



**The Federation of Telangana Chambers
of Commerce and Industry (FTCCI)**



RICE EXPORTS
from Telangana
OPPORTUNITIES &
WAY FORWARD



If you eat today
— Thank —
the **FARMER**

MANAGEMENT TEAM

Ramakanth Inani
President

K.Bhasker Reddy
Sr.Vice President

Anil Agarwal
Vice President

KhyatiAmol Naravane
CEO

RESEARCH TEAM

T. Shanmukha Reddy
Co-Chair,
Agro, Food Processing &
Rural Development Committee

T. Sujatha
Dy. CEO

Shaheda
Dy. Executive Officer

A.Srinivas
Layout & Design



President's MESSAGE

India's rice exports command the highest share in the country's total agricultural exports; and that paddy cultivation involves almost half of India's agricultural households. The export of rice thus connects the masses with the world market.

Telangana State is one of the major rice producing states in India and rice production increased by more than 3 times in the last five years. However, export quantities have remained the same posing the challenge of surplus management. It is imperative that the surplus produce need to be marketed effectively.

The report is an exercise to understand the challenges faced by the rice exporters in Telangana and outlined various measures needed to increase rice exports from the state.

I congratulate the team for coming out with the study and the measures recommended in this note may be considered by the Government of Telangana to turn the state into a major rice exporting state.

I thank all the rice exporters who have given their inputs and supported FTCCI in bringing out this report.

We appreciate & thank Dr. B. Yerram Raju, Economist and Risk Management Specialist, Director, TIHCL for his valuable suggestions in making Telangana a Rice Export Hub.

Ramakanth Inani
President



Synopsis

Agriculture is the primary source of livelihood for more than half of the population of India as well as Telangana State. The share of agriculture in the GSDP of Telangana State is about 13 percent indicating that the per capita income of people depending on agriculture sector is considerably lower than those depending on other sectors.

While the share of agriculture in GSDP remained low, the contribution of the agriculture sector to the Gross State Domestic Product (GSDP) increased almost threefold in 2019-20, when compared to that in 2011-12. It is imperative that urgent measures are to be taken to increase the incomes of the farmers and to avoid further distress in agriculture sector.

Telangana emerged as one of the major rice producers in the country and is now has huge surplus production over domestic consumption. The present study is undertaken to look into the 'prospects of Rice Exports from Telangana' for bringing higher incomes to the farmers and effective utilization of surplus produce.

The study focused on aspects of Indian Rice production and exports,

Telangana Rice production and exports, challenges faced by rice exporters, infrastructure facilities and steps required to improve exports.

It was observed that State's share in total rice exports of Non-basmati remained at less than 0.5% over last 5 years in spite of production increasing by 29.6 lakh tons in 2015-16 to 1.3 crore tons in 2019-20 recording more than 4 times growth in overall production.

The report has highlighted the challenges faced by the exporters Viz. High Transportation Cost, Terminal Handling Charges (THC), higher pesticides' residue in rice, implementation of Minimum Support Price for Paddy making price of rice higher compared to other states, dearth of Infrastructure Facilities etc.

The major recommendations include:

- It is suggested to give subsidy to rice exporters to make the price on par with other states'. If government insist on implementing MSP, it can follow Taiwan model – where in government buys paddy and

auctions for the exporters to buy at market price.

- ▶ CONCOR subsidy scheme should be extended in ICDs of Telangana State.
- ▶ To build ICD nearer to people of Adilabad, Nizamabad, and Karimnagar. Two suitable locations for setting up ICD are identified – at Dichpally, Nizamabad District or Janakampet in Nizamabad District
- ▶ Government should organize awareness camps in every village on usage of pesticides and

urea and also train and appoint volunteers for continuous monitoring.

- ▶ Quality Testing Labs are to be set up at major trading areas such as Nizamabad, Karimnagar and other rice growing areas.

Rice exports from Telangana has a natural disadvantage of connectivity as compared to few other states of India, which can make a big difference in a bulk commodity business like rice which is a low margin export. However by taking suitable measures, exports from Telangana can be made more viable and profitable.

1 Introduction



griculture is the primary source of livelihood for about 58% of India's population. Gross Value Added (GVA) by agriculture, forestry and fishing was estimated at Rs 19.48 lakh crore (US\$ 276.37 billion) in FY20 (PE). Growth in GVA in agriculture and allied sectors stood at 4% in FY20¹.

The aim of government of India to double the farmers' income can be achieved by promotion of farm exports that helps not only earning precious foreign exchange but also gives good price for the farmer for his produce. The goal of attaining 'Aatmanirbhar Bharat' is realized only when the country achieves self-reliant agriculture.

India's rice production has been going up steadily over the past several years. From around 96 million tonnes in 2010-11, rice production is seen touching a record 117.47 million tonnes in 2019-20, as per Second Advance Estimates.

India, the second largest producer of rice in the world, has been the largest exporter of the cereal after the shipments of the non-basmati

were allowed from 2011. Rice is the only agri-commodity from India currently that maintained its competitiveness in the overseas market. The exports of other grains such as wheat and maize are unviable due to the higher production costs.

Rice, both basmati and non-basmati variety, is the largest commodity in India's agri-export basket. "Considering the importance of export of rice, its inherent potentials and the multifarious issues, which are faced in the process, the government of India constituted a "Rice Export Promotion Forum," under the aegis of Agricultural and Processed Foods Export Promotion Development Authority (APEDA).

FTCCI is attempting to give its views on status, bottlenecks and steps required, if any, to improve the rice exports from Telangana state on the request of Telangana State Planning Board. In this context, the report covers the aspects of Indian Rice production and exports, Telangana Rice production and exports and bottlenecks, infrastructure facilities and steps required to improve exports.

