

2019

Trade Analysis Series

Pakistan Rice Sector



Turn Potential into Profit!



Small and Medium Enterprises Development Authority (SMEDA)
Ministry of Industries and Production
Government of Pakistan

www.smeda.org.pk

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1 Product Description

Rice is one of the most widely consumed cereal grain in the world as it constitutes the main source of staple food for the majority of the world's population and is considered to be one of the oldest grains grown in human agricultural history. The nutritional value derived from rice consumption largely depends on which variety of rice is chosen as well as the cooking method that is used in its preparation. For instance, while the consumption of white rice has historically been the most dominantly consumed variety, in recent years the demand for brown rice varieties has witnessed a sharp rise due to its associated health benefits.

The harmonized Commodity Description and Coding System (referred as HS Codes) designated for trade of Rice is classified under the HS Code category 1006. The brief description of sub-categories falling under this product category include the following:

Table 1: Rice Goods Product Details

Product Category HS Code	Product Description
1006	Rice
100610	Rice in the Husk, 'Paddy' or Rough
100620	Husked or Brown Rice
100630	Semi-milled or wholly-milled Rice (whether or not polished / glazed)
100640	Broken rice

Source: Trade Map

2 Global Trade of Rice

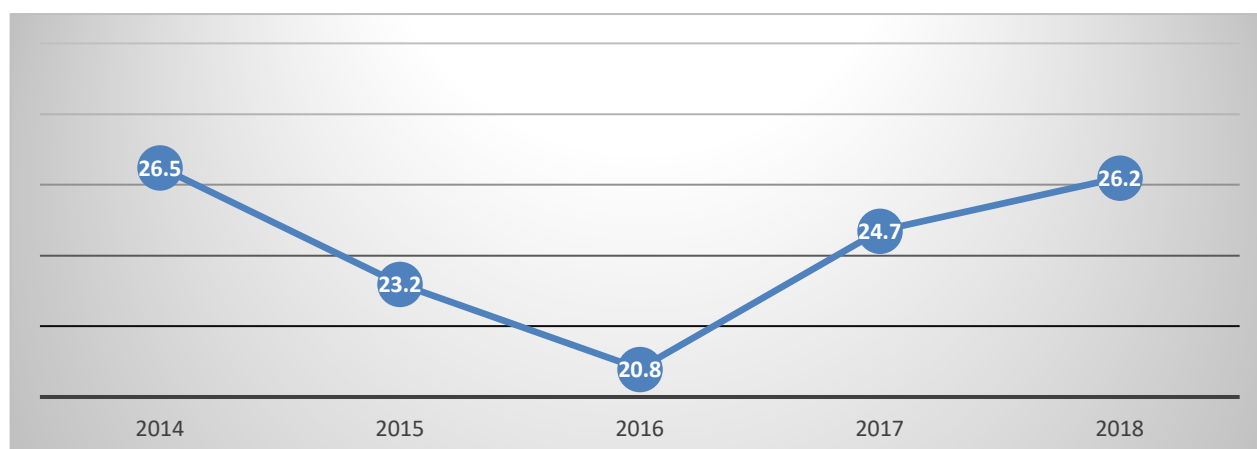
Rice is one of the most valuable agricultural commodities traded on the international market with a market size of US \$ 26.2 billion in 2018 with a growth rate of 6.1% compared the previous year. The growth in global rice trade has shown a mixed trend from 2014 ~ 2018 recording a CAGR of -0.3% during this 5-year period with exports rapidly falling in 2015 and 2016 before recovering to record positive growth in 2017 and 2018.

Table 2: Global Exports of Rice Product - Last 5 Years

Description	2014	2015	2016	2017	2018
World Exports (Value is US \$ Billion)	26.5	23.2	20.8	24.7	26.2
Growth (%age)	Base Year	-12.5%	-10.3%	18.8%	6.1%

Source: Trade Map



Figure 1: Growth Trend of Rice Exports (Value US \$ Billion)

Source: Trade Map

Major Exporters

During the last 5 years, the exports of Rice have been dominated by India followed by Thailand, Vietnam Pakistan and the USA. The percentage market share of the five biggest exporting countries is provided in the table below.

