



Special Report - India

18 May 2023

Jan-Mar 2023 Market Data Analyzed

INSIDE

Q1 2023 beats Q1 2022

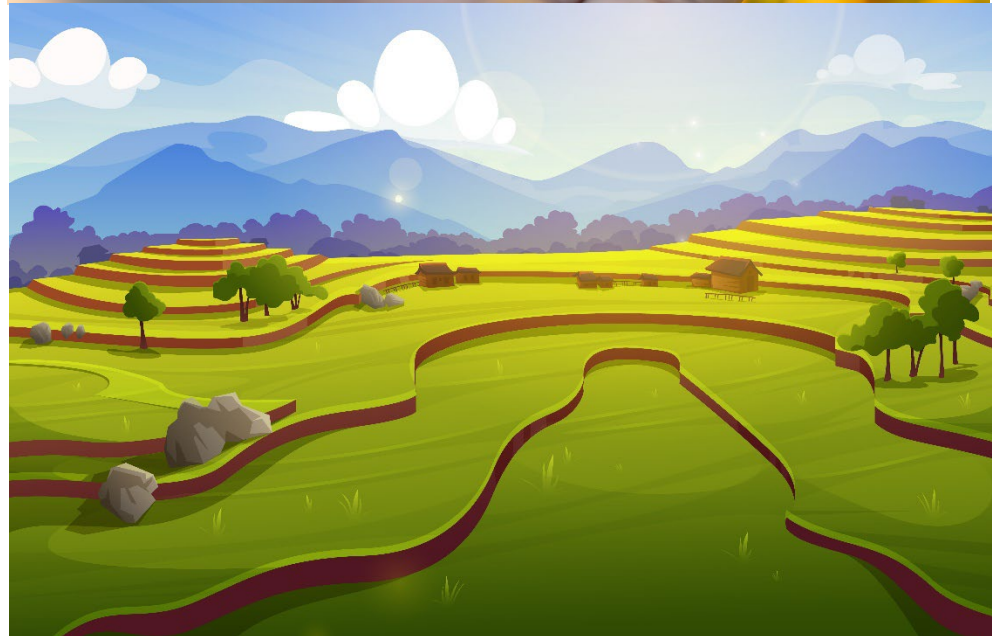
Basmati, Parboiled rice drive
Indian exports higher, white,
brokens and brown/paddy
trail

From SSRicenews.com

Mid-week special report
focused on origin,
destination, variety or price
trends and characteristics

Indian rice starts 2023
strongly, but looks
challenged ahead

- Weather
- Political
Considerations /
2024 elections
- Food stocks and
domestic market
focus