¹<https://www.ibef.org/industry/agriculture-India.aspx>



2 Major Varieties of Rice Exported from India:

The rice exports consist of two major categories of Rice, Basmati Rice and Non Basmati Rice.

2.1 | BASMATI RICE

Long grain aromatic rice grown since long back in the specific geographical area blessed with characteristics extra long slender grain, soft and fluffy texture upon cooking, superior aroma and distinct flavor.

The main varieties of Basmati rice as notified under the seed act. 1966 are Basmati-386, Basmati-217, Ranbir basmati, Karnal- local/ Taraori Basmati, Basmati-370, Type-3 (Dehradun Basmati), Pusa Basmati-1, Pusa Basmati-1121, Punjab Basmati-1, Haryana Basmati-1, Mahi Sugandha, etc. The major areas in India, where basmati is mainly grown are J&K, Himachal Pradesh, Punjab, Haryana, Uttarakhand, Western Uttar Pradesh, Delhi. The major destination of Basmati rice export in the world are Saudi Arabia, Iran, UAE, Iraq, Kuwait, U.K, USA, Yemen Republic, Oman, Canada.

2.2 | NON-BASMATI VARIETIES:

Katarni Rice

This is another type of rice that is exported from India which is usually grown in Randhunipagal, Bhadshahbhog and Randhunipagal in West Bengal. Each of these varieties is purchased at such a higher price in the local markets.

These usually come in a form of PR 14, PR 106, PR11, IR14 and many other forms like steamed, milled raw, par-boiled, brown, sella- golden/white.

Ponni Varieties

Ponni varieties are also among those popular types of rice over a long-time, these have been widely cultivated in the state of Tamil Nadu in India and have been classified as a hybrid variety. Among those varieties of Ponni include Kalsar Ponni, Chella Ponni, Karnataka Ponni, Andra Ponni, Rice Ambai 16 and Swarna Masuri.



3 Rice Production in India

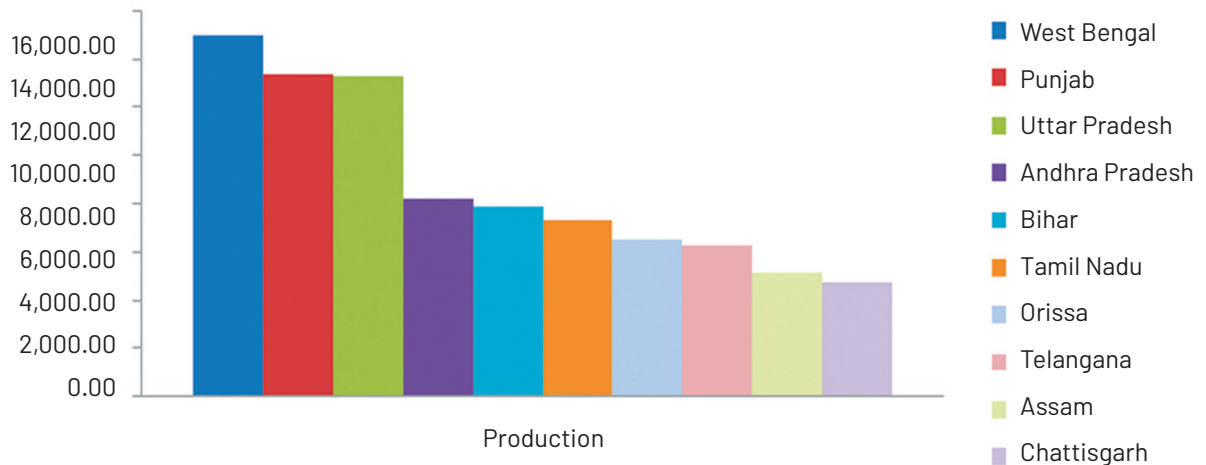
State wise Rice production in India for three years upto 2017-18 is shown in below Table

Table 1

INDIAN PRODUCTION OF RICE						Production (000 Tonnes)	
S.N	State/Year	2017-18		2016-17		2015-16	
		Production	Share(%)	Production	Share(%)	Production	Share(%)
1	West Bengal	14,970.00	13.26	15,300.00	13.95	15,750.00	15.1
2	Punjab	13,380.00	11.85	11,590.00	10.57	11,820.00	11.33
3	Uttar Pradesh	13,270.00	11.75	13,750.00	12.53	12,510.00	11.99
4	Andhra Pradesh	8,180.00	7.24	7,450.00	6.79	7,490.00	7.18
5	Bihar	7,910.00	7.01	8,240.00	7.51	6,490.00	6.22
6	Tamil Nadu	7,280.00	6.45	2,370.00	2.16	7,980.00	7.65
7	Orissa	6,530.00	5.78	8,330.00	7.59	5,880.00	5.64
8	Telangana	6,250.00	5.54	5,170.00	4.71	2,960.00	2.84
9	Assam	5,160.00	4.57	4,730.00	4.31	5,140.00	4.93
10	Chhattisgarh	4,730.00	4.19	8,050.00	7.34	6,090.00	5.84
11	Haryana	4,520.00	4	4,450.00	4.06	4,150.00	3.98
12	Madhya Pradesh	4,120.00	3.65	4,230.00	3.86	3,580.00	3.43
13	Others	16,610.00	14.71	16,040.00	14.62	14480	13.88

Source : APEDA

Figure-1:
State wise Rice production in 2017-18



As can be seen above, West Bengal stands as the highest producer of Rice in the country. However these figures do not represent fully marketable surpluses. The states of Punjab, Haryana and even Uttar Pradesh are wheat consumers and as such most of the Rice produced is available for exports to other states or to other countries.

There is also a criticism about distortion of cropping pattern happening with predominance of rice cultivation affecting:

- Bio diversity of crops is adversely

affected leading to mono culture

- High water consumption crops
- Producing more than country needs while we are short and importing others like oil seeds.

