

Basmati Rice

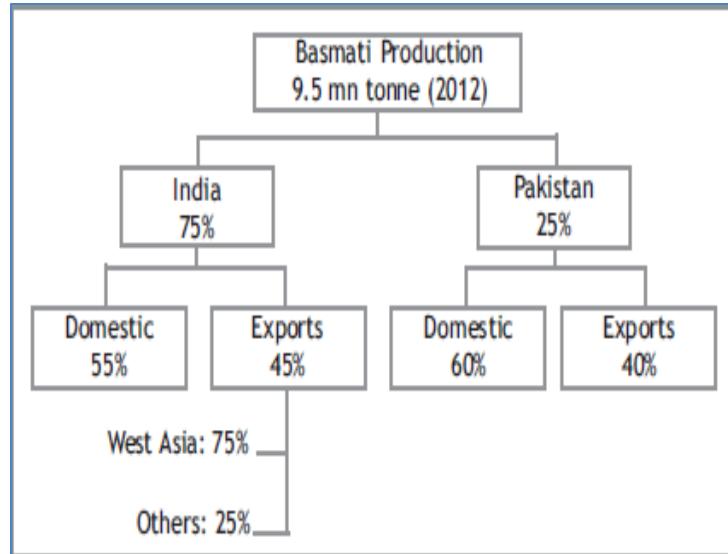
Basmati, meaning 'Queen of Fragrance' is a variety of long grain rice, famous for its fragrance and delicate flavor. Basmati rice has been reported in India since the early days of the 19th Century though it may have been named differently. It is widely believed that 'Bas' in Hindi language means "aroma" and 'Mati' means "full of" hence the word Basmati i.e. full of aroma. "Basmati" is protected under "The Geographical Indications of Goods (Registration & Protection) Act, 1999" of India, which prevents any rice grown outside of the Indo-Gangetic area from being called Basmati. Although Basmati represents a small part of India's USD 221 billion agriculture industry, it offers India, its leading producer, high product visibility in the world market.

Basmati rice is primarily cultivated in India and Pakistan. The Himalayan foothills are said to produce the best Basmati. The Super Basmati, a premium variety from Pakistan and Dehra Dun from India, are the most prized of these varieties.

Domestic Scenario

India claims Basmati has origins in India and since even the name originates from here, India has inherent right to protest against any type of patenting. In 2000, US Corporation RiceTec (a subsidiary of RiceTec AG of Liechtenstein) attempted to patent three lines created as hybrids of Basmati rice and semi-dwarf long-grain rice. The Indian government intervened and the attempt was thwarted.

Basmati is the champagne of rice. And like champagne, it has a legally enforced regional denomination. Basmati can only be produced in India and a small part of Pakistan.



India produces 75 per cent of the world's basmati rice and the rest is produced by Pakistan. Basmati supply has increased at a CAGR of about 12% in the last 10 years. In spite of the rapid increase in production on account of increasing preference of farmers for basmati rice, the entire incremental produce was consumed by the Gulf. There is still unsatisfied latent demand in other parts of the world.

Basmati rice is mostly grown in the traditional areas of north and north western part of Indian sub-continent for many centuries. The super-fine best quality of Basmati rice is produced on either side of Indus valley in India.

The main states growing Basmati Rice in India

- Haryana
- Uttar Pradesh
- Punjab
- Jammu & Kashmir
- Himachal Pradesh
- Rajasthan

The major varieties of Basmati Rice in India

There are many varieties of Basmati rice grown in India. Under Section 5, Seed Act, 1966 of India has notified eleven varieties of Basmati Rice. Details are given below:

- | | |
|---|---|
| <ul style="list-style-type: none"> • Basmati 370 • Basmati 386 • Type 3 • Taraori Basmati (HBC-19) • Basmati 217 • Ranbir Basmati (IET-11348) | <ul style="list-style-type: none"> • Pusa Basmati - I (IET-0364) • Punjab Basmati -1 (Bauni Basmati) • Haryana Basmati-1 (HKR228/IET 10367) • Kasturi (IET-8580) • Mahi Sugandha |
|---|---|

Initially, Basmati used to be consumed in the areas in which it was grown. However, with the migration of the ethnic population to various parts of the world, Basmati became reasonably popular with Indians abroad. Later on, it started becoming popular with the locals of these countries and thus the exports of Basmati Rice started increasing gradually. In 1980s, the Government of India opened the export of Basmati Rice and this led to the rapid development of a large market for this rice in the International arena. Over a period of time, the traders who were exporting rice began to invest in automation, yield improvement, packaging and marketing and an ancient product led to the development of a new sunrise industry. Today, exporters are churning out thousands of tonnes of high quality Basmati Rice from their factories. Most of them have attained the status of Export House, Trading House, Star Trading House and Super Star Trading House.

