

Uncertainty in global markets may hit basmati rice exports

DILIP KUMAR JHA
 Mumbai, 20 September

After registering an impressive growth during the last financial year and so far in the current year, basmati rice exports could be hit by certain adverse developments in the global market.

Data compiled by Agricultural & Processed Food Products Export Development Authority (Apeda) showed that the country's basmati rice exports stood at ₹26.87 billion for the financial year 2017-18, a rise of 23 per cent from ₹21.51 billion in the previous year.

In volume terms, however, the growth in exports was marginal at 4.06 million tonnes for 2017-18 from 3.98 million tonnes in the previous year.

Going forward, however, basmati rice exports are likely to remain lower at least for the current financial year after a robust growth in the first four months between April and July 2018.

In fact, basmati rice exporters have witnessed nearly ₹5 billion worth of payment default primarily in countries like Iran.

"Certain adverse developments, materialised and impending, in some major export destinations could materially hurt the export demand for Indian basmati rice, thereby exerting downward pressure on realisations across the chain," said



Deepak Jotwani, assistant vice-president, Icra.

Basmati rice exports from India reported 14 per cent jump to ₹11.58 billion during the period between April and July this year from ₹10.15 billion for the corresponding period last year.

In volume terms, however, basmati rice exports remained flat at 1.57 million tonnes for the first four months of the current financial year compared to 1.56 million tonnes for the same period last year.

Meanwhile, tightening of pesticide residue parameters by the European Union (EU) has resulted in considerable decline in exports to this region (58 per cent in volume and 40 per cent in value over the January-July period). Trade sources expect India to lose the entire EU market of nearly 400,000 tonnes

PERFORMANCE OVER THE YEARS

Financial year	Quantity (in mt)	Value (in \$ bn)
2013-14	3.76	4.87
2014-15	3.70	4.52
2015-16	4.05	3.48
2016-17	3.99	3.22
2017-18	4.06	4.17
2018-19*	1.17	1.28

* April-June, Compiled by BS Research Bureau
 Source: APEDA

The decline in exports to the EU was compensated by strong buying by Iran. Domestic basmati rice exporters have recently faced payment issues from some Iranian importers

gradually.

Nevertheless, while the decline in exports to the EU was compensated by strong buying by Iran, domestic basmati rice exporters have recently faced payment issues from some Iranian importers. Also, the imposition of trade sanctions by the US on Iran, which will take full effect in November 2018, may hamper trade between India and Iran.

Another evolving concern is Saudi Arabia, which followed the EU by tightening the pesticide residue parameters. However, there has not been any final official notification regarding the guidelines yet.

Together, Saudi Arabia and Iran, which account for 60-70 per cent of total basmati rice exports from India, can have a considerable impact on the domestic industry.