

High ocean freight may lead to slow start in rice exports

After record exports of around 12 million tonnes (mt) of non-basmati rice during 2020-21, exporters are confident of sustaining the trend this fiscal. However, they see a slower start to the shipments in current fiscal as buyers have turned cautious over the sharp increase in freight rates.

In the new financial year, the shipment trends witnessed in last year as the supply issues are seen continuing in other major producing countries. However, with the rise in freight rates, buyers adopting a wait-and-watch stance. As a result, there will be a slower start to shipments.

Ocean freight rates have moved up by 50-60 per cent for both container and break bulk cargo, due to which the share of freight costs in the total product cost of rice has increased significantly. The demand continues to be there for the Indian rice as the supply issues are seen continuing in the other origins. Though there's an improved crop in Myanmar, exporters are seen facing challenges due to the prevailing political situation. Also a weaker Indian currency is seen aiding the country's exporters.

The availability of rice for exports in the country was likely to be lower as the Government has stepped up the procurement. India — with total exports of around 16 mt — has been the largest player in the world rice trade estimated at 50 million tonnes.

Basmati exports

Basmati rice exports are estimated to be between 4.5 and 4.6 mt. Basmati rice exports, which had registered a growth of around 16 per cent in volumes till December, slowed down in January-February period due to shortage of containers and also due to higher ocean freight rates. As a result, the trade expect an overall growth in shipments to be marginal at around 1 per cent over 2019-20. About 90 per cent of the basmati shipments are done through containers.

Source: Business Line