

RICE INDUSTRY

SECTOR OVERVIEW

November 2019



GLOBAL RICE - OVERVIEW

World Trade | Snapshot

Demand & Supply

Pricing (Incl. Pakistan)

WORLD TRADE | SNAPSHOT

In ('Mln Tons)	RICE Production Milled Rice *MY			RICE Consumption *MY			Net (Importer) / Exporter		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
China	149	148	148	141	142	142	(4)	(5)	(2)
India	105	110	112	93	96	99	10	13	12
Indonesia	37	37	37	37	38	38	(1)	(1)	(1)
Vietnam	27	29	29	22	22	22	5	7	7
Thailand	19	20	21	12	11	10	10	12	11
Pakistan	7	7	7	3	3	4	4	4	4
USA	6	7	6	4	4	4	3	3	2
Bangladesh	35	35	33	35	35	35	(1)	(1)	(3)

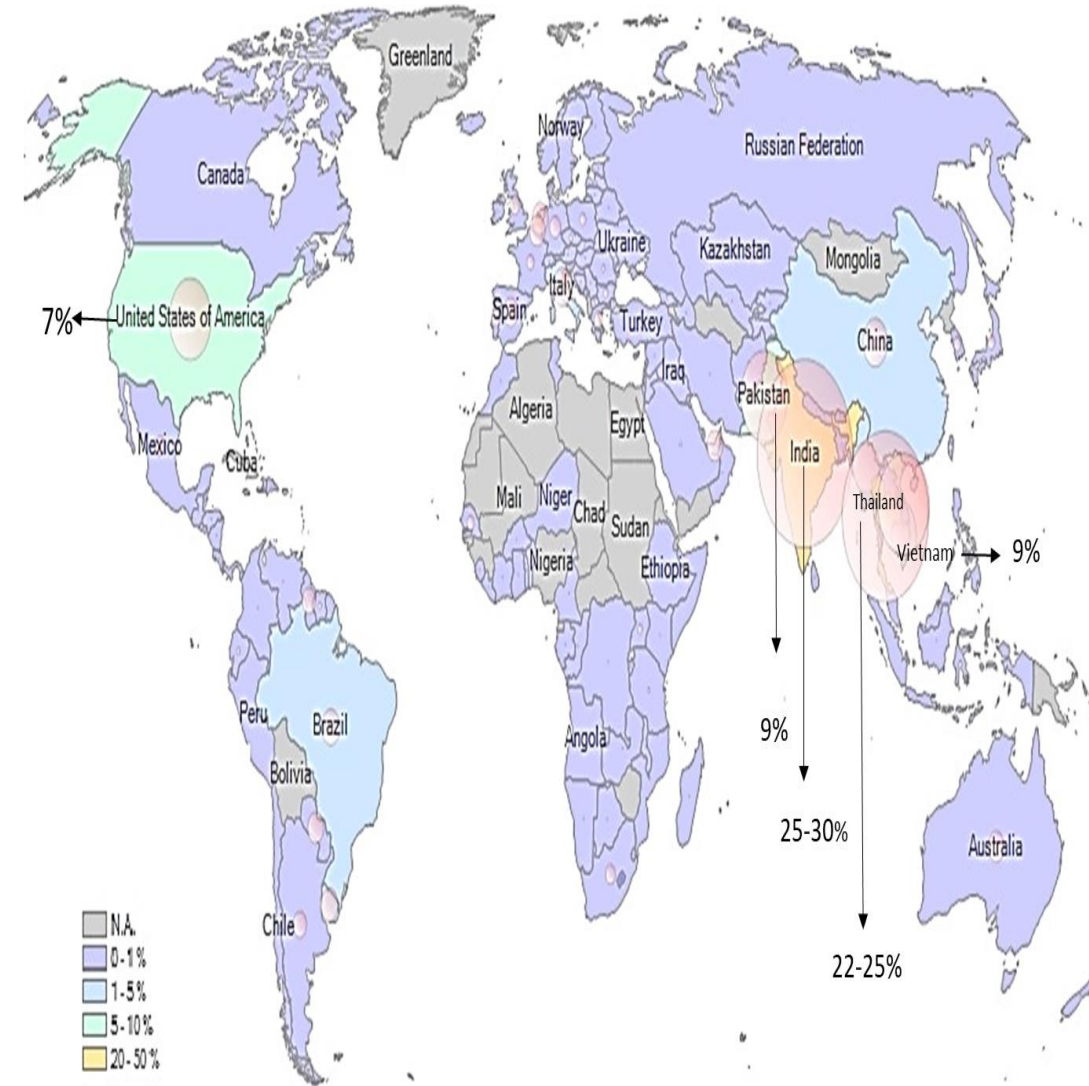
*Milling is the process, where hulls and bran layers on the rice are removed, approx. 25-30% of rice is wasted during the milling process due to the delicate nature of rice.

