

# INDIAN RICE EXPORTS

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**Rice export to decline by ~25% in  
FY2024; prices to remain elevated in  
FY2025**

**MARCH 2024**



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*A deficit in global rice production and strong demand in FY2024 is likely to keep international rice prices high.*

*Various restrictions on rice exports by the Government of India and higher paddy price in current procurement season would keep the prices elevated in FY2025. Consequently, the working capital requirement of rice millers is likely to increase.*

*ICRA expects total export volumes of rice to decline by around 25% and 5% in FY2024 and FY2025 respectively ; however, export value is unlikely to be impacted due to higher price realisations.*



- **Production:** The second advance estimates of the Government of India (GoI) placed rice production at ~123.8 million tonnes (MT) for the year 2023-24, around 9% decline over production in 2022-23. The paddy sown in the kharif season was 2.7% higher than that in 2023-24. However, yields were impacted by erratic monsoons and the El Nino effect. Nevertheless, ICRA expects total Indian rice production in FY2024 to remain higher than its annual rice consumption of ~110.0 MT, resulting in a surplus, which would be available for exports.



- **Exports:** Despite a ban on the export of broken rice and imposition of 20% duty on non-Basmati rice exports, total rice exports grew by 5% in FY2023. Further, the GoI imposed restrictions on the export of non-parboiled rice, which accounted for ~30% of the total FY2023 export volume to safeguard domestic consumption and control price escalation. Consequently, the export volume of non-parboiled rice is likely to decline significantly in FY2024. However, ICRA anticipates the export of non-parboiled rice to continue in limited volumes under bilateral arrangements between the GoI and other rice importing countries, as seen in FY2023 for broken rice. Consequently, ICRA estimates an overall decline of ~37% in non-Basmati rice export volumes. Basmati rice export volumes are likely to grow by more than 10% in FY2024 amid strong demand despite introduction of minimum support price (MEP) on Basmati rice exports by the Government. Consequently, ICRA expects total rice export volumes to decline by ~25% in the current year.



- **Prices:** The average price of exported Basmati rice and non-Basmati rice increased by 26% and 9%, respectively, in FY2023. In the current year, the average prices of exported Basmati rice and non-Basmati rice are at a decadal high (increased by 10% and 15%, respectively) and are estimated to remain at elevated levels in FY2025 due to strong demand, higher paddy procurement price in the current season, GoI's restrictions on exports, and expected decline in production. However, there could be some moderation in domestic rice prices following the export restriction and Government measures including introduction of Bharat Rice (low priced non-Basmati rice), though they are likely to exceed past levels.

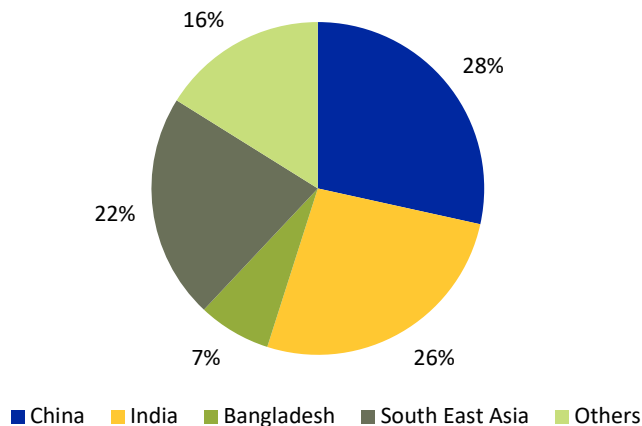


- **Global challenges:** Due to the unfavourable climatic conditions seen across rice producing countries, ICRA believes global rice production may decline in FY2024. Additionally, increased consumption, particularly in Asia and Africa due to population growth, would further result in a deficit and keep prices elevated. Furthermore, a ban on the export of non-parboiled rice by India, which accounted for ~30% of its rice exports, would create a deficit in rice availability for importing countries.