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SPECIAL REPORT - INDIA

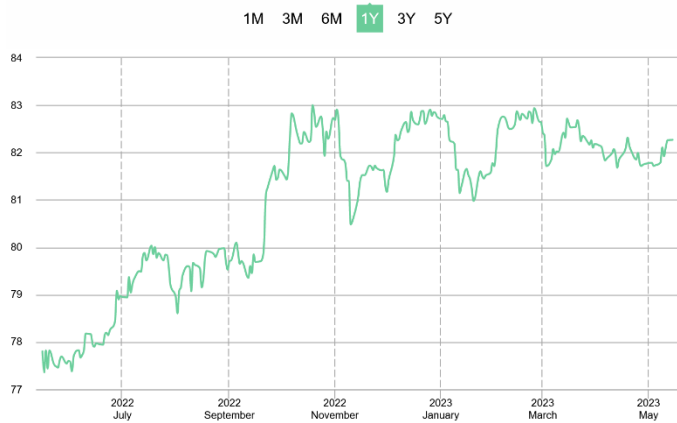
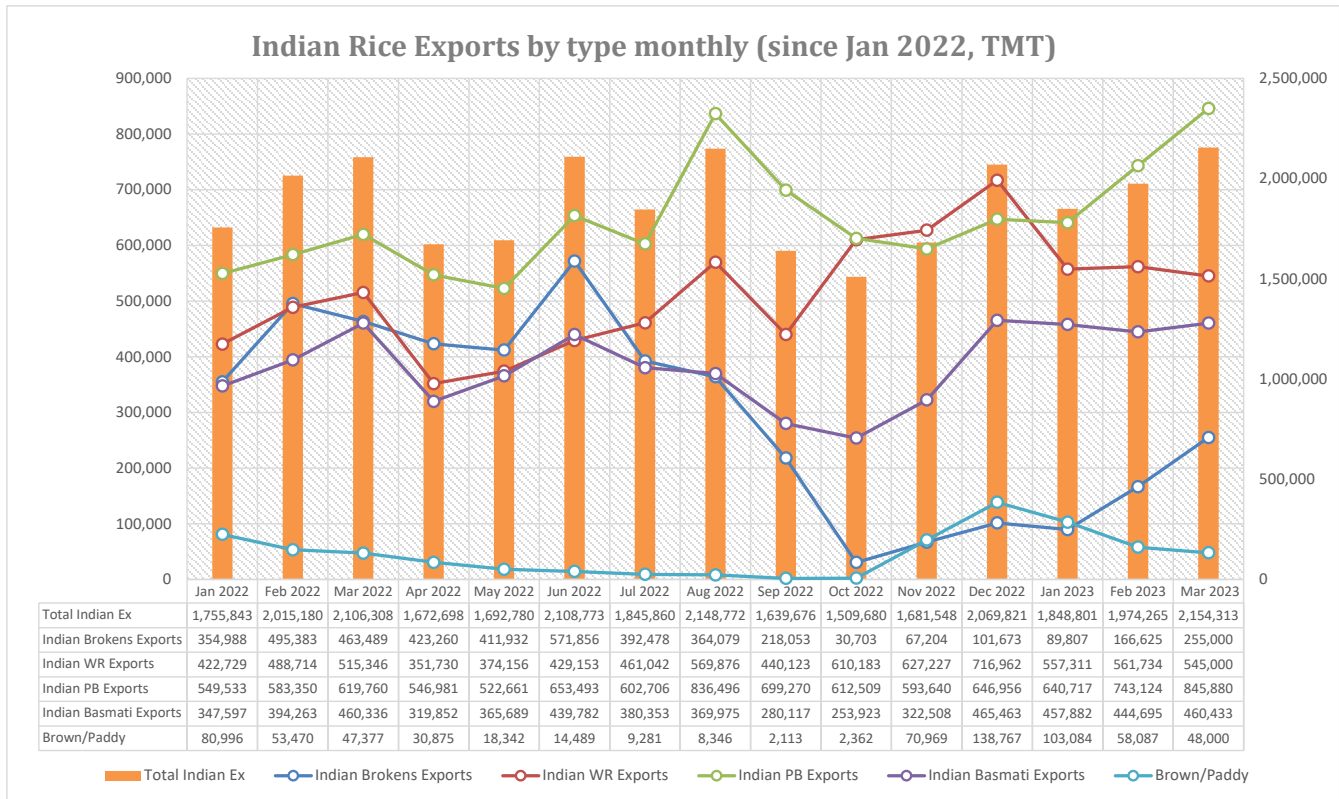
INDIAN Q1 2023 RICE EXPORTS STAY ABOVE YEAR-ON-YEAR EXPORT LEVELS OF 2022, WITH GAINS SEEN IN BASMATI, PARBOILED AND WHITE RICE EXPORTS, AS Q2 TRADE MOVEMENTS SUGGESTED LOWER

- By SSricenews.com

This is our first special report, a mid-week report to accompany the summery we provide each week and aimed to focus and deep dive into specific markets (in this case India, the largest exporter of rice in global markets), varieties as well as detailed study of prices, USDA data shifts.

In this week's report, we have updated our records to Jan-Mar 2023 Indian rice exports and while we have official breakdowns in parboiled, broken, white and basmati rice up to Feb, we have official data for basmati and non-basmati rice for up to Mar 2023 and will use guesstimates for the breakdown, only for Mar 2023, which will be updated once formal data is available. For now, Jan-Mar 2023 Indian rice exports stand at 5.98 MMT and this compares to 5.88 MMT for a 2% rise with 103 TMT more in rice exports. This alone is impressive considering the Sep 2022 ban on broken rice, and added duties which restrict and make Indian rice tighter in supply, but so far, India's continues price competitiveness is a key driver of sales which remain above Q1 2022 levels, but with some questions asked about Q2 2023 which faces a price hike in Mar 2023, and as the peak of pre-Ramadan demand is also expected to slow, while traders shift focus ahead to the monsoon, next crop and the current ongoing Indian wheat crop and government purchases, which stand at 22.29 MMT as of 30 Apr 2023 data (and 25.9 MMT as per press reports showing 15 May 2023 data) presented by the Food Corporation of India, as this beat's the 2022/23 data for the whole season (18.79 MMT) but remains lower than the 43.34 MMT seen in 2021/22, as some wheat market recovery looks likely, but the big question is whether this is enough to reverse the restrictions? We currently do not think so as we expect the Indian government to be active buyers of both rice and wheat until 2024 elections arrive and the focus is expected to remain on domestic needs, managing food price inflation while exports, certainly in rice, has remained competitive, even at elevated prices, while a strong rabi (winter) crop seems to have amplified supply.