*MY = Marketing year

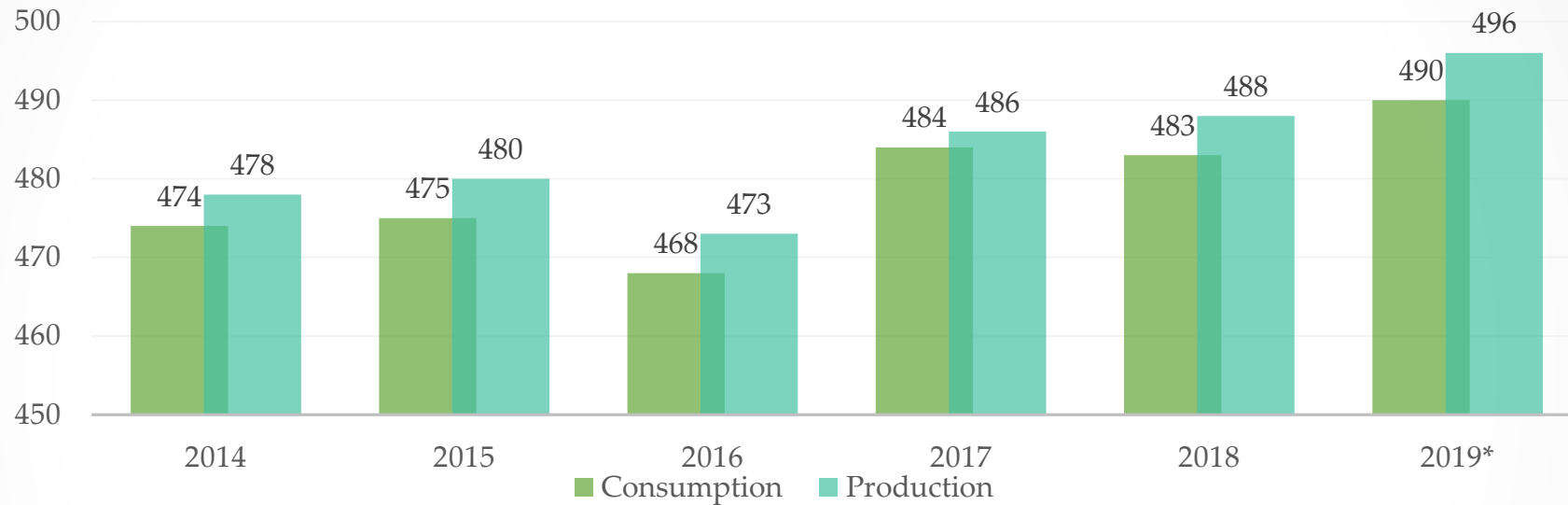
**All figures quoted are rounded up

- ❑ Nearly 600-640mtons of rice are grown in Asia, representing almost ~90% of global production
- ❑ China tops in production & consumption, however, China tends to gradually reduce its dependence on imports
- ❑ From 2016, onward, India started losing its share to other exporting countries, majorly Thailand. Thailand exports gained momentum from 2016 and in 2018 came at par with India.
- ❑ Vietnam has a sizeable share in the market and is the third largest rice exporter following India and Thailand.
- ❑ Indonesia is the 3rd largest consumer of rice, hence the net rice importer followed by Bangladesh.
- ❑ Pakistan Exports quantum remains relatively stable over the years.

