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Report Name: India Bans the Export of Non-Basmati White Rice

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Report Highlights:

On July 20, 2023, the India's Ministry of Commerce and Industry (MoCI)/Directorate General of Foreign Trade issued Notification No. 20/2023 – Amendment in Export Policy of Non-basmati Rice under Harmonized System (HS) Code 1006.30.90. The Indian government is banning with immediate effect the export of non-basmati, white (NBW) rice (semi-milled or wholly milled, whether polished or not, glazed: other). India is already effectively banning the export of broken rice (HS code 1006.40.00). The export bans in place for NBW and broken rice, together accounted for nearly 45 percent of India's total rice exports in calendar year (CY) 2022 (January-December). To date, however, there has been no change in the export policy in place for non-basmati parboiled rice (HS code 1006.30.10) and basmati rice (HS code 1006.30.20), which together account for the balance of rice exports.

INDIA BANS EXPORT OF NON-BASMATI WHITE (NBW) RICE

On July 20, 2023, the India's Ministry of Commerce and Industry (MOCI)/Directorate General of Foreign Trade issued [Notification No. 20/2023 – Amendment in Export Policy of Non-basmati Rice under Harmonized System \(HS\) Code 1006.30.90](#). The Indian government banned with immediate effect the export of non-basmati white rice (semi-milled or wholly milled, whether polished or not, glazed: other).

Export consignments of coarse grain white rice remain permissible if vessel loading was underway, the shipping bill was filed and if the vessel was already berthed/arrived/anchored, and/or the rice consignment was handed over to Indian Customs and registered on its system before the date of notification. The notification also has provision to allow non-basmati white (NBW) rice exports, as authorized by the Indian government, of consignments requested by foreign governments for their food security needs.

India is already effectively banning the export of broken rice (HS code 1006.4000).¹ The export bans in place for NBW and broken rice, together accounted for nearly 45 percent of India's total rice exports in calendar year (CY) 2022 (January-December). To date, however, there has been no change in the export policy in place for non-basmati parboiled rice (HS code 1006.30.10) and basmati rice (HS code 1006.30.20), which together account for the remainder of rice exports.

Domestic Rice Price Angst: On July 20, 2023, the Indian government issued a [press release](#) justifying the export ban as a means of ensuring the adequate availability of NBW rice in the domestic market. The government is seeking to avert rice price increases on the domestic market. The government's press release expresses official concern with rice prices increasing by 11.5 percent in the past year, jumping upwards by three percent in the past month alone.

The press release stated that despite the government's September 2022 decision to impose an export duty of 20 percent on NBW rice, to ensure its availability in the domestic market, exports of this variety still increased significantly. Reportedly NBW rice exports jumped from 3.36 million metric tons (MMT) (September-March 2021/2022) to 4.21 MMT (September-March 2022-2023).² Exports in Indian fiscal year (IFY) 2023/2024 (April-March) had been running strong; with April-June 2023 exports at 1.55 MMT, up from 1.15 MMT during the same period last year.

The uptick in exports is attributable to higher international demand driven by a combination of geo-political upheavals (including Russia's war on Ukraine), increased concerns about the impact of this year's El Niño, and large NBW rice purchases by Indonesia to replenish government-held rice stocks ahead of elections. FAS New Delhi's (Post) trade sources inform that exports in recent months (including to Indonesia) were driven by speculation fueled by the potential early onset of El Niño affecting production prospects for the upcoming rice crop in South Asia. The Indian government's NBW rice export ban aims to drive down domestic rice

¹ On September 8, 2022, the Indian government issued [Notification 31/2015-2020](#), amending its export policy for broken rice under HS 1006.40.00, placing it in the prohibited category with conditional exemption.

² In the Indian government's press release, the non-basmati white rice export numbers are given in lakh million tons (LMT); in India's numbering system, one lakh equals 100,000.