Basmati 370 and Taraori Basmati are the widely cultivated varieties of export quality for decades. Breeding efforts have resulted in development of the world's first high yielding, semi dwarf Basmati variety - Pusa Basmati I, combining the quality features of traditional varieties and yield potential of high yielding semi-dwarf varieties. Farmers in Punjab, Haryana and Uttar Pradesh have taken to Pusa-1121 and CSR-30, both in view of higher yields as well as remunerative prices. Pusa-1121 yields roughly 47 - 50 quintals a hectare, against 50 - 52 quintal for Pusa Basmati-1, 35 - 38 quintals for CSR-30 and 22 -25 quintals for traditional varieties such as HBC-19 (Taraori). In the past couple of years, the trend has been to replace Pusa Basmati-1 with Pusa-1121 and HBC-19 with CSR-30. The grain from 1121 has better aroma and lower chalkiness than Pusa Basmati-1, while yields are more or less the same. CSR-30 has higher yields and is salinity resistant compared to traditional cultivars, with very similar grain quality. A lot of CSR-30, in fact, gets shipped out as traditional basmati.

Quality Specifications for Indian Basmati

Standards for Indian Basmati Rice as per Notification No. 67 (E) dated 23rd January 2003 issued by Ministry of Commerce & Industry, Government of India.

Grade	Minimum Average Precook Length in mm	Min L/B Ratio	Maximum Moisture content %age	Max. Damaged Discoloured Grain %	Max. Chalky Grain / Black Kernels %	Max. Broken & Fragments %	Max. Foreign Matter %	Max. other Grain %	Max. other Rice varieties %	Max. under Milled & red stripped grain %	Max. Paddy Grain %	Min-imum Elong-ation Ratio	Max. Green Grain %
MILLED													
Special	7.1	3.5	14	0.5	3	2	0.1	0.1	5	2	0.1	1.7	-
A	7	3.5	14	0.7	5	3	0.25	0.1	8	2.5	0.2	1.7	-
B	6.8	3.5	14	1	7	5	0.4	0.2	15	3.5	0.3	1.7	-
MILLED PARBOILED													
Special	7.1	3.5	14	0.5	0.1	2	0.1	0.1	5	2	0.1	1.5	-
A	7	3.5	14	0.7	0.5	3	0.25	0.1	8	2.5	0.2	1.5	-
B	6.8	3.5	14	1	1	5	0.4	0.2	15	3.5	0.3	1.5	-
BROWN													
Special	7.4	3.5	14	0.5	3	2	0.2	0.1	5	2	0.2	1.7	2
A	7.2	3.5	14	0.7	5	3	0.5	0.1	8	2.5	0.5	1.7	4
B	7	3.5	14	1	7	5	1	0.2	15	3.5	0.8	1.7	6
BROWN PARBOILED													
Special	7.4	3.5	14	0.5	0.5	2	0.2	0.1	5	2	0.1	1.5	2
A	7.2	3.5	14	0.7	1	3	0.5	0.1	8	2.5	0.2	1.5	4
B	7	3.5	14	1	2	5	1	0.2	15	3.5	0.3	1.5	6

Major Brands of Basmati Rice in India

A major change is being witnessed in the Indian consumer market in terms of brands. The importance of brands are increasing by the day be it in the case of cosmetics, apparels, consumer durables or food products. The rice market in India has evolved over the years and today branded rice has become the order of the day. Basmati Rice also known as King of Rice because of its umpteen characteristics rules the rice industry in India. India is home to thousands of varieties of basmati rice.