Share % In The Total Rice Export



Worldwide Total Consumption & Production of Milled Rice In Mln MTons



- ❑ World's total milled rice production reached 496Mln tons in FY19 (FY18: 488Mln tons) presenting a meagre growth of ~2%.
- ❑ As witnessed from the table, rice consumption in 2019 has increased by ~1.4% and world population growth rate is around ~1.8%* which depicts that global consumption patterns have almost remain unchanged.

**Source: of world population growth rate: worldometer.info
Accessed at 31st Oct'19*

RICE | PRICING ANALYSIS



Rice Prices ~ Type Wise USD Per Metric Tonnes							
	India - IRRI	India-Basmati	Thailand IRRI	Thailand – Fragrant Rice **	Vietnam IRRI	Pakistan-IRRI	Pakistan-Basmati
2015	337	1,220	373	1,008	334	318	849
2016	333	860	385	768	332	327	795
2017	361	805	384	843	351	350	1,131
2018	374	1,027	408	1,167	391	360	1,023
2019 (Jan-Aug)	361	1,067	406	1,200	325	324	979

*Prices are determined on the basis of rice ‘quality’ which is defined by the percentage of broken kernels

** The prices of Thai Fragrant is equivalent to Basmati rice but it is actually categorized under Non Basmati rice.

- ❑ Market led (Unregulated) pricing mechanism exist in most of the rice producing countries.
- ❑ From 2017, recovery was seen in the global prices, therefore benefiting Pakistani rice exporters as well. While during the period 2019, overall industry prices witnessed a decline except Thailand’s IRRI & Fragrant Rice.
- ❑ Thai rice has become preferred premium choice in international market on the grounds of rice quality, branding and better packaging as compared to other Asian players. The country has been able to hold its IRRI & Fragrant Rice prices in 2019 as against other regional players.
- ❑ In 2019, Pakistani basmati rice prices rationalised given rupee depreciation and general market & crop conditions.
- ❑ Indian basmati rice may be subject to the uncertain buying patterns, coming from its major buyers; Iran and Saudi Arabia.