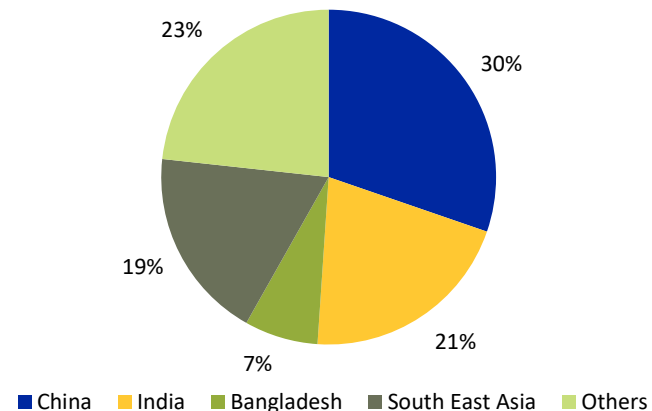
# India, China account for more than 50% of global rice production/consumption

Exhibit: Country-wise share in global rice production and consumption in MY2022/23\*

Global rice production



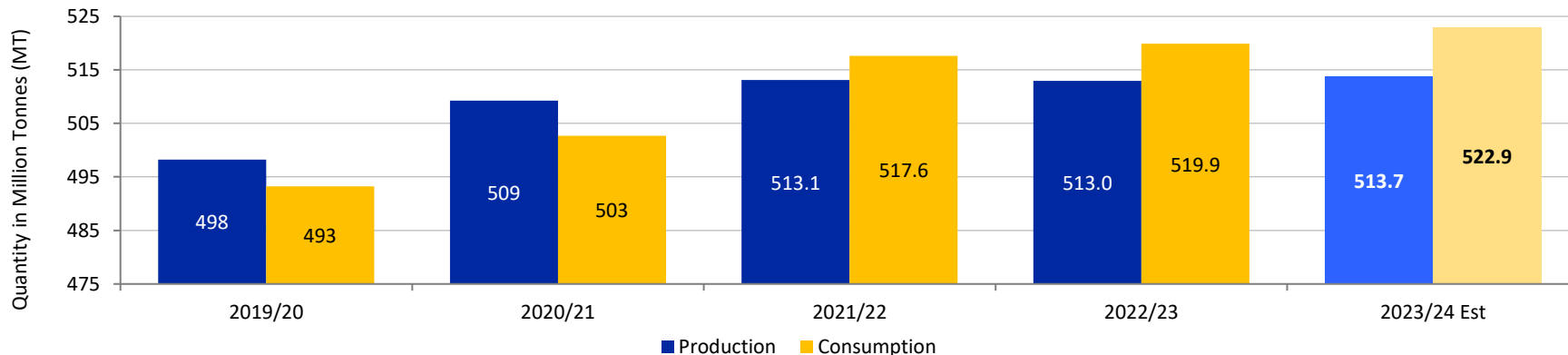
Global rice consumption



- China and India contribute more than 50% to global rice production, followed by over 20% from South-east Asian nations (Indonesia, Vietnam, Thailand, Myanmar, the Philippines and Cambodia).
- The consumption pattern also remains similar to that of production, with China and India together consuming more than 50% of the global rice, followed by the South-eastern nations consuming around 20%.