However, those aspects are not being taken as part of present report. There is no doubt that the cash flow from production and the export of rice is helping to improve the lives of Indian farmers, particularly those who live in Haryana, Punjab, Odisha, West Bengal and Jharkhand.



4 | Rice production in Telangana

Agriculture plays a pivotal role in the economy of Telangana and the better performance of this sector is vital for inclusive growth. Telangana went in for the Green Revolution in rice cultivation in the 1970s. There have been significant changes in the structure and performance of the agrarian economy in the state in the recent years. Telangana State is endowed with bountiful resources having good soils, diversified cropping pattern and major irrigation systems fed by rivers like Godavari and Krishna.

Telangana grows 27 important crops in Kharif and Rabi seasons put together covering an area of about 53.51 lakh ha.

The important crops grown are

- Rice (14.19) lakh ha,
- Maize (6.63) lakh ha,
- Pulses (6.11) lakh ha,
- Groundnut (1.89) lakh ha,
- Cotton (18.13) lakh ha,
- Chillies (0.83) lakh ha and
- Sugarcane (0.41) lakh ha.

The **table-1** shows that the share of Telangana State in total production of rice in the country has improved considerably from 2.84% in 2015-16 to 5.54% by 2017-18, doubling the production levels in a very short span of 3 years. With the completion of many major and minor irrigation projects in the State such as Devadula Project, Kaleswaram project etc and revival of many tanks in the State under Mission Kakatiya more than 60 Lakh acres of additional land was brought under irrigation. Availability of water coupled with 24x7 free power supplies to farmers contributed to substantial improvement in productivity and production of food grains and pulses.

5 Rice Exports from India

With the increased production of different types of paddy more than country's requirements, rice exports from India have seen a surge.

India is the leading exporter of the Basmati and Non-Basmati Rice to the global markets. The exports of both these varieties year wise for last 5 years is shown in Table-2 as well as in Figure -2. As shown in table-2, during 2015-16 the country has exported globally about 40.45 Lakh MT of Basmati Rice and 64.64 Lakh MT Non-Basmati rice for the worth of Rs. 22,719 crore and Rs. 15,483 crore

respectively. There is an upward trend in non-basmati rice exports till 2018-19 but registered a sharp decline in 2018-19 and 2019-20. The country has exported 50,40,704 MT of Non-Basmati Rice to the world worth Rs. 14,365 crore during the year 2019-20.

The Basmati rice exports have shown a persistent increase over the period 2015-16 to 2019-20.

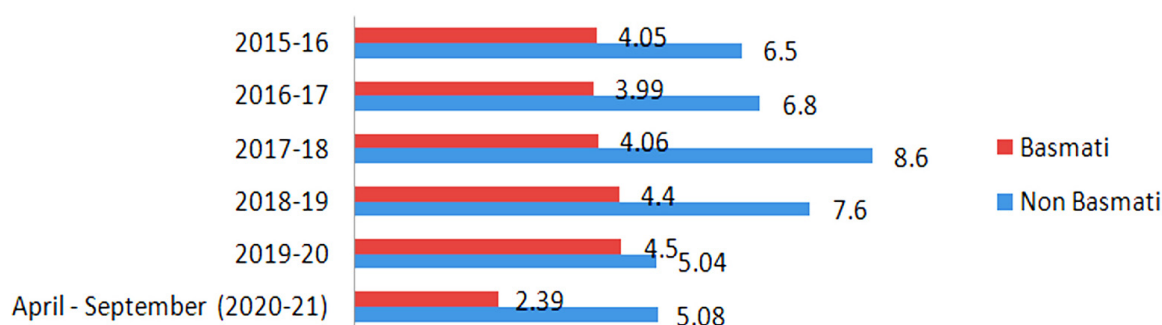
Table 2: Exports of Rice from India (Basmati and Non-Basmati)

Exports of Rice from India (Basmati and Non-Basmati) Qty In MT; Value in Rs. Crore				
Year	Non Basmati		Basmati	
	Quantity	Value	Quantity	Value
2015-16	64,64,570	15,483	40,45,822	22,719
2016-17	67,70,803	16,930	39,85,196	21,513
2017-18	86,48,487	22,968	40,56,759	26,870
2018-19	75,99,592	21,185	44,14,561	32,804
2019-20	50,40,704	14,365	44,54,616	31,026
2020-21 (April- September)	50,80,000	14,641	24,00,000	15,968

Source : APEDA

Figure-2:

Rice Exports from India (in Million Tons)



5.1 | EXPORTS DURING COVID PANDEMIC

Amid the Covid pandemic, India's rice exports registered an exponential growth of 70% to 7.5 million tons during the first 6 months of the current fiscal year mainly because of doubling of Non-basmati shipments backed by strong demand from countries in West Africa and South East Asia. In the H1 of this fiscal i.e., from April – September the Non-basmati shipments were at 5.08 million tonnes valued at Rs. 14,641 crore indicating 105 percent year-on-year (y-o-y) jump. The Non-Basmati export in the first half was higher than the export of 5.04 million tons during the whole of FY20.

