

Pakistan's Rice Sector

Authored By

Muhammad Mubasal
Economic Analyst

Introduction

Pakistan's rice sector has emerged as a significant contributor to the country's agricultural economy and export earnings. Based on the June 2024 USDA Foreign Agricultural Service report, Pakistan has achieved record production and exports for rice, positioning the country as a major player in global rice markets. This paper analyzes recent developments in Pakistan's rice industry, focusing on production trends, export performance, consumption patterns, and policy implications. The analysis highlights the factors driving remarkable growth in the 2023/24 and 2024/25 marketing years and examines the challenges and opportunities facing the sector.

Production Trends

Record Production Levels

Pakistan's rice production has shown remarkable growth in recent years, with the 2024/25 forecast increased to a record 10 million metric tons (MMT), up from the previous forecast of 9.5 MMT. This follows another record year in 2023/24, when production reached 9.86 MMT. The consistent upward trend in production represents a significant achievement for Pakistan's agricultural sector, especially considering the setback from flood damage in the 2022/23 crop year.

Factors Driving Production Growth

The expansion of rice production in Pakistan can be attributed to several interconnected factors. Primarily, the adoption of hybrid seed varieties has been a key driver of yield improvements, allowing farmers to substantially increase output per hectare. The yield for rough rice increased from 3.681 MT/HA in 2022/23 to an impressive 4.089 MT/HA in 2023/24. While there is a slight projected decrease to 3.948 MT/HA in 2024/25, this still represents a yield significantly above historical averages.

Rice cultivation has also become more economically attractive compared to alternative crops. This favorable economic positioning has encouraged farmers to expand planted area, which increased from 2,975,000 hectares in 2022/23 to 3,617,000 hectares in 2023/24, with a forecast of 3,800,000 hectares for 2024/25. This represents a substantial 27.7% increase in cultivated area over this three-year period.

Good planting conditions and adequate irrigation water supplies throughout growing seasons have created an ideal environment for rice cultivation. The USDA report emphasizes that the beginning and extent of summer rains will be critical in determining the final output of the current crop, with the monsoon season typically starting in early July and continuing until September. This highlights the continued importance of weather patterns for production outcomes, despite improvements in irrigation infrastructure.

Digital Transformation and E-Commerce Landscape

Record-Breaking Exports

Pakistan's rice exports have reached unprecedented levels, with the 2023/24 rice export estimate increased from 5.9 MMT to a record 6.3 MMT. This remarkable export performance can be attributed to four main factors:

First, the record harvest has created a large exportable surplus, with Pakistan traditionally exporting 55-60% of its rice production. Second, despite rising prices, Pakistani rice has remained competitive in global markets, with export price increases actually enhancing revenue. Third, India's export ban created additional market opportunities for Pakistani exporters, allowing them to fill supply gaps in various markets. Fourth, increased demand from key markets, particularly in Southeast Asia, has boosted overall export volumes.

Export Destinations and Market Diversification

Pakistan has successfully diversified its export markets in the 2023/24 marketing year. Indonesia emerged as the single largest market, representing a significant shift in export patterns. West African countries (Senegal, Mali, Ivory Coast, Gambia, Madagascar) and East African nations (Kenya, Rwanda, Tanzania) have become consistent buyers, establishing Pakistan as an important supplier to the African continent.

The Gulf region and European Union continue to be important export destinations for Pakistani rice, particularly for higher-quality varieties. Interestingly, despite being a significant market previously, exports to China decreased during 2023/24. The report indicates that local rice exporters are focusing on rejuvenating shipments to China to counter any slowdown in other regular markets, particularly targeting the non-basmati, lower grade, higher-percentage broken rice categories destined for animal feed in the Chinese market.

Export Composition and Price Trends

During the first seven months of the 2023/24 marketing year (November 2023 to May 2024), Pakistan exported approximately 4.53 MMT of rice. This volume was composed of about 487,650 metric tons of basmati rice and around 4.04 million metric tons of non-basmati varieties, showing the dominance of non-basmati rice in Pakistan's export portfolio.

Rice export prices have shown significant appreciation, contributing to export revenue growth. As of mid-June 2024, 5% broken white rice was priced at approximately \$640 per ton, up from \$465 a year earlier, representing a 37.6% increase. Similarly, parboiled rice reached \$680 per ton, up from \$486 a year earlier, marking a 40% price increase. These price increases reflect both the strong global demand for rice and the supply constraints in other exporting countries.