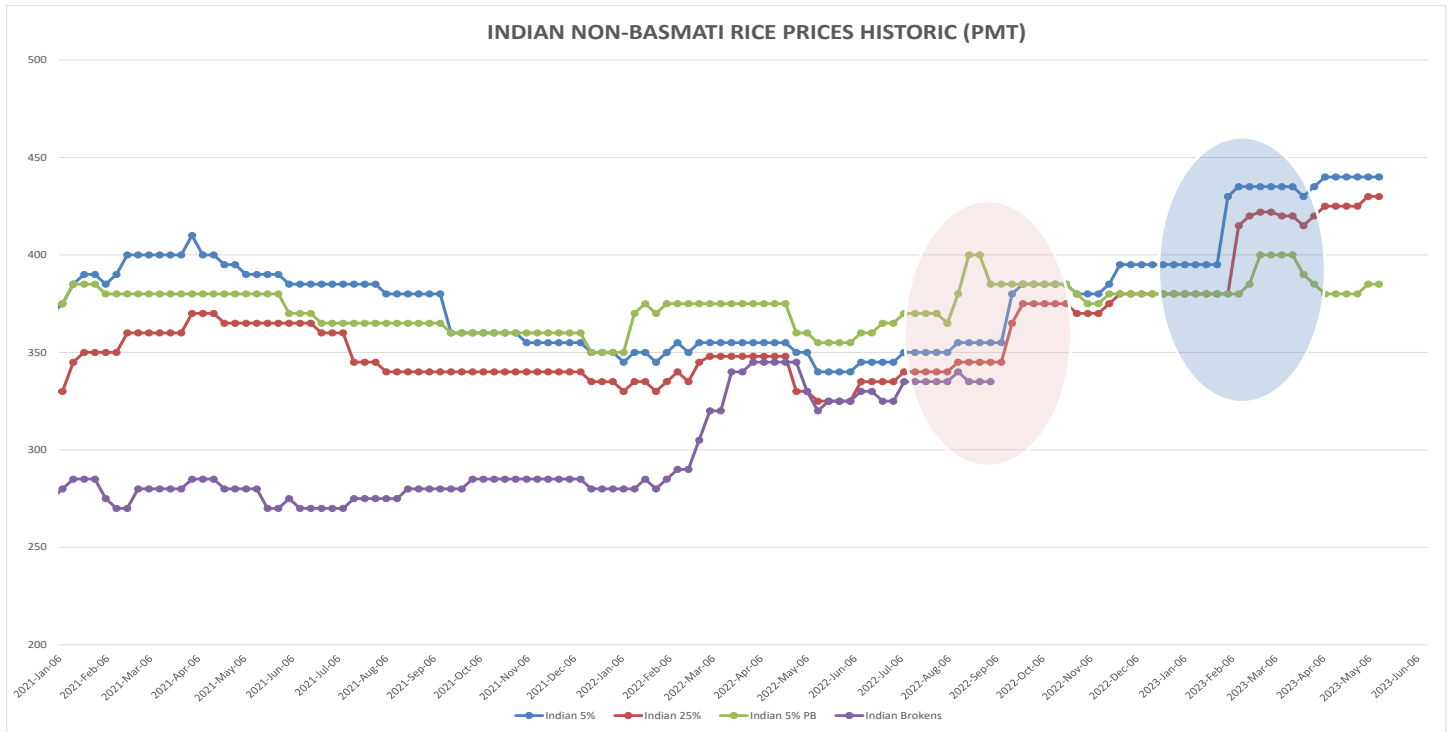




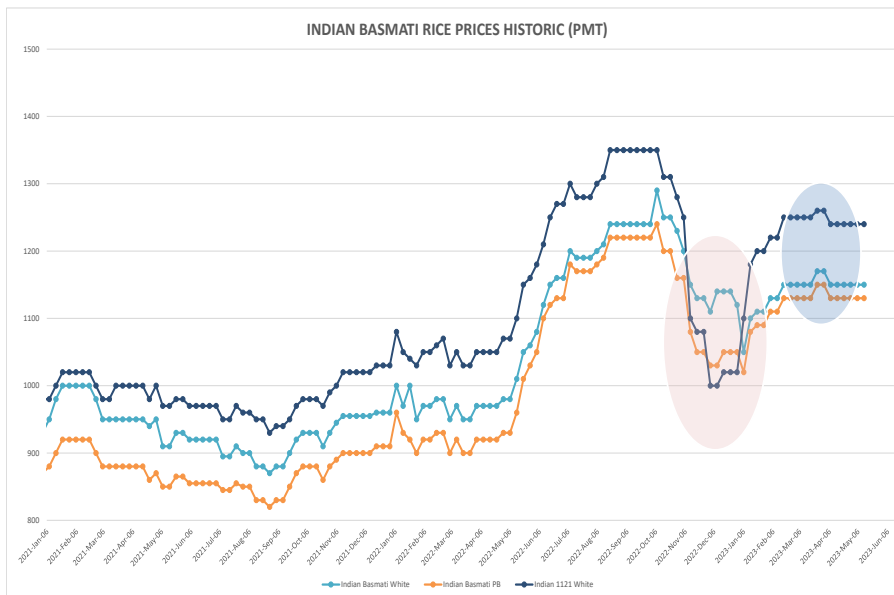
This chart above details Indian exports since Jan 2022, on a monthly timeframe and breaks it down to key segments, namely broken rice, white rice (WR), parboiled (PB), basmati and brown/paddy and what we can see clearly is the rise in basmati rice exports (elevated since Dec 2022), in parboiled rice (rising after a Nov 2022 dip, but as volumes stay elevated), we saw some weakness show in paddy/brown rice which peaked in Dec 2022 and as broken rice exports, while showing a Mar 2022 rise, remains weak compared to the Jan-Sep 2022 period. The Indian rupee (charts on inset), has, over the last 12 months weakened to a range of INR 82-83 per dollar, rising from INR 78 levels