The exports of Basmati rice during H1 were at 2.4 million tons valued at Rs.15,968 Crore registering 28% y-o-y

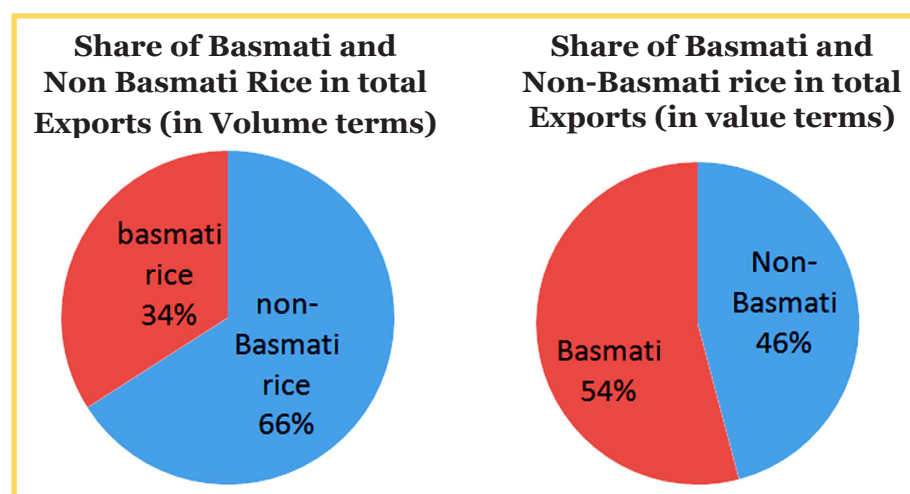
increase.

While the export volume has increased there is a decline in realization as unit price per ton has declined this year. The export price/ton of Basmati rice fell to \$890 in H1 FY21 from \$1064 a year ago while that of Non-Basmati dropped to \$385 from \$403².

5.2 | SHARE OF BASMATI AND NON-BASMATI RICE IN TOTAL RICE EXPORTS:

Share of basmati and Non-Basmati varieties both in value terms and volume terms is shown at Figure-3. Though the share of Non-basmati rice in total exports of rice is 66% its share in value terms is only 46% indicating that Basmati Rice is a high valued product due to its demand and quality in international markets and registered Geographical Indication (GI).

Figure-3: Share of Basmati Rice and Non-Basmati Rice varieties



5.3 | COUNTRY-WISE RICE EXPORTS FROM INDIA

Basmati Variety

The top 10 countries to which India exports Basmati rice are Saudi Arabia, Iran, UAE, Iraq, UK, Kuwait, Amen republic, USA, Oman and Qatar. The share of top 10 countries in the total basmati exports ranged from 80-85%.

²"Rice exports see a surge" dated 24th November, 2020, Financial express

The total exports of Basmati rice from India increased from 4.04 million tons in 2015-16 to 4.45 million tons in 2019-20 registering an average growth rate of 3.7 percent in the last five years. (Annexure 1)

Non-Basmati Varieties

The top countries to which India exports Non-Basmati rice are Senegal, Benin, Nepal, Cote D Ivoire, Guinea, Somalia, UAE, and Liberia. The share of top countries in the total Non-Basmati rice exports ranged from 40-50%.

The total export of Non-Basmati Rice from India is 6.46 million tons in 2015-16 and 5.04 million tons in 2019-20 registering a negative average growth rate of 8.26 percent in the last five years. (Annexure 2).



5.4 | STATE WISE RICE EXPORTS

Since Basmati rice is GI tagged, the production and exports are mainly from Punjab, Haryana and western parts of UP.

The non Basmati rice varieties are produced more widely and the states performance in the year 2019-20 is shown in Table -3.

Table-3: Share of Top Rice Exporting States (Non Basmati) for the year 2019-20

State	Export Quantity	Share
Andhra Pradesh	1,694,364	33.61
West Bengal	682,046	13.53
Bihar	299,894	5.95
Uttar Pradesh	240,043	4.76
Tamil Nadu	117,997	2.34
Orissa	31,204	0.62
Punjab	10,622	0.21
Telangana	10,425	0.21
India	5,040,704	

The data shows that Andhra Pradesh is the top rice exporter in non-basmati rice with 33.6% share in total exports followed by West Bengal, Bihar, UP, Tamil Nadu.

5.5 | RICE EXPORTS FROM TELANGANA:

Table 4: Exports of Rice from Telangana (Non-Basmati & Basmati)

Exports of Rice from Telangana (Non-Basmati) Qty In MT ; Value in Rs. Crore				
Year	Non Basmati		Basmati	
	Quantity	Value	Quantity	Value
2015-16	11,590	163	61	1
2016-17	12,856	173	60	1
2017-18	10,923	138	126	2
2018-19	11,927	157	191	3
2019-20	10,425	145	204	3
2020-21(Apl-Sep)	21,176	222	192	3

Source : APEDA

It can be seen that the export of basmati rice from Telangana State is negligible because the state do not cultivate basmati varieties as Basmati has Geographical Indication (GI).

Table: 5: Share of Telangana State in Total Non-Basmati Exports

Non Basmati Rice Exports, Year Wise (Qty In MT)			
Year	India	Telangana	% Share of Telangana
2015-16	64,64,570	11,590	0.18
2016-17	67,70,803	12,856	0.19
2017-18	86,48,487	10,923	0.13
2018-19	75,99,592	11,927	0.21
2019-20	50,40,704	10,425	0.21
2020-21(April- Sep)	50,80,000	21,176	0.42

Source : APEDA

Though Telangana occupies 8th position in Non-basmati rice production with 5.54% share in total production, its share in rice exports is negligible at 0.21% in 2019-20. The state recorded considerable growth in exports in the first half of 2020-21 along with overall exports from India due to Covid-19 crisis and due to drastic fall in exports from Thailand and Vietnam.

Objectives of Study:

Telangana State is one of the major rice producing states in India, but the State's share in total rice exports of Non-basmati remained at less than 0.5% over last 5 years. There is a huge jump in food grains production in the State as the area under irrigation has increased. Production of paddy was likely to be increased to 225 lakh tonnes in the two agricultural seasons in the year 2020-21. It was also stated by Hon'ble Chief Minister in the Assembly³ that the area under cultivation in the State in two seasons to go up from 78 lakh acres to one crore acres in the coming years due to execution of irrigation projects. The State will be in a position to not only meet local requirements but cultivate fine varieties of rice as the soils were fertile. The Professor Jayashankar Telangana State Agriculture University (PJTSAU) is also conducting research and developing variety of seeds. The university, recently, had developed a variety of rice whose consumption did not risk growth in blood sugar levels. Given the situation it is very imperative that the State should now concentrate on increasing the exports of rice.

