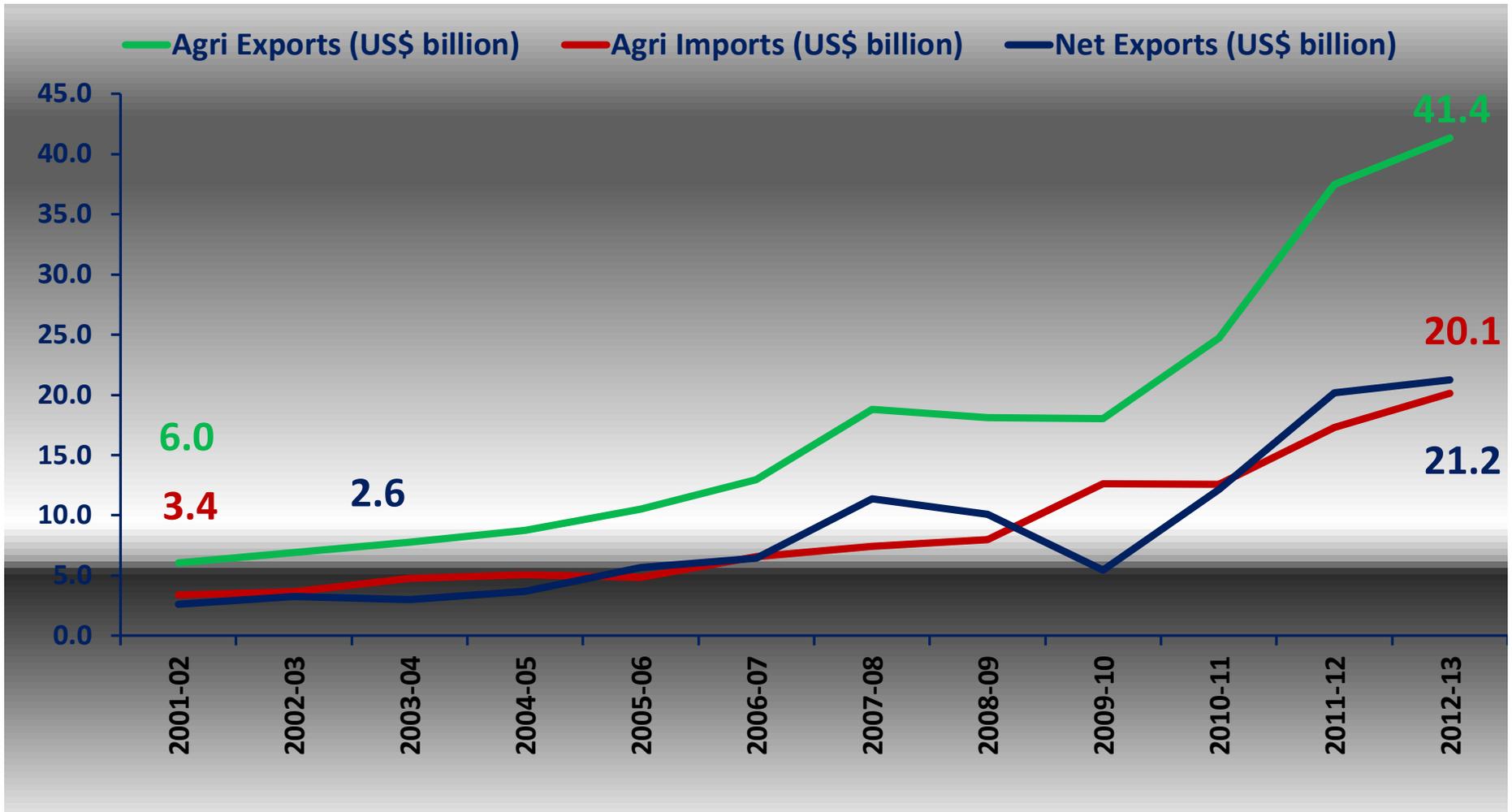


Import



Source : USDA

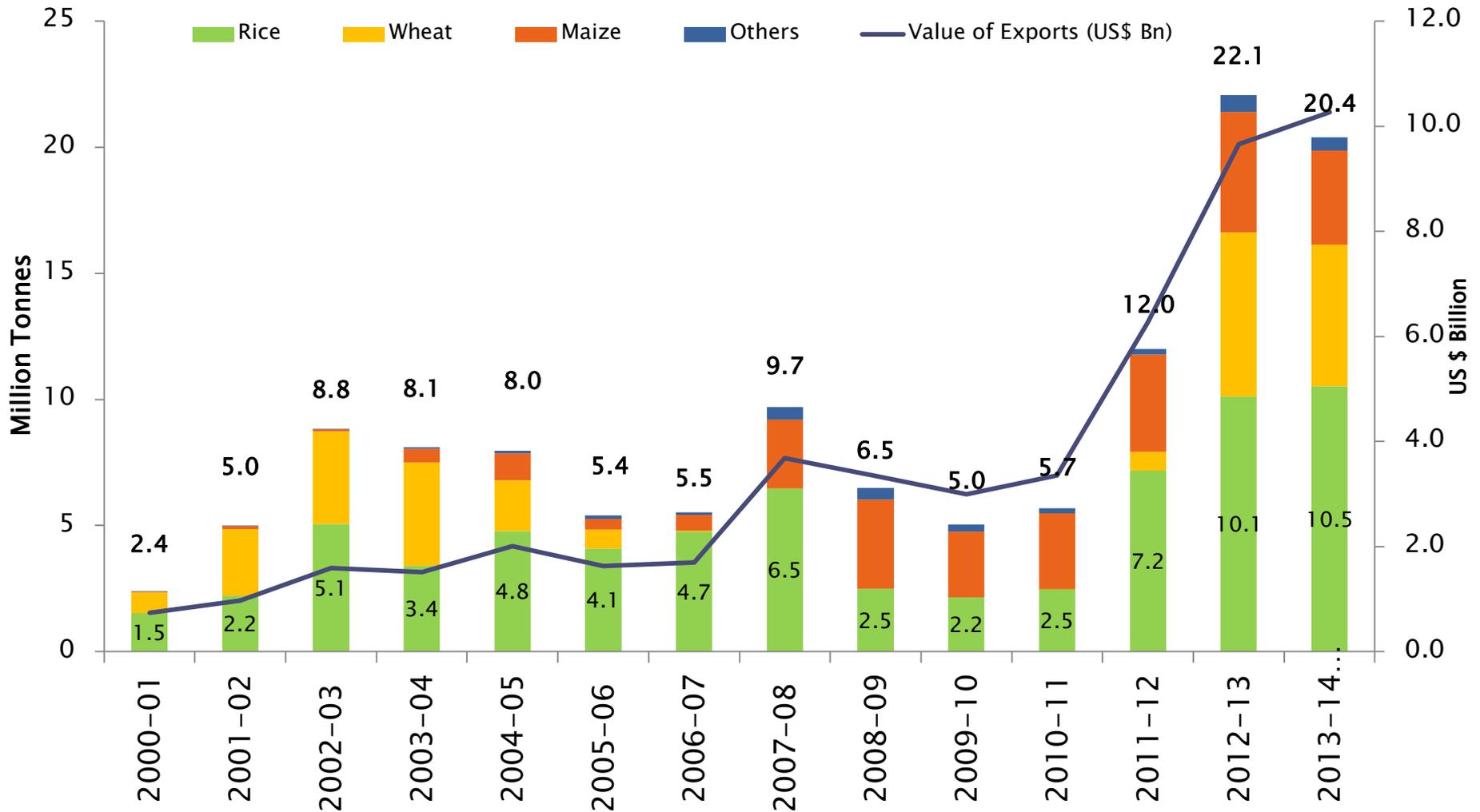
India's Agricultural Exports versus India's Agricultural Imports from 2001-02 to 2012-13