Basmati rice is not only popular in India rather it is in great demand in most of the countries across the globe. This global demand for basmati rice has lead to a substantial increase in traditional Basmati growing areas. Currently the total area under cultivation of Basmati rice in India is about 7,76,000 hectares and the total estimated production is about 11,96,000 MT. The largest Basmati Rice producing state is Haryana which accounts for almost 60 per cent of the total long grained rice produced in India

The branded basmati market In India currently valued between Rs. 800-1000 crore. The Indian rice producers are going by market trend of producing branded rice which in turn is resulting in stiff competition. The total consumption of branded basmati rice in India is 3.5 lakh MT which is quite a significant figure and considering market consumption patterns industry experts are expecting a rise in the figure by another 20 per cent. Most of the Top Basmati Rice Brands in India are famous worldwide and are exported to countries like USA, Denmark, Iran etc.

Top Brand names of Indian Basmati are:

- * Lal Qilla
- * Double Diamond
- * Hanuman
- * Resham
- * Pari
- * Tilda
- * Adora
- * Royal
- * Trust
- * Daawat
- * Kohinoor
- * Blue Label
- * Lal Haveli
- * Doon
- * Amira
- * Neesa
- * Dunar
- * Himalayan Crown
- * India Salaam
- * Indian Star
- * Saffola Arise
- * Tirupati
- * Jagat

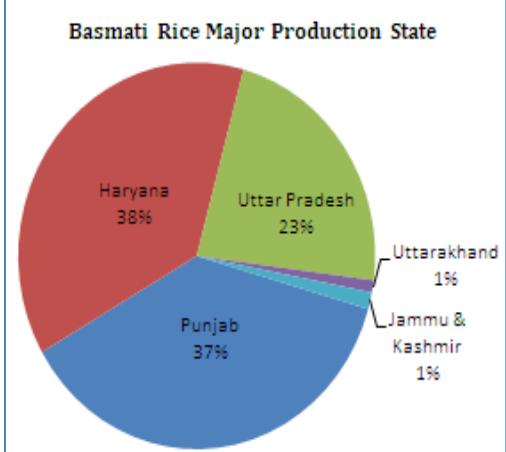
Basmati Rice Production in India

Basmati rice production in India may surge to around 20 million MT in FY 2014-15 helped by higher returns and the new high yielding basmati rice variety PUSA 1509.

According to the USDA, India's basmati rice production is expected to reach around 8 million MT in MY2013-14, up around 7.1 million

Basmati Rice Production in India (Lakh MT)					
State	2010-11	2011	2012	2013	2014
Punjab	28	28	27	23	33
Haryana	28	27	24	29	33
Uttar Pradesh	14	21	18	13	20
Uttarakhand	1	1	1	1	1
Jammu & Kashmir	1	1	1	1	1
Total	72	78	71	66	88
Source : Agri Net					

MT



produced in the previous year. Increasing domestic prices and export demand for basmati rice are encouraging farmers to grow more basmati rice.

Basmati rice production is likely to surge also due to the introduction of the new basmati rice variety, PUSA 1509 which was released by the Indian Agriculture Research Institute (IARI) last year.

Farmer increased basmati rice acreage in the 2014 kharif rice season by around 40 per cent to around 3.5 million hectare from around 2.5 million hectares in anticipation of higher prices similar to those last year. Now, the output has increased to around 8.8 million MT from around 6.6 million MT last year.

Domestic Consumption

While paddy prices are expected to decline 10 per cent in 2015, we expect basmati realizations to remain stable or increase marginally by 2-3 per cent due to healthy demand and low inventory. We expect demand to remain strong at 12-13 per cent over the next two years both in the domestic and exports markets. India's share in basmati rice exports is increasing at a rapid pace; we expect the trend to continue due to superior quality and higher production compared with Pakistan, the only competitor. Also, consumption of basmati rice in the domestic market is rising at a healthy pace driven by changing lifestyles and expansion of organized retail.

Demand for basmati rice at home is expected to remain healthy and grow at 12-13 per cent over the next two years driven by changing lifestyles, rise in income and expansion of organized retail in India. Despite 25-30 per cent increase in prices in 2014, demand remained strong at 7 per cent year-to-year. Based on our interaction with industry sources, customers are willing to pay a higher price for basmati due to its premium quality and rising affluence; domestic consumption in the past five years grew at 12 per cent. South India remains the largest market of branded basmati rice with 35% share followed by North and West India with 25 per cent each and East India with 15 per cent.

Growth and Contribution of Indian Basmati Rice

Basmati rice is grown in the Indo-Pak subcontinent and is considered the most preferred variety of rice consumed in nearly all parts of the Arab world.

Due to the phenomenal growth in sales the Indian basmati market has moved from being just a commodity to being a branded commodity.