seen in Jun 2022. This weakness has tended to support India's competitiveness, especially in translating domestic prices into dollar prices, but as we have seen, prices have firmed after the Sep 2022 announcement of a ban on broken rice and a 20% duty on white rice exports (only basmati and parboiled rice remain unaffected), while a second Feb 2022 decision to reduce the free food program in terms of rice offerings provided the backdrop to a price hike which we can see from late Feb into early Mar, and this is reflected in charts below, and is a key concern over expected weakness in Q2 and Q3 export volumes, as old contracts dry up and as buyers face higher prices.



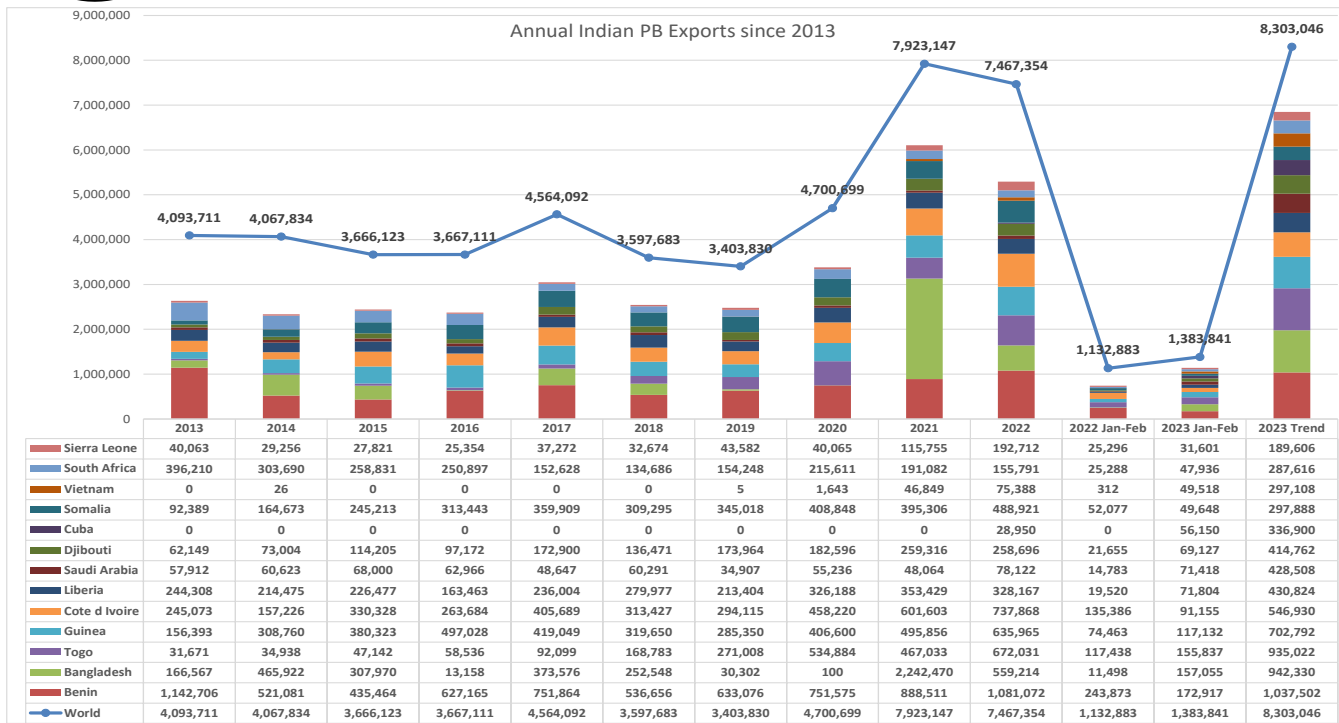


The two waves of price hikes (and the end of broken rice offer prices after the ban) are shown in the price chart (on inset) which tracks key Indian non-basmati rice offers we have seen since Jan 2021, as a reference, since 2021 and 2022 saw Indian exports rise exponentially after Covid related free food policies seem to drive Indian competitiveness and exports higher. India's prices have steadily increased, mostly due to a limit to the available supply from the subsidized (or free) food sector, while the ban on broken rice is also clear.