Source : *Agricultural Statistics at a Glance – Various issues and DGCIS*

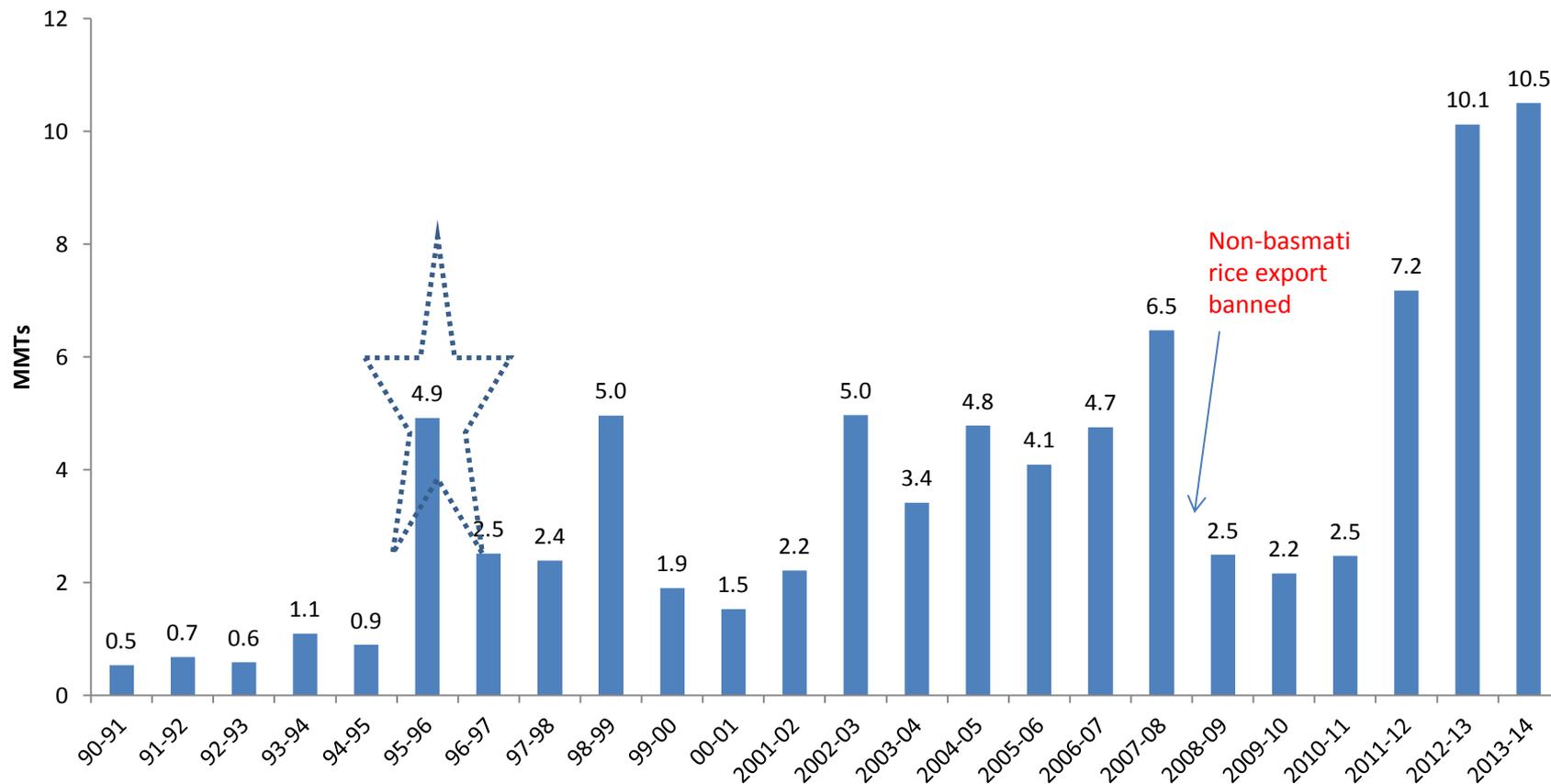
Cereal Exports: Record breaking!

(43 mt in last two yrs...never done that before in history)



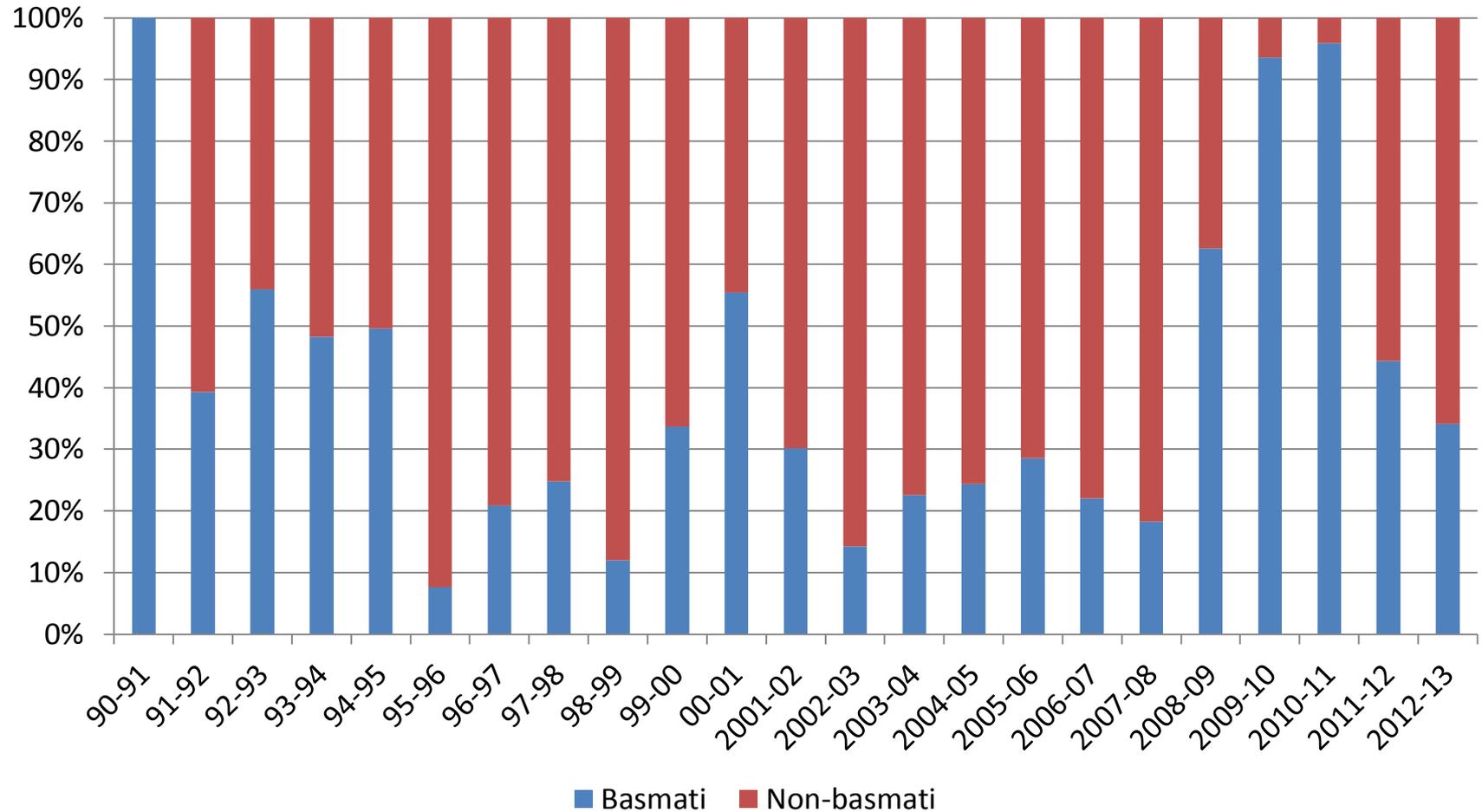
Direct Impact of Policy on Exports of Rice