PAKISTAN RICE - OVERVIEW

Statistics

Value Chain & Inputs

Geography

Exports

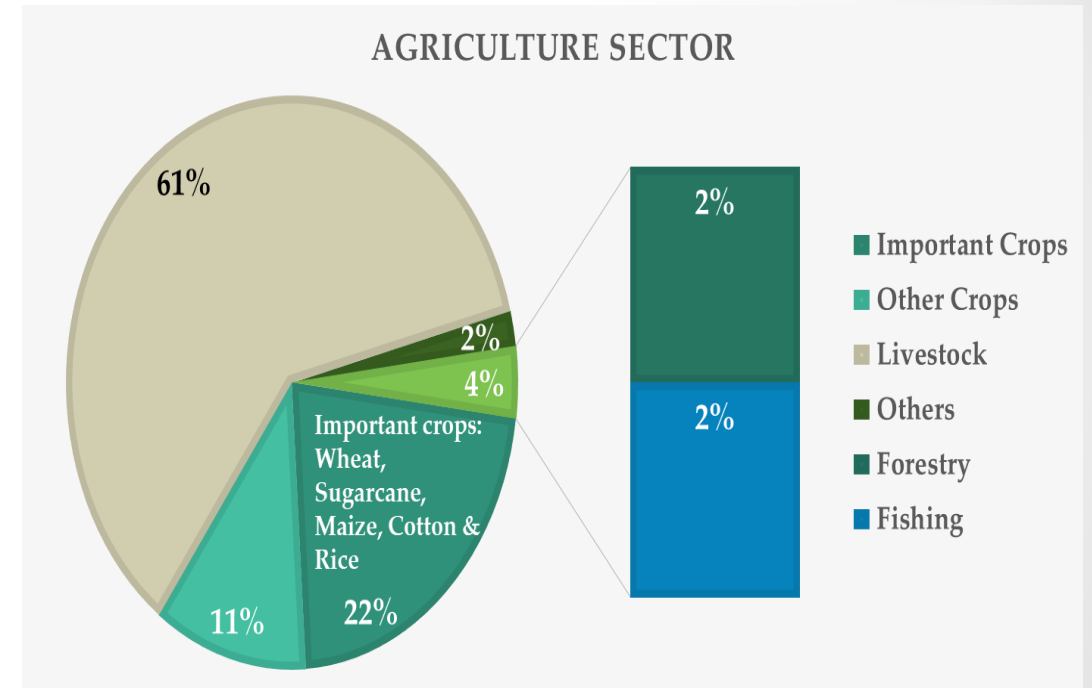
Peer Analysis - India

Outlook

RICE | STATISTICS



- Contribution in Economy:**
 - Contribution to GDP: 0.6%
 - Value added in Agriculture: 3.1%
- Cultivation Area:**
 - 2.81 Million Hectares in 2019 (Jul –Mar)
 - 2.90 Million Hectares in 2018
 - 2.72 Million Hectares in 2017
- Rice Exports**
 - US\$ 2.04 Billion in 2019
 - US\$ 1.99 Billion in 2018
 - US\$ 1.61 Billion in 2017
- Rice Production:**
 - 7.20 Million MT in 2019 (Jul –Mar)
 - 7.44 Million MT in 2018
 - 6.85 Million MT in 2017
 - Yield: 2.56 MT/Hectare in 2019 (Jul –Mar)
 - Yield: 2.57 MT/Hectare in 2018
 - Yield: 2.51 MT/Hectare in 2017
- Rice Consumption:**
 - 3.55 Million MT in 2019
 - 3.45 Million MT in 2018
 - 3.40 Million MT in 2017



RICE | VALUE CHAIN



- ❑ Kharif – Summer Crop – takes up 10% of Pakistan’s Agricultural Land, and is the 3rd largest crop in terms of area sown.
- ❑ Sowing time for rice fall in June-July. While for the new hybrid rice varieties sowing time is March – April. From sowing to harvest, the duration of rice maturity ranges from 90 – 150 Days.
- ❑ Rice harvesting time – September to December.
- ❑ Rice trade in Pakistan is carried out by the private sector with little or no intervention from the government
- ❑ The area cultivated under rice crop remain under 3000 Hectare mark for the past five years.

RICE | MAJOR INPUTS

Water plays a significant role in rice cultivation. Climate change and shifts in rain cycle has raised concerns for the farmers. Rice is a water thirsty crop hence timely availability of water is vital for the crop



Soil health is a key factor for crops productivity which is dependent on balanced use of fertilizers (Urea, Potash & Nitrogen)



Cultivation of new hybrid rice, developed by the Guard Agricultural Research & Services Limited and Yuan Longping High Tech Agriculture (China), enabled the increase in per acre yield. At present, the IRRI rice is giving 60-80 maunds per acres and the hybrid seed is giving 130-150 maunds per acre. On the other hand basmati is giving 80 maunds per acre



In May'18 Pakistan exported 100 tons heat-tolerant rice seeds to Philippines, with the technological help from China. Increasing demand of Pakistani basmati rice in international market led to the commercialisation of hybrid basmati – which is expected to be achieved by 2019-20.

