



 **TRIDGE**

# **2020 Industry Report: Rice**

September 2020

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# Jasmine and Basmati Rice

The estimated global rice production and trade volume in 2020 is keep being lowered given tighter supplies from Thailand and Vietnam due to fewer crops harvested in the regions. Price of Jasmine rice, which is mainly produced in the SEA countries have risen accordingly compared to 2019, while the price of Basmati has remained relatively stable on the back of India's good yield of production due to optimal rains during monsoon season.

## India

- ✔ Basmati rice production this year is likely to be 7% higher than the last year's level at 8MT, given good rains and availability of farm hands
- ✔ Export market is gradually opening up with this year's new crop and the European countries badly affected by COVID-19 are placing orders.
- ✔ Price has remained relatively stable in the RS 850-1,000/kg during the fiscal year 2020

## Thailand

- ✔ Rice production of this year has been slashed due to the severe drought still in effect since 2019, resulting in 2020 export estimation to decrease to 6.5 MT combined with strong Baht currency.
- ✔ Jasmine rice on the other hand, has presented a strong +40.6% YoY growth from Jan-May period given robust demand for the premium crop
- ✔ Price has relatively increased on back of the strong demand and due to the Vietnamese rice export ban, which was held from March to April

## Vietnam

- ✔ Summer/Fall harvests were partially impacted by heavy rains but still on path to become the #2 export nation due to the tight supply in Thailand.
- ✔ Price was competitive due to the strong Baht in 1H20 but is slated to rise given strong demand on Vietnamese rice on back of COVID-19 and EVFTA.



Graph 1. Global Avocado Exports

# Contents

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## **Part I - Fragrant Rice Product information**

1.1 Types	5
1.2 Varieties	8
1.3 Grade Classification	10

## **Part II - Global Market Dynamics**

## **Part III - Recent developments by countries**

1.1 India	15
1.2 Thailand	16
1.3 Vietnam	17

## **Part VI - Sources**

## Part I

# Fragrant Rice Product information

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### 1.1 Types

### 1.2 Varieties

### 1.3 Grade Classification

# Fragrant Rice Product information

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In 2019, world rice production totaled 493.79 million M.T. in C.Y. 2019, including 42.88 million M.T. in Exchange. Rice is a staple food for more than 60 percent of the planet's inhabitants and accounts for more than 20 percent of the global population's calorie intake. Recent ups and downs in agricultural product prices have impacted the rice trade market, but fragrant rice has remained the world's highest-priced rice segment. Fragrant rice is a premium niche market, while in Asia and Africa, the primary demand for coarse rice trade is conducted through government procurements related to food policy and protection.

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## Types

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There are four types of rice traded globally: indica, japonica, fragrant, and glutinous. Indica rice is the dominant type of rice traded worldwide, accounting for almost 80 percent of global trade. Indica rice cooks dry, separate, and fluffy. It is grown mostly in tropical and sub-tropical areas. U.S. southern long and medium grain rice are considered indica. Japonica rice, which cooks moist and sticky, accounts for more than 10 percent of global trade and is typically grown in temperate climates. Japonica rice has a more rounded grain than indica. California medium grain rice is a japonica.

**Fragrant rice, primarily Thai jasmine and Basmati from India, account for almost 10 percent of global trade and sell at a premium to indica and japonica as premium long-grain rice. Fragrant rice is generally identified by three main factors: appearance, aroma, and taste. It is characterized as a superfine grain with a pleasant and subtle fragrance. It has a soft texture and extreme grain elongation with a breadthwise swelling that occurs with cooking.**

Their high value comes from the characteristic fragrance in both the raw and cooked states and for the grain's distinctive shape, which upon cooking elongates to almost double its length while its width remains the same. In addition to having a desirable taste and texture, Basmati and jasmine rice are a good source of slow-releasing carbohydrates, i.e., it has a low glycemic index compared with other rice. The best cropping conditions for jasmine are found in north and northeastern Thailand. Basmati rice has traditionally been grown in the north and northwestern part of the Indian sub-continent for centuries. Fragrant rice grows best and produces the best quality grains under warm, humid, and valley-like conditions. Because of the attractive price premiums, some stakeholders are prone to provide fragrant rice, not sourced from its genuine regions, and consequently offer consumers less aroma.