# Deficit in global rice production likely in FY2024

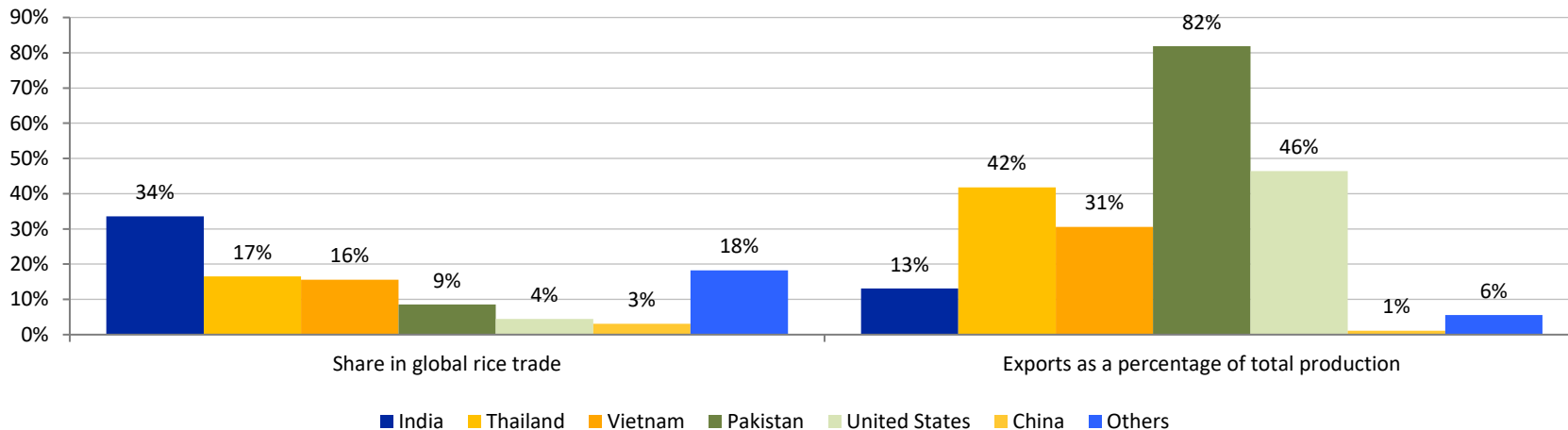
## Exhibit: Global production and consumption estimates



- Till market year (MY) 2020/21, global rice production was adequate to cover global consumption. However, from MY2021/22, there was a deficit in global production, which has widened in subsequent years.
- As per the latest estimates from the USDA, global rice production is likely to remain stable at 513.7 MT in MY2023/24. However, global consumption is estimated to increase by ~3 MT, which would further widen the deficit in global rice availability, thereby pushing up prices.
- India's rice production is likely to decline by ~9% from the previous year due to the impact of erratic rains and a poor monsoon caused by the El Nino weather phenomenon as per the latest Gol report dated February 29, 2024.

# Indian rice exports account for more than 30% of global rice trade

Exhibit: Share of global rice trade and exports out of total production (country-wise exports) in CY2023\*



- Around 10% of the global rice production is exported. In CY2023, global rice trade stood at around 52.8 MT, of which India accounted for 17.7 MT. India’s share in global rice trade declined to around 34% in CY2023 from 41% in CY2021 due to various export restrictions on rice by the GoI. In CY2024, ICRA estimates the Indian share in global trade to further decline to around 31%. Other major rice exporting countries could gain by filling this gap in international rice trade to an extent. However, unfavourable climatic conditions in these countries, such as the recent flood in China and the drought in Thailand, could impact their production, thereby impacting global rice exports.



August 2022 – Ban on exports of broken rice and additional duties on non-Basmati white rice (excluding parboiled rice)



July 2023 – Ban on non-Basmati rice (white) rice exports



August 2023 – 20% duty on parboiled rice and Minimum Export Price (MEP) of \$1,200 per tonne on Basmati rice. The MEP reduced to \$900 per tonne from October 2023



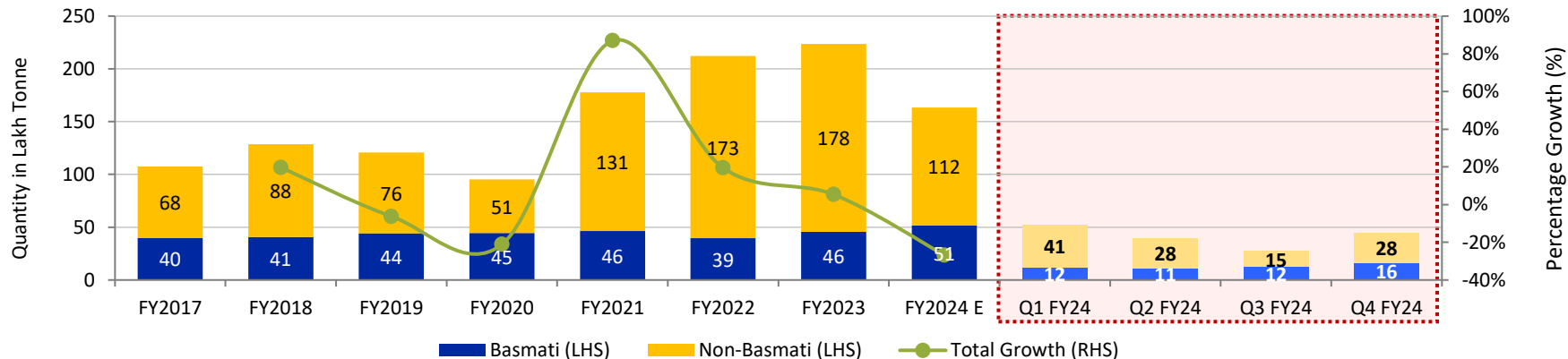
Others – Logistical constraints due to the Red Sea crisis, the Russia-Ukraine and the Israel-Palestine conflicts, etc.