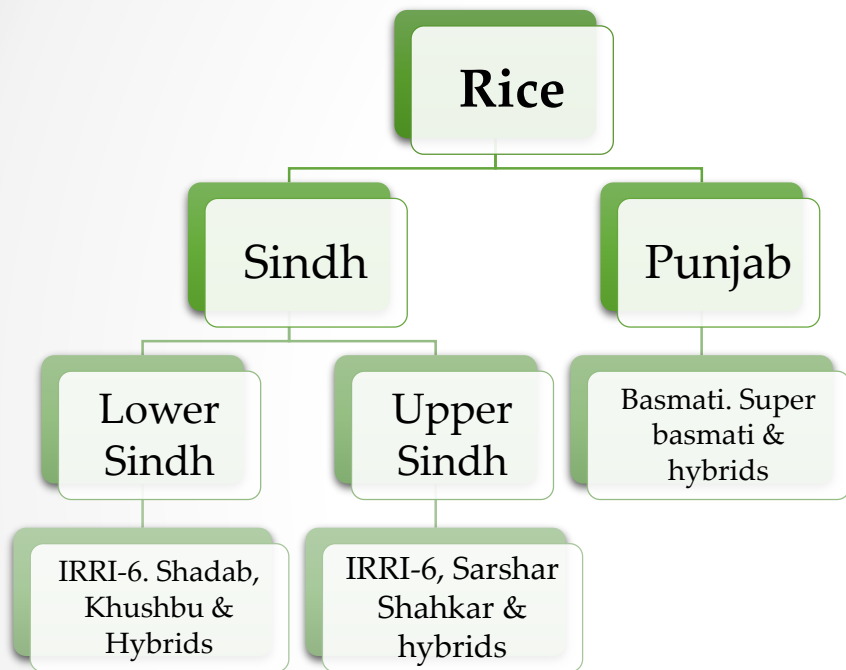


An important measure to enhance yield is to control insect pests. Large varieties and mix are used - while most extensively used is herbicide. It is a critical element due to its dependence on proper application, as wrong proportion can be detrimental for the entire crop as well as for the end consumer