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## Jasmine Rice

Arguably the most common rice variety across Asia, the medium-grain rice stands out for its distinctive floral fragrance, which alludes to its sweet-smelling jasmine flower. Native to Thailand, the rice species is known as "Khao daw mali" in Thai, a literal translation to its English name. The white rice grains have a fluffy and slightly moist and sticky texture, which soaks up the spices and flavors of Asian stir-fried dishes and curries. The chemical compounds that give off a pandan-like aroma break down quickly, so its flavor fades over time.

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**Specification**

Description	Thai Rice Standard
Purity	92% min
Moisture	14% max
Whole Kernels	60% min
Broken (5.2 mm.)	4.5% max
Red kernels	0%
Yellow kernels	0.2% max
Chalky kernels	6% max
Damaged kernels	0.25% max
White Glutinous Rice	1.5% max
Undeveloped, Immature kernels, Other seeds, and Foreign Matter	0.2% max
Paddy (grain per 1 kg.)	7 grains
Milling Degree	Extra Well Milled



GRADES	SIZE OF BROKENS (PARTS)	WHOLE KERNERLS	TOTAL	BROKENS NOT REACHING THE MIN. SPECIFIED PARTS & NOT PASSIG THROUGH SIEVE NO.7	SMALL BROKENS C1	RED AND/OR UNDERMILLED KERNELS	YELLOW KERNELS	CHALKY KERNELS	DAMAGED KERNELS	WHITE GLUTINOUS RICE	UNDEVELOPED, IMMATURE KERNELS, OTHER SEEDS AND FOREIGN MATTER, SINGLY OR	PADDY (GRAINS PER 1 KG.)	MILLING DEGREE
<b>100% Grade A</b>	5.0-8.0	>=60.0	<=4.0	0	0	0	0	3	0	1.5	1.5	5	Extra well
<b>100% Grade B</b>	5.0-8.0	>=60.0	<=4.0	<=0.5	<=0.1	0	0.2	6	0.2	1.5	1.5	7	Extra well
<b>100% Grade C</b>	5.0-8.0	>=60.0	<=5.0	<=0.5	<=0.1	0	0.2	6	0.2	1.5	1.5	7	Extra well
<b>5%</b>	3.5-7.5	>=60.0	<=7.0	<=0.5	<=0.1	2	0.5	6	0.3	1.5	1.5	10	Well
<b>10%</b>	3.5-7.0	>=55.0	<=12.0	<=0.5	<=0.3	2	1	7	0.4	1.5	1.5	15	Well
<b>15%</b>	3.0-6.5	>=55.0	<=17.0	<=0.5	<=0.5	5	1	7	0.4	2.0	2.0	15	Reasonably well

Jasmine rice is grown primarily in Thailand (Thai hom mali or Thai fragrant rice), Cambodia (angkor kra'oup or Cambodian jasmine rice), Laos, and southern Vietnam. It is moist and soft in texture when cooked, with a slightly sweet flavor. The grains cling and are somewhat sticky when cooked, though less sticky than glutinous rice (*Oryza sativa* var. *glutinosa*), as it has less amylopectin. It is about three times stickier than American long-grain rice.

**Thai jasmine rice and Cambodian rice share many characteristics and grow mainly in neighboring geographic areas on opposite sides of the northeastern Thai-Cambodian border. Cambodian jasmine rice is cultivated in Cambodia and processed as white (milled and polished) and brown rice. Distinct Cambodian jasmine rice varieties include these three, phka rumduol, phka romeat, and phka rumdeng. Jasmine rice is also grown in Laos and southern Vietnam but is not the predominant rice variety in each country. Glutinous rice is grown in Laos, and regular *Oryza sativa* predominates in Vietnam.**

Thai jasmine rice from Thailand has a slender shape. The two types of Thai jasmine rice are white and brown. The vast majority of jasmine rice exported overseas to North America and Europe is Thai jasmine rice, with a small minority from Vietnam. In Thailand, it is thought that only Surin, Buriram, and Sisaket Provinces can produce high-quality Hom Mali.

## Basmati Rice

This long-grain white rice from India and Pakistan is commonly found in biryani and pilaf dishes, and it is also a trusty sidekick of curries. Basmati, which derives from the Sanskrit word for "fragrant," is also known for its fluffy texture. This is because each of the skinny grain remains separate from each other, allowing curries and sauces to coat each grain more extensively. Flavor-wise, basmati rice is light and nutty.

