

Pakistani rice export industry unable to compete world market

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Rice production in Pakistan holds an extremely key position in agriculture and the national economy. Pakistan is the world's 4th largest producer of rice. It is the second largest export commodity after textile and placing Pakistan in the top four rice exporting countries of the world. Rice is the third largest crop after wheat and cotton which is grown over 10 % of the total cropped area.

Rice is highly valued cash crop and it accounts for 6.7 % in value added in agriculture and 1.6 % in GDP. Pakistan grows enough high quality rice to meet both domestic demand and allow for exports of around one million ton per annum.

Regrettably, rice export industry has been facing severe suffering since last couple of years and unable to compete in the world market due to which its exports were on drop.

Export of rice from Pakistan decreased from US\$2.03 billion in 2014-15 to

US\$1.86 billion in 2015-16, thus showing decline of 8.6%.

The high demanded varieties of basmati include super basmati, while the irri-6 is the non-basmati in demand. Rice provides 21% of global human per capita energy and 15% of per capita protein. Although rice protein ranks high in nutritional quality among cereals, protein content is modest. Rice also provides minerals, vitamins, and fiber, although all constituents except carbohydrates are reduced by milling. Rice cultivation is well suited to countries and regions with low labour costs and high rainfall, as it is very labor-intensive to cultivate and requires plenty of water for cultivation. On the other hand, mechanized cultivation is extremely oil-intensive, more than other food products with the exception of beef and dairy products, Rice can be grown practically anywhere, even on a steep hill or mountain.

Although its species are native to South Asia and certain parts of Africa, centuries of trade and exportation have made it commonplace in many cultures.

Production: Rice is an important food and cash crop; second staple food grain crop of Pakistan after wheat and major source of foreign exchange earnings after cotton. Rice accounts 6.7% of the value added in agriculture and 1.6% of GDP.

Rice is grown in many areas of Pakistan. In Punjab it is cultivated in Sialkot, Wazirabad, Gujranwala, Sheikhpura, district Gujrat, Sargodha, Faisalabad and Kasure. In Sindh, Jacobabad, Larkana, Badin, Thatta, Shikarpur and Dadu district are important in rice cultivation. District Nasirabad and Baluchistan are also a rice producing area.

Rice crop was sown on area of 2724 thousand hectares showing a decrease of 0.6% over the last year's area of 2793 thousand hectares. Rice production stood

Table-1 Area Production and Yield of Rice

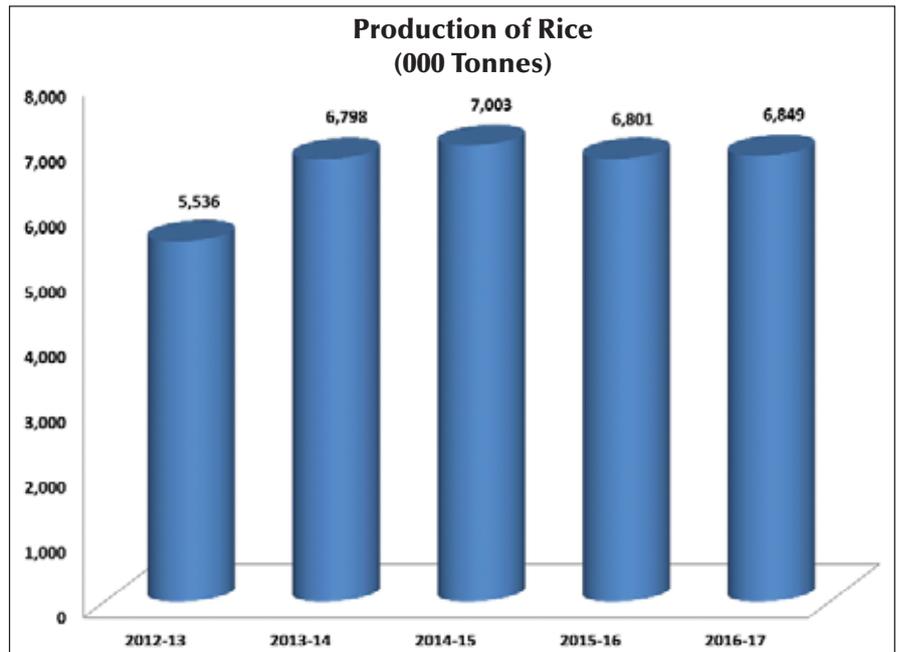
Year	Area		Production		Yield	
	(000 Hectare)	%Change	(000 Tonnes)	%Change	(Kgs/Hec)	%Change
2012-13	2,309	--	5,536	--	2,398	--
2013-14	2,789	20.8	6,798	22.8	2,437	1.6
2014-15	2,891	3.7	7,003	3.0	2,422	-0.6
2015-16	2,739	- 5.3	6,801	- 2.9	2,483	2.5
2016-17 (P)	2,724	- 0.6	6,849	0.7	2,514	1.2

Source: i) Pakistan Bureau of Statistics.
P. Provisional (July to March)

at 6,849 thousand tonnes achieving its targeted and showing increase of 1% over corresponding period of last year's production of 6,801 thousand tonnes. Rice area decreased due to decline in domestic prices of rice which reduced the area under the crop and growers shifted to sugarcane and maize crop.