Indian Rice Exports

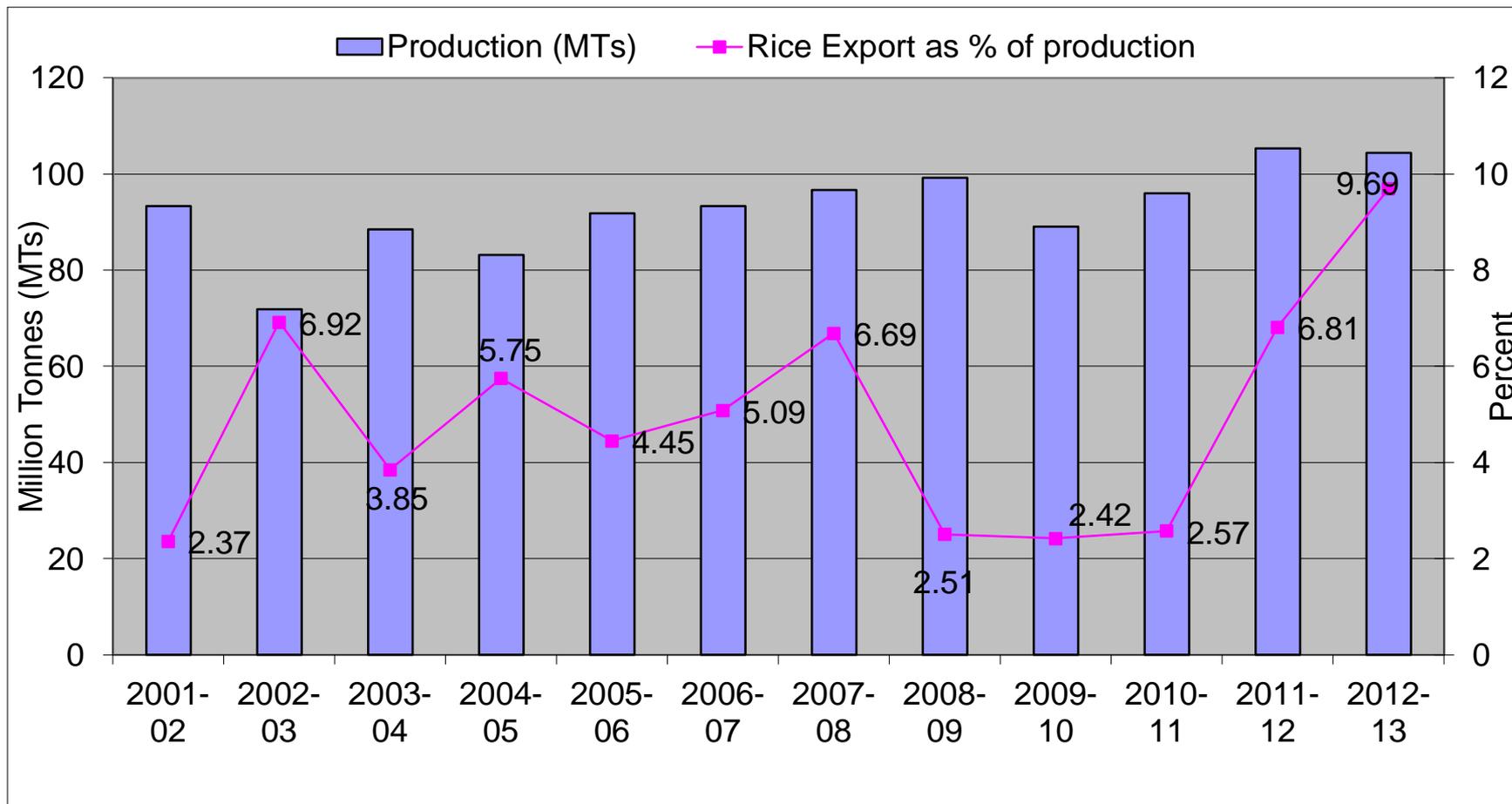


Increasing Share of Basmati Rice in Rice Exports

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



India's Exports as a % of Rice Production



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

India's Trade Policy

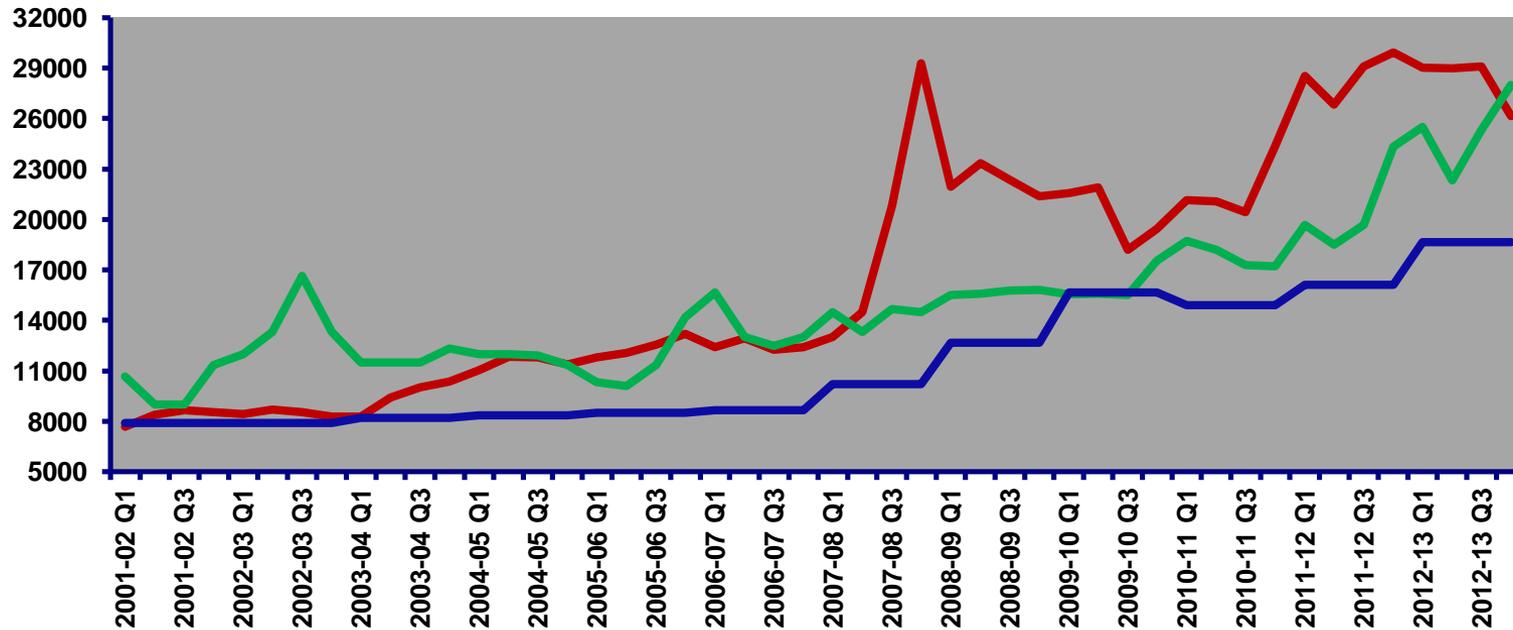
- India is net exporter in agricultural commodities.
- India has exportable surplus in cereals like Rice, Wheat and Maize.
- There is import duty at a high level of 70 percent on semi-milled or wholly milled rice and 80 percent on paddy, brown rice and broken rice.

- Such a high import duty is not desirable when the country is in a position to export 9-10 million tonnes of rice annually.
- The import duty on rice needs to be reduced to the level of 5-10 percent.