## Varieties

## Specification

VARIETY	TRADITIONAL WHITE BASMATI RICE 2%	TRADITIONAL BROWN BASMATI RICE 2%	TRADITIONAL PARBOILED BASMATI RICE 2%	PUSA WHITE BASMATI RICE 2%	PUSA BROWN BASMATI RICE 2%	PUSA PARBOILED BASMATI RICE 2%	1121 WHITE BASMATI RICE 2%	1121 PARBOILED BASMATI RICE 2%
Average pre-cook length (mm)	7.4	7.4	7.4	7.2	7.2	7.2	8	8
Min. L/B Ratio	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Max. Moisture content (%)	14	14	14	14	14	14	14	14
Max. Damaged Kernels (%)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Max. Chalky Grain and Black Kernels (%)	3	3	0.1	3	3	0.1	3	0.1
Max. Broken and Fragments (%)	2	2	2	2	2	2	2	2
Max. Foreign Matter (%)	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.1
Max. Other Grains (%)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Max. Other Rice Varieties (%)	5	5	5	5	5	5	5	5
Max. Under Milled and Red Striped (%)	2	2	2	2	2	2	2	2
Max. Paddy Grains (%)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Min. Elongation Ratio	1.7	1.7	1.5	1.7	1.7	1.5	1.7	1.5

Basmati rice is exported from India to many countries, especially to the Gulf and European countries. Recognizing its important role in India's economy, it has been reported that 24 districts of India have been declared as Basmati Export Zone from Uttar Pradesh, Uttaranchal, and Punjab. In Uttaranchal, districts exporting, including Udham Singh Nagar, Haridwar, Nainital, and Dehradun, have been made part of the Basmati Export Zone.

Basmati rice is one of the major exports of India. The values and quantities of Basmati rice are accounted for almost all rice exports from India. Major export markets of Indian basmati rice include Saudi Arabia, the United Arab Emirates (UAE),

and Iran, and about 70% of the export of basmati rice is for these three countries from India. Although the exports of basmati rice from India to Saudi Arabia, the UAE, the U.K., and the U.S. have decreased during the past few years, exports to Iran, Kuwait, Yemen, Jordan, Iraq, and the Netherlands have increased. This implies that not only the Middle Eastern countries have preferences towards basmati rice, but the preferences in wider countries seem to increase in recent years.

The areas with G.I. tag for Basmati rice production in India are in the states of Punjab, Haryana, Himachal Pradesh, Delhi, Uttarakhand, and Western Uttar Pradesh, and Jammu & Kashmir. The steady increase in the production of rice and the availability of buffer stocks, and the growing demand for basmati rice in the international market made India a vital rice exporting country of the world. As per the Seeds Act of 1996, a total of 29 varieties of Basmati Rice have been identified. Each variety is unique in its properties, flavor, texture, appearance, and nutrition.

<b>Pusa Basmati 1121</b>	Also known as Muchal Basmati, this variety of Basmati Rice has a long-tipped point. Slender in form, these rice grains are soft to the palate and usually used to cook Biryani and Pilaf. It is one of the most widely used types of Basmati Rice.
<b>Pusa Basmati 1</b>	The Pusa Basmati – 1 has extra-long rice grains accompanied by a pleasant aroma. When cooked, the kernel's volume expansion is four times its normal size. It is known for its easy digestibility.
<b>Ranbir Basmati</b>	Ranbir Basmati is a relatively old variety of rice that is widely consumed in Jammu & Kashmir and Dehradun. The grains are exceptionally long with an exceptional aroma and taste, which is why it is favored by the locals. Of the many types of Basmati rice, this one is popular among consumers in general.
<b>Basmati 386</b>	These rice grains are known to stretch to double its length when cooked. The Basmati 386 is a premium variety of Basmati rice, quite prevalent in the market.
<b>Taraori Basmati</b>	Also known as Karnal local, the Taraori Basmati rice variety is widely popular in the Taraori region. It is considered to be the oldest Basmati rice variety to be cultivated since 1933. Generally used to cook Pilaf, the long-grain rice is aromatic and an available option for weddings and events.
<b>Basmati 217plit</b>	Of the different types of Basmati Rice available in India, the Basmati 217 is one of the newest. It is highly valued for its exquisite taste and rich aroma. The grains of the Basmati are extra-long and superfine.