February 2024 – The GoI launches 'Bharat' rice and extends 20% export duty on parboiled rice

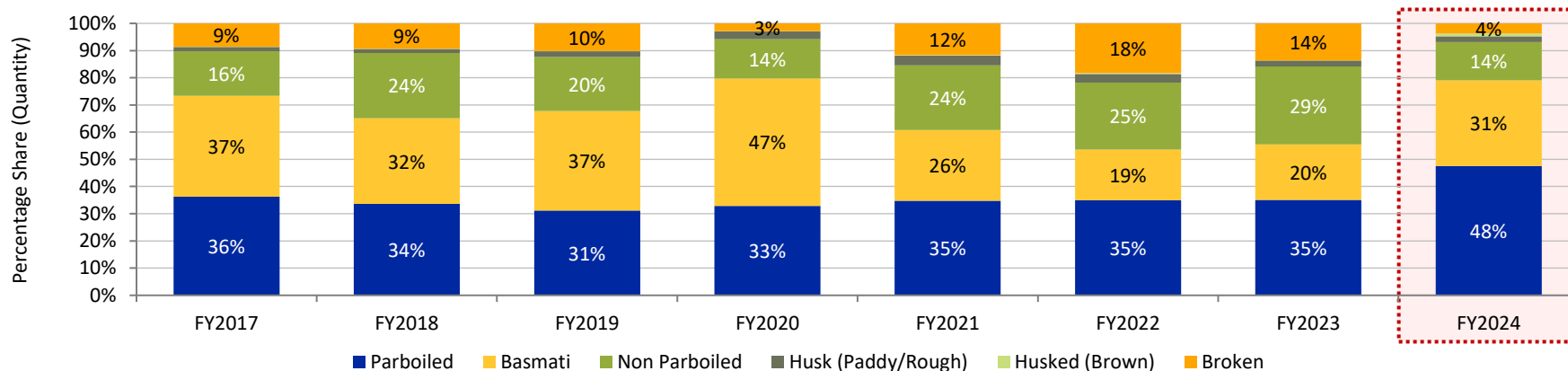
# Indian rice exports to decline in FY2024

Exhibit: Trend in quantity and growth of Basmati and non-Basmati rice exports



- The Indian export of non-Basmati rice increased to 178 lakh tonnes in FY2023 from 173 lakh tonnes in the previous year, despite the Government ban on the export of broken rice and an export duty of 20% on other non-Basmati rice w.e.f. September 01, 2022. However, the ban on non-parboiled rice export announced in FY2024 is likely to impact total rice exports.
- ICRA estimates the total export volumes of non-Basmati rice would decline by around 35% in FY2024. However, Basmati rice exports are likely to increase by ~13% in FY2024, as farmers may opt for sowing premium rice varieties for higher profits after the Government restrictions on non-parboiled rice that would yield lesser profits in the domestic market.