Domestic prices verses International Prices of major agricultural commodities

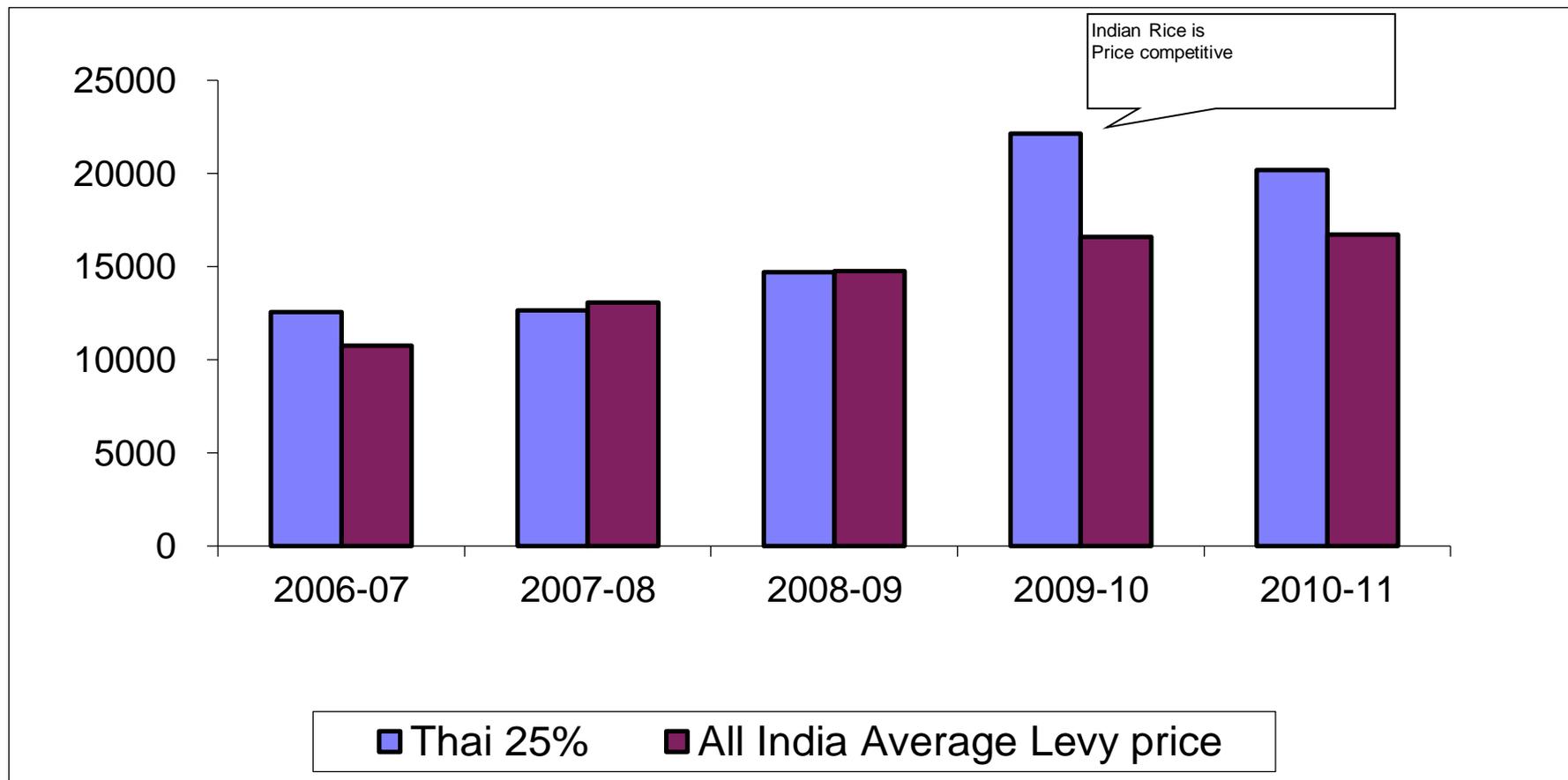
Rice

International price Rs/Tonne Domestic Price Rs/Tonne MSP Rs/Tonne



Source: World Bank for International Prices and DES for Domestic Prices

Is Indian Rice Export competitive?



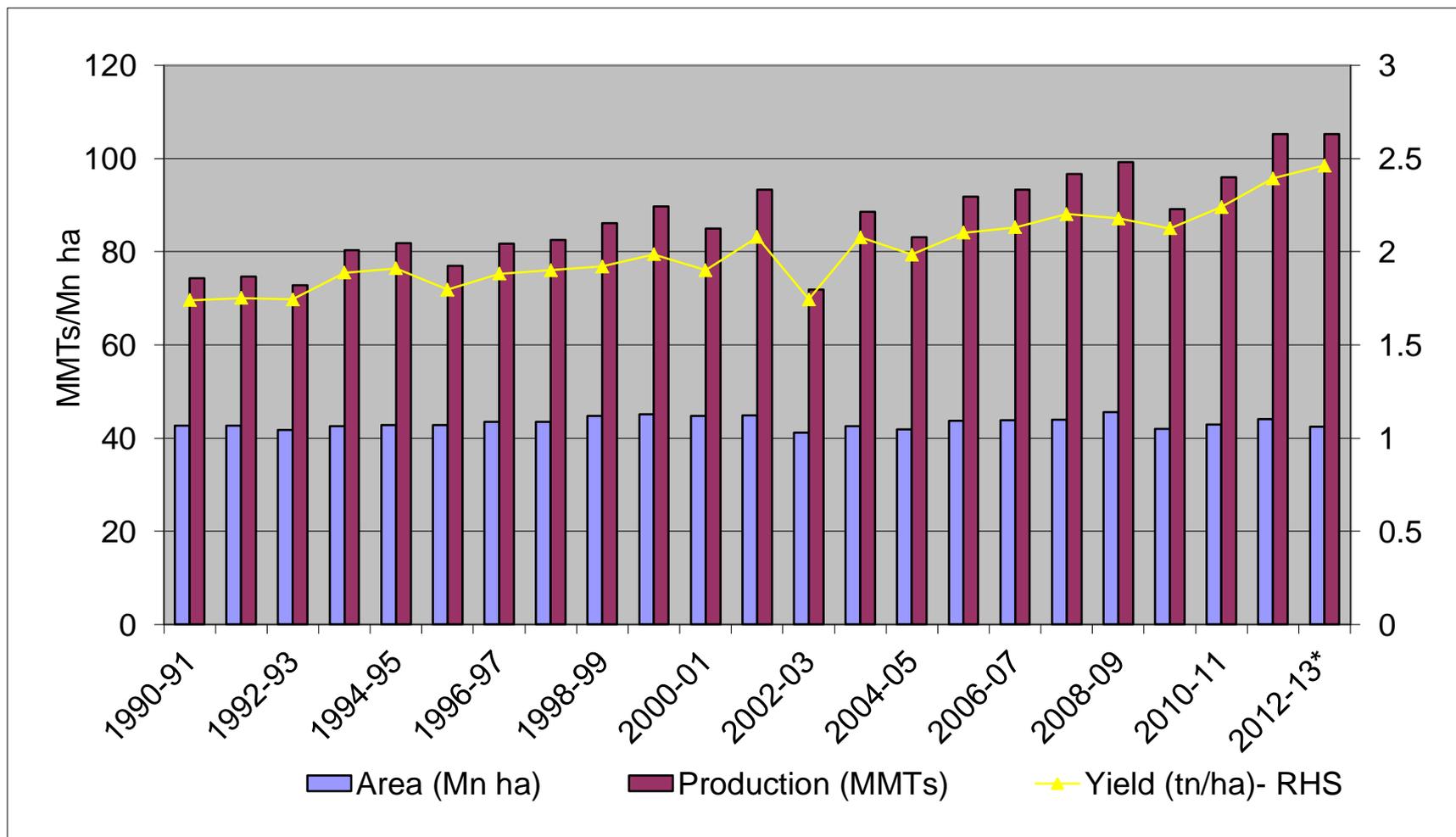
Source: World Bank and Ministry of Consumer Affairs, Food & Public Distribution

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.