## Grade Classification

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Grades of rice are generally classified into 3-grade categories, as per Indian government notified standards (also followed in other countries):

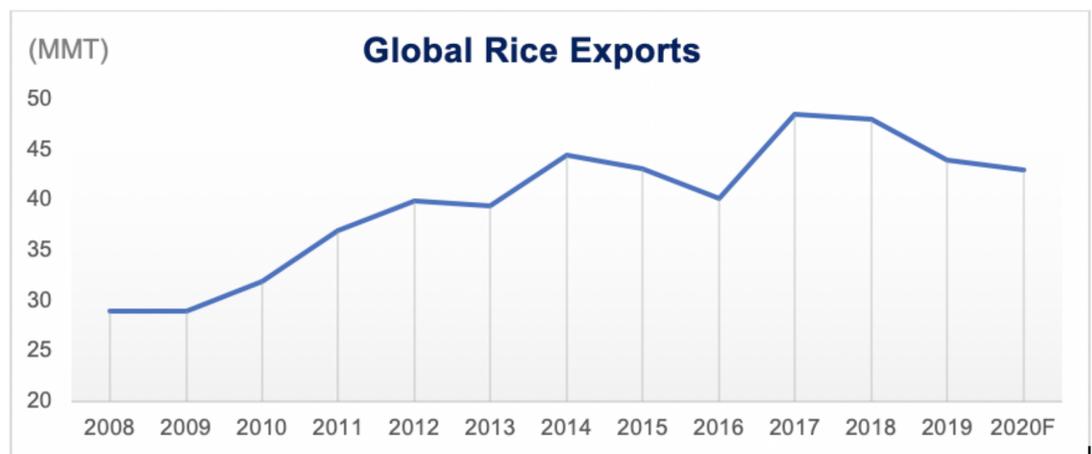
- ✔ **Common variety**  
Shape: Oval  
The ratio of length & thickness is <2.5
  - ✔ **Fine variety**  
Rice grain is < 6mm length,  
The ratio of length & thickness is in b/w 2.5 to 3  
Rice grain length 4.5 mm with the ratio of length & thickness as 2.0 to 2.5
  - ✔ **Superfine variety**  
Length of the rice grain is <6mm  
The ratio of length and thickness is <3.0
  - ✔ **Grades of rice are also based on % of full grain with %age of broken.**
  - ✔ **Premium grade à 95% full grain.**
  - ✔ **1st grade à 85% full grain.**
  - ✔ **2nd grade à 75% full grain.**
  - ✔ **3rd grade à 65% full grain**
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Part II