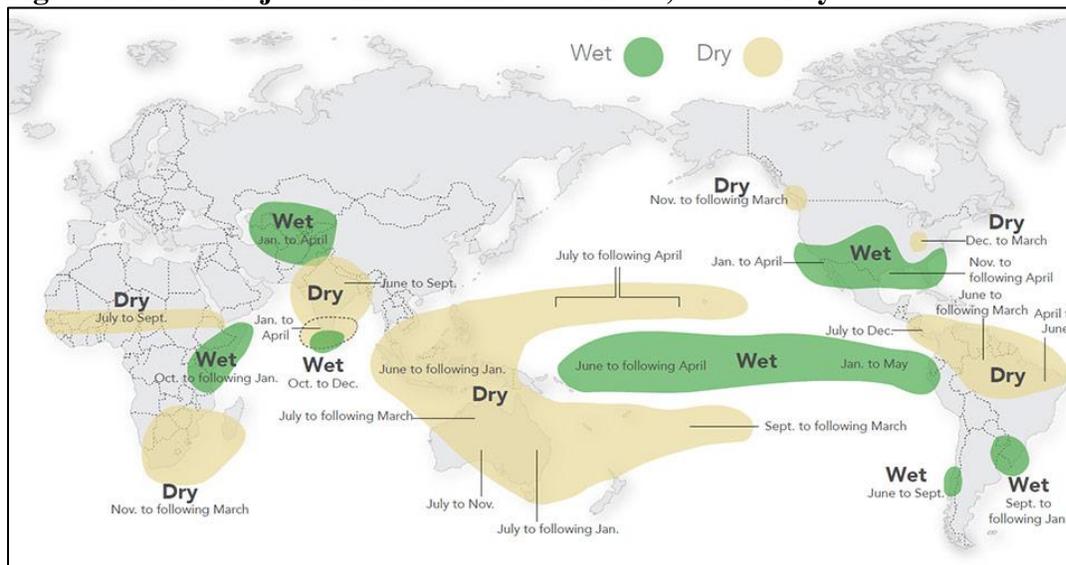
prices for Indian consumers in the light of upcoming state-level elections scheduled in late 2023, followed by national elections in May 2024.

While Prime Minister Narendra Modi's (Bharatiya Janata Party – BJP) electoral victories in 2014 and 2019 were carried on the issue of corruption and national security, food inflation has been a recurring major concern in Indian elections. Historically, governments have lost power in elections due to the rise of food items prices (e.g., onions). This makes most of India's political parties in power highly sensitive to rising food prices when going into elections. Even a moderate increase in food inflation, which accounts for nearly half of the consumer price basket, will influence voters, and give the opposition parties an advantage in these elections. Rice and wheat are the essential food items, and as such are the key components of the food basket.

Procurement Concerns on Rising Domestic Prices and Exports: Trade sources report that the June 2023 rice price spike halted government rice procurement by the first week of July. Government procurement shut down despite the projected record harvest of rabi rice raising serious worries of procurement in upcoming MY 2023/2024.³

Concern with the performance of 2023 southwest monsoon, along with the growing likelihood that the 2023 El Niño weather phenomena will affect the MY 2023/2024 rice harvest, may impact the Indian government's rice procurement possibilities in the upcoming season.⁴

Figure 1: FAO Projected El Niño Affected Areas, Wet to Dry



Source: Food and Agricultural Organization (FAO).⁵

³ The latest Ministry of Agriculture and Farmers Welfare report indicates that MY 2023/2024 rabi/summer rice production is at 25.5 MMT, some 6 MMT higher compared to previous year.

⁴ El Niño is the warm phase of the El Niño–Southern Oscillation and is associated with a band of warm ocean water that develops in the central and east-central equatorial Pacific, including the area off the Pacific coast of South America. El Niño is a naturally occurring phenomenon characterized by the abnormal warming of sea surface temperature in the central and eastern equatorial Pacific Ocean. On average, it occurs every two to seven years and can last up to 18 months. During El Niño episodes, normal patterns of tropical precipitation and atmospheric circulation are disrupted, triggering extreme climate events around the globe.

⁵ See, Food and Agricultural Organization at <https://www.fao.org/el-nino/en/>.