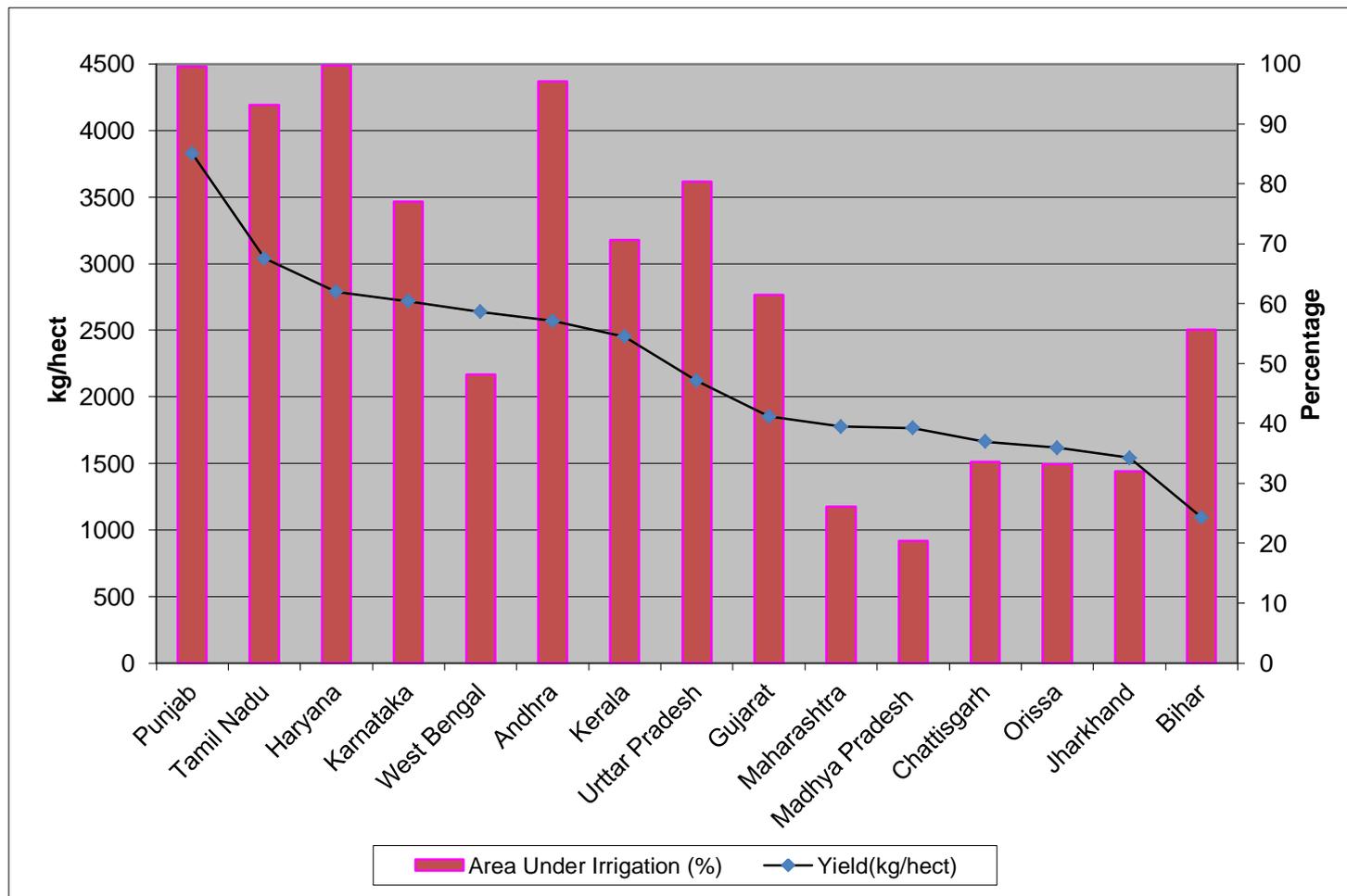
Trends in Area, Production and Yield of Rice



Yield

- Paddy yield level in China three times 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 and irrigated area (2010-11)



Low Productivity of Rice in Eastern India

(Kg/ha)

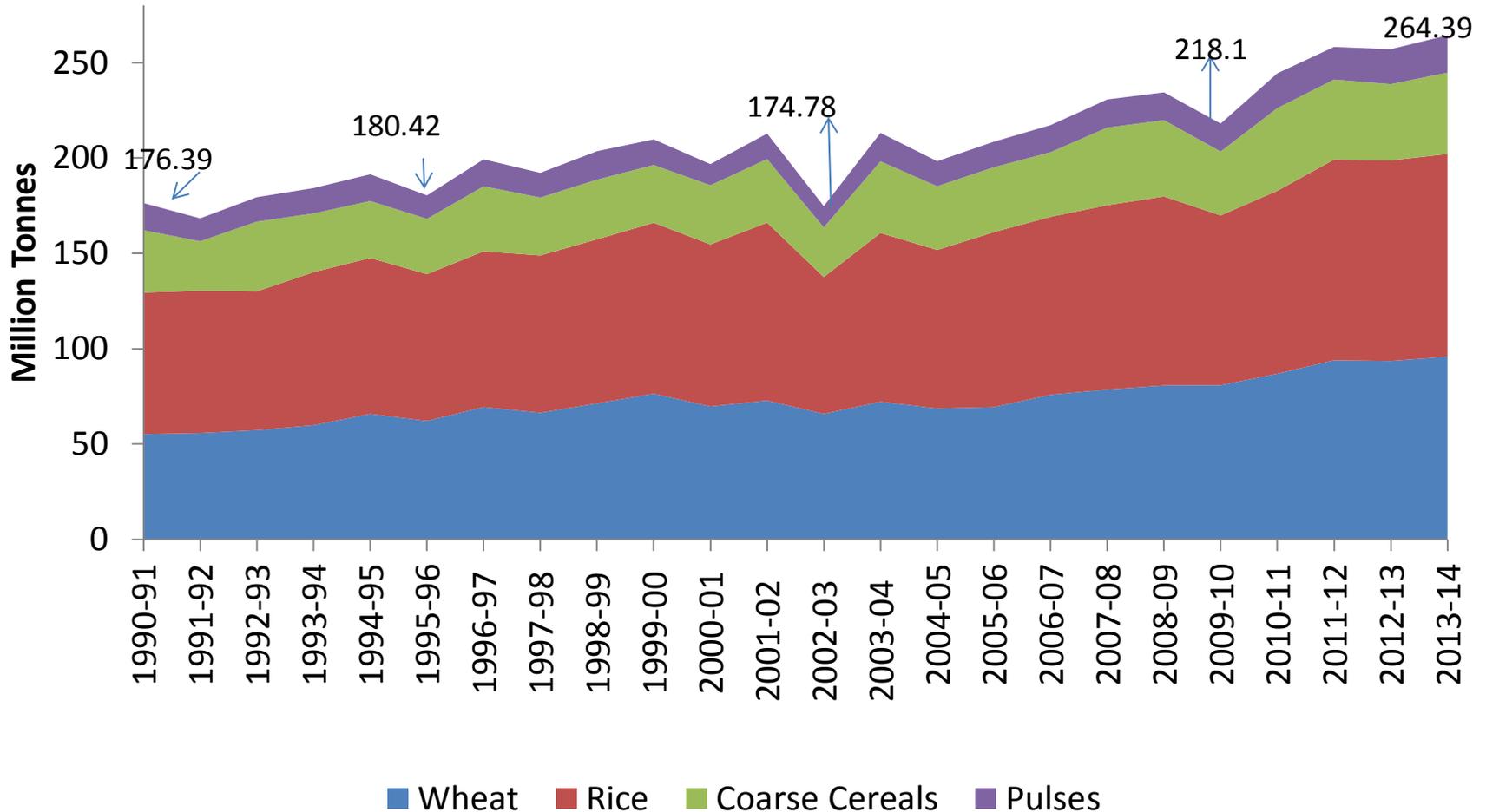
Bihar	1095	Punjab	3828
Jharkhand	1541	Haryana	2789
Orissa	1616	A.P.	2570
Assam	1843	T.N.	3040

All India Rice yield: 2125 kg/ha (2010-11)