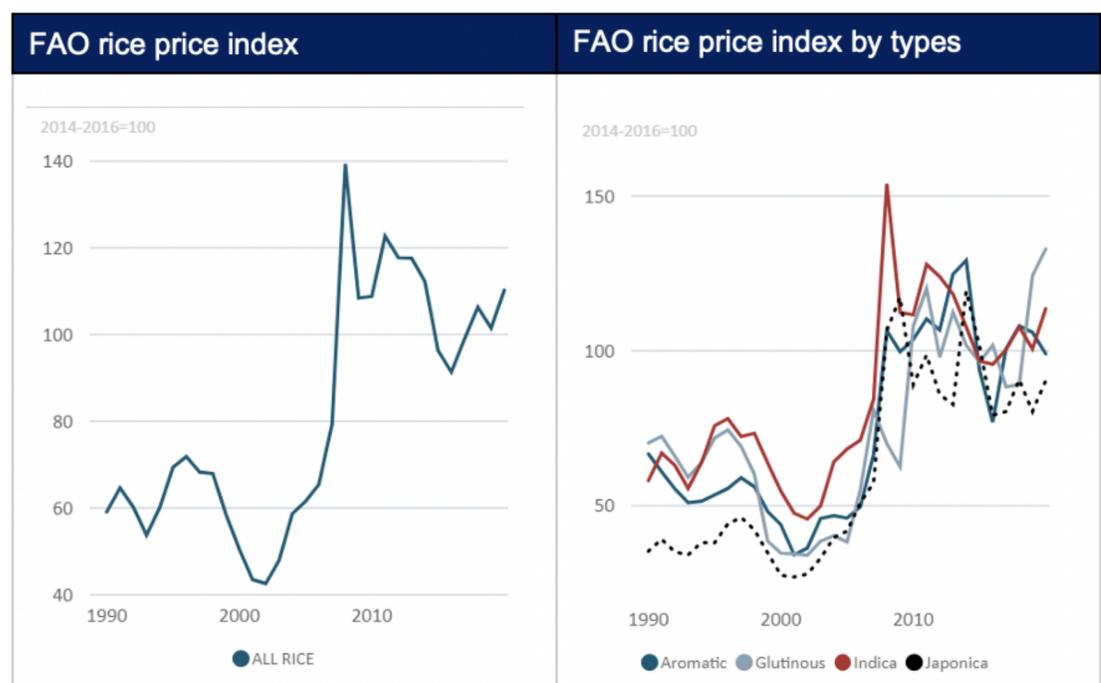
# Global Market Dynamics

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# Global Market Dynamics



The estimated global rice production in 2020 is keep being lowered given fewer crops harvested in Vietnam and Thailand, and the estimated global trade is also being affected by tighter supplies from Thailand and Vietnam, combined with the export restrictions at the beginning of the COVID-19 pandemic from a few countries. Resultingly, the overall price of rice- indica, aromatic, japonica, and glutinous combined- has increased compared to 2019, as shown in the FAO all rice price index below. Global trade is also expected to contract with reduced imports by the Philippines, Nigeria, and Cote d'Ivoire as major exporters Thailand and Vietnam face tighter supplies.

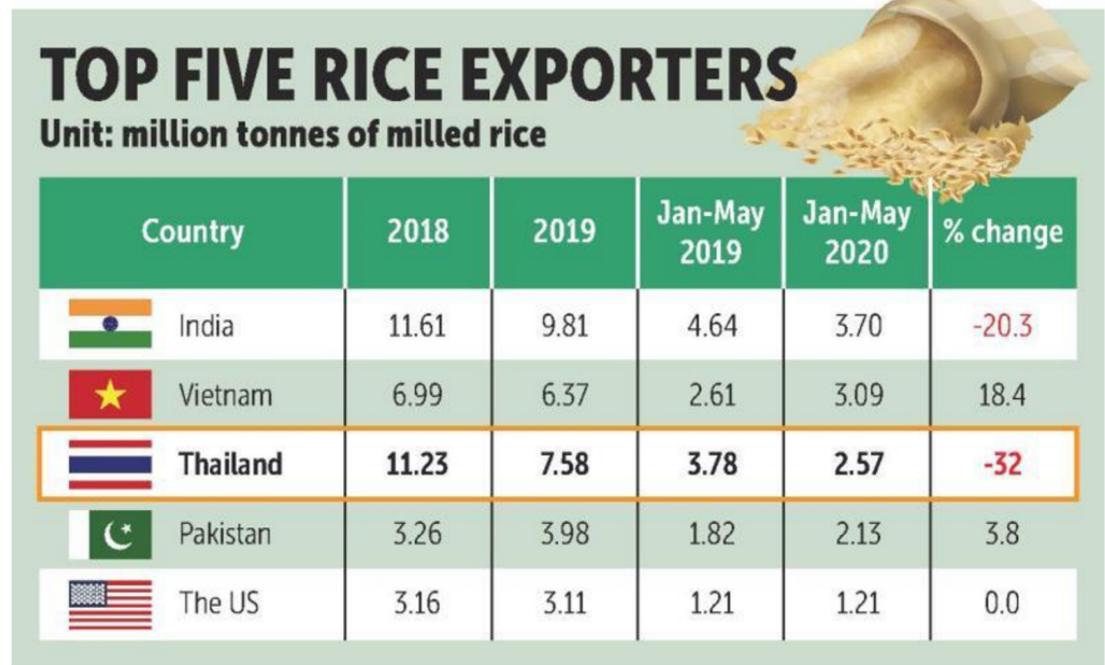


Source: FAO

The exporter with the sharpest decline is Thailand. Exportable supplies have been limited by a poor Thai crop, which was affected by drought. Thai prices had been consistently higher than its regional competitors until recently, although Thai exports did have a brief window of opportunity when Vietnam, Cambodia, and Burma instituted export bans and quotas in the spring. With these restrictions having lasted only a couple of months, Thai exports have since faltered following these

competitors' re-entry into the market. Thailand's rice exporters association has slashed its forecast for 2020 exports to 6.5 million tonnes, the lowest volume in two decades, owing to drought and unfavorable currency.