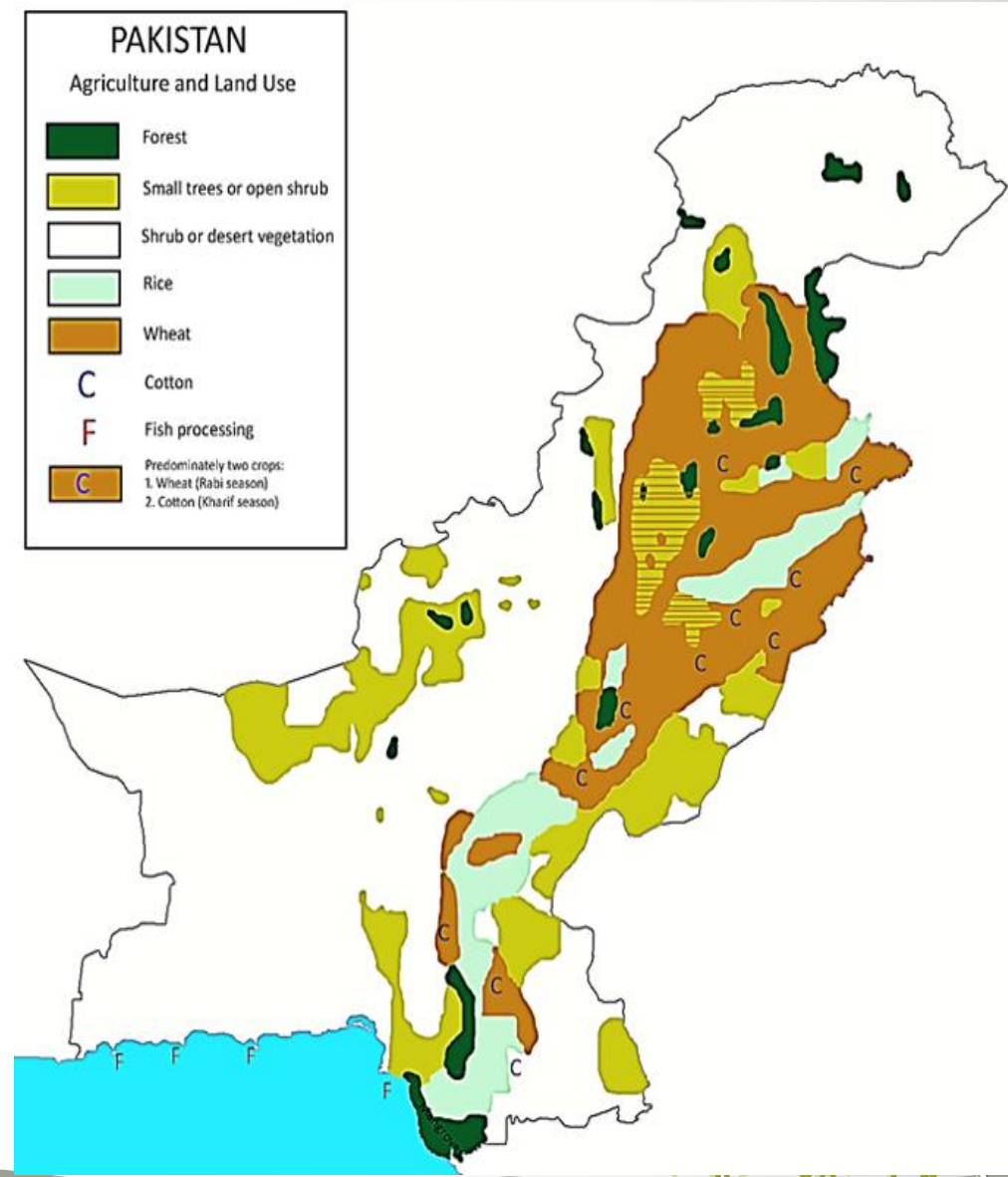


GEOGRAPHICAL OVERVIEW