Second Green Revolution in Eastern India

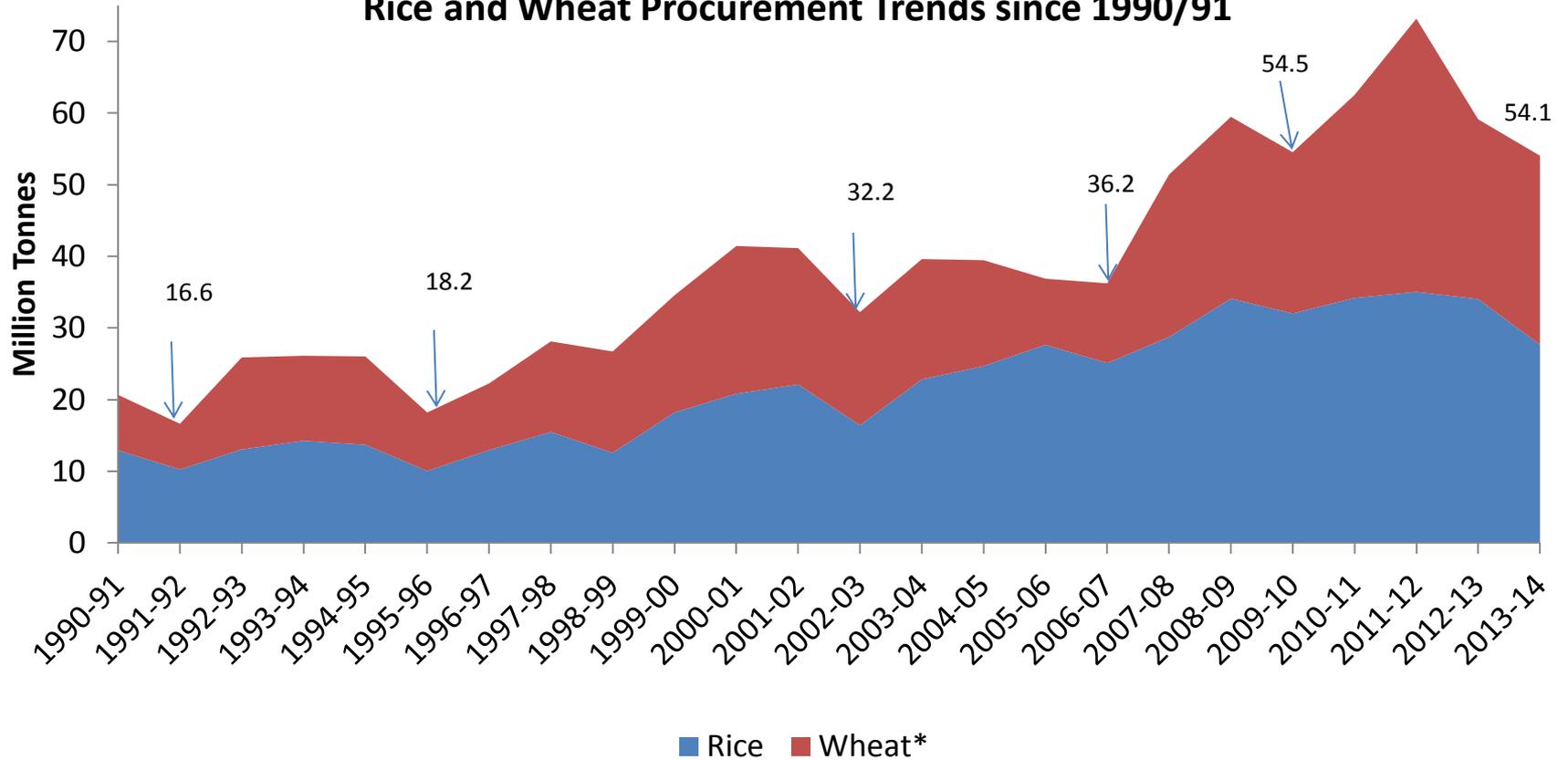
- Eastern Region of the country comprising of Bihar, Jharkhand, Eastern UP, Chhattisgarh, Orissa and West Bengal.
- 56% area under rice but 48% of total rice production
- Productivity levels (except West Bengal) among the lowest in India,
- Rice productivity not only low (1.1 to 2.5 tons/ha) but also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

Production of Food grains in India

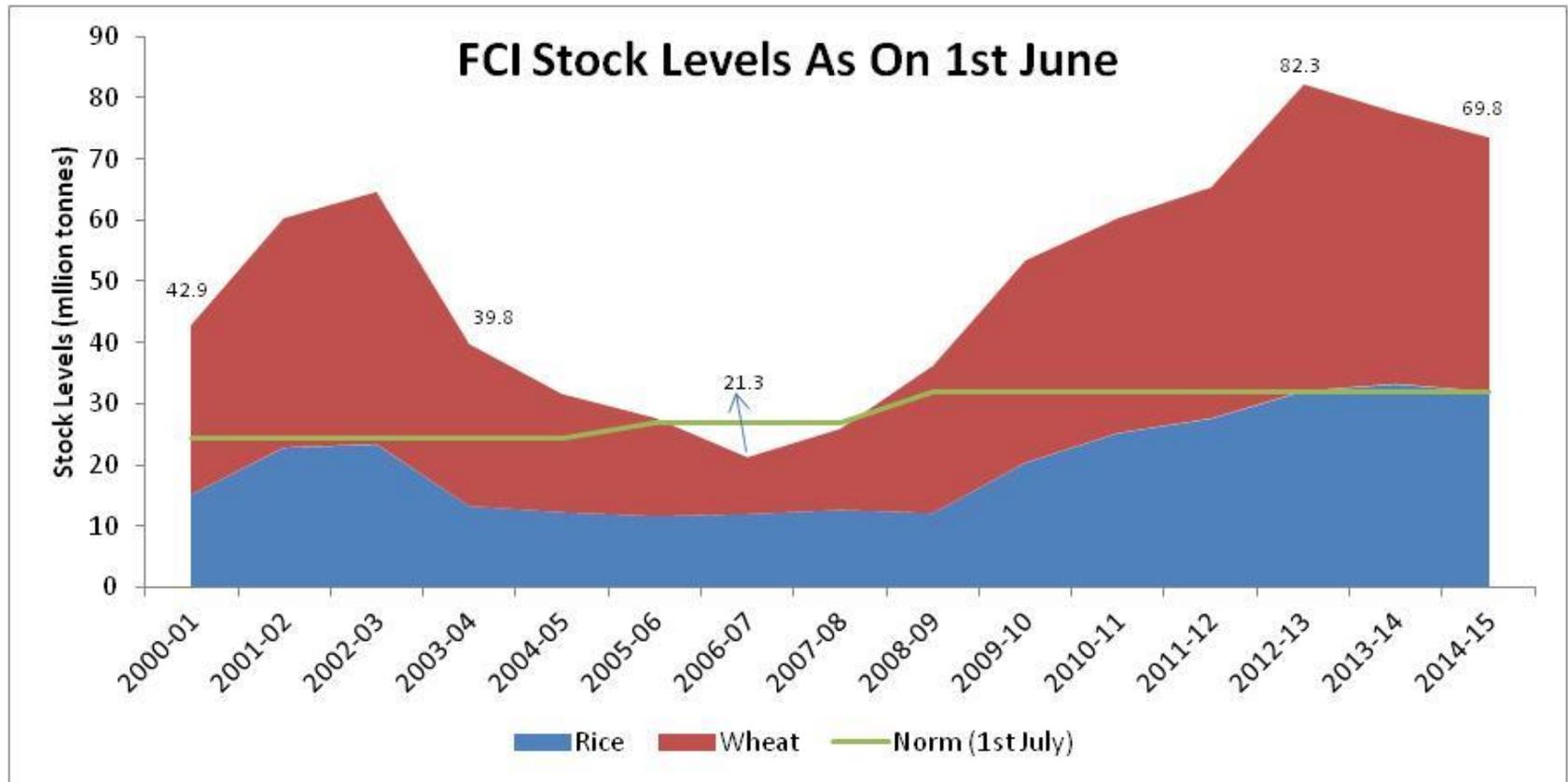


Procurement

Rice and Wheat Procurement Trends since 1990/91



Bulging Grain Stocks with the Govt. (from 21 mt in 2006 to 70 mt in 2014)



How did it happen when only in 2006...

- India imported more than 6 mt of wheat
- And in October 2007 imposed ban on exports of wheat and common rice in the wake of rising global food prices
- How did this turn around from panic and deficit of grain to surplus stocks and massive exports took place in just five years?