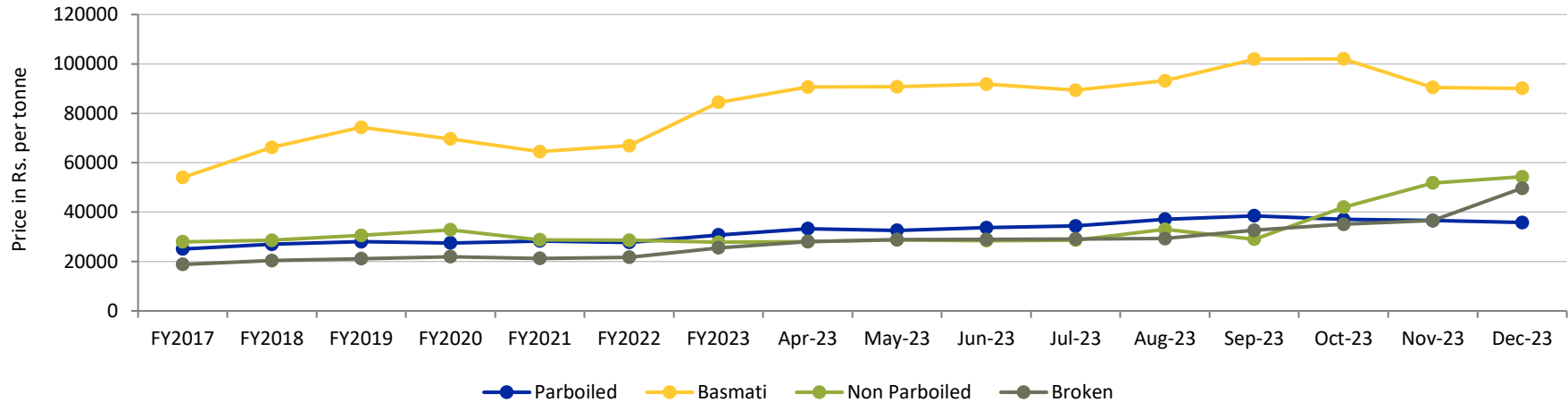
Exhibit: Share of different varieties in total rice exports



- While Basmati rice exports increased to 46 lakh tonnes in FY2023 from 39 lakh tonnes in FY2022, the export of non-Basmati rice rose to 178 lakh tonnes in FY2023 from 173 lakh tonnes in FY2022 and 131 lakh tonnes in FY2021. This growth is attributed to stable production in India and competitive prices for the non-Basmati variety, especially parboiled rice, whose share increased significantly in FY2023.
- Going forward, despite an MEP on Basmati rice, its export would remain unaffected as India consumes only around 25% of the total Basmati produced in the country. Consequently, driven by steady demand, Basmati rice export is likely to register more than 10% growth in FY2024, which would partially compensate for the decline in non-parboiled rice exports. Also, the export of parboiled rice is likely to remain stable in FY2024 despite a continuing export duty of 20%.