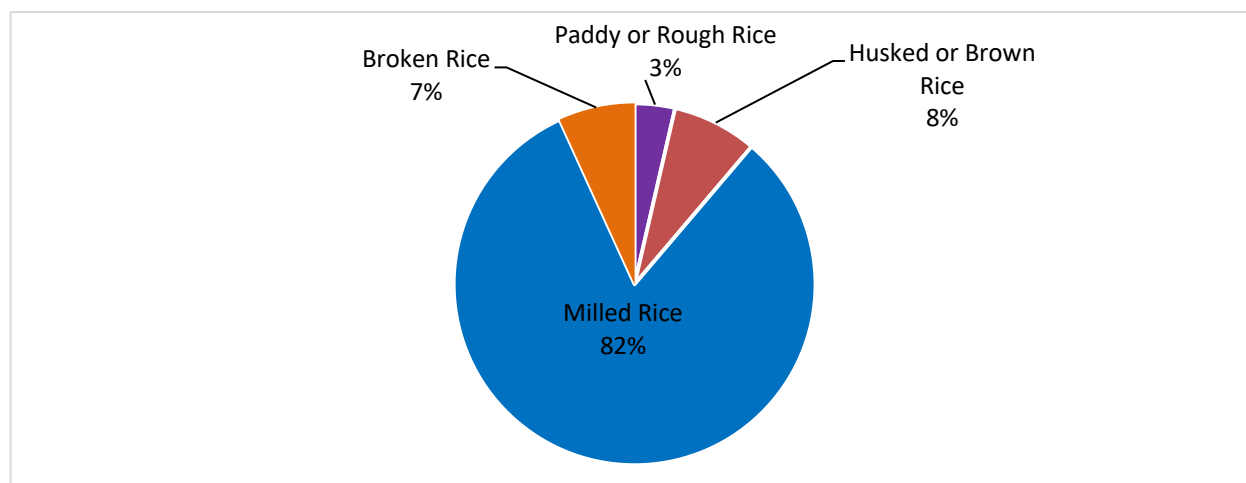
Table 3: Major Rice Export Countries in 2018

Sr. No.	Country	Exports (Value in US \$ Billion)	Market Share in World Exports %	CAGR % (2014 – 2018)
1	India	7.4	28.2%	-1.6%
2	Thailand	5.6	21.4%	0.9%
3	Vietnam	2.6	9.9%	-2.7%
4	Pakistan	2.0	7.6%	-2.4%
5	USA	1.7	6.5%	-4.0%

Source: Trade Map

Major Product Mix

Rice products categorized under HS Code 100630 (semi-milled or whole-milled) comprised of the most valuable commodity in global trade during 2018 and accounted for 82% of all rice exports. The percentage share of different product HS Codes as a composition of global exports of Rice are exhibited in the chart below.

Figure 2: World Export Product Mix - Rice 2018

Source: Trade Map

3 Pakistan's Exports of Rice

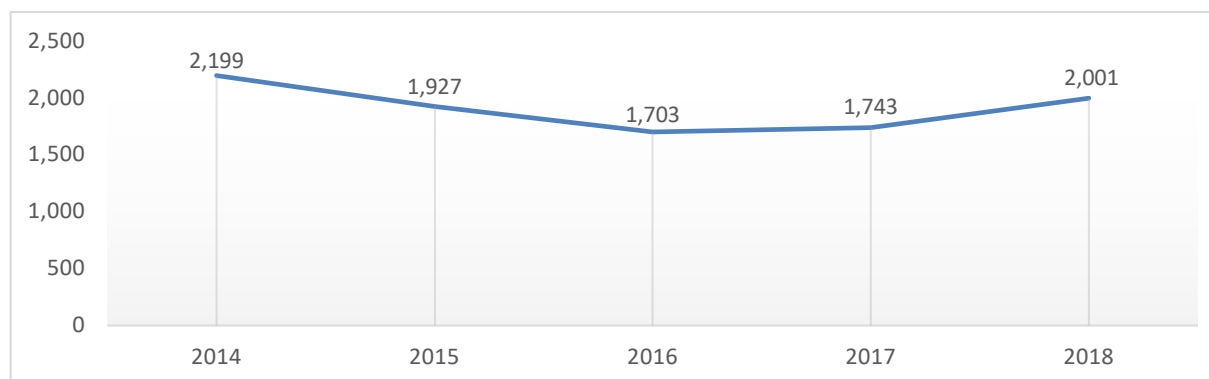
Pakistan is one the major exporting countries of Rice, with the commodity constituting 8.8% of its total exports in 2018. The export of rice therefore is essential for Pakistan as it helps in the reduction of the country's overall trade deficit and is also a valuable source of foreign exchange. Export figures of Rice show negative growth between the period 2014 ~ 2018 with a CAGR of -2.3%.