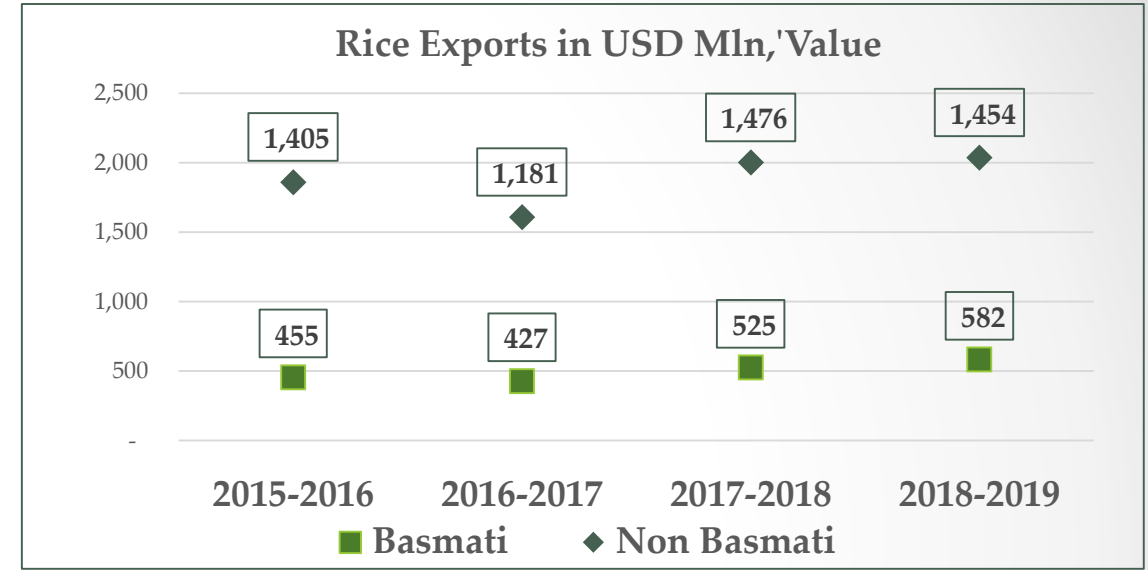
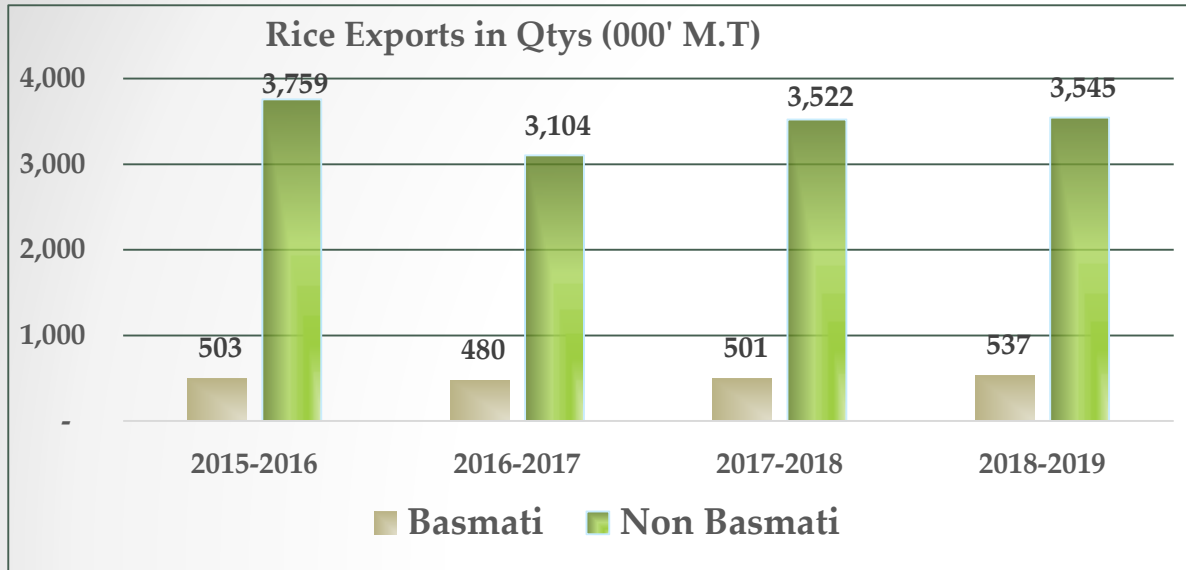
Where is Rice Grown?