India Basmati rice production is projected to improve to 88 Lakh MT against the last year production of 66 lakh MT, a rise of about 22 per cent. India continues to be the leading producer of Basmati rice (over 75 per cent then Pakistan (25 per cent).

The top Basmati rice producing states of the country are Haryana (38 per cent), Punjab (37 per cent) and Uttar Pradesh (23 per cent).

India and Pakistan are the Sole Basmati Producers

In India, Basmati rice is grown in the states of Haryana, Punjab, Uttar Pradesh, Uttarakhand and J&K. In Pakistan, Basmati rice is grown in Punjab. Basmati crop is generally a major Kharif (May to November) crop with sowing season starting from May-June and harvesting season ending in October-November. With the inclusion of PUSA 1121 as Basmati, area under Basmati cultivation in both Punjab and Haryana increased by 10 per cent.

India Export of Basmati Rice

Country	2010-11	2011-12	2012-13	2013-14	2014-15
Iran	452542	614645	1082219	1440454	608107
Saudi Arab	623666	721245	681193	826119	515101
U Arab Emnts	625582	726901	234640	147903	164751
Iraq	36981	151964	204266	219605	129377
Kuwait	170068	199869	163317	175537	96687
Qatar	7668	16013	61188	29555	96401
Yemen Republic	69934	92112	172350	146840	89343
U K	77431	141667	192435	118852	81859
U S A	44809	86252	91544	103391	60624
Jordan	23643	52932	89645	79094	36681
Netherland	22952	37276	60059	43533	34158
Others	174,974	328,570	426,973	423,219	279,098
Total	2,330,250	3,169,446	3,459,829	3,754,102	2,192,187

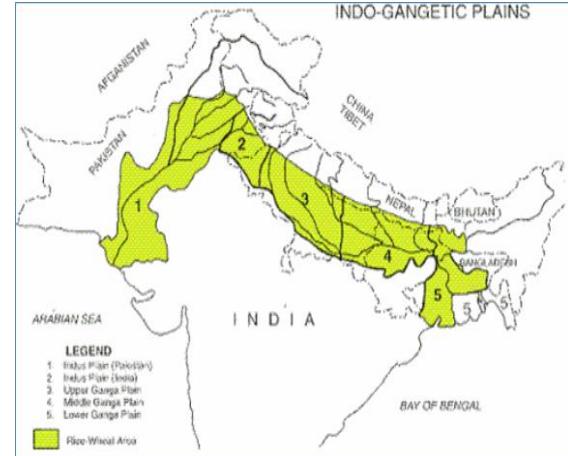
Source: DGCIS

In 1997 RiceTec Inc. obtained a US patent for the right to call their variety of aromatic rice as 'Basmati'. This was strongly contested by the Government of India and the patent was later withdrawn. Since then Basmati has been protected under "The Geographical Indications of Goods (Registration & Protection) Act, 1999"⁴ of India which prevents any rice grown outside of the Indo-Gangetic area from being called Basmati.

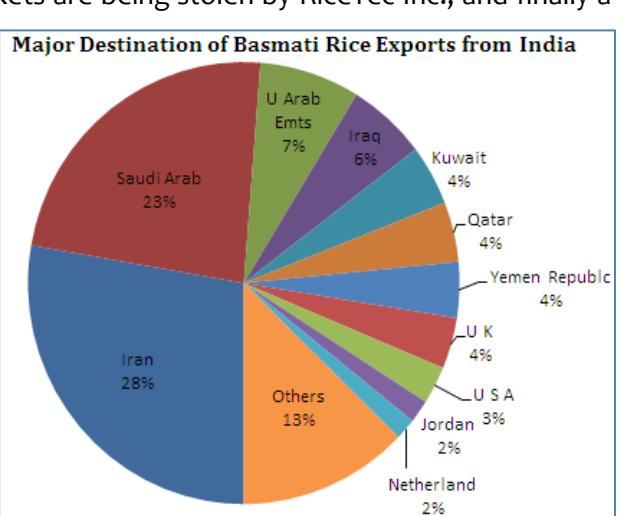
Importance of Rice on Indian and Pakistan Economy