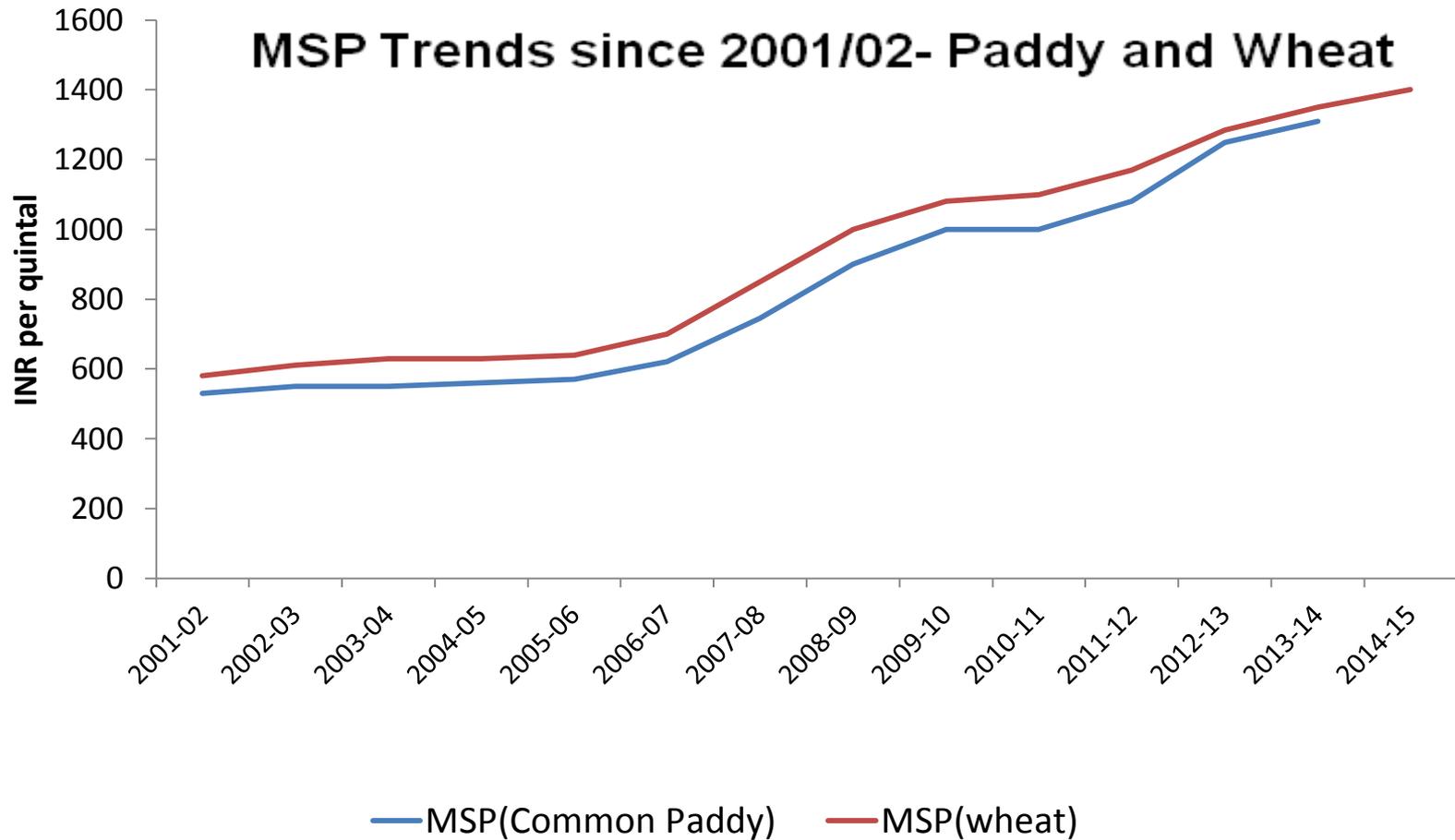
Answer lies partly in NFSM and partly in improving price incentives...

- India launched National Food Security Mission (NFSM) in 2007 to produce additional 20 mt of food grains (10mt rice, 8 mt wheat and 2 mt pulses) in five years...
- Focused on delivery of better seeds, farm practices, and other technologies...largely in central, east, and southern India
- **Result: Foodgrain production increased by 42 mt in 2011-12 over 2006-07 level.**

But was it only a technology catch up??

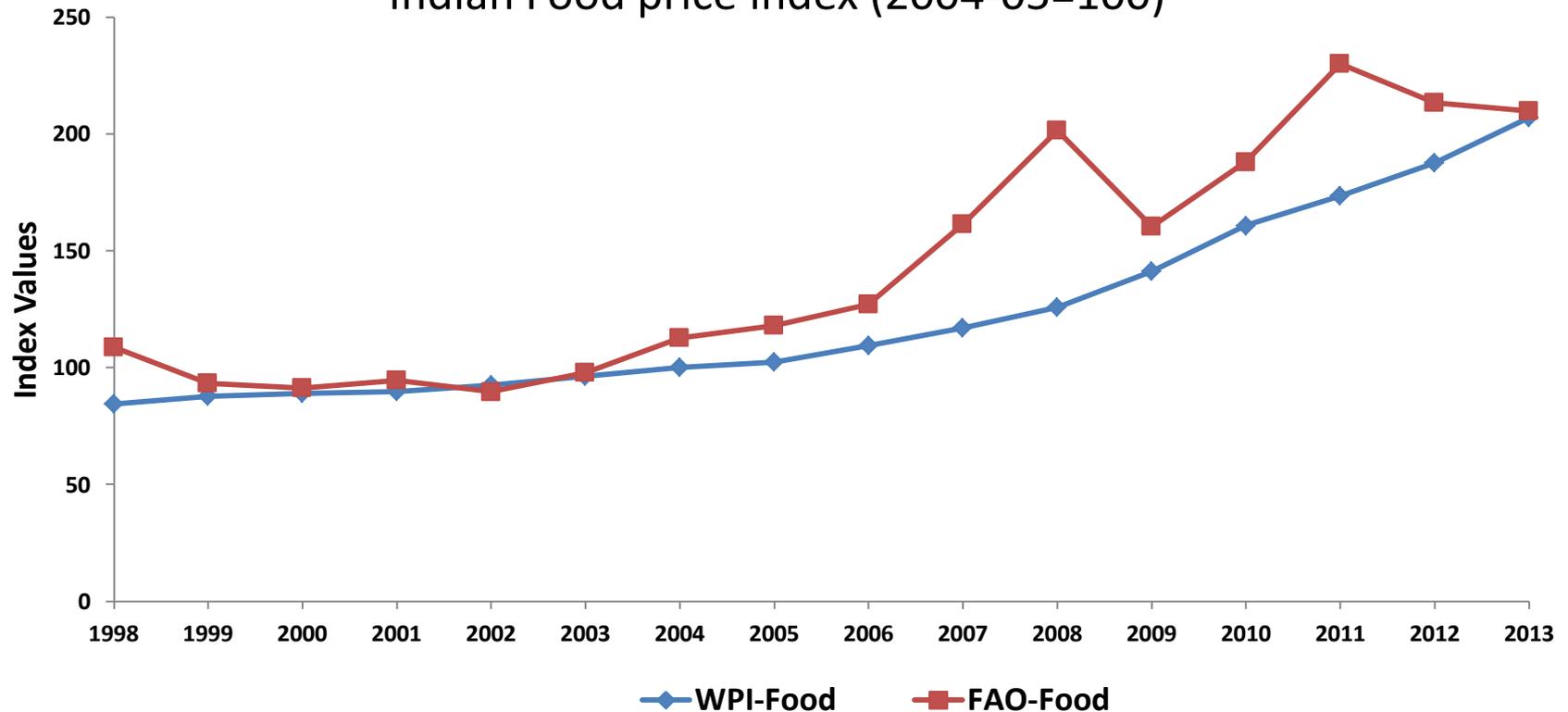
- Technology on its own could not have succeeded if the price environment was not favorable
- Minimum support prices (MSPs) of wheat and paddy were raised in a big way (by more than 30% in 2008-09 over 2007-08 marketing years)
- This led to a major change in the incentive structure for wheat and rice, and gave robust results...

