

### Rice exports look promising

BR RESEARCH (July 20, 2010) : With global rice prices way below than the record levels of 2008, higher export volumes from the country helped the sector ride out the fiscal year reasonably well. On the heels of the strong commodity output at home, nearly 4.6 million tons of Pakistani rice successfully made its way into international dining rooms during the last fiscal year. However, this massive -57 percent-growth in export volumes, compared to last year, didn't translate into higher growth in dollar earnings; the culprit being depressed rice rates in the international market. As the FAO All Rice Price Index, which is based on rice export quotations from 16 countries, plunged 213 points in June from 252 points in the same month last year, Pakistani exporters were able to fetch around \$2.27 billion in FY10, compared to \$2.02 billion a year earlier. Basmati rice exports were the hardest hit as average prices during the first eleven months of the fiscal year tumbled to \$876 per ton from \$1,141 per ton in the same period last year, according to FBS data. On the other hand, non-basmati rice sector fared well as prices fell by a relatively lesser degree, down by around 19 percent. Moreover, India's ban on the export of non-basmati rice helped Pakistan ship 77 percent more non-basmati rice during the first eleven months of the FY10. Based on the recent forecast by FAO, it seems that the rice export growth saga will continue onto the ongoing fiscal year, given that expansion in global trade volumes would stem from increased export from Pakistan. It has been projected that Pakistan's paddy rice output will increase to 10.2 million tons in 2010, and local exporters will ship a record volume of 3.8 million tons in 2010 up from 2.9 million tons during 2009. Moreover, the recent decision by the Kenyan government to reduce duty on rice imports into the country from 75 percent or \$200 per ton, whichever is higher, to 35 percent from all destinations, might dampen Pakistan's rice export to Kenya. Previously, Pakistan had been the only supplier enjoying preferential access in Kenya, for the past three years. But, overall impact on export volume would be minimal as rice export destinations from Pakistan are geographically dispersed around the world. Essentially, overall output growth hinges on the availability of water and favorable weather conditions. However, the government is gunning for around 6 million tons for rice output for FY11. As rice remains in demand, Pakistan being one of the major rice producers and exporters could fully enhance its position in the future.