Despite the fall in volume, export potential of the commodity cannot be overlooked as after consistently falling for 3 years, exports rose by 14.8% in 2018 compared to the previous year which was the highest level since 2014. Pakistan's export figures of Rice over the last five years are as follows:

Table 4: Pakistan Rice exports – Last 5 Years (Value in US \$ Million)

Description	2014	2015	2016	2017	2018
Pakistan's Exports (Value is US \$ Million)	2,199	1,927	1,703	1,743	2,001
Growth (%age)	Base Year	-12.4%	-11.6%	2.3%	14.8%

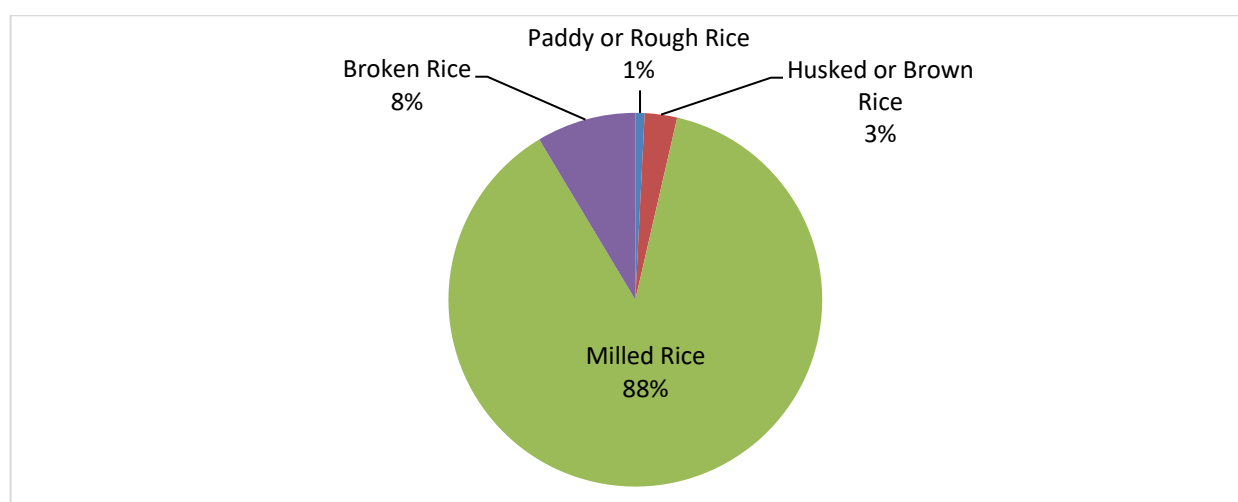
Source: Trade Map

Figure 3: Growth Trend of Pakistan's Rice Exports – Last 5 Years (Value in US \$ Million)

Source: Trade Map

Pakistan's Major Product Mix

Rice products categorized under HS Code 100630 (semi-milled or whole-milled) constituted the most valuable commodity of all exports from Pakistan and accounted for 88% of its product mix 2018. The percentage share of different product HS Codes as a composition of all rice exports from Pakistan is exhibited in the chart below.

Figure 4: Pakistan's Product Mix – Rice 2018

Source: Trade Map

Pakistan's Export Destinations

The table below provides the total value of Rice Pakistan exported to its top five trading partners from 2014 ~ 2018. The share of the top five importing countries of this commodity from Pakistan represented 36% of its total exports in 2018.