Minimum Support Prices of Paddy and Wheat (Rs/qtl)

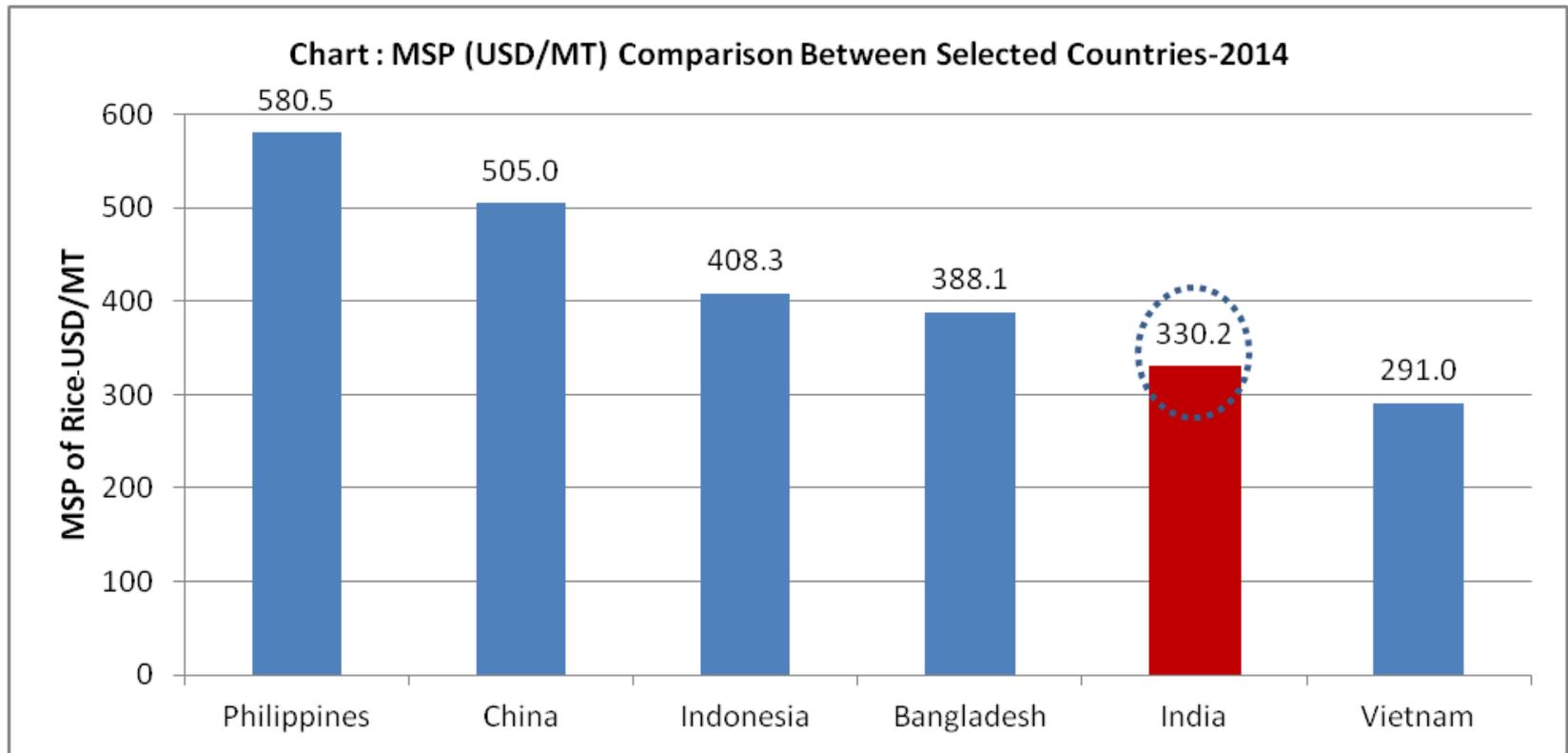


Despite export bans, Indian food prices gradually integrated with world prices

Convergence of FAO food price index (2002-04=100) and Indian Food price index (2004-05=100)

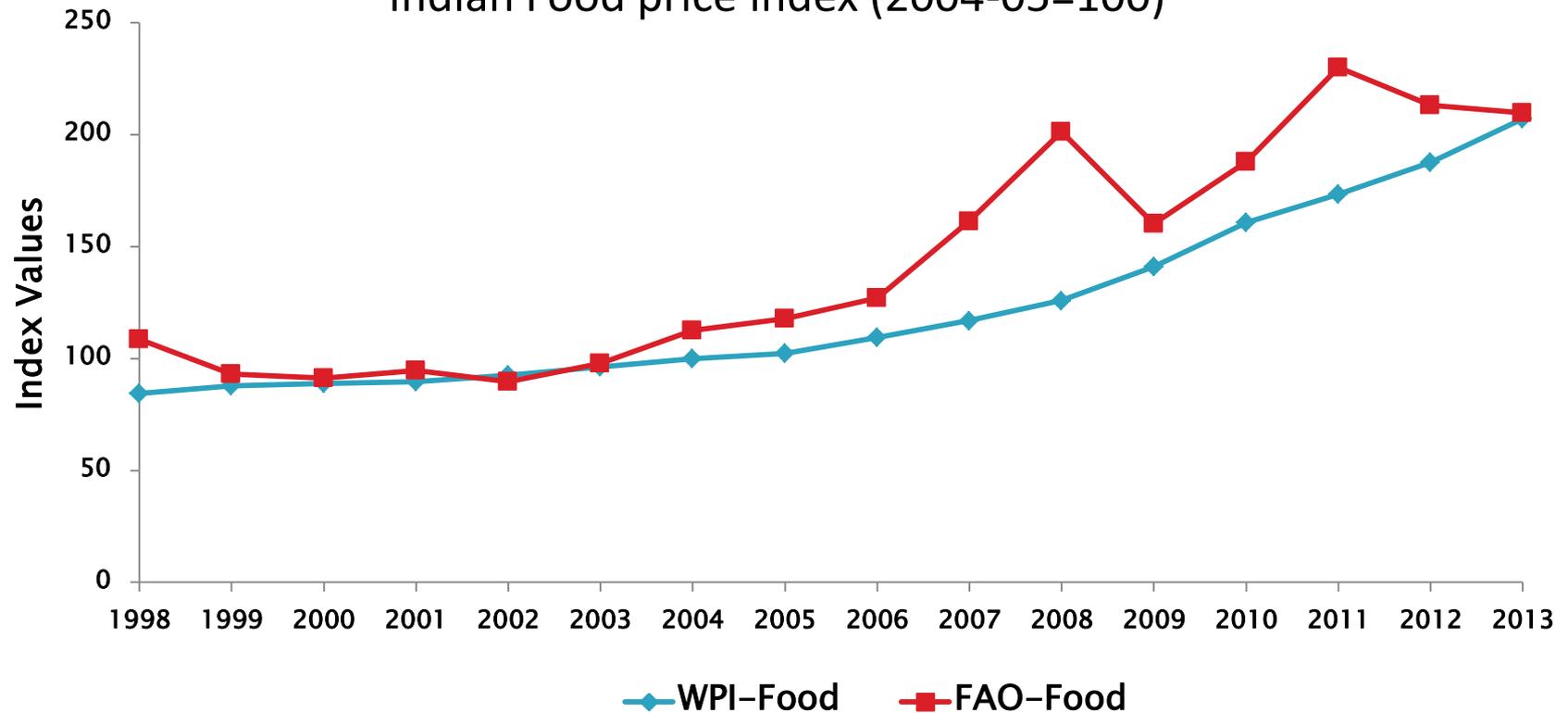


MSP of Rice and Wheat in India and Selected Countries



Despite Occasional export bans & high import duties, Indian food prices gradually integrated with world prices

Convergence of FAO food price index (2002-04=100) and
Indian Food price index (2004-05=100)



Where is Indian Grain policy headed now?

- Focus shifted from production to distribution under UPA-2
- Entitlement approach “Right to Food” under Life Cycle
- National Food Security Act (NFSA) passed in Sept 2013.

NFSA, 2013

- Envisages highly subsidized cereals (roughly at one-tenth the cost (Rs 3/2/1 per kg* of rice/wheat and coarse grains) to 67 percent population (75% rural & 50% urban)
- 5 kgs per person per month to priority HHs; and 35 kgs/HH under AAY scheme (extreme poor)
- Legal commitment of 61.4 MMTs subsidized grain distribution

*US\$ 0.0335 /kg for wheat and US\$ 0.0502 /kg for rice and US\$ 0.0167 /kg Coarse grains

Challenges of NFSA

- Direct fiscal cost roughly \$20-22 billion p.a at current exchange rates (Rs 60=USD) calculated by govt. Our estimates much higher...
- Existing public delivery system highly leaky (PDS leakage around 40%)
- Massive government intervention in procurement, storage and distribution of cereals will drive away private sector...expensive
- Cereal centric policies will slow down diversification towards high value crops

Likely impact on global markets

- High stocks in India (and China) could keep world prices of wheat and rice high;
- Erratic entry and exit of India from global rice and wheat trade will bring in additional uncertainty in global prices
- Better option will be greater integration with world markets with exports and imports open, and keeping duties at low levels

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