Rice is an important aspect of life in the Southeast and other parts of Asia. For centuries, it has been the cornerstone of their food and culture. During this period, farming communities throughout the region developed, nurtured, and conserved over a hundred thousand distinct varieties of rice to suit different tastes and needs. It is for this reason that patenting of Basmati by RiceTec Inc. is perceived as not only intellectual property and cultural theft, but it also directly threatens farm communities in Southeast Asia. According to Dr Vandana Shiva, director of a Delhi-based research foundation which monitors issues involving patents and biopiracy, the main aim for obtaining the patent by RiceTec Inc. is to fool the consumers in believing there is no difference between spurious Basmati and real Basmati. Moreover, she claims the "theft involved in the Basmati patent is, therefore, threefold: a theft of collective intellectual and biodiversity heritage on Indian farmers, a theft from Indian traders and exporters whose markets are being stolen by RiceTec Inc., and finally a deception of consumers since RiceTec is using a stolen name Basmati for rice which are derived from Indian rice but not grown in India, and hence are not the same quality."

In fact, Basmati rice has been one of the fastest growing export items from India in recent years. In the year to March 1997, India exported more than half a million MT of Basmati to the Gulf, Saudi Arabia, Europe and the United States, a small part of its total rice exports, but high in value. More substantively, Indian farmers export \$250 million in Basmati every year and U.S. is a target market. RiceTec Inc. had attempted to sell its long-grain rice in Europe under such brand names as 'Texmati' and 'Kasmati' but not as Basmati. However, if the patent is not revoked, RiceTec Inc., can now sell its rice under the brand name Basmati which will definitely cut into India's and Pakistan's global market share, especially as the rice grown in the US could be sold cheaper than the Indian and Pakistani varieties.



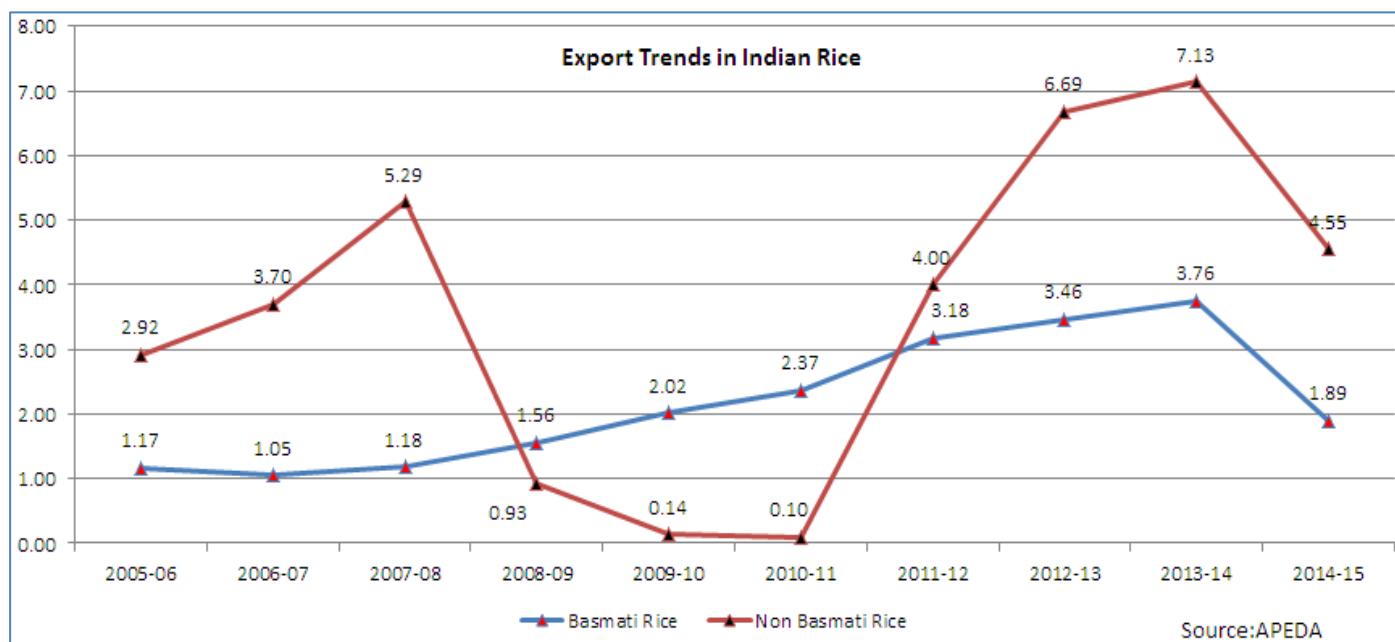
Major Destination of Basmati Rice Exports from India



India's Export of Basmati Rice

Gulf region remains the major markets for Indian basmati rice and inside Gulf, Iran and Saudi Arabia accounts for the major chunk of basmati imports from India. Pakistan is the sole competitor for India in the international market for basmati rice. The percentage share has increased for basmati rice, during 2010-11, 2011-12, 2012-13 & 2013-14 and the export has increased in linear order from 16 per cent in 2010-11 to 21 per cent in 2011-12, 23 per cent 2012-13 and 25 per cent during 2013-14 respectively.