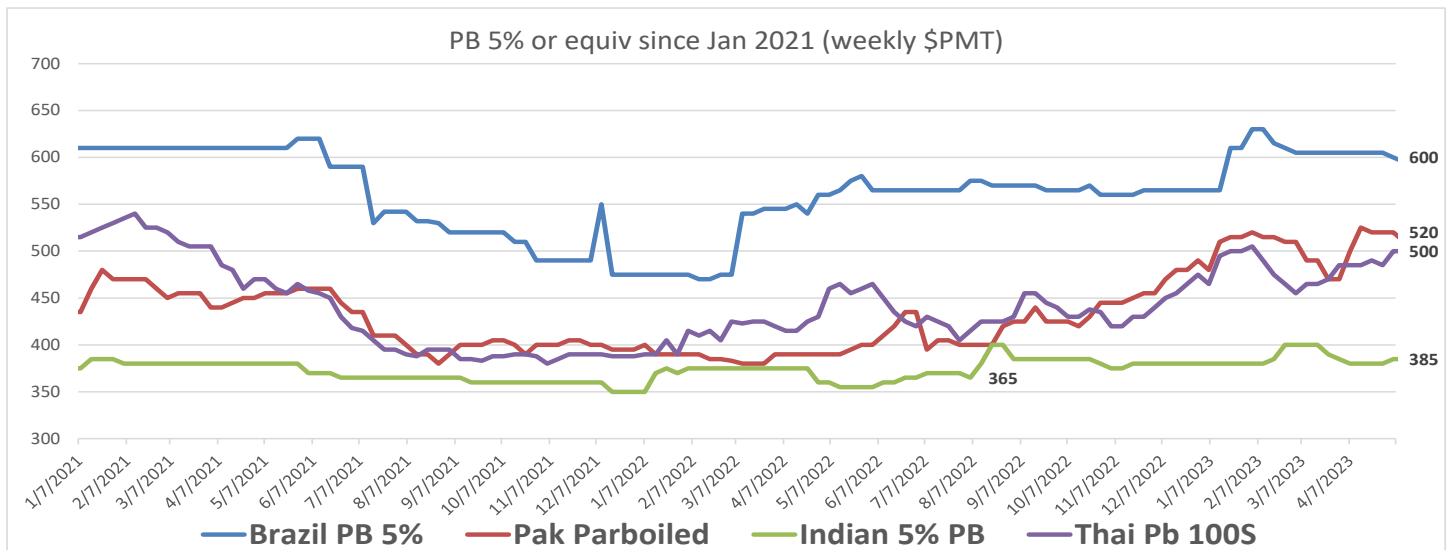


The same chart for basmati rice (on inset), we can see the price drop over the Covid period when the focus shifted away from high-quality premium products to more economical choices as the economy reeled from Covid related impact (as well as a period of extreme freight rates), while the 2022/23 market shows a very brief price decline, with more room for firmer prices as shipping became more affordable, and a second but less discussed element shows that Pakistan's flood hit production also limited Pak exports in basmati, and this left more demand coming to India.