Farmers say some of these varieties have come under commercial use and are giving higher per hectare yield than traditional non-Basmati Irri-varieties. Hybrid varieties were expected to yield up to 3,450kg per hectare output but in most cases actual yields have not exceeded 3,300kg. Progressive farmers say, even at this level, these varieties are worth cultivating. But availability of certified seeds is a big challenge.

The four OP varieties of paddy, now under commercial cultivation in the second year in a row, are believed to be better than the existing Irri-6 and KSK-



133 varieties not only in per-hectare yield but also in submergence, salinity and water-stress aspects of the crop.

According to the officials of MNSFR they hope that the output of non-Basmati rice would continue to grow largely due to the newly released hybrid and OP varieties.

Officials say total production of rice during the current fiscal year has been estimated at 6.85 million tonnes, increased from 6.80 million tonnes a year ago due to a slight fall in the area under cultivation primarily in Punjab but also in Sindh. Per-hectare yields of non-basmati rice varieties have reportedly

enhanced rice output by 3.6% in Sindh. Analysis of data reveals that is merely a reflection of as much increase in the area under rice cultivation there. Area, production and yield of rice are given in **Table-1**.

During the last 20 years, India has seized the basmati market from Pakistan owing to its lead in the development of basmati varieties and improvement in processing technologies especially parboiling. Since 1995, India has developed more than 20 high-yielding, disease-resistant and extra-long varieties of basmati, its hybrids and look-alikes, whereas in Pakistan no successful indigenous high yielding basmati variety has been fielded since the approval of Super Basmati in 1990s.

Table 2: Export of Rice from Pakistan
Value: US \$ million

Year	Basmati	Non - basmati	Total
2008-09	1,070	913	1,983
2009-10	856	1,328	2,184
2010-11	963	1,197	2,160
2011-12	826	1,236	2,062
2012-13	668	1,256	1,922
2013-14	770	1,393	2,163
2014-15	1,433	602	2,035
2015-16	1,413	1,719	1,860

Source: Trade Development Authority of Pakistan



Around 46% of the global basmati consumption, outside the subcontinent, is in Saudi Arabia and Iran only. In the Saudi market of US\$1.4 billion, Pakistan has gradually lost its share to India from 59% in 1986 to a meager 6% in 2015 whereas in Iranian market of US\$1.2 billion Pakistan's share is a dismal 0.4% now. While Pakistan has been trying to preserve its natural heritage of basmati at international forums and through promulgation of legislation on geographical indications, the commercial extinction of indigenous basmati varieties would render such protection meaningless.

On the processing side, India has secured a technological advantage by developing mechanized parboiling technology which ensures color consistency and absence of odour which sets in through manual parboiling techniques. The development of 1121 and 1509 varieties ideally complemented the parboiling technology. The strategy to regain the market share in premium rice segment includes immediate focus on agronomic research of high-yield, short-period, long-grain, drought-and-disease on basmati varieties; proliferation of processing technologies; re-introduction of mandatory pre-shipment inspection mechanism for improving quality perception of Pakistani basmati; promotion of branding and development of short-term penetration strategy for the post-sanctions Iranian market.

Exports: During the last decade, the composition of rice exports has changed drastically. Basmati's share in rice exports has declined from 58% in 2007-08 to 24% in 2015-16. In value terms, the basmati exports have declined from US\$2.16 billion to US\$1.86 billion whereas that of non-basmati varieties has increased from US\$ 602 million in 2014-15 to US\$1.7 billion in 2015-16.

Though this transformation appears inconsequential as the net export proceeds remain similar, it's indeed regressive as Pakistan is being knocked out of the premium quality rice segment and improving competitiveness in the coarse rice market characterized by a price race to the bottom.

The main reason for the unending slide in Pakistan's basmati exports is the gradual decrease of competitiveness and the failure to adapt the product with the evolving international market dynamics in a zero-sum competition with the only other basmati producing country India.

Rice exports by country totaled US\$1.86 billion in 2016 down by 8.6% for exporting countries from 2012 when overall rice shipments were valued at US\$

23.9 billion. Year over year, the value of global rice exports also dipped by 19% from the US\$ 22.7 billion worth of exported rice in 2015. Export of Rice from Pakistan are given in **Table-2**.

During the year 2015-16, Pakistan mainly exports rice to UAE, China, Saudi Arabia, Kenya and Afghanistan. UAE is the largest importer of rice with market share of about 10% while Kenya and China are second and third largest

Table 3: Country -Wise Export of Rice
Value: US\$ 000

Country	2014-15	2015-16
China	271,369	107,496
Afghanistan	119,484	107,201
Yemen	62,047	50,778
Tanzania	84,663	59,843
Azerbaijan	54,726	37,227
Kenya	192,780	242,735
U.A.E.	130,271	160,263
Malaysia	44,426	92,764
U.K.	40,877	70,456
Madagascar	40,228	43,275
Belgium	29,813	43,088
Qatar	21,162	32,234
Australia	16,695	20,454
Italy	16,420	19,647
All Other	735,536	947,792
Total	1860497	2,035,253

Source: Trade Development Authority of Pakistan



importers of rice with shares of 7% and 6% respectively. Country-wise exports of rice are given in **Table 3**.