Share of Iran in total basmati rice exports from India is expected to decline over the next two years as Iran increased the import duty to 40 per cent in July 2014 from 23 per cent earlier. Also, it reduced the accepted level of arsenic in basmati rice from 150 parts per million (ppm) to 120 ppm. Owing to these developments, we expect export volume to Iran to decline marginally over the next two years from 1.44 million MT in 2014-15. However, demand for basmati rice is on the rise in other Middle East countries such as Iraq, Kuwait and Saudi Arabia due to rise in income levels.



Indian basmati rice exports gave a huge jump of Rs 9,890.58 crore in 2013-14 as compared to the previous season due to demand for biryani in the Middle East. Riding on strong overseas demand especially from Iran and Saudi Arabia, the value of basmati rice export jumped by 50.96 per cent.

According to the figures available with the Agricultural and Processed Food Products Export Development Agency (APEDA), India exported about 37.57 lakh MT basmati rice from April 2013 to March 2014 valued at Rs 29,299.96 crore. In the previous season about 34.59 lakh tonnes of basmati rice was exported for Rs 19,409.38 crore to the country's rice exporters. Iran is the biggest importer by accounting for 37.46 per cent of the total value of the trade like the preceding year. India exported about 14.41 lakh MT of basmati rice to Iran worth Rs 10,975.71 crore.

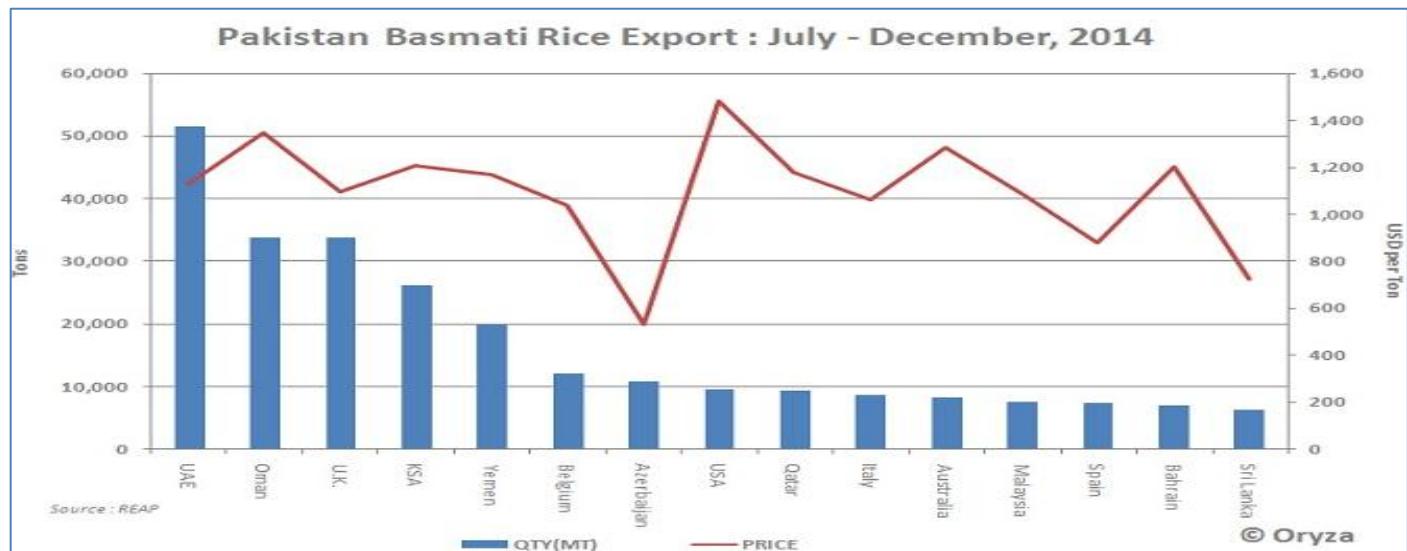
Saudi Arabia was second by buying about 8.26 lakh MT at Rs 6,717.06 crore which is 22.93 per cent of the total trade value. The surge in basmati rice demand overseas set the cash registers of exporters ringing and it also bode well for the Indian farmers particularly from Punjab and Haryana who contribute nearly 70 per cent to country's basmati output.