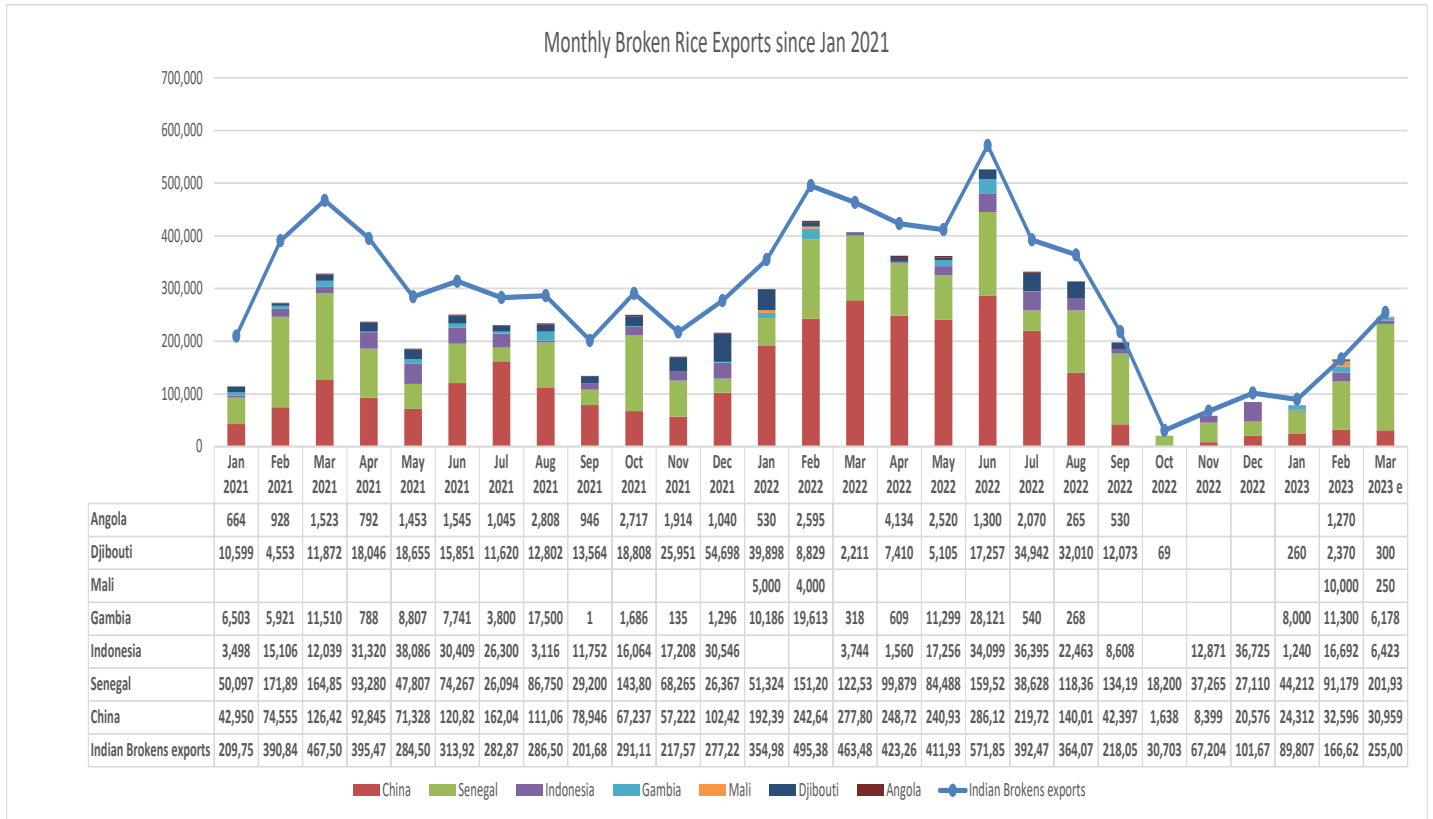


Looking at the Indian parboiled rice exports (chart and table above), we can see a segment which has been one of the less affected strong points in Indian rice exports, we can see 1.38 MMT of Jan-Feb 2023 exports which compares to 1.13 MMT for the same period in 2022. Details are shown in the chart and table below which visualized Indian parboiled rice exports so far, and this is the strong segment in Indian rice exports since the Sep 2022 ban on broken rice and the only global rice priced below \$400 PMT (\$380 PMT) at FOB levels. What we can see is a market headed for another record 8.3 MMT level if the Jan-Feb 2023 performance is averaged for the year, while there is a massive African interest with traders suggesting that buyers have shifted to Indian parboiled rice as the most economical choice in global markets. India's competitive price is clear to see in the price chart below comparing India to other origins worldwide in Parboiled rice.





The following chart showing the monthly Indian broken rice exports since 2021 serves the purpose of showing how Chinese demand has diminished since the broken rice ban, there is a steady but also weaker Senegal and other mostly African market demand which is weaker, but showing some life with special allocations of exports, once of which is being contested in the court of law in recent weeks. The weaker post Sep 2022 exports are clear to see.



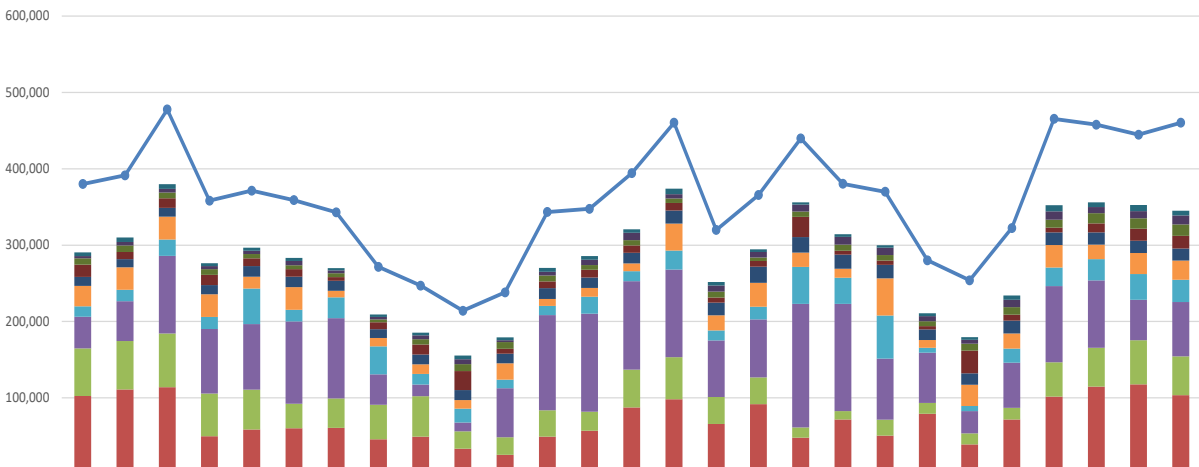
The big challenge seems to be for markets like Senegal that depend on Indian broken rice for an economical food for human consumption, while we have seen demand, especially from China, which many have suggested to have a massive feed use, as well as a complex demand that included broken rice used for starch, brewing, noodle-making and a host of other mostly industrial use as suggested by market watchers. For now, India's broken rice exports are largely dependent on special allowances like the 350 TMT of exports allowed to Senegal and Gambia, while we still see Senegal have a majority share of India's broken rice exports, while almost all other destinations face the reality of the export ban and a weakened broken rice trade which depends heavily on special allowances and allocations which seem to be determined on a case by case basis. As we have also realized from the recent legal challenge of some of these exports, there are complications, especially when the trade is restricted to a selected few (hence not available to some).