The main objectives of this study on Rice Exports are:

- ✓ To explore the opportunities for increasing the rice exports from the state
- ✓ To understand the issues and problems faced by the Rice Exporters in the State
- ✓ To recommend to the government measures to be taken to improve the exports of rice from the State



7 | Challenges in Export of Rice from Telangana State:

Telangana State is a land locked state. Also, in Telangana, Rice consumption is predominant amongst people and each farmer retains substantial quantity for own consumption. Even the state has to procure its share required under Public Distribution System (PDS). Interaction with rice exporters threw light on various issues faced by them and removing / mitigating the challenges will lead to increase in rice exports from Telangana. It is to be noted that the exporters are not facing any problem in administrative procedures and getting licenses. The rice mills in the state are equipped with latest machinery and are efficient in handling rice milling.

The absence of Sea Port is the major limitation to increase the volumes of rice exports. This limitation can

be partly overcome by developing dry ports, increasing rail and road connectivity and developing infrastructure facilities across the state.

The challenges which exporters are facing are related to transportation cost, variety and quality of rice, standards to be adhered to for export, government procurement policy and implementation of Minimum Support Price. These are detailed below:

7.1 | HIGH TRANSPORTATION COST:

Since rice is a bulk material it has to be exported by rail / road and water transport only. Transportation to other countries necessarily should be by means of sea ports as road and railways are not permitted. Telangana being a land locked state carries the export trade from either JNPT,

Nhava Sheva Port (Mumbai), Chennai Port or Krishnapatnam Port (Andhra Pradesh).

Transporting the rice to designated port is costing the exporters and no concessions are offered by either CONCOR for railway freight or the State ICDs.

For example, CONCOR is offering discounts for other State ICDs like Tughlakabad, Dadri, Mandideep, Raipur, Whitefield, Madhosingh (UP), Kanpur,

Additional specific schemes are also on offer at various terminals like ICD Nagpur, ICD Khodiyar (Gujarat), ICD Milavittan (Tuticorin), MMLP Vishakhapatnam, ICD Kanpur, MMLP Kathuwas, ICD (Rajasthan), Aurangabad, ICD Tondirapet (Chennai), Ludhiana, Diwana (Panipat ICD), Pantnagar (Uttarakhand) etc.

7.2 | TERMINAL HANDLING CHARGES (THC):

The state exporters are paying terminal handling charges twice where as the exporters from other states is either paying very low or zero charges.

For example, terminal handling charges is zero for exports to Singapore from Chennai Sea Port but for consignments to be sent from ICD Sanathnagar or ICD Timmapur, Hyderabad the charges are very high at Rs: 9000 to 10,000 per container. Sometimes the exporters pay double the charges, first in ICD and then again at Sea Port making Telangana unattractive to rice exporters.

CONCOR is also charging extra for ICDs in Telangana for example when the exporters send the consignment directly to Chennai port for Singapore

shipment there is no THC (Terminal Handling Charges). When it is sent from Telangana dry port exporters need to pay THC which is additional cost. Also, for bringing empty containers for loading consignments and sending back, CONCOR is charging additional amount. Apart from this other charges are also added in Telangana Dry Port which Chennai Port does not. Ocean freight is charged as it is a dry port.

In simple terms per kg costing will be less if exporters load in trucks to Chennai port directly instead of CONCOR rail movement.

7.3 | PESTICIDES' RESIDUE IN RICE

Pesticides can prevent large crop losses and will therefore continue to play a role in agriculture. However, the effects on humans and the environment of exposure to pesticides are a continuing concern.

The use of pesticides to produce food, both to feed local populations and for export, should comply with good agricultural practices regardless of the economic status of a country. Farmers should limit the amount of pesticide used to the minimum necessary to protect their crops.

It is complained by the exporters of Telangana State that the rice cultivated by the farmers are containing pesticide residue at a much higher level than the permitted levels as per guidelines of respective countries. Already they are facing tough competition from Raipur as bulk business is exported from there for Long Grain parboiled rice to African countries and other countries and export of non-basmati rice from other states is also giving tough

competition to the state exporters.

7.4 | ARSENIC CONTAMINATION OF GROUND WATER:

The arsenic contamination of ground water in recent years is increasing affecting the crop quality and demand. Farmers are not aware of the contamination and the possible adverse health and crop impacts associated with Arsenic exposure via food chain contamination. Paddy is cultivated extensively in Telangana state using ground water, incentivized by government by supplying power freely. Extensive use of groundwater increased the adverse impact of arsenic (As) exposure and it is expressed by the rice traders and exporters that large multinational companies like Nestle were procuring rice from Telangana, but now stopped buying due to As contamination.

7.5 | MINIMUM SUPPORT PRICE FOR PADDY:

The Centre fixes the minimum support price for various agriculture commodities and price of paddy is also fixed and the same price is being paid by the State Governments at procurement centers.

Telangana government is implementing the MSP strictly and paying 100% to farmers. It is informed that many of the states are not implementing the MSP and allowing the market rate to be paid by the traders/exporters. For example, prevailing price of paddy is @Rs. 1880 per quintal in Telangana where as it is @Rs. 1660 in Karnataka. Due to this, the procurement price of rice in Telangana is higher than in other states such as UP, Orissa, Karnataka, West Bengal, Jharkhand etc. in UP

the price of Sona Masoori steamed rice variety comes at Rs25 to 26 per KG where as it is Rs30 to 32 in Telangana.

It is also informed that government is fixing the minimum support price (MSP) without taking into consideration the prices in international market making rice exports from India uncompetitive.