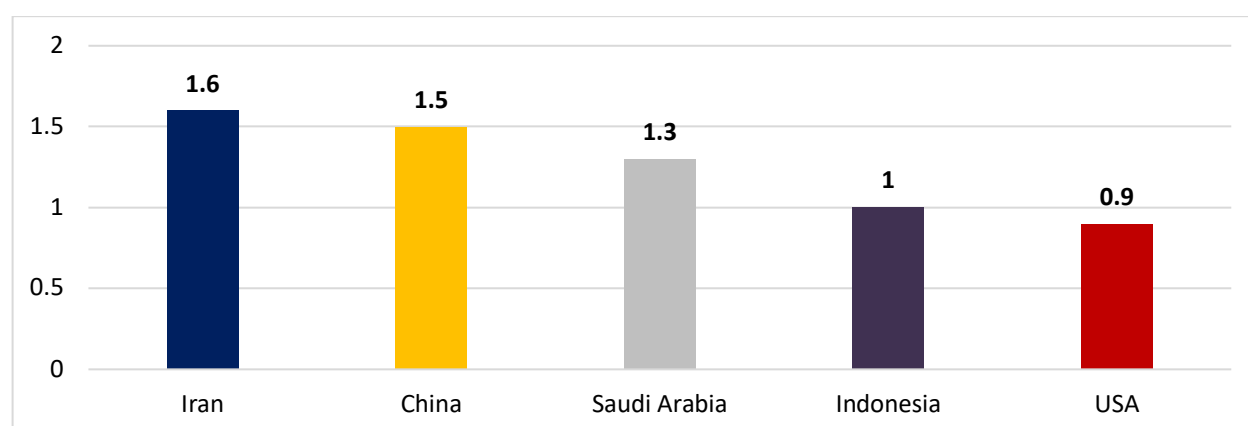
Table 5: Pakistan's Top Five Export Partners – Last 5 Years (Value in US \$ Million)

Sr. No.	Country	2014	2015	2016	2017	2018
1	Kenya	261.3	206.0	191.4	229.1	188.5
2	China	137.5	167.1	220.8	95.5	161.3
3	Afghanistan	89.7	138.5	119.5	124.2	131.3
4	UAE	207.8	135.1	134.7	179.3	120.5
5	Indonesia	20.1	51.8	41.1	30.4	119.9

Source: Trade Map

4 Import Destinations of Rice

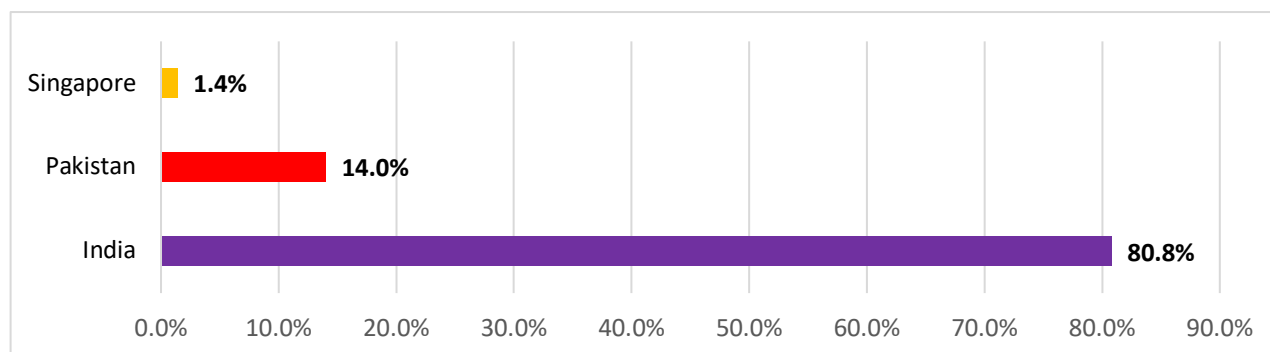
The largest importing country of Rice products during 2018 was Iran followed by China and Saudi Arabia. The import trade value of the five biggest importing countries are given in the graph below.