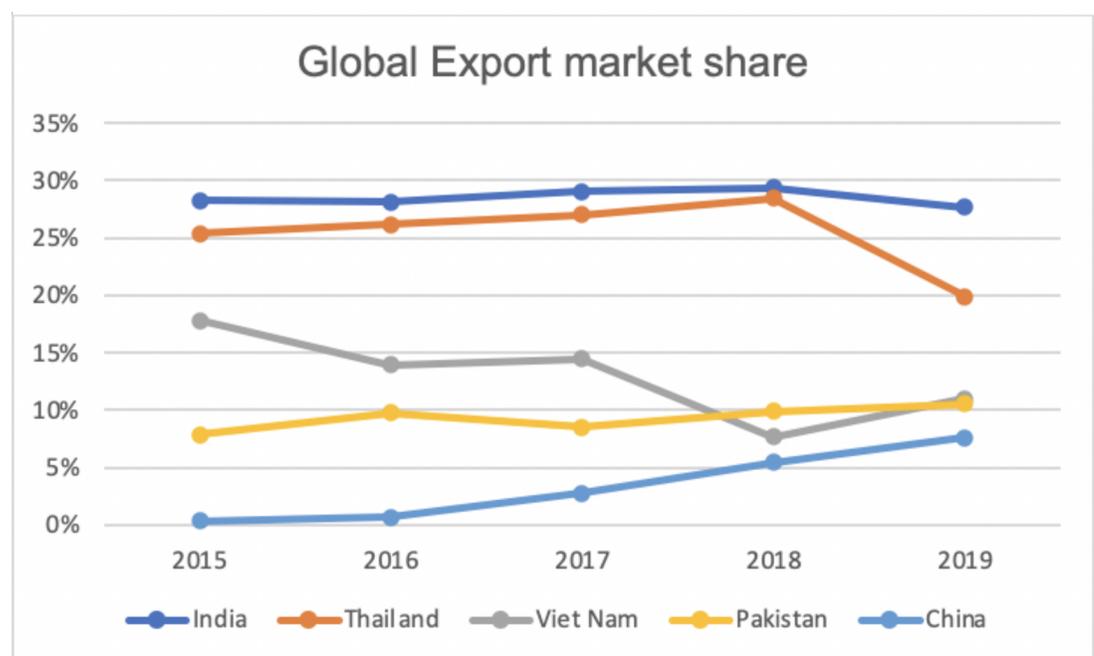
Thailand is forecast to export only 6.5 million metric tons (MMT) in 2020, its lowest since 1998. Vietnam is now projected as the second-largest global exporter, despite its ban earlier in the year.



Source: Thai Rice Exporters Association

BANGKOK POST GRAPHICS

Meanwhile, global import demand has weakened, most notably in West Africa, in response to relatively high world prices. Nigeria is forecast to import a little more than half of what it did in 2019. Cote d'Ivoire, a major regional importer, and re-exporter are expected to import about a quarter less rice than last year. As global prices have soared, Cote d'Ivoire has relied on its existing stocks and other staple crops, such as cassava, instead of importing new rice. China's imports have also remained sluggish in 2020 amid ample domestic supplies and earlier export restrictions by some trading partners. Likewise, Indonesia's imports are forecast to remain relatively low due to a large crop.



## Part III

# Recent Market developments

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### 3.1 India

### 3.2 Thailand

### 3.3 Vietnam

## India

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### Production

The harvest season for rice in India is conducted from November to June, although exports are available throughout the year, with the main variety being the Basmati rice. The harvest for rice in general in 2019/2020 was at a record number of 117.94 million M.T., which, combined with optimal rains during the monsoon season and good export prices, have encouraged producers to cultivate more rice. According to government data, planting areas increased by 26% compared to last year. On the back of this, India's Basmati rice production this year is also likely to be 7% higher than last year's level at 8 million tonnes, according to a rice exporters' association, given good rains and availability of farmhands during the sowing period. It was once feared that the exodus of migrant workers after the COVID-19 outbreak would slow down sowing and lead to lower production, but sowing was completed with the help of local laborers and the migrant workers who returned after lockdown measures were eased.

### Export & price

India's exports of non-basmati rice in the first two months of FY21 has jumped 52.5% to 11.13 lakh tonnes from 7.3 lakh tonnes in the same period of FY20. Africa has emerged as the major buyer of non-basmati rice, and exporters are hoping volumes will increase further when Bangladesh starts importing this variety. According to the All India Rice Exporters Association, Africa depends on India for rice supply this year as Thai rice prices have skyrocketed. Non-basmati rice will do well this year.