The recent spike in rice prices is probably good news for traders but not so much for farmers as they have already sold off their produce to traders/millers. With the government buying nearly half of total production (and nearly two-thirds of the marketed surplus), farmers' planting decisions and incomes are more dependent on the government's fixed MSP rather than market prices which can fluctuate during the season (i.e., typically market prices are low after harvest when farmers are selling off their production).

Rising international prices are a concern for India; MY 2022/2023 rice exports exceed 23 MMT. With the 2023 southwest monsoon's uneven June-July performance, the government triggers the NBW rice export ban as a pre-emptive measure to control the domestic prices.

Stocking Up the Stocks: Indications are that with government rice and wheat stocks on July 1, 2023, estimated at slightly over 71 MMT (nearly 40 MMT lower than the peak stock levels), the government is wary of going into an election year without more-than-comfortable grain stocks.

While rice stocks are sufficient compared to the government desired stock levels, they are considerably lower than the last few years when the government gave away additional free rice under COVID-19 relief programs (April 2020 to December 2022). In Indian fiscal year 2022/2023 (April-March) the government offloaded 63.9 MMT of rice from their stocks at subsidized prices. If the Indian government intends to control rice prices in an election year by repeating a similar program, it will need to have on hand about 55 MMT of rice from now through May 2024. Besides, it will need to have an additional 20 MMT for distribution in the June-Sept 2024 period and retain minimum buffer stocks of 13.6 MMT. With the current rice stocks of nearly 41 MMT (July 1, 2023), the government needs to ensure rice procurement of at least 50 MMT in the upcoming MY 2023/2024 season.

The Market Reacts to the Ban: The NBW rice export will affect the supply of rice for several African countries (including Kenya, Benin, Togo, and Mozambique), South Asian countries (Vietnam and Malaysia), as well as the Middle East (Egypt and the United Arab Emirates) and neighboring Bangladesh. Post's trade sources report that about 250,000 MT of NBW rice consignments are held up at a few of India's ports at various stages of loading and or awaiting export approval; this should clear up in the next few weeks. Rice export prices have firmed up by \$10.00-\$50.00/MT. After the announcement of the ban, domestic prices eased by about 10 percent in India's major states, which could also be attributable in part to improve planting progress of the MY 2023/2024 rice crop. However, the retail price of rice has not shown any signs of weakening following the export ban's implementation.

Rice exporters are petitioning India's MOCI to relax the export ban. Many of India's rice buyers have letters of credit and non-fulfillment of contracts that will go to international arbitration for non-fulfillment, which, ultimately will damage India's reputation as a reliable global supplier. Exporters are also petitioning the Indian government to exempt premium non-basmati/coarse grain varieties from the export ban as they have higher price realization since it caters to the higher income consumer segment.⁶ Industry sources report that the government is unlikely to revisit the export ban unless domestic retail rice prices move downwards.

⁶ Almost half of all India's basmati rice and two-thirds to three-quarters of premium short-grain rice is consumed domestically.

Should domestic rice prices fall below the government’s minimum support price (MSP), the government may allow for controlled exports; specifically allocating release quotas to countries with food security requirement requests. India is already authorizing exports of broken rice to select countries upon official request.

SO, WHAT HAPPENS NEXT?

Improved Export Competitiveness of Indian Rice in MY 2023/2024: With the spike in global rice prices and relatively weaker domestic prices, export competitiveness of Indian parboiled rice and brown rice is likely to improve further. Exports of rice in husk to neighboring countries through land routes will also pick up the pace. While basmati rice caters to a different market segment, exports will depend on the MY 2023/2024 basmati crop harvest prospects, but higher international rice prices will bolster export prospects.

NBW Rice Export Ban’s Impact on Plantings: Post foresees the NBW export ban having a marginal impact on the MY 2023/2024 rice season. Basmati farmers have already taken their planting decisions; typically, nursery preparation commence 25-30 days prior to transplanting. Harvest prospects will depend on the weather conditions and rains from now through the harvest time later this coming October 2023.