Basmati rice exports from India have also provided a positive since Dec 2022, and while export volumes are above levels seen over the last two years, most expect volumes to slow in the second half of Q2 2023, after the Ramadan month peak demand is complete as markets will now shift to the next crop, which includes some hope for Pakistan’s crop recovery (or at least a normal crop as compared to the flood ravaged crop of 2022), while Indian exports remain largely focused on Middle East markets like Saudi Arabia, Iran, Iraq, UAE and Yemen as representatives of larger buyers, though United Kingdom, has risen in the post Brexit era, while U.S. demand also provides one of the larger demand sources. The table and charts below show Jan 2021 to Mar 2023 basmati rice exports with clear dips in sales seen in Q3 and early Q4 of most years, as buyers await the main harvests of India and Pakistan.

Basmati rice exports, monthly (TMT)



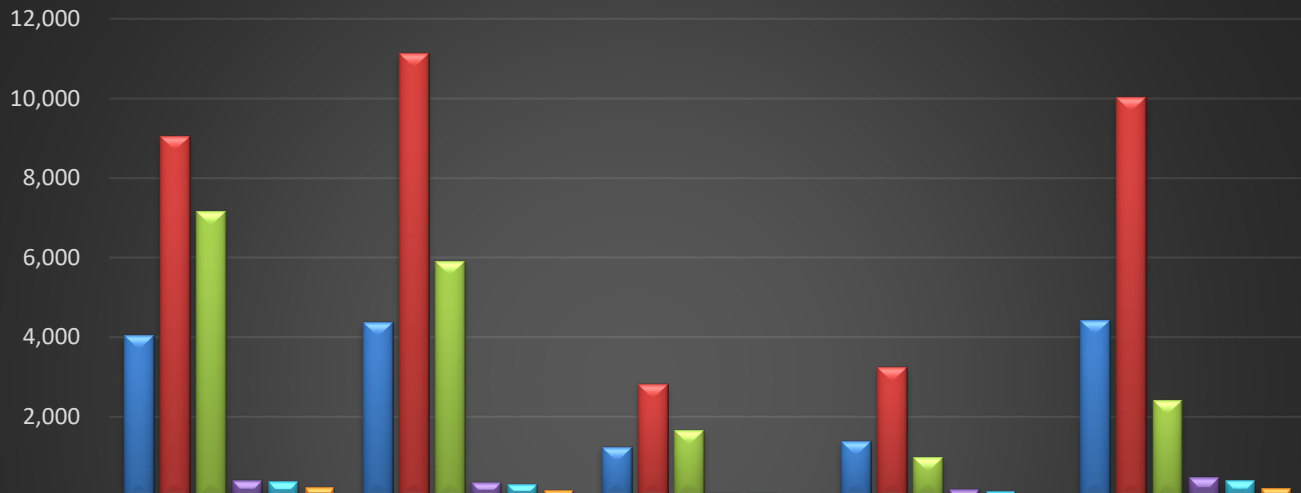
	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023
Israel	5,022	6,038	6,165	3,587	3,877	3,895	3,093	3,133	3,445	4,886	3,833	5,121	4,749	4,423	7,106	4,361	3,618	2,914	3,432	3,301	3,716	3,481	5,425	8,007	6,166	7,961	6,164
Jordan	2,971	4,426	4,728	4,243	4,494	5,543	3,725	3,369	5,094	6,466	2,459	4,946	6,919	9,665	5,703	8,042	7,149	8,932	10,032	9,473	6,770	5,212	9,813	10,959	8,120	9,514	11,720
Oman	8,111	8,528	7,553	7,309	5,473	5,106	4,926	3,645	7,039	9,061	8,581	7,547	6,079	6,903	5,801	7,981	4,547	7,136	8,190	7,255	6,326	9,083	9,750	10,392	13,224	13,506	14,864
United Kingdom	16,194	9,530	12,720	13,303	10,326	9,888	4,885	9,221	13,192	24,880	6,535	8,944	10,309	9,760	10,079	6,553	7,536	26,553	4,940	5,636	4,228	29,593	7,786	6,320	11,977	15,772	16,672
United States	11,717	10,558	11,396	12,265	13,720	13,599	13,084	11,453	12,642	13,197	12,568	14,158	13,627	13,706	16,986	16,485	21,154	20,312	18,476	17,629	13,972	14,938	16,842	16,546	15,911	16,053	15,710
Yemen	26,659	29,446	30,083	29,628	15,634	29,708	8,692	10,989	12,602	11,263	21,410	9,003	11,449	10,299	35,270	20,029	31,355	18,526	11,753	48,701	10,253	27,972	20,015	29,399	18,910	27,468	25,224
United Arab Emirates	13,630	14,970	21,398	15,684	46,476	15,310	27,303	36,591	13,966	17,997	11,296	12,054	22,257	13,227	25,096	13,045	16,618	48,587	34,224	56,487	6,335	6,715	18,244	24,333	27,965	33,832	29,131
Iran	41,599	52,163	101,56	84,701	85,807	107,95	105,01	39,890	15,310	11,578	64,174	124,69	128,42	115,75	114,74	74,041	75,998	161,83	140,66	80,074	65,780	29,230	59,140	99,775	88,243	52,997	71,103
Iraq	62,269	63,512	70,428	55,823	52,181	32,050	38,620	45,124	52,818	22,746	23,029	34,554	24,932	49,413	55,005	35,377	35,093	13,282	10,798	20,880	14,123	14,377	15,390	45,082	50,967	57,747	50,948
Saudi Arabia	102,46	110,94	113,88	49,749	58,670	60,139	60,678	45,780	49,290	33,394	25,355	49,229	56,851	87,527	98,189	65,753	91,591	47,936	71,767	50,468	79,220	38,961	71,602	101,58	114,63	117,72	103,48
Indian Basmati Exports	380,16	391,44	477,74	358,28	371,39	358,91	343,00	271,59	247,04	214,02	238,20	343,49	347,59	394,26	460,33	319,85	365,68	439,78	380,35	369,97	280,11	253,92	322,50	465,46	457,87	444,68	460,43