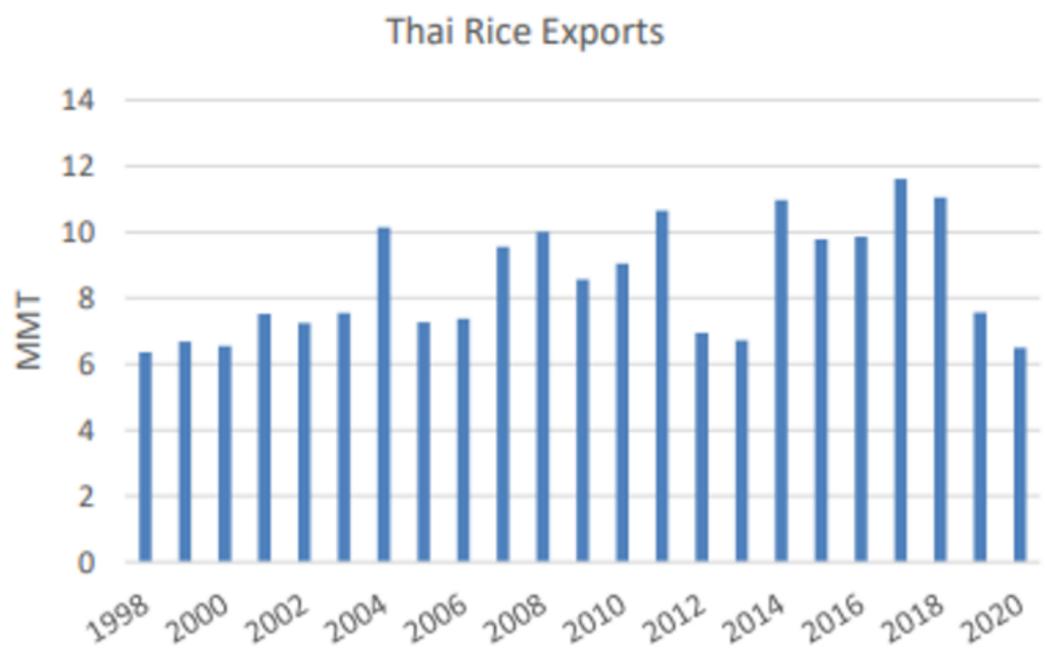
As for the price, India generally has the lowest price for rice out of the top three exporters (India, Thailand, and Vietnam- 5% broken rice was at USD 377-382 per M.T. in mid-July with the increase in production. This year, India signed a deal with Malaysia to export 100K M.T. of rice, which is almost twice as much as the usual volume, mainly due to its low prices. The country has also witnessed an increase in demand from Africa recently as countries increased purchases to ensure supply during the pandemic.

In terms of the Basmati rice, India exports 4.4-4.5 million tonnes of basmati rice every year, the major chunk of which goes to Iran. According to the All India Rice Exporters Association, India has stopped shipments to Iran as exporters are not taking any new orders. Basmati rice will start arriving in the market from September when buyers from overseas markets start placing orders for the new crop. As of now, the countries which need basmati rice immediately are placing orders. Some European countries that have been badly affected due to COVID-19 are placing orders with India basmati rice exporters. For instance, Italy is buying good volumes from India, and London is also importing basmati rice. The export markets are gradually opening up. Prices of common basmati varieties have remained firm in the Rs 850-1,000 per kg range during the fiscal year 2020.

# Thailand

## Production & exports

In Thailand, rice harvest is conducted both yearly and quarterly, with the main rice varieties being White rice, Hom Mali rice, and Jasmine rice. For the annual harvest, the beginning of the season starts around December to January, while for the quarterly rice, the season comes every 3 to 4 months. The Jasmine variety is mainly exported to Asian countries such as Hong Kong and Singapore, while White, Hom Mali, and broken rice are sold primarily to African countries. Production for this season decreased due to a drought that has slashed 2020 exports to 6.5 million tons, the lowest volume in two decades, which was also impacted by a strong baht currency. Exports have also fallen due to the rising demand for domestic rises due to food hoarding during the COVID-19 lockdown early this year, which has pushed up the price.



Source: USDA

THAI RICE EXPORTS CATEGORISED BY TYPE					
Type	2018	2019	Jan-May 2019	Jan-May 2020	% change
White	5,927,940	3,213,364	1,703,136	963,227	-43.4
Hom mali	1,665,658	1,410,833	627,578	707,293	12.7
Fragrant	451,162	513,371	225,951	317,673	40.6
Parboiled	2,801,53	2,230,666	1,098,078	471,389	-57.1
Glutinous	385,878	215,421	124,650	114,796	-7.9
Total	11,232,176	7,583,654	3,779,394	2,574,374	-31.9
Total (Value: billion baht)	182	131	62.4	54.2	-13.2

Source: Thai Rice Exporters Association

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However, it is worth noting that exports of fragrant rice, which includes Jasmine rice presented a strong +40.6% year on year growth from January to May this year despite the highest pricing in 20 years given a robust demand for the crop.