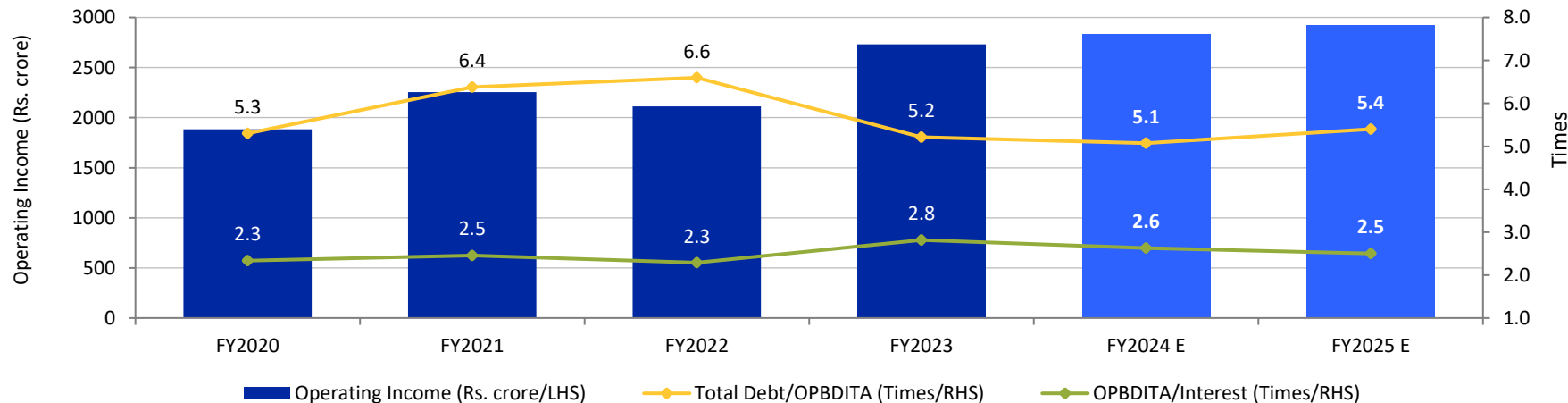
## Exhibit: Indian export price trend



- The average price of exported Basmati rice and non-Basmati rice increased by 26% and 9%, respectively, in FY2023. Further, in 9M FY2024, average price of exported Basmati rice and non-Basmati rice increased by 10% and 15%, respectively over FY2023 prices.
- At present, rice prices are at a decadal high. Going forward, given the recent export restrictions by the GoI on non-parboiled rice, introduction of MEP on Basmati rice exports, higher paddy procurement price in the current season and the estimated high foodgrain inflation globally, international rice prices in FY2025 are unlikely to cool down. Although some short-term moderation in domestic rice prices could be witnessed on account of the export restriction and Government focus on checking domestic prices of essentials.

# Financial performance of Indian non-Basmati rice millers/exporters to remain stable

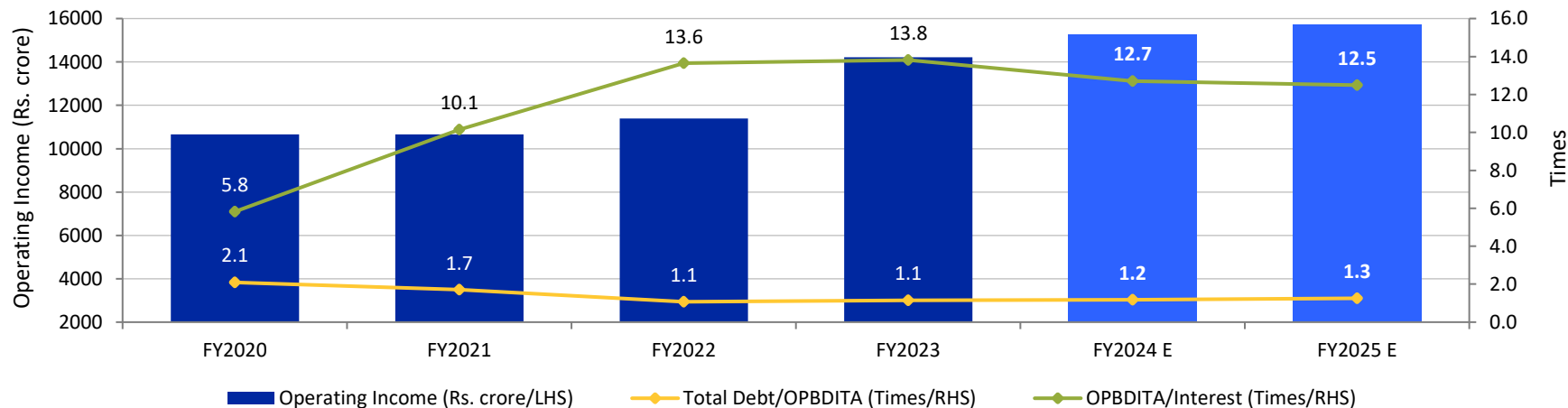
Exhibit: Finance performance of non-basmati rice millers/exporters\*



- Despite an estimated decline of around 25% in overall rice exports, the revenues of non-Basmati rice millers/exporters would remain stable in FY2024 over FY2023 on account of the relatively high realisation in both exports as well as domestic markets.
- The profit margins would remain stable, going forward, backed by the ability of Indian rice millers/exporters to pass on the price hike. However, in the domestic market, such price hikes could be impacted by the regulatory measures of the Government. Due to high paddy procurement price in the current procurement season, working capital requirements in FY2024 and FY2025 would increase, resulting in higher utilisation of working capital limits.