Due to high procurement price in the State the exporters are not coming to State and also the easy and assured money farmers are getting made them uninterested in exporting the rice.

7.6 | DISCONTINUATION OF MEIS SCHEME AND CHANGE IN EXPORT RULES BY DGFT:

Non-basmati rice exports fell significantly since discontinuation of Merchandise Exports from India Scheme (MEIS) by the Union Government in March 2019. Coupled with this are stringent rules set by DGFT vide its notification on 9th November 2019 for export of rice to EU that made merchant exporters de-motivated from taking the risk of exporting to EU given the high risk and costs involved.

Earlier merchant exporter would send a sampling letter to the approved EU lab along with sample of rice for EU. After inspection and approval, the same lot would be packed and exported. The cost for it was approximately INR 8000-INR 10000 depending on the lab. The total cost of inspection increased to INR 25000-INR 30000 per container. If EIC/EIA rejects the same, the bags cost would add on to the inspection and lab testing cost as rice need to be packed before inspection.

Many other countries are set to follow the pesticide testing pattern similar to EU, for instance, Saudi Arabia and this will significantly affect the exports of rice, both basmati and non-basmati from India. Such restrictions are bound to increase and not reduce considering their importance to protect consumer interest in their respective nations.

7.7 | CHALLENGES IN CONSIGNMENT REJECTION:

In case of the rejection of consignment, the exporter is facing with time taking procedure of obtaining various clearances and incurring huge expenses to get back his rejected consignment. It is a serious law in the system, a major de-motivating factor for exporters to enter the exporting trade. It was often difficult to obtain FSSAI Central License to get the clearance as the website does not work properly.

7.8 | LACK OF PARTICIPATION IN INTERNATIONAL EXHIBITIONS:

Government is not making any effort in 'Brand' creation and promotion of varieties of rice produced in Telangana State by participation in international Expos or taking business delegation to other countries. There is no proactive approach to encourage exporters to procure rice from Telangana State by offering discounts / subsidies / schemes. Lack of promotional activities is also one of the reasons for exporters not coming to TS.

'ChittiMuthyalau' variety of rice almost close to Basmati and this has good export potential if this is specifically promoted both in regard to production and export as unit cost of production is one and half times

that of the normal varieties. This is an ideal variety for exports as the margin between production and sale price would be larger than for other non-basmati varieties of rice.

7.9 | INFRASTRUCTURE FACILITIES:

The warehousing facilities need to be improved in the State and also small testing centers are to be set up in major towns across the State so that farmers/traders need not travel all the way to Hyderabad to get the samples tested.

Humidity levels of the warehouses should be consistent and monitored regularly to conform to the requirement of paddy crop and the output rice.

7.10 | SHIFT IN CULTIVATION OF PADDY VARIETY FROM LONG GRAIN TO SHORT GRAIN:

Government of Telangana is encouraging the paddy cultivators to shift from long grain paddy variety to short grain paddy variety named as "Telangana Sona". The objective is to increase the fine variety rice production in the state so that, the small grain can be distributed under Public Distribution System, but it is informed by the exporters that there is demand for only long grain rice in the international market and due to the shifting of Paddy variety the exports from Telangana may get affected adversely. To consider developing export zones in the state for growing specific varieties of non-basmati and basmati varieties of crop and it would be also easier to assist such farmers with better input management in such zones and extension officers would also provide crop specific and county specific inputs in such zones.

Opportunities for Increasing the Rice Exports from the State:

8

8.1 Recent phenomenon of China's import of rice from India for the first time in at least three decades declined. Tightening supplies from Thailand, Myanmar and Vietnam provide an opportunity for increasing the rice exports from Telangana. However, one cannot take it as regular opportunity. The export varieties to these nations should be such that the consumers in those countries, who are by habit eat rice with sticks, should get sticky rice. This is where ponni variety gains superior access over the others grown in Telangana.

8.2 Because of climatic changes, water availability in the world in many parts may reduce substantially. Rice, being a water intensive agriculture crop, will have potential opportunities. The Challenge to policy makers is reduction of imbalances in subsidy dispensation – free surface water, free power etc.

8.3 The Professor Jayashankar Telangana State Agriculture University (PJTSAU) developed a low Glycemic variety of rice, whose consumption did not risk growth in blood sugar levels. Government of Telangana may study the country specific requirements of rice variety and specialize in a variety to engage with those countries as a long-term export market and for expanding and creating a new market

for Telangana and by even entering into MoU's specifically for Export of such Rice varieties. A case in a study is how New Zealand developed 'Kiwi' fruit into an International product.

8.4 According to a study report, the potential new markets for Indian/Telangana rice exports could be countries like Egypt, Mexico, Malaysia, Indonesia, and Philippines. There is a good scope for India/Telangana to take advantage of the trade opportunities for promoting the export of rice to these markets. This can be achieved if production is made as per the requirements of international markets by increased investment in Research and Development, adhering to standards, coupled with export friendly trade policies.

8.5 Telangana State has about 2,000 rice mills. These can be modernized with some incentives and also should be given export permits to sell the produce elsewhere in the country reducing or removing from Levies etc. This will ensure rice millers to explore new markets as well as attract exporters.

With infrastructure and policy incentive support, Telangana rice exports could reach the top position benefitting farmers & exporters of the state.

9 | Recommendations

India's rice exports in the first ten months of 2020 totaled 11.95 million tons, up from 8.34 million tons a year earlier, according to data compiled by the Ministry of Commerce and Industry. Non-basmati rice exports jumped 61% from a year earlier to 7.6 million tons after prices jumped in the world's second biggest exporter Thailand, making Indian shipments attractive. But these upward trends may be temporary because the drought in Thailand and other reasons are temporary and once things are back to normal in these countries, India may have to struggle to improve its rice exports. However, market for Rice exports exists internationally.