## Price Trends

The global price of rice had been on a downward trend before the outbreak since the market was being flooded by India, Thailand, and Vietnam as well as new production sources such as Myanmar and Cambodia. The price of good quality rice from Thailand, meanwhile, was higher than its competitors because yields have been hit by an ongoing drought that began in the second season of 2018. The baht's strengthening against the dollar and other currencies had also affected the relative pricing of the Thai rice and hit the competitiveness of Thai rice exports.

The Covid-19 outbreak has upset the balance of demand and supply in the global rice market, as importing countries seek more rice to build their reserves for emergencies, resulting in the price increase of rice. The price has further risen sharply in March after Vietnam placed restrictions on rice exporters and India maintained strict lockdown measures resulting in the deadlock of the rice export supply chain. In Thailand, measures to restrict movement had affected some supply chains for rice exports but not to the point where it is no longer fulfilling orders from exporters. However, the supply of Thai rice products in the market has decreased, which has lifted global prices. Due to the Vietnamese rice export ban in place from March to April, 5% broken Thai rice witnessed increased demand and high prices at USD 560 - 570 in early April. Purchases of Premium Thai Jasmine rice rose by 63% from stockpiling in countries such as Hong Kong, Singapore, and the U.S.

However, in mid-July, 5% broken rice in Thailand was priced at USD 440-455, the lowest level since the end of February. While this is accredited to suppliers selling their old stocks in anticipation of the upcoming quarterly harvest, it was also affected by a decrease in demand given the panic buying and the weak baht.

## Vietnam

Vietnam is one of the world's richest agricultural regions and is the third-largest (after India and Thailand) exporter worldwide and the world's seventh-largest consumer of rice. The Mekong Delta is the heart of the country's rice-producing region where water, boats, houses, and markets coexist to produce a generous harvest of rice. Vietnam's land area of 33 million hectares has three ecosystems that dictate rice culture. These are the southern delta, the northern delta, and the highlands of the north. Southern Delta is the region where the Mekong Delta is dominating rice coverage, the north delta is the tropical monsoon area with cold winters, and the north is the one with upland rice varieties. The most prominent irrigated rice system in the Mekong Delta.

## Production & Exports

Although the summer and fall harvests in Vietnam this year were partially impacted by the heavy rains in the Mekong Delta area where approximately 50% of the rice is produced, Vietnam is set to become the second-largest rice exporter in 2020, given strong exports in the first half of the year. This is partly due to the severe drought witnessed in Thailand, the number 2 export nation, and strong baht, which led to less price competitiveness for the Thailand crops. Most notably, Vietnam benefited from both Thailand's lackluster performance in Africa and the Philippines' liberalizing its

rice import structure in 2019. The Philippines received 40% of Vietnam's exports in May and 20% in June.

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### **Price Trends**

Another reason for the country's strong performance in the first half was a competitive price. According to S&P Global Platts, assessment of Vietnamese 5% broken white rice averaged a \$65/mt discount to Thai 5% broken white rice in the first half. However, Vietnam's price advantage over Thailand has waned in recent weeks due to tightening Vietnamese stocks, and Vietnamese 5% broken white rice was assessed above Thai 5% broken white rice for the first time since December 2018 on Aug 3.

Vietnamese rice price is expected to increase further in the second half given the aftermath COVID-19 and the EVFTA. The advantage of availability and fast delivery in the context of COVID-19 is helping Vietnamese rice to be prioritized by importers. The EVFTA Agreement, which took effect from Aug 1, has had a positive impact on the rice industry because the COVID-19 epidemic is still complicated, and the demand for rice of the world is on the rise. In terms of fragrant Vietnamese rice, the crops are now subject to 0% tax incentives with a quota of 80,000 tons per year with the agreement in effect to the European Union, so the demand is lifting up the price.

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### **Vietnam - EVFTA in effect**

Vietnam is one of the world's richest agricultural regions and is the third-largest (after India and Thailand) exporter worldwide and the world's seventh-largest consumer of rice. The Mekong Delta is the heard of the country's rice-producing region where water, boats, houses, and markets coexist to produce a generous harvest of rice. Vietnam's land area of 33 million hectares has three ecosystems that dictate rice culture. These are the southern delta, the northern delta, and the highlands of the north. Southern Delta is the region where the Mekong Delta is dominating rice coverage, the north delta is the tropical monsoon area with cold winters, and the north is the one with upland rice varieties. The most prominent irrigated rice system in the Mekong Delta.

## Part V

# Sources

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