- ❑ Pakistan has two major rice-producing regions; Punjab and Sindh. Together both provinces account for nearly 90% of total rice production.
- ❑ Punjab, due to its agro-climatic and soil conditions, produces 100% of the Basmati rice in the country, which is expensive as compared to non basmati
- ❑ Sindh region is enriched with cultivation of non basmati rice that too mainly IRRI-6 which is majorly exported to the African regions.
- ❑ Sindh region is further bifurcated into two parts due to the facts pertinent to land surface and timely water availability hence the quality differs according to the varieties

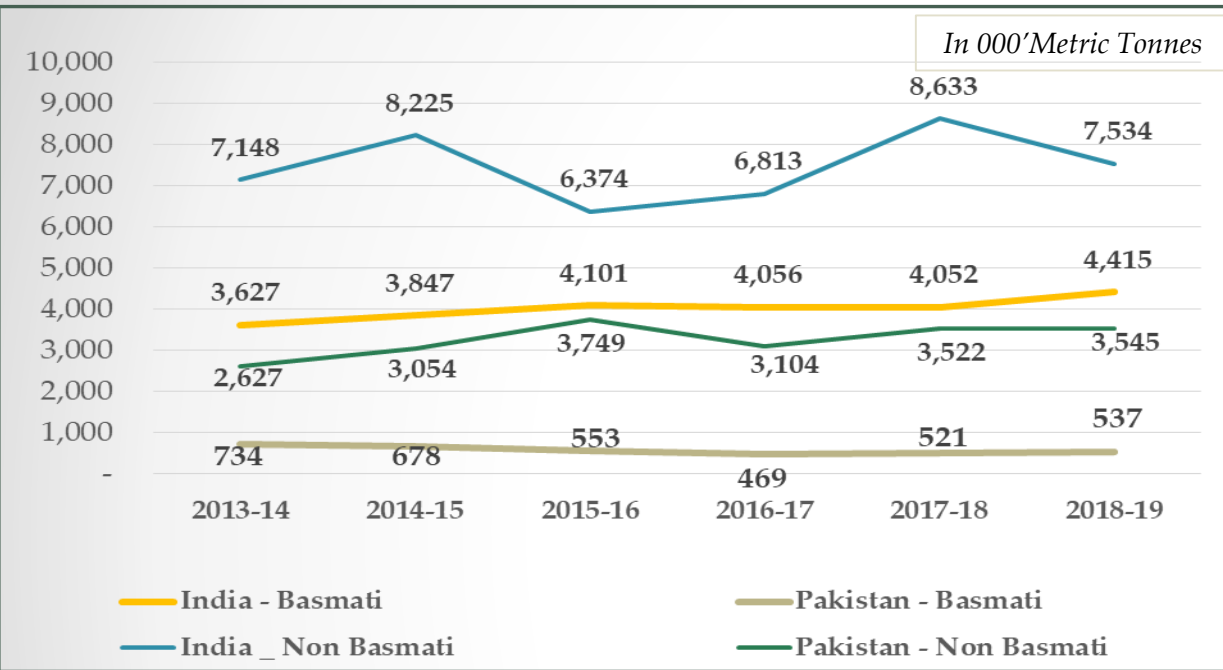


RICE | PAKISTAN EXPORTS



- ❑ During 2018, the surge in exports of non basmati rice came due to the high demand from the African regions - Kenya, Madagascar & Benin.
- ❑ Rupee devaluation has been favorable for the rice exporters in Pakistan. Pakistan's rice exports surpassed the \$2 bln per year foreign exchange mark during FY19 and has been the second largest export item of the country.
- ❑ China and UAE were the major contributors towards the Pakistani rice exports during FY19*(July-Apr) in US dollar terms.
- ❑ Qatar has recently lifted ban on export of rice from Pakistan
- ❑ In line with the industry, Pakistan also exported rice to Philippines in FY19 worth USD ~45mln.

RICE | PEER ANALYSIS



BASMATI RICE	PAKISTAN		INDIA	
	2017-18	2018-19	2017-18	2018-19
Area - Million Acre	3.7	3.8	3.9	3.9
Rice Production (MMT) – Super Basmati	1.7	1.6	1.9	1.9
Rice Production (MMT) – Kainat	1.2	1.4	4.4	4.2
NON - BASMATI RICE	2.9	3	6.3	6.1
Area - Million Acre	3.0	3.0	101.6	103.2
Rice Production (MMT)	4.3	4.3	104.7	103.8

- ❑ Pakistan export quantum has been very low as compared to India, owing to lower area of cultivation, particularly on non basmati front and lower yield on the basmati front.
- ❑ India basmati rice export quantum has been stable over the years in comparison to its non basmati exports.

Global

Growing stringency in quality standards globally

In FY19, China emerged as a rice exporter, currently holds ~3% share in the total rice exports worldwide

Thailand evolving as a top exporter

Standardized pricing in importing regions

Local

Hike in interest rates, and growing freight charges

Currency fluctuations

Climate change, shifting rain cycles timely availability of water

Introduction of hybrid varieties

- PACRA in house database
- Trade Map
- Statista
- Rice Export Association (Pakistan & Thailand)
- Pakistan Agricultural Research Council-excessed on 21st Oct'19; <http://www.parc.gov.pk/index.php/en/faq-s/99-faq/475-rice>
- <https://scialert.net/fulltextmobile/?doi=pjbs.1999.261.276>
- <https://www.sciencedirect.com/science/article/pii/S2405883116300569>
- <https://www.worldatlas.com/articles/top-10-rice-consuming-counties.html>
- <https://www.thehindubusinessline.com/economy/agri-business/india-losing-african-rice-markets-to-others/article28560702.ece>
- <https://www.reuters.com/article/asia-rice/asia-rice-thai-rates-gain-as-drought-hits-supply-vietnam-eyes-south-america-market-idINKCN1UY1M6>

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