Domestic Supply to Decide Export Exemption in MY 2023/2024: Progress of rice planting has recovered in July with improved 2023 monsoon rains and is slightly ahead of last year.

Figure 2: India: Planting of Kharif Crops in Indian Crop Year (ICY) as of July 2023 (Hectares, Million)

Crop	ICY 2022/2023 Progressive Plantings Through July 28, 2022	ICY 2023/2024 Progressive Plantings Through July 28, 2023
Rice	23.33	23.76
Pulses	10.92	9.68
Coarse cereals	14.35	14.58
Oilseeds	16.76	17.10
Sugarcane	5.33	5.60
Cotton	11.79	11.68
Jute and Mesta	0.69	0.64
TOTAL	83.17	83.03

Source: Ministry of Agriculture and Farmers Welfare (MOAFW); FAS New Delhi office research.

The Indian Meteorological Department in its latest Long-Term Forecast for the Second Half of the 2023 Monsoon (August-September) is forecasting rainfall on average over the country as a whole most likely to be normal at 94-106% of the long period average (LPA) of 422.8 millimeters (mm). Assuming normal 2023 monsoon and weather conditions supporting the upcoming kharif rice harvest, the government’s price support program procurement will be proactive taking on farmers’ rice production as it arrives in the first quarter of MY 2023/2024 (October-December 2023). Once the government obtains a comfortable procurement level for

meeting its distribution requirements, it may review the export quota allocation and exemption to include select NBW rice varieties.⁷

If the rice crop size falters, coming in lower than the projected 134 MMT, this will result in higher un-milled paddy rice prices.⁸ Higher un-milled paddy rice prices will lead to government MSP rice procurement slowing. This will limit the government's ability to offload subsidized milled rice in the domestic market, which in turn will drive the retail prices up even higher. With domestic prices going up, and government MSP rice procurement constrained, this may likely force the government to continue with the export ban. Trade sources also believe that the government might expand export restrictions to other rice products (including parboiled non-basmati rice) to help control prices.

Prospects, the Next Few Years: With the upcoming 2024 national elections (scheduled April-May), the government will pursue aggressive rice procurement. Farmers will continue planting rice in the rabi (winter/summer planted) season of MY 2023/2024 and again in MY 2024/2025. A good MY 2024/2025 harvest will stimulate government procurement and stock buildup.

The government can attempt to ensure higher procurement through the MSP program by: (i) announcing additional bonus over and above the MSP; (ii) setting up additional rice procurement centers in non-traditional areas; and (iii) discouraging the private trade from participating in market procurement of un-milled paddy rice through various measures, including imposing stock limits. If needed, the government can set up rice procurement centers in non-traditional areas.

The government's goal in this election year is to ensure sufficient government-held rice stocks that can be distributed to voters at subsidized prices. There are over 800 million beneficiaries, under National Food Security Act (NFSA), benefitting from the government's largesse.

The next government following the 2024 national elections may face anew the challenge of managing rising grain stocks. It will also confront farmers' expectation of higher MSP. Facing such challenges, the new government may once again seek to offload government rice stocks onto the domestic market, which would impact global markets.

If the current National Democratic Alliance (NDA) led government ensures 55-60 MMT rice procurement under MSP, manages to contain domestic prices through export control measures, and controls offtake of subsidized rice (i.e., NFSA commitment of 35-36 MMT versus the election driven target of 55-60 MMT), India may end up with higher rice stocks.⁹

Prospects, the Impact on the Global Market: In MY 2024/2025 the incoming government might again raise MSP. This may have the effect of forcing the government to allow rice exports in MY 2024/2025. Assuming relatively stronger international prices and government subsidized rice depressing local rice prices, Indian rice shipped to overseas markets will once again drive down the international rice prices and affect the profitability of competing suppliers.

⁷ The Indian government has set a procurement target of 51 MMT for the upcoming kharif rice crop.

⁸ The USDA official production forecast for India's MY 2023/2024 is 134 MMT.