In 2013-14, Punjab had about 5.59 lakh hectares (ha) of area under basmati with an output of 14.87 lakh MT while in Haryana the area under the crop was 7.21 lakh ha producing 18.90 lakh MT. Hoping the export demand to remain bullish, farmers in both states are planning to increase the basmati acreage but agriculture department officials and experts have advised caution. Punjab farm department has set the target of area under basmati in the state this kharif season at 6.40 lakh ha up by nearly 80,000 ha from last year.

Declining Basmati Rice Production in Pakistan

In the Basmati rice market, India is at an advantageous position due to steady growth in production vs declining trend in Pakistan. India's share in the exports market increased to 85 per cent in 2013-14 from 77 per cent in 2012-13 driven by delivery of superior quality products.

India and Pakistan are the only producers of basmati rice across the globe – while India exported 3.8 million MT of basmati rice, Pakistan's exports were 0.6 million MT in 2013-14. Basmati rice production in Pakistan grew marginally to 2.5 million MT in 2013-14 vs 2.2 million MT in 2012-13. Despite rise in demand for basmati rice in the domestic and exports markets, production in Pakistan declined to 2.5 million MT 2013-14 from 2.8 million MT in 2009-10 due to low yield and limited spend on research of new seeds unlike other countries. During the same period, India's basmati rice production grew to 6.6 million MT in 2013-14 from 3.8 million MT in 2008-09 due to increase in acreage owing to higher yield and returns, and continuous investments in research activities.



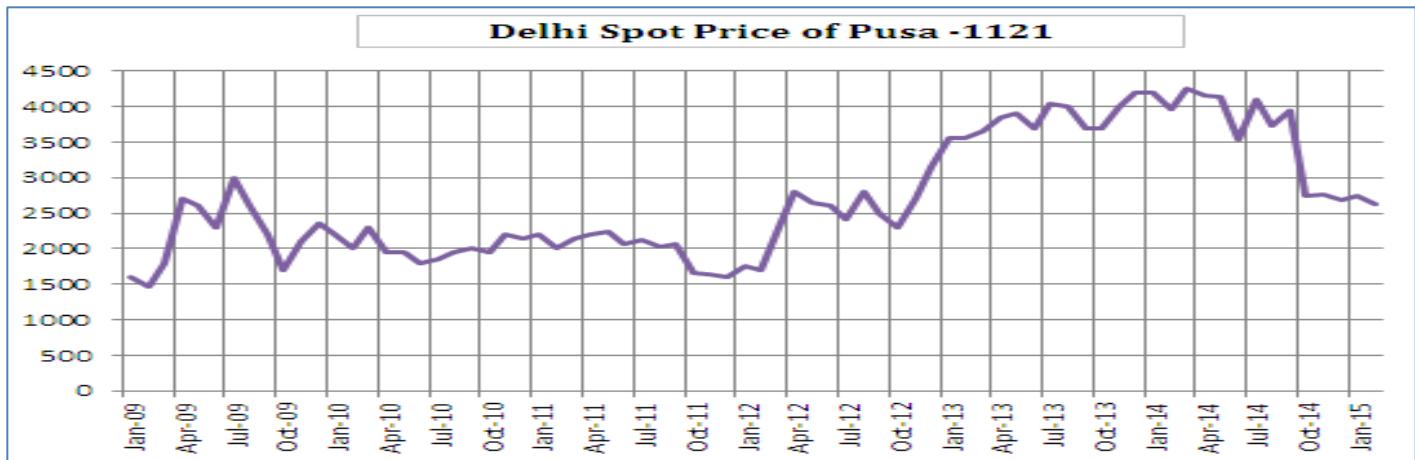
Basmati rice Export from Pakistan

Pakistan has exported around 1.7 million MT of rice (including basmati and non-basmati) worth \$914.37 million in the first six months of 2014-15 (July- June), according to data from the Rice Exporters Association of Pakistan (REAP).