Consumption Patterns and Domestic Market

Unlike many Asian countries, rice is not the staple food crop in Pakistan, with wheat being the preferred staple. Typically, only 40–45% of the rice crop is consumed domestically, with the remainder exported. This consumption pattern creates a natural export orientation for the sector and reduces domestic price sensitivity compared to wheat.

Local consumers prefer higher-priced Basmati rice if they can afford it, reflecting a preference for quality and taste over price for those with sufficient purchasing power. Additionally, approximately 200,000 tons of 40–100% broken rice is used annually in poultry and animal feed, providing an outlet for lower-quality rice that would otherwise be difficult to market.

Domestic retail price data reveals interesting trends over the past year. Basmati rice prices remained relatively stable until March 2024 but began declining in April. Medium-long grain prices rose from June to August 2023 and then stabilized through May 2024. These price movements reflect both domestic supply conditions and the influence of global market trends on local prices.

Market Infrastructure and Development

The growth of Pakistan's rice sector has been supported by improvements in market infrastructure and development initiatives. The Rice Exporters Association of Pakistan (REAP) has implemented effective marketing strategies to promote Pakistani rice globally, helping to establish the country's reputation as a reliable supplier. These efforts have been particularly important for accessing new markets and maintaining presence in existing ones.

Enhancements in transport and storage infrastructure have facilitated more efficient handling of larger rice volumes, reducing post-harvest losses and improving delivery reliability. The increased use of dryers has improved quality consistency, addressing one of the historical challenges for Pakistani rice exports. These infrastructure improvements have been crucial in enabling the sector to handle the increased production and export volumes observed in recent years.

Future Outlook and Challenges

Despite record production projected for 2024/25, exports are forecast at 5.6 million tons, down from 6.3 MMT in 2023/24. This anticipated decline reflects the expectation that the extraordinary circumstances that boosted exports in 2023/24, particularly India's export ban, may not persist. The report suggests that while demand from Southeast Asia and West Africa is expected to remain robust, overall market conditions may normalize.

The final output for the 2024/25 crop will depend critically on the timing and extent of the monsoon season from July through September. Adequate rainfall during this period is essential for maximizing yields, particularly in areas with less reliable irrigation

infrastructure. Maintaining favorable economics compared to alternative crops will also be essential for continued area expansion, especially considering the recent volatility in global agricultural markets.

Moreover, India has implemented restrictions on certain rice varieties to control domestic prices and ensure food security, creating a market gap that Pakistan could potentially fill. Pakistani exporters have an opportunity to increase their share in international rice markets, especially in regions where Indian rice was previously dominant, by capitalizing on competitive pricing and ensuring quality standards. Changes in competitive positions, particularly if India returns to normal export levels, could affect Pakistan's export performance in the coming year. This underscores the importance of market diversification and continued improvements in quality and efficiency to maintain competitiveness.

Policy Implications

The success of Pakistan's rice sector offers several important policy considerations. Continued investment in research and development, particularly for high-yielding varieties suited to local conditions, will be crucial for maintaining productivity growth. Public-private partnerships in agricultural research could accelerate innovation and adoption of improved practices.

Export market diversification remains a strategic priority. While focusing on rejuvenating exports to China, maintaining strong relationships with newer markets will help mitigate risks associated with concentration in specific regions. Government support for trade missions and participation in international food exhibitions could help maintain momentum in market development.

Opportunities exist to increase the proportion of higher-value rice exports, particularly in the premium Basmati segment. Value addition through improved processing, packaging, and branding could enhance export revenues even if volumes remain stable or decline slightly. Further improvements in post-harvest handling, processing, and logistics could reduce costs and enhance competitiveness in international markets.

Conclusion

Pakistan's rice sector has achieved remarkable growth in recent years, setting records in both production and exports. The combination of favorable growing conditions, adoption of hybrid varieties, and strong international demand has positioned Pakistan as a major global rice supplier. The extraordinary export performance of 2023/24, while potentially not fully replicable in 2024/25, demonstrates the sector's capability to respond to global market opportunities.

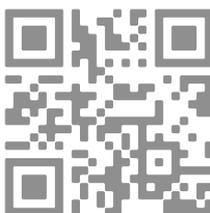
With continued investment in productivity and quality improvements, along with strategic market development efforts, Pakistan's rice industry is well-positioned for sustainable growth in the years ahead. The sector's success also offers valuable lessons for other agricultural commodities in Pakistan, highlighting the importance of genetic improvements, market-oriented production, and export infrastructure in driving agricultural growth and foreign exchange earnings.

Contact

ECONOMIC POLICY
& BUSINESS DEVELOPMENT

051 8840099 | 051 8840019

Pakistan
www.epbd.com



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