⁹ The NDA is a center-right to right-wing conservative Indian political alliance led by the right-wing Bharatiya Janata Party (BJP).

COMMODITY: RICE

Table 1. India: Commodity, Rice, Milled – Production, Supply, Distribution (PSD)

Rice, Milled Market Year Begins	2021/2022		2022/2023		2023/2024	
	Oct 2021		Oct 2022		Oct 2023	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	46279	46279	47700	47700	47000	47000
Beginning Stocks (1000 MT)	37000	37000	34000	34000	35000	33500
Milled Production (1000 MT)	129471	129471	136000	134000	134000	134000
Rough Production (1000 MT)	194226	194226	204020	201020	201020	201020
Milling Rate (.9999) (1000 MT)	6666	6666	6666	6666	6666	6666
MY Imports (1000 MT)	0	0	0	0	0	0
TY Imports (1000 MT)	0	0	0	0	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	166471	166471	170000	168000	169000	167500
MY Exports (1000 MT)	22025	22025	22500	21500	23000	18000
TY Exports (1000 MT)	22119	22119	22500	20500	23000	18000
Consumption and Residual (1000 MT)	110446	110446	112500	113000	114000	115000
Ending Stocks (1000 MT)	34000	34000	35000	33500	32000	34500
Total Distribution (1000 MT)	166471	166471	170000	168000	169000	167500
Yield (Rough) (MT/HA)	4.1968	4.1968	4.2771	4.2143	4.277	4.277

(1000 HA), (1000 MT), (MT/HA).

MY = Marketing Year, begins with the month listed at the top of each column.

TY = Trade Year, rice, milled begins in January for all countries. TY 2023/2024 = January 2024 - December 2024.

RICE PSD ADJUSTED FOR POLICY CHANGES

TRADE

Exports Lowered: With India imposing the NBW rice export ban, FAS New Delhi is lowering the MY 2022/2023 (October-September) rice export estimate to 21.5 MMT and the CY 2023 figure to 20.5 MMT. The MY 2023/2024 rice export forecast is set at 18 MMT assuming the continuation of the export ban, albeit with some exemptions throughout the marketing year.

According to preliminary official statistics, MY 2022/2023 rice exports through May 2023, are estimated at 14.8 MMT compared to 13.4 MMT reported at the same time last year. While the official trade figures for June-July 2023 are not currently available, trade sources report continued steady rice exports during the period on the competitive pricing of Indian rice compared to that of other origins.

Post's trade sources report Indian rice exports from June through third week of July at 3.7 MMT. These sources inform that there is presently an additional 250,000 MT of NBW rice held up at India's ports awaiting export exemption approvals, as well as 200,000 MT of broken rice exempted for exports being shipped during the balance of MY 2022/2023. Assuming the continued price parity of Indian basmati and non-basmati parboiled rice, MY 2022/2023 rice

exports should reach 21.5 MMT. Post is revising CY 2022/2023 exports lower to 20.5 MMT based on expected weak offtake of broken and NBW rice in the last quarter of CY 2023.

Assuming the continuation of the NBW rice export ban, along with broken rice and improved competitiveness for parboiled and basmati rice authorized for export on relatively weak domestic prices, MY 2023/2024 rice exports are forecast at 18 MMT (which includes 9 MMT parboiled rice, 5 MMT basmati rice, 1.5 MMT each of broken and NBW rice, and balance other types).

Although Indian rice export prospects have been impacted by the government export bans on broken and NBW rice, India will likely remain the leading global rice supplier. However, the patchy 2023 monsoon and or El Niño weather developments affecting the MY 2023/2024 crop, may lead the government to extend export restrictions to other rice types. If so, MY 2023/2024 exports will be impacted along with Post's current forecasts.

STOCKS

Consumption/Ending Stocks Raised: MY 2022/2023 and MY 2023/2024 consumption and ending stocks have been raised to reflect the improved domestic supplies on lower exports (see, [GAIN-INDIA | IN2023-0050 | India Grain and Feed Update – July 2023](#)).

Attachments:

No Attachments.