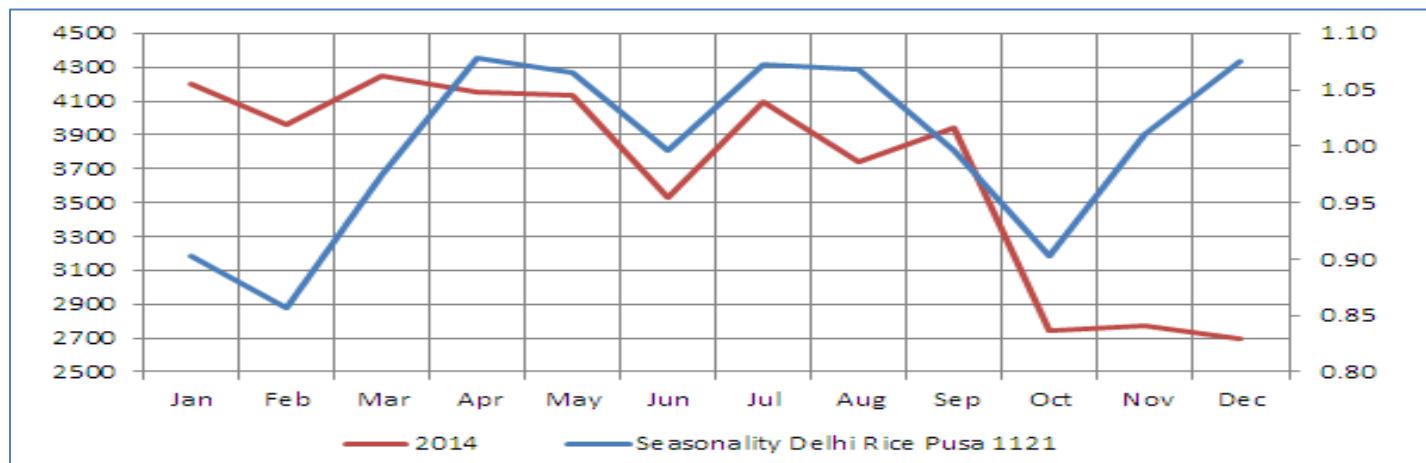
The South Asian nation exported 304,294 MT of basmati rice worth \$347 million during Julyo December 2014. The U.A.E. and Oman remained biggest destinations for Pakistan's basmati rice in July –December 2014. The U.A.E. accounted to about 17 per cent of Pakistan's total basmati exports in the first six months of 2014-15. Pakistan exported around 51,452 MT of basmati rice worth \$58.19 million to the U.A.E. in the referred period. Oman accounted to about 11 per cent of Pakistan's total basmati rice exports in the first six months of 2014-15. Pakistan exported around 33,863 MT of basmati rice worth \$45.72 million to Oman during the six- month period.

Other important destination for Pakistan's basmati rice export in July – December 2014 includes the U.K. (about 19,947 MT), KSA (about 26,145 MT), Yemen (about 19,947 MT), Belgium (about 12,091 MT), Azerbaijan (about 10,793 MT) Qatar (about 9,339 MT) and Italy (about 8,722 MT). In 2013-14, the U.A.E., the U.K., Yemen, Oman, KSA, Belgium, Azerbaijan, Spain and the U.S. remained the top destinations of Pakistan's basmati rice.

Price Trend Analysis



Indian basmati rice farmers were hopeful of reaping good returns from basmati rice production this year. Based on the last years of above normal returns from basmati rice, farmers increased basmati rice acreage in 2014-kharif rice season by about 40 per cent to around 3.5 million hectare (Ha) from around 2.5 million hectares (Ha). The production has increased to around 8.8 million MT from around 6.25 million MT last year.



India's Basmati rice exports in the fiscal year 2014 -13 (April – March) are likely to decline by about 10% to around 3.2 Million MT from around 3.7 million MT exported in 2013-14. The export decline is mainly due to the ban imposed by Iran on basmati rice imports citing presence of excess stock in the country. Iran is an important destination for India's basmati exports with total share of about 28 per cent.

Owing to above, reasons the prices are expected to continue with its weak trend unless fresh support is provided to the market from solving of the Iran's export issue. The resolving of the issue is likely to arrest the fall in prices but a sharp uptrend is very unlikely amidst pressure of increased domestic supplies.

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