■ Saudi Arabia
 ■ Iraq
 ■ Iran
 ■ United Arab Emirates
 ■ Yemen
 ■ United States
 ■ United Kingdom
 ■ Oman
 ■ Jordan
 ■ Israel
 —●— Indian Basmati Exports





Indian Rice Exports by Region (TMT)



	2021	2022	2022 YTD	2023 YTD	2023 trend
Middle East	4,059	4,379	1,237	1,389	4,433
Africa	9,046	11,124	2,803	3,252	10,036
Asia	7,165	5,904	1,651	983	2,422
Americas	388	358	79	173	464
Europe	369	317	73	133	409
FSU	217	147	31	41	204

■ Middle East ■ Africa ■ Asia ■ Americas ■ Europe ■ FSU

Looking now at Indian exports by region, to simplify comparisons, we have data from 2021 and we also have Jan-Mar 2022 compared to Jan-Mar 2023. The trend we use uses, 2021 averages for the rest of the year, while we have also used 2020 data for Asian imports, since we see a significantly weaker Chinese demand in 2023 compared to 2022 and 2021. With these drawn out, we can see that when we compare Q1 2022 to 2023 data, all regional demand are trending higher except for Asia, and this is where we have a significantly weaker Chinese demand showing in influence. All other regional demand seem to favour India’s competitive position, despite the price increases, while **we expect Indian parboiled rice exports to continue to dominate** as a most economical variety in global markets.

The challenge, as suggested earlier comes from the late Feb 2023, early Mar 2023 price rises and how these would impact demand (even though India remains the best priced), and as we look ahead, we also consider the following as important elements that will shape India’s exports as well as trends in sales:

- **Weather conditions and India’s grain stocks:** with the monsoon expected, current heatwave, but as wheat production and stocks look healthier.





- **Rice supply is solid, but monsoon ahead remains a concern:** Rice production in 2022/23 is at a record 132 TMT according to the USDA, so rice production and supply looks healthy, but El Nino and the monsoon remain influences.
- **Government policy, food security, elections in 2024,** suggest an aggressive government purchase which could tighten supplies in markets, but how food is distributed and free food programs ahead could also lend some influence to export availability and price trends

India is expected to maintain a focus on domestic market needs, stocks (that need to be replenished), while there are some foreign exchange concerns that could push for exports to be driven, but we do not see this as likely, especially considering the political conditions as well as due to the risks from weather, food inflations efforts, and domestic market concerns which will trump any export push from India, at least up to the next monsoon in 2024. So the question begs to how broken rice dependent markets (the best example is Senegal as a massive buyer which has reduced imports considerably in recent months and looks dependent on special allowances, which has run into some legal obstacles) will obtain necessary food, and rice needs. China and Viet feed demand looks unlikely to be met by India for now, but the shape of the global grain market which includes this week's need for an extension of the Ukraine grain export agreement which was negotiated by the UN for up to 18 May 2023 will lend to shifts in the global grain a feed markets. India remains a best-priced origin for most grades of rice, but the prices have risen from the soft and attractive prices we once had in 2021 and 2022. Parboiled rice remains the darling of the global rice market for it's sheer affordable nature, and we expect this to be maintained.