# Financial performance of Indian Basmati rice millers/exporters to remain comfortable

Exhibit: Finance performance of Basmati rice millers/exporters\*

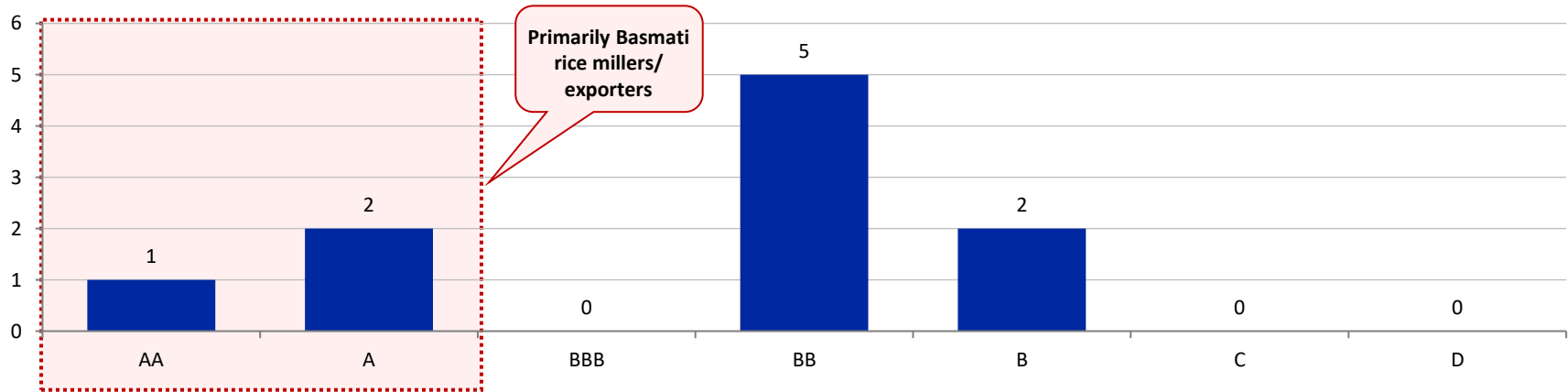


- The revenues of Basmati rice millers/exporters are likely to witness growth in FY2024 on account of increased volumes and relatively high realisations, especially after the ban on the export of non-parboiled rice and duty on parboiled rice.
- The profit margins would improve marginally, going forward, backed by increased demand and higher realisation of Basmati rice, after the ban on non-Basmati white rice and introduction of MEP on Basmati rice. Moreover, the debt coverage metrics are expected to remain comfortable in FY2024.
- Working capital requirement to increase due to higher paddy procurement price in the current season; however, liquidity is estimated to remain adequate.

Source: ICRA Research; Director General of Foreign Trade, Department of Commerce, Ministry of Commerce and Industry, Government of India; Note\*: Based on a sample of four ICRA-rated Basmati rice millers/exporters

# Credit rating distribution for live ICRA-rated rice millers

Exhibit: Credit ratio of ICRA-rated rice millers



- ICRA has ratings outstanding for 10 rice millers, as on February 29, 2024.
- 70% rated entities are in the BB+ and below categories, who are mainly non-Basmati rice millers.
- The higher-rated entities are primarily Basmati rice millers and exporters, who generate better earnings.



**Export volumes of non-Basmati rice to decline in FY2024 and FY2025, until any indication of a higher surplus production and/or lifting of the ban on export of non-parboiled rice. However, no adverse impact on rice export value due to favourable product mix and higher realisation of Basmati and parboiled rice**



**El Nino and unfavourable climatic conditions would create a deficit in global rice production and arrest any significant moderation in prices of both Basmati and non-Basmati rice**



**Regulatory measures by the Government to guide exports as well as domestic price trends; near-term trend indicates an upward bias for exports**



**Paddy production in India and China along with MSP in India to drive global rice prices**



**Financial performance of Indian rice millers/exporters to remain stable with favourable growth potential for Basmati rice millers/exporters. However, working capital requirement of rice millers would increase due to higher paddy procurement price in the current season**



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