Figure 4: World Top 5 Importers (Trade Value in US \$ Billion)

Source: Trade Map

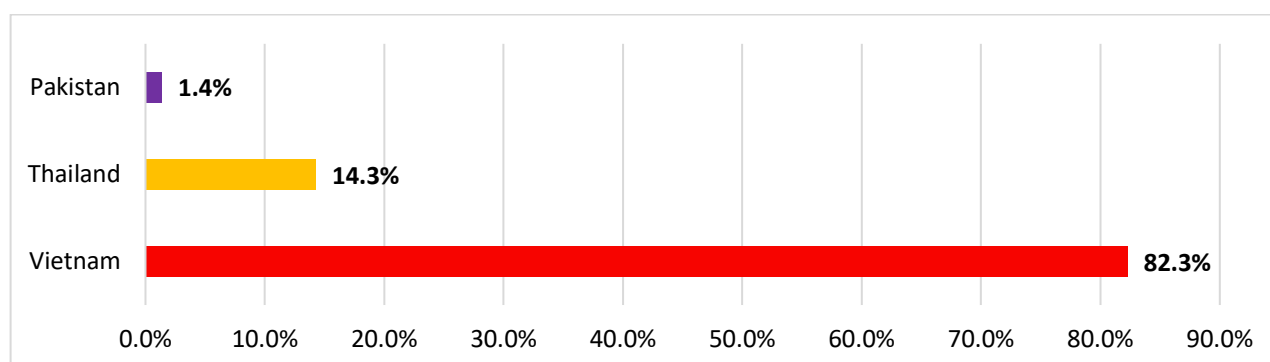
Partner Countries of Top 3 Importers

The trade partners of the world's three largest importing countries of Rice are discussed in the following section. The average percentage share of exported value of Rice to top three importing countries is evaluated and presented in the form of graphs.

Figure 5: Trade Partners of Iran (Ave. % Share in Export Value in 2018)

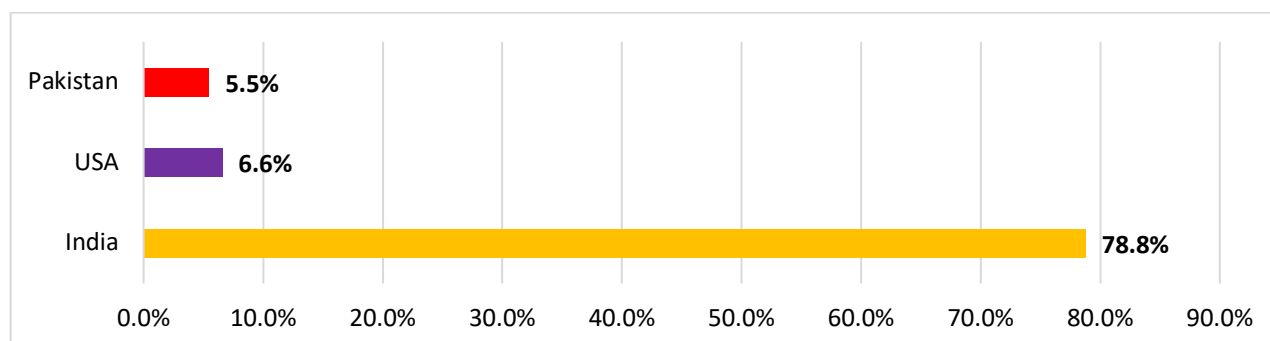
Source: Trade Map

Iran was the largest import destination of Rice in terms of trade value out of which almost 81% of its total demand was met by India followed by Pakistan and Singapore.

Figure 6: Trade Partners of China (Avg. % Share in Export Value in 2018)

Source: Trade Map

China remains one of the largest importers of Rice in the world as Rice is one of the main staple food consumed amongst its population. The country is the second largest destination for Pakistani rice exports; however, its overall share of China's total import value of Rice remains relatively miniscule.