Trading Corporation of Pakistan (TCP) plays a limited role in the rice trade by facilitating government to government exports through the private sector. The GOP in consultation with the Rice Exporters Association of Pakistan (REAP) has established a quality review committee to certify the quality of Pakistani rice prior to shipment in an effort to boost the image of Pakistani rice, and especially Basmati rice.

From a continental perspective, Asian countries accounted for the highest dollar value worth of rice exports during 2016 with shipments amounting to US\$13.1 billion or almost three-quarters (71.3%) of all rice exports.

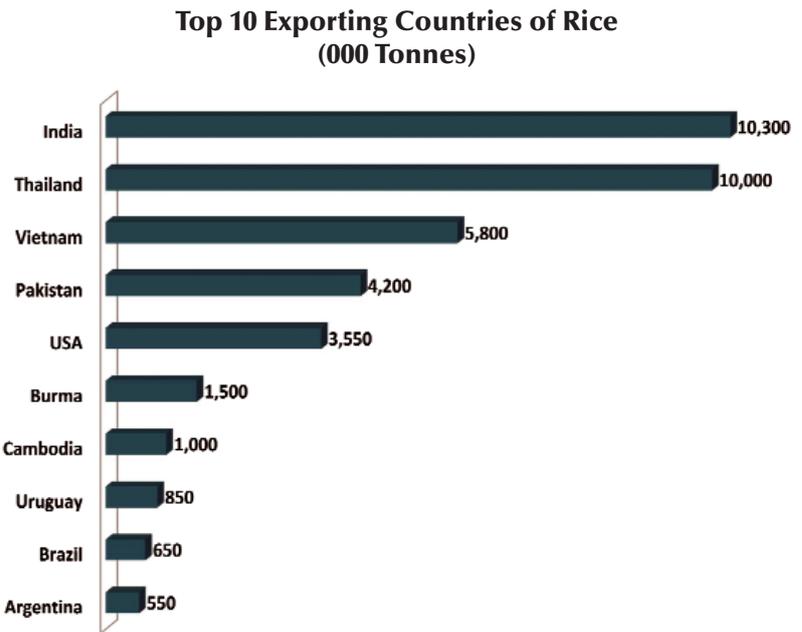
North American exporters supplied 10.4% of global rice exports, followed by Europe at 9.1% then Latin America (excluding Mexico) and the Caribbean at 6.7% and African rice exporters was responsible for a smaller percentage at 1.6%.

Whereas, the export has been dominated by a few exporters, the import side looks quite fragmented, with a large number of countries each importing a small amount of rice. Over the years, both India and China, the top two rice producers and consumers in the world. World top 10 rice exporters are given in **Table-4**.

Table 4: Top 10 Largest Exporters of Rice-2016
Value: US \$ million

Rank	Country	2016 Rice Exports	% World Total
1	India	5.3 Billion	28.9%
2	Thailand	4.4 Billion	23.7%
3	USA	1.9 Billion	10.4%
4	Vietnam	1.4 Billion	7.4%
5	Pakistan	905.5 Million	4.9%
6	Italy	565 Million	3.1%
7	Uruguay	426.8 Million	2.3%
8	China	350.9 Million	1.9%
9	Cambodia	345.8 Million	1.9%
10	Brazil	251.9 Million	1.4%

Source: Rice exports by countries by daniel workman, April 13, 2017



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Future prospects

The present PML (N) government has taken many good measures regarding strengthen the economy of country including successfully completion of IMF program, relief package for textile sector and Kisan package for agriculture. There is a dire need in the current scenario for making arrangements to enhance the rice export. By increasing the export of rice not only more foreign exchange would come but also domestic rice industry would overcome the crisis.

Pakistani basmati rice is in great demand in the UAE, Kenya, China, Afghanistan and Tanzania. The non-basmati rice is exported to all over the world, with the African states being the major consumers. The high demanded varieties of basmati include super basmati, while the irri-6 is the nonbasmati in demand. Although there is lot of potential to increase the export of rice from Pakistan to China, yet it is presently limited due to quota restrictions in China. Pakistani basmati rice is in great demand in China and Chinese exporters are willing to import more basmati rice from Pakistan.

The rice exporters are already exploring new techniques to compete in such markets. The quality of the Pakistani basmati rice is very good in comparison to the Indian one, but India has a better processing procedure when it comes to rice manufacturing. They are using the latest technology in processing, packaging and polishing, which is a major reason for their success.

Unless Pakistan develops its research and produces better yielding seeds, it will remain out-competed. The Chinese and the Thais and others have also done the same. Pakistan produces 6.8 million tonnes of rice in 2015-16 but in 2012-2013 the output was 5.5 tonnes. Usually, the production comprises 40% of basmati (fine) variety and 60% of coarse varieties.

References

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