Telangana State is becoming one of the important paddy producers of India and in the recent years the rice production in the State has increased by more than 20% Y-O-Y. Telangana contributed to 63 per cent of Food Corporation of India (FCI)'s total paddy procurement across the country till date; a record of sorts for the farmers of the State. With increase in land under irrigation, the rice production is going to increase further in the coming years. But, it is necessary to improve quality, productivity, Modern milling capacity, better testing, storage and handling infrastructure to effectively market to other countries and also to provide better income to farmers.

9.1 | IMPROVING PRICE COMPETITIVENESS

International markets are area agnostic for a product and always go by landed cost for that market for all commodities.

It is expressed by all the exporters unanimously that MSP implementation has added to distortion of Paddy market with artificially increasing the price of paddy. Further, new areas growing paddy with in the country like Chhattisgarh, Orissa, Jharkand, West Bengal, Bihar and UP etc., has added to high price variation amongst states. Unless the price disadvantage is addressed, low procurement of rice by exporters cannot increase.

It is strongly suggested to give subsidy to rice exporters to make the price on par with other states.

One way to address is that Government can also follow Taiwan model in implementing MSP, where in government buys paddy and auctions for the exporters to buy at market price. This system will reduce the burden on market variations but also in clearing the inventories.

9.2 | REDUCING/SUBSIDIZING TRANSPORT COST

Telangana State is a landlocked State and transport cost for shipment from nearest Port is costing high to the exporters. CONCOR subsidy scheme is extended in few dry ports in the country but is not given to ICD Sanathnagar. It should be implemented in TS also, and government must take it up with Railways for the same. Price competitiveness is the key to export marketing.

9.3 | REDUCING LOGISTICS COST: CONSTRUCTION OF DRY PORTS; GOODS SHEDS/GRAIN SILOS WITH BULK HANDLING FACILITIES & OTHER RELATED INFRASTRUCTURE

The two ICDs in Telangana are located in and around Hyderabad one in Sanathnagar, Hyderabad and another in Thimmapur, Mahaboobnagar Dist. Nizamabad and Karimnagar is emerging as major rice belt and both are more than 150 KMs away from Hyderabad.

To reduce the transport cost and tap rice procurement it is recommended to build ICD for bulk cargo handling so that grains can be directly loaded from Silo to rakes.

The proposed location can be nearer to people of Adilabad, Nizamabad, Karimnagar. Two suitable

locations for setting up ICD are identified – at Dichpally, Nizamabad District or Janakampet in Nizamabad District. Dichpally is connected to Outer Ring Road and has warehouse facilities. Janakampet also has readymade warehouse facilities

Setting up of ICD is most suitable for farmers of surrounding districts and also of Nanded region of Maharashtra. The transportation cost gets reduced substantially helping in increasing the export volumes.

Construction of Goods Shed at Nizamabad is also the need of the hour.

Train connectivity via Nizamabad and Aurangabad to Mumbai Port makes export-import activity in the region very attractive, boosts economic activities and strengthen the economy.

Warehousing facilities and facilities at market yards need to be improved. Quality Testing Labs are to be set up at major trading areas such as Nizamabad, Karimnagar and other rice growing areas. Training centers and Information Cells need to be established to guide the farmers on all market related activities.

9.4 | QUALITY IMPROVEMENT : PRODUCT COMPETITIVENESS

The farmers need to be educated about negative impact of both of health hazards and also reduced marketing opportunities due to quality. Some of these are

- ▶ Extensive usage of pesticides and higher pesticide residues.
- ▶ Extensive usage of Urea and other nutrients. Probably some areas can be earmarked for Organic paddy production.
- ▶ Adverse effects of early sowing or late sowing of seeds.

9.5 | BRAND BUILDING FOR TELANGANA RICE

Government is encouraging cultivation of small grain variety of paddy viz, 'Telangana Sona', and also PJTSAU had developed a low Glycemic variety of rice which is beneficial for diabetic patient. Government of Telangana may promote "Telangana Brand" for these varieties of rice to create demand in the international market.

The state representation in international fairs can be increased and business delegations to major rice exporting countries can be sponsored for Buyer Seller Meets to promote Telangana Brand. Extensive participation and promotion of State is the need of the hour. Government officials must also get involved in taking delegations and encourage businessmen to participate.

CONCLUSION

Rice exports from Telangana has a natural disadvantage of connectivity as compared to few other states of India, which can make a big difference in a bulk commodity business like rice which is a low margin export. However, by taking above measures, exports from Telangana can be made more viable.

Well-controlled irrigation systems with proper water, soil and fertilizer management could be seen as great environment equalizers. In the context of climate change such actions may keep Telangana as a distinct exporter compared to other states. Breeding programs could be tailor-made. As direct seeded rice almost certainly becomes the norm so will increased mechanization of both crop establishment and harvest. Because of increasing costs of labor due to MNREGS, mechanical transplant will take hold in several areas. There will be demand for varieties showing excellent early vigor and tolerance to herbicide applications. "The dual benefits addressing future climate change and the needs of today's poorest rice farmers should be seen as 'convenient convergence'.