Figure 7: Trade Partners of Saudi Arabia (Avg. % Share in Export Value in 2018)

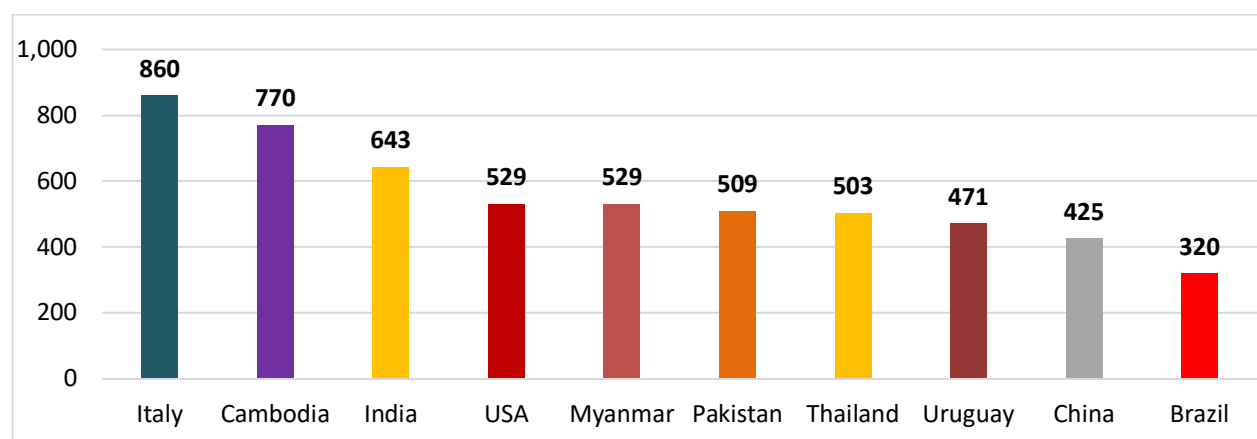
Source: Trade Map

Saudi Arabia is the third largest importer of Rice out of which 79% of its import trade value is met by Indian exporters. Pakistan has historically been a key trading partner of the country and is the third largest exporter of rice to the country with a market share of 5.5%.

Price Comparisons

The graph below provides the price charged per ton by the world's top 10 exporting countries for Rice products in 2018.

Figure 8: Price Comparison of Top 10 Rice Exporting Countries (HS 1606, US \$ / Ton)



Source: Trade Map

5 Pakistan's Export Trade and Tariff

There are certain policies that apply to exports of Rice from Pakistan:

- Incentives provided to Rice exporters in order to maximize their efficiency in production and quality. This is done by providing a 20% investment support up to a maximum of Rs 1 Million per annum per company for import of new plant and machinery¹.
- Furthermore, a 50% of markup support on up-gradation of technology for imports of new machinery/plant, subject to a maximum of Rs 1 Million per annum per company².
- Exporting Financing Scheme for Irri/ Basmati / Parboiled / White/ Brown Rice varieties in retail packets of 1-50 kgs. Moreover, the export of Brown Rice in bulk/lose is eligible to European Countries under EFS Part-I against L/Cs only³.
- Negotiation of free trade and preferential treatment agreements with various countries is underway to further enhance rice exports. For example, Qatar recently lifted ban on Pakistani Rice products providing opportunity for Pakistani Rice exporters to serve the market. Furthermore, negotiations

¹ Ministry of Commerce – Strategic Trade Policy Framework available on official website

² Ibid

³ State Bank of Pakistan – Export Financing Scheme March 2012 document

are being held by the Pakistani government with countries such as China and Indonesia to encourage them to charge minimum or 0% tariff duty on Rice exports from Pakistan⁴.

6 Prominent International Trade Fairs

Name of Trade Show	Location	Frequency	Web Links
International High-Quality Rice and Brand Grains Exhibition	Guangzhou, China	Annual	www.chinaexhibition.com/
Global Sustainable Rice Conference and Exhibition	Bangkok, Thailand	Annual	www.sustainablericeconference.org/
Food Africa	Cairo, Egypt	Annual	www.foodafrica-expo.com/
Foodex Saudi	Jeddah, Saudi Arabia	Annual	www.foodexsaudi.com/
Organic World Congress 2020	Rennes, France	Annual	www.owc.ifoam.bio/2020/en/
Coex Food Week	Seoul, South Korea	Annual	www.coex.co.kr/
Gulfood 2020	Dubai, United Arab Emirates	Annual	www.gulfood.com/

⁴ <https://www.brecorder.com/2019/10/28/538826/razak-hope-rice-export-increases-up-to-5bn-in-coming-five-years/>