Annexure-I - Country-wise Rice Exports from India (Basmati)

		2015-16		2016-17		2017-18		2018-19		2019-20		2020-21 (April-August)	
S No	Name of the Country	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore
1	Saudi Arab	9,48,848	5,494	8,09,343	4,495	7,92,480	5,343	8,67,741	6,549	9,74,125	6,788	4,31,053	2,967
2	Iran	6,95,310	3,724	7,16,582	3,778	8,77,422	5,830	14,83,698	10,790	13,19,155	8,846	3,20,466	2,056
3	U Arab Emts	6,12,155	3,111	6,14,657	3,142	4,29,326	2,821	2,82,378	2,055	2,08,519	1,487	1,27,777	878
4	Iraq	4,19,284	2,231	4,53,741	2,264	4,29,966	2,806	3,85,733	2,796	4,65,890	3,078	2,71,063	1,647
5	U K	1,87,702	933	1,50,537	681	1,80,508	1,028	1,11,925	748	1,15,713	736	84,413	514
6	Kuwait	1,80,732	1,377	1,62,676	1,002	1,66,874	1,146	1,54,748	1,231	1,97,104	1,426	79,714	573
7	Yemen Republic	1,42,161	731	1,30,653	692	1,67,688	1,038	2,01,927	1,465	2,03,330	1,389	1,42,186	907
8	U S A	1,20,687	862	1,08,991	753	1,26,791	960	1,35,608	1,181	1,48,391	1,285	96,267	787
9	Oman	1,05,252	610	83,153	506	78,083	578	87,831	673	74,354	539	41,066	291
10	QATAR			81,963	486	81,099	529	73,568	531			55,749	355
	Sub total	3,412,131	19,072	3,312,296	17,799	3,330,236	22,079	3,785,156	28,019	3,706,582	25,574	1,649,754	10,976
	Total exports from India	4,045,822	22,719	3,985,196	21,513	4,056,759	26,870	4,414,561	32,804	4,454,616	31,026	2,033,810	13,654
	Share of subtotal in Total	84.3	84.0	83.1	82.7	82.1	82.2	85.7	85.4	83.2	82.4	81.1	80.4
	Growth rate		8.49		-1.50		1.80		8.82		0.91		-54.34

Source: APEDA, Export statistics

Annexure-II : Country-Wise Rice Exports from India (Non-Basmati)

		2015-16		2016-17		2017-18		2018-19		2019-20		2020-21 (April-August)	
S No	Name of the Country	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore
1	Senegal	9,13,982	1,604	6,76,060	1,268	8,33,059	1,698	7,20,474	1,533	2,17,774	487	3,06,509	686
2	Benin	6,23,348	1,411	7,02,182	1,688	7,78,779	2,022	6,99,005	1,847	5,35,242	1,376	3,77,107	1,036
3	Nepal	5,34,139	1,270	5,83,734	1,408	6,23,933	1,546	7,70,113	1,966	6,78,665	1,735	3,68,421	899
4	Cote D Ivoire	4,48,982	985	3,75,025	832	3,98,490	959	4,38,090	1,149	2,93,892	762	2,53,396	692
5	Guinea	3,95,979	867	5,41,574	1,222	4,61,978	1,120	4,67,691	1,229	3,27,422	856	2,69,845	759
6	Somalia	2,69,099	605	3,54,677	817	3,28,257	808	3,26,919	843	3,46,059	872	1,68,013	432
7	U Arab Emnts	2,34,271	748	2,60,219	897	2,73,770	962	2,91,576	1,032	2,49,533	931	1,30,526	511
8	Liberia	2,10,682	481	2,52,382	608	2,64,154	644	3,01,112	818	2,19,852	566	1,48,213	420
	Sub total	3,630,482	7,970	3,745,852	8,740	3,962,420	9,759	4,014,981	10,418	2,868,438	7,585	2,022,029	5,434
	Total exports from India	6,464,570	15,483	6,770,803	16,930	8,648,487	22,968	7,599,592	21,185	5,040,704	14,365	3,941,515	11,570
	Share of subtotal in Total	56	51	55	52	46	42	53	49	57	53	51	47
	Growth rate	-27.99		4.74		27.73		-12.13		-33.67		-21.81	

Source: APEDA, Export statistics

Annexure-III - Top 5 Non-Basmati Exporting States in India (Qty in MT; Value in Rs. Crore)

		2015-16		2016-17		2017-18		2018-19		2019-20		2020-21 (April-August)	
		Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore
1	Andhra Pradesh	25,22,877	5,206	27,09,693	6,009	29,60,910	7,044	29,22,019	7,324	16,94,364	4,332	11,84,799	3,183
2	Gujarat	12,06,189	3,146	12,75,704	3,548	17,06,067	5,005	49,399	224	11,59,622	3,648	6,13,871	1,986
3	West Bengal	9,78,095	2,318	10,31,187	2,436	21,14,550	5,593	11,06,179	3,185	6,82,046	1,899	2,92,562	873
4	Maharashtra	7,43,990	1,894	7,59,345	1,966	8,93,413	2,375	28,640	101	6,57,463	1,802	4,45,278	1,265
5	Uttar Pradesh	3,26,692	965	2,73,019	837	8,05,83,360	846	465	1	2,40,043	690	92,312	272

Source: APEDA, Export statistics

Annexure-IV - Exports of Non Basmati Rice from Telangana to Top 5 countries

		2015-16		2016-17		2017-18		2018-19		2019-20		2020-21 (April-August)	
		Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore	Qty	Rs. Crore
1	Philippines	6644.7	102.54	6797.95	111.73	5986.26	98.31	6894.33	113.37	6109.98	104.35	6049.67	102.31
2	Vietnam Soc Rep	1394.26	22.23	1236.8	21.78	858.07	14.91	745	12.82	271.79	3.93	462.73	6.57
3	U S A	1382.1	10.86	834.73	6.93	1274.33	9.43	1515.08	11.67	1872.37	14.73	7125.4	46
4	Bangladesh Pr	215.09	4.4	276	4.3	413.59	5.66	776.38	9.82	1064.9	14.66	650	10.27
5	Singapore	156	0.37	1742.4	5.69	479	1.52	422.84	2.02	178.9	0.9	999.84	4.36

Source: APEDA, Export statistics



The Federation of Telangana Chambers of Commerce and Industry

Federation House, 11-6-841, Red Hills, Hyderabad-500004

Ph : 23395515 (8 lines) | e-mail : info@ftcci.in

Website : www.ftcci.in